



Agenda Item # _____

Staff Report

City of Manhattan Beach

TO: Honorable Mayor Fahey and Members of the City Council

THROUGH: Geoff Dolan, City Manager

FROM: Sherilyn Lombos, Deputy City Manager

DATE: July 5, 2005

SUBJECT: Authorize the City Manager to Enter into an Agreement with Communications Support Group, Inc. for Consulting Services Associated with the Adelphia Cable Franchise Transfer and the Development of a Verizon Cable Franchise Agreement and Appropriate \$16,000 from the City Council Contingency Fund

RECOMMENDATION:

Staff recommends that the City Council authorize the City Manager to enter into an agreement with Communications Support Group, Inc. for consulting services associated with the transfer of the Adelphia franchise to Time Warner and development of a new cable franchise agreement with Verizon. In addition, staff recommends that Council appropriate \$16,000 from the City Council Contingency Fund to cover the costs of this agreement.

FISCAL IMPLICATION:

The proposal from Communications Support Group, Inc. includes \$5,000 for consulting services associated with the Adelphia transfer and \$2,500 for consulting services associated with developing the Verizon franchise. In addition, the proposal includes an optional franchise fee audit for \$8,500 that CSG would perform if four other cities join the audit. The franchise fee audit has the possibility of collecting funds from Adelphia depending on what is found. There are sufficient funds available in the City Council's Contingency.

BACKGROUND:

Time Warner and Comcast have entered into agreements to purchase the cable systems held by Adelphia. Upon completion of the transaction, the Adelphia cable systems will be removed from the bankruptcy proceeding and Time Warner Cable will operate the cable system serving Manhattan Beach. Cable franchise transfers are highly complex, legal proceedings and cities often use consultants to help navigate, advise and help negotiate such transfers. In addition to the Adelphia transfer, Verizon has recently approached the City to begin negotiations on a cable franchise for their "Fiber to the Premis" project. John Risk, President of Communications Support Group (CSG) has worked with the City before on cable transfers and development of franchise agreements. He is a well-respected, highly knowledgeable expert in this field.

DISCUSSION:

With the upcoming transfer of Adelphia cable to Time Warner and with the upcoming negotiations for a cable franchise with Verizon, staff approached John Risk at CSG to see if he was available to provide consulting services on both of these issues. The contract would be on a time and material basis with the scope of work proposed as follows:

- Adelphia Transfer:
 - o Review franchise documents
 - o Identify issues of non-compliance
 - o Review Form 394
 - o Negotiation services
 - o Draft resolution (approving/disapproving the transfer)

In addition, CSG is proposing to conduct a franchise fee audit with five cities that have Adelphia franchises. The cost for each city would be \$8,500. CSG has conducted a number of these audits in the last year, all of which have found significant non-compliance and return of money to each of the cities. Such an audit is important because for Adelphia to transfer its contract rights it must be in compliance with the terms of the contract. The findings of such an audit may be significant leverage for us in the transfer. CSG is currently working to get four other cities to join the audit before proceeding.

- Verizon Franchise:
 - o Historic document review
 - o Interviews and strategy planning
 - o Draft franchise agreement

CONCLUSION:

Staff recommends that the City Council authorize the City Manager to enter into an agreement with Communications Support Group for the consulting services outlined above associated with the Adelphia transfer and development of a cable franchise for Verizon. In addition, staff recommends that a franchise fee audit be conducted.