

MEMORANDUM

Village of Mamaroneck



To: Board of Trustees

From: Daniel J. Sarnoff, Assistant Village Manager

Re: LMC Board of Control Distribution of Funds to the
Member Municipalities

Date: November 15, 2018

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www.villageofmamaroneck.org

In regard to the above caption matter, for several years, the LMC Board of Control has provided a distribution of \$350,000 to the member municipalities from its undesignated fund balance. In reviewing the fund and preparing the 2019 Budget for the Board of Control's consideration, the Comptroller to the Board of Control is recommending a reduction in this level of funding as the current levels of distribution are unsustainable.

In order to provide context on the LMC funding model, it is important to provide a bit of background information on LMC to provide context to this request.

While I cannot state with certainty that there is no comparable public access program in the Country which is equivalent to LMC-TV, it is certainly accurate that there is no public access program quite like LMC-TV in Westchester County. This is a result of a decades long philosophy that the franchise fee monies generated through our agreements with Altice and Verizon be used towards the benefit of public access programming.

For many years, the franchise fee monies were more than enough to adequately fund LMC-TV and franchise fee revenues which remained unspent went into an undesignated fund balance. Beginning about 10 years ago, the Board of Control, having built up a large undesignated fund balance, began making distributions to the member municipalities totaling \$350,000 per year, which based on a pro rata share equates to a \$169,608 non-property tax revenue to the Village of Mamaroneck. As a point of comparison, with the Village's current levy a 1% on the tax levy equals approximately \$243,000.

Given the distributions that have been occurring for the past several years, in conjunction with a seed change in the viewing habits of the American public through which more video content is being streamed, many people are no longer subscribing to cable tv, or at a minimum reducing their subscription packages. On a nationwide basis, franchise fees have been trending in a negative direction. Locally, we had not seen a negative trend until this year where we have estimating a 2% reduction. For next year, we are only forecasting a 1% increase.

Based on this information and analyses prepared by the Town Comptroller, this current level of distribution is not sustainable, and a revised model is being proposed that would phase the distributions to the Village of Mamaroneck out over the next few years as follows:

2018/19:	\$169,608
2019/20:	\$121,150
2020/21:	\$72,690
2021/22:	\$24,230
2022/23:	\$0

Under such a plan, the Board of Control would be able to maintain a surplus which would likely be used to help pay for legal assistance as we enter into negotiations for successor agreements as the current franchises expired in 2022.

If the distributions were not lowered, it is likely that the undesignated fund balance will be totally depleted within two years which would require significant reductions in the distribution regardless.

Under any scenario, the Village will likely see a reduction in this non-property tax revenue, the only question is when it will decrease and the impact it will have. Under the recommended scenarios, it is an approximate \$50,000 each year for four years. If no changes are made, it will be much more impactful two years down the road, but will leave LMC with virtually no unrestricted fund balance.

My understanding is that the Town of Mamaroneck, which is currently in the budget process is moving forward with the recommended distribution. We do not need to discuss this now, but it will be important in the context of the Tentative Budget for FY 2019/20.

Given the impact that this will have on both the Board of Control and the Village, this item is being placed on the agenda for the Village's Board's discussion at the November 26, 2018 work session.

L-M CABLE TV BOARD OF CONTROL

DB

PREPARED ON 10/30/2018

UNRESTRICTED FUND BALANCE ANALYSIS (PROJECTED 2018-2022)

CURRENT: \$350,000 ANNUAL DISTRIB. MODEL	2018	2019	2020	2021	2022
UNRESTRICTED FUND BAL-BEG. YR.	\$431,934	\$243,788	\$42,719	\$3,189	\$24,550
PROJECTED REVENUES **	\$888,712	\$897,599	\$606,575	\$915,841	\$924,797
PROJECTED EXPENDITURES ****	(\$728,880)	(\$748,868)	(\$771,128)	(\$794,280)	(\$818,087)
APPROPRIATED F/B DISTRIBUTION	(\$350,000)	(\$350,000)	(\$175,000)	(\$100,000)	\$0
PROJECTED SURPLUS/(DEFICIT)	(\$188,148)	(\$201,067)	(\$39,551)	\$21,381	\$108,710
UNRESTRICTED FUND BAL-END. YR.	\$243,788	\$42,719	\$3,189	\$24,550	\$131,280
Village of Mamaroneck (48.48%)	\$189,608.00	\$189,608.00	\$84,805.00	\$48,460.00	\$0.00
Town of Mamaroneck (34.18%)	\$119,658.00	\$119,658.00	\$59,832.50	\$34,160.00	\$0.00
Village of Larchmont (17.35%)	\$60,734.00	\$60,734.00	\$30,382.50	\$17,350.00	\$0.00
Total Muni Distribution - \$350,000 per year	\$350,000.00	\$350,000.00	\$175,000.00	\$100,000.00	\$0.00

RECOMMENDED: \$100,000 DISTRIB. REDUCTION MODEL	2018	2019	2020	2021	2022
UNRESTRICTED FUND BAL-BEG. YR.	\$431,934	\$243,788	\$142,719	\$128,189	\$199,550
PROJECTED REVENUES **	\$888,712	\$897,599	\$806,575	\$915,841	\$924,797
PROJECTED EXPENDITURES ****	(\$728,880)	(\$748,868)	(\$771,128)	(\$794,280)	(\$818,087)
APPROPRIATED F/B DISTRIBUTION	(\$350,000)	(\$250,000)	(\$150,000)	(\$50,000)	\$0
PROJECTED SURPLUS/(DEFICIT)	(\$188,148)	(\$101,067)	(\$14,551)	\$71,381	\$108,710
UNRESTRICTED FUND BAL-END. YR.	\$243,788	\$142,719	\$128,189	\$199,550	\$308,280
Village of Mamaroneck (48.48%)	\$189,608.00	\$121,150.00	\$72,890.00	\$24,230.00	\$0.00
Town of Mamaroneck (34.18%)	\$119,658.00	\$65,475.00	\$51,285.00	\$17,095.00	\$0.00
Village of Larchmont (17.35%)	\$60,734.00	\$43,375.00	\$28,025.00	\$8,878.00	\$0.00
Total Muni Distribution -	\$350,000.00	\$250,000.00	\$150,000.00	\$50,000.00	\$0.00

*PEG Grant \$\$ in the amount of \$130,000 annually are restricted for Capital Studio Equipment & not included in above fund balance analysis.

**Projected Revenues Assumption - 1% annual increase thru 2022 when franchise agreements expire.

****Projected Expenditures Assumption - 3% annual increase 2019 thru 2022.

2018 Expenditure increase of 11% due to BOC approved funding increase of \$82,665 for LMCTV operations.