

## SACRAMENTO METROPOLITAN



Cable  
 Television  
 Commission

SUITE 2500, 700 'H' ST., SACRAMENTO, CA 95814 • (916) 440-6661

ROBERT E. SMITH  
 EXECUTIVE DIRECTOR

June 28, 1983

For Board of Supervisors/City  
 Council and Cable Commission  
Meeting - July 6, 1983

To: Board of Supervisors  
 City Council  
 Cable Commission

From: Bob Smith, Executive Director  
 Sacramento Metropolitan Cable Television Commission

Subject: REBIDDING THE SACRAMENTO CABLE TELEVISION FRANCHISE

Discussed below are four staff issues and suggestions relating to the rebidding of the Franchise:

- 1) Should the UTC Resolution be incorporated into the Request for Proposals (RFP) as a "boilerplate" document?
- 2) Should changes be made in the Ordinance to improve the rebidding process?
- 3) Should the selection priorities be redefined?
- 4) What are the cost estimates associated with the rebidding process?

I. Use of UTC Resolution as Part of the Request for Proposals

Attached for your review is a draft Resolution derived from the UTC agreement. The provisions of this Resolution are summarized in Attachment I to this report.

Staff proposes to use this document as a draft, "boilerplate" Resolution within which all of the applicants would summarize their commitments in contractual language.

One of the problems that occurred in the initial bidding process was an inordinate amount of public relations "hype" and "sales puffing" which led to confusion during negotiations.

The selectee repeatedly stated both publicly and privately that it was unprecedented to regard oral and written statements in the application process as the basis for legally enforceable provisions. On the other hand, it was impossible for staff to know which of the many provisions in the Application were important to the Board and Council in the selection process. Accordingly, staff believes that it is essential that the rebidding process focus upon those commitments to which the new franchisee is willing to be bound rather than upon the public relations presentation during the pre-selection hearings. It is our hope that by utilizing the UTC Resolution as a "boilerplate" document, we will be able to focus the selection in a more objective and quantifiable manner.

Hammett & Edison, our engineering Consultant, and Touche Ross, their financial subcontractor, have reviewed the draft Resolution and the original RFP. Their comments, together with staff's adjustments, have been incorporated into the attached drafts.

Further, these draft documents have been distributed to those identified potential bidders and three meetings have been held to discuss the rebid process. The general conclusion is that these documents refine the initial RFP, without altering its basic structure, and staff recommends the City Council and Board of Supervisors tentatively approve their use in the rebid.

## II. Changes in the Ordinance.

In the past eight months, we had many intense discussions with UTC over the Ordinance and their difficulty with its requirements. Staff has also encountered minor loopholes and ambiguities which ought to be corrected.

The attached Ordinance provisions are recommended for adoption and are summarized below. (Attachment IV)

Section 5.50.410 - Construction Schedule: The approach should be changed from certain minimum numbers of houses passed in the 24th, 36th and 51st months to a scheduled, percentage completion with appropriate remedies bid by the Applicant. Thus, the bidder should be permitted to indicate the length of time which it requires for construction (which in turn would be a factor in the selection process).

Section 5.50.338 - Franchise Sponsored Programming: The term "cable cast" should be used along with "broadcast" in all instances for reasons of consistency.

Section 5.50.605 - Minimum Advance Payment: The minimum franchise fee payment should be changed from the lesser of 120% of the Commission budget or \$325,000.00 to the greater of those figures. This will allow the Commission to function in the early years without outside borrowing.

Section 5.50.214 - Tentative and Final Selection Procedures: This section should be changed to allow the viability of all initially non-selected bids for six months following the tentative selection of a new franchisee. This will increase the Commission's leverage in obtaining the tentative selectee's concurrence in a Resolution by avoiding a lengthy rebidding process if a selectee does not accept.

Section 5.50.248 - Valuation Limits: Subsection b dealing with acquisition of the system in the event of (1) change of law or (2) expiration of the Franchise without renewal should be changed to provide that the valuation shall be the greater of replacement cost (as presently provided) or market value (as presently provided in the event of unauthorized transfer). The staff recommends that book value valuation be retained in the event of breach. It should be noted that such a change, while beneficial to a franchisee, is still substantially less than the so-called "fair market value" demanded by UTC in the recent negotiations. A detailed explanation of this complex area is attached for those desiring a more thorough discussion of the distinction..

Section 5.50.224 - Term of Franchise: The term of the Franchise should be changed from 15 to 20 years. It has been stated both by the elected officials and staff on numerous occasions that our primary concern has been ensuring that a cable company honor all of its commitments made during the bidding process. However, including our contract as part of the RFP may have a tendency to depress the level of promised community participation in the cable company's profits.

Therefore, it is likely that without some form of franchise enrichment, this community may not receive the level of bids experienced in the applications previously submitted on March 15, 1982. To compensate, the Board and City Council could add value to the franchise either by eliminating the buyout provision of the Ordinance or lengthening the franchise period. Staff recommends the latter and against eliminating the buyout provision.

The buyout provision as currently written provides significant negotiating leverage for the community at the time of expiration of the franchise. This can be particularly useful if the cable company has only marginally complied with the contract

to the extent that this Commission is dissatisfied with performance but would be unable to effectively declare the firm in breach. For example, the company could fail to maintain the system at a state-of-the-art level commensurate with new developments in the industry but otherwise honor the agreement. During the renewal negotiations, discussions could focus on the fact that although the contract has not been materially breached, the performance of the company has been unsatisfactory. The Commission may then want to discuss how the company will upgrade the system to avoid the possibility of our acquiring and selling it to another cable firm.

Further, anticipating pending federal legislation and eliminating the buyout provision now offers little help. The real problem lies in that the legislation provides for virtually automatic renewal.

Thus, should the legislation pass, the franchisee is almost assured of an indefinite franchise, whether originally 15 years without buyout or 20 years with this local requirement. Staff suggests you require the modified buyout provision as recommended and lobby strenuously against federal legislation, which usurps local control.

It is my view that notwithstanding future federal legislation and the difficulties some cable firms may have with this Ordinance provision, it is a very important tool which will be useful to a future Commission. Therefore, it is not recommended to be adjusted beyond that suggested in the staff recommended ordinance changes.

Staff suggests you extend the franchise period from 15 to 20 years to provide an incentive to submit bids at, hopefully, the same financial level of community use commitment as was experienced in the prior bidding. Our consultants, Hammett & Edison and Touche Ross, have indicated the value of a 20-year franchise containing a buyout at replacement cost is nearly equal to a 15-year franchise containing the buyout at the fair market value. By adding the five years, you increase the internal rate of return to a cable company and still maintain negotiating leverage at the end of the expiration period.

Section 5.50.814 and .816 - Uncommitted Channels: These sections should be repealed. They may constitute a burden upon the franchisee and, at the same time, appear to be a somewhat ineffective remedy to the Commission.

Section 5.50.318 - Prevailing Rate Standard: This section should be amended to provide that the prevailing rate shall be that paid for comparable work by underground construction companies, pole line contractors and selected general contractors. The section should also be amended to allow surveying of certain bench mark positions rather than all positions. These changes will dramatically reduce the cost and increase the accuracy of the prevailing rate study.

It has been suggested that one or more bidders may wish to offer the Commission, City or County a limited liability, ownership position in the Franchise to ensure greater financial participation from local government beyond the franchise fees allowed by pending federal legislation. While this approach would have merit, it would not require any change in the present Ordinance. Questions to elicit any interest in this area have been added to the RFP documents.

#### IV. Selection Criteria.

It is apparent to staff that, during the first selection process, much attention was focused upon the perceived ability of the applicants to offer community use, interactive and institutional services. The ultimate selection of UTC centered upon assurances that they would commit to provide all the services and facilities promised during this process. However, the aggressiveness of both elected officials and staff in binding UTC by contract language to these commitments probably contributed to their ultimate withdrawal from the Franchise.

Thus, staff believes it is important to focus the rebidding process not so much on what the applicants intend to provide to the community and subscribers or what "state-of-the-art" institutional or interactive services they believe they are capable of providing, but rather upon the specific nature and scope of services and facilities they will be contractually bound to provide. By utilizing the Draft Resolution in the selection process and final recommendation, the staff believes we may better accomplish this goal.

Accordingly, staff will initially evaluate and summarize the application in terms of enforceable provisions and commitments. This will then allow the Commission, Board and Council to focus their selection on the basis of quantifiable and enforceable offerings, as well as the speculative aspects of oral and written presentations. Staff believes that this approach will encourage applicants to offer realistic and attainable packages to the community without unjustifiably raising expectations by "overbidding" the franchise.

Once this analysis as to enforceability has been completed, the Commission, Board and Council can provide additional policy guidance to the staff as to the appropriate weighting of the enforceable promises for analytical purposes. Staff believes that such policies should not be attempted in advance of the submission of the applications in view of the speculative nature of possible offerings and the adverse skewing effect such policy statements could have on the applications subsequently submitted.

With respect to priorities, it is necessary to discuss grants to community agencies and other community use offerings by cable franchisees. The focus of this prior selection process, and typically the selection of cable companies across the nation, has been the amount of offerings to and lobbying efforts by community groups. The potential for direct grants to specific non-profits generates intense lobbying pressure on both the cable companies and the elected officials. The result is a skewing of the bids to satisfy the most vocal special interests.

Staff recognizes that the Ordinance 5.50.344 (grants to Non-Profits) was included after many hours of public hearings and thoughtful process. In fact, the contracting and negotiation process with the UTC Grantees worked well. However, if there is any desire to reevaluate this allocation process, now is an opportune time.

If you desire to do this, staff suggests you consider the concept that other jurisdictions have used to diminish the lobbying problem by forming an independent body which would be designated as the recipient of all community use grants. This independent body, similar in design to SC3, could make an equitable allocation of funds, channel time, equipment facilities or other grants to the various organizations after the Franchise has been awarded. The Ordinance provision for channel access by KVIE and the Educational Consortium should be unchanged.

The amount of funding to this body would be left to the competitive bidding and selection process, but must be considered exclusive of the 5% franchise fees. Such an Ordinance change may very likely focus the lobbying efforts by organizations from a particular self interest to the amount of financing for this independent body.

The community grant issue is a very sensitive policy matter which may not be desirable to change. I am, however, recommending that you change the Ordinance to prohibit direct grants to City and County Departments. Such offerings, while encouraged in the RFP process, should be made to the legislative bodies and allocated upon the recommendation of the City Manager and County Executive. This will avoid the unusual non-priority grants that appeared in UTC's Application.

#### V. Estimated Cost and Financing.

Attached is a 1983/84 budget necessary to reauthorize the Sacramento Cable System.

Total estimated requirement for 1983/84 is \$613,285 including necessary legal and consultant services to provide the required expertise for the Commission to render a thoughtful decision. Although your staff will provide the lead analytical work, consultant services are recommended to perform the necessary comparative analysis of the bidders financial and operational capacities. It is recommended the existing contracts with Hammett & Edison for consultant services and Brent Bleier for legal assistance be extended. They have both done an excellent job during the past negotiations.

The total deficit to refranchise as indicated in the attached budget is \$373,285. If the legislative bodies decide to refranchise, it will be necessary that they also advance funds to offset this deficit in the amount of \$149,314 as the City of Sacramento's 40% share and \$223,971 as 60% from the County of Sacramento. The \$45,000 application fee will be used to immediately offset the advance, and estimating that at least three bidders will participate in the process generating \$135,000, along with the \$250,000 award acceptance fee, there will be sufficient funds to repay the advances by the end of the 6-month franchising process. Thus, there will be no net cost to the City of County in the 1983/84 fiscal year. Upon receipt, the application fees will be deposited in the Cable Television Fund and a prorated reimbursement will be forwarded to the two jurisdictions.

#### VI. Process and Proposed Schedule.

We envision that the following process could be undertaken to award a new Franchise in an expeditious manner. This time schedule requires the resolve of the legislative bodies to not likely grant requests for delays by the applicants as it is in their interest to delay the process for a number of reasons. The most important are: (1) More time to lobby the elected officials; and (2) Early adoption of a contract tends to avoid the favorable cable industry provisions contained in pending Federal legislation.

- July 6, 1983 - The Commission, Board of Supervisors and City Council approve the rebid process, the revised RFP, including a "boilerplate" Resolution, and the necessary budget amendments to offset the cost of consulting, legal and staff salaries.
- July 19, 1983 - The Request for Proposals is approved by the Board of Supervisors and City Council for advertising with a 60-day application submission deadline.
- July 20, 1983 - A pre-bid conference will all interested parties will be held at 1:00 p.m. in the Board of Supervisors' Chambers.
- September 20, 1983 - The deadline for filing applications.
- September 26, 1983 - A hearing is conducted to receive testimony from each applicant on the contents of their Application to the Commission.

- September 26, 1983 - A hearing is conducted to receive testimony from each applicant on the contents of their Application to the Commission.
- November 16, 1983 - A public hearing is conducted in which the staff presents an objective analysis of each proposal detailing the strengths and weaknesses of each and providing an opportunity to the applicant to briefly respond to the analysis.
- November 30, 1983 - A public hearing is held after staff had had an opportunity to review any written responses by the applicants and submits a final recommendation for review by the Commission. At that time, the Commission will have an opportunity to hear from the applicants, review the staff's recommendation and make a tentative selection for review by the Board of Supervisors and City Council.
- December 7, 1983 - The Board of Supervisors and City Council tentatively selects a franchisee for the Sacramento area and provides no more than 30 days to negotiate any unresolved issues that remain within the "boilerplate" Resolution.
- January 4, 1984 - Commission recommends Resolution Offering the Franchise.
- January 5, 1984 - Franchise approved by Board and City Council.
- January 6, 1984 - Resolution Offering Franchise approved by the Commission.
- February 6, 1984 - Certificate of Acceptance filed by new franchisee.

It is, therefore, recommended that your Board and City Council:

- 1) Discuss four staff issues as well as any others the Commission may raise associated with refranchising.
- 2) Tentatively approve the new RFP.
- 3) Discuss and approve the recommended Ordinance changes, and work program for selection of the new franchisee as set forth in this report.
- 4) Approve advancing \$223,971 and \$149,314 respectively as each jurisdiction's share of the increased franchising cost. Such advances are to offset by application and post award fees received during the 1983/84 fiscal year.



Board of Supervisors  
City Council  
Cable Commission  
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- 5) Approve the attached contracts previously distributed for consultant and legal services.



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BOB SMITH, Executive Director  
Sacramento Metropolitan Cable  
Television Commission

RES:ab/jc

Attachments

## SUMMARY OF RESOLUTION PROVISIONS

### GENERAL PROVISIONS

\*Identification of Ownership - Identifies the beneficial ownership of the Franchise and Franchisee.

\*Liability of Ownership - Prescribes the liability of the various entities holding beneficial ownership in the Franchise and Franchisee for the performance of the Franchise obligations.

### SYSTEM DESIGN

\*Alternative System Design/Equivalency - Prescribes the procedures and standards which will be utilized by the Commission as to the approval of any changes proposed by the Franchisee in the nature, extent, characteristics or capability of the System as compared with that System which was contained in the Application.

\*Governmental Rate Concessions - Embodies certain voluntary offerings of the Franchisee relating to rate concessions on institutional use by governmental entities.

\*Technical Standards - Prescribes in detail the various technical standards as to capacity and interface requirements of the System.

### CONSTRUCTION

\*Cumulative Mileage Table - Provides monthly benchmarks by which the Commission may monitor and enforce the progress of the build in accordance with the rate of completion contained in the Application. (This section was not contained in the UTC Resolution.)

\*Standards/Procedures - Codifies uniform construction standards and procedures which otherwise might be discretionarily enforced by the various permit issuing authorities.

\*Complaint Minimization/Resolution - Provides mechanisms for the resolution of disputes between the Franchisee and property owners and establishes various burdens of proof to ensure the just resolution of such disputes.

## STAFFING

\*Remedial Staffing - Provides a discretionary remedy to the Commission to ensure compliance with certain performance standards relating to operation of the System.

## COMMUNITY PROGRAMMING

\*Facilities and Equipment:Provision and Replacement - Identifies the various voluntary offerings of the Franchisee relating to such facilities and equipment.

\*Use of Facilities - Provides the standards and restraints upon the use of various community programming facilities.

\*Programming - Definition and Volumes - Provides definition and delineation of various voluntary community programming offerings by Franchisee.

\*SC3 and Miscellaneous Grants - Defines the terms and conditions of certain voluntary grants offered by the Franchisee.

## SERVICES

\*Entertainment - Defines nature and extent of voluntary entertainment program offerings of Franchisee.

\*Non-entertainment - Defines nature and extent of voluntary non-entertainment programming and useage offerings of Franchisee.

\*Institutional - Defines nature and extent of voluntary institutional offerings of Franchisee.

## MISCELLANEOUS

\*Relation of Commission to Certain Debt and Equity Holders - Defines legal relationship of the Commission to certain debt and Equity holders who are not named owners of the Franchisee.

\*Uncommitted Channels - Defines standards and procedures whereby certain "banked" channels shall be released.

\*Technical Accounting Matters - Defines the handling of certain accounting matters which would affect the Commission's franchise fee income.

SACRAMENTO METROPOLITAN CABLE TELEVISION COMMISSION  
 PROPOSED BUDGET- JULY 1, 1983 TO JUNE 30, 1984

(REBID)

SALARIES & WAGES	87584
RETIREMENT	8094
OASDI	4784
GROUP LIFE, DENTAL, MEDICAL	4506
WORKER'S COMP.	1104
SDI/SUI	3090
COMM. MEETING EXPENSE	10800
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TOTAL SALARIES & BENEFITS	119962

ADVERTISING NOTICES	1500
BOOKS/PERIODICALS	800
BUSINESS CONFERENCE	4500
BUSINESS TRAVEL	2000
EDUCATION TRAINING	800
EMP. TRANSPORTATION	250
INSURANCE-LIABILITY	9000
OFFICE SUPPLIES	1400
PRINTING SERVICES	4000
TELEPHONE	4000
FINANCIAL SERVICES	3000
ENGINEERING/ECONOMIC CON. (145,000)	205000
LEGAL SERVICES (60,000)	90000
PERSONNEL SERVICES	1000
OTHER PERSONNEL SERVICES	109573
DATA PROCESSING SERVICES	9000
PRINTING SERVICES- DGS	500
POSTAGE/MAIL- DGS	3000
PURCHASING SERVICES- DGS	1000
EQUIPMENT RENTAL- DGS	500
PUBLIC WORKS SERVICES	5000
OFFICE RENT/USE- DGS	6500
COUNTY SERVICE CHARGES	1000
RES. FOR CONTINGENCIES	30000

TOTAL EXPENSES	493323
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GRAND TOTAL	613285
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## CABLE TELEVISION FUND:

JULY 1, 1983 BALANCE- EST.	180000
PRIOR BIDDERS DEPOSIT CANCELLATION	60000

AVAILABLE FOR APPROPRIATION	240000
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DEFICIENCY- CASH ADVANCE REQUIRED	373285
TO BE REPAYED FROM REBID APPLICATION FEES	
40% CITY	149314
60% COUNTY	223971

**HAMMETT & EDISON, INC.**  
**CONSULTING ENGINEERS**  
**RADIO AND TELEVISION**

**ROBERT L. HAMMETT, P. E.**  
**EDWARD EDISON, P. E.**  
**ROBERT P. SMITH**  
**F. PAUL MONACO**  
**DAVID J. PINION, P. E.**

**RALPH G. GROVER**  
**DANE E. ERICKSEN**

**BOX 68, INTERNATIONAL AIRPORT**  
**SAN FRANCISCO, CALIFORNIA 94128**

**AREA CODE 415**  
**342-5208**

**1400 ROLLINS ROAD**  
**BURLINGAME, CALIFORNIA 94010**

**May 13, 1983**

**Mr. Robert E. Smith**  
**Executive Director**  
**Sacramento Metropolitan Cable**  
**Television Commission**  
**700 H Street, Room 2500**  
**Sacramento, California 95814-1280**

**Dear Bob:**

Since it appears that United-Tribune Company is not going to accept the offering of the Sacramento Franchise, you have requested that we provide you with a cost estimate for consulting services. We would assist the Commission in requesting new proposals for cable television and the evaluation and selection of a franchisee. The firm of Hammett & Edison, Inc. will be pleased to assist Sacramento in this project. We anticipate that the Portland office of Touche Ross & Co. will assist in the economic and managerial aspects of the project.

The following is a list of the major steps of the work we anticipate to be required and the estimated fee for each portion. The fees include the participation of Touche Ross. The basic project cost has been estimated on the assumption that four cable television proposals will be received and reviewed. A cost per additional proposal is also shown for those items that would be increased if additional proposals need to be processed.

- |   |                 |
|---|-----------------|
| <b>1. Review existing franchise documents (1981 Ordinance, 1981 RFP and 1983 Resolution Offering the Franchise) and suggest modifications and corrections. Assist in preparation of cover letter and other materials.</b> | <b>\$14,000</b> |
| <b>2. Consultation during pre-RFP activities, including attendance at May 25 workshop, June 1 joint meeting, and early June pre-bid conference. Further reviews and corrections to documents.</b>                         | <b>\$13,000</b> |

3. Activities during bidding interval, including telephone interviews with city officials in other communities served by potential bidders and field trips to examine sample systems, as well as other consulting services during this period.	\$36,000 plus \$9,000 per additional proposal
4. Consultation on bid evaluation and selection. Include a review of each proposal, investigations to resolve ambiguities, and a report summarizing the key points and issues for each bid. Also includes participation in public hearings and additional assistance to Committee staff to aid in selection process.	\$80,000 plus \$16,000 per additional proposal
5. Participation in franchise negotiations. Further resolution of issues for winning proposal and assistance in drafting of final Resolution Offering the Franchise. Participation in two negotiating sessions. Other consultation as required.	\$22,000
<b>TOTAL</b>	\$165,000 plus \$25,000 per additional proposal

Again, we wish to make it clear that it is impossible to anticipate the total level of effort to be required in a project of this magnitude and these are only estimated fees. Our actual fees will be based upon hours worked and out-of-pocket expenses and will be billed on a monthly basis.

We anticipate that our total project fees through the end of May will not exceed \$20,000; we understand that you may cover this from monies already allocated for consulting services.

We look forward to assisting Sacramento in this project.

Sincerely yours,

  
F. Paul Monaco

ac

LAW OFFICES OF  
**BRENTON A. BLEIER**

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Appendix: Fair Market Value

In considering the valuation of cable television franchises for community acquisition, two important factors ought to be isolated.

First, while a cable operator may compete in a general sense of the term with other providers of entertainment, with very few exceptions, it does not compete with other cable operators. Thus, pricing for its services is limited only by total elasticity of demand for its product and not by direct competition. This can be referred to as the monopoly pricing factor. Accordingly, the revenues and, in turn, the profits of the cable operator will reflect in part this monopoly pricing factor.

Second, the "market value" of any income producing asset is a function of the discounted present value of the future income stream of that asset. Obviously, the anticipated length of that income stream is a critical factor. In terms of cable franchises, most are issued for a term of years. Yet many "market value" definitions offered by the cable industry (including that offered recently in Sacramento by UTC) presume "continued indefinite useage" of the system for purposes of valuation. This assumption, in effect, increases the length of the franchise for purposes of valuation and therefore increases its value. This may be called the length of franchise factor.

Therefore, when a community is asked to pay "fair market value" for a system which it wishes to acquire based upon "continued indefinite useage", it is in effect being asked to pay for the monopoly pricing factor, which is directly attributable to the exclusivity of the franchise which it alone maintains, and the length of franchise factor, which reflects a period beyond the actual franchise which it has granted.

Our Sacramento ordinance provides, in Section 5.50.248c, in the event of a purchase at the election of the Commission by reason of an unauthorized transfer of the franchise, for valuation of the system at "market value". This "market value" definition includes the monopoly pricing factor but excludes the length of franchise factor. The staff has now recommended that the Ordinance be amended to provide for valuation in the event of purchase by the Commission by reason of change of law or expiration of the franchise without renewal at the greater of replacement cost or market value, as defined.

However, it is important to keep in mind that the Ordinance does not provide, and staff does not recommend consideration of additional value for periods beyond the term of the actual franchise.

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Proposed Ordinance Changes

1. Add as a new last paragraph to Section 5.50.410 the following:

"The foregoing shall not be construed to prevent an applicant from proposing additional, more stringent construction completion levels than those set forth above. The failure to comply with such additional construction completion levels shall be subject to the provisions of Section 5.50.818(f) hereof."

Add the words "next to" immediately before the words "last paragraph in Section 5.50.410" in the seventh line of Section 5.50.806.

2. Add the words "or cablecast" immediately after the words "not previously broadcast" and immediately before the words "within the Sacramento" in the second line of subparagraph (a) of Section 5.50.338.
3. Delete the word "lesser" and add in lieu thereof the word "greater" immediately after the words "an annual amount equal to the" and immediately before the words "of the" in the fifth line of Section 5.50.604.

Add the following words immediately after the words "Three Hundred Twenty Five Thousand Dollars (\$325,000.00)" and immediately before the end of the sentence in the eighth line of Section 5.50.604:

", provided that said amount shall in no event exceed the average (mean) annual franchise fee projected in the franchisee's application to be paid by the franchisee to the Commission over the entire term of the franchise.

4. Delete the last sentence of the sixth paragraph of Section 5.50.214 which reads:

"In the event of such rejection, all applications for the franchise shall be deemed to have been rejected, and no franchise shall be issued pursuant to the request for proposals by which the application were solicited."



Delete the following words immediately following the words "to have been rejected" in the fourth line of the last paragraph of Section 5.50.214:

",all applications for the franchise shall be deemed to have been rejected, and no franchise shall be issued pursuant to the request for proposals by which the applications were solicited."

Delete the following words immediately following the words "franchise shall be deemed repealed" and immediately before the words "thirty (30) calendar days following its adoption" in the second and third lines of the first paragraph of Section 5.50.220:

"and all applications shall be deemed rejected."

5. Add as a new last paragraph of Section 5.50.214 the following:

"If for any reason, the tentative selectee shall be deemed to have been rejected or the Resolution Offering the Franchise shall be deemed to have been repealed pursuant to provisions of these franchise documents, the governing bodies of the County and the municipality of Sacramento with respect to the Initial CATV Franchise, or the Board of Directors of the Commission with respect to any other franchise to be issued under this Chapter, may select a new tentative selectee pursuant to the procedures set forth in this Chapter from among those applications previously submitted and may offer a franchise pursuant to the request for proposals by which the applications were solicited."

6. Delete Sections 5.50.814 and 5.50.816 in their entirety.

7. Add the words "and other work of a similar nature (excluding work performed by employees of municipally owned public utilities)" in the following two locations:

(a) Immediately after the words "reconstruction and subsequent construction of cable systems" and immediately before the words "within the counties of Los Angeles, San Diego, Orange, Alameda," in the eighth and ninth line of the first paragraph of Section 5.50.318; and

(b) Immediately after the words "subsequent construction associated with cable systems" and immediately before the words "within the" in the twelfth line of the second paragraph of Section 5.50.320.

8. Add the words "the greater of Market Value or" immediately following the words "property to be acquired shall be" and immediately before the word "the" in the tenth line of subparagraph b of Section 5.50.248.
9. Add the words "or such other provisions of the Resolution as shall expressly refer to this provision." in the following two locations:
  - (a) Immediately after the words "Article 4-c of sub-chapter 4" and immediately before the words "Said liquidated damage sum shall" in the eleventh line of the first paragraph of Section 5.50.804; and
  - (b) Immediately after the words "sub-chapter 4," at the end of the second paragraph of Section 5.50.804.
10. Delete the words "fifteen (15)" and add in lieu thereof the words "twenty (20)" immediately after the words "Franchise shall be" and immediately before the words "from the date of filing" in the second line of Section 5.50.224.

Delete the work "2002" and add in lieu thereof the word "2007" in the following two locations:

- (a) Immediately after the words "shall expire later than December 31," at the end of the last sentence of Section 5.50.224; and
- (b) Immediately after the words "dissolved on December 31," at the end of the first sub-paragraph of paragraph 9 of Section 5.50.112.

(NOTE: The joint powers agreement should be amended in similar fashion to accord with the Ordinance provision.)