

CITY OF LOS ANGELES

CALIFORNIA



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August 26, 2013

REF: ASB-188-13

Honorable Members of the City Council
City of Los Angeles
Room 395, City Hall
Los Angeles, CA 90012

Attn: Innovation, Technology and General Services Committee

Subject: **UNIVERSITY OF SOUTHERN CALIFORNIA PRIVATE LINE FRANCHISE
APPLICATION AND RECOMMENDATION OF APPROVAL
(COUNCIL FILE NO. 13-0815)**

Recommendation

ITA has reviewed the University of Southern California (USC) application for a new private line telecommunications franchise and subject to the consent of City Council and Mayor, recommends approval of that application request as set forth below.

Background

A private line telecommunications facility is an encroachment permit that provides for the interconnection between two points in the public rights-of-way, utilized solely for signal transmission and not to serve any customer within the City of Los Angeles (City). USC is requesting that the City grants a limited franchise to install and maintain a private line telecommunications facility which will encroach into portions of the public rights-of-way located in two principal areas of the City: USC's University Park Campus and USC's Health Sciences Campus as set forth in the Draft Ordinance prepared and filed to the City Council.

USC has been in the renewal process with ITA/City since the June 30, 2009 expiration of its 10-year private line telecommunications franchise (PLF). The USC PLF is the largest PLF franchise in the City. The USC PLF facilities include a technology center and over 14 miles of fiber, manhole covers and vaults in the City's public rights-of-way (PROW). USC intends to expand its PLF facilities in the future.



AN EQUAL EMPLOYMENT OPPORTUNITY - AFFIRMATIVE ACTION EMPLOYER



PRICING RATES

The regular franchise fee rates that apply to the City's private telecommunications franchisees is \$5/linear foot for fiber and conduit in City's PROW and \$15/cubic foot for other telecom facilities such as vaults and boxes in the PROW. A 50% "Community Benefit Discount" rate was agreed to by City staff (staff from ITA and Councilmembers Krekorian, Parks and former Councilmember Perry). The Community Benefit Discount rate is based upon USC's relationship with the City in providing community services of benefit to the City as set forth in USC's October 7, 2011, letter to the Councilmember Parks and former Councilmember Perry and as re-stated by USC in its letter to Councilmembers Krekorian and Price, Jr., dated August 13, 2013 (See Attachments A and B, respectively.) The Community Benefit Discount rate, as applied to USC would be set at \$2.50/linear foot for fiber and conduit facilities in the PROW and \$7.50/cubic foot for vaults and boxes in the PROW.

OTHER NEGOTIATED TERMS & CONDITIONS

- New 21-year franchise term based upon Community Benefit Discount rate
- Same rate applicable to future USC PLF additions during term of franchise
- Franchise ordinance to provide easier permitting process for USC to build out telecom system through ITA & BOE without need to amend ordinance through Council/Mayor action/approval

Fiscal Impact

If approved, implementation of this private line telecommunications franchise will generate revenue in the current amount of \$282,804.32 per year if USC elects to pay franchise fees on an annual basis. If USC elects to pay the full amount due for the twenty-one year term of the franchise, the additional revenue due will be \$5,938,891.98. Pursuant to agreement of USC representatives and City staff, USC shall pay the added sum of \$1,043,877.50 upon City Council approval in retroactive franchise fees due to the City based upon the expiration of the prior franchise agreement in 2009. In addition USC is required to provide the City with a franchise performance bond in the amount of \$4,500,000.

If you have any questions, please contact Mark Wolf at (213) 978-3311 or William Imperial at (213) 922-8383.

Sincerely,



Steve Reneker
General Manager

Attachments

Honorable Members of the City Council

August 26, 2013

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cc: Honorable Mayor Eric Garcetti
Honorable Ron Galperin, City Controller
Honorable Councilmember & Chair, Bob Blumenfield
Miguel Santana, City Administrative Officer
Melissa Fleming, Office of the City Administrative Officer
Mandana Khatabshahidi, Office of the Chief Legislative Analyst
Mike Dundas, Office of the City Attorney
Mark Wolf, ITA
William Imperial, ITA



October 7, 2011

Real Estate Development
and Asset Management

Kristina E. Raspe
Vice President

The Honorable Bernard Parks
Los Angeles City Council, District 8
200 N. Spring Street, Room 460
Los Angeles, California 90012

The Honorable Jan Perry
Los Angeles City Council, District 9
200 N. Spring Street, Room 420
Los Angeles, California 90012

Re: USC Franchise Agreement

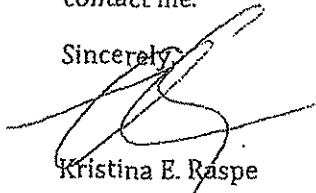
Honorable Council Members Parks and Perry,

On behalf of the University of Southern California, I wanted to thank you for meeting with us on the issue of the university's franchise agreement with the City. We appreciate your insights on this complex issue.

Attached you will find a proposal that contains important background on the origination of the university's franchise agreement, information regarding the extent of our existing franchise agreement and new facilities we would like to add to the franchise, and a proposed new fee for the franchise agreement. In particular, as you consider this proposal, we hope that you will keep in mind the university's non-profit status, the significant public benefit that the franchise allows the university to deliver, and the critical role the franchise plays in the university's research mission.

We look forward to quickly resolving this issue. Please do not hesitate to contact me.

Sincerely,



Kristina E. Raspe

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University Gateway 110
Los Angeles,
California 90089-7271
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cc: Ilee Rhimes, Chief Information Officer and Vice Provost

PROPOSAL FOR RENEWED FRANCHISE AGREEMENT BETWEEN THE CITY OF LOS ANGELES AND THE UNIVERSITY OF SOUTHERN CALIFORNIA

BACKGROUND

The University of Southern California (USC) obtained its first franchise for telecommunications in the public right of way from the City of Los Angeles in 1968. The City charged the university using the same franchise fee and formula as it used for other telecommunication franchises, i.e., a fee based on a cubic-foot formula. In 1997, the City converted to a rate structure based on a linear-foot formula of \$5 per linear foot for each conduit. At the time, USC was in the process of renegotiating its franchise agreement and contemplating a significant expansion of its franchise. The goal of USC's franchise expansion was to provide network connectivity to USC faculty, staff, and students in the vicinity of the campus, as well as to the primary and secondary schools that formed the USC Family of Schools and other educational institutions in the Los Angeles region. In 1997, the USC Family of Schools included the 32nd Street School/USC MaST Magnet (K-12), James A. Foshay Learning Center, Manual Arts Senior High School, Norwood Street Elementary School, Vermont Avenue Elementary School, Lenicia B. Weemes Elementary School, Bell High School, Theodore Roosevelt High School, Elizabeth Learning Center, and Don Bosco Technical Institute.

The City agreed to create a different formula for the university because of the extent of the franchise being sought and because the university was providing connectivity for so many local schools. Rather than charge for each linear foot and conduit within the franchise, the City charged the university according to a per-access-link formula of \$300 per year for each building connected through the franchise. This agreement allowed the university to significantly increase support for its research mission and to provide network connectivity for the nearby schools.

THE ROLE OF THE FRANCHISE IN THE UNIVERSITY'S MISSION

The franchise plays a critical role in the university's ability to achieve its mission by providing optimum bandwidth and seamless connectivity for faculty, students, and staff to conduct research and pursue other academic activities from both campus and neighboring locations. Further, the franchise is integral to the university's network infrastructure, supporting groups and projects, such as:

- Los Nettos, a regional network providing redundant and reliable bandwidth for universities, colleges, research facilities, not-for-profits, museums, hospitals, city governments, and local schools.

- The USC Shoah Foundation Institute, which collects and provides access to the visual history testimonies of genocide survivors for the purpose of overcoming prejudice, intolerance, and bigotry—and the suffering they cause.
- IWitness, a pioneering application that—for the first time—makes a collection of 1,000 video testimonies from the USC Shoah Foundation Institute's archive available on the Internet to the general public. Designed for educators, scholars, and students, IWitness will launch this fall, allowing users to stream, search, edit, download, and share video, images, and other content from the institute's visual history archives.

PROPOSAL

USC's franchise is unique among telecommunications franchises in the City: it has been calculated through an access-fee formula that recognized the public benefit of USC's goal to provide connectivity to local schools as well as to USC's offsite buildings and centers. In recognition of the university's status as a non-profit, for-public-benefit entity and its long history of public contributions, especially to the neighborhoods surrounding its campuses, we respectfully request that the City continue to calculate the setting costs for the USC franchise through the access-link formula with a proposed increased cost from the current \$300 per year per access link to \$1,000 per year per access link. (Alternatively, if the City prefers to charge on a linear-foot basis, the university respectfully requests that the City use a fee of \$1.25 per linear foot, which represents the fee that the City currently uses for overhead franchises.)

We request that the City consider the following circumstances in determining the rate structure for USC's franchise:

1. USC's renegotiated franchise agreement will include an additional twelve buildings. There are currently seven USC buildings that are connected through the franchise but which have not been incorporated into the franchise agreement. The university will retroactively pay the connection fee for these buildings based on the date that they were added to the franchise. There are also five buildings that the university plans to connect through the franchise agreement. The university would also include these five buildings in the franchise agreement and pay their connection fee on a moving-forward basis.
2. Although USC has installed numerous conduits within the right-of-way for redundancy and future growth, the university currently uses only one conduit. The City typically charges a linear fee for each conduit within the right-of-way. Since the size of the duct bank does not increase in size to support additional conduits, however, we respectfully request that USC be charged for only one

access link per building. Should USC begin to use additional conduit in the future, the university would notify the City in advance and pay an additional fee per building. The university respectfully requests that the additional fee be 25% of the base fee. (If the City uses a linear-foot formula in USC's franchise agreement, the university respectfully requests that the fee be charged on a per-conduit basis for only those conduits actually in use; if more than one conduit is used in the future, USC respectfully requests that the additional fee per conduit be 25% of the base fee.)

3. The university currently provides connectivity through its franchise to the following entities as a public benefit:
 - a. Natural History Museum of Los Angeles.
 - b. USC Community Computing Center in the University Village.
 - c. Anna Bing Arnold Child Care Center.
 - d. Stewart's Nursery Tract/Ickovics Family Trust Building.
 - e. USC Credit Union.
 - f. Hebrew Union College-Jewish Institute of Religion.
 - g. USC Caruso Catholic Center.

The university respectfully requests that it not be charged an access link fee for these entities, since the university provides access for these entities at cost. The university will continue to offer connectivity to these non-university users in recognition of the different fee formula under which the university franchise is provided. Furthermore, the university still maintains connectivity to the local schools identified on page 1, although most of them now rely on connectivity provided by LAUSD. The university would prefer to maintain this connectivity as a redundancy for these schools at no cost rather than having to incur the costs of removing these facilities from the franchise.

4. USC's data and colocation center at 3434 South Grand Avenue, which is part of the university's franchise, provides services to the following local governmental agencies, healthcare facilities, and educational institutions:
 - a. City of Pasadena
 - b. City of Santa Monica
 - c. City of Glendale
 - d. LAC+USC Medical Center
 - e. Children's Hospital Los Angeles
 - f. Charles Drew University of Medicine and Science

- g. Doherty Eye Institute
- h. California Institute of Technology
- i. Jet Propulsion Laboratory
- j. Loyola Marymount University
- k. The Claremont Colleges
- l. Santa Monica Community College District
- m. Glendale Community College
- n. Art Center College of Design
- o. Occidental College
- p. San Marino Unified School District
- q. Garvey School District

5. If the university needs to substantially expand the franchise during the term of the franchise agreement, the university will approach ITA staff to discuss reopening the franchise agreement. A revised access link fee or a revised linear-foot fee would be considered at that time.

We appreciate your consideration of this request and look forward to meeting with you to discuss it.



USC University of
Southern California

UNIVERSITY RELATIONS

Thomas S. Sayles
Senior Vice President

August 13, 2013

Councilmember Paul Krekorian
200 North Spring Street, Room 435
Los Angeles, California 90012

Councilmember Curren D. Price, Jr.
200 North Spring Street, Room 420
Los Angeles, California 90012

Re: USC Franchise Agreement

Honorable Councilmembers Krekorian and Price:

After a number of years of discussion and negotiations, the University of Southern California has finalized the terms for renewing its franchise agreement with the City of Los Angeles. As previously discussed with Councilmembers Parks and Perry, when both represented USC, the franchise plays an important role in supporting the university's research mission, while also allowing the university to deliver a significant public benefit by providing connectivity to community and governmental entities. We greatly appreciate the efforts of previous Councilmembers and staff at the Information Technology Agency to identify a franchise fee that allows the university to continue to provide this important service.

For your convenience, I am attaching to this letter a copy of correspondence to Councilmembers Parks and Perry in 2011, which provided background information on the franchise and the public benefits that the university provides through its franchise with the City. The university continues to provide the same benefits as set forth therein.

We look forward to having the franchise ordinance adopted. Should you have any questions or need additional information, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "T. S. Sayles".

Thomas S. Sayles
Senior Vice President
University of Southern California

cc: Peter Siegel, Chief Information Officer and Vice Provost