

## City of Alexandria, Virginia

## MEMORANDUM

DATE: DECEMBER 3, 2003

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *ps*

SUBJECT: 2003 ANNUAL REPORT AND PLANT SURVEY FROM COMCAST CABLE COMMUNICATIONS, INC.

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**ISSUE:** Receipt of the 2003 Annual Report and Plant Survey from Comcast Cable Communications, Inc. (Comcast).

**RECOMMENDATION:** That Council receive the Comcast 2003 Annual Report and Plant Survey (Attachment). The Commission on Information Technology, at its November 24 meeting, reviewed the results of the reports, and approved the reports and staff analysis.

**DISCUSSION:** Section 9-3-153 (a) of the City Code requires the cable television franchisee to submit an annual written report to the City Council which summarizes the company's previous year's activities in operating the Alexandria cable television system. The 2003 report, which covers the fiscal year of July 1, 2002 through June 30, 2003 (the ninth year under the cable franchise), summarizes the company's activities with respect to programming and customer service, physical plant and system operations, and describes the company's financial condition for the calendar year ending December 31, 2002.

Comcast offers 80 analog channels and 250 digital channels of video programming to 51,247 subscribers in the City of Alexandria, an increase of 20 digital channels and 1,327 (2.7%) subscribers over 2002. 40,433 (78.9%) of the customers subscribe to premium or pay services; 26,392 (51.5%) of the customers subscribe to digital service. Cable penetration in the City of Alexandria is 73% (i.e., 73% of the City's residents and business owners subscribe to Comcast). Internet service continues to grow at a rate of one half percent over 2002. Telephone service remains stable as compared to 2002, with approximately 11,000 customers receiving telephone services. Comcast has focused on maintaining these existing telephone customers, while concentrating on the growth of the video market.

The full report runs over 402 pages. Due to its size, the entire report is not attached, but it may be reviewed in the Clerk's office. The following portions of the report are attached: cover letter; summary of local origination and community programming; and independent auditor's reports.

Following is a summary of the major accomplishments described in the Annual Report and the actions taken by the franchisee to comply with City and federal requirements:

### Programming

Local Origination and Community Programming - During FY 2003, Comcast's combined community and local origination programming on Channel 69 met the 30 hours or more overall requirement and, in many cases, exceeded the franchise requirement that at least ten hours per week be original, unrepeated programming of interest to Alexandria residents. A summary of the year's activities for local origination and community programming is provided in the Annual Report. Comcast continues to encourage citizen participation in Community Programming certification classes. During FY 2003, Comcast certified 16 people, up from 10 over last year, for community programming production.

Programming and Channel Changes - On July 27, 2002, Comcast realigned channels by programming category, added additional channels, and moved several between the Limited Basic and Expanded Basic tiers. In August 2002, Comcast added MagRack, a video service where customers can select programming based on category and title for free-of-charge magazine clips approximately 30 minutes in length. Also added were high definition (HD) programming in October 2002, Comcast SportsNet in February 2003, and ESPN HD in July 2003. The Spanish-language programming package was revised in May 2003 to include general entertainment, news, Spanish-language films, variety shows, women's programming, children's programming, music videos and interviews, and educational programs.

### Physical Plant and System Operations

System Construction - During FY 2003, Comcast expanded the physical plant by adding 1.32 miles of underground cable. As of July 31, the total number of residential and commercial units passed (units in Alexandria able to receive cable television service) was 70,632.

Service Outages - Staff's review of the Annual Report showed that during FY 2003, the number of outages increased from 52 to 65 (13 more than in 2002), mostly due to the severe weather this year. An outage is defined as a service interruption affecting three or more subscribers connected to the same node. Comcast reports that of the 65 outages: 28 (twelve more than last year) were due to Comcast equipment failure, such as damaged motherboards, feeder connectors, and modules in the nodes. Of the remaining 37 outages, 14 were the result of Dominion Virginia Power system outages (two more than last year), six were a result of damage to the plant by contractors who did not consult with MISS UTILITY prior to digging activities or ignored Comcast's cable line markings (seven less than last year), 11 were caused by electrical power outages due to electrical shortages and power surges (three more than last year), and the remaining six outages (three more than last year) were due to routine maintenance activities conducted by Comcast staff.

Four of the 65 outages lasted longer than four hours (two more than last year). The City Code requires Comcast to credit subscribers with a prorated share of the monthly charge if the subscriber is without service or if service is substantially impaired for any reason for more than four hours during any 24-hour period. Comcast staff issued the appropriate credits to the affected customers. Staff will continue to monitor system outages and ensure that credits are given where appropriate.

Plant Survey - Section 9-3-153 (c) of the City Code requires the franchisee to submit a complete survey of its plant, including electronic measures to determine any signal leakage above the FCC requirements, and to assure the City that Comcast is complying with the FCC technical standards. The FCC Proof-of-Performance tests were conducted by Comcast staff January 1-February 17, 2003. Signal leakage tests were conducted for Comcast by Martech Engineering on August 19, 2003. All tests indicated that results complied with FCC technical standards.

### Customer Service

Subscriber Trouble Calls - During the reporting period, Comcast responded to 11,280 subscriber trouble calls, an increase of 315 calls (3%) from 2002. These trouble calls related to problems with customer equipment (televisions and VCRs), converter boxes, distribution/signals, and coaxial cable. The majority of these calls (7,179 or 63%) were in the "Tap to the TV Set" category (the "tap" is the connecting equipment from the pole to the house), 315 fewer than last year. The majority of the tap to TV set problems result from bad connectors or splitters between the tap and the customer's TV due to age, corrosion, exposure to the elements, or fittings that had been improperly tightened by customers. Converter problems accounted for 19% of the trouble calls, and the remaining 18% of calls were a result of customer equipment or other miscellaneous problems.

Customer Service Standards - The City Code requires Comcast to report quarterly on telephone availability.

The Code requires Comcast's service representatives to answer their telephones within 30 seconds, 95 percent of the time. (This standard exceeds the federal standard which requires that the telephones be answered within 30 seconds, 90 percent of the time.) During the reporting period, Comcast's quarterly data indicate that the percentage of telephones answered within 30 seconds was as follows: July (97.6%), August (87%), September (88.5%), October (86.9%), November (77%), December (70%), January (81.9%), February (86.5%), March (81.3%), April (86.2%), May (85%), June (77.3%). Since their average response time statistics for each quarter did not meet the 95 percent standard, Comcast was fined four times for a total of \$800.

To address this deficiency, Comcast is: increasing salaries slightly to reduce turnover and attract quality service representatives; providing more training for service representatives to respond more accurately to customer queries and problems; and monitoring telephone calls and providing

employee coaching as needed. Staff believes that these measures can improve their ability to meet the customer service standards.

Financial Information:

Director of Finance Daniel Neckel reviewed the unaudited financial statements and the Schedule of Gross Revenues submitted by Comcast for the calendar year 2002. The Schedule of Gross Revenues has been audited by Deloitte & Touche LLP, Comcast's auditors, as required by the franchise agreement. Gross revenues are the basis for computing the franchise fees and capital grant contributions also required by the franchise agreement. In the opinion of the auditors, the Schedule of Gross Revenues presents fairly, in all material respects, the gross revenues of Comcast's Alexandria system for the reporting period.

**FISCAL IMPACT:** For calendar year 2002, the franchise fee to the City, based on 3% of gross revenues from all operations (\$33,064,597.11), was \$991,937.92. Franchise fees are considered general revenues that are deposited in the General Fund and help finance the City government expenditures and transfers.

**ATTACHMENT:** Comcast Cable Communications, Inc. 2003 Annual Report – Executive Summary

**STAFF:**

Rose Williams Boyd, Director of Citizen Assistance  
Jacqueline Levy, Cable Television Administrator



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Alexandria, VA 22304  
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Fax: 703.567.4444  
www.comcast.com

August 29, 2003

Ms. Rose Williams Boyd  
Director  
Office of Citizen Assistance  
City of Alexandria  
301 King Street Room 1900  
Alexandria, Virginia 22314

Dear Ms. Boyd,

Comcast is pleased to submit our 2003 Annual Report to the City of Alexandria, in accordance with Chapter 3 of Title 9 of the Alexandria City Code. Included are copies or summaries of the Year's Activities within Local Origination and Community Programming, a Summary of Customer Complaints, Financial Reports, Statements of Major Equipment and Capital Expenditures, Construction Plans, a list of Comcast Officers and Board of Directors, the Alexandria Employee Report, the Customer Opinion Survey, the Plant Report, and Customer Service Telephone Statistics for the period of August 1, 2002 through July 31, 2003.

This past year has been extremely busy for the system, as we grew our Digital Cable and Internet business, and worked to improve our quality standards both in the field and on the telephone. As Director of Government and Community Affairs, I am happy to continue the partnership we have established with the City of Alexandria. Comcast remains committed to fostering this relationship and expanding our efforts in the Community.

Highlights from the past year are:

- ◆ Expansion of the Comcast Local Edition five minute interviews to promote awareness of non-profit organizations, and to give elected officials the opportunity to address community issues
- ◆ The launch of additional HDTV channels, additional Digital channels; offering more value to our customers
- ◆ The test market for the company in Digital Video Recorders (DVR), with a successful launch that will be duplicated throughout Comcast systems across the country.
- ◆ Major sponsor of the Philanthropy Summit, a partnership between the Alexandria Volunteer Bureau and the Alexandria Chamber of Commerce
- ◆ Corporate sponsor of the Alexandria Chamber of Commerce
- ◆ Sponsored the Alexandria Scholarship Fund Telethon which raised \$60,000 for T.C. Williams Graduates

Comcast and its employees pride themselves with being involved with the Community, and being in the forefront within the Company to deploy new services and technologies to our customers. We look forward to continuing this tradition in 2004.

Yours sincerely,

Marie Schuler  
Director of Government and Community Affairs



## **2003 ANNUAL REPORT**

### **YEAR'S ACTIVITIES SUMMARY**

**Local Origination and Community  
Programming Service to the Community**

**AUGUST 29, 2003**

# **YEAR'S ACTIVITY SUMMARY**

## **Local Origination and Community Programming**

### **Service to the Community**

- Supported Kones for Kids sponsored by the Department of Human Services for their Foster Care program.
- Contributed to the Virginia Special Olympics.
- Supported the "Walk for the Future with Project discovery
- Supported the Alexandria Technology Awards
- Supported the Alexandria Volunteer Bureau An Evening in the Heart of Alexandria Gala
- Provided Cable in the Classroom magazines in conjunction with the CIC program in Alexandria Public Schools
- Supported the Alexandria Chamber of Commerce with their Annual Golf Tournament
- Awarded a Comcast Student Achievement Award to a T.C. Williams graduate. The scholarship is awarded based on improvements made during their high school years while overcoming personal difficulties.
- Awarded a Comcast scholarship to a T.C. Williams graduate pursuing film studies at the Scholarship Fund of Alexandria Awards Ceremony
- Both filmed and participated in the USA/Alexandria Birthday Celebration at Founders Park
- Filmed and participated in the American Indian Festival, the African American Festival, the Italian Festival, the Irish Festival and the Chirlagua Festival.
- Promoted summer concerts throughout the area, 6 Lunch Bunch Concerts, Ben Brenman Park Concert, 5 Ft Ward Park Concerts, 4 Waterfront Park Concerts, 2 Montgomery Park Concerts, 9 Henderson Park Concerts, and the King Street Gardens Concert.
- Sponsor of the Alexandria Philanthropy Summit
- Comcast sat on the Advisory Committee and the selection committee for the philanthropy Summit Awards
- Donated to the T.C. Williams Drug and Alcohol Free Graduation Party
- Participated in the United Way campaign
- Supported the Alexandria Chamber of Commerce "Total Resource" Campaign
- Participated with the Region in Comcast Cares Day at Weller Elementary in Montgomery County. We re-painted the hallways, classrooms, and gym, and landscaped the front entrance
- Sponsor of the CrisisLink Gala
- Conducted a tour of Wheeler Avenue facility for the Federal Communications Commission and the United States Telecommunications Training Institute, whose class is made up of members of the military from around the world.
- Participated in the Alexandria Public Schools Family Involvement Rally
- Corporate sponsor of the Alexandria Waterfront Festival
- Coverage of the Alexandria Election Returns

- Taped and broadcast the T.C. Williams Homecoming Football Game on our local community Channel
- Taped and broadcast the Chamber of Commerce Governors Luncheon
- Taped and broadcast Agenda Alexandria monthly
- Taped and broadcast the Alexandria Chamber Business Leader of the Year
- Taped and broadcast the Grace Episcopal Concert
- Supported the Alexandria Chamber of Commerce Gala
- Taped and broadcast the Martin Luther King Birthday Ceremony
- Taped and broadcast the T.C. Williams vs. W. Potomac Girls Basketball Game
- Taped and broadcast the St Patrick's Day Parade
- Supported, taped and broadcast the State of the City Address
- Taped and broadcast the George Washington Parade
- Taped and broadcast the Salute to Women Awards
- Taped and broadcast the Mayoral Debate
- Taped and broadcast the Valor Awards
- Taped and broadcast the Days of Remembrance
- Broadcast live the City Election Results
- Taped and broadcast the Beautillion Program
- Taped and broadcast the Law Day Debate
- Taped and broadcast the Episcopal Graduation
- Taped and broadcast the Bishop Ireton Graduation
- Taped and broadcast the T.C. Williams Graduation
- Taped and broadcast the Scholarship Awards Ceremony
- Taped and broadcast the St. Stephens /St. Agnes Graduation
- Taped and Broadcast the Scottish Christmas Walk
- Taped and Broadcast the Christmas Tree Lighting Ceremony
- Taped and Broadcast the Excellence in Education Awards
- Taped and Broadcast the City Council Debates
- Taped and Broadcast the Hoop Academy City Classic Girls Basketball Tournament
- Taped and Broadcast the 2003 Girls Exploratory League Basketball Game
- Taped and Broadcast the 49<sup>th</sup> annual Sleepy Thompson Basketball Tournament
- Taped and Broadcast the Girls Sweet Sixteen Basketball Tournament
- Taped and Broadcast the T.C. Williams Girls Field Hockey Games
- Taped and Broadcast the T.C. Williams Girls Volleyball Games
- Supported the Alexandria Torpedo Factory for the "Taste of Alexandria"
- Supported the Alexandria Department of Human Services with their Bicycle round-up Program
- Participated in the city of Alexandria Softball Program
- Sponsored the Alexandria Scholarship Fund Telethon through in kind work planning and broadcasting live and on replay the telethon event. This year's telethon raised \$60,000.
- Sponsored the Scholarship Fund Committee Wrap-up Party
- Broadcast Comcast Original Programming on the local Community Channel,  
Comcast presents: Wyclef Jean + Ziggy Marley

**Comcast presents: SilverChair + Unkle Craker + FatJoe + Nappy Roots**

**Comcast presents: NERDS + Bjork**

**Comcast presents: Amanda Marshall + Wyclef Jean**

**Comcast presents: Coldplay & The Vines**

**Comcast presents: Pantene ProVoice & Ben Folds**

**Produced Comcast Local Edition interviews, appearing on Headline News for the following organizations:**

**City of Alexandria Recreation, Parks & Cultural activities 6**

**Gatsby's Tavern Museum**

**Animal Welfare League of Alexandria**

**The Art League – Annual American Landscape Show**

**The Art League – New School Year**

**The Art League – Winter in Old Town**

**T.C. Williams Cheerleader Booster Club**

**The Center for Adoption Support and Education**

**Columbia Lighthouse for the Blind**

**Alexandria Crime Solvers**

**Office of the Sheriff**

**Inova Alexandria Hospital**

**The Twig**

**The Twig – fundraising event**

**Office on Women - Domestic Violence**

**Office on Women – Walk to Fight Breast Cancer**

**Office on Women – Sexual Assault Awareness Month**

**Project Discovery**

**The Lyceum**

**RPJ Housing**

**Alexandria Convention and Visitors Center**

**Alexandria Convention and Visitors Center – Scottish Walk**

**Fort Ward Museum**

**Fort Ward Museum – Civil Re-enactment**

**Kidz N Need**

**Train Collectors Association**

**Alexandria Symphony Orchestra – Benny!**

**Alexandria Symphony Orchestra – Immortal Beloved: Secret Lovers**

**Alexandria Symphony Orchestra – Music from Fantasia**

**Alexandria Symphony Orchestra – Night at the Oscars**

**American Red Cross**

**First Night Alexandria**

**Samaritan Ministry of Greater Washington**  
**Arlington-Alexandria Coalition for the Homeless**  
**Mount Vernon Estates**  
**Everyone has a Heart Foundation**  
**The American Century Theater**  
**Northern Virginia Family Services**  
**Alexandria United Way**  
**Antiques in Alexandria**  
**Commission for Women – Salute to Women Awards**  
**Commission on Women- Daughters to Work Day**  
**Alexandria Scholarship Fund Telethon**  
**ESL & Immigrant Ministries**  
**Teardrops to Rainbows**  
**Lupus Foundation of Greater Washington**  
**National Multiple Sclerosis Society**  
**Northern Virginia AIDS Ministry**  
**Alzheimer's Association**  
**Stop Child Abuse Now**  
**Alexandria Red Cross Waterfront Festival**  
**The 9/11 Airport Worker Resource Center**  
**Alexandria City Public Schools**  
**CrisisLink**  
**Leadership Alexandria**  
**First Responders Cup**  
**Arlington-Alexandria Coalition for the Homeless**  
**Little Theater of Alexandria**  
**The Reduced Shakespeare Company**  
**National Symphony Orchestra**

**INDEPENDENT AUDITORS' REPORT**

Board of Directors and Stockholder  
Comcast Cablevision of Virginia, Inc.  
Philadelphia, Pennsylvania

We have audited the accompanying schedule of gross revenues, as defined in the Cable Franchise Agreement dated June 18, 1994 (the "Agreement"), of Comcast Cablevision of Virginia, Inc. (the "Company") for the franchise area of the City of Alexandria, Virginia (the "Schedule") for the year ended December 31, 2002. The Schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such Schedule presents fairly, in all material respects, the gross revenues, as defined in the Agreement referred to above, of Comcast Cablevision of Virginia, Inc. for the franchise area described above for the year ended December 31, 2002.

This report is intended solely for the information and use of the Board of Directors and Stockholder of Comcast Cablevision of Virginia, Inc. and the City of Alexandria, Virginia, and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte & Touche LLP*

March 27, 2003

**COMCAST CABLEVISION OF VIRGINIA, INC.**

**SCHEDULE OF GROSS REVENUES  
CITY OF ALEXANDRIA, VIRGINIA  
YEAR ENDED DECEMBER 31, 2002**

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GROSS REVENUES

\$32,686,368

NOTE: The amount of gross revenues above is recorded in accordance with the Cable Franchise Agreement dated June 18, 1994, between Comcast Cablevision of Virginia, Inc. and the City of Alexandria, Virginia.

In a Declaratory Ruling adopted March 14, 2002, the Federal Communications Commission (the "FCC") concluded that cable modem service is properly classified as an interstate information service and is therefore subject to FCC jurisdiction. Based on that conclusion, the FCC determined that cable modem service is not a "cable service" as defined by the Communications Act. As a result, the FCC ruled that revenues from cable modem service should not be used in computing the franchise fee. The gross revenues above do not include cable modem service revenues subsequent to March 2002.