



CITY OF PACIFIC GROVE
300 Forest Avenue, Pacific Grove, California 93950

AGENDA REPORT

TO: HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: James Colangelo, City Manager
MEETING DATE: June 7, 2006
SUBJECT: **CONSIDER RESOLUTION SUPPORTING THE LEAGUE OF CITIES PRINCIPLES ON TELECOMMUNICATION REFORM**

RECOMMENDATION:

Adopt the attached resolution and authorize staff to transmit the City's position to the League of Cities and Legislature.

DISCUSSION:

Throughout the nation, millions of dollars are being spent by telephone companies in efforts to convince Congress and state legislatures that today's telecommunications innovations make the local franchise - currently required of a provider of cable television service - no longer an effective regulatory tool. The telephone companies argue that local franchises take too long to acquire, and thus represent a barrier to competition and expanded customer choice.

In California, reform efforts now focus on AB 2987 (Nunez/Levine) that would create a new statewide franchise for cable and video service providers. The franchise would be issued by the California Department of Corporations, creating the need for a new bureaucracy within state government at an agency with no prior experience in this area. The League of Cities is OPPOSED to this measure in its current form, for the following reasons:

- **Competition Must Benefit Everyone** . As currently written, AB 2987 would allow telecom providers to pick and choose among neighborhoods, engaging in redlining and widening the digital divide that separates low income residents and smaller businesses from the telecommunications services they need to function effectively in our society today.
- **Community Access to Programming.** Communities could lose public access stations - the public, education and government (PEG) channels needed to properly meet a community's needs, and the funding needed to support these stations. Free broadband services for libraries, schools and governmental buildings could also be lost - denying low income seniors, kids and others who cannot afford a computer the access they need to Internet services.

- **Local Rights-of-Way.** Communities could also lose control over local rights-of-way, with telecom companies able to tear up local streets with far less local government oversight.
- **Who Protects Customer Rights?** Currently local governments adopt and enforce customer standards for cable television service. Under AB 2987, customers would be forced to go to a new bureaucracy in Sacramento if the telecom company failed to respond properly to service complaints.
- **Loss of Local Revenues.** AB 2987 promises to pay local agencies a franchise fee, but fees could be dramatically reduced over current levels because of "exceptions" written into the definitions of "gross revenues." The bill also confuses "fees," currently levied at the local level, with taxes, imposed at the state level.
- **Negotiations Have Yet to Produce Amendments.** After weeks of discussions and negotiations with the authors and their staff, we have little or no assurance that local concerns will be addressed.

FISCAL IMPACT:

Could result in a loss of franchise fees currently paid by cable providers.

ATTACHMENTS:

- Resolution
- Telecommunication Reform Principles

RESPECTFULLY SUBMITTED:

James J. Colangelo

Digitally signed: I have reviewed this document

James J. Colangelo
CITY MANAGER

