

0150-10593-0001

TRANSMITTAL

TO
David H. Wright, General Manager

DATE
DEC 10 2018

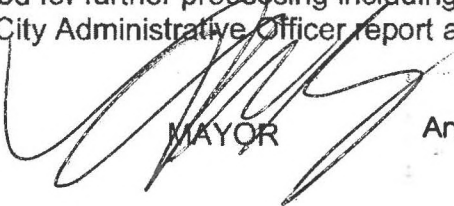
COUNCIL FILE NO.

FROM
The Mayor

COUNCIL DISTRICT
All

FIRST AMENDMENT (FO-738-10) TO THE MASTER LICENSE AND SERVICE AGREEMENT WITH THE LADWP AND CORESITE ONE WILSHIRE, L.L.C; CORESITE REAL ESTATE 55 S. MARKET STREET, L.L.C; CORESITE REAL ESTATE 2972 STENDER, L.P.; CORESITE REAL ESTATE 1656 MC CARTHY, L.P.; CORESITE REAL ESTATE 3032 CORONADO, L.P.; AND CORESITE REAL ESTATE 900 N. ALAMEDA L.P. FOR LEASE OF COLOCATION SPACE

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



MAYOR

Ana Guerrero

RHL:IR:10190045

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: December 3, 2018

CAO File No. 0150-10593-0001

Council File No.

Council District:

To: The Mayor

From: Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Communication from the Los Angeles Department of Water and Power dated September 27, 2018

Subject: **FIRST AMENDMENT TO THE MASTER LICENSE AND SERVICE AGREEMENT (FO-738-10) BETWEEN THE LOS ANGELES DEPARTMENT OF WATER AND POWER AND CORESITE ONE WILSHIRE, L.L.C.; CORESITE REAL ESTATE 55 S. MARKET STREET, L.L.C.; CORESITE REAL ESTATE 2972 STENDER, L.P.; CORESITE REAL ESTATE 1656 MC CARTHY, L.P.; CORESITE REAL ESTATE 3032 CORONADO, L.P.; AND CORESITE REAL ESTATE 900 N. ALAMEDA L.P. FOR LEASE OF COLOCATION SPACE.**

RECOMMENDATION

That the Mayor:

1. Approve the proposed resolution authorizing the execution of a First Amendment to the Master License and Service Agreement between the Los Angeles Department of Water and Power and CoreSite One Wilshire, L.L.C.; CoreSite Real Estate 55 S. Market Street, L.L.C.; CoreSite Real Estate 2972 Stender, L.P.; CoreSite Real Estate 1656 McCarthy L.P.; CoreSite Real Estate 3032 Coronado, L.P.; and CoreSite Real Estate 900 N. Alameda L.P.; to utilize telecommunications colocation space at 624 South Grand Avenue (One Wilshire) and 900 North Alameda (LA2):
 - a. Modify and extend the contractual term for five years with three additional five year renewal options for a total possible term of twenty years up to November 29, 2038;
2. Return the proposed resolution to the Department for further processing, including City Council consideration.

SUMMARY

In December 2013, the Board of Water and Power Commissioners approved Resolution No. 014-122 authorizing the Los Angeles Department of Water and Power (LADWP) to enter into a five year Master License and Service Agreement (MSA) with CoreSite from November 13, 2013 to

November 29, 2018. The MSA sets the terms and conditions between both parties and allows for on-going Service Orders (SO) to be established annually over the term of the Agreement. The Department requests to extend the MSA for an additional five years with three 5-year renewal options for a total possible term of twenty years up to November 29, 2038. The MSA by itself does not specify a fiscal obligation, rather the annual SO quantifies the anticipated expenditures. Funding for the SO is provided annually through the budget process.

Per the City Charter Section 606, City Council approval is required for lease agreements which exceed a total of five years

Master License and Service Agreement and Service Orders - Terms and Conditions

The MSA and SO work together and comprise the full Agreement to provide various colocation spaces necessary to support cabling for LADWP's Data Center and communication transport services provided by LADWP. The Agreement is as follows:

- **Master License and Service Agreement:** This allows LADWP the right to obtain space and services from CoreSite at CoreSite Data Centers. The current MSA term was approved for five years and expires on November 29, 2018. The Department requests to extend the terms of the MSA which allows them to continue leasing space in the current locations at One Wilshire and LA2, and as needed authority to lease space at other colocation sites. The proposed extension is for up to twenty years through 2038.
- **Service Orders:** Service Orders (SO) are entered into annually as-needed with CoreSite for continuation services at specific colocation sites to meet LADWP operating requirements and fiber customer demands. The cost includes leasing, cabinet space, electric power, and network cross connections to other entities. Three existing SO are currently in place at a total annual estimated cost of \$218,751.96. The SO will automatically renew with a five percent increase over the preceding year consistent with the terms of the MSA term unless LADWP provides written notice of termination at least ninety days prior to the renewal date. The proposed resolution requests authority to expend up to \$8 million, including power usage over the twenty year term. The total proposed expenditure for the existing three SO is \$7.2 million over the twenty year term and is consistent with the recommendation. Should the cost or number of future SO increase, the proposed expenditure authority will need to be revised and budgeted accordingly.

The Office of the City Attorney has reviewed and approved the Amendment and proposed Resolution as to form and legality. The LADWP Risk Manager has reviewed and approved the original MSA Terms and Conditions which remains unchanged and applies to the Amendment.

Background

The LADWP manages an extensive fiber optic infrastructure and a portion of the network is used to generate revenue. The Fiber Optic Enterprise (FOE) group within LADWP offers various fiber optic transport services to Los Angeles area businesses including Metro-Ethernet, digital video

transport, and dark fiber leasing to both private businesses and the public sector throughout the Los Angeles City area. In order to facilitate interconnection with third party telecommunication service providers, LADWP utilizes colocation spaces at various telecommunication hubs to provide such connectivity. Per staff, these services generate annually \$5 to \$5.5 million in revenue and is more than sufficient to offset the anticipated expense over the term of the MSA.

FISCAL IMPACT STATEMENT

There is no General Fund impact. Approval of the MSA allows LADWP the right to lease space at various colocation sites and sets the terms and conditions for the data center and communication transport services, and allows for SO to be established annually. There is no fiscal obligation associated with the MSA by itself. Anticipated expenditures resulting from SO will be funded by the Power Revenue Fund. The proposed action complies with the City Financial Policies.

RHL:IR:10190045

Attachments