

# Agenda Report

September 12, 2016

**TO:** Honorable Mayor and City Council  
**FROM:** Department of Information Technology  
**SUBJECT: AUTHORIZE THE CITY MANAGER TO ENTER INTO A FIBER LICENSE AGREEMENT WITH TMT INTERNATIONAL OBSERVATORY, LLC**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the following proposed action is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15301 (Existing Facilities) and Section 15303 (New Construction or Conversion of Small Structures); and
2. Authorize the City Manager to enter into a license agreement with TMT International Observatory, LLC for use of City fiber, resulting in up to \$288,273 in revenue to the City over the 15 year term of the agreement.

## **BACKGROUND:**

In the late 1990s, the City installed a 25-mile fiber optic backbone around Pasadena and has expanded fiber optic services since then with the goals of:

- meeting internal City business and utility communications requirements,
- generating new revenue through lease of fiber capacity, and
- supporting local economic development by offering a robust local telecommunications market.

The City leases fiber to a national telecom provider and to local institutions such as the California Institute of Technology (Caltech) and the Jet Propulsion Laboratory. More recently, the City has begun offering other fiber-based services to local commercial organizations.

TMT International Observatory, LLC (TMT) is a Pasadena-based non-profit partnership of international research institutions working to deploy the world's most advanced and powerful optical telescope – the Thirty Meter Telescope. TMT members include Caltech, the Regents of the University of California, the Department of Science and Technology of India, Japan's National Institutes of Natural Sciences, the National Astronomical Observatories of the Chinese Academy of Science, and the National Research Council Canada.

Seeking a fiber link directly to Caltech, TMT contacted the City to facilitate a connection between its new Parsons Tower location and the Caltech campus. The proposed dark fiber connection will leverage City fiber network capacity in the area adjacent to the 100 W. Walnut Street property and the existing City fiber link into the Caltech campus. Extension of new City fiber to 100 W. Walnut Street will complete the desired TMT connection, and will also support future fiber service opportunities that may result from the Lincoln Properties development there.

Staff estimates the fiber extension will cost \$21,600, including fiber materials, the labor to install them, and project oversight. Under the terms of the recommended license agreement, TMT will contribute \$10,000 toward the estimated installation cost, and will pay the City for ongoing use of the fiber.

The proposed agreement has an initial five-year term, with options for two five-year renewal periods at TMT's option. During its initial term, the agreement will generate \$92,805 in revenue from annual license fees. Should TMT elect to renew the agreement, annual fees will increase by 3.5% for each renewal term, generating \$96,053 and \$99,415 respectively for the first and second renewal terms. The rates for dark fiber licenses are developed based on surveys of other jurisdictions offering similar dark fiber licenses and fees the City charges existing customers. The license fees, which are distance-based, will compensate the City for TMT's ongoing use of the fiber, as well as City maintenance costs and repair of any outages.

The City does not have any existing contracts with TMT International Observatory, LLC.

**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 and businesses. 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:**

The proposed license agreement with TMT International Observatory, LLC is exempt from the California Environmental Quality Act (CEQA) in accordance with Section 15301 (c) Existing Facilities and Section 15303 New Construction or Conversion of Small Structures. Section 15301 (Existing Facilities) exempts actions relating to existing facilities or structures where there is negligible or no expansion of the use. Section 15303, Class 3, consists of construction and location of limited numbers of new, small facilities or structures; installation of small new equipment and facilities in small structures; and the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the structure. The proposed agreement relates to use of previously installed fiber optic cable and placement of new fiber optic cable in existing communications and power conduit systems, with little or no alteration to those existing conduit systems.

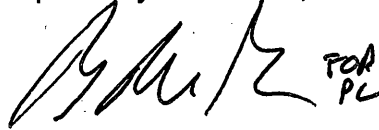
**FISCAL IMPACT:**

This action will generate \$92,805 in revenue to the Telecommunications Fund over the first five-year term of the agreement. Should TMT elect to renew the agreement for the two optional renewal terms, additional revenue totaling \$195,468 will be generated, for a total over the 15 years of \$288,273.

The cost of the fiber connection installation is estimated at \$21,600. Funding for the installation will come from existing budgeted appropriations in Capital Improvement Program Budget account number 71212 (City Fiber Network Expansion). Under the terms of the agreement, TMT will contribute \$10,000 toward the installation costs.

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

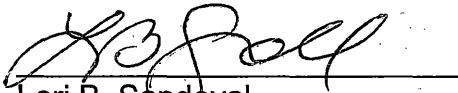
Respectfully submitted,

Handwritten signature of Phillip Leclair in black ink, with the initials 'PL' written in the bottom right corner of the signature.

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PHILLIP LECLAIR  
Chief Information Officer  
Department of Information Technology

Prepared by:

Handwritten signature of Lori B. Sandoval in black ink, written over a horizontal line.

Lori B. Sandoval  
Telecom & Regulatory Administrator

Approved by:

Handwritten signature of Steve Mermell in black ink, written over a horizontal line.

STEVE MERMELL  
City Manager

Attachment A: Taxpayer Protection Amendment Form