MFP COMMITTEE #3
November 2, 2009

WorkSession

MEMORANDUM

October 30, 2009

TO: Management and Fiscal Policy Committee

FROM: Dr. Costis Toregas, Council IT Adviser

SUBJECT: Cable Financing Issues

Expected to attend:

Steven Emanuel, Director, DTS
Mitsuko R. Herrera, Cable Communications Administrator, DTS
John Cuff, Cable Fund Budget Analyst, OMB
Dr. Dick Lipsky, Supervisor of Instructional TV, MCPS ITV

Summary of staff recommendations to the MFP Committee

1. The worksession has been scheduled in order to hear perspectives as to the need for changing the Cable Fund format and other elements of investing cable revenues. The Executive staff submission is making no explicit recommendations at this point, so the Committee is not being asked to make any decisions.
2. There is a sharp difference of opinion between the Executive and Council staff regarding the intent and function of the Cable Fund itself. Staff recommends that the Cable Fund intent be clarified as a priority-setting mechanism linking **funding** and **outcomes** derived from that funding.
3. Changing the Cable Plan format can have positive and negative effects; once the Executive branch submits the FY11 Cable Plan, the extent and impact of the changes will be evident. At this early stage of the dialog, staff suggests that rather than reacting to the changes offered, the Committee should consider and endorse a series of **Guiding Principles** that should be followed by any version of the Plan. A starting point for these Principles may include the following:
   - The Plan should be transparent, with enough detail to describe major programs under funding consideration, and provide outcome measures for each investment recommended
   - The Plan should enable the Committee to appreciate competing funding priorities, and help Committee members see the impact of funding choices.
   - Relationships between projects, funded organizations and deliverables should be explicitly described and made evident.
   - The Plan should provide a complete, integrated picture of major investments such as FiberNet or the Cable and Communications Office budget; neither has such a comprehensive presentation in the County budget today, but rather has individual elements reflected in various line items of the Cable Plan.
4. Some of the ideas presented by the Executive staff have to do with the way revenues are reflected, the Maximum Agency Request Ceiling (MARC), the municipal revenue splits and the decisions that are ultimately made in terms of revenue allocations and relating costs and revenues from fees and other services. A discussion of such administrative approaches and decisions is premature now, and should be made after the receipt of explicit recommendations.
5. All the fiscal information provided by the Executive staff is conditioned "for discussion purposes only". Substantive discussions regarding the issues behind the figures are difficult to accomplish under these conditions, and staff recommends no action.

Background

The Approved FY10 Cable Plan budget resolution 16-978, which defines the explicit actions under this Plan, is presented on ©1-10, with ©9 and ©10 being the actual Cable Plan. There is interest in making changes to the format of the Plan so that certain communication and management goals are met. The Administration has provided a memo summarizing these ideas on ©11-21; this memo follows the structure of a series of questions posed by the Council staff.

Question 1: Why should the structure of the Cable Plan change?

The reasons articulated fall in three categories:

- Times change and people change; the current format is complex for newcomers
- Desire to show special funds and lack of discretion in some allocations
- Desire to communicate the real investment choices in a better manner

Ultimately the Executive will provide a format which assists him in articulating and managing the Fund. Until this happens, discussion is made difficult by the very complexity that is invoked as a reason for change.

There is a Part B (FY10 budget alert) which is provided on ©14 for this question. The strongly worded disclaimer that the numbers do not represent an official submission suggests that time will be better spent on other sections of the memo.

Question 2: What are the format changes under consideration?

There are suggested changes to the Council Resolution being proposed in the Executive staff submission; since the Resolution is a Council document, changes should come from the Council and its Committees. No request has been received for such a change yet.

The Proposed Changes to the Cable Plan itself are listed starting on ©14 and through ©16. Discussions on the MARC are internal discussions for the Administration, and Committee comments would not help at this time. However, the notion of lack of any County control over municipal expenditures is an interesting byproduct of the current franchise agreements and should be explored fully.

There is extensive discussion regarding a Transmission Facilities Coordinating Group; this discussion will be better engaged during the budget session, and the Administration should return to this issue with an integrated fiscal strategy for this important element of the Cable Plan. Consideration of fully charging for application review is a policy issue that Council staff would want to assess carefully and consider the reasons why the County has not done so in years past before making a recommendation to the Committee.

Question 3: Will the new format provide more detail on how funds are spent?

The suggestion is to provide more detail for expenditures, but not in the 6 year plan format. The existing format uses the same layout as the CIP process, which has been found helpful in a variety of investments the County makes over long periods of time, and is intended to link those investments across time lines. No alternate suggestion has been made for what a new document would look like, so

it is hard to follow this argument. Staff recommends no change at this time, and urges the Administration to provide alternate structures for evaluation.

Question 4: Will the changes improve the ways in which outcomes are provided for the investments suggested?

Here there is major disagreement between the Executive and Council staff. The Committee's only opportunity to identify and reflect priorities for expending cable revenues is during the review and approval of the Cable Plan and the accompanying Resolution. Council staff has asked for explicit assurances that the Fund will be used as a decision platform for allocating scarce resources, and provide specific outcome metrics attached to funding suggestions in the Plan. Executive staff contends that the Cable Fund does not drive decisions but merely reflects them, and that outcome metrics should not be provided in the Cable Fund but be made in parallel conversations. It is clear that this difference of opinion must be reconciled before changes are considered. Staff recommends that the Cable Fund intent be clarified as a priority-setting mechanism linking funding and outcomes derived from that funding.

Question 5: Will the Cable Fund reserve be evaluated?

Given the actions of the Executive last year to reduce the fund balance to half its policy level, as well as the severe economic climate, it is prudent to discuss the strategy for this (as well as other) fund balances early so that specific actions are correctly evaluated. The opportunity to have this discussion arises during Cable Fund discussions such as the present one and should be taken.

Question 6: Will the changes restrict or reduce the ability of the Council to authorize and take action on the Cable Fund?

Executive staff answers this question in the negative. However, it is important to carefully review suggestions to designate some revenues as "special" or "restricted", since such actions could have the negative effect of reducing Council authority. Similarly, having special tie-ins between fee revenues and associated service costs (as in tower fees and related tower inspections) would have a similar effect of restricting choice as to revenue allocation. Therefore the recommended changes, when presented in a few months, will have to be carefully reviewed before being accepted.

Question 7: Will priority setting decisions for the Cable Fund be enhanced?

Executive staff suggests that discussions with the Committee are the way to influence priority setting (see ©19). Council staff strongly disagrees. Discussions lack the finality and strength of budget approvals, and the only instrument which defines the priorities of the Cable Fund investments is the Cable Plan. Therefore, the Committee is urged to very specifically define their role in reviewing, prioritizing and ultimately agreeing to investments outlined in the Cable Plan. Such a role will in itself define requirements for sharper information displays in the Cable Fund, and can help define needed changes.

Question 8: How will the changes affect the visibility and support for FiberNet?

An integrated budget presentation of all FiberNet items would help show the entire investment made, and should be made part of the proposed changes. Section H on ©19 is indeed suggesting such a change that should be encouraged and expanded to show expected outcomes by year.

Question 9: Will any structural changes be evaluated?

The Cable Plan acts not only as a vehicle to communicate revenues that the County receives from telecommunications providers, but also to indicate the way the Cable and Communications Office is organized to deliver services. Clearly other offices such as the County Attorney's Office, the Office of Consumer Protection and the MC311 Office will play a large role in resolving complaints, one of the more visible concerns for the cable process. However, it is important to be cognizant of the larger picture of cable and communications, and see the Cable Plan as a way to periodically make adjustments that reflect the changing reality of technology, the marketplace and County operations. This organizational review has not been made for many years.

Question 10: Will staffing of the Cable office be affected by the proposed changes?

In the May 2, 2009 analytic packet for the FY10 Cable Plan budget review, the following sentence was included: "The Committee discussed the Cable Office staffing and agreed to give the new Cable Communications administrator time to evaluate staff and organization patterns in FY10 before exploring changes and reduction options in the staffing complement." As Executive staff is considering changes in the Cable Plan format, it may be an ideal time to also review the current manner of linking human resources to tasks within the Cable and Communications Office and consider new arrangements.

CORRECTED VERSION

#18 – Cable Television Communications Plan

Resolution No.:	16-978
Introduced:	May 21, 2009
Adopted:	May 21, 2009

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: County Council

SUBJECT: Approval of the FY 2010 Cable Television Communications Plan

Background

1. Section 8A-27(a) of the County Code provides that "All access grants, franchise fees, and other moneys received by the County from any franchisee may be spent only under a budget approved by the Council and in accordance with the County Cable Communications Plan."

2. Section 8A-27(b) of the County Code provides that "The Cable Communications Plan must be proposed by the County Executive to the Council annually and may be amended at any time."

3. Section 2.2 of the 2002 AT&T Comcast Transfer Agreement provides that " . . . all provisions of the Franchise Documents remain in full force and effect and are enforceable in accordance with their terms and with applicable law."

4. Section 7(b) of the 1998 Cable Franchise Agreement, assumed by Comcast from Prime Communications – Potomac, LLC, between the County and SBC Media Ventures, Inc. provides that Comcast must pay a capital grant to the County of "$200,000 per year . . . to be used by the County, in its sole discretion, for PEG equipment . . . or for PEG-related facilities renovation, or construction."

5. Section 7(h)(1) of the 1998 Cable Franchise Agreement, assumed by Comcast from Prime Communications – Potomac, LLC, between the County and SBC Media Ventures, Inc. provides that Comcast must pay an annual capital grant to the County of $1.2 million, adjusted annually by the Consumer Price Index, "to support installation, construction, operations, and maintenance of the County's FiberNet and associated network equipment, and the Institutional Network . . . "

Clerks Note: Changes were made to section M. on pages 7 and 8.

(1)

6. Section 4.1 of the 1998 Cable Franchise Transfer Settlement Agreement, assumed by Comcast from Prime Communications – Potomac, LLC between the County, Prime Communications, and SBC Media Ventures, Inc. provides that Comcast must pay $1.5 million, adjusted annually by the Consumer Price Index, for PEG support.

7. Section 7(b) of the 1999 Franchise Agreement with Starpower provides that Starpower must pay a capital grant to the County of "3% of Gross Revenues per year . . . excluding revenues arising from Internet Access . . . to be used by the County . . . for PEG access and institutional network purposes, including PEG access equipment, institutional network equipment or for renovation or construction of PEG access or institutional network facilities."

8. On February 8, 2005 the County Council approved Resolution 15-889, supporting the transfer of interest in Starpower Communications LLC from Pepco Communications to RCN Telecom Services of Washington, D.C., Inc. Starpower is now doing business as RCN.

9. Section 3.3.6 of the 2006 Franchise Agreement with Verizon Maryland, Inc. provides that Verizon must pay $200,000 within 30 days of the effective date of the Franchise Agreement and $200,000 per year for four years on the anniversary of the effective date of the Franchise Agreement. In exchange, the County waived its ability to add more locations for cable service for public buildings above Verizon's obligation to provide 100 connections at the County's request.

10. Section 6.2 of the 2006 Franchise Agreement with Verizon provides that Verizon must pay a grant to the County of 3 percent of Gross Revenues each quarter to be used "for PEG and institutional network purposes."

11. Section 8 of the Franchise Agreements with Comcast and RCN and Section 7 of the Franchise Agreement with Verizon provides that each franchisee must pay, for the life of the franchise, a franchise fee of 5 percent of annual gross revenues.

General Provisions

1. Purpose and Effect: This Cable Communications Plan constitutes the County's formal direction for the use of resources required to be provided under Sections 7 and 8 of the Franchise Agreements with Comcast and RCN; Section 4.1 of the 1998 Cable Franchise Transfer Settlement Agreement, assumed by Comcast from Prime Communications – Potomac, LLC between the County, Prime Communications, and SBC Media Ventures, Inc.; and Sections 3, 6, and 7 of the Franchise Agreement with Verizon.

   In FY 2010, these resources must be deposited by the County in its Cable TV Special Revenue Fund, and this Cable Communications Plan directs the use of the revenues in this Fund.

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2. Spending Authority under the Time Period Governed by This Plan: This Cable Communications Plan provides spending authority for FY 2010. Resources appropriated in FY 2010 that are not encumbered by the County on or before June 30, 2010 must remain in the Cable TV Special Revenue Fund and be available for spending in future years.

3. Carryover: Resources provided to the County as a result of the requirements of the Franchise Agreements with Comcast, RCN, and Verizon, but not specifically allocated in the Cable Communications Plan to the General Fund, must remain in the Cable TV Special Revenue Fund and be available to be allocated in future years.

4. Future Fiscal Years: No estimate shown for any fiscal year after FY 2010 reflects any commitment or decision by the Council, and any such estimate should not be taken as prejudging any decision regarding activities or allocations, either in absolute or relative amounts, of expenditures for future years.

5. Management of Funds: All equipment, personnel, and other resources approved in the Cable Communications Plan for funding from the Cable TV Special Revenue Fund must be managed so that the resources are reasonably available to all users of the cable system and provide benefits to the subscribing public and the franchisee.

6. Affirmative Action and MFD Procurement Procedures: The Board of Directors of Montgomery Community Television, Inc. (MCT) must adopt and follow an Affirmative Action Plan and procedures for procurements from minority-, female-, and disabled-owned businesses (MFD) that take into account both the requirements of the Franchise Agreements with Comcast, RCN, and Verizon and relevant provisions of the County Code.

7. Financial Disclosure: The County must not spend any FY 2010 funds allocated to MCT until all members of the Board of Directors and the Executive Director of MCT have filed a financial disclosure statement with the Ethics Commission for the 2008 calendar year.

8. FY 2011-2016 Cable Plan: The Executive must submit a preliminary six-year Cable Communications Plan for FY 2011 through FY 2016 to the Council no later than January 15, 2010. The Executive submitted a preliminary six-year Cable Communications Plan for FY 2010 through FY 2015 to the Council on January 15, 2009. The Preliminary Cable Communications Plan included: (a) a list of known PEG activities and funding needs for FY 2010 through FY 2015; (b) a preliminary plan for prioritizing PEG funding needs within the context of the County's long-term vision for Cable television; (c) any capital project expenditures proposed to be funded through the plan; (d) changes to approved multi-year expenditures; and (e) updated projections of plan revenues for FY 2010 through FY 2015.

FY 2010 Cable Communications Plan Description

The FY 2010 Cable Communications Plan provides funding for cable franchise administration (Department of Technology Services, County Attorney's Office, and outside professional services); for municipal equipment and support; for public, educational, and government access programming (Office of Public Information, Council, Montgomery College, Montgomery County Public Schools, and Montgomery Community Television, Inc.); and for other miscellaneous cable-related activities.

The attached table details the approved expenditures from the Cable TV Special Revenue Fund for the following purposes in FY 2010:

Franchise Administration

A. Funds are allocated to the Department of Technology Services to administer the Franchise Agreements with Comcast, RCN, and Verizon, including inspecting construction, testing signal quality, responding to residents' complaints, budgeting franchise fee and grant funds received from the cable operator, managing the contract to provide public access services, supporting an advisory committee, administering Federal Communications Commission rules and regulations, preparing for and negotiating franchise agreements, and advising elected officials on related policy matters.

B. Funds are allocated to the County Attorney's Office to support the in-house staff costs associated with advising the Department of Technology Services and elected officials on related matters.

C. Funds are allocated to hire outside professional services to advise or represent the County in areas of specialized telecommunications needs.

Municipal Support

D. Funds are allocated for sharing franchise fee revenue with the municipal co-franchisors in accordance with the formula in Section 8A-29 of the County Code.

E. Funds are allocated to support the 3 PEG channels allocated to (1) the City of Rockville; (2) the City of Takoma Park; and (3) the Montgomery County Chapter of the Maryland Municipal League. Funds are allocated from the Capital Equipment Support Grants, according to the requirements of Section 7(b)(1)(B) of the Franchise Agreement with RCN, the requirements of Section 7(b)(2) of the Franchise Agreement with Comcast, and from the PEG Support Fund according to the requirements of Section 4.1 of the 1998 Cable Franchise Transfer Settlement Agreement assumed by Comcast from Prime Communications. Funds are allocated from the PEG Support Fund to the extent that the Participating Municipalities meet all applicable matching-fund requirements in the Settlement Agreement.

County Government Access Programming

F. Funds are allocated for managing the County Government Channel, maintaining County Government Channel video equipment, closed captioning of County Government programming, and for the operation of the Technical Operations Center to monitor and adjust technical quality of PEG Programming.

Funds are allocated to the Office of Public Information for in-house staff and contractors to produce Executive Branch programming for the County Government Channel.

Funds are allocated to the Council for in-house staff and contractors to produce programming for the Council and Legislative Branch agencies.

Funds are allocated to the Montgomery County portion of the Maryland-National Capital Park and Planning Commission for contractors to provide cable-related services, including webcasting and services needed to produce programming for the Planning Board and the Parks Department.

Educational Access Programming

G. Funds are allocated to Montgomery College to produce educational programs and operate a cable channel with in-house staff.

H. Funds are allocated to Montgomery County Public Schools to produce educational programs for children, parents, and teachers; carry Board of Education meetings; and run other educational programming of interest to County residents. MCPS currently operates two educational access channels on the cable system.

Public Access Programming

I. Funds are allocated for Montgomery Community Television, Inc., to perform services in FY 2010 specified in its contract with the County, including the following:

(1) produce and schedule two public access channels, including disseminating information on the daily program schedule;
(2) train community producers and technicians in program production and assist residents and community organizations in developing locally produced or locally sponsored programming;
(3) provide and maintain a central access studio, field production equipment, and editing facilities for use by community producers in program production;
(4) maintain all video equipment provided to MCT or purchased by MCT with cable company or County funds;
(5) produce local interest and public affairs programming;

(6) promote and encourage programming representing a diversity of community interests and needs; and
(7) perform outreach and create programming in the down-county area.

PEG Network

J. For FY 2010, funds are allocated for PEG equipment replacement, for an emergency equipment reserve to be used in case of imminent failure of major PEG video systems, for joint PEG programming/promotion, PEG network engineering and administration, closed captioning of select PEG programming, and for PEG programming to provide access to cable by community organizations.

The Council wishes to encourage the most cost-effective operations of the PEG Channels and has directed the PEG Network to enhance the sharing of equipment, facilities, and personnel. All funds appropriated for PEG equipment replacement must be administered by the Office of Cable and Communications Services. Before spending any funds for this purpose, the PEG Network must report to the Council and the Executive on their plans for the purchase and allocation of replacement equipment. The Council intends that preference be given to purchases of equipment and facilities that can be shared by more than one PEG Channel.

The Council encourages the municipal co-franchisors to develop plans for purchasing equipment, using engineering expertise available from the other PEG Channels and the Office of Cable and Communications Services, and acquiring equipment that facilitates the sharing of resources with other PEG channels.

The Office of Cable and Communications Services must not spend funds from the Emergency Equipment Reserve until the PEG Network finds that additional replacement funds are needed to prevent interruption of programming on one or more PEG Channels.

All equipment purchased with Cable Funds, except equipment purchased with Municipal Grant funds or funds allocated to the Village of Friendship Heights under this Plan, must be titled to the Montgomery County Government, which may, under appropriate controls, allocate some of the equipment for use to individual PEG Channels.

Before the PEG Network may spend funds allocated for PEG joint Programming/Promotion, the Network must report its general plans to the Council and the Executive.

Other Expenditures

K. For FY 2010, funds are allocated to the Village of Friendship Heights for cable programming and equipment expenses.

Institutional Telecommunications

L. For FY 2010, funds are allocated for Institutional Telecommunications for FiberNet capital improvements and operations. The County's Franchise Agreement with Comcast, assumed from Prime Communications, provides that Comcast must pay grants to support operations, maintenance, and the installation of cables and electronic equipment for the County's FiberNet.

The County plans to expand the FiberNet network to meet the telecommunications needs of County agency facilities. The Department of Technology Services must develop a FiberNet buildout plan that identifies facilities with the greatest need for high-speed voice, data, and video transmissions and for which FiberNet offers lower cost service than private sector telecommunications providers. User agencies must notify the Council before paying any fee to or entering into any agreement with any private provider, if using FiberNet to serve specific facilities is more advantageous to the County. The Council will then consider if adjustments to the funded FiberNet buildout schedule are warranted to avoid paying excessive fees to private providers for telecommunications service to any specific facility.

General Fund Transfers and Repayment Schedule

M. In FY 2004, $2,636,000 was appropriated from the Cable TV Special Revenue Fund to the General Fund to finance general government operations. This was the first year that the Executive recommended transferring funds derived from franchise fees for unspecified general government operations.

In FY 2006, the Council allocated $1,241,000 to fund the County's Automated Traffic Management System.

In FY 2007, the Council allocated $284,000 to fund technology projects for the Montgomery County portion of the Maryland-National Capital Park and Planning Commission Operating Budget.

In FY 2009, the Council transferred $250,000 to the General Fund in order to support County operating expenses, and indicated their desire to ensure that this transfer will improve the technology infrastructure and productivity support for all County departments.

In FY 2010, $3,235,830 is transferred from the Cable TV Special Revenue Fund to the General Fund to finance general government operations. The Council intends that this transfer will improve the technology infrastructure and productivity support for all County departments.

The FY 2004 General Fund transfer, the FY 2006 funding for the Automated Traffic Management System, and the FY 2007 funding for technology projects for the Montgomery County portion of the Maryland-National Capital Park and Planning Commission must be repaid without interest according to the following schedule: $432,000 was paid in FY 2008, $0 will be paid in FY 2009, and $0 will be paid in FY 2010. As a part of the FY 2011 Recommended budget, the Executive must propose an amended repayment schedule.

Action

The County Council for Montgomery County, Maryland approves the following resolution:

The Council approves the attached Cable Communications Plan as described in this resolution and appropriates cable communications grant resources and settlement funds as provided in the Cable Communications Plan and this resolution and any amendments to either that the Council adopts for FY 2010.

This is a correct copy of Council action.

Linda M. Lauer

Linda M. Lauer, Clerk of the Council

FY10 CABLE COMMUNICATIONS PLAN ($000's)

	Actual FY08	Approved FY09	Estimated FY09	Approved FY10	% Chg From '09 Plan	FY11	FY12	FY13	FY14	FY15
	3,345	**2,502**	**3,949**	**2,069**	**-17.3%**	**462**	**318**	**42**	**65**	**18**
REVENUES										
5% Franchise Fee	10,664	10,584	10,955	11,280	6.6%	11,618	11,967	12,326	12,696	13,077
G'Burg PEG Contribution	200	201	182	187	-7.0%	193	198	204	210	217
PEG Support	1,938	2,811	2,020	2,080	-26.0%	2,142	2,207	2,273	2,341	2,411
PEG Capital/Equipment	1,370	255	1,932	1,990	680.4%	2,050	2,111	2,175	2,240	2,307
Verizon-Grant	200	200	200	200	0.0%	200	0	0	0	0
FiberNet Support	1,524	1,568	1,589	1,637	4.4%	1,686	1,737	1,789	1,842	1,898
Interest Earned	149	80	40	30	-62.5%	50	80	90	100	110
Tower Review Fees	94	80	120	80	0.0%	82	85	87	90	93
Miscellaneous	64	0	4	0	0.0%	0	0	0	0	0
Transfer from the General Fund	432	0	0	0	0.0%	0	0	0	0	0
TOTAL ANNUAL REVENUES	**16,635**	**15,779**	**17,042**	**17,484**	**10.8%**	**18,022**	**18,385**	**18,944**	**19,520**	**20,112**
TOTAL RESOURCES-CABLE FUND	**19,980**	**18,281**	**20,991**	**19,553**	**7.0%**	**18,484**	**18,703**	**18,985**	**19,585**	**20,130**
EXPENDITURES										
A. FRANCHISE ADMINISTRATION										
Personnel Costs - Cable Administration	575	683	683	705	3.2%	749	763	761	818	833
Personnel Costs - Charges from DTS	52	59	59	69	16.9%	69	70	72	73	75
Personnel Costs - Charges for County Atty	73	97	97	95	-2.1%	95	97	99	101	103
Operating	96	73	73	73	0.0%	73	75	77	80	82
Outside Engineering/Inspection Svcs.	512	720	720	500	-30.6%	721	743	745	788	811
Other Legal and Other Professional Svcs.	295	405	405	310	-23.5%	381	393	404	416	429
SUBTOTAL	**1,603**	**2,037**	**2,037**	**1,752**	**-14.0%**	**2,088**	**2,141**	**2,159**	**2,276**	**2,333**
B. MUNICIPAL EQUIPMENT & OPERATIONS										
Municipal Franchise Fee Sharing										
Revenues to Municipalities	716	762	789	812	6.6%	837	862	887	914	942
SUBTOTAL	**716**	**762**	**789**	**812**	**6.6%**	**837**	**862**	**887**	**914**	**942**
Municipal Capital Support (a)										
Rockville Equipment	55	98	265	276	181.6%	284	293	302	311	320
Takoma Park Equipment	185	98	265	276	181.6%	284	293	302	311	320
Municipal League Equipment	185	98	265	276	181.6%	284	293	302	311	320
SUBTOTAL	**425**	**294**	**795**	**828**	**181.6%**	**853**	**878**	**905**	**932**	**960**
Municipal Operating Support (a)										
Rockville PEG Support	65	67	67	70	4.5%	72	74	76	79	81
Takoma Park PEG Support	65	67	67	70	4.5%	72	74	76	79	81
Muni. League PEG Support	65	67	67	70	4.5%	72	74	76	79	81
SUBTOTAL	**195**	**201**	**201**	**211**	**5.0%**	**216**	**223**	**229**	**236**	**243**
SUBTOTAL	**1,336**	**1,257**	**1,785**	**1,851**	**47.3%**	**1,906**	**1,963**	**2,022**	**2,082**	**2,145**
C. COUNTY CABLE MONTGOMERY										
Administration										
Personnel Costs	325	397	397	533	34.3%	560	560	560	560	560
Operating	46	31	31	25	-19.4%	26	27	27	28	29
Technical Operations Center (TOC)	22	23	23	23	0.0%	24	24	25	26	27
Closed Captioning	348	319	319	291	-8.8%	329	338	349	359	370
VOD, Community BB, Web Services	40	48	48	48	0.0%	49	51	52	54	56
SUBTOTAL	**781**	**818**	**818**	**920**	**12.5%**	**987**	**1,000**	**1,013**	**1,027**	**1,041**
Public Information Office										
Personnel Costs	290	349	349	560	60.5%	593	604	617	629	641
Operating Expenses	17	12	12	12	0.0%	12	13	13	14	14
Contracts - TV Production	315	359	359	273	-24.0%	210	216	216	216	216
SUBTOTAL	**622**	**720**	**720**	**845**	**17.4%**	**815**	**834**	**846**	**859**	**872**
County Council										
Personnel Costs	42	57	57	74	29.8%	65	67	68	69	71
Operating Expenses	53	48	48	28	-41.7%	29	30	31	32	32
Contracts - TV Production	537	516	516	516	0.0%	531	547	547	547	547
SUBTOTAL	**632**	**621**	**621**	**618**	**-0.5%**	**626**	**644**	**646**	**648**	**651**
MNCPPC										
Personnel Costs	81	101	101	101	0.0%	103	105	107	109	112
Operating Expenses	101	21	21	21	0.0%	22	22	23	24	24
Contracts - TV Production	108	124	124	117	-5.6%	128	132	132	132	132
Webcasting	0	117	117	47	-59.8%	48	50	51	53	54
SUBTOTAL	**290**	**363**	**363**	**286**	**-21.2%**	**301**	**309**	**313**	**317**	**322**
SUBTOTAL	**2,325**	**2,522**	**2,522**	**2,669**	**5.8%**	**2,729**	**2,786**	**2,819**	**2,852**	**2,885**
D. MONTGOMERY COLLEGE										
Personnel Costs	1,000	1,103	1,103	1,141	3.4%	1,334	1,468	1,615	1,615	1,615
Operating Expenses	219	219	219	179	-18.1%	247	255	262	270	278
SUBTOTAL	**1,219**	**1,322**	**1,322** [2]	**1,320**	**-0.2%**	**1,582**	**1,722**	**1,877**	**1,885**	**1,893**
E. PUBLIC SCHOOLS										
Personnel Costs	1,234	1,339	1,339	1,385	3.4%	1,416	1,448	1,481	1,514	1,514
Operating Expenses	287	244	244	197	-19.5%	282	282	282	282	282
SUBTOTAL	**1,521**	**1,583**	**1,583** [3]	**1,582**	**-0.1%**	**1,698**	**1,730**	**1,763**	**1,796**	**1,796**

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FY10 CABLE COMMUNICATIONS PLAN ($000's)

	Actual FY08	Approved FY09	Estimated FY09	Approved FY10	% Chg From '09 Plan	FY11	FY12	FY13	FY14	FY15
F. COMMUNITY ACCESS ORGANIZATIONS (b)										
Personnel Costs	1,779	1,871	1,871	1,871	0.0%	2,077	2,160	2,146	2,336	2,429
Operating Expenses	755	781	781	691	-11.5%	856	890	890	926	925
SUBTOTAL	**2,534**	**2,652**	**2,652**	**2,562**	**-3.4%**	**2,933**	**3,050**	**3,036**	**3,261**	**3,355**
G. PEG NETWORK										
PEG Equipment Replacement	893	900	900	940	4.4%	987	1,036	1,028	1,159	1,216
Emergency Equipment Reserve	0	80	80	80	0.0%	84	88	93	97	102
PEG Network Mobile Production Vehicle	54	82	82	32	-61.0%	34	35	37	39	41
PEG Network Operating	198	275	275	215	-21.8%	236	248	260	273	287
SUBTOTAL	**1,145**	**1,337**	**1,337**	**1,267**	**-5.2%**	**1,341**	**1,408**	**1,418**	**1,568**	**1,646**
H. INSTITUTIONAL TELECOMMUNICATIONS										
FiberNet Support (DTS)	1,033	1,232	1,232	1,190	-3.4%	1,708	1,757	1,809	1,820	1,875
FiberNet Support (DPWT)	249	244	244	244	0.0%	251	259	267	275	283
FiberNet-CIP	1,735	1,760	1,760 [4]	1,041	-40.9%	1,610	1,535	1,460	1,460	1,460
SUBTOTAL	**3,017**	**3,236**	**3,236**	**2,475**	**-23.5%**	**3,569**	**3,551**	**3,536**	**3,555**	**3,617**
TOTAL EXPENDITURES - PROGRAMS	**14,700**	**15,946**	**16,474**	**15,477**	**-2.9%**	**17,845**	**18,351**	**18,628**	**19,275**	**19,670**
I. OTHER										
Indirect Costs Transfer to Gen Fund	202	253	253 [1]	302	19.4%	253	253	253	253	303
Indirect Costs Transfer to Gen Fund (ERP & MCTime)	0	27	27 [1]	36	34.9%	29	18	0	0	0
Transfer to the General Fund	0	250	250 [5]	3,236	1194.3%	0	0	0	0	0
Grants to Organizations (Friendship Hts)	39	39	39	39	0.0%	39	39	39	39	39
Consolidated Multiuse Technology Facility	0	0	0	0	0.0%	0	0	0	0	0
Verizon-Cable Service to Public Buildings	0	0	0	0	0.0%	0	0	0	0	0
COB Renovations - CIP	0	629	629 [4]	0	0.0%	0	0	0	0	0
Park & Planning Technology Projects	0	600	600	0	0.0%	0	0	0	0	0
SUBTOTAL	**241**	**1,798**	**1,798**	**3,613**	**101.0%**	**321**	**310**	**292**	**292**	**342**
TOTAL EXPENDITURES	**14,941**	**17,744**	**18,272**	**19,091**	**7.6%**	**18,166**	**18,661**	**18,920**	**19,567**	**20,012**
J. ADJUSTMENTS										
Prior Year Adjustments	(480)	0	0	0	0.0%	0	0	0	0	0
CIP - Designated Claim on Fund	(610)	0	(650)	0	0.0%	0	0	0	0	0
TOTAL ADJUSTMENTS	**(1,090)**	**0**	**(650)**	**0**	**0.0%**	**0**	**0**	**0**	**0**	**0**
FUND BALANCE	**3,949**	**837**	**2,069**	**462**	**-13.9%**	**318**	**42**	**65**	**18**	**118**
FUND BALANCE PER POLICY GUIDANCE	**872**	**860**	**889**	**911**		**940**	**971**	**1,000**	**1,031**	**1,062**
K. SUMMARY - CABLE FUND										
Total Annual Revenues (incl. transfers from GF)	16,635	15,779	17,042	17,484	10.8%	18,022	18,385	18,944	19,520	20,112
Total Expenditures	(14,941)	(17,744)	(18,272)	(19,091)	7.6%	(18,166)	(18,661)	(18,920)	(19,567)	(20,012)
Annual Fund Surplus/Deficit (Rev - Expend)	**1,694**	**(1,965)**	**(1,230)**	**(1,607)**	**-18.2%**	**(144)**	**(277)**	**24**	**(47)**	**100**
Transfer to Cable Fund from General Fund	432	0	0	0	0.0%	0	0	0	0	0
Annual Fund S/D Excluding Trans From Gen Fund	**1,262**	**(1,965)**	**(1,230)**	**(1,607)**	**-18.2%**	**(144)**	**(277)**	**24**	**(47)**	**100**
L. SUMMARY - EXPENDITURES BY FUNDING SOURCE										
[1]Transfer to Gen Fund-Indirect Costs	202	280	280	338	20.9%	282	271	253	253	303
[2]Transfer to Gen Fund-Mont Coll Cable Fund	1,219	1,322	1,322	1,320	-0.2%	1,582	1,722	1,877	1,885	1,893
[3]Transfer to Gen Fund-Public Sch Cable Fund	1,521	1,583	1,583	1,582	-0.1%	1,698	1,730	1,763	1,796	1,796
[4]Transfer to CIP Fund	1,735	2,389	2,389	1,041	-56.4%	1,610	1,535	1,460	1,460	1,460
[5]Transfer to the General Fund-Other	0	250	250	3,236	1194.3%	0	0	0	0	0
FUND TRANSFERS OUT SUBTOTAL	**4,677**	**5,824**	**5,824**	**7,517**	**29.1%**	**5,172**	**5,258**	**5,352**	**5,394**	**5,452**
Net CATV Fund Direct Expenditures	**8,928**	**10,663**	**10,663**	**9,723**	**-8.8%**	**11,088**	**11,440**	**11,546**	**12,091**	**12,415**
Required Muni. Franchise & PEG Payments	1,336	1,257	1,785	1,851	47.3%	1,906	1,963	2,022	2,082	2,145
CATV FUND DIRECT EXPENDITURES SUBTOTAL	**10,264**	**11,920**	**12,448**	**11,574**	**-2.9%**	**12,994**	**13,403**	**13,568**	**14,173**	**14,560**
TOTAL EXPENDITURES BY FUNDING SOURCE	**14,941**	**17,744**	**18,272**	**19,091**	**7.6%**	**18,166**	**18,661**	**18,920**	**19,567**	**20,012**

NOTES:

(a) Municipal franchise fee and PEG capital and operating funding required by franchise, municipal, and settlement agreements and County Code.

(b) Currently Montgomery Community Television, Inc.

*The County is exploring the potential for development of a Multiuse Technology Facility and will include information in future Cable Communications Plans.

These projections for the Cable TV Fund incorporate assumptions of annual resources and resource usage as well as projected end-of-year reserves available based on these assumptions. This scenario assumes that operating expenditures will experience net increases as a trend. Factors contributing to the assumed rate of increase include compensation adjustments, program and productivity improvements, and cost increases driven by inflation. This scenario represents one possible fiscal future based on the incorporated set of expenditure and resource assumptions. Other scenarios would occur if the County Executive and County Council adopted a different program plan or if the future brings different trends than presumed in the incorporated assumptions. The County Executive presents these fiscal projections as a tool for thinking about the future fiscal policy implications of the recommended program of expenditures and resources.

(10)

DEPARTMENT OF TECHNOLOGY SERVICES

Isiah Leggett
County Executive

E. Steven Emanuel
Chief Information Officer

MEMORANDUM

October 28, 2009

TO: **Management and Fiscal Policy Committee**

FROM: **Mitsuko R. Herrera** Mitsuko R. Herrera
Cable Communications Administrator

SUBJECT: **MFP Work Session – Cable Financing Issues**

The MFP has asked the Cable Office to provide information related to cable financing issues to enable the MFP to better prepare for the FY11 Cable Fund budget request that will be submitted by the County Executive in March 2010. The Cable Office welcomes the opportunity to provide additional information regarding the Cable Fund structure and hereby submits answers to questions proposed by MFP Council staff.

Question 1: Can you summarize the reasons **why** there is consideration of changing the current structure of the Cable Plan?

A. Rationale for Format Changes to Cable Plan

It has been some years since the line item descriptions contained in the cable plan were reviewed. Staff who had worked with the Cable Plan for many years have learned how to interpret it. But within the last two or three years there have been changes in the membership of the MFP, a new Council staff analyst for cable and technology, a new Director of DTS, a new Cable Administrator, a new Cable Office budget analyst, and a new OMB Cable Fund analyst. Thus, arose the necessity to review the Cable Plan structure and make it easier for all to understand. In addition, as part of the ERP process, the last day to change budget index codes will be November 30, 2009. After that, no changes will be permitted for eighteen months.

Moreover, the Cable Plan structure made it very difficult to ascertain:

- Non-discretionary expenses
- Expenditures supporting multiple functions
- Revenues with restricted uses

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- Impact of personnel payroll and benefit increases

Furthermore, during County Council review of the FY10 Cable Plan, the Cable Office recommended changes to the boilerplate wording of the Council Budget Resolution. The MFP was not able to review these changes and the changes were put on hold pending MFP review.

Lastly, the CCM budget contains funding for personnel and operations that supports the PEG network and media services for the County. This makes it appear that CCM is receiving more funding to produce cable programming than it really is.

B. <u>FY10 Budget Alert</u>

ALL FIGURES ARE PROVIDED FOR DISCUSSION PURPOSES ONLY AND DO NOT REPRESENT AN OFFICIAL BUDGET SUBMISSION OF THE COUNTY EXECUTIVE, OMB, DTS, THE CABLE OFFICE OR ANY EXECUTIVE AGENCY.

OMB will release the "Actual FY09 Budget" totals in a few weeks. FY10 First Quarter franchise and PEG fee payments are not due until October 30, 2009 and were not paid prior to preparation of this report. However the Cable Office has reviewed FY09 franchise fee payments and asked cable operators to provide estimated FY10 First Quarter payments. This information is presented in ATTACHMENT A.

- In FY09, revenue may be $626,000 more than estimated revenue stated in the Approved FY10 Budget.
- In FY09, non-discretionary required payments to municipalities, *i.e.*, expenditures, may be $74,000 more than estimated in the Approved FY10 Budget.
- In FY09, the net gain to the Cable Plan would be $552,000. This would be the result of increased revenues minus increased municipal expenditures. However:
    - In FY09, MARC personnel expenditures were estimated to be $2,354,000. This represents 20.3% of the MARC or 24.2% of the net MARC less municipal payments.
    - The impact of FY09 COLAs, merit increases, and unknown healthcare and other benefit costs on FY09 personnel costs is unknown. In FY08, personnel costs increased 23.5% over FY07. In FY09, a 20.9% increase over FY08 was included in the budget. Some growth is driven by creation of new positions or by increasing departmental charge backs to the Cable Plan.
- In FY10, the Cable Plan may have a negative balance depending on actual ending balance of FY09.
- In FY10, based on First Quarter revenues, FY10 revenues may be (-$441,000) less than estimated revenue.
- In FY10, based on First Quarter revenues, FY10 non-discretionary required payments to municipalities may be (-$283,000) more than estimated expenditures.
- As a result, in FY10, the net loss for the Cable Plan could be (-$724,000). This would be the result of a projected decrease of revenues and a projected increase of municipal expenditures, as noted above and in ATTACHMENT A line 32.
    - The County Executive submitted (-$160,430) in reductions to the Cable Plan in his FY10 Savings Plan.

- If accepted by the County Council, the potential FY10 net loss for the Cable Plan could be reduced.

Question 2: **What** are the format changes to the Cable plan under consideration? And what are substantive allocation changes under consideration?

The format changes are under discussion within the Executive Branch. The following is for discussion purposes only and does not represent the official position of the County Executive.

A. Council Budget Resolution

Sections of the resolution for which no changes are proposed have been redacted. Italicized text denotes sections to be discussed with MFP.

- Background: Paragraphs list gross franchise and PEG revenue payments to the County. Amendments note corresponding payments from the County to Participating Municipalities required under related franchise agreement provisions, so as to better demonstrate the Council has authority to allocate the resulting net franchise and PEG revenue through the Cable Plan.

- General Provisions: The Executive and Legislative Branches benefit from the exchange of budget information. However, the timing of this submission occurs after the Cable Office has submitted a budget request to the County Executive and before the County Executive submits a recommended budget to the County Council. Therefore, relevant information regarding the pending year budget recommendations, including projected increases in expenses, and changes in outyear expenditures, cannot be submitted to the Council. Moreover, (e) the revised revenue forecast only includes projections based on first quarter data because second quarter revenue is not reported until after January 31.

- Franchise Administration: Specific reference to separating funding for engineering support for the Transmission Facilities Coordinating Group (TFCG) is suggested. TFCG support represents almost 60 percent of the Engineering and Inspection line item.

- County Government Access Programming:
  - Programming for CCM, the County Government Channel, is produced by several different entities. However, the programming is produced for CCM to provide relevant information to CCM viewers and County residents, not for the benefit of the specific entity producing the programming. Therefore changes to the budget resolution wording are suggested to address this issue.
  - Closed Captioning support includes funding for closed captioning on channels other that CCM. The budget resolution contains reference to this closed captioning support under PEG Network. One proposed change to the Cable Plan will be to move this line item into the PEG Network.
  - Similarly, when the PEG Upgrade is completed this fiscal year, the Technical Operations Center will support all PEG Network channels. Retaining these non-CCM budget lines items in the CCM category makes it appear that more money is being spent to produce CCM programming than is actually spent.

- Lastly, the County anticipates having a contract in place with a meeting management and web-streaming solution vendor to support web casting of CCM. This will centralize this function within CCM

➢ PEG Network: In the first paragraph, minor amendments to list order and descriptions are proposed. As noted above, closed captioning and Technical Operations Center operations costs would be moved into this category. In the following paragraphs, language is eliminated to reflect the current level of review by MFP and the County Executive. Information about PEG Network strategic equipment planning will be provided separately to the MFP and procurement procedures are followed to ensure fiduciary accountability.

➢ FiberNet: Change the name of the Budget Item from Institutional Telecommunications to FiberNet. The Cable Office will discuss with the MFP what processes are in place to ensure compliance with italicized text.

B. <u>Proposed Changes to Cable Plan</u>

Proposed format changes are displayed and annotated in ATTACHMENT B.

1. Municipal Expenditures. Municipal expenditures are required by the franchise agreements. Fees owed by cable operators on revenues from subscribers residing in participating municipalities are paid to the County for administrative purposes; the County then passes these fees to the municipalities. Municipal payments are calculated based on formulas contained in the franchise and municipal agreements.

ATTACHMENT B lines 34 and 137 demonstrate the disparate impact of increases in municipal franchise and PEG payments on the MARC. (The MARC is the Maximum Agency Request Ceiling. The MARC equals Total Expenditures, line 124, less transfers from the fund, line 134.)

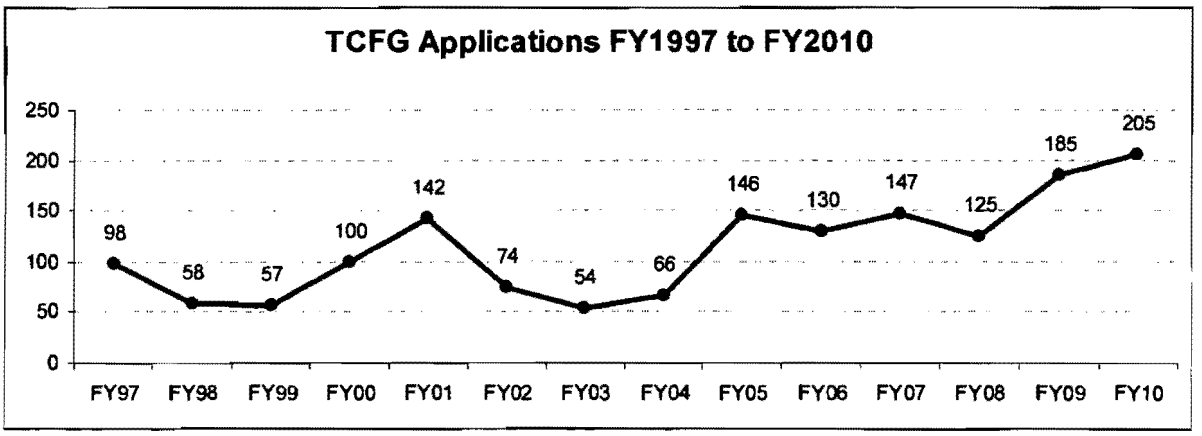
➢ The Revised FY10 Column includes (-$160,430) in proposed County Executive FY10 Savings. However, if no other changes were made to any program in FY10, the FY10 MARC would grow by $192,000 because of the increases in the municipal expenditures.

➢ Alternatively, if the municipal expenditures are excluded, the net MARC in the Revised FY10 would be (-$160,000) less than the FY10 Approved net MARC.

➢ In FY11, municipal expenditures will likely increase. Thus, in FY11, to meet the same MARC as in FY10, all other programs will have to be reduced to fund the municipal expenditures. In addition, to avoid personnel cuts, fund personnel cost increases and remain at FY10 MARC levels, the cuts will have to come from the 76% of the MARC budget that is neither personnel nor municipal expenditure.

2. Transmission Facilities Coordinating Group (TFCG). The TFCG is responsible for reviewing all telecommunications tower and antenna applications. TFCG requires specialized engineering consulting services to evaluate tower and antenna siting applications, including engineering recommendations, database management, preliminary zoning review, and review of RF propagation contour maps and drive-test results to verify need for new structures, requests for height exemptions, and interference with existing antennas.

With the growth of mobile Internet and other mobile broadband applications, the County has seen an increase in TFCG applications, especially to provide fourth generation (4G) wireless services:



As ATTACHMENT C demonstrates, the County has experienced a significant growth in number of antenna towers sited within the County. New applications are more likely to cause interference with existing sites and some carriers will need to seek applications to build new towers because there is no more room to collocate antennas on existing towers. Furthermore, as the County becomes more densely populated, the demand for more wireless services grows. At the same time, it becomes more difficult to both find towers suitable for additional antenna collocation, as well as to find places to locate new towers. Thus, both the volume and complexity of applications is significantly increasing the engineering costs. The overall engineering line item was reduced in FY10 by more than 28% (-$200,000) while the cost of reviewing applications in FY10 is expected to rise almost 63% (+$113,000) over the budgeted amount. It is worth noting that as more TFCG applications are filed and more engineering expenses are incurred, the Cable Plan is also receiving more TFCG Fee revenue. But there is no automatic mechanism to raise the TFCG engineering allocation to correspond with the rise in application filings and fees. Presently, the first four months of TFCG Fee revenue exceeds the total FY10 TFCG revenue estimate by $123,000 or 153%.

Under the previous administration, a policy decision was made not to collect the full cost of reviewing applications. This decision was made to promote access to new technology and economic development. The cost overruns were previously paid out of DTS General Funds. In FY09, the TCFG line item was transferred to the Cable Plan and combined with other engineering costs, which included cable system testing, cable inspection, engineering support to assist in responding to Council inquiries and regulatory filings, as well as engineering to address PEG Network video transmission issues. Cost overruns are now being deducted from funds used to pay for cable inspections at the same time that provider construction complaints are increasing. Cable system testing will almost be eliminated at the same time the County is making progress on getting the FCC to open a proceeding to create digital cable testing standards.

3. Media Production & Engineering. This has been renamed to better capture what this funding is used for. In addition, closed captioning and technical operations center funding

that support multiple members of the PEG Network has been moved to PEG Network. *See* ATTACHMENT B, lines 55-56, 99-100.

4. New Media. Interactive web sites, social media applications, live streaming of channel programming, and Internet-based video-on-demand, represent new and exciting means to reach new audiences, expand accessibility of programming, and opportunities to repackage existing content. However, these new applications require that resources be diverted from traditional program production. This new line item will be an attempt to capture the cost of creating and delivering new media content. Within CCM, collaboration on new media services and the impact of a video streaming RFP will be examined. *See* ATTACHMENT B, lines 58, 64, 70, 76, 82, 87, 93.

5. Community Access Programming. Almost 72% of the Community Access Programming operating expenses are used to pay lease and utilities costs. The other PEG entities directly supported by the County – CCM, MCT10, and MCPS ITV – use facilities owned by their parent entities. Building capital costs and utilities are funded by the County Government General Fund, or Montgomery College or Montgomery County Public Schools general budgets. Rent and utilities are broken out to enable a better comparison between PEG operating expenses. In addition, this breakout helps illustrate the cost savings that could be achieved by moving the community access contract to a County-owned building or to a contractor that owns its facility. (ATTACHMENT B, line 92)

6. FiberNet Personnel Costs. Personnel costs are broken out consistent with the format used for in all other categories. (ATTACHMENT B, lines 105-108)

Question 3: Will the new plan provide Council Members with more **detail** on how funds are being expended in each category?

Yes, but to some extent, it would be more helpful to provide additional details in a document other than the Cable Fund Six-Year display. In this way, funding would not be locked into specific categories and flexibility could be preserved to reallocate resources within general categories to address changes in the legislative and regulatory landscape, news events, unanticipated cost increases, and mid-year reductions. Recent examples of such events include ARRA funding opportunities, development of a national broadband plan, requests for Kennedy Cluster and MCPS Wi-Fi information, significant increases in tower and antenna application requests, and federal "shot clock" regulations related to review of tower and antenna applications.

Question 4: Will the changes improve the way in which **outcomes** are provided for the various investments suggested?

Outcomes are not provided in Cable Fund. Because the Cable Fund is merely the funding mechanism, outcomes can and should be provided in separate briefings to the MFP.

Question 5: Are there plans to **evaluate** the Cable Fund **reserve** balance as part of this process?

No. The Cable Fund reserve policy was reviewed by the County Executive and County Council in November 2008. The County Executive submitted a Recommended FY10 Cable Plan that met the reserve policy criteria. That the County Council determined the necessity to allocate funds in excess of the policy is more of a reflection of the extraordinary economic

difficulties facing the County rather than a reflection on the financial prudence of maintaining a minimum fund reserve.

Question 6: Will the changes restrict or reduce the ability of the Council to authorize and take action on the Cable Fund?

No.

Question 7: Will priority-setting decisions for the Cable Fund be enhanced, and if so, how?

Priority-setting decisions are reflected in Cable Fund, not driven by it. Priority-setting decisions for the Cable Fund will continue to be enhanced through discussion among the Cable Office, PEG Network and DTS, and through discussion with the MFP.

Question 8: The Cable Fund is currently the sole source of funding for **FiberNet**, a vital infrastructure for the County, as well as for many community programming groups. How will the changes affect the visibility and support for these programs?

A proposed change to the Cable Plan is to breakout the expenditures for DTS which support FiberNet, consistent with all other portions of the Cable Plan. The decision to fund FiberNet operations solely through the Cable Plan is a policy matter for the County Executive and the County Council. However, new capital projects include funding to cover the costs of providing FiberNet to the new facility.

Question 9: Will any **structural** changes be evaluated as part of this process?

While the Cable Office could better serve the interests of MFP, the County Executive, the PEG Network, and cable subscribers by adding additional staff and segmentation of responsibilities, additional resources for such changes will not likely be available or introduced, near term. In FY10, the Cable Office will work closely with MC311, the Office of Consumer Protection and the Office of the County Attorney to address systemic resolution of cable complaints.

Question 10: The **staffing** pattern for the Cable Office has been the center of several discussions. Will the discussed changes to the Cable Plan affect it or improve the way information is provided?

The new Cable Plan will provide additional information regarding the reduced budget for contracted cable inspection services and the growth in outside engineering costs to review tower and antenna siting applications.

CABLE COMMUNICATIONS PLAN ($000's): FY09 & FY10-1Q Revised Revenue & Municipal Expenditures

	Approved FY09	Estimated FY09	Updated FY09 Est	Updated Est +/- App Est	Approved FY10	Estimated FY10 1Q	Est % of FY10 App	Estimated FY10	Updated Est +/- Approved	Est % of FY10 App
BEGINNING FUND BALANCE	2,502	3,949	3,949		2,069					
REVENUES										
5% Franchise Fee	10,584	10,955	11,282	327	11,280	2,561	22.7%	10,244	(1,036)	90.8%
G'Burg PEG Contribution	201	182	182	0	187	45	23.9%	180	(7)	96.1%
PEG Support	2,811	2,020	2,020	0	2,080	517	24.9%	2,068	(12)	99.4%
PEG Capital/Equipment	255	1,932	2,146	214	1,990	627	31.5%	2,508	518	126.0%
Verizon-Grant	200	200	200	0	200	50	25.0%	200	0	100.0%
FiberNet Support	1,568	1,589	1,589	0	1,637	407	24.9%	1,628	(9)	99.5%
Interest Earned	80	40	68	28	30	3	10.1%	12	(18)	40.2%
Tower Review Fees	80	120	181	61	80	99	123.8%	203	123	253.8%
Miscellaneous	0	4	0	(4)	0	0	0.0%	0	0	0.0%
Transfer from the General Fund	0	0	0	0	0	0	0.0%	0	0	0.0%
TOTAL ANNUAL REVENUES	15,779	17,042	17,668	626	17,484	4,309	24.6%	17,043	(441)	97.5%
TOTAL RESOURCES-CABLE FUND	18,281	20,991	21,617		19,553					
EXPENDITURES										
B. MUNICIPAL EQUIPMENT & OPERATIONS										
Municipal Franchise Fee Sharing										
Revenues to Municipalities	762	789	770	(19)	812	190	23.4%	759	(53)	93.4%
SUBTOTAL	762	789	770	(19)	812	190	23.4%	759	(53)	93.4%
Municipal Capital Support (a)										
Rockville Equipment	98	265	296	31	276	97	35.3%	389	113	141.1%
Takoma Park Equipment	98	265	296	31	276	97	35.3%	389	113	141.1%
Municipal League Equipment	98	265	296	31	276	97	35.3%	389	113	141.1%
SUBTOTAL	294	795	888	93	828	292	35.3%	1,168	340	141.1%
Municipal Operating Support (a)										
Rockville PEG Support	67	67	67	0	70	17	24.3%	69	(1)	98.5%
Takoma Park PEG Support	67	67	67	0	70	17	24.3%	69	(1)	98.5%
Muni. League PEG Support	67	67	67	0	70	17	24.3%	69	(1)	98.5%
SUBTOTAL	201	201	201	0	211	51	24.2%	207	(4)	98.1%
SUBTOTAL	1,257	1,785	1,859	74	1,851	533	28.8%	2,134	283	115.3%
NET ANNUAL REVENUE	14,522	15,257	15,809	552	15,633	3,776	24.2%	14,909	-724	95.4%
NET TOTAL RESOURCES	17,024	19,206	19,758	552	17,702					
TOTAL EXPENDITURES - PROGRAMS	15,946	16,474			15,478					
TOTAL EXPENDITURES	17,744	18,272			19,092					
TOTAL ADJUSTMENTS	0	(650)			(450)					
FUND BALANCE	537	2,069			461					
FUND BALANCE PER POLICY GUIDANCE	860	889			911					
K. SUMMARY - CABLE FUND										
Total Annual Revenues	15,779	17,042			17,484					
Total Expenditures	(17,744)	(18,272)			(19,092)					
Annual Surplus/Deficit	(1,965)	(1,230)			(1,608)					
L. SUMMARY - EXPENDITURES BY FUNDING SOURCE										
[1]Transfer to Gen Fund-Indirect Costs	280	280			338					
[2]Transfer to Gen Fund-Mont Coll Cable Fund	1,322	1,322			1,320					
[3]Transfer to Gen Fund-Public Sch Cable Fund	1,583	1,583			1,582					
[4]Transfer to CIP Fund	2,389	2,389			1,041					
[5]Transfer to the General Fund-Other	250	250			3,237					
FUND TRANSFERS OUT SUBTOTAL	5,824	5,824			7,518					
CATV FUND Maximum Agency Request Ceiling (MARC)	11,920	12,448			11,574					
Municipal Franchise & PEG Payments	1,257	1,785			1,851					
CATV FUND NET EXPENDITURES	10,663	10,663			9,723					

ATTACHMENT A: (NOV. 2, 2009 MFP CABLE OFFICE MEMO)
ALL FIGURES ARE PROVIDED FOR DISCUSSION PURPOSES ONLY AND DO NOT REPRESENT AN OFFICIAL BUDGET SUBMISSION OF THE COUNTY EXECUTIVE, OMB, DTS, THE CABLE OFFICE OR ANY EXECUTIVE AGENCY

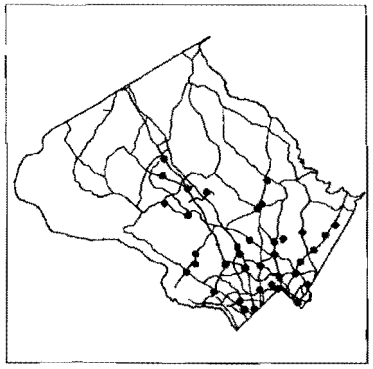
	FY10 CABLE COMMUNICATIONS PLAN ($000's) - DRAFT REFORMATTING & REVISED ESTIMATES				
1		Approved FY10	Reformatted FY10	Estimated FY10	Estimate includes Revised FY10 Revenue Est & CE Savings
79	**D. MONTGOMERY COLLEGE - MCTV10**				
80	Personnel Costs	1,141	1,141	1,141	
81	Operating Expenses	179	179	179	
82	New Media, Webstreaming & VOD Services				New line item; Researching cost breakout
83	**SUBTOTAL** [2]	**1,320**	**1,320**	**1,320**	
84	**E. PUBLIC SCHOOLS - MCPS ITV**				
85	Personnel Costs	1,385	1,385	1,385	
86	Operating Expenses	197	197	197	
87	New Media, Webstreaming & VOD Services		0	0	New line item; Provided using in-house labor
88	**SUBTOTAL** [3]	**1,582**	**1,582**	**1,582**	
89	**F. COMMUNITY ACCESS PROGRAMMING**				
90	Personnel Costs	1,871	1,871	1,871	
91	Operating Expenses	691	195	195	
92	Rent & Utilities		496	496	CCM, MCTV10 and MCPS ITV do not have leasing expenses
93	New Media, Webstreaming & VOD Services				New line item; Researching cost breakout
94	**SUBTOTAL**	**2,562**	**2,562**	**2,562**	
95	**G. PEG NETWORK**				
96	PEG Equipment Replacement	940	940	940	
97	PEG Network Operating	215	125	125	Previously included Youth and Arts programming expenses
98	Youth and Arts Community Media		90	90	Break-out from Operating Expenses
99	Closed Captioning		291	291	Funds CCM & MCPS ITV CC; plans to support MCTV10 & AMTV
100	Technical Operations Center (TOC)		23	23	
101	PEG Network Mobile Production Vehicle	32	32	32	
102	Emergency Equipment Reserve	80	80	30	FY10 Savings Plan Reduction
103	**SUBTOTAL**	**1,267**	**1,581**	**1,531**	
104	**H. FIBERNET**				Rename
105	FiberNet - Personnel Charges for DTS		177	177	Break-out from FiberNet Support consistent with rest of Plan
106	FiberNet - Personnel Charges for DOT		40	40	Break-out from FiberNet Support consistent with rest of Plan
107	FiberNet - Operations & Maintenance (DTS)	1,190	1,013	1,013	Rename; break-out personnel costs
108	FiberNet - Operations & Maintenance (DOT)	244	204	204	Rename; break-out personnel costs
109	FiberNet-CIP [4]	1,041	1,041	1,041	
110	**SUBTOTAL**	**2,475**	**2,475**	**2,475**	
111	**TOTAL EXPENDITURES - PROGRAMS**	**15,478**	**15,478**	**15,600**	
112	**I. OTHER**				
113	Indirect Costs Transfer to Gen Fund [1]	302	302	302	
114	Indirect Costs Transfer to Gen Fund (ERP & MCTime) [1]	36	36	36	
115	Transfer to the General Fund [5]	3,237	3,237	3,237	
116	Grants to Organizations (Friendship Hts)	39	39	39	
117	Consolidated Multiuse Technology Facility	0	0	0	
118	Verizon-Cable Service to Public Buildings	0	0	0	
119	COB Renovations - CIP [4]	0	0	0	
120	Park & Planning Technology Projects	0	0	0	
121	**SUBTOTAL**	**3,614**	**3,614**	**3,614**	
122	**TOTAL EXPENDITURES**	**19,092**	**19,092**	**19,215**	
123	**J. ADJUSTMENTS**				
124	Prior Year Adjustments	0	0	0	
125	CIP - Designated Claim on Fund	0	0	0	
126	Fund Balance Transfer to General Fund (incl in Other Xfr)	(450)	(450)	(450)	
127	**TOTAL ADJUSTMENTS**	**(450)**	**(450)**	**(450)**	
128	**FUND BALANCE**	**481**	**481**	**(103)**	**FY09 Actual Beginning Balance will affect FY10 Fund Balance**
129	**FUND BALANCE PER POLICY GUIDANCE**	**911**	**911**	**911**	
130	**K. SUMMARY - EXPENDITURES BY FUNDING SOURCE**				Summary Condensed
131	[1]Transfer to Gen Fund-Indirect Costs	338	338	338	
132	[2]Transfer to Gen Fund-Mont Coll Cable Fund	1,320	1,320	1,320	
133	[3]Transfer to Gen Fund-Public Sch Cable Fund	1,582	1,582	1,582	
134	[4]Transfer to CIP Fund	1,041	1,041	1,041	
135	[5]Transfer to the General Fund-Other	3,237	3,237	3,237	
136	FUND TRANSFERS SUBTOTAL	7,518	7,518	7,518	
137	**CATV FUND MARC**	**11,574**	**11,574**	**11,697**	**MARC may not exceed $11.574 million**
138	Municipal Franchise & PEG Payments	1,851	1,851	2,134	
139	**CATV FUND NET EXPENDITURES**	**9,723**	**9,723**	**9,563**	
	TOTAL EXPENDITURES BY FUNDING SOURCE	**19,092**			
	ALL FIGURES ARE PROVIDED FOR DISCUSSION PURPOSES ONLY AND DO NOT REPRESENT AN OFFICIAL BUDGET SUBMISSION OF THE COUNTY EXECUTIVE, OMB, DTS, CABLE OFFICE OR ANY EXECUTIVE AGENCY				

ATTACHMENT B (NOV. 2, 2009 MFP CABLE OFFICE MEMO)
REFORMATTED CABLE PLAN WITH REVISED FY10 REVENUE AND MUNICIPAL EXPENDITURE ESTIMATES

	FY10 CABLE COMMUNICATIONS PLAN ($000's) - DRAFT REFORMATTING & REVISED ESTIMATES				
1		Approved FY10	Reformatted FY10	Estimated FY10	Estimate includes Revised FY10 Revenue Est & CE Savings
2	**BEGINNING FUND BALANCE**	**2,069**	**2,069**	**2,069**	Revised Beginning Balance not yet available
3	**REVENUES**				
4	5% Franchise Fee	11,280	11,280	**10,244**	**FY10 1Q = 22.7% of FY10 Approved**
5	G'Burg PEG Contribution	187	187	**180**	FY10 1Q = 23.9% of FY10 Approved
6	PEG Operating Support	2,080	2,080	**2,068**	Amend name; FY10 1Q = 24.9% of FY10 Approved
7	PEG & FiberNet Capital Equipment Support	1,990	1,990	2,508	Amend name; FY10 1Q = 31.5% of FY10 Approved
8	Verizon - Facilities Grant	200	200	200	Amend name
9	FiberNet Operating & Equipment Support	1,637	1,637	**1,628**	Amend name; FY10 1Q = 24.9% of FY10 Approved
10	Interest Earned	30	30	12	Amend name; FY10 1Q = 10.1% of FY10 Approved
11	TFCG Application Review Fees	80	80	**203**	Amend name; Rev Est based on Updated TFCG Data
12	Miscellaneous	0	0	0	
13	Transfer from the General Fund	0	0	0	
14	**TOTAL ANNUAL REVENUES**	**17,484**	**17,484**	**17,043**	**Revised FY09 REV +$626 ; Revised FY10 REV -$441 = +$185 REV**
15	**TOTAL RESOURCES-CABLE FUND**	**19,553**	**19,553**	**19,112**	FY10 1Q Revenue = 24.6% of FY10 Approved
16	**NON-DISCRETIONARY EXPENDITURES**				New Category
17	**A. MUNICIPAL EQUIPMENT & OPERATIONS**				Moved Into New Category
18	**Municipal Franchise Fee Sharing**				
19	Revenues to Municipalities	812			Estimates based on FY09 4Q; FY10 1Q not yet available
20	ADD? City of Rockville		460	429	$436 revised FY09 estimate; Is break-out necessary?
21	ADD? City of Takoma Park		199	188	$189 revised FY09 estimate; Is break-out necessary?
22	ADD? Maryland Municipal League		152	142	$108 revised FY09 estimate; Is break-out necessary?
23	**SUBTOTAL**	**812**	**812**	**759**	FY09 4Q (last available) = 23.4% of FY10 Approved
24	**Municipal Capital Support (a)**				
25	DELETE? Rockville Equipment	276	276		3 entities each receive same amount by formula
26	DELETE? Takoma Park Equipment	276	276		Is break-out information necessary?
27	DELETE? Municipal League Equipment	276	276		
28	**SUBTOTAL**	**828**	**828**	**1,168**	**FY10 1Q = 35.3% of FY10 Approved**
29	**Municipal Operating Support (a)**				
30	DELETE? Rockville PEG Support	70	70		3 entities each receive same amount by formula
31	DELETE? Takoma Park PEG Support	70	70		Is break-out information necessary?
32	DELETE? Muni. League PEG Support	70	70		
33	**SUBTOTAL**	**211**	**211**	**207**	FY10 1Q = 24.2% of FY10 Approved
34	**SUBTOTAL**	**1,851**	**1,851**	**2,134**	**Revised FY09 MEO +$74 ; Revised FY10 MEO +$280 = +$354 MEO**
35	**NET TOTAL ANNUAL REVENUES**	**15,633**	**15,633**	**14,909**	New Subtotal; FY10 1Q = 28.8% of FY10 Approved
36	**NET TOTAL RESOURCES-CABLE FUND**	**17,702**	**17,702**	**16,978**	New Subtotal
37	**EXPENDITURES**				
38	**A. Transmission Facilities Coordinating Group**				New Category
39	TFCG Application Review	0	180	293	Break-out from Franchise Admin Engineering
40	**SUBTOTAL**	**0**	**180**	**293**	**FY10 1Q Expenses = 45.7% of FY10 Approved**
41	**B. FRANCHISE ADMINISTRATION**				
42	Personnel Costs - Cable Administration	705	705	636	FY10 Savings - Delay New Hire Until 1/4/10
43	Personnel Costs - DTS Administration	69	69	69	
44	Personnel Costs - Charges for County Atty	95	95	95	
45	Operating	73	73	73	
46	Engineering Services		50	20	**Will have to reduce engineering to cover TFCG increase**
47	Inspection Services	500	270	187	**Will have to reduce inspections to cover TFCG increase**
48	Legal and Professional Services	310	310	310	
49	**SUBTOTAL**	**1,752**	**1,572**	**1,390**	
50	**SUBTOTAL**	**1,752**	**1,752**	**1,683**	
51	**C. MONTGOMERY COUNTY GOVERNMENT - CCM**				Rename (consistent with branding efforts)
52	**Media Production & Engineering**				
53	Personnel Costs	533	533	492	FY10 Savings - Delay New Hire Until 1/4/10
54	Operating	25	25	25	
55	Technical Operations Center (TOC)	23			Move to PEG Network
56	Closed Captioning	291			Move to PEG Network
57	Contracts - TV Production		63	63	Produce promotions, agency segments, editing support
58	New Media, Webstreaming & VOD Services	48	95	48	Renamed; Centralize CCM video streaming contract in FY11
59	**SUBTOTAL**	**920**	**716**	**628**	
60	**Public Information Office**				
61	Personnel Costs	560	560	560	
62	Operating Expenses	12	12	12	
63	Contracts - TV Production	273	210	210	
64	New Media, Webstreaming & VOD Services				New line item; Researching cost breakout
65	**SUBTOTAL**	**845**	**782**	**782**	
66	**County Council**				
67	Personnel Costs	74	74	74	
68	Operating Expenses	28	28	28	
69	Contracts - TV Production	516	516	516	
70	New Media, Webstreaming & VOD Services				New line item; Consolidate with Media Production & Engineering?
71	**SUBTOTAL**	**618**	**618**	**618**	
72	**MNCPPC**				
73	Personnel Costs	101	101	101	
74	Operating Expenses	21	21	21	
75	Contracts - TV Production	117	117	117	
76	New Media, Webstreaming & VOD Services	47	0	47	Provide with CCM centralized video streaming service contract in FY11?
77	**SUBTOTAL**	**286**	**239**	**286**	
78	**SUBTOTAL**	**2,669**	**2,355**	**2,314**	

ATTACHMENT B (NOV. 2, 2009 MFP CABLE OFFICE MEMO)
REFORMATTED CABLE PLAN WITH REVISED FY10 REVENUE AND MUNICIPAL EXPENDITURE ESTIMATES

Locations of Sites for Antennas Based on Applications Reviewed by the TFCG (Cumulative Year)



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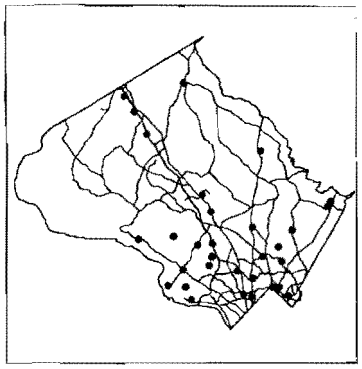

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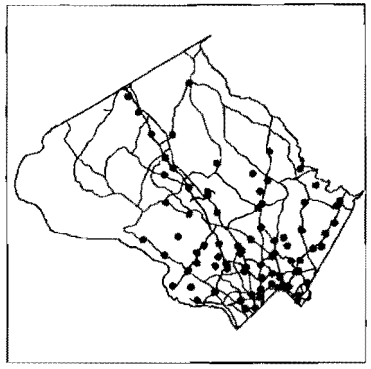

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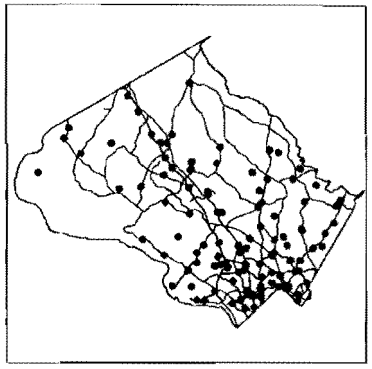

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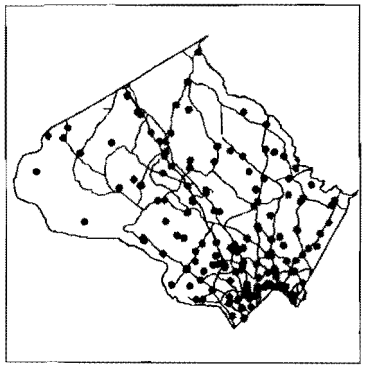

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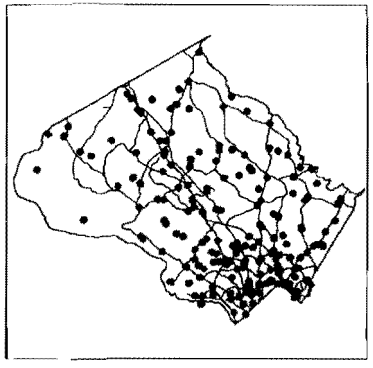

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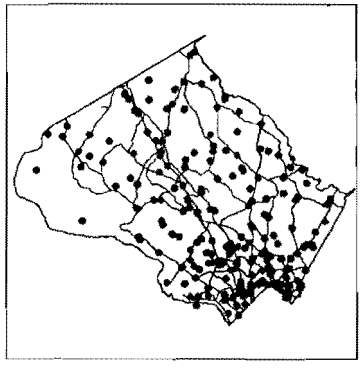

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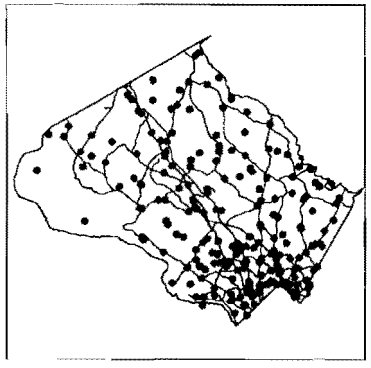

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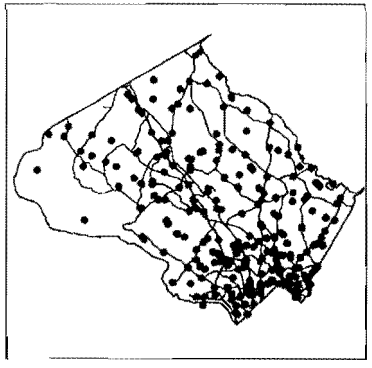

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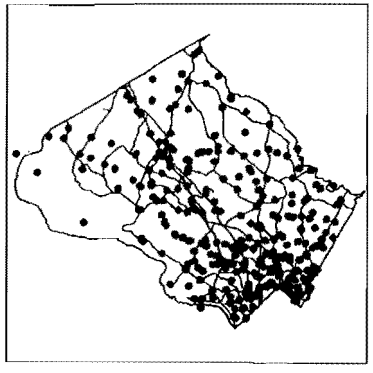

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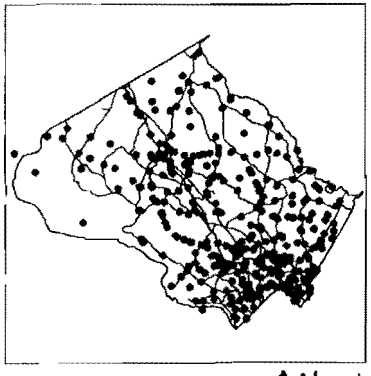

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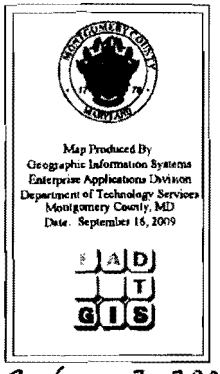

Attachment C (Nov 2, 2009 MFP)

(N)