



CITY OF SOMERVILLE, MASSACHUSETTS
OFFICE OF COMMUNICATIONS AND COMMUNITY ENGAGEMENT
KATJANA BALLANTYNE
MAYOR

To: Honorable Members of the City Council
From: Denise Taylor, Director of Communications and Community Engagement
Re: Finance Committee request for cable franchise fee 5-year allocation report
Date: February 6, 2023

This memo is being submitted in response to the Finance Committee request that the City Council be provided for the 2/7/23 committee meeting an update on “how the cable franchise fees have been expended over the past five years.”

Background

The federal Cable Communications Policy Act and state law allows that the City, as the designated local licensing authority for local cable television providers, may, as part of the licensing process that regulates cable services, negotiate for both an annual franchise fee as well as additional capital payments and other cable-related in-kind community benefits such as senior discounts on cable subscriptions or free cable drops for schools. The franchise fee is a percentage of total annual cable services profits. Capital funds are generally set payments over the course of (or a period of) the contract but can also include some percentage-linked payments.

Cable Franchise Agreements and PEG Access Services

There are two licensed cable television providers in Somerville: Comcast and Astound (formerly RCN). Their licenses must be renewed every 10 years. Both the franchise fees and the capital/equipment funds required by contract from these providers have been used first to support PEG Access cable television services, which include three services:

- **P** stands for Public Access Television, which is provided by the independent 501(c)(3) nonprofit Somerville Community Access Corporation, known to the community as the Somerville Media Center (SMC).
- **E** stands for Educational Access Television, which is provided by the City of Somerville Office of Cable Communications, known to the community at EduTV.
- **G** stand for Government Access Television, which is provided by the City of Somerville Office of Cable Communications, known to the community at GovTV.

Allocation of Funding

Former Funding Split Guided By Provision of Services

As noted above, the City provides two-thirds of PEG access services (Government and Educational). As the licensing authority, the City contracts with SMC to provide the other one-third of PEG access television (Public Access).

This 2:1 split has traditionally shaped contracts that have provided for SMC to receive approximately one-third of the incoming fees and funds. The remaining two-thirds have traditionally been used to support first Educational and Government Access, and then any remaining funds have gone to the City General Fund to fund other community needs. These funds are added to City budget funding as part of total annual City budget; they are not designated for specific items.

As cord-cutting has increased, percentage-based franchise fees have declined, and the funds available to the General Fund have fallen in tandem. Our projections are that between \$0 and \$10,000 will remain for the General Fund after the three PEG Access services receive their full funds for CY2022, for which some Cable franchise fees and equipment payments are still pending.

Current Split Designed to Provide Greater Stability to SMC

Due to City-proposed changes in the SMC-City contract currently in effect, the funding split was altered in 2020 to create greater stability for SMC. As a result, in the last complete funding year, CY2021, SMC received 39% of the franchise fees. Our estimates indicate SMC will likely receive approximately 42% (or more) for CY2022.

Attachments:

Document 1: Cable Franchise 5-Year Allocations Report for 2018-2022

- An accounting of all Cable Franchise Fees received or expected for 2018-2022 as well as their allocations to the three legs of PEG Access and the general fund.
- For a detailed accounting of Educational and Government Access budgets, please see the PEG Revolving Fund budgets in the City budgets online at the links below. Pandemic impacts have caused fluctuations in recent years. For a detailed accounting of Public Access expenditures, please request annual budgets from the Somerville Media Center:

Combined Government and Educational Access Budgets:

- 2022 <https://stories.opengov.com/somervillema/published/oO-XSEQVZ>
 - 2021 <https://stories.opengov.com/somervillema/published/VU4QgCKKa>
 - 2020 <https://s3.amazonaws.com/somervillema.gov.if-us-east-1/s3fs-public/fy20-budget.pdf> (See page 252)
 - 2019 <https://s3.amazonaws.com/somervillema.gov.if-us-east-1/s3fs-public/fy19-budget.pdf> (See page 240)
 - 2018 <https://s3.amazonaws.com/somervillema.gov.if-us-east-1/s3fs-public/fy18-budget.pdf> (See page 249)
- Please note that some amounts for 2022 in the attached chart are estimates (marked with blue highlight). Because the calendar year must end before the percentage-based fees are calculated, the City and SMC receive these funds usually in the first two quarters of the following year. For example, in February to early April 2023, we will receive the final fee payments designated for CY2022 PEG Access services.

Document 2: Cable Franchise Capital/Equipment Fund 5-Year Allocations Report 2018-2022

- An accounting of all Cable Franchise capital/equipment funds received or expected for the past five years 2018-2022 as well as their allocations to the three legs of PEG Access.
- These funds are used solely for PEG Access services by the City and SMC. No funds go to the general fund.
- Please note that as with the franchise fees, some amounts for CY2022 are estimates (marked with orange highlight) due to pending payments due in CY2023 for CY2022.
- Please note that some capital/equipment payments to SMC are currently in progress due to delays related to medical leave and a longer-term staff vacancy that has now been filled. Payment steps have been recently initiated.

Document 3: Ten-Year Accounting of SMC Capital Payments

- The City has negotiated to have set payments (as opposed to annual percentage-based payments) in the Cable Franchise agreements front-loaded in the early years of license contracts rather than spreading them evenly over the ten-year contract to increase surety of receipt. Over the past ten years, SMC has also requested to front-load their share of these payments.
- This ten-year lookback shows that in the first five-year period coinciding with the Comcast contract term, for example, SMC received roughly twice the capital payment total as in the second five years requested to be reported on by the Council. Just adding this for a more full picture. Again, bulking payments early is by request of then SCATV (now SMC).

Thank you for your request.

Sincerely,

Denise Taylor
Director Communications and Community Engagement

Document 1 - Cable Franchise 5-Year 2018-2022 Allocation Report

Comcast Franchise Fee

Year	2018	2019	2020	2021	2022	Total
Total	\$ 698,566.72	\$ 663,719.48	\$ 619,271.99	\$ 587,686.19	\$ 564,245.79	\$ 3,133,490.17

RCN Franchise Fee

Year	2018	2019	2020	2021	2022	Total
Quarter 1	\$ 74,496.22	\$71,047.81	\$ 54,499.12	\$ 45,867.72	\$ 38,204.83	\$ 284,115.70
Quarter 2	\$ 74,496.22	\$66,536.02	\$ 52,906.42	\$ 42,998.89	\$ 37,048.68	\$ 273,986.23
Quarter 3	\$ 74,496.22	\$60,752.18	\$ 49,553.58	\$ 39,909.70	\$ 35,093.28	\$ 259,804.96
Quarter 4	\$ 74,496.22	\$57,797.40	\$ 46,093.46	\$ 41,696.90	\$ 34,500.00	\$ 254,583.98
Total	\$ 297,984.88	\$ 256,133.41	\$ 203,052.58	\$ 170,473.21	\$ 144,846.79	\$ 1,072,490.87

Total Franchise Fee

(RCN+Comcast)

	2018	2019	2020	2021	2022	Total
Total	\$ 996,551.60	\$ 919,852.89	\$ 822,324.57	\$ 758,159.40	\$ 709,092.58	\$ 4,205,981.04

To Public Access (SMC)

Year	2018	2019	2020	2021	2022	Total (35.75%)
Total	\$ 320,061.87	\$ 295,564.85	\$ 296,000.00	\$ 296,000.00	\$ 296,000.00	\$ 1,503,626.72

To Govt Access & Educational Access

Year	2018	2019	2020	2021	2022	Total (44.6%)
Total	\$ 371,541.00	\$ 377,622.00	\$ 371,101.18	\$ 348,791.18	\$ 406,807.00	\$ 1,875,862.36

To General Fund

	2018	2019	2020	2021	2022	Total (19.65%)
Total	\$ 304,948.73	\$ 246,666.04	\$ 155,223.39	\$ 113,368.22	\$ 6,285.58	\$ 826,491.96

Blue highlights indicate estimates. Actuals will depend on payments still pending

Document 2 - Cable Franchise Equipment Payments 5-Year Report 2018-2022

Comcast Equipment Payments

Year	2018	2019	2020	2021	2022	Total
Total	\$ 60,221.54	\$ 56,364.35	\$ 52,834.97	\$ 49,496.51	\$46,279.03	\$ 265,196.40

RCN /Astound Equipment Payments

Year	2018	2019	2020	2021	2022	Total
Quarter 1	\$ 19,258.46	\$ 14,209.56	\$ 10,899.82	\$ 9,173.52	\$ 7,640.97	\$ 61,182.33
Quarter 2	\$ 19,258.46	\$ 13,307.20	\$ 10,581.28	\$ 8,599.78	\$ 7,409.74	\$ 59,156.46
Quarter 3	\$ 19,258.46	\$ 12,150.44	\$ 9,910.72	\$ 7,981.94	\$ 7,018.66	\$ 56,320.22
Quarter 4	\$ 19,258.46	\$ 11,559.48	\$ 9,218.69	\$ 8,339.38	\$7,000.00	\$ 55,376.01
Total	\$ 77,033.85	\$ 51,226.68	\$ 40,610.51	\$ 34,094.62	\$ 29,069.37	\$ 232,035.03

Year	2018	2019	2020	2021	2022	Total
To Public Access	\$ 27,500.00	\$ 26,500.00	\$ 48,175.83	\$27,863.71	\$25,116.13	\$ 155,155.67
To Govt Access & Educational Access	\$ 109,755.39	\$ 81,091.03	\$ 45,269.65	\$ 55,727.42	\$50,232.27	\$ 342,075.76

Orange = Estimates (actuals are dependent on Cable Company payments still to come)

Document 3 - 10-Year Public Access Capital Equipment Payments

Public Access Equipment Funds 10-Year Lookback

YEAR	Annual Payment to Public Access <i>(Frontloaded to first 5 years at the request of Public Access)</i>	
	5 Year Subtotals	
2013	\$36,225	
2014	\$84,200	
2015	\$83,350	
2016	\$109,000	
2017	\$27,000	\$339,775
2018	\$28,925	
2019	\$27,500	
2020	\$48,175	
2021	\$27,852	
2022	\$24,999	\$157,451
TOTAL	\$497,226	\$497,226