

Agenda Report

November 17, 2014

TO: Honorable Mayor and City Council
FROM: Department of Information Technology
SUBJECT: AUTHORIZE THE CITY MANAGER TO ENTER INTO A FIBER LICENSE AGREEMENT WITH RAYTHEON TECHNICAL SERVICES COMPANY, LLC

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 Raytheon Technical Services Company, LLC for use of City fiber, resulting in \$82,280 in revenue to the City over the three 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), as well as JPL's local subcontractors, including Raytheon Technical Services Company, LLC (Raytheon).

Raytheon has used City fiber since 1999 to link its facility on North Euclid Avenue with the JPL main campus. Following an initial multi-year license agreement, the fiber was licensed to Raytheon under single year agreements, requested by Raytheon to provide flexibility should the company decide to change its approach to connecting to the JPL campus. Following expiration of its most recent fiber license agreement in September of this year, Raytheon agreed to a three year license term covering the October, 2014 to September, 2017 period. The proposed agreement continues Raytheon's current use of two strands of City fiber to connect its offices with JPL.

The recommended fiber license agreement has a three year term, with no renewal option. During the three years, the agreement will generate \$82,280 in revenue from annual license fees. 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 Raytheon's ongoing use of the fiber, as well as City maintenance costs and repair of any outages. Given Raytheon's agreement to a three year license term, the license fees reflect the typical rates for customers licensing City dark fiber under multi-year agreements. This shift to a multi-year license term and fee structure includes a 20 percent reduction in the annual fees Raytheon will pay the City, but secures the revenue stream for the next three years.

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 \$82,280 in revenue to the Telecommunications Fund over the three year term of the agreement.

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

Respectfully submitted,



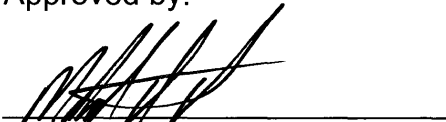
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