

MEMORANDUM

April 14, 2009

TO: Management and Fiscal Policy Committee

FROM: Dr. Costis Toregas, Council IT Adviser 

SUBJECT: FY10 Operating Budget for the Cable Communications Plan, Section 66 in the Executive's Budget

The following may attend:

Steven Emanuel, Chief Information Officer, Department of Technology Services (DTS)
Mitsuko R. Herrera, Cable Communications Administrator, DTS
John Cuff, Management and Budget Specialist, Office of Management and Budget (OMB)

Relevant pages from the operating budget are attached on ©1-10.

Overview

The mission of the Cable Communications Plan is to effectively manage the County's cable television and telecommunications franchise agreements and the Cable Special Revenue Fund to ensure that: cable services in Montgomery County are of high quality; cable and telecommunications providers comply with applicable safety and construction codes; cable customer service requirements and applicable consumer protection provisions are enforced; quality Public, Educational, and Governmental (PEG) cable programming is provided; and to provide a reliable and expedient process for telecommunication carriers to site transmission facilities in the county to speed deployment of services for residents while maintaining adequate public protection.

The Council adopted Resolution 16-585 on May 22, 2008, which approved the FY09 Cable Communications Plan; this resolution is provided on ©11-20. For FY10, the Executive recommends total expenditures of \$12,232,680, up \$312,950 or 2.65% from the FY09 approved budget of \$11,919,990. This does not include the appropriation of programming grants to Montgomery County Public Schools of \$1,629,000, which is up 2.9% from the FY09 approved budget of \$1,583,000, and to Montgomery College of \$1,360,000, which is up 2.9% from the FY09 approved budget of \$1,322,000. When these two additional allocations are included, the entire Cable Communications Plan recommended FY10 expenditures total \$15,221,680.

Workyears in the Cable Franchise administration, County Cable Montgomery, and FiberNet program organizations will increase from the FY09 approved 16.9 to 19.2, a total increase of 2.3 workyears or 13.6%. Workyears for other program elements are not provided in the Executive's submission. Personnel costs account for 18.7% of the budget, and operating expenses account for the balance.

At a time when all departments and agencies are undergoing reductions in staff levels and all expenditures are scrutinized for possible reductions, the Cable Fund seems immune to this savings imperative. Even though the Cable Fund revenues are still increasing, it would be prudent not to increase expenditures but rather exercise the same cost-cutting discipline prevalent in other areas of the Executive's recommended budget. In this way, should the cable revenues decrease in subsequent years (whether because of consumer spending patterns or because of state and/or federal legislative actions targeting this local government revenue source), the task of balancing the budget would be more effective. Areas of possible cost reductions are raised by Council staff in several places throughout this packet, and recommendations are made for the Committee's consideration that would ask the Cable Fund support recipients to absorb reductions similar to those accepted by most County organizations.

Revenues for the Cable Plan come from a variety of sources, including franchise fees and grants from cable operators, tower review fees, and direct PEG contributions. For FY10, the Executive forecasts revenues of \$17,484,000, which represents a growth of 10.8 % from the FY09 approved revenue target of \$15,779,000, and 2.8% from the estimated FY09 revenues of \$17,042,000.

The difference between recommended FY10 expenditures of \$15,221,680 and estimated revenues of \$17,484,000 is \$2,262,320. Added to the estimated fund balance of \$2,069,000, it creates a distribution opportunity totaling \$4,331,320. Given that the Executive recommends a FY10 Fund Balance of \$911,000, the *net adjustments and transfers from the Cable Plan equal \$3,420,320*. See the tables on subsequent pages for detail.

Revenue

Revenue (in \$000s)	Actual FY08	Approved FY09	Estimated FY09	Recommended FY10
5% franchise fee	10,664	10,584	10,955	11,280
GBurg PEG contribution	200	201	182	187
PEG support	1,938	2,811	2,020	2,080
PEG Capital/Equipment	1,370	255	1,932	1,990
Verizon grant	200	200	200	200
FiberNet support	1,524	1,568	1,589	1,637
Interest earned	149	80	40	30
Tower review fees	94	80	120	80
Misc	64	0	4	0
Transfer from General Fund	432	0	0	0
TOTALS	16,635	15,779	17,042	17,484

Expenses

Program Expenditures	FY09 Approved Expenditures	FY10 Recommended Expenditures	CE % Change	FY09 Approved WYs	FY10 Recommended WYs
Cable Franchise Administration	\$2,084,990	\$2,012,000	-3.5%	6.7	6.7
Community Access to Cable	\$2,652,000	\$2,642,000	-0.3%	0.0	0.0
County Cable Montgomery	\$2,521,650	\$2,725,000	+8.1%	7.8	10.8
Cable Programming for MCPS ¹	\$1,583,000	\$1,629,000	+2.9%		
Cable Programming for MC ¹	\$1,322,000	\$1,359,600	+2.8%		
Municipal Support	\$1,250,000	\$1,851,000	+4.8%	0.0	0.0
PEG Network	\$1,335,900	\$1,267,000	-5.1%	0.0	0.0
Fibernet Operations	\$1,436,190	\$1,696,680	+18.1%	2.4	1.7
Other Cable Activities	\$639,000	\$39,000	-93.9%		
TOTALS	\$14,824,730	\$15,221,280	+2.7%	16.9	19.2

¹ Funds for these services are not appropriated in the Cable Office, but are transferred from the Cable Fund to the General Fund, and then to the agency's own Fund.

Fund Balance

The Preliminary Cable Fund submission provided by the Executive to the Council on January 15, 2009 and the final Cable Fund proposed in the FY10 recommended budget differ sharply in one area: the estimated Cable Fund Balance. The following table underscores this major and significant difference.

Fund Balance (in \$000s)	Preliminary Cable Plan Jan 15, 2009	Recommended Cable Plan May 15, 2009	% Difference
Estimated 2009	2,790	2,069	-25.8%
Proposed FY10	4,428	911	-79.4%
Proposed FY11	5,939	767	-87.1%
Proposed FY12	7,474	490	-93.4%
Proposed FY13	9,244	514	-94.4%
Proposed FY14	10,331	467	-95.5%
Proposed FY15	No entry	567	NA

The magnitudes of differences cannot be explained easily, and the passage of three months cannot justify the almost total elimination of the fund balances indicated by the recommended Plan. Question #6 below attempts to explore reasons, but the response provided by DTS sheds no light. The Committee should explicitly state its own target goals for the fund balance; additional information should be sought and presented by DTS.

FY10 Expenditure Issues

Several issues were identified from a review of the Executive's proposed budget, and 12 explicit questions were raised regarding the Cable Plan. These questions, the answers provided by DTS, and staff commentary are provided below.

1. Can Outside Engineering/Inspection Services, budgeted at \$700,000, be insourced? What are the cost assumptions that continue to make the contract option desirable to the Executive branch?

The Outside Engineering/Inspection Services budget is comprised of four primary components:

- Cable Inspection and Testing;
- Public, Education, Government Access Channel Facilities Upgrades and Engineering;
- Telecommunications Transmission Antenna Sighting Application Review;
- Other telecommunications and broadband engineering services as needed, including deployment of Wi-Fi and engineering support for American Recovery and Reinvestment Act competitive broadband applications.

At the present time, use of an outside contract is the most cost effective means to provide this wide range of specialized engineering services, *i.e.*, expertise in: right-of-way construction, electrical, and safety codes and practices, as well as enforcement of franchise requirements to ensure proper construction, system operation, and protection of public safety and property; analog and digital video transmission, networking, monitoring, and storage; RF propagation contour analysis, height and location coverage analysis, RF signal transmission data collection, and telecommunications facility inventory and database management; and fiber optic and wireless facility network design, interconnection, and construction.

The contract rates with our primary vendor were negotiated in 2004 and have been extended annually with CPI adjustments, resulting in favorable service rates for the County.

Staff comment: This response gives a listing of tasks that the vendor executes at the direction of DTS, but does not provide the requested cost analysis that would help ensure that costs are competitive in the marketplace and below those that the County would face, were it to insource this function. The Committee may want to review these costs in detail as a source of potential additional savings during the FY10 budget discussions.

2. Please provide a listing of benefits which accrue to the County from the \$370,000 Other Legal and Other Professional Services line item, and, to the degree possible, align them with contract line item costs. Which of these services would be unavailable under a sharply smaller budget allocation?

Montgomery County has used the Cable Fund legal budget to limit the damage wrought by Congress, federal agencies, and members of the Maryland delegation who have been persuaded by industry lobbyists that the cure to every problem is to limit local government authority to protect consumers, receive reasonable compensation for use of public property, enact and enforce effective and reasonable regulations, and to implement local solutions rather than a one-size-fits-all industry-favorable option.

In FY09, the legal budget was used to defeat a state bill introduced by a Montgomery County State Delegate to eliminate \$17 million in annual local Cable Fund revenues, to save consumers \$8 million in cable service and equipment rates, to argue against efforts to eliminate carriage of PEG programming on the basic tier, to prevent efforts to restrict local government approval of tower siting applications, to preserve the County's investment in public safety wireless infrastructure, and to enact terms favorable to local government broadband projects in the federal stimulus act.

While local governments' national associations perform vital work, the County's continued local leadership strengthens their ability to succeed by arming these associations with facts – the first-hand experience developed from actually delivering services and protecting consumers. Moreover, the cable, broadband, and telecommunications industries are now controlled by a handful of companies who will resist continuation of hard-won, better-than-anyone-else-negotiated terms for Montgomery County, and they will continue to seek federal and state preemption as a means of rolling back the local protections that Montgomery County has enacted. The Cable Fund legal budget will therefore continue to be invested to protect the interests of County residents at the local, state, and federal level.

In FY 2010, the Obama administration's focus on technology, healthcare, and broadband, new leadership at the Federal Communications Commission, and new leadership in key Congressional committees will present opportunities for the County to proactively revise or enact new statutes and regulations that will give the County the necessary legal authority to effectively protect the interests of Montgomery County consumers, cable and broadband subscribers, educational and healthcare facilities, and the County government.

In FY 2010, the Cable Fund will likely be used to continue to:

- (1) prevent state cable franchising and state usurpation of local telecommunications and cable franchise fees;
- (2) regulate Comcast basic cable service and equipment rates;
- (3) audit franchise and PEG fee payments;
- (4) enforce customer service standards and franchise requirements, including damage liability limitations, notice requirements, truth-in-billing and advertising standards, privacy rights, digital cable system testing, construction

- violation repairs, PEG channel transmission standards, and in-kind service requirements;
- (5) perform community needs assessment studies in preparation for the Comcast renewal;
 - (6) prepare and protect the County in the event of a transfer, sale, or bankruptcy of RCN;
 - (7) facilitate cable system, FiberNet, and PEG facility build-out;
 - (8) participate in federal proceedings to expand broadband access to economically disadvantaged populations and low-density areas of the County;
 - (9) investigate, enforce, and renegotiate as necessary public-private partnerships and commitments to a down-County public access programming studio and training facility;
 - (10) lobby to remove federal restrictions on use of PEG support funding;
 - (11) lobby to remove utility impediments to FiberNet deployment on utility poles;
 - (12) provide cable and broadband consumer price, access, and service data, as well as empirical analysis of the effect of competition and deregulation on subscriber service, satisfaction, price, and availability;
 - (13) participate in federal public safety wireless regulatory proceedings, including efforts to require commercial purchase of existing local government-operated public safety communications services, and support efforts to obtain funding for 700/800 MHz communications systems;
 - (14) work to ensure fair compensation for use of local rights-of-way;
 - (15) represent consumer interests in open access and net neutral proceedings;
 - (16) facilitate development of superior broadband, public safety, and health information technology competitive grant applications for federal broadband stimulus funding;
 - (17) continue to support municipal coalition regulatory and litigation efforts to protect local government right-of-way management, compensation, regulatory, and consumer protection authority; and
 - (18) increase high-level federal and state meetings, published editorials, and public presentations by elected Council Members and the Executive on beneficial local government uses of technology.

Projects vary in cost, and investment of legal budget funds are strategically determined based on highest need, potential harm, winnable outcomes, policy direction and interests of the Council and Executive, and relative viability. Implementation of a sharply smaller budget would likely eliminate County participation in public safety wireless proceedings, cable rate regulation, proactive regulatory efforts to update federal consumer protection and cable system testing regulations, efforts to expand broadband access to low-income populations and low-density areas, efforts to reform state law utility pole access statutes, enforcement of complex franchise disputes, municipal coalition litigation, proactive RCN bankruptcy protection, and participation in open access and net neutral proceedings.

A sharply smaller budget allocation could potentially also eliminate effective enforcement of customer service standards and franchise requirements, weaken the County's ability to effectively negotiate the Comcast franchise renewal, and increase the likelihood of state and federal preemption of County authority over cable franchising, franchise fee collection, customer service enforcement, tower zoning, and PEG channel transmission quality standards. In addition, the opportunity to leverage favorable federal executive, administrative agency, and Congressional opportunities would likely be lost.

Staff Comment: The list of target tasks is impressive. Task 5 – to develop community assessment studies in order to prepare for the Comcast renewal – is a vital one where the Council should have a significant role that allows a proper reflection of the constant complaints and concerns voiced by constituents over cable services. Most of the tasks suggested are driven by policy considerations. However, there is currently no formal mechanism that would permit the County Council to articulate their own policy preferences and give direction to the legislative initiatives that the legal firm can undertake. Staff recommends that the legal firm should be included in the agenda for the Quarterly Cable review sessions and provide a periodic briefing of their accomplishments against performance metrics agreed to jointly between the Executive and Council, as well as hear directly the Council's legislative priorities to be included in the list of contracted tasks.

In addition, the Committee may want to look at the \$370,000 provided in the Professional Services item with an eye towards reducing the contract amount; lacking detailed pricing information, it is difficult to establish a target, and the Executive branch can provide more detailed information in order to assist in this cost reduction effort.

- 3. The \$432,000 transfer from the General Fund is zeroed out, as are subsequent repayments. Please provide a historical note summarizing the entire amount due the Cable Fund from the projects executed in the past, and the intentions of the Administration regarding the repayment of these moneys due.**

In FY 2004, \$2,636,000 was transferred from the Cable TV Special Revenue Fund to the General Fund to finance general government operations. This was the first year that the Executive recommended transferring funds derived from franchise fees for general government operations. In FY 2006, the Council allocated \$1,241,000 to fund the County's Automated Traffic Management System. In FY 2007, the Council allocated \$284,000 to fund technology projects for the Montgomery County portion of the Maryland-National Capital Park and Planning Commission Operating Budget.

In FY 2009, \$250,000 was transferred from the Cable TV Special Revenue Fund to the General Fund to finance general government operations. Of these amounts, all but the FY 2009 transfer was scheduled to be repaid without interest according to the following schedule: \$432,000 in FY 2008, which was repaid; \$0 in FY 2009; \$1,232,000 in FY 2010; and \$832,000 annually in FY 2011 through FY 2013.

In light of the severe budget crisis, expected continuation of the current economic downturn, and available balance within the Cable TV Special Revenue Fund, the Executive

recommends that these amounts not be repaid. The FY 2006 and FY 2007 allocations are consistent with technology uses funded by the Cable TV Special Revenue Fund. The FY 2004 transfer is similar in nature to the FY 2009 transfer, which was not required to be repaid. While Executive recommendations to transfer funds derived from franchise fees from the Cable TV Special Revenue Fund to the General Fund for general government operations are not within the preferred policy practice of the County, in light of the urgent need to offset the growing General Fund revenue shortfall, the County Executive recommends the discontinuation of the scheduled repayments.

Staff Comment: The decision of the Executive is understandable, given the economic condition. However, this decision restricts the ability of the Committee and the full Council to target expenditures towards areas of Council priority.

4. The Municipal Capital Support (a) has seen a large increase from \$294,000 to \$828,000. A similar increase in County-oriented expenditures is not found anywhere in the Cable Plan. Please explain why this increase is limited to the Municipal Capital Support line, and why the corresponding revenue increase that made it possible is also not providing similar increases to County expenditure lines elsewhere in the Plan.

In FY 2010, the County will provide Capital Support to the Rockville, Takoma Park, and Maryland Municipal League (MML) municipal cable channels. However, when the FY 2009 budget was approved, Rockville had not yet approved its Verizon franchise. Therefore, the FY 2009 Municipal Capital Support expenditure did not include payment to Rockville of any share of the PEG Capital/Equipment revenue received from Verizon. Therefore, there will be a significant increase in Municipal Capital Support in FY 2010 (14 percent increase plus growth in percentage of gross revenues and inflation indexes), but no corresponding increase in PEG Capital/Equipment revenue.

As corrected and updated, *see* Question 12, the following amounts were received and are projected for PEG Capital Support:

Capital Support	FY06 Actual	FY07 Actual	FY08 Actual	Increase FY07-08	FY09 Estimate	FY10 Recomm'd	Increase FY09-10
County	\$ 284,305	\$ 277,282	\$ 1,012,566	265%	\$ 1,137,000	\$ 1,162,000	2.2 %
Municipalities	\$129,000	\$ 163,000	\$ 425,000	161%	\$ 795,000	\$ 828,000	4.2 %
Total	\$ 412,305	\$ 440,282	\$ 1,437,566	227%	\$ 1,932,000	\$ 1,990,000	3.0 %

The significant growth in Capital Support between FY 2007 and FY 2008 is attributable to Verizon's entry into the Montgomery County market. The County-supported cable channels and the municipal channels each receive a fixed amount adjusted for inflation, as well as in-kind services, under the Comcast franchise agreement. The County and municipal channels each receive a percentage of gross revenues under Verizon and RCN franchise agreements. In FY 2007, Verizon made no contributions to Capital Support. In FY 2008, Verizon's contribution represented more than two-thirds of the Capital Support revenue. In FY 2009, Verizon's contribution will likely represent more than three-fourths of the Capital Support revenue.

Staff comment: Cable revenues may provide a strong and positive increase over time and deserve careful scrutiny of relationships and sharing commitments. The Committee may want to schedule a worksession after the budget to review this source of revenue and expectations for its wise investment.

5. The FY09 fund balance was approved at \$537,000 but shows an estimated end point of \$2,069,000. Please explain the reasons for this major deviation.

The difference between the Approved and Estimated FY09 Fund Balance is primarily driven by the Actual FY09 Beginning Fund Balance being greater than the Estimated Fund Balance, Estimated Revenues exceeding Approved Revenues, and Municipal Support exceeding Approved expenditures.

	Approved FY09	Estimated FY09	Difference
Beginning Balance	\$ 2,502,000	\$ 3,949,000	\$ 1,447,000
Revenues	\$ 15,779,000	\$ 17,042,000	\$ 1,263,000
Municipal Channels	-\$ 1,257,000	-\$ 1,785,000	-\$ 528,000
Total	\$ 17,024,000	\$ 19,206,000	\$ 2,182,000

At the time the FY 2009 Budget was approved, the County did not yet have an initial year estimate of Verizon’s anticipated revenue impact. In FY 2010, Verizon will be performing major construction and expanded subscribership within the City of Rockville. We anticipate that Verizon revenues will begin to level off as initial promotional offers expire, but the revenue forecast continues to contain significant variables.

Staff Comment: None.

6. The Fund balance for the next 5 years is at levels much lower than the fund policy dictates. Please explain.

The balance in the fund in future years is a function of assumptions made in the Cable Plan regarding anticipated revenues and expenses. Those assumptions and the fund balance will be revisited on an annual basis as part of the budget process. In addition, in an effort to provide the Council more comprehensive information, the FY10-15 Cable Plan reflects increases in salary and benefit costs, contract rates, and operating expenses in future years.

Staff Comment: The Fund balance indicated for years 11-15 are at levels roughly 50% of the Executive’s own fund balance policy, and there is still no explanation for this deviation from policy. Deviations from established policy should be discussed by the Committee and approved for explicit lengths of time and against explicit reasons.

7. Please document the intended uses of the \$1,347,000 transfer to the General Fund.

The transfer to the General Fund will be used to finance general government operations and is part of the overall \$38.9 million in transfers to the General Fund from Non-Tax Supported Funds. FY 2010 Recommend Budget Schedule A-4 at 70-7. While Executive recommendations to transfer funds derived from franchise fees from the Cable TV Special Revenue Fund to the General Fund for general government operations are not within the

preferred policy practice of the County, in light of the significant budget gap, all available revenue sources were utilized.

Staff Comment: Both state and federal attempts to redirect or eliminate the franchise fee revenues to the County have been defeated in recent years. However, it could come to pass that this revenue source is eliminated. In view of this potential, it is important to safeguard Cable revenues and allow built reserves to accumulate a capacity to cover shortfalls in critical County functions now dependent on the Cable Fund (such as FiberNet operations and maintenance) rather than expressly divert these funds to the General Fund, no matter how pressing the problem.

8. Please list the titles, target revenue goals, and cognizant agency where Stimulus Package proposals have been submitted; also indicate a likely amount the County expects to receive in FY10, and how that may change the Cable Plan allocations.

The Department of Technology Services (DTS) is leading the effort to coordinate County submissions for broadband grant funding. The National Telecommunications Information Administration is expected to release competitive grant eligibility rules in June 2009. Therefore, no broadband stimulus grant proposals have been submitted. DTS is working with agencies, other local governments, and the State of Maryland to develop successful proposals, but there are no specific proposals or revenue requests at this time.

Because of the competitive nature of these grants, the perception of Montgomery County as an affluent county, and the expected influx of stimulus funding to federal agencies physically located within Montgomery County, the County will need to develop high quality proposals to be competitive. The County will likely seek to partner with other localities or private entities and emphasize multi-purpose outcomes. Funding will likely be disbursed in three rounds in FY 2010 and FY 2011 (all funds must be disbursed by September 30, 2010). In addition, the statute requires that applicants demonstrate that the project could not have been completed within the grant period without federal funds and federal funds may only be used to fund 80 percent of the project costs, unless a waiver based on financial needs is obtained. Thus, the Cable Office does not anticipate that broadband stimulus funding will replace any funding within the proposed Cable Plan.

Some portion of the FY 2010 legal and engineering budgets will be used to support broadband grant applications and, potentially, the required County portion of successful grant applications. The Cable Office is also working with other agencies to position Montgomery County businesses to be competitive vendors to perform broadband construction, design, service, training, and education work for successful grant applicants throughout Maryland, Virginia, West Virginia, Pennsylvania, Delaware, and the District of Columbia. In some respects, however, the broadband stimulus funding is already having a positive impact. The State and local governments are working together to determine common needs and shared resources, multi-disciplinary coordination efforts are being engaged, and additional employees are being hired or retained to develop grant applications.

Staff Comment: The Committee should explore whether additional employees are being hired by the County to develop proposals as referenced in the last sentence of the response and shown in other parts of the FY10 budget. What is the OBI for these hires, and do the expected returns outweigh these short term costs? The Committee should organize a Cable Plan update in the fall in order to review grants received from the Stimulus Package for telecommunication purposes, and ensure that franchise fee revenues can be released from originally intended purposes now covered by Stimulus grants and transferred to other desired uses.

9. Please detail the uses of \$161,090 listed under “Increased cost of personnel charged to Cable” on p. 66-3. Are these personnel related to the use of cable or communications?

These additional personnel costs reflect a true-up for all cable communications personnel funded by the Cable Fund. The amount reflects the difference between projected personnel costs based on Second Quarter actual costs in the current fiscal year and the actual personnel costs paid at the end of the following fiscal year. The Executive has taken steps to increase future personnel cost projections but actual costs may vary based on changes in base salary pay, cost-of-living increases, benefit costs, vacancies, and differentials between exit and entry salaries for replaced employees.

Staff Comment: The Committee may want to review detailed personnel costs, once an accurate and reliable fiscal tracking system is in place that can track workyears in all organizations funded by the Cable Plan against intended outcomes.

10. The \$263,000 for relocation of facilities at the intersection of Georgia Ave. and Randolph Rd. is a one-time cost, yet it appears to be added to the base budget of the Cable Plan. Will this be reversed in the next year? Also, please indicate why the County is absorbing these utility relocation costs, since the intersection work is state-operated.

Under state law, any facilities placed in the state right-of-way must be moved at the facility owner’s expense when relocation of facilities is required to accommodate road repair, renovation, or expansion. For a number of years, the County has absorbed approximately \$250,000 in fiber relocation costs related to road realignment, as well as relocation of County facilities that serve as fiber termination and connection points. Fiber relocation costs are expected to continue to rise, and the entire increase may be needed in each future fiscal year to fund a single fiber relocation project within that year. Increasing the base budget to reflect these costs will permit the Cable Fund to moderate the practice of diverting FiberNet CIP funds to finance required fiber relocations.

Staff Comment: In the past, the Cable Office has been able to absorb the relocation costs of FiberNet installations in areas of State construction within the existing FiberNet Cable Plan allocation. The Executive is recommending an additional \$263,000 be added to the base budget of the Cable plan in order to fund this and subsequent moves in a more consistent manner. In this difficult budget year, staff would recommend that the base not be increased, past practices be continued, and the requested \$263,000 be restored to the Fund Balance.

11. Salaries and Wages in FY09 jumped from a budgeted amount of \$1,506,710 to an estimated amount of \$2,710,500. Please provide justification.

This is a mathematical error. Below is the correction:

	Actual FY08	Budget FY09	Estimated FY09	Recmmd FY10
Salaries & Wages	\$ 1,224,526	\$ 1,506,710	\$ 1,261,000	\$1,760,060

Due to accounting rules, personnel costs for Montgomery College, Montgomery County Public Schools, Maryland-National Capital Park and Planning Commission (M-NCPPC), and Montgomery Community Television, Inc. (MCT) are treated as operating expenses, not salaries and wages. Personnel costs for M-NCPPC and MCT were erroneously included in the published budget salary and wage costs. In FY 2009, some savings in overall personnel costs are anticipated due to short-term staff vacancies. In FY 2010, these vacancies will be filled, and additional personnel costs for cable television production positions will be absorbed.

Staff Comment: Personnel costs should be provided uniformly across all programs; the Cable office should provide this information for all programs funded by the Cable Plan so proper evaluation of staffing patterns in recipient agencies can be undertaken.

12. FY09 PEG Capital Revenue goes from a budgeted \$255,000 to an estimated \$1,932,000 and remains at a similar high level in FY10. Please explain this sudden major increase.

Certain portions of PEG Capital/Equipment revenue were erroneously included as part of the PEG Support revenue in prior fiscal years. This accounting error was discovered in 2008, and corrections were included in the FY 2009 Estimated and FY 2010 Recommend line items. However, no change was made to the FY 2009 Approved Budget line item.

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 <i>Approved</i>	FY09 Estimate	FY10 Recomm'd
Operating	\$ 1,800,848	\$ 1,873,600	\$ 1,938,056	\$ 2,811,000	\$ 2,020,000	\$ 2,080,000
Capital	\$ 412,305	\$ 440,282	\$ 1,437,566	\$ 255,000	\$ 1,932,000	\$ 1,990,000
Total	\$ 2,313,153	\$ 2,313,882	\$ 3,375,622	\$ 3,066,000	\$ 3,952,000	\$ 4,070,000

The substantial increase in the PEG Capital/Equipment revenue is attributable to Verizon's entry into the Montgomery County market. See Question 4.

Staff Comment: None.

Suggested Reductions by Council staff

The Cable Plan is funded by non-tax revenues; when reductions are suggested to Cable Plan expenditures, it frees revenues to be either transferred to the General Fund in order to fund needed programs in other areas or to build the Cable Fund balance, which permits flexibility to respond quickly to challenges in the telecommunications arena, both in terms of potential failures in

infrastructure, as well as unplanned expansion needs. The overall expenditures are recommended to rise by 6.1% by the Executive, but Council staff feels that additional reductions are possible.

Staff **recommends the adoption** of the Executive's FY10 Cable Plan **with the following reductions:**

- **Disapprove the \$263,000 allocated for FiberNet relocations** (see question #10 and staff comment).
- **Reduce support in Community Access to Cable, County Cable Montgomery, MCPS, and MC programs by 3.0 % of FY09 levels**, which would provide an **additional \$222,360 of savings**. A reduction of 3% would be in step with budget actions in many other departments and agencies and would have to be absorbed through internal actions, which may have a negative effect on programming capacity for individual organizations currently supported by the Cable Plan. The balance between reductions in personnel costs and operating expenses is left to individual agencies and organizations.

This reduction is not suggested in the budgets for the PEG network, as there have been reductions in that budget reflected in ©5.

The financial impact of these two strategies is illustrated in the following table.

Program Expenditures	FY09 Approved Expenditures	FY10 CE Recommended Expenditures	3% of relevant FY09 expenditure	Staff recommended expenditure
Cable Franchise Administration	\$2,084,990	\$2,012,000		No change
Community Access to Cable	\$2,652,000	\$2,642,000	\$79,560	\$2,572,440
County Cable Montgomery	\$2,521,650	\$2,725,000	\$55,650 ²	\$2,466,000
Cable Programming for MCPS ²	\$1,583,000	\$1,629,000	\$47,490	\$1,535,510
Cable Programming for MC ¹	\$1,322,000	\$1,359,600	\$39,660	\$1,282,340
Municipal Support	\$1,250,000	\$1,851,000		No change
PEG Network	\$1,335,900	\$1,267,000		No change
Fibernet Operations	\$1,436,190	\$1,696,680		\$1,433,680 after \$263,000 cut
Other Cable Activities	\$639,000	\$39,000		No change
TOTALS	\$14,824,730	\$15,221,280	\$222,360	

¹ The County Council programming budget has already provided a 3% reduction, which is reflected in the Executive's recommended budget.

The total effect of the two staff recommendations (a 3% reduction in programming support yielding \$222,360, and the elimination of the requested \$260,000 FiberNet relocation expenses) would be **an increase of \$482,360 in the Cable Fund balance for FY10** that can be transferred to the General Fund to support other Council priorities.

Cable Communications Plan

MISSION STATEMENT

The mission of the Cable Communications Plan is to effectively manage the County's cable television and telecommunications franchise agreements and the Cable Special Revenue Fund to ensure that: cable services in Montgomery County are of high quality; cable and telecommunications providers comply with applicable safety and construction codes; cable customer service requirements and applicable consumer protection provisions are enforced; quality Public, Educational, and Governmental (PEG) cable programming is provided; and to provide a reliable and expedient process for telecommunication carriers to site transmission facilities in the county to speed deployment of services for residents while maintaining adequate public protection.

BUDGET OVERVIEW

The Cable Communications Plan consists of three elements: the Cable Office appropriation (\$12,232,680), transfers to the County General Fund (\$4,673,880), and transfers to the County Capital Improvements Program (CIP) (\$1,735,000) for a total use of fund resources of \$18,641,560. Within the Cable Office appropriation of \$12,232,680, Personnel Costs comprise 18.7 percent of the budget for eleven full-time positions at 19.2 workyears. Operating Expenses account for the remaining 81.3 percent of the FY10 budget.

In FY10, there are several transfers to the General Fund for the following:

- Montgomery College - Funds are transferred from the Cable Fund to the General Fund and then to the Montgomery College Cable Fund. This transfer of \$1,359,600 is an increase of \$38,000 or 2.9 percent over the FY09 amount of \$1,321,600.
- Montgomery County Public Schools - Funds are transferred from the Cable Fund to the General Fund and then to the Montgomery County Public Schools Cable Fund. This transfer of \$1,629,000 is an increase of \$46,170 or 2.9 percent over the FY09 amount of \$1,582,830.
- Other - Funds are transferred to the General Fund to cover the cost of certain administrative services provided by the County to the Cable Fund (\$302,000), costs related to Technology Modernization (\$36,410), and other contributions to the General Fund (\$1,346,870).

LINKAGE TO COUNTY RESULT AREAS

While this program area supports all eight of the County Result Areas, the following are emphasized:

- ❖ **A Responsive, Accountable County Government**
- ❖ **Children Prepared to Live and Learn**
- ❖ **Vital Living for All of Our Residents**

DEPARTMENT PERFORMANCE MEASURES

This table presents the department's headline measures or submeasures that relate to multiple programs including projections from FY09 through FY11. These estimates reflect funding based on the FY09 savings plan, the FY10 budget, and funding for comparable service levels in FY11.

Measure	Actual FY07	Actual FY08	Estimated FY09	Projected FY10	Projected FY11
Headline Measures					
Percent of Customers Satisfied with Cable Office Compliant Handling	94	94	94	94	94
Number of Hours of Closed Captioned County Cable Montgomery Programming	460	575	600	600	600
Number of Remote Production Events with Engineering Support Provided by Cable Office	19	31	33	36	40
Number of Hours of Closed Captioned Montgomery County Public Schools (MCPS) Programming ¹	108	67	115	125	135

¹ Measure demonstrates internal customer services measures. Performance indicators provide quantitative services in the closed captioning for MCPS productions.

ACCOMPLISHMENTS AND INITIATIVES

- ❖ *In FY08, the Cable Office filed a total of 1,770 formal complaints, with 900 (51%) of those cases receiving a credit/refund from the provider. The Cable Office secured a total of \$98,393 in credits/refunds.*
- ❖ *The tower coordination process is to establish a reliable and expedient process for siting transmission facilities and to promote appropriate location and co-location of facilities to minimize adverse impact to the community and public facilities. In FY08, the Transmission Facilities Coordinating Group processed 132 applications - 80 for modifications of existing facilities, 51 for co-location on existing structures, and one for a new monopole; average time to process an application was 46 days.*
- ❖ *In FY08, the Public, Education, Governmental (PEG) programming Network continued to increase and enhance its program offerings meeting the needs of a growing, diverse community. Many programs are closed captioned or produced in languages other than English.*

--County Cable Montgomery (CCM) increased coverage of County Council committee meetings and added five new program offerings to its program lineup. CCM closed captioned 99.9% of its programming and produced or captioned several of its program offerings in Spanish.

--Montgomery College Instructional Television (MC-ITV) produced over 114 hours of original educational and instructional television programming; 23% of MC-ITV's programming is closed captioned.

--Montgomery Community Television (MCT) produced over 800 hours of original local programming. MCT closed captioned 10% of its programming.

--Montgomery County Public Schools Instructional TV (MCPS-ITV) produced more than 113 new foreign language programs in five different languages. Original programs are translated into: Spanish, Chinese, Korean, Vietnamese and French. MCPS-ITV closed captioned more than 230 hours of live programming.

❖ **Productivity Improvements**

- *In FY08, system design of an upgraded signal monitoring and interconnection system began. Once completed, in FY09, the system will add two-way functionality supporting digital signals and allowing PEG operators to share live and pre-recorded content, upgrade PEG program transmission equipment, simplify signal handoff to the cable operators, and improve PEG signal quality monitoring.*
- *PEG operators continue to migrate to tapeless digital audio/video production, post-production enhancements, and emerging technologies that will reduce cost for supplies and increase operational effectiveness.*
- *In FY08, the PEG Network Mobile Production Vehicle was used in support of 32 productions resulting in increased coverage of community events, improved production capabilities and reduced costs.*

PROGRAM CONTACTS

Contact Mitsuko R. Herrera of the Cable Television Office at 240.773.2288 or John Cuff of the Office of Management and Budget at 240.777.2762 for more information regarding this department's operating budget.

PROGRAM DESCRIPTIONS

Cable Franchise Administration

The Office of Cable and Communication Services in the Department of Technology Services is responsible for administering the cable television Agreements for the County and participating municipalities. The budget for franchise administration includes funds for cable management and enforcement staff, including cable complaint investigation staff, and office operating expenses. Funds will be used to pay for engineering consulting services for work which requires special expertise, such as engineering review of tower siting applications, inspection of cable construction, analog and digital testing of franchised cable systems, PEG cable programming transmission facility digital and engineering upgrades, and the identification and provision of future technologies. Funds will also be used to pay legal and financial consultants for work which requires special expertise, such as preparation of filings on behalf of the County before the Federal Communications Commission, interpretation of legislative proposals, and County representation in negotiations with cable and telecommunications service providers, rate regulation, and franchise compliance.

The responsibilities associated with franchise administration include:

- Ensuring cable operator compliance with franchise financial, technical, and construction requirements and managing the franchise renewal and transfer process;

- Investigating and resolving subscriber complaints;
- Administering the contracts to provide for public access to cable production services;
- Providing liaison, support, and record keeping on performance of the PEG channels;
- Preparing the annual Cable Communications Plan;
- Collecting franchise fees, grants, and other payments to the County;
- Distributing franchise fees, grants, and other payments to participating municipalities;
- Directing and coordinating the Transmission Facilities Coordinating Committee;
- Supporting the Cable and Communications Advisory Committee;
- Strategic planning for Montgomery County government cable and communications technology;
- Monitoring and commenting on changes in State and Federal telecom regulations, rate structure, and related legislative issues;
- Encouraging entry of competitive providers of telecommunication services and negotiating and reviewing proposed telecommunications franchises for use of the public rights-of-way.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	2,084,990	6.7
Decrease Cost: Reduce testing of cable systems infrastructure.	-20,000	0.0
Decrease Cost: Reduce outside legal counsel fees and expenses	-35,000	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-17,990	0.0
FY10 CE Recommended	2,012,000	6.7

Community Access to Cable

The Office of Cable and Communication Services in the Department of Technology Services administers a contract with Montgomery Community Television (MCT) through which MCT operates two public access channels. MCT's primary mission is to provide video production facilities, equipment and training to County residents and community organizations in order to provide County residents and organizations with a public forum that encourages diversity of opinion and a marketplace of ideas. MCT staff also produces local community programming designed to address community needs.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	2,652,000	0.0
Decrease Cost: Outside graphic design and marketing services for Montgomery Community Television	-10,000	0.0
FY10 CE Recommended	2,642,000	0.0

County Cable Montgomery

The Office of Cable and Communication Services in the Department of Technology Services manages County Cable Montgomery (CCM), the government access channel. CCM airs programming produced by the Executive and Legislative branches to keep viewers abreast of County programs and services for the residents, visitors, and businesses in the community. The County Council's Information Officer develops programming for the Legislative Branch. Broadcasts include live Council meetings, informational programs, documentaries, press conferences, and town hall meetings. The Office of Public Information (PIO) develops Executive Branch programming which includes special events, press conferences, and programs highlighting County services and activities. CCM is also responsible for monitoring the cablecast signals for all Montgomery County PEG access channels, and for supporting the Mobile Production Vehicle for the PEG Network. Over 99 percent of all CCM programming is presented with closed captions.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	2,521,650	7.8
Increase Cost: Increased cost of personnel charged to Cable	161,090	0.0
Increase Cost: Charges from County Public Information Office (PIO)	85,410	1.8
Add: New Position for County Cable Montgomery (CCM) - Web Producer	83,170	0.8
Increase Cost: Increased charges to Cable Fund from PIO for Manager III	19,070	0.1
Increase Cost: Annualization of FY09 Lapsed Positions	13,420	0.2
Increase Cost: Charges to Cable Fund from County Council	9,850	0.1
Increase Cost: Group Insurance Adjustment	3,110	0.0
Increase Cost: Service Increment	2,130	0.0
Increase Cost: Annualization of FY09 Service Increment	1,340	0.0
Increase Cost: Retirement Adjustment	1,040	0.0
Decrease Cost: Central Duplicating Deficit Recovery Charge	-120	0.0
Decrease Cost: Printing and Mail Adjustments	-210	0.0
Decrease Cost: Elimination of One-Time Items Approved in FY09	-6,000	0.0
Decrease Cost: Operating expenses associated with County Council programming	-20,000	0.0

	Expenditures	WYs
Decrease Cost: Operating expenses charged from Public Information Office due to shift of contractual services to in-house services	-42,000	0.0
Decrease Cost: Maryland National Capital Park and Planning Commission (MNCPPC) website costs without reducing services	-70,000	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-37,950	0.0
FY10 CE Recommended	2,725,000	10.8

Cable Programming for Public Schools

The Montgomery County Public Schools (MCPS) Department of Communications and Family Outreach (Instructional TV Unit) has the responsibility for producing programming two educational cable channels. Funds are used for production of instructional, community-based, staff development, and training television programs, as well as for engineering, channel management, and programming acquisition. Additional funds are requested in the operating budget of the public schools. MCPS regular programming includes Board of Education meetings, Homework Hotline Live!, staff training and development, live call-in programs, in-class student programs, student-produced programs, technology training, and televised instruction in a variety of academic content areas. Many programs are translated and transmitted in multiple languages and most programs are presented with closed captioning.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	0	0.0
FY10 CE Recommended	0	0.0

Notes: Funds for these services (\$1,629,000) are not appropriated in the Cable Office, but are transferred from the Cable Fund to the General Fund and then to the Montgomery County Public Schools Fund.

Cable Programming for Montgomery College

The Instructional Television and Media Production Services Unit of Montgomery College is responsible for the cable programming available on the Montgomery College channel. Additional funds are requested in the Montgomery College operating budget. Funds are used to provide for staff, equipment, and operating expenses and provides digital media support services to support student success, academic excellence, and for the entire College community. The channel features acquired and originally produced educational, informational and instructional programming which directly supports the College's distance learning and instructional programs, and provides professional and workforce development and self-enrichment opportunities for community subscribers.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	0	0.0
FY10 CE Recommended	0	0.0

Notes: Funds for these services (\$1,359,600) are not appropriated in the Cable Office, but are transferred from the Cable Fund to the General Fund and then to the Montgomery College Cable Fund.

Municipal Support

Municipal Franchise Fee Sharing:

These expenditures represent the quarterly distribution of franchise fees in accordance with current Municipal Franchise Agreements and Municipal/County Agreements.

Municipal Capital and Operating Support:

Expenditures provide for equipment acquisition, equipment maintenance, engineering consultation, and operating support for cable television programming services provided by the City of Rockville, the City of Takoma Park, and the Montgomery County Chapter of the Maryland Municipal League (MML) as required by the franchise agreements. Totals approved for each entity are shown in the Cable Communications Plan.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	1,250,000	0.0
Increase Cost: Municipal Capital Support	534,000	0.0
Increase Cost: Municipal Franchise Fee Sharing	50,000	0.0
Increase Cost: Municipal Operating expenses	10,000	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	7,000	0.0
FY10 CE Recommended	1,851,000	0.0

PEG Network

The mission of the Public, Education, Governmental (PEG) Network is to facilitate collaboration among the local access operators in providing and promoting the most effective public access, educational and government programming and media services to the Montgomery County community using current and emerging technologies.

The budget for the PEG Network includes funds for the purchase of equipment and an emergency reserve to be used in the event of imminent system failure for certain PEG operations; PEG engineering support; promotion/outreach support to increase channel awareness and viewership; operational and maintenance support for the mobile production vehicle; and general operating and administrative expenses.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	1,335,900	0.0
Decrease Cost: Reduce funding for specialized community programming	-9,850	0.0
Decrease Cost: Public, Education, Governmental (PEG) programming expenses; printing, marketing, mobile production vehicle	-60,000	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	950	0.0
FY10 CE Recommended	1,267,000	0.0

Institutional Telecommunications - FiberNet Operations

Monies from the Cable Special Revenue Fund are used to support Montgomery County's private communications network – FiberNet. FiberNet is a critical infrastructure asset that provides carrier class voice, video Internet access and data network services for Montgomery County Government and Public Schools, Montgomery College, Housing Opportunities Commission (HOC), the Maryland-National Park and Planning Commission (M-NCPPC) and the Washington Suburban Sanitary Commission (WSSC). Additionally, FiberNet provides private network access to the State of Maryland and all of the local counties, municipalities and the District of Columbia. Expenditures cover the cost of network expansion, monitoring, management, and maintenance services. FiberNet is a countywide multi-million dollar investment that is crucial to the daily operation of local government within Montgomery County and with its citizens, neighboring governments and business partners.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	1,436,190	2.4
Increase Cost: FiberNet operation expenses for relocation of facilities at intersection of Georgia Ave. and Randolph Road	263,000	0.0
Increase Cost: Institutional Telecommunications - Fibernet Operations per Franchise Agreement and Consumer Price Index (CPI)	47,500	0.0
Decrease Cost: Eliminate workyears charged to Cable Fund by Technology Services for Manager III	-98,000	-0.7
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	47,990	0.0
FY10 CE Recommended	1,696,680	1.7

Other Cable Activities

Grants are provided to outside organizations for cable programming and equipment.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	639,000	0.0
Decrease Cost: Elimination of One-Time Items Approved in FY09	-600,000	0.0
FY10 CE Recommended	39,000	0.0

BUDGET SUMMARY

	Actual FY08	Budget FY09	Estimated FY09	Recommended FY10	% Chg Bud/Rec
CABLE TELEVISION					
EXPENDITURES					
Salaries and Wages	1,224,526	1,506,710	2,710,500	1,760,060	16.8%
Employee Benefits	373,558	461,600	903,500	531,880	15.2%
Cable Television Personnel Costs	1,598,084	1,968,310	3,614,000	2,291,940	16.4%
Operating Expenses	8,945,533	9,951,420	8,834,000	9,940,740	-0.1%
Capital Outlay	2,880	0	0	0	—
Cable Television Expenditures	10,546,497	11,919,730	12,448,000	12,232,680	2.6%
PERSONNEL					
Full-Time	9	10	10	11	10.0%
Part-Time	0	0	0	0	—
Workyears	14.5	16.9	16.9	19.2	13.6%
REVENUES					
Franchise Fees 5%	10,663,568	10,584,000	10,955,000	11,280,000	6.6%
Gaithersburg PEG Contribution	200,316	201,000	182,000	187,000	-7.0%
PEG Capital Revenue	247,652	255,000	1,932,000	1,990,000	680.4%
PEG Operating Revenue	3,059,961	2,811,000	2,020,000	2,080,000	-26.0%
I-Net Operating Revenue	1,524,528	1,568,000	1,589,000	1,637,000	4.4%
Tower Application Fees	94,000	80,000	120,000	80,000	—
Investment Income	148,816	80,000	40,000	30,000	-62.5%
Verizon-Grant	200,000	200,000	200,000	200,000	—
Miscellaneous	64,358	0	4,000	0	—
Cable Television Revenues	16,203,199	15,779,000	17,042,000	17,484,000	10.8%

FY10 RECOMMENDED CHANGES

	Expenditures	WYs
CABLE TELEVISION		
FY09 ORIGINAL APPROPRIATION	11,919,730	16.9
Changes (with service impacts)		
Add: New Position for County Cable Montgomery (CCM) - Web Producer [County Cable Montgomery]	83,170	0.8
Other Adjustments (with no service impacts)		
Increase Cost: Municipal Capital Support [Municipal Support]	534,000	0.0
Increase Cost: FiberNet operation expenses for relocation of facilities at intersection of Georgia Ave. and Randolph Road [Institutional Telecommunications - FiberNet Operations]	263,000	0.0
Increase Cost: Increased cost of personnel charged to Cable [County Cable Montgomery]	161,090	0.0
Increase Cost: Charges from County Public Information Office (PIO) [County Cable Montgomery]	85,410	1.8
Increase Cost: Municipal Franchise Fee Sharing [Municipal Support]	50,000	0.0
Increase Cost: Institutional Telecommunications - Fibernet Operations per Franchise Agreement and Consumer Price Index (CPI) [Institutional Telecommunications - FiberNet Operations]	47,500	0.0
Increase Cost: Increased charges to Cable Fund from PIO for Manager III [County Cable Montgomery]	19,070	0.1
Increase Cost: Annualization of FY09 Lapsed Positions [County Cable Montgomery]	13,420	0.2
Increase Cost: Municipal Operating expenses [Municipal Support]	10,000	0.0
Increase Cost: Charges to Cable Fund from County Council [County Cable Montgomery]	9,850	0.1
Increase Cost: Group Insurance Adjustment [County Cable Montgomery]	3,110	0.0
Increase Cost: Service Increment [County Cable Montgomery]	2,130	0.0
Increase Cost: Annualization of FY09 Service Increment [County Cable Montgomery]	1,340	0.0
Increase Cost: Retirement Adjustment [County Cable Montgomery]	1,040	0.0
Decrease Cost: Central Duplicating Deficit Recovery Charge [County Cable Montgomery]	-120	0.0
Decrease Cost: Printing and Mail Adjustments [County Cable Montgomery]	-210	0.0
Decrease Cost: Elimination of One-Time Items Approved in FY09 [County Cable Montgomery]	-6,000	0.0
Decrease Cost: Reduce funding for specialized community programming [PEG Network]	-9,850	0.0
Decrease Cost: Outside graphic design and marketing services for Montgomery Community Television [Community Access to Cable]	-10,000	0.0
Decrease Cost: Operating expenses associated with County Council programming [County Cable Montgomery]	-20,000	0.0
Decrease Cost: Reduce testing of cable systems infrastructure. [Cable Franchise Administration]	-20,000	0.0
Decrease Cost: Reduce outside legal counsel fees and expenses [Cable Franchise Administration]	-35,000	0.0
Decrease Cost: Operating expenses charged from Public Information Office due to shift of contractual services to in-house services [County Cable Montgomery]	-42,000	0.0

	Expenditures	WYs
Decrease Cost: Public, Education, Governmental (PEG) programming expenses; printing, marketing, mobile production vehicle [PEG Network]	-60,000	0.0
Decrease Cost: Maryland National Capital Park and Planning Commission (MNCPPC) website costs without reducing services [County Cable Montgomery]	-70,000	0.0
Decrease Cost: Eliminate workyears charged to Cable Fund by Technology Services for Manager III [Institutional Telecommunications - FiberNet Operations]	-98,000	-0.7
Decrease Cost: Elimination of One-Time Items Approved in FY09 [Other Cable Activities]	-600,000	0.0
FY10 RECOMMENDED:	12,232,680	19.2

PROGRAM SUMMARY

Program Name	FY09 Approved		FY10 Recommended	
	Expenditures	WYs	Expenditures	WYs
Cable Franchise Administration	2,084,990	6.7	2,012,000	6.7
Community Access to Cable	2,652,000	0.0	2,642,000	0.0
County Cable Montgomery	2,521,650	7.8	2,725,000	10.8
Cable Programming for Public Schools	0	0.0	0	0.0
Cable Programming for Montgomery College	0	0.0	0	0.0
Municipal Support	1,250,000	0.0	1,851,000	0.0
PEG Network	1,335,900	0.0	1,267,000	0.0
Institutional Telecommunications - FiberNet Operations	1,436,190	2.4	1,696,680	1.7
Other Cable Activities	639,000	0.0	39,000	0.0
Total	11,919,730	16.9	12,232,680	19.2

FUTURE FISCAL IMPACTS

Title	CE REC.					
	FY10	FY11	FY12	FY13	FY14	FY15
<i>(5000's)</i>						
This table is intended to present significant future fiscal impacts of the department's programs.						
CABLE TELEVISION						
Expenditures						
FY10 Recommended	12,233	12,233	12,233	12,233	12,233	12,233
No inflation or compensation change is included in outyear projections.						
Annualization of Positions Recommended in FY10	0	18	18	18	18	18
New positions in the FY10 budget are generally lapsed due to the time it takes a position to be created and filled. Therefore, the amounts above reflect annualization of these positions in the outyears.						
Elimination of One-Time Items Recommended in FY10	0	-10	-10	-10	-10	-10
Items recommended for one-time funding in FY10, including new position set up costs (PCs, furniture, etc) will be eliminated from the base in the outyears.						
Labor Contracts	0	1	1	1	1	1
These figures represent the estimated cost of service increments and associated benefits.						
Subtotal Expenditures	12,233	12,242	12,242	12,242	12,242	12,242

ANNUALIZATION OF PERSONNEL COSTS AND WORKYEARS

	FY10 Recommended		FY11 Annualized	
	Expenditures	WYs	Expenditures	WYs
Add: New Position for County Cable Montgomery (CCM) - Web Producer [County Cable Montgomery]	73,170	0.8	91,463	1.0
Total	73,170	0.8	91,463	1.0

FY10 CABLE COMMUNICATIONS PLAN (\$000's)

	Actual FY08	Approved FY09	Estimated FY09	Recommended FY10	% Chg From '09 Plan	FY11	FY12	FY13	FY14	FY15
BEGINNING FUND BALANCE	3,345	2,502	3,949	2,069	-17.3%	911	767	490	514	467
REVENUES										
5% Franchise Fee	10,664	10,584	10,955	11,280	6.6%	11,618	11,967	12,326	12,696	13,077
G'Burg PEG Contribution	200	201	182	187	-7.0%	193	198	204	210	217
PEG Support	1,938	2,811	2,020	2,080	-26.0%	2,142	2,207	2,273	2,341	2,411
PEG Capital/Equipment	1,370	255	1,932	1,990	680.4%	2,050	2,111	2,175	2,240	2,307
Verizon-Grant	200	200	200	200	0.0%	200	0	0	0	0
FiberNet Support	1,524	1,568	1,589	1,637	4.4%	1,686	1,737	1,789	1,842	1,898
Interest Earned	149	80	40	30	-62.5%	50	80	90	100	110
Tower Review Fees	94	80	120	80	0.0%	82	85	87	90	93
Miscellaneous	64	0	4	0	0.0%	0	0	0	0	0
Transfer from the General Fund	432	0	0	0	0.0%	0	0	0	0	0
TOTAL ANNUAL REVENUES	16,635	15,779	17,042	17,484	10.8%	18,022	18,385	18,944	19,520	20,112
TOTAL RESOURCES - CABLE FUND	19,980	18,281	20,991	19,553	7.0%	18,933	19,152	19,434	20,034	20,579
EXPENDITURES										
A. FRANCHISE ADMINISTRATION										
Personnel Costs - Cable Administration	575	683	683	705	3.2%	749	763	761	818	833
Personnel Costs - Charges from DTS	52	59	59	69	16.9%	69	70	72	73	75
Personnel Costs - Charges for County Atty	73	97	97	95	-2.1%	95	97	99	101	103
Operating	96	73	73	73	0.0%	73	75	77	80	82
Outside Engineering/Inspection Svcs.	512	720	720	700	-2.8%	721	743	745	788	811
Other Legal and Other Professional Svcs.	295	405	405	370	-8.6%	381	393	404	416	429
SUBTOTAL	1,603	2,037	2,037	2,012	-1.2%	2,088	2,141	2,159	2,276	2,333
B. MUNICIPAL EQUIPMENT & OPERATIONS										
Municipal Franchise Fee Sharing										
Revenues to Municipalities	716	762	789	812	6.6%	837	862	887	914	942
SUBTOTAL	716	762	789	812	6.6%	837	862	887	914	942
Municipal Capital Support (a)										
Rockville Equipment	55	98	265	276	181.6%	284	293	302	311	320
Takoma Park Equipment	185	98	265	276	181.6%	284	293	302	311	320
Municipal League Equipment	185	98	265	276	181.6%	284	293	302	311	320
SUBTOTAL	425	294	795	828	181.6%	853	878	905	932	960
Municipal Operating Support (a)										
Rockville PEG Support	65	67	67	70	4.5%	72	74	76	79	81
Takoma Park PEG Support	65	67	67	70	4.5%	72	74	76	79	81
Muni. League PEG Support	65	67	67	70	4.5%	72	74	76	79	81
SUBTOTAL	195	201	201	211	5.0%	216	223	229	236	243
SUBTOTAL	1,336	1,257	1,785	1,851	47.3%	1,906	1,963	2,022	2,082	2,145
C. COUNTY CABLE MONTGOMERY										
Administration										
Personnel Costs	325	397	397	533	34.3%	560	560	560	560	560
Operating	46	31	31	25	-19.4%	26	27	27	28	29
Technical Operations Center (TOC)	22	23	23	23	0.0%	24	24	25	26	27
Closed Captioning	348	319	319	319	0.0%	329	338	349	359	370
VOD, Community BB, Web Services	40	48	48	48	0.0%	49	51	52	54	56
SUBTOTAL	781	818	818	948	15.9%	987	1,000	1,013	1,027	1,041
Public Information Office										
Personnel Costs	290	349	349	581	66.5%	593	604	617	629	641
Operating Expenses	17	12	12	12	0.0%	12	13	13	14	14
Contracts - TV Production	315	359	359	273	-24.0%	210	216	216	216	216
SUBTOTAL	622	720	720	866	20.3%	815	834	846	859	872
County Council										
Personnel Costs	42	57	57	74	29.8%	65	67	68	69	71
Operating Expenses	53	48	48	28	-41.7%	29	30	31	32	32
Contracts - TV Production	537	516	516	516	0.0%	531	547	547	547	547
SUBTOTAL	632	621	621	618	-0.5%	626	644	646	648	651
MNCPPC										
Personnel Costs	81	101	101	101	0.0%	103	105	107	109	112
Operating Expenses	101	21	21	21	0.0%	22	22	23	24	24
Contracts - TV Production	108	124	124	124	0.0%	128	132	132	132	132
Webcasting	0	117	117	47	-59.8%	48	50	51	53	54
SUBTOTAL	290	363	363	293	-19.3%	301	309	313	317	322
SUBTOTAL	2,325	2,522	2,522	2,725	8.0%	2,729	2,786	2,819	2,852	2,885
D. MONTGOMERY COLLEGE										
Personnel Costs	1,000	1,103	1,103	1,141	3.4%	1,334	1,468	1,615	1,615	1,615
Operating Expenses	219	219	219	219	0.0%	247	255	262	270	278
SUBTOTAL	1,219	1,322	1,322	1,360	2.8%	1,582	1,722	1,877	1,885	1,893
E. PUBLIC SCHOOLS										
Personnel Costs	1,234	1,339	1,339	1,385	3.4%	1,416	1,448	1,481	1,514	1,514
Operating Expenses	287	244	244	244	0.0%	282	282	282	282	282
SUBTOTAL	1,521	1,583	1,583	1,629	2.9%	1,698	1,730	1,763	1,796	1,796

FY10 CABLE COMMUNICATIONS PLAN (\$000's)

	Actual FY08	Approved FY09	Estimated FY09	Recommended FY10	% Chg From '09 Plan	FY11	FY12	FY13	FY14	FY15
F. COMMUNITY ACCESS ORGANIZATIONS (b)										
Personnel Costs	1,779	1,871	1,871	1,871	0.0%	2,077	2,160	2,146	2,336	2,429
Operating Expenses	755	781	781	771	-1.3%	856	890	890	926	925
SUBTOTAL	2,534	2,652	2,652	2,642	-0.4%	2,933	3,050	3,036	3,261	3,355
G. PEG NETWORK										
PEG Equipment Replacement	893	900	900	940	4.4%	987	1,036	1,028	1,159	1,216
Emergency Equipment Reserve	0	80	80	80	0.0%	84	88	93	97	102
PEG Network Mobile Production Vehicle	54	82	82	32	-61.0%	34	35	37	39	41
PEG Network Operating	198	275	275	215	-21.8%	236	248	260	273	287
SUBTOTAL	1,145	1,337	1,337	1,267	-5.2%	1,341	1,408	1,418	1,568	1,646
H. INSTITUTIONAL TELECOMMUNICATIONS										
FiberNet Support (DTS)	1,033	1,232	1,232	1,453	17.9%	1,708	1,757	1,809	1,820	1,875
FiberNet Support (DPWT)	249	244	244	244	0.0%	251	259	267	275	283
FiberNet-CIP	1,735	1,760	1,760 ⁴	1,735	-1.4%	1,610	1,535	1,460	1,460	1,460
SUBTOTAL	3,017	3,236	3,236	3,432	6.1%	3,569	3,551	3,536	3,555	3,617
TOTAL EXPENDITURES - PROGRAMS	14,700	15,946	16,474	16,918	6.1%	17,845	18,351	18,628	19,275	19,670
I. OTHER										
Indirect Costs Transfer to Gen Fund	202	253	253 ¹	302	19.4%	253	253	253	253	303
Indirect Costs Transfer to Gen Fund (ERP & MCTime)	0	27	27 ¹	36	34.9%	29	18	0	0	0
Transfer to the General Fund	0	250	250 ⁵	1,347	438.8%	0	0	0	0	0
Grants to Organizations (Friendship Hts)	39	39	39	39	0.0%	39	39	39	39	39
Consolidated Multiuse Technology Facility	0	0	0	0	0.0%	0	0	0	0	0
Verizon-Cable Service to Public Buildings	0	0	0	0	0.0%	0	0	0	0	0
COB Renovations - CIP	0	629	629 ⁴	0	0.0%	0	0	0	0	0
Park & Planning Technology Projects	0	600	600	0	0.0%	0	0	0	0	0
SUBTOTAL	241	1,798	1,798	1,724	-4.1%	321	310	292	292	342
TOTAL EXPENDITURES	14,941	17,744	18,272	18,642	5.1%	18,166	18,661	18,920	19,567	20,012
J. ADJUSTMENTS										
Prior Year Adjustments	(480)	0	0	0	0.0%	0	0	0	0	0
CIP - Designated Claim on Fund	(610)	0	(650)	0	0.0%	0	0	0	0	0
TOTAL ADJUSTMENTS	(1,090)	0	(650)	0	0.0%	0	0	0	0	0
FUND BALANCE	3,949	537	2,069	911	69.6%	767	490	514	467	567
FUND BALANCE PER POLICY GUIDANCE	873	660	889	911		940	971	1,000	1,031	1,062
K. SUMMARY - CABLE FUND										
Total Annual Revenues (incl. transfers from GF)	16,635	15,779	17,042	17,484	10.8%	18,022	18,385	18,944	19,520	20,112
Total Expenditures	(14,941)	(17,744)	(18,272)	(18,642)	5.1%	(18,166)	(18,661)	(18,920)	(19,567)	(20,012)
Annual Fund Surplus/Deficit (Rev - Expend)	1,694	(1,965)	(1,230)	(1,158)	-41.1%	(144)	(277)	24	(47)	100
Transfer to Cable Fund from General Fund	432	0	0	0	0.0%	0	0	0	0	0
Annual Fund S/D Excluding Trans From Gen Fund	1,262	(1,965)	(1,230)	(1,158)	-41.1%	(144)	(277)	24	(47)	100
L. SUMMARY - EXPENDITURES BY FUNDING SOURCE										
¹ Transfer to Gen Fund-Indirect Costs	202	280	280	338	20.9%	282	271	253	253	303
² Transfer to Gen Fund-Mont Coll Cable Fund	1,219	1,322	1,322	1,360	2.8%	1,582	1,722	1,877	1,885	1,893
³ Transfer to Gen Fund-Public Sch Cable Fund	1,521	1,583	1,583	1,629	2.9%	1,698	1,730	1,763	1,796	1,796
⁴ Transfer to CIP Fund	1,735	2,389	2,389	1,735	-27.4%	1,610	1,535	1,460	1,460	1,460
⁵ Transfer to the General Fund-Other	0	250	250	1,347	438.8%	0	0	0	0	0
FUND TRANSFERS OUT SUBTOTAL	4,677	5,824	5,824	6,409	10.0%	5,172	5,258	5,352	5,394	5,452
Net CATV Fund Direct Expenditures	8,928	10,663	10,663	10,382	-2.6%	11,088	11,440	11,546	12,091	12,415
Required Muni. Franchise & PEG Payments	1,336	1,257	1,785	1,851	47.3%	1,906	1,963	2,022	2,082	2,145
CATV FUND DIRECT EXPENDITURES SUBTOTAL	10,264	11,920	12,448	12,233	2.6%	12,994	13,403	13,568	14,173	14,560
TOTAL EXPENDITURES BY FUNDING SOURCE	14,941	17,744	18,272	18,642	5.1%	18,166	18,661	18,920	19,567	20,012

NOTES:

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

(b) Currently Montgomery Community Television, Inc.

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

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

Resolution No.:	<u>16-585</u>
Introduced:	<u>May 22, 2008</u>
Adopted:	<u>May 22, 2008</u>

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: County Council

Subject: Approval of the FY 2009 Cable Communications Plan

Background

1. Section 8A-27(a) of the County Code provides that “All access grants, franchise fees, and other moneys received by the County from any franchisee may be spent only under a budget approved by the Council and in accordance with the County Cable Communications Plan.”
2. Section 8A-27(b) of the County Code provides that “The Cable Communications Plan must be proposed by the County Executive to the Council annually and may be amended at any time.”
3. Section 2.2 of the 2002 AT&T Comcast Transfer Agreement provides that “. . . all provisions of the Franchise Documents remain in full force and effect and are enforceable in accordance with their terms and with applicable law.”
4. Section 7(b) of the 1998 Cable Franchise Agreement, assumed by Comcast from Prime Communications – Potomac, LLC, between the County and SBC Media Ventures, Inc. provides that Comcast must pay a capital grant to the County of “\$200,000 per year . . . to be used by the County, in its sole discretion, for PEG equipment . . . or for PEG-related facilities renovation, or construction.”
5. Section 7(h)(1) of the 1998 Cable Franchise Agreement, assumed by Comcast from Prime Communications – Potomac, LLC, between the County and SBC Media Ventures, Inc. provides that Comcast must pay an annual capital grant to the County of \$1.2 million, adjusted annually by the Consumer Price Index, “to support installation, construction, operations, and maintenance of the County’s FiberNet and associated network equipment, and the Institutional Network . . . ”

6. Section 4.1, of the 1998 Cable Franchise Transfer Settlement Agreement, assumed by Comcast from Prime Communications – Potomac, LLC, between the County, Prime Communications, and SBC Media Ventures, Inc., provides that Comcast must pay \$1.5 million, adjusted annually by the Consumer Price Index, for PEG support.
7. Section 7(b) of the 1999 Franchise Agreement with Starpower provides that Starpower must pay a capital grant to the County of “3% of Gross Revenues per year . . . excluding revenues arising from Internet Access . . . to be used by the County . . . for PEG access and institutional network purposes, including PEG access equipment, institutional network equipment or for renovation or construction of PEG access or institutional network facilities.”
8. On February 8, 2005, the County Council approved Resolution 15-889 supporting the transfer of interest in Starpower Communications L.L.C. from Pepco Communications to RCN Telecom Services of Washington, D.C., Inc. Starpower is now doing business as RCN.
9. Section 3.3.6 of the 2006 Franchise Agreement with Verizon Maryland, Inc. provides that Verizon must pay \$200,000 within 30 days of the effective date of the Franchise Agreement and \$200,000 per year for four years on the anniversary of the effective date of the Franchise Agreement. In exchange, the County waived its ability to add more locations for cable service for public buildings above Verizon’s obligation to provide 100 connections at the County’s request.
10. Section 6.2 of the 2006 Franchise Agreement with Verizon provides that Verizon must pay a grant to the County of 3 percent of Gross Revenues each quarter to be used “for PEG and institutional network purposes.”
11. Section 8 of the Franchise Agreements with Comcast and RCN and Section 7 of the Franchise Agreement with Verizon provides that each franchisee must pay, for the life of the franchise, a franchise fee of 5 percent of annual gross revenues.

General Provisions

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

In FY 2009, these resources must be deposited by the County in its Cable TV Special Revenue Fund, and this Cable Communications Plan directs the use of the revenues in this Fund.

2. Spending Authority under the Time Period Governed by This Plan: This Cable Communications Plan provides spending authority for FY 2009. Resources appropriated in FY 2009 that are not encumbered by the County on or before June 30, 2009, must remain in the Cable TV Special Revenue Fund and be available for spending in future years.
3. Carryover: Resources provided to the County as a result of the requirements of the Franchise Agreements with Comcast, RCN, and Verizon, but not specifically allocated in the Cable Communications Plan to the General Fund, must remain in the Cable TV Special Revenue Fund and be available to be allocated in future years.
4. Future Fiscal Years: No estimate shown for any fiscal year after FY 2009 reflects any commitment or decision by the Council, and any such estimate should not be taken as prejudging any decision regarding activities or allocations, either in absolute or relative amounts, of expenditures for future years.
5. Management of Funds: All equipment, personnel, and other resources approved in the Cable Communications Plan for funding from the Cable TV Special Revenue Fund must be managed so that the resources are reasonably available to all users of the cable system and provide benefits to the subscribing public and the franchisee.
6. Affirmative Action and MFD Procurement Procedures: The Board of Directors of Montgomery Community Television, Inc. (MCT), must adopt and follow an Affirmative Action Plan and procedures for procurements from minority-, female-, and disabled-owned businesses (MFD) that take into account both the requirements of the Franchise Agreements with Comcast, RCN, and Verizon and relevant provisions of the County Code.
7. Financial Disclosure: The County must not spend any FY 2009 funds allocated to MCT until all members of the Board of Directors and the Executive Director of MCT have filed a financial disclosure statement with the Ethics Commission for the 2007 calendar year.
8. FY 2010-2015 Cable Plan: The Executive must submit a preliminary six-year Cable Communications Plan for FY 2010 through FY 2015 to the Council no later than January 15, 2009. The Executive submitted a preliminary six-year Cable Communications Plan for FY 2008 through FY 2013 to the Council on January 15, 2008. The Preliminary Cable Communications Plan included: (a) a list of known PEG activities and funding needs for FY 2008 through FY 2013; (b) a preliminary plan for prioritizing PEG funding needs within the context of the County's long-term vision for Cable television; (c) any capital project expenditures proposed to be funded through the plan; (d) changes to approved multi-year expenditures; and (e) updated projections of plan revenues for FY 2008 through FY 2013.

FY 2009 Cable Communications Plan Description

The FY 2009 Cable Communications Plan provides funding for cable franchise administration (Department of Technology Services, County Attorney's Office, and outside professional services); for municipal equipment and support; for public, educational, and government access programming (Office of Public Information, Council, Montgomery College, Montgomery County Public Schools, and Montgomery Community Television, Inc.); and for other miscellaneous cable-related activities.

The attached table details the approved expenditures from the Cable TV Special Revenue Fund for the following purposes in FY 2009:

Franchise Administration

- A. Funds are allocated to the Department of Technology Services to administer the Franchise Agreements with Comcast, RCN, and Verizon, including inspecting construction, testing signal quality, responding to residents' complaints, budgeting franchise fee and grant funds received from the cable operator, managing the contract to provide public access services, supporting an advisory committee, administering Federal Communications Commission rules and regulations, preparing for and negotiating franchise agreements, and advising elected officials on related policy matters.
- B. Funds are allocated to the County Attorney's Office to support the in-house staff costs associated with advising the Department of Technology Services and elected officials on related matters.
- C. Funds are allocated to hire outside professional services to advise or represent the County in areas of specialized telecommunications needs.

Municipal Support

- D. Funds are allocated for sharing franchise fee revenue with the municipal co-franchisors in accordance with the formula in Section 8A-29 of the County Code.
- E. Funds are allocated to support the 3 PEG channels allocated to (1) the City of Rockville; (2) the City of Takoma Park; and (3) the Montgomery County Chapter of the Maryland Municipal League. Funds are allocated from the Capital Equipment Support Grants, according to the requirements of Section 7(b)(1)(B) of the Franchise Agreement with RCN, the requirements of Section 7(b)(2) of the Franchise Agreement with Comcast, and from the PEG Support Fund according to the requirements of Section 4.1 of the 1998 Cable Franchise Transfer Settlement Agreement assumed by Comcast from Prime Communications. Funds are allocated from the PEG Support Fund to the extent that the Participating Municipalities meet all applicable matching-fund requirements in the Settlement Agreement.

County Government Access Programming

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

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

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

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

Educational Access Programming

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

Public Access Programming

- I. Funds are allocated for Montgomery Community Television, Inc., to perform services in FY 2009 specified in its contract with the County, including the following:
- (1) produce and schedule two public access channels, including disseminating information on the daily program schedule;
 - (2) train community producers and technicians in program production and assist residents and community organizations in developing locally produced or locally sponsored programming;
 - (3) provide and maintain a central access studio, field production equipment, and editing facilities for use by community producers in program production;
 - (4) maintain all video equipment provided to MCT or purchased by MCT with cable company or County funds;
 - (5) produce local interest and public affairs programming;

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

PEG Network

- J. For FY 2009, funds are allocated for PEG Equipment Replacement, for an Emergency Equipment Reserve to be used in case of imminent failure of major PEG video systems, for joint PEG Programming/Promotion, PEG Network Engineering and Administration, closed captioning of select PEG programming, and for PEG Programming to provide access to cable by community organizations.

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

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

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

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

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

Other Expenditures

- K. For FY 2009, funds are allocated to the Village of Friendship Heights for cable programming and equipment expenses.

Institutional Telecommunications

- L. For FY 2009, funds are allocated for Institutional Telecommunications for FiberNet capital improvements and operations. The County's Franchise Agreement with Comcast, assumed from Prime Communications, provides that Comcast must pay grants to support operations, maintenance, and the installation of cables and electronic equipment for the County's FiberNet.

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

For FY 2009, funds are allocated for partial funding to renovate the hearing room, conference room, and anteroom on the third floor of the Council Office Building. The renovations will improve disability access and upgrade the HVAC, lighting, and audio-visual systems.

For FY 2009, funds are allocated to the Montgomery County portion of the Maryland-National Capital Park and Planning Commission for information technology equipment; document management; and a traffic analysis study.

General Fund Transfers and Repayment Schedule

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

In FY 2006, the Council allocated \$1,241,000 to fund the County's Automated Traffic Management System. These funds must be repaid according to the same terms and schedule as the General Fund transfers detailed below.

In FY 2007, the Council allocated \$284,000 to fund technology projects for the Montgomery County portion of the Maryland-National Capital Park and Planning Commission Operating Budget. These funds must be repaid according to the same terms and schedule as the FY 2006 General Fund transfer detailed below.

The FY 2004 General Fund transfer, the FY 2006 funding for the Automated Traffic Management System, and the FY 2007 funding for technology projects for the Montgomery County portion of the Maryland-National Capital Park and Planning Commission must be repaid without interest according to the following schedule: \$432,000 was paid in FY 2008, \$0 will be paid in FY09, \$1,232,000 will be paid in FY 2010, and \$832,000 will be paid annually beginning in FY 2011 and continuing through FY 2013, for a total of \$4,160,000.

In FY 2009, \$250,000 is transferred from the Cable TV Special Revenue Fund to the General Fund to finance general government operations.

Action

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

The Council approves the attached Cable Communications Plan as described in this resolution and appropriates cable communications grant resources and settlement funds as provided in the Cable Communications Plan and this resolution and any amendments to either that the Council adopts for FY 2009.

This is a correct copy of Council action.


Linda M. Lauer, Clerk of the Council

5/21/2008, 4:27 PM

FY09 CABLE COMMUNICATIONS PLAN (\$000's)

SCHEDULED EXPENDITURES	Actual FY07	Approved FY08	Estimated FY08	Approved FY09	% Chg					
					From '08Plan	FY10	FY11	FY12	FY13	FY14
BEGINNING FUND BALANCE	2,642	1,281	3,345	2,502	95.3%	537	1,415	2,110	2,775	3,616
REVENUES										
5% Franchise Fee	9,547	9,849	10,296	10,584	7.5%	10,881	11,186	11,499	11,821	12,152
G'Burg PEG Contribution	193	192	196	201	4.9%	207	213	219	225	231
PEG Support	2,167	2,207	2,734	2,811	27.3%	2,889	2,970	3,053	3,138	3,226
PEG Capital/Equipment	239	246	248	255	3.6%	262	269	277	285	293
Verizon-Grant	250	200	200	200	0.0%	200	200	0	0	0
FiberNet Support	1,474	1,518	1,525	1,568	3.3%	1,612	1,657	1,703	1,751	1,800
Interest Earned	151	200	120	80	-60.0%	120	140	160	180	200
Tower Review Fees	186	75	75	80	6.7%	82	84	86	88	90
Miscellaneous	77	0	25	0	0.0%	0	0	0	0	0
Transfer from the General Fund	0	432	432	0	-100.0%	1,232	832	832	832	0
TOTAL ANNUAL REVENUES	14,284	14,919	15,861	15,779	5.8%	17,485	17,551	17,829	18,320	17,992
TOTAL RESOURCES-CABLE FUND	16,926	16,200	19,196	18,281	12.8%	18,022	18,966	19,939	21,095	21,608
EXPENDITURES										
A. FRANCHISE ADMINISTRATION										
Personnel Costs	643	721	721	742 +	2.9%	742	742	742	742	742
Oper. Exp. & Cap. Outlay	121	123	123	73 +	-40.7%	75	77	79	81	83
Engineering/Inspection	510	510	705	720 +	41.2%	740	761	782	804	827
Indirect costs trans to Gen Fund	194	202	202	253 1	25.5%	253	253	253	253	253
Indirect costs trans to Gen Fund (ERP & MCTime)				27 1		29	23	15	0	0
SUBTOTAL	1,468	1,556	1,751	1,815	16.7%	1,810	1,833	1,856	1,880	1,905
B. COUNTY ATTORNEY										
Personnel Costs	68	81	81	97	19.8%	97	97	97	97	97
SUBTOTAL	68	81	81	97 2 +	19.8%	97	97	97	97	97
C. OUTSIDE PROFESSIONAL SERVICES										
Legal and other	386	405	405	405	0.0%	416	428	440	452	465
SUBTOTAL	386	405	405	405 +	0.0%	416	428	440	452	465
D. MUNI. FRANCHISE FEE SHARING										
Revenues to municipalities	705	709	741	762	7.5%	783	805	828	851	875
SUBTOTAL	705	709	741	762 +	7.5%	783	805	828	851	875
E. MUNICIPAL EQUIPMENT & OPERATIONS										
Rockville Equipment (a)	53	54	95	98	80.9%	100	103	106	109	112
Rockville PEG Support (a)	62	64	65	67	4.6%	69	71	73	75	77
Takoma Park Equipment (a)	55	54	95	98	80.9%	100	103	106	109	112
Takoma Park PEG Support (a)	62	64	65	67	4.6%	69	71	73	75	77
Municipal League Equipment (a)	55	54	95	98	80.9%	100	103	106	109	112
Muni. League PEG Support (a)	62	64	65	67	4.6%	69	71	73	75	77
SUBTOTAL	349	354	480	494 +	39.5%	507	522	537	552	567
F. COUNTY CABLE MONTGOMERY										
Administration										
Personnel Costs	177	304	304	397 +	30.6%	397	397	397	397	397
Operating	11	25	25	31 +	24.0%	31	32	33	34	35
Closed Captioning	221	319	319	319 +	0.0%	328	337	346	356	366
Technical Operations Center (TOC)	98	23	23	23 +	0.0%	27	28	29	30	31
Arts PEG - AFI	0	0	0	0 +	0.0%	0	0	0	0	0
VOD, Community BB, web services	40	48	48	48 +	0.0%	49	50	51	52	53
Public Information Office										
Personnel Costs	198	185	274	349 2 +	88.6%	349	349	349	349	349
Operating Expenses	6	12	12	12 2 +	0.0%	12	12	13	14	15
Contracts - TV Production	376	414	325	359 +	-13.3%	369	379	390	401	412
County Council										
Personnel Costs	31	36	36	57 2 +	58.3%	57	57	57	57	57
Operating Expenses	65	48	48	48 +	0.0%	48	50	52	54	55
Contracts - TV Production	324	404	452	516 +	27.7%	530	545	560	576	592
MNCPPC										
Personnel Costs	0	81	81	101 +	0.0%	101	101	101	101	101
Operating Expenses	0	21	21	21 +	0.0%	22	23	24	25	26
Contracts - TV Production	0	124	124	124 +	0.0%	127	131	135	139	143
Webcasting	0	0	0	117		117	117	117	117	117
SUBTOTAL	1,547	2,044	2,092	2,522	23.4%	2,564	2,608	2,654	2,702	2,749

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

FY09 CABLE COMMUNICATIONS PLAN (\$000's)

SCHEDULED EXPENDITURES	Actual FY07	Approved FY08	Estimated FY08	Approved FY09	% Chg					
					From '08Plan	FY10	FY11	FY12	FY13	FY14
G. MONTGOMERY COLLEGE										
Personnel Costs	868	1,000	1,000	1,103 ³	10.3%	1,134	1,166	1,199	1,233	1,268
Operating Expenses	199	219	219	219 ³	0.0%	225	231	237	244	251
SUBTOTAL	1,067	1,219	1,219	1,322	8.4%	1,359	1,397	1,436	1,477	1,519
H. PUBLIC SCHOOLS										
Personnel Costs	1173	1234	1234	1,339 ⁴	8.5%	1,376	1,415	1,455	1,496	1,538
Operating Expenses	210	287	287	244 ⁴	-15.0%	251	258	265	272	280
SUBTOTAL	1,383	1,521	1,521	1,583	4.1%	1,627	1,673	1,720	1,768	1,818
I. COMMUNITY ACCESS ORGANIZATIONS (b)										
Personnel Costs	1,685	1,779	1,779	1,871	5.2%	1,923	1,977	2,032	2,089	2,147
Operating Expenses	720	755	755	781	3.4%	803	825	848	872	896
SUBTOTAL	2,405	2,534	2,534	2,652⁺	4.7%	2,726	2,802	2,880	2,961	3,043
J. PEG NETWORK										
PEG Equipment Replacement	822	900	900	900 ⁺	0.0%	945	992	1042	1094	1149
Emergency Equipment Reserve	12	80	80	80 ⁺	0.0%	82	84	86	88	90
PEG Network Engineering & Admin	142	40	40	40 ⁺	0.0%	44	46	49	51	54
Community Programming	46	100	100	100 ⁺	0.0%	102	104	106	108	110
PEG Promotion	8	35	35	35 ⁺	0.0%	36	37	38	40	42
PEG Network Operating	20	125	125	100 ⁺	-20.0%	103	106	109	112	115
Mobile Production Vehicle	78	82	82	82 ⁺	0.0%	86	90	95	100	105
SUBTOTAL	1,128	1,362	1,362	1,337	-1.8%	1,398	1,459	1,525	1,593	1,665
K. OTHER										
Consolidated Multiuse Technology Facility	0	0	0	0 ⁺	0.0%	0	0	0	0	0
Grants to Organizations	39	39	39	39 ⁺	0.0%	39	39	39	39	39
SUBTOTAL	39	39	39	39	0.0%	39	39	39	39	39
PEG + ADMIN. SUBTOTAL	10,545	11,824	12,225	13,028	10.2%	13,326	13,664	14,013	14,373	14,743
L. INSTITUTIONAL TELECOMMUNICATIONS										
FiberNet Support (OTS)	1050	1,182	1,182	1,232 [*]	4.2%	1,266	1,301	1,337	1,374	1,412
FiberNet Support (DPWT)	249	249	249	244 [*]	-2.0%	251	258	265	272	280
FiberNet-CIP	1,970	1,735	1,735	1,760 ⁶	1.4%	1,735	1,610	1,535	1,460	1,460
Verizon-Cable Service to Public Buildings	0	0	0	0 [*]	0.0%	0	0	0	0	0
COB Renovations - CIP	0	323	323	629 ⁰	0.0%	0	0	0	0	0
Advanced Transportation Management System (ATMS) - CIP	0	0	0	0	0.0%	0	0	0	0	0
Park & Planning Technology Projects	284	75	75	600	700.0%	0	0	0	0	0
SUBTOTAL	3,563	3,564	3,564	4,466	25.3%	3,252	3,169	3,137	3,106	3,152
TOTAL EXPEND-PROGRAMS	14,108	15,388	15,789	17,493	13.7%	16,578	16,833	17,150	17,479	17,895
OTHER USES OF CATV FUNDS -										
Prior Year Adjustments	527	0	32	0	0.0%	0	0	0	0	0
CIP-Designated Claim on Fund	0	0	937	0	0.0%	0	0	0	0	0
Transfer to the General Fund	0	0	0	250	0.0%	0	0	0	0	0
TOTAL OTHER USES & ADJ. -	527	0	969	250	0.0%	0	0	0	0	0
SURPLUS (DEFICIT)	703	(469)	94	(1,964)	318.8%	878	695	664	841	97
FUND BALANCE	3,345	812	2,502	537	-33.8%	1,415	2,110	2,775	3,616	3,713
FUND BALANCE per Policy Guidance		810	839	860		857	913	940	967	995
EXPENDITURES BY FUNDING SOURCE										
Transfer to Gen Fund-Indirect Costs	194	202	202	280 ¹	38.9%	282	276	268	253	253
Transfer to Gen Fund-Cable Opns	0	0	0	0 ²	0.0%	0	0	0	0	0
Trans to Gen Fund-Mont Coll Cable Fd	1,067	1,219	1,219	1,322 ³	8.4%	1,359	1,397	1,436	1,477	1,519
Trans to Gen Fund-Public Sch Cable Fd	1,383	1,521	1,521	1,583 ⁴	4.1%	1,627	1,673	1,720	1,768	1,818
Trans to Gen Fund-FIBERNET Operations	0	0	0	0 ⁵	0.0%	0	0	0	0	0
Transfer to CIP Fund	1,970	2,058	2,058	2,389 ⁶	16.1%	1,735	1,610	1,535	1,460	1,460
Transfer to the General Fund-Other	0	0	0	250 ⁷	0.0%	0	0	0	0	0
CATV Fund Direct Expenditures	9,494	10,388	10,757	11,919	14.7%	11,604	11,899	12,205	12,520	12,844
TOTAL EXPEND-FUNDING SOURCE	14,108	15,388	15,757	17,743	15.3%	16,807	16,856	17,165	17,479	17,895
NOTES:										
¹ Transferred from the Cable Television Special Revenue Fund to the General Fund-Indirect Costs.										
² Transferred to General Fund for Cable Operations in prior years.										
³ Transferred to General Fund for Montgomery College Cable Fund.										
⁴ Transferred to General Fund for Montgomery County Public Schools Cable Fund.										
⁵ Transferred to General Fund for FIBERNET Operations in prior years.										
⁶ Transferred to CIP Fund										
⁷ Transferred to General Fund										
(+*) Funded directly from the Cable Television Special Revenue Fund.										
(a) Maximum cable company contribution to fund municipal equipment										
(b) Currently Montgomery Community Television, Inc.										
*The County is exploring the potential for development of a Multiuse Technology Facility. When additional details are available they may be included in future Cable Communications Plans.										