

# Agenda Report

September 19, 2022

**TO:** Honorable Mayor and City Council  
**FROM:** Department of Information Technology  
**SUBJECT: AUTHORIZATION TO ENTER INTO FIBER LEASE AGREEMENT WITH 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); and
2. Authorize the City Manager to enter into a fiber lease agreement with Level 3 Communications, LLC for use of City fiber, resulting in up to \$100,440 in revenue to the City over the five-year term of the agreement, which includes two optional one-year extensions.

## **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 telecommunications carriers, major institutions such as the Art Center, California Institute of Technology and the Jet Propulsion Laboratory, and other local businesses.

In November 2021, Level 3 Communications, LLC (Level 3), an existing City fiber lease customer, notified the City of its interest in leasing fiber to Education First Academy's Campus at 1539 East Howard Street in northeast Pasadena. The proposed fiber lease agreement with Level 3 has an initial three-year term, with two optional one-year extensions, which if exercised, will generate up to \$54,000 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.

Staff estimates construction costs will be \$46,440, including fiber materials, the labor to install them, and project oversight. Under the terms of the recommended lease agreement, Level 3 will fully reimburse the City for these costs.

The City maintains two other revenue contracts, 23485 and 23592, with Level 3 for similar fiber leases.

**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, this 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 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 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.

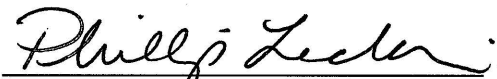
**FISCAL IMPACT:**

This action will generate revenue to the Telecommunications Fund from the lease and installation fees of up to \$78,840 over the initial three-year term of the agreement. Should Level 3 elect to renew the agreement for the two optional one-year renewal terms, additional revenue totaling \$21,600 will be generated, for a total over five years of \$100,440. Additional revenue may be generated if Level 3 requests that the City performs work on the leased strands.

The cost of the fiber connection installation is estimated at \$46,440, and funding for it will come from existing budgeted appropriations in Capital Improvement Program Budget account number 71167 (City Fiber Network Expansion). Under the terms of the agreement, Level 3 will fully reimburse these installation costs.

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

Department of Information Technology

Prepared by:

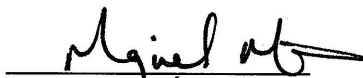


Chris Huynh

Telecom & Regulatory Administrator

Department of Information Technology

Approved by:



MIGUEL MÁRQUEZ

City Manager