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May 31, 2018

REF: FAS-138-18

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: **REGENTS OF THE UNIVERSITY OF CALIFORNIA/UCLA PRIVATE LINE
FRANCHISE APPLICATION AND ITA RECOMMENDATION FOR
CONDITIONAL APPROVAL (CF NO. 98-1120) – COUNCIL DISTRICT 5
(KORETZ)**

RECOMMENDATION

The Information Technology Agency (ITA) has reviewed the application of the Regents of the University of California/University of California at Los Angeles (UC Regents/UCLA) for the City of Los Angeles' (City) grant of a private line telecommunications franchise and subject to the consent of City Council and Mayor, ITA recommends conditional 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 (PROW), utilized solely for signal transmission and not to serve any customer within the City of Los Angeles (City). In accordance with Charter Code Sections 240 and 390 and Los Angeles Administrative Code Section 13.62, the City requires operators of private line telecommunications facilities to obtain a private line franchise (PLF) from the City

Currently, UC Regents/UCLA possesses a small PLF, first granted by the City in 1998 and renewed in 2015, wherein UC Regents/UCLA pays the regular, undiscounted franchise fee rate (equal to \$100/year) and provides a franchise performance bond in the amount of \$1,000. (See CF No. 98-1120.)

As part of a UCLA's "Fiber to the Village" project, UC Regents/UCLA intends to build a fiber-based private line telecommunications facility in the City's PROW around Westwood Village (See Attachment 1.). That facility will interconnect all of the buildings in UCLA's



Westwood Village area campus by fiber to better serve the broadband needs of the UCLA campus and its students, faculty and administration.

The UC Regents/UCLA PLF application requests a complete waiver of all related PLF fees, including the one-time \$2,500 application fee and the annual franchise fees (see Pricing Rates below), as well as a waiver of the City's standard PLF performance bond. Additionally, UC Regents/UCLA is requesting that it be allowed, under the proposed franchise ordinance, to add fiber facilities to its system on a streamlined basis in the future. The City has approved such a streamlined permitting process for the University of Southern California. (See CF No. 13-0815.) Finally, UC Regents/UCLA is requesting that the PLF be granted in perpetuity. (See Attachment No. 1.)

FRANCHISE FEES & PROW PRICING RATES

Franchise fees are charged to PLF holders in lieu of rent for use of the City's PROW. The fees compensate the City for the use of a public asset and help to defray costs resulting from the accelerated degradation of the street surfaces impacted by the installation. The regular franchise fee rates that apply to the City's private line telecommunications franchises placed in the City's public rights-of-way (PROW), are \$5/linear foot per 4" conduit, \$2.50/linear foot for aerial installations and \$15/cubic foot for other telecommunications facilities such as vaults and boxes. Franchise holders have been required to pay the regular franchise fee rate in all but one of the PLFs granted by the City. In 2013, the City Council did grant the University of Southern California a fifty percent (50%) "Public Benefit Discount" from the regularly applicable annual franchise fee pricing rates based upon the public good that USC provided (and continues to provide) directly to City residents and local public schools in and around the USC campus. (See CF No. 13-0815.)

THREE OPTIONS FOR CITY COUNCIL AND MAYORAL GRANT OF APPROVAL

Franchise Fees Option No. 1: If UC Regents/UCLA pay the regular annual franchise fees rate and pays that rate for the franchise period of 21 years, the total annual and 21/year rates would be calculated as follows:

- a) $9,751 \text{ linear fiber feet} \times \text{one } 4" \text{ conduit}/\$5/\text{linear foot} = \$48,755 \text{ /year}$
 $21 \text{ years/franchise term} \times \$48,755/\text{year} = \$1,023,855$
- b) $3,312 \text{ (3 manholes and 16 handholds) cubic feet} \times \$7.50/\text{cubic feet} =$
 $\$24,840/\text{ year}$
 $21 \text{ years/franchise term} \times \$24,840/\text{year} = \$521,640$

Combined Total Annual Franchise Fee for Option No. 1 = \$73,595

Franchise Fees Option No. 2: If UC Regents/UCLA pay a 50% "Public Benefit Discount" franchise fee rate as was granted to USC in 2013, the annual and 21-year term rates would be calculated at one-half of the rates as set forth in Option No. 1 above, as follows:

- a) $9,751 \text{ linear fiber feet} \times \text{one } 4" \text{ conduit}/\$2.50/\text{linear foot} = \$24,377.50$
 /year

21 years/franchise term x \$24,377.50/year = \$511,927.50

b) 3,312 (3 manholes and 16 handholds) cubic feet x \$3.75/cubic feet = \$12,420/ year

21 years/franchise term x \$12,420/year = \$260,820

Combined Total Annual Franchise Fee for Option No. 2 = \$36,797.50

Franchise Fees Option No. 3: The Council and Mayor may accede to UC Regents/UCLA requests for a franchise fee waiver as a matter of policy. However, the one-time application fee of \$2,500 is set forth in the Administrative code is an application cost recovery fee that should not be waived. Selection of this option would result in no revenue to the City for the life of the PLF.

Combined Total Annual Franchise Fee for Option No. 3 = \$0

REQUIRED FRANCHISE PERFORMANCE BOND

The City has required that private line telecommunications franchise holders provide a monetary franchise guarantee instrument, franchise performance or cash bond or cash deposit to minimize the risks to the City General Fund in the event that the franchise holder defaults on the payment obligations of the franchise or fails to respond to the City's requests to move the franchisee's telecommunications facilities in the City's PROW when necessary. The amount of the performance bond is normally set at the amount that the City would be required to expend to remove those telecommunications facilities if and when necessary. As an example, because of the sheer size of its PLF, USC provides a \$4.5 million private line telecommunications franchise performance bond to the City as a condition to the continued grant of that franchise. The amount of the UC Regents/UCLA franchise performance bond, if the bond requirement is not waived by the City, would be set at \$460,000.

TERM

UC Regents/UCLA has requested that its PLF be granted in perpetuity. Charter Section 390 limits the term of a new PLF to 21 years. As such, ITA is recommending a term of 21 years for the UC Regents/UCLA PLF application.

FISCAL IMPACT

If approved, renewal of this private line telecommunications franchise will generate the following revenue:

Option No. 1:

Annual franchise fees = \$73,595

Total franchise fees to be paid over 21 years = \$1,545,495

Option No. 2:

Annual franchise fees = \$36,797.50

Total franchise fees to be paid over 21 years = \$772,747.50

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Option No. 3:

No revenue to be received by the City.

ITA Recommendation for Conditional Approval of UC Regents/UCLA Application

ITA recommends that City Council and Mayor approve Option No. 2, as set forth above, to include the granting of a streamlined approval process to allow for UC Regents/UCLA to add to their proposed fiber system in the future. ITA recommends Option No. 2 because it mirrors the "Public Benefit Discount" provided to USC in its 2013 PLF and recognizes UC Regents/UCLA's public support to Westwood Village and the City as a whole, as well as its California State public entity status. In addition, ITA recommends maintaining a performance bond or other financial guarantee acceptable to the City, in the amount of \$460,000, as a condition to the grant of the UC Regents/UCLA requested franchise. Finally, ITA recommends the maximum 21 term for the PLF allowed under the Charter.

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

Sincerely,



Ted Ross
General Manager and Chief Information Officer

Attachment

cc: Honorable Mayor Eric Garcetti
Honorable Ron Galperin, City Controller
Trina Unzicker, CAO
Cheryl Banares-Soriano, CLA
Mike Dundas, Office of the City Attorney
Honorable Councilmember & Chair, Monica Rodriguez
Honorable Councilmember & Chair, Paul Krekorian
Honorable Councilmember Paul Koretz
Laura Ito, ITA
William Imperial, ITA

UCLA

Fiber to the Village Project

City of Los Angeles

Private Franchise Agreement
Application

C. Agreement Length, Costs and Service Area

As the University is a state entity with its mission of Public Service, we would like to make three requests specific to our public designation:

- 1) We would like the agreement to extend into perpetuity. UCLA's 100th anniversary is in 2019. Having an open-ended agreement will allow us to plan for the next 100 years.
- 2) We would like the City to waive the reoccurring annual fees for using the public right of way. All installation permit fees would be billable so the City does not incur additional costs to support the installation.
- 3) UCLA may want to add additional buildings to the agreement in the future. We would like an option to add buildings within or fronting:
 - a. Sunset Boulevard on the North
 - b. Hilgard Avenue, Lindbrook and Glendon Avenue on the East
 - c. Wilshire Boulevard on the South
 - d. Veteran Avenue on the West

D. Private Line Franchise Agreement Application Requirements

As per the City's Private Line Franchise agreement web page, below is additional information that the City requires for these types of agreements.

- 1) **Fee.** UCLA is requesting a waiver as a State Entity.
- 2) **Legal Name and Contact Information.**
 - a. **Legal Name.** The Regents of the University of California, a California corporation.
 - b. **Contact Information.** UCLA IT Services has Delegation of Authority for Low Voltage Data cabling at UCLA. Below are the contacts for the term of the agreement should it be approved:

Name **Van Norman, Michael**
Title Chief Technology Officer
Email mvn@ucla.edu
Department Information Technology Services
Address CSB-1, 2nd Floor
Phone 310-206-5579
Fax 310-206-9064

US MAILING ADDRESS:
Michael Van Norman
UCLA Information
Technology Services
BOX 951363, CSB-1, 2nd
Floor
Los Angeles, CA 90095-
1363

Name **Goldwater, Debra L.**
Title Chief Business Officer
Email debgold@ucla.edu
Department Information Technology Services
Address 3327 Murphy Hall
Phone 310-825-3508
Fax 310-825-9513

US MAILING ADDRESS:
Debra L. Goldwater
UCLA Information
Technology Services
BOX 951434, 3327
Murphy Hall
Los Angeles, CA 90095-
1434

required insurance and liability documents directly to the city.

- 8) **Proof of Compliance.** The contractor installing the pathway will be required to obtain all the permits and inspection approvals that the City requires.

- 9) **Application Address.** This application is being sent to:

City Clerk's Office
City of Los Angeles
City Hall, Room 395
200 North Spring Street
Los Angeles, CA 90012.

Information Technology Agency
Video Services Regulatory Division
City Hall East, Room 1400
200 North Main Street
Los Angeles, CA 90012
Attention: William Imperial

Version	Change	Responsible	Date
1	City Submittal	M Direske	01/21/18