COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive.

AN EXPEDITED ACT to:

(1) assure that the cable communications law is consistent with federal and state law;
(2) clarify the scope of the communications cable law; and
(3) generally amend the cable communications law.

By amending

Montgomery County Code
Chapter 8A, Cable Communications

The County Council for Montgomery County, Maryland approves the following Act:
Section 1. Sections 8A-2, 8A-3, [[8A-7,]] 8A-8, 8A-9, 8A-10, 8A-11, 8A-12, 8A-14, 8A-15, 8A-18, 8A-20, 8A-22, 8A-23, 8A-24, 8A-25, 8A-26, 8A-27, 8A-28, 8A-29, 8A-30, and 8A-31[[A]] of the County Code are amended as follows:

8A-2. Intent and purposes.

It is the intent of the County to promote the public health, safety and general welfare by providing for the grant of one or more franchises for the construction and operation of a cable system; to provide for the regulation of each cable system by the County in accordance with federal and state law; to provide for the payment of fees and other valuable consideration by a franchisee to the County for the privilege of using the public rights-of-way for constructing and operating a cable system; to promote the widespread availability of cable and other communications service to County residents and businesses wherever economically feasible, including to those who reside in multifamily buildings and in rural communities; to encourage the development of cable as a means of communication between and among the members of the public and public institutions; and to encourage the provision of diverse information to the community over cable.


In this Chapter, the following words and phrases have the meanings indicated in this Section.

* * *

Cable System means a facility, consisting of a set of closed transmission paths and associated signal generation, reception, and control equipment that is [designated] designed to provide cable service which includes video programming and which is provided to multiple subscribers within the County. This term does not include:
(1) a facility that serves only to retransmit the television signals of one or more television broadcast stations;

(2) a facility that serves only subscribers in one or more multiple unit dwellings under common ownership, control or management, unless such facility uses any public right-of-way; a facility that serves subscribers without using any public right-of-way;

(3) a facility of a common carrier that is subject, in whole or in part, to the provisions of Title II of the Communications Act of 1934, except that the facility will be considered a cable system to the extent that it is used in the transmission of video programming directly to subscribers, unless the extent of such use is solely to provide interactive on-demand services; or

(4) an open video system that complies with federal law; or

[(4)] (5) any facilities of any electric utility used solely for operating its electric utility systems.

* * * *

Complaint means a complaint [concerning] related to the provision of cable service [or any other product or service].

Control of a franchisee or applicant means the legal or practical ability to [direct] exert actual working control over the affairs of the franchisee or applicant either directly or indirectly, whether by contractual agreement [or], majority ownership of an [economic] interest, any lesser ownership interest, or in any other manner.

* * * *

Franchise agreement means [[a contract]] an agreement entered into in accordance with the provisions of this Chapter between the County
and a franchisee that sets forth the terms and conditions under which the franchise will be exercised.

* * *

Gross revenues means all of a cable operator's revenues derived [by a franchisee] from the operation of [its] the cable system to provide cable services [in the County, including revenues derived from cable service, home shopping channels, institutional services, rental or lease of equipment, installation fees, or ancillary services].

Institutional services means video, audio, data, and other transmission services provided by a franchisee to institutional users on an individual application, private channel basis, including two-way video, audio, or digital signals among institutions, or from institutions to residential subscribers.]

* * *

[Other product or service means any product or service that is not a cable service but uses any facility or equipment constructed, installed, maintained, operated, or occupying the public rights-of-way under a franchise issued under this Chapter, notwithstanding how the service or product is characterized or regulated under federal law. Other product or service may include one-way or interactive video, audio, data (including cable modem), and information services.]

* * *

Subscriber means [any person who legally receives any cable service or other product or service provided by a franchisee, but does not include persons who receive not more than two channels of non-commercial closed circuit video service which is not made available to the general public.] the County or any person who is lawfully
receiving, for any purpose or reason, any cable service [[via a cable system]], whether or not a fee is paid for that service.

*    *    *

Transfer of a franchise means any transaction in which:

(1) an ownership or other interest in a franchisee is transferred, directly or indirectly, from one person or group of persons to another person or group of persons so that control of the franchisee is transferred; or

(2) the rights held by the franchisee under a franchise agreement are transferred or assigned to another person or group of persons.

(3) The following transactions do not constitute a transfer of a franchise:

(A) A transaction among or between affiliates if:

   (i) the initial franchisee provides an unconditional guarantee of performance by the new franchisee in a form acceptable to the County before the transaction closes;

   (ii) the transferee agrees, in writing, before the transaction closes, that it will abide by and accept all terms of the franchise agreement and this Chapter, and that it will assume the obligations, liabilities, and responsibility for all acts and omissions, known and unknown, of the previous franchisee under the franchise agreement and this
Chapter for all purposes, including renewal:

(iii) the initial franchisee has no uncured defaults from the time of the notice through the date of closing of the transaction; and,

(iv) the initial franchisee has provided the County at least 90 days notice and has responded completely to all information requests from the County;

(B) A sale of ownership or other interest in an entity controlling a franchisee, either directly or indirectly, if the successor controlling entity commits in writing that it will not take any action to impede the franchisee from satisfying all obligations under the franchise agreement, including but not limited to completing a system build-out [unless the sale occurs before the franchisee has completed build-out of its cable system as promised in the franchise agreement];

(C) A transfer in trust, by mortgage, by other hypothecation, or by assignment, of any right, title, or interest of a franchisee in the franchise or cable system in order to secure indebtedness.

*Transfer of interest* in a franchisee means the sale or transfer, directly or indirectly, of an existing or newly created equity interest in the
franchisee that does not result in a transfer of control of the
franchisee.

The following transactions do not constitute a transfer of an interest if
the Executive or a designee finds that the franchisee [[responds]] has
responded completely to all information requests from the County:

(1) A transaction among or between affiliates;

(2) A sale of ownership, or other interest, in an entity controlling
the franchisee, either directly or indirectly; or,

(3) A transfer in trust, by mortgage, by other hypothecation, or by
assignment, of any right, title, or interest of the franchisee in the
franchise or cable system in order to secure indebtedness.

* * *

8A-8. Application [for] to grant, [renewal, modification,] renew, modify, or
transfer [of] a franchise.

* * *

(c) A person may apply for a new franchise in response to the County’s
request for proposals or on an unsolicited basis. The County may
issue a request for proposals when the County receives an unsolicited
application or at any other time. If the County elects to issue a request
for proposals after receiving an unsolicited application, the applicant
may submit an amended application in response to the request for
proposals, may inform the County that its unsolicited application
should be considered as its response to the request for proposals, or
may withdraw its unsolicited application. The County may reject
[without further consideration] an application that is unresponsive to a
requirement of a request for proposals.

(d) An application for a new franchise must contain the following
information:

(1) Identification of the persons who own or control the applicant,
including:

    *   *   *

[(8) A description of the services to be provided initially, including
all broadcast and non-broadcast signals to be carried and all
non-television services, and if services will be offered by tiers,
identification of the signals or services, or both, to be included
on each tier.]

[(9) The proposed rate structure, including charges for each service
tier, installation, converters, and other equipment or services.]

[(10) (8) *   *   *

[(11) (9) *   *   *

[(12) (10) *   *   *

[(13) (11) If an applicant proposes to construct a cable system which
would constitute an overbuild, the identification of the area
where the overbuild would occur[,] and the potential subscriber
density in the area to be served by competing cable systems[,] and other information necessary for the County to make its
determination under section 8A-9(e)].

[(14) (12) *   *   *

[(15) (13) Any other information necessary to demonstrate
compliance with this Chapter[, and any other information that
the County requests from the applicant].
(e) An application to modify a franchise agreement must include the following information:

* * *

(4) Any other information necessary for the County to decide whether [to approve the modification] the modification complies with County law.

* * *

(i) Within 10 business days after receiving an application for a new franchise for an overbuild, the County Executive must [decide whether to accept or reject the application for filing] determine whether the application is complete under subsection (d). If the application is complete, the Executive must accept it for filing. If the application is not complete, the Executive must specify the additional information required under subsection (d) before the application can be accepted for filing.

(1) If the Executive rejects the application for filing, the [Executive must specify the additional information required to accept the application for filing. The] applicant may resubmit or supplement the application with the additional information, and the Executive must reconsider, within the 10-day deadline starting on the date of resubmission, whether the application is [acceptable for filing] complete under subsection (d).

* * *

[This subsection] Acceptance of an application as complete for filing does not limit the Executive's authority to request additional information [later] related to the criteria in Section 8A-9(e), or to recommend, [based on any grounds] after full review of the
application, that the Council deny the application based on those
criteria.

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* * *

(e) In evaluating an application for a new franchise, the County must
consider:

* * *

(3) the nature of the proposed facilities[,] and equipment[, and
services];

* * *

(k) (1) When the Executive submits a proposed franchise agreement to
the Council for approval, the Council may, within the
applicable time provided in Section [8A-29(d)] 8A-28(d):

* * *

(B) grant the franchise with conditions [, which may modify
or override any provision of the proposed franchise
agreement] that the Council finds are necessary to assure
that the franchise complies with County law;

* * *

(2) If the Executive [proposed] proposes to deny the franchise
application or cannot reach agreement with the applicant on a
proposed franchise agreement within the time specified in
subsection (h), the Executive immediately must recommend to
the Council that the Council deny the application and explain
the reasons for the recommendation. The Council may, within
the applicable time provided in Section [8A-29(d)] 8A-28(d):
* * *

(C) grant the franchise with any conditions that the Council determines are necessary [to protect and promote the public interest] to assure that the franchise complies with County law.

(l) Every franchise grant is subject to a franchise acceptance fee in an amount [that does not exceed the County's costs to consider the application, less the amount of the filing fee. The County's costs include time spent by County employees and officials to review, negotiate, and approve the franchise agreement, and fees paid to attorneys, experts, and other consultants. Within 30 days after the Council grants a franchise under this Chapter, the County must notify the approved applicant of the amount of the franchise acceptance fee and how the County calculated the amount. If the approved applicant does not pay the franchise acceptance fee within 30 days after the County notifies the applicant, the grant is void. The franchisee must not act under the franchise until the franchisee complies with the bond, insurance, and other prerequisites of the franchise agreement.

8A-10. Insurance; bond; indemnification.

(a) A franchisee must have the following insurance coverage in force at all times during the franchise period:

* * *

All insurance policies must be with sureties qualified to do business in Maryland and in a form approved as to legality by the County Attorney. The County may accept a self-insurance plan that assures comparable protection in lieu of these insurance policies.

* * *

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8A-11. **Minimum facilities and services.**

(a) The following minimum requirements for facilities and services apply to all franchises:

* * *

(2) A cable system must provide at least 6 access channels, which [will] **must** be individually designated by the County for public, educational or governmental access. The County may require the franchisee to contribute to capital costs for access studios and related equipment and facilities, **as permitted by federal law.**

* * *

(4) Service to all public buildings **without charge** may be [required] [without charge as set forth] **negotiated** in the franchise agreement.

* * *

(b) The County may [require that a] **negotiate** franchise [exceed] terms **exceeding** the minimum requirements [set forth] in subsection (a).

* * *

8A-12. **Franchise fee.**

(a) A franchisee, in consideration of the privilege granted under a franchise for the use of public rights-of-way to construct and operate a cable system, must pay the County 5 percent of the franchisee's gross revenues from the operation of its cable system to **provide cable service** [within] **in** its franchise area during the period of its franchise. A franchisee must pay the franchise fee due to the County for the preceding quarter within 30 days [of] **after** the end of that quarter.

* * *
(d) A franchisee must file within 3 months after the end of its fiscal year the franchisee's annual financial statements for the preceding year [(either)] certified by an authorized officer of the franchisee or an affiliate [(or)] and audited by a certified public accountant. The franchisee [will] must bear the cost of the preparation of all financial statements.

(e) The County may inspect and audit any books and records, and recompute any amounts determined to be payable under the franchise. However any audit to recompute franchise fees must take place within [12] 36 months following the close after the end of the franchisee's fiscal year. The franchisee must bear the cost of the audit [will be borne by the franchisee] if the annual payment to the County for the preceding year is increased by more than 5 percent as a result of the audit.

* * *

**SA-14. Customer service requirements.**

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(d) A franchisee must provide each subscriber at the time cable service is installed written instructions for placing a service call, filing a complaint, or requesting an adjustment. These instructions must include the name, address, and telephone number of the County office designated to handle subscriber complaints. Each subscriber must also be provided with a schedule of the subscriber's rates and charges, a copy of the service contract, delinquent subscriber disconnect and reconnect procedures, and a description of any other relevant franchisee subscriber policies. The franchisee must provide to the County [must approve] a copy of all forms describing customer
service policies and procedures [before] when they are distributed to subscribers, and if possible, should provide these forms to the County before they are distributed. All forms must be conspicuously posted in the franchisee's local business office.

*     *


(a) Unless approved by the County and to the extent consistent with federal law, a franchisee must not, in its cable service rates or charges, or in the availability of [the] its cable services [or facilities of its system], or in any other respect, grant undue preferences or advantages to any subscriber or potential subscriber, or to any user or potential user, nor subject any of these persons to any undue prejudice or any disadvantage. [A franchisee must] Unless prohibited by applicable federal law, the County may require the franchisee to have a uniform rate structure for its cable services throughout the franchise area. A franchisee must not deny, delay, or otherwise burden service or discriminate against subscribers or users on the basis of age, race, religion, color, sex, sexual orientation, handicap, national origin, or marital status, except for discounts for the elderly and handicapped.

*     *


(a) Any cable system constructed [within] in the County must meet or exceed the technical standards [in this Chapter, the franchise agreement, and the franchisee's application] under applicable law. [All video channels in a cable system must be capable of delivering National Television Systems Committee (NTSC) color and monochrome
standard signals and designed to provide picture quality of TASO grade 2 or better and superior reliability. For purposes of this Chapter, a TASO grade 2 picture is one with barely visible interference that does not detract from viewing.] All television signals transmitted on a cable system must include any closed captioning information for the hearing impaired. Antennas, supporting structures, and outside plant used in the cable system must comply with the recommendations of the Electronics Industries Association and applicable federal and local regulations on tower structures and outside plant.

* * *

(c) The franchisee must perform at its expense proof of performance tests designed to demonstrate compliance with the requirements of [this Chapter, the franchise agreement, the FCC requirements] applicable law at the stages of construction specified in the franchise agreement. The franchisee must provide the proof of performance test results promptly to the County.

* * *

(f) A franchisee must not design, install or operate its facilities in a manner that will interfere with the signals of any broadcast station, the electrical system located in any building, the cable system of another franchisee, or individual or master antennas used for receiving television or other broadcast signals.]

* * *


(a) If a franchisee violates any provision of the law or its franchise agreement, the County may take one or more of the following actions:
(1) impose liquidated damages in the amount, whether per day, incident, or other measure of violation, as provided in the franchise agreement. Payment of liquidated damages by the franchisee will not relieve the franchisee of its obligation to meet the franchise requirements;

(2) reduce the duration of the franchise on any basis the County determines is reasonable and affords the franchisee reasonable due process;

(2) require the franchisee to pay its subscribers or classes of subscribers in an amount and on a basis the County determines is necessary to cure the breach or default, or equitably compensate for the violation; or

(3) revoke the franchise under this Chapter.


(h) If the County denies the renewal of a franchise, and the franchisee does not have other authority to maintain and operate its facilities in the County's public rights-of-way, the County may, on the recommendation of the County Executive and with the approval of the Council, acquire ownership of the cable system or transfer ownership of the system to another person, subject to applicable law. Any acquisition or transfer under this subsection must be at fair market value, determined on the basis of the cable system valued as a going concern but with no value allocated to the franchise itself, subject to applicable law.
(i) If the County does not renew a franchise and the franchisee does not have other authority to maintain and operate its facilities in the County's public rights-of-way, and the County does not buy the cable system, the County may require the former franchisee to remove its facilities and equipment, subject to applicable law. If the former franchisee fails to do so within a reasonable period of time, the County may remove the facilities and equipment at the former franchisee's or the surety's expense or at the expense of both, subject to applicable law.

8A-23. Transfers.

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(c) An application for transfer of an interest in a franchisee must describe the proposed transaction in detail and identify the interest to be transferred, the transferor, and transferee. If the proposed transferee is not a current equity owner of the franchisee, the application must include the information required by [section] Sections 8A-8(e)(1) [through] and (2).

(d) An application for a transfer must provide all documents and information related to the transaction and to the financial position of the cable system before and after the proposed transaction.

[(d)] (e) A public hearing must be held on an application for transfer of an interest in a franchisee of 25 percent or more.

[(e)] (f) Before approving transfer of a franchise, the County must consider the legal, financial, technical and character qualifications of the transferee to operate the system, and whether operation by the
proposed franchisee will adversely affect the cable services to
subscribers or otherwise be contrary to the public interest. Before
approving a transfer of an interest in a franchisee, the County must
consider whether the transferee's interest will have any effect on the
franchisee's operation of the system, the franchisee's qualifications, or
the public interest.

[(f) (g)] The Council must take final action on an application for transfer of a
franchise after receiving recommendation from the County Executive.
The County Executive may take final action on an application for
transfer of an interest.

[(g)] (h) Approval by the County of a transfer of a franchise does not
constitute a waiver or release of any of the rights of the County under
this Chapter or the franchise agreement, arising before or after the date
of the transfer. A transfer does not waive or release any non-
performance that occurred before the transfer. All previous non-
performance becomes the responsibility of the new franchisee unless
the County otherwise agrees.

[(h)] (i) The County may impose a grant fee to cover its costs in excess of
the filing fee in considering an application for transfer of a franchise,
except for the transfer of any franchise granted [prior to] before

(j) Any entity guaranteeing the performance of a franchisee may apply to
the County for release of the guarantee if:
(1) The franchisee has, for 5 consecutive years, complied with the franchise agreement and this Chapter; and

(2) A guarantor which controls the franchisee promises to not interfere with the franchisee's performance of its obligations under the franchise agreement and this Chapter.

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8A-24. Revocation or termination of franchise.

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(d) The County may revoke any franchise 120 days after an assignment for the benefit of creditors or the appointment of a receiver or trustee to take over the business of the franchisee, whether in a receivership, reorganization, bankruptcy assignment for the benefit of creditors, or other action or proceeding. The County must hold a public hearing before revoking a franchise under this subsection. The County may not revoke a franchise under this subsection if, during the 120 day period:

(1) the assignment, receivership, or trusteeship is vacated; or

(2) the assignee, receiver, or trustee has fully complied with the terms and conditions of this Chapter and the franchise agreement and has executed an agreement, approved by the court having jurisdiction, assuming and agreeing to be bound by the terms, and conditions of the franchise.

(e) The County may revoke the franchise if there is a foreclosure or other judicial sale of any of the facilities, equipment or property of a franchisee, by serving notice on the franchisee and the successful
bidder at the sale. The franchise and all rights and privileges of the franchise will be revoked 30 days after the County serves notice under this subsection unless:

(1) the County has approved a transfer of the franchise; and

(2) the successful bidder has agreed with the County to assume and be bound by the terms and conditions of the franchise.

[(f)] (d) If the County revokes a franchise, or if for any other reason a franchisee abandons, terminates, or fails to operate or maintain service to its subscribers, and the franchisee does not have other authority to maintain and operate its facilities in the County's public rights-of-way, the County may, subject to applicable law:

(1) require the former franchisee to remove its facilities and equipment at the franchisee's or surety's expense, or at the expense of both, after determining that the cable system cannot be economically maintained and operated;

(2) acquire ownership of the cable system at an equitable price on the recommendation of the County Executive and with the approval of the Council;

(3) after a public hearing, sell, assign, or transfer all or part of the assets of a cable system abandoned by a franchisee for the best price offer obtainable. However, the legal, character, financial, technical, and other qualifications of the purchaser must meet County approval. The County must pay any consideration received in excess of the County's costs, and after other creditors and subscriber claims have been satisfied, to the original franchisee.

[8A-25. County purchase of cable system; eminent domain.]

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(a) The County may, upon the recommendation of the County Executive and with the approval of the Council, acquire ownership of and operate a cable system. Any acquisition, construction, or operation of a cable system by the County is not subject to the requirements of Chapter 11B.

(b) If the County exercises its right to purchase a cable system under this Chapter or a franchise agreement, and the County and franchisee are unable to agree on a price for the purchase of the system, the price may be determined by arbitration. Upon written notice by either the County or the franchisee to the other, the dispute must immediately be put to arbitration under the rules and procedures of the American Arbitration Association. The County and the franchisee will each select a qualified arbitrator. The 2 persons selected must select a third qualified arbitrator, and the 3 arbitrators constitute a panel whose decision is binding on both parties. The fees of the first 2 arbitrators must be paid by the party selecting that person. The County and the franchisee must each pay one-half of the compensation of the third person. The general costs of the proceeding must be shared equally by the County and the franchisee.

(c) Notwithstanding any other provisions of this Chapter, the County and each participating municipality reserve the right to exercise the power of eminent domain to acquire the property of any cable system of any franchisee and to purchase, own, or operate a system so acquired consistent with state and federal law.]

(a) [It is the right of all] All subscribers have the right to receive all available cable services from the franchisee if their financial and other obligations to the franchisee are satisfied.

(b) If the franchise is terminated or transferred, the franchisee must do everything in its power to ensure that all subscribers receive continuous, uninterrupted cable service. The franchisee must cooperate with the County to operate the system for a transition period [following] after termination or transfer as necessary to maintain continuity of cable service to all subscribers. The transition period must not exceed 12 months without the franchisee's written consent. During the transition period, the cable system must be operated under terms and conditions to which the County and the franchisee agree, or on such other terms and conditions that will continue, to the extent possible, the same level of cable service to subscribers and that will provide reasonable compensation to the cable operator.

(c) If the franchisee discontinues service to its subscribers without County approval, the franchise may be terminated immediately, and, if the franchisee does not have other authority to maintain and operate its facilities in the County's public rights-of-way, the County may take possession of all facilities and property, real and personal, related to the cable system for the purpose of operating the system. The County may undertake such operation itself or authorize operation by a contractor.
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(b) The County Executive must administer and enforce this Chapter and
any franchise agreement, including:
547
548 (2) except as provided in Section [8A-31A] 8A-31, establishing
549 procedures for conducting public hearings and other proceedings
550 required by this Chapter or a franchise agreement;
551 (3) except as provided in Section [8A-31A] 8A-31, conducting
552 public hearings, including designating hearing officers;
553
554 (d) Any action by the County Executive that requires approval of the
555 Council is deemed approved by the Council unless disapproved within
556 60 days [from the date] after the Council receives the County
557 Executive's recommended action. The 60-day period does not include
558 any week when the Council does not meet in regular session. The
559 Council by resolution may extend the deadline for action [. The
560 Council may extend the deadline for action on an application for a
561 new franchise for an overbuild] for no more than one additional 60-
562 day period.
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565
567 Advisory Committee.
568

(a) Established. The Cable Compliance Commission is established to adjudicate subscriber complaints involving customer cable service [or any other product or service] and other [cable and internet access related] consumer protection claims [[within the County's jurisdiction as authorized by regulation]] that arise under this Chapter, any regulation adopted or franchise agreement approved under this Chapter, or Section 11-4A.

*   *   *

Sec. 2. Expedited Effective Date. The Council declares that this legislation is necessary for the immediate protection of the public interest. This Act takes effect on the date when it becomes law.

Sec. 3. Repeal of sunset. 2002 L.M.C., Chapter 31, Section 4, as amended by 2005 L.M.C., Chapter 14, Section 2, is repealed as follows:

[Sec. 4. Expiration date.

This Act expires on December 31, 2008.]

Approved:

George L. Leventhal, President, County Council

Date

Approved:

Douglas M. Duncan, County Executive

Date
This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council

Date

10/30/06