



## Request for City Council Committee Action from the Department of Communications

**Date:** Jan. 21, 2015

**To:** Council Member John Quincy, Chair of Ways & Means

**Subject:** Transfer of Comcast cable franchise to GreatLand Connections

**Recommendation:** That the City Council (1) approve the settlement agreement between the City of Minneapolis and Comcast of Arkansas/Florida/Louisiana/Minnesota/Mississippi/Tennessee, Inc. ("Comcast") and (2) approve the resolution conditionally transferring Comcast's franchise agreement in Minneapolis to GreatLand Connections.

**Previous Directives:** Oct. 2009, approval of current franchise agreement with Comcast by the City Council, for a franchise to run through Dec. 31, 2021

### Department Information

Prepared by: Matt Laible, Communications Department, 612-673-2786

Approved by: \_\_\_\_\_  
Spencer Cronk, City Coordinator, 612-673-3992

Presenter in Committee: Mike Bradley, Bradley Hagen & Gullikson, LLC

### Financial Impact

Action provides increased revenue to the general fund: It includes a one-time payment from Comcast to the City of \$41,736.83 to correct an underpayment of franchise fees. It also includes an increase in monthly Public, Education, and Government fees paid to the City per subscriber from \$1.14 currently to \$1.50 beginning in 2015.

### Supporting Information

Comcast, the current cable TV franchise holder in Minneapolis, is taking steps to acquire Time Warner Cable. As part of the acquisition, Comcast is proposing to transfer its cable franchises in and around the Twin Cities to a new company called GreatLand Connections.

Comcast is proposing to divest several million subscribers and move them to a new cable provider in order to ease federal regulatory approval for its acquisition of Time Warner Cable. The divestiture will keep Comcast's share of the pay TV market in the United States below 30 percent, a cap set by the Federal Communications Commission in previous cable deals (although subsequently rejected by the D.C. Court of Appeals).

Currently, Comcast has a franchise agreement that allows it to operate within Minneapolis through 2021. Through this transfer process, the company is now asking the City to transfer that cable franchise to a new company, GreatLand Connections.

Minneapolis and other metro cities have received Cable Franchise Transfer Applications (called an FCC Form 394) from Comcast, which initiated the transfer process. Cities in the metro have been reviewing the applications. Each franchising authority is responsible for determining whether GreatLand Connections has the requisite financial, technical, legal and other qualifications to operate a cable franchise.

City staff determined that there were certain pending franchise compliance issues and City interests that needed to be resolved prior to the franchise transfer. Based on Minneapolis' review of the application and follow-up information, the City's legal counsel has negotiated a proposed Franchise Settlement Agreement (SEE Attached Franchise Settlement Agreement).

The following are highlights of the Settlement Agreement:

- **HD Access Channels.** Over the course of 3 years, the City will have the ability to convert 3 of its access channels to high definition (HD) channels, with each HD channel replacing a standard definition (SD) channel. The City currently has no HD channels. This will give HD subscribers access to the City's programming with the best signal quality.
- **No Elimination of Access Channels.** The City will continue to receive 9 Access Channels for public, education, and government programming. Provisions to lower the number of Access Channels per the franchise were eliminated.
- **Video-On-Demand (VOD).** The City will have permission to upload SD and HD programming to be available to Comcast's subscribers via VOD.
- **Electronic Programming Guide.** The City will have access to the Electronic Programming Guide, which will allow viewers to view City programming information across multiple platforms.
- **Public Service Announcements.** Comcast will continue to air public service announcements produced by the City on the Cable System. This arrangement was previously agreed to informally by the City's Communications Department and Comcast.
- **Franchise Fee Underpayment.** Comcast will pay the City approximately \$40,000 for a franchise fee underpayment. This was the result of a franchise fee review conducted by Front Range Consulting.
- **Complimentary Service.** Comcast will provide 3 complimentary digital converters to 30 municipal locations. Comcast will also provide an additional 40 HD converter boxes to be placed at the City's discretion. The City is currently receiving no

complimentary service; this will allow the City to save approximately \$50,000 per year.

- **Access Funding.** The City will receive a Public, Education, and Government (PEG) fee of \$1.50 per subscriber per month until the franchise renews, plus a Consumer Price Index adjustment over time up to \$1.75. This resolves a past compliance issue where the City believed Comcast under-collected the PEG fee and it also simplifies the calculation of PEG fees moving forward.
- **Consent to the Transfer Application.** Comcast has submitted an application requesting that the City approve a transfer of the Comcast franchise to Midwest Cable. Midwest Cable will do business as GreatLand. The attached resolution was negotiated with both Comcast and GreatLand. The resolution lists several contingencies, including the actual closing of the proposed transaction, receipt of necessary federal approvals, executing a guaranty of performance and executing a guaranty regarding rates.
- **Attorney's Fees.** All of the City's costs will be paid by Comcast associated with the review of the Transfer Application.

This Agreement and the attached resolution, if approved by the City, would transfer conditionally the Comcast Cable franchise to GreatLand Connections.

If Comcast receives all of the regulatory approvals needed to acquire Time Warner Cable and to make the proposed subscriber divestitures, the City will have a new cable franchisee. The company will be known as GreatLand Connections. According to previous Comcast announcements, Greatland Connections will be a publicly traded company with 67% of the company owned by current Comcast and Time Warner Cable shareholders and 33% owned by a Company called New Charter.

New Charter will be a new entity that will own the company currently known as Charter Cable. New Charter will acquire its interest in GreatLand Connections by issuing stock in New Charter to Comcast and Time Warner Cable shareholders. New Charter will manage GreatLand Connections.