



TO: Mayor and City Council
FROM: William A. Gaines, Director of Utilities/CEO
COPY: T. C. Broadnax, City Manager and City Clerk
SUBJECT: Resolution to accept Cable TV Franchise Agreement Between City of Fircrest and City of Tacoma, Click! Network – October 25, 2016
DATE: October 6, 2016

SUMMARY:

A Resolution to accept Cable TV Franchise Agreement Between City of Fircrest and City of Tacoma, Click! Network for continued cable television operations within the City of Fircrest for an additional ten-year period. Prior Franchise Agreement expired April, 2016, and the new Franchise Agreement should be accepted so that Click! Network has authorization from City of Fircrest for continued cable television operations. 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 Franchise.

STRATEGIC POLICY PRIORITY:

State and briefly explain which strategic policy priority is best aligned to this action. Please remove the statements below you are not directly addressing.

- Assure outstanding stewardship of the natural and built environment.
 - 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 Fircrest, thereby generating revenue, demonstrates outstanding stewardship of the asset.

BACKGROUND:

A non-exclusive Cable TV Franchise was granted to City of Tacoma, Dept. of Public Utilities, Light Division, dba Click! Network August 12, 2003 for a ten-year term. The Franchise was amended in 2005 to increase the Franchise Fee to 5% and to extend the term of the Franchise until April 8, 2016. After negotiations, the parties agreed to a non-exclusive Cable TV Franchise agreement with a ten year term, to expire ten years after the date of acceptance by City of Tacoma, in 2026. The Franchise provides for the terms and conditions under which Click! Network will operate in the City of Fircrest, including compliance with right-of-way regulations, provision of evidence of insurance, payment of 6% utility tax and payment of 5% franchise fee based on gross revenues generated from cable television operations within the City of Fircrest. The utility tax and franchise fee are billed through to the Fircrest subscribers and recovered by way of payment to Click! Network for services rendered. The taxes and fees are then remitted to City of Fircrest quarterly.

ISSUE:

The Franchise Agreement becomes effective upon its execution by City of Tacoma, Dept. of Public Utilities, Light Division, dba Click! Network. 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 next ten-year time period.



ALTERNATIVES:

The alternative to granting authorization to execute the Franchise Agreement would be to let the original Franchise Agreement expire. The impact of expiration of the 2003 Franchise Agreement would be discontinuation of service to Fircrest residents and a requirement to remove all Click! Network facilities from the rights-of-way within City of Fircrest and restore said rights-of-way. Additional impacts of discontinuing cable television operations within City of Fircrest would include a reduction in choice of cable television providers for Fircrest residents, and a reduction in operating revenue that Click! would receive over the next ten years.

RECOMMENDATION:

It is recommended that City Council execute a Resolution authorizing Click! Network to execute the Cable TV Franchise Agreement with City of Fircrest, signifying acceptance of the Franchise Agreement and fixing the effective date of the Franchise Agreement. Continued cable television operations within City of Fircrest allows for choice of providers for the residents, and continues receipt of operating income from cable television subscribers in Fircrest, which is a part of the basis on which some taxes are paid to City of Tacoma, all of which is a preferable outcome to the alternative of discontinuing operations and the cost of removing all installed facilities from Fircrest rights-of-way.

FISCAL IMPACT:

Fiscal Impact for the 2017/2018 biennium is illustrated below. Because the utility tax and franchise fee expense are recovered directly from the Fircrest subscribers, the tax revenue will be equivalent to the tax and fee expense throughout the term of the Agreement. Cable television subscribers continue to decline, resulting in declining revenue and corresponding tax expense.

EXPENDITURES:

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
4700-TELE	90006330-90006331	5419000	\$65,232
TOTAL			

* General Fund: Include Department

REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Cable TV Revenue - Fircrest	90005142	4343800	\$65,232
TOTAL			

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$18,500 for Aug-Dec 2016; \$65,232 2017/2018

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes