

Agenda Report

August 5, 2013

TO: Honorable Mayor and City Council
FROM: Department of Information Technology
SUBJECT: AUTHORIZE THE CITY MANAGER TO ENTER INTO A FIBER LICENSE AGREEMENT WITH THE JET PROPULSION LABORATORY

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed contract amendment is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061 (b)(3); and
2. Authorize the City Manager to enter into a license agreement with the Jet Propulsion Laboratory for use of City fiber, resulting in up to \$1,778,581 in revenue to the City over the 10 year term of the agreement.

BACKGROUND:

In the late 1990s, the City installed a 25-mile fiber optic backbone around Pasadena, with the goals of:

- meeting the City's internal voice and data communications needs
- supporting Pasadena Water & Power system communications requirements
- generating revenue through lease of fiber capacity, and
- fostering competition in the local telecommunications market

The majority of the fiber was leased to TW Telecom, a national telecom provider, with the proceeds repaying the loan from the Charter Capital Reserve that funded installation of the fiber backbone and providing an ongoing revenue stream to support the fiber network. In addition, small amounts of dark fiber were leased to local institutions, including the California Institute of Technology (Caltech), and the Jet Propulsion Laboratory (JPL) and its local subcontractors.

JPL has used City fiber since 2003 to link satellite and subcontractor facilities with the JPL main campus under three separate license agreements. With expiration

of two of the existing agreements earlier this year, JPL requested that its fiber leases be consolidated in a single license agreement. The proposed agreement continues current JPL use of fiber around the City backbone, as well as allowing JPL to pay for and use additional strands of fiber between JPL's main campus and satellite facilities in portions of the network that have excess capacity.

The recommended fiber license agreement has a five-year term, with one five-year renewal at JPL's option. For the first five years, the agreement will generate between \$714,009 and \$894,184 in revenue from annual license fees and one-time catch-up fees (covering JPL's use of the fiber between the expiration of the previous agreements and execution of this proposed agreement). Should JPL elect to renew the agreement, the annual fees will increase by 3.5 percent, generating between \$697,916 and \$884,397 for the five-year renewal term. The rates for dark fiber licenses are developed based on surveys of other jurisdictions offering similar dark fiber licenses. The license fees, which are distance-based, compensate the City for JPL's ongoing use of the fiber, as well as City maintenance costs and repair of any outages. Given the significant volume of fiber licensed to JPL, the license fees for this agreement reflect a discount of 30 percent off prevailing fiber license fees charged to other dark fiber customers.

COUNCIL POLICY CONSIDERATION:

This agreement supports the City Council Strategic Goal to "Support and promote the quality of life and the local economy", leveraging the fiber optic network to help meet the communications needs of local institutions. Additionally, the agreement supports the City Council Strategic Goal to "Maintain fiscal responsibility and stability", by generating revenue that will facilitate ongoing operation of the fiber optic network as a self-sustaining activity.

ENVIRONMENTAL ANALYSIS:

This action has been determined to be exempt from the California Environmental Quality Act (CEQA) per Section 15061(b)(3). The activity is covered under the general rule that CEQA only applies to projects that have a potential for causing a significant effect on the environment. The proposed action authorizes a new agreement for use of existing fiber strands.

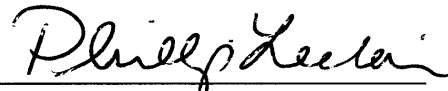
FISCAL IMPACT:

This action will generate between \$714,009 and \$894,184 in revenue to the Telecommunications Fund over the first five-year term of the agreement. If JPL renews the agreement for a second five-year term, additional revenue of \$697,916 to \$884,397 will be generated, for total revenues between \$1,411,925 and \$1,778,581 over the 10 year term of the agreement.

The proposed agreement will increase fiber license fee revenue from JPL by approximately \$45,800 per year over revenues under the previous agreements. This reflects both an increase in the license fee rate – bringing the rate before the discount is applied into line with what other dark fiber customers pay -- and JPL's use of additional fiber strands in a portion of the City fiber network.

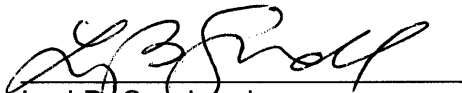
The anticipated impact to other operational programs or capital projects as a result of this action will be minimal.

Respectfully submitted,



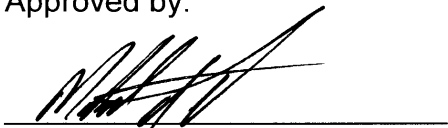
PHILLIP LECLAIR
Chief Information Officer
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Prepared by:



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IT Planning & Project Manager

Approved by:



MICHAEL J. BECK
City Manager

**Disclosure Pursuant to the
City of Pasadena Taxpayer Protection Amendment
Pasadena City Charter, Article XVII**

Contractor/Organization hereby discloses its trustees, directors, partners, officers, and those with more than 10% equity, participation, or revenue interest in Contractor/Organization, as follows:

(If printing, please print legibly. Use additional sheets as necessary.)

1. Contractor/Organization Name: Jet Propulsion Laboratory

2. Type of Entity:
 non-government nonprofit 501(c)(3), (4), or (6)

3. Name(s) of trustees, directors, partners, officers of Contractor/Organization:

<u>Director: DR. Charles Elachi</u>

4. Names of those with more than a 10% equity, participation or revenue interest in Contractor/Organization:

<u>N/A</u>

Prepared by: Christina Avetyan

Title: Subcontracts Manager

Phone: (818) 354-9328

Date: 7/22/2013