

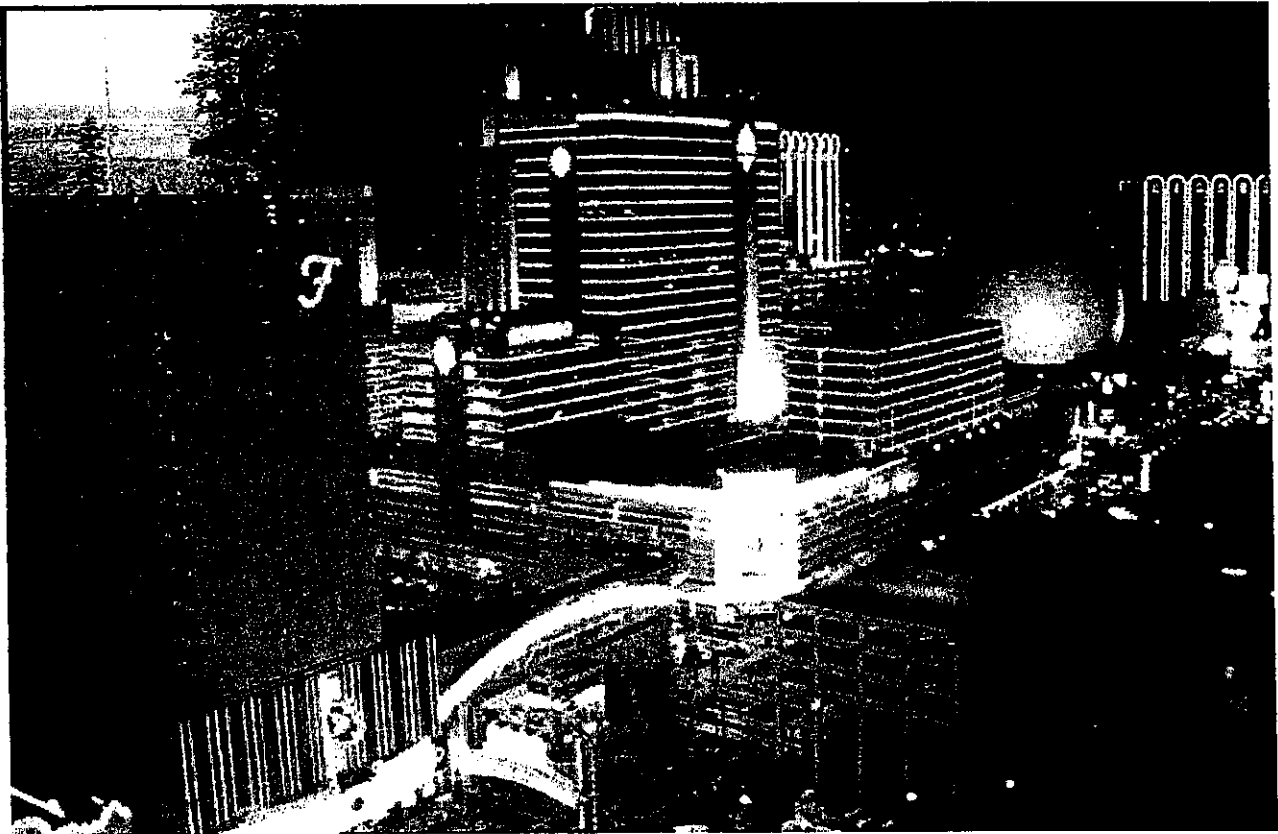
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# *City of Reno Cable Television Community Needs Report*

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The Future Cable Related Needs and Interests of City of Reno residents

January 5, 2003

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## EXECUTIVE SUMMARY

The future community needs and interests of Reno residents include: competition, a choice in service providers and affordability; reliable and uninterrupted service; high quality, diverse, and locally-oriented programs covering public, governmental and educational issues; High Standards of Excellence in Customer Service; Technology Choice and Control; and Access to (reasonably priced) state of the art services and facilities. In lock step with its residents, the needs of the community's public, educational and government (PEG) institutions include: Establishing a minimum of five new analog channels on Charter's cable system for PEG programming; Financial support for the purchase and upgrading of existing video production equipment to digital/web formats and for annual upgrades; Operational financing for creating or increasing PEG production staff; Insertion points onto and connections to Charter's cable network; Bandwidth allocation and the reservation of bandwidth for future uses; and Community Computer Training Centers.

Reno's future community needs are a direct reflection of the community's experiences from the past -- namely, its treatment by and services from Charter Communications, a St. Louis based Company owned by Microsoft's Paul Allen, which has been serving the community for the last 1.5 years. These experiences have been marked by the following Charter practices: "expensive" services, the lack of competition or choice in service providers, unreliable and interrupted cable service, limited choice in the technologies offered, lack of programming quality, diversity, localism or program control. The community complained in various forums about Charter's unresponsive customer service, including the company's inability to answer its telephones, the often "surly" and "aggressive" attitude of customer service representatives, the company's inability to provide accurate bills, levy credit due, or follow through with promised credits. Community residents criticized the company's use of subcontracted cable technicians who do not show up for appointments or call to reschedule missed appointments, and who appear to be lacking proper training, professionalism and appropriate local identification. Residents articulated high levels of frustration with and intolerance of Charter's twelve-hour appointment windows for repairs or installations. They want cable modem Internet service in Reno.

As an outgrowth of this past, Reno residents have demonstrated a desire to be involved in the City's franchise renewal process, establishing a Citizens Cable Compliance Committee in November 2002, and for their local government officials to demand accountability from Charter on their behalf. It can be concluded by the strong and clear comments from community members that Reno's residents will not easily accept the renewal of Charter's franchise unless local government actions are taken to ensure that residents will no longer be subject to Charter's perceived abusive and aggressive business tactics and low-quality service.

While it is apparent that Charter's local management has been making bold attempts to bring to Reno what it recognizes as the most valuable company resource -- a state-of-the-art broadband infrastructure spanning throughout the region -- these efforts appear to be suffering under the weight of a corporate parent saddled with serious financial problems, dramatic management reorganization

and the pinch of a grand jury investigation. Charter currently carries \$19 billion in debt, the Company's bonds and equity have been depicted as "trading as if the company is bankrupt," and is the subject of a federal probe into faulty accounting practices. In late December 2002, Charter fired its chief financial officer, terminated its former chief operating officer, reorganized into five divisions, and will re-audit its books for the years 2000 and 2001. The parent Company has lost 277,000 subscribers since December 2001.

The city of Reno recognizes that it must maintain a highly trained and educated workforce and offer high quality infrastructure to successfully diversify its economy and attract new logistics and high tech industries from California. The City has included infrastructure as one of five characteristics that make Reno one of the top 25 places within which to build a business and advance a career: reasonable cost of living, quality housing, diverse outdoor recreational attractions and rich local arts culture, low taxes and reliable power.

In the same fashion that it approached its economic development mission by building on the strength of current resources, the city of Reno must utilize its authority, provided through the cable franchise renewal process, to compensate for the absence of market forces that would normally stimulate a high quality broadband infrastructure and services responsive to the needs of the community. The City of Reno must step in and use its regulatory authority to develop the resources of the community's PEG institutions that want to be responsive, and can be structured to be responsive, to the needs of Reno's residents. The City of Reno must use its franchising authority to ensure that Charter Communications is providing the level of service excellence its citizens demand.

Action Audits' recommendations toward these efforts include the following:

- Acquire at least five new analog channels on Charter's system;
- Establish franchise requirements which mandate analog carriage of Reno's public, educational and government channels until every Reno cable subscriber has moved to digital tier service;
- Equip, fund and provide a minimum of five new analog channels for use by the Reno Educational Cable Consortium;
- Establish a separate analog channel devoted solely to Reno city government programming;
- Upgrade equipment in the city council chambers to digital telecast/webcast standards;
- Secure access to unsold local insertion "ad-avails" on cable networks for the promotion of Reno PEG programming
- Upgrade the Media Center's master control room and video production equipment and master control room facilities to a digital telecast/webcast standard;
- Secure initial \$500,000 capital equipment grant from Charter to purchase needed digital equipment for PEG facilities;
- Establish annual \$150,000 capital equipment grant, indexed for inflation,

from Charter for equipment replacement for franchise term;

- Establish a 50 cent per subscriber monthly PEG fee, indexed for inflation, for the franchise term, to fund PEG and public access computer training centers operating expenses (\$252,000 1<sup>st</sup> year estimate);
  - Earmark one-third of all future Media Center funds solely for capital equipment (digital upgrades);
  - Require the Media Center and Education Consortium file annual work plan and monthly reports to the Reno Citizens Cable Compliance Committee regarding original and syndicated programs telecast and the residents served each month;
- 
- Require the Media Center and Education Consortium to conduct annual viewer surveys to determine the effectiveness of their programming and related activities;
  - Charge the Reno Citizens Cable Compliance Committee with responsibility to ensure that PEG programming and activities serve Reno residents;
  - Provide funds to increase the number of Media Center staff available to extend operating hours;
  - Obtain insertion points for the Truckee Meadows Community College, the Regional Public Safety Training Center and various remote locations in the community, such as the downtown Wingfield Park and area senior citizen centers.
  - Acquire 10 MHz of symmetrical digital bandwidth for use by the RPSTC, SNCAT and the City for in service training and future community programming;
  - Secure insertion points on the cable system for Truckee Meadows Communication or at the Regional Public Safety Center;
  - Connect all municipal buildings to Charter's cable system;
  - Acquire DSL (minimum 10 Mb) and T1 bandwidth (1.54 Mb) circuits between city hall and 18 municipal building sites for the City of Reno;
  - Obtain a reverse video feed on the cable system at the WCSD Administration site for live School Board of Education telecasts;
  - Designate a single city official responsible for stringent enforcement of the cable franchise, cable standards ordinance, customer service policies and federal/state/local regulations;
  - Establish a telephone hotline number between the City's enforcement officer and Charter's chief engineer;
  - Require Charter to establish a hotline telephone number so Reno officials can contact the "on duty" supervisor of Charter's technical and customer service departments;
  - Implement semiannual signal technical audits by a city-sponsored engineer;
  - Conduct mandatory semiannual live call-in public hearings to assess the state of cable service provided in the City of Reno;
  - Implement mandatory state of the art reviews of Charter's cable system every

3.5 years to assess the level to which Reno residents are availed of broadband services and technologies offered communities of similar size and economic composition; include upgrade triggers.

- Establish franchise terms that are competitively neutral so as not to deter future competitors from market entry;
- Begin regulating basic service rates; equipment and installation prices and enforce uniform rate requirements;
- Establish (need based) discounts for senior citizen, disabled and fixed income residents.
- Establish a "skinny" basic plus cable life-line service tier for senior citizen, disabled and fixed income residents.
- Establish stringent customer service standards by updating Reno's consumer protection ordinance;
- Update the consumer protection ordinance with policies that protect consumer interests in the absence of price stabilization and customer service pressures generated by a competitive market;
- Update Reno's consumer protection ordinance to include stringent customer service standards. These standards must include:
  - ✓ Minimum customer service representative phone answering times;
  - ✓ Minimum service repair times for outages;
  - ✓ Two hour appointment windows;
  - ✓ Mandatory customer notification for all no show technician appointments and immediate \$20 customer credit;
  - ✓ Mandatory requirements for the display of local Charter contact numbers on vehicles used by Charter employees and subcontractors;
  - ✓ Mandatory uniforms and identification requirements for all subcontractors working for Charter in the City of Reno;
- Prominent display on cable bills of the City of Reno's cable consumer telephone number;
- Quarterly reporting requirements on the number of full-time customer service representatives by shift and service location;
- Quarterly reporting requirements on subscriber counts by service offering;
- Quarterly reports on Company "credit" policies for outages;
- Quarterly reports detailing Charter's corporate and local financial condition;
- Quarterly bill stuffers to inform subscribers of their credit rights for service outages;
- A separate telephone number to request outage service credits;
- Require a local office in Reno where consumers can discuss and resolve billing and equipment problems;
- Require Charter to maintain local (toll free) telephone numbers so that Reno residents can contact Charter's customer service representatives.
- Require the cable operator to file quarterly reports detailing the number of company and contract installers & technicians, dispatch operators and



- customer service representatives;
- Require the cable operator to file quarterly reports detailing the number of company and contract National Cable and Telecommunication Association<sup>1</sup> technicians and installers.
- Establish minimum requirements for the maintenance of a local workforce of installers, technicians and system engineers;
- Prepare to establish system technical performance specifications should the City invoke formal franchise renewal proceedings;
- Establish financial penalty provisions for failure to comply with Reno's consumer protection and franchise requirements;
- Establish immediate penalty provisions for failure to comply with terms of the franchise agreement and customer service standards;
- Require a \$100,000 letter of credit which can be drawn against to satisfy penalties and damages levied by the City;
- Continue to support and develop the Media Center's community radio station.
- Establish programs that encourage the education and training of Reno's youth and elderly in broadband technologies and services.
- Nurture and fund community organizations whose sole mission is to provide high quality community oriented local television programs for viewing;
- Equip and locate public access computer training facilities throughout the community.
- Foster web-based video applications and community computer training centers.
- Limit the franchise term to 5-8 years;
- Tie any extension of an initial franchise term (5 - 8 years) to the Company's ability to provide reliable cable and Internet service, responsive customer service and satisfy evolving community needs;
- Establish bankruptcy provisions in the franchise agreement to protect the City and its PEG facilities.

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<sup>1</sup>Formerly the National Cable Television Association

## I. BACKGROUND

### A. Needs Assessment Methodology

On April 9, 2002, the City of Reno contracted with Action Audits, LLC to conduct a future cable-related community needs assessment as part of the City of Reno's franchise renewal process. This needs assessment consisted of three phases. Phase 1 assessed the history of Charter's franchise compliance through a franchise compliance audit and a system technical review. Phase 2 consisted of gathering community input through interviews of officials from area educational, government, public and nonprofit institutions, conducting one focus group, two public hearings and a community mail survey. Phase 3 consists of drafting a final report identifying the community's future cable-related needs and interests and presenting these findings to City officials.

Specifically, Action Audits implemented the franchise compliance audit between April and May 2002 and discussed these findings with local officials on May 10, 2002. Action Audits implemented a preliminary system technical review, accompanied by Charter engineers, on June 24, 2002, and interviewed Charter representatives in April, May, June and December 2002. Between June and October 2002, Action Audits conducted 23 interviews with officials representing Reno's municipal, educational, public safety, nonprofit, and local business institutions. On June 27, 2002, a youth focus group was held in Reno's city council chambers. On August 13 and October 21, 2002, two public hearings were conducted. The second public hearing included a live call-in segment that was promoted by the City through articles and advertisements in the Reno Gazette Journal, on the Media Center video bulletin board, over Reno's web site and through interviews with KOH radio. Channels 2 and 4 also covered the October public hearing. During both hearings, the community was encouraged to write or provide email feedback to the City of Reno.

The design of a mail survey began in late June 2002 and was completed by July 25<sup>th</sup>. Charter provided the names of 7500 randomly selected, Reno cable subscribers and nonsubscribers who were sent surveys in August 2002. A total of 701 surveys were received, producing a +/- 2% sampling error at a 99% confidence interval. Survey data was entered between September 5 and November 30, 2002. Charts summarizing these results were presented to Reno officials in October and December 2002 and are included within this report as Appendix B.

On December 11, 2002, Action Audits met with the newly formed Reno Citizens Cable Compliance Committee and educated the group on the needs assessment and franchise renewal process.

Action Audits implemented a follow-up technical review of Reno's public, educational and government access channels, equipment and facilities in early December 2002. The results of these findings are provided under separate cover.

The specifics of Reno's future cable-related needs and interests are detailed in this reports' appendices as follows: Appendix A: Institutional Needs and Interests; Appendix B: Reno Residents' Needs and Interests; Appendix C: Letters of support and complaint.

B. Community and Cable Characteristics

1. City of Reno

Reno has a council/manager form of government. The City is divided into five City Council wards with one at-large council member and mayor. While recognized as one of the nation's leading gaming centers, Forbes 2002 lists Reno as the 25<sup>th</sup> best place in the nation to do business and advance a career. Reno's reasonable cost of living, quality housing, diverse outdoor recreational attractions, rich local arts culture and low taxes attract new residents and businesses into the area.<sup>2</sup>

Over the last ten years, Reno's population has grown more than 34 percent to 184,000 residents. Most of this population is married, between the ages of 20 and 54, and garners a median household income of \$46,418.

Reno residents are served by the second largest school district in Nevada, the Washoe County School District, boasting 13 high schools, 11 middle and 59 elementary schools. Residents are also within easy reach of six institutions of higher education, including the University of Nevada, Reno (ranked for the ninth year as one of the top national universities in the country) and Truckee Meadows Community College, known for its training excellence.<sup>3</sup>

In a few short years, Reno has significantly changed its image and focused on diversifying its economy by growing its potential to attract logistics businesses and California high tech industries. The combination of a California high tech bust, Reno's lower taxes, Reno's lack of high-tech competition, and lower living and housing costs have drawn over 140 firms to the Area, including CISCO Systems, Microsoft, Silicon Quest International, Oracle, CommScope, Sharegate, IGO and Gizmo Wireless, and Barnes and Noble warehousing.<sup>4</sup>

Within this environment, technology and broadband communications represent a critical resource to Reno's economic future. To capture high tech growth, Reno recognizes that it must offer state of

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<sup>2</sup>Reno has one of the most favorable tax structures in the country with no corporate or personal income tax, estate or gift taxes, unitary or franchise income taxes. See <http://www.cityofreno.com/business/>.

<sup>3</sup>Other area private and community schools include the Carrer College of Northern Nevada, Morrison University, and Sierra Nevada College, located on the north shore of Lake Tahoe. See [www.reno-sparkschamber.org/html/education.html](http://www.reno-sparkschamber.org/html/education.html)

<sup>4</sup>See [www.reno-sparkschamber.org/html/jobs.html](http://www.reno-sparkschamber.org/html/jobs.html). Barnes and Noble located a 1 million square foot warehousing complex in Reno. The North Nevada Tech Alliance Directory lists over 200 high tech firms located in Reno. See [www.newnevada.com](http://www.newnevada.com).

the art infrastructure and a highly trained workforce.<sup>5</sup> While employers are impressed with the stronger work ethic of Reno's employees,<sup>6</sup> the lack of technical training remains Nevada's "achilles heel." According to the Associate Dean of Teaching Technologies from Truckee Meadows Community College, "Nevada has probably the most poorly prepared workforce in the country."<sup>7</sup> While it leads the nation in GED graduates, Nevada has the third worst rate in the country (37%) of high school students continuing on to institutions of higher education.<sup>8</sup> Complicating this picture is exponential growth of non-English speaking residents. While Reno is experiencing a 6% annual economic growth rate, a high percentage of new residents are foreign born. Reno has the 6<sup>th</sup> largest Hispanic population growth rate in the country, and an increasing Russian and Polish population due to casino employment, (e.g., Circus Circus entertainers) and foreign students visiting Reno for summer break who choose not to return home.<sup>9</sup> Added to this is a forecast that the Area's population is expected to increase at least 30% within the next 20 years,<sup>10</sup> while increasing work commute times and traffic congestion already contribute to the decline in worker productivity.<sup>11</sup> Reno recognizes that as development in the area continues, firms and homes located further from the center of economic activity will compensate through increased use of the area's broadband networks.

With this in mind, the City of Reno and its educational institutions continue to capitalize on the need to create a highly trained workforce and boost economic development through a more technology-responsive economic agenda. With a need to reinvent the community's historic identity, the nation's Biggest Little City lists infrastructure among the area's five other resources which it believes will

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<sup>5</sup>According to a May 2001 report funded by the City of Reno and the University of Nevada, Reno, high tech businesses in Reno would like "educational institutions and economic development authorities to increase the pool of technical talent from which they can draw." The Small Business Development Center, Bureau of Business & Economic Research, *Understanding & Supporting Third Wave Economic Development in the Reno Metropolitan Area*, May 14, 2002, page 5.

<sup>6</sup>*Id.*, page 5.

<sup>7</sup>Higher Educational Institution Interview, Appendix A-28.

<sup>8</sup>*Id.*, Appendix A-28.

<sup>9</sup>*Id.*, Appendix A-28. According to the U.S. Census Bureau figures from 2000, Reno's Hispanic population has nearly doubled in the last ten years, growing from 11 to 19.2%. During the same period, Reno's non white/Asian/Indian/Pacific Islander population, labeled "other" population, has increased 100%, from 4.7% to 9.3%. See <http://factfinder.census.gov/>.

<sup>10</sup>*Id.*, Appendix A-29.

<sup>11</sup>According to the U.S. Census Bureau, In the last ten years, 25% more of Reno's population is commuting more than 20 minutes to work. 26% more residents are traveling 25-29 minutes a day each way and 20% more between 30-34 minutes. At the same time, 20% fewer residents travel only 5 minutes to work and 18% fewer residents are traveling between 5-9 minutes to work. See [www.uscensus.gov](http://www.uscensus.gov)