

SACRAMENTO METROPOLITAN



Cable
CTC Television
Commission

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ROBERT E. SMITH
EXECUTIVE DIRECTOR

July 26, 1983

Reissued September 1, 1983
For Meeting of
September 7, 1983

TO: Sacramento Metropolitan Cable Television Commission

FROM: Bob Smith,
Executive Director

SUBJECT: Final Budget Adoption

PAST YEAR UPDATE.

On January 19, 1983, the Cable Television Commission approved a budget for the period April 1 - June 30, 1983 in the amount of \$304,636 of which \$204,636 was an operating budget with \$100,000 to be used, together with any franchise fees received, as a cashflow reserve for the period after June 30, 1983. The Budget was financed with advances from the City and County on a 40%/60% ratio.

The actual Commission expenses for the April 1 - June 30, 1983 were \$94,855.91. This was approximately \$110,000 below the 1982/83 Approved Budget, primarily because the Franchise was not awarded in March 1983 as expected and the expenses necessary for system construction, FCC waivers, Public Works' planning, and detailed engineering system review did not materialize, nor was the 20% franchise revenue distribution made to the Cities and County. Also, neither the year-end billings for Hammett & Edison in the amount of \$27,592.04, nor the billing for legal services in the amount of \$10,186.85 was processed until after the Auditor/Controller's deadline for 1982/83 expenditures.

The CATV Fund had revenues in the amount of \$60,000 from the prior bidders' deposits which were forfeited under the old RFP when no franchise was awarded. The CATV Fund balance on July 1, 1983 shows \$269,780 available for financing the franchise rebidding in 1983/84.

1983/84 BUDGET SUBMISSION.

The 1983/84 Preliminary Budget, as presented and approved by the Commission in June, was \$613,285. The Final Budget, in the amount of \$643,065 is being submitted early to provide sufficient time for your review, including review of the reductions requested by the City, prior to the budget hearing scheduled for September 7, 1983. It should be noted that the increase represents a carry-forward in expenditure authority from 1982/1983 to 1983/1984 and does not effect the Fund Balance.

Salaries and Wages:

Thirty-five percent (35%) or \$205,000 of the Budget, consists of expenses for four employees, including all salary and related benefits. The Commission Clerk and Executive Director are County employees on contract to the Commission and are budgeted within Personnel Services. The Clerk is in a 85% time position, the balance being with the Board of Supervisors. Two employees are direct staff to the Commission and are budgeted under the Salaries and Wages line item, which also includes \$14,000 for temporary help, overtime and any merit salary adjustments, for a total of \$87,584. There has been no increase in staff since the Commission's inception, nor are additional positions contemplated to be requested.

Operating Expenses:

Forty-seven percent (47%) of the Commission's Budget, totaling \$312,180 is for engineering, economic and legal consultant services in 1983/84, of which \$37,779 has been added as a rebudget item for the June consultant billings which were received and processed too late to be included in the Final 1982/83 expenditure totals. These are offsetting adjustments between fiscal years and do not effect Fund Balance, only 1983/84 expenditure authority. The consultant services items are based on our best estimates for the cost of the franchising process, and on the necessity of securing expert help in preparing and presenting recommendations for a tentative selectee. The estimated amount for engineering and economic consultants' fees, for the rebidding process was \$165,000. The estimated total engineering and economic consulting costs for the rebid effort begun last April, have now been revised upward by \$20,000 to a total of \$185,000 of which \$40,000 was expended in the past year because of the more extensive involvement of the consultants in RFP preparation and in studying the Buyout issue. However, the amount of engineering fees for the post award period has been reduced by \$20,499 to reflect increased general review work undertaken in the pre-award process.

The Budget also includes \$5,000 in telephone and travel for expenses related to lobbying efforts on S.66, and \$9,000 for reimbursement to the County for use of the County computer system. The Facilities and Use charges have been increased to \$19,000 from \$6,500 to reflect past-year actual charges.

The 1983/84 Preliminary Budget projected that a cash advance of \$373,285 split 40%/60% between the City and County would be required. The City, in approving a loan in the amount of \$149,314 (its 40% share), requested that the Commission consider a 15% reduction in its overall budget. On July 6, 1983, the Board of Supervisors approved their advance in the amount of \$223,971.

It is anticipated that there will be no net cost to the City or County for the 1983/84 fiscal year as the result of these loans. We are currently estimating that at least three bidders will respond to our RFP, each providing \$45,000 in application fees by September 20th. Under the current schedule, the franchise award will be made by February 1984. At that time, the winning applicant must

submit a \$250,000 acceptance fee. Therefore, based upon these assumptions, it is likely that the loan advances as requested would be partially repaid in the last quarter of the fiscal year, if not sooner ($\$45,000 \times 3 = \$135,000 + \$250,000 = \$385,000$).

RESPONSE TO CITY COUNCIL 15% REDUCTION REQUEST.

Discussed below are line item reductions which staff has prepared, as directed, but cannot recommend for inclusion within the Final Budget, to reach \$92,000 or a 15% reduction. The reductions are listed in increasing order of severity and are displayed with numbers corresponding to the attached line item budget.

- #1) Public Works Services: The budget includes \$5,000 for reimbursement to the Department of Public Works for services necessary in preparation for the Cable Television System permit review and approvals. In consideration of the fiscal constraints, Public Works could absorb these costs in the current fiscal year and then recoup them when setting their actual permit charges and thus be compensated directly by the franchisee. Because the County would have to absorb any expenditures by Public Works, this is equivalent to providing an additional advance.
- #2) Other Personal Services: \$10,000 has been included in this item for retention of consultants' services relative to the determination of prevailing wage rates. The cost of this effort is reimbursable by the franchisee according to the Ordinance, and if it were deleted, it would require an Ordinance amendment to extend the requirement that the study be done within 30 days of filing the Certificate of Acceptance. The out-of-pocket advance in the current year could be avoided and the costs made directly payable by the franchisee.
- #3) Contingent Reserve: Reserve for Contingencies is budgeted at \$30,000 including an amount for any salary increase and benefit adjustments. This could be reduced by \$25,536 leaving a prudent amount for any salary or benefit increase. However, the risk is increased of having to return to the Commission for additional revenues should the budget projections for consultant services prove low.
- #4) S.66 Lobbying Efforts: The lobbying efforts relative to defeat and/or amend S.66, are included in the Budget at \$5,000 for telephone and travel, and are consuming approximately 40% of a staff position. These activities have resulted directly in the alliance of over 148 cities, counties and associations, including NACO, in opposition to S.66. It should be noted that the review of the bids in response to our RFP, is of highest priority and no staff resources will be diverted from that effort for lobbying.

- #5) Temporary Help: \$14,000 has been budgeted for temporary help and overtime for peak workloads and relief to the Clerk. Since November 1982, it has been necessary to maintain this additional staff to meet the administrative workload and Commission meeting deadlines.
- #6) Position Reduction: The reduction of a full position in January (0.5 FTE) would result in a savings of \$22,748. This would permit capacity for staff to review the new bids and to prepare recommendations for a selecting a new franchisee, but would reduce staff's capacity to monitor system development after award. RFP review and analysis is a major effort, previously done by a large consulting staff. The Commission's staff of four positions, including clerical, even though supported by consulting services, has committed itself to preparing a thorough analysis of the new bids in a very short timeframe, and the reduction of a staff position prior to completing the review would necessitate a revision of the time schedule and probable increased reliance on consultants.
- #7) Legal Services: It is possible that a \$10,000 reduction in legal services could be absorbed after the award of the Franchise. We do not have historic data to determine the costs of legal services when the Commission's activities are in a more regular and routine mode. This would reduce the estimated legal services costs for the period after the award from \$30,000 to \$20,000. The reduction of legal services during the rebid effort is an area which staff believes would severely jeopardize the quality and success of the franchise award evaluation. The RFP, as modified and approved, requires review of each application for legal completeness and sufficiency. Further, to consider entering into negotiations without legal support, even with the considerable experience gained to date, would be so disadvantageous that it would make fair negotiations impossible.
- #8) Legal Services Alternative: An alternative is to limit legal services expenditures to \$45,000, which is estimated to be sufficient through November, and then to reevaluate the needs at that time. This would not result in an immediate expenditure reduction because the funds would be held in reserve pending review by the Commission of the expenditures to date, and depending upon the decisions then, subject to appropriation.

Sacramento Metropolitan Cable

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July 21, 1983

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In view of the critical and one-time nature of the franchise process, and the lack of historic data for which to base estimates of resources required, I recommend that the Commission make no reduction in the proposed budget. Should it be desirable, following franchise award, which staff is confident will occur as a result of the new RFP, the Commission could review the operating budget and make whatever critical assessments and adjustments as are necessary.

It is recommended that the Commission:

Adopt the attached resolution approving the Final 1983/84 Commission Budget in the amount of \$643,065, including authority for compensation increases for management employees equivalent to whatever increases the County provides to employees in similar classes.

Respectfully submitted,



Bob Smith, Executive Director
Sacramento Metropolitan Cable
Television Commission

Attachments

(catv005)

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION

RESOLUTION NO. _____

WHEREAS, the Sacramento Metropolitan Cable Television Commission has before it a proposed operating budget for the period July 1, 1983 to June 30, 1984.

NOW, THEREFORE, IT IS RESOLVED AND ORDERED that the budget for the Sacramento Metropolitan Cable Television Commission for the period July 1, 1983 to June 30, 1984 is hereby adopted; that the expenditure amounts shown therein are hereby appropriated for the purposes stated; that the means of financing the expenditures set forth in said budget shall be in the Cable Television Fund (#0094).

On a motion by Director _____, seconded by Director _____, the foregoing resolution was passed and adopted by the Board of Directors of the Sacramento Metropolitan Cable Television Commission this _____ day of _____, 1983, by the following vote, to wit.

AYES: Directors

NOES: Directors

ABSENT: Directors

Chairperson of the Board of Directors
Sacramento Metropolitan Cable
Television Commission

ATTEST: _____
Clerk of the Commission

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION
 PROPOSED FINAL BUDGET- JULY 1, 1983 TO JUNE 30, 1984

(REBID)	PRELIMINARY		FINAL BUDGET	CITY REQUESTED								
	AS ADOPTED CHANGES			ADJUSTMENTS TO BUDGET								
				P. WORKS #1	OTHER #2	RESERVE #3	S.66 #4	TEMP1/2 #5	POS. #6	LEGAL #7	LEGAL #8	
SALARIES & WAGES	87584		87584						14000	17064		
RETIREMENT	8094		8094							1877		
OASDI	4784		4784							1196		
GROUP LIFE, DENTAL, MEDICAL	4506		4506							1127		
WORKER'S COMP.	1104		1104							256		
SDI/SUI	3090		3090							716		
COMM. MEETING EXPENSE	10800		10800							0		

TOTAL SALARIES & BENEFITS	119962		119962							22236		
ADVERTISING NOTICES	1500		1500									
BOOKS/PERIODICALS	800		800									
BUSINESS CONFERENCE	4500		4500				4000					
BUSINESS TRAVEL	2000		2000									
EDUCATION TRAINING	800		800									
EMP. TRANSPORTATION	250		250									
INSURANCE-LIABILITY	9000		9000									
OFFICE SUPPLIES	1400		1400									
PRINTING SERVICES	4000		4000									
TELEPHONE	4000		4000				1000					
FINANCIAL SERVICES	3000		3000									
ENG./ECON. SERVICES (145,000)	205000	7093**	212093									
LEGAL SERVICES (60,000)	90000	10187	100187								10000 (45000)*	
PERSONNEL SERVICES	1000		1000									
OTHER PERSONAL SERVICES	109573		109573		10000							
DATA PROCESSING SERVICES	9000		9000									
PRINTING SERVICES- DGS	500		500									
POSTAGE/MAIL- DGS	3000		3000									
PURCHASING SERVICES- DGS	1000		1000									
EQUIPMENT RENTAL- DGS	500		500									
PUBLIC WORKS SERVICES	5000		5000	5000								
OFFICE RENT/USE- DGS	6500	12500	19000									
COUNTY SERVICE CHARGES	1000		1000									
RES. FOR CONTIN. W/SALARY	30000		30000			25536				512		

TOTAL	493323	29780	523103	5000	10000	25536	5000	14000	22748	10000 (45000)		

TOTAL	613285	29780	643065	5000	10000	25536	5000	14000	22748	10000 (45000)		
Cumulative Reduction Total	0		0	5000	15000	40536	45536	59536	82284	92284	92284	
Cumulative Revised Total	613285	29780	643065	608285	598285	572749	567749	553749	531001	521001	521001	
CABLE TELEVISION FUND:												
JULY 1, 1983 BALANCE	180000	29780	209780	209780	209780	209780	209780	209780	209780	209780	209780	
PRIOR BIDDERS DEPOSIT CANCELLATI	60000	0	60000	60000	60000	60000	60000	60000	60000	60000	60000	

AVAILABLE FOR APPROPRIATION	240000	29780	269780	269780	269780	269780	269780	269780	269780	269780	269780	

LOAN REQUIRED	373285	0	373285	368285	358285	332749	327749	313749	291001	281001	281001	
40% CITY	149314		149314	147314	143314	133099	131099	125499	116400	112400	112400	
60% COUNTY	223971		223971	220971	214971	199650	196650	188250	174601	168601	168601	
												(45000) RESERVE

* Establishes a reserve and requires review of expenditures and subsequent appropriation in November.

** \$27,592 rebudget - \$20,499 post award reduction

mod1