

To the Mayor and Common Council,

Madison City Channel (MCC) is the window into our city's government and a tool to connect our citizens to those who represent and serve them. Its prime mission is to help make local government accessible to the citizens of Madison by enabling citizen access to local government proceedings and therefore increasing government accountability. The committee believes that MCC's survival is critical to the public's continued access to the City's many public proceedings.

Due to state legislation passed in 2007, MCC will lose a major source of annual revenue, known as the "PEG fee" (public, education, and government cable access television) beginning on January 1, 2011. A portion of this PEG fee paid for almost half of MCC's \$581,955 budget in 2009. The Mayor and Common Council created the Madison City Channel Ad Hoc Committee with the instruction to "find innovative ways to not sacrifice the important service City Channel provides but to also find efficiencies to help close the significant gap it will face in this budget." The Mayor encouraged the committee to take a "fresh look" at how this service is provided. Since then, our committee has met ten times and has worked with the skilled assistance of dozens of Madison staff from several agencies in the formation of this document.

Recommendation Overview

PEG fees constitute a significant share of MCC's yearly budget and its loss puts coverage of city government activities and decision-making processes as well as the coverage of Madison civic events generally in jeopardy. Despite the committee's comprehensive survey of potential budgetary and administrative solutions, it is our opinion that no combination of the following recommendations will close MCC's entire projected shortfall for the next fiscal year. While we believe that the implementation of our group's suggestions will close some of the gap on MCC's deficit, aid from the franchise fees (general fund) will be required if dramatic budget cuts are to be avoided.

Background on State and Federal Law

Federal law allows local governments to enter into local cable franchise agreements with cable operators and to create two revenue streams for local priorities: cable franchise fees and PEG fees.

- **Franchise fee:** 5% of the gross revenues from video services from Madison's two cable TV providers, Charter and AT&T. Paid quarterly into the City's general fund as a form of rent payment for use of the Public Right-of-Way, and collected from cable subscribers as a line item on monthly bills.
- **PEG fee:** 1% of the gross revenues from video services from Madison's two cable TV providers, Charter and AT&T. Originally negotiated by the City and included in the local Franchise Agreement, these fees are eliminated in 2011 as a result of the 2007 state law. Paid quarterly to the City, these funds are

only to be used to support the PEG channels in the City, in proportions determined by the City, and are collected from cable subscribers as a line item on monthly bills.

However, in 2007 the State of Wisconsin undermined the rights of local government by passing Act 42, the Video Competition Act, which stripped Wisconsin cities of their status as local franchise authorities and forbade the collection of any PEG fees as of January 1, 2011. The loss of PEG fees has caused the City of Madison to end support of WYOU public access television and has put Madison City Channel in a budget crisis. Under the terms of federal law, the City of Madison negotiated a 63-cent subscriber PEG fee on Madison cable subscribers. In 2010, this revenue stream totaled \$411,000. Until the 2010 budget, two-thirds of this fee was allocated to City Channel and one-third of this fee was allocated to WYOU. Cable operators are allowed to show this as a governmental fee on cable subscriber bills. In 2010, the City of Madison collected approximately \$2.2 million in franchise fees from Charter Communications and AT&T.

Passage of State Law ends PEG fees as of January 1, 2011

Under Act 42, the State became the “local” franchise authority and the state decided to sunset all PEG fees in existence in the State on January 1, 2011. In response to this situation, in the 2010 budget, the City of Madison cut its allocation of PEG fees to WYOU in half, giving the other half to City Channel. In 2011, with no PEG fees, WYOU will receive no funding from the City and City Channel will face a severe budget crisis.

**MADISON CITY CHANNEL
Operating Budget**

2000 – 2010

MCC Share of PEG Fees	PEG Fees applied to Operating Budget	PEG Fees available for MVS/Capital
2000: \$223,637	\$126,691 (57%)	\$ 96,946
2001: \$258,226	\$132,629 (51%)	\$125,527
2002: \$245,501	\$185,501 (76%)	\$ 60,000
2003: \$250,573	\$155,483 (62%)	\$ 95,090

2004: \$252,737	\$135,610 (54%)	\$117,127
2005: \$253,603	\$179,965 (71%)	\$ 73,638
2006: \$258,847	\$209,344 (81%)	\$ 49,503
2007: \$274,605	\$223,572 (81%)	\$ 51,033
2008: \$267,195	\$256,416 (96%)	\$ 10,779
2009: \$268,347	\$268,347 (100%)	\$ --
2010: \$341,603 (est.)		

Amount of franchise fees the City of Madison has collected, by year:

2000	\$1,521,337
2001	1,665,618
2002	1,778,482
2003	1,862,658
2004	1,884,818
2005	1,957,992
2006	2,126,786
2007	2,203,217
2008	2,118,290
2009	2,133,128

Recommendations

The following recommendations were produced in our effort to analyze all possible sources of revenue and efficiencies. We provide both short and long term suggestions and have listed them in that order.

Revenue-generating proposals

It is our recommendation that Madison City Channel staff explore revenue-generating options to offset the cost of the coverage of non-governmental meetings and community events as well as topical issues programs. In our search for “all available options for Madison City Channel”, as our mission states, we have compiled several revenue-generating recommendations.

Franchise Fees (General Fund) Support:

Given that the lion's share of MCC's budget consists of operating costs, large budget cuts would no doubt translate into a noticeable detriment to the services provided. The channel's ability to provide production and air time to community activities and non-governmental meetings would likely decline and staff levels may need to be lowered to meet lower available fund levels.

Additionally, the history behind PEG funds and their use by cities to assist or fully fund public access programs across the country would suggest that at least a portion of those monies entered into Madison's general fund should be provided to supplement MCC's budget.

For these reasons, it is our recommendation that the Mayor and Common Council, with the implementation of our other recommendations, utilize franchise fees (general fund dollars) to minimize or close Madison City Channel's budgetary shortfall caused by the loss of franchise fees. It is our opinion that direct intervention toward the projected budget deficit will be needed if dramatic losses in meeting coverage are to be avoided. Attached we have also included a diagram demonstrating how many of other municipalities have allotted franchise fees with relation to their public access entities.

Increase Rates Currently Charged for Dane County Board Meetings:

The Dane County Board is currently being charged 75% of normal production rates charged for meetings. We see little to no justification for this discount.

It is our recommendation that this rate be increased to 100% so the costs of covering the County Board's meetings are fully compensated. It is expected that this change will generate approximately \$1,100 extra dollars a year.

Direct Charges to Organizations Covered in Ad Hoc Programming:

Ad Hoc programming produced by the MCC constitutes an enormous portion of the production and staff time of the channel. While the channel currently receives little to no compensation for these productions, we believe that such programming often speaks directly to the mission and purpose of the channel itself. While that may be so, current budget woes could require that going forward MCC charge organizations or individuals for the time spent covering their various meetings. The methods by which such a charging program could be implemented could range from using current rate card practices, creating a new rate system or allowing all covered entities to gradually increase the amount owed to MCC in order to lessen the impact it would have on their involvement with the city.

Concerns have been raised that should non-profit groups be charged for coverage, they would opt out of partnership with MCC. Such a loss of content to the channel could hurt the diversity of the programming offered by Madison City Channel and cause MCC to be less reflective of our community as a whole and less useful to our residents. The committee recommends that the City increase promotion of City Channel in order to raise awareness of the channel among potential non-profit

clients and residents generally. Greater awareness of the channel would translate into greater viewership, which ultimately will make potential clients more willing to pay to have programs produced and aired on the channel and website.

Use of Enhanced Sponsorship and other Fundraising Mechanisms:

Rather than charging non-profit organizations directly to produce and air programs, Madison City Channel could solicit underwriting for coverage of non-governmental programming. The committee studied several examples of fundraising in public sector multimedia productions in the hopes of supplementing MCC's budget for both the short and long term. Our committee proposes two ways MCC could solicit funding for underwriting.

- Following a PBS model, MCC could market a sponsorship apparatus for all forms of programming. The PBS model constitutes a small commercial announcement or graphic that would appear before a specific show or set of shows. This spot would likely include a short message thanking the sponsor and other contributors to the station, shortly followed by the beginning of the program that the sponsor is attributed with supporting.
- MCC could approach area businesses and organizations to support the production of programming in specific content areas (such as for all women's issues programming). Such initiatives could potentially offset some of the considerable cost of off-site production for which the channel currently receives no compensation.

It is important to note that each of these revenue-generating ideas would require a considerable amount of staff time to schedule and administer. As stated earlier, in order to attract sponsors, the City would need to increase its promotion of the channel to promote the value of the station and increase viewership. Such initiatives will need to be carefully studied to ensure that the cost of implementation will not outweigh any potential cost savings. This suggestion is expected to be a longer-term project due to the complexity of such a program's execution.

Administrative Efficiency Proposals

Mayor's Office Staffing Study

A study of MCC's staff and structure is now being conducted by the Mayor's office. Such a study could potentially reveal heretofore-unseen opportunities for improvement in staffing structure and responsibility designation. It is our recommendation that this study be closely scrutinized and implemented should such changes bring greater efficiencies to MCC.

Merger with the Information Technology Department:

While both IT and MCC admit that any merger between the two agencies would not result in any significant budget reductions, the committee believes the City should

investigate whether or not the union of these two agencies could realize staffing and infrastructure improvements over the long term. Currently, the two agencies enjoy a close relationship developing new media services through the City's website. In fact, the City organizational flow chart already lists MCC under the IT Department. MCC and IT staff have both identified several possible additional efficiencies, particularly in the field of equipment engineering and data storage. The more reliable data storage facility hosted by IT would be an improvement for MCC staff and the closer partnership between the two information-based agencies could help foster expansion in the field of "new media" delivery mechanisms for MCC content.

IT Director Paul Kronberger, stated in a July 8, 2010 memo to the committee that 10% of the Programming Coordinator's time and 10% of the Station Manager's time could be saved if IT handled payroll and budgeting for MCC. Mr. Kronberger suggests that graphic work on promotional materials currently done by MCC could be done by the Document Services unit for some additional savings.

However the Common Council and the Mayor go about approaching such a change in the relationship between the two agencies, we think that MCC should maintain a presence in agency management level discussions as this would be important to keep it educated on city happenings.

In summary, it is our conclusion that the Madison City Channel and the Information Technology agencies should continue to work closely together, in particular in the data storage area, and that the city avidly pursue its investigation into whether a consolidation of resources and staffing would promote long-term efficiencies.

Long-term investigation: Collaborate with the other two Access stations to find efficiencies and improve and expand services

In our effort to find efficiencies and take a "fresh look," at how community access television is provided in Madison, the committee also looked at promoting a more cooperative relationship with the Madison Metropolitan School District station (which is similar in size to Madison City Channel) and the community access television station, WYOU. Representatives from both entities spoke to the committee and indicated that School District Superintendent Nerad and WYOU Board Chair Rick Richards, support the exploration of greater cooperative ventures that could result at the minimum in joint production projects and at the most in a non-profit Public, Education, and Government Access corporation. All three PEG stations are facing serious budget cutbacks.

The concept of a partnership or "one stop shop" of community, education and government access television is a viable model used by many other communities and may result in significant cost savings for Madison. We have attached a document in which such collaboration is illustrated in graphics.

Budget cut proposals

Given that the lion's share of MCC's annual budget consists of staff expenses, large budget cuts would translate into staffing cuts and a noticeable decline in services provided particularly in MCC's ability to offer production and air time to community activities and non-governmental meetings. In short, large cuts would cause considerable harm to the amount and quality of programming that MCC is able to produce. Nevertheless, the committee felt obligated to consider what services to cut, should cuts be demanded. Based on the mission of Madison City Channel, the committee has created a suggested scenario for cuts, starting with those programs to be cut first and graduating to those that should be cut last:

1. External Ad Hoc Meetings (for example, Downtown Rotaries, CNI, DMI, Wis Academy)
2. Internal Ad Hoc Meetings (for example, Landmarks on Edgewater)
3. Station Programs (for example, Mayor's Report, District Reports, Conexion Latina)
4. Current Event Programs (for example, Know Your Candidates, Programming related to city business)
5. City Boards (for example, ALRC, Plan Commission, Board of Estimates)
6. Legislative Meetings (for example, Common Council Meetings, County Board Meetings)

The committee has also attached a document prepared by MCC staff that simulates budget reductions, demonstrating what actions could be taken should various budgetary losses be realized.

It is our opinion that if funding for MCC were to decrease, so would the staffing levels. If staffing levels drop, inevitably, so will the quality of the station. For these reasons, the Madison City Channel must maintain professional production values in all its programs, which requires that professionals be retained to direct and produce them.

Proposed Revised Mission of Madison City Channel

MCC's mission statement has not been updated for several years and does not properly reflect modern and future technologies or a more comprehensive goal for the channel itself. Our committee has drafted a suggested replacement for the channel's mission and recommends that it be adopted in order for the channel to maintain an appropriate direction moving into the future.

The revised mission would read:

"The mission of The Madison City Channel is to make local government more accessible to the citizens of Madison. By providing a direct link between local government and the public, the Madison City Channel will promote citizen access to local government and further government accountability. The Madison City Channel will also provide City government with professional video production services and distribution for training, data transmission and other valuable public information.

The Madison City Channel will also create programming that supplements general public information about civic life in Madison.

In order to meet this mission, The Madison City Channel's activities will include the following prioritized programming and services:

1. Local governmental legislative meetings (e.g. Madison Common Council, Dane County Board of Supervisors).
2. Local governmental boards, committees, commissions, etc. (e.g. Board of Estimates, Citizen's Advisory Commission on People with Disabilities).
3. Programs on current events or particular community issues, reports from public officials (e.g. Mayor's Report, Know Your Candidates, District Reports).
4. Programs regarding local government services (e.g. Protective Behaviors for Children, Career Opportunities with the City of Madison, 911).
5. Providing video production services for other City agencies.
6. Productions with a cultural or educational element (e.g. Nolen in the '90's).
7. Programming obtained from outside sources which further The Madison City Channel's mission.
8. Create Community Bulletin Board. “

Capital Budget Spending

While the primary thrust of our committee's time was spent on the operating budget of MCC, it is our hope that the Mayor and Common Council take efforts to provide MCC the resources it needs to maintain its purchasing plan on capital spending. The quality of the product MCC is trying to produce is based not only on its skilled workers but also on quality, reliable equipment that can compete with the industry standard.

We offer these recommendations with a sincere hope that the mayor's office and common council realize the intensity with which this committee fulfilled its tasks and feel we have provided the guidance needed to make educated decisions in present and future budget deliberations for Madison City Channel.

Respectfully submitted,

Eli Judge, Chair
Judy Olson, Vice-Chair
Judy Compton, Alder
Bridget Maniaci, Alder
Mary Cardona
Peter Kleppin
Barry Orton