



TO: Elizabeth Pauli, City Manager
FROM: Jeff Lueders, Cable Communications & Franchise Services, Division Manager, MCO
Amy Clancy, MCO - Director
COPY: City Council and City Clerk
SUBJECT: Request for Ordinance – Cable TV Franchise Agreement Transfer from Rainier Connect North, LLC (Mashell, Inc.) to Palisade (Alphaboost)
DATE: May 30, 2023

SUMMARY AND PURPOSE:

The purpose of this memo is to request that the City Council review and consider for approval the request for Ordinance regarding a transfer of a Cable TV Franchise Agreement (Ordinance No. 28650) between Rainier Connect North, LLC, and the City of Tacoma from Rainier Connect North, LLC (Mashell, Inc.) to Palisade (Alphaboost). Staff and Outside Counsel have reviewed this request and are recommending approval of this Ordinance/Transfer.

BACKGROUND:

The City of Tacoma has been fortunate to have two Cable TV Providers for over 20 years (Comcast and Click). With Click's departure it was necessary for the City of Tacoma to have a Cable TV Franchise Agreement with a new provider, Rainier Connect North, LLC (2020). Rainier Connect North, LLC has now filed an FCC Form 394 requesting a Transfer of the Cable TV Franchise Agreement with the City of Tacoma to Palisade (Alphaboost). We are currently on a shot-clock to review and complete a decision on the Transfer by July 8, 2023 or it will automatically be approved. According to information provide by Palisade (Alphaboost) the only change being made is that CEO Brian Haynes will no longer be the owner and CEO, the control will now be Palisade's (Alphaboost) responsibility as an investor with the day to day operations being completed by Rainier Connect staff and services staying the same.

This Department's Recommendation is Based On: A report filed by our Outside Counsel Brian Grogan of Moss & Barnett that includes a Financial Review completed by Ashpaugh & Sculco, CPAs, PLC (full report included). Together with staff we have reviewed the Legal, Financial, Technical, and other qualifications of the Transferee subject to applicable law, and on the potential impact of the Transfer on Subscriber rates and service.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

All residents and businesses benefit from competition by multiple Cable TV Providers in the City of Tacoma.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility: (Mandatory)

The benefit of this ordinance is for the entire community, as competition keeps pricing lower thus allowing everyone to take advantage of lower rates.

Identify which Tacoma 2025 strategic goals your legislation most relates to, and then identify the [Equity Index Score](#) for those goals in the geography your proposal will affect. Select the indicator(s) this legislation is most related to, then briefly explain how this legislation will impact the selected indicator(s) and/or improve the Equity Index Score. **Use the dropdowns below and refer to guide for more information.**



Economy/Workforce: *Equity Index Score:* Moderate Opportunity
 Increase positive public perception related to the Tacoma economy.
 Increase the number of diverse livable wage jobs.

Education: *Equity Index Score:* Low Opportunity
 Increase digital access and equity across the city.
 Increase the number of quality out of school time learning opportunities distributed equitably across the city.

Civic Engagement: *Equity Index Score:* Moderate Opportunity
 Representation at public meetings will reflect the diversity of the Tacoma community
 Increase the percentage of residents who believe they are able to have a positive impact on the community and express trust in the public institutions in Tacoma.

Livability: *Equity Index Score:* Moderate Opportunity
 Increase positive public perception of safety and overall quality of life.
 Select an indicator.

Explain how your legislation will affect the selected indicator(s).

The Transfer of this Cable TV Franchise Agreement to this new invest entity could result in increased investment in the Cable TV Services in our community, which benefits the Economy/Workforce, Education, Civic Engagement and overall Livability in the City of Tacoma for all residents and businesses.

ALTERNATIVES:

Presumably, your recommendation is not the only potential course of action; please discuss other alternatives or actions that City Council or staff could take. Please use table below.

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. Not Transfer		Potential Litigation, One provider, higher rates, Loss of Revenue and Choice for residents and businesses

EVALUATION AND FOLLOW UP:

This is a private business utilizing our Public Right of Way through a Cable TV Franchise Agreement. Their success will be based on operating their business in a profitable way that provides quality services, at affordable rates, in competition with the other provider and other services available. Success will be measured by the providers ability to continue to meet the demands of the Cable TV Franchise Agreement while successfully meeting the needs of the community.

STAFF/SPONSOR RECOMMENDATION:

Staff recommends approval of this request for Ordinance for transfer of the Cable TV Franchise Agreement (Ordinance No. 28650) between the City of Tacoma and Rainier Connect North, LLC. The approval of this Ordinance will allow the seamless transition from Rainier Connect North, LLC, to Palisade (Alphabost) for Cable TV Services which will allow the City of Tacoma to continue to Regulate our Right of Way protecting our Residents



and Businesses along with continuing to receive Franchise Fees and PEG Fees. Final Reading at City Council on or before June 27, 2023, To be effective no later than July 7, 2023.

FISCAL IMPACT:

Per the Cable Act we are allowed to collect as part of our Cable TV Franchise Agreements - Franchise Fee Revenues based on 5% of gross earnings and an additional 1% for PEG Fees. These are both directly impacted by the number of cable TV customers in the community. PEG fees are restricted by Federal Law and directly support capital purchases related to cable TV communication related infrastructure, equipment, and services.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1. 1431 - CMO/MCO - TV Tacoma	20930	4315351	\$480,000 annually
2. 1431 - PEG	638500	4315750	\$96,000 annually
TOTAL			\$576,000

What Funding is being used to support the expense?

N/A

Are the expenditures and revenues planned and budgeted in this biennium's current budget?

YES

Please enter Explanation.

Rainier Connect North, LLC has been a provider since 2020 and has met their obligations per the Cable TV Franchise Agreement and those revenues were used to create the 2023-24 Biennium Budget.

Are there financial costs or other impacts of not implementing the legislation?

YES

The loss of the revenue listed in the table above, the ability to communicate on the multiple PEG Channels used in our community by: TV Tacoma, PCTV, Bates, Tacoma Public Schools and University Place; the financial implications of only having one provider in the community could mean higher prices, reduced service choices, etc..

Will the legislation have an ongoing/recurring fiscal impact?

YES

FRANCHISE FEES AND PEG FEES ARE PAID MONTHLY TO THE CITY OF TACOMA ALONG WITH UTILITY TAXES AND B & O TAX.

Will the legislation change the City's FTE/personnel counts?

NO

ATTACHMENTS:

- Transfer Report – REDACTED version – Tacoma (Report from Moss & Barnett and Ashpaugh & Sculco)
- Ordinance for Transfer – Exhibit C
- Rainier Connect North, LLC – ENACTED (existing Cable TV Franchise Agreement – Ordinance No. 28650)