

0150-10406-0000

TRANSMITTAL

TO Gina Marie Lindsey, Executive Director Department of Airports	DATE MAY 27 2015	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 11	

**Request to Award a Seven-Year Agreement for Wi-Fi Services
At the Los Angeles International Airport to Boingo Wireless, Inc.**

Transmitted for further processing, including Council consideration. See the
City Administrative Officer report attached.



MAYOR

MAS:WDC: 101500911

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: May 26, 2015

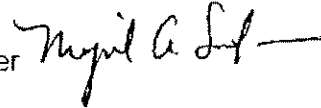
CAO File No. 0150-10403-0000

Council File No.

Council District: 11

To: The Mayor

From: Miguel A. Santana, City Administrative Officer



Reference: Transmittal from the Los Angeles World Airports dated April 20, 2015; referred by the Mayor for report on April 21, 2015

Subject: **REQUEST TO AWARD A SEVEN-YEAR AGREEMENT FOR WI-FI SERVICES AT THE LOS ANGELES INTERNATIONAL AIRPORT TO BOINGO WIRELESS, INC.**

SUMMARY

The Executive Director of the Los Angeles World Airports (LAWA; Department) requests approval to execute a seven-year agreement with Boingo Wireless, Inc. (Boingo Wireless; contractor) for the upgrade, management, and operation of the existing Wi-Fi network (local area wireless computing network or Internet system) at the Los Angeles International Airport (LAX). The term of the agreement is seven years, from June 26, 2015 to June 30, 2022, which will result in a minimum of \$800,000 in revenue to LAWA the first year and a minimum of \$5.9 million over the term of the agreement. In addition, the contractor will invest \$1.5 million in infrastructure improvements.

The current LAX Wi-Fi service model will be continued under the new contract with the addition of a Premium-Pay-for-Use tier. Free access—with a limited session duration of 45 minutes—accessible by viewing a short advertisement and a fee-for-service (or fee-based subscription) account for service without advertisements will be maintained. However, an additional premium tier offering even faster service will be added. Premium service is differentiated from standard service by its faster download speed. According to the Department, indications by airport passengers/users are that the Wi-Fi service is working well with the majority of complaints (average monthly complaints are 150 per 1.2 million users/sessions; the equivalent of 0.000125 percent of users/sessions) involving problems with accessing the Wi-Fi network.

The proposed contract with Boingo Wireless is a result of a competitive process begun in November 2014 and concluded in February 2015 that resulted in one proposal being submitted.

Approval of the proposed agreement will enable Boingo Wireless to manage the entire LAX Wi-Fi network, including operation, maintenance, and upgrades. As an example of the planned improvements to the network infrastructure, after upgrades, the free Wi-Fi service will be four times faster than the current service (1.2 Mbps {megabytes per second} versus 5 Mbps). The speed of the

fee-based service will increase by 66.6 percent from 6 Mbps to 10 Mbps while a new tier, Premium-Pay-for-Use, will be added at a speed of 20 Mbps.

The proposed agreement contains a "unilateral right to terminate" provision that allows LAWA, subject to a buy-out of the contractor's "qualified investments" as specified in the agreement, to terminate the agreement after June 30, 2020, with a minimum of 30 days' advance written notice. Additionally, the Department's use of the Request for Proposal process and subsequent award of a seven-year contract reflect LAWA's compliance with Section 10.17 of the Los Angeles Administrative Code ("Competitive Proposals Preferred") for instances where bids are not required by the Charter but where competitive proposals or bids are encouraged when practicable or in the City's best interests.

The above-referenced aspects of the proposed Agreement with Boingo Wireless, Inc., and this report, incorporate revised information received from the Department subsequent to the initial request submittal. The Department's request for authorization to execute the proposed Agreement is tentatively scheduled for consideration at the May 21, 2015 meeting of the Board of Airport Commissioners.

Background

The Department first contracted—through a consent to assignment of the concession agreement—with Boingo Wireless (a company with a customer base that includes 30 of the top 49 domestic airports) when the company acquired the existing LAX Wi-Fi service provider, Advanced Wireless Group, LLC (AWG), and its three-year (2012 to 2015) concession agreement in October 2013. Since acquiring AWG, Boingo Wireless has invested approximately \$1.5 million in Wi-Fi infrastructure upgrades for the current two-tier system. The current agreement expires on June 25, 2015.

With the execution of the proposed seven-year agreement, Boingo Wireless has committed to increasing the speed of both its free service and the pay-for-use service. The company will also implement a third service tier: the Premium Pay-for-Use service. Upon execution, the new agreement provides that the company will pay LAWA a Base Annual Fee of \$800,000, to be increased by either two percent annually or the Consumer Price Index, whichever is higher. An additional Annual Contingent Fee equal to fifty percent of the company's gross revenues exceeding \$1.4 million will also apply.

The proposed contract award is a result of a competitive process initiated by LAWA in November 2014 that resulted in only one proposal being submitted: the proposal by Boingo Wireless.

Alternatives to the Proposed Agreement

According to the Department, there are two alternatives to executing the proposed agreement with Boingo Wireless. They are: (1) take no action to approve the seven-year agreement; and (2) initiate a new competitive process to select another Wi-Fi service provider for LAX.

The first alternative, to take no action to approve the Boingo Wireless agreement, is not recommended in that (1) the current contract expires on June 25, 2015, and it is important for the

airport's passengers and employees to avoid a gap in Wi-Fi service; and (2) annual revenue of approximately \$800,000 could be significantly reduced to the Department if Wi-Fi service is discontinued for any length of time.

With respect to the second alternative, that of initiating a new competitive process, the Department believes that the result would simply replicate that of the first proposal process: only one proposal would be submitted. To substantiate that belief, the Department advises that there is no major competitor to Boingo Wireless in the airport Wi-Fi space. While telecommunications providers have periodically shown an interest in providing Wi-Fi service at LAX (LAWA has recently issued a Request for Qualifications for a related Distributed Antenna System), none submitted a proposal during the recent Wi-Fi competitive process.

Compliance with City Administrative Requirements

The contractor must comply with the following Standard Provisions for City Contracts: the Living Wage Ordinance; Affirmative Action Program; Child Support Obligations Ordinance; Contractor Responsibility Program; First Source Hiring Program for all non-trade airport jobs; and the Department's insurance requirements; and must be determined to be in full compliance with the provisions of the Equal Benefits Ordinance by the Department of Public Works, Office of Contract Compliance prior to contract execution. Furthermore, Boingo Wireless has submitted the Bidder Contributions CEC (City Ethics Commission) Form 55 pertaining to the City's contract bidder campaign contribution and fundraising restrictions (Charter Section 470(c)(12)) that became effective in April 2011 and will comply with its provisions.

The Department's Procurement Services Division determined that there are no subcontracting opportunities for this project; therefore, no ACDBE (Airport Concession Disadvantaged Business Enterprise) goal was established for the contractor.

Pursuant to Charter Section 1022 ("Use of Independent Contractors"), the Department found that the proposed operation, maintenance, and upgrading of the LAX Wi-Fi network can be performed more feasibly or economically by an independent contractor than by City employees.

City Council approval of the proposed agreement is required in accordance with Charter Section 606, "Process for Granting Franchises, Permits, Licenses, and Entering Into Leases," by proprietary departments, and the Los Angeles Administrative Code Section 10.5 (b)(2), "Limitation and Power to Make Contracts" in that the term of the agreement is greater than five years. Additionally, to become effective, the City Attorney must approve the agreement as to form.

California Environmental Quality Act Guidelines

With respect to CEQA (California Environmental Quality Act) compliance, continuing administrative, maintenance and personnel-related activities are exempt from the requirements of CEQA pursuant to Article II, Section 2.f of the Los Angeles City CEQA guidelines.

RECOMMENDATIONS

That the Mayor:

1. Approve the proposed seven-year Concession Agreement between the Los Angeles World Airports and Boingo Wireless, Inc. to continue upgrading, managing, and operating the Wi-Fi network at the Los Angeles International Airport for the period June 26, 2015 to June 30, 2022, subject to City Attorney approval and the contractor's compliance with the following Standard Provisions for City contracts: the Living Wage Ordinance, Affirmative Action Program, Child Support Obligations Ordinance, Department insurance requirements, Contractor Responsibility Program, First Source Hiring Program for all non-trade LAX airport jobs, the Bidders Contributions CEC Form 55, and a determination by the Department of Public Works, Office of Contract Compliance, of compliance with the Equal Benefits Ordinance;
2. Authorize the Executive Director of the Los Angeles World Airports to execute the proposed Agreement with Boingo Wireless, Inc.; and
3. Return the proposed Agreement to the Los Angeles World Airports for further processing, including Council consideration.

FISCAL IMPACT STATEMENT

Approval of the proposed agreement will have no impact on the City's General Fund or the Department's Capital or Operating Budgets. There is, however, a revenue impact on the Department. Executing the proposed contract with Boingo Wireless will result in a minimum of \$800,000 in annual revenue to LAWA (excluding the annual CPI {Consumer Price Index} escalator) in addition to an Annual Contingent Fee. Over the seven-year term, LAWA estimates that revenues will exceed \$5.9 million. Beyond the revenue being generated, Boingo Wireless has committed to a minimum investment of \$1.5 million to upgrade the LAX Wi-Fi infrastructure.

Time Limit for Council Action

Pursuant to Charter Section 606, "Process for Granting Franchises, Permits, Licenses and Entering Into Leases," and the Los Angeles Administrative Code Section 10.5, "Limitation and Power to Make Contracts," unless the Council takes action disapproving a contract that is longer than five years within 30 days after submission to Council, the contract shall be deemed approved.