

CITY OF OAKLAND
SUPPLIMENTAL AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND

TO: Office of the City Administrator
ATTN: Deborah Edgerly
FROM: Finance and Management Agency (FMA)
DATE: June 8, 2004

2004 MAY 27 PM 5: 50

RE: A report and resolution authorizing the City Administrator or her designee to negotiate and execute a seven year contract for the lease of Telephone equipment and services with Shoreline Communications Inc., for an amount not to exceed \$275,000 annually or \$1,650,000 over the term of the contract, conditioned upon the successful completion and acceptance of a pilot voice over IP project at 150 Frank H. Ogawa Plaza with telephone equipment furnished to the City of Oakland at no cost during the pilot project, without return to Council.

A resolution authorizing the City Administrator or her designee to negotiate and execute a purchase order with Enterasys Inc., for an amount not to exceed \$250,000 for the network equipment associated with a pilot voice over IP project at 150 Frank H. Ogawa Plaza, without return to Council.

SUMMARY

On May 25, 2004 the Finance and Management Agency presented to the Finance and Management Committee a report and resolution requesting that the City Council authorize the City Administrator to negotiate and execute a seven (7) year contract with Shoreline Communications Inc., to provide telephone equipment and services to the City of Oakland.

As a result of that committee meeting the Committee moved, seconded and carried a motion to have staff prepare a supplemental report to explore a six month pilot at 150 Frank Ogawa Plaza building with the network upgrade according to standard testing criteria, under the condition that if the test fails, all equipment will be returned to Shoreline at Shoreline's expense and if the test is successful, Council will move forward with the seven year lease.

The Finance and Management Agency (FMA) met with Shoreline Communications and has obtained an agreement that Shoreline Communications will provide all of the telephone equipment necessary to provide a pilot installation of the 150 Frank H. Ogawa Plaza (Wilson Building). At the conclusion of the six-month pilot, if successful, the City Administrator will negotiate and execute the seven year lease with Shoreline. However, Shoreline has agreed to remove their equipment if it fails to pass the test criteria outlined in the Appendix of the staff report of May 25, 2004.

As part of this pilot project, the network at 150 Frank H. Ogawa will be upgraded to accept the new equipment. The equipment manufactured by Enterasys Inc., will be purchased and installed during this pilot period. Due to the nature of network equipment, this equipment will not be able to be removed in the case of the Voice over IP pilot failing to pass the testing criteria. Enterasys has agreed that, in the event the Pilot program is successful, they will "roll" this purchase into the final lease documents. Upon the passage of these resolutions, Staff will submit for Council's

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approval, a resolution authorizing a seven-year lease with Enterasys Networks Inc. A seven-year lease is necessary to allow the City to utilize the cost savings generated by this project to fully pay the yearly lease payments. A shorter term of the lease would require the appropriation of additional city funds.

Through the deployment of the requested equipment, the City will be able to test the equipment and provide accurate data as to the performance of the Shoreline equipment. It should be noted that the City will not generate any cost savings during this pilot program due to keeping two systems active during this period. Staff will not disconnect the existing telephone lines until the successful completion of the pilot program. This will allow the City to revert to the old telephone systems if Shoreline is required to remove their equipment. Additionally, Staff will report back to committee the progress of the pilot project upon the success or failure of the conditional acceptance test plan, which will occur 30 days prior to final acceptance.

FISCAL IMPACT

Savings from the implementation of Voice over IP technology will cover the cost of this contract as well as the proposed network upgrade. During the pilot project, \$250,000 in non-departmental funds will be needed to purchase the network equipment for 150 Frank Ogawa Plaza. Upon the successful completion of the pilot project and the execution of a lease with Enterasys, this initial purchase will be incorporated into the final lease documents. If the pilot fails, the network equipment will be retained and no other funds will be needed towards this project.

The following chart shows the costs of Shoreline and Enterasys equipment associated with each building as it is deployed.

LOCATIONS	SHORELINE	ENTERASYS
*Global Shared Equipment	\$302,183.00	\$167,320
150 Frank Ogawa Plaza (1 st Phase)	\$181,860.00	\$170,000
250 Frank Ogawa Plaza	\$243,562.50	\$235,800
City Hall	\$185,107.00	\$130,774
Emergency Operations CTR.	\$67,326.00	\$68,774
Fire Stations	\$228,280.00	\$0
Museum	\$160,000	\$130,000
Municipal Service Center		\$85,000
Maintenance and Installation		\$113,000
Total (Does not include Tax and leasing)	\$1,368,318.50	\$1,050,668

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The chart below indicates the income and expenditures base on the successful completion of the pilot project.

	Year 1	Year 2	Year 3-7
Income (Departmental Phone Charges)	-	\$676,000	\$676,000
Non-Departmental Fund	\$250,000	0	0
Shoreline Lease	0	(\$275,000)	(\$275,000)
Network Lease	(\$250,000)	(\$250,000)	(\$250,000)
On going costs	\$0	(106,937)	(106,937)
Savings	\$0	\$44,063	\$44,063

The chart below gives a further breakdown of expenses and savings generated from the Project. These numbers include all of the on-going expenses associated with the Telecommunications network and some additional savings.

Current Cost -Telephone Service

Centrex Lines Recurring Charges (including Mileage)	\$633,600
Annual Maintenance/Replacement -Telephone Equipment	\$56,000
Annual Long Distance Cost	\$250,000
Annual Voice Mail Maintenance/lines	\$45,000
MACs - Moves/Adds/Changes (including overtime)	\$75,000
Total Annual Expense	\$1,059,600

City-Owned VoIP Network

Centrex Lines Recurring Charges	\$38,400
PRI/DID Trunks Recurring Charges	\$51,509
SBC Long Distance	\$137,500
Voice Mail Maintenance	\$42,000
DID's Recurring Charges	\$17,028
Total Annual Expense	\$286,437

Savings (IP Telephony vs. Centrex) \$773,163
Monthly Savings \$64,430

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BACKGROUND

In January of 2003, the Office of Information Technology (OIT) investigated possible cost savings and cost containment initiatives by which the City could reduce or contain its technology spending. One of the areas identified was telephone services. During this time, the costs to replace the City's aging telephone equipment, voice mail system, and network infrastructure were identified. A plan was developed and presented to the former City Manager as part of the 2003-2005 budget process that would allow for the savings from one technology to pay for the cost of another. The resulting initiative produced a method by which aging equipment (telephone instruments & data equipment) would be replaced utilizing the cost savings generated from the use of IP Telephones. The City of Oakland currently obtains Centrex Telephone services from SBC via a CALNET contract approved by the City Council in June 2003. The approval of the CALNET contract along with this lease is an attempt to reduce and contain the cost of telephone service to the City. The deployment of IP telephone technology allows for the reduction of telephone lines without penalty (minimum line requirements), effective utilization of all lines, reduction in feature charges associated with various telephones and the reduction of the City's overall maintenance expenses.

Currently the City of Oakland pays various costs associated with the delivery of telephone service. These include dedicated lines associated with the voice mail system, annual voice mail maintenance charges, telephone line installation charges from SBC, telephone instrument repair services and internal service charges. All of these costs are escalating as the equipment ages and the cost and frequency of repairs increase. Many of the current one hundred and five systems are over thirteen years old and were installed after the 1989 earthquake. Some of the newest equipment was installed in 1996 as part of the City Hall rebuild. This is some of the most expensive equipment for telephone services.

The current data network is a "patchwork" of old and new equipment, dating from the early deployment of equipment during the rebuild of City Hall and administrative buildings, to the newer equipment deployed as part of IPSS. The older equipment was manufactured by Cabletron (now Enterasys) and the newer system is Cisco. The older equipment lacks the security applications and speed needed for today's network and applications. Failure of these systems can cause a disruption in communications with the public and City staff. A major network outage will interrupt the majority of applications in the City including payroll, financial and program input, and it will halt communications via E-mail.

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After committee review in February of 2004, of the initial Network Upgrade project, Staff re-evaluated the two incumbent systems and their overall service, price and features. As a result of this evaluation and current maintenance concerns, it was determined that the existing outdated equipment by Enterysys could be replaced without significantly effecting the overall performance of the network. The result of this decision would allow the City to replace the existing equipment at a cost significantly lower than that of the other vendor. While this recommendation does not consolidate the vendors or contracts, the resulting network will serve the City at the level needed to provide reliable services. Staff would recommend the continuation of the Cisco equipment on the Police network and would continue maintenance.

The deployment of the new voice technology and the upgrade of the data network will replace outdated equipment and replace it with new more dependable equipment and services. All of these new costs will be funded using existing funds and savings generated from the deployment of the Voice over IP technology.

KEY ISSUES AND IMPACTS

The City of Oakland relies on two main technology platforms in which to communicate internally and with the citizens of Oakland. These technologies are voice and data or more commonly the telephone and network. Failure of either of these technologies can be catastrophic to the daily operation of this City or any city. The City's current telephone systems consist of multiple systems that have served the City well but are old and showing signs of failure. A single system failure causes disruption to as many as fifty-six lines and telephone sets which can mean entire divisions without voice communications. The restoration of voice communications can take four to eight hours or more, depending on availability of equipment and resources. This year alone there have been four system failures and a steady increase in minor equipment failures due to age.

The data network is a "patchwork" of old and new equipment, dating from the early deployment of equipment during the rebuild of City Hall and administrative buildings, to the newer equipment deployed as part of the Integrated Public Safety System (IPSS). The older equipment is manufactured by Cabletron (now Enterasys) and the newer system is manufactured by Cisco. The data network requires two separate maintenance contracts, and two different skill sets to maintain. Moreover, the older equipment lacks the security applications and speed needed for today's network and applications. Failure of these systems can cause a disruption in communications with the public and City staff. A major network outage will interrupt the majority of applications in the City, including payroll, financial and program input, and will halt communications via e-mail.

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The deployment of the new voice technology and the upgrade of the data network replace outdated equipment with new, more dependable equipment and services. All of these new costs will be funded using existing funds and savings generated from the deployment of this technology.

PROJECT DESCRIPTION

The purpose of this initiative is to provide a converged network where data and voice are one. This converged network would provide significant savings while at the same time expand our telephone capabilities, provide cost containment and lower the City's overall maintenance expenses. This "model" can help the City to contain rising technology costs and position the City to provide upgraded services utilizing existing dollars.

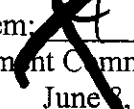
This project is in conjunction with and dependent upon the approval of pilot project for Voice over IP at 150 Frank H. Ogawa Plaza. The two projects, while separate contracts are dependent on each other. The deployment of Voice over IP will provide the savings to pay for the network upgrade, but in order to deploy the new technology, the network must be upgraded.

The first phase of the project will consist of a pilot project at 150 Frank Ogawa Plaza. Shoreline Communications will be required to demonstrate the functional abilities of the system during this pilot project. Failure of the system to perform all of the requirements as set out under the City of Oakland functional specifications testing will result in the termination of the project and the return of the equipment to Shoreline. The equipment installed by Shoreline Communications will be at the sole cost of Shoreline Communications. Upon successful completion of the pilot project, the equipment and associated costs will be incorporated in to the final lease documents. Upon successful completion of the pilot project, equipment from Enterasys that will be purchase as part of this project will be incorporated in to the final Enterasys lease documents.

Authorization to proceed with the execution of lease documents with Shoreline and Enterasys are dependant on the successful completion and testing of the pilot project in 150 Frank H. Ogawa Plaza.

ENVIRONMENTAL OPPORTUNITIES (SUSTAINABLE OPPORTUNITIES)

As part of the lease agreement, Shoreline Communications Inc. and Enterasys Networks Inc have indicated their willingness to incorporate local companies into its deployment. As part of the final lease documents, all local vendors will be identified. Also attached in the May 2, 2004 report is a list of "environmental friendly organizations that use Shoreline equipment.

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DISABILITY AND SENIOR CITIZEN ACCESS

Voice over IP technology provides a significant advantage to any disabled individual. Voice over IP has the capability to transfer text messaging to the telephone, facilitating communication to large amounts of individuals as well as disabled individuals. This capability, inherent in voice over IP, would provide significant benefits for disabled individuals.

RECOMMENDATION(S) AND RATIONALE

Staff recommends authorizing the City Administrator or her designee to negotiate and execute a seven year contract for the lease of telephone equipment and services with Shoreline Communications Inc., for an amount not to exceed \$275,000 annually or \$1,650,000 over the term of the contract, conditioned upon the successful completion and acceptance of a pilot voice over IP project at 150 Frank H. Ogawa Plaza, with telephone equipment furnished to the City of Oakland at no cost during the pilot project, without return to Council.

Further, staff recommends authorizing the City Administrator or her designee to negotiate and execute a purchase order with Enterasys Inc., for an amount not to exceed \$250,000 for the network equipment associated with a pilot voice over IP project at 150 Frank H. Ogawa Plaza without return to Council.

In Addition, staff recommends council direct staff to return with a Resolution authorizing the City Administrator or her designee to negotiate and execute a seven year contract for the lease of network equipment and services with Enterasys, Inc., for an amount not to exceed \$215,000 annually or \$1,500,000 over the term of the contract.

These actions will start the process of evaluating the Shoreline Voice over IP equipment and set in place a program for the replacement of telephone and network equipment in a number of the downtown city building locations.

ALTERNATIVE RECOMMENDATION(S)

None

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends Authorizing the City Administrator or her designee to negotiate and execute a seven year contract for the lease of telephone equipment and services with Shoreline Communications Inc., for an amount not to exceed \$275,000 annually or \$1,650,000 over the term of the contract, conditioned upon the successful completion and acceptance of a pilot voice over IP project at 150 Frank H. Ogawa Plaza, with telephone equipment furnished to the City of Oakland at no cost during the pilot project, without return to Council.

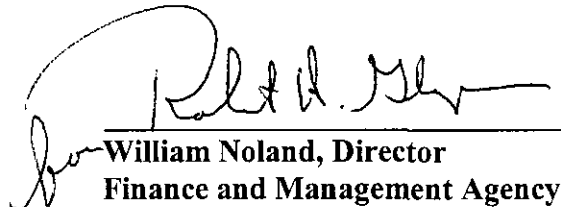
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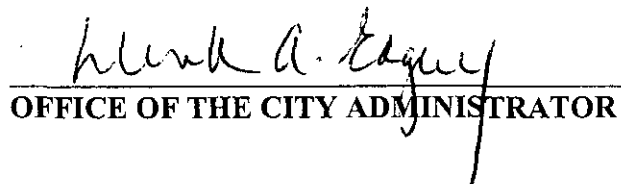
That the City hereby finds and determines that pursuant to Chapter 2.04, Article I, section 2.04.050.I.5, it is in the best interests of the City to waive bidding requirements of 2.04.050 and authorize the competitive process undertaken by staff.

Respectfully submitted,


William Noland, Director
Finance and Management Agency

Prepared by:
Bob Glaze, Chief Technology Officer
Information Technology Division

APPROVED AND FORWARDED TO THE
FINANCE AND MANAGEMENT COMMITTEE


OFFICE OF THE CITY ADMINISTRATOR

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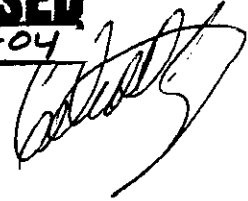
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OAKLAND

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OAKLAND CITY COUNCIL
RESOLUTION No. _____ C.M.S.

REVISED

6-8-04



Resolution Authorizing the City Administrator or her designee to negotiate and execute a purchase order for Enterasys equipment, for an amount not to exceed \$250,000 for the network equipment associated with a pilot voice over IP project at 150 Frank H. Ogawa Plaza.

WHEREAS, the Finance and Management Agency (FMA) is working to update and improve the service and reliability of the City's network infrastructure; and

WHEREAS, the implementation of a new telephone technology (Voice over IP) can reduce the cost of telephone line charges; and

WHEREAS, the savings generated through the implementation of the Voice over IP technology can be used to pay for the upgrade; and

WHEREAS, the FMA Information Technology reviewed and interviewed our existing vendors and potential vendors for network services; and

WHEREAS, the selection committee recommended continuation and expansion of our deployment of Enterasys equipment based on their compatibility with existing equipment and the proposed Shoreline Communications Inc. Voice over IP equipment and services; and

WHEREAS, funds have been allocated in the amount of \$250,000 in the non departmental Technology account to cover the cost of this equipment purchase; and

WHEREAS, the City finds that the services provided pursuant to the agreement authorized hereunder are of a professional, scientific or technical nature and are temporary in nature; and

WHEREAS, the City finds that this contract shall not result in the loss of employment or salary by any person having permanent status in the competitive service; now, therefore, be it

RESOLVED: That the City hereby finds and determines that pursuant to Chapter 2.04, Article I, section 2.04.050.I.5, it is in the best interests of the City to waive bidding requirements of 2.04.050 and authorize the competitive process undertaken by staff; and be it

FURTHER RESOLVED: That the City Council hereby authorizes the City Administrator or her designee to negotiate and execute a purchase order for Enterasys equipment, for an amount not to exceed \$250,000 for the network equipment associated with a pilot voice over IP project at 150 Frank H. Ogawa Plaza; and be it

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FURTHER RESOLVED: That the City Council hereby authorizes the City Administrator to approve any subsequent amendments to or extensions of the purchase order with the exception of those related to an increase in the purchase price or the allocation of additional funds provided that such amendments or extensions shall be filed with the City Clerk's office; and be it

FURTHER RESOLVED: That the purchase order shall be reviewed and approved by the City Attorney's Office for form and legality prior to execution, and a copy shall be placed on file with the City Clerk.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2003

PASSED BY THE FOLLOWING VOTE:

AYES-
NOES-

ABSENT-

ABSTENTION-

ATTEST: _____

CEDA FLOYD

City Clerk and Clerk of the Council of
the City of Oakland, California

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