


ACTION CALENDAR  
December 16, 2003

To: Honorable Mayor and  
Members of the City Council  
From:  Phil Kamlarz, Acting City Manager  
Subject: Public Hearing on Basic Cable Rate Increase

RECOMMENDATION

Conduct a public hearing to receive oral and written comments on the recent rate increase for Basic cable television service in Berkeley, and upon conclusion, take no action, thereby allowing the rate increase to stand.

FISCAL IMPACTS OF RECOMMENDATION

The rate increases implemented by Comcast will have the effect of increasing Comcast's gross revenues from the operation of the cable system in Berkeley. As a consequence, there will be an increase of approximately \$23,000 in the amount of franchise fees and utility users taxes paid to the City by Comcast, for a new total of \$603,000 per year. In addition, other rate increases for expanded service and digital service (neither of which are regulated by the City) will also generate higher fees and tax payments – the amount is difficult to estimate because the City cannot predict which of the many enhanced services subscribers may purchase (see Attachment A for a complete table of services and rate increases).

CURRENT SITUATION AND ITS EFFECTS

The City of Berkeley's franchise for cable television was recently transferred from AT&T Broadband to Comcast Inc. Until last month, Comcast (and formerly AT&T) used a rate for Basic cable service in Berkeley of \$12.20 per month, the rate that had been in effect for almost two years. Comcast raised the Basic Rate in Berkeley by 11.48% to \$13.60 on November 15, 2003. Under rules established by the FCC, the City can review the reasonableness of Comcast's new rates pursuant to methodologies established by the FCC. The City has a year from the date the rates take effect to either approve or deny the increase, or to take no action, in which case the rate increase stays in effect without further regulatory action.

The City's outside technical consultant, John Risk of Communications Support Group, Inc., has analyzed Comcast's rate notification (Federal Communications Commission Forms 1240 and 1205) and concluded that the FCC permits an increase of this size. If the Council takes no action regarding this matter, the new rate simply continues.

BACKGROUND

The City has been certified by the FCC since 1993 to regulate the Basic Cable Service Tier, which includes the monthly rate for cable service, the rate for equipment and installation, and consumer service standards. The cable company typically has increased the Basic rate every year, and Council has either conducted a public hearing or simply received an information report.

Basic Cable Service is defined as the set of regular broadcast channels ("off-the-air") and also includes the local public access channel (BTV Channel 28 and CTV Channel 33 in Berkeley). Approximately 10% of the 19,000 cable television subscribers in Berkeley purchase only this service (about 2,000 subscribers). The City does not regulate the rates of other Comcast services such as premium channels (HBO etc.) and Internet service.

As the certified regulatory body, Council may either disapprove the rate increase, or approve the rate increase, or simply take no action on the increase, in which case the new rate stands.


RATIONALE FOR RECOMMENDATION

As per the analysis by the City's outside technical consultant, the rate increase by Comcast is within the amount permitted by the FCC. A denial of Comcast's rates can only occur consistent with FCC rules. If the Council were to deny the rate increase, Comcast would likely prevail in appeal the decision to the FCC. However, by not positively approving the increase, the Council sends the message to Comcast that it does not encourage raising the cost of Basic cable service to Berkeley residents.

CONTACT PERSONS

Roger Miller, Department of Information Technology..... 981-6502

Approved by:

  
Chris Mead, Director  
Department of Information Technology

## ATTACHMENT A

## Comcast Cable Rate increases - City of Berkeley - effective Nov 15, 2003

<u>TYPE OF SERVICE</u>	<u>CURRENT PRICE 2002</u>	<u>NEW PRICE 2003</u>	<u>\$ Increase</u>	<u>% Increase</u>
<b><u>NON ADVANCED DIGITAL NETWORK</u></b>				
Limited Basic	\$12.20	\$13.60	\$1.40	11.48%
Expanded Basic	\$29.05	\$30.09	\$1.04	3.58%
Standard Cable (includes Limited Basic and Expanded Basic)	\$41.25	\$43.68	\$2.43	5.89%
<b><u>DIGITAL VALUE PACKAGES</u></b>				
<i>The Comcast packages below do not include Standard Cable:</i>				
<b>Digital Silver Package</b>	\$25.95	\$27.95	\$2.00	7.71%
<b>Digital Gold Package</b>	\$36.95	\$39.95	\$3.00	8.12%
<b>Digital Platinum Package</b>	\$47.95	\$50.95	\$3.00	6.26%
<i>The following digital packages include Standard Cable:</i>				
<b>Digital Starter Package</b>	\$46.49	\$51.99	\$5.50	11.83%
<b>Digital Bronze Package</b>	\$51.49	\$54.99	\$3.50	6.80%
<b>Digital Standard Package</b>	\$56.49	\$61.99	\$5.50	9.74%
<b>Digital Silver Package</b>	\$66.99	\$71.99	\$5.00	7.46%
<b>Digital Gold Package</b>	\$76.99	\$81.99	\$5.00	6.49%
<b>Digital Platinum Package</b>	\$85.99	\$91.99	\$6.00	6.98%
<b><u>OPTIONAL PER-CHANNEL SERVICES</u></b>				
HBO	\$14.99	\$18.99	\$4.00	26.68%
Showtime	\$14.99	\$16.99	\$2.00	13.34%
Cinemax	\$14.99	\$16.99	\$2.00	13.34%
The Movie Channel	\$14.99	\$16.99	\$2.00	13.34%
STARZ!	\$14.99	\$16.99	\$2.00	13.34%
Encore	\$6.99	\$9.99	\$3.00	42.92%
Filipino Channel	\$11.99	\$12.99	\$1.00	8.34%
Zcc TV (south Asian)	\$14.99	\$15.99	\$1.00	6.67%
TV Asia (South Asian)	\$14.99	\$15.99	\$1.00	6.67%
TV 5 (French)	\$9.99	\$10.99	\$1.00	10.01%
RAI (Italian)	\$9.99	\$10.99	\$1.00	10.01%
Zhong Tian (Chinese-Mandarin)	\$11.99	\$12.99	\$1.00	8.34%
TV Japan (Japanes)	\$24.99	\$25.99	\$1.00	4.00%

[Source: Comcast Correspondence to City of Berkeley, October 10, 2003]

**Table of survey data on Basic and Expanded Basic Cable Rates– 12 cities**

City/ Cable Provider	Populatio n [2000 Census]	Homes Passed/ No. Subscribers	Total Cable Penetra.	Basic Rate	# Basic Channels/ # Bas + Exp Ch	Basic Rate Per Channel	Basic + Expande d Rate	Basic + Expd + Rate	Basic + Expd + all Channel s	Rate All Basic/ Channel
Albuquerque/ Comcast	448,607	210,725/ 106,919	50.7%	\$9.95	23/ 75	\$0.43	\$38.29	N/A	N/A	\$0.51
<b>Berkeley/ Comcast</b>	<b>102,743</b>	<b>45,677/ 18,773</b>	<b>41.1%</b>	<b>\$12.20</b>	<b>32/ 81</b>	<b>\$0.38</b>	<b>\$41.25</b>	<b>N/A</b>	<b>N/A</b>	<b>\$0.51</b>
Denver/ Comcast	554,636	225,000/120,6 42	53.6%	\$12.90	30/ 57	\$0.43	\$31.24	N/A	N/A	\$0.55
Denver- Upgrade/ Comcast	554,636	225,000/ 120,642	53.6%	\$13.44	34/ 74	\$0.40	\$36.04	N/A	N/A	\$0.49
Fort Worth/ Charter	534,694	323,553/ 105,078	32.5%	\$13.33	30/ 49	\$0.44	\$34.95	\$43.95	86	\$0.51
Fremont/ Comcast	203,413	68,358/ 45,189	66.1%	\$12.50	32/ 81	\$0.39	\$39.00	N/A	N/A	\$0.48
Fresno/ Comcast	427,652	215,132/ 115,295	53.6%	\$6.69	20/ 70	\$0.33	\$37.96	N/A	N/A	\$0.54
Kansas City Time Warner	441,545	217,000/ 108,000	49.8%	\$9.95	17/ 77	\$0.59	\$34.64	N/A	N/A	\$0.45
Long Beach/ Charter	461,522	184,161/ 71,962	39.1%	\$16.60	37/92	\$0.45	\$48.71	N/A	N/A	\$0.53
Oakland/ Comcast	399,484	173,257/ 70,232	40.5%	\$15.15	31/60	\$0.49	\$36.50	N/A	N/A	\$0.61
Oakland- Rebuild/ Comcast	399,484	173,257/ 70,232	40.5%	\$15.90	33/74	\$0.48	\$39.99	N/A	N/A	\$0.54
Portland/ Comcast	526,986	256,675/ 124,483	48.5%	\$12.07	31/71	\$0.39	\$39.04	N/A	N/A	\$0.55
Sacramento/ Comcast	*433,400	165,000/ 82,500	50.0%	\$12.44	27/72	\$0.46	\$39.74	N/A	N/A	\$0.55
Sacramento/ SureWest	433,400	53,000/ 6,400	12.1%	\$11.90	25/140	\$0.48	\$38.70	N/A	N/A	\$0.28
Tucson/ Cox	486,699	182,953/ 87,766	48.0%	\$15.07	28/ 70	\$0.54	\$37.79	N/A	N/A	\$0.54
Va Beach/ Cox	425,257	153,407/ 119,962	78.2%	\$8.90	23/62	\$0.39	\$26.80	\$29.70	68	\$0.44