

**MEETING NOTIFICATION
FINANCE COMMITTEE MEETING**

May 3, 2021
Time: 6:00 pm – 7:00 pm
Remotely Meeting via phone or computer
Portland OR

Join Zoom Meeting

<https://us02web.zoom.us/j/89446789723?pwd=Q1V3TEVhUmlySkFOm5qNHk4ckVEdz09>

Meeting ID: 894 4678 9723

Passcode: 944704

One tap mobile

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AGENDA

1. Introductions
2. MHCRC FY21-22 Fund Budget Proposal Draft Overview
3. Discussion

*No action or public comment will be taken at the MHCRC Grant Committee.

Please notify the MHCRC for ADA accommodations at 503-823-5385, by the City of Portland's TTY at 503-823-6868, or by the Oregon Relay Service at 1-800-735-2900.



MT. HOOD CABLE REGULATORY COMMISSION

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

MHCRC FUND BUDGET FISCAL YEAR 2021-22 DRAFT - PROPOSED

Members

Carol Studenmund, Chair
Scott Harden, Vice Chair
Jeff Dennerline
Jacquenette McIntire
Kory Murphy
Rich Roche
Norman Thomas
Walle Brown

Staff

Elisabeth H. Perez, Staff Director
Michael Wong, Finance Manager
503-823-5385
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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;**
- **Providing consumer protection and cable subscribers' complaint resolution; 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 three 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

The MHCRC contracts for staff and other support services through a services agreement with the City of Portland. The MHCRC funds an equivalent of 4.6 full-time (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 navigates today's legal and public policy landscape to steward existing public benefits, while also exploring possibilities and opportunities in our quickly changing technology environment to help ensure a sound and vital digital future for all our communities.

Please refer to the MHCRC's FY 2012-21 Annual Report and website (www.mhrc.org) for more detail about MHCRC activities and accomplishments.

MHCRC FY 2021-22 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 2021-22 budget in consultation with MHCRC staff. On **TBD**, 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 OVERVIEW

The MHCRC FY 2021-22 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 largely depends on franchise fee and PEG/I-Net fee payments from cable companies for their private use of public right-of-way to provide cable TV services. Cable company payments are based on a percentage of the company's gross revenues derived from cable TV services. The FY 2021-22 Fund resources are projected based on cable company actual payments through **2rd Quarter FY 2020-21**. However, the impact on cable companies' revenues from cable TV services due to the COVID-19 pandemic is not yet known. The MHCRC will closely monitor payment amounts and will inform the Jurisdictions of any significant changes to budget projections.

Fund resources also include a beginning fund balance and projected amounts for programs underspent in FY 2020-21. 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 uses historical trend data and actual payments through **2nd Quarter FY20-21** to project franchise fees. Trend data shows a year-over-year decrease in fees in the last few years.

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 (detail contained in Appendix 1, page 7).

Due to FY 2021-22 budget challenges faced by the member Jurisdictions due to the COVID-19 pandemic, the MHCRC has reduced the Jurisdictions' amount for the operating budget by nearly 5% from current service level, which includes MHCRC-related employees receiving no merit or cost-of-living increases in FY20-21. The MHCRC has opted to increase its use of interest revenue to supplement the operating budget and fund certain one-time projects in FY21-22, including Comcast franchise renewal negotiations, a financial review of the MHCRC Fund, and a strategic planning process with the Jurisdictions to guide possible changes to the IGA and the MHCRC after FY21-22. More detail on the MHCRC Operating Budget is contained in Appendix 1, page 8.

Interest Earned: The MHCRC collects interest on its Fund. Interest revenue is projected to decrease, due to the recent sharp decline in interest rates, compared to the forecasted amount for FY 2020-21.

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 capital costs of providing community media and technology services to the community (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 a combination of funds attributable to various resources not expended in FY 2020-21, which the MHCRC plans to expend or retain as contingencies in FY 2021-22.

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 Open Signal 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 (resources and line item detail contained in Appendix 1, page 8).

Community Media Capital: The MHCRC distributes a portion of the PEG/I-Net Capital fee from the cable companies 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: In previous years, the MHCRC provided grants from the PEG/I-Net Capital fee for use of the Institutional Network (I-Net) by schools, libraries, and local governments to support their broadband network connectivity needs. The MHCRC reimbursed these public agencies and Comcast for capital costs related to I-Net connections, equipment, network infrastructure and electronics upgrades. However, the MHCRC suspended those in 2019 due to a Federal Communications Commission (FCC) rule change. The MHCRC is a party to a legal challenge of the FCC rule but it has not yet been decided.

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. Grants are funded through the PEG/I-Net Capital fee revenues from the cable companies and are made in accordance with the IGA and the cable services franchise agreements.

The Community Technology Grants provides funding, through an annual, competitive grant process, to nonprofits, libraries, and local governments to use technology resources to further their missions and services. Nearly 75% of current grants focus on supporting traditionally underserved, ethnically diverse, and special needs populations – such as communities of color, immigrants and refugees, low-income people, girls and women, youth, English language learners - in order to bridge the digital divide.

The TechSmart Initiative is an eight-year, \$16 million funding partnership with six school districts in Multnomah County to provide grants and evaluation resources for districts to identify effective classroom instruction that uses technology to foster improved outcomes for all students. Initiative grant projects with the districts will wrap up in school year 2021-22 and the final impact report is planned for publication by December 2022.

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

**MHCRC FUND BUDGET
FISCAL YEAR 2021-22**

	2017-18 Actual	2018-19 Actual	2019-20 Actual	2020-21 Adopted	2021-22 Proposed
RESOURCES					
E. County Franch. Fees, Comcast	1,390,189	1,336,912	1,299,069	1,320,241	1,332,056
E. County Franch. Fees Mult West, Comcast	109,078	106,701	104,901	102,977	98,501
E. County Franch. Fees, Frontier	224,846	226,288	183,626	127,473	84,905
Operating Budget Appropriation-Portland	281,036	304,998	314,826	294,418	331,948
Interest Earned	184,274	291,297	238,842	150,000	150,000
PEG / I-Net Capital Fee	5,196,878	4,791,334	4,488,041	4,353,988	4,337,262
Total Resources	7,386,301	7,057,530	6,629,306	6,349,097	6,334,672
Beginning Fund Balance	6,663,998	7,266,195	3,232,096	3,129,131	3,129,131
Unspent FY20 Comm Technology Grants	0	0	800,000	297,488	900,000
Unspent FY20 TechSmart Initiative Grants	0	0	3,440,426	2,620,220	2,620,220
Unspent FY20 Comm Grants Contingenc	0	0	800,000	0	0
Total	\$14,050,299	\$14,323,725	\$14,901,828	\$12,395,936	\$12,984,023
EXPENDITURES					
MHCRC Operating Budget	857,792	656,303	1,116,781	1,254,868	1,063,816
Franchise Fee Balance to Jurisdictions	530,356	503,730	462,973	450,652	498,416
Community Media Pmt, E. County (MetroEast)	969,020	937,920	888,698	855,967	923,098
Community Media Pmt, Mult. West (Open Signal)	65,446	64,021	60,022	57,812	62,345
Community Media Capital (MetroEast/OS)	1,726,301	1,469,042	1,504,299	2,083,120	1,566,576
I-Net Grants	189,884	568,179	960,000	0	0
Community Technology Grants	110,459	0	1,600,000	1,197,488	900,000
TechSmart Initiative Grants	2,334,845	0	5,298,617	2,620,220	2,620,220
Community Grants Contingency	0	0	800,000	800,000	800,000
Total Expenditures	\$6,784,103	\$4,199,195	\$12,691,390	\$9,320,127	\$8,434,471
Net Change in Fund Balance	7,266,195	10,124,530	2,210,438	3,075,809	4,549,552
Total	\$14,050,299	\$14,323,725	\$14,901,828	\$12,395,936	\$12,984,023

APPENDIX ONE

FRANCHISE FEE REVENUE AND DISBURSEMENT DETAIL

MHCRC OPERATING BUDGET-LINE ITEM DETAIL

JURISDICTIONAL APPROPRIATIONS BY JURISDICTION

**FRANCHISE FEE REVENUES AND DISBURSEMENTS
FY21-22 Estimate**

Jurisdictions	Franchise Fee Revenues	MetroEast Appropriation	Open Signal Appropriation	MHCRC Budget Appropriation	Payments to Jurisdictions
Portland*	\$5,250,354		\$936,857	\$294,418	
MULTNOMAH CO., EAST	75,404	45,242		14,046	16,116
MULTNOMAH CO., WEST	103,909	N/A	62,345	N/A	41,564
GRESHAM	1,138,077	682,846		113,652	341,579
TROUTDALE	185,535	111,321		17,486	56,728
FAIRVIEW	109,220	65,532		10,162	33,526
WOOD VILLAGE	30,262	18,157		3,202	8,903
Total, East County	\$1,642,407	\$923,098	\$62,345	\$158,548	\$498,416
Grand Total	\$6,892,761	\$923,098	\$999,202	\$452,966	\$498,416

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

FRANCHISE FEE DISBURSEMENTS to EAST COUNTY JURISDICTIONS - Prior Years:

Jurisdictions	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Projection	FY 2021-22 Proposed
MULTNOMAH CO., EAST	17,900	16,382	15,866	14,520	16,116
MULTNOMAH CO., WEST	43,632	42,098	40,014	38,607	41,564
GRESHAM	363,362	337,012	314,158	291,376	341,579
TROUTDALE	60,401	55,899	52,546	48,629	56,728
FAIRVIEW	35,620	33,667	32,279	30,509	33,526
WOOD VILLAGE	9,441	8,502	8,110	7,303	8,903
TOTAL	\$530,356	\$493,560	\$462,973	\$430,944	\$498,416

MHCRC FY20-21 OPERATING BUDGET - Line Item Detail

Title	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Actual	FY20-21 Adopted	FY21-22 Proposed
Personnel - MHCRC Admin	497,774	339,589	580,553	629,633	682,635
Indirect Personnel - Bureau Support	34,540	10,870	0	0	0
Personnel Services	\$532,314	\$350,459	\$580,553	\$629,633	\$682,635
External Fund Audit	13,150	10,060	15,000	15,000	15,000
Professional Services	96,074	166,975	284,000	362,000	216,810
Miscellaneous Services	4,755	2,563	9,000	9,000	9,050
Office Supplies	1,832	2,123	1,000	400	0
Operating Supplies	1,546	0	400	400	7,634
Education	11,462	8,394	15,775	14,775	15,625
Local Travel	555	0	600	600	500
Out-of-Town Travel	4,744	2,743	10,400	10,400	4,200
Rent Columbia Square	37,677	41,744	38,076	0	0
Miscellaneous	882	1,440	800	800	20,700
External Materials & Services	\$172,677	\$236,042	\$375,051	\$413,375	\$289,519
Fleet Services	0	0	120	0	65
Print/Distribution	8,365	3,918	4,012	2,799	2,867
Facilities Services	287	310	313	45,359	47,172
EBS Services	13,223	8,548	0	0	0
Information Technology (IT)	22,685	21,022	17,642	15,614	11,514
Insurance/Workers Comp	7,406	6,876	7,000	5,673	5,685
Technical Accounting IA	6,350	5,575	9,000	9,000	9,000
Mgmt Services (Bus Ops) IA	25,000	8,333	21,590	0	0
Other	878	15,220	0	0	0
Internal Services	84,194	69,802	59,677	78,445	76,303
GF Overhead	0	0	0	25,000	25,000
Contingency - General	0	0	101,500	108,415	108,415
Encumbrance Carryover	38,085	0	0	0	0
Fund Level Expenditures	\$ 38,085	\$ -	\$ 101,500	\$ 133,415	\$ 133,415
Total	\$ 827,270	\$ 656,303	\$ 1,116,781	\$ 1,254,868	\$ 1,181,872
Admin Expenses	425,962	330,971	586,548	727,881	644,774
Compliance Expenses	431,830	325,332	530,232	526,988	616,544
Appropriation from Jurisdictions	455,118	469,228	484,348	452,951	510,689
Year-end Balance - Carry over	2,500	12,409	80,000	127,322	127,322
Appropriation from Fund Compliance	519,688	325,332	530,232	526,988	616,544
Fund Level Appropriations	\$ 977,306	\$ 806,969	\$ 1,094,580	\$ 1,107,261	\$ 1,254,555
Interest Revenue Allocation	\$ -		\$ 22,201	\$ 147,608	\$ -
Year-End Operations Balance	\$ 31,656	\$ 175,666	\$ -	\$ -	\$ (72,682)

**JURISDICTIONAL APPROPRIATION - PERCENTAGE BY JURISDICTION
MHCRC OPERATING BUDGET
FY 2021-22**

City of Portland Appropriation	\$331,948	65.0%
East County Appropriations	\$178,741	35.0%
Operating Budget Total:	\$510,689	

JURISDICTION		FY 2021-22 Proposed	FY 2021-22 % Allocation
Portland		\$331,948	65.0%
	Subscriber Distribution		
<u>East County</u>	<u>No. Of Subs</u>		
Gresham	19,422	\$128,139	25.1%
Multnomah Co.	2,399	\$15,836	3.1%
Troutdale	2,988	\$19,715	3.9%
Fairview	1,737	\$11,457	2.2%
Wood Village	546	\$3,611	0.7%
East County Total	27,092	\$178,758	35.0%
Total		\$510,706	100.0%

Budget Allocation Comparison

JURISDICTION	FY 2018-19 Actual	FY 2019-20 Proposed	FY 2021-22 Proposed
Portland	\$304,998	\$314,826	\$331,948
<u>East County</u>			
Gresham	\$119,444	\$124,107	\$128,139
Multnomah Co.	\$13,434	\$13,172	\$15,836
Troutdale	\$17,934	\$18,902	\$19,715
Fairview	\$9,936	\$9,781	\$11,457
Wood Village	\$3,482	\$3,543	\$3,611
East County Total	164,230	169,505	178,758
Total	469,228	484,331	510,706

APPENDIX TWO

COMMUNITY MEDIA DISBURSEMENT DETAIL (MetroEast and Open Signal)

The MHCRC administers two grant agreements 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 fee.

Both MetroEast and Open Signal are nonprofit organizations with governing Boards of Directors. These Boards annually develop and adopt budgets. FY2021-22 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	\$ 923,098
Capital Funding: MHCRC	<u>\$ 833,248</u>
Total	\$ 1,756,346

Open Signal:

Operations Funding: Portland General Fund	\$ 936,857
Operations Funding: West County Franchise Fees	\$ 62,345
Capital Funding: MHCRC	<u>\$ 1,249,872</u>
Total	\$ 2,249,074

INSERT ME/OS BUDGET SUMMARIES HERE