SUMMARY STATEMENT

ITEM NO.: DRPA-14-143
SUBJECT: Fiber Optic Conduit/Cable Joint Agreement and Renewal of License Agreement with Zayo

COMMITTEE: Finance

COMMITTEE MEETING DATE: November 13, 2014

BOARD ACTION DATE: December 10, 2014

PROPOSAL: That the Board authorizes staff to establish a reciprocal agreement with Zayo Group, LLC of Boulder, CO (“Zayo”). The agreement will be a mechanism for the sharing of services between the DRPA and Zayo. The agreement will generate a net income to the DRPA in the amount of $1,349,239.53 over a ten (10) year period. Additionally, that the Board authorizes staff to renew the October 16, 1999 fifteen (15) year License Agreement between Metromedia Fiber Network Services (now Zayo) and the DRPA to permit Zayo’s continued lease of space in the DRPA’s conduit system on the span of Benjamin Franklin Bridge (BFB) for ten (10) additional years with two one-year renewal options and to negotiate the Annual Fee for the renewal term.

PURPOSE: To provide the Authority with a crucial communications link from One Port Center to the Benjamin Franklin Bridge (“BFB”) Administration Building and to renew the existing License Agreement for an additional ten (10) year term.

BACKGROUND: In 1999 the DRPA established an agreement with Metromedia Fiber Network Services, Inc. to lease space in DRPA conduit that spans the length of the BFB. Metromedia Fiber Network Services, now Zayo, uses this conduit for fiber optic cable to provide connectivity between Camden and Philadelphia. The agreement established the lease fee structure which also included escalation clauses. The current annual lease provides approximately $168,900.00 in revenue to the DRPA. The agreement, which expired on November 1, 2014, provided for the option of two additional consecutive renewal terms of five (5) years each, provided that the annual fee for the renewal term increased to the “fair market rental or capacity value” of the license area.

Additionally, over the past year the DRPA has been looking to build its own fiber network infrastructure to connect its six (6) main facilities for a wide area network. Currently, the DRPA is leasing services from Verizon for this connectivity. The annual cost for this
service is about $340,000.00. While a video sharing agreement with PennDOT will provide fiber services at the bridge facilities, the missing segment is the connection from One Port Center to the BFB. As one of the country’s largest fiber optic providers, Zayo can provide this connectivity via its established infrastructure within the city of Camden. Discussions and subsequent cost proposals from Zayo show that this service can be provided at a cost of approximately $102,000.00 per year averaged over the ten year period as compared to the $340,000.00 yearly payment to Verizon. Combining this cost with the income generated from the lease of the conduit provides a net income to the DRPA of $1,349,239.53 over the ten year life of the agreement. We are proposing that we set a ten (10) term for this agreement with two one-year options. The chart below depicts the financial analysis.

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<tbody>
<tr>
<td>Conduit Lease*</td>
<td>$175,656.00</td>
<td>$182,682.24</td>
<td>$189,989.53</td>
<td>$197,389.11</td>
<td>$205,492.68</td>
<td>$213,712.38</td>
<td>$222,260.88</td>
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<td>Fiber expense</td>
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<td>$49,063.67</td>
<td>$53,466.38</td>
<td>$57,431.78</td>
<td>$61,308.25</td>
<td>$65,360.58</td>
<td>$69,575.01</td>
<td>$73,958.01</td>
<td>$78,516.33</td>
<td>$61,628.49</td>
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<td>Net Revenue</td>
<td>$134,022.00</td>
<td>$156,713.52</td>
<td>$140,925.86</td>
<td>$144,921.73</td>
<td>$142,023.33</td>
<td>$152,404.13</td>
<td>$156,890.30</td>
<td>$161,576.30</td>
<td>$166,055.36</td>
<td>$171,496.33</td>
<td>$198,385.30</td>
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Once all the links are completed our annual cost of $340,000 to Verizon will no longer be required. We expect the completion of all links within the next 18 months. We may elect to retain minimal services with Verizon for redundancy. The cost for this will be approximately $15,000 per year.

Staff, therefore, recommends that an agreement be established between Zayo Group, LLC and the DRPA for the sharing of conduit and fiber optic cable services, for the renewal of the License Agreement between Zayo and the DRPA to permit Zayo’s continued lease of space in the DRPA’s conduit system on the span of BFB for an additional ten (10) year term with 2 one-year renewal options, and to negotiate the Annual Fee for the renewal term.

**SUMMARY:**

- **Amount:** N/A
- **Source of Funds:** Revenue Fund
- **Capital Project #:** N/A
- **Operating Budget:** N/A
- **Master Plan Status:** N/A
- **Other Fund Sources:** N/A
- **Duration of Contract:** Ten (10) years with two one-year renewal options
- **Other Parties Involved:** N/A
RESOLUTION

RESOLVED: That the Board authorizes staff to negotiate an agreement with Zayo Group, LLC of Boulder, CO. The agreement will be a mechanism for the sharing of services between the DRPA and Zayo. The agreement will generate a net income to the DRPA in the amount of $1,349,239.53 over a ten (10) year period. Additionally, that the Board authorizes staff to renew the October 16, 1999 fifteen (15) year License Agreement between Metromedia Fiber Network Services (now Zayo) and the DRPA to permit Zayo’s continued lease of space in the DRPA’s conduit system on the span of Benjamin Franklin Bridge (BFB) for an additional ten (10) year term with two one-year renewal options and to negotiate the Annual Fee for the renewal term.

RESOLVED: The Chair, Vice Chair and the Chief Executive Officer must approve and are hereby authorized to approve and execute all necessary agreements, contracts, or other documents on behalf of the DRPA. If such agreements, contracts, or other documents have been approved by the Chair, Vice Chair and Chief Executive Officer and if thereafter either the Chair or Vice Chair is absent or unavailable, the remaining Officer may execute the said document(s) on behalf of DRPA along with the Chief Executive Officer. If both the Chair and Vice Chair are absent or unavailable, and if it is necessary to execute the said document(s) while they are absent or unavailable, then the Chief Executive Officer shall execute such documents on behalf of DRPA.

SUMMARY:  
Amount: N/A  
Source of Funds: Revenue Fund  
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Master Plan Status: N/A  
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