




Cable Franchise Fees and Other Telecommunications Revenue Sources

Council-Staff Topics

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Cable Franchise Fee Revenue - Current Status

- ▶ City currently imposes a 4% tax on services delivered via cable
 - ▶ Cable franchise fees currently generate approximately \$475K annually
 - ▶ As anticipated, these revenues are on a steady decline
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Cable Franchise Fees – Industry Trends

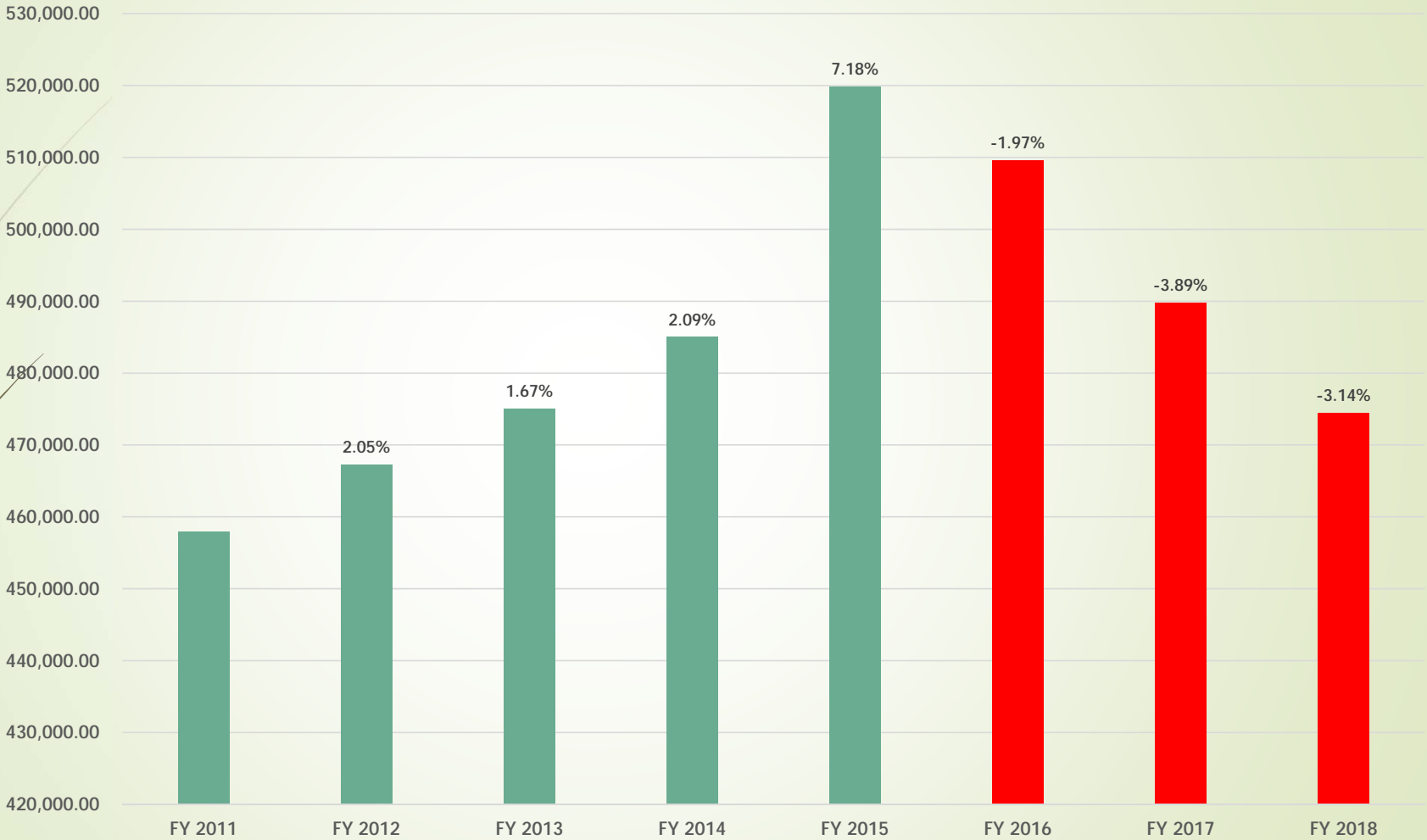
- ▶ Providers subject to fees currently serve approximately 63.3M U.S. households
- ▶ Providers have been reporting 3.16% annual decline in customer base, about 2M per year
- ▶ Cable customers shifting to high-speed broadband services (fiber) as available
- ▶ Also an increase in number of broadband customers who have never had cable service



Cable Franchise Fees – Industry Trends


- Increases in Cable FF revenue in recent past due to increases in on-demand & pay-per-view services (not growth in customers)
 - This growth will not keep pace with number of people leaving market for fiber
 - Broadband will continue to increase speeds without equivalent rate increases
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Cable Franchise Fees Revenue Trend – Peachtree City





Trends – A Few More Points

- Broadband will continue to provide access to popular programming like Netflix & HULU, which will continue to increase dramatically
 - Cable service providers might actually want this shift away from cable to happen
 - They can sell the higher margin broadband services
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Revenue Loss – What Can We Do?


- Why can't we replace Cable Services FF with a Broadband Services FF?
- In 2015, Congress passed the Permanent Internet Tax Freedom Act
- Established a 'permanent' moratorium on state & local Internet access taxes
- Moratorium still in effect
- So what can we do?



Recommendations & Legislative Update

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Revenue Loss – Other Options

- ▶ Cable Franchise Tax imposed at 4% level
- ▶ Only one other city in GA imposes tax at 4%
- ▶ Most (268) have imposed tax at the 5% level
- ▶ A 1% increase in PTC would generate approximately \$124K more annual revenue, based on current collections
- ▶ Cable FF revenue will still decrease steadily, but this would offset some of the revenue loss



Right-of-Way Agreements

- As provided for under existing ordinances, the City has the right to enter into right-of-way agreements with service providers offering services other than cable TV and telecommunications services provided through fiber optic facilities.
- Thus far, two service providers providing services other than cable TV and telecommunications services, Zayo and Uniti Group, Inc., have constructed fiber optic facilities in the City.
- All service providers that seek to construct fiber optic facilities in the City are required to register as utilities with the City.
- The City might consider adopting a policy that also requires new utilities to enter into right-of-way agreements with the City prior to installing facilities.
- Standards for a City right-of-way agreement could also be adopted which could include appropriate provisions including the payment of recurring right-of-way access fees based upon the linear footage of facilities constructed and placed in service.



Fiber Optic Right-of-Way Access Fees

- To offset expenses associated with maintaining its right-of-way, the City has the right to assess recurring linear based fees for fiber optic facilities placed in City right-of-way used to provide services other than cable TV and telecommunications services which are assessed revenue based franchise fees.
- The placement of new fiber optic facilities will typically be for wireless backhaul and providing service to commercial customers.
- The Georgia Department of Transportation charges the following fees:
 - \$1,000/mile/year - Along local roads and State Highways in rural areas.
 - \$5,000/mile/year - Along local roads and streets inside urban areas.
- Other examples of current municipal fees imposed on fiber optic facilities:
 - \$.75/linear foot per year – Piscataway, New Jersey
 - \$2.50-\$5.00/linear foot per year – Austin, Texas
 - \$2.00/linear foot per year if no customers or if serving customers, 6% of gross revenues – Union City, New Jersey



2018 Legislative Update - Approved

- ▶ SB 402 - Achieving Connectivity Everywhere (“ACE”) Act
- ▶ Comments:
 - ▶ ACE positions the State, through the Department of Economic Development, to promote the expansion and deployment of broadband facilities if certified as a Georgia Broadband Ready Community Site and to provide funding for projects in unserved areas.
 - ▶ State support requires the adoption of a model ordinance which:
 1. Appoints a single point of contact for broadband network projects.
 2. Establishes a reasonable time period for the approval of broadband network projects.
 3. Provides written notice of incomplete and approved applications.
 4. Establishes reasonable application fees.
 - ▶ Projects in the City would not be eligible for funding available to unserved areas as defined by the Department of Community Affairs (broadband services not currently available to 20%+ of census blocks).



2018 Legislative Update – Not Approved

- ▶ SB 426 and HB 887 – Streamline the deployment of wireless broadband.
- ▶ Comments:
 - ▶ The bills sought to limit the ability of local governments to regulate wireless providers installing small wireless facilities and to charge for use of public rights-of-way.
 - ▶ The bill would have applied to the collocation of small wireless facilities on existing support structures and the deployment of new utility poles in public rights-of-way.