



**CITY OF TACOMA, WASHINGTON  
OFFICE OF THE CITY COUNCIL  
COUNCIL CONSIDERATION REQUEST (CCR)**

**TO:** City Council Members  
**FROM:** Councilmember Conor McCarthy  
**COPIES TO:** T.C. Broadnax, City Manager; Mark Lauzier, Assistant City Manager; Nadia Chandler Hardy, Assistant to the City Manager; Executive Leadership Team; File  
**SUBJECT:** Click  
**DATE:** October 19, 2016

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**ITEM/ISSUE PROPOSED FOR COUNCIL CONSIDERATION:**

**The following item will be scheduled on the agenda of the earliest available Study Session:**

We respectfully ask for City Council consideration of a resolution directing the City Manager to hire third party consultant(s) to audit, analyze, and establish a reasonable methodology for cost allocation between Tacoma Power and Click, and to evaluate the expansion of the Click! network in the context of an evolving telecommunications and cable industry. This process will take into account the past and present benefits of Click to Tacoma Power, as well as the future prospective benefits that could be derived from improvements to the Click! network.

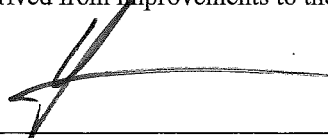
**BRIEF BACKGROUND:**

On December 15, 2015, the City Council approved Resolution 39347 which required Tacoma Power to develop a business, financial and marketing plan to provide Click customers with retail cable television, voice, and internet services. Following a nine-month review by the Click Engagement committee, the committee recommended approval of its 'All-In Compete Business Plan' ("Plan"). On September 28, 2016, the Tacoma Public Utility Board approved Resolution No. U-10879, wherein the Board approved the Plan. The Resolution and Plan rely upon Tacoma Power's most recent O&M cost allocation scheme and further requires an additional contribution of six to ten million dollars per year from "electric revenues" to Click. Per the Resolution, these monies will be used to "appropriately compensate Power's past, current and future beneficial uses of the telecommunications system infrastructure..."

Since its inception, in 1996, Click has been a part of Tacoma Powers' telecommunications system. Click was initially financed with Tacoma Power electric revenues. Since that time, the internal cost allocation between Click and Tacoma Power has changed significantly. Over time, Tacoma Power has substantially increased the cost allocation borne by Click. The most recent shift in the cost allocation is supported by an accountant assessment which relies predominantly upon the cost-accounting recommendations of Tacoma Power. This dramatic change in cost allocation spurred scrutiny as to the financial viability and prospective legality of Click, and has been the key driver underlying the debate over the future of Click. It has also encouraged considerable public scrutiny as to the veracity and appropriateness of the current accounting assumptions and methodology implemented by Tacoma Power. Ultimately, we feel that the concerns raised about the current cost allocation methodology and the implications of said methodology on the proposed Plan are significant and must be resolved prior to making a final decision on the Plan.

Therefore, in order to provide the City Council with the best analysis and information available in its deliberations on the proposed Plan, and further in order to encourage the public's confidence in the process and the underlying assumptions of the Plan, we respectfully ask for City Council consideration of a resolution directing the City Manager to hire third party consultant(s) to audit, analyze, and establish independent reasonable methodology for cost allocation between Tacoma Power and Click, and to evaluate the expansion of the Click! network in the context of an evolving telecommunications and cable industry, as well as the future prospective benefits that could be derived from improvements to the Click! network.

**SUBMITTED FOR COUNCIL CONSIDERATION BY:**

  
\_\_\_\_\_  
Councilmember Conor McCarthy



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**SUPPORTING COUNCILMEMBERS SIGNATURES (2 SIGNATURES ONLY)**

*(Signatures demonstrate support to initiate discussion and consideration of the subject matter by City Council for potential policy development and staff guidance/direction.)*

1. *M Woodards*

DISTRICT# \_\_\_\_\_ at large \_\_\_\_\_

2. *Kurt B...*

DISTRICT# \_\_\_\_\_ 3 \_\_\_\_\_

3. *[Signature]*

DISTRICT# \_\_\_\_\_ 1 \_\_\_\_\_

# 2015-2016 Council Contingency

Biennium Budget

\$750,000

Funding Request/Resolution	Budgeted
<i>Resolution 39054 (11-25-2014)</i>	
<b>Associated Ministries Renovations</b>	\$ 65,000
<i>Ordinance 28270 (12-9-2014)</i>	
<b>Equity and Empowerment Capacity Building - Proyecto Mole Program</b>	\$ 90,000
<b>Center for Working Families</b>	\$ 25,000
<b>Eastside Farmer's Market</b>	\$ 13,500
<i>Resolution 39159 (3-31-15)</i>	
<b>Pierce County Aids Foundation</b>	\$ 50,000
<i>Resolution 39192 (5-12-15)</i>	
<b>Tacoma Minimum Wage Task Force</b>	\$ 30,000
<i>Resolution 39219 (6-16-15)</i>	
<b>Heritage Organization Funding</b>	\$ 50,000
<i>Resolution No. 39262 (8-25-15)</i>	
<b>TPCHD Wood Stove Program*</b>	\$ 100,000
* \$50K in 2015, \$50K in 2016	
<i>Resolution No. 39321 (11-24-15)</i>	
<b>Eastside Healthy Food</b>	\$ 10,000
<i>Resolution 39391 (2-23-16)</i>	
<b>Latino Roundtable</b>	\$ 10,000
<i>Resolution 39511 (08/2/2016)</i>	
<b>Sister City Assessment and Strategic Plan</b>	\$ 7,000
<i>Resolution 39525 (8/23/16)</i>	
<b>Peace Community Center Capital Fund</b>	\$ 50,000
<i>Resolution 39526 (8/23/16)</i>	
<b>11th Street Murray Morgan Bridge Plaque</b>	\$ 5,000
<b>Total approved by City Council Through Legislation</b>	
	<b>\$ 505,500</b>
<b>Biennium Budget Remaining</b>	
	<b>\$ 244,500</b>