

**MEMORANDUM**

April 26, 2012

TO: Government Operations and Fiscal Policy Committee  
FROM: Dr. Costis Toregas, Council IT Adviser  
SUBJECT: Cable Television and Communications Plan (continued)

Expected to attend:

Dieter Klinger, Acting Chief Information Officer, Department of Technology Services  
Mitsuko R. Herrera, Cable and Broadband Administrator, Department of Technology Services  
Merlyn Reineke, Chair, PEG Governance Board, MCM Executive Director  
Alex Espinosa, Office of Management and Budget  
Members of the Public Education and Government (PEG) Network  
Richard Wells, Chair of the Cable Communications Advisory Commission

**Summary of Staff Recommendations:**

1. Reduce the Executive's proposed increased spending on PEGs by \$280,000, reduce the Cable Fund balance by \$200,000, and reduce the Miss Utility expenditure by \$100,000.
2. Develop a new Legislative Branch Communications Outreach Non-Departmental Account (NDA).
3. Transfer \$580,000 to the new NDA through a General Fund transfer.
4. Support the PEG Governance Board by asking Council representatives to participate in their strategic deliberations and provide early indication of needed projects and priorities for Cable Plan programs and projects.

**Background**

On April 16, 2012, the Committee decided not to accept the Executive's recommended Cable Plan on © 1-2 and instead requested several options be explored:

1. Are there ways in which revenues that are received during a fiscal year at levels higher than estimated can come to the Committee for allocation?
2. The outcomes and overall budget for each PEG member should be documented so that the magnitude of Cable Plan funding as a percentage of overall budget could be made clear.
3. Find ways to implement a \$607,000 Council Staff recommended cut on the PEG portion of the budget.

4. Develop a new Cable Plan category dealing with issues of “Communicating with the Community” using new technologies, and organize a mechanism to manage this category; initial funding for this would come from the \$607,000 cut to the PEG budget.
5. Can the designation of functions (such as Multiculturalism & Accessibility, Transparent Government, and Community Engagement) or program areas (such as Environment, Energy, and Health & Nutrition) help direct programming resources towards desired objectives?

### **Revenues that come to the Cable Fund in excess of budgeted levels**

Estimating methods for revenues that come into the Cable Fund have improved over the years. Circle 37 provides details on the last nine years of revenue by source and by total subscriber counts. This chart suggests that the growth of new subscribers is slowing down considerably, and expectations for continued revenue growth from franchise fees should be moderated. This realization discounts the early discussions the Committee has had on excess revenue and, indeed, the FY13 Plan assumes a more modest increase from the year before.

However, the revenue estimates for the Cable Fund should be monitored throughout the year and constantly compared to the expected total revenue of \$25.5 million. If this number should be exceeded during FY13, then the Executive should request additional authority to spend this increment of unappropriated revenue.

To better understand the prior history of the FY11 revenue that exceeded budget expectations by \$2 million, two questions were raised with OMB; these questions, and the answer, are listed here:

- The additional \$2m from 2011 was used for what purpose?

*The FY12 approved budget assumed the availability of these revenues. They are reflected in the FY11 estimate of the FY12 approved budget. We actually over-estimated by about \$136,000. In any case, they are supporting FY12 appropriations.*

- How much of the Cable Fund balance change in FY13 is due to overage from FY12? And are you asking the Council to authorize that transfer to the General Fund? Or it is in the Cable Fund balance?

*The proposed budget includes an updated FY12 estimate of revenues and uses, and the Council and Council staff were provided this information on March 15, and shortly thereafter on March 30 with the Fiscal Plan.*

The slowdown of revenue growth, added to the OMB responses above, suggest that this issue should be dropped for now and that revenue levels in FY13 should be closely monitored.

### **Creating the desired outcomes with the PEGs**

The PEG Governance Board and the Cable and Broadband Administrator were provided a set of questions that would lead to better understanding of the potential for altering the recommended PEG budget to a framework more aligned with the Committee’s desires. These questions were as follows:

## QUESTIONS TO PEG GOVERNANCE BOARD

1. *There are certain line item elements of the Cable Plan that are “required” by certain restrictions in the franchise agreements or, in isolated cases, because of federal or state law. For example, it is understood that lines 15-32 are “pass through” revenues not subject to Committee and Council jurisdiction. What are other lines and amounts of similar restrictions? Detail the specific instances where such required allocations are recommended.*
2. *The PEG budget is recommended for a \$607,000 increase in FY13. The preliminary direction from the Committee is to keep the total PEG funding level at FY12 levels (\$8,239,000, shown in lines 49-100 of the Plan). Any increases mandated by agreements or deemed necessary would have to be made through offsetting costs in the FY12 budget allocation. The PEG Board is asked to provide answers to two questions:*
  - a. *What are the elements of the \$607,000 increase that are mandated by law, and in which of the 8 PEG elements do they fall under?*
  - b. *The Cable Administrator has provided a breakdown of the \$607,000 by type of expenditure: \$328,000 restricted capital, \$134,000 benefit costs, \$58,000 contract costs, \$50,000 youth media, \$35,000 closed captioning. More detail is needed in describing what is included in each of these cost categories, as well as a crosswalk to which agency is receiving these increases.*
3. *Each of the 5 major PEG members (MCPS, MC, MCM, PIO, and LIO) should prepare a short Outcomes statement for their recommended allocation; in other words, what (in brief) are the expected outcomes from the investments made by the Cable Fund? MCPS, MC, and MCM should also indicate the sizes of their overall budgets so that the impact of the Cable Fund allocation (or possible reductions) can be evaluated and properly assessed.*
4. *Please provide a direct explanation of the “WatchlocalTV.org” item: what is the organizational entity that receives this funding, how is the \$1,661,000 distributed, and who manages the production of outcomes? Is it the same as the PEG Governance Board?*
5. *The Committee is interested in understanding the impact of a 10% cut in the MCM budget in FY13 as part of a long term process of encouraging other funding entities to support MCM’s work. Please provide details of where cuts would be possible and their impact on outcomes this year.*
6. *Circles 38-39 of the April 16th packet show a program allocation presentation of the budget using function and area; the Committee is interested in the FY13 proposed allocations (which do not appear to be developed yet). How would it be possible to see and to change the planned priorities? And who would manage this overall allocation towards a desired percentage outcome? Is this a role for the PEG Governance Board? The Cable Administrator? The County Executive? The Council?*
7. *A new category of “Communicating with the Community” will cover new projects directly aimed at helping improve linkages with the Community, using New Media tools and strategies. Current interests include radio channels oriented towards Spanish-speaking residents, Constituent Tracking systems, and WiFi in Public Spaces. Can you detail elements of such New Media efforts already included in the FY13 proposed budget, indicating project and actor responsible?*

8. *Is the use of the \$7,064,000 proposed for transfer from the Cable Fund to the General Fund known at this time?*
9. *How are duplication in equipment and staff resources avoided today within the PEG members? Provide an inventory (if available) of equipment and skill sets that shows such reduction of duplication. How can the process be improved, and where are the possible savings?*

The Board and Administrator developed responses in a collaborative fashion (but provided separate responses); they appear on © 3-9 and © 10-32 respectively. In addition, the outside attorney to the County Attorney's Office on telecommunications matters, Nicholas Miller of Best Best & Krieger, who has an outstanding reputation as an experienced telecommunications expert, was asked to provide a definitive interpretation of the uses and restrictions imposed on Cable Fund revenues. His response is on © 33-34 and affirms the foundation of the analytic packet for the April 16 Committee session.

In accordance with Mr. Miller's guidance and to ensure that the County observes the indirect restrictions placed on some revenues arising from the cable franchises, the Executive branch suggested, and Council Staff agreed, to a modification in the Cable Plan format that would show expenditures of restricted capital funds in a separate display within the Plan. This display is shown in the Staff recommended version of the Plan as lines 15 through 25 on © 35.

### **Decision Points**

Based on this information, the Committee is asked to make a series of decisions that lead to the acceptance of a modified Cable Plan (on © 35-36) from that submitted by the Executive.

Decision 1     Agree to a revised PEG funding schedule that:

- a. essentially keeps the PEG members at FY12 levels;
- b. reduces the PEG Equipment funding by \$200,000;
- c. allows a modest new initiative to begin (Gandhi Brigade) within the Youth Initiative (see © 15 and © 31-32);
- d. eliminates \$25,000 of additional funding in the Youth Initiative;
- e. eliminates \$20,000 of benefits from MCM; and
- f. eliminates an increase of \$35,000 in the closed captioning area.

This elimination of programming funds is supported by the PEG Governance Board (see © 3-4).

This information is detailed in the table below, while details on the original proposed Cable Plan are on © 14.

**PEG Recommended expenditure increases FY13 (in \$000s)**

	<b>FY12</b>	<b>Proposed FY13</b>	<b>Council Staff Proposal</b>	<b>Council Staff Proposed Reduction</b>
CCM (Media Production, PIO, Council, M-NCPPC)	2,091	2,212	2,212	0
MC	1,230	1,245	1,245	0
MCPS	1,425	1,458	1,458	0
MCM	2,245	2,270	2,250	20
WatchlocalTV.org PEG Equipment	955	1,283	1,083	200
WatchlocalTV.org Youth	0	50	25	25
WatchlocalTV.org Closed Captioning	130	165	130	35
Other	163	163	163	0
<b>Total</b>	<b>8,239</b>	<b>8,846</b>	<b>8,566</b>	<b>280</b>

The detailed table on © 14 shows that the PEG Equipment line was funded at \$955,000 in FY12, and a further \$328,00 on top of that is recommended by the Executive in his FY13 proposed Cable Plan. The uses for the PEG equipment budget are referenced on © 18. Council Staff believes that reducing the \$1,283,000 amount to \$1,083,000 allows this category to grow by \$128,000 in order to adequately fund needed new digital equipment and other replacements, while freeing up \$200,000 to be used as capital for additional new communications efforts referenced below.

The Committee spent a considerable amount of time in the April 16 meeting discussing the role of Cable Plan funding in the operations of PEG members. The major network members outside of Montgomery County Government organizations, their overall budgets in the television arena, the amount proposed to be contributed by the Cable Plan, and that amount in percentage terms, are provided in the table below:

	<b>Overall budget</b>	<b>Cable Plan proposed contribution</b>	<b>% Cable Plan funding</b>
MC-ITV	\$1.86m	\$1.23m	66%
MCM	\$2.66m	\$2.24m	84%
MCPS	\$2.06m	\$1.42m	68%

The Committee also encouraged the MCM organization to consider an evolving strategy of revenue diversification so that dependency on governmental grants is diminished over time. The MCM Executive Director has provided a table on © 6 showing the evolution of external funding from a low of 2% in 2010 to today's expected 13%. In addition, the Cable and Broadband Administrator has also provided strong endorsement of the role MCM plays in expanding the Executive branch fundraising efforts and has reminded the Committee of other negative impacts of a further reduction to the FY13 recommended MCM funding from the Cable Plan (see © 18). Council Staff finds the two arguments persuasive and is not recommending further cuts to the MCM budget allocation at this time. However,

the MCM Board is encouraged to update the organization's strategic plan, with special attention paid to revenue diversification, and provide this plan to the Committee.

The issue of using programming outcome targets to drive resource allocation decisions is addressed by the Cable and Broadband Administrator on © 19-21. In addition to providing a revised graphic representation of function and program area distributions that improves clarity, she suggests that the upcoming June meeting of the PEG Governance Board is the proper time and place to take up the complex issue of programming decisions. She further believes that the next budget cycle for FY14 should have ample Committee and full Council input, well before a proposed Cable Plan is assembled in the winter of FY13. Council Staff concurs with this recommendation.

Decision 2     Reduce the Cable Fund Balance from \$586,000 to \$386,000

The Fund Balance (line 125 in the Executive's Cable Plan, on © 2) is \$586,000, against a policy guidance level of \$1.289 million (roughly 5% of the Fund). Council Staff understands that tough fiscal conditions make it imperative to miss the planned targets and suggests that the Fund Balance be further reduced by an additional \$200,000. The use of the Fund Balance is for unexpected contingencies in Cable Plan projects; the Executive always has the option to use the County's overall General Fund balance to overcome short-term, unexpected problems that might exceed the proposed fund balance amount.

Decision 3     Reduce Miss Utility Compliance funding by \$100,000 to \$270,000

"Miss Utility" is a system that alerts contractors intending to dig in particular locations of potential problems with existing underground assets. As the ARRA grant construction began, several site review procedures involving buried County conduit identified a problem in accessing data. There are some requirements that the County had not met in the past in this area of data linkages, and the ARRA grant's aggressive construction schedule uncovered this missing element. Therefore, the County needs to begin allocating resources to create a new capability that can fully support the Miss Utility function. Since this capability has not existed in the past, a delayed start will not have a negative impact on ongoing operations. The recommended \$100,000 reduction (which will in all likelihood result in a small time delay for the development of this capacity) is a viable action for the Committee to endorse.

The impact of these three decisions is to develop, in the aggregate, a pool of \$582,000 that can be allocated for additional, new initiatives in the Cable Fund.

Decision 4     Create a new Legislative Branch Communications Outreach Non-Departmental Account

The Council and, more broadly, the legislative branch, have many requirements for improving public access and making more efficient use of technology, including that of FiberNet, email, and other applications. In order to support these requirements in a comprehensive and coherent manner, it is suggested that a new Non-Departmental Account (NDA) be established by Council action that would allow for the effective and efficient deployment of new technology to benefit all legislative branch offices. Recommended language for this NDA is offered here:

**Legislative Branch Communications Outreach Non-Departmental Account (NDA)**  
*This NDA provides funds to strengthen the capacity of five Legislative Branch offices – the Council Office, the Office of Legislative Oversight, the Board of Appeals, the Office of Zoning and Administrative Hearings, and the Office of the Inspector General – to inform constituent communities of issues that directly affect them and to ensure that these communities' concerns are effectively taken into account. Communications efforts supported by this NDA include expanded outreach to Spanish and other language communities, greater use of web and social media resources, Open Government initiatives, and improved management of constituent requests.*

**Decision 5**      Transfer \$582,000 to the new Legislative Branch Communications Outreach NDA through a General Fund transfer.

Note that the use of \$200,000 of this amount is restricted to capital equipment and start-up expenses consistent with 47. U.S.C. Sec. 542 and applicable cable franchise agreements.

The total impact of these five decisions is to modify the original Cable Plan to the proposed version titled "FY13 Council Staff Recommended Cable Communications Plan" on © 35-36. If the Committee agrees with Staff recommendations, it is then, in essence, recommending the approval of the Cable Plan with Revisions as shown on © 35-36.

FY13 CABLE COMMUNICATIONS PLAN (\$000's)												
		Act FY11	App FY12	EST FY12	Rec FY13	Change fr \$	FY12 Appr %	Proj. FY14	Proj. FY15	Proj. FY16	Proj. FY17	Proj. FY18
1	BEGINNING FUND BALANCE	2,735	1,129	2,000	645	(484)	-42.9%	586	1,329	1,363	1,392	1,430
2	REVENUES											
3	5% Franchise Fee	13,961	14,997	15,106	15,986	988	6.6%	16,415	16,827	17,160	17,504	17,854
4	Gaithersburg PEG Contribution	97	197	198	200	3	1.4%	202	206	210	214	218
5	PEG Operating Support	2,092	2,134	2,137	2,180	46	2.2%	0	0	0	0	0
6	PEG Capital Equipment Grant	4,955	4,809	4,861	5,277	468	9.7%	9,753	10,000	10,200	10,406	10,616
7	Verizon - Facilities Grant	-	0	0	0	0	n/a	0	0	0	0	0
8	FiberNet Operating & Equipment Grant	823	1,678	1,681	1,715	36	2.2%	0	0	0	0	0
9	Interest Earned	1	20	0	10	(10)	-50.0%	10	30	60	90	110
10	TFCG Application Review Fees	143	246	120	120	(126)	-51.2%	120	120	120	120	120
11	Miscellaneous	241	0	0	0	0	n/a	0	0	0	0	0
12	Transfer from the General Fund	0	0	0	0	0	n/a	0	0	0	0	0
13	TOTAL ANNUAL REVENUES	22,312	24,081	24,102	25,487	1,405	5.8%	26,500	27,182	27,750	28,334	28,918
14	TOTAL RESOURCES-CABLE FUND	25,047	25,210	26,102	26,132	922	3.7%	27,086	28,511	29,114	29,726	30,348
15	NON-DISCRETIONARY EXPENDITURES (a)											
16	A. MUNICIPAL EQUIPMENT & OPERATIONS											
17	Municipal Franchise Fee Distribution											
18	City of Rockville	538	559	580	608	49	8.8%	623	632	641	650	663
19	City of Takoma Park	216	195	232	235	40	20.8%	238	240	244	249	254
20	Other Municipalities	189	221	216	227	6	2.5%	232	236	239	243	248
21	SUBTOTAL	943	975	1,028	1,070	95	9.8%	1,093	1,108	1,124	1,143	1,166
22	Municipal Capital Support											
23	Rockville Equipment	624	682	685	744	62	9.1%	944	964	979	997	1,017
24	Takoma Park Equipment	582	682	685	744	62	9.1%	829	852	869	887	905
25	Municipal League Equipment	582	612	615	674	62	10.2%	801	824	840	857	874
26	SUBTOTAL	1,788	1,976	1,985	2,163	187	9.5%	2,574	2,640	2,688	2,741	2,796
27	Municipal Operating Support											
28	Rockville PEG Support	70	76	71	73	(3)	-4.2%	0	0	0	0	0
29	Takoma Park PEG Support	70	76	71	73	(3)	-4.2%	0	0	0	0	0
30	Muni. League PEG Support	70	146	141	143	(3)	-2.2%	0	0	0	0	0
31	SUBTOTAL	209	298	284	288	(10)	-3.2%	0	0	0	0	0
32	SUBTOTAL	2,940	3,248	3,297	3,521	273	8.4%	3,667	3,748	3,812	3,883	3,962
33	NET TOTAL ANNUAL REVENUES	19,372	20,833	20,805	21,966	1,133	5.4%	22,833	23,435	23,939	24,450	24,956
34	NET TOTAL RESOURCES-CABLE FUND	22,107	21,962	22,805	22,611	649	3.0%	23,420	24,764	25,302	25,843	26,386
35	EXPENDITURES											
36	A. Transmission Facilities Coordinating Group											
37	TFCG Application Review	275	225	193	215	(10)	-4.4%	221	228	234	240	246
38	SUBTOTAL	275	225	193	215	(10)	-4.4%	221	228	234	240	246
39	B. FRANCHISE ADMINISTRATION											
40	Personnel Costs - Cable Administration	709	794	799	821	27	3.4%	847	888	930	973	1,019
41	Personnel Costs - DTS Administration	56	69	69	72	4	5.3%	75	78	82	86	90
42	Personnel Costs - Charges for County Atty	80	98	98	98	0	0.0%	103	108	113	118	123
43	Operating	46	70	70	70	(0)	-0.4%	72	74	76	78	80
44	Engineering Services	60	30	30	30	0	0.0%	31	32	33	33	34
45	Inspection Services	11	0	0	0	0	n/a	0	0	0	0	0
46	Legal and Professional Services	299	280	280	275	(5)	-1.8%	283	291	299	307	315
47	SUBTOTAL	1,261	1,340	1,345	1,365	25	1.9%	1,410	1,471	1,531	1,594	1,661
48	SUBTOTAL	1,536	1,565	1,538	1,580	15	1.0%	1,631	1,698	1,765	1,834	1,907
49	C. MONTGOMERY COUNTY GOVERNMENT - CCM											
50	Media Production & Engineering											
51	Personnel Costs	558	760	688	818	58	7.6%	845	886	927	970	1,016
52	Operating	77	35	113	31	(4)	-10.1%	32	33	34	35	36
53	Contracts - TV Production	41	32	32	61	29	92.1%	63	65	67	69	70
56	New Media, Webstreaming & VOD Services	63	38	38	38	0	0.0%	39	40	41	42	44
57	SUBTOTAL	739	865	871	949	84	9.7%	979	1,024	1,069	1,116	1,166
58	Public Information Office											
59	Personnel Costs	631	704	656	708	4	0.6%	743	779	815	853	893
60	Operating Expenses	1	0	0	0	0	n/a	0	0	0	0	0
61	Contracts - TV Production	144	83	83	83	0	0.0%	85	88	90	93	95
62	SUBTOTAL	775	787	739	791	4	0.6%	829	867	906	946	988
63	County Council											
64	Personnel Costs	154	157	161	157	(0)	-0.2%	164	172	180	189	198
65	Operating Expenses	18	13	13	13	0	0.0%	13	14	14	14	15
66	Contracts - TV Production	162	164	164	179	15	9.2%	184	190	195	200	205
67	SUBTOTAL	334	334	338	349	15	4.4%	362	376	389	403	418
68	MNCPPC											
69	Personnel Costs	66	0	0	0	0	n/a	0	0	0	0	0
70	Operating Expenses	0	0	0	0	0	n/a	0	0	0	0	0
71	Contracts - TV Production	87	81	81	99	18	21.7%	101	104	107	110	113
72	New Media, Webstreaming & VOD Services	24	24	24	24	0	1.4%	25	26	26	27	28
73	SUBTOTAL	176	105	105	123	18	17.0%	126	130	134	137	141
74	SUBTOTAL	2,025	2,091	2,053	2,212	121	5.8%	2,297	2,397	2,497	2,602	2,712

FY13 CABLE COMMUNICATIONS PLAN (\$000's)												
		Act FY11	App FY12	EST FY12	Rec FY13	Change fr \$	FY12 Appr %	Proj. FY14	Proj. FY15	Proj. FY16	Proj. FY17	Proj. FY18
75	D. MONTGOMERY COLLEGE - MC ITV											
76	Personnel Costs	1,174	1,144	1,144	1,159	15	1.3%	1,216	1,275	1,334	1,396	1,461
77	Operating Expenses	108	96	86	86	0	0.0%	88	91	93	96	98
78	New Media, Webstreaming & VOD Services	6	0	0	0	0	n/a	0	0	0	0	0
79	SUBTOTAL	1,288	1,230	1,230	1,245	15	1.2%	1,304	1,366	1,427	1,492	1,560
80	E. PUBLIC SCHOOLS - MCPS ITV											
81	Personnel Costs	1,393	1,308	1,308	1,341	32	2.5%	1,406	1,474	1,543	1,615	1,691
82	Operating Expenses	98	117	117	117	0	0.0%	120	124	127	130	134
83	New Media, Webstreaming & VOD Services	0	0	0	0	0	n/a	0	0	0	0	0
84	SUBTOTAL	1,491	1,425	1,425	1,458	32	2.3%	1,527	1,598	1,670	1,745	1,825
85	F. COMMUNITY ACCESS PROGRAMMING (b)											
86	Personnel Costs	1,869	1,708	1,708	1,733	25	1.5%	1,818	1,906	1,995	2,088	2,186
87	Operating Expenses	33	124	124	124	0	0.2%	128	131	135	138	142
88	Rent & Utilities	457	407	407	407	0	0.0%	419	431	442	454	466
89	New Media, Webstreaming & VOD Services	6	6	6	6	0	0.0%	6	6	7	7	7
90	SUBTOTAL	2,365	2,245	2,245	2,270	25	1.1%	2,371	2,475	2,578	2,686	2,801
91	G. WATCHLOCALTV.ORG											
92	PEG Equipment Replacement	76	955	955	1,283	328	34.4%	4,709	4,910	3,737	3,891	5,795
93	PEG Network Operating	94	46	46	46	(0)	-0.5%	47	48	50	51	52
94	Youth and Arts Community Media	41	0	0	50	50	n/a	51	53	54	56	57
95	Foreign Language Production Services	0	91	61	91	0	0.0%	94	96	99	101	104
96	Closed Captioning	179	130	130	165	35	26.9%	170	175	179	184	189
97	Technical Operations Center (TOC)	7	10	10	10	0	0.0%	10	11	11	11	11
98	PEG Network Mobile Production Vehicle	17	16	16	16	0	0.0%	16	17	17	18	18
99	PEG Emergency Reserve	0	0	0	0	0	n/a	0	0	0	0	0
100	SUBTOTAL	414	1,248	1,218	1,661	413	33.1%	5,098	5,310	4,148	4,312	6,228
101	H. FIBERNET											
102	FiberNet - Personnel Charges for DTS	172	181	293	456	276	152.4%	471	494	517	541	566
103	FiberNet - Operations & Maintenance DTS	778	931	931	1,131	200	21.5%	1,164	1,197	1,229	1,261	1,295
104	FiberNet - Personnel Charges for DOT	46	46	46	68	22	48.1%	71	75	78	82	86
105	FiberNet - Operations & Maintenance DOT	198	258	258	258	0	0.1%	263	271	278	286	293
106	OPERATING SUBTOTAL	1,195	1,416	1,528	1,914	498	35.2%	1,969	2,037	2,102	2,170	2,241
107	FiberNet - CIP	790	2,140	2,140	1,831	(309)	-14.4%	2,470	2,450	3,775	3,775	2,025
108	SUBTOTAL	1,985	3,556	3,668	3,745	189	5.3%	4,439	4,487	5,877	5,945	4,266
109	I. MISS UTILITY COMPLIANCE											
110	Miss Utility Compliance	0	0	0	370	370	n/a	381	392	402	413	424
111	SUBTOTAL	0	0	0	370	370	n/a	381	392	402	413	424
112	TOTAL EXPENDITURES - PROGRAMS	14,043	16,608	16,673	18,062	1,454	8.8%	22,714	23,470	24,176	24,912	25,684
113	J. OTHER											
114	Indirect Costs Transfer to Gen Fund	359	369	369	388	19	5.1%	403	422	442	462	484
115	Indirect Costs Transfer to Gen Fund (ERP & MCTime)	34	34	34	32	(2)	-6.3%	23	19	19	19	19
116	Transfer to the General Fund	8,749	8,086	8,086	7,064	(1,022)	-12.6%	2,618	3,237	3,085	2,903	2,700
117	Grants to Organizations (Friendship Hts)	39	0	0	0	0	n/a	0	0	0	0	0
118	SUBTOTAL	9,181	8,489	8,489	7,484	(1,005)	-11.8%	3,043	3,678	3,546	3,384	3,203
119	TOTAL EXPENDITURES	23,224	25,097	25,162	25,546	449	1.8%	25,757	27,148	27,722	28,296	28,887
120	K. ADJUSTMENTS											
121	Prior Year Adjustments	22	0	0	0	0	n/a	0	0	0	0	0
122	Encumbrance Adjustment	(199)	0	0	0	0	n/a	0	0	0	0	0
123	CIP - Designated Claim on Fund	0	0	295	0	0	n/a	0	0	0	0	0
124	TOTAL ADJUSTMENTS	(177)	0	295	0	0	n/a	0	0	0	0	0
125	FUND BALANCE	2,000	113	645	586	473	417.1%	1,329	1,363	1,392	1,430	1,462
126	FUND BALANCE PER POLICY GUIDANCE	1,148	1,221	1,218	1,289	68	5.6%	1,324	1,358	1,387	1,417	1,447
127												
128	L. SUMMARY - EXPENDITURES BY FUNDING SOURCE											
129	Transfer to Gen Fund-Indirect Costs	393	403	403	420	17	4.2%	426	441	461	481	503
130	Transfer to Gen Fund-Mont Coll Cable Fund	1,288	1,230	1,230	1,245	15	1.2%	1,304	1,366	1,427	1,492	1,560
131	Transfer to Gen Fund-Public Sch Cable Fund	1,491	1,425	1,425	1,458	32	2.3%	1,527	1,598	1,670	1,745	1,825
132	Transfer to CIP Fund	790	2,140	2,140	1,831	(309)	-14.4%	2,470	2,450	3,775	3,775	2,025
133	Transfer to the General Fund-Other	8,749	8,086	8,086	7,064	(1,022)	-12.6%	2,618	3,237	3,085	2,903	2,700
134	FUND TRANSFERS SUBTOTAL	12,711	13,284	13,284	12,017	(1,267)	-9.5%	8,344	9,092	10,418	10,396	8,612
135	Municipal Franchise & PEG Payments	2,940	3,248	3,297	3,521	273	8.4%	3,667	3,748	3,812	3,883	3,962
136	Fran Admin, PEG & FiberNet Op (excl Muni, GF, CIP)	10,745	11,623	11,639	13,130	1,507	13.0%	17,003	17,713	17,050	17,735	20,200
137	Fran Admin, PEG & FiberNet Op (excl Muni, GF, CIP, PEG E	10,669	10,668	10,684	11,846	1,179	11.0%	12,294	12,803	13,313	13,844	14,405
138	Cable Fund Direct Expenditures	10,337	11,813	11,878	13,529	1,716	14.5%	17,413	18,056	17,304	17,900	20,274

**Notes:**

1. These projections are based on the Executive's Recommended budget and include the revenue and resource assumptions of that budget. The projected future expenditures, revenues, and fund balances may vary based on changes not assumed here to fee or tax rates, usage, inflation, future labor agreements, and other factors.

2. Certain Cable Fund revenues (Municipal Franchise Fees/Pass-throughs, PEG Capital/Equipment Grants, and PEG Operating Revenue) are contractually required by franchise, municipal, and settlement agreements, and by the County Code.

3. End-of-year reserves is targeted at 8% of total non-restricted revenues (franchise fees, tower fees, and investment income) per policy guidance.

4. The Comcast franchise renewal process has been recently initiated and specific elements of a final agreement are uncertain. Restricted categories such as FiberNet Operating revenue, PEG Operating revenue, and Municipal Operating Support expenditures may be impacted in the outyears.

April 24, 2012

**From: The PEG Governance Board**

**To: Dr. Costis Toregas, Council IT Advisor**

**Re: Responses to Follow-Up Staff Questions re the FY '13 Recommended Cable Plan**

The following information reflects responses from the PEG Governance Board to a series of questions on the Cable Plan posed by council staff. Some questions were left to the Cable & Broadband Administrator to provide under separate cover, while others were collective responses by the PEG Board. Each is indicated below.

1. *There are certain line item elements of the Cable Plan that are "required" by certain restrictions in the franchise agreements or, in isolated cases, because of federal or state law. For example it is understood that lines 15-32 are "pass through" revenues not subject to Committee and Council jurisdiction. What are other lines and amounts of similar restrictions? Detail the specific instances where such required allocations are recommended*

The Cable & Broadband Administrator has addressed this question under separate cover.

2. *The PEG budget is recommended for a \$607,000 increase in FY13. The preliminary direction from the Committee is to keep the total PEG funding level at FY12 levels (\$8,239,000 shown in lines 49-100 of the Plan). Any increases mandated by agreements or deemed necessary would have to be made through offsetting costs in the FY12 budget allocation. The PEG Board is asked to provide answers to two questions:*
  - a. *What are the elements of the \$607,000 increase that are mandated by law and in which of the eight PEG elements do they fall under?*
  - b. *The Cable Administrator has provided a breakdown of the \$607,000 by type of expenditure: \$328,000 restricted capital, \$134,000 benefit costs, \$58,000 contract costs, \$50,000 youth media, \$35,000 closed captioning. More detail is needed in describing what is included in each of these cost categories, as well as a crosswalk to which agency is receiving these increases.*

The Cable & Broadband Administrator has addressed this question under separate cover.

While the majority of the PEG expenditure increases in FY '13 have been earmarked for capital purchases, as well as required benefits increases and CCM productions, the Board is recommending that the expansion of Youth Media Programming partnerships and additional

Closed Captioning increases be eliminated, and MCM's benefits increase be reduced by \$20,000. Therefore, the Board recommends \$105,000 (representing the above three components) be removed from the FY '13 Cable Plan and transferred to the 'Communicating with the Community' line item.

3. *Each of the five major PEG members (MCPS, MC, MCM, PIO and LIO) should prepare a short Outcomes statement for their recommended allocation; in other words, what (in brief) are the expected outcomes from the investments made by the Cable Fund? MCPS, MC and MCM should also indicate the size of their overall budget, so that the impact of the Cable Fund allocation (or possible reductions) can be evaluated and properly assessed.*

**CCM/PIO:** Executive branch programming for County Cable Montgomery will seek to educate and inform viewers about the wide variety of County programs and services available to residents. Programming in FY13 will continue to include the weekly news show, "County Report This Week" in both English and Spanish (using video packages from each of the PEG channels); the weekly "Montgomery al Dia" (a videotaped Spanish language County public affairs show in Spanish); the monthly "Mosaic: an African American Perspective" that covers issues of interest to the African American community; "One on One" (an in-depth interview with the County Executive); "My Green Montgomery" (an environmental "how to" show); "Seniors Today" (focusing on issues of interest to senior citizens); "Make a Difference" (promoting volunteer opportunities); "Tertulia" about issues of interest to the Latino community; "What's Brewin' with Bruen" (talk show on a wide variety of topics); along with a new police show featuring Police Chief Tom Manger; and a new library show that features library services and programs. In addition, Executive branch programming includes Executive Town Hall Meetings and press conferences. Shows are regularly promoted via social media (Facebook and Twitter) and are available for direct viewing on the County Internet site and on YouTube.

**CCM/LIO:** Council-produced programming for County Cable Montgomery in FY13 will seek to enhance open government by increasing the number of televised Council committee meetings from 50 in FY12 to 90 in FY13. There will be an increase in programming that explores the County seeking best practices of other governments by having County leaders exchange views with leaders of other jurisdictions. There will be an increased effort to reach residents who speak languages other than English through television and radio broadcasts. In addition, there will be significant increased efforts to reach new audiences through use of the Council's established social media outlets on YouTube, Facebook and Twitter.

**CCM/Media Services Branch:** The funding associated with Media Production & Engineering will be used to continue to provide:

- Pre-production, production and post-production support for County Cable Montgomery programming including "County Report This Week", Town Hall Meetings, "Council-in Brief", "No Boundaries", Council regular sessions, committee meetings and public hearings; new programming;

- Engineering support for CCM (we also provide assistance to Rockville as needed.);
- Closed captioning services;
- Technical Operations Center management;
- Mobile Production Vehicle (MPV) scheduling, maintenance, engineering and support for joint programming opportunities;
- Website design and maintenance, e –communications including newsletters and social media - Facebook, YouTube, Twitter;
- Live video streaming and on-demand services including mobile devices;
- Contract administration; and
- Procurement

**MC-ITV:** MC-ITV provides award-winning instructional and informational programming which extends the reach of the College’s education and enrichment efforts beyond the campuses and into the homes and businesses of the County. MC-ITV uses cable, and current/emerging media technologies to facilitate teaching and learning; creatively support student success and retention; and provide training to the community. Video materials supplement in-class, distance and blended learning and help the spoken word “stick” for visual learners and ESL students. Mentoring support for students provides a “digital bridge to the future” through hands-on learning using state-of-the-art digital equipment. College events such as performing arts, Academic Achievement Awards, lectures, Mi Escuela Es Su Escuela and student presentations are featured. To date, there have been 1,476,000+ views/downloads on YouTube and the College’s media server. In FY 2013, MC-ITV staff will provide 7,650 hours of job-readiness training to students and will produce 160 hours of English, and Spanish, original programming, 50% of which will be assisted by students. MC-ITV’s overall budget is \$1.86M, with \$1.23M from the Cable Fund.

**MCM:** MCM informs, connects and educates County residents; and 76% of county residents feel that the concept of open access channels is important. MCM is the community’s independent voice and resource for community-contributed, hyper-local broadcast and broadband content. MCM is a media center that empowers multi-cultural, non-profit and digital media literacy through media training classes and workshops. Through its broadcast, broadband and social media, in FY’13 MCM will: increase its membership from 3,132 members to 5,000; increase its bi-monthly electronic newsletter readership from 6,000 to 10,000; deliver content by its new WordPress 3.0 website to over 50,000 new web viewers with hundreds of thousands of page views; launch more than a dozen new programs, workshops and opportunities to improving digital literacy within the County; improve collaboration and increase engagement opportunities with 200+ nonprofits; diversify its revenue sources; and expand its offerings and opportunities for the youth, seniors and underserved communities of Montgomery County. MCM’s overall budget is \$2.66M, with \$2.24M from the Cable Fund.

**MCPS:** Producing high quality engaging video content is a vital component of the Office of Communications (MCPS-TV, Public Information and Web Services) to keep stakeholders informed, educating the public about what is happening inside the school system, and supporting numerous internal initiatives to help bolster student achievement. In FY13,

MCPS-TV hopes to produce 100 new video programs in various foreign languages to help assist parents. We also project an increase to our page views on the MCPS website to 48,000,000 views for FY13. (MCPS-TV plays an integral role in the viewing pattern of the MCPS website). MCPS's overall budget is \$2.06M, with \$1.42 from the Cable Fund.

4. *Please provide a direct explanation of the "WatchlocalTV.org" item: what is the organizational entity that receives this funding, how is the \$1,661,000 distributed, and who manages the production of outcomes. Is it the same as the PEG Governance Board?*

The Cable & Broadband Administrator has addressed this question under separate cover.

5. *The Committee is interested in understanding the impact of a 10% cut in the MCM budget in FY13 as part of a long-term process of encouraging other funding entities to support MCM's work. Please provide details of where cuts would be possible and their impact on outcomes this year.*

As a non-profit organization, MCM actively seeks to diversify its revenue sources, even during difficult economic times. During the past four fiscal years, MCM has managed a reduction of more than \$400,000 from the Cable Fund: a 19% decrease. This severe reduction has resulted in a 30% elimination and reallocation of fulltime staff, with six jobs being lost and three more reallocated. Yet even in these challenging times, MCM continues to increase the number of community-produced programs, media literacy classes and student participants:

- Beginning with the hiring of Executive Director Merlyn Reineke in 2009, MCM has reorganized itself to be better positioned to fundraise.
- For the first time in its history, MCM has a fulltime staff member dedicated to fundraising, a Development Committee has been formed and two new members of the MCM Board of Directors possess extensive fundraising experience.
- Although funding from grants & philanthropic giving is a priority for increasing outside funding for MCM, these sources have shifted to safety-net orgs during the downturn.
- Significant improvements to the on-air channels and a new website are all part of the strategy to generate more community support.

This comprehensive effort has begun to gain modest traction, even in the worst economy since the Great Depression. As the chart below illustrates, MCM has moved from 2% non-government funding in FY '10 to 13% in FY '13. Yet the effort is painstaking, and takes time and effort to generate results, especially given the current economic environment:

<b>Fiscal Year</b>	<b>FY 2010</b>	<b>%</b>	<b>FY 2011</b>	<b>%</b>	<b>FY 2012 (est.)</b>	<b>%</b>	<b>FY 2013 (est.)</b>	<b>%</b>
<b>Cable Fund Revenue</b>	2,562,000	98%	2,365,000	92%	2,245,000	90%	2,270,000	87%
<b>Outside Revenue</b>	64,000	2%	219,000	8%	250,000	10%	285,000	13%

While the MCM management team and Board fully support diversifying the organization's sources of revenue, even a 10% reduction from FY '12 funding would wipe out EVERY PENNY of outside income the organization has raised. This cut would undermine MCM's fundraising efforts, one of the five main priorities for the organization in its current FY '11-14 Strategic Plan. Put another way, additional funding cuts in FY '13 would require the elimination of staff, further diminishing MCM's ability to diversify its revenue base and achieve the goal of a successful non-profit organization. MCM continues to take positive and aggressive actions to diversify its revenue opportunities and sources. MCM's success in this endeavor requires a flat year-to-year Cable Fund allocation that demonstrates some fiscal stabilization to foundation funders and corporate underwriters. This flat allocation should maintain MCM's positive unrestricted net asset metric and abate MCM's Operating Margin's negative slope that is the direct result of several consecutive years of severe reductions to MCM's annual Cable Fund allocation.

MCM is continuing its efforts in FY '13 to review its current bylaws, governance and staff to facilitate these fundraising efforts and construct an organization that is dedicated to "Building Community through Media".

6. *©38-39 of the April 16th packet show a program allocation presentation of the budget using function and area; the Committee is interested in the FY13 proposed allocations (which do not appear to be developed yet). How would it be possible to see and to change the planned priorities? And who would manage this overall allocation towards a desired percentage outcome? Is this a role for the PEG Governance Board? The Cable Administrator? The County Executive? The Council?*

The Cable & Broadband Administrator has addressed this question under separate cover.

7. *A new category of "Communicating with the Community" will cover new projects directly aimed at helping improve linkages with the Community using New Media tools and strategies. Current interests include radio channels oriented towards Spanish speaking residents, Constituent Tracking systems and WiFi in Public Spaces. Can you detail elements of such New Media efforts already included in the FY13 proposed budget, indicating project and actor responsible?*

The Cable & Broadband Administrator has addressed this question under separate cover.

8. *Is the use of the \$7,064,000 proposed for transfer from the Cable Fund to the General Fund known at this time?*

The Cable & Broadband Administrator has addressed this question under separate cover.

9. *How is duplication in equipment and staff resources avoided today within the PEG members? Provide an inventory (if available) of equipment and skill sets that shows such reduction of duplication. How can the process be improved, and where are the possible savings?*

The PEG members have significantly increased their cooperative efforts in recent years, allowing production of new and innovative programming that would not have been possible without the “lending” of personnel between the channels and sharing of compatible equipment, when possible. Use of the PEG mobile production van has been instrumental in these efforts since it was acquired five years ago.

Although members exchange ideas on a monthly basis when they have a specific need or a proposal for a new venture that would require cooperative efforts, the new PEG Governance Board will encourage cooperative efforts to allow all members to seek new and challenging programming. Working with the coordination of the Cable Office, cooperative efforts will enable coverage of major events, and production of certain programming, that could not be done by a single entity.

The sharing of personnel and equipment has already provided considerable cost savings to all member channels. This has enabled channels to save on hiring free-lance personnel and rental costs of equipment that otherwise would not be available to any one channel without the cooperative efforts.

Through use of the PEG technical operations center (TOC), programming can be shown on multiple PEG channels simultaneously.

Examples of cooperative efforts in the past two years include:

- **County Report This Week:** The half-hour weekly news show covers aspects of Montgomery news, issues and features that are not covered by mainstream media. All PEG channels contribute to the shows production and it is broadcast daily by the PEG channels. Highlights are posted on the County’s YouTube page.
- **Coverage of Council and County Executive Town Hall Meetings.** The extensive staff and equipment needed for these events at remote locations could not be produced without significant cooperative efforts.
- **Latino Leadership Conference:** The January 2012 event in Wheaton had numerous ongoing speakers and workshops, targeting different aspects of how Latinos have made an impact on Montgomery County. CCM, MCPSTV, MCM and Montgomery College TV (MCTV) each provided a camera operator to cover the all-day event. Only through this cooperation was it possible for end-to-end coverage to be recorded and shown on

MCM, special educational aspects to be packaged by MCTV and Montgomery Re-Imagined half-hour shows in English and Spanish produced by CCM

- **Live election night coverage and results reporting from the 2010 County primaries and general elections.** Coverage include live reports from remote locations and live in-studio interviews with guests using the two studios at MCM
- **Live coverage of Montgomery's 9/11 10th Anniversary Memorial Ceremony.** Rockville 11 provided live coverage from the EOB to the PEG channels made use of the multi-purpose van, County engineers and MCM staff
- **Superintendent of Schools Starr's Book Club:** MCPSTV produced live coverage of the event, Rockville 11 took the live feed from a switch at the TOC
- **Rockville's Annual Memorial Day Ceremony and Parade:** Rockville 11 made use of the MPV and County engineers for live coverage of the City's Memorial Day Ceremony and Parade in 2009, 2010, and 2011 (and planned for 2012).

Respectfully submitted:

The PEG Governance Board

- Montgomery County Office of Cable and Broadband Services – Media Services Branch
- Montgomery County Government's Public Information Office
- Montgomery County Council's Legislative Information Office
- Montgomery College Instructional Television (MCTV)
- Montgomery County Public Schools (MCPS-TV)
- Montgomery Community Media (MCM)



DEPARTMENT OF TECHNOLOGY SERVICES

*Isiah Leggett*  
County Executive

*Dieter Klinger*  
Acting Chief Information Officer

MEMORANDUM

April 24, 2012

**TO:** Dr. Costis Toregas  
Council IT Advisor

**FROM:** Mitsuko R. Herrera, Cable & Broadband Administrator *Mitsuko R. Herrera*  
Cable & Broadband Communications Office

**VIA:** Dieter Klinger, Acting Chief Information Officer  
Department of Technology Services

**SUBJECT:** Government Operations & Fiscal Policy Committee –  
Responses to Follow-Up Staff Questions re FY13 Recommended Cable Fund

The County Executive provided the FY13 CE Recommended Budget on March 15, 2012, Cable Fund six year display on March 30, 2012, a Cable Fund Memo on April 10, 2012, and under separate cover, the FiberNet CIP and FiberNet six year work plan. On April 16, 2012, the GO Committee met to review these submissions. During the April 16, 2012 meeting, the GO Committee requested creation of a "Council Community Communications" line item on the Cable Communications Fund Display. On April 20, 2012, Council staff submitted follow-up questions.

This memo contains an amended Cable Communications Fund Display and responses to the nine Council staff questions. The majority of these questions requested information about Cable Fund allocations which required responses by the County Executive. Some questions required responses by the members of the PEG Governance Board. The PEG Governance Board responses are provided separately.

**AMENDED CABLE FUND DISPLAY**

In response to the GO Committee request, "Council Community Communications," Lines 54-56, have been added. In response to Question 1 regarding restricted funding, the PEG Equipment and FiberNet CIP expenditures have been moved to Lines 22-23, and a subtotal of Non-Discretionary Capital Expenditures (Line 25), Other Non-Discretionary Expenditures (Line 35), and all Non-Discretionary Expenditures (Line 37) has been created. Minor corrections to funding allocations were made. Program subtotals are unaffected by these corrections.

**FY13 CE RECOMMENDED CABLE COMMUNICATIONS PLAN (in \$000's)**

		Approved FY11	Act FY11	App FY12	EST FY12	Rec FY13	Change fr FY12	Appr %	Proj. FY14	Proj. FY15	Proj. FY16	Proj. FY17	Proj. FY18
1	BEGINNING FUND BALANCE	114	2,735	1,129	2,000	645	(484)	-42.8%	586	1,329	1,363	1,392	1,430
2	REVENUES												
3	Franchise Fees <sup>1</sup>	12,533	13,961	14,997	15,106	15,986	988	6.6%	16,415	16,827	17,160	17,504	17,854
4	Gaithersburg PEG Contribution	164	139	197	198	200	3	1.4%	202	206	210	214	218
5	PEG Operating Support <sup>1,2</sup>	2,111	2,092	2,134	2,137	2,180	46	2.2%	0	0	0	0	0
6	PEG Capital Grant <sup>1,2,3</sup>	3,484	4,131	4,809	4,861	5,277	468	9.7%	9,753	10,000	10,200	10,406	10,616
7	Verizon - Facilities Grant <sup>1</sup>	200	200	0	0	-	0	n/a	0	0	0	0	0
8	FiberNet Operating & Equipment Grant <sup>1</sup>	1,660	1,645	1,678	1,681	1,715	36	2.2%	0	0	0	0	0
9	Interest Earned	30	1	20	0	10	(10)	-50.0%	10	30	60	90	110
10	TFCG Application Review Fees <sup>1</sup>	203	143	246	120	120	(126)	-51.2%	120	120	120	120	120
11	Miscellaneous	0	-	0	0	-	0	n/a	0	0	0	0	0
12	Transfer from the General Fund	0	0	0	0	-	0	n/a	0	0	0	0	0
13	TOTAL ANNUAL REVENUES	20,385	22,312	24,081	24,102	25,487	1,405	5.8%	26,500	27,182	27,750	28,334	28,918
14	TOTAL RESOURCES-CABLE FUND	20,499	25,047	25,210	26,102	26,132	922	3.7%	27,087	28,512	29,114	29,726	30,348
15	NON-DISCRETIONARY EXPENDITURES <sup>2</sup>												
16	A. NON-DISCRETIONARY CAPITAL EXPENDITURES												
17	Municipal Capital Support												
18	Rockville Equipment	466	624	682	685	744	62	9.1%	944	964	979	997	1,017
19	Takoma Park Equipment	466	582	682	685	744	62	9.1%	829	852	869	887	905
20	Municipal League Equipment	396	582	612	615	674	62	10.2%	801	824	840	857	874
21	SUBTOTAL	1,328	1,788	1,976	1,985	2,163	187	9.5%	2,574	2,640	2,688	2,741	2,796
22	PEG Capital <sup>1</sup>	40	76	955	955	1,283	328	34.4%	4,709	4,910	3,737	3,891	5,795
23	FiberNet - CIP	515	790	2,140	2,140	1,831	(309)	-14.4%	2,470	2,450	3,775	3,775	2,025
24	(Must be greater or equal to Line 6) SUBTOTAL	1,883	2,654	5,071	5,080	5,277	206	4%	9,753	10,000	10,200	10,406	10,616
25	B. OTHER NON-DISCRETIONARY EXPENDITURES												
26	Municipal Franchise Fee Distribution												
27	City of Rockville	464	538	559	580	608	49	8.8%	623	632	641	650	663
28	City of Takoma Park	196	216	195	232	235	40	20.8%	238	240	244	249	254
29	Other Municipalities	159	189	221	216	227	6	2.5%	232	236	239	243	248
30	SUBTOTAL	819	943	975	1,028	1,070	95	9.8%	1,093	1,108	1,124	1,143	1,166
31	Municipal Operating Support												
32	Rockville PEG Support	70	70	76	71	73	(3)	-4.2%	0	0	0	0	0
33	Takoma Park PEG Support	70	70	76	71	73	(3)	-4.2%	0	0	0	0	0
34	Muni. League PEG Support	140	70	146	141	143	(3)	-2.2%	0	0	0	0	0
35	SUBTOTAL	280	209	298	284	288	(10)	-3.2%	0	0	0	0	0
36	SUBTOTAL	1,099	1,152	1,272	1,312	1,358	86	6.7%	1,093	1,108	1,124	1,143	1,166
37	TOTAL NON-DISCRETIONARY EXPENDITURES	2,982	3,805	6,343	6,392	6,635	292	4.6%	10,846	11,108	11,324	11,549	11,782
38	NET TOTAL ANNUAL REVENUES	17,403	18,507	17,738	17,710	18,852	1,113	6.3%	15,654	16,074	16,427	16,785	17,136
39	NET TOTAL RESOURCES-CABLE FUND	17,517	21,242	18,867	19,710	19,497	630	3.3%	16,239	17,404	17,789	18,177	18,566
40	EXPENDITURES												
41	A. Transmission Facilities Coordinating Group												
42	TFCG Application Review	275	275	225	173	175	(50)	-22.2%	180	185	190	195	200
43	SUBTOTAL	275	275	225	173	175	(50)	-22.2%	180	185	190	195	200
44	B. FRANCHISE ADMINISTRATION												
45	Personnel Costs - Cable Administration	794	709	794	799	821	27	3.4%	847	888	930	973	1,019
46	Personnel Costs - DTS Administration	69	56	69	69	72	4	5.3%	75	78	82	86	90
47	Personnel Costs - Charges for County Atty	95	80	98	98	98	0	0.0%	103	108	113	118	123
48	Operating	80	46	70	70	70	(0)	-0.4%	72	74	76	78	80
49	Engineering Services	50	80	30	50	70	40	133.3%	72	74	76	78	80
50	Inspection Services	10	11	0	0	-	0	n/a	0	0	0	0	0
51	Legal and Professional Services	300	299	280	280	275	(5)	-1.8%	283	291	299	307	315
52	SUBTOTAL	1,398	1,261	1,340	1,365	1,405	65	4.9%	1,451	1,513	1,574	1,639	1,706
53	SUBTOTAL	1,673	1,536	1,565	1,538	1,580	15	1.0%	1,631	1,698	1,765	1,834	1,907
54	C. COUNCIL COMMUNITY COMMUNICATIONS												
55													
56	SUBTOTAL												
57	D. MONTGOMERY COUNTY GOVERNMENT - CCM												
58	Media Production & Engineering												
59	Personnel Costs	781	558	760	688	818	58	7.6%	845	886	927	970	1,016
60	Operating	40	77	35	113	31	(4)	-10.1%	32	33	34	35	36
61	Contracts - TV Production	40	41	32	32	61	29	92.1%	63	65	67	69	70
62	New Media, Webstreaming & VOD Services	38	63	38	38	38	0	0.0%	39	40	41	42	44
63	SUBTOTAL	899	739	865	871	949	84	9.7%	979	1,024	1,069	1,116	1,166
64	Public Information Office												
65	Personnel Costs	705	631	704	656	708	4	0.6%	743	779	815	853	893
66	Operating Expenses	0	1	0	0	-	0	n/a	0	0	0	0	0
67	Contracts - TV Production	83	144	83	83	83	0	0.0%	85	88	90	93	95
68	SUBTOTAL	788	775	787	739	791	4	0.6%	829	867	906	946	988
69	County Council												
70	Personnel Costs	154	154	157	161	157	(0)	-0.2%	164	172	180	189	198
71	Operating Expenses	18	18	13	13	13	0	0.0%	13	14	14	14	15
72	Contracts - TV Production	164	162	164	164	179	15	9.2%	184	190	195	200	205
73	SUBTOTAL	336	334	334	338	349	15	4.4%	362	376	389	403	418
74	MNCPPC												
75	Personnel Costs	83	66	0	0	-	0	n/a	0	0	0	0	0
76	Operating Expenses	0	0	0	0	-	0	n/a	0	0	0	0	0
77	Contracts - TV Production	81	87	81	81	99	18	21.7%	101	104	107	110	113
78	New Media, Webstreaming & VOD Services	24	24	24	24	24	0	1.4%	25	26	26	27	28
79	SUBTOTAL	188	176	105	105	123	18	17.0%	126	130	134	137	141
80	SUBTOTAL	2,211	2,025	2,091	2,053	2,212	121	5.8%	2,297	2,397	2,497	2,602	2,712

FY13 CE RECOMMENDED CABLE COMMUNICATIONS PLAN (in \$000's)													
		Approved FY11	Act FY11	App FY12	EST FY12	Rec FY13	Change fr \$	FY12 Appr %	Proj. FY14	Proj. FY15	Proj. FY16	Proj. FY17	Proj. FY18
81	<b>E. MONTGOMERY COLLEGE - MC ITV</b>												
82	Personnel Costs	1,174	1,174	1,144	1,144	1,159	15	1.3%	1,216	1,275	1,334	1,396	1,461
83	Operating Expenses	108	108	86	86	86	0	0.0%	88	91	93	96	98
84	New Media, Webstreaming & VOD Services	6	6	0	0	-	0	n/a	0	0	0	0	0
85	<b>SUBTOTAL</b>	<b>1,288</b>	<b>1,288</b>	<b>1,230</b>	<b>1,230</b>	<b>1,245</b>	<b>15</b>	<b>1.2%</b>	<b>1,304</b>	<b>1,366</b>	<b>1,427</b>	<b>1,492</b>	<b>1,560</b>
86	<b>F. PUBLIC SCHOOLS - MCPS ITV</b>												
87	Personnel Costs	1,393	1,393	1,308	1,308	1,341	32	2.5%	1,406	1,474	1,543	1,615	1,691
88	Operating Expenses	98	98	117	117	117	0	0.0%	120	124	127	130	134
89	New Media, Webstreaming & VOD Services	0	0	0	0	-	0	n/a	0	0	0	0	0
90	<b>SUBTOTAL</b>	<b>1,491</b>	<b>1,491</b>	<b>1,425</b>	<b>1,425</b>	<b>1,458</b>	<b>32</b>	<b>2.3%</b>	<b>1,527</b>	<b>1,598</b>	<b>1,670</b>	<b>1,745</b>	<b>1,825</b>
91	<b>G. COMMUNITY ACCESS PROGRAMMING<sup>2</sup></b>												
92	Personnel Costs	1,869	1,869	1,708	1,708	1,733	25	1.5%	1,818	1,906	1,995	2,088	2,186
93	Operating Expenses	33	33	124	124	124	0	0.2%	128	131	135	138	142
94	Rent & Utilities	457	457	407	407	407	0	0.0%	419	431	442	454	466
95	New Media, Webstreaming & VOD Services	6	6	6	6	6	0	0.0%	6	6	7	7	7
96	<b>SUBTOTAL</b>	<b>2,365</b>	<b>2,365</b>	<b>2,245</b>	<b>2,245</b>	<b>2,270</b>	<b>25</b>	<b>1.1%</b>	<b>2,371</b>	<b>2,475</b>	<b>2,578</b>	<b>2,686</b>	<b>2,801</b>
97	<b>H. WATCHLOCALTV.ORG</b>												
98	Operating Expenses	80	94	46	46	46	(0)	-0.5%	47	48	50	51	52
99	Youth and Arts Community Media	50	41	0	0	50	50	n/a	51	53	54	56	57
100	Multi-Language Production Services (WatchLocalTV.org)	0	0	46	15	46	0	0.0%	47	48	49	51	52
101	Multi-Language Production Services (County Council)			46	46	46	0	0.0%	47	48	49	51	52
102	Closed Captioning	225	179	130	130	165	35	26.9%	170	175	179	184	189
103	Technical Operations Center (TOC)	13	7	10	10	10	0	0.0%	10	11	11	11	11
104	Mobile Production Vehicle	32	17	16	16	16	0	0.0%	16	17	17	18	18
105	<b>SUBTOTAL</b>	<b>400</b>	<b>338</b>	<b>293</b>	<b>263</b>	<b>378</b>	<b>85</b>	<b>28.9%</b>	<b>389</b>	<b>400</b>	<b>410</b>	<b>421</b>	<b>433</b>
106	<b>I. FIBERNET OPERATING</b>												
107	FiberNet - Personnel Charges for DTS	193	172	181	293	456	276	152.4%	471	494	517	541	566
108	FiberNet - Operations & Maintenance DTS	900	778	931	931	1,131	200	21.5%	1,164	1,197	1,229	1,261	1,295
109	FiberNet - Personnel Charges for DOT	46	46	46	46	68	22	48.1%	71	75	78	82	86
110	FiberNet - Operations & Maintenance DOT	198	198	258	258	258	0	0.1%	263	271	278	286	293
111	<b>SUBTOTAL</b>	<b>1,337</b>	<b>1,195</b>	<b>1,416</b>	<b>1,528</b>	<b>1,914</b>	<b>498</b>	<b>35.2%</b>	<b>1,969</b>	<b>2,037</b>	<b>2,102</b>	<b>2,170</b>	<b>2,241</b>
112	<b>J. MISS UTILITY COMPLIANCE</b>												
113	Miss Utility Compliance	0	0	0	0	370	370	n/a	381	392	402	413	424
114	<b>SUBTOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>370</b>	<b>370</b>	<b>n/a</b>	<b>381</b>	<b>392</b>	<b>402</b>	<b>413</b>	<b>424</b>
115	<b>TOTAL DISCRETIONARY EXPENDITURES</b>	<b>10,765</b>	<b>10,238</b>	<b>10,265</b>	<b>10,281</b>	<b>11,427</b>	<b>1,162</b>	<b>11.3%</b>	<b>11,868</b>	<b>12,362</b>	<b>12,852</b>	<b>13,363</b>	<b>13,902</b>
116	<b>TOTAL NON-DISCRETIONARY EXPENDITURES</b>	<b>10,778</b>	<b>3,805</b>	<b>6,343</b>	<b>6,392</b>	<b>6,635</b>	<b>292</b>	<b>4.6%</b>	<b>10,846</b>	<b>11,108</b>	<b>11,324</b>	<b>11,549</b>	<b>11,782</b>
117	<b>TOTAL EXPENDITURES - PROGRAMS</b>	<b>13,747</b>	<b>14,043</b>	<b>16,608</b>	<b>16,673</b>	<b>18,062</b>	<b>1,454</b>	<b>8.8%</b>	<b>22,714</b>	<b>23,470</b>	<b>24,176</b>	<b>24,912</b>	<b>25,684</b>
118	<b>K. OTHER</b>												
119	Indirect Costs Transfer to Gen Fund	359	359	369	369	388	19	5.1%	403	422	442	462	484
120	Indirect Costs Transfer to Gen Fund (ERP & MCTime)	34	34	34	34	32	(2)	-6.3%	23	19	19	19	19
121	Transfer to the General Fund	6,157	8,749	8,086	8,086	7,064	(1,022)	-12.6%	2,618	3,237	3,085	2,903	2,700
122	Grants to Organizations (Friendship Hts)	39	39	0	0	-	0	n/a	0	0	0	0	0
123	<b>SUBTOTAL</b>	<b>6,589</b>	<b>9,181</b>	<b>8,489</b>	<b>8,489</b>	<b>7,484</b>	<b>(1,005)</b>	<b>-11.8%</b>	<b>3,043</b>	<b>3,678</b>	<b>3,546</b>	<b>3,384</b>	<b>3,203</b>
124	<b>TOTAL EXPENDITURES</b>	<b>20,336</b>	<b>23,224</b>	<b>25,097</b>	<b>25,162</b>	<b>25,546</b>	<b>449</b>	<b>1.8%</b>	<b>25,757</b>	<b>27,148</b>	<b>27,722</b>	<b>28,296</b>	<b>28,887</b>
125	<b>L. ADJUSTMENTS</b>												
126	Prior Year Adjustments	0	22	0	0	-	0	n/a	0	0	0	0	0
127	Encumbrance Adjustment	0	(199)	0	0	-	0	n/a	0	0	0	0	0
128	CIP - Designated Claim on Fund	0	0	0	295	-	0	n/a	0	0	0	0	0
129	<b>TOTAL ADJUSTMENTS</b>	<b>0</b>	<b>(177)</b>	<b>0</b>	<b>295</b>	<b>-</b>	<b>0</b>	<b>n/a</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
130	<b>FUND BALANCE</b>	<b>164</b>	<b>2,000</b>	<b>113</b>	<b>645</b>	<b>586</b>	<b>473</b>	<b>417.3%</b>	<b>1,329</b>	<b>1,363</b>	<b>1,392</b>	<b>1,430</b>	<b>1,462</b>
131	<b>FUND BALANCE PER POLICY GUIDANCE<sup>6</sup></b>	<b>1,021</b>	<b>1,128</b>	<b>1,221</b>	<b>1,218</b>	<b>1,289</b>	<b>68</b>	<b>5.6%</b>	<b>1,324</b>	<b>1,358</b>	<b>1,387</b>	<b>1,417</b>	<b>1,447</b>
132													
133	<b>M. SUMMARY - EXPENDITURES BY FUNDING SOURCE</b>												
134	Transfer to Gen Fund-Indirect Costs	393	393	403	403	420	17	4.2%	426	441	461	481	503
135	Transfer to Gen Fund-Mont Coll Cable Fund <sup>3</sup>	1,288	1,288	1,230	1,230	1,245	15	1.2%	1,304	1,366	1,427	1,492	1,560
136	Transfer to Gen Fund-Public Sch Cable Fund <sup>4</sup>	1,491	1,491	1,425	1,425	1,458	32	2.3%	1,527	1,598	1,670	1,745	1,825
137	Transfer to CIP Fund	515	790	2,140	2,140	1,831	(309)	-14.4%	2,470	2,450	3,775	3,775	2,025
138	Transfer to the General Fund-Other	6,157	8,749	8,086	8,086	7,064	(1,022)	-12.6%	2,618	3,237	3,085	2,903	2,700
139	<b>FUND TRANSFERS SUBTOTAL</b>	<b>9,844</b>	<b>12,711</b>	<b>13,284</b>	<b>13,284</b>	<b>12,017</b>	<b>(1,267)</b>	<b>-9.5%</b>	<b>8,344</b>	<b>9,092</b>	<b>10,418</b>	<b>10,396</b>	<b>8,612</b>
140	<b>Cable Fund Discretionary Expenditures</b>	<b>7,986</b>	<b>7,459</b>	<b>7,510</b>	<b>7,626</b>	<b>8,724</b>	<b>1,115</b>	<b>14.6%</b>	<b>9,037</b>	<b>9,398</b>	<b>9,755</b>	<b>10,126</b>	<b>10,517</b>
141	<b>Cable Fund Direct Expenditures</b>	<b>10,492</b>	<b>10,337</b>	<b>11,813</b>	<b>11,878</b>	<b>13,529</b>	<b>1,716</b>	<b>14.5%</b>	<b>17,413</b>	<b>18,056</b>	<b>17,304</b>	<b>17,900</b>	<b>20,274</b>

**Notes:** These projections are based on the Executive's Recommended budget and include the revenue and resource assumptions of that budget. The projected future expenditures, revenues, and fund balances may vary based on changes not assumed here to fee or tax rates, usage, inflation, future labor agreements, and other factors.

1. Subject to municipal pass-through payment
2. Restricted revenue and expenditures: Certain Cable Fund revenues, required in excess of the federal limit on franchise fees, and corresponding expenditures (Municipal Franchise Fees/Pass-throughs, PEG Capital/Equipment Grants, and PEG Operating Revenue) are contractually required by franchise, municipal, and settlement agreements, and by the County Code and may only be used for permissible federal purposes and in a manner consistent with applicable agreements.
3. The Comcast franchise renewal process has been recently initiated and specific elements of a final agreement are uncertain. Restricted categories such as FiberNet Operating revenue, PEG Operating revenue, and Municipal Operating Support expenditures may be impacted in the outyears. The County may require Capital Grants based on community needs. The County may negotiate, but may not require Operating Grants in addition to Franchise Fees. FY14-FY18 assumes that the County will require Capital Grants from Comcast calculated at the same rate as negotiated in the Verizon and RCN Franchises.
4. Montgomery Community Television, Inc., d/b/a Montgomery Community Media, is designated as a sole source contractor to provide community access media services.
5. End-of-year reserves is targeted at 8% of total non-restricted revenues (franchise fees, tower fees, and investment income) per policy guidance.
6. The Cable Fund makes a fund transfer to Montgomery College and MCPS to support MCPS ITV and MC ITV.

## 1. REQUIRED EXPENDITURE

***Question 1.** There are certain line item elements of the Cable Plan that are "required" by certain restrictions in the franchise agreements or, in isolated cases, because of federal or state law. For example it is understood that lines 15-32 [lines 17-21, 26-34, as amended] are "pass through" revenues not subject to Committee and Council jurisdiction. What are other lines and amounts of similar restrictions? Detail the specific instances where such required allocations are recommended.*

Line	FY13 Revenue Source	Explanation
3	Franchise Fees \$458,000	The County acts as the Cable Administrator for all municipalities other than Gaithersburg and municipal agreements require the County to provide cable enforcement services, such as complaint resolution and inspection services for municipal residents. In addition, Federal and State agencies direct cable complaints to the Local Franchising Authority (i.e., the County). Budget allocation recommendations are included as part of Franchise Administration (Lines 44-52).
4	Gaithersburg PEG Contribution \$200,000	Gaithersburg is separately franchised. Gaithersburg's cable system carries PEG programming produced by County-funded entities, including MCG, MCPS, MC, and MCM. Gaithersburg provides a percentage of funding from its Comcast franchise as compensation for that PEG programming. Budget allocation recommendations are incorporated into MCG, MCPS, MC, and MCM funding (Lines 55-96).
5	PEG Operating \$2,180,000	This revenue must be used to support PEG access, including specific levels of operating support for Rockville, Takoma Park and Md Municipal League. See <i>Attachment A for franchise language</i> . Budget allocation recommendations are in Municipal Operating Support (Lines 31-35) and MCG, MCPS, MC, and MCM funding (Lines 55-96).
6	PEG Capital Equipment Grant	This revenue must be used to support capital costs for "public, educational, or government (PEG) access facilities." PEG access facilities means "(A) channel capacity designated for public, educational, or government use; and (B) facilities and equipment for the use of such channel capacity." See <i>Attachment A for further explanation, specific federal law and franchise agreement provisions</i> . Budget allocation recommendations are included as Non-Discretionary Capital Expenditures (Lines 16-24, i.e., Municipal Capital, FiberNet CIP and PEG Capital).
8	FiberNet Operating & Equipment Grant	This revenue must be used to support installation, construction, operations and maintenance of FiberNet. Budget allocation recommendations are included as part of FiberNet Operating and Miss Utility Compliance (Lines 106-114).
10	TFCG Application Review Fees	These fees must be used to offset application review costs. Budget allocation recommendations are included as TFCG Application Review (Lines 41-42).

## 2. FY13 PEG FUNDING INCREASE

***Question 2.** The PEG budget is recommended for a \$607,000 increase in FY13. The preliminary direction from the Committee is to keep the total PEG funding level at FY12 levels (\$8,239,000 shown in lines 49-100 of the Plan [Lines 22, 55-105, amended]). Any increases mandated by agreements or deemed necessary would have to be made through offsetting costs in the FY12 budget allocation. The PEG Board is asked to provide answers to two questions:*

- a. What are the elements of the \$607,000 increase that are mandated by law and in which of the 8 PEG elements do they fall under?*
- b. The Cable Administrator has provided a breakdown of the \$607,000 by type of expenditure: \$328,000 restricted capital, \$134,000 benefit costs, \$58,000 contract costs,*

*\$50,000 youth media, \$35,000 closed captioning. More detail is needed in describing what is included in each of these cost categories, as well as a crosswalk to which agency is receiving these increases.*

The chart below provides a crosswalk of the cost categories and the agencies receiving funds. Of these increases, \$497,000 account for mandated increases:

- Benefits: Labor Union Agreements (increased cost of continuing existing benefits) and CE Recommended MCG salary bonuses
- Capital: Franchise Agreements (new increase in require PEG Capital Grant expenditures after deducting Municipal and FiberNet capital expenditures)
- Closed Captioning: Americans With Disabilities Act (required closed captioning of MCPS Board of Education Meetings and selected MCPS and MC events)

The following \$108,000 in increase is for discretionary uses:

- \$58,000 for CCM Contact Increases (contract rates increases would be funded by reducing current hours of contract support – see section 7 below for discussion of current use of Council allocation of CCM funding)
- \$50,000 for Youth Programming (see Section 2.a. below)

**BREAKOUT OF FY13 CE RECOMMENDED PEG EXPENDITURE INCREASES (in thousands)**

PEG Funding	FY12	FY13 Increases				
		Benefits <sup>1</sup>	Contracts <sup>2</sup>	Capital <sup>3</sup>	New Programs	Total
CCM						
Media Production*	865	58	25			949
PIO	787	4	-			791
Council	334	-	15			349
MNCPPC	105	-	18			123
MC	1,230	15				1,245
MCPS*	1,425	32				1,458
MCM	2,245	25				2,270
WatchLocalTV.org						-
PEG Equipment	955			328		1,283
Youth <sup>4</sup>	-				50	50
Closed Captioning <sup>4</sup>	130				35	165
Other	163					163
TOTALS	8,239	134	58	328	85	8,846

**a. Youth Media Programming**

<sup>1</sup> Benefit cost increases for CCM (Council, DTS, PIO), MC, MCPS, MCM, and \$2,000 per employee bonus for County employees.

<sup>2</sup> Projected increase in new FY13 contacts. Expanded skill sets related to digital media and editing are required in new contracts.

<sup>3</sup> PEG Capital is the net restricted expenditure increase calculated as PEG Capital Grant (Line 6) minus Municipal Capital (Line 21) minus FiberNet CIP (Line 23).

<sup>4</sup> Closed captioning should be provided for all PEG programming to be ADA compliant. In FY12, CCM and some MC and MCPS programming is closed captioned. In FY13, all MCPS Board of Educations meetings and special events for MC and MCPS will be closed captioned.

\*Media Production and MCPS totals are rounded up by \$1,000.00 to match rounded display in 6 Year Cable Fund.

The County recommends \$50,000 to support youth media programming. The proposed budget allocation is as follows but may be revised by the PEG Governance Board as part of its June 2012 budget planning:

<u>Lead Agency &amp;/or Partner</u>	<u>Funding</u>	<u>Program</u>
MCPS	\$ 9,000	MCPS media internships with stipends
Gandhi Brigade	\$25,000	See Attachment B – Gandhi Brigade Scope of Work. Gandhi Brigade will partner with YMCA Youth and Family, Arts on the Block, Maryland Multicultural Youth Centers, IMPACT Silver Spring, and Montgomery Community Media to support television and on-line coverage of Youth Voices on the Plaza. <sup>5</sup> <ul style="list-style-type: none"> <li>➤ Employ 6 youth workers to produce media to professional standards.</li> <li>➤ Produce 12 hours of television content.</li> <li>➤ Repurpose television content for the Internet.</li> <li>➤ MCM will provide airtime, promotion and a Youth webpage on its new website.</li> <li>➤ Six youth-serving organizations will participate in planning events.</li> <li>➤ Provides a positive activity for youth and offers Montgomery County adults a better understanding of youth voice by watching youth performances live, on-line, and on television</li> </ul>
PEG GB Libraries	TBD	Media support and partnerships with Montgomery County Public Library Teen Advisory Group.
PEG GB	TBD	Youth media workers to support mobile productions.
MCM	TBD	Training for parents and booster clubs, as well as interested youth, to tape high school sports and arts events for airing on PEG Channels, Internet and archiving on MCM webpage.

#### **b. PEG Capital Grant**

The PEG Capital Grant refers to all funding which may be used for “public, educational, or government access facilities” as permitted under federal law.<sup>6</sup>

These uses include:

- Construction of FiberNet
- Construction or renovation of PEG access television studio facilities and technical operations centers

<sup>5</sup> Youth Voices on the Plaza is funded through a separate grant and includes youth musical and spoken performances and a teen version of TED Talks.)

<sup>6</sup> See Attachment A, Restricted Cable Fund Revenues and Permissible Expenditures, Section I, for further discussion of permitted uses of PEG capital funding under federal law.

- Construction or renovation of rooms to enable installation of television and web streaming cameras, such as in Council hearing, conference or classrooms
- PEG access television control room and studio equipment
- PEG access television production equipment
- PEG access mobile television production vehicles and equipment
- Televisions and video monitors
- Video conferencing equipment
- Other similar purposes

**Proposed FY13 PEG Capital Expenditures (\$1,283,000 Net Restricted Capital Revenue)**

<b>Budget</b>	<b>Entity</b>	<b>Explanation</b>
\$ 20,000	Silver Spring Civic Bldg	Equipment to view cable television and record audio from facility audio system.
\$ 35,000	Mont College	Lecture Capture Pilot Program. Video equipment for limited number of classrooms to enable video recording and cloud or server-based hosting of instruction to facilitate post-lecture student playback of instruction which can improve student retention of material, scholastic performance, and graduation rates.
\$ 24,400	County Council and CCM	Enable simultaneous recording of concurrent Council work sessions.
\$ 1,000,000	PEG Governance Bd	HD Transition for CCM, MC, MCPS, MCM, pursuant to FY13-15 HD Transition Strategic Plan.
\$ 203,600	Cable Office and PEG Governance Bd	Maybe used to support expansion of video conferencing over FiberNet, digital media training equipment in schools or libraries or mobile vehicle, HD transition of MPV equipment, digital file sharing, interactive web-video software (to facilitate comment sharing on video files), and/or wi-fi equipment.

**3. PEG OUTCOMES**

*Question 3. Each of the 5 major PEG members (MCPS, MC, MCM, PIO and LIO) should prepare a short Outcomes statement for their recommended allocation; in other words, what (in brief) are the expected outcomes from the investments made by the Cable Fund? MCPS, MC and MCM should also indicate the size of their overall budget, so that the impact of the Cable Fund allocation (or possible reductions) can be evaluated and properly assessed.*

DTS Media Services is also a significant PEG member. Outcomes statements are provided by the PEG Governance Board under separate cover.

**4. WATCHLOCALTV.ORG**

*Question 4. Please provide a direct explanation of the "WatchLocalTV.org" item: what is the organizational entity that receives this funding, how is the \$1,661,000 distributed, and who manages the production of outcomes. Is it the same as the PEG Governance Board?*

WatchLocalTV.org is the branded collaboration of the PEG Governance Board members and members of the advisory committee. WatchLocalTV.org is intended to be an easy to remember website and collective on-line resource to publicize local PEG channel content. (Unfortunately, the website and logo were created at the start of the Great Recession and have not received subsequent funding for staff and promotional content support. The website is hosted by Montgomery County Government and the web design was created by MCPS. DTS is working to resolve technical issues to allow MCPS employees access to the MCG server to enable real-time editing of WatchLocalTV.org webpage.)

As a funding entity, all WatchLocalTV.org funds are managed by the Office of Cable and Broadband Services. The PEG Governance Board approves specific expenditures and assists in the development of the WatchLocalTV.org annual budget request. The majority of WatchLocalTV.org budget items are shared resources which support multiple entities, such as the Mobile Production Vehicle or training, and shared technical services contracts which can be leveraged by multiple entities and more cost-effectively managed by using single procurement and bulk pricing.

**a. WatchLocalTV.org FY13 Budget Allocation (Excluding PEG Capital)**

<b>Line</b>	<b>Budget Item</b>	<b>Explanation</b>
98	Operating Expenses \$46,000	Provides funding for portion of equipment warranties. Previous years included additional funding for joint training, promotion, and awards entry fees.
99	Youth & Arts Community Media \$50,000	See section 2.a. above. Funding is provided for Youth Media programming, which may include some artistic performances. In previous years, specific funding was provided to support arts programming.
100	Multi-Language Production Services (WatchLocalTV.org) \$45,500	Contractor may be selected by PEG Governance Board and receive assignments from PEG Governance Board. Funding may also be used to support translation, voice dubbing, and open captioning of English language programming into other languages.
101	Multi-Language Production Services (County Council) \$45,000	Contractor is selected by Council and receives assignments from Council Office of Legislative Services.
102	Closed Captioning \$165,000	Closed captioning contract costs. 75 percent of funding supports closed captioning of Council meetings, worksessions and other CCM programming. New funding will support closed captioning of MCPS Board of Education meetings and selected MC and MCPS events. All PEG programming funded by the Cable Fund is required to be closed captioned for television and the Internet. Future support to fully close caption MC, MCPS and MCM programming will be needed to be compliant with the Americans with Disability Act.
103	Technical Operations Center (TOC) \$10,000	Funding supports TOC equipment maintenance. TOC enables hand-off of 11 PEG channel signals to 3 cable operator systems, live transmission from FiberNet locations, and simulcasting programming on multiple PEG channels. Staffing support is provided by MCG

<b>Line</b>	<b>Budget Item</b>	<b>Explanation</b>
		Media Services personnel (Line 57).
104	Mobile Production Vehicle (MPV) \$16,000	Supports vehicle maintenance, repair, fuel, and staffing. MVP is used for Council and County Executive Town Halls and remote productions by Takoma Park, Rockville, MCM, MC and MCPS.
105	<b>SUBTOTAL</b> \$378,000	All funds are administered by the Office of Cable & Broadband Services unless otherwise noted.

**b. PEG Capital Allocation**

The WatchLocalTV.org budget program also included \$1.283 million in required capital expenditures (\$328,000 increase over FY12). Capital expenditures were required but not all required capital expenditures were used for WatchLocalTV.org or PEG Governance Board member production equipment. To avoid confusion, the PEG Capital expenditures (Line 22) have been relocated and group together with other required capital expenditures (Lines 21-24) in the amended six-year fund display.

The PEG Governance Board manages an engineering peer review process and, based on this information, prepares a recommendation for PEG production equipment replacement for its members. The Office of Cable and Broadband Services provides recommendations regarding other permissible PEG capital projects. The Office of Cable and Broadband Services provides contract administration and procurement services, and has used the County's IT Commodities contract to obtain additional savings beyond standard government, educational, and non-profit vendor pricing rates. Anticipated FY13 expenditures are listed above in Section 2.b.

**5. MONTGOMERY COMMUNITY MEDIA – 10% FUNDING REDUCTION**

The County Executive does not support further reductions to MCM, as this jeopardizes the County's ability to partner with MCM's full-time fundraiser and grant writer to obtain grant funding. Grant funding is necessary and vital to support digital media training staff (including AmeriCorp members) and computer labs in libraries, schools, HOC resource rooms, Montgomery Works! and other locations with high speed FiberNet connections.

ARRA funding will allow the County to expand 100 MBPS service to numerous public-serving locations, but does not provide funding for digital media operational support. MCM's position as a non-profit makes it a much more competitive grant applicant for the County and other educational institutions to partner with, as opposed to the County directly applying for grants as the applicant. If MCM's fund-raising staff must offset funding reductions, then this resource cannot be leveraged by the County and the PEG Governance Board. MCM is the only member of the PEG Governance Board that has a full-time fundraiser and grants-writer. Information regarding the impact of additional MCM FY13 reductions is provided under separate cover.

## **6. FY13 PROGRAM ALLOCATION**

***Question 6.** ©38-39 of the April 16<sup>th</sup> packet show a program allocation presentation of the budget using function and area; the Committee is interested in the FY13 proposed allocations (which do not appear to be developed yet). How would it be possible to see and to change the planned priorities? And who would manage this over all allocation towards a desired percentage outcome? Is this a role for the PEG Governance Board? The Cable Administrator? The County Executive? The Council?*

The FY12 Cable Fund Function and Program Area represents a snapshot in time and some minor reallocation has been made in FY12 to support additional programming in Spanish, environmental programming, a new program highlight the accomplishments of local African-Americans, and additional media literacy and citizen journalism training. A new snapshot will be created after the FY13 budget is finalized. However, there are unlikely to be significant differences between FY12 and FY13, as only one new program to support Youth Programming is recommended in FY13. Therefore, in FY13, funding could be reallocated to support increased emphasis on specific priorities, but support for current programs would be reduced to support such reallocation.

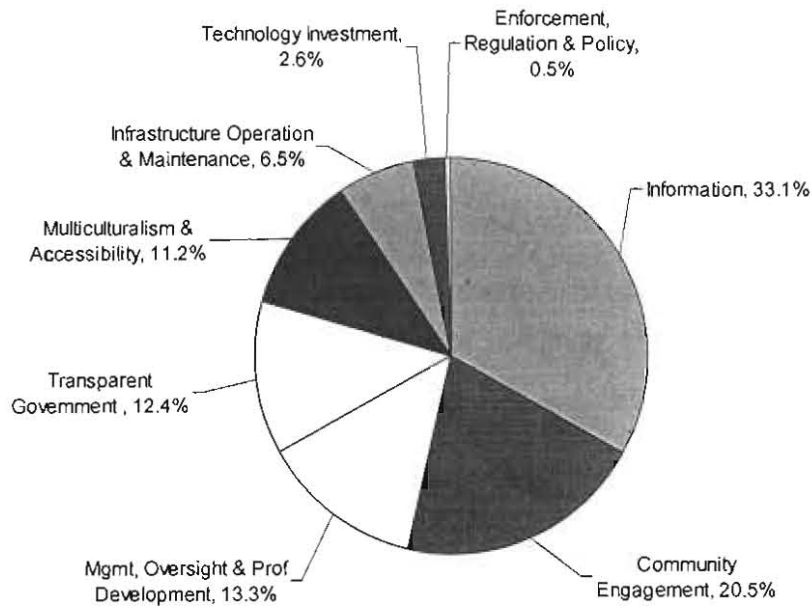
To assist the GO Committee with its analysis of PEG budget priorities, the program allocations submitted in the April 16th packet have been revised to exclude non-PEG funding for Franchise Administration and Policy Review, Franchise Enforcement and TFCG Application Review, and FiberNet Operation. Thus, the budget allocation pie charts in the April 16th packet, provided a distribution of the entire \$10.6 million used to fund all discretionary funding. The pie charts provided below provide a distribution of the \$7.6 million used to fund all PEG discretionary funding.

Lastly, the PEG Governance Board will meet in June to reassess FY13 priorities and create FY14 budget objectives. As stated within the Board Charter, the “Board will not intervene in the content, staffing, or operations of member channels, but rather will work with members to voids in programming ...and ensure that member channels...are not duplicating efforts.” However, in June, for the first time the PEG Governance Board will have significant community feedback regarding PEG programming – which will be collected on annual basis to guide funding priorities – as well a completed cable communications needs assessment – which will be completed in preparation for the Comcast franchise negotiations. The PEG Governance Board would also welcome the opportunity to meet with the GO Committee in the Fall to discuss an initial budget plan and ***Council priorities and budget input prior to submission of FY14 budget recommendation in December 2012.***

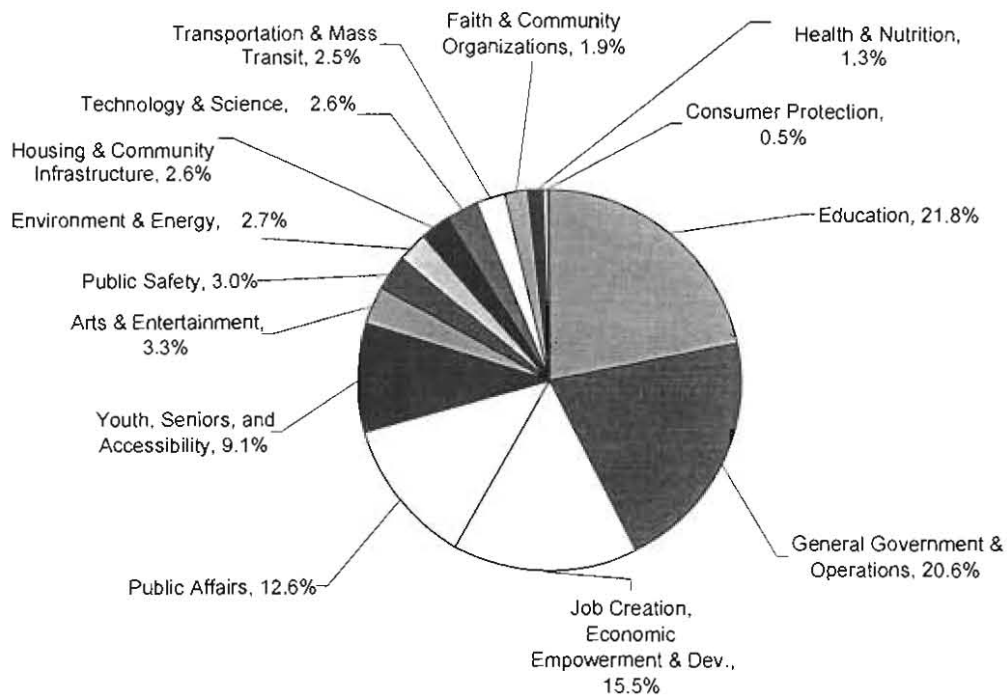
<b><u>PROGRAM FUNCTIONS</u></b>	
Transparent Government	Raw content, such as council, school board and agency meetings
Information	One-way communications, such as PSAs, programs, panels, lectures
Community Engagement	Two-way communications, call to action, community training, new media distribution, media literacy, broadband training
Multiculturalism & Accessibility	Specialized access, including language, closed captioning; other specific cultural or demographic focus
Infrastructure Operation & Maintenance	Operation and maintenance of infrastructure and equipment
Technology Investment	Labor and contract costs related to capital purchases of equipment or infrastructure construction.
Enforcement, Regulation & Policy	Cable regulation, complaint resolution, FCC, federal & State legislation, tower & antenna siting
Mgmt, Oversight & Professional Development	Internal reporting, contract and budget development and administration, grant writing and implementation, staff training

<b><u>PROGRAMS AREAS</u></b>	
Arts & Entertainment	Art & performance events, artist and venue profiles, general human interest, quirky, author series
Consumer Protection	Consumer education and advocacy, including regulatory enforcement and complaint resolution
Economic Job Creation, Empowerment & Dev.	Vocational training, small business, business improvement districts, large employers or employment fields
Education	Coursework; STEM, reading, language instruction, Homework Hotline, personal development
Environment & Energy	Environment health, green initiatives, biofuels, community gardens, energy efficiency
Faith & Community Organizations	Religious programming, general non-profit support and partnerships
General Government & Operations	General County, school board, general operation, FiberNet and institutional support (e-mail, Internet, phones, etc)
Health & Nutrition	HHS initiatives, public health, fitness, local foods, community gardens, gardening
Housing & Community Infrastructure	Affordable housing, libraries, parks, code enforcement, livable communities, planning
Public Affairs, Human Rights & Veterans	General lectures, elected official dialogues, independent news and analysis, human rights and veterans
Public Safety	Police, fire and rescue, fire and crime awareness and prevention
Technology & Science	Technology training, astronomy, computer science, physical sciences, media literacy, broadband training
Transportation & Mass Transit	Roads and public transportation, bicycling, pedestrian safety
Youth, Seniors & Accessibility	Programs targeted to children or parents, seniors, disability community, youth produced programs, stipends and internships.

**FY12 Approved PEG Budget Estimated Distribution by Function**



**FY12 Approved PEG Budget Estimated Distribution by Program Area**



## 7. COUNCIL COMMUNITY COMMUNICATIONS

**Question 7.** *A new category of "Communicating with the Community" will cover new projects directly aimed at helping improve linkages with the Community using New Media tools and strategies. Current interests include radio channels oriented towards Spanish speaking residents, Constituent Tracking systems and WiFi in Public Spaces. Can you detail elements of such New Media efforts already included in the FY13 proposed budget, indicating project and actor responsible?*

### a. **Current Council Community Communications**

To facilitate this discussion, a breakout of current Council-directed communications with the community is provided below. In the current Cable Plan, the majority of CCM programming time is dedicated to providing coverage of Council sessions and Committee worksessions. Other programs are produced at the direction of Council's Legislative Information Office (LIO). LIO either has sole discretion to create content or creates content in consultation with other agencies.

	<b>DTS Staff</b>	<b>LIO Staff</b>	<b>LIO Contracts</b>	<b>Closed Captioning Contract</b>	<b>Other Operational Contracts</b>	<b>TOTAL</b>
Council Sessions	\$ 98,582	\$ 17,865	\$ 27,000	\$ 49,500	\$ 15,200	\$ 208,148
Committee Worksessions	\$ 107,948	\$ 53,093	\$ 27,000	\$ 49,500	\$ 15,200	\$ 252,741
Council Community Programming	\$ 278,150	\$ 60,229	\$ 201,750	\$ 16,088	\$ 18,400	\$ 574,617
Council Programming Partnerships	\$ 119,207	\$ 25,813	\$ 67,250	\$ 8,663	\$ 24,000	\$ 244,932
<b>TOTAL</b>	<b>\$ 603,887</b>	<b>\$ 157,000</b>	<b>\$ 323,000</b>	<b>\$ 123,750</b>	<b>\$ 72,800</b>	<b>\$1,280,437</b>

Administrative support (procurement, contract and billing management), Internet and social media support (Internet content, YouTube, electronic program guide, key word tagging), and production management support (production meetings, staff support for closed captioning, Granicus staff support) have been allocated among and included in Programming costs. Additional Council staff support provided by non-Cable Fund positions is not included.

**Council Sessions** include Council sessions and Proclamation videos for YouTube & CCM Website.

**Committee Worksessions** are recorded at the request of the Council President or Committee Chair.

**Council Community Programming** includes the following programs: *Council In Brief, Council Town Halls, No Boundaries, Council features on County Report This Week, In the Loop, Did You Know, Community Bulletin Board*, multi-language programs, and other specials.

**County Programming Partnerships** include the following programs: *Consumer Compass* (Dept. of Consumer Protection), *Paths to the Present* (Montgomery Historical Society), *Parks Rec n' Roll* (Dept. of Recreation and Dept. of Parks), and *Montgomery Plans* (Montgomery County Planning Board).

**b. New Media Initiatives**

<b>Initiative</b>	<b>Lead Entity</b>	<b>Comments</b>
Spanish Language Radio	1. LIO 2. PIO 3. Mont College 4. DTS/DOT	1. LIO may use the \$45,500 in the Multi-Language Production Services contract to support Spanish language radio programming and taping for television. This contract may also be used to fund translators and translation of English language programming. 2. PIO can tape Council segments to air on <i>Montgomery al Dia</i> (the Tuesday radio slot was donated by Radio America). 3. Montgomery College's Market Department purchases air-time on Radio America to provide live radio call-in segments and ads for MC. The Council could appear as guests on this program or try to leverage the MC contract to purchase more air time. 4. Montgomery County operates a radio station to provide traffic information. Additional uses of this asset could be explored.
Wi-Fi in Public Spaces	DTS- Network Services	1. FiberNet can be leveraged to expand MCGuest wi-fi in public buildings. Departments must provide funding to purchase \$700 wireless access point (WAP) and provide annual licensing fee from operating funds equal to 10% or \$70 per WAP to obtain 5,000 sq. ft of wireless coverage. PEG Capital could be used to fund equipment but may not be used for operational costs. In FY13, in-building wi-fi could be deployed at the Mid-County Regional Service center. (Wi-fi is already in place at the Wheaton Library). 2. FiberNet can be leveraged to provide wi-fi in outdoor public spaces, similar to the service offered in Silver Spring and Bethesda. (a) Due to funding reductions, planned launch of outdoor wi-fi in Wheaton and Germantown has been placed on hold since FY09. (b) The previous site survey of Wheaton estimated the equipment cost to provide outdoor wi-fi from Reddie Drive to University Ave., between Viers Mills and Georgia Ave., to be \$50,000. Additional licensing fees are estimated to be 10 percent of equipment costs. Outdoor transmitters need power sources. It is unknown how planned redevelopment of Wheaton will impact transmitter locations. (c) PEG Capital could be used develop an engineering plan for placement of outdoor WAPs in Wheaton. (d) <b>However, due to staffing limitations, OUTDOOR WI-FI IN WHEATON is a major new initiative which <u>CANNOT BE LAUNCHED IN FY13</u>. The FiberNet team is entirely committed to the completion of the ARRA grant-funded expansion of FiberNet to 109 additional locations in FY13.</b> This is 5 times more sites than have ever been connected to FiberNet in a single year. In addition, it was planned to have DOT install the WAPs, but available staff has been tasked to the Traffic Signal System Modernization project. If equipment funding is allocation in FY14, when the ARRA project is completed in September 2013, the FiberNet team will be able support launch of outdoor wi-fi service in Wheaton.

Initiative	Lead Entity	Comments
Constituent Tracking System	DTS-Enterprise Applications & Solutions	Further detail is needed to understand the nature of this project request. It is unclear whether Council has investigated leveraging the MC311 Siebel system to provide a constituent tracking system or revisiting the Constituent Management System which was created by DTS for Council but never launched. Additional information is needed to determine what staffing resources are necessary to implement, maintain and manage upgrades to any commercial solution.
Video Blogging and Social Media	DTS-CCM Media Services	1. Some additional support for creating Internet videos from CCM video programs can likely be provided by the Office of Cable & Broadband Services. 2. Some social media support may also be available from the Office of Cable & Broadband Services. Software to enable comments to be posted to Internet video could likely be purchased with PEG Capital funding. Additional information is necessary to determine what staffing resources are necessary to implement, maintain and manage upgrades to any commercial solution.

## 8. GENERAL FUND TRANSFER

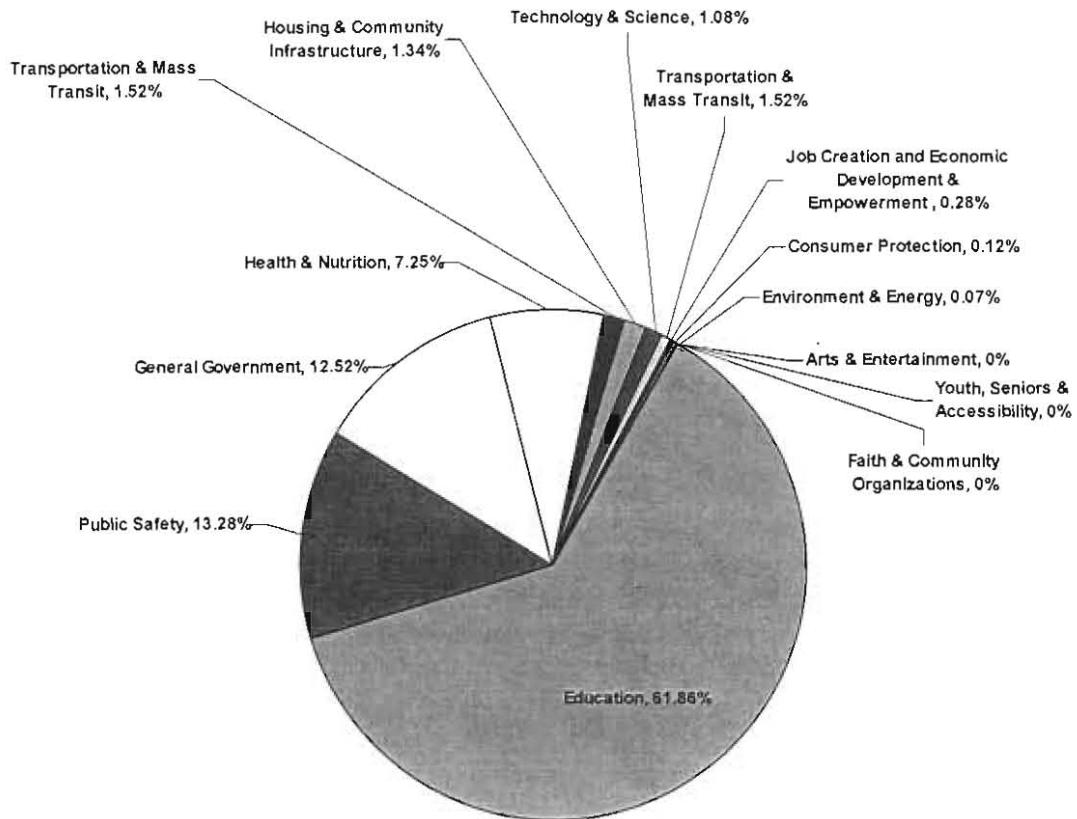
**Question 8.** *Is the use of the \$7,064,000 proposed for transfer from the Cable Fund to the General Fund known at this time?*

No. The transfer from the Cable Fund to the General Fund is not earmarked for specific purposes. The fund transfer will provide an additional source of revenue to support General Fund expenditures as presented in the FY13 CE Recommended Budget.

For informational purposes, the pie chart on the following page provides a snapshot of the general allocation of the \$2.38 billion of the FY12 General Fund Budget that was approved in FY12 to support non-capital programs. Small, programmatic allocations within large departments are not captured, *e.g.*, support for senior programs within the Department of Health and Human Services budget. Programs supported by Special Fund and non-General Fund revenues were not included in the analysis.

Compare the allocation on page 16 of the approved FY12 General Fund Budget to the allocation of the Cable Fund PEG programs on page 12 above. Thirty percent of the Cable Fund is used to support a broad array of programs, whereas only 5 percent of the General Fund is available to support similar programs.

### Montgomery County Maryland FY2012 General Fund Budget Distribution



**9. AVOID DUPLICATION OF PEG SERVICES**

***Question 9.** How is duplication in equipment and staff resources avoided today within the PEG members? Provide an inventory (if available) of equipment and skill sets that shows such reduction of duplication. How can the process be improved, and where are the possible savings?*

The PEG Governance Board has addressed this question under separate cover.

For additional information, please contact Mitsuko R. Herrera, Cable & Broadband Administrator, or Merlyn Reineke, PEG Governance Board Chair.

Attachments:

- A. Restricted Cable Fund Revenues and Permissible Expenditures
- B. Youth Media – Gandhi Brigade Scope of Work

cc: Naeem Mia, Office of Management and Budget  
Alex Espinosa, Office of Management and Budget  
Jason Rundell, Office of Cable & Broadband Services  
Helen Ni, Department of Technology Services  
PEG Governance Board



DEPARTMENT OF TECHNOLOGY SERVICES

Isiah Leggett  
County Executive

Dieter Klinger  
Acting Chief Information Officer

**ATTACHMENT A: April 24, 2012 Memo**

**M E M O R A N D U M**

**April 24, 2012**

**TO: Dr. Costis Toregas  
Council IT Advisor**

**FROM: Mitsuko R. Herrera, Cable & Broadband Administrator  
Office of Cable & Broadband Services**

**SUBJECT: Restricted Cable Fund Revenues and Permissible Expenditures**

Montgomery County has negotiated a total of three cable franchise agreements, one each with Comcast, RCN-Starpower and Verizon. These agreements require the cable operators to pay franchise fees. Pursuant to federal law, the County may not require franchise fee payments that exceed five percent of the cable operator's gross revenues. These agreements also require the cable operators to pay additional support for capital and, in settlement of previous compliance issues, Comcast has agreed to provide additional operating support for FiberNet and public, educational and government access facilities.

The following memo provides a summary of the relevant federal law and permitted uses related to capital support, and a summary of the relevant franchise provisions which relate to capital and additional operating support.

**I. Federal Law**

**A. Payment Limitations – Franchise Fee and PEG Capital Costs**

As a threshold matter, all cable franchise funding must comply with federal statutory limitations. Section 622(b) of the Cable Act, 47 U.S.C. Sec. 542(b), states that "the franchise fees paid by a cable operator...shall not exceed 5 percent of such cable operator's gross revenues." The Cable Act further specifies in Section 622(g) that "a 'franchise fee' includes any tax, fee, or assessment of any kind imposed by franchising authority on a cable operator or cable subscriber, or both, because of their status as such," but also states in Section 622(g)(2)(C) that a **franchise fee does not include "capital costs"** which are required by the franchise to be incurred by the cable operator for public, educational, or government access facilities."

## **ATTACHMENT A: April 24, 2012 Memo**

Memo to Council Staff re: Restricted Cable Fund Revenues and Expenditures

April 24, 2012

Page 2 of 4

[Revised and redacted from April 13, 2011 GO Committee Packet submission]

Under relevant case law, these provisions have been interpreted to permit the County to require franchise fees equivalent to a maximum of 5 percent of the cable operator's gross revenues and, in addition, to require capital grant support for PEG access facilities.<sup>1</sup> However, if payments are **required for capital costs of PEG access facilities but are spent for other purposes**, then the safeharbor exception of Section 622(g)(2)(C) would not apply, the payments would be considered a fee required in excess of the 5 percent statutory cap, and **the cable operator would be entitled to reduce its franchise fee payment to offset the required non-capital cost fees.**

### **B. Federal Definition of PEG Access Facilities**

Under federal law, Cable Act Section 602(16), 47 U.S.C. Sec. 522(16), "public, educational, or government access facilities" means "(A) channel capacity designated for public, educational, or government use; and (B) facilities and equipment for the use of such channel capacity." A franchising authority may require "that channel capacity be designated for public, educational, or government access use, and channel capacity on institutional networks be designated for educational or government use," and further defines institutional networks as "a communications network which is constructed or operated by the cable operator and which is generally available only to subscribers who are not residential subscribers." Cable Act Secs. 611(b), 611(f); 47 U.S.C. Secs. 531(b), 531(f).

FiberNet is Montgomery County's institutional network.

The County has interpreted relevant federal regulations and orders to permit public, educational, or government capital grant funding to be used for the following types of purposes:

- Construction of FiberNet
- Construction or renovation of PEG access television studio facilities and technical operations centers
- Construction or renovation of rooms to enable installation of television and webstreaming cameras, such as in Council hearing, conference or classrooms
- PEG access television control room and studio equipment
- PEG access television production equipment
- PEG access mobile television production vehicles and equipment
- Televisions and video monitors
- Video conferencing equipment
- Similar purposes

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<sup>1</sup> No provision of federal law prohibits the County and franchised cable operators from voluntarily agreeing to payment of additional fees, such as to support PEG operations, either as part of a franchise agreement or settlement agreement, but the County may not require additional fees as a franchise requirement and use an operator's refusal to agree to such conditions as reason to deny award of franchise or franchise renewal.

## ATTACHMENT A: April 24, 2012 Memo

Memo to Council Staff re: Restricted Cable Fund Revenues and Expenditures

April 24, 2012

Page 3 of 4

[Revised and redacted from April 13, 2011 GO Committee Packet submission]

### **II. Revenue Spending Restrictions In Franchise Agreements**

The County's three cable franchise agreements contain provisions which require cable operators to provide capital grant support for PEG equipment and facilities, and which restrict the purposes for which the County or supporting municipalities may spend such capital grants.

#### **A. Comcast**

##### **1. Comcast Capital Equipment Support Grant**

The Comcast Franchise Agreement Section 7(b)(1) states that Comcast will provide a capital grant, known as the "Capital Equipment Support Grant," of \$2 million in the first year, \$1.2 million in the second year, and \$200,000 adjusted by the Consumer Price Index thereafter in each year of the franchise. **These funds may be used by the County for "PEG equipment (including but not limited to, studio and portable production equipment, editing equipment and program playback equipment), or for PEG-related facilities renovation, or construction."** Section 7(b)(2) further specifies that the County will distribute a portion of the Capital Equipment Support Grant to the Participating Municipalities.

##### **2. Comcast FiberNet Capital Grant**

Section 7(h)(3) required Comcast to provide in each of the first two years of the franchise, "\$1.25 million to fund the purchase and installation of electronic interior equipment needed to send and receive transmissions on the County's FiberNet and the Institutional Network." Section 7(h)(1) requires Comcast to provide beginning in the second year of the franchise "an annual capital grant of \$1.2 million (the 'I-Net Capital Grant') **to support installation, construction, operations and maintenance of the County's FiberNet and associated network equipment and the Institutional Network.**" Section 7(h)(1)(C) further requires that in years 5 through 15 of the franchise, Comcast's I-Net obligation:

*is conditioned on appropriation by the County Council and encumbrance by the County, within the same fiscal year, of an equal amount for purposes consistent with this Section 7(h) or with Section 7(i) (Supplemental Institutional Network Services) including **costs associated with installation, construction, operation and maintenance of the County's FiberNet and associated network equipment.** To the extent the County spends less than the amount otherwise required of the Franchisee under Section 7(h)(1), the amount required of the Franchisee shall be reduced to a level equal to the amount spent by the County.*

##### **3. Comcast PEG Access Support**

Section 4.1 of the June 1998 Settlement Agreement between Comcast's predecessor and the County stated that Comcast will provide "\$1.5 million in each year of the renewed Franchise Agreement, adjusted annual by the CPI (the "PEG Support Fund"). ...the County shall distribute

### ATTACHMENT A: April 24, 2012 Memo

Memo to Council Staff re: Restricted Cable Fund Revenues and Expenditures

April 24, 2012

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[Revised and redacted from April 13, 2011 GO Committee Packet submission]

a portion of the PEG Support Fund equal to \$50,000 per year adjusted annually by the CPI to each of the Following PEG Channels: City of Rockville; City of Takoma Park; and the Montgomery Chapter of the Maryland Municipal League. In years 6 through 15 of the Franchise:

*the County's obligation to distribute a portion of the PEG Support Fund to each PEG Channel is conditioned on appropriation and encumbrance by the operating authority for each PEG Channel, within the same fiscal year, of a matching amount equal to that distributed to it by the County. The extent the operating authority for a particular PEG Channel spends less than the amount otherwise required of the County under this Section 4.1, the amount required of the County shall be reduced to a level equal to the amount spent by the Participating Municipalities. **The County may use these funds at its discretion for support for PEG access.***

#### **B. Starpower**

The Starpower Franchise Agreement Section 7(b)(1)(A) states that Starpower will provide a capital grant consisting of 3% of Gross Revenues per year which may be used by the County and Participating Municipalities for **"PEG access and institutional purposes, including PEG access equipment (including but not limited to studio and portable production equipment, editing equipment and program playback equipment), institutional network equipment (including but not limited to, network equipment, electronic transmission equipment and end user interface equipment) or for renovation or construction of PEG access or institutional network facilities."** Section 7(b)(1)(B) further specifies that the County shall distribute 3/7 of the capital grant to the municipal channels (1/7 each to Rockville, Takoma Park and Maryland Municipal League (MML)).

#### **C. Verizon**

The Verizon Franchise Agreement Sections 6.2.1 and 6.2.2 states that Verizon will provide a grant consisting of 3% of Gross Revenues per year which may be used by the County and Participating Municipalities for **"PEG access and institutional network capital expenses"** and further states that these grants **"will be used for PEG and institutional network purposes,"** which **"includes, but is not limited to, studio facilities, studio and portable production equipment, editing equipment and program playback equipment and other similar costs. It also includes, but is not limited to, equipment, capacity, computers, dark fiber, and other similar expenses for the institutional network."** Section 7 of the individual agreements between the County and each municipality further specifies that the County shall distribute 3/7 of the capital grant to the municipal channels (1/7 each to Rockville, Takoma Park and MML).

## **Youth Voices on the Plaza**

### **Scope of Work**



**Gandhi  
Brigade**

**Description:** Gandhi Brigade Community Media team will record a minimum of 12 youth organized events produced by Gandhi Brigade youth between July 1, 2012 and June 30, 2013. In partnership with art and youth serving organizations, these events will draw from youth throughout Montgomery County and will feature a variety of youth talent, including films, workshops, dance, and Open Mic events.

**Cost:** \$25,000.

**Rationale:** Youth Voices on the Plaza is designed to link up a number of unrealized public desires and forge them into a single high-energy project.

- Young people with a variety of talents are very eager for a venue to reach an audience.
- Public access television is eager for youth content.
- Youth serving organizations are eager to support young people with positive activities.
- Cultural organizations are eager to include more young people.
- Funders are interested in collaborative and innovative efforts to realize positive youth development.

**Method:** (Gandhi Brigade staff and a youth event team will be responsible for all aspects of producing these events. This is funded through another grant.) Gandhi Brigade's youth production team will record Youth Voices on the Plaza events using professional quality video and audio tools. The recorded media will be slightly edited (removing dead time, segmenting individual performances, and adding titles) and then formatted for distribution online and television. Teen personalities will provide narrative to contextualize the performances.

**Deliverables:** Gandhi Brigade will produce a minimum of twelve hours of high quality youth produced video. For television distribution these will be packaged in 27:30 min segments on a DVD with a goal of two half-hour segments per month. For online distribution the individual performances will be packaged separately and compressed for web streaming.

**Presentation:** The content and presentation will be determined by the youth production team, however the segments will be branded with teen hosts, theme music, program name, and opening splash.

**Distribution:** Our partner Montgomery Community Media has agreed to air the television segments on their youth channel and to make the online media available on their community web page.

Richard Jaeggi • Richard@gandhibrigade.org

PO Box 7381 • Silver Spring, MD 20907 • www.gandhibrigade.org • 301-588-1399

# Youth Voices on the Plaza

## Scope of Work

### Outcomes:

- 100 young people will express their talents before television and online audiences.
- Six youth will have jobs producing media to professional standards
- Twelve hours of media will be produced for MCM
- Six youth serving organizations will participate in planning the events.
- Montgomery County adults will gain a better understanding of youth voice by watching youth performances live, online, and on television.

**Allies:** Montgomery Community Media, YMCA Youth and Family, Arts on the Block, Maryland Multicultural Youth Centers, IMPACT Silver Spring.

**FY13 Goals:** As a start up project, this year's goals are to:

- Design the brand
- Create a strong teen production team that can achieve quality and meet deadline.
- Build up a stable of content producing partners.
- Explore content types. In particular we will explore a Teen Version of TED talks.

**Future Goals:** After we establish our basic structure and work flow, we would like to expand our scope to include allies in Washington DC and Prince George to create a regional offering.

Potential allies include:

- Prince George Community Television
- DCTV
- Busboys and Poets
- Bloombars
- Benevolent Media Festival
- Split this Rock

### Budget:

	Expenses
Youth Producers	5760
Program Staff	9600
Management	2400
<b>Total Staff</b>	<b>17760</b>
Equipment	1000
Prizes	1200
Transportation	98
Supplies	775
<b>Total Costs</b>	<b>20833</b>
<b>Overhead @20%</b>	<b>4167</b>
<b>Grand Total</b>	<b>25000</b>

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April 20, 2012

**BY EMAIL**

Costis Toregas  
Montgomery County Council  
Council IT Adviser  
100 Maryland Avenue, 5th Floor  
Rockville, MD 20850  
costis.toregas@montgomerycountymd.gov

Re: Cable Franchise Fees

Dear Costis:

You have asked whether there are any restrictions on County use of the five percent franchise fee paid by Comcast and other cable operators serving County residents, as distinct from the PEG capital grants and other benefits the County receives under the cable franchises.

Under federal and state law, there are no *direct* restrictions placed on local franchising authorities with respect to the use of franchise fee payments received from cable operators except that the payments may not exceed five percent of each cable operator's annual gross revenues derived from the operation of its cable system within the franchised territory, 47 U.S.C. § 542(b). This is consistent with general law principles that right-of-way franchise fees are in the nature of rental payments for use of local government property and therefore are unrestricted general revenues to the local government.

However, there are real and substantial *indirect* restrictions on the County's use of cable franchise fees both under federal law and under the existing cable operator franchise agreements with the County.

First, under federal law, there are very strict limitations on what the County can do with any funds received from cable operators *in excess of* the annual five percent franchise fee. If these funds are not properly managed, they are reclassified as franchise fees and applied against the five percent franchise fee cap. Specifically, any payment in excess of five percent must be used for PEG related *capital* expenditures (including I-Net capital). If used for PEG related *operating* expenditures, the funds are counted against the franchise fee cap. 47 U.S.C. § 542(g)(2)(C).<sup>1</sup> Hence, the three percent of Gross Revenues provided for PEG funding by

<sup>1</sup> See also, Cable Services Bureaus Action, City of Bowie, MD, 14 FCC Rcd 9596; 1999 FCC LEXIS 2969; 16 Comm. Reg. (P & F) 468 (rel. June 25, 1999).



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ATTORNEYS AT LAW

Costis Toregas  
April 20, 2012  
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Verizon and RCN and the PEG capital grants provided by Comcast may only be used for PEG capital purposes. Any and all necessary *operating* expenses related to the actual use of PEG facilities must be paid by the County from other sources, typically the franchise fees.

Second, the County's franchise agreements contractually limit the County's use of PEG and I-Net funding in a number of ways which indirectly limits the County's discretionary use of the franchise fees. For example, the County must distribute a portion of the franchise fees and the PEG Capital Grants to the participating municipalities. *Comcast Franchise*, Sec 7(b)(2). And the County has a contractual matching obligation regarding the I-Net Capital Grant: Comcast's obligation to provide the I-Net Capital Grant in years 5 through 15 of the franchise is *conditional* on "appropriation by the County Council and encumbrance by the County, within the same fiscal year, of an equal amount for purposes consistent with this Section 7(h) (Institutional Network) or with Section 7(i) (Supplemental Institutional Network Services) including costs associated with installation, construction, operation and maintenance of the County's FiberNet and associated network equipment." *Comcast Franchise*, Sec. 7(h)(1)(C). If the County spends less on total FiberNet capital and operations than the amount required to be contributed by Comcast, Comcast's funding obligation "shall be reduced to a level equal to the amount spent by the County." *Id.* The County's franchises with Verizon and RCN contain similar restrictions on County use of their respective three percent contributions to PEG and I-Net capital costs. See *Verizon Franchise*, Sec. 6.2.1; *RCN Franchise*, Sec. 7(b)(1).

Finally, please be aware that there are serious industry efforts to preempt local authority to collect cable franchise fees. These efforts include lobbying for the enactment of state laws that limit these payments or redirect them to the state level to remove local discretion over the use of these funds. Two examples are state franchising laws in Virginia and Florida. The industry often argues that using franchise fees for general revenue purposes justifies state preemption.

Please do not hesitate to contact me if you have any questions.

Yours very truly,

Nicholas P. Miller  
Partner  
BEST BEST & KRIEGER LLP

cc: Cliff Royalty  
Mitsuko Herrera

**FY13 COUNCIL STAFF RECOMMENDED CABLE COMMUNICATIONS PLAN (in \$000's)**

		Approved FY11	Act FY11	App FY12	EST FY12	Rec FY13	Change fr \$	FY12 Appr %	Proj. FY14	Proj. FY15	Proj. FY16	Proj. FY17	Proj. FY18
1	BEGINNING FUND BALANCE	114	2,735	1,129	2,000	645	(484)	-42.8%	387	1,130	1,165	1,194	1,233
2	REVENUES												
3	Franchise Fees <sup>1</sup>	12,533	13,961	14,997	15,106	15,986	988	6.6%	16,415	16,827	17,160	17,504	17,854
4	Gaithersburg PEG Contribution	164	139	197	198	200	3	1.4%	202	206	210	214	218
5	PEG Operating Support <sup>1,2</sup>	2,111	2,092	2,134	2,137	2,180	46	2.2%	0	0	0	0	0
6	PEG Capital Grant <sup>1,2,3</sup>	3,484	4,131	4,809	4,861	5,277	468	9.7%	9,753	10,000	10,200	10,406	10,616
7	Verizon - Facilities Grant <sup>1</sup>	200	200	0	0	-	0	n/a	0	0	0	0	0
8	FiberNet Operating & Equipment Grant <sup>1</sup>	1,660	1,645	1,678	1,681	1,715	36	2.2%	0	0	0	0	0
9	Interest Earned	30	1	20	0	10	(10)	-50.0%	10	30	60	90	110
10	TFCG Application Review Fees <sup>1</sup>	203	143	246	120	120	(126)	-51.2%	120	120	120	120	120
11	Miscellaneous	0	-	0	0	-	0	n/a	0	0	0	0	0
12	Transfer from the General Fund	0	0	0	0	-	0	n/a	0	0	0	0	0
13	TOTAL ANNUAL REVENUES	20,385	22,312	24,081	24,102	25,487	1,405	5.8%	26,500	27,182	27,750	28,334	28,918
14	TOTAL RESOURCES-CABLE FUND	20,499	25,047	25,210	26,102	26,132	922	3.7%	26,887	28,312	28,915	29,528	30,151
15	EXPENDITURE OF RESTRICTED FUNDS <sup>2</sup>												
16	A. EXPENDITURE OF RESTRICTED CAPITAL FUNDS												
17	Municipal Capital Support												
18	Rockville Equipment	466	624	682	685	744	62	9.1%	944	964	979	997	1,017
19	Takoma Park Equipment	466	582	682	685	744	62	9.1%	829	852	869	887	905
20	Municipal League Equipment	396	582	612	615	674	62	10.2%	801	824	840	857	874
21	SUBTOTAL	1,328	1,788	1,976	1,985	2,163	187	9.5%	2,574	2,640	2,688	2,741	2,796
22	PEG Capital <sup>3</sup>	40	76	955	955	1,083	128	34.4%	4,709	4,910	3,737	3,891	5,795
23	Council Community Communications Capital					200	200	n/a					
24	FiberNet - CIP	515	790	2,140	2,140	1,831	(309)	-14.4%	2,470	2,450	3,775	3,775	2,025
25	(Must be greater or equal to Line 6) SUBTOTAL	1,883	2,654	5,071	5,080	5,277	206	4%	9,753	10,000	10,200	10,406	10,616
26	B. EXPENDITURE OF OTHER RESTRICTED FUNDS												
27	Municipal Franchise Fee Distribution												
28	City of Rockville	464	536	559	580	608	49	8.8%	623	632	641	650	663
29	City of Takoma Park	196	216	195	232	235	40	20.8%	238	240	244	249	254
30	Other Municipalities	159	189	221	216	227	6	2.5%	232	236	239	243	248
31	SUBTOTAL	819	943	975	1,028	1,070	95	9.8%	1,093	1,108	1,124	1,143	1,166
32	Municipal Operating Support												
33	Rockville PEG Support	70	70	76	71	73	(3)	-4.2%	0	0	0	0	0
34	Takoma Park PEG Support	70	70	76	71	73	(3)	-4.2%	0	0	0	0	0
35	Muni. League PEG Support	140	70	146	141	143	(3)	-2.2%	0	0	0	0	0
36	SUBTOTAL	280	209	298	284	288	(10)	-3.2%	0	0	0	0	0
37	SUBTOTAL	1,099	1,152	1,272	1,312	1,358	86	6.7%	1,093	1,108	1,124	1,143	1,166
38	TOTAL EXPENDITURES OF RESTRICTED FUNDS	2,982	3,805	6,343	6,392	6,635	292	4.6%	10,846	11,108	11,324	11,549	11,782
39	NET TOTAL ANNUAL REVENUES	17,403	18,507	17,738	17,710	18,852	1,113	6.3%	15,654	16,074	16,427	16,785	17,136
40	NET TOTAL RESOURCES-CABLE FUND	17,517	21,242	18,867	19,710	19,497	630	3.3%	16,040	17,204	17,591	17,979	18,369
41	EXPENDITURES OF NON-RESTRICTED FUNDS												
42	A. Transmission Facilities Coordinating Group												
43	TFCG Application Review	275	275	225	173	175	(50)	-22.2%	180	185	190	195	200
44	SUBTOTAL	275	275	225	173	175	(50)	-22.2%	180	185	190	195	200
45	B. FRANCHISE ADMINISTRATION												
46	Personnel Costs - Cable Administration	794	709	794	799	821	27	3.4%	847	888	930	973	1,019
47	Personnel Costs - DTS Administration	69	56	69	69	72	4	5.3%	75	78	82	86	90
48	Personnel Costs - Charges for County Atty	95	80	98	98	98	0	0.0%	103	108	113	118	123
49	Operating	80	46	70	70	70	(0)	-0.4%	72	74	76	78	80
50	Engineering Services	50	60	30	50	70	40	133.3%	72	74	76	78	80
51	Inspection Services	10	11	0	0	-	0	n/a	0	0	0	0	0
52	Legal and Professional Services	300	299	280	280	275	(5)	-1.8%	283	291	299	307	315
53	SUBTOTAL	1,398	1,261	1,340	1,365	1,405	65	4.9%	1,451	1,513	1,574	1,639	1,706
54	SUBTOTAL	1,673	1,536	1,565	1,538	1,580	15	1.0%	1,631	1,698	1,765	1,834	1,907
55	D. MONTGOMERY COUNTY GOVERNMENT - CCM												
56	Media Production & Engineering												
57	Personnel Costs	781	558	760	688	818	58	7.6%	845	886	927	970	1,016
58	Operating	40	77	35	113	31	(4)	-10.1%	32	33	34	35	36
59	Contracts - TV Production	40	41	32	32	61	29	92.1%	63	65	67	69	70
60	New Media, Webstreaming & VOD Services	38	63	38	38	38	0	0.0%	39	40	41	42	44
61	SUBTOTAL	899	739	865	871	949	64	9.7%	979	1,024	1,069	1,116	1,166
62	Public Information Office												
63	Personnel Costs	705	631	704	656	708	4	0.6%	743	779	815	853	893
64	Operating Expenses	0	1	0	0	-	0	n/a	0	0	0	0	0
65	Contracts - TV Production	83	144	83	83	83	0	0.0%	85	88	90	93	95
66	SUBTOTAL	788	775	787	739	791	4	0.6%	829	867	906	946	988
67	County Council												
68	Personnel Costs	154	154	157	161	157	(0)	-0.2%	164	172	180	189	198
69	Operating Expenses	18	18	13	13	13	0	0.0%	13	14	14	14	15
70	Contracts - TV Production	164	162	164	164	179	15	9.2%	184	190	195	200	205
71	SUBTOTAL	336	334	334	338	349	15	4.4%	362	376	389	403	418
72	MNCPPC												
73	Personnel Costs	83	66	0	0	-	0	n/a	0	0	0	0	0
74	Operating Expenses	0	0	0	0	-	0	n/a	0	0	0	0	0
75	Contracts - TV Production	81	87	81	81	99	18	21.7%	101	104	107	110	113
76	New Media, Webstreaming & VOD Services	24	24	24	24	24	0	1.4%	25	26	26	27	28
77	SUBTOTAL	188	176	105	105	123	18	17.0%	126	130	134	137	141
78	SUBTOTAL	2,211	2,025	2,091	2,053	2,212	121	5.8%	2,297	2,397	2,497	2,602	2,712

**FY13 COUNCIL STAFF RECOMMENDED CABLE COMMUNICATIONS PLAN (in \$000's)**

		Approved FY11	Act FY11	App FY12	EST FY12	Rec FY13	Change fr FY12	Appr %	Proj. FY14	Proj. FY15	Proj. FY16	Proj. FY17	Proj. FY18
79	<b>E. MONTGOMERY COLLEGE - MC ITV</b>												
80	Personnel Costs	1,174	1,174	1,144	1,144	1,159	15	1.3%	1,216	1,275	1,334	1,396	1,461
81	Operating Expenses	108	108	86	86	86	0	0.0%	88	91	93	96	98
82	New Media, Webstreaming & VOD Services	6	6	0	0	-	0	n/a	0	0	0	0	0
83	<b>SUBTOTAL</b>	<b>1,288</b>	<b>1,288</b>	<b>1,230</b>	<b>1,230</b>	<b>1,245</b>	<b>15</b>	<b>1.2%</b>	<b>1,304</b>	<b>1,366</b>	<b>1,427</b>	<b>1,492</b>	<b>1,560</b>
84	<b>F. PUBLIC SCHOOLS - MCPS ITV</b>												
85	Personnel Costs	1,393	1,393	1,308	1,308	1,341	32	2.5%	1,406	1,474	1,543	1,615	1,691
86	Operating Expenses	98	98	117	117	117	0	0.0%	120	124	127	130	134
87	New Media, Webstreaming & VOD Services	0	0	0	0	-	0	n/a	0	0	0	0	0
88	<b>SUBTOTAL</b>	<b>1,491</b>	<b>1,491</b>	<b>1,425</b>	<b>1,425</b>	<b>1,458</b>	<b>32</b>	<b>2.3%</b>	<b>1,527</b>	<b>1,598</b>	<b>1,670</b>	<b>1,745</b>	<b>1,825</b>
89	<b>G. COMMUNITY ACCESS PROGRAMMING<sup>4</sup></b>												
90	Personnel Costs	1,889	1,889	1,708	1,708	1,713	5	0.3%	1,818	1,906	1,995	2,088	2,186
91	Operating Expenses	33	33	124	124	124	0	0.2%	128	131	135	138	142
92	Rent & Utilities	457	457	407	407	407	0	0.0%	419	431	442	454	466
93	New Media, Webstreaming & VOD Services	6	6	6	6	6	0	0.0%	6	6	7	7	7
94	<b>SUBTOTAL</b>	<b>2,385</b>	<b>2,385</b>	<b>2,245</b>	<b>2,245</b>	<b>2,250</b>	<b>5</b>	<b>0.2%</b>	<b>2,371</b>	<b>2,475</b>	<b>2,578</b>	<b>2,686</b>	<b>2,801</b>
95	<b>H. WATCHLOCALTV.ORG</b>												
96	Operating Expenses	80	94	46	46	46	(0)	-0.5%	47	48	50	51	52
97	Youth and Arts Community Media	50	41	0	0	25	25	n/a	51	53	54	56	57
98	Multi-Language Production Services (WatchLocalTV.org)	0	0	46	15	46	0	0.0%	47	48	49	51	52
101	Multi-Language Production Services (County Council)			46	46	46	0	0.0%	47	48	49	51	52
102	Closed Captioning	225	179	130	130	130	0	0.0%	170	175	179	184	189
103	Technical Operations Center (TOC)	13	7	10	10	10	0	0.0%	10	11	11	11	11
104	Mobile Production Vehicle	32	17	16	16	16	0	0.0%	16	17	17	18	18
105	<b>SUBTOTAL</b>	<b>400</b>	<b>338</b>	<b>293</b>	<b>263</b>	<b>318</b>	<b>25</b>	<b>8.5%</b>	<b>389</b>	<b>400</b>	<b>410</b>	<b>421</b>	<b>433</b>
106	<b>I. FIBERNET OPERATING</b>												
107	FiberNet - Personnel Charges for DTS	193	172	181	293	456	276	152.4%	471	494	517	541	566
108	FiberNet - Operations & Maintenance DTS	900	778	931	931	1,131	200	21.5%	1,164	1,197	1,229	1,261	1,295
109	FiberNet - Personnel Charges for DOT	46	46	46	46	68	22	48.1%	71	75	78	82	86
110	FiberNet - Operations & Maintenance DOT	198	198	258	258	258	0	0.1%	263	271	278	286	293
111	<b>SUBTOTAL</b>	<b>1,337</b>	<b>1,195</b>	<b>1,416</b>	<b>1,528</b>	<b>1,914</b>	<b>498</b>	<b>35.2%</b>	<b>1,969</b>	<b>2,037</b>	<b>2,102</b>	<b>2,170</b>	<b>2,241</b>
112	<b>J. MISS UTILITY COMPLIANCE</b>												
113	Miss Utility Compliance	0	0	0	0	270	270	n/a	381	392	402	413	424
114	<b>SUBTOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>270</b>	<b>270</b>	<b>n/a</b>	<b>381</b>	<b>392</b>	<b>402</b>	<b>413</b>	<b>424</b>
115	<b>TOTAL EXPENDITURE OF UNRESTRICTED FUNDS</b>	<b>10,765</b>	<b>10,238</b>	<b>10,265</b>	<b>10,281</b>	<b>11,247</b>	<b>982</b>	<b>9.6%</b>	<b>11,868</b>	<b>12,362</b>	<b>12,852</b>	<b>13,363</b>	<b>13,902</b>
116	<b>TOTAL EXPENDITURE OF RESTRICTED FUNDS</b>	<b>10,778</b>	<b>3,805</b>	<b>6,343</b>	<b>6,392</b>	<b>6,635</b>	<b>292</b>	<b>4.6%</b>	<b>10,846</b>	<b>11,108</b>	<b>11,324</b>	<b>11,549</b>	<b>11,782</b>
117	<b>TOTAL EXPENDITURES - PROGRAMS</b>	<b>13,747</b>	<b>14,043</b>	<b>16,608</b>	<b>16,673</b>	<b>17,882</b>	<b>1,274</b>	<b>7.7%</b>	<b>22,713</b>	<b>23,469</b>	<b>24,175</b>	<b>24,911</b>	<b>25,683</b>
118	<b>K. OTHER</b>												
119	Indirect Costs Transfer to Gen Fund	359	359	369	369	388	19	5.1%	403	422	442	462	484
120	Indirect Costs Transfer to Gen Fund (ERP & MCTime)	34	34	34	34	32	(2)	-6.3%	23	19	19	19	19
121	Transfer to the General Fund	6,157	8,749	8,086	8,086	7,064	(1,022)	-12.6%	2,618	3,237	3,085	2,903	2,700
122	Grants to Organizations (Friendship Hts)	39	39	0	0	-	0	n/a	0	0	0	0	0
123	County Council Community Communications					380	380	n/a					
124	<b>SUBTOTAL</b>	<b>6,589</b>	<b>9,181</b>	<b>8,489</b>	<b>8,489</b>	<b>8,244</b>	<b>(625)</b>	<b>-7.4%</b>	<b>3,043</b>	<b>3,678</b>	<b>3,546</b>	<b>3,384</b>	<b>3,203</b>
125	<b>TOTAL EXPENDITURES</b>	<b>20,336</b>	<b>23,224</b>	<b>25,097</b>	<b>25,162</b>	<b>25,746</b>	<b>649</b>	<b>2.6%</b>	<b>25,757</b>	<b>27,147</b>	<b>27,721</b>	<b>28,295</b>	<b>28,886</b>
126	<b>L. ADJUSTMENTS</b>												
127	Prior Year Adjustments	0	22	0	0	-	0	n/a	0	0	0	0	0
128	Encumbrance Adjustment	0	(199)	0	0	-	0	n/a	0	0	0	0	0
129	CIP - Designated Claim on Fund	0	0	0	295	-	0	n/a	0	0	0	0	0
130	<b>TOTAL ADJUSTMENTS</b>	<b>0</b>	<b>(177)</b>	<b>0</b>	<b>295</b>	<b>-</b>	<b>0</b>	<b>n/a</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
131	<b>FUND BALANCE</b>	<b>164</b>	<b>2,000</b>	<b>113</b>	<b>645</b>	<b>387</b>	<b>273</b>	<b>240.9%</b>	<b>1,130</b>	<b>1,165</b>	<b>1,194</b>	<b>1,233</b>	<b>1,255</b>
132	<b>FUND BALANCE PER POLICY GUIDANCE<sup>5</sup></b>	<b>1,021</b>	<b>1,128</b>	<b>1,221</b>	<b>1,218</b>	<b>1,289</b>	<b>68</b>	<b>5.6%</b>	<b>1,324</b>	<b>1,358</b>	<b>1,387</b>	<b>1,417</b>	<b>1,447</b>
133													
134	<b>M. SUMMARY - EXPENDITURES BY FUNDING SOURCE</b>												
135	Transfer to Gen Fund-Indirect Costs	393	393	403	403	420	17	4.2%	426	441	461	481	503
136	Transfer to Gen Fund-Mont Coll Cable Fund <sup>6</sup>	1,288	1,288	1,230	1,230	1,245	15	1.2%	1,304	1,366	1,427	1,492	1,560
137	Transfer to Gen Fund-Public Sch Cable Fund <sup>6</sup>	1,491	1,491	1,425	1,425	1,458	32	2.3%	1,527	1,598	1,670	1,745	1,825
138	Transfer to CIP Fund	515	790	2,140	2,140	1,831	(309)	-14.4%	2,470	2,450	3,775	3,775	2,025
139	Transfer to the General Fund-Other	6,157	8,749	8,086	8,086	7,064	(1,022)	-12.6%	2,618	3,237	3,085	2,903	2,700
140	Transfer to the General Fund-Legislative Branch NDA					580							
141	<b>FUND TRANSFERS SUBTOTAL</b>	<b>9,844</b>	<b>12,711</b>	<b>13,284</b>	<b>13,284</b>	<b>12,597</b>	<b>(687)</b>	<b>-19.4%</b>	<b>8,344</b>	<b>9,092</b>	<b>10,418</b>	<b>10,396</b>	<b>8,612</b>
142	<b>Cable Fund Expenditure of Unrestricted Funds</b>	<b>7,986</b>	<b>7,459</b>	<b>7,610</b>	<b>7,626</b>	<b>8,544</b>	<b>935</b>	<b>12.3%</b>	<b>9,037</b>	<b>9,398</b>	<b>9,754</b>	<b>10,126</b>	<b>10,518</b>
143	<b>Cable Fund Direct Expenditures</b>	<b>10,492</b>	<b>10,337</b>	<b>11,813</b>	<b>11,878</b>	<b>13,149</b>	<b>1,338</b>	<b>11.3%</b>	<b>17,413</b>	<b>18,055</b>	<b>17,303</b>	<b>17,899</b>	<b>20,274</b>

**Notes:** These projections are based on the Executive's Recommended budget and include the revenue and resource assumptions of that budget. The projected future expenditures, revenues, and fund balances may vary based on changes not assumed here to fee or tax rates, usage, inflation, future labor agreements, and other factors.

1. Subject to municipal pass-through payment
2. Restricted revenue and expenditures: Certain Cable Fund revenues, required in excess of the federal limit on franchise fees, and coresponding expenditures (Municipal Franchise Fees/Pass-throughs, PEG Capital/Equipment Grants, and PEG Operating Revenue) are contractually required by franchise, municipal, and settlement agreements, and by the County Code and may only be used for permissible federal purposes and in a manner consistent with applicable agreements.
3. The Comcast franchise renewal process has been recently initiated and specific elements of a final agreement are uncertain. Restricted categories such as FiberNet Operating revenue, PEG Operating revenue, and Municipal Operating Support expenditures may be impacted in the outyears. The County may require Capital Grants based on community needs. The County may negotiate, but may not require Operating Grants in addition to Franchise Fees. FY14-FY18 assumes that the County will require Capital Grants from Comcast calculated at the same rate as negotiated in the Verizon and RCN Franchises.
4. Montgomery Community Television, Inc., d/b/a Montgomery Community Media, is designated as a sole source contractor to provide community access media services.
5. End-of-year reserves is targeted at 8% of total non-restricted revenues (franchise fees, tower fees, and investment income) per policy guidance.
6. The Cable Fund makes a fund transfer to Montgomery College and MCPS to support MCPS ITV and MC ITV.

REVENUES	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Franchise Fees	8,713	9,053	9,547	10,664	11,282	12,435	13,961	15,106	15,986
		4%	5%	12%	6%	10%	12%	8%	6%
PEG Capital	222	230	239	1,370	2,082	3,146	4,131	4,861	5,277
		4%	4%	473%	52%	51%	31%	18%	9%
Other	3,585	3,880	4,498	4,601	4,244	4,249	4,220	4,135	4,224
		8%	16%	2%	-8%	0%	-1%	-2%	2%
Total	12,520	13,163	14,284	16,635	17,608	19,830	22,312	24,102	25,487
		5%	9%	16%	6%	13%	13%	8%	6%

Total Subscribers	n/a	n/a	211,762	215,455	234,560	243,057	249,300	258,328	263,907
				2%	9%	4%	3%	4%	2%

Notes:

FY09: Interest income drops 54% (from 149 to 68)

FY11: \$822,000 of FiberNet Operating is misallocated to PEG Capital

At end of FY04, County had approximately total 208,155 subscribers. Subscriber counts include all municipalities except Gaithersburg.

The Cable Office used the same revenue projection methodology for FY13 as was used in FY12. Revenues are project based on projected expansion of Verizon service area, revenue trends, actual revenues received in FY12, and subscriber growth.

Slow rate of growth in FY13 reflects projected decline in new Verizon construction and slower rate of new Verizon subscriber and revenue growth