



4141 Douglas Drive North • Crystal, Minnesota 55422-1696

Tel: (763) 531-1000 • Fax: (763) 531-1188 • www.crystalmn.gov

Posted: July 11, 2014

CRYSTAL CITY COUNCIL WORK SESSION AGENDA

Tuesday, July 15, 2014

6:15 p.m.

Conference Room A

Pursuant to due call and notice given in the manner prescribed by Section 3.01 of the City Charter, the work session of the Crystal City Council was held at _____ p.m. on Tuesday, July 15, 2014 in Conference Room A located at 4141 Douglas Drive, Crystal, Minnesota.

I. Attendance

Council members

____ Budziszewski

____ Deshler

____ Hoffmann

____ Libby

____ Peak

____ Selton

____ Adams

Staff

____ Norris

____ Therres

____ Peters

____ Revering

____ Norton

II. Agenda

The purpose of the work session is to discuss the following agenda items:

- Open to Business program survey results
- Franchise agreement with Comcast - NWSCCC
- Commission liaisons reports/updates*

III. Adjournment

The work session adjourned at _____ p.m.

Auxiliary aids are available upon request to individuals with disabilities by calling the City Clerk at (763) 531-1145 at least 96 hours in advance. TTY users may call Minnesota Relay at 711 or 1-800-627-3529.



Memorandum

DATE: July 8, 2014

TO: Mayor and City Council

FROM: Patrick Peters, Community Development Director 

SUBJECT: Survey Responses regarding "Open to Business"

"Open to Business" (OTB) is a program of the Metropolitan Consortium of Community Developers (MCCD) that offers a variety of services for new or expanding local businesses. Please see Attachment A for an overview of the agency's offerings, which include small business consulting, direct lending and loan packaging. Several Hennepin County communities have enrolled in the program as a means of offering support to local businesses and entrepreneurs. Crystal currently has no such programs to offer local business. The annual OTB fee for services is \$7,500, half of which is paid for by the Hennepin County HRA. The city's half could be paid out of the EDA's redevelopment account.

At its April 10 work session, the Council discussed whether the OTB program offers services that might benefit local businesses and whether the city's involvement in providing economic development services was duplicative of other agencies' efforts. To help determine whether to move forward with even a 1-year trial partnership with the MCCD, Council asked staff to prepare a survey to be completed by representatives of the business community in attendance at the next Crystal Business Association meeting.

The OTB survey was presented at the May CBA meeting, and the results are attached to this memorandum. It is important to keep in mind that the CBA meetings are attended by businesses outside of Crystal, so the results are representative of businesses from a broader geographic area than just Crystal. The results suggest that the respondents feel there is no clear need for the services overall, particularly the loan programs; and only about half of the 17 respondents feel as though business support activities should even be within the city's economic development efforts.

Staff seeks Council direction at the July 15 work session on whether to move forward with a partnership with the MCCD to implement the OTB program in Crystal.

OPEN TO BUSINESS SURVEY - 17 RESPONDENTS

	INTERESTED?			
	YES	NO	DK	I KNOW OTHERS WHO MIGHT BE
SERVICES				
Financial Management (cash flow projections, etc)	7	8		1
Bookkeeping Set-up and Training	4	11		1
Loan Packaging Advising (start-up or expansion)	6	8	2	0
Business Plan Assistance	7	8	1	1
Real Estate Analysis (help deciding whether to rent or buy)	5	8	2	1
Marketing Assistance (who are my customers, how to reach them)	7	7	1	1
Strategic Planning (how to evaluate and manage growth)	7	8		1
Business Regulations (advice on licenses, permits)	6	7	1	2
Professional Referrals (how to find attorney, accountant)	5	9	1	1
Financial Advice (how much do I need to borrow, what loan would work best, available funding sources)	5	7	1	2
SERVICES	59	81	9	11
LOAN PROGRAMS				
Micro Loans (start-up or early stage direct loans, 3-5 yr terms, up to \$25K for retail/service, \$50K manufacturing)	7	7		2
Participation Financing (OTB loans in partnership with private lenders for physical improvements, hard asset costs, \$5K-\$100K)	3	11	1	1
Real Estate Gap Financing (OTB loans in partnership with private lenders for real estate acquisition, 10-year term)	3	10	1	1
Transactional Financing (short term loans to assist businesses with short term cash flow needs, 6 months, \$25K or less)	4	9	2	1
LOAN PROGRAMS	17	37	4	5
CITY OF CRYSTAL ECONOMIC DEVELOPMENT EFFORTS				
Should the City be involved in economic development activities if other agencies, banks, private sector and non-profit entities are already doing this?	9	2	3	
If the OTB program doesn't represent a duplication of services, is there value to the business community for the \$3,750 annually it will cost for the City to be able to offer these services?	9	3	3	
CITY OF CRYSTAL ECONOMIC DEVELOPMENT EFFORTS	18	5	6	0



Memorandum

DATE: July 8, 2014
TO: Mayor and City Council
FROM: Anne Norris, City Manager *AN*
SUBJECT: Franchise Renewal – Comcast and NW Suburbs Cable Commission

BACKGROUND:

As you know, Crystal is a part of the NW Suburbs Cable Communications Commission (NWSCCC), a joint powers organization which manages cable service in the northwest suburban communities. NWSCCC has a franchise agreement with Comcast for cable services which is nearing expiration. A committee of the NWSCCC has worked on the franchise renewal process and the franchise agreement over the last 3 years. That committee has recommended approval of the the Renewal Franchise Agreement .

The terms of the Renewal Franchise Agreement are:

- 10 year term;
- Increased franchise fee and an upfront capital grant for transitioning to all digital programming;
- 2 high definition channels (HD) although 40% of current subscribers do not subscribe to HD service;
- Electronic program guide access for local programming channels;
- Continued free basic cable service to public buildings; and
- Continue the local programming and public access.

The process for approval of the new 10 year franchise agreement is all NWSCCC member cities have 30 days to review and comment on the proposed Renewal Franchise Agreement (attached). Any comments need to be provided to the NWSCCC by August 6. After that, the NWSCCC will hold a public hearing at its September 18 meeting to consider approval of the Renewal Franchise Agreement.

RECOMMENDATION:

Given the August 6 deadline, the Council will review the proposed Renewal Franchise Agreement at its July 15 work session prior to taking action at the regular meeting to receive and comment on the Renewal Franchise Agreement with Comcast.

To: NWSCCC and Member Cities
From: Mike Johnson – Executive Director
Date: July 9, 2014
Re: Franchise Renewal

The Cable Franchise Renewal documents were sent to all nine of the member cities last week. The process allows for a 30 day review period for cities to look over the documents and comment or ask questions if they wish. Due to the amount of information and all the legal language associated with the proposed agreement, this memorandum may be helpful to city officials and or city staff to obtain a better understanding of the Northwest Suburbs Cable Communications Commission (NWSCCC) and Northwest Community Television (NWCT), the cable franchise process and some of the highlights of the proposal and a look at cable competition.

Brief History of NWSCCC and NWCT

A joint cable television service area was first discussed in 1971. The founding member cities included: Crystal, Golden Valley, New Hope and Robbinsdale. At the time, the group was officially known as the “CATV Joint Committee”. The 2 people credited with forming this group initially was Jack Irving from Crystal, and Ray Stockman from Golden Valley. Both Jack and Ray have since passed away after dedicating nearly 30 years each to the organization. Cities throughout the country began looking into the feasibility of having a cable television system in their city. The first metro cities to offer cable service in the 1970’s were Bloomington, Fridley and St. Louis Park.

In the fall of 1972, each of the 4 cities adopted a resolution to form a Joint Powers Agreement to form the “CATV Commission”. In 1979, five additional cities began discussions of becoming members of the Joint Powers Agency. Those cities include: Brooklyn Center, Brooklyn Park, Maple Grove, Osseo and Plymouth. Subsequently, the group was named the Northwest Suburbs Cable Communications Commission once all nine cities were members.

1981 was the year cable commission activity surged and has been going strong ever since. The original cable system construction began in 1982. Several companies at the time were interested in offering a proposal in the northwest suburbs to build a system. It was not economically viable at the time for any company to compete head to head in the same service area. Storer Cable was granted a 15 year franchise to the Northwest Suburbs. After the expiration of the 15 year cable franchise, another 15 year franchise was granted in the 1990’s to the cable company operating at the time.

The Northwest Suburbs Community Access Corporation doing business as Northwest Community Television (NWCT) is a separate 501-C3 non-profit organization. Discussions about forming a separate entity to handle all of the community television operations began in 1981 and the Articles of Incorporation were formulated in 1982. There are 15 members on the NWCT Board. 1 member appointed by each of the nine member cities. 4 members appointed At Large by the Cable Commission. 2 members elected by the Community Producer Volunteers.

There was a transition in May of 1985 in which the cable company transferred all local programming responsibilities and staff to NWCT. The plan was for NWCT to operate Community Access and produce professionally produced Local Origination programming. NWCT was prepared and in position to take control of all community programming aspects.

The formation of NWCT in 1982 and the transition to overall responsibility for all local programming in 1985 was paramount to the highly successful operation we have had since then. NWCT as well as its flagship Channel 12 is recognized both locally and nationally as one of the most successful community television operations in the country. NWSCCC & NWCT moved into its building in 1986. Both organizations operated out of the cable company building prior to 1986. We are a community resource that is valued by the cities and the residents. Our core mission is to be a service to our cities.

The Northwest Suburbs Cable Communications Commission and Northwest Community Television meet quarterly. The unwavering support of Cable Commission and NWCT Board Members and our member cities has always been essential to the success of our operation. Many Mayor's, Council Members, City Manager's, City Staff and Community Representatives have had a hand in our success throughout the years. We cannot thank them enough for their dedication to this organization. We are honored to have Bill Blonigan and Jim Willis continue to serve on the Cable Commission from the time operations began to take off in 1981 and Dr. Duane Orn, representing Brooklyn Center since 1982 on the NWCT Board.

Current Cable Commission Members in city alphabetical order:

Brooklyn Center:	Rex Newman & Tim Willson
Brooklyn Park:	James Jackson & Jamie Verbrugge
Crystal:	Julie Deshler & Anne Norris (Vice Chair)
Golden Valley:	Joanie Clausen & Joan Russell
Maple Grove:	Phil Leith & Al Madsen (Chair)
New Hope:	Andy Hoffe & Kirk McDonald
Osseo:	Doug Reeder & Mark Schulz
Plymouth:	Helen LaFave & Jim Willis
Robbinsdale:	Bill Blonigan & George Selman

Current NWCT Board Members:

Brooklyn Center:	Dr. Duane Orn
Brooklyn Park:	Jamie Verbrugge
Crystal:	Anne Norris (Vice Chair)
Golden Valley:	Thomas Burt
Maple Grove:	Al Madsen
New Hope:	Kirk McDonald
Osseo:	Doug Reeder
Plymouth:	Helen LaFave
Robbinsdale:	Marcia Glick (Chair)

At Large Members:	James Jackson, Zipporah Mesesi, Rex Newman and Joan Russell.
Elected Members:	Donald Jackson and Jesse Stinski

Franchise Renewal

The Federal Cable Act, Section 546, includes the procedural requirements for local governments to comply with for cable franchise renewals. This law gives cable operators having an existing cable services franchise a presumption of renewal unless, based upon a process of the local franchising authority (NWSCCC), it is determined that certain findings as spelled out in the Federal Cable Act cannot be met and approved. The NWSCCC Franchise Renewal process started approximately three and a half years ago upon receipt of a letter from Comcast dated January 3, 2011 requesting to renew a franchise agreement for 10 years with NWSCCC. The franchise agreement is non-exclusive. This means other companies can come in and compete.

The NWSCCC met on February 27, 2011 to discuss the renewal and the process moving forward. There were many steps along the way throughout the Franchise Renewal. We have had a total of 17 negotiating meetings. Some of the meetings were with Comcast and some without. In addition, we discussed Franchise Renewal at 14 of our Cable Commission meetings. At this point, there have been Franchise Renewal discussions at a total of 31 meetings.

There were 2 phases within the renewal process, they included the Needs Assessment Phase and the Negotiating Phase. A lot of documentation was provided to Comcast related to our Needs Assessment. The documentation included surveys of stakeholders and scientific viewership surveys. Commission members toured Comcast technical head end buildings in Roseville and toured the local Comcast Twin Cities office located in St. Paul. Technical Consultants were hired to review our needs as related to technology for High Definition (HD) transmission, Video on Demand and Mobile Video Applications. The architectural firm that designed our building back in 1985 was hired to review the building infrastructure needs over the next 10 years such as roof replacements, HVAC controls, lighting, etc. The firm also provided cost for an expansion to the building. The building expansion was taken off the table due to the overall expense of the project. It was determined that we can function within our current footprint and focus our attention on building infrastructure improvements and technology for television production.

The current 15 year agreement expired on December 1, 2013. The NWSCCC approved a Cable Franchise Extension via resolution to be effective December 1, 2013 through March 31, 2014. Another Extension was granted in February also via resolution to be effective from March 31, 2014 to July 30, 2014. We anticipate one final extension simply to get us through the final steps in the process after the Public Hearing on September 18th.

Several months ago, Comcast announced that it would be merging with Time Warner. If the merger is approved by federal regulators later on this year, Comcast will need to divest of systems in Minnesota as well as other areas in the country because federal regulations only allow a cable company to have about 30% of the cable subscribers in the country.

It is most important to make clear that if there is an ownership change between Comcast and Midwest Cable, Midwest Cable will be required to abide by the franchise agreement agreed to between Comcast and the Northwest Suburbs Cable Communications Commission.

Community Programming Proposal Highlights In the Proposal

In summary, the Proposed Franchise Agreement provides for stable funding for capital expenses related to our operation and the technical operations at all of the city halls we serve. We will operate 5 Serial Digital (SD) Channels and 2 High Definition (HD) Channels. Currently, approximately 40% of the subscribers do not subscribe to HD service.

There is language in the Proposed Franchise Agreement that all of the SD channels could transition to HD channels if the cable company eliminates SD channels on the basic service tier. In addition, there is language that would give NWCT an option to swap 3 SD channels for 1 HD channel by request after the first 3 years of the signed agreement.

Electronic Program Guide (EPG) access for all local programming channels. This is extremely important in terms of being able to find specific programs on the schedule, setting recordings if you have a DVR, etc. This will also eliminate the need for public access to tie up an entire channel to promote its schedule. We certainly can find new and innovative ways to help public access promote its classes to the public. Like inserting promotional spots between programming on the community access channels, airing spots on channel 12 and potentially ad avail spots on the cable system.

Video on Demand is included in the agreement. This will give us an opportunity to test the technology for Public, Educational and Government programming as well as Channel 12.

The ability for channel 12 to connect to the cable network to share and cablecast sporting events and other relevant programming that may have regional significance throughout the twin cities.

Continued free Basic Cable Service to public buildings.

\$30,000 per year in Ad-Avail spots (air time) on the cable system.

\$200,000 one time up front Capital Grant.

The continued ability to request an additional channel from the cable company if certain programming thresholds are met.

From a local programming perspective, the franchise agreement will give us the ability to continue our mission in serving cities in the northwest suburbs with some of the best local programming in the country for many years to come. Our goal is to continue with that tradition that started over 30 years ago thanks to the strong and unwavering support of our member communities.

Competition to Cable

We are often asked by cable subscribers if there will be additional competition with the cable company in the future.

When we look back to the very beginning, cable became the competition for over the air broadcast. Over the air broadcast of course is free, but cable offered many more options for the consumer in terms of more variety of programming and channels. The cable industry eventually began to offer phone and internet service beyond traditional cable television video service.

Cable companies began to see real competition when the satellite industry took off. Twin Cities based Hubbard Broadcasting founded United States Satellite Broadcasting (USSB) in the 1980's. They partnered with Hughes satellite and was later purchased by DirectTV in 1998. The satellite television industry really started to have an effect on cable subscribership in the 1990's and still does to this very day.

One thing that was not around at a consumer level when the cable system was built in the early 80's was the internet. In fact, NWSCCC and NWCT operated with typewriters only until 1984 when we purchased our first IBM personal computer. Although the internet had been around for years for military purposes and at universities, it really did not take hold among the masses until the 1990's. Search engines Netscape and Yahoo were founded in 1994 and Google in 1998.

The internet today is big competition to cable. Many people stream Netflix and other content through the internet pipeline. That pipeline of course is offered by cable companies as well as telephone companies. Cable has the edge at this point in time of overall higher speeds. Cable customers can "cut the cable cord" and have internet provided through a local competitor though if they wish.

Wireless video via smart phones and tablets are also changing the wired world as we know it.

The next real wave though of wired competition could very well come from Century Link, AT&T or even Google. Google is beginning to wire cities across America with a 1 gigabit fiber link to the home. Most of the current cable connections to the home are done via coax cable that feeds to a node that may be connected via fiber. Google is currently experimenting with cable broadband operations in Kansas City, Missouri, Austin, Texas and other cities. They are competing head to head with the cable company serving the same area.

It's simply a matter of time before the northwest suburbs and cities throughout Minnesota and across the country see additional competition.