



# Agenda Report

October 18, 2021

**TO:** Honorable Mayor and City Council  
**FROM:** Department of Information Technology  
**SUBJECT: AUTHORIZATION TO ENTER INTO A FIBER LICENSE AGREEMENT WITH ACCO ENGINEERED SYSTEMS**

## **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 ACCO Engineered Systems for use of City fiber, resulting in up to \$319,485 in revenue to the City over the initial five-year term of the agreement; and
3. Authorize the City Manager to extend the agreement for two optional one-year terms in the amount of \$63,897 per extension, for a maximum term of seven years, and revenue up to \$447,278.

## **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 a competitive carrier, CenturyLink, local institutions such as the California Institute of Technology and the Jet Propulsion Laboratory, and other local businesses.

In June 2018, the City leased a portion of the fiber in the backbone to ACCO Engineered Systems ("ACCO"). The fiber lease was designed to recoup a portion of the City's cost of installing the fiber network and to support ACCO's telecommunications needs at its new headquarters location. This original lease agreement, 22,958, had a three-year term, and generated revenue to the City of \$203,780.

In July 2021, ACCO notified the City of its interest in continuing to use City fiber under a new fiber lease agreement with an initial five-year term and two optional one-year extensions. Concurrently, staff identified that a variety of terms in the existing agreement related to operating and maintenance procedures should be updated in the new agreement to reflect current network operations practices. The initial five-year term of the new fiber lease agreement would expire on November 15, 2026, with two optional one-year extensions, if exercised, extending the agreement through November 15, 2028.

The recommended new fiber license agreement with an initial five-year term and two one-year options will generate up to \$447,278 in revenue from license fees if both one-year options are exercised. The license fee compensates the City for ongoing use of the fiber, as well as City maintenance and repair of any outages.

**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 data 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 agreement extension is 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 \$319,485 during the initial five-year term of the agreement, and up to \$447,278 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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