

COVER SHEET -- AGENDA ITEM #R5

For Commission Meeting: May 21, 2018

“MHCRC FY 2018-19 Fund Budget Proposal”

Finance Committee Recommendation

The MHCRC Finance Committee recommends that the Commission adopt the FY 2018-19 MHCRC Fund Budget and forward it to the member Jurisdictions with a recommendation for approval.

Background

The MHCRC Finance Committee met April 23, 2018, to develop the MHCRC FY 2018-19 Fund Budget recommendation.

The proposed operating budget reflects future-focused planning and one-time projects anticipated by the MHCRC during its Annual Planning Retreat in February. The MHCRC FY18-19 Fund Budget includes allocating an amount from the interest gained on the MHCRC’s fund to support, among other projects:

- the community needs ascertainment in preparation for the Comcast franchise renewal;
- renewal/extensions of the Frontier and Reliance Connects franchise agreements; and,
- franchise fee review for Century Link.

The Finance Committee also discussed the rapidly evolving technology landscape and the impact on company revenues related to cable TV service. As noted cable TV subscribers have dropped for the third year in a row (about 5% from 2016 to 2017), and for the past few quarters, franchise fee revenues have declined (see attached Franchise Fee Revenues – 2015-19).

Jurisdiction Approval Process

Staff has confirmed the schedule for jurisdictional consideration of the MHCRC Fund Budget. Staff will provide each Commission member with a budget packet prior to the city council/County Commission meeting, which will include talking points, the Fund Budget, any jurisdiction-related materials and the MHCRC 2018-19 Annual Report.

Prepared By: Julie S. Omelchuck
May 15, 2018

Mt Hood Cable Regulatory Commission
Resource/Revenue Transactions

Fiscal Year Quarter	Franchise Fees	Comcast Franchise Fees		Comcast/Century PEG Fees		Frontier (fka Verizon)		
	Portland GF	East County	Mult West	Access	Capital	East County	Access	Capital
FY15 totals	6,944,159.49	1,352,797.45	106,386.93	1,680,668.52	3,361,337.00	237,469.74	47,465.45	94,930.92
	103%	101%	104%	103%	103%	101%	101%	101%
FY16 - Q1	1,737,402.74	331,518.57	26,925.64	419,169.28	838,338.56	55,547.27	11,109.45	22,218.91
FY16 - Q2	1,842,447.88	348,436.07	27,941.29	443,764.97	887,529.95	56,013.93	11,202.79	22,405.57
FY16 - Q3	1,845,096.66	348,062.39	27,682.01	444,168.11	888,336.20	55,662.74	11,132.55	22,265.11
FY16 - Q4	1,845,311.73	353,049.06	27,747.64	445,221.52	890,443.03	59,990.14	11,957.79	23,915.56
FY16 totals	7,270,259.01	1,381,066.09	110,296.58	1,752,323.88	3,504,647.74	227,214.08	45,402.58	90,805.15
	105%	102%	104%	104%	104%	96%	96%	96%
FY17 - Q1	1,867,245.44	351,216.93	27,818.67	449,256.06	898,512.11	55,577.52	11,115.50	22,231.01
FY17 - Q2	1,932,595.41	374,738.45	29,440.36	467,354.70	934,709.39	54,987.96	10,997.60	21,995.19
FY17 - Q3	1,806,576.48	367,188.40	29,024.63	440,557.68	881,115.36	53,851.59	10,770.32	21,540.64
FY17 - Q4	1,833,492.34	367,147.03	28,335.92	445,794.87	891,589.75	54,501.93	10,864.67	21,729.34
FY17 totals	7,439,909.67	1,460,290.81	114,619.58	1,802,963.31	3,605,926.61	218,919.00	43,748.09	87,496.18
	102%	106%	104%	103%	103%	96%	96%	96%
FY18 - Q1	1,810,827.36	363,064.41	28,559.38	440,490.11	880,980.22	53,991.04	10,798.21	21,596.41
FY18 - Q2	1,844,382.25	353,225.05	27,305.44	444,982.48	889,964.95	55,477.33	11,095.47	22,190.94
FY18 - Q3	1,634,973.81	341,297.20	26,879.14	400,630.05	801,260.11	56,212.78	11,242.55	22,485.11
	Estimates							
FY18 - Q4	1,659,333.00	341,259.00	26,241.00	405,366.60	810,733.20	56,892.00	11,378.40	22,756.80
FY18 totals	6,949,516.42	1,398,845.66	108,984.96	1,691,469.24	3,382,938.48	222,573.15	44,514.63	89,029.26
	93%	96%	95%	94%	94%	102%	102%	102%
FY19 totals	6,491,447.00	1,339,986.00	103,627.00	1,587,012.00	3,174,024.00	226,288.00	45,257.60	90,515.20
	93%	96%	95%	94%	94%	102%	102%	102%

Interest Fund Balance - history
Earnings and Expenditures by Fiscal Year

A=Actual
E=Estimated
Cumulative
Bal

Fiscal Year	Interest Earned	Net Admin. Expenditures	Change	\$196,968	
2005-06	\$100,333	\$99,294	\$1,039	\$198,007	A
2006-07	\$171,764	\$92,312	\$79,452	\$277,458	A
2007-08	\$181,699	\$92,771	\$88,928	\$366,386	A
2008-09	\$126,158	\$109,703	\$16,455	\$382,842	A
2009-10	\$71,976	\$98,233	(\$26,257)	\$356,585	A
2010-11	\$32,395	\$109,045	(\$76,650)	\$279,935	A
2011-12	\$34,324	\$129,708	(\$95,384)	\$184,550	A
2012-13	\$30,329	\$66,281	(\$35,952)	\$148,599	A
2013-14	\$43,567	\$0	\$43,567	\$192,165	A
2014-15	\$57,577	\$0	\$57,577	\$249,742	A
2015-16	\$91,898	\$4,949	\$86,949	\$336,691	A
2016-17	\$136,434	\$0	\$136,434	\$473,126	A
2017-18	\$173,312	\$67,365	\$105,947	\$442,638	E
2018-19	\$130,000	\$96,494	\$33,506	\$476,144	E



MT. HOOD CABLE REGULATORY COMMISSION

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

RECOMMENDED BUDGET FISCAL YEAR 2018-19

DRAFT

Commission Members

Leif Hansen, Chair
Carol Studenmund
Mike Bennett
Sue Dicile
Rich Goheen
Scott Harden
Norman Thomas

Staff

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MT. HOOD CABLE REGULATORY COMMISSION

INTRODUCTION

The Mt. Hood Cable Regulatory Commission (MHCRC or Commission) 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 (formerly Portland Community Media) 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

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 consistently focuses on community needs as it remains grounded in today's legal and public policy landscape in order 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 2017-18 Annual Report and website (www.mhcrc.org) for more detail about MHCRC activities and accomplishments.

MHCRC FY2018-19 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 FY2018-19 budget in consultation with MHCRC staff. On May 21, 2018, 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 2018-19 Fund Budget is presented on page 5.

Nearly all of 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 Community Media (MetroEast) and Open Signal (formerly Portland Community Media), 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 2018-19 Fund resources are projected to decrease based on cable company actual payments through 3rd Quarter FY 2017-18. The budget also includes a beginning fund balance of little more than \$4 million. Detail on each Fund resource follows:

Franchise Fees: The Commission collects all cable services franchise fees for Gresham, Troutdale, Fairview, Wood Village and Multnomah County from Comcast, Frontier and Reliance Connects 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 increase compared to current year budget based on current interest earnings.

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 PEG/I-Net Capital funds projected to be unspent in FY 2017-18, which the MHCRC plans to expend or retain as contingencies in FY 2018-19.

The FY 2018-19 Beginning Fund Balance projection is attributable to the following:

- Interest cumulative balance: \$442,628
- Compliance Program carry over: \$790,062
- Community Media Capital Fund contingency: \$109,801
- I-Net Fund contingency: \$800,000
- Community Grants carryover/encumbrances: \$1,130,866
- Community Grants contingency: \$800,000

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 Commission's 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 2018-19**

	2016-17 Actual	2017-18 Adopted	2018-19 Proposed
RESOURCES			
E. County Franch. Fees, Comcast	1,460,291	1,518,360	1,336,912
E. County Franch. Fees Mult West, Comcast	114,620	120,360	106,701
E. County Franch. Fees, Frontier & Reliance	218,919	219,864	226,288
Operating Budget Appropriation-Portland	288,330	295,827	304,998
Interest Earned	136,434	108,000	130,000
PEG / I-Net Capital Fee	5,540,134	5,774,046	4,896,810
Compliance Revenue	0	2,500	0
Total Resources	7,758,728	8,038,957	7,001,709
Beginning Fund Balance	3,870,482	6,737,897	4,073,357
Total	\$11,629,210	\$14,776,854	\$11,075,066
EXPENDITURES			
MHCRC Operating Budget	901,958	1,058,884	1,011,553
Franchise Fee Balance to Jurisdictions	562,277	570,710	503,730
Community Media Pmt, E. County (MetroEast)	1,007,526	1,024,724	937,920
Community Media Pmts, Mult. West (PCM)	68,772	70,276	64,021
Community Media Capital (MetroEast/PCM)	1,648,757	1,726,301	1,469,042
I-Net Grants	604,167	746,550	613,400
Community Technology Grants	97,856	902,017	800,000
TechSmart Initiative Grants	0	1,804,035	3,440,426
Community Grants Contingency	0	2,800,000	800,000
Total Expenditures	\$4,891,313	\$10,703,497	\$9,640,092
Ending Fund Balance	6,737,897	4,073,357	1,434,974
Total	\$11,629,210	\$14,776,854	\$11,075,066

APPENDIX ONE

FRANCHISE FEE REVENUE AND DISPURSEMENT DETAIL

MHCRC OPERATING BUDGET-LINE ITEM DETAIL

BUDGET ALLOCATION BY JURISDICTION

**FRANCHISE FEE REVENUES AND DISBURSEMENTS
PROJECTED - FISCAL YEAR 2017-18**

Jurisdictions	Franchise Fee Revenues	MetroEast Appropriation	PCM Appropriation	MHCRC Budget Appropriation	Payments to Jurisdictions
Portland	\$7,913,858*		\$851,391*	\$295,827	N/A
MULTNOMAH CO., EAST	80,153	48,092		13,763	19,168
MULTNOMAH CO., WEST	117,127	N/A	70,276	N/A	46,851
GRESHAM	1,267,436	760,462		114,515	398,185
TROUTDALE	201,414	120,848		17,506	64,071
FAIRVIEW	124,957	74,974		10,242	39,980
WOOD VILLAGE	33,914	20,348		3,265	10,419
Total East County	\$1,825,001	\$1,024,724	\$70,276	\$159,291	\$578,674
Grand Total				\$455,118	

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

FRANCHISE FEE BALANCE TO EAST COUNTY JURISDICTIONS-Prior Years:

Jurisdictions	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Adopted
MULTNOMAH CO., EAST	13,430	15,132	17,600	14,373
MULTNOMAH CO., WEST	40,807	42,556	44,118	42,883
GRESHAM	365,348	361,092	371,071	368,784
TROUTDALE	60,671	58,937	59,816	57,962
FAIRVIEW	35,330	36,034	36,378	35,420
WOOD VILLAGE	9,120	9,408	9,969	9,213
TOTAL	\$524,706	\$523,159	\$538,952	\$528,635

COMMISSION OPERATING FY18-19 BUDGET - Line Item Detail			
(Includes Capital Compliance Program)			
	FY 2016-17	FY 2017-18	FY 2018-19
Title	Actual	Adopted	Proposed
Personnel - MHCRC Admin	453,674	533,731	524,953
Indirect Personnel - Bureau Support	28,165	35,126	37,958
Personnel Services	\$481,839	\$568,857	\$562,911
External Fund Audit	13,150	15,000	15,000
Professional Services	109,605	198,000	247,390
Miscellaneous Services	5,768	3,400	6,900
Office Supplies	2,276	2,575	2,500
Operating Supplies	2,229	600	400
Education	13,898	10,000	13,825
Local Travel	457	1,200	800
Out-of-Town Travel	4,251	3,200	4,400
Rent Columbia Square	36,272	37,630	38,076
Miscellaneous	511	1,350	1,150
	\$188,416	\$272,955	\$330,441
Print/Distribution	6,534	4,722	5,889
Facilities Services	248	295	262
EBS Services	13,935	13,379	12,415
Information Technology (IT)	17,823	21,731	18,946
Insurance/Workers Comp	5,763	7,573	7,002
Technical Accounting IA	7,699	12,000	12,000
Legal Services IA	16,952	17,372	18,180
Mgmt Services (Bus Ops) IA	25,000	25,000	25,000
Internal Services	93,955	102,072	99,694
GF Overhead (charged direct to fund)		25,000	25,000
Contingency - General	38,000	90,000	90,000
Encumbrance Carryover	99,748		
Fund Level Expenditures	\$ 137,748	\$ 115,000	\$ 115,000
Total	\$ 901,958	\$ 1,058,884	\$ 1,108,046
Admin Expenses	451,631	524,983	578,131
Compliance Expenses	450,327	533,901	529,916

**BUDGET ALLOCATION BY JURISDICTION
COMMISSION OPERATING BUDGET
FY 2018-19**

City of Portland Appropriations	\$304,998
East County Appropriations	\$164,230
Operating Budget Total:	\$469,228

JURISDICTION		FY 2018-19 Proposed	FY 2018-19 % Allocation
Portland	-	\$304,998	65.0%
	<u>Subscriber Distribution</u>		
<u>East County</u>	<u>No. Of Subs</u>		
Gresham	23,688	\$119,444	25.5%
Multnomah Co.	2,663	\$13,434	2.9%
Troutdale	3,556	\$17,934	3.8%
Fairview	1,971	\$9,936	2.1%
Wood Village	691	\$3,482	0.7%
East County Total	32,569	\$164,230	35.0%
Total		\$469,228	100.0%

Budget Allocation Comparison

JURISDICTION	FY 2016-17 Actual	FY 2017-18 Adopted	FY 2018-19 Proposed
Portland	\$288,330	\$295,827	\$304,998
<u>East County</u>			
Gresham	\$108,633	\$114,515	\$119,444
Multnomah Co.	\$13,693	\$13,763	\$13,434
Troutdale	\$18,056	\$17,506	\$17,934
Fairview	\$11,566	\$10,242	\$9,936
Wood Village	\$3,307	\$3,265	\$3,482
East County Total	155,255	159,291	164,230
Total	443,585	455,118	469,228

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 (formerly Portland Community Media) serves the City of Portland area.

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. 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 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. FY18-19 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

1. MetroEast Community Media:

Operations Funding: East County Franchise Fees	\$ 937,920
Capital Funding: MHCRC	<u>\$ 587,616</u>
Total	\$ 1,525,536

2. Open Signal (formerly Portland Community Media):

Operations Funding: Portland General Fund	\$ 912,514
Operations Funding: West Mult. County	\$ 64,021
Capital Funding: MHCRC	<u>\$ 881,826</u>
Total	\$ 1,857,961

INSERT

**MetroEast Community Media
FY 2018-19 Budget Narrative**

**Open Signal: Portland Community Media Center
FY 2018-19 Budget Narrative**