

COUNTY OF SAN MATEO

Inter-Departmental Correspondence

Date: November 13, 2001

Board Meeting Date: December 4, 2001

TO: Honorable Board of Supervisors

FROM: Neil R. Cullen, Director of Public Works

SUBJECT: *Transfer of USA Media Cable Television Franchise to AT&T Broadband*

RECOMMENDATION

Adopt a resolution approving the assignment of the cable television franchise from USA Media Group, LLC to TCI Cable Partners of St. Louis, L.P., doing business as AT&T Broadband (AT&T).

Previous Board Action

1. Granted a cable television franchise agreement to Coastside Cable T.V., Inc., on May 1, 1995.
2. Approved assignment of the Coastside Cable T.V., Inc., franchise agreement to USA Media on May 1, 1999.

Key Facts

1. Over the past two years USA Media has complied with the terms of the franchise agreement and completed the required system upgrade in September 1999.
2. Under Federal Communication Commission (FCC) rules, consent to a transfer of ownership, may not be unreasonably withheld by the franchising authority (i.e., the County).
3. AT&T has the technical and financial capability to operate the USA Media cable television system that serves the San Mateo County coast side.

Discussion

USA Media owns and operates the cable television franchise on the San Mateo County coast that it acquired in May 1999 from Coastside Cable T.V. The unincorporated areas served by the franchise include Montara, Moss Beach, El Granada, La Honda and Pescadero. USA Media has agreed to sell the franchise to TCI – St. Louis, doing business locally as AT&T Broadband. The companies plan to complete the transfer by the end of the calendar year and AT&T will assume all of the rights and obligations of the existing franchise agreement, which expires on April 30, 2010.

Honorable Board of Supervisors

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We do not anticipate that the transfer of ownership to AT&T will result in major changes in either programming or rates. The USA Media program offerings and pricing on the mid-coast is similar to AT&T franchises on the bayside. The system upgrade that USA Media completed in September 1999 increased capacity from 33 to 78 channels and enabled USA Media to offer customers the @Home high-speed Internet access service. They now are able to get approximately 90 additional channels through digital cable technology. Customers in the La Honda and Pescadero areas do not have as much programming available to them, however, USA Media has committed to complete the installation of a microwave link between El Granada and La Honda that will enable south coast customers to receive programming identical to mid-coast customers, including Channel 6, the Public, Educational and Governmental channel operated by MCTV. The purchase agreement between USA Media and AT&T requires the microwave link to be installed by January 31, 2002.

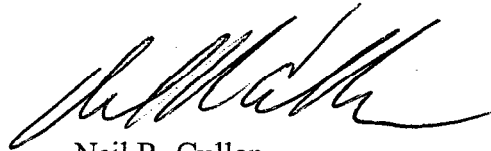
Fiscal Impact

USA Media's franchise agreement requires them to pay a franchise fee to the County of five percent (5%) of gross revenue. The franchise fee generates approximately \$85,000 annually. The County contributes two percent (2%) (\$34,000) of the five percent (5%) franchise fee to Mid-coast Television, Inc. (MCTV) for the operation of Channel 6, the local Public, Educational and Governmental channel.

A form of Resolution has been approved by County Counsel.

Communications with Advisory Groups

We sent letters to the Midcoast Community Council and the Pescadero Municipal Advisory Council notifying them of the proposed change of ownership and our recommendation. We have also sent them copies of our staff report. We will report to you any comments that we receive.



Neil R. Cullen
Director of Public Works

NRC:WDC:sdd

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File No.: F-382

cc: Laura Stein, MidCoast Community Council
Herb Hamor, Pescadero Municipal Advisory Council
Jim Faircloth, USA Media Group
Kathi Noe, AT&T
Constance Mallach, MCTV
Milt Mares, County Counsel

Resolution No. _____

Board of Supervisors, County of San Mateo, State of California

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**Resolution Approving the Assignment of the Cable Television Franchise
from USA Media Group, LLC To TCI Cable Partners of St. Louis, L.P.**

RESOLVED, by the Board of Supervisors of the County of San Mateo, State of California, that

WHEREAS, USA Media Group, LLC (the "Transferor") owns, operates, and maintains a cable television system (the "System") in the unincorporated areas of San Mateo County known as El Granada, Moss Beach, Montara, La Honda and Pescadero, California, pursuant to a cable franchise ("Franchise") granted by the Board of Supervisors of the County of San Mateo (the "Franchise Authority"), and is the duly authorized holder of the Franchise; and

WHEREAS, TCI Cable Partners of St. Louis, L.P. ("the "Transferee") and Transferor are parties to an Asset Purchase and Sale Agreement ("Agreement") pursuant to which the System and the Franchise will be assigned to Transferee, (the "Assignment"); and

WHEREAS, Transferor and Transferee have requested the consent of the Franchise Authority to the Assignment in accordance with the requirements of the Franchise and applicable law, and have provided all information necessary in order to facilitate a decision by the Franchise Authority ("Assignment Application"); and

WHEREAS, the Franchise Authority has investigated the qualifications of Transferee and finds it to be a suitable franchisee;

NOW, THEREFORE, it is hereby ordered and determined that this Board hereby consents to and approves the Transaction to the extent that such consent is required by the terms of the Franchise, and applicable law.

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