

# Agenda Report

November 25, 2024

**TO:** Honorable Mayor and City Council

**FROM:** Department of Information Technology

**SUBJECT: AUTHORIZE THE CITY MANAGER TO ENTER INTO A FIBER LEASE REVENUE AGREEMENT WITH ARTCENTER COLLEGE OF DESIGN FOR \$286,026 FOR THE INITIAL THREE-YEAR TERM WITH TWO OPTIONAL THREE-YEAR EXTENSIONS**

## **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 lease agreement with ArtCenter College of Design for use of City fiber, resulting in up to \$286,026 in revenue to the City over the initial three-year term of the agreement; and
3. Authorize the City Manager to extend the agreement with ArtCenter College of Design for two optional three-year terms in the amount of \$296,036 for the first extension, and \$306,398 for the second extension, for a maximum term of nine years, and revenue up to \$888,460.

## **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.

ArtCenter College of Design (ArtCenter) has utilized City fiber since 2016 to support its connections under two contracts: contract #23,591, providing a dark fiber link between its two campuses within the City, and contract #23,866, connecting to Los Nettos—a regional network supporting research, education, healthcare, and economic

development across the greater Los Angeles area. The current agreements have individually generated \$275,410 and \$46,425, respectively, for a combined total of \$321,835. As these agreements approach expiration in January of 2025, ArtCenter has formally requested a new contract to consolidate both into a single lease agreement.

Staff has been working with ArtCenter to discuss the terms of the new lease, and have agreed to a fiber lease agreement with an initial three-year term, generating \$286,026 in revenue, or \$95,342 annually. The agreement will also feature two optional three-year extensions with a 3.5% escalator each additional term. If exercised, these two optional three-year extensions will generate an additional \$296,036 and \$306,398 in revenue. Thus, total revenue of \$888,460 will be realized if the term of the agreement is fully extended.

The lease fee compensates the City for ongoing use of the fiber, as well as for maintenance and repair of any outages.

**COUNCIL POLICY CONSIDERATION:**

This agreement aligns with the City Council Strategic Goals to support and promote the quality of life and the local economy and to maintain fiscal responsibility and stability by leveraging the fiber optic network to help meet the data communications needs of local institutions and businesses. Additionally, it will generate revenue to support the ongoing operation of the fiber optic network as a self-sustaining activity.

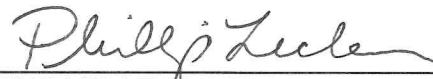
**ENVIRONMENTAL ANALYSIS:**

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 action relates to lease of fiber that is already installed in existing conduit systems.

**FISCAL IMPACT:**

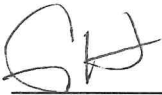
This action will generate revenue to the Telecommunications Fund from the lease of fiber up to \$286,026 during the initial three-year term of the agreement, and up to \$888,460 if the two three-year options are exercised. The anticipated impact to other operational programs or capital projects as a result of this action will be minimal.

Respectfully submitted,



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