

MARIN TELECOMMUNICATIONS AGENCY

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DATE: June 14, 2017
TO: MTA Board of Directors
FROM: Barbara Thornton, Executive Officer
SUBJECT: AGENDA ITEM G: PUBLIC HEARING AND ADOPTION OF FY 18
BUDGET FOR OPERATING FUND 8017 AND PEG FUND 8018

Recommended Action:

1. Receive FY18 Budget for Operating (8017) and PEG (8018) funds for the period of July 1, 2017 through June 30, 2018.
2. Conduct a public hearing for adoption of the FY18 MTA Budget.
3. Adopt the FY17 Budget and the attached Resolution 2017-02.

Background

MTA's budget is comprised of two funds. The MTA Operating Fund (8017) is the main fund for the MTA. It receives the franchise fee revenues from the state franchise video providers including Comcast, AT&T and Horizon, and distributes the franchise fees to the member agencies less the MTA's agency operations budget.

The second MTA Fund is the PEG Fund (8018) which receives the PEG fee revenues from the same state franchise video providers. The PEG fees MTA receives are paid to the Community Media Center of Marin (CMCM) in accordance with MTA-CMCM Dedicated Access Provider (DAP) Agreement that was approved in May 2014.

Budget Overview

The MTA FY18 Budget for Operating Fund (8017) and PEG Fund (8018) is attached.

The FY18 budget for MTA's Operating Fund 8017 is balanced, whereby current year revenues of \$4,178,500 equal expenses of \$4,178,500.

The FY18 PEG Fund 8018 budget reflects revenues of \$1,010,300 and expenses of \$1,010,000, resulting in a planned net income of \$300 which is attributed to MTA's retention of the interest earned on the account during the year. This \$300 will be retained in MTA's PEG Fund Balance.

In FY17 MTA completed the final \$165,000 bridge funding payments to the CMCM from MTA's operating fund as required by the May 2014 MTA-CMCM Dedicated Access Provider (DAP) Agreement. As a result the FY18 budget reflects that members will receive all of the franchise fee payments received from the video service providers, less MTA's operating budget and the \$21,000 payment to the CMCM for the INET circuit used for government video services

cablecasting. This change along with increased revenues from the video providers will increase MTA member agency franchise revenues.

MTA FY18 Operating Budget (8017)

The FY18 Operating Fund (8017) revenue is \$4,178,500. The operating fund revenues are comprised of the 5% of video gross revenues video providers pay as franchise fees to MTA on a quarterly basis, and represent an increase of approximately 4% over FY17 estimated year-end franchise fee revenues.

The FY 18 revenues account for a small decrease in AT&T franchise fees associated with AT&T's current business strategy of putting new video customers and moving existing customers to Direct TV which AT&T now owns. Direct TV is a satellite video provider and does not use the public right of way to provide its service and therefore is not required to pay 5% franchise fees. Thus MTA's franchise fee revenues from AT&T will likely continue to decrease over time. In FY17 AT&T's franchise fee revenues paid to MTA will be approximately \$250,000. Fortunately AT&T's franchise fee revenues are only about 5% of MTA's total franchise fee revenues. Comcast's revenues continue to increase.

As is usual the majority of MTA's FY18 expense budget of \$4,178,500 is the franchise fee payments of \$3,973,600 to MTA's member agencies. In FY18 a greater percent of the franchise fees received from the providers will go to MTA's members due to MTA no longer making bridge funding payments to the CMCM (\$165,000 in FY17).

MTA's FY18 agency operating expenses (total revenues less outgoing franchise fees and CMCM INET expense of \$21,000) is \$283,900. These expenses are a net \$21,200 higher than in FY17 due to the inclusion of \$34,000 for a recommended new 3 year franchise revenue audit of AT&T and Comcast for the period July 1, 2014 through June 30, 2017. The expected revenue recovery due to a likely underpayment of franchise revenues by the video providers will be greater than the cost of the audit so it is a good investment for MTA's member agencies. The agency operating expenses including CMCM INET expense (\$21,000) is \$304,900. MTA's FY18 budget for the agency's operations continues to reflect careful management to contain costs in all aspects of the operation in order to retain expense levels at the FY17 level excluding the recommended franchise revenue audit expense of \$34,000 in FY18. The FY18 operating budget does not include any funding for projects that may be identified during the year.

The agency's operations expense budget is netted out of the 2nd quarter franchise fee payments made to member agencies in August 2017.

FY18 PEG Fund Budget (8018)

The PEG Fund FY18 revenues are projected to be \$1,010,300, reflecting an increase compared to FY17. The increase is attributed to the fact that MTA will receive 1% PEG fees (rather than .5%) from Comcast for the entire budget year. All MTA video franchises are state franchises so MTA receives 1% PEG fees in addition to the 5% franchise fees from each provider. In addition to the PEG fees MTA receives from the video providers, MTA will receive the PEG fees the video providers pay the City of Larkspur as per the Agreement between Marin Telecommunications Agency and the City of Larkspur governing the Use of the Agency's PEG Channels and Facilities by the City.

The PEG Fund 8018 expenses are \$1,010,000 and represent payment to the CMCM of the PEG revenues MTA receives from the video providers as required by the May 2014 MTA - CMCM DAP Agreement. In FY18 the PEG payments to the CMCM will also include the PEG revenues MTA receives from the City of Larkspur in accordance with the MTA – Larkspur agreement.

FY18 PEG Fund estimated net income of \$300 is attributed to interest earned on the fund balance and will be retained by MTA in the year end Fund Balance. This net income results from PEG Fund revenues of \$1,010,300 and expenses of \$1,010,000.

Attachments:

- Resolution 2017-02 for Adoption of FY18 Annual Operating Fund (8017) and PEG Fund (8018) Budget.
- MTA FY 18 Budget for Adoption – Operating Fund 8017 & PEG Fund 8018 – MTA Budget Format.
- Estimated Member Shares of FY18 MTA Agency Operations Budget.
- MTA FY 18 Budget for Adoption – Operating Fund 8017 and PEG Fund 8018 – Munis Format.

**MARIN TELECOMMUNICATIONS AGENCY
ADOPTION OF FY18 ANNUAL OPERATING AND PEG FUNDS BUDGET**

RESOLUTION NO. 2017 - 02

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE MARIN
TELECOMMUNICATIONS AGENCY ADOPTING THE FY18 OPERATING FUND
(8017) AND PEG FUND (8018) BUDGET**

WHEREAS, the MTA Board of Directors received the proposed FY17 MTA Operating and PEG funds budget in its May 10, 2017 Board meeting, and scheduled a Public Hearing for the FY17 Budget at its June 14, 2017 MTA Board meeting; and

WHEREAS, the MTA Board conducted a Public Hearing regarding the proposed FY18 Budget for Operating Fund (8017) and PEG Fund (8018) and considered it for approval in its June 14, 2017 Board meeting;


NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Marin Telecommunications Agency hereby adopts the FY18 Budget for Operating Fund (8017) and PEG Fund (8018) for Fiscal Year July 1, 2017 – June 30, 2018 as shown in the attached Exhibit A.

Adopted this 14th day of June 2017.

Ayes: Andrews, Coler, Coleman, Fraser, McCullough, Robbins, Sears, Winter

Noes: None

Absent: Burns, McEntee



Chair

ATTEST:



Executive Officer

**MTA FY18 Budget for Approval 6/14/17
Operating Fund 8017 and PEG Fund 8018**

Exhibit A

FY18 Budget for Approval 6/14/17 - Operating Fund 8017 MTA Budget Format	FY18 Budget For Approval 6/14/17	FY17 Budget Approved 6/8/16	FY17 Budget Revised 8/10/16	FY17 Budget Revised 6/14/17
Revenues:				
Franchises	4,160,000	4,200,000	4,200,000	4,285,000
Interest	2,500	1,000	1,000	2,000
Other	16,000	0	0	15,000
Total Revenues	4,178,500	4,201,000	4,201,000	4,302,000
Operating Expenses:				
Professional Services	198,500	198,500	198,500	198,500
Administration & Financial Services	49,500	23,000	23,000	23,000
Insurance Premiums	10,000	10,500	10,500	10,500
Communications Services	2,900	2,900	2,900	2,900
Rent & Operating Leases	14,000	13,300	13,300	13,300
Memberships, Conference, Webinars	4,500	4,000	4,000	4,000
Travel	2,000	2,000	2,000	2,000
Office Supplies	2,500	2,500	8,500	8,500
Total Operating Expenses	283,900	256,700	262,700	262,700
Net Income	3,894,600	3,944,300	3,944,300	4,045,300
Available for Distribution to Members:				
Net Income	3,894,600	3,944,300	3,944,300	4,045,300
Low Income/Youth Projects			0	0
CMCM Network Services	(21,000)	(21,000)	(21,000)	(21,000)
Franchise & PEG Fee Audit			0	0
Marin Broadband Task Force		(10,000)	(10,000)	(10,000)
DAP - franchise Fee Funds to CMCM		(165,000)	(165,000)	(165,000)
Increase (Decrease) to Reserves*				
	3,873,600	3,748,300	3,748,300	3,849,300
Net Distribution to Members	3,873,600	3,748,300	3,748,300	3,849,300
Cash:				
Inflows	4,178,500	4,201,000	4,201,000	4,302,000
Outflows**	4,178,500	4,201,000	4,207,000	4,308,000
Net Cash Increase (Decrease)***	0	0	(6,000)	(6,000)
* Amounts applied from Fund Balance to decrease budget allocations for MTA Member Agencies are reflected here.				
** Franchise fee payments to members + MTA operating expenses + Member funded expenses				
*** The \$6,000 will be funded from MTA's FY16 End of Year Fund Balance of \$170,282.				
FY18 Budget for Approval 6/14/17 - PEG Fund 8018 MTA Budget Format				
Revenues:				
Franchises (PEG Fees)	1,010,000	650,000		775,000
Interest	300	300		300
Total Revenues	1,010,300	650,300		775,300
Operating Expenses:				
Outgoing PEG Fees	1,010,000	650,000		775,000
Total Operating Expenses	1,010,000	650,000		775,000
Net Income*	300	300		300
* \$300 to be retained in PEG Fund Balance (8018)				

**Member Agency Estimated Share of FY18 MTA Budget For Approval 6/14/17 Using
4Q16 Franchise Fee Payments to MTA Member Agencies (October, November, December 2016)
Comcast, AT&T and Horizon Combined**

<u>Jurisdiction</u>	<u>Comcast Franchise Fees</u>	<u>AT&T Franchise Fees</u>	<u>Horizon Franchise Fees</u>	<u>4Q16 Member Franchise Fees (Comcast, AT&T, Horizon)</u>	<u>Mbr % of Total MTA Franchise Fees</u>	<u>MTA's 2017/18 Budget Apportioned to Members</u>	<u>Estimated Net Amount To Be Paid to Members Aug 2017 (FF's Less MTA FY18 Budget)</u>
Belvedere	\$ 16,033.40	\$ -		\$ 16,033.40	1.61%	\$ 4,902.98	\$ 11,130.42
Corte Madera	\$ 48,906.15	\$ 5,673.65		\$ 54,579.80	5.47%	\$ 16,690.40	\$ 37,889.40
County & Unincorp Novato	\$ 289,131.99	\$ 27,012.75	\$ 7,963.33	\$ 324,108.07	32.51%	\$ 99,111.67	\$ 224,996.40
Fairfax	\$ 36,366.06	\$ 2,671.30		\$ 39,037.36	3.92%	\$ 11,937.55	\$ 27,099.81
Mill Valley	\$ 83,986.53	\$ 376.20		\$ 84,362.73	8.46%	\$ 25,797.97	\$ 58,564.76
Ross	\$ 15,561.27	\$ 496.30		\$ 16,057.57	1.61%	\$ 4,910.38	\$ 11,147.19
San Anselmo	\$ 65,895.95	\$ 5,446.85		\$ 71,342.80	7.16%	\$ 21,816.50	\$ 49,526.30
San Rafael	\$ 262,405.94	\$ 22,411.00		\$ 284,816.94	28.57%	\$ 87,096.51	\$ 197,720.43
Sausalito	\$ 47,863.18	\$ 2,148.25		\$ 50,011.43	5.02%	\$ 15,293.41	\$ 34,718.02
Tiburon	\$ 56,606.55	\$ 106.10		\$ 56,712.65	5.69%	\$ 17,342.63	\$ 39,370.02
Total	\$ 922,757.02	\$ 66,342.40	\$ 7,963.33	\$ 997,062.75	100.00%	\$ 304,900.00	\$ 692,162.75

Notes:

- MTA 2017/18 Budget is allocated to member agencies and netted out of 2Q17 franchise fee revenue payments made to MTA member agencies in Aug 2017.
- MTA's 2017/18 Budget apportioned to Members in this chart is estimated for budget purposes. The estimate is based on 4Q2016 franchise fee payments. The actual budget allocations may vary slightly when the actual 2Q17 franchise fee payments are received.

Prepared by:

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MTA FY18 Budget for Approval 6/14/17
Operating Fund 8017
Version for Munis Accounting System

FY18 MTA BUDGET FOR APPROVAL 6/14/17 - OPERATING FUND 8017			
Munis Format			
	MTA Operating Fund - Marin Telecom		
Munis Fund	8017		
Object	Object Desc	Org Code	2017 Budget
REVENUES			
421610	FRANCHISES	80178581	4,160,000
441115	INVESTMT INCOME-INT POOLED	80178581	2,500
470310	MISC REVENUES	80178581	16,000
	TOTAL		4,178,500
EXPENSES			
521315	COMMUNICATON-BROADBAND	80178581	22,300
521325	COMMUNICATON-LAND LINES	80178581	1,600
521615	INSURANCE-GENERAL LIABILITY	80178581	10,000
522210	MEMBERSHIPS	80178581	4,500
522410	OFFICE EXPENSE	80178581	2,500
522510	PROF AND SP SVS	80178581	163,000
522545	PROF AND SP SVS-OUTSIDE LEGAL	80178581	30,000
522575	PROF AND SP SVS-SYSTEM MAINT	80178581	5,500
522585	PROF AND SP SVS-AUD AND ACCT	80178581	49,500
522925	RENTS AND LEASES-BLDG IMPR	80178581	14,000
523410	TRANS AND TRAVEL	80178581	2,000
524710	CONTRI NON-COUNTY GOVT AGENCY	80178581	3,873,600
	TOTAL		4,178,500
	Total revenues		4,178,500
	Total Expenses		4,178,500

**MTA FY18 Budget for Approval 6/14/17
PEG Fund 8018
Version for Munis Accounting System**

FY18 MTA BUDGET FOR APPROVAL 6/14/17 - PEG FUND

Munis Format

	PEG Fund - Marin Telcom Media		
Munis Fund		8018	
Object	Object Desc	Org Code	2017 Budget
REVENUES			
421610	FRANCHISES	80188651	1,010,000
441115	INVESTMT INCOME-INT POOLED	80188651	300
	TOTAL	80188651	1,010,300
EXPENSES			
524710	CONTRI NON-COUNTY GOVT AGENCY	80188651	1,010,000
	TOTAL	80188651	1,010,000
	Total Revenues		1,010,300
	Total Expenses		1,010,000
	Net Increase to Fund Balance		300