TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER 

DATE: JUNE 19, 2006

DEPARTMENT: ADMINISTRATIVE SERVICES

CMR: 271:06

SUBJECT: APPROVAL OF RESOLUTION OF THE COUNCIL OF THE CITY OF PALO ALTO ON BEHALF OF THE JOINT POWERS AND ITSELF FOR TELECOMMUNICATIONS SERVICES AND VITAL CITY INTERESTS

RECOMMENDATION

Staff recommends that Council adopt the attached resolution for Telecommunications Services and Vital City Interests on behalf of the City of Palo Alto and the Joint Powers. The resolution is for Congress and the California legislature to consider in their debate over a new telecommunications regulatory framework.

BACKGROUND

Technological advances have made it possible for telecommunications providers to expand the range of services they can offer consumers. New technology and applications promise to bring telecommunications services that will revolutionize our lives and the way we do business. These changes will be good for consumers, expanding their choices. It also means greater competition among telecommunications providers, which usually leads to lower prices and better customer service.

However, as this revolution in communications technology unfolds, traditional methods of categorizing telecommunications services for regulatory and taxing purposes are outdated. As a result, tremendous pressure has been placed on government to modify state and federal laws affecting the telecommunications industry. In the near future, Congress is expected to begin debates over a major rewrite of the 1996 Telecommunications Act. In California, reform efforts now focus on the creation of a new statewide franchise for cable and video service providers.

The introduction of a new regulatory framework for telecommunications services could have a profound impact on Palo Alto and the other Joint Powers communities. (The City of Palo Alto is a party to a Joint Exercise of Powers Agreement by and between the Cities of Palo Alto, East Palo Alto and Menlo Park, the Town of Atherton, and the Counties of San Mateo and Santa Clara, collectively, “Joint Powers” or “JPA”. Palo Alto was appointed to administer the cable franchise process on behalf of the Joint Powers.) Among other things, it could affect the Joint Powers ability to maintain its current or an equivalent telecommunications revenue stream, control local rights-of-way, maintain public access stations and programming, and ensure that all telecommunications...
services are available to all residents. As this debate unfolds, it is vital for Palo Alto, on behalf of the Joint Powers, to provide legislators with information regarding its needs and interests.

DISCUSSION
Traditional franchising at the local level has served the valuable purpose of tailoring service to unique local conditions. The continued involvement of local government in any new federal or state regulatory scheme is crucial. Therefore, staff recommends that Council adopt a telecommunications resolution for Congress and the California legislature to consider that preserves local involvement and oversight and includes the following:

- Revenue Protection. Revenues from telecommunications providers support public services such as public safety and transportation and are used to mitigate impacts on local rights-of-way. Any future changes should be revenue-neutral for local governments.

- Local Rights-of-Way Control. Local governments have the authority to regulate telecommunications companies that use local rights-of-way to construct their infrastructure, including the appearance and aesthetics of equipment placed within it. Numerous safety issues could arise if the rights-of-way is not properly managed and overcrowded. To protect the public’s investment, the control of public rights-of-way should remain local.

- Access. All residents should have access to all available telecommunications services. New entrants should be subject to build-out schedules that establish a reasonable timeframe for the deployment of service to the entire community, regardless of income levels. Telecommunications providers should not be allowed to pick and choose the neighborhoods they will serve. This type of redlining widens the digital divide that separates low income residents and smaller businesses from the telecommunications services they need to function effectively in society today.

- Community Access Programming and Support. Public, education and government (PEG) channels are important assets in a community that permit the televising of community events, government deliberations and educational opportunities. These stations provide a window through which all community members can share ideas and participate in critical decision-making. The number of public-access stations and funding for PEG facilities should be maintained.

- Institutional or Fiber Network (I-Net). The Joint Powers are in the process of establishing an institutional network (I-NET) that will connect 70 schools, libraries, and government facilities, delivering data, video and voice service. Any new regulatory scheme should require the maintenance of the current I-NET service and permit local communities to adopt I-NETs in the future.

- Public Safety Services. Video providers should provide a local emergency notification service, allowing a local agency to notify citizens of critical information during emergencies.

- Customer Service Protection. At the present time, local governments have the ability to adopt and enforce customer standards for cable television service. Local governments
should continue to have the ability to establish such standards and enforce penalties for failure to meet standards.

RESOURCE IMPACT

The franchise agreement with Comcast provides Palo Alto with various forms of compensation for use of the public right-of-way. In 2005, Palo Alto received franchise fees in the amount of $503,027 and funding for PEG access services in the amount of $304,295. These revenue streams could be at risk under a new regulatory framework.

Regulatory changes could also impact the City’s ability to collect telephone Utility Users Tax (UUT) and 9-1-1 access fees in the future.

POLICY IMPLICATIONS

This recommendation does not represent a change to existing policies.

APPROVED BY:  

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CITY MANAGER APPROVAL:  

EMILY HARRISON  
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ATTACHMENTS

Attachment A: Resolution