



TO: T.C. Broadnax, City Manager
FROM: Council Member Joe Lonergan
COPY: City Council and City Clerk
SUBJECT: Resolution – December 15, 2015 - Click! Policy Directive – Lease Option
DATE: December 10, 2015

SUMMARY:

Authorizing Tacoma Power to prepare a draft Request for Proposal for a third-party to operate, use, and maintain Tacoma Power’s telecommunication network and purchase Click!’s physical assets to offer cable television and retail internet services, including voice over data internet protocol, and commercial broadband and Gigabit service (“Retail Services”) to residential and commercial customers within Tacoma Power’s service territory.

STRATEGIC POLICY PRIORITIES:

- Foster a vibrant and diverse economy with good jobs for all Tacoma residents.
- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

BACKGROUND:

On April 8, 1997, the City Council passed Substitute Resolution No. 33668, which approved Tacoma Power’s Business Plan to construct and operate a broadband telecommunication system (“System”). The City Council and Public Utility Board (“Board”) authorized Tacoma Power to develop a state of the art fiber optic system to: (1) support enhanced electric system control, reliability and efficiency, (2) develop capability to meet the expanding telecommunication requirements in an evolving competitive electric market, including real-time, two-way interactive communications with individual energy consumers, (3) create greater revenue diversification through new business lines (i.e. internet transport, cable TV, etc.), (4) enhance traditional products, and (5) maximize the return on Light Division assets.

Substitute Resolution No. 33668 further provided that the broadband “telecommunication system shall be owned, operated and controlled by the City of Tacoma, Department of Public Utilities, Light Division, with the Public Utility Board providing oversight and approval of third party agreements, as appropriate under the City Charter, Tacoma Municipal Code and other applicable laws, and the City Council shall continue to be involved in the major policy decisions.”

On December 3, 2015, the Board passed two resolutions that propose significant deviation from the Business Plan approved by the City Council. Amended Resolution No. U-10828, requires Tacoma Power to develop a new Business Plan related to Click!. The Business Plan would require Tacoma Power to fund significant capital upgrades to the existing System and provide retail internet services to customers. Substitute Resolution No. U-10829 requires Tacoma Power to solicit proposals for third-party operators to lease portions of the System to provide retail cable and internet services, and agree to maintain portions of the System it uses.

The City Council has retained the right to be involved in all major policy decisions involving the commercial aspects of the System. The Board’s action has triggered a major policy decision; therefore, consideration of a lease option is before the City Council for consideration and policy direction.



ISSUE:

Whether the City Council should authorize Tacoma Power to prepare a draft Request for Proposal for a third-party to operate, use, and maintain Tacoma Power's telecommunication network and purchase Click!'s physical assets to offer cable television and retail internet services, including voice over data internet protocol, and commercial broadband and Gigabit service ("Retail Services") to residential and commercial customers within Tacoma Power's service territory.

ALTERNATIVES:

Development of a Business Plan which would to provide, in addition to retail cable television, retail internet services including voice over data internet protocol ("VoIP"), commercial broadband and Gigabit service ("Retail Services").

RECOMMENDATION:

The Board, through Substitute Resolution U-10829, recommends this option.