



Legislation Details (With Text)

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Title: CONSIDER APPROVAL OF TERM SHEET TO LEASE CITY-OWNED UNDERGROUND CONDUIT TO AMERICAN DARK FIBER, PART OF THE SOUTH BAY FIBER NETWORK PROJECT (CITY COUNCIL)

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Attachments: 1. Exhibit No. 1 - Location Map.pdf, 2. Exhibit No. 2 - Term Sheet - 4.16.20.pdf

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Report to Mayor and City Council

Tuesday, April 21, 2020

Consent

SUBJECT:

CONSIDER APPROVAL OF TERM SHEET TO LEASE CITY-OWNED UNDERGROUND CONDUIT TO AMERICAN DARK FIBER, PART OF THE SOUTH BAY FIBER NETWORK PROJECT (CITY COUNCIL)

I. SUMMARY

On February 4, 2020, the City Council authorized the City Manager to sign a Letter of Commitment indicating the City's intent to participate in the South Bay Cities Council of Governments (SBCCOG) South Bay Fiber Network (SBFN) project.

In June, 2019, the SBCCOG selected American Dark Fiber (ADF), a telecommunication services provider to undertake the planning, permitting, construction, and servicing of the SBFN.

To create a fiber communication ring throughout the South Bay, ADF will utilize a variety of methods in which it leases existing underground conduit or fiber, install new underground conduit/fiber, and/or install above ground fiber cables.

In Carson, as part of the recently completed Carson Street Master Plan Project, the City installed approximately 2 miles of underground conduit on Carson Street stretching from

the 405 freeway to Figueroa Street (Exhibit No. 1). The purpose of installing the conduit was to accommodate our future communication needs.

ADF is interested in leasing a portion of this conduit (approximately 1-inch or a third of the conduit capacity) for the first leg of the SBFN in Carson. The term sheet provides high-level details of the negotiated terms (Exhibit No. 2).

If the City Council approves staff's recommendations, Staff will work with ADF and the City Attorney's office to draft a lease/license agreement that is consistent with the attached term sheet.

II. RECOMMENDATION

1. APPROVE the term sheet between the City of Carson and American Dark Fiber, LLC and AUTHORIZE the City Manager to execute.
2. AUTHORIZE staff to issue a construction permit to American Dark Fiber, LLC consistent with the City's engineering permit requirements.
3. AUTHORIZE the Mayor to execute a lease/license agreement with American Dark Fiber, LLC in a form acceptable to the City Attorney, which is consistent with the terms contained in the Term Sheet.

III. ALTERNATIVES

TAKE another action the City Council deems appropriate.

IV. BACKGROUND

History of the South Bay Fiber Network

In 2017, a Fiber-optic Master Plan was prepared for the South Bay Workforce Investment Board (SBWIB) and the SBCCOG to develop a regional broadband, fiber-optic network. The fiber-optic master plan was prepared by Magellan Associates to address the feasibility of a regional broadband network that would connect to at least one city facility in each of the South Bay cities - aiming to enable participating cities to embrace the digital economy, smart city initiatives, integrated utilities and next-generation economic development.

In 2019, the SBCCOG awarded a contract to ADF to build, own, and operate a high-speed

fiber network for South Bay municipal facilities, with future opportunities to connect area anchor institutions, businesses, and potentially residents. The amount of \$4.4 million in funding for this endeavor is provided through Measure M (LA County Sales Tax administered by METRO).

Purpose of the South Bay Fiber Network

The purpose of this project is to construct the regional fiber-optic broadband infrastructure to support enhancements for mobility and accessibility systems and networks that serve South Bay residents through services offered by their municipalities. The network will provide the necessary infrastructure to support:

- Intercity as well as intra-city connectivity improvements to transportation systems management;
- Enhanced signal synchronization within and between participating cities;
- Future transportation systems management applications for Autonomous Vehicles
- Transportation demand management applications aiding “trips not taken” which can include: telecommuting (work-from-home for governments), “Smart” City Halls (municipal services for residents could be virtually provided), telemedicine (remote diagnostics, distributed doctor-patient video and audio interactions, transmission of large files, such as MRIs, scans, etc.), distance education (distributed, interactive instruction and video-intensive learning), and others.
- Improve local access and availability to high-speed internet and transport services where fiber-based competitive options are limited or non-existent.

Build-Out of the South Bay Fiber Network

ADF will create the SBFN ring through a combination of procuring leased fiber at its sole cost and expense, and construction of new fiber segments pursuant to executed work orders between the SBCCOG and ADF.

After the construction, installation, and connection to SBFN, member cities and subscribing entities will have a lower cost broadband service provider available to them (more bandwidth/faster internet speeds is a benefit). ADF’s service cost will be approximately \$1,000 a month for speeds of 1 gigabyte per second, which is below market and below what the City is currently paying.

As part of its partnering agreement with the SBCCOG, ADF will be providing diverse (protected) access to two separate data-centers in the region to maximize network availability and access to other services the City may desire over time (i.e., wholesale cloud access, disaster recovery capability, etc.).

In Carson, two sites have been identified for the initial phase: (1) City Hall and (2) Community Center. Additionally, Carson Park and Calas Park are within close proximity to SBFN and can be added relatively inexpensively in future phases.

Alternative Service Provider

In addition to the future benefits to the transportation sector, ADF would be a new internet service provider in the City of Carson. They would offer lower cost broadband service at faster speeds. The cost for these services is detailed in the master agreement between the SBCCOG and ADF.

As an example, Carson currently contracts with Charter for broadband/internet service. When the City's contract with Charter expires, the City can either renew the contract with Charter or switch to the SBFN. If the City switched to the SBFN, staff anticipates a monthly savings of \$2,000 per month per line and faster internet connection speeds. Monthly internet service payments would be paid to ADF or its sub-contractor instead of Charter. A service contract with the SBFN is not part of the actions on this agenda.

Lease/License to Use City-Owned Conduit

The City installed a 3-inch conduit approximately two miles long on Carson Street between the 405 Freeway and Figueroa Street in anticipation of our future communication needs. This was accomplished during the build-out of the Carson Street Master Plan project.

ADF is interested in leasing a portion of the City's conduit, approximately 1" in diameter at a rate of \$0.42 per linear foot per year. This could generate revenues of up to \$4,000 per year when fully leased. The rate offered by ADF is consistent with the tariff rate paid by AT&T and Frontier in the South Bay, but lower than the City's franchise agreement rates. Leasing the conduit to ADF is not a major revenue generator for the City; however, there are other benefits to the City:

- During construction of the Carson Street Master Plan, approximately 100' of the line at Carson/Main intersection was not installed due to its complexity and funding constraints. ADF has agreed to construct this ~100' segment at no cost to the City when they receive additional funding from the SBCCOG or secure more subscribers (benefit to the City).
- ADF has also agreed to provide and install a second fiber cable for exclusive use by the City at no cost to the City for the sections of conduit that they share/lease (benefit to the City).
- ADF would provide ongoing Underground Service Alert (USA) monitoring for the portion of the conduit that is shared/leased.

The SBCCOG has requested the City move expeditiously on this effort, as the capital cost is being paid through the METRO grant and there is an economy of scale over doing much of the work at the same time. Staff is requesting the City Council approve the term sheet and allow the City Manager to execute it as an interim measure. Staff will work with ADF and the City Attorney to draft a long-term lease/license agreement based on the approved term sheet.

There is also a request by ADF to allow staff to issue a construction permit, subject to ADF meeting all engineering requirements, prior to execution of the lease/license agreement, to begin to install conduit. Such a permit would follow the City's normal guidelines for pipeline and conduit work in the street, as it would for one of the franchised utilities in Carson. The Term Sheet recognizes that any work ADF performs would be at risk if the parties cannot formalize a lease agreement.

V. FISCAL IMPACT

ADF intends to pay the City a starting annual per foot use fee of \$0.42. Annual revenue of approximately \$4,000.00 is expected when the 1 $\frac{3}{4}$ mile long conduit is fully leased (Bonita to Figueroa), however annual revenues of approximately \$600.00 would be realized for the current 1,300' section from Bonita to City Hall that ADF wants to occupy immediately.

Increases to the per-foot fee, subject to market conditions, are also expected and will be reviewed by staff during the renewal periods. With the SBFN in place right outside City Hall, it will give the City a less-expensive option when it comes time to renew a service contract for broadband/internet service.

VI. EXHIBITS

1. Location Map (pg. 6)
2. Term Sheet (pgs. 7-12)

Prepared by: Reata Kulcsar, Sustainability Administrator - Utilities