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December 17, 2008

The Honorable Antonio Villaraigosa
The Honorable Rockard J. Delgadillo
The Honorable Members of the City Council

Through cable franchise agreements, the City of Los Angeles has the rights to two citywide channels, 35 and 36. In January a new state law will turn over ownership of two additional public access stations to the City. This is a very opportune time to have a citywide discussion on the use of the local access channels and the future direction of 35 and 36.

My audit found that 35, which is managed by the City's Information Technology Agency, and 36 which is operated by the non-profit Cable Television Access Corporation, are generally well-run. There is room for improvement in producing additional and more diverse programming and for reducing costs and enhancing revenues.

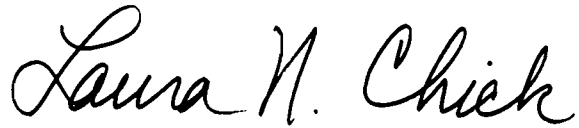
First and foremost, there are no independent surveys which measure viewership so it is nearly impossible to gauge the impact and success of the programming. Further, as we have seen in many of my other audits, the City lacks a strategic plan and vision for the future development of our government and public access channels.

With the transfer of the two public access channels come 12 television studios spread across Los Angeles. The City now needs to decide whether to take over the operations of those facilities at estimated annual costs of \$2.7 million in operating expenses and \$600,000 in lease payments, and a one-time capital expense of up to \$600,000 to modernize equipment.

During the last two years, Channel 35 spent nearly \$300,000 of its budget on mandated airing of the Commission meetings of the City's proprietary Departments (Harbor, Airport and DWP). These Departments reimbursed these funds; however, the monies were diverted to the City's general fund and not to Channel 35 as was originally intended.

Being able to develop and televise programming available to millions of Los Angeles residents is an extremely precious commodity to the City. Even absent the needed funds to implement changes, the City should develop a clear plan of how to best (most effectively and efficiently) utilize and operate these valuable assets.

Sincerely,

A handwritten signature in black ink that reads "Laura N. Chick". The signature is written in a cursive, flowing style.

LAURA N. CHICK
City Controller



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December 17, 2008

Ms. Randi Levin, General Manager and Chief Technology Officer
Information Technology Agency
200 N. Main Street, Room 1400
Los Angeles, CA 90015

Dear Ms. Levin:

Enclosed is a report titled "Performance Audit of the City's Public, Educational, and Government Access Channels". A draft of this report was provided to you on November 24, 2008 and discussed at an exit conference on December 3, 2008. We considered your comments prior to finalizing this report.

Please review the final report and advise the Controller's office by January 23, 2009 on planned actions you will take to implement the recommendations addressed to your office. If you have any questions or comments, please contact me at (213) 978-7392.

Sincerely,

FARID SAFFAR, CPA
Director of Auditing

Enclosure

cc: Robin Kramer, Chief of Staff, Office of the Mayor
Jimmy Blackman, Deputy Chief of Staff, Office of the Mayor
Ben Ceja, Director, Finance & Performance Management, Office of the Mayor
Raymond P. Ciranna, Interim City Administrative Officer
Karen E. Kalfayan, Interim City Clerk
Gerry F. Miller, Chief Legislative Analyst
Independent City Auditors

December 10, 2008

Laura Chick, City Controller
Office of the Controller, City of Los Angeles
200 N. Main Street, Room 300
Los Angeles, CA 90012

Dear Ms. Chick:

Enclosed is our report entitled "Performance Audit of the City's Public, Educational, and Government Access Channels." This report was prepared on behalf of the Los Angeles City Controller by Sjoberg Evashenk Consulting, and includes our analysis, conclusions and recommendations.

Prior to completion of this audit, we provided a draft report to the Information Technology Agency (ITA) and discussed its contents with ITA management as well as key management of LA CityView 35 and LA36, the City's government and education access channels. Management comments received at an exit conference held on December 3, 2008, were considered in finalizing the report.

Sjoberg Evashenk Consulting was pleased to work with the City Controller's Office on this important project, and appreciates the cooperation we received from ITA, LA CityView 35 and LA36 officials and staff.

Respectfully submitted,



Marianne P. Evashenk
President

Los Angeles City Controller

Performance Audit of the City's Public, Educational,
and Government Access Channels

December 2008



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Executive Summary

On behalf of the Los Angeles City Controller, Sjoberg Evashenk Consulting, Inc. completed a performance audit to assess the efficiency and effectiveness of the City of Los Angeles Information Technology Agency's (ITA) oversight, operation, and management of the City's public, educational and government (PEG) access channels. The scope of this audit included an assessment of the governance structure, mission and vision, level and experience of staffing utilized, and programming decisions related to PEG Access as well as the methods used to assess effectiveness and identify how the City compares to peer organizations.

Background and the Changing Environment of PEG Access

For more than two decades, the City has received franchise fees and rights to PEG Access channels from cable franchise operators in exchange for allowing operators use of City rights of way. While the number of access channels maintained over the years has varied, the City currently operates the citywide—or “interconnected”—LA CityView 35 as its government access channel and provides a grant to the Los Angeles Cable Television Access Corporation (LACTAC) to operate the citywide LA36 for educational access. In addition to these two citywide access channels, the City requires multiple cable companies to operate two local public access channels, and utilized through 12 public access production studios available to communities throughout the City. ITA's Video Services Regulatory Division (Regulatory Division) provides limited oversight activities of the public access services and LA36 operations.

The City has recognized the need to make changes to its overall PEG services. In 2000, as the existing cable franchise agreements were set to expire, ITA conducted a needs assessment that involved significant community input on many cable-related matters. This was to provide a basis for renegotiating franchise agreements and for establishing a new model for PEG Access in Los Angeles. Since then, multiple independent studies—including those produced by the City's Municipal Access Policy Board (MAPB), LACTAC, Board of Information Technology Commissioners (BITC), City Administrative Officer (CAO), Chief Legislative Analyst (CLA), and City Attorney, among other City officials—have produced recommendations ranging from eliminating all City funding for LA36, and requiring it to become self-sufficient, to plans that would double the City's investment in LA36. Other officials have expressed desires to completely reorganize and consolidate PEG Access in Los Angeles, while some seek to maintain the existing governance structure. Critical decisions regarding the City's efforts to devise a more robust PEG Access system were preempted in 2006 with the State's passage of the Digital Infrastructure and Video Competition Act (DIVCA), which eliminated the City's authority to negotiate cable franchise agreements with cable operators, and forced the City to postpone strategic decisions and re-evaluate its approach to PEG Access altogether.

In January 2009, provisions from DIVCA will dramatically alter PEG Access in Los Angeles. Cable operators will no longer be providing the twelve public access studios and the City must decide whether or how it will provide public access to City residents in the future. In July 2008, MAPB and BITC submitted a joint report outlining several options available to the City to respond to the new legislative direction. Alternatives to establish four fully interconnected citywide channels range from maintaining the City's current investment of approximately \$3.8 million—by replacing existing public access channels with a second government access channel and a fully-dedicated educational access channel with no additional funding—to investing approximately \$7 million annually to maintain existing public access studios throughout the City. On December 3, 2008, the City Council approved recommendations to implement the less costly option as a starting point for the City's revamped PEG Access model—thus, providing short-term solutions to resolve significant uncertainties and to form a basis upon which the City can devise a strategic plan for future PEG Access. While the City has recently made several key decisions regarding the future of PEG Access, it has yet to fully develop a strategy to address key long-term challenges—including identifying ways to provide public access in the future. Now is a prime opportunity for the City to solidify its vision for PEG Access and implement a defined course of action resulting in a more effective and coordinated provision of service to Los Angeles cable subscribers and residents.

Summary of Results

Overall, LA CityView 35 and LA36 are generally well-run, but are faced with significant external challenges and with opportunities to improve existing practices. The impending effects of DIVCA, the City's significant budget challenges, and delays in developing and implementing a unified vision for the future of PEG Access pose significant external hurdles that must be overcome. A general lack of performance data and programming statistics inhibits any meaningful or substantive performance assessment of PEG Access. We also found that oversight should be improved to better ensure optimal service delivery and efficiency, efforts can be enhanced to identify and produce additional and more diverse programming, and efficiencies can be implemented to reduce costs and enhance revenues.

Our assessment of the City's PEG Access did not reveal significant deficiencies, non-compliance, or other serious problems. Instead, we found several strong practices and accomplishments, including:

- LA CityView 35 and LA36 operate consistently with mandates, are aligned with practices common among PEG operations throughout the nation, produce more original programming than most, and offer a wider variety of services.
- Both LA CityView 35 and LA36 have produced Emmy award-winning programs and have won many awards from the National Association of Broadcasters as well as the National Association of Telecommunications Officers and Advisors.
- LA CityView 35 and LA36 exhibited efficient production practices consistent with their peers, including the use of contractors to supplement limited staff and

allow each station to meet high-demand periods while reducing costs in low-demand periods.

- Programming protocols in use are subject to well-developed guidelines that help ensure content is fair and unbiased. Programming decisions are appropriately subject to oversight by external boards—MAPB over LA CityView 35 and the non-profit LACTAC for LA36.

In light of the changing environment, the City has a prime opportunity to address its decade-old debate on PEG Access and solidify future direction by preparing for the full effects of DIVCA in January 2009. Key issues are summarized below.

The City lacks a clear approach to coordinate or optimize PEG Access

Currently, the City lacks an overarching mission or vision for PEG Access that limits the City's ability to guide future funding decisions as well as coordinate programming efforts, leverage resources, reduce duplication and competition among PEG providers, and enhance accountability and transparency. The governance and oversight of each PEG channel has been separated between LA36, private cable operators, two separate divisions of ITA, and two independent boards—none of which sufficiently interacts or coordinates with the others. This is exacerbated by the year-to-year decision making regarding expectations and fiscal resources, and lack of long-term goals or plans that limits PEG operators' ability to employ meaningful strategic planning for future PEG Access operations. Given the City is looking to revise its PEG Access model, it should focus on alternatives to implement a more integrated approach to oversight and resource sharing.

As a result of the lack of a clear vision for PEG Access and a weak organizational infrastructure, fundamental problems exist with the City's governance of PEG Access. For instance, in regard to LACTAC, the City has not set forth clear guidelines and goals regarding what it expects from its approximately \$600,000 annual investment in LA36 resulting in conflicts over the past five years regarding whether LA36 programming content complies with grant terms and optimizes performance. In part, this is due to a perceived lack of support from City officials, vague and ambiguous language in the grant agreement, and policy and budget constraints limiting ITA's role to that of a grant facilitator—though current indications are that relations between LACTAC and ITA have improved significantly since 2006.

The current structure for governance and oversight of the City's PEG Access could be transformed to better ensure optimal performance and accountability. The City should readdress the direction of PEG Access in Los Angeles by devising a strategic plan that establishes clear goals for future PEG development as well as expectations and guidance regarding the performance of each PEG channel. We believe the development of an overall vision for PEG Access in Los Angeles is critical to guide future PEG investments. In addition, the establishment of an oversight body—independent of the programming decisions of each of the channels—is a potential vehicle to provide adequate oversight and coordination for PEG Access.

Although consistent with peers, LA CityView 35 and LA36 programming protocols and measures of effectiveness could be enhanced

Programming practices for both LA CityView 35 and LA36 are primarily driven by requests from clients, neither channel has sufficient resources to conduct outreach and secure more diverse programming. While this model is similar to other peer stations, the approach may limit program offerings because only those entities that actively request programming and have the dedicated resources will get their information aired. Some stakeholders are more active and assertive in making requests, while others could be left under-represented. While we did not identify an instance where a City department requesting services was denied, a more comprehensive and varied program line-up may also benefit all Los Angeles cable subscribers and residents by increasing awareness of the full breadth of programs and services available. A more proactive approach, together with resources dedicated to outreach, could encourage more diverse and comprehensive program development, benefiting residents by increasing awareness of the full breadth of government programs and services available.

Further, limited data exists to adequately assess the effectiveness or success of the two channels, a predicament faced by every peer PEG operator we spoke with during this audit. Both LA CityView 35 and LA36 have begun tracking some workload indicators—such as production hours—that suggest productivity and efficiency has increased over several years. However, neither of the PEG Access channels has sufficiently developed or gathered critical performance measures that could be used to evaluate success. These include viewership statistics, analyses of programming requests and demand from diverse clientele, statistically valid consumer research, or cost per hour of production. Additionally, the City does not base programming decisions on research tracking audience interests and viewing habits, similar to other non-commercial stations, nor does it measure public interest or proactively seek to increase awareness through substantial marketing or outreach campaigns. This may limit the City’s ability to ensure the “right” or “best” programming based on the mission of the respective channel and that residents express a level of “demand” and “satisfaction” with the programming to justify the City’s \$3.8 million annual investment. Moreover, it inhibits any meaningful or substantive performance assessment of the impact of PEG Access in Los Angeles and significantly limits the City’s ability to secure donations, sponsorships, or underwriting opportunities. ITA management indicated that, as of mid-November 2008, it has recently commissioned a modified Nielsen survey at a modest financial investment to obtain viewership information—indicating that the City is moving in the right direction.

Some opportunities exist for LA CityView 35 and LA36 to enhance efficiencies and increase revenues

With the promise of tight budgets in the future and the potential for increasing PEG Access capacity in Los Angeles, the City’s channels will be required to do more with limited resources. Ultimate success will depend on the channels’ ability to increase complementary funding streams and minimize inefficiencies. For instance, while some government access peers nationwide supplement funding with monies earned from production fees, donations, underwriting, and sponsorships, LA CityView 35 relies

exclusively on City funding. However, most supplementing resources require research in audience interests and viewership statistics that are currently not available. At the same time, LA36 has been more successful in obtaining non-City revenues ranging from nearly \$300,000 to \$400,000 between Fiscal Years 2004-2005 and 2007-2008, though amounts tend to fluctuate significantly from year to year. Further, although LA36 supplements its City grant through production fee charges, those rates are not based on cost-recovery models which could be developed to potentially augment current funding.

Our review identified potential opportunities for cost savings as LA CityView 35 continues to employ contractors to produce programming. Although hourly rates are prescribed in LA CityView 35's contracts, station management has an informal policy of ensuring that contractors will be assigned a full-day's work even if the specific event to which they were assigned lasts only a fraction of a day. Specifically, LA CityView 35 management states that it reassigns contractors additional tasks to fill in the remaining time. Invoices reviewed typically showed a minimum of eight hours worked regardless of the actual time needed for an individual production project, and did not reflect any additional tasks performed. The City may realize cost savings by first ensuring that approved invoices are supported and reveal the actual work performed, and second by hiring contractors to only perform the work necessary to complete the production project—even if it lasts a portion of a day. Many peer channels across the nation pay contractors on an hourly basis to minimize contract costs and maximize productivity. In addition, because it requires LA CityView 35 an average of six to nine months to execute contracts approximately every 18 months, other efficiencies may be realized by working with City officials to identify alternative methods of executing contracts as well as by utilizing interns and volunteers.

Further, ITA must establish defined practices to manage LA CityView 35 cost reimbursements on a go-forward basis to ensure funding for LA CityView 35 programming is used as intended. During a two-year period ended June 30, 2007, LA CityView 35 spent approximately \$292,000 of its budget on mandated programming for commission hearings of proprietary departments. While the proprietary departments appropriately reimbursed these costs, the funds were not made available back to the channel to offset production costs. Ultimately, due to Citywide budgetary constraints, the accumulated reimbursements were swept to the City's General Fund. As a result, the total funding available to produce original programming for the Council, Mayor, and Council-controlled departments was reduced.

Sjoberg Evashenk conducted this audit in accordance with generally accepted government auditing standards. Fieldwork was performed between July and September 2008—though subsequent policy decisions made by the City Council and other City officials were also taken into consideration. The findings of this report were presented to and discussed with key representatives of ITA, LA CityView 35, and LA36 in an exit conference held on December 3, 2008. Auditees' responses and information provided during these discussions were considered and incorporated where applicable in the final report.

Recommendations

In this report, we offer several recommendations to address our observations and improve PEG Access operations, as detailed below.

	Recommendation Description/#	Report Page #
1	<p>ITA management should work with City officials to develop, in an expedited manner that minimizes the disruption of service to Los Angeles residents, a long-term, strategic plan for PEG Access.</p> <ul style="list-style-type: none"> • Work with City officials to ensure the security of the City’s right to four interconnected PEG channels, to develop sufficient programming content to maintain the channels, and to develop adequate contracts or other agreements with third-party programming providers; • Devise a central vision for PEG Access operations; • Create a long-term strategic plan to guide City efforts, funding decisions, resource allocation, as well as infrastructure and programming development; • Establishing a governance structure over all PEG Access in the City, and take a stronger leadership role to guide all PEG Access in the City and to assure adequate transparency, accountability, and productivity. In doing so, we recommend that the City consider, among other options, the creation of a central independent oversight body to provide continuity for PEG Access in the future, while at the same time assuring the relative autonomy of each channel to make programming and operating decisions; and • Coordinate programming efforts; procurement and use of equipment, facilities, and production resources; and key PEG-related policies and approaches by interacting with all entities on a regular and proactive basis to provide more uniform and united service delivery to customers. 	15
2	<p>ITA management should work with City officials to establish well-defined, concrete and performance-based expectations of LACTAC and any other third-party or City-controlled PEG operators to ensure the existence of an adequate framework from which to monitor channel operations, approve grant provisions, and hold PEG operators—including LA36 and LA CityView 35—more accountable.</p>	16
3	<p>ITA management should perform more thorough oversight to assure that money is being used as designated in the grant agreement, quality services are provided, and the City is receiving value from its investment.</p>	16

Recommendation Description/#		Report Page #
4	<p>LA CityView 35 management should reach out to “underrepresented” departments, agencies, elected officials, commissions, boards, and other City entities that do not utilize LA CityView 35 services. In this way,</p> <ul style="list-style-type: none"> • Continue to encourage a broader array of program development requests; • Consider setting strategic goals such as “to add XX number of new clients each year”; assessing and evaluating trends in client usage and opportunities to expand clientele; or through other means; and • Consider developing a service cap to limit the number or extent of ITA-funded production projects for a single department, and requiring those that want to produce additional programming to fund it through their own budgetary resources. 	30
5	<p>ITA management should capture and track additional performance and viewership statistics that can be monitored, evaluated, and used to demonstrate accountability and value. This should include defining more useful performance measures, setting specific performance goals, and analyzing performance trends over time. Incentive-based grant provisions could also be established to encourage LACTAC and other third-party operators for optimizing performance.</p>	30
6	<p>LA CityView 35 and LA36 should examine the practicality of conducting more robust marketing, outreach, or public relation efforts to increase awareness and interest in both channels.</p>	30
7	<p>LA CityView 35 and LA36 should exercise dedicated, regular, and proactive efforts to secure additional funding streams to maintain current levels of operations.</p>	38
8	<p>LA CityView 35 and LA36 should conduct a cost-analysis to identify complete production costs and the basis that could be used to charge customers a fully-loaded reimbursement rates, or—at a minimum—revise fees to help augment funding.</p>	38
9	<p>ITA management should work with City officials to make a modest financial investment to identify viewership trends, demographics, interests, and other statistics that could be used to attract and maintain financial sponsors and underwriters to augment City funding sources.</p>	38

Recommendation Description/#		Report Page #
10	<p>LA CityView 35 management should improve efficiencies in the use of contract expertise by:</p> <ul style="list-style-type: none"> • Applying half-day or hourly rates and/or requiring contractors to invoice time by specific project and task, thus, providing improved assurance that invoiced amounts reflect actual hours worked; • Considering the development of a program to use non-paid interns and volunteers to supplement resources; and • Considering streamlining existing contracting processes by working with appropriate City officials to identify alternatives to allow ITA to contract with its 90+ contract experts without having to navigate the City’s cumbersome contracting process year after year. We believe that alternative approaches could be employed in a manner consistent with the City Charter, and in a manner that ensures competition, integrity, transparency and accountability. 	39
11	ITA management should establish defined practices to manage LA CityView 35 reimbursements on a go-forward basis.	39

Introduction and Background

When cable television began its mainstream introduction in the 1970s, the Federal Communications Commission mandated all cable systems to make available channels for the airing of non-commercial content produced by government entities, educational institutions, and the general public. That intent was reinforced with the Federal Communications Commission's support of the Cable Communications Act of 1984 providing local governments as the franchising authority the power to require cable operators to pay a franchise fee of up to 5 percent of gross revenue in exchange for the operators' use of public rights of way. It further afforded that franchising agreements could require capacity for designated public, education, and government (PEG) access channels. Starting in 1987 the City of Los Angeles (City) negotiated cable franchise agreements with several cable operators requiring in part that operators provide network capacity for PEG Access channels. As a result, Los Angeles cable operators were required to dedicate at least three channels to facilitate PEG Access, as well as to offer expertise, facilities, equipment, and/or PEG Access Fees for PEG program development.

PEG Access in Los Angeles

The City's PEG Access channels are primarily funded through a small portion of the approximate \$25 million in non-restricted monies collected annually by the City through cable operator franchise fees. Forty percent of these revenues are designated to support cable franchise regulatory activities and the City's PEG Access channels and activities. The remaining 60 percent is transferred to the City's General Fund.

While the actual number of access channels has varied over time, the City has generally maintained four PEG Access channels in each of the franchise areas. These four

LA PEG Channels:

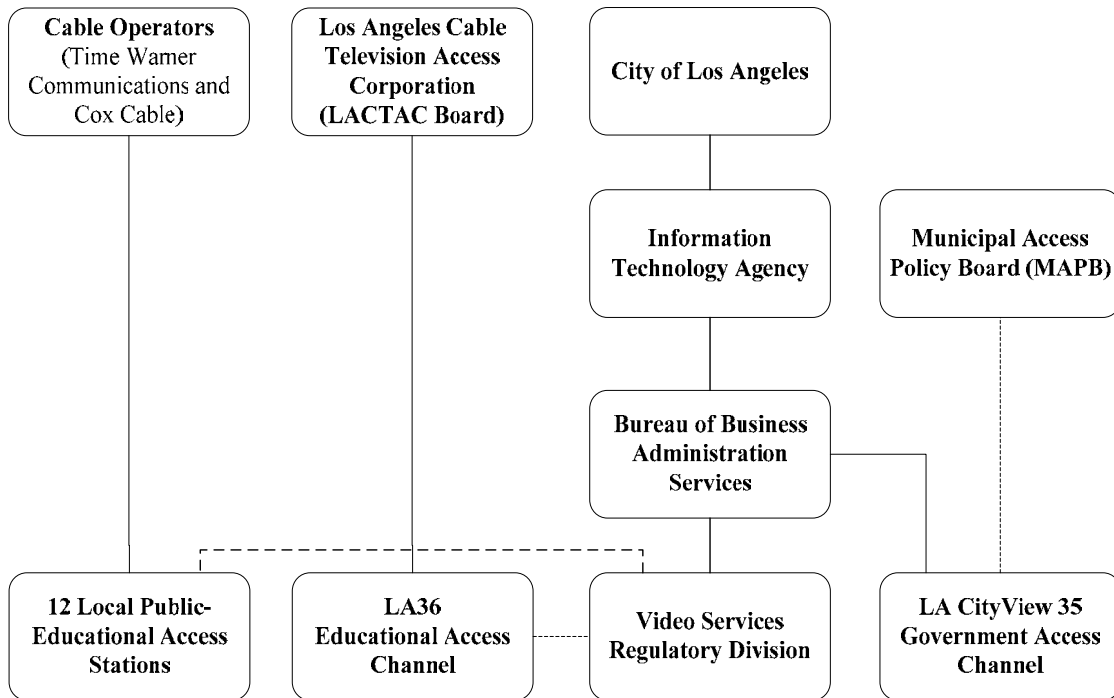
- ✓ LA CityView 35: Provides Government Access Content Citywide
- ✓ LA36: Provides Educational—or “Life-Long Learning” Content Citywide
- ✓ Local Public/Community/Educational Access Channel Provides Community-Specific Content
- ✓ In most Los Angeles Communities, a Second Local Public/Community/Educational Access Channel Provides Additional Community-Specific Content

channels are comprised of two citywide—or “interconnected”—channels, LA CityView 35 and LA36, and two community-specific channels with 12 local public access studios throughout the City. These Public Access studios facilitate the production and airing of public, community, and other educational programming as produced by the community itself. The City operates and manages LA CityView 35, while the non-profit Los Angeles Cable Television Access Corporation (LACTAC) operates LA36 through a grant monitored by the City. The other local public access channels are operated and managed by private

cable operators. This structure for PEG Access content will remain in effect until January 2009.

Under the current structure, the City maintains rights to PEG channels and discretion over funding but the operation and oversight of each channel is handled through separate and independent groups as shown in Figure 1.

Figure 1: Governance and Structure of PEG Channels



LA CityView 35

LA CityView 35 provides a citywide government access channel that disseminates programs including city council meeting coverage, election programming, departmental informational productions, and public service announcements, among others. LA CityView 35 received a Fiscal Year 2007-2008 budget allocation of approximately \$3.2 million—a small portion of the \$25 million collected from franchise fees—though City departments, agencies, boards, commissions and other entities may also fund additional programming through their own budgetary resources. Although managed under the purview of the City’s Information Technology Agency (ITA), LA CityView 35 reports on a quarterly basis to a three-member Municipal Access Policy Board (MAPB) for policy updates and approval for programming requests. LA CityView 35’s mission is to:

- Serve the people of Los Angeles by providing accurate and current information about policies, services, and activities of City government;
- Highlight and provide programs which discuss significant issues facing the community and the people of Los Angeles;

- Provide information about City office candidates and local ballot measures; and
- Stimulate and encourage all people representing the diverse ethnic and cultural communities of Los Angeles to involve themselves in local government and public issues.

LA CityView 35 employs 23 staff and utilizes 91 on-call contractors, many of whom have experience in commercial television or film production industries and are cross-trained to perform multiple functions.

LA 36

Operated and managed by the non-profit LACTAC, LA36 provides educational programming related to local school functions, distance learning courses, and general “life-long learning” programming on a Fiscal Year 2007-2008 budget of approximately \$895,000—\$555,000 of which was appropriated from the \$25 million collected in franchise fees. While this amount increased to \$605,000 for Fiscal year 2008-2009, \$250,000 of the total can only be used for *capital* expenditures thereby reducing the City allocation available for *operating* expenses from \$555,000 to \$355,000. LA36 operations are governed by LACTAC’s 15-member Board of Directors which is involved in decisions related to staffing, budget, operations, and programming that sustains LA36’s mission to “support community building and promote learning” as well as create value “by connecting education and cultural resources that meet local needs.” LACTAC was incorporated in 1996 for the purpose of operating LA36, and was formed as a result of recommendations from a special committee of “Access Conveners” appointed by then-Mayor Tom Bradley and the City Council in 1991. As of July 2008, LA36 was staffed by three full-time employees, including the President, as well as eight part-time employees and six volunteer interns.

Fiscal Year End 2008 LA 36 Funding Sources	
City Grant	\$555,000
Other Grants	\$ 46,500
Production & Programming	
Service Fees	\$283,714
DVD Duplication	\$ 5,782
Other Income	<u>\$ 4,403</u>
Total	\$895,399

Local Public Access Channels

There are currently 12 local production facilities operated and managed independently by private cable operators to provide access to individuals seeking to produce and broadcast original material on the dedicated public access channels. Although the cable operators are independent from the City, ITA’s Video Services Regulatory Division (Regulatory Division) has been responsible for providing oversight over public access operations by enforcing local franchise agreement provisions related to public access channels.

Impact of Digital Infrastructure and Video Competition Act on PEG

In 2006, California passed the Digital Infrastructure and Video Competition Act (DIVCA) that enabled the State to issue state franchises for cable services. Up until that point, the City issued local franchise agreements with cable operators; with the passage of DIVCA, California became one of nearly 20 states to recently enact legislation transferring cable franchising authority from local jurisdictions to the state level. DIVCA impacts the City in two key ways.

The first significant impact DIVCA will have is on how public access is provided to City residents. Effective January 1, 2009, cable operators will no longer be required to provide public access studios, equipment, or expertise. Unless specific action is taken by the City and funding made available, local public access studios will cease to exist. According to a joint report issued by MAPB and the former BITC in July 2008, assuming control of the 12 existing public access studios would require the annual outlay of approximately \$2.7 million in operating expenses and \$600,000 for annual lease payments, as well as a one-time capital expense of up to \$600,000 to modernize equipment—all in addition to the nearly \$4 million currently dedicated to PEG Access channels.

At the same time, DIVCA will increase total fee revenues available to the City to help offset capital and equipment costs for PEG channels. As a supplement to current funding streams, the City will be able to charge cable operators an additional 1 percent of gross revenues derived from cable television subscriptions, known as the PEG Access Fee. With estimated collections of approximately \$5 million annually to be generated from the new fee, funds are restricted to equipment procurement or other capital expenses related to PEG Access. The City does not expect to realize these revenues until May or June 2009.

Objectives, Scope and Methodology

Sjoberg Evashenk Consulting was hired by the Los Angeles City Controller to conduct a performance audit following Generally Accepted Government Audit Standards (GAGAS) to evaluate the efficiency and effectiveness of ITA's oversight, operation, and management of the City's PEG channels. To fulfill this objective, the scope of our review included an assessment of the following:

- Governance structure;
- Mission and vision;
- Level and experience of staffing;
- Programming decision processes;
- Comparison with other peers and programming models; and
- Processes to determine the effectiveness.

Fieldwork was conducted between July and September 2008—though subsequent policy decisions made by the City Council and other City officials were also taken into consideration—and the audit was limited to those areas described in the scope and methodology below.

To understand the current PEG environment, as well as channel missions and goals, we conducted interviews and obtained documentary evidence from key officials, management and staff involved in the operation of the City’s PEG Access channels including personnel in ITA’s Regulatory Division, LA CityView 35, MAPB, LACTAC, and LA36. Additionally, we gathered insight and perspective from key personnel and stakeholders, including former members of LACTAC and Board of Information Technology Commissioners, Council Members, the City Attorney’s Office, City Administrative Office, and Chief Legislative Analyst, among others.

Additionally, we researched and analyzed federal, state, and local rules and ordinances as well as authoritative bodies such as Federal Communications Commission, National Association of Telecommunications Officers and Advisors, National Telecommunications and Information Administration, and Government Access Television Institute for requirements, standards in the field, and other best practices.

In assessing the governance and oversight structure in place, we evaluated the roles and responsibilities of PEG partners, bylaws, the City Charter and Administrative Code, as well as contemporary and historical documents describing the rationale for the existing stations as well as those making recommendations for potential improvements. We also reviewed contracts, strategic plans, memoranda, grant agreements, audits or monitoring activities, and other documents related to management, supervision, and governance to understand service or operational provisions, expectations, management, and oversight.

We ascertained the sufficiency of the staffing structure and hiring practices employed through our review of formal and informal organization charts, position descriptions, qualifications and expertise, training and development, budgets, staffing methodologies, mix of in-house and outsourced personnel, contracts with professional service providers, and benchmark information gathered from other PEG providers.

To assess reasonableness and effectiveness of programming activities and decisions, we assessed schedules over the past year and identified the nature and content of programs to the extent possible. Further, we analyzed programming request data from key users including elected officials, City departments, and other governmental agencies using airtime during Fiscal Years 2006-2007 and 2007-2008 to identify any opportunities for improved efficiency and effectiveness of available PEG Access resources.

Through our review of bylaws, guidelines, and practices, we determined whether LA CityView 35 and LA36 have processes and controls in place to ensure that programming delivered is fair and unbiased and that adequate protocols exist to guide programming decisions. We assessed programming broadcasts and programming guides over the past two calendar years, and reviewed policies, guidelines, programming line-ups, and

informal practices to identify the extent of news programming and efforts to ensure fairness, accuracy and non-bias, as well as how news programs are selected and monitored.

We looked for efficiencies through our analysis of budgetary and financial records, including invoices and payments made under the LACTAC contract, to examine how funds are spent and services rendered. Additionally, we reviewed staff resource optimization, use of equipment, operation of facilities, and use of technology through staffing schedules, contracts and associated data, and inventory documents.

In order to evaluate performance, we reviewed mission statements, LACTAC grant requirements, performance metrics, phone logs, website hits, viewer need assessments, viewership data, and anecdotal feedback for both stations. We obtained benchmark information from peer PEG operators as well as nationally recognized non-commercial stations such as the Public Broadcasting Service and C-SPAN to identify practices in performance measurement. Additionally, we considered technical standards on transmission quality and comparable data received from peers.

To establish a basis for benchmarking, we selected several peer channels to compare against LA CityView 35 and LA36 operations and activities. Factors considered in selection of comparable channels included similar city characteristics, population, and similarity of channel type (government, educational, or combined), structure, and budget. We used a combination of web research, telephone calls, and email surveys in contacting peer entities to garner information on their operations as well as studied best practice research conducted by ITA's Regulatory Division and other PEG operators.

Using the limited and diverse results from the benchmark efforts conducted as part of this audit, as well as those conducted by ITA and other PEG entities, PBS and C-SPAN, we contrasted LA CityView 35 and LA36 operations and activities against the peers in areas such as governance structure, mission and vision, budget, staffing, contracting, programming, performance metrics, and outreach.

The findings of this report were presented to and discussed with ITA and LACTAC, as well as key representatives of ITA, LA CityView 35, and LA36 in an exit conference held on December 3, 2008. Auditees' responses and information provided during these discussions were considered and incorporated where applicable in the final report.

Section I – Opportunities Exist to Solidify Vision and Improve Oversight

In many respects, the City's PEG Access operations are consistent with peer operators throughout the nation. In fact, throughout this audit engagement we identified many strong practices and our assessment of PEG activities did not reveal significant deficiencies, non-compliance, or other serious problems. Both LA CityView 35 and LA36 appear to air more programming than many other PEG Access channels, produce more original programming than most, and offer a wider variety of services. Both LA CityView 35 and LA36 have won many national broadcast awards and appear to be fulfilling their missions. However, we believe that improvements can be made to the City's overall governance and vision for PEG Access and to the oversight and monitoring of existing channels—enrichments that will better position the City in light of recent statewide legislative changes and shrinking budget resources.

The governance and oversight of the government, education, and public access channels in Los Angeles were separated by design between three independent groups. Although the structure over PEG operations is similar to several other PEG Access channels nationwide, the City has not established centralized governance of citywide PEG Access nor an overarching vision. These factors contribute to potentially disjointed efforts for PEG Access and a potential impediment to the City's ability to address challenges in the most coordinated, expeditious, and cost-effective manner possible. With changes resulting from DIVCA, the City is faced with some long-debated decisions requiring immediate action.

With Legislative Changes Imminent, the City has an Opportunity to Create a Clear Vision and Defined Plan for PEG Access

DIVCA will impact PEG Access in Los Angeles in two key ways. First, it will eliminate cable operators' existing responsibility to operate public access studios throughout the City—thereby creating a void. Second, DIVCA will make available an additional PEG Access Fee funding stream, a 1 percent assessment on cable television subscription revenues targeted for capital improvements of the PEG Access infrastructure. With the new funding stream estimated to be \$5 million annually, the City could supplement funds currently used for capital costs, and dedicate those funds to operations. Conceivably, this would allow the City to expand existing PEG operations without additional general fund support or reduce the general fund allocation by the same amount—whichever the City chooses. As of January 2009, the City expects to begin to realize the effects of DIVCA. While City officials have made critical policy decisions regarding the immediate future of PEG Access, key decisions have yet to be finalized regarding the City's longer-term vision and plan for providing PEG services to cable subscribers and residents. This includes whether the City intends to redevelop a public access model after January 1, 2009, and whether the City intends to work with satellite television providers to expand viewership among Los Angeles residents, among other long-term strategic decisions.

Since the 1987 inception of PEG Access in Los Angeles, the City has not developed a singular vision for how it will approach, operate, fund, expand, develop, oversee, and optimize quality for PEG Access services. ITA and the City have engaged in some efforts to do so, including establishing a committee of “Access Conveners” in 1991 and conducting a needs assessment of overall cable services in 2000. Nevertheless, LA CityView 35 and LA36 operate with their own missions, utilize their own facilities and equipment, make separate programming decisions, and generally operate independently of one another—as designed in the City’s grant agreement with LACTAC. Further, as originally established through past cable franchise agreements, all 12 public access studios operated by cable providers are even further removed from City operations or coordination with either LA CityView 35 or LA36. With the expressed hope of some City officials to expand PEG Access to include two additional interconnected channels—and possibly to engage other third-party access providers to do so—the City could find itself in a position to oversee additional channels and agencies. While the existing governance and oversight structure has allowed each organization significant flexibility to operate, it has not been without its consequences. These issues are described later in this report.

Thus, while neither statewide laws nor city ordinances require coordinated efforts or oversight, DIVCA provides a prime opportunity for the City to better develop a vision that will guide PEG Access in Los Angeles into the future, and to devise a governance structure that better enables the City to coordinate resources.

The City has Already Made Some Key PEG-related Decisions, Though Additional Steps are Required to Solidify a Plan to Improve the Future of PEG Access

In June 2008, BITC and MAPB presented a report to the Mayor and City Council describing the challenges and implications related to DIVCA and City budgetary constraints. It outlined three overall options for the restructuring of PEG Access—options based on research by experts and numerous focus group discussions. In each of the three proposed options the City would utilize all four channels, which is the centerpiece of this report. This is consistent with the early intent of the City’s PEG Access in the 1980’s and as it evolved since. Although the City currently only has the infrastructure, financing, and programming content to maintain two citywide channels (LA CityView 35 and LA36), the City asserts its right to retain four interconnected PEG channels under the incoming provisions of DIVCA. To do this, ITA must convert the two local, community-specific channels into two additional interconnected city-wide channels in order to maintain capacity for PEG Access expansion in the future.

On December 3, 2008, the City Council adopted recommendations associated with Option 1 of this report, which ITA and BITC-MAPB assert can be implemented without any additional cost to the City. This option includes:

- Eliminating at least the short-term operation of public access studios in Los Angeles,

- Maintaining LA CityView 35 as a government access channel and employing it to operate a second access channel for a government-related electronic bulletin board,
- Shifting LA36's focus from educational access to airing community and public access content, and
- Engaging the University of California TV (UCTV) to operate a fully-dedicated educational access channel and provide capital support for an educational access channel at no cost to the City.

In addition to this option, the report suggested two alternative courses of action related to operating four channels providing government, community, educational, and public access—for which additional cost forecasts range up to approximately \$7 million annually. Alternative courses of action presented by BITC-MAPB included a variety of features such as:

- Shifting focus of the existing LA36 channel to a combination of community and public access. This channel could include programming that includes promoting tourism, arts, and culture in Los Angeles through involvement with commercial television.
- Replacing public access studios throughout the City, possibly by creating city-owned or leased public access studios to be operated by a non-profit entity airing program on a single channel; and
- Establishing a “YouTube” style downloading of public content to be aired by the City on one interconnected channel.

As the City continues to face critical decisions, recent actions taken by cable operators within the State indicate some resistance in providing the same number, quality and type of access channels to which the City believes it is entitled. Although the City asserts its right to four channels, ITA officials believe the City's position would be solidified if it built the infrastructure, developed the content, and begun airing 56 hours of programming per week on all channels by January 1, 2009—as cable operators are only required to provide network capacity to PEG Access channels airing at least 56 hours of programming per week. As this is a significant issue faced by Los Angeles and other municipalities, key stakeholders are keeping a close watch over legal disputes arising over the property rights of the existing citywide and local PEG channels.

Regardless of Future Direction, the Current Governance Structure Could be Improved to Facilitate a Longer-Range Focus

As mentioned previously, current oversight for PEG Access is split between City groups, an independent non-profit corporation, and private cable operators—each of which interacts only on a limited basis with the others. This division along with the lack of a comprehensive governance plan or vision in place over PEG Access impedes the City's ability to address the changing environment and the City's needs in the most coordinated

and cost-effective manner. In short, ITA—while centrally positioned among City PEG providers—is not sufficiently empowered to provide adequate oversight or to make critical PEG-related decisions; existing oversight and governing boards each have limited responsibilities; and each PEG provider has historically operated without an overarching PEG strategy or vision, without sufficient ability to plan for long-term success.

More so than any other entity in the City, ITA's Regulatory Division has assumed a central position in the City's PEG operations, partially due to ITA's extensive knowledge and interactions with cable operators as part of its cable franchise regulatory activities and related compliance audits over public access, as well as its role as grant administrator for the City's grant to LACTAC. With LA CityView 35 organizationally located within ITA, the Regulatory Division further developed skills and knowledge in overall PEG Access operations. Thus, through exposure to each PEG operator in Los Angeles, ITA is most knowledgeable of the activities and challenges facing PEG Access in Los Angeles; yet, ITA was never explicitly designated as a central administrator of PEG Access.

While two oversight boards—BITC and MAPB—impact PEG Access matters, neither board was charged with responsibility for oversight or planning for the overall delivery of PEG Access services and neither were positioned or intended to exercise control or set strategic plans. In the past, BITC offered a more global focus on PEG Access across all channels. Yet, BITC, an advisory and community interest board focused on regulation and oversight of cable operator and telecommunication services and facilitated resident participation in PEG operations, dissolved in July 2008, eliminating the only other entity centrally positioned with purview over all PEG Access.

Furthermore, neither the City's PEG Access operators nor oversight bodies historically engaged in meaningful collaboration and did not work towards an overarching PEG strategy or vision. Over the years, each operated independently without deliberate actions to coordinate efforts and resources with one another that could have enhanced efficiencies and reduced programming overlaps. Recent efforts by ITA and LACTAC since 2006 have begun to reverse this trend, but organizational barriers continue to persist.

This has been exacerbated by the fact that decisions regarding funding levels or channel focus were often assigned annually without any long-term planning—especially with LA36's annual grant term—which limited long-term strategic decisions surrounding the efficient use of staff or technology resources. Because LA36 operates on a year-to-year contractual relationship with the City, it is challenged to employ long-range decisions or actions focused on the most efficient use of staff, equipment, or programming resources. In past years, LA36 has been faced with wide-ranging budgetary motions that sought complete elimination of funding for the City's annual grant while others provided for channel subsidies at double current levels. Thus, the channel's entire existence was continually at risk during the annual contract process—although there is no competition for the annual PEG grant, as LACTAC was specifically created to run LA36 for the City. This uncertainty precludes LA36 from making long-range decisions on its use and retention of staff, contract arrangements, development of programming for local customers, and all other operational strategies and practices.

As a result of the existing governance structure, past actions seemed disjointed, duplicative, and uncoordinated and could have been minimized if PEG Access had been delivered using a more collaborative philosophy. Some evidence of the need to collaborate includes:

- Chief Legislative Analyst (CLA) reports identified redundancies in operational structures, governance and personnel resources by both LA CityView 35 and LA36, as well as the inherent duplication in purchasing, leasing, equipping and maintaining separate studios;
- Although LA CityView 35 and LA36 have different missions, questions frequently arose surrounding instances of overlapping or duplicative community-oriented programming instead of leveraging each other to encourage new and diverse programming options; and
- The operation of public access studios by cable operators and the limited oversight responsibilities designated to ITA over such public access studios, led to outdated and dilapidated PEG production equipment available to the public.

Similar shortcomings in the City's approach have been raised several times in the past. As such, ITA and others have made recommendations to improve PEG Access by reorganizing or coordinating PEG operations. In 2004, the CLA was asked by the City Council to determine if operational or financial efficiencies would result from consolidating the City's two primary PEG channels into one entity to manage and operate the government and educational channels. In response, the CLA recommended consolidating LA CityView 35 and LA36 under a single governance board and management structure, including control over equipment, facilities and staffing resources. The new entity was recommended to be separate from the City to best ensure the independence of each channel to make programming decisions. According to the CLA, consolidating operations of the channels are consistent with trends in the broadcast industry where multiple channels that offer a cross-section of programs can be developed and broadcast utilizing centralized and consolidated production facilities and resources. However, none of the CLA's recommendations were adopted by City Council.

Again, as recently as January 2007, the City Council moved that the City Administrative Office (CAO) study the potential for consolidation or reorganization of LA CityView 35 and LA36 in an effort to improve operational efficiencies and reduce the costs of these channels to the City's General Fund. The CAO has yet to release its analysis.

Nevertheless, the existing organizational structure has functioned sufficiently well to allow the City to build a PEG Access infrastructure wherein both LA CityView 35 and LA36 have won numerous awards including multiple Emmy national broadcast awards, and provides a foundation upon which the City can create a vision for PEG Access. We believe, however, that a clear, unified vision premised on coordination and efficiency, and a governance structure with the authority and responsibility to promote the City's vision, would better position the City's PEG Access for the future. The City should establish leadership to coordinate key PEG-related policies and approaches that interact across channels and ensure collaboration among each PEG operator on a regular and

proactive basis to provide broad-based, high-quality service delivery to customers. Decisions should be made more globally to address both short-term and longer-range goals. Establishing a single, unified governing structure could better position the City to develop a cohesive vision for PEG Access and to consider diverse community needs and concerns.

Stronger Monitoring is Needed and Expectations Could be More Clearly Defined

As noted earlier, under the current structure, each entity providing PEG Access in the City operates under a different business model and with varying oversight. By the nature of the diversity of these operations, the City's role proved significantly different for each. Looking forward, however, the City has an opportunity to exercise stronger leadership in coordination, performance-oriented monitoring, and fiduciary oversight.

For instance, operated by a City department, LA CityView 35 is not subject to the same oversight as other PEG operators, and is not required to report performance in the same manner—although the station manager reports to ITA's Executive Officer who has operational authority over the channel and has limited authority over programming decisions. It appears from documents obtained that reporting is limited to a public relations newsletter from the station general manager, and ITA's annual report, which in 2007 briefly discussed its role in the operation and management of LA CityView 35 and the channel's noteworthy accomplishments.

By contrast, in past years, ITA's Regulatory Division conducted audits of public access operations. Due to limitations of the franchise agreements, ITA's audits focused on compliance matters such as the availability and accessibility of public access facilities and staffing, air-time allowances, and equipment requirements. ITA worked with cable operators to seek remediation and resolution when issues were identified or corrective actions needed—though its ability to ensure optimal public access has been significantly impacted by outdated technical requirements and difficult to enforce penalties. ITA suspended these audits in 2008 when its efforts were deemed futile in light of DIVCA's elimination of cable operator responsibilities over public access studios.

With the termination of cable operator PEG Access audits, the remaining monitoring activities being performed by the Regulatory Division relate to compliance with the City's grant agreement with LACTAC to operate LA36. The Regulatory Division's oversight of LA36 has primarily focused on monitoring compliance with grant terms, not necessarily on evaluating LA36's performance and effectiveness.

In addition, over the past year, ITA policy and budget constraints have substantially shifted its oversight role to more of a grant facilitator function. According to ITA, in this capacity, grant compliance oversight responsibility was shifted between the Regulatory Division and ITA's contract administration unit, which was loosely coordinated to approve semi-annual requests for payment from LA36. Unlike past practices, rigorous assessments of deliverables and expenditures are more limited, and ITA has reduced its

focus to determine compliance with all grant requirements. For instance, reviews of reported expenditure data are now informal in nature, accomplished through spot-checks for variances more than 10 percent of budget, and are no longer as rigorously documented.

Overall, while ITA actively audited public and educational access providers for compliance against grant and cable franchise agreements, oversight of PEG Access is inconsistent and requirements for performance accountability are minimal. With the changes introduced by DIVCA and the City Council, the City has an opportunity to establish reporting and monitoring of PEG Access that will not only provide valuable management information to City leaders, but will also provide transparency and accountability to the public and viewers. As such, the monitoring and oversight of LA36 lacks sufficient scrutiny to ensure complete grant compliance, and the City cannot be reasonably assured that third-party PEG operators provided the level, type, and quality of access programming desired by the City. Combined with developing an overall vision and plan to guide future PEG investments, monitoring and oversight at an operational level should also be improved.

Expectations Surrounding LA36 Should be More Long-Range in Focus and More Clearly Defined in Grant Agreements

A significant challenge for ITA in its role of enforcing grant agreements continues to be that the City has not set forth clear guidelines, goals, or expectations regarding what it requires from its \$600,000 annual investment in LA36. This often resulted in conflicts in the past regarding whether LA36 programming content met the terms and conditions of the grant, and a generally strained relationship between LACTAC and ITA—one characterized by a lack of trust and the institution of cumbersome administrative hurdles that do not appear to have enhanced service delivery, increased transparency, or provided public accountability. For instance, past correspondence between LACTAC and ITA revealed instances where ITA continued to question the validity of information provided by LACTAC and illustrated instances in which ITA believed its ability to provide oversight was limited by LACTAC's refusal to provide necessary information. While this correspondence dates back to 2004 and prior, current indications are that relations between LACTAC and ITA have improved significantly since 2006. However, the basic framework for this conflict emanates from a weak grant agreement and oversight authority.

The existing agreement between the City and LACTAC to operate LA36 is deficient in three critical ways:

- ✓ It does not adequately reflect the performance or results expected of LACTAC in return for the City's investment;
- ✓ It does not provide adequate provisions allowing for substantive oversight by the City to ensure it receives that for which it is paying; and
- ✓ Its short-term annual renewal focus precludes meaningful long-range planning.

The existing grant agreement contains vague language to define City expectations. For instance, the agreement does not sufficiently define “educational programming” and there were disagreements as to what constituted compliance with grant provisions. An original “Convener’s Report” that outlined and recommended the establishment of LACTAC stated that “programming for the interconnected citywide educational channel will come largely from educational institutions” including telecourses, lectures, workshops and seminars. At the same time, the grant agreement developed and defined allowable “educational programming” as content that was not commercial and was produced by LACTAC or a nonprofit institution that is educational in nature. Ambiguity is amplified by grant provisions that also state that its definition of educational programming shall not be construed to prohibit airing of content which is not entirely educational.

Yet, when monitoring grant provisions, ITA opined that LA36’s programming topics such as arts, culture, or high school sports were deemed out of compliance. Clearly, LA36 reached a different interpretation of the grant provisions using its standard of “lifelong learning.” Moreover, there appears to be an unstated goal that the City expects LA36 programming to include some community-access and public-access programming—inherently different from an educational-only focus. In this respect, the grant agreement between the City and LACTAC may not reflect programming expectation and hinders ITA’s ability to hold LACTAC accountable in the absence of clear guidance.

Further, the grant agreement itself did not contain requirements or targets that could have been used to monitor LA36 performance. In fact, over the years, specific performance goals that were tied to grant-required performance metrics were removed from the grant agreement. Instead, the current agreement only requires data on types of shows produced, programming hours, and original and repeat programs. As a result, LACTAC is merely obligated to report its performance, but does not have to measure that performance against any benchmarks.

To provide a higher level of oversight and measure value from the City’s investment, the agreement should define more useful measures and set performance targets for each objective. Quality performance data could be trended over time to identify increases or decreases in the amount of programming, efficiency in producing programming, and effectiveness in reaching and “satisfying” audiences. ITA can also compare performance data to that of peers in order to measure the relative success of LA36. More importantly, the City could potentially institute incentive-based provisions based on metrics in its grant agreement to encourage optimal performance. There are many approaches that could strengthen the agreement; yet, none of them have been sufficiently explored or incorporated.

By incorporating additional performance-based grant provisions, as well as by enhancing the level of oversight of LA36 operations and any other third-party PEG providers the City chooses to engage, the City will be better positioned to develop longer-term agreements with external PEG providers. As noted previously, LA36 operates on a year-to-year contractual relationship with the City—if appropriate monitoring provisions are

incorporated, the City could modify the grant term to a three or five-year term to better facilitate longer-term planning.

Importantly, even with the absence of metrics or robust grant oversight activities, we found no indication of misuse of funds or money that was not spent in congruence with the agreement based on our high-level review of expenditures for Fiscal Years 2005-2006 and 2006-2007. LA36 undergoes annual financial audits which provide assurance that internal controls are in place and financial records are reliable. Further, our consideration of LA36 programming and activities did not indicate any significant problems with quality or value. Nevertheless, without conducting a more thorough monitoring of performance—against a grant agreement with current expectations and definitions—the City cannot be assured it is receiving value for its investment. Given that the City funds and grants use of its property to operate LA36, it cannot absolve itself from monitoring responsibilities over the station’s activities.

Recommendations

Ultimately, ITA or some other designated oversight body could perform activities to assure that money is being used as designated in the grant agreement, quality services are provided, and the City is receiving value from its investment. Grant agreements should be more well-defined to ensure expectations are communicated and performance and deliverable arrangements are clarified. Using these stronger and detailed provisions, ITA or another reviewer could have the framework from which to monitor channel operations, approve grant provisions, and hold LA36 more accountable.

In light of significant budgetary constraints and the challenges presented by DIVCA, we recommend that the City seize the current opportunity to reexamine its overall vision for public, educational and governmental access operations, and to devise a clear, long-term plan for assuring the success of PEG Access into the future. If the City chooses not to act as part of a more global response, the following recommendations could still be considered by ITA to enhance current levels of oversight on program broadcasting. We recommend that the City:

1. Develop, in an expedited manner that minimizes the disruption of service to Los Angeles residents, a long-term, strategic plan for PEG Access, including:
 - Continuing to work with City officials to ensure the security of the City’s right to four interconnected PEG channels, to develop sufficient programming content to maintain the channels, and to develop adequate contracts or other agreements with third-party programming providers;
 - Devising a central vision for PEG Access operations;
 - Creating a long-term strategic plan to guide City efforts, funding decisions, resource allocation, as well as infrastructure and programming development;
 - Establishing a governance structure over all PEG Access in the City, and take a stronger leadership role to guide all PEG Access in the City and to

assure adequate transparency, accountability, and productivity. In doing so, we recommend that the City consider, among other options, the creation of a central independent oversight body to provide continuity for PEG Access in the future, while at the same time assuring the relative autonomy of each channel to make programming and operating decisions; and

- Consider coordinating programming efforts; procurement and use of equipment, facilities, and production resources; and key PEG-related policies and approaches by interacting with all entities on a regular and proactive basis to provide more uniform and united service delivery to customers.
2. Establish well-defined, concrete and performance-based expectations of LACTAC and any other third-party or City-controlled PEG operators to ensure the existence of an adequate framework from which to monitor channel operations, approve grant provisions, and hold PEG operators—including LA36 and LA CityView 35—more accountable.
 3. Perform more thorough oversight to assure that money is being used as designated in the grant agreement, quality services are provided, and the City is receiving value from its investment.

Section II— Programming Protocols are Consistent with Peers, but Limited Data Exists to Assess Effectiveness

Operating under written guidelines and historic practices, both LA CityView 35 and LA36 provide a diverse array of original and live-coverage programming content. Much of the programming framework—as approved by MAPB and LACTAC—provides protocols related to appropriate content, production services, use of programming, and service rates. Moreover, both LA CityView 35 and LA36 appear to be desirably positioned to produce and air requested programming provided that the content is consistent with the respective channel missions and that the requisite resources are available, and that the programming is of sufficient quality.

Our audit also revealed that the stations’ practices are consistent with those throughout the nation. LA CityView 35 likely airs more original programming than most other government access channels and offers many other non-broadcast services such as videotape duplication services, equipment rentals, and historic video archives. However, like their peers, both LA CityView 35 and LA36 only collect limited and often anecdotal information to assess effectiveness, to identify strengths and weaknesses, and to consider potential operational changes. As a result, the City cannot quantifiably assess the value of PEG programming to the community, and is challenged to provide relevant information to potential sponsors, underwriters, fundraisers, or clients.

Programming Guidelines and Protocols Appear Well-Developed and Aligned with Other Peer Stations

Both LA CityView 35 and LA36 follow guidelines that provide a framework for the stations to ensure levels of defined quality and equity. Written guidelines provide details about appropriate content, production services, technical standards, the submittal of programming requests, and applicable rates and fees. Both stations created guidelines with input and oversight from others—LA CityView 35’s programming rules were prepared by MAPB and approved by the City Council and Mayor, while LA36’s guidelines were approved by its LACTAC board. These overarching guidelines are used by station management to guide daily programming decisions. Guidelines for public access programming are subject to the existing cable franchise agreements and to the individual cable operators. However, because of the subjective and fluid nature of program content, programming criteria is difficult to rigidly define and apply against specific production requirements. For example, one program’s content could be categorized and characterized as educational by some viewers and be deemed inappropriate by others, as has occurred in the past. Thus, although established criteria provide guidance, ultimate programming decisions are subject to the discretion of station managers—although governing board oversight is also involved in both LA CityView 35 and LA36.

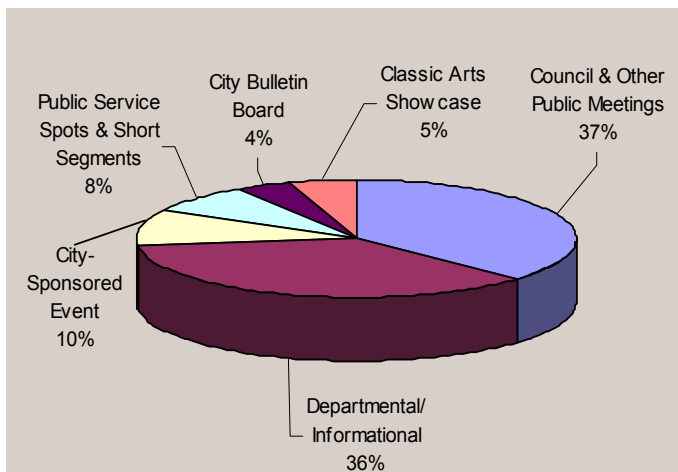
LA CityView 35 Practices Ensure News and Programming are Fair and Accurate

According to LA CityView 35, the station's intent is to report news based on content without interpretation. As the primary government "news" station in the City, LA CityView 35 employs several practices to help ensure programming decisions and show content are unbiased. With goals that include providing greater access and understanding of City government, and increased community awareness of important City issues, LA CityView 35 affords first priority and broadcasts live City Council, Commission and other public meetings. As these meetings are produced live, the information is aired as is with no station narration or interpretation. With nearly 37 percent of LA CityView 35's programming consumed by these mandated meetings, "meeting news" coverage is presented comprehensively, objectively, and accurately by default.

In addition, to ensure a wide-range of news-type show offerings, station staff proactively collaborate with City departments to highlight key stories, programs and services. Shows such as *Council Week in Review* and *Roundtable* provide venues to discuss and disseminate important information to City cable subscribers and residents. City department representatives are often asked to appear on such original programs to describe in more detail the impact of city actions, and to minimize the chance of inaccuracies or biased statements by LA CityView 35 personnel.

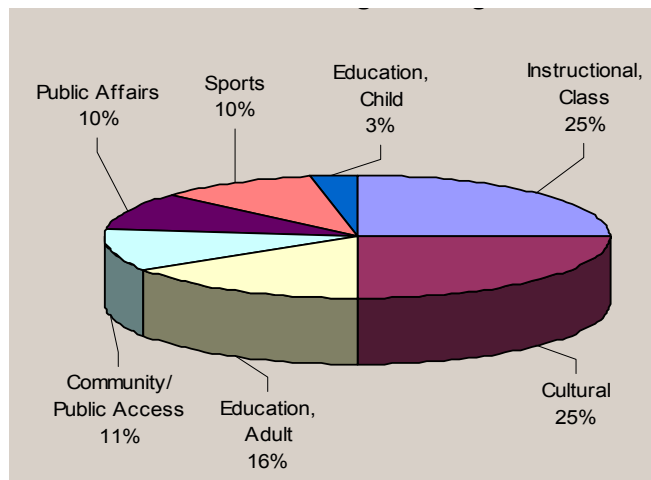
Similarly, the development of two of the station's daily and weekly news shows *LA This Week* and *LA Update* that recap council actions and government news begins with the written press releases issued by the City department or office of a City Council member. The shows' anchor and producer develop scripts based on these documents and gathers relevant footage. The Technical Director and Station Production Manager review the script and footage for fairness, objectivity, accuracy, and adherence to policies. Also, other programs are produced by LA CityView 35 on behalf of a requesting City department. The station develops these programs jointly with the requestor, but programming decisions are ultimately subjected to the Station Manager's assessment of content fairness, accuracy, and compliance with federal requirements as part of on-going creative development team meetings. While live broadcasts of City meetings and news-type shows comprise a large proportion of the 22 hours of daily airtime—which are by nature objective and unfiltered—the other program offerings are reviewed for content, accuracy, and fairness, and is of general public interest; as such, it appears that the channel follows practices to provide programming that is fair and accurate. Figures 2 and 3 illustrate the diverse array of programming offered in Fiscal Year 2007-2008 by LA CityView 35 and LA36, respectively.

Figure 2: LA CityView 35 Programming



Source: Internal LA CityView 35 programming statistics.

Figure 3: LA 36 Programming



Source: Internal LA36 programming statistics.

No Significant Overlaps in Specific Programming were Identified, and Volume of Original Programming is Noteworthy

As noted, classifying PEG programs into specific content categories can be subjective and open for debate. Establishing concrete criteria to whether a particular program is solely within the established intent of a channel, be it government, educational, public service, or community interest is not always practical. Yet, in general, protocols in place between the City’s PEG channels help minimize overlaps in programming. For instance, ITA stated that it has recently begun a practice whereby, at the beginning of each year, LA CityView 35 informally notifies LA36 of the government events it plans to cover to ensure there is no duplication of efforts. If there are other specific community or special events such as parades or Mayoral inaugurations that LA CityView 35 elects to cover, it will notify LA36 to ensure the two channels coordinate production and programming efforts.

To assess the degree of differences in programming scope between the two stations, we reviewed several weeks of programming for each station during 2008. Program schedules revealed that while each station aired some programs that were similar, the focus of these programs were different. For example, both LA36 and LA CityView 35 aired programs related to California water issues—LA CityView 35’s focus was geared toward conserving water in Los Angeles City’s Department of Water and Power, whereas LA36’s program was focused on educating the public on California’s water issues and on water conservation techniques. Both programs were on the same topic, yet the focus and intent of each program was different. Similarly, both channels air book review shows. LA36 broadcasts educational programs geared toward literature and follows with a book-club-like program to promote reading and literacy. LA CityView 35, airs “*Connie Martinson Talks Books*” that leads a neighborhood book-club-type look at novels. Thus, the two channels generally air programs that they believe meet community needs, even though they appear similar and, in the end, programming on both channels appear to serve the unique missions of each.

LA’s PEG Channel Practices Appear Comparable with Peers

To identify and compare standards or best practices in the field of PEG Access with LA36’s and LA CityView 35’s structure, governance, and operations, we contacted 64 peer stations throughout the nation to participate in a survey. However, only 18 responded, as listed in Figure 4 below. Our review revealed that in general LA CityView 35 and LA36 structure, governance, and operations are similar to peer stations contacted; however, we also noted several differences, as discussed below.

Figure 4: Peer Cities Identified

City	PEG Access Type
1. San Francisco, California	Government
2. Seattle, Washington	Government/Public
3. Denver, Colorado	Government
4. Santa Monica, California	Government
5. Cincinnati, Ohio	Government/Education/Public
6. Bismarck, North Dakota	Government/Education/Public
7. Colorado Springs, Colorado	Government
8. Golden, Colorado	Government
9. Dallas, Texas	Public
10. Chicago, Illinois	Public
11. Costa Mesa, California	Government
12. Wilmington, Massachusetts	Government/Education/Public
13. Kirkland, Washington	Government
14. Brunswick, Maine	Government/Public
15. Buncombe County, North Carolina	Government
16. Fort Worth, Texas	Government/Public
17. St. Louis Park, Minnesota	Government/Education/Public
18. Foster City, California	Government/Public

Similar to both LA CityView 35 and LA36, a majority of the cities surveyed reported to an oversight/advisory or executive/governing board. In addition, 14 of the 16 cities providing government access programming were operated by a government department or agency, consistent with the structure of LA CityView 35. While less than half of the cities providing educational and public access programming were operated by a non-profit similar to LA36, a majority were funded by a City grant or contract. This suggests that the structure and governance of LA CityView 35 and LA36 generally align with peers.

At nearly \$3.2 million and \$900,000, respectively, LA CityView 35’s and LA36’s operating budgets were larger than responding stations. Specifically, peer government access channels reported budgets ranging from \$1,000 to \$2.8 million and peer educational access channels budgets ranged from \$250,000 to \$720,000. However, both Los Angeles stations’ revenue was generated from similar sources as peers, including franchise, PEG, and production fees. Of those stations who charged production and programming fees, nearly half stated that they based production fees on a full cost recovery model—a practice that would be beneficial to

both LA CityView 35 and LA36 in supplementing operating revenues. In addition to these traditional funding streams, several peers sought additional monies through alternative venues, including donations, partnerships with other cities, sponsorships, and underwriting. However, peer channels faced similar struggles as LA36 in obtaining funding from fees or sponsorships—especially without viewership ratings. Although LA36 documents revealed that it collected between nearly \$300,000 and \$400,000 annually between Fiscal Years 2004-2005 and 2007-2008—amounts higher than previously collected—revenues from fees and sponsorships have been highly variable from year to year. Furthermore, large sponsors that would underwrite or contribute significant funding all require viewership ratings to measure the effectiveness of their marketing dollar. We believe that substantive viewership information, as well as dedicated efforts to seek out and secure donations, sponsorships, and underwriting opportunities could substantially enhance existing operating revenues.

While only 39 percent of respondents specifically designated a portion of their budget for marketing and public relations, half of the stations nonetheless reportedly conducted marketing efforts, such as information on their websites, mailings, newspaper advertisements, city bulletin boards, banners on local transit busses, and announcements at community meetings and events. While LA CityView 35 distributes mailers to a limited mailing list and advertises the station on its website and on city bus banners, LA36 restricts advertising efforts to word of mouth and its website. As resources become available, both stations could benefit from increased marketing efforts to increase public awareness of the stations and supplement revenues.

In general, LA36 staffing levels appeared to be consistent with peers, while LA CityView 35 had the largest staff among its peers. Other PEG stations also use a mix of in-house and contract technicians to supplement their staffing, and—unfortunately—rely on antiquated equipment to stretch limited budgetary resources. For instance, many LA CityView 35 counterparts cited challenges with repairing outdated analog equipment no longer supported by vendors, while at the same time seeking additional funding to purchase digital equipment—a challenge LA CityView 35 shares.

We also found that both channels appear to offer a wider variety of PEG services and programming than their peers. In fact, LA CityView 35 produces more original programming than most government access stations. Peer stations in Seattle, Santa Monica, San Diego, and Denver typically provided a range from approximately 40 hours to 100 hours of original programming per month whereby LA CityView 35 produces original programming averaging 80 to 120 hours per month. While LA CityView 35 had a substantially larger budget than its peers, our survey illustrates that it clearly produced more original shows and provided a wider variety of production services, including Council Phone and various internet services with these additional funds, and served a much larger constituency than its peers.

Alternatively, LA36 airs approximately 84 hours of original programming per month. We were unable to attain sufficient information from other comparable stations for education-related benchmarking purposes. As its mission involves partnering with educational institutions to broadcast their offerings, creating original program content may not be a key element of the channel's success.

Although both Los Angeles stations' structure and operations were comparable to peers, both are unique as each serves a vastly different population/audience, operates in a dynamic environment, and provides a broad array of services. As such, it is not unreasonable that both stations operate under a larger budget than peer stations or that LA CityView 35's staffing levels were higher than its counterparts.

LA CityView 35 Programming Practices Could be More Proactive to Encourage Comprehensive Program Development

According to channel officials, neither LA36 nor LA CityView 35 rejects programming requests as long as the program is commensurate with the mission and programming policies of each channel and budgetary constraints permit. Rather, both channels rely heavily on clients to request programming for the available airtime not consumed by internally generated programs. While relying primarily on client requests is similar with other peer stations, the approach may limit PEG Access program offerings.

In the case of LA CityView 35, this client-request approach allows those City departments or elected officials that actively request programming to have their information aired. Thus, clients that are more assertive, creative, and vocal may be more likely to have their programming developed and aired to the possible detriment of potential clients who may want or need to air particular content, but are less adept at working with the channel. While this may also be true with LA36, it reports that its outreach efforts have generated potential stakeholders and new clients. For instance, in LA36's Semi-Annual Report for FY 2006-2007, the station reports new partnerships with the Center for Governmental Studies and the League of Women Voters to create new programming as well as expansions of existing educational partnerships with Cal State Los Angeles and the Los Angeles Public Library. With a request-driven programming model, the array of programs offered may not be as diverse as City residents desire—particularly given the lack of research and information gathered by the City and LACTAC regarding viewership trends.

Specifically, LA CityView 35 video service requests reveals that resources are not equally utilized across City agencies. Our review of the two fiscal years, 2006-2007 and 2007-2008, showed mandated programming consumed approximately 48 percent and 49 percent of LA CityView 35's programming budget respectively. Of the resources available for the remaining discretionary programming, we identified several City agencies and offices that benefited from LA CityView 35 services, as noted in Figure 5.

Figure 5: Discretionary Programming Allocation

Entities	Percent of Programming Budget	
	2006-2007	2007-2008
City Council Offices	8.0	9.9
Council Services	5.0	1.6
Mayor	4.1	4.5
Police	6.4	8.0
Department of Aging	3.6	4.4
Department on Disability	3.7	3.2
Animal Services	1.0	3.7
Others	20.2	15.7
Total	52	51.0

Our analysis of approved programming requests for Fiscal Year 2006-2007 and Fiscal Year 2007-2008 revealed that the majority of the City’s approximately 140 departments, boards, commissions, elected offices, and committees did not receive dedicated on-air programming during the 2-year period. In each year, less than half of the City’s 45 departments received programming, while the City’s boards and commissions were far less represented. While many departments may not have reason to engage in public programming, such as the City Administrative Officer or the Los Angeles City Employees Retirement System—others providing direct services to City residents were not strongly represented, or represented at all, in the station programs, including Housing, the Zoo, Building and Safety, and many other departments, boards, commissions, and committees.

According to LA CityView 35 management, there are multiple reasons why potential LA CityView 35 clients have not utilized its services during the past two fiscal years despite the benefits as a far reaching marketing tool. For instance, some departments may not have the staff available to work with LA CityView 35 to plan and develop the programming, or may not have executive direction choosing to focus on public relations using this type of approach. According to LA CityView 35, “orientation” meetings and materials have been made available to new managers and City officials describing how to request programming, but departments are then left to devise programming concepts and request LA CityView 35’s creative assistance.

To mitigate this, LA CityView 35 has created a few “news” or “talk” oriented shows in which it proactively meets with departments to highlight key stories, programs, and services that might be of interest to the community. These shows include *Council Week In Review*, *LA in Focus*, *Roundtable*, and *LA This Week*. With these venues, LA CityView 35 is able to disseminate important information that might not be captured in specialized programming requested by potential LA CityView 35 clients. Nevertheless, clients that are more assertive, creative, and vocal may be more likely to have their programming developed and aired to the possible detriment of others who may want or need to air particular content, but are less able to make it happen. Therefore, it is likely that the array of programming may not be as

diverse as City residents may desire—particularly given the lack of research and information gathered by the City and LACTAC regarding viewership trends.

LA CityView 35 management conveyed that it has not turned away original program requests as long as the production was consistent with LA CityView 35's mission, falls within budgetary constraints, and is of sufficient quality. If these criteria were met and resources to complete the production were not available at the time of request, the program would typically be deferred to a subsequent period for production. Nonetheless, under this approach, non-proprietary City departments must “compete” for available station budget and certain departments may monopolize resources. To provide a more robust and comprehensive viewing program and ensure the inclusion of city departments and agencies in programming consideration, the City could consider introducing a monitoring mechanism to track City-funded production projects by department or agency. Targets could be set such that once a department or agency reaches a predetermined threshold, the station would consider all other requests first or require the department to be responsible for the costs related to the additional production project requests. Further, LA CityView 35 should consider additional outreach efforts to ensure that City entities eligible to use the station's resources understand the opportunities afforded by the broadcasts and the processes to develop programming. A more comprehensive and varied program line-up would likely benefit all Los Angeles cable subscribers by increasing awareness of the full breadth of government programs available. Regardless of the practice established, LA CityView 35 could reexamine its approach towards a more comprehensive focus that will inform, educate, and encourage citizen participation in local government.

More Data should be Captured and Analyzed to Assess Performance

While commercial television stations utilize viewership as a key performance metric to measure awareness and effectiveness, it appears too costly a tool for most PEG Access providers. Our survey of other PEG Access channels across the country revealed that few if any could afford to obtain this important data via traditional industry rating companies. Realizing the value of such information, both LA CityView 35 and LA36 are interested in obtaining independent ratings and other research on viewership trends. Recently, both worked with the Regulatory Division to contract with Nielsen Media Research—reputed as the primary source of viewership and rating information. Due to the methodology to be employed, some concerns exist regarding the representativeness and usefulness of the data despite the minimal cost. Nevertheless, this study appears to be a good start. Survey results are expected to be available by early December 2008.

Like other PEG Access channels across the nation, given the lack of information on viewership trends available, LA CityView 35 and LA36 rely on alternative and informal performance metrics. LA CityView 35 utilizes several ancillary metrics to track performance and workload indicators such as public comments received through a telephone hotline, website hits, and programming hours. Similarly, LA36 utilizes performance indicators such as public commentary, enrollment statistics for distance learning courses, website hits, and programming hours, including the number of original programs produced and repeat programming hours, to evaluate its success. While many of these metrics are also used by

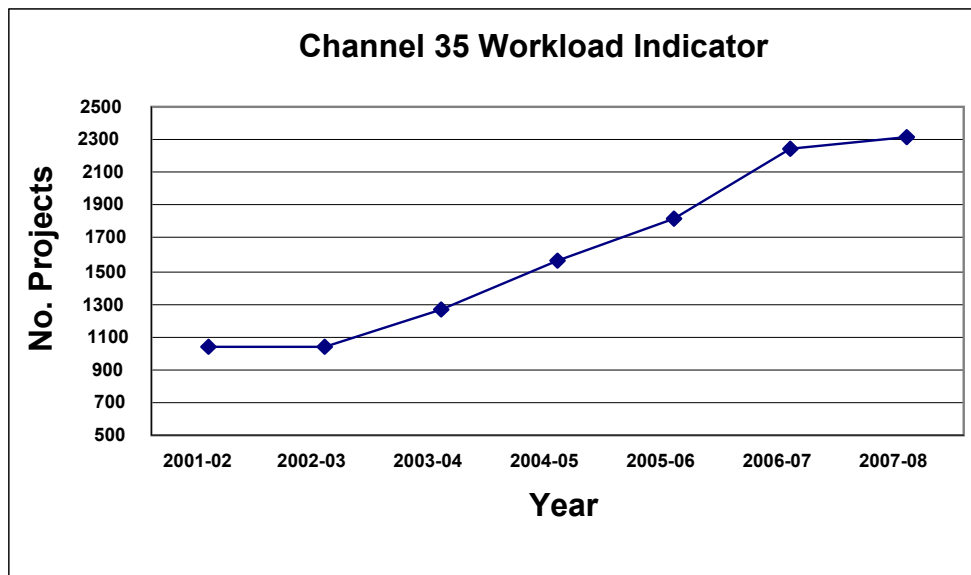
other PEG Access organizations, these are not necessarily the most accurate measure of effectiveness or efficiency.

Nevertheless, our review of some of the informal workload measures derived from internal LA CityView 35 and LA36 data suggest that productivity and efficiency may have increased over the last 3 to 7 year period without significant increases to funding or staffing. In fact, indications are that LA36 employs fewer full-time employees in Fiscal Year 2008-2009 than it has employed in the last five years.

Statistics Suggest Increased Performance for Both Channels

Both LA CityView 35 and LA36 appear to have succeeded in doing more with limited budgets. Since Fiscal Year 2001-2002, ITA has tracked three key metrics to assess LA CityView 35 performance—number of production projects, hours of Council Phone provided (public call-in lines for real-time interaction at council meetings) and hours of video programming produced using its council-approved ITA budget. As shown in Figure 6, LA CityView 35 has steadily increased the number of production projects over the last seven years by more than 124 percent from 1,032 projects in Fiscal Year 2001-2002 to 2,313 projects produced during Fiscal Year 2007-2008—even though its budget appropriation remained fairly static.

Figure 6: Growth of LA CityView 35 Production Projects



In Fiscal Year 2006-2007, LA CityView 35 expanded the breadth its performance metrics to capture and track the following:

- ✓ Internal Shows Aired
- ✓ External Shows Aired
- ✓ Council Phone Aired
- ✓ Production Sessions
- ✓ Public Meetings Covered
- ✓ Work Orders Processed
- ✓ Editing Sessions
- ✓ Events in News Program
- ✓ Board Projects Approved
- ✓ Promotional Spots Approved

While it is too early to ascertain meaningful trends in LA CityView 35’s performance using these measures, the limited statistics suggest productivity and efficiency is increasing in many areas. Furthermore, even though the council-approved station budget has not significantly increased over the past two fiscal years, the number of production projects and programming hours show noteworthy growth as shown in Figure 7. For instance, LA CityView 35’s discretionary projects have increased by about 8.9 percent between Fiscal Year 2006-2007 and Fiscal Year 2007-2008 from 843 projects to 918 projects. During the same two-year period the average cost per show—as approved and budgeted by MAPB—has increased from \$1,190 to \$1,279 in Fiscal Year 2007-2008, a modest increase of 7.5 percent.

Figure 7: LA CityView 35 Workload Metrics for Fiscal Years 2006-07 and 2007-08

Metric	Fiscal Year 2006-2007	Fiscal Year 2007-2008	Annual Change	Percentage Growth/Decline
Total Hours of Shows Aired	8,184	8,357	173	2.1%
Number Work Orders Processed	1,735	1,648	(87)	(5.0%)
Number Board Projects Approved	843	918	75	8.9%
Number of Public Meetings Covered	331	314	(17)	(5.1%)
Number of Events Covered by News	820	817	(3)	(0.4%)
Number of Promos Produced	246	264	18	7.3%
Total Projects Produced	2240	2,313	73	3.3%

Source: LA CityView 35 Station Manager

Additionally, in the absence of viewership ratings one metric LA CityView 35 uses to obtain anecdotal feedback from the local community is through its telephone hotline. Our review of the telephone log for the period between June 2005 and June 2008 shows 58 comments were received. Of these comments, 20 related to general inquiries such as requests for program guides. The remaining 38 reflected performance—11 comments indicated positive feedback and 27 were negative. Nearly 19 percent of the negative comments involved the preempting of programs. Station officials explained programs are usually preempted due to City Council and other public meetings running longer than the expected broadcast window.

LA36 Metrics Also Suggest Increased Performance with Less Resources

Within its reporting responsibilities under its grant agreement, LA36 is required to annually provide stipulated operational and performance data. Among other data, LA36 is to submit semi-annual and annual reports, budget-to-actual reports, external financial audits of LA36, programming and content on LA36, compliance with the City’s grant

agreement and LACTAC by-laws, staffing levels and equipment inventory, the entity’s proof of insurance, and various performance metrics as listed below:

- Number of First-Run (Original) Taped Programs
- Number of First-Run (Original) Live Programs
- Number of Non-Original/Repeat Programs
- Total Number of Educational Access Users and Number of First-Time Users
- Number of Educational Entities Receiving Technical Production Assistance
- Number of Training Sessions in the Use of Access Facilities and Channels, and the Number of People Completing such Training
- Income Received from “Tape Handling Fees,” Providing “Technical Production Services,” “Non-Grant Agreements,” and other “In-Kind Contributions,” individually.

The limited performance data reported reveals that LA36 has made some strides. Specifically, LA36’s budget decreased from more than \$1.025 million two years ago to a Fiscal Year 2007-2008 budget of approximately \$895,000—a 12.7 percent decline. Part of the decline can be attributed to the redistribution of the City grant down to \$555,000 in 2007-2008 from \$630,000 in 2005-2006. Since Fiscal Year 2005-2006 the programming hours and revenue remained fairly static although LA36 increased original taped programming. Nonetheless, during this time, it appears that its original programming hours have remained constant.

Figure 8: LA36 Workload Metrics For Fiscal Years 2005-2006 through 2007-2008

LA36 Original Programming			
	Fiscal Year 2005-2006*	Fiscal Year 2006-2007	Fiscal Year 2007-2008
Original Taped	474	547	464
Original Live	644	700	541
Total Original	1,118	1,247	1,005

* For Fiscal Year 2005-2006, we annualized numbers reported for the 3rd and 4th quarters because LA36 did not complete the 1st and 2nd Quarter Semi-Annual Report.

Further, data shows other positive trends between 2006-2007 and 2007-2008. For example, new school/student produced programs increased, the volume of technical production grew, and the number of regularly scheduled co-produced programs rose.

LA36 officials cite that one of the reasons for its ability to continue to provide original programming can be attributed to strengthening partnerships with educational institutions including UCLA, University of Southern California and Loyola Marymount University. Interns and students from these institutions produce programs for LA36. In addition, through these universities LA36 can broadcast to the public on-campus speakers and presentations.

Neither Channel has Sufficient Goals in Place to Measure Success in Fulfilling Missions

Developing meaningful goals metrics to measure progress is an important foundation. Currently, both LA channels collect only limited and anecdotal data that could be used to measure effectiveness and to make management decisions. Using such data, neither can quantifiably assess the cost-benefit or value of PEG Access activities to the community. For example, we found examples of PEG accomplishments are reported by ITA and LA36 as:

- Developed and administered over 50 focus group meetings and 18 community hearings meeting to assess the cable-related needs of the City of LA
- Collected over 7,000 comprehensive and statistically-valid surveys
- Initiated and developed numerous PEG tours for City dignitaries and City staff
- Presented PEG Needs Assessment data to colleagues and City elected officials at PEG-related needs symposium

However, these “output” indicators provide only one element of performance. Using the channels’ core missions and objectives, each could set goals for determining success—this is particularly important in view of the lack of budget to obtain typical viewership and viewer satisfaction information. Once goals are established, performance measures can help management determine whether the channels’ are meeting their missions, as well as to identify successes and opportunities for improvement. Some indicators are in place and some performance measured, but each of the channels could be tracking and setting goals, and additional statistics that can be monitored and evaluated could be used to convey success and demonstrate accountability and performance. For instance, using efforts related to identifying community needs, a goal could be developed “to conduct XX focus groups and XX community hearings over a XX period.” The key to a robust performance measurement system is to isolate those specific data that would provide meaningful indicators of performance and then track and trend actual results. These measures should link back to specific goals and underlying objectives. Performance targets should also be established to ensure that progress is made. Others in the field of PEG Access are just beginning to realize the value in defining performance measures and are starting to track this data as well. Performance measures will also assist in identifying trends and also hold stations more accountable.

We identified measures used by other PEG Access channels that could be adopted. For instance, metrics related to cost per production hour, or determining the percent of overhead to total expenditures could provide information on workload efficiency. There is a multitude of other performance measures that LA CityView 35 and LA36 could consider to assess their PEG operations. In the following, we provide an overview.

- Output or Programming Produced by the Channel:

In addition to more traditional measures such as the number of programming hours (original, non-original first-run, repeat, creative, One-Shot-View programming, etc.), other metrics could include hours aired of multi-station

collaborations, quality of programming aired (including internal and external evaluations), number of original programs, percent of original programming, number of clients and number of new clients, number of hours and types of programming developed, and number and diversity of genres (news, sports, etc.) that make up the total content. Many rely on website-related measurements such as “page views per month” and “monthly unique users,” while other metrics include “length of time on website” and identifying hits on particular show links. Additionally, both channels could consider researching free audience measurement tools such as Google Analytics and Quantcast to determine whether the tools could be used in practice.

- Outcome or Effectiveness of the Channel:

Clearly, viewership data is important; demographics and viewership trends—obtained through a variety of means—can be used to identify the “audience” and help gear programming towards viewer needs, as well as help secure sponsorships and underwriting opportunities. Success for PEG operations is not limited to viewership statistics, however; success also depends on optimizing the breadth and diversity of important and relevant content aired on each channel. To do this, other metrics, such as diversity of clientele and programming and increases in diversity of programming requests, would help the City determine success of each channel to disseminate a broader range of important, demand-driven information. Other efforts could identify or track viewer practices and preferences; the abundance of higher education campuses in the City of Los Angeles provides an opportunity for both channels to enlist local colleges and universities in conducting audience or viewer surveys to assess response to PEG programming. Even the current anecdotal telephone log could be converted to a quantifiable measure to track and trend feedback received.

- Efficiency with which the Channels Operate:

To determine the efficiency of PEG stations, key performance markers could be established and monitored such as cost per production hour, cost per broadcast hour, cost per viewer or rating unit, output per employee/contractor, percent of overhead against production (billable) costs, percent of cost recovery, and utilization of equipment and facilities. To do this, each channel must identify the full breadth of resources available and utilized in developing and airing programming, including total funding (including fully loaded personnel and overhead costs), funding by source (Franchise Fee revenues, donations, sponsorships, production fees, etc.), and human resources (Full-Time Equivalent employees, volunteer/intern hours, contract hours, etc.), among others.

With appropriate measures, the channels could determine the effectiveness of programming in reaching the intended audiences. Performance measures should be trended over time and could assist in determining whether production effectiveness and efficiency increases or decreases during set periods as well as providing ways to compare themselves to peers. Furthermore, setting ambitious, but realistic goals and identifying and gathering data to measure such targets would not only assist channel management in measuring performance, but also could help support future requests for resources.

Clearly no single statistic should be the sole assessment of success or failure, but a variety of measures used in tandem can provide better indicators of performance, and can be weighed against other controllable and environmental factors.

Recommendations

While programming protocols and practices of both LA CityView 35 and LA36 provide a framework upon which the channels consistently provide service that are similar to peer stations across the country, both stations can more diligently track and monitor quantifiable data to better measure their efficiency and effectiveness. Toward this end, we recommend that the City:

4. Reach out to “underrepresented” departments, agencies, elected officials, commissions, boards, and other City entities that do not utilize LA CityView 35 services. In this way,
 - Continue to encourage a broader array of program development requests;
 - Consider setting strategic goals such as “to add XX number of new clients each year”; assessing and evaluating trends in client usage and opportunities to expand clientele; or through other means; and
 - Consider developing a service cap to limit the number or extent of ITA-funded production projects for a single department, and requiring those that want to produce additional programming to fund it through their own budgetary resources.
5. Capture and track additional performance and viewership statistics that can be monitored, evaluated, and used to demonstrate accountability and value. This should include defining more useful performance measures, setting specific performance goals, and analyzing performance trends over time. Incentive-based grant provisions could also be established to encourage LACTAC and other third-party operators for optimizing performance.
6. Examine the practicality of conducting more robust marketing, outreach, or public relation efforts to increase awareness and interest in both channels.

Section III – PEG Operations Appear Well-Run, Although Further Efficiencies Could Be Achieved

In many respects, both LA CityView 35 and LA36 exhibited efficient production practices that are consistent among PEG operators throughout the nation. Strong practices we noted include the use of interns, volunteers, and paid contract technicians to supplement limited staff and allow each operation to meet high-demand periods while reducing costs in low-demand periods. Further, as discussed in Section II in comparing the channels' production figures with available resources over the past three years, both LA CityView 35 and LA36 appear to be more efficient now than previously.

Opportunities exist, however, to further enhance efficiencies and potentially develop additional or supplemental funding streams—both critical activities particularly given the current budget constraints faced by the City. We identified potential improvements such as better managing production reimbursements from proprietary departments and tightening contracting practices. The stations are aware of these matters and have already considered some courses of action. With the unpredictability of funding streams and the promise of continued tight budgets, the City and both stations should continually strive to find alternative funding streams and identify opportunities for operating efficiencies and cost savings.

Both Channels seem to Efficiently Use Available Funding and Equipment

Given the relatively small budgets under which LA CityView 35 and LA36 operate, both channels provide significant levels of service. Our high-level reviews in the areas of staffing, equipment, and administrative support did not reveal instances of waste or significant inefficiencies. In fact, both channels seem to run lean operations at essential levels yet appear to provide a significant volume of quality programming.

At LA36, our review of expenditures did not reveal unusual activity or potential areas of waste. Salaries appear reasonable and operating expenditures were typical of business operations. The station employs 3 full-time employees and 8 part-time employees, to operate 24-hours a day programming that in Fiscal Year 2007-2008 included 464 hours of shows defined as original, first-run programming. LA36 operates with all digital equipment and utilizes a recently purchased production van in lieu of a studio to facilitate original productions. Although LA36 operates without a permanent land-based studio and therefore lacks state-of-the-art tools such as green screens or other equipment to enhance graphics, the mobile van allows LA36 to produce original programming anywhere throughout the City.

Similarly, our review of LA CityView 35 salaries, equipment and operating expenditures did not reveal unusual activity or areas of waste. In terms of staffing, LA CityView 35 employs far more staff than LA36, 21 full-time and two part-time employees. It also uses approximately 90 contract technicians extensively to reduce potential salary costs.

Moreover, employees and contractors are cross-trained to perform multiple functions and continue to learn new functions and activities. One of the greatest challenges faced by LA CityView 35, however, is equipment age and maintenance although it seems to efficiently use existing equipment to the extent possible. For instance, protocols call for repair of equipment rather than purchasing new equipment. Older equipment appears to be well-maintained and used for longer than the manufacturer's recommended life span. Moreover, as this equipment is analog, it will need to be replaced with digital platform equipment in the next several years as it may be expensive and difficult to produce its analog programming over cable operators' digital systems. In addition, manufacturers will likely stop supporting analog technology in the near future. In the near term, LA CityView 35 has begun purchasing surplus analog equipment to keep current systems operational for as long as possible. Several players including ITA, BITC, and MAPB have examined possibilities for enhancing equipment and PEG infrastructure beyond its current state, with preferences to transition to a fully digital studio as soon as funds are available. Early figures estimate that needed equipment would cost in the \$2 to \$3 million range; potentially such costs could be recovered through the new PEG Fees projected to be available in 2009.

While generally we found efficient use of resources by both LA CityView 35 and LA36, prior studies have identified instances where practices of the two channels may have been duplicative. In fact, two reports issued by the CLA in 2004 cited specific inefficiencies in employment of multiple staff in duplicate positions employed across the stations as well as the purchase of similar equipment to operate two separate facilities. In looking to the future, the City may consider the needs of both channels—as well as the potential for other third-party operators—when making decisions. Further, ITA has reported to Council the need to purchase a production van for LA CityView 35's increased requests for on-location filming and programming. Similarly, it seems reasonable that LA36 could benefit from access to a fully functional studio setting. Thus, should the City move to expand and retrofit LA CityView 35 studios, it should consider the efficiencies of sharing facilities and equipment, both land based and mobile, as well as staff or other resources. At the same time, care should be exercised to ensure the autonomy of each channel in making key operational and programming decisions.

Shrinking Budgets will Continue to Require PEG Channels to do More With Less

Funding for LA CityView 35 and LA36 primarily is generated from franchise fees paid by cable operators to the City. Historically approximately 60 percent of these fees are retained in the City's general fund whereas the remaining 40 percent are budgeted to operate the PEG Access channels. These funding streams have remained relatively constant over the past three years, and under the new DIVCA provisions any new funds will carry restrictions. However, to continue with the public access channel concept previously maintained by cable operators, the City will need to determine whether and how to support these additional demands. With relatively static revenues and the promise of restricted budget cycles to come, the ability of both LA CityView 35 and LA36 to do

more is largely dependent upon their ability to identify additional funding, potential efficiencies, and cost savings.

Over the past three years, both entities have faced budgetary constraints. LA CityView 35's allocation for production and non-salary operational costs has decreased from \$1.719 million in Fiscal Year 2005-2006 to \$1.693 million in 2007-2008 and no increase is expected for the current year. Over the same period, personnel costs have increased about 20 percent; as station staff are City employees, these costs are a part of the overall ITA budget. Similarly, 62 percent of LA36's budgetary resources were derived from the City grant that is funded from Franchise Fees with the remaining 38 percent generated from outside sources such as production service fees, program service fees, and other grants. Over the years, City funding streams have become noticeably precarious for LA36 with varying recommendations to significantly reduce or terminate funding altogether at one extreme and in other fiscal years a Council motion recommending to double the financial commitment to the station. The unpredictability of funding streams and LACTAC's desire to build a more robust educational and community access forum requires that LACTAC and the City identify potential cost savings and complementary revenue streams.

Moreover, in January 2009, DIVCA and the slated impending changes that will relieve cable operators from requirements to provide public access studios will further complicate funding of PEG Access in Los Angeles. Any policy direction chosen by the City that maintains a commitment to public access in Los Angeles will require resources in addition to those already spent for LA CityView 35 and LA36. While DIVCA allows for additional funding streams that could offset *capital* and equipment costs, no additional funding streams have been identified to offset or augment *operational* costs. Estimated costs to operate public access facilities range from approximately \$355,000 to \$2.7 million—excluding capital costs. Thus, the City still faces difficult decisions relating to providing PEG Access and allocation of limited funds. LA CityView 35 is running on obsolete equipment and space nearing capacity; LA36 operates with few staff and without a land-based studio; and, in January 2009, unless action is taken, the City will essentially have no public access studio available to the public. While the logistics of any potential transition had yet to be put in practice by the end of our fieldwork, identifying opportunities for efficiency and supplemental funding is crucial—more so now than ever before.

Increased Efforts should be made to Secure Supplemental Funding

Overall, the City lacks a proactive strategy to address several key challenges including tight budgetary constraints, precarious funding streams used to operate LA36, and the proposed expansion of PEG Access capacity in Los Angeles. While LA36 has historically sought external funding, over the past three years available funds have decreased. Given the current situation, LA CityView 35 and LA36 may need to find additional funding streams to just maintain their current level of operations. Other stations nationwide have already begun supplementing government revenues with monies

earned from production fees as well as proactive efforts to increase levels of donations, underwriting, and sponsorships.

For instance in Cincinnati, Ohio, the government access channel received slightly more than \$5,900 of their nearly \$722,000 operating budget from sponsorship dollars. Though the incremental funding totaled less than one percent of its budget, the budget now includes proactive mechanisms and dedicated funding for staff to seek other opportunities for sponsorships. Similarly, the Community Access Television in Bismarck, North Dakota generated \$15,000 of their \$250,000 operating budget from duplication services fees and private donations.

In recent years, there have been preliminary discussions surrounding revenue models that could be deployed by both channels that mirror the PBS model for sponsorship and underwriting. While concerns regarding this avenue have been raised in the City related to protections that would be needed against conflicts of interest or the perception of undue private influence on program content, the PBS model operates under a general structure created to guard against those areas by determining the acceptability of funding related to editorial control, perception, and commercialism. Moreover, PBS has created guiding principles related to excellence, accuracy, fairness, balance, and credibility—elements that have reportedly been incorporated into practice by cities such as Tacoma, Washington and Charlotte, North Carolina.

Initiatives that could supplement funding:

- ✓ Private Sector Sponsorships and Underwriting Opportunities
- ✓ Program and Production Rate Increases
- ✓ Cost Recovery Model for Special Production Requests
- ✓ Increased Use of Interns from LA-Based Educational Institutions
- ✓ Increased Efficiencies in the Hiring and Use of Contractors

As for LA36, a history of seeking monies separate from the City's grant exists. In fact, past LACTAC grant agreements contained provisions requiring the non-profit to make good faith outreach efforts to seek additional funding. While those requirements were subsequently eliminated, LA36 has increased funding through other revenue streams since Fiscal Year 2001-2002. However, neither LA CityView 35 nor LA36 have developed rates based on cost-recovery models to charge clients for special production requests—including requests such as coverage of City parades and special events. Moreover, the City has not placed any obligation on LA CityView 35 to seek other funding sources to supplement its revenues or reduce its dependence on franchise fee revenues. Currently, in addition to LA CityView 35's \$3.2 million budget, the station also receives cost reimbursements from proprietary departments and designated commissions, as well as other Council-controlled departments. Current rates are based on limited costs that include elements of contract experts such as directors and make-up artists hired to work on a program, but do not include prorated equipment or capital costs or fully loaded LA CityView 35 employee salaries. Thus, LA CityView 35 may want to consider charging more fully-loaded reimbursement rates designed to recover costs on a more comprehensive basis.

Over the years LA36 has generated approximately one-third of its operating resources from production and programming fees, and has expressed hesitancy in raising production and program service fees due to the potential loss of clients. There may be some elasticity in the current fees charged by both channels, warranting a cost/fee analysis to determine a quantifiable “price point.” Because of its educational client-base LA36 may not be in a position to achieve full cost recovery for all clients. Nonetheless, revised fee schedules could help augment funding for the channels in the future.

Limited Opportunities Exist to Reduce Production Costs at LA CityView 35

With a small staff, LA CityView 35 relies on the use of external contractors to supplement its available resources in specialty areas not found in City government such as cameraman, make-up artist, and technical directors. LA CityView 35 executes more than 90 contracts every three years to employ the services of specialists and technicians such as camera operators, makeup artists and technical directors for production operations. Each contract can take six to nine months to execute and costs ITA between 110 and 140 administrative staff hours annually to complete—not including the administrative costs to other City departments also involved in the contracting process, such as the CAO and the Personnel Department. Moreover, LA CityView 35 typically compensates contractors for a full day of work regardless of the actual amount of time needed for an individual production project, requiring management to identify and assign secondary tasks around the studio to supplement production projects that would

ordinarily take less than a full day. This protocol results in potential inefficiencies.

Opportunities for Efficiencies Include:

- ✓ Consistent Use of Half-Day or Hourly Rates for Consultants, Where Practical
- ✓ Streamline Consulting Contract Process Through Use of Alternative Contract and/or Hiring procedures
- ✓ Employ Non-Paid Interns and Volunteers to Supplement Limited Staff Resources

While contract terms for technicians used by LA CityView 35 specify hourly rates to be charged for work performed, informal protocols followed by the station typically guarantee at least 8 hours of pay, particularly when station managers do not know in advance how long an event will last. Station officials believe that these provisions are

needed to ensure the availability of the workforce as the station staff has experienced difficulties in the past in securing contractors without such practices.

Our review of 51 contractor invoices during a one-month period revealed that only two invoices reported less than 8 hours per day. Since several of these invoices pertained to council meeting assignments, it is unlikely that the contracted work required a full-day’s work because council meetings typically do not last eight hours. For instance, a February 8, 2008, Council meeting lasted three hours; the associated invoice for a contractor providing video production services billed 8 hours for the meeting. In another example,

we found two contractors billed different amounts—one billing 8 hours and the other billing 11 hours for a Los Angeles Police Department Commission Meeting held on February 26, 2008 that lasted less than an hour. According to LA CityView 35, Council and Commission meetings often include closed sessions that cannot be taped, but station management may require the crew to stay on-site in the event that the session re-opens. In situations where meetings end early, we are told that contractors typically return to the studio to assist with other projects. Yet, contractor invoices do not provide any indication of the reassignment of work to other projects. By allowing invoicing in this manner, the City cannot appropriately monitor and approve contractors' billings to pay only for productive time. For better control and management over contractors, the station should require charging by project and then tie time worked and decrease the risk of inappropriate charges.

Station management asserts that it reassigns contractors to alternate work if projects are completed early—protocols that we observed in action where a cameraman was running a teleprompter since his assignment was completed in less than 8 hours. Yet, it is unclear if assigning “filler” work for the remainder of a day is more or less efficient than establishing half-day rates or utilizing pre-established hourly rates and assigning staff as needed. Thus, LA CityView 35 should consider managing contractor efforts and productivity closely to ensure its getting full value through its outsourced efforts.

Methods Employed to Secure Contract Labor Can be Improved

Our review of contracting practices also suggests that while LA CityView 35 followed the Charter-mandated competitive contracting process, existing processes are cumbersome and may be inefficient. Specifically, LA CityView 35 is required to follow the processes employed by the City for high-dollar contracts, even though most of the channel's service contracts range from only \$30,000 to \$40,000 and are for services not provided by City employees such as camera operators, producer/director, and makeup artists. The current City contracting process takes six to nine months to hire a new contractor and with more than 90 contractors, the City's onerous process can take excessive amounts of staff time compared to the value of the contracts. Thus, a more streamlined process could be considered—one that maintains controls to ensure competition, integrity of process, and legal protection of the City.

One alternate approach considered by LA CityView 35 in the past was the use of staff from temporary help agencies. However, we were informed that the administrative fee charged by temporary help agencies is so substantial that those fees alone could consume approximately one-third of the station's operating budget. Another approach would be to work with the City Council and other city officials to seek guidance on an exemption or delegated authority to secure the station's on-call contracts using less rigorous methods employed by other City departments—such as the Department of Public Works contract hauler program—or by establishing a low-dollar “purchase order” type contracting vehicle. In doing so, careful attention should be taken to assure competition among technicians wishing to participate in the City's production opportunities, appropriate fiscal controls, and ensuring transparency in ITA's utilization of these contracts and associated funds.

Another approach that might achieve greater staff efficiencies could be through the use of interns and volunteers. Currently, LA CityView 35 does not use this resource to supplement staffing. LA36 employs six unpaid interns—typically film and production students from local universities such as the University of Southern California and University of California, Los Angeles, who work throughout all phases of the production process. Although they receive no monetary compensation, students achieve hands-on experience with production equipment and garner real-life and up-front knowledge of the processes, techniques, and skills. At the same time, LA36 receives the benefit of enhanced resources without incurring salary costs. Although LA36 staff devotes additional effort to train and monitor the interns, particularly to ensure expensive equipment is protected and quality of programming is maintained, station staff asserts the benefits out-weigh the costs.

This practice and the relative value of interns and volunteers is consistent among many other PEG operators throughout the nation. For instance, the government and public access channel in Cincinnati utilizes more than 300 volunteers as production crews, directors, producers, and field or studio broadcast specialists as well as interns. While the LA CityView 35 currently employs two paid part-time staff, these employees provide administrative support and are not actively assigned roles in the production process. Thus, LA CityView 35 may benefit from actively seeking and using volunteers and interns to aid in production workload and supplement limited budgets and staffing resources. Because there may be added costs associated with employing these volunteers or interns, LA CityView 35 should work closely with the CAO's Risk Management Group to identify costs and benefits of including interns and volunteers on the station's insurance policy.

Continue Efforts to Closely Manage Production Cost Reimbursements

In 2004, the City Council established a requirement for LA CityView 35 to tape and air all commission meetings for the City's Department of Water and Power, Harbor Department, Los Angeles World Airports, Community Redevelopment Agency Commission, and Police Commission. Along with these requirements, the Council established protocols for the channel to recoup costs associated with airing the commission meetings. However, until June 2008, reimbursements paid by proprietary departments were not always transferred to ITA's operating account to offset these costs. Specifically, although proprietary departments paid reimbursements based on estimated costs developed as part of the production budgets, the funds collected were not used to reimburse programming costs—which resulted in fewer resources available and programming capacity for departments or Council members than was intended.

LA CityView 35 has production budgets intended for costs associated with production requests from the Council, Mayor or Council-controlled departments. For a two-year period ended June 30, 2007, LA CityView 35 spent nearly \$292,000 or nearly 19.5 percent of its combined \$1.495 million two-year budget for filming and programming on proprietary department productions, funding that was intended for non-proprietary department programming. While the five departments and commissions appropriately

submitted reimbursements for these costs, reimbursements did not offset production costs, a process which required working with the CAO to make the funds available to ITA. As a result of citywide budgetary constraints, the funds were subsequently transferred to the City's General Fund and not made available to Channel 35.

As a result, resources available to LA CityView 35 production budget were 17.3 percent less and 21.5 percent less than Council originally intended for the 2005-2006 and 2006-2007 fiscal years, respectively. Further, the station may not have produced as much original programming as it could have, or it may have unnecessarily delayed projects because of funding limitations. With an estimated average cost per show over the two-year period at approximately \$1,235, LA CityView 35 could have potentially produced another 237 programs if the nearly \$292,000 had been made available in LA CityView 35's budget to offset reimbursable costs. According to LA CityView 35 management, a temporary fix is in place while it works toward a more permanent solution to ensure funds are immediately made available to replenish non-budgeted expenditures. Although the situation may be corrected on a go-forward basis, ITA should establish defined practices that will ensure it continues to manage reimbursements appropriately and maximizes funding available for LA CityView 35 productions—and ITA management has indicated that it has done so.

Recommendations

Ultimately, while the City is faced with numerous challenges that include tight budgetary constraints, precarious funding streams, and the potential for expansion of PEG Access capacity in Los Angeles, it can take action now to mitigate these challenges. By proactively seeking donations, sponsorships, and underwriting opportunities; by developing production fee rates based on fully-loaded cost-recovery; by increasing efficiencies in the use of contracted expertise, by increasing the use of interns and volunteers; and by better managing production reimbursement payments, the City can do more than keep pace with current production resources. With the additional one percent in PEG Fee revenues, increased efficiencies, and revenue enhancement activities, the City can actually increase production resources.

Both LA CityView 35 and LA36 seem to be well-run operations focused on efficiencies and provision of quality services. Yet, to assist the channels in becoming even stronger leading organizations in the PEG field, we recommend the following for consideration by ITA, LA CityView 35, and LA36:

7. Exercise dedicated, regular, and proactive efforts to secure additional funding streams to maintain current levels of operations.
8. Conduct a cost-analysis to identify complete production costs and the basis that could be used to charge customers a fully-loaded reimbursement rate, or—at a minimum—revise fees to help augment funding.
9. Make a modest financial investment to identify viewership trends, demographics, interests, and other statistics that could be used to attract and maintain financial sponsors and underwriters to augment City funding sources.

10. Improve efficiencies in the use of contract expertise by:
 - Applying half-day or hourly rates and/or requiring contractors to invoice time by specific project and task, thus, providing improved assurance that invoiced amounts reflect actual hours worked;
 - Considering the development of a program to use non-paid interns and volunteers to supplement resources; and
 - Considering streamlining existing contracting processes by working with appropriate City officials to identify alternatives to allow ITA to contract with its 90+ contract experts without having to navigate the City's cumbersome contracting process year after year. We believe that alternative approaches could be employed in a manner consistent with the City Charter, and in a manner that ensures competition, integrity, transparency and accountability.
11. Establish defined practices to manage LA CityView 35 reimbursements on a go-forward basis.

Appendix A – Findings Summary with Ranked Recommendations

Section Number	Summary Description of findings	Ranking Code	Recommendation
<p><i>To address the budgetary constraints and challenges presented by DIVCA and enhance current levels of oversight on program broadcasting, we recommend that the City:</i></p>			
I.	With Legislative Changes Imminent, the City has an Opportunity to Create a Clear Vision and Defined Plan for PEG.	N	<ol style="list-style-type: none"> 1. ITA management should work with City officials to develop, in an expedited manner that minimizes the disruption of service to Los Angeles residents, a long-term, strategic plan for PEG Access. <ul style="list-style-type: none"> • Work with City officials to ensure the security of the City’s right to four interconnected PEG channels, to develop sufficient programming content to maintain the channels, and to develop adequate contracts or other agreements with third-party programming providers; • Devise a central vision for PEG Access operations; • Create a long-term strategic plan to guide City efforts, funding decisions, resource allocation, as well as infrastructure and programming development; • Establish a governance structure over all PEG Access in the City, and take a stronger leadership role to guide all PEG Access in the City and to assure adequate transparency, accountability, and productivity. In doing so, we recommend that the City consider, among other options, the creation of a central independent oversight body to provide continuity for PEG Access in the future, while at the same time assuring the relative autonomy of each channel to make programming and operating decisions; and • Consider coordinating programming efforts; procurement and use of equipment, facilities, and production resources; and key PEG-related policies and approaches by interacting with all entities on a regular and proactive basis to provide more uniform and united service delivery to customers.
I.	Regardless of Future Direction, the Current Governance Structure Could be Improved to Facilitate a Longer-Range Focus.	N	<ol style="list-style-type: none"> 2. ITA management should work with City officials to establish well-defined, concrete and performance-based expectations of LACTAC and any other third-party or City-controlled PEG operators to ensure the existence of an adequate framework from which to monitor channel operations, approve grant provisions, and hold PEG operators—including LA36 and LA CityView 35—more accountable.
I.	Stronger Monitoring is Needed and Expectations Could be More Clearly Defined	N	<ol style="list-style-type: none"> 3. ITA management should perform more thorough oversight to assure that money is being used as designated in the grant agreement, quality services are provided, and the City is receiving value from its investment.

Section Number	Summary Description of findings	Ranking Code	Recommendation
<p><i>While programming protocols and practices of both LA CityView 35 and LA 36 provide a framework upon which the channels consistently provide service that are similar to peer stations across the country, both stations can more diligently track and monitor quantifiable data to better ensure their efficiency and effectiveness. Toward this end, we recommend that the City:</i></p>			
II.	LA CityView 35 Programming Practice could be more Proactive to Encourage Comprehensive Program Development.	N	<p>4. LA CityView 35 management should reach out to “underrepresented” departments, agencies, elected officials, commissions, boards, and other City entities that do not utilize LA CityView 35 services. In this way,</p> <ul style="list-style-type: none"> • Continue to encourage a broader array of program development requests; • Consider setting strategic goals such as “to add XX number of new clients each year”; assessing and evaluating trends in client usage and opportunities to expand clientele; or through other means; and • Consider developing a service cap to limit the number or extent of ITA-funded production projects for a single department, and requiring those that want to produce additional programming to fund it through their own budgetary resources.
II.	More Data should be Captured and Analyzed to Assess Performance	N	<p>5. ITA management should capture and track additional performance and viewership statistics that can be monitored, evaluated, and used to demonstrate accountability and value. This should include defining more useful performance measures, setting specific performance goals, and analyzing performance trends over time. Incentive-based grant provisions could also be established to encourage LACTAC and other third-party operators for optimizing performance.</p>
		N	<p>6. LA CityView 35 and LA36 should examine the practicality of conducting more robust marketing, outreach, or public relation efforts to increase awareness and interest in both channels.</p>
<p><i>Both LA CityView 35 and LA36 seem to be well-run operations focused on efficiencies and provision of quality services. Yet, to assist the channels in becoming even stronger leading organizations in the PEG field, we recommend the following for consideration by ITA, LA CityView 35, and LA36:</i></p>			
III.	Increased Efforts should be made to Secure Supplemental Funding	D	<p>7. LA CityView 35 and LA36 should exercise dedicated, regular, and proactive efforts to secure additional funding streams to maintain current levels of operations.</p>
		D	<p>8. LA CityView 35 and LA36 should conduct a cost-analysis to identify complete production costs and the basis that could be used to charge customers a fully-loaded reimbursement rates, or—at a minimum—revise fees to help augment funding.</p>

Section Number	Summary Description of findings	Ranking Code	Recommendation
III.		D	9. ITA management should work with City officials to make a modest financial investment to identify viewership trends, demographics, interests, and other statistics that could be used to attract and maintain financial sponsors and underwriters to augment City funding sources.
III.	Limited Opportunities Exist to Reduce Production Costs at LA CityView 35.	N	10. LA CityView 35 management should improve efficiencies in the use of contract expertise by: <ul style="list-style-type: none"> • Applying half-day or hourly rates and/or requiring contractors to invoice time by specific project and task, thus providing improved assurance that invoiced amounts reflect actual hours worked; • Considering the development of a program to use non-paid interns and volunteers to supplement resources; and • Considering streamlining existing contracting processes by working with appropriate City officials to identify alternatives to allow ITA to contract with its 90+ contract experts without having to navigate the City’s cumbersome contracting process year after year. We believe that alternative approaches could be employed in a manner consistent with the City Charter, and in a manner that ensures competition, integrity, transparency and accountability.
III.	Continue Efforts to Closely Manage Production Costs	N	11. ITA management should establish defined practices to manage LA CityView 35 reimbursements on a go-forward basis.

“N” = Necessary

“D” = Desirable