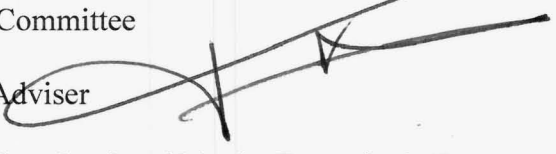


MFP Committee #9  
May 6, 2010

**MEMORANDUM**

May 5, 2010

TO: Management and Fiscal Policy Committee

FROM: Dr. Costis Toregas, Council IT Adviser 

SUBJECT: FY11 Cable Communications Plan, Section 65 in the Executive's Recommended Operating Budget (continued)

The following are expected to attend:

E. Steven Emanuel, Chief Information Officer, DTS  
Helen Ni, Mitsuko Herrera, DTS  
Representatives of the Public Education Government (PEG) Network  
Alex Espinosa and John Cuff, Office of Management and Budget (OMB)

Committee members should bring packet MFP #5 from the May 3, 2010 worksession.

**Summary of Staff Recommendations**

1. Approve the Executive's Cable Communications Plan with the following adjustments:

- a. Reduce allocations for programming by \$813,000 according to the Table on © 2-3.
- b. Accept the revisions to the Cable Plan format as presented.
- c. Request that performance metrics tied to outcomes be developed and routinely presented for all major allocations in the Cable Plan. The Cable Office presentation on ©24-64 of the May 3, 2010 MFP#5 packet is a good initial response to this request.

2. The Executive must provide an amended repayment schedule for \$3,728,000 due the Cable Plan from prior investments in technology projects. This clarification is required by the FY10 Budget Resolution and needs to be part of the Cable Plan. If no response is forthcoming, staff recommends continuing the discussion in a subsequent Committee meeting, and also that this item continue to appear in the Council budget resolution until an understanding is reached.

## Committee Direction from May 3, 2010 Worksession

On May 3, 2010, the Committee discussed the Executive's FY11 Cable Communications Plan and gave the following direction:

1. Abolish the Program Manager II position (proposed by CM Ervin, seconded by CM Navarro) in the Cable Office which is currently vacant.
2. Review new Council staff recommendations proposing programming reductions between \$275,000 and \$875,000 using an equity criterion to distribute those reductions amongst the four major programming entities (AMTV, CCM, MC, and MCPS); similar plans with the same savings goal using a different approach will be entertained.
3. Request that the Executive clarify his intended repayment schedule for \$3,728,000 as required by the FY10 Budget Resolution (see page 9 of MFP#5 from May 3, 2010).
4. Reconvene as soon as practical to conclude the deliberations regarding the FY11 Cable Plan.

## Programming Reductions

To preserve equity amongst the four programming entities (AMTV, CCM, MC, and MCPS), Council staff, with help from the Cable Office, applied a uniform cut that would produce savings of \$820,000 more than the CE's Recommended budget. The percentage cuts can be shown against the FY10 budgeted expenses, or against the CE's recommended FY11 levels. Each is presented in the Tables below. It should be observed that the variation of reduction impact between these two scenarios is minimal.

### Scenario 1: Equal cuts applied to FY11 CE recommended Cable programming budget expenditures

	AMTV	CCM	MC	MCPS	Program Totals
FY10 Cable Plan totals <sup>1</sup>	\$2,605,000	\$2,489,000	\$1,338,000	\$1,622,000	\$8,054,000

% Reduction recommended	-10.1%	-10.1%	-10.1%	-10.1%	-10.1%
\$ Reduction recommended	-\$263,105	-\$251,389	-\$135,138	-\$163,822	-\$813,454
New totals	\$2,341,895	\$2,237,611	\$1,202,862	\$1,458,178	\$7,240,546
Difference from CE's recommended FY11 total					\$813,454

#### Notes

MC-ITV-10 will receive an additional \$510,460 from the MC budget, a \$419,353 (45%) reduction from FY10

MCPS ITV will receive an additional \$635,869 from MCPS budget, a 0% increase from FY10

More detail can be found in the Cable Office table on ©1.

### Scenario 2: Equal cuts applied to FY10 Cable programming budget expenditures

	AMTV	CCM	MC	MCPS	Program Totals
FY10 Cable Plan totals <sup>1</sup>	\$2,832,000	\$2,818,000	\$1,540,000	\$1,850,000	\$9,040,000

<b>% Reduction recommended</b>	<b>-19.9%</b>	<b>-19.9%</b>	<b>-19.9%</b>	<b>-19.9%</b>	<b>-19.9%</b>
<b>\$ Reduction recommended</b>	<b>-\$563,568</b>	<b>-\$560,782</b>	<b>-\$306,460</b>	<b>-\$368,150</b>	<b>-\$1,798,960</b>
<b>New totals</b>	<b>\$2,268,432</b>	<b>\$2,257,218</b>	<b>\$1,233,540</b>	<b>\$1,481,850</b>	<b>\$7,241,040</b>
<b>Difference from CE's recommended FY11 total</b>					<b>\$812,960</b>

#### Notes

MC-ITV-10 will receive an additional \$510,460 from the MC budget, a \$419,353 (45%) reduction from FY10

MCPS ITV will receive an additional \$635,869 from MCPS budget, a 0% increase from FY10

More detail can be found in the Cable Office table on ©1.

In addition, the Cable Office was asked to develop a different approach which would enjoy all stakeholder input and support, and produce the same degree of savings using a holistic approach. This third approach takes into account not only programming revenues, but additional savings possible throughout the telecommunications infrastructure spectrum including non-Cable Fund budget expenses for FY11. The result of this rapid internal analysis is provided below, with detail on ©2-3.

### Scenario 3: Recommended cuts yielding \$813,000 additional savings in sustainable manner

	AMTV	CCM	MC	MCPS	PEG	CABLE OFFICE	FNET	TFCG	TOTALS
FY11 CE Recomm	\$2,605	\$2,489	\$1,338	\$1,622	\$260	\$1,527	\$1,852	\$275	\$11,968
FY11 Scenario3	\$2,365	\$2,332	\$1,288	\$1,491	\$175	\$1,377	\$1,852	\$275	\$11,155
Difference									(813)

Note: figures in \$000s

A comparison between scenario 1, 2 and 3 is provided on ©4. It should be noted that the suggestion made by the Committee in its May 3, 2010 worksession to abolish one of the 3 Program Manager III positions is included in the preliminary calculations of Scenario 3.

Based on the holistic approach in which the target for savings of \$813,000 is derived, and the benefits derived from a collaborative approach and deep knowledge of the constituent parts exercised by the Cable office, **Council staff recommends Scenario 3 for adoption.** Cable Office staff and PEG stakeholders will be present to discuss all options in detail.

CABLE FUND SUPPORT FOR AMTV, CCM, MC ITV-10 and MCPS ITV (1,000s)

Equal Percentage Reduction	AMTV			CCM			MC*			MCPS**			TOTAL		
	FY10	FY11CE	FY11CC	FY10	FY11CE	FY11CC	FY10	FY11CE	FY11CC	FY10	FY11CE	FY11CC	FY10	FY11CE	FY11CC
<b>TOTAL CABLE FUND SUPPORT</b>	<b>2,832</b>	<b>2,605</b>		<b>2,818</b>	<b>2,489</b>		<b>1,540</b>	<b>1,338</b>		<b>1,850</b>	<b>1,622</b>		<b>9,040</b>	<b>8,054</b>	<b>0</b>
<b>Equal % Reduction from FY10</b>															
19.9%															
Total Reduction from FY10			2,268			2,257			1,234			1,482			7,241
Total Reduction from FY11CE			(564)			(561)			(306)			(368)			(1,799)
															(813)
<b>Equal % Reduction from FY11 CE</b>															
10.1%															
Total Reduction from FY10			2,342			2,238			1,203			1,458			7,241
Total Reduction from FY11CE			(263)			(251)			(135)			(164)			(1,799)
															(813)

"FY10" means FY10 Approved Budget; "FY11CE" means CE Recommended (4/21/10 Revised); "FY11CC" means MFP suggested percentage-based reduction

\*MC ITV-10 will receive an additional \$510,460 from the Montgomery College budget, a \$419,353 or 45% reduction from FY10.

\*\*MCPS ITV will receive an additional \$635,869 from the MCPS budget, a 0% increase from FY10.

2-PAGE CABLE FUND SUPPORT BREAKOUT FOR AMTV, CCM, MC ITV-10, MCPS ITV, PEG NETWORK, CABLE OFFICE AND FIBERNET (in 1,000s)

Alternative Targeted Reductions	AMTV			CCM			MC*			MCPS**			TOTAL - A		
	FY10	FY11CE	FY11T	FY10	FY11CE	FY11T	FY10	FY11CE	FY11T	FY10	FY11CE	FY11T	FY10	FY11CE	FY11T
DIRECT SUPPORT															
Personnel	1,871	1,869	1,869	1,268	1,619	1,619	1,141	1,174	1,174	1,385	1,393	1,393			
Operating	195	83	33	992	507	426	179	140	108	197	189	98			
Rent	496	507	457												
Web Services		6	6	95	62	62		6	6						
<b>DIRECT SUBTOTAL</b>	<b>2,562</b>	<b>2,465</b>	<b>2,365</b>	<b>2,355</b>	<b>2,188</b>	<b>2,107</b>	<b>1,320</b>	<b>1,320</b>	<b>1,288</b>	<b>1,582</b>	<b>1,582</b>	<b>1,491</b>	<b>7,819</b>	<b>7,555</b>	<b>7,251</b>
PEG NETWORK SUPPORT															
Equipment	220	100		220	76		220			220					
Arts	50	40													
Closed Captioning				243	225	225		18	0	48	40	0			
<b>PEG NET SUBTOTAL</b>	<b>270</b>	<b>140</b>	<b>0</b>	<b>463</b>	<b>301</b>	<b>225</b>	<b>220</b>	<b>18</b>	<b>0</b>	<b>268</b>	<b>40</b>	<b>0</b>	<b>1,221</b>	<b>499</b>	<b>225</b>
<b>TOTAL CABLE FUND</b>	<b>2,832</b>	<b>2,605</b>	<b>2,365</b>	<b>2,818</b>	<b>2,489</b>	<b>2,332</b>	<b>1,540</b>	<b>1,338</b>	<b>1,288</b>	<b>1,850</b>	<b>1,622</b>	<b>1,491</b>	<b>9,040</b>	<b>8,054</b>	<b>7,476</b>
\$ Reduction from FY10		(227)	(467)		(329)	(486)		(202)	(252)		(228)	(359)		(986)	(1,564)
% Reduction from FY10		-8%	-16%		-12%	-17%		-13%	-16%		-12%	-19%		-11%	-17%
\$ Reduction from FY11CE			(240)			(157)			(50)			(131)			(578)
% Reduction from FY11CE			-9%			-6%			-4%			-8%			-7%

"FY10" means FY10 Approved Budget; "FY11CE" means CE Recommended (4/21/10 Revised); "FY11CC" means percentage-based reduction.

\*MC ITV-10 will receive an additional \$510,460 from the Montgomery College budget, a \$4196353 or 45% reduction from FY10.

\*\*MCPS ITV will receive an additional \$635,869 from the MCPS budget, a 0% increase from FY10.

2-PAGE CABLE FUND SUPPORT BREAKOUT FOR AMTV, CCM, MC ITV-10, MCPS ITV, PEG NETWORK, CABLE OFFICE AND FIBERNET (in 1,000s)

Alternative Targeted Reductions	PEG NETWORK			CABLE OFFICE			FIBERNET			TFCG			TOTAL - B		
	FY10	FY11CE	FY11T	FY10	FY11CE	FY11T	FY10	FY11CE	FY11T	FY10	FY11CE	FY11T	FY10	FY11CE	FY11T
DIRECT SUPPORT															
Personnel				869	1,032	937	223	239	239				1,092	1,271	1,176
Operating	125	165	80	73	80	80	1,211	1,098	1,098				1,409	1,343	1,258
Engineering				50	50	50				180	275	275	230	325	325
Inspection				270	10	10							270	10	10
Legal & Professional				310	355	300							310	355	300
Equipment***	60	0	40										60	0	40
Arts***	0	0	10										0	0	10
Youth	40	40	0										40	40	0
Closed Captioning	0	0	0										0	0	0
TOC	23	23	13										23	23	13
MPV	32	32	32										32	32	32
Equipment Reserve	80	0	0										80	0	0
CIP							1,041	515	515				1,041	515	515
<b>TOTAL CABLE FUND</b>	<b>360</b>	<b>260</b>	<b>175</b>	<b>1,572</b>	<b>1,527</b>	<b>1,377</b>	<b>2,475</b>	<b>1,852</b>	<b>1,852</b>	<b>180</b>	<b>275</b>	<b>275</b>	<b>4,587</b>	<b>3,914</b>	<b>3,679</b>
\$ Reduction from FY10		(100)	(185)		(45)	(195)		(623)	(623)		95	95		(673)	(908)
% Reduction from FY10		-28%	-51%		-3%	-12%		-25%	-25%		53%	53%		-15%	-20%
\$ Reduction from FY11CE			(85)			(150)			0			0			(235)
% Reduction from FY11CE			-33%			-10%			0%			0%			-6%

\*\*\*Excludes amount of PEG Network funding specifically allocated to PEG entity. Those amounts are reflected in chart above.

"FY11T" means targeted reductions

TOTAL (A&B) ALTERNATIVE REDUCTION FROM FY10	(2,472)
TOTAL (A&B) ALTERNATIVE REDUCTION FROM FY11 CE REC	(813)

COMPARISON OF CABLE FUND REDUCTIONS: Equal Percentage of PEG versus Targeted Alternative (in 1000s)

Equal Percentage Reduction	AMTV			CCM			MC*			MCPS**			TOTAL		
	FY10	FY11CE	FY11CC	FY10	FY11CE	FY11CC	FY10	FY11CE	FY11CC	FY10	FY11CE	FY11CC	FY10	FY11CE	FY11CC
<b>TOTAL CABLE FUND SUPPORT</b>	<b>2,832</b>	<b>2,605</b>		<b>2,818</b>	<b>2,489</b>		<b>1,540</b>	<b>1,338</b>		<b>1,850</b>	<b>1,622</b>		<b>9,040</b>	<b>8,054</b>	<b>0</b>
<b>Equal % Reduction from FY10</b>															
19.9%			<b>2,268</b>			<b>2,257</b>			<b>1,234</b>			<b>1,482</b>			<b>7,241</b>
Total Reduction from FY10			(564)			(561)			(306)			(368)			(1,799)
Total Reduction from FY11CE															(813)
<b>Equal % Reduction from FY11 CE</b>															
10.1%			<b>2,342</b>			<b>2,238</b>			<b>1,203</b>			<b>1,458</b>			<b>7,241</b>
Total Reduction from FY10															(1,799)
Total Reduction from FY11CE			(263)			(251)			(135)			(164)			(813)
<b>Alternative Targeted Reductions</b>	<b>AMTV</b>			<b>CCM</b>			<b>MC*</b>			<b>MCPS**</b>			<b>TOTAL - A</b>		
	FY10	FY11CE	FY11T	FY10	FY11CE	FY11T	FY10	FY11CE	FY11T	FY10	FY11CE	FY11T	FY10	FY11CE	FY11T
<b>Targeted Reduction</b>			<b>2,365</b>			<b>2,332</b>			<b>1,288</b>			<b>1,491</b>			<b>7,476</b>
Total Reduction from FY10 \$		(227)	(467)		(329)	(486)		(202)	(252)		(228)	(359)		(986)	(1,564)
Total Reduction from FY10 %		-8%	-16%		-12%	-17%		-13%	-16%		-12%	-19%		-11%	-17%
Total Reduction from FY11CE \$			(240)			(157)			(50)			(131)			(578)
Total Reduction from FY11CE %			-9%			-6%			-4%			-8%			-7%
<b>Alternative Targeted Reductions</b>	<b>PEG NETWORK***</b>			<b>CABLE OFFICE</b>			<b>FIBERNET</b>			<b>TFCG</b>			<b>TOTAL - B</b>		
	FY10	FY11CE	FY11T	FY10	FY11CE	FY11T	FY10	FY11CE	FY11T	FY10	FY11CE	FY11T	FY10	FY11CE	FY11T
<b>Targeted Reduction</b>	<b>360</b>	<b>260</b>	<b>175</b>	<b>1,572</b>	<b>1,527</b>	<b>1,377</b>	<b>2,475</b>	<b>1,852</b>	<b>1,852</b>	<b>180</b>	<b>275</b>	<b>275</b>	<b>4,587</b>	<b>3,914</b>	<b>3,679</b>
Total Reduction from FY10 \$		(100)	(185)		(45)	(195)		(623)	(623)		95	95		(673)	(908)
Total Reduction from FY10 %		-28%	-51%		-3%	-12%		-25%	-25%		53%	53%		-15%	-20%
Total Reduction from FY11CE \$			(85)			(150)			0			0			(235)
Total Reduction from FY11CE %			-33%			-10%			0%			0%			-6%

TOTAL (A&B) ALTERNATIVE REDUCTION FROM FY10	(2,472)
TOTAL (A&B) ALTERNATIVE REDUCTION FROM FY11 CE REC	<b>(813)</b>

"FY10" means FY10 Approved Budget; "FY11CE" means CE Recommended (4/21/10 Revised); "FY11CC" means percentage-based reduction; "FY11A" means targeted reduction

\*MC ITV-10 will receive an additional \$510,460 from the Montgomery College budget, a \$4196353 or 45% reduction from FY10.

\*\*MCPS ITV will receive an additional \$635,869 from the MCPS budget, a 0% increase from FY10.

\*\*\*Excludes amount of PEG Network funding specifically allocated to PEG entity. Those amounts are reflected in chart above.