



APPROVED 3-27-19

MINUTES
 City of Tacoma
 Public Utility Board Meeting
 March 18, 2019
 6:30 p.m.

Chair Jones called the Public Utility Board meeting to order at 6:30 p.m. in the auditorium at Tacoma Public Utilities.

Present: Woodrow E. Jones, Jr., Mark Patterson, Christine Cooley, Bryan Flint, Karen Larkin

The meeting was quorate.

Resolution U-11070 - A RESOLUTION relating to Click! Network; authorizing the execution of an agreement between Tacoma Power and Rainier Connect to negotiate in good faith formal partnership contracts related to the operation and use of the Click! Network, setting a time frame for negotiations and authorizing a conditional extension of that time frame.

Director Flowers and Joanne Hovis of CTC Technology provided background, update, and analysis of the alignment of Click! policy goals and the partner proposals received.

Public comment was taken:

Mitchell Shook spoke in opposition of Resolution U-11070.

Rich Langsford spoke in opposition of Resolution U-11070.

Leilani King spoke in opposition of Resolution U-11070.

John Thomas spoke in opposition of Resolution U-11070.

Randolph Fritz spoke in opposition of Resolution U-11070.

Dale Bickenbach spoke in opposition of Resolution U-11070.

Robert Garcia spoke in opposition of Resolution U-11070.

Babette Caslei (sp?) spoke in opposition of Resolution U-11070.

David Coombs (sp?) spoke in opposition of Resolution U-11070.

Linda Sleeva (sp?) spoke in opposition of Resolution U-11070.

Judith Mitchels spoke in support of status quo and offered compliments on the Joanne Hovis' report.

John Amos spoke in support of conducting a financial audit.

John Fowler spoke in support of strong contract term enforcement for Rainier Connect.

Juan Chavez spoke in favor of conducting a financial audit.

Jacki Skaught spoke in favor of Resolution U-11070.

Board Members then made comments as summarized:

Board Member Larkin: Examination of this issue has been a deliberate process for all four of my years on the Board. Click! currently has private partners; Tacoma Power wholesales to private partners now and has been doing it for 20 years. When Click! started, cable TV was big and Tacoma Power didn't have to pay rebroadcast fees. Now, the internet is key, not cable TV. The Board has examined many models to see how the city can be the operator of the internet system. I believe the internet is a vital, basic need; however, it cannot be considered a utility under state law. So, the public process to develop the Council's 12 policy goals based on community input was developed. If the resolution passes, there would be detailed negotiation including work on how the city will enforce contract terms with the partner. Emphasis will be placed on customer service terms, including a financial penalty if terms are not met. The current Click! model is not sustainable; we can't make cable TV only work in the future. Of dozens models that have been examined, we believe we've been able to address what's been heard from the public. Competition and local ownership is vital. We need a nimble partner that can expand services because government isn't nimble. The city contract will have a strong backbone and that contract will be actively managed.

Board Member Patterson: Thank you to all who provided comment. Click! has been a consideration each day for the 7 years on the Board and a lot of time has been spent examining the issue. I love Click!, there have been industry changes since Click! started. There are higher cable TV expenses in the form of local programming costs. There were changes in how Tacoma Power would use the cable/coax system; Tacoma Power will use a different method for the next generation of meters. There are changes in technology and gig service is broadly available. Streaming services are overtaking cable TV. There have also been many changes in law on what power companies can spend power rates on. All of that change has taken place over the past 20 years and we've tried very hard to find solutions. I'm convinced of three things: 1) Click! expenses have exceeded revenues; 2) Power rate revenue shouldn't be used to fill the financial gap; 3) no other city revenue source has been found to replace the power revenue. Unless we do something different, we will have to close the whole operation down and that's bad because we're proud of Click!. So, the answer is this process to try to receive commitments through private parties to fill that gap. It is the best chance to preserve Click! for the public is to move in a different direction with a private partner to fill the funding gap.

Board Member Cooley: Thank you to all who provided comments. I will support the resolution as it helps maintain a public asset and keep good, local, customer service. The agreement will maintain staff in Tacoma, recognize unions, and will remain in municipal public control. This isn't dismantling Click!, it's preserving its future. Rainier Connect cannot transfer the contract to anyone with more than a 25 percent market share and TPU can decline a transfer if it is against the Council's 12 policy goals.

Board Member Flint: I share values with those who commented. I've been working on this issue for almost eight years and understand it can be confusing. I've tried to keep

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two principals: 1) there is a 200M investment and we need to keep public ownership of that; 2) ability to use the infrastructure to create public policy good (accessibility, net neutrality, low income/affordability, iNet). We have had public/private partnerships for the last 20 years. The internet business changes every 18 months and we haven't changed for 20 years. This process proves we can't make quick decisions for Click!. The cable business model is falling apart and we're getting hit with costs. When started, the internet was only used for email and now it is everything. We've invested little capital in the last 10 years. The real issue isn't looking at costs going backward, but the risk to the utility today in building capital infrastructure and customer base in the next 10 years. The lawsuit challenges our ability to take that risk in the short term for the long-term payoff. I plan to support the resolution, not as a preferred option, but the best option we have moving forward. Tonight's vote is to authorize contract negotiations and final contracts will come back to the Board. In the contract, I'm looking for enforcement provisions for the 12 policy goals. I will look for clear lines of communication between TPU and Rainier Connect and a process where issues can be escalated to management and policy makers. I will want an annual report to the Board and Council on how policy goals are met and how the partnership is going. I'll also look for financial policies that escalate and give signals to the private partner early to realign with the contract and clear ways that Rainier Connect can raise issues if performance is not being met due to TUP's actions. I would like staff to think about if the contract is to end, how do we unwind it in a way that puts authority with the Board and Council and doesn't burden future policy makers. Let's provide the opportunity to celebrate what a new private/public partnership can provide to us.

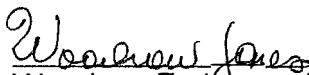
Board Chair Jones: I hope you have all heard these Board Members as we have heard you. The Board has been working at this process for a very long time. The Board loves Click! and the workers and how it reaches out to the community. We're going to keep products and services going. The Board has been wrestling with this issue for many years and want the best for the community.


Voice vote was taken and carried unanimously. Resolution U-11070 was adopted.

Adjournment

There being no further business or comments, the Public Utility Board was adjourned at 8:34 p.m. until Wednesday, March 27, 2019 for a study session beginning at 3:00 p.m. at Tacoma Public Utilities, followed by the regular meeting at 6:30 p.m. at Tacoma Public Utilities.

Approved:


Woodrow E. Jones, Jr. Chair


Bryan Flint, Secretary