



# **Click! Surplus Declaration**

City of Tacoma | Tacoma Public Utility Board

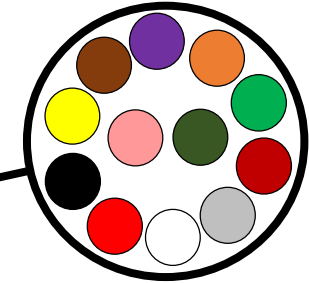
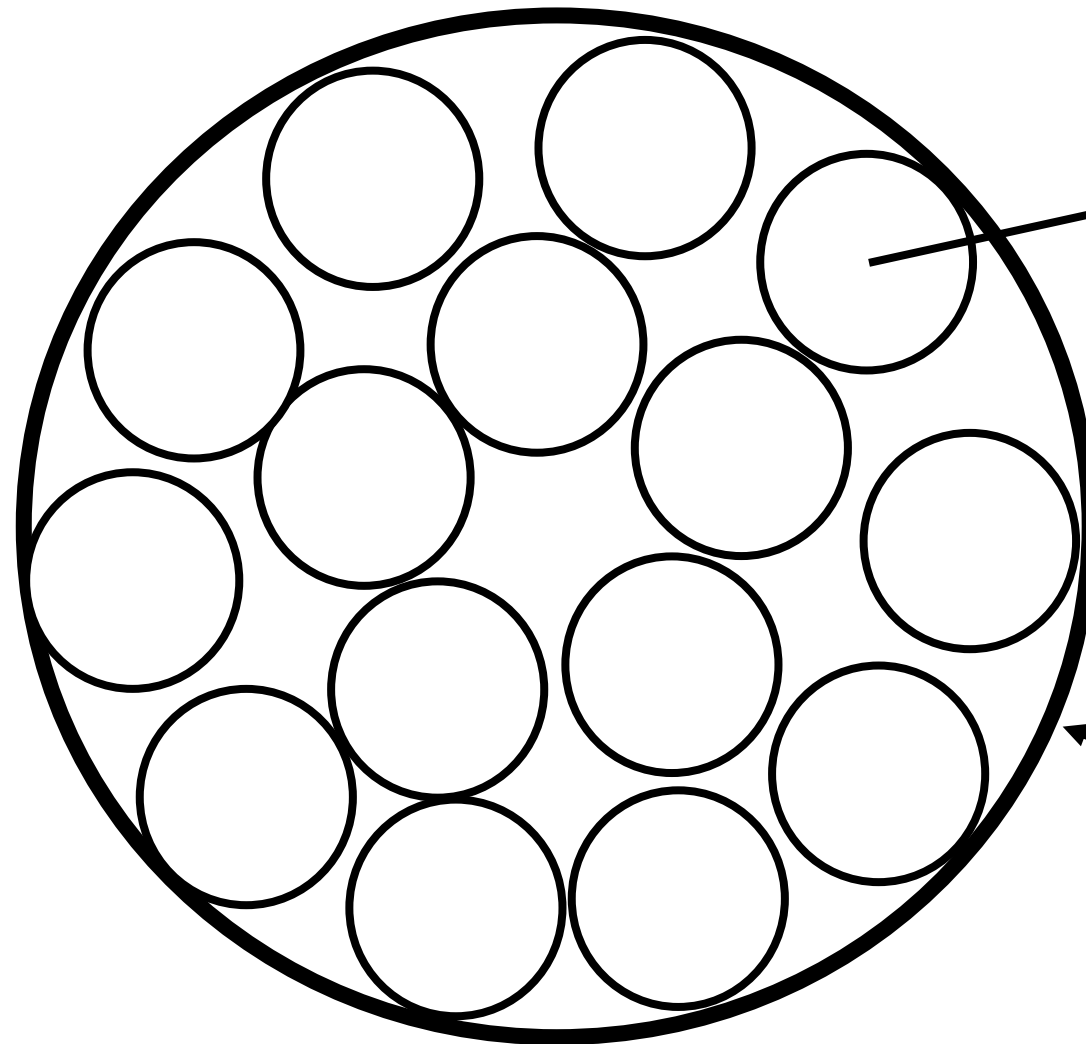
**Joint Study Session**

**October 22, 2019**

**Item No. One**



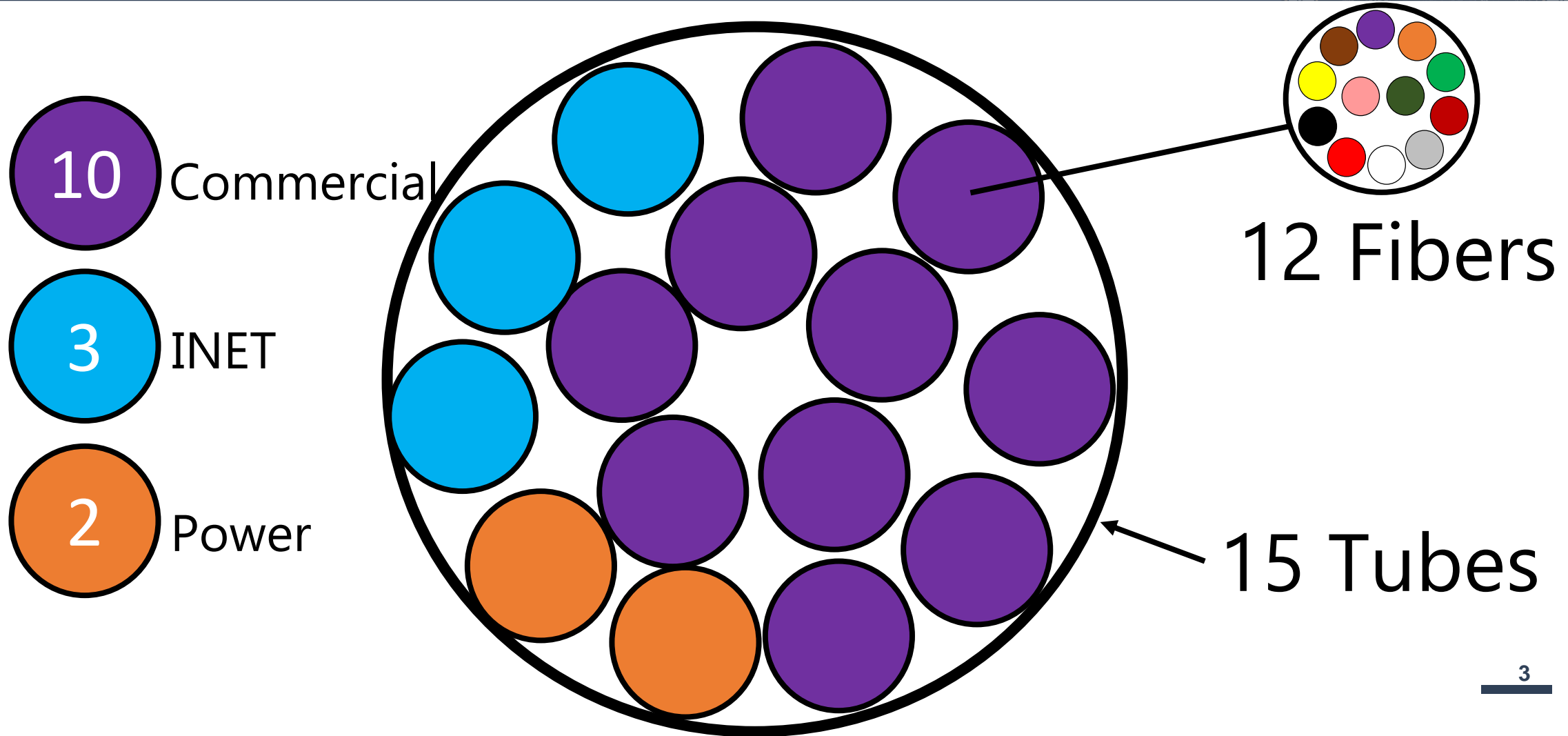
# 180 Count Backbone Fiber



12 Fibers

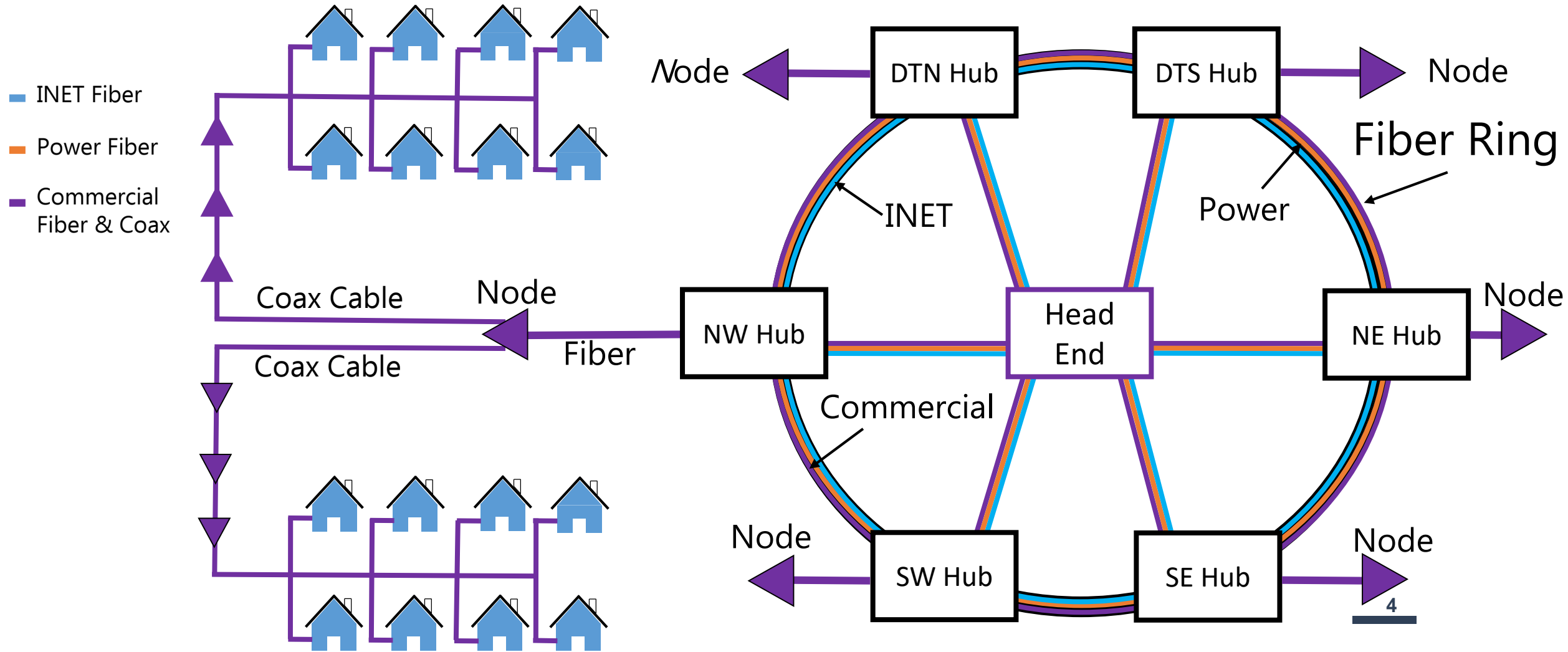
15 Tubes

# 180 Count Backbone Fiber



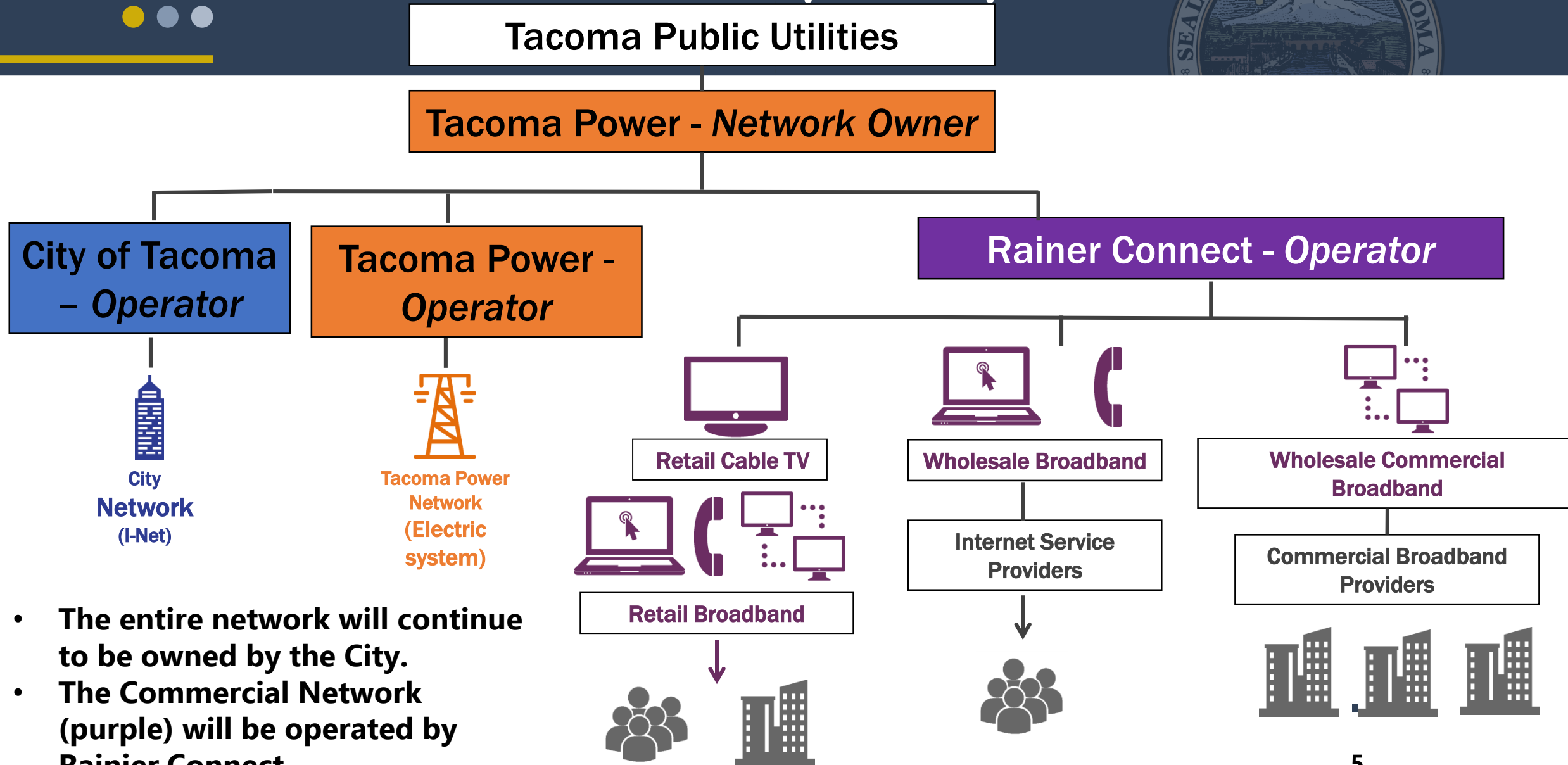
**Surplus declaration of the Commercial Network (purple) only.**

# The Network Layout



**Surplus declaration of the Commercial Network (purple) only.**

# Network Ownership & Operators



- The entire network will continue to be owned by the City.
- The Commercial Network (purple) will be operated by Rainier Connect.



## **THE SURPLUS PROPERTY DECLARATION**



# Surplused Assets



## **What assets of Tacoma Power will be declared surplus?**

- Inventory, equipment and vehicles used by Click! that will be conveyed to Rainier Connect
- Excess Capacity of the HFC Network



# Proposed Disposal



## What methods of disposal are proposed in the contract documents?

- Inventory, equipment and vehicles: Title is proposed to be conveyed to Rainier Connect in consideration for contract obligations and value assigned to certain property.
- Excess Capacity of HFC Network: Operational rights proposed to be transferred pursuant to the terms of the indefeasible right of use agreement for a term of 20 years with two additional 10 year extensions.
- Ownership: City will retain ownership of the Excess Capacity



## What is “Excess Capacity of the HFC Network”?

- The capacity of the HFC Network, together with electronic equipment and related hardware installed in the HUB site and in rights of way, that is **not reserved** for use by Tacoma Power or the Institutional Network.
- This includes the portion of the HFC Network being used by Click! Network to provide Cable, wholesale broadband and metro ethernet services together with dark fiber (unlit or unused) on the HFC Network

## **Why is it necessary to surplus the Excess Capacity of the HFC Network if the City will not be selling the Excess Capacity to Rainier Connect?**

- A surplus declaration is advised because state law could be construed as requiring such a declaration prior to leasing any property acquired for public utility purposes, including granting an indefeasible right of use to Rainier Connect over the Excess Capacity of the HFC Network.
- RCW 35.94.040 establishes a process for declaring utility property surplus prior to leasing such property



# Meaning of Surplus



## What does “surplus” mean?

- State law does not define this term in the statute (RCW Ch. 35.94). When state law does not define a term, its ordinary meaning can be used to interpret that term.
- Merriam-Webster and Dictionary.Com respectively define “surplus” to mean:
  - ✓ “the amount that remains when use or need is satisfied”.
  - ✓ “something that remains above what is used or needed”.

## ● ● ● Effect of Surplus Declaration



### **What is the effect of declaring the Excess Capacity of the HFC Network surplus to the utility?**

- Declaring property surplus means that the property can be disposed of by sale, lease or other method of disposal.
- Declaring property surplus does not mean that it must be disposed immediately.



# Operation in transition



## **Who will operate Click! if the surplus declaration is approved by the City Council and TPU Board?**

- Tacoma Power will continue to operate the Click! Network until the Board and City Council approve of a method of disposal, i.e. the Click! Business Transaction Agreement.
- If the proposed agreement is approved, Tacoma Power will continue to operate the Click! Network until transfer of operational control occurs which is contemplated to be between 90 - 120 days following execution of the Click! Business Transaction Agreement.



# When will Disposal Occur



## **When will the Excess Capacity of the HFC Network and the surplus inventory, equipment and vehicles be disposed of?**

- This would not take place until the conditions precedent to the Transfer of Operational Control occurs (90 – 120 days).
- At that time, the Indefeasible Right of Use Agreement would be executed and Rainier Connect would take over operational control of the Excess Capacity of the HFC Network and ownership of the inventory, equipment and vehicles.



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