

NORTH METRO TELECOMMUNICATIONS COMMISSION MEETING

May 20, 2020

6:00 p.m.

SPRING LAKE PARK CITY OFFICES

1301 81ST Avenue NE

MEETING WILL BE HELD VIA VIDEO/PHONE CONFERENCE. A LINK TO THE VIDEO/PHONE CONFERENCE WILL BE PROVIDED VIA EMAIL AND BE AVAILABLE ON THE NMTV WEBSITE.

AGENDA

1. Call to Order/Roll Call
2. Public Comments
3. Approval of the Agenda
4. Consent Agenda [pp. 1-13](#)
 - a. Minutes of regular meeting of April 15, 2020
 - b. April financial reports and bill list
 - c. Minutes of Operations Committee meeting of May 5, 2020
 - d. Minutes of Executive Committee meeting of May 6, 2020
5. Executive Director Report
 - a. 2019 NMTC Audit Presentation (Greg Emmerich) [pp. 14-47](#)
 - b. Monthly Update [pp. 48-56](#)
 - c. 1st Quarter Franchise and PEG Fees [p. 57](#)
6. Legal Counsel Report
 - a. Monthly Report
7. Old Business
8. New Business
9. Recommended Reading [pp. 58-71](#)
10. Community Calendar
 - A. Next Meeting Dates:
 - a. Operations Committee – June 2, 2020
 - b. Executive Committee – June 3, 2020
 - c. Cable Commission – June 17, 2020
11. Adjournment

NORTH METRO TELECOMMUNICATIONS COMMISSION

UNAPPROVED MINUTES

Commission Meeting – April 15, 2020

CALL TO ORDER

Chair D. Stoesz called the regular meeting of the North Metro Telecommunications Commission to order at 6:00 p.m. The meeting was held electronically via Zoom.

ROLL CALL

Directors Present: Dick Swanson; Blaine, Matt Montain; Centerville, Brandon Winge; Lexington, Steve McChesney; Circle Pines; Bob Nelson; Spring Lake Park, Dale Stoesz; Lino Lakes, Brian Kirkham; Ham Lake

Directors Absent:

Others Present: Heidi Arnson; Executive Director, Mike Bradley; Legal Counsel, Kirstin Sersland; CenturyLink, Rick Gutierrez; CenturyLink, Jason Topp; CenturyLink

PUBLIC COMMENT

There was no public comment.

APPROVAL OF THE AGENDA

The April 15, 2020 North Metro Telecommunications Committee meeting agenda was approved as presented. **Motion for approval made by M. Montain. Second, S. McChesney. Ayes: D. Swanson, M. Montain, S. McChesney, B. Kirkham, B. Winge, B. Nelson, D. Stoesz. Nays: None. Motion passed unanimously.**

CONSENT AGENDA

- **Minutes, Bill List, Financial Reports**

The February 19th, 2019 NMTC meeting minutes, the March 4th and April 1, 2020 Executive Committee meeting minutes, the March 3rd and 31st, 2020 Operations Committee meeting minutes, and the February and March bill lists and financial reports were approved as presented. **Motion for approval made by S. Swanson. Second, M. Montain. Ayes: D. Swanson, M. Montain, S. McChesney, B. Kirkham, B. Winge, B. Nelson, D. Stoesz. Nays: None. Motion passed unanimously.**

REPORT OF EXECUTIVE DIRECTOR

H. Arnson reported on the following items:

- NMTV staff has been working with cities to make sure meetings continue to cablecast and stream live. Equipment was set up in master control to interface zoom internet feeds with the Tightrope playback system. Engineering and programming staff have been helping cities with issues related to meeting coverage.
- Programming staff continue to produce weekly news shows, episodes of Conversations, and Sports Den. Municipal Producer, Trevor Scholl, produced videos for cities explaining to residents what is being done so the city can continue to operate normally. Videos have also been produced related to how the virus is affecting businesses, schools, non-profits, churches, and food shelves.
- Instructor, Eric Houston, had to cancel eight workshops in April, due to the virus. He is now presenting his film lectures remotely. Senior facilities, libraries, park and rec departments, and other facilities are sent invites to attend. It has been received very well and NMTV is getting a lot of compliments on the classes.
- Special Events Coordinator, T.J. Tronson had to cancel his annual coverage of Arrive Alive, but is working with Andrea Hunt of the Blaine Police Department on some other programs such as virtual tours, story time, and safety lessons.
- The Commission considered supporting the Protection of Community Television Act. The federal legislation would override the FCC's Third Report and Order and return the definition of franchise fees to the way they have been defied for the past 35 years.

MOTION: To adopt Resolution 2020-01, a Resolution in Support of the Protecting Community Television Act. **Motion made by D. Swanson. Second, M. Montain.**
Ayes: D. Swanson, M. Montain, S. McChesney, B. Kirkham, B. Winge, B. Nelson, D. Stoesz. Nays: None. Motion approved unanimously.

REPORT OF LEGAL COUNSEL

M. Bradley reported on the following items:

- Updates to the organization's Joint Powers Agreement were considered. Changes include removing references to two budgets, removing the requirement that a city joining the Commission be contiguous to a current member city, removing reporting and oversight language no longer applicable
-

due to law/rule changes, clarifying quorum and action language, and including PEG fees as fees available for payments for bonds.

MOTION: To approve the recommended updates to the Joint Powers Agreement.
Motion made by M. Montain. Second, B. Nelson. Ayes: D. Swanson, M. Montain, S. McChesney, B. Kirkham, B. Winge, B. Nelson, D. Stoesz. Nays: None. Motion approved unanimously.

- The Sixth District Court of Appeals has denied the Motion for Stay of the FCC's Third Report and Order. The Appeal continues.
- A resolution to the 2017 CenturyLink franchise violation, alleging consumer fraud and deceptive trade practices was considered. CenturyLink and the State of Minnesota settled their lawsuit, tentatively curing the franchise violations. CenturyLink did not admit fault, paid the harmed subscribers, and paid a substantial penalty to the State. It was determined that the best solution would be to have CenturyLink reimburse the Commission for legal fees associated with the violation notice, as a final resolution to the matter. CenturyLink agreed to reimburse the Commission \$7,000.00.

MOTION: To approve the Settlement Agreement and Release, with CenturyLink, which resolves the franchise violations alleged in the 2017 Notice of Violation.
Motion made by M. Montain. Second, B. Kirkham. Ayes: D. Swanson, M. Montain, S. McChesney, B. Kirkham, B. Winge, B. Nelson, D. Stoesz. Nays: None. Motion approved unanimously.

- Conversations have continued with Comcast regarding resolving the Franchise and PEG Fee Review. Discussions have been put on hold during the Coronavirus pandemic.

OLD BUSINESS

There was no old business.

NEW BUSINESS

- Every year, as an administrative matter, the Commission has to decide whether or not to waive the statutory tort liability limits for insurance purposes. This decision determines the amount an individual would be able to recover on any claim to which the statutory tort limits apply. In the past, the Commission has opted to NOT WAIVE the monetary limits on municipal tort liability. The Executive Committee recommends that the Commission NOT Waive the monetary limits.

MOTION: To NOT WAIVE the monetary limits on municipal tort liability. **Motion made by B. Kirkham. Second, B. Winge. Ayes: D. Swanson, M. Montain, S. McChesney, B. Kirkham, B. Winge, B. Nelson, D. Stoesz. Nays: None. Motion passed unanimously.**

COMMUNITY CALENDAR

Upcoming meetings include:

1. The Operations Committee on May 5, 2020
2. The Executive Committee on May 6, 2020
3. The Cable Commission on May 20, 2020

ADJOURN

The meeting was adjourned at 6:36 p.m. **The motion to adjourn was made by M. Montain. Second, S. McChesney. Ayes: D. Swanson, M. Montain, S. McChesney, B. Kirkham, B. Winge, B. Nelson, D. Stoesz. Nays: None. Motion approved unanimously.**

The next meeting of the NMTC will be held on **Wednesday, May 20, 2020 at 6:00 p.m.** at the city offices of Spring Lake Park.

Matt Montain; Secretary, NMTC

**NORTH METRO TELECOMMUNICATION
BILL LIST**

APRIL 2020

Date	Check #	Payee	Amount	
APRIL	COMBINED	PAYROLL	37,643.38	WAGES
APRIL	COMBINED	IRS/US PAYABLE	12,698.67	WAGES
APRIL	COMBINED	MN REVENUE PAYABLE	2,218.80	WAGES
APRIL	COMBINED	PERA PAYABLE	7,349.28	WAGES
APRIL	COMBINED	PEACHTREE	42.50	MONTHLY SERVICE
APRIL	COMBINED	DISCOVERY BENEFITS	1,062.50	HEALTH SAVINGS EMPLOYEE
13673	4/1/20	Richard D. Larson	316.00	JANITORIAL/MAINTENANCE
13674	4/2/20	Nicholas Walsh	500.00	STIPEND
13675	4/2/20	Tom Dierberger	300.00	STIPEND
13676	4/7/20	Coastal Wintergreen LLC	495.00	MONTHLY SERVICE
13677	4/7/20	B Harris, Inc.	450.00	MONTHLY SERVICE
13678	4/14/20	Bradley Law, LLC	3,837.50	LEGAL-GENERAL
13679	4/23/20	Michael S. Johnson	77.63	EXPENSES
13680	4/23/20	League of MN Cities	1,828.00	2020-2021 WORK COMP
13681	4/28/20	Rusty S. Ray	66.01	EXPENSES
13682	4/28/20	Terry Tronson	111.38	EXPENSES
13683	4/28/20	Harrington Langer & Associates	13,575.00	2019 AUDIT-PARTIAL
13684	4/28/20	Anoka County Property Tax	388.84	2020 PROPERTY TAXES
13685	4/28/20	Commercial Steam Team	1,228.30	SEMI-ANNUAL CLEANING
13686	4/30/20	Lifesaver Fire Portection, LLC	297.00	ANNUAL FIRE PROTECTION
EFILE	4/1/20	Authorize.Net	35.79	MONTHLY SERVICE
EFILE	4/6/20	Chase Visa Card Services	1,646.42	OS/SFTWR/TECH/STUDIO/MEDIA/VIDEO
EFILE	4/1/20	Virtual Merchant Credit Card	10.00	MONTHLY SERVICE
EPAY-01	4/1/20	Principal Financial Group	487.85	STD/LTD/LIFE/ADD
EPAY-02	4/2/20	POPP TELECOM	211.96	MONTHLY SERVICE
EPAY-03	4/3/20	Comcast	289.67	MONTHLY SERVICE
EPAY-04	4/3/20	T-Mobile	102.16	MONTHLY SERVICE
EPAY-05	4/4/20	Speedway	19.83	GAS/OIL
EPAY-06	4/7/20	Holiday Station Stores	240.77	GAS/OIL
EPAY-07	4/12/20	AT&T Wireless	427.47	MONTHLY SERVICE
EPAY-08	4/14/20	Republic Services	182.82	MONTHLY SERVICE
EPAY-09	4/15/20	CenterPoint Energy	305.36	MONTHLY SERVICE
EPAY-10	4/15/20	Comcast Business 200M/200M	1,074.66	MONTHLY SERVICE
EPAY-11	4/19/20	U.S. Bank Card Service	1,722.75	SPMTG/TECH/POSTAGE
EPAY-12	4/22/20	HealthPartners	11,467.33	HEALTH/DENTAL
EPAY-13	4/26/20	City of Blaine-utilities	69.49	MONTHLY SERVICE
EPAY-14	4/26/20	Connexus Energy	1,728.92	MONTHLY SERVICE
MAR SALES TAX	4/13/20	MN Dept. of Revenue	80.00	SALES TAX
			<u><u>104,589.04</u></u>	

North Metro Telecommunications Commission

Balance Sheet

April 30, 2020

ASSETS

Current Assets

Cash - Checking Account	\$	2,660,771.84
Petty Cash		150.00
A/R - NMTC		198,975.72
Prepaid Insurance - NMTC		11,811.46

Total Current Assets 2,871,709.02

Property and Equipment

Office Equipment - NMTC	1,309,645.37
Accum Deprec - NMTC	(2,383,798.14)
Bond Equipment 2016	1,985,000.00
Building-Polk/125	1,572,799.17
Land-Polk/125	225,700.00

Total Property and Equipment 2,709,346.40

Other Assets

Deferred Out Related/Pension	94,521.00
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Total Other Assets 94,521.00

Total Assets \$ 5,675,576.42

LIABILITIES AND CAPITAL

Current Liabilities

A/P - NMTC	\$	10,516.25
Accrued Payroll Taxes & W/H's		449.54
PERA - CORRECTIONS		310.09
Garnished Wages		86.40
Garnished Wages		(86.40)
PERA PAYABLE - PRIOR		(3,371.42)
Accrued Vacation		82,071.56
Accrued Wages		32,935.88
Franchise Fee App		935,484.87
Due to City of Blaine		659,785.00
Due to City of Centerville		40,915.00
Due to City of Circle Pines		58,677.00
Due to City of Ham Lake		171,010.00
Due to City of Lexington		21,927.00
Due to City of Lino Lakes		202,125.00
Due to City of Spring Lake Par		70,560.00
Deferred In Related/Pension		148,635.00

Total Current Liabilities 2,432,030.77

Long-Term Liabilities

Net Pension Liability	543,664.00
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Total Long-Term Liabilities 543,664.00

Total Liabilities 2,975,694.77

Capital

Net Equity	349,817.59
Net Equity - Media Ctr	(206,243.34)
Net Equity - NMTC	2,517,656.37
Net Income	38,651.03

Total Capital 2,699,881.65

Total Liabilities & Capital \$ 5,675,576.42

North Metro Telecommunications Comm

Cash Receipts Journal

For the Period From Apr 1, 2020 to Apr 30, 2020

Date	Transaction Ref	Line Description	Debit Amnt	Credit Amnt
4/3/20	MARCH PAYPAL	MARCH PAYPAL		20.00
		MARCH PAYPAL-FEES	0.88	
		PAYPAL	19.12	
4/22/20	1ST QTR FRAN FEES	1ST QUARTER FRANCHISE FEES		299,062.57
		Comcast-Franchise	299,062.57	
4/23/20	1ST QTR PEG FEES	1ST QUARTER PEG FEES		191,154.19
		Comcast-PEG Fees	191,154.19	
4/26/20	1ST QTR FRAN FEES	1ST QTR FRANCHISE FEES		2,651.37
		CenturyLink-Franchise	2,651.37	
4/27/20	1ST QTR PEG FEES	1ST QTR PEG FEES		1,240.80
		CenturyLink-Peg	1,240.80	
4/28/20	APR CC SALES-AUTH	APR CC SALES-AUTH		345.00
		APR CC SALES-AUTH-FEES	10.01	
		Credit Card Sales	334.99	
4/29/20	INTEREST	INTEREST		1,132.07
		INTEREST - COMMISSION	1,132.07	
4/30/20	TAPE DUBS-CHECKS	TAPE DUBS-CHECKS-2020-02		270.00
		Miscellaneous receipts	270.00	
4/30/20	TRUCK PRODUCTION	TRUCK		500.00
		PRODUCTION-CHECK-CENTENNIAL		
		FOOTBALL		
		Miscellaneous receipts	500.00	
			496,376.00	496,376.00

North Metro Telecommunications Comm

Check Register

For the Period From Apr 1, 2020 to Apr 30, 2020

Filter Criteria includes: 1) Accounts Payable only. Report order is by Date.

Check #	Date	Payee	Amount
EFILE	4/1/20	Discovery Benefits	22.50
EFILE	4/1/20	Authorize.Net	35.79
EFILE	4/1/20	Virtual Merchant Credit Card	10.00
13673	4/1/20	Richard D. Larson	316.00
EPAY-01	4/1/20	Principal Financial Group	487.85
EPAY-02	4/2/20	POPP TELECOM	211.96
13674	4/2/20	Nicholas Walsh	500.00
13675	4/2/20	Tom Dierberger	300.00
EPAY-04	4/3/20	T-Mobile	102.16
EPAY-03	4/3/20	Comcast	289.67
EPAY-05	4/4/20	Speedway	19.83
EFILE	4/6/20	Chase Visa Card Services	1,646.42
13676	4/7/20	Coastal Wintergreen LLC	495.00
EPAY-06	4/7/20	Holiday Station Stores	240.77
13677	4/7/20	B Harris, Inc.	450.00
EFILE	4/8/20	Discovery Benefits	520.00
PEACH	4/10/20	Peachtree/Sage Software	20.40
EFILE	4/10/20	MN Dept. of Revenue	1,102.35
EFILE	4/10/20	Public Employees Retirement	3,623.49
EFILE	4/10/20	IRS/US BANK	6,267.61
EPAY-07	4/12/20	AT&T Wireless	427.47
MAR SALES TAX	4/13/20	MN Dept. of Revenue	80.00
EPAY-08	4/14/20	Republic Services	182.82
13678	4/14/20	Bradley Law, LLC	3,837.50
EPAY-09	4/15/20	CenterPoint Energy	305.36
EPAY-10	4/15/20	Comcast Business 200M/200M	1,074.66
EPAY-11	4/19/20	U.S. Bank Card Service	1,722.75
EFILE	4/22/20	Discovery Benefits	520.00
EPAY-12	4/22/20	HealthPartners	11,467.33

North Metro Telecommunications Comm

Check Register

For the Period From Apr 1, 2020 to Apr 30, 2020

Filter Criteria includes: 1) Accounts Payable only. Report order is by Date.

Check #	Date	Payee	Amount
13679	4/23/20	Michael S. Johnson	77.63
13680	4/23/20	League of MN Cities	1,828.00
PEACH	4/24/20	Peachtree/Sage Software	20.40
EFILE	4/24/20	MN Dept. of Revenue	1,116.45
EFILE	4/24/20	Public Employees Retirement	3,635.69
EFILE	4/24/20	IRS/US BANK	6,332.60
EPAY-13	4/26/20	City of Blaine-utilities	69.49
EPAY-14	4/26/20	Connexus Energy	1,728.92
13681	4/28/20	Rusty S. Ray	66.01
13682	4/28/20	Terry Tronson	111.38
13683	4/28/20	Harrington Langer & Associates	13,575.00
13684	4/28/20	Anoka County Property Tax	388.84
13685	4/28/20	Commercial Steam Team	1,228.30
PEACH	4/29/20	Peachtree/Sage Software	1.70
EFILE	4/30/20	Public Employees Retirement	90.10
EFILE	4/30/20	IRS/US BANK	98.46
13686	4/30/20	Lifesaver Fire Portection, LLC	297.00
Total			66,945.66

North Metro Telecommunications Comm

General Journal

For the Period From Apr 1, 2020 to Apr 30, 2020

Date	Reference	Trans Description	Debit Amt	Credit Amt
4/1/20	ACCRUED VAC/COM/SICK	ACCRUED VAC/COMP/SICK ACCRUED VAC/COMP/SICK	94,410.16	94,410.16
4/1/20	ACCRUED WAGES	ACCRUED WAGES ACCRUED WAGES	18,056.36	18,056.36
4/29/20	ACCRUED DEPRECIATION	ACCRUED DEPRECIATION ACCRUED DEPRECIATION	12,900.00	12,900.00
4/29/20	ACCRUED VAC/COM/SICK	ACCRUED VAC/COMP/SICK ACCRUED VAC/COMP/SICK	82,071.56	82,071.56
4/29/20	ACCRUED WAGES	ACCRUED WAGES ACCRUED WAGES	23,293.08	23,293.08
Total			230,731.16	230,731.16

**NORTH METRO TELECOMMUNICATIONS COMMISSION
UNAPPROVED OPERATIONS COMMITTEE MEETING NOTES**

Tuesday, May 5, 2020

CALL TO ORDER

The meeting began at 10:35 a.m.

MEMBERS PRESENT

D. Buchholtz, B. Petracek, D. Webster, M. Wolfe, P. Antonen

MEMBERS ABSENT

M. Statz, J. Karlson

OTHERS PRESENT

H. Arnson

APPROVAL OF MEETING NOTES

The meeting notes of March 31, 2020 were approved unanimously.

EXECUTIVE DIRECTOR REPORT

- First Quarter franchise and PEG fee reports have been received. While both were down from the 4th Quarter of last year, they were not down significantly.
- Miscellaneous updates were given regarding City approvals of the recommended changes to the Joint Powers Agreement, finalization of a settlement and release of CenturyLink from the 2017 Franchise Violation Notice, and the schedule for the appeal of the FCC's Third Report and Order.
- It was noted that the NMTC 2021 budget would be drafted in May and presented for consideration at the June meeting
- A discussion was held regarding timelines for opening offices and scheduling public meetings. The consensus was that it would be a while before meetings take place at city hall.
- The group considered whether cities should reimburse NMTV for payroll taxes incurred, in addition to the agreed upon rate for freelancers taping city meetings. The consensus was that NMTV should be made whole for any costs related to providing freelancers to cities.

OLD BUSINESS

There was no old business.

NEW BUSINESS

There was no new business.

ADJOURNMENT

The meeting was adjourned at 10:57 a.m.

EXECUTIVE COMMITTEE MINUTES

Meeting of May 6, 2020

Executive Cmte. Present: Dick Swanson; Blaine, Matt Montain; Centerville, Dale Stoesz; Lino Lakes, Bob Nelson; Spring Lake Park

Absent:

Others Present: Heidi Arnson; Executive Director, Rose Valez; Admin. Asst., Greg Emmerich; CPA

CALL TO ORDER

The Chair called the meeting to order at 6:00 p.m.

APPROVAL OF MINUTES

A motion to approve the April 1, 2020 Executive Committee meeting minutes was made by M. Montain. Second, D. Swanson. Ayes: D. Stoesz, S. Swanson, M. Montain. Nays: None. Motion passed unanimously.

EXECUTIVE DIRECTOR / OPERATIONS COMMITTEE REPORT

- G. Emmerich, a CPA with Harrington Langer & Associates, presented the 2019 audit. No abnormalities were identified and the Commission is in a good financial position.

MOTION: To recommend approval of the 2019 audit as presented. **Motion made by B. Nelson. Second, M. Montain. Ayes: D. Stoesz, S. Swanson, M. Montain. Nays: None. Motion passed unanimously.**

- First Quarter franchise and PEG fee reports have been received. While both were down from the 4th Quarter of last year, they were not down significantly. Traditionally the numbers increase from the first quarter, across the rest of the year. However, there is some uncertainty regarding future fees because of the impact the Coronavirus will likely have on cable subscribers.
- Staff will be working on the 2021 NMTC budget during the month of May. It will be presented for consideration at the June meetings.

OLD BUSINESS

There was no old business.

NEW BUSINESS

There was no new business.

ADJOURN

Motion to adjourn made by M. Montain. Second, D. Swanson. Ayes: D. Stoesz, S. Swanson, M. Montain. Nays: None. Motion passed unanimously. The meeting was adjourned at 6:29 p.m.

**NORTH METRO
TELECOMMUNICATIONS COMMISSION
ANNUAL FINANCIAL REPORTS
December 31, 2019 and 2018**

Mark D. Harrington, CPA
Wayne A. Langer, CPA
Nichole Fairbanks, CPA
Jesse Fraley, CPA
Anna Anderson, CPA



Gregory W. Heck, CPA, CVA
Greg L. Emmerich, CPA
Michael Belknap, CPA
Benjamin J. Roff, CPA, CVA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
North Metro Telecommunications Commission
Blaine, Minnesota

We have audited the accompanying statements of net position of North Metro Telecommunications Commission as of and for the years ended December 31, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position; and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Metro Telecommunications Commission, as of December 31, 2019 and 2018, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 6 and the budgetary comparison information, schedule of employer's PERA contributions and schedule of employer's share of PERA net pension liability on pages 21 through 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2020 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of North Metro Telecommunications Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Metro Telecommunications Commission's internal control over financial reporting and compliance.

Harrington Langer & Associates
April 28, 2020

**NORTH METRO TELECOMMUNICATIONS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2019 and 2018
(Required Supplementary Information)

The management of the North Metro Telecommunications Commission (NMTC) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the years ended December 31, 2019 and 2018.

Basic Financial Statements

Our basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. NMTC is operated under one enterprise fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used.

Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows. These are followed by notes to the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. In addition to the basic financial statements, this report also contains required supplementary information pertaining to the budgetary comparison and the retirement plan of NMTC.

The statements of net position present information on NMTC's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of NMTC is improving or deteriorating.

The statements of revenues, expenses, and change in net position reports the operating revenues and expenses and non-operating revenues and expenses of NMTC for the fiscal year with the difference – the net income or loss – being combined with any capital grants to determine the change in net position for the year. That change, combined with the net position at the end of the previous year, totals to the net position at the end of the current year.

The statements of cash flows report cash and investment activities for the fiscal year resulting from operating activities, capital and related financing activities, non-capital and related financing activities and investing activities. The net result of these activities added to the beginning of the year cash and investments balance total to the cash and investments balance at the end of the current year.

The information contained in the basic financial statements is used as the basis for the discussion presented on the following pages, surrounding NMTC's activities for the years ended December 31, 2019 and 2018.

**NORTH METRO TELECOMMUNICATIONS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2019 and 2018
(Required Supplementary Information)

Financial Highlights

- NMTC ended 2019 with a net position balance of \$2,670,666, of which \$1,572,702 represented the net investment in capital assets, and \$1,097,964 was unrestricted. The net position balance at the end of the year was \$72,067 lower than the net position balance at the beginning of the year.
- As a result of operations, \$400,000 of franchise fees were returned to NMTC member cities for both years ended December 31, 2019 and 2018.

The following is a condensed comparative summary of the Commission's net position:

Net Position	2019	2018	2017
Assets			
Current Assets	\$ 2,745,035	\$ 2,712,452	\$ 2,683,677
Capital Assets, net	<u>2,602,612</u>	<u>2,915,746</u>	<u>3,170,604</u>
Total Assets	<u>5,347,647</u>	<u>5,628,198</u>	<u>5,854,281</u>
Deferred Outflows			
Deferred outflows related to pensions	<u>40,333</u>	<u>94,521</u>	<u>163,031</u>
Liabilities			
Current Liabilities	1,240,636	1,257,687	1,303,331
Noncurrent Liabilities	<u>1,366,201</u>	<u>1,573,664</u>	<u>1,857,009</u>
Total Liabilities	<u>2,606,837</u>	<u>2,831,351</u>	<u>3,160,340</u>
Deferred Inflows			
Deferred inflows related to pensions	<u>110,477</u>	<u>148,635</u>	<u>132,827</u>
Net Position			
Net investment in capital assets	1,572,702	1,690,746	1,755,604
Unrestricted	<u>1,097,964</u>	<u>1,051,987</u>	<u>941,670</u>
Total Net Position	<u>\$ 2,670,666</u>	<u>\$ 2,742,733</u>	<u>\$ 2,697,274</u>

**NORTH METRO TELECOMMUNICATIONS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2019 and 2018
(Required Supplementary Information)

The following is a condensed comparative summary of the Commission's changes in net position:

Changes in Net Position	2019	2018	2017
Program Revenues			
Operating revenue	\$ 2,047,353	\$ 2,121,180	\$ 2,021,472
General Revenues			
Unrestricted investment earnings	46,854	38,665	15,440
Miscellaneous	33,731	27,837	27,875
Total General Revenues	80,585	66,502	43,315
Total Revenues	2,127,938	2,187,682	2,064,787
Expenses			
Operations	1,646,274	1,597,558	1,597,681
Non-capitalized equipment	81,600	47,538	18,487
Depreciation and amortization	436,515	457,912	312,436
Interest expense	35,616	39,215	42,850
Total Expenses	2,200,005	2,142,223	1,971,454
Change in Net Position	(72,067)	45,459	93,333
Net Position, Beginning	2,742,733	2,697,274	2,603,941
Net Position, Ending	\$ 2,670,666	\$ 2,742,733	\$ 2,697,274

Revenue

The major source of operating revenue for NMTC includes a 5% franchise fee paid on gross revenue, earned within the boundaries of the seven members of NMTC, and a PEG fee paid by cable subscribers monthly, as established in the franchise agreements.

**NORTH METRO TELECOMMUNICATIONS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2019 and 2018
(Required Supplementary Information)

Expenses

Wages, benefits, franchise fee reimbursements, and depreciation make up the largest portion of expenses. Due to the significant investments NMTC has in capital assets, depreciation continues to be a large operating expense. Unlike the other expenses listed, depreciation is not a cash expense. NMTC has and continues to pursue ways to reduce costs without affecting service.

Capital Assets

NMTC's capital assets as of December 31, 2019 and 2018, amounted to \$2,602,612 and \$2,915,746, respectively (net of accumulated depreciation). This investment in capital assets includes land, a building, office and studio equipment, and vehicles.

NMTC primarily acquires its assets with the proceeds from franchise fees and PEG fees. Building construction and new equipment purchases are all a part of NMTC's capital investment plan. Currently there are no commitments for any major purchases.

Debt

During 2016, the Commission began HD equipment and studio upgrades. The equipment was purchased by a member city through issuance of a general obligation bond and is being leased under a capital lease agreement by the Commission for \$1 per year for a period of 10 years. At the end of the lease term, the Commission will assume ownership of the equipment. The remaining member cities agreed to reimburse the member city for their proportionate share of the bonds issued. The Commission has agreed to repay each of the member cities for their share of the bond, plus interest at 2%. As of December 31, 2019 and 2018, the Commission owed \$1,029,910 and \$1,225,000, respectively, to the member cities.

Budgetary Analysis

During 2019, franchise fee and PEG fee revenue was higher than budgeted amounts by approximately \$72,000, which contributed to revenues over expenditures of \$54,634 on the budgetary basis.

During 2018, franchise fee and PEG fee revenue exceeded budgeted amounts by approximately \$143,000, which contributed to revenues over expenditures of \$105,746 on the budgetary basis.

Requests for Information

This financial report is intended to provide an overview of the finances of NMTC for those with an interest in this organization. Questions concerning any information within this report may be directed to the Executive Director of NMTC.

NORTH METRO TELECOMMUNICATIONS COMMISSION
STATEMENTS OF NET POSITION
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 2,538,898	\$ 2,501,664
Accounts receivable	194,954	198,976
Prepaid expenses	<u>11,183</u>	<u>11,812</u>
TOTAL CURRENT ASSETS	<u>2,745,035</u>	<u>2,712,452</u>
CAPITAL ASSETS		
Land	225,700	225,700
Building	1,443,850	1,443,850
Building improvements	128,949	128,949
Office and studio equipment	3,123,452	3,000,071
Vehicles	294,574	294,574
Less: accumulated depreciation	<u>(2,613,913)</u>	<u>(2,177,398)</u>
TOTAL CAPITAL ASSETS, NET	<u>2,602,612</u>	<u>2,915,746</u>
TOTAL ASSETS	<u>5,347,647</u>	<u>5,628,198</u>
DEFERRED OUTFLOWS		
Deferred outflows related to pensions	<u>40,333</u>	<u>94,521</u>
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt	200,000	195,000
Accounts payable and accrued expenses	98,277	127,202
Deferred franchise fee revenue	<u>942,359</u>	<u>935,485</u>
TOTAL CURRENT LIABILITIES	1,240,636	1,257,687
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	829,910	1,030,000
Net pension liability	<u>536,291</u>	<u>543,664</u>
TOTAL LIABILITIES	<u>2,606,837</u>	<u>2,831,351</u>
DEFERRED INFLOWS		
Deferred inflows related to pensions	<u>110,477</u>	<u>148,635</u>
NET POSITION		
Net investment in capital assets	1,572,702	1,690,746
Unrestricted	<u>1,097,964</u>	<u>1,051,987</u>
TOTAL NET POSITION	<u><u>\$ 2,670,666</u></u>	<u><u>\$ 2,742,733</u></u>

See accompanying notes
to basic financial statements

NORTH METRO TELECOMMUNICATIONS COMMISSION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Cable operating franchise fees	\$ 1,261,432	\$ 1,323,907
PEG fees	<u>785,921</u>	<u>797,273</u>
TOTAL OPERATING REVENUES	<u>2,047,353</u>	<u>2,121,180</u>
OPERATING EXPENSES		
Franchise fee reimbursements, city members	400,000	400,000
Personnel	719,627	715,718
Employee benefits	270,776	254,524
Office	136,373	111,617
Legal fees	39,895	39,433
Other administrative costs	44,776	46,676
Vehicle	9,618	4,194
Production	25,209	25,396
Depreciation	436,515	457,912
Studio equipment expense	<u>81,600</u>	<u>47,538</u>
TOTAL OPERATING EXPENSES	<u>2,164,389</u>	<u>2,103,008</u>
OPERATING INCOME	<u>(117,036)</u>	<u>18,172</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment income	46,854	38,665
Other income	33,731	27,837
Interest expense	<u>(35,616)</u>	<u>(39,215)</u>
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>44,969</u>	<u>27,287</u>
CHANGE IN NET POSITION	(72,067)	45,459
NET POSITION, BEGINNING	<u>2,742,733</u>	<u>2,697,274</u>
NET POSITION, ENDING	<u><u>\$ 2,670,666</u></u>	<u><u>\$ 2,742,733</u></u>

See accompanying notes
to basic financial statements

NORTH METRO TELECOMMUNICATIONS COMMISSION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	\$ 2,058,249	\$ 2,035,124
Payments to suppliers and vendors	(736,842)	(671,578)
Payments to employees	(1,009,423)	(964,815)
Other non-operating receipts	32,483	23,687
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>344,467</u>	<u>422,418</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(123,381)	(203,598)
Interest expense	(35,616)	(39,215)
Payments on long-term debt	(195,090)	(190,000)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(354,087)</u>	<u>(432,813)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	46,854	38,665
NET CHANGE IN CASH AND INVESTMENTS	37,234	28,270
CASH AND INVESTMENTS, BEGINNING	<u>2,501,664</u>	<u>2,473,394</u>
CASH AND INVESTMENTS, ENDING	<u><u>\$ 2,538,898</u></u>	<u><u>\$ 2,501,664</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ (117,036)	\$ 18,172
Adjustments:		
Depreciation	436,515	457,912
Loss on disposal of capital assets	-	544
Pension expense	35,231	24,766
Other non-operating receipts	32,483	23,687
Net change in assets, liabilities, and deferred outflows of resources:		
Accounts receivable	4,022	(30,108)
Prepaid expenses	629	2,732
Accounts payable and accrued expenses	(28,925)	5,304
Deferred franchise fee revenue	6,874	(55,948)
Deferred outflows - contributions after the measurement date	(25,326)	(24,643)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 344,467</u></u>	<u><u>\$ 422,418</u></u>

See accompanying notes to
basic financial statements

**NORTH METRO TELECOMMUNICATIONS COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

The general purpose of the Commission is to award, administer and enforce a cable communications franchise in member municipalities located in the North Central region of the Twin Cities area in Minnesota. The Commission also administers and operates the cable television access functions of the franchise.

The Commission, being established by the joint powers agreement, is considered a governmental entity and as such is exempt from state and federal income taxes.

Measurement Focus, Basis of Accounting and Basis of Presentation:

The Commission has adopted Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, which establishes the financial reporting standards for all state and local government entities.

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the Commission, the reporting entity. The Commission accounts for its operations as an enterprise fund. Operating revenue and expenses result from administering and enforcing the cable communications franchise and operating the cable television access function. All other revenue and expenses are reported as non-operating revenue and expenses.

Cash and Investments:

For the purpose of the statements of cash flows, the Commission considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Investments are reported at fair market value and consist of the Minnesota Municipal Money Market Fund (4M). The 4M Fund is a 2a7 external investment pool that is unrated and is exempt from risk disclosure reporting requirements under GASB 40.

The Commission has reported all investment income as non-operating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

Accounts Receivable:

Bad debts are recorded on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. At December 31, 2019 and 2018, management considered all outstanding amounts to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

Revenues:

Commission revenue consists primarily of franchise fees and governmental access fees (PEG fees). Franchise fees are assessed to the cable operators during the year and are recognized as revenue in the following year. PEG fees are based on a negotiated contract with the cable operators and are recognized as revenue in the year concurrent with the contract.

**NORTH METRO TELECOMMUNICATIONS COMMISSION
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Capital Assets:

Capital assets, which include property and equipment, are reported in the statements of net position. Capital assets are defined by the Commission as assets with an initial cost of more than \$500 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost when purchased. Donated assets are recorded at their estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation of exhaustible assets is provided on the straight-line basis over the following useful lives:

	<u>Years</u>
Building	39
Building improvements	5-39
Office and studio equipment	5-10
Vehicles	5

Compensated Absences:

Vested or accumulated vacation and sick leave is accrued for all eligible employees based on their past service and amounted to \$92,589 and \$96,673, as of December 31, 2019 and 2018, respectively.

Pensions:

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources:

Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Commission has only one item that qualifies for reporting in this category. Accordingly, the one item, deferred outflows related to pensions, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

**NORTH METRO TELECOMMUNICATIONS COMMISSION
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Deferred Inflows of Resources:

Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has only one item that qualifies for reporting in this category. Accordingly, the one item, deferred inflows related to pensions, is reported only in the statements of net position and results from actuarial calculations.

Net Position:

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets- This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of assets.

Restricted Net Position- This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At December 31, 2019 and 2018, there was no restricted net position.

Unrestricted- This amount includes all other net position.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in these financial statements. Actual results could differ from those estimates.

Subsequent Events:

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in the U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Commission is unable to determine if it will have a material impact to its operations.

NORTH METRO TELECOMMUNICATIONS COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits:

In accordance with applicable Minnesota Statutes, the Commission maintains deposits at authorized depository banks, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all deposits be protected by insurance, surety bonds, or collateral. The market value of the collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes the legal investments described below, as well as certain first mortgages, and certain other state or local government obligations. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the Commission or in a financial institution other than that furnishing the collateral.

At December 31, 2019 and 2018, the Commission had no deposits.

Investments:

At December 31, 2019 and 2018, investments included the following:

Description	2019	2018
External investment pool - 4M Fund	\$ 2,538,748	\$ 2,501,514

NOTE 3. FRANCHISE FEE REIMBURSEMENTS

Included within franchise fee reimbursements for the years ended December 31, 2019 and 2018 are the following amounts paid by the Commission to its city members that represent refunded franchise fees:

	2019	2018
City of Blaine	\$ 221,353	\$ 219,587
City of Centerville	13,784	13,941
City of Circle Pines	17,857	18,491
City of Ham Lake	53,874	54,830
City of Lexington	6,487	7,004
City of Lino Lakes	64,519	64,047
City of Spring Lake Park	22,126	22,100
	<u>\$ 400,000</u>	<u>\$ 400,000</u>

NORTH METRO TELECOMMUNICATIONS COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Description	December 31, 2018	Increases	Decreases	December 31, 2019
Land	\$ 225,700	\$ -	\$ -	\$ 225,700
Building	1,443,850	-	-	1,443,850
Building improvements	128,949	-	-	128,949
Office and studio equipment	3,000,071	123,381	-	3,123,452
Vehicles	294,574	-	-	294,574
Total depreciable assets	4,867,444	123,381	-	4,990,825
Building and improvements	(574,019)	(42,656)	-	(616,675)
Office and studio equipment	(1,442,212)	(349,390)	-	(1,791,602)
Vehicles	(161,167)	(44,469)	-	(205,636)
Total accumulated depreciation	(2,177,397)	(436,515)	-	(2,613,913)
Capital assets, net	\$ 2,915,747	\$ (313,134)	\$ -	\$ 2,602,612

Description	December 31, 2017	Increases	Decreases	December 31, 2018
Land	\$ 225,700	\$ -	\$ -	\$ 225,700
Building	1,443,850	-	-	1,443,850
Building improvements	59,354	69,595	-	128,949
Office and studio equipment	2,975,426	134,003	(109,358)	3,000,071
Vehicles	294,574	-	-	294,574
Total depreciable assets	4,773,204	203,598	(109,358)	4,867,444
Building and improvements	(532,850)	(41,169)	-	(574,019)
Office and studio equipment	(1,186,855)	(364,171)	108,814	(1,442,212)
Vehicles	(108,595)	(52,572)	-	(161,167)
Total accumulated depreciation	(1,828,300)	(457,912)	108,814	(2,177,398)
Capital assets, net	\$ 3,170,604	\$ (254,314)	\$ (544)	\$ 2,915,746

Depreciation expense charged to operations for the years ended December 31, 2019 and 2018 was \$436,515 and \$457,912, respectively.

NORTH METRO TELECOMMUNICATIONS COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT

During 2016, the Commission began HD equipment and studio upgrades. The equipment was purchased by a member city through issuance of a general obligation bond and is being leased under a capital lease agreement by the Commission for \$1 per year for a period of 10 years. At the end of the lease term, the Commission will assume ownership of the equipment. The remaining member cities have agreed to reimburse the member city for their proportionate share of the bonds issued. The Commission has agreed to repay each of the member cities for their share of the bond, plus interest at 2%. Principal is payable in annual installments on February 1st through 2024. Interest is due semi-annually on February 1st and August 1st.

Future payments as of December 31, 2019 are as follows:

Year Ending December 31,	Principal	Interest	Total
2020	\$ 200,000	\$ 31,630	\$ 231,630
2021	200,000	27,430	227,430
2022	205,000	23,480	228,480
2023	210,000	19,425	229,425
2024	214,910	15,355	230,265
	<u>\$ 1,029,910</u>	<u>\$ 117,320</u>	<u>\$ 1,147,230</u>

A summary roll-forward of long-term debt is as follows:

December 31, 2018	Additions	Payments	December 31, 2019
<u>\$ 1,225,000</u>	<u>\$ -</u>	<u>\$ 195,090</u>	<u>\$ 1,029,910</u>
December 31, 2017	Additions	Payments	December 31, 2018
<u>\$ 1,415,000</u>	<u>\$ -</u>	<u>\$ 190,000</u>	<u>\$ 1,225,000</u>

NOTE 6. DEFINED BENEFIT PENSION PLANS - STATEWIDE

Plan Description:

The Commission participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

All full-time and certain part-time employees of the Commission are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**NORTH METRO TELECOMMUNICATIONS COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 6. DEFINED BENEFIT PENSION PLANS – STATEWIDE (continued)

Benefits Provided:

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan Benefits

General Employees Plan Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Contributions:

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal years 2019 and 2018 and the Commission was required to contribute 7.50% for Coordinated Plan members. The Commission's contributions to the General Employees Fund for the years ended December 31, 2019 and 2018 were \$51,942 and \$49,294, respectively. The Commission's contributions were equal to the required contributions as set by state statute.

NORTH METRO TELECOMMUNICATIONS COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED BENEFIT PENSION PLANS – STATEWIDE (continued)

Pension Costs:

General Employees Fund Pension Costs

At December 31, 2019 and 2018, the Commission reported a liability of \$536,291 and \$543,664, respectively, for its proportionate share of the General Employees Fund's net pension liability. The Commission's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund for both years ended 2019 and 2018. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Commission totaled \$16,666 and \$17,795 as of December 31, 2019 and 2018, respectively. The net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportionate share of the net pension liability was based on the Commission's contributions received by PERA during the measurement period for employer payroll paid dates from July 1 through June 30 each year, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the Commission's proportionate share was 0.0097% which was a decrease of 0.0001% from its proportionate share measured as of June 30, 2018.

For the years ended December 31, 2019 and 2018, the Commission recognized pension expense of \$47,375 and \$31,529, respectively, for its proportionate share of the General Employees Plan's pension expense. In addition, the Commission recognized an additional \$1,248 and \$4,150, respectively, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund in both 2019 and 2018.

At December 31, 2019 and 2018, the Commission reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 15,008	\$ -	\$ 14,530	\$ 16,504
Changes in actuarial assumptions	-	42,711	54,052	61,512
Net collective difference between projected and actual investment earnings	-	54,324	-	53,653
Changes in proportion	-	13,442	1,296	16,966
Contributions to PERA subsequent to the measurement date	25,325	-	24,643	-
Total	<u>\$ 40,333</u>	<u>\$ 110,477</u>	<u>\$ 94,521</u>	<u>\$ 148,635</u>

NORTH METRO TELECOMMUNICATIONS COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED BENEFIT PENSION PLANS – STATEWIDE (continued)

\$25,325 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ (37,223)
2021	(46,872)
2022	(12,239)
2023	864

Total Pension Expense:

The total pension expense recognized by the Commission for the years ended December 31, 2019 and 2018, was \$60,403 and \$49,411, respectively.

Actuarial Assumptions:

The total pension liability in the June 30, 2019 and 2018 actuarial valuations were determined using the following actuarial assumptions:

	<u>2019</u>	<u>2018</u>
Inflation	2.50% per year	2.50% per year
Active Member Payroll Growth	3.25% per year	3.25% per year
Investment Rate of Return	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1.25% per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2019 and 2018 valuations were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund:

Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

NORTH METRO TELECOMMUNICATIONS COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED BENEFIT PENSION PLANS – STATEWIDE (continued)

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness, on a regular basis, of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	35.5%	5.10%
Private markets	25.0%	5.90%
Fixed income	20.0%	0.75%
International equity	17.5%	5.90%
Cash equivalents	<u>2.0%</u>	<u>0.00%</u>
Total	<u><u>100%</u></u>	

Discount Rate:

The discount rate used to measure the total pension liability in 2019 and 2018 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity:

The following presents the Commission's proportionate share of the net pension liability for the General Employees fund plan it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Lower Discount Rate (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Higher Discount Rate (8.5%)</u>
Sensitivity of Net Pension Liability at Current Single Discount Rate	\$ 881,634	\$ 536,291	\$ 251,142

**NORTH METRO TELECOMMUNICATIONS COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 6. DEFINED BENEFIT PENSION PLANS – STATEWIDE (continued)

Pension Plan Fiduciary Net Position:

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org.

NOTE 7. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Commission carries insurance. There were no significant reductions in insurance from the previous year or settlements in excess of insurance.

NORTH METRO TELECOMMUNICATIONS COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Franchise fees	\$ 1,220,000	\$ 1,220,000	\$ 1,261,432	\$ 41,432
PEG fees	755,000	755,000	785,921	30,921
Interest	25,000	25,000	46,854	21,854
Other	25,000	25,000	32,483	7,483
Transfer from reserves	100,000	100,000	-	(100,000)
TOTAL REVENUES	2,125,000	2,125,000	2,126,690	1,690
EXPENDITURES				
Franchise fee reimbursements	400,000	400,000	400,000	-
Personnel	745,992	745,992	719,627	26,365
Employee benefits	270,586	270,586	260,871	9,715
Office	116,500	116,500	136,373	(19,873)
Legal fees	60,000	60,000	39,895	20,105
Other administrative costs	77,500	77,500	44,776	32,724
Vehicle	5,500	5,500	9,618	(4,118)
Production	29,500	29,500	25,209	4,291
Capital expenditures	418,115	418,115	435,687	(17,572)
TOTAL EXPENDITURES	2,123,693	2,123,693	2,072,056	51,637
REVENUES OVER EXPENDITURES	\$ 1,307	\$ 1,307	54,634	\$ 53,327
Plus effect of capital assets purchased			123,381	
Plus effect of debt service			195,090	
Less effect of depreciation			(436,515)	
Less effect of net pension liability			(8,657)	
CHANGE IN NET POSITION (GAAP BASIS)			\$ (72,067)	

See accompanying notes to
required supplementary information

NORTH METRO TELECOMMUNICATIONS COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Franchise fees	\$ 1,220,000	\$ 1,220,000	\$ 1,323,907	\$ 103,907
PEG fees	758,000	758,000	797,273	39,273
Interest	3,200	3,200	38,665	35,465
Other	20,000	20,000	23,687	3,687
Transfer from reserves	100,000	180,000	-	(180,000)
TOTAL REVENUES	2,101,200	2,181,200	2,183,532	2,332
EXPENDITURES				
Franchise fee reimbursements	400,000	400,000	400,000	-
Personnel	725,180	725,180	715,718	9,462
Employee benefits	263,473	263,473	254,401	9,072
Office	102,100	114,100	111,617	2,483
Legal fees	65,000	65,000	39,433	25,567
Other administrative costs	101,800	101,800	46,676	55,124
Vehicle	5,000	5,000	4,194	806
Production	29,500	29,500	25,396	4,104
Capital expenditures	409,147	477,147	480,351	(3,204)
TOTAL EXPENDITURES	2,101,200	2,181,200	2,077,786	103,414
REVENUES OVER EXPENDITURES	\$ -	\$ -	105,746	\$ 105,746
Plus effect of capital assets purchased			203,598	
Plus effect of debt service			190,000	
Less effect of depreciation			(457,912)	
Less effect of net pension liability			4,027	
CHANGE IN NET POSITION (GAAP BASIS)			\$ 45,459	

See accompanying notes to
required supplementary information

**NORTH METRO TELECOMMUNICATIONS COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

BUDGETARY INFORMATION

The Board of Commissioners adopts an annual legal budget for the Commission's enterprise funds. The budget for the funds is prepared on the modified accrual basis and includes capital outlays and debt service as expenditures. Additionally, the funds do not include depreciation and amortization as a budgetary expenditure. The reconciliation of the modified accrual basis (budgetary basis) to GAAP basis is found at the bottom of the schedules. Budgetary level of control is exercised at the overall budget level. During the year ended December 31, 2019, the Commission did not approve any specific budget adjustments. The Commission approved a budget adjustment for unexpected building capital and building maintenance expenditures for the year ended December 31, 2018.

NORTH METRO TELECOMMUNICATIONS COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PERA CONTRIBUTIONS
For the Year Ended December 31, 2019

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
December 31, 2019	\$ 51,942	\$ 51,942	\$ -	\$ 692,560	7.50%
December 31, 2018	\$ 49,294	\$ 49,294	\$ -	\$ 657,253	7.50%
December 31, 2017	\$ 47,357	\$ 47,357	\$ -	\$ 631,427	7.50%
December 31, 2016	\$ 48,989	\$ 48,989	\$ -	\$ 653,187	7.50%
December 31, 2015	\$ 45,452	\$ 45,452	\$ -	\$ 606,027	7.50%

* Schedule is to be provided prospectively beginning with the employer's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

NORTH METRO TELECOMMUNICATIONS COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF PERA NET PENSION LIABILITY
For the Year Ended December 31, 2019

Measurement Date	Fiscal Year Ending	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with NMTC (a)	Employer's Proportionate Share of the Net Pension Liability Associated with NMTC (a)	Employer's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (a/b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (b)
June 30, 2019	December 31, 2019	0.0097%	\$ 536,291	\$ 16,666	\$ 552,957	\$ 683,453	78.5%	80.2%			
June 30, 2018	December 31, 2018	0.0098%	\$ 543,664	\$ 17,795	\$ 561,459	\$ 652,560	83.3%	79.5%			
June 30, 2017	December 31, 2017	0.0099%	\$ 632,009	\$ 7,940	\$ 639,949	\$ 637,427	99.2%	75.9%			
June 30, 2016	December 31, 2016	0.0102%	\$ 828,188	\$ 10,782	\$ 838,970	\$ 629,160	131.6%	68.9%			
June 30, 2015	December 31, 2015	0.0101%	\$ 523,434	\$ -	\$ 523,434	\$ 592,187	88.4%	78.2%			

* Schedule is to be provided prospectively beginning with the employer's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
North Metro Telecommunications Commission
Blaine, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North Metro Telecommunications Commission (the Commission), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise North Metro Telecommunications Commission's basic financial statements and have issued our report thereon dated April 28, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies and listed as items 2019-1 and 2019-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

North Metro Telecommunications Commission's Response to the Findings

North Metro Telecommunications Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrington Langer & Associates

April 28, 2020

NORTH METRO TELECOMMUNICATIONS COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2019

2019-1 Lack of Segregation of Duties

Condition: North Metro Telecommunications Commission does not have adequate internal accounting controls in certain areas because of a lack of segregation of duties.

Criteria: Internal controls should provide a good system of internal accounting controls that contemplate an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Cause: This condition is common to organizations of this size due to the limited number of office personnel.

Effect: The lack of segregation of duties may not provide an effective system of internal accounting control necessary to prevent and detect errors and irregularities.

Recommendation: Management should provide close supervision and review of accounting policies and procedures and financial information. The Board of Commissioners should monitor the activities of the Commission by receiving interim financial statements and provide oversight to the financial reporting process. Any modifications of internal controls in this area should be reviewed from a cost-benefit perspective.

Management Response: Management will continue to implement segregation of duties to the extent possible. Management and the Board of Commissioners will continue to provide oversight to the financial reporting process.

2019-2 Financial Reporting Process

Condition: Like many similarly sized organizations, North Metro Telecommunications Commission has requested assistance from us, the auditors, with drafting financial statements and the related notes.

Criteria: Internal controls should provide a good system of internal accounting controls that includes the preparation of the financial statements and footnotes.

Effect: This control deficiency increases the possibility that errors and irregularities in the presentation of the financial statements and footnotes may not be detected on a timely basis.

Recommendation: The outsourcing of these services is not unusual to organizations of this size and is a result of management's cost-benefit decision to rely on our accounting expertise rather than incurring this internal resource cost. Management and the Board of Commissioners should continue to monitor the activities of the Commission by reviewing the financial statements and related notes and providing oversight to the financial reporting process.

Management Response: Management is aware of the situation, but a cost-benefit analysis of the issue does not currently support the allocation of additional employees or resources at this time. Certain other safeguards are currently maintained (management oversight and review of draft financial statements) which provide satisfactory mitigation of the issue.

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Commissioners
North Metro Telecommunications Commission
Blaine, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of North Metro Telecommunications Commission as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated April 28, 2020.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit included all of the listed categories, except we did not test for compliance with the provisions for tax increment financing because the Commission has not established a tax increment financing district.

In connection with our audit, nothing came to our attention that caused us to believe that North Metro Telecommunications Commission failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Commission's noncompliance with the above referenced provisions, in so far as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Harrington Langer & Associates

April 28, 2020

**NORTH METRO
TELECOMMUNICATIONS COMMISSION
MANAGEMENT LETTER
December 31, 2019**

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MANAGEMENT LETTER

To the Board of Commissioners
North Metro Telecommunications Commission
Blaine, Minnesota

We have audited the financial statements of North Metro Telecommunications Commission for the year ended December 31, 2019, and have issued our report thereon dated April 28, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 3, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Principles

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Their most significant estimate affecting the financial statements was the estimate of pension liability.

- Management's estimate of its pension liability is based on several factors, but not limited to, anticipated investment return rate, retirement age for active employees, life expectancy, salary increases, and form of annuity payment upon retirement. The allocation of the pension liability is based on the Commission's proportionate share of employer contributions to the pension plans. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed audit adjustments to adjust the Commission's financial statements from the modified accrual basis of accounting to the full accrual basis of accounting based on information provided by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 28, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Issues or Findings

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison information, schedule of employer's PERA contributions and schedule of employer's share of PERA net pension liability, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of management, the Commissioners, and others within the Commission, and is not intended to be and should not be used by anyone other than these specified parties.

Harrington Langer & Associates

April 28, 2020

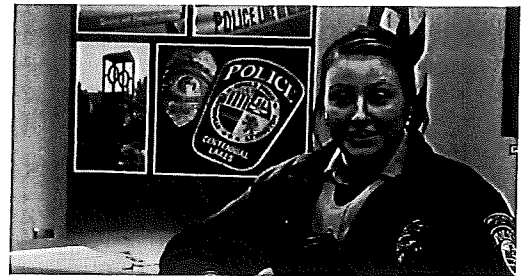
North Metro TV

April 2020 Update

Program Production

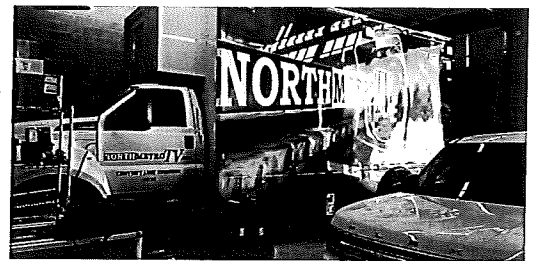
In April, a total of 91 **new programs** were produced utilizing the North Metro facilities, funds, and services. This constitutes **58:30:00 hours of new programming**.

- 23 programs were produced by the public
- 45 programs were produced by NMTV staff
- 23 programs were produced by City staff



Van Shoots

Due to the cancellation of all public events, the HD truck was not used during the month of April. Instead, it is getting a well deserved rest and taking up space in the garage.



Workshops

Workshop	Instructor	Organization	Students
Lecture Series – Hollywood Goes to the Dogs	Eric Houston	General Public via Youtube Live	65 Live, 95 w/VOD
Lecture Series – Mary Pickford: The World's First Movie Star	Eric Houston	General Public via Youtube Live	56 Live, 80 w/ VOD
Lecture Series – The Marx Brothers: Groucho, Chico, Harpo, and Sometimes Zeppo	Eric Houston	General Public via Youtube Live	52 Live, 66 w/VOD
3 Workshops			173 Live Students, 241 Students w/VOD

Home Movie Transfers

Home movie transfers have become one of our most popular services. Residents can transfer their family videos themselves for free, or pay NMTV to do it. NMTV can also transfer film, slides, and photos for a fee.

Month	Hours Transferred	Tapes	Film Reels	DVDs	Photos/ Slides	Fees Paid
January	192.75	69	4	13	415	\$639.00
February	286	69	86	18	1,020	\$3,595.00
March	343.25	58	107	0	3,587	\$627.00
April	0	0	0	0	341	\$0.00
TOTAL:	822.00	196	197	31	5,363	\$4,861.00

Public Usage Stats

For statistical purposes, the public access department documents total numbers of unique individuals and total hours of usage of the facility by the general public, every month. These numbers include regular users, class participants, individuals transferring videos, people who attend events, and any other public usage of the facility. The numbers do not take into account the many members of the public who work with any other NMTV department, such as news, sports, municipal, or educational.

Month	Unique Individuals	Total Usage Hours
January	131	504.75
February	155	636.5
March	59	466.75
April	0	0
TOTAL PUBLIC USAGE:		1,608.00

Production Highlights

NMTV News Highlights

Each week Danika Peterson and Rusty Ray create a news program that highlights events, people, issues, and information important to citizens of our Member Cities. Some April highlights include:

- Conversations: Distance Learning During the Pandemic
- Music Lessons Continue Despite Stay At Home Order
- Anoka County Library Seeks Ways to Stay Connected With Patrons
- Metro North Chamber Partners With Member Businesses to Promote Services During Shutdown
- Red Cross Looks for Safe Ways to Collect Needed Blood Donations
- Community Works Together to Help Make Masks for Healthcare Workers
- Conversations: Mandy Meissner
- North Metro Churches Adapt to Being Closed on Easter Sunday
- Blaine Fights Those Who Want to Use Closed Playgrounds
- National Sports Center Stands to Lose Millions During Shutdown
- Non-Profit Losing Donations and Struggling to Keep Clients and Staff Well
- Allina Health Receives Mask Donation
- Centennial Lakes Police Officer Reads Children's Books On-line to Stay Connected
- Anoka Hennepin Education Foundation Supports District During Shutdown
- Anoka County Leaders Cancel Summer Season at Bunker Beach Water Park



- Anoka County CareerForce Center Helping Jobless
- Conversations: Rhonda Sivarajah
- Blaine Leaders Discourage Garage Sales
- Census Man Reflects on COVID 19 Impact
- College Students and Instructors Adapt to Distance Learning
- Blaine Restaurant Owner Talks About What it Takes to Stay Open
- Conversations: Anoka County Historical Society
- Conversations: Anoka County Economic Development: Jacquell Hajder

In addition to daily playbacks of North Metro TV News on the cable systems, there are 648 local stories archived for viewers on the NMTV YouTube channel. The channel can be accessed through the northmetrotv.com website.

Working With the Blaine PD

Because of the pandemic, several of the Blaine Police Department's usual public service activities had to be done remotely. Special Projects Coordinator, T.J. Tronson, worked with Blaine PD's Community Outreach Specialist, Andrea Hunt to produce "Story Time" segments. Because Andrea is unable to go into the schools to read to the kids, T.J. recorded and edited the readings in studio. The clips were then given to teachers to share via a closed/private link with their students. T.J. and Andrea put together eight episodes of "Story Time."



T.J. also helped the Department out by recording the presentation of the "Outstanding School Safety Patrol" trophy. Each year, the Blaine Police Department presents the traveling trophy to a school. Because they were unable to present the award in person, to Madison Elementary School, NMTV recorded the presentation and shared it.

T.J. has also been working with Community Outreach Specialist, Kim Kiley, to produce a series of PSAs. Topics include How to Fix a Bike Helmet to Theft From Auto to Scams. Some work remains to be done on the PSAs, but they should be completed in May. In total, six PSAs will be produced.

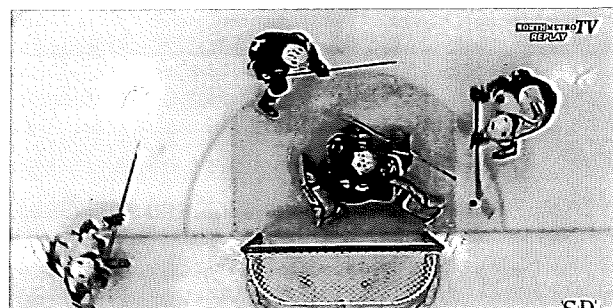
Lecture Series

Instructor, Eric Houston continues to provide his lecture series remotely. After noodling it around a bit, he discovered that the best way to produce the class live to the widest audience was to do it as a Youtube live presentation. Eric sent invitations, to the workshops, to city park and rec departments, community education programs, history centers, senior centers, libraries and schools. So far, the response has been encouraging. He presented three workshops in April and had 173 live participants. The classes are still available on Youtube and had, at the end of April, posted 241 views.



Classic Games

Because everyone misses sports so much, Kenton and Jeremy have re-mastered and produced for rebroadcast sixteen classic high school sporting events originally recorded between 2000 and 2012. They continue to re-master the best games from the past 20 years.



Working With the Schools

The NMTV Sports Department has been working with the Anoka Hennepin and Centennial School Districts to provide remote coverage of several events. First, Kenton and Jeremy will be creating a "live" presentation of Blaine High School's Scholarship and Awards Night." Then, they are putting together a pretty complex and time consuming virtual graduation ceremony for both Blaine and Centennial High School. Coordinating all the various

interviews, pictures, and video clips will require a lot of editing so the Sports crew is working hard to get it all done in time. Centennial has also requested drone footage of the campus.

Conversations

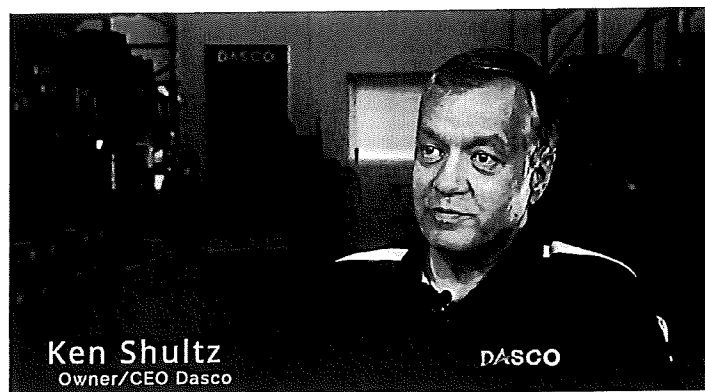
News Producer, Rusty Ray, produced four episodes of Conversations in April. Guests included Anoka County Commissioner Mandy Meissner, Anoka County Administrator Rhonda Sivarajah, the Anoka County Historical Society, and Anoka County Economic Development Department's Jacquell Hajder. The program highlights people and topics of interest to the North Metro.



City Productions

In April, Municipal Producer, Trevor Scholl, completed five productions, including helping Circle Pines out with a street project meeting, spring Mayor's Minutes, and a business profile. Programs completed include:

- Circle Pines Street Project Informational Meeting
- Cowboy Church
- Blaine Mayor's Minutes Spring 2020
- Centerville Mayor's Minutes Spring 2020
- DASCO Business Profile



New and ongoing projects include:

- Beyond the Yellow Ribbon project for Spring Lake Park
- Centerville business profiles
- Small business impacts from the Corona Virus
- Grandma's House non-profit profile
- More Mayor's Minutes

Trevor touches base with contacts on a regular basis and also encourages Cities to contact him whenever they have an idea for a new show.

Production equipment consulting for cities and schools

Blaine

- No assistance required.

Centerville

- 4.8.20: Meeting looked choppy. Went to office to troubleshoot. Interference from staff use of remote program. Switched program to different internal network. Video good.
- 4.15.20: Watched meeting for quality control. Looks good.

Circle Pines

- 4.1.20: Accompanied Trevor Scholl to tape a special meeting. Taught him how to use the graphics, digital audio board system, and the datavideo recorder.
- 4.15.20: Helped Patrick Wilson with equipment issues. Lost control of camera, but got back after restarting dashboard. Graphics aren't following settings. Will have to troubleshoot.
- 4.16.20: Checked out graphics issue at city hall. Could not get cameras to work through LCS. Noticed in the system menu that a grid file for the configuration was not chosen. Chose the correct Sony.grid file. Everything working.

Ham Lake

- 3.31.20: Talked with Denise Webster about using Zoom. Helped solve audio/video issues.
- 4.1.20: Assisted Denise Webster with setting up Zoom for city council member attendance. Will be a hybrid broadcast.
- 4.3.20: Contacted Denise regarding upcoming meeting.
- 4.6.20: Emailed Denise to verify meeting to review council chamber equipment.
- 4.6.20: Met with Denise to review chamber equipment use.

Lexington

- 4.1.20: Emailed Bill Petracek to find out plans for meetings. Offered to help set up zoom.
- 4.2.20: Stopped by Lexington City Hall. Showed Bill how to set up live custom stream. Reviewed security settings.

- 4.3.20: Received email from Bill stating future meetings would be done via Zoom.
- 4.13.20: Ran live test of Zoom with Bill. Familiarized with stop stream button.
- **Lino Lakes**
- 4.3.20: Emailed Janele Waterman regarding Zoom P&Z meeting. Sent all set-up, recording, and security information.
- 4.6.20: Ran Zoom test with Janele Waterman for P&Z meeting.
- 4.13.20: Ran a live test with Sarah Cotton for City Council meeting.
- **Spring Lake Park**
- 4.1.20: Dan Bucchholtz called with questions concerning Zoom. Helped set up custom streaming service function.
- 4.3.20: Left voicemail and emailed Dan regarding format for upcoming meeting.
- 4.6.20: Ran Zoom test with Dan.
- 4.15.20: Received request for info on Ipad split screen use with zoom. Unfamiliar with how to do....referred Dan to Zoom.
- **All Cities**
- 3.29.20: Researching Python and other coding languages. Mixing in Rasperian, C++, and Javascript. Will help with streaming meeting issues.
- 3.29.20: Started researching more about IP/TCP networks and UDP ports. Will help with streaming issues.
- 3/30/20: Put together a list of security steps to take when using Zoom. Sent to City Administrators/Managers.
- 4.3.20: Sent NMTV Program Coordinator a list of city contacts for Zoom meetings.

City Channel 16 Playback Stats

City	Number of Times Long-Form Programs Played	Hours Programmed on Channel
Blaine	188	237:23:36
Centerville	64	127:09:47
Circle Pines	156	147:29:13
Ham Lake	65	35:53:59
Lexington	106	116:38:43
Lino Lakes	80	112:44:21
Spring Lake Park	127	90:58:54
Totals:	786 Program Playbacks	868:18:33 Hours of Video Programming on Channels

Programs Produced by the Public

Title	Producer	Runtime
Every Movie Ever Made (7 episodes)	Eric Houston/Video Club Remotely	02:38:01
Rice Creek Watershed District Meeting (2 episodes)	Theresa Stasica	03:35:25
Christ Lutheran Church (5 episodes)	Chance Amundson	04:16:25
A Fresh New Day (4 episodes)	Anita Wardlaw	01:01:01
Oak Park Community Church (5 episodes)	David Turnidge	03:03:45
23 New Programs		14:34:37 New Hours

Programs Produced by NMTV Staff

Title	Producer	Runtime
Special Anoka County Board Meeting (3/31/20)	T.J. Tronson	00:05:29
Anoka County Board Meeting (4/14/20)	P. 52 T.J. Tronson	01:29:40

Anoka County Board Meeting (4/28/20)	T.J. Tronson	01:12:55
Blaine PD Madison Elementary Award	T.J. Tronson	00:01:46
Blaine PD How to Fit A Bike Helmet	T.J. Tronson	00:01:45
Blaine PD Story Time (8 episodes)	T. J. Tronson	00:58:49
NMTV News (5 episodes)	Danika Peterson/Rusty Ray	02:25:51
Conversations (5 episodes)	Rusty Ray	01:15:46
MetroNorth Chamber Partners With Member Businesses to Promote Services	Danika Peterson/Rusty Ray	00:03:01
Centennial Meals/COVID	Danika Peterson/Rusty Ray	00:02:37
Blaine Dentist/COVID	Danika Peterson/Rusty Ray	00:02:47
North Metro Churches/COVID	Danika Peterson/Rusty Ray	00:03:26
Blaine Playgrounds/COVID	Danika Peterson/Rusty Ray	00:02:00
National Sports Center/COVID	Danika Peterson/Rusty Ray	00:03:28
Anoka County Library/COVID	Danika Peterson/Rusty Ray	00:03:55
Non-Profits Struggling/COVID	Danika Peterson/Rusty Ray	00:04:06
Anoka-Hennepin Education Foundation Supports Schools Amid COVID 19 Shutdown	Danika Peterson/Rusty Ray	00:03:19
CareerForce/COVID	Danika Peterson/Rusty Ray	00:03:32
Blaine Business 3-D Prints Protective Maskes for Healthcare Workers	Danika Peterson/Rusty Ray	00:03:50
Centennial Lakes Police Officer Reads to Kids on Facebook	Danika Peterson/Rusty Ray	00:02:07
Blaine Asks for Garage Sales to Wait	Danika Peterson/Rusty Ray	00:02:34
Local Restaurants Struggle Through Closure	Danika Peterson/Rusty Ray	00:03:26
Census Efforts Change Due to Social Distancing	Danika Peterson/Rusty Ray	00:04:35
Blaine Parks Introduce Rec at Home	Danika Peterson/Rusty Ray	00:02:29
Circle Pines Street Project Informational Meetings	Trevor Scholl	00:33:24
Cowboy Church	Trevor Scholl	00:04:30
Blaine Mayor's Minutes	Trevor Scholl	00:05:49
Centerville Mayor's Minutes	Trevor Scholl	00:07:30
Business Profile: DASCO	Trevor Scholl	00:08:30
Sports Den Quarantine: (4 episodes)	Kenton Kipp/J. Millington	02:57:44
45 New Programs		12:29:31 New Hours

Programs Produced by City Staff

Title	Producer	Runtime
Blaine City Council Meeting (4/6/20)	Blaine Staff	01:08:23
Blaine City Council Meeting (4/20/20)	Blaine Staff	02:44:05
Centerville Park & Rec Meeting (4/1/20)	Centerville Staff	01:11:36
Centerville City Council Meeting (4/8/20)	Centerville Staff	03:44:19
Centerville EDA Meeting (4/15/20)	Centerville Staff	02:20:23
Centerville City Council Meeting (4/22/20)	Centerville Staff	04:00:31
Centerville EDA Meeting (4/29/20)	Centerville Staff	02:03:22
Circle Pines Street Project Meeting (4/1/20)	Trevor Scholl/Circle Pines Staff	00:33:25
Circle Pines City Council Meeting (4/14/20)	Circle Pines Staff	01:01:06
Circle Pines Utility Commission Meeting (4/15/20)	Circle Pines Staff	00:24:21
Circle Pines City Council Meeting (4/28/20)	Circle Pines Staff	01:11:52
Ham Lake City Council Meeting (4/6/20)	Ham Lake Staff	00:29:46
Ham Lake City Council Meeting (4/20/20)	Ham Lake Staff	00:22:24
Ham Lake Planning Commission Meeting (4/27/20)	Ham Lake Staff	00:11:18

Lexington City Council Meeting (4/2/20)	Lexington Staff	00:36:27
Lexington City Council Meeting (4/16/20)	Lexington Staff	01:50:21
Lino Lakes Planning and Zoning Commission Meeting (4/8/20)	Lino Lakes Staff	01:06:18
Lino Lakes City Council Meeting (4/13/20)	Lino Lakes Staff	01:26:20
Lino Lakes City Council Meeting (4/27/20)	Lino Lakes Staff	01:38:26
Lino Lakes Environmental Board Meeting (4/29/20)	Lino Lakes Staff	00:57:26
Spring Lake Park City Council Meeting (4/6/20)	Spring Lake Park Staff	00:54:59
Spring Lake Park City Council Meeting (4/20/20)	Spring Lake Park Staff	00:53:21
Spring Lake Park Planning Commission Meeting (4/27/20)	Spring Lake Park Staff	00:32:38
23 New Programs		31:23:07 New Hours

If you have any questions or comments regarding this monthly report please contact
Heidi Arnson at 763.231.2801 or harnson@northmetrotv.com.

NORTH METRO TV

Production Statistics 2020

Programming Statistics												
	J	F	M	A	M	JU	A	S	O	N	D	20 Total
Cablecast Programs	2606.00	2626.00	2682.00	2449.00								10363.00
Cablecast Hours	2260.50	2106.50	2251.00	2145.25								8763.25
Programs Produced - Public	14.00	20.00	15.00	7.00								56.00
Program Hours Produced - Public	11.00	15.75	11.50	2.50								40.75
Prog. Produced - Affiliated Public	7.00	12.00	5.00	16.00								40.00
Prog. Hours Produced - Affil. Public	5.50	8.25	5.00	12.00								30.75
Programs Produced - City Staff	24.00	21.00	22.00	23.00								90.00
Prog. Hours Produced - City Staff	22.00	23.00	23.00	31.50								99.50
Programs Produced - NMTV Staff	53.00	61.00	28.00	45.00								187.00
Prog. Hours Produced - NMTV Staff	26.75	30.00	10.00	12.50								79.25
Total Public Programs Produced	21.00	32.00	20.00	23.00								96.00
Total Staff Programs Produced	77.00	82.00	50.00	68.00								277.00
Total Internal Programs Produced	98.00	114.00	70.00	91.00								373.00
% Staff Produced Programs	78.57%	71.93%	71.43%	74.73%								74.26%
% Public Produced Programs	21.43%	28.07%	28.57%	25.27%								25.74%
External Programs Submitted	16.00	25.00	24.00	20.00								85.00
External Program Hours	12.00	16.25	19.50	12.00								59.75
Total New Programs	114.00	139.00	94.00	111.00								458.00
Equipment Usage Statistics												
Facility Hours Available	182.00	169.00	144.00	2.50								497.50
Public Field Equipment Uses	8.00	12.00	4.00	4.00								28.00
Studio A	52.75	36.50	18.00	2.50								109.75
% of Available Time	28.98%	21.60%	12.50%	100.00%								22.06%
Studio B	4.00	20.50	1.75	0.00								26.25
% of Available Time	2.20%	12.13%	1.22%	0.00%								5.28%
Public MAC A Edit Suite	94.25	222.25	178.00	0.00								494.50
% of Available Time	51.79%	131.51%	123.61%	0.00%								99.40%
Public MAC B Edit Suite	89.00	48.75	30.50	0.00								168.25
% of Available Time	48.90%	28.85%	21.18%	0.00%								33.82%
Public MAC C Edit Suite	47.50	102.75	86.00	0.00								236.25
% of Available Time	26.10%	60.80%	59.72%	0.00%								47.49%
Production Van Statistics												
Production Hours	50.00	71.50	13.25	0.00								134.75
Number of Van Shoots	8.00	9.00	2.00	0.00								19.00
Average Hours Per Shoot	6.25	7.94	6.63	0.00								7.09
Number of New Volunteers	6.00	8.00	0.00	0.00								14.00
Volunteer Hours	92.00	97.00	17.00	0.00								206.00
Public Access Statistics												
Number of Workshops	8.00	13.00	3.00	3.00								27.00
Number of Students	94.00	130.00	38.00	173.00								435.00
PAP Volunteer Hours	60.25	95.50	41.50	0.00								197.25
Total Public Facility Usage Hours	504.75	636.50	466.75	0.00								1608.00
												20 Average
												863.58
												730.27
												4.67
												3.40
												3.33
												2.56
												7.50
												8.29
												15.58
												6.60
												8.00
												23.08
												31.08
												74.26%
												25.74%
												7.08
												4.98
												38.17

2020 Time of Use Stats

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total	Average
Studio A														
Morning Available Hours	35.00	34.00	30.00	2.50									101.50	8.46
Morning Hours Used	7.50	7.75	5.50	2.50									23.25	1.94
Percent of Available	21.43%	22.79%	18.33%	100.00%									22.91%	22.91%
Afternoon Available Hours	79.00	72.00	60.00	0.00									211.00	17.58
Afternoon Hours Used	8.00	9.00	6.50	0.00									23.50	1.96
Percent of Available	10.13%	12.50%	10.83%	0.00%									11.14%	11.14%
Evening Available Hours	68.00	63.00	54.00	0.00									185.00	15.42
Evening Hours Used	37.25	19.75	5.50	0.00									62.50	5.21
Percent of Available	54.78%	31.35%	10.19%	0.00%									33.78%	33.78%
Studio B														
Morning Available Hours	35.00	34.00	30.00	0.00									99.00	8.25
Morning Hours Used	0.00	0.00	0.00	0.00									0.00	0.00
Percent of Available	0.00%	0.00%	0.00%	0.00%									0.00%	0.00%
Afternoon Available Hours	79.00	72.00	60.00	0.00									211.00	17.58
Afternoon Hours Used	0.50	3.00	0.00	0.00									3.50	0.29
Percent of Available	0.63%	4.17%	0.00%	0.00%									1.66%	1.66%
Evening Available Hours	68.00	63.00	54.00	0.00									185.00	15.42
Evening Hours Used	3.50	17.50	1.75	0.00									22.75	1.90
Percent of Available	5.15%	27.78%	3.24%	0.00%									12.30%	12.30%
Public MAC A Edit Suite														
Morning Available Hours	35.00	53.00	46.00	0.00									134.00	11.17
Morning Hours Used	20.00	53.00	46.00	0.00									119.00	9.92
Percent of Available	57.14%	100.00%	100.00%	0.00%									88.81%	88.81%
Afternoon Available Hours	79.00	120.50	106.00	0.00									305.50	25.46
Afternoon Hours Used	53.75	120.50	106.00	0.00									280.25	23.35
Percent of Available	68.04%	100.00%	100.00%	0.00%									91.73%	91.73%
Evening Available Hours	68.00	63.00	54.00	0.00									185.00	15.42
Evening Hours Used	20.50	48.75	26.00	0.00									95.25	7.94
Percent of Available	30.15%	77.38%	48.15%	0.00%									51.49%	51.49%
Public MAC B Edit Suite														
Morning Available Hours	35.00	34.00	30.00	0.00									99.00	8.25
Morning Hours Used	13.50	6.00	4.00	0.00									23.50	1.96
Percent of Available	38.57%	17.65%	13.33%	0.00%									23.74%	23.74%
Afternoon Available Hours	79.00	72.00	60.00	0.00									211.00	17.58
Afternoon Hours Used	35.75	17.75	13.00	0.00									66.50	5.54
Percent of Available	45.25%	24.65%	21.67%	0.00%									31.52%	31.52%
Evening Available Hours	68.00	63.00	54.00	0.00									185.00	15.42
Evening Hours Used	39.75	25.00	13.50	0.00									78.25	6.52
Percent of Available	58.46%	39.68%	25.00%	0.00%									42.30%	42.30%
Public MAC C Edit Suite														
Morning Available Hours	35.00	34.00	30.00	0.00									99.00	8.25
Morning Hours Used	3.25	13.50	14.00	0.00									30.75	2.56
Percent of Available	9.29%	39.71%	46.67%	0.00%									31.06%	31.06%
Afternoon Available Hours	79.00	72.00	60.00	0.00									211.00	17.58
Afternoon Hours Used	29.00	18.25	26.75	0.00									74.00	6.17
Percent of Available	36.71%	25.35%	44.58%	0.00%									35.07%	35.07%
Evening Available Hours	68.00	71.00	54.00	0.00									193.00	16.08
Evening Hours Used	15.25	71.00	45.25	0.00									131.50	10.96
Percent of Available	22.43%	100.00%	83.80%	0.00									68.13%	68.13%

NORTH METRO TV

TO: OPERATIONS COMMITTEE/CABLE COMMISSION
FROM: HEIDI ARNSON
SUBJECT: 2020 1ST QUARTER FRANCHISE AND PEG FEE REPORTS
DATE: 4/29/2020

The 1st quarter Comcast and CenturyLink franchise and PEG fee payments have been received.

While 2020 Q1 gross revenue, franchise fees and PEG fees are down compared to fees collected in Q4 of 2019, they are not down by a lot....which is encouraging. (First quarter numbers typically decline from the previous quarter. Historically, the numbers increase throughout the year.)

	Gross Revenue	Franchise Fees	PEG Fees
Q4 2019	\$6,075,532	\$303,777	\$193,403
Q1 2020	\$5,981,239	\$299,063	\$191,154
4Q/1QDifference:	-\$94,293	-\$4,714	-\$2,249

While PEG fees are declining, due to the loss of subscribers, they are not declining to the degree one might expect. Construction in the area may be mitigating the decline.

Cable Just Had Its Best Broadband Customer Growth in 13 Years: Leichtman

Top operators added more than 1.2 million high-speed internet customers in Q1

Daniel Frankel

May 13, 2020

The top eight U.S. cable companies added just over 1.23 million high-speed internet customers in the first quarter, led by Charter Communications (582,000 additional customers) and Comcast (up 477,000 users).

For the cable business, it was the best customer performance since Q1 2007.

The data comes from a quarterly report published by Leichtman Research Group (LRG).

Overall, the top cable operators have around 69.2 million broadband subscribers in the U.S., which accounts for about two-thirds of the wireline broadband market.

Cable operators continue to hemorrhage video users—a fact that will be once again driven home Thursday, when LRG publishes its quarterly look at the telecom-based pay TV business.

But the calculus for the cable business has clearly changed, with video now relegated to the role of "loss leader." For instance, Comcast's top cable TV executive, Dave Watson, told investors this week that the company's Flex OTT device—which is given out for free to Comcast broadband-only users as an enticement—has now reached 1 million deployments.

Overall, LRG said the top 16 telecom companies controlling 96% of the U.S. wireline internet business added 1.165 million customers in Q1, with "telco" operators like AT&T continuing to shed legacy DSL customers.

It was the best cumulative performance for the wireline broadband industry in five years.

Why pay your cable company a 'regional sports fee' when there are no games on?

By Sean P. Murphy Globe Staff, Updated May 10, 2020, 3:00 p.m.

93

Anne and Ned Pride are fed up about paying their cable TV company \$8.75 a month as a "regional sports fee" when there are no professional sports on TV. Barry Chin/Globe Staff/The Boston Globe

Anne Pride says she winces every time she checks her monthly bill from Comcast.

At \$165 a month, cable TV and Internet service have become one of her largest household expenses, one she would dearly like to reduce.

Last month, as she reviewed her latest bill, Pride thought she had spotted an obvious reason to expect at least a modest reduction.

There, on the first page, was a \$8.75 charge for "regional sports." Yet it's been almost two months since professional sports shut down due to the pandemic, and without games, there have been no live broadcasts, no "regional sports."

"So why am I still paying this?" she wondered.

Pride, 60, of Falmouth, contacted me, and I contacted Comcast.

The answer: Comcast is in no hurry to give back money for programming it did not provide or to stop charging for programming it knows it can't deliver any time soon. All this against the backdrop of extreme financial stress for millions of its subscribers.

Comcast says no refunds will come while the professional sports leagues it carries are still undecided on what they will do with their suspended seasons.

Here's Comcast's statement: "Any rebates will be determined once the NBA, NHL, and MLB announce the course of action for their seasons, including the number of games that will be played, and of course we will pass those rebates or other adjustments along to our customers."

But what about the games that were never broadcast these past two months?

I can only presume that Comcast hopes the NBA, NHL, and MLB will resume play and somehow complete their entire seasons and playoffs without canceling a single game.

That's the only reason I can imagine that it has not refunded any money for games already missed.

But that seems doubtful, to say the least. The Boston Celtics had 18 regular-season games remaining when the league suspended play on March 11. Can the NBA restart and play all its games and playoffs in this environment? (A poll recently published in the Globe found that only 23 percent of respondents said they'd feel OK attending a sporting event when it's permitted, although there's been discussion of teams playing without crowds.)

Can the NHL do the same? And can Major League Baseball teams play all of their 162 regular-season games, plus playoffs, before wintry weather makes play a practical impossibility in northern parks and stadiums?

If not, then Comcast owes its customers refunds.

It's up to Comcast (and other cable providers) to renegotiate their deals with programmers like NESN and NBC Sports Boston to get back money they can pass on to their customers.

I know NESN and NBC Sports Boston are substituting "classic games" for live games, but that's not what customers signed up for.

Pride said Comcast is missing out on an opportunity to gain good will with its subscribers, rather than give them another reason to "cut the cord."

Last week, Comcast reported it had lost more than 400,000 cable TV customers in the first quarter, which is the company's biggest source of revenue. And that was on top of the 670,000 customers it lost last year. (It still has about 20 million customers.)

Even so, it had \$25 billion in revenue in the first quarter of this year. I think it can find the cash.

And it's not like Comcast doesn't need some good PR. A lot of subscribers are already angry they get roped into paying for sports that they don't even watch because of how Comcast packages its "deals." For them, continuing to pay during the pandemic only adds to the frustration, especially because the regional sports fee has steadily increased to \$8.75 a month from \$1 in five years, an amazing 775 percent increase.

During the pandemic, other corporations have done right by their customers. Auto insurers, faced with declining claims because fewer people are driving, are giving refunds to their clients, at least for April and May — the same two months covered by the "regional sports fee."

Comcast dominates in Massachusetts, with about 70 percent of the market, or about 2 million customers. In about 130 cities and towns, including Brockton, Cambridge, New Bedford, Quincy, Salem, and Pride's hometown of Falmouth, Comcast was the only option for cable in 2018, according to the the most recently available state data.

The next-largest provider is Verizon, with close to 20 percent of the market. It is still charging an even-higher regional sports fee of \$8.89 per month. Asked why, Verizon said it was calling on programmers like NESN and NBC Sports Boston and the professional sports leagues "to

cooperate with us to create a solution that provides relief to customers until live sports return to television.”

That sounds a lot like Comcast’s statement. And both miss the point. Consumers pay their money to Comcast and Verizon, not to NESN, NBC Sports Boston, or the professional sports leagues.

Last week, Letitia James, the New York attorney general, demanded that the big cable and satellite television providers, including Comcast and Verizon, cut or eliminate fees for live sports programming, saying customers are being forced to pay for something they are not getting.

When asked, the office of Massachusetts Attorney General Maura Healey said it has received a few complaints from consumers about cable TV sports fees.

“We are reaching out to the cable companies about it,” a spokesperson said.

It can’t happen soon enough for Pride.

“Come on, Comcast,” she said. “Do the right thing.”

Comcast, Charter and Altice USA enjoy virus-fueled broadband bonanza

If there's one thing that the novel coronavirus has been good for, it's the broadband business.

Like take-out food, hand sanitizers, laptop cameras and toilet paper, broadband has taken off over the last couple of months as the COVID-19 pandemic has forced tens of millions of people to work, learn and play at home. As service provider after service provider has reported, broadband network traffic surged to record levels by early April and has pretty much remained there since then.

Now the coronavirus impact is starting to be evident in the broadband subscriber totals as well. Last week Comcast, Charter Communications and Altice USA, the three largest publicly traded cable operators in the US, all reported much stronger broadband subscriber gains in the first quarter than they enjoyed a year earlier. Further, at least one reported that the second quarter is also off to a strong start as the broadband surge continues.

Starting with Comcast, the No.1 US cableco said it netted 477,000 new broadband customers (including 466,000 residential subs) in Q1, up markedly from an increase of 375,000 subs in the same quarter a year earlier. The gain, which was Comcast's best quarterly result in the category in 12 years, boosted the MSO's residential broadband sub base to 26.9 million and its overall sub total to 29 million with business customers included. And the total does not include about 32,000 free Internet Essentials customers that Comcast also added in the quarter.

Speaking on last week's earnings call, Comcast Senior EVP and CFO Michael Cavanagh said the provider was also off to a "solid start" with broadband sub gains in April. Seeking to sustain the growth pace without having techs enter customers' homes, Comcast is using a new "drop and go" program to help fuel its self-install model.

Dave Watson, president and CEO of Comcast's cable unit, said some of the company's sub adds are still coming from people switching from DSL, customers who have never had broadband before and formerly mobile-only customers who now feel the need for a wired broadband service. "I think we've proven we can drive connects" during the pandemic, he said.

Comcast executives reported that they have seen a 33% surge in upstream traffic since the virus outbreak began. "Our network is operating incredibly well," Cavanagh said, noting that the MSO is conducting about 700,000 speed tests across its network each day.

The story was similar over at Charter, the nation's second largest MSO. In its Q1 earnings release last week, Charter reported that it signed up 563,000 residential broadband customers in the winter quarter, well above the 398,000 new subs it netted a year earlier, as it benefited from both an acceleration of self-installs and a surge in new customers attracted by temporary free offers. The increase boosted Charter's total broadband sub base to 25.5 million.

Speaking on his company's earnings call, Charter President and CEO Tom Rutledge said it moved "aggressively" to a customer self-installation model in the winter period. Whereas prior to the pandemic self-installs represented about 55% of Charter's overall sales, they now climbed past the 90% mark, slashing the company's installation costs substantially.

Charter also shed light on the impact of a COVID-19-driven offer to provide 60 days of free Internet service to students and educators who did not take service from the MSO before. About 119,000 of the quarter's total net broadband adds came through this program.

Rutledge noted that about half of those new subs signed up for additional products, such as video and phone, with immediate billing, while few opted for just Charter's low-income broadband product. He said Charter execs hope that this is a sign that customers coming in through the program will remain after the free broadband offer ends.

Continuing the trend, Altice USA also generated big broadband sub gains for the first quarter. The nation's fourth-largest MSO added 60,000 high-speed data customers in Q1, including 9,000 through its low-cost Altice Advantage program for qualified families and seniors. That's up from a gain of 37,000 broadband subs in the year-ago quarter.

Speaking on his company's earnings call last week, Altice USA CEO Dexter Goei said voluntary speed upgrades nearly doubled in March from the prior month. At the same time, the cableco has broadened the availability of 1-Gig speeds across both its Optimum (former Cablevision Systems) territory in the New York metro area and its more rural Suddenlink footprint. As a result, about half of its Optimum footprint now enjoys access to 1-Gig service while more than 75% of its homes can get it in the Suddenlink areas.

Goei said Altice USA has boosted its gross adds of 1-Gig customers by 56%, with the sell-in rate of that product now 13% in areas where the 1-Gig tier is offered. As of the end of March, the MSO's average downstream broadband speed per customer was 222 Mbit/s, about triple what it was three years earlier (70 Mbit/s). But about two-thirds of its broadband subs still opt for tiers of less than 200 Mbit/s, which Goei views as a significant upgrade opportunity.

Unlike Comcast and Charter, Altice USA has not placed much emphasis on self-installs since it was not a major priority before the pandemic. But company executives believe they will be able to keep up with demand for self-installs as that market emerges. Officials say they are probably another year away from having that program up and running in a big way for their DOCSIS and FTTP products.

[Guidance for the Brookings community and the public on our response to the coronavirus \(COVID-19\) »](#)

[Learn more from Brookings scholars about the global response to coronavirus \(COVID-19\) »](#)

TechTank **BROOKINGS** **COVID-19 has taught us the internet is critical and needs public interest oversight**

Tom Wheeler Wednesday, April 29, 2020

The COVID-19 pandemic has graphically illustrated the importance of digital networks and service platforms. Imagine the shelter-in-place reality we would have experienced at the beginning of the 21st century, only two decades ago: a slow internet and (because of that) nothing like Zoom or Netflix.

Digital networks that deliver the internet to our homes, and the services that ride on those networks have leapt from an ancillary “nice to have” to something that is critical to economic activity and our daily lives. It is time to consider whether these companies are too important to be left to make the rules governing their behavior themselves.

New rules for a new reality

It is neither unusual, nor untoward that innovators make the rules for the new reality they create. After all, they are the ones who see the future. The last time there was a major technological revolution—the industrial revolution—it was industrial capitalists like Rockefeller, Carnegie, and Morgan who made the rules. However, it ultimately became necessary to assert the public interest in the oversight of these activities.

The connectivity and services built by information capitalists have become too important to be left any longer without public participation in determining the rules they follow.

This does not mean that we need heavy-handed regulation like in the industrial era. But it does mean that the critical nature of these digital services warrants public interest representation in decisions about their practices. We know the results of the companies making the rules. Because there was no public representation, our personal information is now a corporate commodity. Similarly, because the companies make their own rules, they

are free to hoard that data in order to thwart potential competitors and new services.

The operation of the information economy is different from the operation of the industrial economy. While companies operating in both must invest in the necessary plant and equipment, the economics of how that investment performs differ with the assets used by each. Industrial assets such as coal or ore are exhausted by being use, while information assets are soft, inexhaustible, and iterative. When Ford builds a new truck, for instance, the company incurs incremental costs to procure the glass, metal, tires, and other hard assets. But when Facebook adds a new customer, it reuses the same software that enabled billions of other customers. Similarly, the production of a new truck is an end unto itself. But the addition of a new digital user by a network such as AT&T or a service such as YouTube is the beginning of the iterative production of new data, generated by the use of the product, that can be monetized in new services at virtually no marginal cost to the company.

Four Ideas for Public Participati

Because the economics, and thus the practices, of information companies are different, we must look beyond the industrial era regulatory model. Here are four ideas to incorporate public participation in establishing the rules for the critical services of the information era:

First, do not pretend these challenges can be shoehorned into industrial era regulatory structures. This is not a criticism of the existing agencies whose important work should continue, but a recognition that digital market activity is different. The current regulatory structure, for instance, is built around “who” does something rather than “what” is being done. In the Industrial Age, the networks that carried the product were different from the product itself and separate regulators made sense. In the digital era where the “what” is the manipulation of zeroes and ones, our current regulatory structure has been outpaced and needs to catch up.

Second, digital companies should have a seat at the table in the development of the rules rather than having them force-fed. The National Electrical Code, for instance, is an industry-developed standard that is adopted into law. A “Digital Code of Practice” will similarly allow policies to keep up with technology rather than being tied to old rules. There should be a new federal agency that convenes, oversees, and approves a public-private process that establishes an agency-enforceable Digital Code.

Third, this new Digital Code is not a substitute for antitrust enforcement. The Digital Code is about the behavior of the companies in the services they offer to the public. If a company behaves in an anticompetitive manner, including mergers, that should be the jurisdiction of antitrust enforcers and the Code should not include antitrust exemption.

Fourth, the regulatory oversight needs to be principles-based and agile. Industrial production was a rules-based linear process where each person on the shop floor followed rules for a specific task. Industrial regulation followed the same rigid pattern. In contrast, modern digital products are never finished (think how your smartphone is always updating its software). Digital products are constantly adapting to the changes in their environment. This agile development needs to find its equivalent in agile regulation. Heavy-handed industrial “do this or else” needs to give way to “this is how technology is changing and business practices must evolve as well.”

COVID-19 demonstrated how our networks and the services they deliver are a critical part of our lives and our economy. Something that critical is too important not to have a public interest obligation. At the same time, such public interest oversight must operate in a manner that reflects the realities of the information era and not be stuck in industrial era structures and concepts.

COVID-19 data surge is wake-up call for cable's weak upstream



Jeff Baumgartner, Senior Editor, Light Reading, 4/29/2020

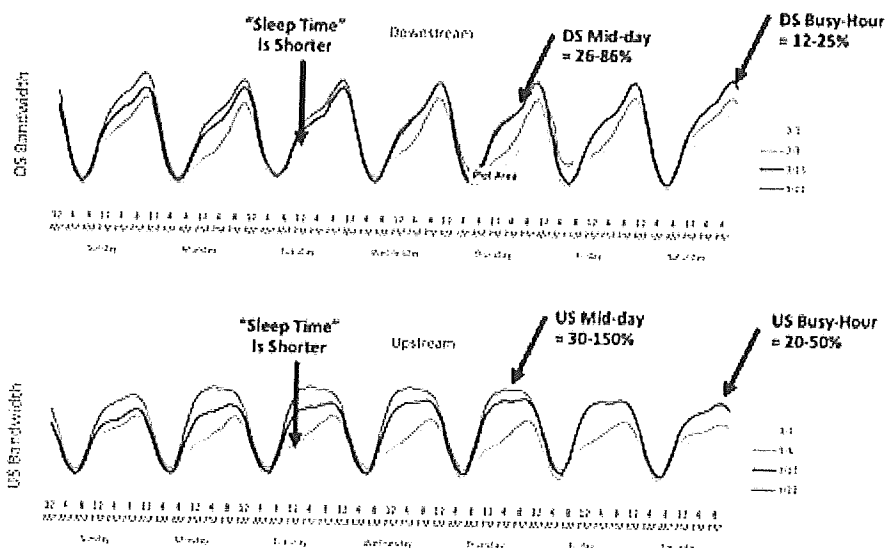
Cable's residential networks largely survived a traffic surge triggered by millions of consumers working and schooling from home during the early stages of the COVID-19 pandemic.

But those data peaks and the potential for persistent higher levels of demand in the months and years to come are causing cable operators to take another look at their upstream capacity requirements.

In fact, the demands placed on the upstream pipe could serve as a wake-up call and speed up plans to expand and augment the amount of capacity that is dedicated to upstream traffic on hybrid fiber/coax (HFC) networks.

The impact of the pandemic on cable's upstream "has changed the conversation," said Tom Cloonan, chief technology officer, broadband networks, at CommScope, noting that one of the company's MSO customers plans to deploy a year's worth of node splits in the next three months to ensure it stays well ahead of the curve. "Medium-term plans are becoming near-term plans."

According to data culled from some of CommScope's cable operator customers, the upstream usage in March, when stay-at-home orders became more prevalent, grew from 30% to an astounding 150% for an operator based in Europe during midday hours. During normal busy primetime hours, upstream demand climbed 20% to 50%.



Recent network data shows that usage is spiking over longer periods of time, with a notable surge in the upstream.
(Source: CommScope, via Jeff Finkelstein of Cox Communications.)

But rather than peaking at night as in pre-COVID-19 times, the upstream peak now resembles a long, flat curve running from 7 a.m. till midnight, according to CommScope's data.

"The upstream was sorta going bonkers through the whole day like that," Cloonan said.

Although peak data rates on HFC networks have flattened out in recent weeks, there are concerns that the "new normal" won't revert back to the peak usage patterns prior to the pandemic. While cable operators have some tools that can relieve some pressure on the upstream in the near-term, they are also thinking about accelerating plans for upgrades that expand the spectrum dedicated to the upstream.

"There's been generally an awakening that we banged our heads on the ceiling here and we're closer to the ceiling than we realized," Cloonan said.

Possible upgrades could include a "mid-split" that raises the upstream to 85MHz (up from today's 42MHz on most North American DOCSIS networks) or a "high-split" that raises the ceiling to 204MHz. In tandem, cable operators could also beef up the spectrum available for the downstream by upgrading the network to 1.2GHz using today's DOCSIS 3.1 technologies, and then use that as a stepping stone toward an expansion to 1.8GHz and DOCSIS 4.0.

Cloonan said some cable operators will be increasingly active with upstream augmentation activities this year. He expects some trials to get underway this year and expand into 2020, noting that an 85MHz mid-split appears to be the current "sweet spot" for many operators.

For a deeper dive into some of the tools cable operators have on hand today to relieve some pressure on the HFC upstream, see this story in Light Reading: [Cable upstream growth went 'bonkers' during early stages of pandemic – CommScope.](#)

CommScope has posted some additional details on its findings, data usage trends and suggestions on how MSOs can get on top of it all using a range of near-term and longer-term solutions in this [blog post](#).

Broadcasters, Nets Brace For Sports Fee Surge

Higher retrans, affiliate fees could cover costs, but may price poor homes out of sports-heavy networks

Mike Farrell
Apr 20, 2020

Sports rights are expected to go higher in the next three years despite pressure from COVID-19, possibly driving increased retransmission-consent fees and pushing poorer homes out of the pay TV bundle.

The National Football League, Major League Baseball and the National Hockey League will have national TV-rights deals up for renewal in the next three years. The National Basketball Association, which suspended its season in March due to the COVID-19 pandemic, doesn't come up for renewal until 2024. Some are trying to find ways to salvage their postponed seasons, such as MLB games in Arizona in empty stadiums. And most are expected to get big increases, according to MoffettNathanson media analyst Michael Nathanson.

The NHL also suspended its regular season in March. The NFL, which doesn't start its season until September, hasn't made any decision regarding suspensions, and most are hopeful the lockdowns currently associated with the COVID-19 outbreak will be lifted before then.

A Spike in NFL Rights

So it shouldn't be any surprise that Nathanson believes the NFL will have the biggest increases in rights fees — as much as 75% for Sunday games aired by the three broadcast networks (NBC, CBS and Fox) when they come up for renewal in 2022, he wrote.

The NFL has renegotiated its collective bargaining agreement with the NFL Players Association, agreeing to increase players' share of revenue from 47% to a minimum of 48% beginning in 2021. At the same time, the league has increased the number of regularseason games to 17 from 16 and changed its playoff format. The league will now send seven teams to the playoffs, up from the previous six.

The extra games should boost league fees come renewal time. In a separate research report, Barclays Global media analyst Kannan Venkateshwar wrote that rights fees could rise even higher than 75%.

In his note, Venkateshwar said players' shares reach 48.5% if TV revenue rises by 60% and hit 48.8% if revenue increases by 120%.

“Based on our conversations, the higher end of this range (+60% to 120%) isn’t too far off from current Street expectations for rights increases when the NFL’s deals come up for renewal in 2021 and 2022,” he wrote.

The question for cable networks and broadcasters is where those fees will come from. Nathanson believes that with the COVID-19 pandemic pressuring ad sales, programmers — especially smaller ones — will be forced to dip into the retransmission-consent and affiliate-fee well more deeply than ever. “In all, the combination of COVID-19 economic fallout and sharply higher cash payments for sports should pressure free cash flows of the smaller ViacomCBS and Fox forcing them to push for higher retrans and reverse retrans while pressuring their non-sports programming investments,” Nathanson wrote.

ViacomCBS’s sports rights costs would increase from \$1.7 billion in 2019 to \$2.2 billion (up 30%) in 2024, Nathanson estimated, while affiliate fees (revenue) will rise 75% from \$2 billion to \$3.5 billion. Fox, which has restructured its business to focus mostly on live news and sports, will see affiliate fees rise 50% from \$3.2 billion in 2019 to \$4.8 billion, while sports rights costs will increase from \$3.3 billion to \$4.4 billion (up 33%) by the end of 2024.

Not all of those affiliate-fee increases will be due to sports costs, but Nathanson pointed out that for both large and small programmers, sports accounts for between 60% and 90% of the total affiliate-fee haul.

The analyst wondered if higher sports fees could start a chain reaction: higher retrans fees could mean higher pay TV bills, possibly pushing poorer homes and non-sports watchers out of the bundle and leading to even higher pass-alongs to offset customer declines.

“In the long run, we think this will create a world where the traditional bundle serves only wealthier sports fans while non-sports fans seek OTT options like Netflix, Amazon, Hulu Disney+ and HBO Max,” Nathanson wrote.

At Kagan, a unit of S&P Global Market Intelligence, sports business analyst Adam Gajo said that sharp divide doesn’t yet exist but it could happen, especially as traditional pay TV continues to lose subscribers and streaming services offer more customized packages.

“With the next round of sports rights renewals coming up, the bidders will have to be aware of the market value, and make sure that they are able to pass the sports rights payments through to reach the subscribers,” Gajo said. “If — when — the price for sports continues to go up, with less people paying into it, I think we could get to the point where interested households can’t afford it.”