



# City of Tacoma City Council Study Session Minutes

733 Market Street, Tacoma WA 98402

Conference Room 16

March 31, 2015

12:00 PM

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## JOINT MEETING WITH TACOMA PUBLIC UTILITIES

### Call to Order

Mayor Strickland called the joint study session to order at 12:07 p.m.

**Present:** 7 - Boe, Campbell, Ibsen, Mello, Thoms, Walker and Mayor Strickland

**Absent:** 2 - Lonergan and Woodards

Utility Board Members Present: 3 - Flint, Jones and Nelson

Utility Board Members Absent: 2 - Patterson and Trudnowski

Council Members Lonergan and Woodards arrived at 12:09 p.m., and Board Member Trudnowski arrived at 12:34 p.m.

### Joint City Council/Public Utility Board Briefing Items

1. [15-0339](#) Click! Network Update

Mayor Strickland provided background information regarding the history of Click! Network and stated today's conversation will focus on the future of Click!

Council Members Lonergan and Woodards arrived here, at 12:09 p.m.

Public Utility Board Chair Woodrow Jones provided additional background information and introduced Board Members Dave Nelson and Bryan Flint, noting Board Member Monique Trudnowski will arrive later and Board Member Mark Patterson will not be attending.

Bill Gaines, Director of Utilities, stated today's presentation will focus on providing the best services for customers and improving the network's financial status. Tenzin Gyaltzen, Click! Network General Manager, provided

information on the Click! Network, including the formation and purpose, operations, goals, and the growth trend from 1998 to 2010 relative to the number of cable television (TV) and internet service provider (ISP) customers. He then provided information regarding advice from a consulting analysis done by CCG Consulting in 2010, two strategic plans from 2010, and the growth trend from 1998 to 2016. Mr. Gyaltsen next reviewed the network's current challenges, including escalating programming costs, declining cable TV customers, the current business model, higher operating costs, changes in Tacoma Power's smart meter strategy, evaporation of rate differential with competition, and financial challenges. He then provided information on the network's financial trends from 2009 to 2016, service deficiencies, and 2013 strategic planning issues.

Mr. Gyaltsen then reviewed alternatives evaluated, including to continue using the current operating model, go full retail to compete with ISPs, cut labor costs, go full retail to buy out ISPs, offer wholesale broadband only, shutdown Click!, sell it, or lease it to a third party. He then reviewed the goals and net present value (NPV) comparisons for the eight alternatives, and the pros and cons for either shutting down, selling, or leasing Click! Network to a third party.

Board Member Trudnowski arrived here, at 12:34 p.m.

Mr. Gyaltsen next reviewed recommendations from CCG Consulting in 2013 and Sage Consulting in 2014 to enter into a public/private partnership. He then reviewed questions related to public/private partnership options, including whether Tacoma Public Utilities (TPU) can enter into a lease-like agreement, whether a request for proposal must be issued, and whether Google, Comcast, or other similar companies should be considered. Mr. Gyaltsen then reviewed a public/private partnership proposal received by WaveDivision Holdings, LLC (Wave), including why Wave should be considered, items offered, financial data, and how the proposal benefits customers and the City.

Mr. Gyaltsen provided information on ISP impacts, including their current status with Click! and the implications of a public/private partnership. He then reviewed the impact to Click! employees and proposed follow-up activities. He concluded by reviewing the pros and cons for alternatives related to using the current operating model, going full retail to compete with ISPs, cutting labor costs, going full retail to buy out ISPs, or offering wholesale broadband only.

Discussion ensued regarding Click! Network and Wave's proposal, including the financial impact, current debt, options related to working with ISPs, security concerns, the impact on Click! employees and their unions, and whether the City would have control over future rates. Council Member Thoms requested an organizational chart for Click! and a copy of the consultant assessments.

Discussion continued regarding the future of Click!, including innovations implemented by Click!, alternative options goals to provide better service, outreach and public meetings, future safeguards in the event Wave is sold to another company, whether the current debt restricts a lease agreement, whether TPU would be billed for internet service under Wave, and whether there are other providers interested in a lease option. Council Member Campbell requested the amount of "cord cutter" customers for Click! and industrywide, a copy of the analysis from Sage Consulting, a breakdown of costs over the last 15 years for customers that did not pay their cable bill, and the cost of employee severance packages if the Wave proposal is approved.

Discussion continued regarding Click! and Wave's proposal, including current accounting practices, TPU infrastructure that relies on Click!, cyber security concerns, Wave's location, debt service, the impact to Power rates if Click! is no longer subsidized, the proposal timeline, Click! successes to-date, who is responsible for making investments to upgrade internet service, who is responsible for setting rates, the timeline for accepting the proposal, and next steps. Mayor Strickland requested TPU staff provide an online component for public feedback during outreach efforts. She then suggested TPU staff hold a public meeting to outline the current status of Click! followed by a separate public meeting to present the Wave proposal.

Upon proper motion, the joint study session was adjourned at 2:25 p.m.

Mayor Strickland called the regular study session to order at 2:33 p.m.

## City Council Briefing Items

### 2. [15-0340](#) HUD Annual Action Plan and Draft 2016-2019 Consolidated Plan

Carey Jenkins, Community and Economic Development, stated staff is seeking approval for the 2015-2016 Annual Action Plan, 2015-2019 Consolidated Plan, amended Citizen Participation Plan, and new sub-recipient agreements between the City and the Tacoma Community Redevelopment Authority. He then reviewed the 2015-2019 Consolidated Plan purpose, approach, community outreach, and strategic plan goals. Mr. Jenkins next reviewed the Housing and Urban Development (HUD) community planning and development allocation; 2015-2016 Community Development Block Grants (CDBG) funds; and proposed recommendations for CDBG reprogramming, housing funding, Tacoma Community Redevelopment Authority housing activities, and economic development funding. He also reviewed the Valhalla Hall adaptive reuse project and allocation of the 2015-2016 HOME Investment Partnerships Program funds. Discussion ensued regarding whether the Spaceworks program will expand beyond downtown.

Pam Duncan, Neighborhood and Community Services, provided information on human services funding recommendations, including targets and funding priorities for CDBG public services and Emergency Solutions Grant (ESG) funds. Ms. Duncan then provided background information on the allocation process and reviewed the 2015-2016 recommended allocations for CDBG public services and ESG funds. Mr. Jenkins concluded by reviewing next steps and summarizing the proposed recommendations. Discussion ensued regarding how increased funding for the Spaceworks program will be used, how funds from the single-family blight abatement program can be used, the impact of blighted property on community development and property values, CDBG funds allocated for community development, and the local improvement district assistance program. Council Member Mello requested staff determine whether funds can be leveraged to create a program for tenant improvement. Mayor Strickland requested information on the number of abandoned and boarded-up properties in the City, including where they are located and the amount of resources needed to fix them.

### **Other Items of Interest**

Council Member Ibsen requested the City Council have a conversation regarding efficiencies and performance measures for TPU, including evaluating the performance of the Director of Utilities, and creating objective, measurable, and outcome-based approaches to evaluate each of the TPU subdivisions. Mayor Strickland requested the Council have a conversation at the next joint study session with the Public Utility Board to determine whether performance measures currently exist within the Board.

### **Agenda Review and City Manager's Weekly Report**

3. [15-0342](#) Weekly Report to the City Council, March 26, 2015

Assistant City Manager Mark Lauzier stated at tonight's Council meeting there will be an introduction of the 2015 Daffodil Festival Royal Court. City Attorney Elizabeth Pauli stated there may be a substitute offered for Resolution No. 39148 to correct minor errors and the legal property description.

Council Member Campbell stated the 2015 Daffodil pins are available for purchase at \$5 each.

## **Adjournment**

On proper motion, the regular study session was adjourned at 3:13 p.m.

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Marilyn Strickland, Mayor

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Doris Sorum, City Clerk