

CITY of REPUBLIC

Established 1871

Exhibit J

AGENDA ITEM STAFF ANALYSIS

Project/Issue Name: Discussion and Possible Vote to Authorize the City Administrator to Execute the First Amendment to Communications Lease Agreement with New Cingular Wireless PCS, LLC.

Submitted By: David Brock, Public Works Director

Date: June 12, 2006

Issue Statement

A tenant at the Hines Street Water desires to amend their Lease agreement.

Discussion and/or Analysis

The past two years have seen a dramatic change in the wireless phone service market with the overall number of providers dropping. One of the City's tenants, Southwestern Bell, merged with AT&T and sold off its cellular phone assets to Cingular Wireless. Cingular then had surplus cell tower locations and have been eliminating leased antenna locations based on either cost or service territory. Staff has been negotiating with Cingular since last August to determine the fate of the existing lease for ground space and an antenna platform at the Hines Street Water Tower. The negotiations have resulted in the attached amendment to the City's Lease Agreement.

If approved, the amendment will extend the term of the existing agreement by six years, reduce the monthly lease payment from the current \$1,500 to \$1,274.49 and reduce the percentage increase with each successive term from 10% to 5%. The proposed changes will result in a net decrease of \$168,230.89 over 35 year term when compared to the existing agreement.

In exchange for the reduction in lease payments, Cingular is offering two years guaranteed rent payments and 12 months rent payments from a future date of termination, should they elect to leave.

Staff Recommendation

Negotiations with Cingular's consultants have been erratic and staff does not recommend approval of the amendment as submitted. However, the contract extension and rent guarantees

do contain value and it is suspected that this site is not in jeopardy of being de-commissioned since we are currently different Cingular consultant to add additional antennas. Therefore the recommendation is to amend future rent increases to reflect a 10% increase at the end of each five year term and accept all other modifications. With this alteration the net decrease over the next 35 years would be \$65,367.12.