



City Council Report

Date: July 5, 2016
To: City Council
Through: Kari Kent, Assistant City Manager
From: Beth Huning, City Engineer
Subject: Conduit Use Agreement for Zayo Group, LLC

Strategic Initiatives



Purpose and Recommendation

The purpose of this report is to provide information to the City Council to review and consider approval of a Conduit Use Agreement with Zayo Group, LLC ("Zayo").

Background & Discussion

In 2013, the City and Zayo entered into an Amended License Agreement whereby the City gave Zayo permission to install and operate a Telecommunications Network in certain portions of the streets, rights-of-ways and public easements within the City. Zayo now desires to expand its fiber network in East Mesa and seeks an agreement to use a portion of the City's existing conduit duct bank system.

The City's Conduit Duct Bank System consists of a partial system of twelve and four 2-inch underground conduit banks, various operational vaults, access manholes and pull boxes in an area generally bounded by Queen Creek Road to the south, McDowell Road to the north, Signal Butte Road to the east, and Greenfield Road to the west. The City's existing system of underground conduit banks is generally depicted on the attached Exhibit A.

Zayo understands that the depictions on Exhibit A may not be entirely accurate and has agreed to construct the improvements that are necessary to complete the City's conduit system for the area shown on Exhibit A. The improvements are referred to as In-Kind Contribution Facilities. The In-Kind Contribution Facilities are generally depicted on the attached Exhibit B.

The Conduit Use Agreement has a term of twenty (20) years. Zayo has agreed to pay the full fee for the term of the license up front and Zayo is not entitled to a refund of any or all of the fee if the Conduit Use Agreement is terminated before agreement expiration. The City has agreed to a discount on the fee for the upfront payment and

has further discounted the fee by the value of the In-Kind Contribution Facilities to be constructed and/or installed at Zayo's expense.

Alternatives

City Council could approve staff's recommendation, consider different licensing terms, or deny the agreement.

Fiscal Impact

The Conduit Use Agreement provides for payment by Zayo of a lump sum payment of \$1,897,612, to be paid prior to issuance of any permit. The value of the In Kind Contribution Facilities is \$1,650,000. The total value of the lump sum payment, plus the estimated value of the In Kind Contribution Facilities is \$3,547,612.

The financial obligations of the City under this Conduit Use Agreement are minimal and consist of the staff time required to negotiate the terms of the Conduit Use Agreement.

Coordinated With

City Attorney's Office
Information Technology Department
Transportation Department
Engineering Department