

COVER SHEET – AGENDA ITEM # R7

For Commission Meeting: November 19, 2018

“FY 2017-18 MHCRC Year-End Financial Report - Unaudited”
Information Only

Background

The City of Portland administers the financial matters of the Mt. Hood Cable Regulatory Commission (MHCRC) through an Intergovernmental Service Agreement. The City of Portland established a separate agency fund (MHCRC Fund) for the Commission to fiscally manage its revenues and expenditures. The MHCRC Fund includes the revenue collection and expense disbursement of cable franchise fees, the PEG/I-Net Fee, and the MHCRC annual operations budget.

The purpose of the Annual Year-End Financial Report-Unaudited is to provide the MHCRC an informal report about the MHCRC’s financial activities and status of certain elements of the MHCRC’s Fund at year end. This report is intended as informational only.

The MHCRC’s annual audited financial statements provide an outside audit and technical accounting status of the MHCRC Fund. The MHCRC Finance Committee annually reviews and approves the Fund financial statements and the full Commission accepts the annual audit at the December MHCRC meeting.

Attachment: FY 2017-18 MHCRC Year-End Financial Report (Unaudited)

Prepared By:

Janice Hammond Getten, Sr. Financial Analyst
Julie S. Omelchuck, Program Manager
November 13, 2018

MHCRC YEAR-END FINANCIAL REPORT – FY2017-18 (Unaudited)

The purpose of the Annual Year-End Financial Report (unaudited) is to provide the MHCRC an informal, informational report about the MHCRC's financial activities and status of certain elements of the MHCRC's Fund at year end. This report is intended as informational. The MHCRC's annual audited financial statements provide an outside audit and technical accounting status of the MHCRC Fund.

The annual Financial Report consists of the following:

Page 2: Fiscal Year 2017-18 Highlights

- Financial highlights for the fiscal year.
- High level summary of MHCRC Fund activities.

Pages 3-6: Trend Analysis, Resources and Disbursements

- Cable Franchise Fee Trend
- Cable TV Subscriber Trend
- Franchise Fee Disbursements-East County Jurisdictions
- Franchise Fee Disbursements – City of Portland
- Funding Support for Community Media Centers & Community Grants

Page 7: MHCRC's Operations Budget to Actual

This section summarizes the MHCRC's budget-to-actual operations budget, including revenues and expenditures by administrative/regulatory and capital fund compliance programs.

Page 8: Interest Fund Balance History

The section details the interest earned on the MHCRC Fund and the amount expended during a fiscal year for the MHCRC operational budget.

Page 9: Revenues and Expenditures by Major Categories

This section itemizes revenues and expenditures of the MHCRC by major categories:

- Cable Franchise Fees
- MHCRC Capital Fund
- Capital Fund Ending Fund Balance Detail

Page 10: Revenues and Expenditures Comparison, FY 2016-17 vs. FY 2017-18

This section compares the Revenues and Expenditures of FY 2017-18 to the previous fiscal year.

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Highlights

REVENUES:

The MHCRC collected \$8,661,865 in cable franchise fees for FY 2017-18. Both Portland and the East Multnomah County jurisdictions experienced a decrease in franchise fees for the first time in at least the last ten years. For example, Portland's average growth for the last three fiscal years was 3.4%, whereas franchise fee revenues decreased 6.7% from FY 2016-17. For East County, after remaining relatively flat for the past several years, franchise fees decreased by 3.9% from FY 2016-17.

The MHCRC also collected \$5,196,878 in PEG/I-Net Fee revenues from the cable franchises, a 6.2% decrease from the previous fiscal year. The MHCRC Fund gained \$184,274 in interest revenue for FY 2017-18.

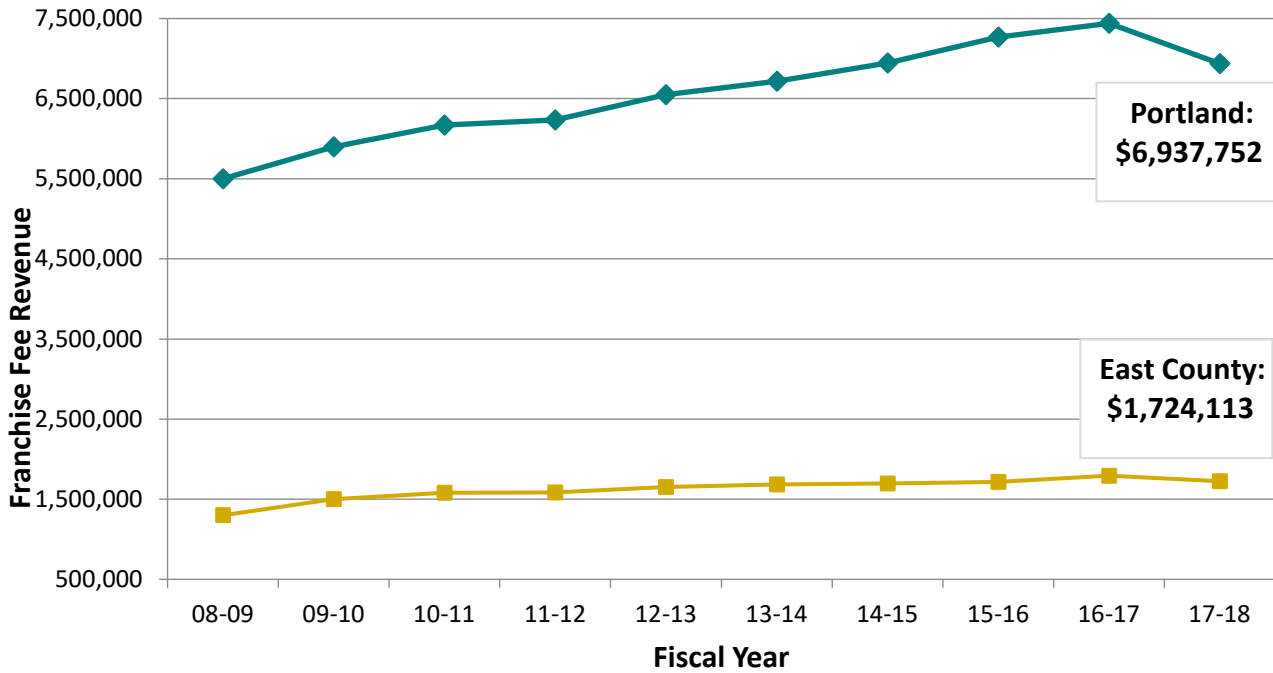
EXPENDITURES:

- **Community Media Operational Funds:** The MHCRC oversaw the disbursement of operational dollars for the two community media centers as follows:
 - a) MetroEast Community Media: \$969,020 from East County franchise fees.
 - b) Open Signal: \$896,379 from the City of Portland general fund, and \$65,446 from West Multnomah County franchise fees.
- **Community Media Capital:** The PEG/I-Net Fee supports capital costs of the community media centers. Total capital funding to the community media centers was \$1,726,301 as follows:
 - a) MetroEast Community Media: \$690,519
 - b) Portland Community Media: \$1,035,782
- **Community Grants Program:** The MHCRC entered into two rounds of funding for Community Technology Grants in FY 2017-18, due to delayed grant decisions in FY 2016-17 to resolve a lawsuit. For FY 2017-18, a total of \$1,314,370 was awarded to Community Technology Grants and \$2,449,252 for TechSmart Initiative grants.
- **I-Net Capital Costs:** Total funding of public agencies' and schools' capital costs related to the I-Net connections and equipment were \$189,884.

FUND SUMMARY:

The MHCRC Fund is a discrete agency fund managed within the City of Portland's financial system. For FY 2017-18, the MHCRC Fund had \$6,737,897 in beginning balance and a total ending balance is \$5,928,732. The beginning and ending fund balances mostly consist of Fund interest (see Page 8) and dedicated capital funds (see Page 9).

Cable Franchise Fee Trend FY2008-09 thru FY2017-18

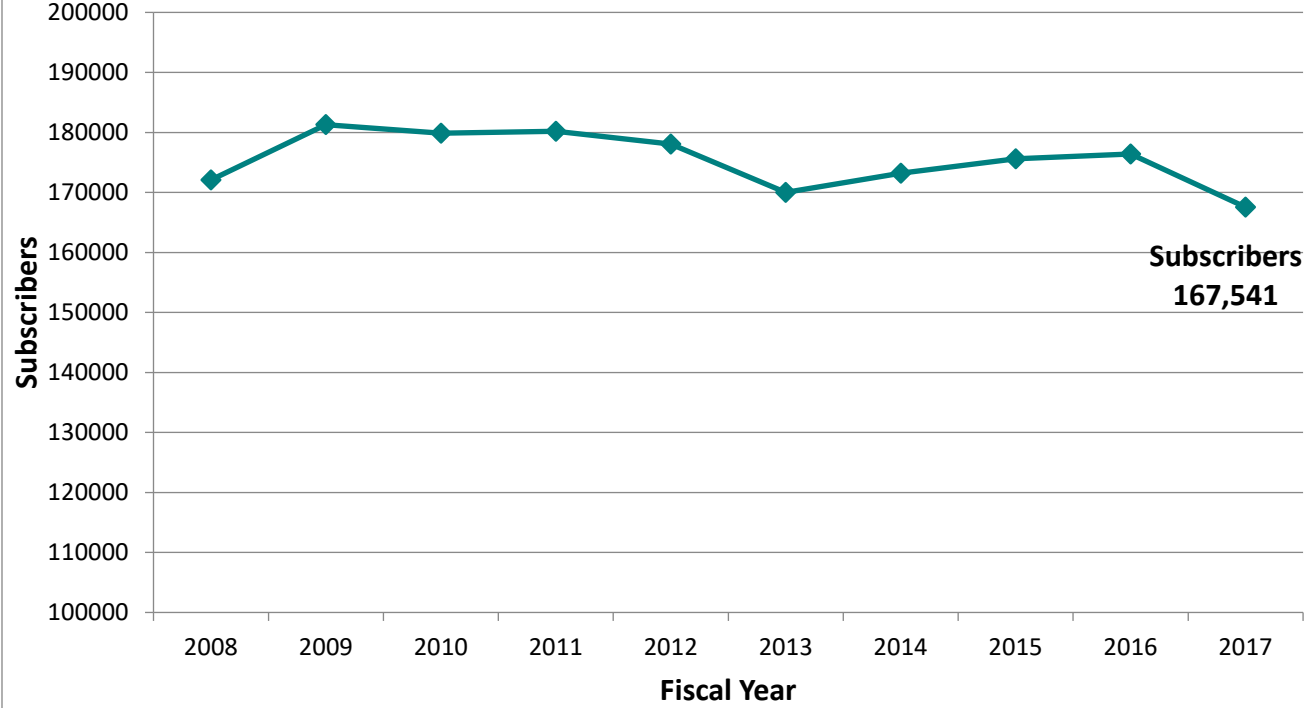


Cable Franchise Fee Trend FY2008-09 thru FY2017-18

Franchise Fee Revenue

Portland	East County	Fiscal Year
5,500,000	1,300,000	08-09
5,900,000	1,500,000	09-10
6,170,000	1,580,000	10-11
6,232,244	1,586,137	11-12
6,548,700	1,654,359	12-13
6,719,325	1,685,059	13-14
6,944,159	1,696,654	14-15
7,270,259	1,718,578	15-16
7,439,910	1,793,829	16-17
6,937,752	1,724,113	17-18

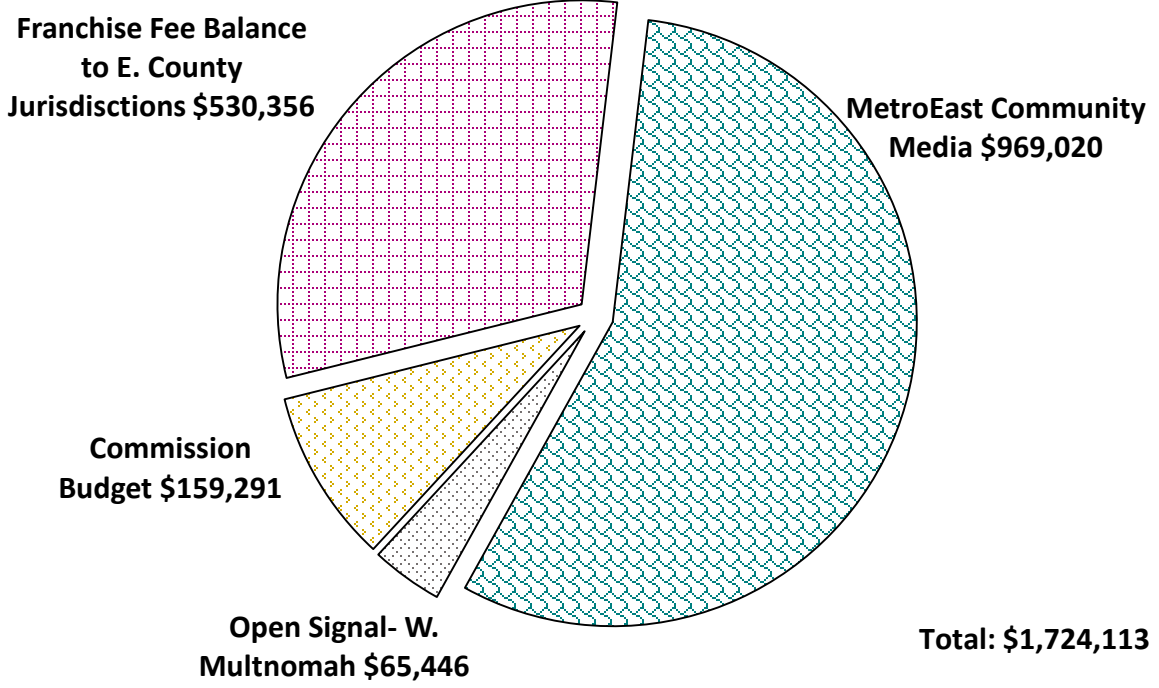
Cable TV Subscribers 2008 thru 2017



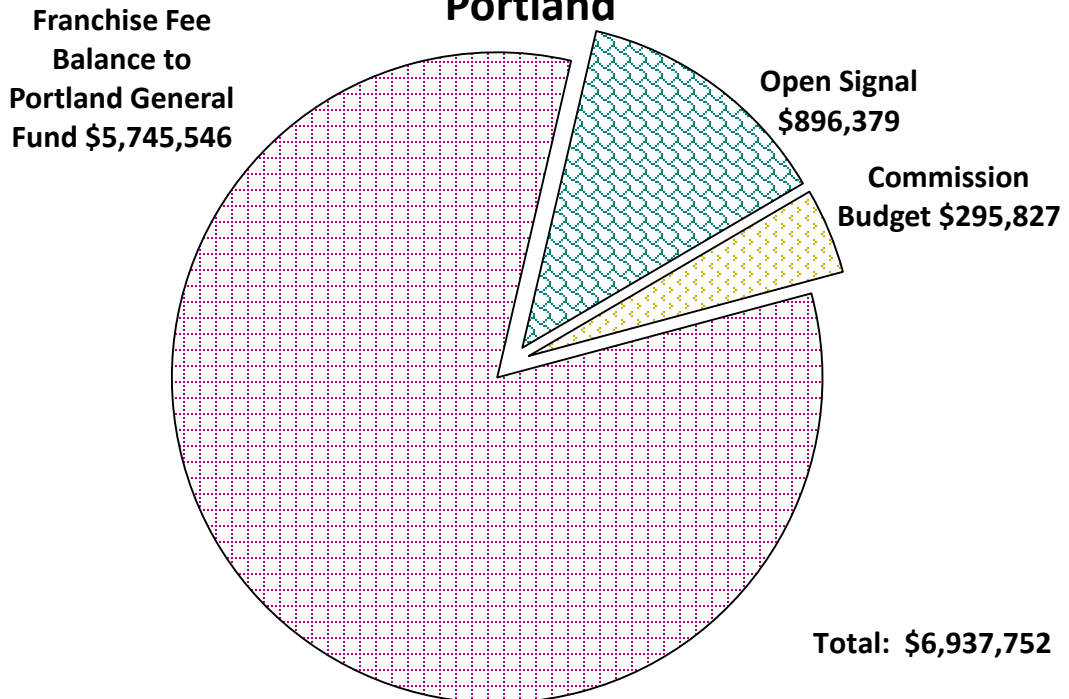
Cable TV Subscribers 2008 thru 2017

Subscribers	Year
172,067	2008
181,286	2009
179,884	2010
180,204	2011
178,032	2012
169,997	2013
173,206	2014
175,616	2015
176,396	2016
167,541	2017

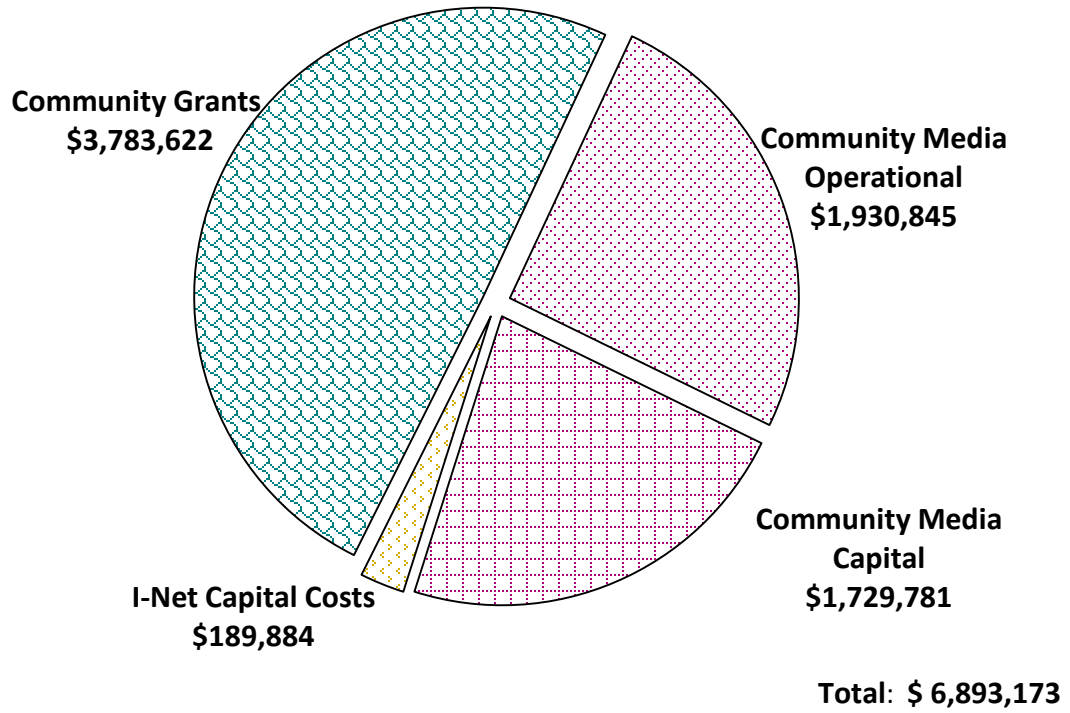
**Cable Franchise Fee Disbursements
FY 2017-18
East County**



**Cable Franchise Fee Disbursements
FY2017-18
Portland**



Funding Support for Community Media & Grants FY2017-18



**MHCRC Operations Budget to Actual - Revenues and Expenditures
FY2017-18**

MHCRC Administrative / Regulatory Program		
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>
City of Portland Appropriation	\$295,827	\$295,827
East County Appropriations	159,291	159,291
Compliance Revenue	2,500	2,500
Interest Revenue Allocation	67,365	26,148
Total Revenues	\$524,983	\$483,766
<u>Expenditures</u>		
Personnel Services	\$301,919	\$287,924
Revenue Division - Fiscal Support	18,617	18,212
MHCRC Fund Audit	3,600	3,156
External Materials and Services	110,359	112,416
Internal Services	39,488	47,058
General Fund Overhead	6,000	0
Contingency	45,000	0
Encumbrance carryover	0	15,000
Total Expenditures	\$524,983	\$483,766
Net Admin Program	\$0	\$0

MHCRC Capital Fund Compliance Program		
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>
Fund Compliance Admin	\$533,901	\$519,688
Total Revenues	\$533,901	\$519,688
<u>Expenditures</u>		
Personnel Services	\$231,812	\$209,850
Revenue Division - Fiscal Support	16,509	16,328
MHCRC Fund Audit	11,400	9,994
External Materials and Services	147,596	118,065
Internal Services	62,584	54,508
General Fund Overhead	19,000	0
Contingency	45,000	0
Encumbrance carryover	0	23,085
Total Expenditures	\$533,901	\$431,830
Net Compliance Program	\$0	\$87,858

**Interest Fund Balance history
FY 2005-06 through FY 2018-19**

*A=Actual
E=Estimated*

Fiscal Year	Interest Earned	Net Admin. Program	Change	Cumulative Balance	
			Beg. Balance	\$196,968	A
FY2005-06	\$100,333	(\$99,294)	\$1,039	\$198,007	A
FY2006-07	\$171,764	(\$92,312)	\$79,452	\$277,458	A
FY2007-08	\$181,699	(\$92,771)	\$88,928	\$366,386	A
FY2008-09	\$126,158	(\$109,703)	\$16,455	\$382,841	A
FY2009-10	\$71,976	(\$98,233)	(\$26,257)	\$356,584	A
FY2010-11	\$32,395	(\$109,045)	(\$76,650)	\$279,934	A
FY2011-12	\$34,324	(\$129,708)	(\$95,384)	\$184,550	A
FY2012-13	\$30,329	(\$66,281)	(\$35,952)	\$148,598	A
FY2013-14	\$43,567	\$0	\$43,567	\$192,165	A
FY2014-15	\$57,577	\$0	\$57,577	\$249,742	A
FY2015-16	\$91,898	(\$4,949)	\$86,949	\$336,691	A
FY2016-17	\$136,434	\$0	\$136,434	\$473,125	A
FY2017-18	\$184,274	(\$26,148)	\$158,126	\$631,251	A
FY2018-19	\$221,241	(\$95,744)	\$125,497	\$756,748	E
FY2019-20	\$200,000	\$0	\$200,000	\$956,748	E

**Revenues and Expenditures by Major Categories
FY2017-18**

Cable Franchise Fee Revenues and Expenditures	
<u>Revenues</u>	
Comcast - East County	\$1,390,188
Comcast - West Multnomah	109,078
Frontier	221,254
Cascade Access	3,593
Total Revenues	\$1,724,113
<u>Expenditures</u>	
Franchise Fee Balance to East County Jurisdictions	\$530,356
MetroEast - Franchise Fees, East County	969,020
PCM - Franchise Fees, Multnomah West	65,446
MHCRC Admin. Budget, East County Share	159,291
Total Expenditures	\$1,724,113

MHCRC Capital Fund Revenues and Expenditures	
	Beginning Balance
	\$6,129,155
<u>Revenues</u>	
Fund Compliance Program	\$519,688
Community Media	1,559,063
Community Grants	3,118,127
Total Revenues	\$5,196,878
<u>Expenditures</u>	
Capital Fund Compliance Program	\$408,745
Community Media Capital	1,726,301
Total Expenditures	\$2,135,046
<u>Grants Awarded</u>	
I-Net Capital Grants	189,884
Competitive Grants	1,314,370
TechSmart Grants	2,449,252
Total Grants Awarded	\$3,953,506
* Available Balance	\$5,237,481

* Available Balance - Detail	
Fund Compliance Program	\$ 916,871
Community Media Capital	114,762
I-Net Upgrade Reserve	600,000
Community Grants	3,605,848
Available Balance	\$5,237,481

Revenues and Expenditures - Actuals Comparison

Fiscal Year 2016-17 vs. 2017-18

Cable Franchise Fees	FY2016-17	FY2017-18	Change	% change
Portland	\$ 7,439,910	\$ 6,937,752	\$ (502,158)	-6.7%
East County, Comcast	\$ 1,574,911	\$ 1,499,266	\$ (75,645)	-4.8%
East County, Frontier & Cascade	\$ 218,919	\$ 224,847	\$ 5,928	2.7%
Franchise Fees Total	\$ 9,233,740	\$ 8,661,865	\$ (571,875)	-6.2%
PEG/I-Net Fees	\$ 5,540,134	\$ 5,196,878	\$ (343,256)	-6.2%
Fund Interest	\$ 136,434	\$ 184,274	\$ 47,840	35.1%
Total	\$ 14,910,308	\$ 14,043,017	\$ (867,291)	-5.8%

Access Organizations Payments - Actuals Comparison

Fiscal Year 2016-17 vs. 2017-18

Portland Community Media	FY2016-17	FY2017-18	Change	% change
Portland General Fund	840,557	896,379	\$ 55,822	6.6%
Multnomah West Franchise Fees	68,772	65,446	\$ (3,326)	-4.8%
Community Media Capital	989,255	1,035,782	\$ 46,527	4.7%
Total	1,898,584	1,997,607	\$ 99,023	5.2%

MetroEast Community Media	FY2016-17	FY2017-18	Change	% change
East County Franchise Fees	1,007,526	969,020	\$ (38,506)	-3.8%
Community Media Capital	659,502	690,519	\$ 31,017	4.7%
Total	1,667,028	1,659,539	\$ (7,489)	-0.4%