



SUBSTITUTE

RESOLUTION NO. 33668

1
2 WHEREAS the City of Tacoma, Department of Public Utilities, Light
3 Division desires to: (1) develop a state-of-the art fiber optic system to
4 support enhanced electric system control, reliability and efficiency; (2)
5 develop capability to meet the expanding telecommunications requirements
6 in an evolving competitive electric market, the most critical of which is real-
7 time, two-way interactive communications with individual energy consumers,
8 (3) create greater revenue diversification through new business lines (i.e.
9 internet transport, cable TV, etc.), (4) enhance traditional products and
10 services, and (5) maximize return on Light Division assets, and

11 WHEREAS these desired capabilities can be provided with a broad
12 band telecommunications system for all of the Light Division's service area,
13 and

14 WHEREAS a broad band telecommunications system will have
15 available capacity for future City Light Division needs and will also have the
16 capacity to provide telecommunications services for data transport, high
17 speed internet access, full cable television service, and other uses, and

18 WHEREAS the Light Division has retained consultants to review and
19 analyze the feasibility of a broad band telecommunications system for the
20 Light Division's service area, and a business plan has been prepared for
21 this purpose (copies are on file with the Clerk), and

22 WHEREAS the cost of constructing, installing and commencing to
23 operate a broad band telecommunications system will be approximately \$65
24 million dollars, but the benefits to the Light Division, the City and the Light
25 Division customers are projected to exceed and justify the initial cost, and
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WHEREAS the City Council and Public Utility Board will continue to be involved in the future decision-making on this proposal including construction contracts and debt financing approvals, quarterly reviews on-the project direction during the startup period, approval of agreements for use of City rights-of-way for telecommunications purposes which agreements will (to the extent required by law or City Council) treat the Light Division substantially similar to other franchises that the City grants for similar businesses, and

WHEREAS the City Council hereby finds and determines that the Light Division's proposal for a broad band telecommunications system is in the best interests of the City, will serve a public purpose, and should be approved and implemented; Now, therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF TACOMA:

That the Council hereby finds and determines that the City Light Division's broad band telecommunications proposal is in the best interests of the City, will serve a public purpose and that the said Business Plan is sufficient and adequate, therefore, the Council hereby approves the Light Division's proposal including the Business Plan and the Department of Public Utilities, Light Division is hereby authorized to proceed to implement said proposal for a broad band telecommunications system, and

That the proposed broad band telecommunications 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 business and 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 including



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construction contracts, rate setting policies, debt financings, the public rights-of-way use for telecommunications agreements and quarterly reviews.

Adopted APR 08 1997

Rick Eisenberg
Mayor

Rick Rosenblatt
Attest: City Clerk

Approved as to form & legality:

S. S. Karavites
Assistant City Attorney

Requested by Public Utility Board Resolution No. U-9258

599c



REQUEST FOR ORDINANCE OR RESOLUTION

CITY CLERK USE

Request #:	6305
Ordinance #:	
Resolution #:	30668

1. Date: **March 20, 1997**

Requesting Department/Division/Program	Sponsored By	Phone/Extension
2. Tacoma Public Utilities/Light Division		
Contact Person (for questions):		Phone/Extension
3. Steven J. Klein		502-8203

4. Preparation of Resolution is requested for the City Council meeting of Tuesday April 8, 1997

5. Summary Title/Recommendation: (A concise sentence, as it will appear on the Council Agenda)

Authorize the development of a broad band telecommunications network to improve electric utility service and improve the telecommunications infrastructure available to the community. This would include the business plan for a broad band telecommunications system and the implementation of the telecommunications system.

6. Background Information/General Discussion: (Why is this request necessary? Are there legal requirements? What are the viable alternatives? Who has been involved in the process?)

The Light Division has undertaken an extensive telecommunications study that includes market research, telecommunications industry analysis, an examination of the regulatory environment and research on similar activities in other municipalities. It is projected that the cost for the construction and installation of this system will be approximately \$55 million to construct, plus more than \$10 million for startup operations. However, the Light Division believes that the overall benefits to the City, the Light Division and its customers will exceed the projected costs.

In addition to the benefits to the Light Division that the system would deliver through improved communication abilities, the system will also have the ability to transport data, provide high speed Internet access and deliver full cable television service.

7. Financial Impact: (Future impact on the budget.)

8. List all material available as backup information for the request and indicate where filed:

Source Documents/Backup Material	Location of Document
Letter to the Public Utility Board and City Council from Mark Crisson dated March 20, 1997	Attached

9. Funding Source: (Enter amount of funding from each source)

Fund Number & Name:	State \$	City \$	Other \$	Total Amount

If an expenditure, is it budgeted? Yes No Where? Org # Acct #

10. Department Director/Utility Division Approval	Approved as to Availability of Funds Director of Finance	City Manager/Director Utilities Approval
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RECEIVED
 CITY CLERK
 MARCH 27 1997

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- Improves electric service by enabling distribution system automation, market access, and real-time, interactive communication with customers
- Provides better telecommunications and cable television service sooner and cheaper than other providers will deliver
- Significantly enhances regional economic development and quality of life by creating state-of-the-art telecommunications infrastructure and providing it to all businesses and residences throughout the community
- Creates opportunities for public private partnerships in the wholesale leasing of system capacity to retail telecommunications service providers
- Provides additional revenue to the Light Division and General Government through expansion of the market for telecommunications services

SUMMARY

The proposed telecommunications system will strengthen the Light Division's competitive position in the electric power industry through the provision of enhanced electric and telecommunication services to *all* Light Division customers. This system will serve a public purpose and is in the best interests of the City.

Very truly yours,



Mark Crisson
Director of Utilities



Mark Crisson
Director

3628 South 35th Street
P.O. Box 11007
Tacoma, WA 98411-0007

Divisions
Light
Water
Belt Line

March 20, 1997

To the Chairman and Members of the Public Utility Board and
To the Mayor and Members of the City Council

RESOLUTION NO. U- 9258

RECOMMENDATION

The Light Division requests approval by the Public Utility Board and the City Council to develop a broad band telecommunications network as described in the Light Division Telecommunication Study. This action authorizes project implementation and the initiation of design and contract specifications. The Light Division will bring subsequent requests for construction contract and debt issuance approval to the Public Utility Board and City Council as the project progresses. Both policy bodies will also be periodically advised of project status during the development process.

BACKGROUND

In preparation for this request, the Light Division has undertaken an extensive telecommunications study that includes market research, telecommunications industry analysis, an examination of the regulatory environment, and research on similar activities in other municipalities. Staff has made presentations to neighborhood councils, chambers of commerce, local economic development groups, the Tacoma Port Commission, and the Tacoma Public School Board. Two joint Public Utility Board/City Council study sessions were held. A public hearing on the proposed telecommunications system was held by the Public Utility Board on March 12, 1997, and another public hearing was held by the City Council on March 18, 1997. Information summarizing the Telecommunications study and our recommendations was made available at the presentations and public hearings.

The Light Division estimates the cost of this telecommunications system will be approximately \$55 million dollars for construction and installation, plus more than \$10 million dollars for startup operations. The business plan indicates excellent financial potential even under conservative revenue and market penetration assumptions. We recognize the plan's projections are no guarantee of success, but we think the project risks are manageable and justified given the project benefits. These benefits include:



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U-9258

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4 Light Division desires to: (1) develop a state-of-the-art fiber optic
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7 telecommunications requirements in an evolving competitive electric
8 market, the most critical of which is real-time, two-way interactive
9 communications with individual energy consumers, (3) create greater
10 revenue diversification through new business lines (i.e. internet transport,
11 cable TV, etc.), (4) enhance traditional products and service, and (5)
12 maximize return on Light Division assets, and

13 WHEREAS these desired capabilities can be provided with a broad
14 band telecommunications system for all of the Light Division's service area,
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16 WHEREAS a broad band telecommunications system will have
17 available capacity for future Light Division needs and will also have the
18 capacity to provide Telecommunications services for data transport, high
19 speed internet access, full cable television service, and other uses, and

20 WHEREAS the Light Division has retained consultants to review
21 and analyze the feasibility of a broad band telecommunications systems for
22 the Light Division's service area, and a business plan has been prepared
23 for this purpose (copies are on file with the Clerk), and

24 WHEREAS the cost of constructing, installing and commencing to
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WHEREAS the City Council and Public Utility Board will continue to be involved in the future decision-making on this proposal including construction contracts, and debt financing approvals, quarterly reviews on the project direction during the startup period, approval of agreements for use of City rights-of-way for telecommunications purposes which agreements will (to the extent required by law) treat the Light Division substantially similar to other franchises that the City grants for similar businesses, and

WHEREAS the Public Utility Board hereby finds and determines that the Light Division's proposal for a broad band telecommunications system is in the best interests of the City, will serve as a public purpose, and should be approved and implemented; Now, therefore,

BE IT RESOLVED BY THE PUBLIC UTILITY BOARD OF THE CITY OF TACOMA:

That the Board hereby approves the Light Division's proposal including the Business Plan for a broad band telecommunications system, and the Board recommends that the City Council approve a resolution to authorize the Light Division to proceed to implement said proposal for a broad band telecommunications system, and the Board recommends that the City Council continue to be involved in the major policy decisions including construction contracts, debt financings, the public rights-of-way use agreements for telecommunications and quarterly reviews.

Approved as to form & legality: _____
Chairman

Chief Assistant City Attorney Secretary

Clerk Adopted _____



MEMORANDUM

To: Rick Rosenblatt, City Clerk

From: Mark Bubenik, Chief Assistant City Attorney *MB*

Date: March 27, 1997

Subject:

Please place the following proposed resolution(s) ordinance(s) on the agenda for the April 8, 1997 Council Meeting:

U-9258 Approve the Light Division's Telecommunications Plan

RECEIVED
CITY CLERK
MAY 1 1997
10:11 AM '97

Resolution No. 33668

Adopted: APR 08 1997 *Substitute*

Maker of Motion: *Miller*

Seconded: *De Forrest*

Roll Call vote:

MEMBERS	AYES	NAYS	ABSTAIN	ABSENT
Mr. Baarsma	✓			
Mr. Crowley	✓			
Mr. DeForrest	✓			
Mr. Evans	✓			
Mr. Kirby				✓
Dr. McGavick	✓			
Mr. Miller	✓			
Dr. Silas	✓			
Mayor Ebersole	✓			

MEMBERS	AYES	NAYS	ABSTAIN	ABSENT
Mr. Baarsma				
Mr. Crowley				
Mr. DeForrest				
Mr. Evans				
Mr. Kirby				
Dr. McGavick				
Mr. Miller				
Dr. Silas				
Mayor Ebersole				