TOWN OF FAIRFAX
STAFF REPORT
October 2, 2013

TO: Mayor and Town Council

FROM: Garrett Toy, Town Manager GT

SUBJECT: Discussion and Consideration of Temporary Franchise Fee Support for the Community Media Center of Marin (CMCM)

RECOMMENDATION

Provide direction to the Council representative to the Marin Telecommunications Agency's (MTA) regarding the proposal to use Fairfax Franchise Fees to fund the Community Media Center of Marin for a set period of time (4 years).

DISCUSSION

The Council initially discussed this proposal at its September 4, 2013 meeting at the request of Councilmember Bragman, the Town's representative to the MTA Board. At the meeting, the staff report and Councilmember Bragman provided background information on the MTA Board proposal to provide franchise fee funding to the CMCM. Since using franchise fees as funding for the CMCM is a change in MTA's current direction and impacts its members' franchise fee revenues, the Board agreed that they would not fund any sums to the CMCM out of franchise fees without first checking in with its member towns and the County. The MTA Board agreed to support the CMCM in approaching its members for a discussion on bridging a $660,000/4 year funding gap using franchise fees, with some caveats including that no MTA decision will be valid unless 75% of the franchise dollars vote in favor of funding.

Should the Council support for the concept of providing temporary funding to the CMCM from franchise fees, staff recommends the Council consider the following: 1) set an upper limit for such assistance, 2) discuss the feasibility of making the contribution a loan, 3) request CMCM to reduce its reserves further during the 4 year period as a condition of any contribution, and/or 4) request that the first payment be due in FY14-15 which would allow the Town to budget for the reduction in franchise fees.

FISCAL IMPACT

Depending on which formula is used for funding, Fairfax's total contribution would either be $23,670 or $29,725 spread over 4 years.

ATTACHMENT

Background information from MTA

AGENDA ITEM # 20

Summary of Key Information Regarding Community Media Center of Marin's Request for MTA Franchise Fee Funding during 2013-2017 "Bridge" Period

MTA's jurisdiction includes Video Service Provider Franchises with Comcast, AT&T and Horizon Cable. They provide Franchise and PEG fee revenues to MTA.

1. Franchise Fees
   - Providers pay Franchise Fees (5% of Gross Revenues) to MTA for use of the public right of way. Providers collect these fees from CATV subscribers.
   - MTA pays members their share of franchise fees based on provider revenue reports.
   - Franchise fees are unrestricted revenues for the Town/City/County.
   - Fairfax's FY 2012-2013 franchise fee revenues were $136,000.

2. Public, Education & Government (PEG) Fees
   - AT&T, Comcast in unincorporated Novato, and Horizon franchises pay PEG fees to MTA (1% of Gross Revenues).
   - Comcast - MTA Franchise pays PEG fees to MTA (.5% of Gross Revenues until approximately January 2017, and 1% thereafter).
   - PEG fees restricted to use for video services/PEG.
   - MTA pays PEG fees to CMCM for Media Center and PEG channel operation.

MTA - Community Media Center of Marin (CMCM) Agreement

1. MTA contracts with the CMCM to manage and operate the Media Center and the 3 PEG channels which are broadcast on Comcast channels 26/27/30 and AT&T channel 99.

2. MTA provided the CMCM $3 million in upfront monies received from Comcast to build and operate a media center and PEG channels. Quarterly PEG fees received from the video service providers are also provided to the CMCM.

3. Initial 5 year MTA-CMCM Agreement expires October 31, 2013. New Agreement is being negotiated. CMCM funding is a key item in the negotiations.

CMCM is requesting additional funding for 2013-2017 during a "bridge" period until MTA receives 1% PEG fees from Comcast.

1. Current CMCM funding – PEG fees from MTA, membership/course fees, fees for services, donations/grants, investment income, use of reserve funds.

2. CMCM's 5 year 2013-2018 budget projections include:
   - Capital expenditures of $715,000 given equipment is reaching end of service lives.
   - Annual operating deficits assuming no use of current reserves for operating expense. To date reserves have been used to fund annual budget deficits.
   - Retains $500,000 as minimum reserves level. Reserves currently are $982,000.
   - Requests franchise fee funding from MTA during 2013-2018.

3. MTA's proposal considers providing CMCM $660,000 from franchise fees during a "bridge" period and spread over the years 2013-2017. This will reduce franchise fee revenues to MTA members.

4. Fairfax's estimated total share of $660,000 spread over 2013-2017 is:
   - Hybrid calculation method - $29,773.
   - Fairfax's 3.6% share of total franchise fees method - $23,728.