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Memorandum Date: August 02, 2006
Board Order Date: August 15, 2006

TO: Board of County Commissioners

DEPARTMENT: CAO/Economic Development Standing Committee

PRESENTED BY: Mike McKenzie-Bahr, Community and Economic Development Coordinator

AGENDA ITEM TITLE: IN THE MATTER OF HOLDING A PUBLIC HEARING TO OBTAIN CITIZEN VIEWS ABOUT THE TERMINATION OF CABLE TELEVISION SERVICE IN THE MAPLETON AREA.

I. MOTION

Move to accept the public comments and forward them to Charter Communications and request that Charter continues service in Mapleton under the current franchise agreement.

II. AGENDA ITEM SUMMARY

Charter Communications is planning to discontinue providing cable television service in Mapleton. In a letter to the County, Charter states that "increase costs of maintenance...couple with an increase in competition and loss in subscribers" is the reason for ending the service. According to Charter they have less than 50 subscribers in Mapleton.

Charter informed its subscribers in Mapleton about the end of service in a letter dated July 11, 2006. The termination work will start August 15, with customers being shut off by November 15.

Under the franchise agreement, Lane County grants Charter the right to provide cable television service in the unincorporated areas of the County. In exchange for that right, Charter pays the County a franchise fee (\$874 annually for Mapleton) and has an obligation to provide cable television service to residents in the franchise areas who want it.

Charter has asked that the County sign a letter releasing Charter from its franchise responsibilities in Mapleton.

At its July 26 meeting, the Lane County Board of Commissioners expressed its concern about how the termination of cable television service may impact residents of Mapleton. The Board set a public hearing for 1:30 p.m. on August 15, 2006 in Harris Hall, 125 E 8th Avenue in Eugene. The purpose of this hearing is for the Board of County Commissioners to obtain citizen views about the termination of cable television service in Mapleton and to then communicate those concerns to Charter

County Economic Development Staff placed an ad in the Eugene Register-Guardian and the Siuslaw News announcing the public hearing. In addition, the ads stated that written comments are also welcome and should be received by August 18, 2006 at the County Administration Office,

Both oral and written comments received by the Board of Commissioners will be forwarded to Charter Communications for their consideration.

III. BACKGROUND/IMPLICATIONS OF ACTION

A. Board Action and Other History

Lane County has a 15-year franchise agreement with Charter Communications that covers much of the rural area of the County including Mapleton. That agreement has one more year before it ends. Charter and the County are currently going through negotiations for a 5-year extension of the franchise agreement.

Mapleton is among the nine areas of the County served by Charter. The cable system in Mapleton is a stand-alone system that is not connected to the other Charter service areas. Charter has shown declining subscriber rates in Mapleton and rising costs. In addition the system there is older and the number of channels being offered is fewer than in other service areas. Charter states "that it is no longer commercially practical to maintain cable operations within the Mapleton area."

In two meetings with County staff, Charter representatives have stated that they have searched for some other operator to take over the system, but have been unable to find one as there are not enough subscribers to pay for the operations and maintenance of the present system.

As part of the service termination procedure, Charter has requested the County agree to the Mapleton cable service termination and exempt Charter from the franchise agreement requirements for that area.

In its action on July 26, the Board moved to set a public hearing for Mapleton cable television subscribers and for staff to work with Charter Communications to explore long-term solutions for television service in Mapleton.

B. Policy Issues

The board is faced with several policy issues in this situation.

- 1) Franchise Agreement changes – Does the board want to make franchise agreement changes outside of the franchise agreement extension process currently occurring?
- 2) Business considerations – The Board may wish to consider whether the franchise operation is one business, or is it several cable systems/service areas to be dealt with independently of one another.

C. Board Goals

Lane County Strategic Plan goals include the following outcomes that are affected directly and indirectly by cable television services: 1) “work for a strong regional economy” - this is enhanced when people in all communities of the county have access to meetings of the Board of Commissioners that promote economic development; 2) providing “opportunities for citizen participation in decision-making, voting, volunteering, and civic and community involvement . . .” are directly affected by education and government information on cable television channels; 3) “ensuring the public’s safety . . . emergency preparedness, [and] law enforcement . . .” is facilitated through public information channels. Many other public benefits are derived when public channels are available in a uniform way wherever cable television facilities exist.

D. Financial and/or Resource Considerations

The financial consideration to County finances regarding this issue is minimal, as the termination of service in Mapleton will reduce the amount of franchise fees paid by Charter to the county by only \$874.

The resource consideration may be much greater as the loss of cable television service in any area of the County minimizes the ability of the County and others to share information with people in that area. The Board has directed staff to work with Charter to get the BCC meetings on to the Charter system. The airing of meetings will occur in the near future for most of the Charter areas. The one area that a solution has not been found for is Mapleton, because it is a stand-alone system. However over the long-term, if cable television service is continued in that area a solution to have the meetings play on the Mapleton system can be found. Without cable television service in Mapleton, in all likelihood the BCC meetings will never be shown there.

In addition, under the cable franchise, Charter is to provide service to public buildings, like fire stations and schools. If the service in Mapleton goes away, we do not currently know what the impact on those resources would be.

E. Analysis

The end of service to an area is not directly dealt with in the franchise agreement. However service to customers is dealt with throughout the agreement.

In Article IV, Section R. Consumer Protection, the franchise agreement reads: ... the Grantee shall not, without good cause, fail to make available cable service to prospective subscribers nor shall the Grantee terminate service without good cause. Service shall be provided to all interested customers where economically feasible..."

By holding a public hearing and hearing from cable television users in Mapleton about how the termination of service will impact them, the long term direction the Board should take on this issue may become clearer.

F. Alternatives/Options

As before, the Board has numerous options to consider as follows:

Option 1: The Board could choose not to sign the letter and request that Charter continue service in Mapleton.

Option 2: The Board could choose not to sign the letter and let the termination process continue without the County releasing Charter from its duties under the franchise agreement.

Option 3: The Board could sign the letter and let the termination proceed.

Option 4: Explore legal options to facilitate continuation of service.

IV. TIMING/IMPLEMENTATION

Staff will forward the public comments to Charter Communications by the end of the day August 18. In addition, it is expected that representatives of Charter Communications will attend the public hearing. The board may receive an update from them regarding the timeline for termination of the system and the need for Board signature on the letter releasing Charter from franchise duties in Mapleton.

V. RECOMMENDATION

Staff recommends that the Board adopt the motion in this report.

VI. FOLLOW-UP

Staff will keep the Board informed regarding the termination process with periodic updates.

VII. ATTACHMENTS

- 1) Letter from Charter Communications dated July 11 to Mr. Michael McKenzie-Bahr
- 2) Letter from Charter Communications dated July 11 to cable subscribers



July 11, 2006

Hand delivered

Mr. Michael McKenzie-Bahr
Community & Economic Development Coordinator
Lane County
125 E. 8th Ave.
Eugene, OR 97401

RE: Ordinance No. 6-92 granting Falcon Cable Systems Company II, d/b/a Charter ("Charter") a Cable Franchise and the right to construct, operate and maintain a cable distribution system in the unincorporated areas of Lane County, Oregon ("County") right-of-way (hereinafter referred to as the "Charter Cable Franchise").

Dear Mr. McKenzie-Bahr:

Pursuant to the Charter Cable Franchise and pursuant to our meeting on June 20, 2006, please let this letter serve as Charter's notification to the County of Charter's intention to terminate operations of its cable distribution system within the Mapleton area effective September 15, 2006 ("Effective Date of Termination").

As you know and as we discussed, ever since Charter assumed responsibilities for maintaining and operating the cable system serving the Mapleton area in 1999, Charter has effectively served its customers in the Mapleton area and has been in substantial compliance with the terms set forth in the Charter Cable Franchise. Charter has over the years valued its relationship with Lane County in the Mapleton area and its customers. However, as you also know, there has recently been a change in economic circumstances that are particular to the Mapleton area which are greatly affecting our ability to serve our customers in the Mapleton area (i.e., the increased costs of maintenance of our plant coupled with an increase in competition and loss in subscribers). After giving great consideration to the overall viability and effectiveness of the cable system's current operations within the Mapleton area, Charter has concluded that due to a change in economic conditions, Charter finds that it is no longer commercially practical to maintain cable operations within the Mapleton area. Thus, Charter shall terminate its cable services as of the aforementioned Effective Date of Termination.

Please do note that Charter shall provide its customers residing within the Mapleton area with thirty (30) days prior written notice (see attached letter) of termination and Charter shall continue to provide cable services to its existing customers at the current cable rate card cost until the Effective Date of Termination. Thereafter, Charter shall provide services to its existing

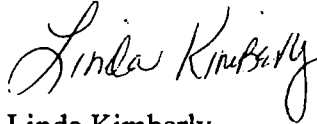
customers "for free" until Charter has completely removed its cable plant from the City's right-of-way, with said removal to be completed by November 30, 2006. Charter shall also work with the County to effectively remove its cable plant from the County right-of-way and Charter shall continue to adhere to its financial commitments to the County up until the Effective Date of Termination as those commitments are set forth in the Charter Cable Franchise agreement and/or which are set forth in Federal and State law (i.e., the payment of any applicable taxes, fees and assessments).

Charter kindly requests that Lane County (Mapleton area) acknowledge and agree to the termination of the Charter Cable Franchise as of the Effective Date of Termination as set forth herein by having an authorized representative for the County affix his/her signature below. By executing this document, the County hereby releases Charter from any and all duties and liabilities to the County and its residents pursuant to and/or which are set forth in the Charter Cable Franchise, including, but not limited to, the operation and maintenance of the cable plant in the County right-of-way, as of the Effective Date of Termination.

We would like to thank the County for assisting Charter in its efforts to provide cable services to the residents of the Mapleton area, OR. Please do note that if the particular economic conditions relative to the Mapleton area were to change in the future, Charter would welcome the opportunity to serve the residents of the Mapleton area once again. Until such time, Charter would like thank Lane County, OR for its commitment and cooperation over the past years.

As always, if you have any questions or comments regarding the aforementioned, please feel free to contact me directly at (360) 828-6615.

Sincerely,



Linda Kimberly
General Manager

Charter Northwest Key Market Area (NW KMA) - Sahalee Group

cc: Petra A. Redchuk, Director, Government Affairs - Charter NW KMA
Charter Corporate Government Affairs Dept. - Files

Lane County (Mapleton area), OR

Community Cord.

Witness

Date

Date



July 11, 2006

Dear:

Over the years Charter has valued its relationship with our customers in Mapleton, OR. Unfortunately recent changes in economic circumstances have greatly affected our ability to serve our customers in the area.

In particular, we have experienced an increased cost to maintain our plant. That, coupled with intensified competition from satellite providers and a loss in subscribers, has forced us to consider the overall viability of offering cable television services in Mapleton, OR. Charter has concluded it is no longer economically practical to maintain cable operations in Mapleton, OR. We regret to inform you that Charter will terminate cable services in Mapleton, OR as of August 15, 2006.

Demolition of our cable plant will begin on November 15, 2006. Although you may continue to receive services beyond August 15th and until the demolition is completed, you will not be billed for cable television services that you receive after August 15, 2006.

It has been our privilege to serve the community of Mapleton over the years. Should economic conditions change in the future, Charter would welcome the opportunity to serve you once again.

Sincerely,

A handwritten signature in cursive script that reads 'Linda Kimberly'.

Linda Kimberly
General Manager