



City of Culver City

Staff Report

File #: 20-525, Version: 1

Item #: C-4.

CC - FOUR FIFTHS VOTE REQUIREMENT: (1) Approval of an Agreement with MCImetro for Use of City-Owned Fiber Optic Cable Innerducts and Facilities Between Girard Avenue and Venice Boulevard and Sepulveda Boulevard and Centinela Avenue; and (2) Approval of a Budget Amendment to Record General Fund Revenue of \$696,960 in FY 2019/2020.

Meeting Date: March 18, 2020

Contact Person/Dept: Jesse Mays, Assistant City Manager

Phone Number: (310) 253-6000

Fiscal Impact: Yes No

General Fund: Yes No

Public Hearing: **Action Item:** **Attachments:**

Commission Action Required: Yes No **Date:**

Public Notification: (E-Mail) Meetings and Agendas - City Council (03/11/20, 03/16/20)

Department Approval: John Nachbar, City Manager (03/10/20)

RECOMMENDATION

Staff recommends the City Council:

- (1) Approve an agreement with MCImetro for use of City-owned fiber optic cable innerducts and facilities between Girard Avenue and Venice Boulevard and Sepulveda Boulevard and Centinela Avenue, and direct the City Manager to execute the agreement on behalf of the City; and
- (2) Approve a budget amendment to record the revenue of \$696,960 (**a budget amendment requires a four-fifths vote**).

BACKGROUND/DISCUSSION

On December 13, 1993, the City entered into an agreement with Metropolitan Fiber Systems (MFS) for MFS to construct, use and maintain a fiber optic conduit innerduct system within an abandoned Mobil oil pipeline that the City had recently acquired from Mobil. On May 23, 1994, the City Council amended the MFS agreement. The final, amended agreement (Attachment 1) provided the following:

- MFS's use of the Mobil pipeline was to commence at the Culver City/Los Angeles boundaries located at Girard Avenue and Venice Boulevard and terminate at Green Valley Circle and Centinela Avenue. As built, the termination of the pipeline is actually near Sepulveda Boulevard and Centinela Avenue. The total length of the system is approximately 15,840 feet.
- MFS was to install and transfer to the City ownership of six (6) innerducts within the Mobil Pipeline.
- The City retained four (4) innerducts.
- MFS was granted a 20 year infeasible right of use (IRU) for the two (2) remaining innerducts.
- MFS's 1994 IRU was for a term of twenty (20) years, starting upon completion and testing of the System (i.e. from approximately December 13, 1994 through December 12, 2014), and for a one-time fee of \$52,500. This equates to approximately \$0.08/linear foot/conduit/year (\$0.14 in 2020 dollars, adjusted for inflation).

MFS has since been acquired by MCImetro Access Transmission Services Corp, doing business as Verizon Access Transmission Services ("MCImetro"). The 1994 IRU expired on December 12, 2014. Since that time, MCImetro has continued to use the two innerducts without additional compensation to the City.

MCImetro now desires to establish a new agreement with the City for the temporary use of an additional, third innerduct, and future, long-term use of one innerduct, which will also include compensation for its use of the two innerducts for the over five (5) years of non-payment between 2014 and now.

MCImetro has agreed to a base rate of \$2.00/linear foot/conduit/year with a little more than half of the payment upfront and the rest annually over 20 years with each annual payment subject to a 3% escalator. The total contract value is \$1,106,746.73. A detailed payment schedule can be found in Attachment 2. The City and MCImetro are still negotiating final agreement language.

FISCAL ANALYSIS

This item would have an immediate positive impact to the City General Fund of approximately \$696,960 (\$681,120 in upfront funds plus the first annual payment of \$15,840) plus an additional approximate \$409,786.73 over the next twenty (20) years.

A budget amendment is requested to record the General Fund revenue of \$696,960 for FY 2019/2020.

ATTACHMENTS

1. 2020-03-18_ATT - 1994 Amended Agreement
2. 2020-03-18_ATT - Detailed Payment Schedule

MOTION

That the City Council:

1. Approve an agreement with MCImetro for use of City-owned fiber optic cable innerducts and facilities between Girard Avenue and Venice Boulevard and Sepulveda Boulevard and Centinela Avenue;
2. Authorize the City Attorney to review/prepare the necessary documents; and,
3. Authorize the City Manager to execute such documents on behalf of the City.

4. Approve a budget amendment to record the General Fund revenue of \$696,960 in FY 2019/2020 (a budget amendment requires a four-fifths vote).