



July 23, 2015

**TO: NMTC OPERATIONS COMMITTEE**

**RE: APPROVAL OF 2016 NORTH METRO TELECOMMUNICATIONS  
COMMISSION BUDGET**

Enclosed, please find for the council's review and approval the 2016 North Metro Telecommunications Commission Budget and support materials.

The Commission's operating budget for 2016 is proposed at \$1,189,284. This number represents a \$10,958 decrease over last year's operating budget. This is due primarily to a drop in anticipated legal fees, as franchise renewal with Comcast has been postponed three years as the result of a settlement agreement with Comcast.

Budgeted capital costs for 2016 are \$301,016. NMTV has been undergoing an HD upgrade analysis. HD channels are now available for community programming. In order to utilize these channels, the equipment must be upgraded. The first step is improve our playback capabilities. The capital budget for 2016, in combination with approved funds from 2015, will allow us to completely upgrade master control without the need to bond. This number also covers routine computer/software upgrades, and software licensing.

Franchise fees paid back to the Member Cities are budgeted at \$320,000. This is the same as last year's franchise fee payment.

**Recommendation:** That the Member Cities approve the 2016 Commission Budget as recommended by the Telecommunications Commission and the Operations Committee.

The Joint Powers Agreement states, "submitted budgets shall be deemed approved by a Member City unless, prior to October 15 preceding the effective date of the proposed budget, the Member City gives notice in writing to the Commission that it is withdrawing from the Commission."

I want to thank the Commission directors, staff, and the Operations Committee for their efforts in preparing these budgets. If you have any questions about either budget please consult with your Commission director or City Administrator.

Page 2

I look forward to working with all parties, throughout the remainder of 2015, toward reaching the full potential of North Metro TV and to increase both the quality and quantity of community programming and services in 2016.

Sincerely,

A handwritten signature in cursive script, appearing to read "Richard K. Swanson".

Richard Swanson  
Chair, North Metro Telecommunications Commission

Enc.

# 2016 North Metro Telecommunications Commission Budget Talking Points

## Overall Organizational Goals

- With the availability of two HD channels through Comcast, and with the possibility of all access channels being HD with a CenturyLink franchise, upgrading NMTV's programming capabilities to HD is a primary goal.
- To work toward and administer a competitive cable franchise for the North Metro.
- To continue developing web friendly programming for local, HD, and video-on-demand that can be viewed using any device.
- To balance the integrity of the production equipment and the productivity of staff and the public, with the financial needs of the Cities.
- Continue to provide program playback and channel management services, computer and video equipment maintenance and consulting services, internet streaming services for city meetings including meeting management software licenses, program production and event coverage services, and public access to television production for our cities, schools and general public.

## Estimated Fund Balance/Revenues/Expenses

- The beginning fund balances for 2016 are estimates based on previous allocations, planned spending for 2015, and estimated income.
- Estimated revenues include: Franchise fees based on the actual first quarter franchise fee payment. PEG fees are based on the actual first quarter PEG fee payment. Because of a franchise fee review settlement with Comcast, PEG funding through 2020 is no longer threatened by recent FCC orders. Other income includes dub fees, sponsorship spots, and production services. Interest income is estimated based on the first quarter interest earnings of this year.
- Estimated expenditures include the operating expenses, capital expenses, and the franchise fee payment to the cities. Franchise fees back to cities are budgeted at \$320,000. This is the same as last year.
- The year end fund balances include:
  - The **Operating reserve** at 25% of the operating budget.
  - **Accrued vacation, sick and comp** time. The total value of owed vacation, sick, and comp time to employees.
  - The **Capital equipment fund** has traditionally been used as a savings account for major equipment system upgrades. However, the cost to upgrade all of our major equipment systems to HD will need to be accomplished at one time, could cost between 1.5 and 2.5 million dollars, and will require bonding. As such, the capital equipment fund has been

spent down, and is now intended for emergency replacement of unplanned equipment failures.

- The **truck replacement fund** is to replace the production truck. The current truck is fourteen years old. It should be replaced as a part of the HD upgrade of the production truck.
- The **building repair fund** is to cover major costs related to the building such as windows, roof, furnace, AC replacement and painting, carpet replacement etc.
- The **bond reserve** is currently closed out, as the building was paid off in 2015.
- The **franchise renewal fund** is a reserve fund for the NMTC's upcoming franchise renewal process. Franchise renewal can be very expensive, with the informal negotiation process costing approximately \$200,000 across a three year period. Moving to a formal negotiation process is more expensive. These costs include needs assessments, consulting, and legal fees.

### **Budget**

- The recommended operating budget for the organization totals \$1,189,284. This number represents a \$10,958 decrease over last year's operating budget. The decrease can be attributed to a reduction in budgeted legal fees. As the result of a settlement agreement with Comcast, anticipated franchise renewal expenses have been postponed until 2017.
- Budgeted equipment purchases for 2016 is set at \$273,016. The first step in the transition to an HD facility is the Master Control playback and routing system. A Master Control upgrade analysis has been completed, and a plan for upgrading the system has been recommended. The cost of the upgrade will be around \$575,000. In anticipation of the need to upgrade to HD, all non-critical capital expenditures for 2015 were suspended, with the intent of use the remaining approved funds for the Master Control upgrade. That money, combined with the budgeted money for 2016, will be enough to pay for the Master Control upgrade without bonding. The upgrade can be scheduled to begin during the fall of 2015, with an anticipated completion of December 2015. Billing cycles would allow us to split the payments between 2015 and 2016. The capital budget also includes routine computer/software upgrades, and software licenses. The capital equipment budget totals \$301,016.
- Franchise fees paid to the cities are budgeted at \$320,000. This is the same as last year.

### **Closing Points**

- We have created a thriving and dynamic service for our cities, schools, producers, and viewers. Through program playback and channel management, internet streaming of city meetings, computer and network consulting, video equipment

consulting, and video production services, our cities are seeing real benefits from their investment of franchise fees and PEG fees. Our cable subscribers are benefiting from this investment with educational opportunities, tape and film transfer services, and varied, informative and interesting programming regarding their communities.

- We are taking important steps to remain relevant in a media viewing world that expects high quality programming provided in a format that can be utilized on any device.
- We are expanding programming to meet the preferences of our local viewers.
- 2016 will be a very important year for the Commission, as the possibility of CenturyLink cable franchise will need to be considered.
- The Commission elected to leave the PEG fee at its current rate of \$3.16 for 2016.

# North Metro Telecommunications Commission

## Budget Line Item Supporting Information

### Personnel

- The Personnel line-item increased by \$31,593. The additional expense can be attributed to the recommended and approved step-pay-plan revisions to the compensation levels for Part-Time Production Assistants, Technicians and the Executive Director. According to the 2015 Salary Study, the increases will bring these positions to the average market rate. An up-to 2.5% cost of living increase is also included in the above total.
- The "limited" part-time production assistant positions earn up to \$420 per month (up to 42 hours per month at \$10 per hour) and are not eligible for health benefits. Payroll taxes apply.

### Benefits

- The NMTC employee benefits package is based on the benefits packages offered by the Member Cities to their employees. It is budgeted at \$1055.00.
- The NMTC's contribution to PERA will remain at 7.5% in 2016.

### Administrative Expenses

- Budgeted administrative expenses are \$63,000 less than 2015. The decrease is due entirely to legal expenses. The NMTC was scheduled to begin the franchise renewal process in 2015, but as a result of a settlement agreement with Comcast, the franchise was extended through 2020. As a result, the franchise renewal process with Comcast won't begin until 2017.
- Tuition and training expenses comply with the revised employee handbook designating \$500 per employee per year for training purposes and to cover the expenses for IT staff's Microsoft and SCALA certification classes.

### Production Expenses

- The Advertising/Marketing line item was increased in the event additional channel marketing is required. It also includes billboards, flyers, posters, cable spots, t-shirts, and other marketing incentives.
- The Award Ceremony line-item was decreased. The new venue for the event has resulted in significant savings. The line-item also includes video contest entries such as the NATOA Government Programming Awards and the Emmys.
- The intern line-item increased by \$2,000 to allow for four additional interns.
- Other production expenses remain at the 2015 levels. They include video production supplies, blank DVDs and flash drives, production vehicle costs, and video equipment parts and maintenance.

## **Office Expenses**

- Office expenses are budgeted \$8,600 higher than the 2015 level.
- The building is 11 years old and requiring more care. As such, this line-item was increased. Building maintenance includes the furnace/AC maintenance contract, lawn care, snow removal, carpet and window cleaning, fire inspection, and landscaping and building mechanical services.
- Building utilities include sewer, water, gas, and electric.
- Insurance includes all property, liability, crime, volunteer, vehicle, and monument sign coverage.
- Office supply line item includes all office supplies, and maintenance contracts on printers and copiers.
- The Telephone/Internet/Web Hosting line-item was increased to reflect some additional costs. NMTV now pays a fee to house video-on-demand content on a remote server. This allows for unlimited simultaneous viewing, without a reduction in speed. We have also incurred more costs with our wireless live transmission of sporting events. This line-item also includes the website maintenance contract, web hosting, telephone costs, and the annual phone software upgrade.
- Postage and subscriptions covers the cost of mailing dubs, equipment for contract maintenance, magazines, newspapers, and other postage for the NMTC.
- Property tax is for the recycling assessment.
- The Commission no longer utilizes the Senior Community Service Employment program for our cleaning service. As such, funds for a cleaning service are included.

## **Capital Expenditures**

- The 2016 capital budget is set at \$301,016. The first step in the transition to an HD facility is the Master Control playback and routing system. The Master Control portion of our HD Upgrade Analysis has been completed. The cost of the upgrade will be around \$575,000. In anticipation of the need to upgrade to HD, all non-critical capital expenditures for 2015 were suspended, with the intent to use the remaining approved capital funds for the master control upgrade. That money, combined with the budgeted money for 2016, will be enough to pay for the Master Control upgrade without bonding. The upgrade can be scheduled to begin during the fall of 2015, with an anticipated completion of December 2015. Billing cycles would allow us to split the payments between 2015 and 2016. Further analysis continues to be done on the production truck and studio HD upgrades.
- Office equipment includes routine computer and software upgrades for office computers. It also includes software licensing fees.
- The building was paid off in 2015.

## **Summary**

- Operating expenses have been budgeted \$10,958 less than in 2015. While the salary adjustments and benefits increases accounted for an increase in the budget, reduced legal costs resulted in a decrease in total operational expenses. The staff changes include recommended adjustments for several positions and an up-to 2.5%

salary increase. Benefits were adjusted to reflect average increases for City benefits packages.

- As a result of a settlement agreement with Comcast and with the potential of a competitive cable provider, HD channels for community programming are available. As such, an HD equipment upgrade assessment is underway, with the Master Control portion being completed. It is recommended that Master Control be upgraded per the presented plan, at a cost of approximately \$575,000 plus tax. Computer, server, and software licenses are budgeted at \$28,000.
- Franchise fees back to Cities are budgeted at \$320,000.



# North Metro Telecommunications Commission

## 2016 FINANCIAL SUMMARY

### Estimated Fund Balances/Revenues/Expenditures.

#### **BEGINNING FUND BALANCES**

Operating Reserve	\$300,007
Accrued Vac, Sick, Comp	\$121,000
Capital Equip. Fund	\$74,922
Truck Replacement Fund	\$103,000
Bldg Repair Reserve	\$120,000
Franchise Renewal Fund	\$200,000
Bond Reserve	\$0

**TOTAL: \$918,929**

#### **ESTIMATED REVENUES**

Franchise Fees	\$1,060,000
PEG Fees	\$730,000
Other Income	\$20,000
Interest Income	\$300
Income From Reserve Funds	\$0

**TOTAL: \$1,810,300**

#### **ESTIMATED EXPENDITURES**

Operating Expenses	\$1,189,284
Capital Expenses	\$301,016
Franchise Fees Back to Cities	\$320,000

**TOTAL: \$1,810,300**

#### **YEAR END FUND BALANCES**

		Increase(Decrease)
Operating Reserve	\$296,071	-\$3,936
Accrued Vac, Sick, Comp	\$121,000	\$0
Capital Equip. Fund	\$78,858	\$3,936
Truck Replacement Fund	\$103,000	\$0
Bldg Repair Reserve	\$120,000	\$0
Franchise Renewal Fund	\$200,000	\$0
Bond Reserve	\$0	\$0

**TOTAL: \$918,929 \$0**

**2016**  
**North Metro Telecommunications Commission**

	2014 ACTUAL	2015 BUDGET		2016 BUDGET	NOTES
		Budget	April Act.		
<b>PERSONNEL</b>					
Director Meeting Per Diem	3,240	3,780	810	3,780	7 per month @ \$45
Executive Director (1) FT	71,219	72,642	25,142	79,342	Heidi Arnson
IT Engineer/ Administrative Asst.	59,134	60,308	20,873	61,815	Rose Valez
Video Engineer (1) FT	59,134	60,308	20,873	61,815	Richard Kocinski
Sports Director (1) FT	53,144	54,216	18,770	55,571	Kenton Kipp
News Director (1) FT	53,144	54,216	18,770	55,571	Danika Klyve
Programming Coord. (1) FT	48,568	49,544	17,150	50,784	Michele Silvester
Ed./Special Projects Coord. (1) FT	48,568	49,544	17,150	50,784	T.J. Tronson
Outreach Coord. (1) FT	48,568	49,544	17,150	50,784	Damian Kussian
Sports Producer (1) FT	43,742	44,609	15,444	48,021	Matt Waldron
News Producer (1) FT	43,742	44,609	15,444	48,021	Ben Hayle
Studio Manager (1) FT	43,742	44,609	15,444	48,021	Eric Houston
\$425 per month PT Assistants	47,528	58,909	22,993	60,382	@ \$425 per month
20 Hour per Week Assistants	8,456	23,716	4,043	27,456	Public Access/Sports
Accrued Vacation/Sick/Comp	0	0	0		
<b>PERSONNEL TOTAL:</b>	<b>631,929</b>	<b>670,554</b>	<b>230,056</b>	<b>702,147</b>	Up to a 2.5 % COLA increase
<b>BENEFITS</b>					
FICA	46,318	41,575	17,032	43,534	6.2% of gross wages
Medicare		9,723		10,181	1.45% of gross wages
PERA	42,134	45,590	15,560	52,662	7.50% of FT gross wages
Benefits Package	126,022	135,300	53,343	139,260	Health/Dental/STD, LTD, ADD
Workers Compensation	4,392	4,500	3,664	5,000	
Electronic Filing Charges	992	1,600	250	1,000	
<b>BENEFITS TOTAL:</b>	<b>219,858</b>	<b>238,288</b>	<b>89,849</b>	<b>251,637</b>	
					<b>*Benefits package = based on cities \$1055 per employee/per month</b>

**2016**  
**North Metro Telecommunications Commission**

	2014 ACTUAL	2015 BUDGET		2016 BUDGET	NOTES
		Budget	April Act.		
<b>ADMINISTRATIVE EXPENSES</b>					
Audit: Commission	11,430	12,000	8,100	12,500	Annual audit of Commission finances
Audit: Company	0	0	0	0	Audit of Comcast FF payment accuracy
Conferences	2,071	2,000	220	2,000	NATOA & MACTA conferences
Consultants	15,000	0	0	0	
General/Special Meeting Expenses	2,104	3,000	667	3,000	
Government/Legislative Affairs	0	0	0	0	
Legal Fees	23,881	100,000	9,444	35,000	Franchising related issues
Membership Dues	8,285	6,000	2,825	8,000	NATOA, MACTA, Sams Club, Arts All.
Mileage Reimbursement	1,279	2,500	621	2,000	
Personnel Recruitment	0	0	0	0	
Tuition and Training	300	7,500	1,828	7,500	IT Cert./Equipment & software usage
Contingency Expenses	0	0	0	0	
<b>ADMINISTRATIVE EX. TOTAL:</b>	<b>64,350</b>	<b>133,000</b>	<b>23,705</b>	<b>70,000</b>	
<b>PRODUCTION EXPENSES</b>					
Advertising/Marketing	6,709	5,500	424	8,000	New channel, Cable spots, flyers, supplies
Awards Ceremony/ Entry Fees	10,126	8,000	605	6,000	Trophies, Entry Fees, Ceremony
Bulbs/Batteries/Other Prod. Costs	3,720	5,000	925	5,000	Bulbs, Camera Batt. Duct tape
Interns	7,935	8,000	1,630	10,000	\$500 stipend for 100 hours of work for 20
Truck/Fleet Vehicle Gas/Oil	3,511	4,500	1,020	4,500	Prod. Van & fleet vehicles
Truck/Fleet Vehicle Maint/Lic.	4,745	5,000	1,260	5,000	Prod. Van & fleet vehicles
Video Equipment/Parts/Maint.	4,605	10,000	1,458	6,000	Parts and Maintenance for video equip.
DVDs/Flash Drives/Cases	5,543	7,000	179	7,000	DVDs, flash drives
<b>PRODUCTION EX. TOTAL:</b>	<b>46,894</b>	<b>53,000</b>	<b>7,501</b>	<b>51,500</b>	
<b>OFFICE EXPENSES</b>					
Building Maintenance	26,990	22,500	4,403	25,000	Bldg & Prop./Fire Insp./Furn. Contract
Building Security	504	700	126	600	
Building Utilities	23,209	25,000	9,036	25,000	Sewer, Water, Gas & Electric
Insurance	11,698	13,000	0	13,000	Liability/property/vehicle/volunteer
Office Supp./Office Equip. Maint.	15,172	16,500	6,635	16,500	Copier & Fax maint. contracts, Supplies
Phone/Internet Service/Web Hosting	22,684	17,000	6,537	24,000	VOD, Live Streaming, web maint.
Postage/Subscriptions	2,541	4,000	1,319	3,000	Local papers, dub/packet postage
Property Tax	389	500	389	400	Recycling assessment
Trash/Recycling/Janitorial	5,695	6,200	1,530	6,500	
<b>OFFICE EXPENSES TOTAL:</b>	<b>108,882</b>	<b>105,400</b>	<b>29,975</b>	<b>114,000</b>	
<b>OPERATIONS TOTAL:</b>	<b>963,031</b>	<b>1,200,242</b>	<b>381,086</b>	<b>1,189,284</b>	

**2016**  
**North Metro Telecommunications Commission**

	2014 ACTUAL	2015 BUDGET		2016 BUDGET	NOTES
		Budget	April Act.		
<b>CAPITAL EXPENDITURES</b>					
Video Equipment	241,145	376,095	21,183	273,016	Total HD master control upgrade
Computer/Office Equipment/Sftwre	5,000	28,000	0	28,000	office systems, software licenses
Vehicles	0	0	0	0	
Building Expenditures	0	7,000	0	0	
Bond Payment	185,638	183,000	356,546	0	
<b>CAPITAL EXP. TOTAL:</b>	<b>431,783</b>	<b>594,095</b>	<b>377,729</b>	<b>301,016</b>	
<b>GRAND TOTAL:</b>	<b>1,394,814</b>	<b>1,794,337</b>	<b>758,815</b>	<b>1,490,300</b>	

## NORTH METRO FRANCHISE FEE HISTORY

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Blaine	\$ 263,753.93	\$ 279,208.95	\$319,025.00	\$372,357.22	\$419,605.63	\$451,142.07	\$489,867.99	\$489,867.99	\$507,790.06	\$503,339.13	\$533,294.81	\$567,390.18	\$585,645.69
Centerville	\$ 17,019.97	\$ 17,335.34	\$20,586.00	\$24,471.73	\$27,709.99	\$30,394.00	\$33,396.69	\$33,396.69	\$34,466.27	\$32,296.67	\$33,949.63	\$35,408.93	\$37,140.41
Circle Pines	\$ 24,038.71	\$ 26,111.31	\$32,761.00	\$37,791.19	\$42,127.90	\$44,077.04	\$48,214.82	\$48,214.82	\$51,160.77	\$51,388.95	\$52,777.06	\$54,350.50	\$54,304.86
Ham Lake	\$ 58,094.40	\$ 61,562.41	\$72,454.00	\$89,622.56	\$101,055.23	\$110,300.91	\$120,788.01	\$120,788.01	\$126,979.69	\$131,446.66	\$139,834.48	\$147,412.39	\$152,919.27
Lexington	\$ 12,215.15	\$ 12,467.38	\$13,358.00	\$14,226.57	\$15,843.48	\$16,149.47	\$17,332.08	\$17,332.08	\$17,229.92	\$16,913.54	\$17,630.79	\$19,045.04	\$19,361.48
Lino Lakes	\$ 78,388.13	\$ 78,656.36	\$91,430.00	\$108,733.61	\$124,734.06	\$138,088.24	\$154,839.41	\$154,839.41	\$164,197.27	\$164,334.42	\$170,600.73	\$177,278.96	\$182,147.16
Spring Lake Park	\$ 41,874.85	\$ 41,883.42	\$45,333.00	\$48,737.21	\$52,724.02	\$55,191.43	\$58,168.63	\$58,168.63	\$57,343.08	\$58,600.64	\$61,520.23	\$63,916.34	\$65,641.10
<b>Total Franchise Fee:</b>	<b>\$ 495,385.14</b>	<b>\$ 517,225.17</b>	<b>\$594,947.00</b>	<b>\$695,940.09</b>	<b>\$783,800.31</b>	<b>\$845,343.16</b>	<b>\$922,607.63</b>	<b>\$930,414.06</b>	<b>\$959,167.06</b>	<b>\$958,320.01</b>	<b>\$1,009,607.73</b>	<b>\$1,064,802.34</b>	<b>\$1,097,159.97</b>
<b>Increase Over Past Year</b>	<b>\$ 17,758.43</b>	<b>\$ 21,840.03</b>	<b>\$77,721.83</b>	<b>\$100,993.09</b>	<b>\$87,860.22</b>	<b>\$61,542.85</b>	<b>\$77,264.47</b>	<b>\$7,806.43</b>	<b>\$28,753.00</b>	<b>(\$847.05)</b>	<b>\$51,287.72</b>	<b>\$55,194.61</b>	<b>\$32,357.63</b>
<b>Budget/Other:</b>	<b>\$ 358,410.00</b>	<b>\$ 420,319.00</b>	<b>\$474,719.00</b>	<b>\$522,855.00</b>	<b>\$583,800.31</b>	<b>\$645,343.16</b>	<b>\$722,607.63</b>	<b>\$595,029.06</b>	<b>\$620,851.06</b>	<b>\$673,600.01</b>	<b>\$724,608.00</b>	<b>\$744,802.00</b>	<b>\$777,159.90</b>
<b>Back to Cities:</b>	<b>\$ 136,975.14</b>	<b>\$ 96,906.17</b>	<b>\$120,228.00</b>	<b>\$173,085.09</b>	<b>\$200,000.00</b>	<b>\$200,000.00</b>	<b>\$200,000.00</b>	<b>\$335,385.00</b>	<b>\$338,316.00</b>	<b>\$284,720.00</b>	<b>\$284,999.73</b>	<b>\$320,000.34</b>	<b>\$320,000.00</b>