

APPROVED

**CHAMPAIGN-URBANA JOINT CABLE AND
TELECOMMUNICATIONS COMMISSION**

MINUTES

DATE: November 29, 2000
Wednesday, 7:00 p.m.

PLACE: Champaign City Building
102 North Neil
Champaign, IL 61820

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| MEMBERS PRESENT: | <u>CITY OF CHAMPAIGN</u> | <u>CITY OF URBANA</u> |
| | Tom O'Rourke | John Peterson Carolyn Kearns Barbara Gladney Joe Wiedman |

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| MEMBERS ABSENT: | <u>CITY OF CHAMPAIGN</u> | <u>CITY OF URBANA</u> |
| | Jeff Newnam Tom Bruno Brian Silverman | |
| | <u>Parkland</u> | <u>UI</u> |
| | Tom O'Donnell | George Badger |

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| STAFF PRESENT: | <u>CITY OF CHAMPAIGN</u> | <u>CITY OF URBANA</u> |
| | Rhonda Olds | Steve Holz |

OTHERS PRESENT: Colleen Quinn, Insight
Melody Brucker, AT&T
Charlie Heflin, AT&T

CALL TO ORDER

Chairman Peterson called the special meeting of the Champaign-Urbana Joint Cable & Telecommunications Commission Meeting to order at 7:05 p.m.

APPROVAL OF MINUTES

There were no minutes.

PUBLIC INPUT

Cable System Transfer. Steve Holz presented background information. AT&T Broadband is requesting that the Cities transfer the Champaign and Urbana franchises to Insight Communications of Indiana. The notice was received by the Cities on August 22, 2000. Federal law requires that the transfer be approved or denied within 120 days or it is automatically approved. The Cities retained John Pestle as an expert consultant in order to evaluate whether Insight, the proposed franchisee, has the financial and other qualifications to provide service. The current franchise requires the transferring company to pay the Cities' reasonable consulting costs. Compliance problems were not anticipated because of the very recent franchise transfer to AT&T; and no particular problems were found. Pestle did the due diligence review, and the Cities have negotiated an agreed-to acceptance agreement and side letter. Carolyn Kearns and Tom O'Rourke from the Cable Commission were involved in the discussions and were very helpful. The 120-day federal clock runs on December 20, 2000. The only real issue that arose was that one of Insight's franchises indicated a poor customer service record. This was in Rockford. Insight explained that that involved a unique situation of buying into a franchise with extremely poor facilities and service, and the problems arising during upgrade. Insight directed the Cities to other locations, such as Lafayette, Indiana, which were deemed more comparable. Holz concluded by indicating that staff recommends approval.

Colleen Quinn, representing Insight, stated that the transfer of the franchise from AT&T to Insight was actually a joint venture between AT&T and Insight with Insight the managing partner. AT&T has a large urban focus; Insight has a great deal of experience in second and third tier markets. They believe that the joint venture will be able to bring new services more quickly to the Champaign and Urbana markets. Insight has been in the cable business since 1985. It is the eighth largest cable company. It will have 1.4 million subscribers after the transfers with AT&T are included. Insight's business plan is to purchase uniquely clustered systems and pioneer interactive products. They hope to bring competition to the local telephone service market. They will offer bundling of video, data, and telephony. 98% of their customers are in four contiguous states. They bring all of their systems up to 750 mghz band width. This system is already at 750 mghz. They operate from 12 headends. As partners, they bring Local Source, which is an interactive locally orientated service. They bring interactive video on demand and AT&T telephony. AT&T would be the CLEC of record. There are digital gateway services and an interactive web-like portal. It will include a local guide, which would be like the yellow pages on TV, but would include local news and weather. Video on demand is basically VCR functionality with 400 movies inside the headend. The digital pricing scheme would emphasize consumer choice. Insight prides itself on being a member of the community with lots of community involvement.

Commissioner O'Rourke inquired as to whether Insight will commit to AT&T's level of service. Quinn stated that Insight intends to keep the management and staff and will introduce new services, but will continue to handle customer services in the same manner as they currently do. Commissioner O'Rourke questioned as to Insight's financial capabilities. Quinn stated that the whole telecom market is down, but Insight is well positioned because they do not have to acquire any additional debt. The rebuilds of the systems they've acquired are 90% complete, and they do not need to raise any new capital. In markets where they have brought in their new services, subscribers have really appreciated that and showed that they are willing to pay more for new services. Commissioner O'Rourke commented that Insight's new stock was as high as 34 within the last year, but most recently has been as low as 11.5. Quinn stated that Insight is a long-term player, and that analysts haven't downgraded Insight. Holz commented that Pestle's review included financials and capitalization, and found them in line with industry standards. Commissioner Kearns noted that this transfer does preserve all of the previous franchise terms, and those terms provide protection for consumers. Commissioner Wiedman asked for an explanation of Section 8 of the Transfer Agreement. Holz responded that because of customer service concerns because of the Rockford case, the Cities wanted to be notified of new services in advance in order to protect against customer service problems. There was an issue as to whether or not that protection extended for six months or twelve months. Staff and the Insight representative agreed that the commitment was for twelve months. Holz explained that the guarantee was for twelve months because the franchise itself contains requirements for certain levels of customer service, and that the purpose of this provision was to make sure that the most difficult time, the transition, was covered especially. Commissioner Gladney asked whether the bundling of the different services would be voluntary, and Quinn responded "yes". Commissioner Wiedman asked whether the local information to be provided was really local, and not regional, i.e., Chicago. Quinn responded "yes" that there would be a full-time person updating information and also they would have the ability to pull in other information, such as the Cities' websites. They intended to work with the local newspapers. Commissioner Peterson asked how Insight planned to utilize the 750 mghz spectrum. He noted that 550 mghz was currently devoted to analog, and that the spectrum devoted to analog was full so that that any additional channels would require bumping off some present analog channels. Quinn responded that the company's philosophy is to leave these kinds of decisions in the hands of the local management team to determine what the local community wants.

Melody Brucker indicated that the system operator had launched a digital service and @ HOME service in February, and that they had approximately 4,000 customers for each. The peg channels would stay on analog. Digital would be an addition. Charlie Heflin indicated that DS3 trunk is in place, and that a new DS3 circuit will be added hopefully in a week. This should cause a marked increase in the cable modem speed.

A motion was made and approved to forward to the City Councils with a favorable recommendation of the resolution to approve the franchise. The resolution was amended to state that it was approved by a majority of those present. The resolution was approved 5-0.

NEXT MEETING DATE AND ADJOURNMENT

The Chairman noted the next meeting would be January 11, 2001, for the breakfast meeting and January 24, 2001, for the regular meeting.

Submitted by:

Trisha Crowley
Deputy City Attorney

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