



Finance, Administration and Oversight Committee

Action Item III-H

February 14, 2008

**Verizon MCI metro Fiber Optic Lease Agreement
Renewal**

**Washington Metropolitan Area Transportation Authority
Board Action/Information Summary**

Action
 Information

MEAD Number:
99945

Resolution:
 Yes No

PURPOSE

To obtain Board of Directors approval and ratification of an interim letter of agreement with MCImetro Access Transmission Services LLC (MCImetro) and obtain Board of Directors authorization for the General Manager to negotiate and execute a new Fiber Optic License Agreement, including potential indemnification provisions.

DESCRIPTION

On January 26, 2008, the legacy agreement between MCImetro and Metro expired. Under the terms of the legacy contract, Metro gained ownership of all the fibers and cables previously installed by MCImetro.

Metro proposes to license these cables and fibers to MCImetro under a new agreement. This agreement will provide for monthly payments, in advance, for a period of five years with a renewal option for another five years. MCImetro will have the right to terminate the agreement after three years, and with six months notice after the third year. The optional term will be subject to a one-time adjustment to the yearly rate by the Consumer Price Index-U or 3% per year, whichever is greater.

In order to bridge the gap between the expiration of the legacy agreement and the new contract, an interim agreement on these terms was entered into between Metro and MCImetro subject to ratification by the Board.

FUNDING IMPACT

See attached confidential memo.

RECOMMENDATION

That the Board of Directors approve and ratify the interim letter of agreement and authorize the General Manager to negotiate and execute a new Fiber Optic License Agreement, including potential indemnification provisions, with MCImetro to use Metro-owned fiber optic fibers and cables within the Metro right-of-way.

Verizon (MCI metro) Fiber Optic Lease Agreement Renewal

Presented to the Board of Directors:

**Finance, Administration and Oversight
Committee**

February 14, 2008



Legacy fiber optic agreement with MCI metro has expired

- 20-year contract expired in January 2008
- Annual revenue included both Right-of-Way fees for installed cable and dark fiber lease fees
- WMATA now owns all cables previously installed by MCI metro

Legacy Agreement

Overview

- Current 20 year agreement
- Expired on January 26, 2008
- Rates have increased annually based upon CPI-U
- Two types of cable fees:
 - 1) Installed cable in tunnels
 - 2) Leased dark fiber

Annual Fees Charged

- Installed cable
- Leased dark fiber

(Refer to confidential memorandum for detailed financial information)



A new agreement has been negotiated to lease fibers at a flat rate

- Annual revenue during initial, five-year term will increase substantially
- MCI metro may terminate agreement after 3 years with 6 months notice
- Optional five-year renewal term will include a one-time CPI-U adjustment in the first year of optional renewal

New Agreement

Overview

- The new agreement provides an annual fixed payment from Verizon to WMATA.
- Rate would be a “custom” rate, not a standard rate.
- WMATA retains ownership of the cables

Annual Fee Potential

Revenue will be substantially greater than under the expired contract

(Refer to confidential memorandum for detailed financial information)



Recommended Board Actions

- **Ratify the interim letter of agreement with Verizon (MCI metro)**
- **Authorize the General Manager to negotiate and execute a new Fiber Optic License Agreement, including potential indemnification provisions**