TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES

DATE: JULY 8, 2002 CMR: 328:02

SUBJECT: REQUEST FOR APPROVAL OF AGREEMENT BETWEEN THE CITY OF PALO ALTO ON BEHALF OF THE JOINT POWERS AND MIDPENINSULA COMMUNITY MEDIA CENTER, INC. AND AGREEMENT BETWEEN THE CITY OF PALO ALTO AND MIDPENINSULA COMMUNITY MEDIA CENTER, INC. IN THE AMOUNT OF $160,000

REPORT IN BRIEF

In 1991, the Midpeninsula Access Corporation (MPAC) was established by the City as the Community Access Organization (CAO) to bring community media services to Palo Alto, Menlo Park, East Palo Alto, Atherton and portions of San Mateo and Santa Clara Counties. In July 2000, following the sale of the cable system from Cable Co-op to AT&T, the Council approved a new franchise agreement with AT&T. A new non-profit, Silicon Valley Community Communications (SVCC), was formed out of the sale, and was poised to merge with MPAC. The City entered into several short-term agreements with MPAC to provide time for the merger to be finalized and for an agreement to be negotiated between the City and the new merged entity. On August 20, 2001 MPAC merged with SVCC and was renamed the Midpeninsula Community Media Center, Inc. (Media Center). Subsequently, Council designated the Media Center as the CAO serving the JPA. Since that time, staff has worked with the Media Center to negotiate the terms of a new CAO agreement. This report transmits the proposed new CAO agreement which has an expanded scope of services including: 1) a term of up to nine years coinciding with the expiration of the franchise agreement; 2) the facilities and equipment requirements that currently exist in the City’s agreement with SVCC, guaranteeing the existing level of facilities and equipment for the CAO; 3) responsibility for governmental channel administration; 4) JPA involvement in the development of annual plans and budgets; 4) the establishment of a standard set of hourly rates; and 5) the payment of public, education, and government (PEG) fees negotiated in the AT&T franchise agreement approximating $275,000 annually to the Media Center. In addition to the CAO agreement, this report transmits an agreement between the City of Palo Alto and the
Media Center in the amount of $160,000 for cable casting and other production services for a term of up to three years.
RECOMMENDATION

Staff recommends that the City Council approve:

1) An agreement between the City of Palo Alto, representing the JPA communities (Palo Alto, Menlo Park, East Palo Alto, Atherton and portions of San Mateo and Santa Clara Counties), and Midpeninsula Community Media Center, Inc. from July 1, 2002 through June 30, 2005, with the option to extend for two additional three-year periods, for Public, Education, and Government (PEG) access services.

2) An agreement between the City of Palo Alto and the Midpeninsula Community Media Center, Inc. in the amount of $160,000 from July 1, 2002 through June 30, 2003 for cablecasting and other production services.

BACKGROUND

In 1983, a Joint Powers Agreement (JPA) was entered into by Palo Alto, Menlo Park, East Palo Alto, Atherton and portions of San Mateo and Santa Clara Counties for the purposes of obtaining cable television service for residents, businesses, and institutions within these jurisdictions. The JPA gives Palo Alto the sole authority to grant and administer a cable television franchise on behalf of the JPA member communities.

In 1986, a cable television franchise agreement was executed with Cable Co-op. Subsequently, the City Council designated Mid Peninsula Access Corporation (MPAC) as the CAO to bring community media services to the JPA service area. Since that time, MPAC has served as the CAO for the JPA and the City has continued to invest in its development.

In 1999, the Cable Co-op Board of Directors and subscribers approved the sale of Cable Co-op’s system to AT&T. As a condition of the sale, AT&T made a charitable donation of $17 million to SVCC, a new public benefit corporation established by Cable Co-op. On July 24, 2000, the City Council approved a transfer of the cable system from Cable Co-op to AT&T and a new franchise agreement with AT&T. The Council also approved an agreement with SVCC for the provision of facilities and equipment for MPAC. Since its establishment, SVCC and MPAC were actively engaged in merger discussions and a merger of the two entities occurred on August 20, 2001. Under the merger, MPAC is the surviving organization and was renamed the Media Center. On October 22, 2001, Council approved a resolution designating the new entity, the Media Center, as the CAO serving the JPA. Following the Council designation, staff began negotiating a new agreement with Media Center. On December 17, 2001, the Council approved a short-term (six month) agreement with Media Center to provide time for the new agreement to be finalized.
DISCUSSION

CAO Agreement
Staff requests Council approval of a proposed new agreement between Media Center and the City of Palo Alto on behalf of the JPA. The terms of the new agreement are substantially different from the terms of the existing agreement. The key terms are discussed below.

Term: The new agreement is for a three-year time period with the option to extend for two additional three-year periods. This term was established to coincide with the term of the AT&T franchise agreement.

Facilities and Equipment: When the Council approved the AT&T franchise agreement, it also approved an agreement with SVCC for the provision of facilities and equipment for the CAO, through the term of the franchise agreement. The CAO agreement incorporates the facility and equipment provisions that exist in the City’s agreement with SVCC, which guarantees at least the existing level of facilities and equipment.

Government Channel Administration: In the past, City staff administered programming on government channel 26. Recently, the City began to transition these duties to the Media Center. Since these duties are closely aligned with Media Center’s mission and responsibilities, Media Center is better equipped to handle them for the JPA. In the proposed new agreement, Media Center would be responsible for government channel administration. These duties include coordinating JPA member requests for use of channel 26, program scheduling, program acquisition and production, channel publicity and maintenance of the scrolling cable text.

Annual Planning Process: The new agreement provides for more JPA involvement in the development of annual plans and budgets. Each year, Media Center would submit its annual plan and budget to the City, outlining the activities and programs that are planned for the following fiscal year. The JPA would have an opportunity to comment on the plans and Media Center would take the comments into account when finalizing its annual plan and budget.

Standard Rates: The new agreement implements a new set of standard hourly rates that will be used by JPA members when contracting with Media Center for cablecasting and other production services.

Funding: In the new agreement, the City would continue to pass along the entire payment of PEG fees from AT&T to Media Center. These fees are $0.88 per subscriber per month, or approximately $275,000 annually. In the past, Cable Co-op provided PEG fees of about $150,000 annually. The PEG fees negotiated in the AT&T Franchise Agreement represent an increase of approximately $125,000 annually.
CPA Agreement
Staff also requests Council approval of a separate agreement between the City of Palo Alto and Media Center in an amount not to exceed $160,000. This agreement funds: 1) cablecasting of Palo Alto City Council, Council Committee and board and commission meetings in an amount not to exceed $60,000; and 2) programming of Palo Alto special events, programs and activities in an amount not to exceed $100,000. Media Center will bill for these services monthly based upon the standard rates established in the JPA agreement.

In the past, the City of Palo Alto has given the CAO $100,000 to be used for PEG access programming and services at its sole discretion. In this agreement, staff recommends directing the use of this money towards Palo Alto’s specific needs. These needs include the production of a monthly magazine show (CityBeat), cablecasting of Town Hall meetings, the production of a summary video of Town Hall meetings, and Council/City Manager call-in shows, all to be aired on the public and/or government channels. With the City’s current revenue decline, the resources that the SVCC merger brings to the CAO, and the increased PEG fees negotiated in the AT&T franchise agreement, staff believes this change to meet Palo Alto’s need is justified.

RESOURCE IMPACT
Funds for the CAO agreement are generated through AT&T’s payment of PEG fees (approximately $275,000 annually) to the City on behalf of the JPA. Funds for the CPA agreement were appropriated in the Administrative Service Department’s 2002-03 Budget. CPA agreement expenditures of $160,000 are offset by franchise fee revenues paid to the City by AT&T, which amounted to $375,640 in calendar year 2001.

POLICY IMPLICATIONS
The recommendation does not represent a change to the Council practice of funding PEG access services provided by the CAO through PEG fees paid by the cable operator. This report does recommend a change in the Council practice of providing City funding, in the amount of $100,000, to the CAO for it to use at its sole discretion.

ENVIRONMENTAL REVIEW
This is not a project under the California Environmental Quality Act.

ATTACHMENTS
Attachment A: Agreement between the Media Center and the City of Palo Alto representing the JPA

Attachment B: Agreement between the Media Center and the City of Palo Alto