

CABLECASTING BOARD MEETING MINUTES - OCTOBER 18, 2000 - PAGE 1

Present: Brower, Devereaux, Kokubo, Kuhne, Laidlaw, Lane and Spivak - Birmingham
Borgon and Pfeifer - Beverly Hills
Leckie - Bingham Farms

Absent: Lacroix - Beverly Hills
DiSessa - Franklin

Also present: Hagaman - Cable Administrator
Currier - Attorney for Cablecasting Board
Colgan - Municipal/Library Access Channel
Martinico - Director of Technology, Birmingham Schools
MediaOne representative - DiMaria
Comcast representative - Kreucher

Kuhne called the meeting to order at 7:50 a.m. in the Rotary Room of the Baldwin Public Library at 300 W. Merrill Street. Kuhne welcomed Ted Kokubo, newly appointed member representing the City of Birmingham.

APPROVE MINUTES OF REGULAR CABLECASTING BOARD MEETING HELD ON SEPTEMBER 20, 2000

On page 8 under "MLAC 15 Report" correct "August" to read "September".

MOTION by Borgon, supported by Devereaux, that the minutes of a regular Cablecasting Board meeting held on September 20, 2000 be approved as amended.

Motion passes unanimously.

APPROVE MINUTES OF SPECIAL CABLECASTING BOARD MEETING HELD ON SEPTEMBER 26, 2000

On page 5, correct the vote to read as follows:

Ayes: Brower, Devereaux, DiSessa, Kuhne, Lacroix, Lane, Leckie and Spivak

Nays: Borgon, Laidlaw and Pfeifer

Motion passes (8 - 3).

MOTION by Pfeifer, supported by Devereaux, that the minutes of a special Cablecasting Board meeting held on September 26, 2000 be approved as amended.

Motion passes unanimously.

PEG ACCESS

At the special Cablecasting Board meeting of September 26, 2000, the Cablecasting Board voted to select Bloomfield Community Television to manage the consortium's municipal and public access channels and authorize legal counsel to prepare a contract. Negotiations have begun on a contract with BCTV.

Currier stated that board members received a working draft of the contract. He asked that board comments on this draft be forwarded to Hagaman or himself to be incorporated into a revised draft. Bloomfield Community Television has been provided with a copy of the document with the understanding that it is a working draft. A revised draft will be distributed to board members prior to the next meeting along with a recommendation from counsel. A final draft of the contract will be brought before the board as a whole for its approval at the November meeting.

Devereaux raised the issue of MediaOne's obligation to produce council and commission meetings. DiMaria reported on initial discussions with BCTV regarding live meeting transmissions. The public access portion of the operation is in place, but the transmission of government meetings will take additional work. MediaOne has started work on the necessary changes. DiMaria affirmed that MediaOne is not going to abandon the Birmingham area communities before they enter into a contract with BCTV.

Pfeifer stated that she thinks it would be appropriate to retain the PEG Access Committee to oversee the management of municipal and public access operations. Kuhne responded that this was the intent of the board. Committee chair Devereaux concurred.

BY-LAWS COMMITTEE REPORT

Borgon stated that the By-Laws Committee met on October 11 to review the current Interlocal Agreement and a draft copy of By-Laws the board may act on. These were prepared by Tim Currier. The committee will meet again and hopefully have a document to present to the full board for the November meeting.

REQUEST FOR TRANSFER AT&T/COMCAST

Currier stated that he forwarded a series of questions to MediaOne relative to the request for transfer of the cable franchise from MediaOne to Comcast. Board members have received a copy of the response letter dated October 13, 2000 from attorneys representing MediaOne and Comcast. Currier asked for any input from board members after reviewing the questions and responses. He anticipates making a recommendation to the board at the November meeting and anticipates a recommendation going to the communities for their action in December. The transfer is required to be acted upon by the end of the year.

Comcast has responded to a number of issues including call centers, which has been a major topic of customer complaints. Comcast has also identified some of their personnel. They name Jon Kreucher as one of the individuals who will continue working with this franchise area, which gives this board some degree of comfort because of its history negotiating with Mr. Kreucher on the franchise renewal agreement.

Jon Kreucher commented that he was formerly with MediaOne and is now with Comcast. He distributed a booklet relative to the Comcast/AT&T Exchange and made a presentation to the board on the material contained in that handout.

Comcast is the nation's third largest cable company having 7.3 million customers. It has about 1.1 million digital customers and 300,000 customers with cable modems. Kreucher noted that Comcast was recently named "AOperator of the Year 2000" by Cablevision magazine.

Comcast will be assuming 85 franchises in the Michigan market. There are 445,000 customers in this market. The company is seeking consents from each of those communities as part of this transaction. Comcast currently serves about 400,000 customers in the Detroit metropolitan area. Comcast expects to serve approximately 80% of the Detroit DMA.

In terms of new products, Comcast has 110,000 customers in Michigan on digital cable. It serves 40,000 customers with cable modems. Comcast is aggressively researching video on demand.

Kreucher talked briefly about the organizational structure of Comcast. The notion is to keep regional vice presidents and area vice presidents closer to the markets they serve and have general managers report to those individuals so that there is a person in each market responsible for integrating the overall vision of the company in that market.

Kreucher discussed community involvement, bandwidth of plant, and the anticipated seamless integration of properties with the MediaOne system. He reviewed a chart that reflected the reliability of the Comcast systems once they are rebuilt. Another chart gives the board some sense of Comcast call center results. In the first quarter of this year, Comcast answered 93% of the calls within 30 seconds; 92% of the calls were answered within 30 seconds in the second quarter. The figures demonstrate an overall good and consistent performance.

Comcast does not like to run call centers with more than 250 seats. A call center over that size requires the account executives to have familiarity with too many systems, channel line ups, and rates. By the end of 2001, there will be three call centers. The Plymouth location will continue to answer MediaOne calls, which includes Birmingham, Bingham Farms, Franklin and Beverly Hills. Southfield will handle calls from Detroit and Flint. Comcast is currently building a call center in Macomb County that will handle former TCI customers.

Kreucher talked about different perceptions that people have about the performance of cable companies. He maintains that Comcast has performed exceptionally well in the last year and one-half. It has a management structure in place that Kreucher thinks is up to the challenge of this market.

Martinico asked about Comcast's involvement and plans for telephony. Kreucher responded that Comcast plans on offering the same service as MediaOne at this point. He related the company philosophy when it comes to new products. Kreucher stated that Comcast prefers to launch one project and make sure that people are happy with it before moving on to a new offering. You will not see Comcast the first to market with products. Comcast likes to learn from other operators' experience.

With specific reference to telephony, Comcast has not been as aggressive as MediaOne in terms of rolling out services because it fears that a lot of capital can be put into switching systems only to change in the near future. Comcast does intend on maintaining MediaOne's current switch networks. Comcast is now in the process of analyzing that business plan and determining whether it is appropriate to expand the service.

Borgon asked how Comcast will handle program interruptions due to a federally mandated Emergency Alert System that goes into effect whenever the National Weather Service issues an alert in Southeastern Michigan.

Kreucher is aware that there have been issues with MediaOne's emergency alert system. He noted that Comcast has some agreements with local broadcasters that allow Comcast to remove itself from the federal requirement to broadcast over their signal. Kreucher is not familiar with the integration of the emergency alert systems on an engineering level.

DiMaria commented on the measures that MediaOne has taken to effect changes in this system including purchase of equipment that limits the warnings to zones and removes alerts for storm watches. He explained that the equipment needed to accomplish this has been and still is on back order.

Laidlaw stated that MediaOne has been approved to offer telephone service in this area. He asked who will own the hardware in the system.

Kreucher stated that there is not a simple answer to that question. Typically, the same system that is used to deliver video is also used to deliver telephony with minor modifications. As Comcast is acquiring the cable plant from MediaOne, it will also be acquiring facilities that would allow Comcast to offer telephony service. The services are regulated under different schemes. There are some organizational structures that parallel the type of service and the scheme that it is regulated under.

Laidlaw commented that there has been negative publicity about Comcast. He questioned the validity of this perception.

Kreucher thinks that the negative perception can be traced back about two or three years. There may have been a perception that Comcast was not rebuilding as quickly as MediaOne and that Comcast was not launching products as quickly as MediaOne. There was a different philosophy in terms of refranchising with communities. Some of the perceptions may have been fair, but they date to when the entire industry was struggling with maintaining customers. Some of that perception lingers. Kreucher appreciates the fact that this board is courteous enough to look at the company as it exists today.

Kuhne questioned Comcast's position on open access to Internet connectivity. Kreucher responded that a lot has happened since this issue was last discussed 6-12 months ago. He thinks it needs fresh consideration both by the regulator and the operator.

Currier asked Kreucher to look at one of the replies to his letter regarding the request for transfer. Question number eight asks about existing lease and sublease agreements of the current franchisee. The Board's concern is with technical, legal, and financial qualifications. Clarification is needed on whether the leased payments for the excess fiber optic capacity are subject to cable franchise fee payments on the cable side. Currier believes that the franchise agreement and the Consumer Protection Ordinance require that they be included in the gross revenues for payment of franchise fees. Currier outlined other related issues that have not been addressed in the response letter from attorneys representing MediaOne and Comcast.

Kreucher responded that Currier raises a fair issue and Comcast will work with the board on this. He indicated that Comcast is about to issue a letter that addresses the telephony issues and use that as a forum to answer the board's questions.

MEDIAONE RELATED TOPICS

Subscriber Complaints

Last month's unresolved complaints were included in the packet for this meeting. There has been continuing discussion on problems relative to MediaOne's customer service. Hagaman reviewed the complaints with the board. DiMaria reported on the status and MediaOne's resolution of each complaint.

Hagaman commented on the yellow notice that subscribers receive in their bill listing numbers to call if they want to make a payment. The 800 number listed connects with the payment center for Ypsilanti and Ann Arbor. There is nothing to indicate that the Eton street office is still operational. DiMaria will follow up on this.

Update on Rebuild

DiMaria stated that there are two nodes left that are not certified. One of the nodes expected to be launched failed two days ago. MediaOne anticipates having that rectified quickly. There is more work to do on the other node, which is in downtown Birmingham. DiMaria will have a more definitive time frame on this node at the next meeting.

Monthly Subscriber Statistics

There were no comments on the system statistics for September.

ADMINISTRATOR'S REPORT

Hagaman has distributed a comprehensive report on the NATOA (National Association of Telecommunications Officers and Advisors) conference to the board. She highlighted some major areas.

The top six cable companies service 90% of the cable customers today

More than one-half of the cable systems in the country are now run by companies that were not in the cable business three years ago. This is the outcome of the many mergers and acquisitions that are taking place.

With regard to rights-of-way management, Washington DC has placed a four year moratorium on digging in the streets. At one point, Washington DC had 17 different contractors tearing up its roadways at the same time. This is something the municipalities in the state of Michigan have been concerned about. There is a need for permits and franchise fees for this type of work in the roadways.

Hagaman commented on new technologies covered at the conference. She related that 250 million people are using the Internet.

Hagaman is continuing to work with the Village of Beverly Hills on the housing and insurance coverage for the mobile van. She hopes to have a proposal to the board at the November meeting. The PEG committee will work on procedures for use of the van.

DiMaria asked that the board have the integrity of the vehicle checked by its own mechanic when the vehicle is turned over to the consortium. MediaOne will pay any repair bills.

Hagaman expressed some concerns about the integrity of the equipment in the van. DiMaria stated that there is an equipment check list for the van, and he will make sure it is properly equipped by the time it is turned over.

The November Cablecasting Board meeting will be held at the Village of Beverly Hills municipal office.

Laidlaw questioned the scope and jurisdiction of this board with respect to overseeing the telephony aspect of the cable system.

Kuhne related that former legal counsel Don Gillis had suggested at the time he left the board that the Cablecasting Board consider becoming involved with the oversight of telephony. Since that time, the state has passed a wide ranging package of bills on telephony that has become so complex that it has been suggested that this board not pursue the telephony facet of the cable system.

MLAC 15 REPORT

Colgan presented highlights of the October production report.

NEW BUSINESS

Lisa Martinico, Director of Technology for Birmingham Schools, distributed to the board a grant proposal for consideration on behalf of Birmingham Public Schools. Four years ago, she came to the board with a video proposal outlining a request for grant money to upgrade cable-related equipment for Birmingham Public Schools in anticipation of a renewed franchise agreement. All of the member

communities have approved the new franchise agreement, and Martinico is now approaching the Board with a formal request for a grant of funds.

Martinico asked the board to consider the request for a one-time grant for the following: equipment for cablecasting, district wide editing equipment, equipment for live production of Board of Education meetings, and equipment for district wide remote shoots in the total dollar amount of \$145,000. In addition to this one-time grant, Martinico asked the board to consider an annual grant to the school district for the life of the franchise. This would allow the school district to procure equipment, budget and arrange for the timely repair and replacement of equipment, and assure that they have the proper equipment to technically remain state of the art. The school system will also continue to make a significant ongoing financial commitment toward the use of cable television/cable production.

Devereaux asked if Martinico had a dollar amount in mind for the annual grant. Martinico suggested an annual grant of \$100,000 for cable operations. Devereaux commented that he would find it helpful to have more detail on the costs in each of the categories listed on the written proposal. Martinico will provide the board with an estimated cost break down of those items.

Kuhne stated that the board will consider the school districts' request.

BOARD COMMENTS

Laidlaw questioned whether there is a marketing study that shows to what extent people contract for cable services because of PEG or local origination purposes.

DiMaria responded that there are some things that MediaOne has done in the past to research this issue. He indicated that there is a loyal base of subscribers who are very interested in PEG access. However, surveys show that this base is less than 20% of the entire subscriber base.

The meeting was adjourned at 9:11 a.m.