



## FINANCE & ECONOMIC DEVELOPMENT COMMITTEE

OCTOBER 5, 2016

8:00 AM

COUNCIL CHAMBERS

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1. **RAINIER CONNECT – TELECOMMUNICATIONS FRANCHISE AGREEMENT**  
*STEVE KIRKMAN, PUBLIC AFFAIRS MANAGER*  
(STAFF REPORT ATTACHED)
2. **2016 BUDGET AMENDMENT ORDINANCE – EARLY BOND RETIREMENT**  
*TROY WOO, FINANCE DIRECTOR*  
(STAFF REPORT ATTACHED)
3. **ECONOMIC DEVELOPMENT WEBSITE BRIEFING**  
*RICK WALK, COMMUNITY DEVELOPMENT DIRECTOR*  
(VERBAL – NO ATTACHMENT)



## FINANCE & ECONOMIC DEVELOPMENT COUNCIL

October 5, 2016

**SUBJECT:** Mashell Telecom, Inc., dba Rainier Connect, Telecommunications Franchise Application

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**RECOMMENDATION:** Approve Mashell Telecom, Inc., dba Rainier Connect, Telecommunications Franchise Application.

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**STAFF CONTACT:** Scott Spence, City Manager   
Liz Gotelli, Public Affairs and Human Resources Director  
Steve Kirkman, Public Affairs Manager 

**ORIGINATED BY:** Public Affairs Department

**ATTACHMENTS:** 1. [Mashell Telecom, Inc., dba Rainier Connect, Telecommunications Franchise](#)

**FISCAL NOTE:** No fiscal impact is anticipated.

**PRIOR REVIEW:** This is the first review of this franchise application.

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### BACKGROUND:

Mashell Telecom, Inc., dba Rainier Connect, based in Pierce County currently offers high-speed internet, cable television, and telephone service to approximately 15,000 customers in Pierce, King, Lewis, and Thurston Counties.

Mashell Telcom, Inc. has contacted the city and stated it desire to expand its broad-band Internet and telecommunications services in the Lacey market area. It does not plan to offer cable television services in the local market.

Mashell Telcom, Inc. has noted it will provide service to Lacey customers on an “on demand basis,” and does not have identified service routes at this time. The company indicated it will provide route information, and apply for required right-of-way and construction permits, on a case-by-case basis in response to customer need.

Mashell Telcom, Inc. has indicated its preferred method for providing service to local market customers will be to lease existing capacity from other telecommunications carriers. If that alternative is not available, Mashell Telcom, Inc. will install wires on existing poles, or in conduit in area of the city where utilities are underground. The company has also indicated it prefers to lease existing conduit space from other telecommunications carriers.

Mashell Telecom, Inc.'s proposal to occupy the public right-of-way is regulated by Lacey Municipal Code Chapter 5.60: Telecommunications. Passed in 1999, the purpose of LMC Chapter 5.60 is to permit reasonable and fair access to public rights-of-way within the City's corporate boundaries for telecommunications purposes (i.e., voice, data, video, etc.). The City also recognized it was necessary to manage and conserve the limited physical capacity of the community's rights-of-way, and put into place reasonable regulations for the protection of the rights-of-way. Additionally, the City recognized there is a cost to manage and maintain rights-of-way, and that entities requesting access must compensate the public for use of right-of-way.

The proposed Mashell Telecom, Inc., dba Rainier Connect, Telecommunications Franchise requires that Mashell Telecom, Inc. comply with all conditions and regulations established by LMC Chapter 5.60. For example, Mashell Telecom, Inc. must carry a minimum of \$2 million in liability insurance during the term of the franchise; overhead facilities must be undergrounded if required by a public improvement project; and restoration and maintenance of the public rights-of-way must meet Lacey Development Guidelines if disturbed by the franchise holder.

In addition, Mashell Telecom, Inc. must acquire a performance bond prior to any construction in the right-of-way, which must remain in place until the Director of Public Works has approved the work.

Mashell Telecom, Inc. has paid the City's \$3,000 telecommunication franchise application fee, will be required to acquire right-of-way access permits for any work done in the public rights-of-way, and must pay all fees generally applicable to persons doing business within the City.

Mashell Telecom, Inc. will also be required to pay any applicable public utility business taxes levied by Chapter 3.01 of the Lacey Municipal Code.

The term of the franchise agreement is five years from the date of execution.

**ADVANTAGES:**

1. The Mashell Telecom, Inc., dba Rainier Connect franchise provides for the orderly management and regulation of the public rights-of-way, and establishes compensation to the City for the granting of the franchise.

**DISADVANTAGES:**

1. No disadvantages are foreseen.

MASHELL TELECOM, INC., DBA RAINIER CONNECT  
TELECOMMUNICATIONS FRANCHISE AGREEMENT

THIS AGREEMENT is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2016, by and between the City of Lacey, a municipal corporation of the State of Washington, hereinafter called "City" and Mashell Telecom, Inc., dba Rainier Connect, a Washington corporation, hereinafter called "Rainier Connect."

WHEREAS, Rainier Connect has requested the City to grant a franchise to install facilities to provide telecommunications, internet access, and private line services to potential customers in Lacey, Washington, and

WHEREAS, the City has enacted Chapter 5.60 of the Lacey Municipal Code which provides for the requirements, conditions and procedures for installation of such facilities in the City right-of-way and the granting of a franchise for the same, and

WHEREAS, Rainier Connect has paid to the City a franchise application fee the sum of Three Thousand Dollars (\$3,000.00).

NOW, THEREFORE, IT IS HEREBY AGREED BETWEEN THE PARTIES AS FOLLOWS:

1. The City hereby grants a franchise to Rainier Connect to install facilities to provide telecommunications, internet access, and private line services to potential customers subject to the following conditions:

A. This grant and the requirements and procedures to be followed shall specifically be subject to all provisions of Chapter 5.60 of the Lacey Municipal Code and the Development Guidelines and Public Works Standards of the City.

B. The performance bond required by the terms of Lacey Municipal Code Section 5.60.140B shall be acquired and shall remain in place until the Director of Public Works has approved the work. The bond shall then be maintained for 1 year after the approval of the work.

C. Rainier Connect shall, in addition to the franchise application fee provided to the City above, pay to the City all right-of-way permits or other fees generally applicable to all other persons doing business in the City. In addition, Rainier Connect shall pay to the City that certain public utility business tax levied by Chapter 3.01 of the Lacey Municipal Code as the same now exists or may hereafter be amended.

D. Before commencing any work pursuant to this agreement, Rainier Connect shall first file with the City an application for a permit to do such work, accompanied by drawings showing the position and location of all conduit, wire, fiber or any other equipment sought to be constructed, laid, installed or erected the depth below the surface of the ground and the relative position to existing streets, other utilities and other public places or ways.

E. Rainier Connect shall, at all times, keep a complete set of plans, specifications and records showing the exact location and depth of all such facilities. These

records shall be subject to inspection by the City at any reasonable time. In addition, Rainier Connect shall provide to the City this information in the electronic format specified by the City.

F. Rainier Connect shall place any new facilities underground in areas where existing telecommunications and cable facilities are installed underground. In areas where existing facilities are installed above ground, Rainier Connect may install facilities above ground, and at such time as the City requires other utilities to install facilities in the area underground, Rainier Connect will move its facilities underground.

G. Any new facilities to be located above-ground shall be placed on existing utility poles. No new utility poles shall be installed in connection with placement of new above-ground facilities.

2. The term of this agreement shall be five (5) years from the date of execution. Such term may be extended under conditions approved by both the City and Rainier Connect, its successors and assigns.

In witness whereof, the parties have hereunto set their hands this day and date first above written.

CITY OF LACEY

MASHELL TELECOM, INC.  
D/B/A RAINIER CONNECT

By: \_\_\_\_\_  
Scott H. Spence, City Manager

By: \_\_\_\_\_  
Its: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Carol Litten, City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
David Schneider, City Attorney



## FINANCE & ECONOMIC DEVELOPMENT COMMITTEE

October 5, 2016

**SUBJECT:** Budget Amendment (Early Bond Retirement)

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**RECOMMENDATION:** Upon review and concurrence, recommend full City Council adoption of the Budget Amendment Ordinance.

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**STAFF CONTACT:** Scott Spence, City Manager   
Troy Woo, Finance Director 

**ORIGINATED BY:** Troy Woo, Finance Department

**ATTACHMENTS:**

1. [Draft Ordinance](#)
2. [Summary of the Proposed Ordinance](#)

**FISCAL NOTE:** [See attached Ordinance Exhibit "A"](#)

**PRIOR REVIEW:**

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### BACKGROUND:

During the development of the City's 6-Year Strategic Financial Plan, the City Council identified the opportunity to retire the 2006 Limited Tax General Obligation (LTGO) Bonds early. This action will allow the sales tax dedicated to the annual debt service to be reallocated to the General Fund for operations and maintenance, which will help maintain historic service levels.

On December 17, 2015, the City Council adopted Ordinance No. 1484, which committed reserves \$1,485,000 for the purpose of retiring this debt early. The designation of these reserves is consistent with the City Council's long practice of matching one-time resources with one-time expenditures.

In addition to reprioritizing an annual average sales tax of \$333,500 for operations, the early retirement of the bonds will save the Lacey citizens \$182,800 of interest payments

over the next five years. The interest rate on the bonds during the last five outstanding years is 4.0 percent.

The proposed budget amendment is recommended to maximize the interest savings. The 2017 interest will begin accruing on December 1, 2016. An average of \$5,000 per month will accrue. Originally, the early retirement of these bonds was scheduled for 2017. If the amendment is approved and the debt is paid on December 1, a minimum of \$5,000 of interest will be saved.

The proposed budget amendments are limited to transactions necessary to retire the bonds. The transactions include transfers from the General Fund committed reserves to the General Obligation Bond Fund and the appropriation necessary to retire the bonds. The full details of the proposed amendments are attached to the proposed ordinance as exhibit "A".

It is requested that the Finance and Economic Development Committee review the proposed amendments and recommend full City Council adoption of the proposed amendments to the 2016 adopted budget.

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**ADVANTAGES:**

1. The early retirement of the 2006 LTGO Bonds will save \$182,800 of interest.
2. The proposed adjustments maintain a balance between the anticipated revenues and expenditures of the funds.

**DISADVANTAGES:**

1. None identified.

**ORDINANCE NO. XXXX**

**CITY OF LACEY**

**AN ORDINANCE AMENDING THE 2016 FISCAL YEAR BUDGET ADOPTED BY ORDINANCE NO. 1483 BY REVISING THE BUDGETED AMOUNTS FOR THE CURRENT EXPENSE AND GENERAL OBLIGATION BOND FUNDS.**

**WHEREAS**, there is a need for additional expenditures to be budgeted within the Current Expense and General Obligation Funds for expenditures in which the extent of which could not be contemplated at the time of adopting the 2016 fiscal year budget; and

**WHEREAS**, it is in the best interest of the City of Lacey to retire the 2006 Limited Tax General Obligation Bonds early to save its citizens future interest payments; and

**WHEREAS**, revenues, as shown on Exhibit "A" attached hereto, are available from the sources indicated on said Exhibit for the making of said expenditures; now, therefore,

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON**, as follows:

Section 1. The 2016 fiscal year budget and Ordinance No. 1483 adopting said budget are hereby amended by making those certain changes to the 2016 fiscal year budget set forth on Exhibit "A", attached hereto and made a part hereof as though fully set forth herein and for all purposes considered to be a portion of this ordinance.

Section 2. The City Clerk and the codifiers of this ordinance are authorized to make necessary corrections to this ordinance including, but not limited to, the correction of scrivener's/clerical errors, references, ordinance numbering, section/subsection numbers and any references thereto.

Section 3. The summary attached hereto is hereby approved for publication.

PASSED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON, on this 13<sup>th</sup> day of October, 2016.

Approved as to form:

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Attorney

ATTEST:

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City Clerk

Draft

**SUMMARY FOR PUBLICATION**

**ORDINANCE NO. XXXX**

**CITY OF LACEY**

The City Council of the City of Lacey, Washington, passed on October 13, 2016, Ordinance No. XXXX entitled "**AN ORDINANCE AMENDING THE 2016 FISCAL YEAR BUDGET ADOPTED BY ORDINANCE NO. 1483 BY REVISING THE BUDGETED AMOUNTS FOR THE CURRENT EXPENSE AND GENERAL OBLIGATION BOND FUNDS.**"

A section by section summary of this ordinance is as follows:

Section 1 revises the amounts which were budgeted for revenues and expenditures within the funds listed above by the 2016 fiscal year budget which had been adopted by Ordinance No. 1483. The reason for revising the budgeted amounts is the fact that there exists a need for additional expenditures within those funds which could not be contemplated at the time of adopting the 2016 fiscal year budget.

Section 2 provides provisions for corrections.

Section 3 approves this summary.

A copy of the full text of this ordinance will be mailed without charge to any person requesting the same from the City of Lacey.

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City Clerk

Published: October 17, 2016

2016 Budget Amendments - Ordinance No. XXXX Exhibit "A"

Account Numbers	Account Description	2016 Budget	Budget Amendment	2016 Budget as Amended	Comments
<b>Current Expense Fund</b>					
<b>Revenues</b>					
1-0000-308-0000	Beginning Cash	316,643	1,485,000	1,801,643	Committed reserve for 2006 LTGO Bonds (City Hall) Retirement
<b>Total Current Expense Fund Revenues</b>		316,643	1,485,000	1,801,643	
<b>Expenditures</b>					
1-7501-597-1300	Transfers Out - 201 Fund	-	1,485,000	1,485,000	Transfer to General Obligation Bond Fund for 2006 LTGO Bond repayment
<b>Total Current Expense Fund Expenditures</b>		-	1,485,000	1,485,000	
<b>General Obligation Bond Fund</b>					
<b>Revenues</b>					
201-0000-397-1009	Transfer In	-	1,485,000	1,485,000	
<b>Total General Obligation Bond Fund Revenues</b>		-	1,485,000	1,485,000	
<b>Expenditures</b>					
201-1905-591-7014	Principal LTGO 2006	260,000	1,485,000	1,745,000	Early retirement of 2006 LTGO Bonds (City Hall Expansion)
<b>Total General Obligation Bond Fund Expenditures</b>		260,000	1,485,000	1,745,000	