

REPORT TO CITY COUNCIL

DATE: FEBRUARY 23, 2005

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: GREG RAMIREZ, CITY MANAGER

BY: CAROL TUBELIS, ASSISTANT TO THE CITY MANAGER

SUBJECT: REQUEST APPROVAL OF RESOLUTION 05-1361 AUTHORIZING AN AMENDMENT EXTENDING THE TERMINATION DATE OF THE CABLE TELEVISION FRANCHISE AGREEMENT WITH CENTURY-TCI CALIFORNIA, L.P. dba ADELPHIA CABLE COMMUNICATIONS

This report is to request approval of Resolution No. 05-1361 for the purpose of extending the existing Franchise Agreement with Adelphia Cable Communications (“Adelphia”) until December 31, 2005.

At their meeting of April 14, 2004, the City Council extended the City’s existing Franchise Agreement with Adelphia until December 31, 2004, pursuant to Resolution No. 04-1320. The original Franchise Agreement expired on March 23, 2004. The extension was granted last April to allow time for Adelphia to emerge from Chapter 11 bankruptcy proceedings around the end of 2004, and for the company to rebuild the City’s cable system to provide new products, such as digital television and cable modems, to all of its Agoura Hills subscribers.

The rebuild in Agoura Hills is completed, Adelphia diligently continues to work through the bankruptcy proceedings, and the City continues to collect Adelphia’s franchise fees in a timely manner according to the original agreement. Three payments have been made since the Council extended the agreement during the meeting last April:

1 st quarter	\$36,188.01
2 nd quarter	\$35,150.46
3 rd quarter	\$36,029.38

City staff had begun negotiations to renew the franchise agreement with Adelphia prior to the bankruptcy, meeting with representatives from the company, and reviewing and revising the draft agreement as prepared by the City Attorney. Now, these negotiations remain on hold, with the terms and provisions of the recently expired extended agreement in effect, and cable service for Adelphia’s subscribers in Agoura Hills uninterrupted.

Shortly after the meeting last April, Adelphia announced its intention of exploring possible sale of the company as part of the Chapter 11 process, and the company immediately selected a major bank and an investment company to act as advisors for its sale and has diligently worked toward the sale. To maximize value for all customers, Adelphia announced it would consider bids on clusters of systems organized principally by geography and ability to operate as stand alone

entities. It includes the California/Western system of which Agoura Hills is a part. Final bids for the systems were expected by 2004 year end, but Adelphia extended the deadline for bidders until the end of January 2005. Major cable companies expressed an interest in the company and several, including Time-Warner and Comcast, have entered into informal discussions with Adelphia's financial advisors to come to an agreement to purchase the company, but to date no formal bid has been accepted. Even as it moves ahead with the bid for sale, Adelphia has left open the option of emerging from bankruptcy protection instead of selling its assets, and on February 4, 2005, filed an amended Plan of Reorganization and an amended disclosure statement.

Staff and the City Attorney suggest that the Franchise Agreement be extended a second time, to the end of the 2005 calendar year, to allow Adelphia more time to emerge from bankruptcy or to sell the company to a cable company that is qualified to provide the best service to the City's subscribers. Adelphia is aware of, and agreeable to, the proposed Franchise Extension Agreement.

The Franchise Extension Agreement has been reviewed and approved by the City Attorney.

RECOMMENDATION

It is respectfully requested City Council approve Resolution No. 05-1361 authorizing an Agreement extending, until December 31, 2005, the termination date of the Cable Television Franchise Agreement with Century-TCI California, L.P., dba Adelphia Cable Communications.