

Open Work Session

Cable Franchise Agreement Between Wicomico County, Maryland and Mediacom of Delaware, LLC September 17, 2019

Mr. Roscoe Leslie, Esq., and Mr. Christopher Lord, Public Relations Manager for Mediacom, came before Council. Mr. Leslie said Mediacom has a relatively small cable franchise with the County, which is about 200 households, but could be expanded up to 700. He said they had an agreement dating back to 2004 with Mediacom, which expired this year around April, so he and Mr. Lord were tasked with coming up with a new agreement. He said, since Council passed a pretty comprehensive agreement with Comcast three years ago, they decided to use that as their model, just for efficiency and consistency purposes, so, basically, everyone in the County is working under the same agreement, but just pretty much swapped the names. He said they had to make a few changes, in particular with regard to PAC 14 because there are provisions in the Comcast agreement where they have more of a hands-on role with PAC 14 and provide studio and other lines, whereas Mediacom will simply be contributing financially and carrying it on their network, so that is the main change. He said he provided a summary of changes from the old Mediacom agreement, which was about ten pages long, but this agreement is about 30 to 40 pages long. He said they expressly put in the franchise fee of 5 percent, which is set by the FCC, and was not in the old agreement, but his understanding is they have been paying it anyway, so they are just formalizing that. He said they are also formalizing the support for the PEG fee which, under the old agreement, Mediacom made a one-time payment whereas this will be a monthly subscriber fee of 80 cents per person, so everyone will contribute to and benefit from PAC 14. He said, otherwise, it is just a more detailed agreement incorporating what is in the County ordinance. He clarified, the County has a pretty detailed cable franchise ordinance, and the agreement just dumps a lot of that in there.

Mr. Holloway asked how they are going to expand to 700, to which Mr. Lord responded, they currently can serve 700. He explained, they have 250 active customers, but they can serve 700. Mr. Holloway asked if they are going to expand to 700, to which Mr. Lord responded, they can. He clarified, customers choose to subscribe to Mediacom, and they can have up to 700 customers. Mr. Holloway asked if they would have to extend their lines, to which Mr. Lord responded, no. He said, if customers called in right now, they could provide them service in a day or two. Mr. Holloway said it sounds like they have the capacity to get the job done, to which Mr. Lord responded, they are working on it.

Mr. Dodd said he knows he has had issues with internet and television, and he has heard a lot of his constituents complain that when they call, especially after hours and on weekends, they talk to somebody in the Philippines. He then asked where Mediacom's call takers are located, to which Mr. Lord responded, they have two main call centers, one in Gulf Breeze, Florida, and the other in Des Moines, Iowa, but they have a smaller call center in Dagsboro, and that is their primary call center that takes as many calls as possible. He said, whenever there is a large outage or a problem with service itself where they cannot meet that capacity, they will have that offloaded to the Philippines so that customers are not waiting an extended period of time. Mr. Dodd said he was hoping that Mediacom would be very responsive to the citizens, to which Mr. Lord responded, they try to be, and right now their average call time is not very long. He said he can give Mr. Dodd the base numbers, but of course that can vary depending on when someone calls because, if there is a massive outage, everyone calls at once, and that will delay their call time, but their average time is pretty low at a couple of minutes per call.

Mr. Cannon said sometimes he does not always understand the terminology with the revenues, such as revenues from the provision of any cable services. He then asked if that includes internet as well as

cable operations, to which Mr. Lord responded, no. He explained, unfortunately, that is actually an FCC agreement, so they cannot charge franchise fees for profit service. Mr. Cannon clarified, not necessarily franchise fees, but gross revenue. He then asked if Mr. Lord is saying that what they are paying the County is the franchise fee, to which Mr. Lord responded, correct. He clarified, they are paying the County franchise fees, and the gross revenue does not include anything that can be broadband or VoIP based, and would only be the cable TV services themselves.

Mr. Holloway asked if their fees to the customers are basically the same as Comcast's, to which Mr. Lord responded, they compete, but they are very similar. He said sometimes Comcast outprices them, and sometimes they outprice Comcast based on the promotion, but the base fees are close to the same.

Mr. Taylor said he has some comments. He said he will point out that in both this agreement and the Comcast agreement in Section 2.7, which is called Competitive Equity, it is, essentially, like a most favored nation clause. He said, essentially, it says "If you give an agreement to one of our competitors that is more favorable or less burdensome to them than it is to us, then they have to give us the same thing." He said he will point out that there are a number of sections where there have been changes that, arguably, are less burdensome for Mediacom than for Comcast, and he can give them the section numbers and discuss them if Council wants him to, but it is, basically, where numbers have been changed. He said, for example, in Section 3.2 of the Comcast agreement, it talks about 20 homes per mile being the standard for extension of service. He said that, incidentally, was a big point of the negotiation with Comcast, and this is actually going the other way giving them back to what Comcast used to have. He said there are other adjustments such as that in the numbers, and he can hit the sections if Council wants him to discuss them. Mr. Cannon said he guesses it would be relevant to what Mr. Leslie has said because initially he said this was pretty much the exact same contract as Comcast. He then asked Mr. Leslie if that is not necessarily the situation, to which Mr. Leslie responded, he did not say it was the exact same, but he said there were some minor changes.

Mr. Holloway asked, if the County signs and agrees to this agreement, is Comcast going to come back to them for concessions, to which Mr. Leslie responded, he cannot predict what Comcast will do. Mr. Holloway asked if they will have a reason to come back to the County with concessions, to which Mr. Leslie responded, the franchise for Mediacom is so small that he thinks that is the reason why some of these changes were asked for. Mr. Lord clarified, that is correct, and, basically, they operate in a very small area in this community, and operating in a very small area compared to a very large area creates some differences and some problems that they cannot always match with what Comcast wants. He said that is just the reality of operating a business in this way. He said they are more rural, and are not in any of the bigger town areas. He explained, when someone operates a cable system in the larger areas, it becomes a lot easier to do certain things compared to rural when they are running spans of cable just to reach five or six homes, so it, basically, makes the network a little different. Mr. Taylor said he thinks some of these changes do not really have anything to do with whether the area is rural or urban. He said the one about the homes per mile possibly does, but there are others that do not. He said, for example, the audit lookback period has been changed where it has been shortened, which, essentially, is more favorable to them than it is to Comcast. He said there are other changes like that, which he can discuss now, or discuss later, possibly getting together with Mr. Leslie.

Mr. Cannon said the purpose for this Work Session was really to get a feel for what differences there might be, and what the reasoning is behind them, and Mr. Leslie's initial comment was that the majority of it is similar to Comcast. He then asked Mr. Leslie to explain where it was necessary to make these types of adjustments, and for what reason, to which Mr. Leslie responded, they had negotiations with

Mediacom who made requests, but he deleted a lot of them, and he thinks Mr. Lord will agree that he did, but they had some they wanted to stick by, and that is how they came up with the agreement.

Mr. Taylor said there is one other item which is not necessarily a numerical change, but there is a change in the quarterly report. He said Comcast's agreement provides for a fairly line item report, and he is talking about the gross revenue items. He said Council will notice under the definitions that with gross revenue there are 20-something different items set out, but in the Comcast agreement there has to be a discussion of each one, and this has been deleted. He said, in the minutes from three years ago with Council at its Work Session discussing the Comcast agreement, Mr. Cohen, the attorney who was engaged to help them, pointed out that it is good to have the line item type report so they can see each item and find out what it is. He said he would think that the books of Mediacom would lend itself easily to that distinction between items of revenue, so he would not imagine that would be difficult. He said, even though this might be a small contract, Mediacom is not a small entity, so he would suggest keeping it like Comcast regardless of whether it is 200 homes, 700 homes, or anywhere in between. Mr. Cannon asked if there is a particular strategy in reference to that part of the contract on behalf of the County, to which Mr. Leslie responded, they had negotiations back and forth, and they are just trying to come up with an agreement. He said they are happy to come up with a redline, and sit back down and address things. He explained, these are issues he is just hearing from Mr. Taylor for the first time. Mr. Lord said he can check with accounting to see if they can do line items, but he cannot tell Council right now whether or not they can. He clarified, he can assume they can, but he does not want to speak out of turn and say they can do that, but then not be able to provide that. Mr. Cannon said, if there was only one person in that Department he would say that is fine and he understands, and he would have to give a little leeway, but if it is an option, he does not think it would hurt to consider it.

Mr. Cannon said his concern from the beginning was the fact that he always had an issue more so with Comcast whereas the costs are passed right on to the subscriber, and they do not have a problem putting more into franchise fees because they are just going to pass it on. He said he does not think enough discussion was held at the last Work Session Council had in reference to Comcast. He said they agreed, but about two months later someone told him that their rates were raised again. Mr. Leslie said he and Mr. Lord were talking beforehand about how the rates are created. Mr. Lord said, basically, they create rates that are competitive with the field based upon a number of costs, such as programming costs, and, as they can see with everything going on with blackouts, programming costs are continuing to rise every single year. He said, as those rates go up, they have to find some way to meet those costs because they cannot continue to operate without an increase if all of the costs upon them continue to increase. He said most of those rates that are increasing are generally based on programming costs, and increased ability to provide the network throughout their system. He clarified, they do not raise rates just to raise rates and create more revenue, which is rarely the situation, and it is usually just that they are having to pay more, so they are seeing this go up to meet the demands of continuing to carry channels that are wanted throughout the communities, so they have to pay these fees that are asked.


Mr. Taylor said he will not get into this because it does not really relate to Mediacom, but when he googled what is new at the FCC regarding cable, he found their new rule that they just announced in July and goes into effect in a couple weeks, and most likely is going to affect their franchise fee revenue under both this agreement and Comcast's. He said he will provide some information on that to Mr. Roser and Mr. Hitchens so they can look at it, and maybe come up with some ballpark figure, but at least in some material he has seen, the change could be significant in dollar terms, as he has pointed out. Mr. Cannon thanked Mr. Taylor, and said he appreciates his work.

Mr. Lord said usually for Mediacom they have areas that request free service, and that could be offset in this new ruling, but they do not have any of that in Wicomico County. He said most of the office buildings are in Comcast's service area, so when Mediacom provides services, they are not providing any free services where he was able to make any kind of recommendation that would offset those franchise fees. He said, from his understanding, the PEG fee would not fall into that. Mr. Taylor clarified, this is the capital cost part of it. Mr. Lord said, as a company, they have not decided how they are going to move forward, and whether they are going to implement charging additional fees into the franchise fees or not. He said they have not made that decision yet, so he cannot speak for the company operation.

Mr. Cannon asked what the process and timeframe is from here, to which Mr. Leslie responded, if there is further drafting that needs to be done, Mr. Lord can get it done pretty quickly. Mr. Lord said he will just need to know what changes Council is looking at, and what changes they want to focus on, and they can move forward working between Mediacom and the County Executive's Office, or whoever wants to be involved to make sure they do the best they can for the County. Mr. Cannon said he would appreciate that, and he thinks the itemization they referenced earlier might be a good thing depending on the time restraints. Mrs. Hurley said she believes this requires a Public Hearing, to which Mr. Leslie responded, he thinks so. Mr. Cannon said, as this develops, and he thinks Mr. Leslie has a good feel of what Council discussed today, and they appreciate him being there, but he can just let Mrs. Hurley know, and they will begin the process with the Public Hearing, and then move forward. Mr. Taylor said he can copy his list of the comments for Mr. Leslie to review. There was no further discussion.




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