



TO: Mayor and City Council
FROM: William A. Gaines, Director of Utilities/CEO
COPY: Elizabeth Pauli, City Manager and City Clerk
SUBJECT: Resolution to accept Cable Television Franchise Agreement Between City of University Place and City of Tacoma, Click! Network – December 5, 2017
DATE: November 3, 2017

SUMMARY:

A resolution to accept a Cable Television franchise agreement between the City of University Place and the City of Tacoma, Click! Network retaining the right to construct and operate telecommunications facilities within the rights-of-way for an initial term of ten years with two seven (7) year renewals for a maximum term of 24 years. This is a renewal franchise agreement and should be accepted so that Click! Network has authorization to continue to occupy the rights-of-way within and throughout the City of University Place and to provide cable services. This item is being brought before City Council to involve the Council in a policy decision impacting Click! Network, and Click! Network respectfully requests the council authorize acceptance of the Cable Television Franchise Agreement between the City of University Place and the City of Tacoma (“Franchise Agreement”).

STRATEGIC POLICY PRIORITY:

Assure outstanding stewardship of the natural and built environment.

The City of Tacoma, Department of Public Utilities, has invested significant funds over the life span of Click! Network to build and operate a robust telecommunications network. Authorization to locate and operate portions of the network outside the City of Tacoma is required from the neighboring municipalities. Continued operation to provide services to residents of University Place, thereby generating revenue, demonstrates outstanding stewardship of the asset.

BACKGROUND:

The non-exclusive Franchise Agreement was granted to the City of Tacoma, Dept. of Public Utilities, Light Division, dba Click! Network on January 6, 2003 for a ten-year term. The Franchise Agreement was amended in 2013 to extend the term of the Franchise until February 28, 2015. Negotiations commenced in early 2015, and ultimately the parties agreed to a renewal of the non-exclusive Franchise Agreement with an initial ten year term and two seven (7) year automatic renewal periods, absent written notification by either party of their intent not to renew, for a maximum franchise period not to exceed 24 years. Barring any notice of intent not to renew by either party, the franchise will expire in 2041. The Franchise Agreement becomes effective upon the date of written acceptance. The Franchise provides for the terms and conditions under which Click! Network will operate in the City of University Place, including compliance with right-of-way regulations, provision of evidence of insurance, payment of 5% franchise fee based on gross revenues generated from cable television operations within the City of University Place and payment of \$0.50 per subscriber per month capital fee for support of the University Place Access Channel. The capital fee and franchise fee are billed through to the University Place subscribers and recovered by way of payment to Click! Network for services rendered. The fees are then remitted to City of University Place quarterly.



ISSUE:

This Resolution would authorize the Power Superintendent/COO to execute the Franchise Agreement approved by the City of University Place on October 16, 2017 by its Ordinance No. 695, signifying acceptance by City of Tacoma. This issue is being brought before City Council because of Council's desire to be involved in major policy decisions impacting Click! Network. Click! Network respectfully requests City Council authorization to execute the Franchise Agreement so it may take effect for the initial ten-year period. The Franchise provides for a six-month time period to execute and submit the acceptance.

ALTERNATIVES:

The alternative would be to not authorize the acceptance of the Franchise Agreement. This alternative would prevent Click! from providing cable services in the City of University Place, impact revenues, and curtail Click!'s ability to fully leverage the telecommunications asset.

RECOMMENDATION:

It is recommended that City Council adopt the Resolution authorizing Click! Network to execute the Franchise Agreement, signifying acceptance of the rights and obligations contained therein.

FISCAL IMPACT:

The Franchise Agreement creates an obligation to pay franchise fees based on revenues generated within the City of University Place and a capital fee per subscriber per month. The annual liability for franchise fee payments to University Place is approximately \$75,500 and the capital fee liability is approximately \$8,000 per year.

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: EXPENDITURES AS BUDGETED

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? YES