



Los Angeles
Department of
Water & Power

BOARD LETTER APPROVAL

RESOLUTION NO. _____

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DATE: November 18, 2015

SUBJECT: Secondary Land Use – Adoption of a Master License Agreement (MLA) and a Site License Agreement (SLA) Structure for Cellular Telecommunications

SUMMARY

Cellular telecommunications is one of the Los Angeles Department of Water and Power's (LADWP) accepted secondary land use licensing opportunities. Secondary land use may reduce operating expenses through lower maintenance costs and offset operating expenses by producing revenue. All properties licensed in the LADWP program have been evaluated to ensure the primary function of providing safe and reliable water or power is maintained. Currently, LADWP has 51 active or holdover license agreements for cellular telecommunications antennas. The annual revenue generated exceeds \$1.5 million.

The proposed licensing structure for telecommunications carriers has the potential to generate additional revenue and reduce operating costs, while providing carriers with a longer licensing period (from five years to as many as thirty years) appropriate to the required investment of \$90,000 to \$125,000 for installing a monopole to mount and operate the antennas. Attached is a Resolution recommending approval of a MLA and a corresponding SLA for telecommunication carriers. Those carriers include: AT&T Inc., T-Mobile International AG, Verizon, Sprint Corporation, their subsidiaries and successors in interest.

City Council approval is required according to Charter Section 606 and 605(b).

RECOMMENDATION

It is recommended that the Board of Water and Power Commissioners adopt the attached Resolution recommending City Council's approval of the MLA and SLA for telecommunication carriers per Charter Section 606 and 605(b).

ALTERNATIVES CONSIDERED

Without adoption of the MLA and SLA, LADWP will continue to assign staff resources to renew licenses every 5 years rather than growing revenue by expanding the number of active sites.

FINANCIAL INFORMATION

LADWP currently generates approximately \$1.5 million in annual revenue from telecommunications agreements. Adoption of the MLA and SLA will streamline the approval and may result in additional revenue to LADWP due to lower operation costs.

BACKGROUND

Currently, LADWP limits cellular telecommunication license to terms of 5 years with a requirement to competitively bid out the site at the end of the 5-year term. Due to operating requirements, the majority of licenses limit the carriers to installing monopoles and attaching antennas to those monopoles as opposed to mounting the antennas on LADWP facilities or transmission towers.

Following the completion of the Duff and Phelps report on Secondary Land Use in 2010, the Real Estate Services Office (Real Estate) of the Operations Support Services Division initiated the process to update the cellular telecommunications licensing structure. The major factors impacting the restructure were:

- Ensure that the primary function of providing safe and reliable water and power is maintained with the licensing of properties.
- Enhance outside secondary land use revenue through various approved uses. Cellular telecommunications is one of the approved uses for both the Water and Power Systems.
- Improve the licensing structure to reduce internal costs while exploring opportunities to make LADWP a more attractive business partner.

LADWP met with three of the major carriers who held licenses. In addition, a draft of the terms and conditions was provided to all carriers who had existing licenses with LADWP for their comments.

Significant time, effort, and cost are expended by the various carriers to identify a suitable location, provide adequate engineering, obtain permits, testing, and installing a telecommunication site. The required investment to install a monopole to mount and operate the antennas is \$90,000 to \$125,000. Because of the investment and long lead time, the carriers asked if they could obtain longer term agreements to provide location assurance and allow sufficient time to amortize their costs. However, the MLA includes a clause that allows LADWP to issue a Notice of Termination, for any reason or no reason, with 90 days' notice.

Real Estate worked with the City of Los Angeles' (City of LA), Office of the City Attorney and the Information Technology Agency in developing a general licensing structure for the City of LA.

LADWP's licensing structure has the additional requirement of being subject to operating requirements and the associated security and risk management requirements. Real Estate has worked with the LADWP City Attorney, Water System, Power System, and Risk Management to ensure that LADWP operating and risk requirements are met.

The proposed MLA and SLA provides the licensing structure to enhance the LADWP Secondary Land Use program and meet the business needs of the carriers. The MLA sets forth the basic terms and conditions upon which each site is licensed by LADWP. Upon agreement between LADWP and Licensee with respect to the particular terms of a site, an SLA will be executed.

The MLA and SLA provides for a licensing term of 5 years, with five options of 5 years each. This structure is consistent with one implemented by the State of California, Department of Transportation (Caltrans). Each carrier will give written notice to LADWP six months into each fifth year if they wish to extend the term for another 5 years.

LADWP will review each written request and will approve the request provided that:

1. The carrier's account is in good standing, and
2. The carrier is complying with all terms and conditions of the license agreement.

Should the carrier fail to fulfill items 1 and 2, LADWP will deny carrier's request to extend the term.

LADWP benefits by assigning current staff resources to growing revenue by expanding the number of active sites rather than spending the time necessary to renew licenses every 5 years. Carriers benefit with the location assurance and time necessary to amortize their investment. The proposed structure also provides an opportunity to consolidate the various deposits required to protect LADWP's interests. Under the proposed MLA and SLA structure, the current deposit amount of \$3.7 million will be reduced to \$1.7 million.

A comparison of the proposed MLA and SLA structure and the current licensing structure is attached.

City Administrative Officer (CAO) report dated October 27, 2015, is attached.

ENVIRONMENTAL DETERMINATION

In accordance with the California Environmental Quality Act (CEQA), it has been determined that the MLA and SLA is exempt pursuant to the General Exemption described in CEQA Guidelines Section 15061 (b) (3). General Exemptions apply in situations where it can be seen with reasonable certainty that there is no possibility that the activity in question may have a significant effect on the environment.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved the Resolution as to form and legality.

ATTACHMENTS

- Comparison of Terms
- Resolution
- Agreements
- CAO Report