



MT. HOOD CABLE REGULATORY COMMISSION

Serving Multnomah County and the Cities of Fairview, Gresham, Portland, Troutdale and Wood Village

MHCRC FUND BUDGET FISCAL YEAR 2019-20 APPROVED

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INTRODUCTION

The Mt. Hood Cable Regulatory Commission (MHCRC) was created by Multnomah County and the cities of Fairview, Gresham, Portland, Troutdale and Wood Village for the purposes of:

- **Advocating for and protecting the public interest in the regulation and development of cable communication systems;**
- **Monitoring and helping resolve cable subscribers' concerns; and,**
- **Facilitating the planning and implementation of community uses of cable communication technologies.**

Each Jurisdiction appoints citizen representatives to the MHCRC. Over the past year, these appointees, with staff support, have committed hundreds of hours to deeply understand the issues and local impacts of an ever-evolving technology, regulatory and business model landscape. They attended numerous MHCRC meetings, committee meetings and work sessions, kept abreast of issues of concern to their Jurisdictions, presented information at city council and county commission meetings, and served as ex officio Board members for Open Signal and MetroEast Community Media (MetroEast), all in service to the Jurisdictions and their communities.

The MHCRC regulates and oversees cable service franchises with four companies, serving the following areas:

Comcast: Portland, Gresham, Troutdale, Fairview, Wood Village and Multnomah County
Frontier: Gresham, Troutdale, Fairview and Wood Village
Century Link: Portland
Reliance Connects: unincorporated east Multnomah County (expired June 30, 2019)

The MHCRC contracts for staff and other support services through a services agreement with the City of Portland. The MHCRC funds an equivalent of four full-time (4 FTE) staff positions plus related materials, services, financial and administrative costs. Each member Jurisdiction annually contributes to the MHCRC's operating budget. The Jurisdictions' fund about half the operating budget and other MHCRC resources fund the remaining portion.

The MHCRC focuses on community needs as it remains grounded in today's legal and public policy landscape to steward existing public benefits, while stepping out to explore possibilities and opportunities to help ensure a sound and vital digital future for all our communities.

Please refer to the MHCRC's FY 2018-19 Annual Report and website (www.mhcr.org) for more detail about MHCRC activities and accomplishments.

MHCRC FY 2019-20 FUND BUDGET

BUDGET PROCESS

According to the Intergovernmental Agreement (IGA) among the Jurisdictions that created the MHCRC, the MHCRC must gain approval of its Fund Budget by every member Jurisdiction. The MHCRC Finance Committee developed a detailed FY 2019-20 budget in consultation with MHCRC staff. On June 3, 2019, the MHCRC approved the proposed budget to forward to the Jurisdictions for consideration. The MHCRC provides the proposed Fund Budget to city and County staff in advance of the city councils' and the County Commission's consideration of the budget.

BUDGET NARRATIVE

The MHCRC FY 2019-20 Fund Budget is presented on page 5.

Nearly all the MHCRC's resources are funds collected from the cable companies and the expenditures are the disbursement of those funds to the member Jurisdictions, the community media providers (MetroEast and Open Signal), and the Community Grants recipients. These disbursements are governed by the IGA and by the cable services franchise agreements.

Fund Resources

The amount of MHCRC resources from year to year is largely dependent on franchise fee and PEG/I-Net fee payments from cable companies for their private use of public right-of-way. Cable company payments are based on a percentage of the company's gross revenues derived from cable TV services. The FY 2019-20 Fund resources are projected to decrease based on cable company actual payments through 3rd Quarter FY 2018-19. The budget also includes a beginning fund balance and projected amounts for programs underspent in FY 2018-19. Detail on each Fund resource follows:

Franchise Fees: The MHCRC collects all cable services franchise fees for Gresham, Troutdale, Fairview, Wood Village and Multnomah County from Comcast and Frontier cable franchises. The MHCRC has projected a decrease in franchise fee revenues based on the rapidly changing video marketplace, resulting in traditional cable TV subscribers "cutting the cord" and opting for other video options. The MHCRC uses both historical franchise fee data and industry documentation to project franchise fee revenues.

Operating Budget Appropriation - Portland: The MHCRC collects funds from the City of Portland for its share of the MHCRC's operating budget. The other MHCRC Jurisdictions' appropriations are allocated from the cable services franchise fees collected by the MHCRC.

Interest Earned: The MHCRC collects interest on its Fund. Interest revenue is projected to slightly decrease compared to the projected actual for FY 2018-19 but is higher than the amount originally budgeted for FY 2018-19.

PEG/I-Net Capital Fee: All franchised cable companies pay 3% of their gross revenues related to video services to the MHCRC as dedicated funding for the community media providers' capital funding, I-Net infrastructure, and community grants (see specific disbursements under Fund Expenditures below). A small portion also funds MHCRC's compliance program costs to administer, oversee, and disburse the capital funds.

Beginning Fund Balance: The beginning balance is interest revenues and PEG/I-Net Capital funds projected to be unspent in FY 2018-19, which the MHCRC plans to expend or retain as contingencies in FY 2019-20.

The FY 2019-20 projected Beginning Fund Balance is attributable to the following:

- Interest cumulative balance: \$841,418
- Compliance program carryover: \$860,101
- Community Grants carryover: \$1,530,577

Fund Expenditures

Nearly all of the MHCRC's expenditures are the disbursement of franchise fees and PEG/I-Net Capital Fees governed by the IGA and by the cable services franchises.

Franchise Fee Balance to the Jurisdictions: This line item expenditure is calculated based on the total amount of franchise fees the MHCRC collects and subtracting the amount each Jurisdiction appropriates to the MHCRC Operating Budget and the amount of community media payments to MetroEast and PCM in accordance with the IGA (detail contained in Appendix 1, page 7).

Community Media Payments: In accordance with the IGA, the MHCRC distributes 60% of the East County Jurisdictions' franchise fees to MetroEast and 60% of West Multnomah County franchise fees to Open Signal. These dedicated funds are used to provide media and technology services to the community (detail contained in Appendix 2, page 10).

MHCRC Operating Budget: This expenditure represents the total MHCRC operating budget (line item detail contained in Appendix 1, page 8).

Community Media Capital: The MHCRC distributes funds from the cable companies dedicated to support the capital needs of MetroEast Community Media and Open Signal. These payments are made in accordance with the IGA and the cable services franchise agreements (detail contained in Appendix 2, page 10).

I-Net Grants: Schools, libraries and local governments use the I-Net for their broadband network connectivity. The MHCRC reimburses these public agencies and Comcast for

capital costs related to I-Net connections, equipment for use of the I-Net, and network infrastructure and electronics upgrades. The reimbursements are made in accordance with the cable franchise agreements.

Community Technology Grants and TechSmart Initiative Grants: The MHCRC is the grant-making body for the Community Grants program. The Community Grants program has two funding opportunities: Community Technology Grants and the TechSmart Initiative for Student Success. The TechSmart Initiative provides grants and evaluation resources for school districts within Multnomah County to identify effective classroom instruction that uses technology to foster improved outcomes for all students. Community Technology Grants are awarded during an annual competitive grant round. Community Grants are made in accordance with the IGA and the cable services franchise agreements.

Community Grants Contingency: The MHCRC annually budgets funds allocated for community grants as a contingency to cover unanticipated community needs and opportunities.

**MHCRC FUND BUDGET
FISCAL YEAR 2019-20**

	2017-18 Actual	2018-19 Adopted	2019-20 Proposed
RESOURCES			
E. County Franch. Fees, Comcast	1,390,189	1,336,912	1,250,329
E. County Franch. Fees Mult West, Comcast	109,078	106,701	102,428
E. County Franch. Fees, Frontier	224,846	226,288	228,441
Operating Budget Appropriation-Portland	281,036	304,998	314,826
Interest Earned	184,274	130,000	238,842
PEG / I-Net Capital Fee	5,196,878	4,896,810	4,269,431
Compliance Revenue	0	0	0
Total Resources	7,386,301	7,001,709	6,404,297
Beginning Fund Balance	6,737,897	5,963,972	3,232,096
Unspent FY19 Comm Technology Grants	0	0	800,000
Unspent FY19 TechSmart Initiative Grants	0	0	3,440,426
Unspent FY19 Comm Grants Contingency	0	0	800,000
Total	\$14,124,198	\$12,965,681	\$14,676,820
EXPENDITURES			
MHCRC Operating Budget	915,596	1,105,046	1,116,781
Franchise Fee Balance to Jurisdictions	530,356	503,730	462,973
Community Media Pmt, E. County (MetroEast)	969,020	937,920	888,698
Community Media Pmts, Mult. West (Open Signal)	65,446	64,021	60,022
Community Media Capital (MetroEast/OS)	1,726,301	1,469,042	1,504,299
I-Net Grants	189,884	613,400	960,000
Community Technology Grants	1,314,370	800,000	1,600,000
TechSmart Initiative Grants	2,449,252	3,440,426	5,298,617
Community Grants Contingency	0	800,000	800,000
Total Expenditures	\$8,160,225	\$9,733,585	\$12,691,390
Net Change in Fund Balance	5,963,972	3,232,096	1,985,430
Total	\$14,124,198	\$12,965,681	\$14,676,820

APPENDIX ONE

FRANCHISE FEE REVENUE AND DISBURSEMENT DETAIL

MHCRC OPERATING BUDGET-LINE ITEM DETAIL

BUDGET ALLOCATION BY JURISDICTION

**FRANCHISE FEE REVENUES AND DISBURSEMENTS
FISCAL YEAR 2019-20**

Jurisdictions	Franchise Fee Revenues	MetroEast Appropriation	Open Signal Appropriation	MHCRC Budget Appropriation	Payments to Jurisdictions
Portland*	\$5,534,521*		\$929,587*	\$314,826	
MULTNOMAH CO., EAST	72,594	43,556		13,172	15,866
MULTNOMAH CO., WEST	100,036	N/A	60,022	N/A	40,014
GRESHAM	1,095,663	657,398		124,107	314,158
TROUTDALE	178,621	107,173		18,902	52,546
FAIRVIEW	105,151	63,091		9,781	32,279
WOOD VILLAGE	29,133	17,480		3,543	8,110
Total, East County	\$1,581,198	\$888,698	\$60,022	\$169,505	\$462,973
Grand Total				\$484,331	

* For information purposes only: The MHCRC does not collect franchise fee revenues for the City of Portland or disburse Open Signal operational funds.

FRANCHISE FEE DISBURSEMENTS to EAST COUNTY JURISDICTIONS - Prior Years:

Jurisdictions	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Adopted	FY 2019-20 Proposed
MULTNOMAH CO., EAST	19,120	17,900	17,111	15,866
MULTNOMAH CO., WEST	45,848	43,632	42,680	40,014
GRESHAM	388,290	363,362	343,147	314,158
TROUTDALE	61,738	60,401	56,348	52,546
FAIRVIEW	37,435	35,620	35,682	32,279
WOOD VILLAGE	9,846	9,441	8,762	8,110
TOTAL	\$562,277	\$530,356	\$503,730	\$462,973

MHCRC FY 2019-20 OPERATING BUDGET - Line Item Detail			
(Includes Capital Compliance Program)			
	FY 2017-18	FY 2018-19	FY 2019-20
Title	Actual	Adopted	Proposed
Personnel - MHCRC Admin	497,774	524,953	580,553
Indirect Personnel - Bureau Support	34,540	37,958	
Personnel Services	\$532,314	\$562,911	\$580,553
External Fund Audit	13,150	15,000	15,000
Professional Services	140,728	247,390	284,000
Miscellaneous Services	4,755	6,900	9,000
Office Supplies	1,832	2,500	1,000
Operating Supplies	1,546	400	400
Education	11,462	13,825	15,775
Local Travel	555	800	600
Out-of-Town Travel	4,744	4,400	10,400
Rent	37,677	38,076	38,076
Miscellaneous	882	1,150	800
External Materials & Services	\$217,331	\$330,441	\$375,051
Fleet Services	0	0	120
Print/Distribution	8,365	5,889	4,012
Facilities Services	287	262	313
EBS Services	13,223	12,415	0
Information Technology (IT)	22,685	18,946	17,642
Insurance/Workers Comp	7,406	7,002	7,000
Technical Accounting IA	6,350	12,000	9,000
Legal Services IA	17,372	18,180	0
Mgmt Services (Bus Ops) IA	25,000	25,000	21,590
Other	878	0	0
Internal Services	101,566	99,694	59,677
Contingency - General	0	90,000	101,500
Encumbrance Carryover	38,085	0	0
Fund Level Expenditures	\$ 38,085	\$ 90,000	\$ 101,500
Total	\$ 889,296	\$ 1,083,046	\$ 1,116,781
Admin Expenses	483,766	578,131	586,548
Compliance Expenses	431,830	529,916	530,232

**BUDGET ALLOCATION BY JURISDICTION
MHCRC OPERATING BUDGET
FY 2019-20**

City of Portland Appropriations	\$314,826
East County Appropriations	\$169,522
Operating Budget Total:	\$484,348

JURISDICTION			FY19-20 Proposed	FY19-20 % Allocation
Portland	-		\$314,826	65.0%
	Subscriber Distribution			
<u>East County</u>	<u>No. Of Subs</u>	<u>Perc. Distr.</u>		
Gresham	24,307	73.21%	\$124,107	25.6%
Multnomah Co.	2,581	7.77%	\$13,172	2.7%
Troutdale	3,703	11.15%	\$18,902	3.9%
Fairview	1,917	5.77%	\$9,781	2.0%
Wood Village	695	2.09%	\$3,543	0.7%
East County Total	33,203	100.00%	\$169,505	35.0%
Total			\$484,331	100.0%

Budget Allocation Comparison

JURISDICTION	FY 2017-18 Actual	FY 2018-19 Adopted	FY 2019-20 Proposed
Portland	\$295,827	\$304,998	\$314,826
<u>East County</u>			
Gresham	\$114,515	\$119,444	\$124,107
Multnomah Co.	\$13,763	\$13,434	\$13,172
Troutdale	\$17,506	\$17,934	\$18,902
Fairview	\$10,242	\$9,936	\$9,781
Wood Village	\$3,265	\$3,482	\$3,543
East County Total	\$159,291	\$164,230	\$169,505
Total	\$455,118	\$469,228	\$484,331

APPENDIX TWO

COMMUNITY MEDIA DISBURSEMENT DETAIL (MetroEast and Open Signal)

The MHCRC administers two contracts with the community media organizations that serve the MHCRC-member Jurisdictions. MetroEast Community Media (MetroEast) serves the cities and communities of Gresham, Troutdale, Fairview and Wood Village and east Multnomah County areas. Open Signal serves the City of Portland and the west Multnomah County areas.

The community media organizations receive funding for both operations and capital expenditures. Most of Open Signal's operational resources come from a grant agreement between Open Signal and the City of Portland and are, therefore, not included in the MHCRC's Fund Budget (the amount is included below for informational purposes). MetroEast receives operational resources, in accordance with the IGA that created the MHCRC, based on 60 percent of the cable franchise fees for the east Multnomah County area. Open Signal also receives an amount in accordance with the IGA for the west Multnomah County area. Both organizations receive capital funds from the MHCRC Fund Budget, derived from PEG/I-Net Capital Fees.

Both MetroEast and Open Signal are nonprofit organizations with governing Boards of Directors. These Boards annually develop and adopt budgets. FY2019-20 draft budget summaries are included in this Appendix to provide more detail for the community media expenditures in the MHCRC Fund Budget.

SUMMARY OF COMMUNITY MEDIA DISBURSEMENTS

MetroEast Community Media:

Operations Funding: East County Franchise Fees	\$ 888,698
Capital Funding: MHCRC	<u>\$ 601,719</u>
Total	\$ 1,490,417

Open Signal:

Operations Funding: Portland General Fund	\$ 929,587
Operations Funding: West County Franchise Fees	\$ 60,022
Capital Funding: MHCRC	<u>\$ 902,580</u>
Total	\$ 1,892,189



TAKE CONTROL OF THE MEDIA

MetroEast Budget Summary

MetroEast plans on offering the same high level of service to our community, despite continuing revenue headwinds. We look to leverage savings and efficiencies through operational streamlining via the introduction of departmental budgets and revenue goals.

Revenue Projections

- MetroEast's continued focus on grant-writing is expected to pay dividends in FY 19/20– MetroEast is currently a finalist for one multi-year funding opportunity and has applications pending or in process for a number of other grants.
- MetroEast will continue to aggressively grow its fee-for-service arm which has seen rapid growth over the last couple years
- MetroEast will remove focus from pursuing corporate sponsorships

Expenses

- A line item was added for Software as some of these expenses were re-categorized from capital to operating expense during the last audit
- MetroEast largest capital expense will revolve around upgrades for the main studio. This project is projected to last 2-3 fiscal years. Phase 1 will occur August of FY19/20 and involves upgrading control room equipment.
- Capitalized wages are estimated based on projected capital projects

	FY17/18 Actual	FY18/19 Budget	FY 19/20 Proposed Budget
INCOME			
Operating Income			
Sponsorships	7,400.00	85,000.00	6,000.00
Grants	95,161.00	100,000.00	184,000.00
Contributions	127.59	25,000.00	5,000.00
Education Services	4,099.00		
Productions	69,845.00	70,000.00	175,000.00
Misc Income	38,443.07	2,500.00	
Concession	4,953.00		
Memberships	5,587.00	10,000.00	8,100.00
Equipment Sale		1,000.00	
Studio Rental		5,000.00	
Other	51,365.00	50,000.00	50,132.00
Interest	12,585.00	2,500.00	600.00
Total Operating Income	\$289,566	\$351,000	\$428,832
Other Income			
Franchise Fees	972,500	944,106	816,126
Capital Funds	886,205	612,882	497,391
Investment Fund Gain/Withdrawal	300,000	300,000	261,352
Total Other Income	\$2,158,705	\$1,856,988	\$1,574,869
TOTAL INCOME	\$2,448,271	\$2,207,988	\$2,003,701

Note: In-kind income & expense have been excluded

	FY17/18 Actual	FY18/19 Budget	FY 19/20 Proposed Budget
EXPENSES			
Personnel			
Payroll & Benefits	995,434	1,174,006	1,055,100
Capitalized Wages	151,704	150,882	150,000
Total Personnel	\$1,147,138	\$1,324,888	\$1,205,100
<i>Less: Capitalized Wages</i>	<i>-\$151,704</i>	<i>-\$150,882</i>	<i>-\$150,000</i>
Adjusted Total Personnel	\$995,434	\$1,174,006	\$1,055,100
Materials & Services			
Communications, Utilities Maint & Misc	80,121	69,000	82,982
Dues & Subscriptions	22,002	18,000	15,974
Education & Training	16,112	11,000	14,000
Food, Meals, Production & Business Expense	40,058	38,600	57,386
Insurance	77,448	65,000	40,444
Marketing, Media, Printing & Shipping	42,392	35,000	15,950
Office & Operating Supplies	117,364	30,000	39,150
Professional Services	368,216	50,000	100,360
Software			10,657
Travel & Transportation	45,166	35,000	22,240
Rockwood DIY		40,000	
Other Expenses	34,390	29,500	1,800
Total Materials & Services	\$843,269	\$421,100	\$400,943
Capital Expenditures			
Capitalized Wages & Benefits	151,704	150,882	150,000
Contractor & Installation		60,000	48,000
Equipment	304,957	75,000	183,472
Furniture	104,183	20,000	2,000
Building Improvements	222,178	30,000	5,000
Mortgage			82,000
Other Expenses	35,175	222,000	
Peripherals, Supplies		15,000	
Repairs & Maintenance		10,000	1,000
Software Development & Licensing	68,008	30,000	76,186
Total Capital Expenditures	\$886,205	\$612,882	\$547,658
TOTAL EXPENSES	\$ 2,724,908	\$ 2,207,988	\$ 2,003,701

Open Signal: Fiscal Year 19-20 Operating Budget Narrative

Mission: With a commitment to creativity, technology and social change, Open Signal makes media production possible for everyone.

Executive Summary: Open Signal receives annual operating and capital funding from the City of Portland and the Mt. Hood Cable Regulatory Commission (MHCRC) to provide Community Media services in the Portland metro area. A portion of this funding is restricted to capital expenses, and activities associated with the management of capital projects.

Next fiscal year we will practice lean operations management, realizing efficiencies through advanced interdepartmental collaboration, a centralized global inventory, and automation in order to maintain the highest standard of service delivery to our community in the face of anticipated ongoing reductions to our capital budget.

The Summary Budget is presenting differently for FY19-20. The summary incorporates the Capital Budget to provide a global financial picture.

Revenue: Contributions “Without Donors’ Restrictions” will be raised by Open Signal’s seasoned development team, with support from our newly-minted Mayoral Appointed Board Member Phoebe Ebright, Development Officer at the Regional Arts and Culture Council. The funds from these activities will support operations.

Open Signal’s Programs Department also generates earned revenue via the ongoing delivery of media and technology workshops offered to the community, partnerships with educational organizations, nonprofits and community groups, and “On Demand Trainings.”

Miscellaneous Income is generated through the sale of idle assets (technology that has fully depreciated and has been removed from inventory) and vending machine sales.

Annual funding from the City and MHCRC is leveraged to support grant funded projects serving historically marginalized and oppressed groups, prioritizing people of color and low-income individuals.

Expense: The Event line item is new for FY19-20. In the past, all event costs were grouped under the Hospitality and Professional Services expense line item.

The Artist Stipends and Training are the biggest spending line items for FY19-20. Open Signal will be focused on Equity Training(s) for all staff. The Artist Stipends are related to OS LABS, Residencies, and Fellowships.

Portland Community Media
Open Signal
Board Approved Operating Budget for FY 19-20

	Actuals FY 17-18	Approved Budget for FY 18-19	Fiscal Year 19-20		
			Approved Operating Budget FY 19-20	Approved Capital Budget FY 19-20	Approved Total Budget FY19-20
INCOME					
Grants - Government	975,789	939,957	984,707		984,707
MHCRC Grants				746,086	746,086
Grants - Foundation With Donor's Restrictions	-	35,000	265,000		265,000
Grants - Foundation Without Donor's Restrictions	155,099	245,000	15,000		15,000
Contributions-Corporation	4,983	20,000	52,500		52,500
In-Kind Contribution (Sponsorship)	11,101				-
Contributions - Restricted (B&H Scholarship)		(5,280)			-
Contributions-Board		3,500	5,000		5,000
Contributions-Member	34,475	37,500	35,000		35,000
Earned Income - Production Services	233,559	213,444	306,343		306,343
Earned Income - All	133,312	158,080	63,600		63,600
Capital Overhead	155,367	137,898	111,912		111,912
Miscellaneous Income	5,619	68,600	22,100		22,100
Total Revenue	1,709,304	1,853,699	1,861,162	746,086	2,607,248
Total Release From Prior Year's Net Assets			135,791		135,791
Total Resources Available for FY 19-20			1,996,953	746,086	2,743,039
EXPENSES					
Total Payroll, Tax & Fringes	1,676,403	1,468,771	1,590,860	95,915	1,686,775
Total Operating Expense	344,248	367,778	405,281	161,632	566,913
Net Operating Surplus/Deficit	(311,347)	17,150	812	488,539	489,351
Total Other Income (Expense)	1,278	-	5,000	(564,050)	(559,050)
	-		-		
Net Operating Surplus (Deficit)	(310,069)	17,150	5,812	(75,511)	(69,699)