



**City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS**

**1000 Rochester Hills Dr.
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Legislative File No: 2010-0198

TO: Mayor and City Council Members
FROM: Mayor Bryan K. Barnett
DATE: Wednesday, April 28, 2010
SUBJECT: PEG Fees

REQUEST:

We are requesting that City Council discontinue its payments of PEG Fees (approximately \$93,000 annually) to Intergovernmental Cable and Communications Authority (ICCA) who transfer those fees on to Community Media Network (CMN). In addition we are also recommending that the City withdraw from the Intergovernmental Cable and Communications Authority (ICCA) effective 60 days after the City's notice of withdrawal to ICCA as provided in our agreement with ICCA.

BACKGROUND:

The City receives two types of fees from cable providers. The first fee is the Cable Franchise fee which the City uses to cover its operating costs related to cable broadcasting.

In addition to the franchise fee, the City also receives a PEG (Public Education and Government) fee from cable providers equal to 1% of their revenues. The intent of the PEG fee was to provide the public, educational systems and governments access to the cable system. Recent court rulings have further defined and provided guidance on what the proper use of PEG fees are. Those rulings indicate that those funds may only be used for capital costs incurred for PEG facilities (i.e. studios) and equipment associated with construction of a studio.

For many years the City sent its PEG fees to ICCA who in turn provided those dollars directly to CMN. At one point the City contributed the entire PEG fee (1%) to ICCA who provided the funds to CMN. At another point the City suspended all PEG funding to ICCA. Under the current arrangement, City Council restored funding to ICCA at ½ of its PEG fee where it has remained for several years.

This recent court ruling, indicating that PEG fees can only be used for capital costs and not operating costs, required the City to review its current use of PEG funds to ensure our compliance with current court decisions. Based on that review, we believe we can provide a better audit trail between the receipt of the PEG fees and the capital acquisitions if the City were to maintain control over the PEG fees providing a clear trail between their receipt and their capital related use.

We also believe that the City can use the PEG funds (that we have been giving to CMN via ICCA) to augment current funding for City-related media productions at or above the same service levels currently in place.

RECOMMENDATION:

It is our recommendation to immediately cease payment of PEG funds to ICCA/CMN and retain all PEG fees within the City of Rochester Hills. It is further recommended that the City withdraw from the ICCA, effective 60 days following the City's written notice of withdrawal.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
City Council Liaison		