

# SACRAMENTO METROPOLITAN



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ROBERT E. SMITH  
EXECUTIVE DIRECTOR

November 7, 1983

For Agenda of:  
November 14, 1983

To: Board of Supervisors  
City Council  
Cable Commission

From: BOB SMITH, Executive Director  
Sacramento Metropolitan Cable Television Commission

Subject: PRELIMINARY REPORT

Attached for your review is the Preliminary Report outlining the staff's analysis of five applicants for the Sacramento Franchise. The applicants include:

1. ACCESS
2. American Cablevision of Sacramento (American)
3. Cablevision of Sacramento
4. United Tele-Communications of Sacramento (UTS)
5. Pacific West Cable Company

The Preliminary Report focuses on seven functional areas of the applicants' proposals and includes an analysis of:

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|---|---|
| I. Parental Liability and Legal Commitments | V. Community Programming                |
| II. Financial Pro Formas                    | VI. Employment Practices                |
| III. System Design and Construction         | VII. Performance in Other Jurisdictions |
| IV. Services and Rates                      |   |

Each application was reviewed by staff within the context of each of these functional areas, and our methodology is included in each section of the Report. After an analysis was completed, it was summarized, and four of the companies' offerings were ranked by staff. In summarizing the strengths and weaknesses of these applications, great emphasis was given to enforceable commitments rather than "good faith" promises. Therefore, a company which ranks high has both the most quantitative and enforceable commitment within that functional category of their proposal.

Pacific West Cable Company submitted a letter requesting a franchise but included insufficient detailed information for comparative analysis. As a result, staff was unable to find sufficient justification to rank Pacific West. Their application, however, is included for your review and consideration in the award of this initial franchise.

Summarized below by functional categories of the Preliminary Report are the staff's rankings of the cable companies.

I. Parental Liability and Legal Commitments.

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|----------------|------------------------|
| 1. American    | 3/4. UTS, ACCESS (tie) |
| 2. Cablevision |                        |

This ranking is based on evaluating the combined commitment of both the Parent Corporation's obligations, if any, with the enforceability of the applicant's Resolution. American is rated number one because it provides both the significant participation by its two Parent Corporations and its Resolution offers the greatest enforcement comfort for the service level commitments included in its Application. The remaining applicants have either provided a varying degree of corporate liability and/or have potential ambiguities, omissions, or troublesome provisions which are less attractive than American.

II. Financial Pro Formas.

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|-------------|----------------|
| 1. American | 3. Cablevision |
| 2. UTS      | 4. ACCESS      |

The Touche Ross analysis reviewed the financial pro formas of each company to assess the reasonableness of the applicants' financial projections. As with the preceding functional area, this is a very significant section of the Preliminary Report. You should note that it is not possible for the staff to empirically determine whether or not the companies will achieve their financial projections. However, our review does provide indices of comparative risk among these companies' business plans. American has been generally conservative both in its commitments as well as in its revenue and cost estimates. American is most likely to achieve the projections in its plan.

III. System Design and Construction.

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|----------------|-------------|
| 1. UTS         | 3. American |
| 2. Cablevision | 4. ACCESS   |

The Commission Engineer, Hammett and Edison, reviewed the thoughtfulness and feasibility of each company's conceptual design, construction details, and engineering assumptions associated with building the physical cable system. The magnitude of the build, the reliability of the various system components, and the feasibility and integrity of the microwave system were considered in this analysis. UTS is ranked highest because it provides the most sophisticated and conservative system design capable of a wide range of functions.

Hammett & Edison will continue to review each System Design and will consider any updated engineering information. Should there be any revised conclusions, they will be included in the Final Report.

During the last bidding process all applicants included a wide and differing array of construction standards. Many of these standards were in conflict with those of the City and County Departments of Public Works. Therefore, in cooperation with these Departments, staff developed a uniform set of standard construction specifications. Four of the applicants participating in this comparative process have agreed to these specifications. If appropriate, the successful applicant will work with the permitting authority to develop mutually satisfactory exceptions after the franchise award. As a result, this aspect of their application is not discussed in the Preliminary Report nor are the companies ranked.

#### IV. Services and Rates.

- |                |             |
|----------------|-------------|
| 1. Cablevision | 3. ACCESS   |
| 2. United      | 4. American |

Staff viewed each application to determine the likelihood of a subscriber receiving the widest variety of entertainment services at the lowest possible tier and/or cost. Staff also assumed that a typical subscriber would be interested in receiving the nine most viewed services nationwide at the lowest possible tier and/or cost. Finally, non-entertainment and institutional uses, while with minor exception are not a contractual commitment, were reviewed and are described in this section.

It should be noted that because services and rates are dynamic during the life of the franchise, staff's rankings of services and rates should not be given heavy reliance. Satellite and other program offerings change constantly and rates are subject to minimal local control. Nonetheless, Cablevision clearly has both the most attractive entertainment packaging and the lowest cost to the subscriber of any applicant. In addition, while not committed to the I-Net or non-entertainment services, this company is offering to guarantee non-entertainment system capacity.

V. Community Programming.

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|----------------|-------------|
| 1. Cablevision | 3. American |
| 2. UTS         | 4. ACCESS   |

Staff reviewed each applicant's quantitative contractual commitments to produce the number of hours of community programming offered to the subscriber. In addition, the quality and quantity of facilities, equipment, franchisee staff, and training available to the general public to produce programs of special interest within our community was reviewed and ranked. Accessibility of the general public in utilizing the company's facilities was compared among applicants. Cablevision provided significantly greater volume, quality, and quantity of such services and is ranked first.

VI. Employment Practices.

No ranking.

Staff solicited the assistance of the County and City Affirmative Action staff and the Human Rights Commission as well as comments from other interested individuals in reviewing each applicant's affirmative action plans and Minority/Female Business Enterprise programs voluntarily offered. In every case, four of the applicants responded favorably to questions from these governmental entities and strengthened their affirmative action program. However, their affirmative action commitments need further review by both the general public and your staff. You will note in the report, even the City of Sacramento and the Human Rights Commission differed on how the applicants ranked. Staff will have further recommendation after receipt of testimony at the public hearing.

Also included in this section is a brief description of the employee training programs offered by each company.

VII. Performance in Other Jurisdictions.

No ranking.

Excepting ACCESS and Pacific West Cable Company, a track record for the remaining companies was developed by surveying 21 systems in other jurisdictions. This section summarizes both the positive and negative comments received from City or State Officials of these various systems. Staff did not rank the companies because disputes are often a function of the nature and extent of ambiguities in the contract between the regulator and the corporation. The less ambiguous the contract, the less likely there will be disputes. Without in-depth investigation, the precise cause of these disputes cannot adequately be identified. However, the information gathered by staff

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will be useful to you in reviewing the other cities view regarding how each of the applicants has corporately delivered their promises in their jurisdictions. Such information may be useful as you inquire into each company's future policies for Sacramento.

Lastly, ACCESS was not surveyed because they do not currently operate cable systems. Therefore, we would be unable to make an objective and factual assessment of their management practices.

Staff is prepared to discuss the details of this report during the public hearing of November 14 and 16. It is our desire that oversights or misinterpretations, if any, will be discussed and followed with written documentation from the cable companies so that the final recommendation will be based on as an objective basis as possible. After receipt of comments from the elected officials, the general public, and written statements, if any, by the cable companies, staff will develop its final recommendation for your consideration on November 22, 1983.

The recommendation will be based on weighing of the various rankings within the Preliminary Report. Some functional areas are clearly more important than others and some, while extremely important, may not represent critical decision making elements.

The final recommendation, along with four final Resolutions, will be distributed to you on November 18, 1983.

It is, therefore, my recommendation that the Board of Supervisors, City Council, and Commission:

1. Review the Preliminary Report, and;
2. After taking public testimony, instruct staff to prepare the Final Report recommending a cable company for the initial Sacramento Franchise.



BOB SMITH, Executive Director  
Sacramento Metropolitan Cable  
Television Commission

RES:ab

Attachment