

0150-06242-0033

TRANSMITTAL

TO Marcie L. Edwards, General Manager Department of Water and Power	DATE FEB 10 2016	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT	

**OPTICAL FIBER USE LEASE AGREEMENT AND FOUR SHORT FORM INDEFEASIBLE
RIGHT OF USE LEASE AGREEMENTS WITH THE REGENTS OF THE UNIVERSITY OF
CALIFORNIA ON BEHALF OF UCLA INFORMATION TECHNOLOGY SERVICES**

Approved and transmitted for further processing including Council consideration.
See the City Administrative Officer report attached.


MAYOR Ana Guerrero

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

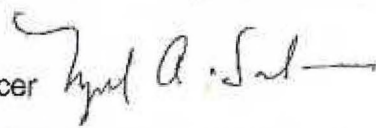
Date: February 1, 2016

CAO File No.: 0150-06242-0033

Council File No.:

Council District: Citywide

To: The Mayor

From: Miguel A. Santana, City Administrative Officer 

Reference: Communication from the Department of Water and Power dated December 30, 2015; referred by the Mayor for report on January 11, 2016

Subject: **OPTICAL FIBER USE LEASE AGREEMENT AND FOUR SHORT FORM INDEFEASIBLE RIGHT OF USE LEASE AGREEMENTS WITH THE REGENTS OF THE UNIVERSITY OF CALIFORNIA ON BEHALF OF UCLA INFORMATION TECHNOLOGY SERVICES**

SUMMARY

The Department of Water and Power (DWP; Department) requests approval of a proposed resolution authorizing new lease agreements with The Regents of the University Of California on behalf of UCLA Information Technology Services (UCLA ITS) relating to the use of DWP's fiber optic system. Below is a summary of the proposed lease agreements:

Agreement	Purpose	Term (as ratified)	Amount
Optical Fiber Use Lease Agreement (Master Agreement) FO-782-06/2015	To establish the general contractual terms and conditions.	10-years. (August 3, 2010 – August 3, 2030)	NA
Short Form Indefeasible Right of Use (IRU) Lease Agreements: FO-783-06/2015 (IRU-01) FO-784-06/2015 (IRU-02) FO-785-06/2015 (IRU-03) FO-787-07/2015 (IRU-04)	To identify the contract period and terms for each fiber optic cable.	Each IRU agreement provides a 5-year term with one extension option of 5-years, resulting in a total duration of up to 10 years.	\$163,248 annually. \$1,632,480 during 10-year term.

The proposed agreements replace similar agreements with UCLA ITS that expired in October 2015. Approval of the proposed resolution specifically extends the recently expired ten year term of the Master Agreement by 10 years resulting in a total duration of 20 years commencing October 2005 through October 2025. Additionally, approval authorizes four subordinate IRU agreements, each providing a term of five-years and one extension option of five years, allowing for a total duration of 10 years. DWP states that while negotiations of the proposed agreements were in process, it was mutually agreed that UCLA ITS will pay, in advance, for all lease fees under the terms and conditions of the prior IRU Agreements.

The Department states that it expects to receive \$163,248 annually in revenue for the Power Revenue Fund based on service rates included within the four IRU agreements. The IRU pricing schedule is set at the market-rate based on a price survey. Future price adjustments will be negotiated periodically, subject to the provisions in the IRU, to reflect the market rates. Although, in no case will the period between adjustments exceed five years, in accordance with Charter Section 607(b). Since the optic fiber circuits were already set up under the previous agreement, no additional connection cost will be incurred.

The Master Agreement and each IRU can be terminated by either DWP or UCLA ITS with 30 days written notice. In accordance with Charter Section 606, Council approval is necessary for entering into lease agreements that exceed five years. The City Attorney has approved the proposed resolution and agreements as to form and legality.

RECOMMENDATIONS

That the Mayor:

1. Approve the proposed resolution which authorizes the Optical Fiber Lease Agreement FO-782-06/2015 and four Short Form Indefeasible Right of Use Lease Agreements including FO-783-06/2015 (IRU-01), FO-784-06/2015 (IRU-02), FO-785-06/2015 (IRU-03), and FO-787-07/2015 (IRU-04) with The Regents of the University Of California on behalf of UCLA Information Technology Services for use of the DWP Optical Fiber System; and
2. Return the proposed resolution to the Department for further processing, including Council consideration.

FISCAL IMPACT STATEMENT

Approval of the proposed Agreement will result in revenue for the Power Revenue Fund up to \$163,248 annually and \$1,632,480 over a 10-year term. There is no impact on the City's General Fund. The proposed Agreement complies with the Department's adopted Financial Policies.

TIME LIMIT FOR COUNCIL ACTION

Pursuant to Charter Section 606, "Process for Granting Franchises, Permits, Licenses and Entering Into Leases," unless the Council takes action of disapproving a franchise, permit, license, or lease that is longer than five years within 30 days after submission to Council, the document will be deemed approved.