



COUNCIL DECISION REQUEST

SUBJECT: Cable TV License Fee

MEETING DATE: March 20, 2014

SUBMITTED BY: Tim Wright 

SUBMITTAL TO AGENDA
APPROVED BY TOWN MANAGER

AMOUNT BUDGETED:

EXPENDITURE REQUIRED:


EXHIBITS (If Applicable, To Be Attached): n/a

POSSIBLE MOTION:

- (a) I move to increase the Cable TV license fee from 3% to 4% beginning July 1, 2014; or
- (b) I move to increase the Cable TV license fee from 3% to 5% beginning July 1, 2014; or
- (c) If the Council desires to leave the license fee at 3%, no action or motion is required.

SUMMARY OF THE BASIS FOR POSSIBLE MOTION: Suddenlink has a Cable TV License with the Town. This License allows Suddenlink to use the Town's right of ways for the placement of cable and other equipment. The current License expires on May 10, 2014. The Town Manager has been working with Suddenlink and pursuant to Paragraph 17 of the License, an Amendment was drafted to extend the License for 10 years and is being submitted to the Council contemporaneously with this CDR. As the renewal was being worked upon, Staff received a request to allow the Council to review the current license.

The License had an initial license fee of 2%. Because of federal law, this license fee applies only to gross revenues for video/cable tv products and not internet type services. On July 1, 2004, the license fee automatically increased to 3%.

Paragraph 6(a) of the License allows the Council "to annually review the license fee and adjust such license fee so long as the total license fee does not exceed 5%." State law also places a limit on the amount of the license fee. Pursuant to A.R.S. 9-506(C)(3), the total of the license fee and any transaction privilege taxes ("TPTs") cannot exceed 5%. The Town does not currently impose any TPT's on Cable TV. The Council has never invoked Paragraph 6(a) and therefore the license fee has remained at 3% since July 1, 2004.

Based upon this, the Council could increase the license fee up to an additional 2% (for a total license fee of 5%). If the Council decides to change the license fee, it is recommended that the new

license fee take effect on July 1, 2014. This conforms with the date of the prior increase (July 1, 2004) and corresponds with the Town's fiscal year.

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PROS: An increase in the license fee would bring in a small amount of additional revenue to the Town. It is projected that each 1% increase in the license fee would increase revenue by approximately \$20,0000 annually.

CONS: The Town's license fee is clearly listed as an additional fee upon cable customer's bills and some may view this 'fee' in the nature of a tax.

FUNDING:

Acct:	Budget:	Available:	Expense:	Remaining:
Acct:	Budget:	Available:	Expense:	Remaining:
Acct:	Budget:	Available:	Expense:	Remaining:

FM: _____ Date: _____