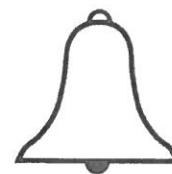


Santa Margarita Water District

MEMORANDUM



TO: Board of Directors

DATE: August 4, 2021

FROM: Daniel Peterson

SUBJECT: Consideration and Action on Agreement with ATS Communications

SUMMARY:

Recommendation: Approve a three-year agreement with ATS Communications for \$270,000 with an option of two (2) one-year extensions which would bring the total value of the contract to \$450,000.

Issue: The size and complexity of the District's portfolio of cellular leases requires additional assistance to manage.

Fiscal Impact: Funding for this agreement is included in the Operating Budget.

Previously Related Action: The District has contracted with ATS Communications on a year-to-year basis since 2015.

Adherence to Policy: The procurement process is in compliance with the District's "Selection of Professional Service Consultants Policy." The Policy allows for the Board to approve a contract with a consultant where "The services can only be obtained from one consultant, and therefore, requesting multiple proposals is impossible or not in the public interest."

Committee Status: This item was reviewed by the Engineering and Operations Committee on July 16, 2021 and was recommended for approval as an Action Item Recommended by Committee. The Committee discussed the upcoming challenges to the District's cellular portfolio as well as the value of having a consultant that only worked for landlords and not carriers.

BACKGROUND:

The District began leasing property for cellular tenants in the early 1990s. Since then, the District's cellular portfolio has increased to over 30 installations bringing in approximately \$1.1 million in alternative revenue annually.

In 2015, the District recognized that the scale of the program had grown to a point which required a more organized framework and additional assistance in managing the program. In

November 2020, the District adopted a Policy and Procedures for Commercial Communications Facilities Located on District Properties which covered the management of these facilities.

The policy primarily addressed:

- Introduced an application fee to offset staff time, consultant time, and legal review.
- Required amendments with increased lease amounts for all substantive modifications.
- Modified lease escalator from utilizing CPI increases (which are variable) to a flat 3% escalator.
- Changed language in regard to access protocol in order to better secure District facilities.
- Added construction requirements on all modifications that required carriers to remove epoxy-mounts and replace them with magnetic mounts to reduce the potential for corrosion. These requirements also covered the replacement of asphalt after trenching work as well as painting/coating repairs to the tanks.

As part of the implementation of this policy, the District began working with ATS Communications to assist in the development of the policy as well as performing cell site plan reviews, utilizing their technical expertise regarding cell site issues, assistance in new license and existing lease amendment negotiations, site assessments, review of existing leases for compliance, implementation of policies and procedures, and various day-to-day communications with cell site carriers.

The program has been extremely successful from that point. Since 2015, the lease program has:

- Signed two new agreements which provide \$30,000/each in lease fees annually.
- Received approximately 70 applications which has brought in \$175,000 of fee revenue.
- Recovered more than \$123,600 in back rent from carriers.
- Converted 60% of leases to standardized rent increases which allows for better forecasting.
- Executed 21 lease amendments which bring the District an additional \$40,000 in annual revenue.

DISCUSSION:

The District is currently working on 26 active projects which includes 3 potential new site builds. The cell-related workload is anticipated to stay consistent for the next several years for several reasons. T-Mobile and Sprint recently merged into one entity which is anticipated to result in consolidation of sites where both entities have installations. Conversely, as a condition of the merger, Dish Network is working to become the fourth wireless carrier (alongside Verizon, AT&T, and T-Mobile) and has expressed interest in five District sites. Lastly, the District's reservoir coating program requires extensive coordination with the carriers to ensure that their installations are removed from the tanks in order for coating work to be conducted.

Beginning in March 2021, the District sought out alternative vendors in order to solicit competitive bids. The District reached out to several municipalities in the Southern California area to determine potential vendors. One of the eliminating factors was finding a vendor that only provided services to landlords and did not also work for the carriers due to the potential

conflict of interest. After an extensive search, the only vendor found was ATS Communications. The District's "Selection Of Professional Service Consultants Policy" allows for a sole source professional service contract provided that 1) the services can only be obtained from one consultant, and therefore, requesting multiple proposals is impossible or not in the public interest, 2) no competitive advantage can be gained by requesting multiple proposals, 3) The consultant is required to maintain a schedule or critical path, or 4) Selection of the consultant provides a clear economic advantage to the District.

As mentioned previously, the District currently has 26 active cellular projects and anticipates this project volume to remain consistent for the next several years. Due to the integrated nature of ATS' services, staff recommendation is to award ATS Communications with a three-year contract for \$270,00 with two (2) one-year renewals which would bring the total contract amount to \$450,000.

