



Legislation Text

File #: Res. 2018-009, **Version:** 1

City Council Meeting Date: January 16, 2018

To: Mayor and City Council
City Administrator

From: Kurt Wolf, IT Manager

Consider resolution authorizing a \$.25 increase to the PEG fee.

Action Requested:

The Northfield City Council approves the attached resolution authorizing a \$ 0.25 increase to the PEG fees charged to subscribers of Charter Spectrum, which holds the current franchise contract with the City of Northfield.

Summary Report:

The City of Northfield proposes to increase the amount of PEG fees collected by Charter Spectrum and distributed quarterly to the City of Northfield in the amount of \$.25 per subscriber per month. This is the maximum amount of increase in a one-year period.

Background Information

As a part of the existing contract with Charter Spectrum, we have the ability to increase the amount of fees collected by Charter Spectrum for the City of Northfield by a maximum of \$.25 per year, to a maximum of \$1.25, to be used to support public, educational and government access (PEG). PEG fees are collected from every cable subscriber in Northfield. That amount collected per subscriber is currently \$.75 per month. By increasing the PEG fees by \$.25, the additional amount that will be raised will be approximately \$10,000 per year.

The question arose at the January 9th Work Session about the use of PEG fees. Our franchise legal consultant, Brian Grogan, from Moss and Barnett's legal opinion is: Several years ago the FCC issued an order - known as the 621 Order - that took the position that PEG fees are limited to capital costs. The FCC did not define exactly what capital costs are, but it would appear reasonable to conclude that paying staff salaries with PEG fees would not be acceptable. The City is free to use franchise fees paid by Charter Spectrum for any desired purpose (including paying staff salaries), but generally most cities now set aside the PEG fees for capital purposes - assuming the local franchise does not permit use of the PEG fees for other purposes. Currently, PEG fees are a revenue source into the communications fund.

The City contracts with Paul Hager of Northfield Television (NTV) to provide service associated with the public access channels on Charter. Currently, NTV broadcasts from the City channels on cable channels 180 and 187. The fees for service with NTV are applied towards office rental, internet monthly service and labor costs associated with managing content and production of programs on the channels.

Staff proposes to use the additional PEG fees to purchase up-to-date equipment for the broadcasting of NTV programming, with the intent of housing and maintaining this equipment in the AV room in Council Chambers, City Hall. The Technology is web-based so NTV can continue to provide the service remotely.

As a separate issue, staff also proposes to negotiate a written contract with Paul Hager for his services. Presently there does not appear to be an active contract with Paul Hager. However, there is an agreement, passed by City Council in 2005.

Alternative Options:

Remove from consent and consider alternate action not to approve the fee increase. In this event, staff would evaluate planning this in the 2020 budget and to include additional fee increase associated with the proposal.

Financial Impacts:

Based on recent years, the number of cable subscribers has held steady; for the near future, we would expect that trend to continue. Currently, PEG fees bring the City approximately \$30,000 per year.

Each Charter Spectrum subscriber will pay an additional \$.25 per month, for a total of \$3.00 per year increase to their cable bill. For the City, the \$.25 increase per subscriber per month will generate an additional estimated \$10,000 per year for public access television.

Staff is intending to work on planning the expenditure through the 2019 budget development process for purchase next year from funds that will begin accumulating into reserves in 2018.

Tentative Timelines:

The current Charter Spectrum contract requires a 90-day notification for increases to the PEG fee.