



# Agenda Report

November 22, 2021

**TO:** Honorable Mayor and City Council

**FROM:** Department of Information Technology

**SUBJECT: AUTHORIZATION TO ENTER INTO FIBER LICENSE AGREEMENTS WITH ART CENTER COLLEGE OF DESIGN AND LEVEL 3 COMMUNICATIONS, 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 (c) (Existing Facilities);
2. Authorize the City Manager to enter into a license agreement with Art Center College of Design for use of City fiber, resulting in up to \$258,410 in revenue to the City over the initial three-year term of the agreement with two optional one-year terms in the amount of \$62,496 per extension, for a maximum term of five years, and revenue up to \$383,402; and
3. Authorize the City Manager to enter into a license agreement with Level 3 Communications, LLC for use of City fiber, resulting in up to \$47,410 in revenue to the City over the initial three-year term of the agreement with two optional one-year terms in the amount of \$9,736 per extension, for a maximum term of five years, and revenue up to \$66,882.

## **BACKGROUND:**

Originally installed in the late 1990s and expanded over the past several years, the City's fiber optic network supports the City's voice and data networks and utility operations. The City also leverages excess capacity within the network to lease fiber and provide fiber-based services to a variety of customers, generating revenue in the process. City fiber customers include CenturyLink, major institutions such as the California Institute of Technology and the Jet Propulsion Laboratory, and other local businesses.

In January 2016, the City leased a portion of the fiber to Art Center College of Design ("Art Center") to support Art Center's telecommunications needs at its South Campus. This original lease agreement, 23,086, has an initial three-year term, and was extended in January 2019 for an additional three-year term. This agreement has generated a total of \$109,692.

In July 2021, Art Center notified the City of its interest to lease additional City fiber under a new fiber lease agreement to connect their existing South Campus to its Hillside Campus. Simultaneously, Level 3 Communications, another City fiber lease customer, notified the City of its interest in leasing fiber to Art Center's Hillside Campus. For background, the City Council recently approved a 10-year fiber lease agreement with Level 3 for \$1.3 million in March 2021.

The new fiber lease agreements with both Art Center and Level 3 Communications will be three-year agreements, with two optional one-year extensions, which if exercised, will generate up to \$450,284 in revenue from license fees. The license fee compensates the City for ongoing use of the fiber, as well as City maintenance and repair of any outages. The initial construction costs of \$91,000 will be shared and reimbursed by both parties under the agreements.

#### **COUNCIL POLICY CONSIDERATION:**

These agreements support 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 data communications needs of local institutions and businesses. Additionally, these agreements support 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 agreements are exempt from the California Environmental Quality Act (CEQA) in accordance with Section 15301 (c) Existing Facilities, which exempts actions relating to existing facilities or structures where there is negligible or no expansion of the use. The proposed action relates to lease of fiber that is already installed in existing conduit systems.

**FISCAL IMPACT:**

This action will generate revenue to the Telecommunications Fund from the lease fee of up to \$305,820 during the initial three-year term of the agreements, and up to \$450,284 if the two one-year options are exercised. 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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