

# Agenda Items



*FROM THE DESK OF . . .*

*Tina Volek*

*City Administrator*

*PO Box 1178*

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*email: volekc@ci.billings.mt.us*

## MEMORANDUM

**To: Mayor & City Council**  
**Date: Thursday, June 11, 2015**  
**Subject: Charter & Channel 7**  
**CC: Bruce McCandless; Brent Brooks; Pat Weber & Tim Harrington**

In October, City Administration received a letter (Attachment A) from Charter Communications, seeking to change the location of Billings' Public, Education & Government (PEG) channels to a new tier. Charter's representative said that increasing competition had affected its penetration in the City, resulting in those channels reaching significantly fewer residents than in previous years. The item was discussed in January 2015 with Charter's representative, and then in March with the Community Seven Television Board.

A transfer agreement was approved by the Council on June 12, 2014, for the move of the non-exclusive City cable franchise from Cablevision to Charter. Section 2.8 (b) of the agreement states that, with the advent of high definition formats:

- Charter will agree to use reasonable efforts to locate PEG signals on numbers grouped with a majority of the channels that a subscriber receives as part of the lowest level of service offered on the system.
- Charter is required to provide advance written notice of any PEG channel change of location, will pay a fee up to \$3,000 per change, and will provide on-system advertising to promote public notice of the change.
- Charter cannot change the channel position without the City's consent, although City consent will not be unreasonably withheld, conditioned or delayed.

City staff has consulted with Joe Van Eaton, a Washington, D.C. –based attorney who specializes in cable television issues. He says the City is not required to authorize the PEG channels' relocation.

The Community Seven Television Board and staff expressed their opposition to the move from channels 7 and 8, which the PEG has occupied for nearly three decades (Attachment B). The current locations are between the CBS and NBC affiliates; the proposed locations are near C-SPAN3 and BigSkyTV.

Channel Seven Television board and staff have asked that, if the changes do occur, Charter be required to provide the following:

- An additional high-definition channel;

- Up to seven cable TV converter boxes to be located in their offices at no charge for the staff to monitor programming being sent to Charter for cablecasting to its customers;
- As required in the transfer agreement, \$3,000 per channel to cover advertising expenses;
- The PEG HD channel on 507 remain located in its present position between KULR-8 and KTVQ-2; and
- Community Seven programming be brought back to both the Billings Clinic and St. Vincent Healthcare Hospital rooms at no cost to either location.

Staff would recommend that the Council approve the transfer only if Charter agrees to comply with the requests made by Community Seven Television.

Attachments (2)

ATTACHMENT A  
RECEIVED  
OCT 16 2014  
City Administrator



Via FEDEX

October 15, 2014

Tina Volek  
City Manager  
210 North 27<sup>th</sup> Street  
Billings, MT 59102 Tina Volek

Dear Tina Volek:

At Charter, we continue to make significant investments in our network to improve the quality of the video, internet and voice services in your community. A critical part of our current effort is conversion of Charter's network to an All-Digital platform. Charter is moving to an all-digital environment on or after November 18, 2014, in Billings, which will allow us upon completion to provide customers with higher quality pictures on every TV. Once the entire project is completed throughout the Rocky Mountain Region by the end of 2014 there will be over 200 channels in High Definition, increased internet speeds, and an enhanced content viewing experience. We seek to partner with your community to fully implement these content viewing enhancements by aligning channel locations on Charter's lineup, including PEG channels, in a more customer friendly format that optimizes customer access to highly-viewed content and "neighborhoods" of similar programming. As explained below, we believe such a partnership will yield significant long-term benefits for both Billings and your constituents.

Our customers clearly are more satisfied with their video service when they have access to a digital set top box with a digital programming guide to navigate the hundreds of channels available today. Such enhancements have changed the way our customers view television. Where Charter customers in Billings have a digital set top box on each television, it's easier to quickly search and find programming of particular interest. Gone are the days of flipping through channels and stumbling across programming. Our guide allows for interactive searching, tuning and recording of programming, similar to functionality provided by competitive service offerings.

Indeed, a major impetus for these product changes is to enhance Charter's ability to successfully compete against strong competitors. Charter currently faces substantial and increasing competition from Direct Broadcast Satellite ("DBS") providers, Telephone companies, as well as alternative sources of video content on the Internet. Consumers in your community have a choice among at least three competing subscription video providers: Charter, DISH Network, and DIRECTV. As a result of Charter's reduced penetration in the city, and because

DIRECTV and DISH Network do not carry PEG programming, this community-oriented programming reaches significantly fewer residents than in previous years.

As explained below, we seek the Cities' partnership in further enhancing the value proposition for our customers (and your constituents) by strategically optimizing our channel lineup, including location of PEG channels, in a manner that customers will find more valuable.

*One of the keys to optimizing our video product means providing our customers with an enhanced, user-friendly channel lineup, organized into "Neighborhoods" of similar channels and content, and placing channels with highest viewership in the lowest channel lineup positions, which allows new customers unfamiliar with our services to easily find the programming that interests them.*

For these reasons, Charter requests the City's partnership in modernizing our lineup to enhance our competitive position in Billings, which will provide your community with substantial long-term financial benefits, as well as improved product choices for your constituents. Charter will consolidate each City Public, Education and Government (PEG) Channel into a new neighborhood on the Basic Tier of service effective on or after November 18, 2014. The new "Public Affairs Neighborhood" will include, among others, C-SPAN3, and BigSky TV. This is your audience and we strongly believe our proposed approach will build more audience with higher value programming.

The changes are contained in the grid below;

Channel	Current Channel Number	New Channel Number	New Channel Service Level
Govt. Access	7	7, 189	NO CHANGE
Govt. Access	8	8, 190	NO CHANGE
TVMT	63	191	NO CHANGE
LOC-BigSky TV	2	192	NO CHANGE

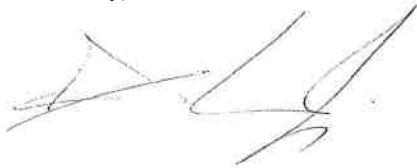
Charter will build an advertising campaign to promote these moves, having the dual benefit of notification to current viewers and promoting awareness of your content. We look forward to working closely with your community to promote awareness of your brand.

We realize there may be other needs to help re-brand your channels and we stand ready to provide reasonable support. When your channels are migrated to the "Public Affairs Neighborhood" on the lineup, Charter's interactive program guide will list program information. Additionally, we will provide listings to services feeding local newspapers, TV Guide, and other appropriate media outlets.

Charter will actively communicate channel changes through the following tactics: direct mail to customers, an informational website and a full-time promotional channel. Our customer service staff will be educating customers on the new locations through our customer care helpline. Additionally, all PEGs will be searchable on the Program Guide, which will be available to all customers going forward.

Charter views our relationship with the city as a partnership and our growth has a direct benefit to the City. We are eager to move forward on this project together.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Underwood". The signature is fluid and cursive, with a prominent loop at the end.

Gary Underwood  
Senior Director  
Regional Government Affairs  
Charter Communications  
Gary.Underwood@charter.com



March 11, 2015

Tina Volek  
City Administrator  
210 North 27<sup>th</sup> Street  
Billings, MT 59101

Dear Tina,

Thank you for passing along the letter the City has received from Charter Communications dated October 15, 2014. I have had the chance to review the letter and would like to express our strong opposition to a channel (s) relocation of Community Seven Television now available on cable channels 7 and 8.

As a provider of quality public, educational and government programming for nearly three decades in the Billings Community we feel this move is detrimental to our viewers and the Community as a whole. We strive to bring gavel-to-gavel coverage of live City Council, County Commission and Billings School District #2 meetings to the residents of Billings. We rely on our prime channel location currently situated between the CBS and NBC affiliates to accomplish this. We do understand Charter's need to remain competitive in a fast changing technological business. However, the need for open meetings, transparency in government, quality programs on education and social services needs to remain a vital part of our community.

We realize this change may be beyond our control but would like to address the following concerns and what we would like to see if the change(s) do occur.

- Community Seven would like to request an additional high definition channel
- Request for up to 7 cable TV converter boxes to be located in our offices at no charge in order for the staff of Community Seven to monitor programming being sent to Charter for cablecast to its customers
- Cash compensation in the amount of \$3,000 per channel change (\$6,000 for both channels 7 & 8) to cover advertising expenses for us to inform viewers of the changes. This is pursuant to Section 2.8 (b)

of the Transfer Agreement (Resolution No. 13-19291) dated June 24, 2013 between the City of Billings and Charter Communications.

- We want to ensure our current HD channel on 507 remains located between both KULR-8 and KTVQ-2 in its present location
- That our programming be brought back into both the Billings Clinic and St. Vincent Healthcare Hospital rooms at no cost to either organization

I would also like to mention that if the franchise extension is renewed by an additional two years coming up this June, Charter is responsible for an additional \$25,000 for PEG capital expenditures within sixty days of the effective date of the extension. We plan to purchase additional remote equipment, allowing us to increase our locations we broadcast from. This is pursuant to Section 2.7 of the transfer agreement previously mentioned.

Thank you for taking the time to meet with the Community Seven Board of Directors and myself coming up this Thursday. We look forward to visiting with you.

Sincerely,

***Tim Harrington***

**General Manager**

Community Seven Television

415 N. 30th St.

Billings, MT 59101

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4<sup>th</sup> Floor

## PLANNING AND COMMUNITY SERVICES DEPARTMENT



Billings, MT 59101  
406-247-8676

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# Memorandum

**To:** Mayor and City Council  
**CC:** Tina Volek, City Administrator  
**From:** Candi Millar, Director  
**Date:** 6/11/2015  
**Re:** Building Division Reserve Status

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The Building Division fund balance is estimated to be \$1,949,408 by the end of FY15 (June 30, 2015). This amount exceeds the FY15 operating budget by \$319,109. State statutes require building permit fees be “reduced if the amount of the fees or charges accumulates above the amount needed to enforce building codes for 12 months” (50-60-106 2.g.ii., MCA). In order to reduce the fund balance and align it closer to the 12 month operating budget, estimated revenues must be reduced.

The increase in Building Division revenue over the last year is directly attributable to the roof and siding damage resulting from the hail storm of May 18, 2014. A reasonable course of action to reduce the excessive reserve levels is to impose uniform fee reductions for all roofing and siding permits. By reducing the roofing and siding permit fee from \$45 to \$20, the Building revenue estimates would be reduced by \$125,000 (\$25\*5,000 est. permits). The Building Division administratively reduced the cost of the roofing and siding permit fee on June 1. This fee reduction will reduce the FY16 ending fund balance to approximately \$1,711,195 or about \$100,000 less than the FY16 operating budget (\$1,814,205). Action taken by the Building Division will bring the fund balance into compliance with state law. Expenditure and revenue amounts will be monitored during the course of the year to determine if additional adjustments are needed. Additional adjustments to the budget could be made by accelerating the schedule for digitizing archived building plans and/or investing in improved technology.

Candi Millar, AICP, Director  
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