

City of Philadelphia

BILL NO. 150809

TERM SHEET – EXECUTIVE SUMMARY

1. Subject: Renewal of the cable television franchises granted by the City to Comcast in each of Franchise Areas I, II, III and IV within the City; principal terms to be set forth in the franchise renewal agreement between Comcast and the City (“Franchise Agreement” or “Agreement”).
2. Term of renewal franchise: 15 years.
3. Customer Service Standards: The Franchise Agreement contains enhanced customer service standards above those required of Verizon and in the prior Comcast franchise. It includes specific performance requirements, regular enhanced reporting with audit rights by the City, and liquidated damages up to \$500,000 per year for failure to comply. This is in addition to the \$500,000 in liquidated damages for any other violation of the franchise and is twice the liquidated damages provided by the Verizon franchise. There are specific commitments regarding missed service appointments and service outages. The Franchise provides an escalations procedure for the City to convey customer complaints and receive a report on the resolution within three business days.
4. Franchise Fee: The Franchise provides for the maximum lawful franchise fee of 5% of gross revenues from cable service, which currently exceeds \$17 million per year. At the City’s request, Comcast has agreed to expand the revenues to include all PEG fees and FCC fees collected from customers neither of which is included in the Verizon franchise.
5. Public, Educational and Governmental Access (PEG) Funding: Comcast is providing a significant increase in PEG funding – rising from \$8.2 million under the prior franchise to \$21.3 million under the new franchise. This is more than twice the funding provided in the Verizon franchise. How much of the \$21.3 million goes to support PCAM or the School District is entirely in the discretion of the City. The franchise also continues Comcast’s provision of nearly \$1 million per year in complimentary services to Philadelphia municipal locations, schools, and libraries, while the Verizon franchise provides for none.
6. PEG Channels: The Franchise provides for 11 channels total - 4 public access channels (PhillyCAM); 2 governmental access channels (Channels 63 and 64); and 5 educational access channels (1 each for SDP, Community College of Philadelphia, Drexel University, Temple University, and LaSalle University). Two channels are already available in High Definition and the Franchise provides a reasonable pathway for the activation of additional

HD channels in the future which the City may allocate among public, educational and governmental access as it sees fit. The Verizon franchise provides no HD channels.

7. PEG Video on Demand (VOD) Capacity: The Franchise increases PEG VOD capacity from 8 hours to 20 hours allocated in City's discretion sufficient to meet channel needs.
8. Institutional Network: A managed services network provided by Comcast, as agreed by the City's Chief Innovation Officer (CIO), on specific terms negotiated by the CIO with Comcast and to be attached as an appendix to the Franchise Agreement. Comcast is providing \$10 million in network construction at no cost to the City. The Verizon franchise required a \$2 million cash payment. The network will provide data transport to more than 200 city locations at a significantly higher performance level than the current network and will provide significant financial savings to the City. The City may use the network for governmental purposes and may include the provision of WiFi services at municipal locations.
9. Remediation of cable plant code violations: Comcast is carrying out a comprehensive City-wide effort to inspect, identify and repair alleged violations of the National Electrical Safety Code and/or National Electrical Code in its cable plant city-wide (including poles, cables, cable drops, equipment in pedestals, etc.). The project will be completed within 18 months and is guaranteed by up to \$2 million in liquidated damages. The City will receive monthly progress reports and will conduct quarterly compliance certifications. Comcast has agreed to pay for the City's costs of inspection and certification.
10. Prevailing Wage and Living Wage – Comcast's franchise includes the obligation to comply with the Living Wage ordinance and the Prevailing Wage obligations associated with City-Work such as the construction of the City's I-Net.
11. Economic Opportunity Plan - Comcast and the City have signed an Economic Opportunity Plan that recognizes Comcast's leadership in the area of supplier and employee diversity, and establishes goals for expansion of that effort.

Council should be aware that Comcast has announced several additional commitments separate from the cable television franchise renewal:

1. Senior Pilot of Internet Essentials – Comcast has announced that it is adding Philadelphia to its pilot program to extend Internet Essentials to low-income seniors who are not connected to the Internet. This program not only brings the \$9.95 price for service, but also the comprehensive approach to digital literacy and access to low cost equipment which are key components of bringing the disconnected onto the Internet. Comcast also

agreed that Philadelphia would be included in the first group of communities to receive any future pilot program for Internet Essentials.

2. Subsidized Low-Income Internet Essentials Program – For five years, Comcast will be partnering with a local non-profit organization in cooperation with the City to provide low-income Philadelphians who don't have school-aged children an opportunity to participate in the Internet Essentials program at a rate of \$29.95, of which the customer pays only \$9.95 and the organization pays \$20. Comcast is providing the non-profit with a grant of \$250,000 per year to support administrative costs and to fund a \$20 monthly subsidy for each customer referred by the organization. After the first year, Comcast has committed to a 40% annual increase in the grant if the increase is matched by incremental funding procured by the non-profit organization or the City.
3. Digital Inclusion Alliance Funding – In recognition that no one company can solve the digital divide problem on its own, the City will be forming a Digital Inclusion Alliance comprised of businesses, non-profit organizations, and governmental agencies with the goal of focusing on positive outcomes, including digital literacy. Comcast has announced that it will be providing a grant of \$500,000 to support the formation and mission of the alliance.
4. Senior Discount on Cable Service – Comcast has announced that will begin offering a 10% discount to low-income seniors on limited basic and digital starter cable service.
5. Virtual Customer Care Agent Pilot Program – Comcast has announced that it is launching a Virtual Customer Care Agent program in Philadelphia that will result in the hiring of 150 to 200 Philadelphia residents to work as customer care employees from their homes.
6. 5-Year Amnesty Program for 90-Day Requirement in Internet Essentials – For a five year period in the City of Philadelphia, Comcast has agreed to waive the requirement that applicants for Internet Essentials (including the Senior Pilot and Low-Income Programs above) shall not have been Comcast Internet Service customers in the prior 90 days. This amnesty program is contingent upon the City's offer to subsidize each such Internet Essentials customer at a cost of \$20 per customer per month, up to a maximum of \$170,000 per year, which amount shall be deducted from the quarterly franchise fee otherwise due the City.
7. Career & Technical Education Program – Comcast's future is only as strong as the employees that we can welcome into our workforce. We have a long history of partnering with higher educational institutions to identify curricula that best prepares potential employees. Comcast also appreciates that not all of our employees need training at the college level, but may find their educational needs met at the high school level. We look

forward to working with the Philadelphia School District to identify core curricula that we view as valuable in our workforce and will accept CTE trained students, even before graduation, in cooperative programs. In projecting our anticipated need for new employees, Comcast has a goal to hire between 50 and 100 new employees through CTE and similar future programs on an annual basis.