

Cable TV Franchise Agreement

Bill 23-0567
May 2023

What is a Cable TV Franchise Agreement?

A non-exclusive agreement with local governments that allows a cable operator to build, maintain and operate a cable television system.

Cable franchise agreements are limited to the regulation of cable television and can not be used to regulate broadband. Regulations for broadband are currently managed at the federal level.

Cable Franchise Model

Local governments receive:

- A percentage of gross revenue from a cable provider's local subscription sales
- A fee collected by the cable provider dedicated to supporting capital needs of public, education, and government media (PEG)
- Cable television channels dedicated to airing PEG content

Cable companies receive:

- Access to public right-of-way for placement of cable television lines
- Access to public right-of-way and installation of cable television lines must still follow city permitting and planning processes

Franchise Revenue Usage

Franchise Revenue

- Denver receives 5% of Comcast's gross revenues within the City and County of Denver annually
- Franchise revenue goes into the city's General Fund and is not earmarked for a specific agency or program

Public, Government, Education (PEG) Revenue

- Comcast collects \$1.05 per month, per cable subscriber on behalf of the city
- PEG revenue can only be used to support capital expenses for the city's public, educational, and government media access programs

Denver's PEG Operations

Denver 8 TV

- Provides live public meeting coverage
- Covers city news and promotes critical services and information
- Produces original public affairs and arts and cultural programming



Denver's PEG Operations

Denver Community Media

- Provides multimedia training, tools, and creative space to the community
- Partners with Emily Griffith Technology College to provide accredited certificate programs
- Provides DPS a cable channel for district content distribution



Comcast Franchise Data Snapshot



Over the term of the franchise, Comcast cable subscribers declined by 42%

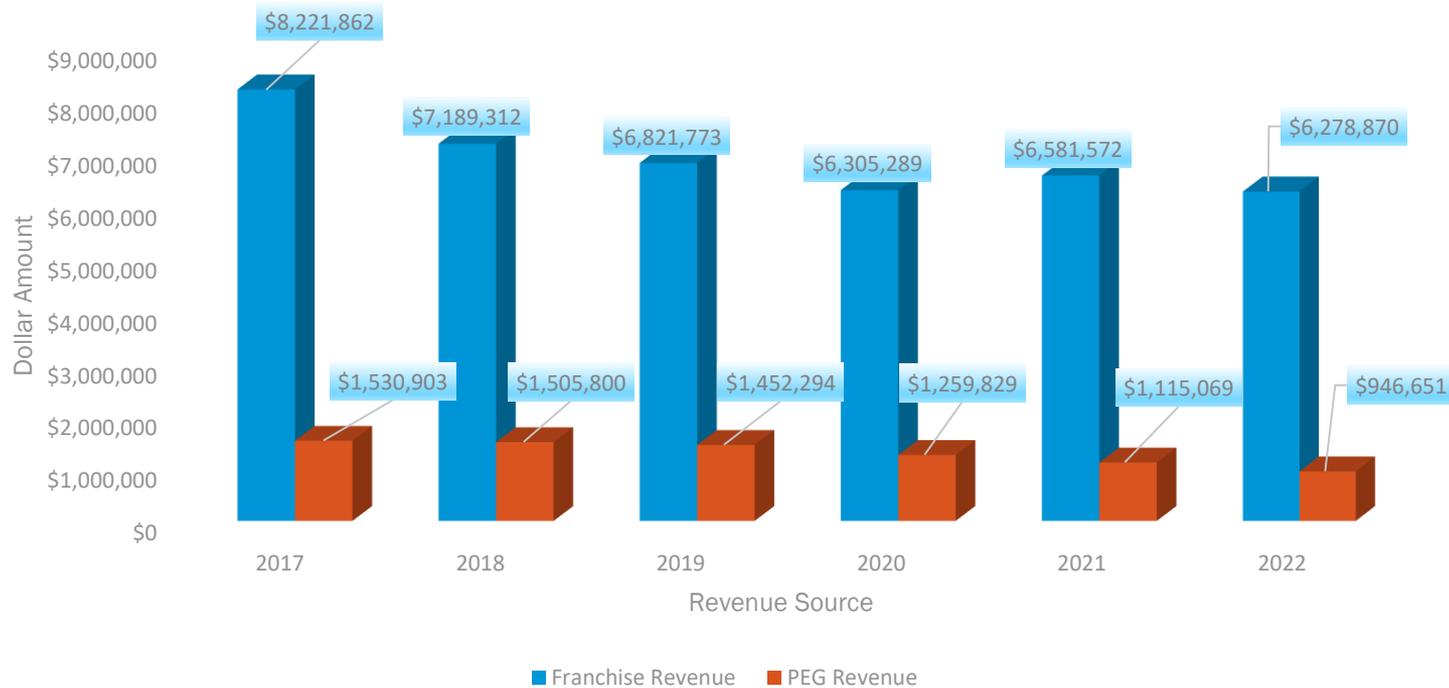


Franchise revenue declined 24% between 2017 and 2022



PEG fee revenue declined 38% between 2017 and 2022

Decline in Revenue to City 2017 - 2022



An Uncertain Industry

- Cable cord-cutting continues
- Streaming/over-the-top (OTT) business model still evolving
- “Protecting Community Television Act” legislation under consideration at the federal level

Five-Year Renewal Recommendation

Denver's cable current franchise agreement with Comcast expires on December 31, 2023.

Comcast has formally proposed renewing the current franchise agreement for five more years.

The future of cable franchise agreements and the cable industry are uncertain.

Keeping the current agreement through December 31, 2028 is in the city's best interest.

Strength of Current Franchise Terms

- The Comcast cable franchise provisions have provided a strong framework for the city to administer cable related needs
- The current agreement provisions incorporate federally-governed regulation on the use of public right-of-way, customer service standards, technology, and performance
- Franchise fee of 5% of gross revenues
- PEG access fee of \$1.05 per month, per cable subscriber
- Five standard-definition and three high-definition PEG cable channels
- Comcast's agreement with Denver is considered a model by other cities when negotiating their own cable franchise agreements

Alignment With Regional Approach

- The Colorado Communication and Utility Alliance (CCUA) represents state and local governments in all matters of concern related to telecommunications, utility, and right-of-way-issues
- The CCUA is leading research to understand how cable franchise agreements should evolve, considering national trends and the changing cable industry
- Denver and other local governments look to the CCUA for help in identifying opportunities to revise or renegotiate cable franchise agreements
- The CCUA considers Denver's agreement with Comcast a model franchise

Factors Considered – Current Landscape

FCC laws and policies

Comcast is moving its focus to its over-the-top (OTT) system

Dated technology, with more live, on-demand, archived video streaming competitive options exist today

Research of cable TV franchise renewals across the U.S., with various cable TV providers, showed the same terms are being renewed

Factors Considered – Customer Sentiment

- We recently engaged a marketing firm to collect data and sentiment from cable subscribers in Denver about Comcast's customer service practices
- Ratings in customer service-specific categories ranked average to above average
- Comcast hired Keating Research, Inc. to conduct a customer satisfaction survey, netting similar findings on customer satisfaction

Potential Next Steps Toward 2028 Franchise Renegotiation

- **2023:** Technology Services (TS) will begin researching community needs and interests
- **2024:** TS will conduct an ascertainment of PEG needs and interests
- **2025:** TS will conduct formal, targeted cable-related surveys in the community and review Comcast's most recent data on the state of their technical systems, franchise compliance, and past performance
- **2026:** The city will begin renegotiations with Comcast

Action Requested:
Approval of Bill 23-0587