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TRANSMITTAL MEMORANDUM

TO: The Honorable Mayor and City Council

FROM: Karl R. Amylon, General Manager

DATE: January 8, 2021

RE: **2021 Broadcast Surcharge Fee Increase**

At its meeting of June 16, 2016, the City Council adopted a motion approving in second reading Ordinance No. 16-1818 amending Chapter 11.12, Telecommunications Service and Rates, of the Ketchikan Municipal Code; providing for a public hearing; and establishing an effective date. As the City Council will recall, Ordinance No. 16-1818 provided for the adoption of a broadcast surcharge to address the ever increasing cost of programming content.

As indicated in the attached memorandum from Telecommunications Division Manager Ed Cushing, KPU intends to increase the broadcast surcharge fee from \$18.47 to \$21.73 per month, effective February 1, 2021. The rationale for the increase is detailed in Mr. Cushing's report and requires no elaboration on the part of my office. I concur with the Telecommunications Division Manager's recommendation.

Mr. Cushing will attend the City Council meeting of January 21, 2021, in order to address any questions and/or concerns that Councilmembers may have.



KPU Telecommunications

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Memorandum

To: Karl R. Amylon, KPU General Manager

From: Ed Cushing, KPU Telecommunications Division Manager

Date: January 7, 2021

Subject: Informational Memorandum - Broadcast Surcharge Fee Increase

The purpose of this memorandum is to confirm that KPU Telecommunications intends to increase its monthly television “pass-through” fees – by \$3.26 per customer per month – via increasing the KPUTV Broadcast Surcharge fee from \$18.47 to \$21.73, effective February 1, 2021.

Background

In 2016 – via establishing Ordinance No. 16-1818 (KMC 11.12.060(d)) - a “Broadcast Surcharge” fee was added to KPU TV customer monthly bills to cover KPU’s costs related to retransmission-consent fees and accompanying transport fees paid to obtain various broadcast channels (in particular, the ‘national networks’ primarily consisting of FOX, CBS, ABC, NBC, and CW). Effectively the ordinance enabled KPU to ‘pass-through’ - directly to customers - any increases in KPU’s retransmission-consent and transport costs, without gaining additional Council consent.

Specifically, 11.12.060(d) provided that:

“In addition to the monthly recurring rate for digital video service, the broadcast surcharge will be charged to each customer receiving broadcast channels. The broadcast surcharge is designed to cover the cost of retransmission consent and transport fees for broadcast channels. Such charges are subject to change as the retransmission consent and transport fee costs vary.”

On 08/01/2016 the initial charge of \$6.99 per customer per month was established to pass-through KPU’s costs for the broadcast channels and associated transport fees.

In 2017, due to rate increases previously negotiated with the broadcasters for their respective retransmission consent agreements, KPU's costs increased \$.80 per month per customer such that the Broadcast Surcharge fee increased to a total of \$7.79 per month.

In 2018, KPU negotiated new retransmission consent agreements with all broadcasters (the previous agreements having terminated at the end of 2017). As a result of the new agreements, KPU's costs increased \$6.73 per month per customer. Accordingly, on 02/01/2018, the Broadcast Surcharge increased by \$6.73, from \$7.79 to \$14.52 per month per customer.

In 2019, due to rate increases previously negotiated with the broadcasters for their respective retransmission consent agreements, KPU's costs increased \$1.75 per month per customer such that the Broadcast Surcharge fee increased to a total of \$16.27 per month per customer effective 02/01/2019.

In 2020, due to rate increases previously negotiated with the broadcasters and new negotiated retransmission consent agreements KPU's costs increased \$2.20 per month per customer. Accordingly, on 02/01/2020, the Broadcast Surcharge increased \$2.20, from \$16.27 to \$18.47 per month per customer.

In 2021, due to rate increases previously negotiated with the broadcasters and new negotiated retransmission consent agreements KPU's costs increased \$3.26 per month per customer. Accordingly, on 02/01/2020, the Broadcast Surcharge will increase \$3.26, from \$18.47 to \$21.73 per month per customer.

Cc: Lacey Simpson, Assistant KPU General Manager
Michelle Johansen, City Finance Director

June 16, 2016

Motion passed with Isom, Sivertsen, Kiffer, Harris, Coose, Gage and Zenge voting yea.

Ordinance No. 16-1818 - Amending Chapter 11.12, Telecommunications Services and Rates, of the Ketchikan Municipal Code - Second Reading

Copies of Ordinance No. 16-1818 were available for all persons present.

Moved by Sivertsen, seconded by Coose the City Council approve in second reading Ordinance No. 16-1818 amending Chapter 11.12, Telecommunications Service and Rates, of the Ketchikan Municipal Code; providing for a public hearing; and establishing an effective date.

Motion passed with Isom, Sivertsen, Kiffer, Harris, Coose, Gage and Zenge voting yea.

Budget Transfers - Award of Contract No. 16-17, 2016 Pavement Overlays-Surface Repairs, Secon

Moved by Sivertsen, seconded by Coose the City Council accept the bid of Secon in the amount of \$624,015 for Contract No. 16-17, 2016 Pavement Overlay-Surface Repairs; establish a five percent contingency in the amount of \$31,201, bringing the total project cost to \$655,216; authorize budget transfers in the amounts of \$29,216 and \$27,000 respectively from Appropriated Reserves of the Public Works Sales Tax Fund and the Water Division's 2016 West Fairy Chasm Water Improvements Capital Account to the Streets Division's 2016 Pavement Overlay - Surface Repair Capital Account; and direct the city manager to execute the contract documents on behalf of the City Council.

Motion passed with Isom, Sivertsen, Kiffer, Harris, Coose, Gage, Zenge voting yea; None voting nay.

UNFINISHED BUSINESS

Ordinance No. 16-1821 - Sales Tax on Retail Sales of Marijuana and Marijuana Products - Second Reading

Copies of Ordinance No. 16-1821 were available for all persons present.

Moved by Sivertsen, seconded by Coose the City Council approve in second reading Ordinance No. 16-1821 amending Ketchikan Municipal Code Section 3.04.010 by adding definitions of "Marijuana" and "Marijuana Products"; amending KMC Section 3.04.020 to levy an additional five percent sales tax on retail sales of marijuana and marijuana products; amending KMC 3.04.040 to add a schedule for the collection of sales taxes on marijuana and marijuana products; and establishing an effective date.

Motion passed with Isom, Sivertsen, Kiffer, Coose, Gage and Zenge voting yea; Harris voting nay.