

Township of Lopatcong
Special Meeting
September 22, 2015

The Special Meeting of the Council Meeting of the Lopatcong Township Council was called to order approximately 6:00 pm by Mayor McKay. The meeting was held in the Municipal Building located at 232 S. Third St., Phillipsburg, New Jersey 08865.

A moment of silence was offered followed by the Oath of Allegiance.

Mayor McKay stated “adequate notice of this meeting has been provided indicating the time and place of the meeting in accordance with Chapter 231 of the Public Laws of 1975 by advertising a Notice in The Star Gazette and The Express-Times and by posting a copy on the bulletin board in the Municipal Building.”

Present: Councilman Belcaro, Councilwoman McCabe, Council President Ciesla, Mayor McKay

Motion to hold the presentation by Councilman Belcaro, seconded by Council President Ciesla. All in favor.

Thomas Kelley – Good evening Mayor and members of the Town Council and members of the public. My name is Tom Kelley and I am an attorney and representing Service Electric Cable TV, Inc. Here we are back again after 15 years seeking a renewal of the franchise again for a 15 year period to use the streets and alleys of public ways and renew again for 15 years as the law allows and economically it makes sense to do so. Mr. Kelley introduced Tim Himmelwright, Director of Communications and the basically the manager of the system that serves New Jersey and will give comments about what has been going on in the service area, where the upgrades have been and things of that sort and address any questions the members of the public and Council may have.

Tim Himmelwright – As many of you may know we came through five years ago. We came through the Township and through Phillipsburg and Harmony and provided an upgrade to be able to add telephone service to our offerings that we provide to the community. We also filled what we call an adaptable platform to launch our services off of. Now what that has allowed us to do is now when we do an upgrade all we need to do is upgrade the equipment. We also put a brand new head in in P'burg to serve Warren County. We've been over the last two years increasing the internet speeds that we offer. The highest residential internet speed that we now offer is 50 Megs per second. Also by having the central head in in P'burg now which cost us millions of dollars to put in allows us to make a change that automatically what P'burg can get, Lopatcong can get, Harmony can get, Pohatcong can get all down the line all the same. We are working on another upgrade along those lines on the internet next spring and by June we'll have in place new servers at that head that will allow us to offer you even faster internet speeds. We keep upgrading so that we can keep offering people and we're still going to offer the slower speeds; we offer economy internet speeds that are slower, you know 5 megs, 7 megs which cost less so the people have a choice. Along with continuing all the channels on the cable system we're making room for more services and continue to expand to offer what we offer in high definition. Any questions?

Ed Schuster – You guys sure have a monopoly. Nobody else is coming in the area. So, that being said you know you guys more or less do what you want to a point. My other things are as far as your bundling, I think you should get a better deal between you and Verizon. Right now, I got you guys for my TV and I have Verizon for phone and internet. Okay, when I compared it to, the only difference is you don't have security, you know that I can get Verizon does. You have a better phone package than Verizon does. That being said there is less than a dollar difference between the two and I think if you would bundle with somebody whether it is you or somebody else, I think there should be more of an incentive or better break and the other thing is longevity, being a member for forty years with service going back to Sammons where a senior citizen discount. Can you guys do a little more to help us out in that respect?

Tom – When you say security, what do you mean?

Ed Shuster – There is this internet security. You guys don't offer that. Verizon does. You have a better phone plan than what I have with Verizon. If you bundle with somebody whether it is you or somebody else I think it should be a little more than just a dollar difference and the other thing is, you know, been a member for so long or a customer for so long shouldn't that mean something? It is sort of like the Express. I've been a subscriber for 40 years they don't want to give me a break but somebody comes

into town new they'll give them all kind of discounts in pricing to try to get them as a customer. Those people will probably move out in six months and I'm still here. The same thing with the cable, if I've been a subscriber for like 40 years doesn't that mean anything to whether it is you guys or somebody else, you got somebody for that long, they'll probably going to be here until where gone how about cutting us a little bit of a break.

Tom Himmelwright – Let me take the first issue first. On the matter of competition, there's the 1992 Cable Act opened up franchising and New Jersey has followed this that there is any other company that would like to come to Lopatcong Township and apply for a franchise they can and could wire the Township. No other company has chosen to do so. Only Service Electric has chosen to continue to stay here and to upgrade the system and spend the millions to be able to provide the services um to the residents of Lopatcong Township. Even Verizon not comfortable with their fiber and (inaudible) and they are not planning to. You know, so even they are not going to because the margins in video are so small now we are trying our best to deliver the best prices we can on the video side for customers. What we have to pay for the channels that everybody wants they demand. The channels demand, they say this is what you are going to pay us. We try hard to negotiate; we try to get them to come down in price. We get a little but we don't get what we want for the channels that everybody says they want so we have to pay them the price they say. Even the TV stations. The TV stations are supposed to be free and there free on the air but once you put on the cable system and you improve signal strength that goes to someone's house, now they can charge us money to put their signal on and that's that broadcast fee that's on the cable bill. All we are doing is taking that part of the bill and writing a check out to the TV stations and handing them money. The billionaires are getting fat and rich on it only to get beat up for what the price is. Believe me, I'm also the government relations guy on the federal side and I am constantly trying to meet with congressman and the senators to try and get them to get in the game and force the programmers to sell us the programing at a fairer price. We see what happens after the presidential election round. There is some stuff down in congress that's sitting waiting for hopefully an opportunity to get past and not vetoed. But you know, I mean we're begging to please give us the option to sell channels on an a la cart basis and allow everybody to look at oh hear is 250 channels, well I want my favorite 15. We know these channels cost more individual on that basis but if someone could pick their favorite 15 say for \$60 or whatever the bill would come out, we believe we would have a lot more happy customers who would rather pay \$60 for 15 channels they would actually watch instead of 82 channels or 125 channels most of which there not going to watch. But the broadcasters and the program networks there are seven major programmers that control three quarters of the dial. They dictate what the price is these days. So, congress gets in there and breaks it up a little and say look you guys have to come to the table and this has to be done in a fairer fashion and you got let them do skinny bundles, you got to let them do all a cart. Until congress makes that the law of the land, the programmers are not going to change.

Council President Ciesla – So, you can't do a la cart at this point in

Tim Himmelwright – We are not legally allowed to. The programmers will not let us.

Council President Ciesla – They won't let you.

Tim Himmelwright – Technologically we are ready. The cable box is in your house. We could program the channels you wanted tomorrow if we were legally allowed to.

Councilman Belcaro – Do all companies like Service Electric and Direct TV which is satellite, do they all pay the same fee to these networks.

Tim Himmelwright – No. Unfortunately no.

Councilman Belcaro – So, who gets a better deal and why?

Tim Himmelwright – Who gets a better deal? I think the bigger the company, the better their deal.

Councilman Belcaro – So, Direct TV.

Tim Himmelwright – Here's the thing that makes it worse. Comcast gets the best prices. No one gets better than Comcast prices. Comcast charges people more per channel than any other company does which makes their profit margin on video still big. Ours is squeezed down to the smallest it can be.

Councilman Belcaro – How many customers do you have?

Tim Himmelwright – Between Pennsylvania and New Jersey 100,000.

Councilman Belcaro – And how many here in Lopat?

Tim Himmelwright – In Lopatcong a couple of thousand.

Councilman Belcaro – Just a couple thousand?

Tim Himmelwright – Yeah. Across the systems we serve in New Jersey, we only have 12,000 customers.

Council President Ciesla – Well, we only have 2500 households here.

Tim Himmelwright – And that's Lopatcong, Pohatcong, Harmony and Phillipsburg, Alpha, Kingwood, Milford, Frenchtown. So, it is the northern portion of Hunterdon County and the Southern portion of Warren County. But we pass almost 35,000 homes in the state but we only have 10 to 12,000 customers.

Council President Ciesla – And here there's nobody else so, they are not getting cable from anyone else.

Tim Himmelwright – In this footprint there is no other cable choice for them. So, that tells you that 2/3rds of the households choose nothing except free TV.

Council President Ciesla – Or Direct TV and Dish yeah.

Tim Himmelwright – Which is tough because then the municipality doesn't get its franchise fee and those are issues that the little states need to take up and you know, they should take up those issues about Direct TV and Dish having to pay something to the local municipality back.

Councilman Belcaro – Why are you looking for a 15 year contract and I understand you have a ten year contract with P'burg.

Tim Himmelwright – Um, P'burg traditionally has been a 10 year contract. I asked for a 15. They were not willing to go to a 15. Everybody else in our foot print here in New Jersey is at 15. P'burg didn't get the level expense in the finance that it takes to do what we do. The infrastructure that is on the poles and in the ground is an expensive infrastructure. That's why nobody else will come in and do it. Maintain that infrastructure and expanding it, you know, as more businesses have moved into the Township we've had more requests out toward the golf course and everything. We've had requests for services for the businesses that have located out that way. Um, maintaining the plant and expanding it costs millions and for instance this project I told you about increasing the internet to be to faster beyond 50, between our New Jersey and Pennsylvania properties, in the Lehigh Valley, is going to cost us 20 million dollars. Just the P'burg (inaudible) is going to cost us over a million to do that upgrade to be able to give people faster internet speeds.

Councilman Belcaro – Why 15 year contract? Is it to protect your interest?

Tim Himmelwright – At this point our owners have exhausted their own personal capital.

Councilwoman Belcaro – Because the reason I ask is if there is no other competitors coming in

Tim Himmelwright – The franchise is a non-exclusive franchise meaning you can have as many franchises and as many providers as you want if they would want to come in the Township. You could give us a 50 year franchise and it wouldn't make a difference as to competition. Anybody can apply to have a franchise offer cable TV in the community. You can grant as many franchises as you want but

Councilwoman McCabe – But do those people have to run their own lines or do they have to lease?

Tim Himmelwright – They would have to run their own lines.

Councilwoman McCabe – Can they lease yours?

Tim Himmelwright – No.

Councilwoman McCabe – You wouldn't do that?

Tim Himmelwright – It is not that we wouldn't do that, we couldn't do that. With the architecture and the usage on the lines, there's no extra “space”.

Councilman Belcaro – Right. So your line is dedicated to your services only. Right I get it.

Tim Himmelwright – Well, it, it is dedicated to the services that we would be offering. You can't share the cable lines with anybody else there is not enough space. There is only so much you can put down the pipe.

Council President Ciesla – So, you could come in here and we could give you a 15 year contract. Comcast could come in and lay down their lines and they could also come in at the same time.

Tim Himmelwright – They could come in and say Comcast would like to offer service in Lopatcong

Council President Ciesla – Offer a franchise here.

Tim Himmelwright – and we'd like a franchise, then you could say okay.

Councilwoman McCabe – The chances of them doing that are slim to none. They would have to run all those lines. Can they some kind of co-locating or something with you guys?

Tim Himmelwright – They cannot co-locate for residential. When it comes to business for instance we have a working relationship with them for Warren Hospital that doctor's offices have located but they're farther to the east. Doctor's offices in the east that are on part of the Warren County Hospitals organization – they're tied in at a splice case. Comcast (inaudible) and completes the circuit so that the doctors can pass information back and forth from the hospital, they can get X-rays, they can look at patience's results and things like that. There is a medical center that they have located to the east or to the north they can tie right in to our (inaudible).

Councilwoman McCabe – So, you have an agreement with Comcast to do that or are they

Tim Himmelwright – To do that on the business connections yes. There are several locations somewhere in our territory's and several in there's.

Councilwoman McCabe – And there wouldn't be capacity to do it for residential if that was an option?

Tim Himmelwright – Not with residential. We can't pass their signal to residences over our line. What we are doing is passing fiber, we're passing private signal to the doctor's office, to the hospital and back. That's their private protected traffic and there has to be all types of security.

Councilwoman McCabe – So, do you think there would be the technology in the future to be able to do something like that? I mean is that something that's even

Tim Himmelwright – If there is something like that, that somebody develops in the future. I don't know what going to be the sign of the future. We didn't have, you know, 20 years ago, we didn't have the equipment we have now. I have no, you know, crystal ball to tell you what we're going to be doing in 20 years but I do know our desires are long term committed to, certainly committed

Councilwoman McCabe – So you're saying

Tim Himmelwright – Right now we are working with the, with the school district – the conduit has been put in and we're putting cable in the school to do fiber connection to be able to cover sports indoors in the gymnasium and everything so that we don't have to run camera cable outdoors.

Council President Ciesla – The school will be fully wired okay.

Tim Himmelwright – (Inaudible) in the last three weeks with them cause they're now at the point where it's like, we'll let's sit down, you know, we want this here and we want that there. It's a lot (inaudible).

Councilwoman McCabe – So, you are saying you are non-exclusive, this agreement but

Council President Ciesla – another cable company could come in.

Councilwoman McCabe – right but what does the 15 years protect then?

Tim Himmelwright – The 15 years gives us the legal license to operate in your community. That's important for us at the standpoint we've got to go to our bankers and borrow the money to make the improvements to deliver the improved services that customers can enjoy (inaudible). It's just our operating license in the municipality.

Councilman Belcaro – And, the banks would like to see that. You'll be around for a while.

Tim Himmelwright – I, even now, have to do reports to my boss every quarter as to which ones I closed and which ones I have open yet which ones are coming due. Bankers want to know.

Council President Ciesla – And, it protects your investment I would believe. If you are doing a 5 year long upgrade you know that you're covered.

Tim Himmelwright – Yeah we've got 15 year agreements, we've got payback on the cost of that investment then the cost of those investments have only gotten higher, you know, as (inaudible). The piece of equipment we are putting in the P'burg is going to cost us more than a million dollars for one unit that's going to be able to provide us with faster internet speeds.

Mayor McKay – We have a gentleman in the back with a question.

Ed Schuster – Not so much for service (inaudible) I probably got my own answer but has Council ever tried to reach out to another company to try to come in and my answer is probably because they're running all the lines they probably want a guarantee of X amount of customers to make it practical for them. Has Council ever tried to reach out to anybody else to see if they would entertain the thought of coming in?

Mayor McKay – Not to my knowledge.

Ed Schuster – That is a viable thing they maybe tried to do. I don't (inaudible) I don't think it will happen but I mean it's, you don't know if you try.

Clerk Dilts – They might have done that in prior years the past administration.

Councilwoman McCabe – Unless the Township was going to

Council President Ciesla – It's probably, it'll take several years probably too to wire the town.

Councilman Belcaro – I mean to wire up the town, that's a lot of work.

Councilwoman McCabe – Unless we were expanding like see some huge expansion coming in the future then we would have something to negotiate with but right now you know we have a few new businesses but not, we have some apartments coming in and we have some new business coming in but

Council President Ciesla – I know there was a push for FIOS. I know there was a lot of phone calls made not necessarily from here but from other Townships to try to give Verizon to do FIOS and they said no.

Tim Himmelwright - They frankly have the most money and could do it easier. They have the most employees in the state and looked at it and said. These guys can't guarantee, they can't say well we're going to take 20% of our residents and force them to take the new service. Everybody's free to choose what they want.

Councilman Belcaro – The thing is the most common complaint is, of course, if there's no competition and the customers feel that because there's no competition, you know, they have to pay what they have to pay and they feel they are paying too much for the service and you know that's typical complaint of course because when you're the only game in town, you know, people, the perception is well the only ones here so they have a total monopoly.

Tim Himmelwright – (Inaudible).

Clerk Dilts – You don't give discounts to seniors or disabled or do you do that?

Mr. Kelley – It can be given but it is limited by state law. It's not supposed to be the stuff we should negotiate at this level but there is the PAAD, (inaudible) assistance and one other qualifying characteristic required in order for anybody to get.

Council President Ciesla – That would be good information to get out there.

Councilman Belcaro – Just to switch gears a little bit, I know that you guys have high definition in whatever channels that's being broadcasted in, correct? I know that right now, no one is broadcasting ultra-high definition (inaudible).

Tim Himmelwright – No one is providing any programing (inaudible) and now there's talk about 8K.

Councilman Belcaro – And, now are you going to be ready for that?

Tim Himmelwright – With (inaudible) .1 with the modification at the head end, we would be able to do 4K. We've already discussed that internal but now they're talking about 8K. There's not even 4K programming available and now they're talking about 8K.

Councilman Belcaro – And, they're talking about 8K.

Council President Ciesla – And, they've already moved on which is a problem.

Councilwoman Belcaro – The only one broadcasting right now is Netflix.

Tim Himmelwright – And, here's we're we all get caught whether it's Verizon or Service Electric or Comcast, Cable Systems out on Long Island is that you get these engineers that sit in ivory towers and dream up all these new things and does anybody remember what Betamax was?

Council President Ciesla – Yes.

Tim Himmelwright – And, how it competed with, with VHS

Council President Ciesla – VHS.

Tim Himmelwright – and which one was going to win.

Council President Ciesla – Anybody remember VHS?

Tim Himmelwright – Beta was better, yes. Sony wouldn't license it to anybody else and they lost.

Councilman Belcaro – Right remember Beta.

Tim Himmelwright – Yeah when it was 3D, we had another attempt two or three years ago 3D was supposed to be the big new rage and they've made, they've even made 3D in a way so people like my wife whose got a problem with it making her sick watching 3D which he wouldn't even have to have glasses to watch it and uh that faded and we got it all set up, ready and we could do 3D and then it went bye-bye.

Councilman Belcaro – Nobody wants to wear glasses.

Tim Himmelwright – I looked at over 30 different types of glasses and all the vendors they had their glasses right.

Councilman Belcaro - I understand that 4K, I went to go look at it at Best Buys TV, of course, they're broadcasting in their store the 4K and it's probably the closest to 3D you know with the dimensions and it's a pretty cool picture but if no one's broadcasting it, why would anybody buy that TV?

Tim Himmelwright – Right and no one's broadcasting and a salesman will sell you anything they can sell.

Councilman Belcaro – And, people buying these TV's I say, I mean

Tim Himmelwright – And, there's no programing for them.

Councilman Belcaro – No there's nothing for them.

Tim Himmelwright – And now they are talking about 8K.

Councilman Belcaro – Right.

Tim Himmelwright – And, if your somebody that buys a 4K TV set for \$9,000 and then six months later outcome the 8K's, you threw money down the drain and here we sit going okay now what system do we have to be ready for (inaudible) and the consumer electronic industry which is all foreign by the way; they are all foreign companies. There are Japanese, Korean; you name it, there the guys that come up with what the standards are. We've got to be ready to match the standards. We know that HD is a reliable standard. So, now we are looking at expanding to deliver more HD (inaudible). We are trying to replicate the stuff that we have on in standard definition enough for high definition. Unless we take back the analogue stuff, free up more space to do more high def. We are going to play a wait and see game to see if anybody starts putting out a lot of 4K stuff. You never know what is going to be the next standard. Is 4K the next Betamax? Is 8K the next Betamax, who knows? We don't want to see people waste a lot of money until a standard is really established.

Council President Ciesla – I know, over the years, the coverage of the town and the quality of service has greatly increased. I live right near Harmony and I was kind of in that dead zone where for years everybody around me was able to get like two-way internet and I still had the one-way cable modem. Is our town pretty much fully covered with the cable? Okay. But that, would that, I know we had a problem here as well with this building and some of our other buildings with getting cable internet in and right now we have DSL and we would like to upgrade to cable internet and I don't know if that's something we can negotiate in to get some kind of bigger discounted service to our particular buildings or if we would at least try to get you in. We had a problem but it's just that, like you said a lot of that (inaudible) had problems. We should be good; we just haven't switched over yet. We wanted to see if, cause there's a lot.

Tim Himmelwright – When we get beyond this public hearing and we get down to talking about what's in the 15 year agreement, that's something we can discuss.

Council President Ciesla – Okay, alright good. Cause we'd like to switch over, we want to get faster service in here and our other building.

Tim Himmelwright – I looked at the current ordinance, the current agreement in effect does have a provision for that, an installation of one outlet and basic monthly service to each existing Township Municipal Building free of charge.

Council President Ciesla – Okay.

Tim Himmelwright – That's for basic cable.

Council President Ciesla – For basic cable so we could maybe possibly upgrade that to internet.

Tim Himmelwright – Right and when we get past this hearing, we can add one of the terms to the franchise agreement we can discuss that.

Council President Ciesla – Because 15 years ago I know service, I mean, we didn't have

Tim Himmelwright – Fifteen years ago we were just introducing one way and as we, here's how fast things change. As we're putting one-way out across the system in two states, all of a sudden everybody started changing to two-way. Then we had to go back and put two-way everywhere and replace the one-way.

Council President Ciesla – That's what we had one-way. We could not work from home because upload I believe was over the phone. That was nearly impossible.

Tim Himmelwright – Right the download would come one-way in the house and you would have to upload over the phone.

Council President Ciesla – So, we went to DSL and that was fine until my son was playing online games and we were working from home; that didn't work. The day that we had two-way cable, we had

a huge celebration in our house because it made a big difference but I know over the course of 15 years there was barely anything out here so we do appreciate the investment you put in the area.

Tim Himmelwright – We want to make sure that with this upgrade we that we went through that we covered block, every street that our cable went down.

Mayor McKay – Members of the public, no further questions? All right.

Council president Ciesla – It was very informative, thank you.

Mayor McKay – Motion to close the hearing. Motion by Council President Ciesla, seconded by Councilman Belcaro. All in favor.

Mayor McKay asked for a motion to adjourn the meeting. Motion by Council President Ciesla, seconded by Councilman Belcaro. All in favor.

Respectfully submitted,

Margaret B. Dilts
Clerk/Administrator

Thomas M. McKay
Mayor