

Franchise Renewal – What's New, What's Old, What You Need to be Doing

Jeff Lueders

Cable Communications & Franchise Services Manager
City of Tacoma, Washington

Agenda

- Negotiation team
- History of process
- Documents to be considered
 - Comcast Franchise renewal
 - Includes separate letter agreement
 - Click! Cable Agreement renewal
 - New CityNet Agreement
- Key provisions in documents
- Overview of documents
- Recommendations

Negotiation Teams

- **Comcast**

- Hans Hechtman, Director, Government Affairs and Franchising
- Steve Holmes, Vice President Government Affairs

- **Click!**

- Diane Lachel, Government and Community Relations Manager
- Cyndi Wikstrom, General Manager
- Ward Groves, Assistant City Attorney

- **General Government**

- Jeff Lueders, Cable Communications and Franchise Services manager
- Carol Mathewson, IT Program Management Division, Manager
- Teresa Slosar, IT Office Manager
- Brian Grogan, Moss & Barnett – outside legal counsel

History of Process

- The City of Tacoma, Washington (31 miles south of Seattle)
- Population is now 199,637 up from 176,664 in 1990
- In the mid 90's the City decided to construct nation's largest municipally owned cable system
 - because TCI was not responsive (only cable provider)
 - TCI sent in the CEO at the 11th hour – too late
- City chose to run the Cable System through Water & Light
 - arms length deal treated the same as TCI
- 1998 – the City granted Click! and TCI
 - nearly identical 10 year, 150 page agreements
 - both agreements were due to expire 12/31/08
- Renewal negotiations began in June '08
- Comcast Franchise and Click! Franchise-like Agreement
 - Negotiations were moving forward in the informal phase so the City Council granted extensions until 12/31/09

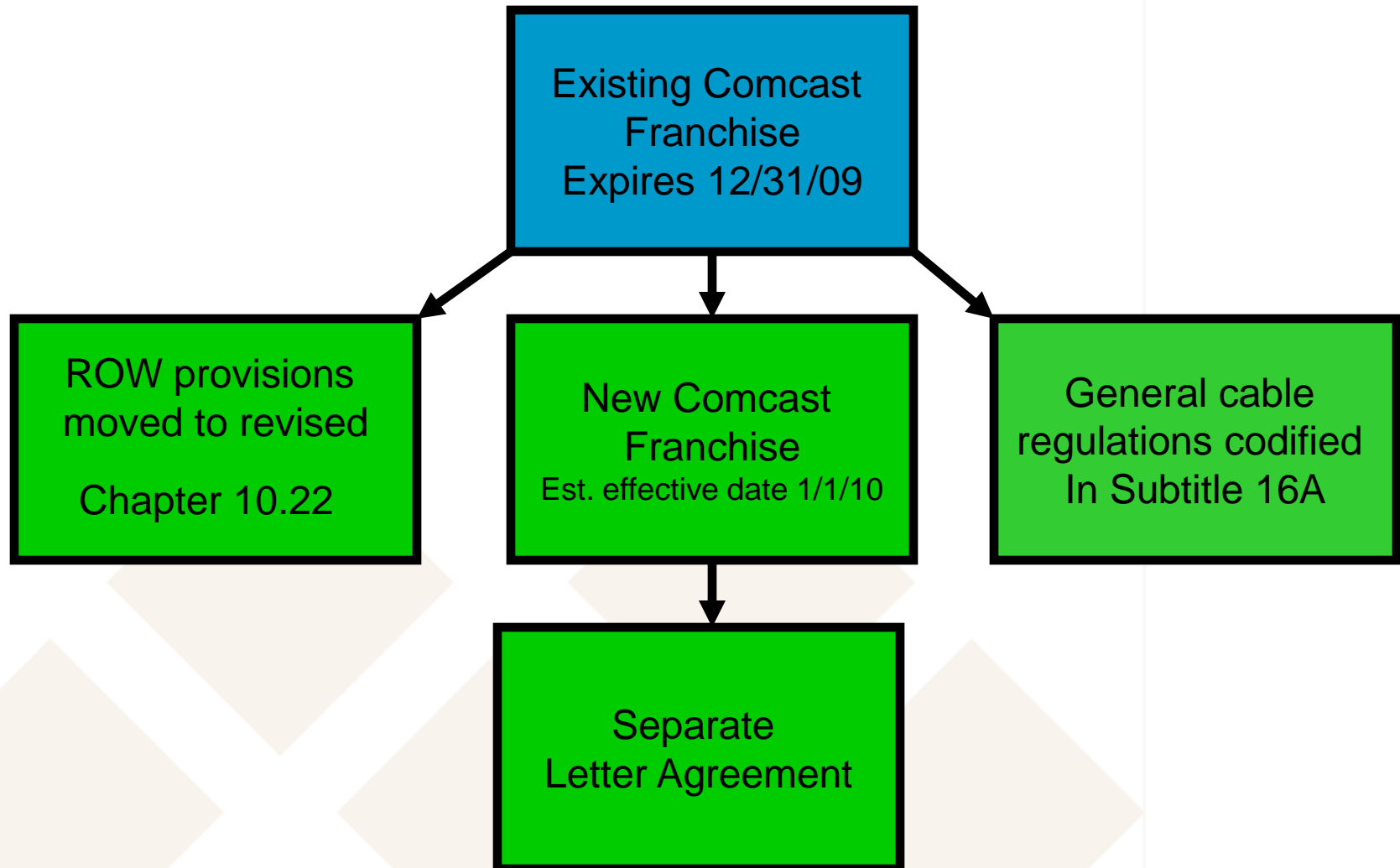
History of Recent Process

- Comcast Franchise and Click! Agreement
 - 18 months of negotiations
- Negotiations led to Code revisions (planned)
 - Subtitle 16A (Cable) was revised and adopted
 - February 24, 2009
 - Chapter 10.22 (ROW) was revised and adopted
 - September 15, 2009
 - Subtitle 16B (Telecom) was revised and adopted
 - August 3, 2010
- Negotiations led to Code revisions (unplanned)
 - Chapter 1.23, revised authority of Hearing Examiner
 - November 24, 2009

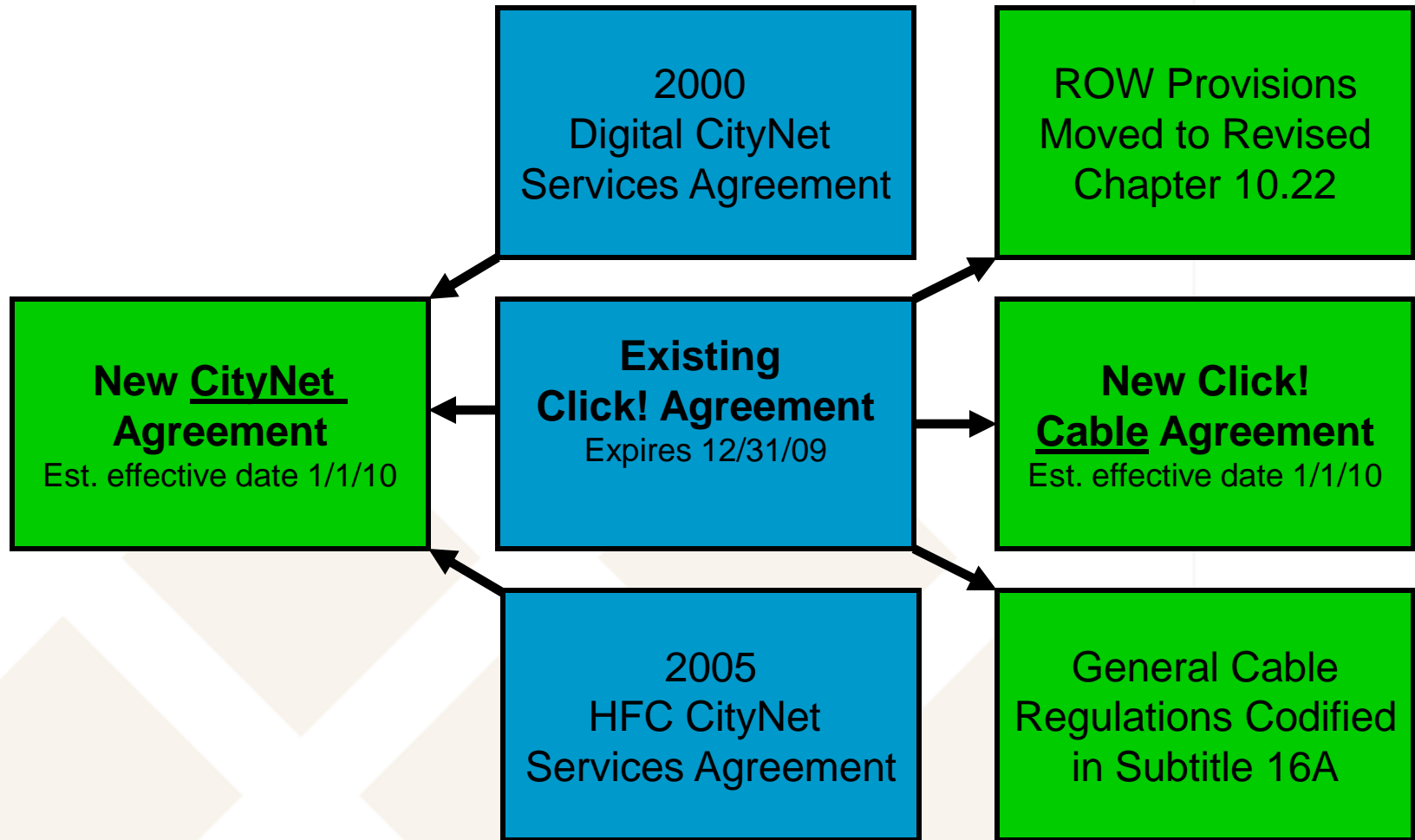
Subscribers

- Comcast currently has 42,314 subscribers out of 99,353 homes passed (42.59%)
- Click! currently has 17,982 subscribers out of 72,071 homes passed (24.95%)
- Click! provides one of the nation's largest muni-owned I-Nets named "CityNet", which in the late 1990's made Tacoma "America's #1 Wired City"
 - over 70 miles of fiber plant
 - 25 customers (internal & external)

Comcast Renewal



Click! Renewal



Key Provisions

- **10 year term**
- **5% franchise fee**
 - Strong definition of “Gross Revenues”
 - Identical for each operator
- **7 PEG channels**
 - 1 analog -TV Tacoma
 - 5 digital - CityPost, RCC, TPS, CollegeVision and UWTV
 - 1 high definition (HD) - TV Tacoma
- **1% PEG capital fee**
- **Free service drops**
 - Schools and public buildings

Comcast Franchise

- **Competitive equity**
 - New video service provider
 - Comcast can opt into the same franchise
 - Possible changes in state/federal law
 - Allows Comcast to terminate franchise if another competitor uses a state or federal issued franchise
- **Revised enforcement procedure**
 - \$250K performance bond
 - Contested matters = Hearing Examiner
 - Ordinance 1.23 amendment
 - Modified insurance and indemnification
 - Reviewed and accepted by Risk Manager
- **Letter agreement**
 - TV Tacoma carried in HD
 - 12 month equipment discount
 - For basic only customers seeking access to digital PEG chs.

Click! Agreement

- **CityNet obligations in separate agreement**
 - Irrevocable right of use for CityNet
 - Designed to maintain ongoing rights to CityNet
- **Modified enforcement provisions**
 - Reviewed and accepted by Risk Manager
- **System construction obligations eliminated**
- **PEG digital migration addressed**
 - Frees up capacity for Click!

CityNet Agreement

- **Both operators originally proposed INet services**
 - Click! was selected to build/maintain CityNet
 - CityNet Agreement was created between City and Click!
 - Comcast has no involvement with CityNet
- **3 existing CityNet documents**
 - Section 7 of existing Click! Cable Agreement
 - 2000 Digital Services Agreement
 - 2005 HFC Services Agreement
- **New stand alone CityNet Agreement**
 - Combines all requirements in one document
 - Reflects present relationship of parties
 - Revises cost allocation
 - Clarifies future of CityNet use by City

Results

- City Council approves 10 year Franchise Agreements with both providers
 1. Comcast Franchise – including:
 - Separate letter agreement
 - Amendment to TMC 1.23 – Hearing Examiner
 2. Click! Cable Agreement
 3. CityNet Agreement
 4. Subtitle 16A – TMC on Cable providers rewritten
 5. Subtitle 10.22 – TMC Right of Way use rewritten
 6. Subtitle 16B – TMC on Telecom providers rewritten

Information

- Franchise Agreements with both providers are available on the Tacoma City Web Site –

www.cityoftacoma.org

Search “Franchise Services Home Page”

1. Comcast Franchise – including:
 - Separate letter agreement
2. Click! Cable Agreement
3. CityNet Agreement

THE END

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