

Telecom Task Force  
Final Report to Board of Directors  
December 14, 2016

The Telecom Task Force was created by the Board to research the technology, review the existing contract with Comcast, and recommend the next step for the Board as it pertains to the Comcast cable TV contract which expires in June 2018.

First, I want to acknowledge the team who contributed time and effort on this project:

Steve Anderson  
Lark Billick  
Bill Burdick  
Rex Hemme  
Fritz Ring  
Chuck Seymour  
Nancy Triggs

The Task Force began meeting in the spring by researching the direction of technology. We quickly saw that the digital world is with us and that information and programming will be coming down one pipe. The Task Force was in agreement that TV programming could not be designed to please all homeowners especially when the HOA had no control over the programming package that could change at any time without notice. Therefore, the initial leaning of the task force was to allow the contract to run its course and not renew in 2018.

Our next step was to review the existing contract. We found a binding document that was for a channel line-up that no longer existed, at an excessive cost, for an unacceptable term. The only way to change the contract was to explore replacing it. We met with Comcast because, regardless of the decision of the HOA in relation to the contract, Comcast has a massive infrastructure inside the community that they own and will continue to maintain. Comcast shared some information on the direction their company was taking and some of the partnerships they were forming in order to provide more and better service to customers. The trend is to incorporate as much as possible in the cable box or a smart TV. That enables streaming services without impacting the internet speed. They were interested in presenting a new proposal that could replace the existing contract. The Task Force asked for several options – video only, internet only, and video/internet combination.

The video only was a lower price but did not include HD, nor equipment, and required a 7 year contract, very similar to the existing contract.

The internet only option was also a 7 year contract and would replace the existing contract meaning homeowners would be at the mercy of the retail market for video.

Comcast presented two proposals for providing both video and internet. For both options Comcast will provide equipment to homeowners who do not currently have the equipment and will install the equipment.

Option 1      \$55/mo/household  
                  Digital Starter Package

HD  
X1 platform box  
2 companion boxes  
Internet (75mg)  
Cable modem w/wireless router  
5 year contract

Option 2      \$50/mo/household  
Digital Starter Package  
HD  
X1 platform box  
2 companion boxes  
Internet (25mg)  
Cable modem w/wireless router  
5 year contract

Even though this amenity should be considered a pass-through cost and not directly affect the budget, the Task Force recommends the video/internet combination with 25mg internet at \$50/household/month. The cost for the video portion decreases but the addition of internet service and equipment bring the monthly fee comparable to the current contract – an amount the HOA is committed to paying through June 2018. It also may provide a better transition for homeowners as the technology advances over the next 5 years.

It is important to understand that due to the “favored nation” clause in their franchise agreement, in order to get any special pricing on services, Comcast must have a contract with the HOA, bill the HOA, and not propose pricing different from what they propose to other HOAs. This is an excellent example of the HOA using its buying power to provide an amenity to all homeowners. Signing this contract does not put the HOA in the cable business any more than the Rusticscapes contract puts the HOA in the lawn business. The HOA is in the business of contract negotiation/management to get the best deal for the homeowners.

You each received a copy of the proposed new contract for your review. Note that none of the prices in the Bulk Bill Addendum (Exhibit B) include taxes and fees of approximately 13%. A major difference between this contract and the existing contract is that the Broadcast TV fee of nearly \$2,000/month is included in the video portion. There is also up to a 4% annual escalation.

With a Bulk Agreement, BellaVita now has a Comcast account representative and a special phone number to call for service. The Task Force has already published the number for use by homeowners. In addition, with a new contract, Comcast will come on site quarterly to review accounts with homeowners as well as set up any homeowners who may have other providers.

Additional services like DVR, premium channels, higher speed internet will be the responsibility of the individual homeowners. Comcast is simplifying the cost of these add-ons. There should be no bundling offers, promotional offers, etc.

The biggest difference between this proposal and the existing contract is that homeowners who have internet from Comcast will no longer have to pay for basic internet service, nor the cable boxes or cable modems. Homeowners with a different provider can try the Comcast service at no cost to them without

affecting their existing contract and decide if it is a better option for them. Homeowners who have no internet service will receive internet at no additional cost. We realize that some people do not have computers. However, our survey showed that 99% have cell phones. Therefore, operating a cell phone over a home network might reduce the cost of a homeowner's data plan. In addition, a homeowner could download Xfinity apps to control the TV, manage their account, and stream movies and TV. They also have access to the Xfinity wi-fi when away from home. They do not need a computer to get a benefit of the internet.

It is still an option to let the current contract continue as is and expire in June 2018 without renewing it. The HOA would continue to pay per the contract for the next 18 months but the responsibility for obtaining cable TV would transfer to the homeowners in 2018. Without a Bulk Agreement, they would be on their own on the retail market. The Task Force does not recommend this option.

Since the HOA is bound by the existing contract through June 2018 at a cost of roughly \$50 plus tax and fees and the Broadcast TV Fee/mo/unit, the Task Force recommends a new contract be established between the association and Comcast for both video and internet service.

For purposes of clarification (and for the minutes), may I re-phrase the recommendation:

BellaVita accepts the new contract with Comcast to include:

- Digital Starter Video Package
- HDTV
- X1 platform cable box with 2 companion boxes
- Remote controls with voice commands for each box
- Internet Service at 25 mgbs
- Cable modem with wireless router
- At a cost of \$50/mo/household
- For 5 years beginning February 1, 2017

Second recommendation:

The Task Force recommends that the board maintain the task force through the implementation phase. We would also encourage other homeowners with some knowledge of the technology to assist during the month of January 2017.

Third recommendation:

Appoint a community liaison to manage the account and assure the quarterly visits to the community. [NOTE: The Board appointed Fritz Ring as the liaison to manage and enforce the contract.]