

Capitola debates cable TV takeover

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The Capitola City Council will consider tonight the cost of taking over the city's cable TV system.

The council meets at 7 p.m. at City Hall, 420 Capitola Ave.

Two weeks ago council members directed City Manager Steve Burrell to return with some figures on the cost of a buy-out, despite the pessimistic conclusions of a \$12,000 study that the city would lose money on its own cable TV system.

The study was conducted by the Mission Viejo firm of Comuni/Cable Consultants. Council members commissioned it last year, following rapid rate hikes by Sonic Cable TV, which serves 3,446 Capitola residents with 25 basic channels plus several, like Showtime, available for an additional fee.

Federal deregulation of the cable TV industry allowed the rate hikes. After another \$1 increase in March, Sonic's monthly rate for basic service is \$14.95, up from \$8.95 two years ago.

The city's study estimates that creation of a new cable TV system would cost \$2.4 million for construction and related start-up costs.

Those estimates are based on the premise that the city and Sonic would both operate cable systems in Capitola, instead of the city buying out Sonic. They

assume the city-owned system would attract 2,000 subscribers at a monthly fee of \$13.95 for basic service.

However, council members said the system could bring in more revenue than the study indicates, and discussed a city-owned system that would be the only one in town.

Sonic's general manager, Les Johnson, has said the franchise is not for sale, but council members instructed city staff to send a letter of inquiry to the company.

They also discussed the possibility of taking over Sonic through the law of eminent domain, according to which public agencies can "condemn" holdings if it is in the public's interest to do so.

Burrell concluded that a buy-out of Sonic would cost \$3.4 million, based on a rate of \$1,000 a subscriber.

"According to the information that I am aware of in the cable industry," he wrote in his report, "cost per subscriber ranges anywhere from \$750 ... to \$1,500."

He estimated that debt service, based on a cost of \$3.4 million, would be \$540,000 annually for 10 years. The first year's operating deficit would be \$260,000.

Burrell wrote, "This would decrease significantly in the future and especially when the debt service was paid off."