



## Information and General Services Department

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*Information Systems  
Geographic Information Systems  
Facilities Management*

*Emergency Services  
Central Services  
Cable Television*

*Purchasing  
Airport  
Library*

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## **NEVADA COUNTY BOARD OF SUPERVISORS**

### **Board Agenda Memo**

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**MEETING DATE:** July 26, 2016

**TO:** Board of Supervisors

**FROM:** **Steve Monaghan, Chief Information Officer**

**SUBJECT:** Public Hearing to Consider and Adopt an Ordinance Amending Article 2; Replacing Articles 2.A and 2.B; and Repealing Article 2.C to Chapter II of the Nevada County General Code Pertaining to Implementation of the Digital Infrastructure and Video Competition Act of 2006

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**RECOMMENDATION:** Conduct a public hearing and adopt the proposed Ordinance.

**FUNDING:** Franchise fees in the amount of approximately \$365,000 per year will continue to be received by the General Fund. PEG fees of approximately \$100,000 per year will be received in support of public, educational, and governmental cable television broadcasting. A portion of the PEG fees will be retained in the IGS Cable Television budget to support the broadcast channel management system and related PEG infrastructure, and the balance will be available to the cable service providers in support of eligible PEG expenses.

**BACKGROUND:**

In June, 2006 the County entered into franchise agreements with the two cable television providers that serve the County. Comcast of California provides cable services to most of western Nevada County. Cequel III Communications I, LLC, dba Suddenlink Communications, provides cable services to Lake of the Pines and eastern Nevada County.

Subsequent to the County entering into those Agreements, the California legislature enacted the Digital Infrastructure and Video Competition Act of 2006 (DIVCA). Under DIVCA, the California Public Utilities Commission (CPUC) is the sole franchising authority for cable service providers in California. At the June 27, 2016 expiration of the County's cable franchises, those franchises converted to State franchises to be administered by the CPUC.

There are two financial benefits that accrue to the County from the cable franchises. First, the cable companies pay franchise fees equal to five percent of their gross revenue. Franchise fees are received as unrestricted revenue to the County General Fund. Under DIVCA, franchise fees will continue to be paid to the County.

Second, the cable providers collect from their customers and remit to the County a fee to support public educational and governmental (PEG) broadcasting. In the 2006 County franchises, the PEG fee was set at \$0.60 per subscriber per month. In the first year of those agreements, the cable companies advanced more than \$300,000 against anticipated PEG fees, which the County used to construct the Institutional Network (I-Net), a high speed data network that has been serving various County offices, all three incorporated cities/town, school districts, and Sierra College over the past decade. The I-Net enables live broadcast of public meetings from those various sites as well as provides for high speed transmission of business data. In consideration for the advance of funds for I-Net construction, the cable companies retained \$0.25 per subscriber from the PEG fees collected and paid to the County \$0.35 per subscriber. In addition, the 2006 franchises provided a number of grants over the course of the franchise period in support of PEG facilities and equipment.

Under DIVCA, local entities that have previously been receiving PEG fees may, by ordinance, establish a PEG fee no greater than the fee that was imposed by the local entity on December 31, 2006, and in no event greater than three percent of gross revenues. Because the PEG fee in the County franchises was expressed on a per-subscriber basis rather than as a percentage of gross revenues, it was necessary to look at the PEG revenue over the term of the franchise in order to determine the appropriate percentage to impose in the ordinance. Further, because the 2006 Comcast franchises for the County and the cities of Grass Valley and Nevada City were negotiated collectively, with some of the grants being paid to the County for the benefit of all three entities, the analysis to determine the appropriate fee needed to take into consideration all three entities. The PEG fee of 1.4% imposed in the draft Ordinance represents the PEG fees earned (the full \$0.60) plus PEG grants received over the period of the 2006 Nevada County, Grass Valley, and Nevada City franchises, from both Comcast and Suddenlink, as a percentage of those companies' gross revenues derived from those franchises.

PEG fees are restricted for facilities and equipment associated with broadcasting on PEG channels. Over the term of the last franchise, Nevada County passed through all but a small portion of the PEG fees to NCTV. A 6% share of the Suddenlink PEG fees was passed through to Truckee-Tahoe Community Television, commensurate with the portion of the Suddenlink subscribers that reside in the eastern side of the County. Since 2013, the County has been

retaining funds from the PEG fees to cover the acquisition and maintenance of a broadcast channel management system that is operated out of the County data center and is used for broadcasting NCTV's PEG content.

New agreements with the PEG stations will be needed to reflect the projected revenue streams under the DIVCA franchise. A proposal has been requested from NCTV of their facilities and equipment needs. Once that has been received and evaluated by staff, agreements will be presented to your Board for consideration.

**Item Initiated by:** Mary Ross  
**Approved by:** Steve Monaghan

Submittal Date: July 7, 2016  
Revision Date: