

Communications (formerly Cable Television) Fund

The City's Communications Fund accounts for revenue received from cable franchise fees paid by cable television customers. The current cable service provider is Comcast. Cable fees are passed through to the North Metro Telecommunications Commission, which is the regulatory body that oversees the cable franchise in our area. The Commission is made up of elected officials from each of its seven member cities. The commission adopts an annual budget. Staff anticipates that net franchise fee revenue distributed to Blaine in 2018 will total \$218,700. This represents a \$30,000 increase from 2017's projected final proceeds, and is a result of the NMTC's decision to increase the cities' revenue share by \$55,000.

Blaine's past practice has been to use its funding for municipal cable (Cable Channel 16) related expenses. In 2005, programming on the municipal cable channel began originating from the master control center at the new North Metro 15 facility on the corner of Polk Street and Main Street. This has allowed the City to offer more variety in its programming, and to generate more City-specific programming.

In 2017 appropriations for the production and distribution of the City's bi-monthly newsletter were added to the "Cable" fund, utilizing the increasing franchise fee proceeds to support the expense. The City newsletter will continue to be funded from this fund, and a larger share of City digital (i.e. internet and social media) communications efforts will be funded through increased administrative service charges paid to the General Fund.

The proposed 2018 Communications Fund operating budget is \$187,440. An inflationary factor of 3% is built into the appropriations for the newsletter, and for the operation/maintenance of the Legistar® system. Staffing costs to produce the meetings that the City shows live have been decreased to more accurately reflect the true cost. The administrative service charge has been increased by \$17,400 to \$81,700.

Capital equipment purchases totaling \$25,000 are programmed in the 2018 budget. This will allow for the upgrade of the television monitors throughout the atrium, and for the installation of presentation technology in Cloverleaf B room and the Atrium conference room. A \$35,000 allocation has also been added in order to begin planning for audio/video system needs associated with expansion to the third floor of city hall.

The 2018 Communications Fund Budget totals \$247,440, and will result in a fund balance decrease of \$24,440. The fund is expected to end 2018 with a fund balance reserve of just over \$240,000.

Staff is developing a model for future budget years through 2022 based on the terms of the current franchise agreement. In that respect, Blaine's annual net franchise fee revenue will experience slight growth through 2022. A growth rate of 2.5-3% is built into expenditure estimates. Long-term capital needs are continuing to be developed, but will consist of the replacement of obsolete or failing equipment. Finance staff anticipates that the five-year model will produce a healthy fund balance annually.

The proposed 2018 Communications Fund Budget is presented on the next page for Council's approval.

CITY OF BLAINE, MINNESOTA

2018 FUND SUMMARY

	2016 Actual	2017 Adopted	2017 Projected	2018 Proposed	2019 Estimate	2020 Estimate	2021 Estimate	2022 Estimate
COMMUNICATIONS FUND - 230								
FUND RESERVE AT BEGINNING OF YEAR	\$ 368,040	\$ 415,420	\$ 415,420	\$ 264,541	\$ 240,101	\$ 271,471	\$ 300,071	\$ 326,221
<u>REVENUES AND OTHER SOURCES</u>								
Franchise taxes - Gross	\$ 619,451	\$ 636,760	\$ 686,831	\$ 736,200	\$ 743,600	\$ 751,000	\$ 758,500	\$ 766,100
Retained by the Commission	(447,105)	(451,580)	(498,380)	(517,500)	(522,680)	(527,910)	(533,190)	(538,520)
Net Franchise Taxes	172,346	185,180	188,451	218,700	220,920	223,090	225,310	227,580
Interest	3,251	5,200	4,200	4,300	2,600	2,400	2,700	3,000
Total revenues and other sources	175,597	190,380	192,651	223,000	223,520	225,490	228,010	230,580
<u>OPERATING EXPENDITURES</u>								
General government:								
Personal services	12,739	16,330	14,030	14,340	14,750	15,190	15,660	16,120
Supplies	400	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Contractual services	25,490	93,000	87,200	90,400	92,200	94,000	95,900	97,800
Other services and charges	84,300	65,300	65,300	81,700	84,200	86,700	89,300	92,000
Total operating expenditures	122,929	175,630	167,530	187,440	192,150	196,890	201,860	206,920
Capital Program:								
Council Chambers & Control Room	5,288	-	176,000	-				
Sanctuary and Atrium Monitors	-	-	-	25,000				
Third Floor AV Design	-	-	-	35,000				
Total Capital	5,288	-	176,000	60,000	-	-	-	-
Total expenditures and other uses	128,217	175,630	343,530	247,440	192,150	196,890	201,860	206,920
Increase (decrease) in fund balance	47,380	14,750	(150,879)	(24,440)	31,370	28,600	26,150	23,660
FUND RESERVE AT END OF YEAR	\$ 415,420	\$ 430,170	\$ 264,541	\$ 240,101	\$ 271,471	\$ 300,071	\$ 326,221	\$ 349,881
FUND RESERVE TARGET								
Cash Flow Reserve	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Major System Component Replacement	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Unrestricted Fund Balance	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
	375,420	390,170	224,541	200,101	231,471	260,071	286,221	309,881