



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Scott P. Johnson

**SUBJECT: REPORT ON RFP FOR CITYWIDE
CELLULAR PHONE EQUIPMENT &
SERVICES**

DATE: May 22, 2007

Approved

Ray Whner

Date

5/25/07

COUNCIL DISTRICT: Citywide

RECOMMENDATION

Report on Request for Proposals (RFP) for the purchase of citywide cellular phone equipment and services and adoption of a resolution authorizing the Director of Finance to execute:

- (a) A Custom Service Agreement with Sprint Nextel ("Sprint") for a period of five years to purchase wireless services and equipment under the same pricing, terms and conditions obtained from a cooperative agreement with the State of California, in a cumulative amount not to exceed \$1,000,000 for the first year, and subsequent year purchases as may be required for the duration of the term subject to appropriation of funds.
- (b) Any necessary documentation to make purchases under the pricing, terms and conditions obtained under a cooperative agreement between the State of California and Verizon or Cingular, for the next five years, in the event that Sprint as the primary provider is unable to meet the requirements of the City.

OUTCOME

To consolidate wireless communication equipment and services, maximize cost savings through a simplified service plan and rate structure that leverages the City's aggregate cellular call volume, and improve overall management of the cellular phone program.

EXECUTIVE SUMMARY

This memorandum reports on the RFP evaluation process and recommends award of contract for the purchase of wireless communication equipment and services. The recommended award will



improve efficiencies in cell phone acquisition, invoicing and day-to-day management of the program. After a thorough and complete evaluation, staff recommends award to Sprint Nextel (San Jose, CA), which submitted the most advantageous proposal to the City.

BACKGROUND

On May 27, 2003, the City Council approved the purchase of wireless equipment and services under the cooperative purchase agreement of Western States Contracting Alliance (WSCA) with four cellular providers: AT&T (now Cingular), Verizon Wireless ("Verizon"), Sprint, and Nextel. At that time, WSCA offered the most advantageous pricing on wireless equipment and services. WSCA is a consortium of fifteen states whose primary purpose is to establish the means for states to cooperatively contract to achieve cost effective and efficient acquisition of quality products and services. Currently, the City utilizes two of the approved cell phone providers: Cingular and Sprint.

In November 2004, the City Auditor completed an audit of the City's Cellular Phone Program, which identified several issues, including:

1. Many of the individual cell phone plans were not properly aligned to the usage of the phone, resulting in excessive charges due to the under or over utilization of the phones relative to their rate plan.
2. A potential for cost savings was identified if the City were able to take advantage of pooling minutes across rate plans. Pooling allows phones on a less expensive rate plan to utilize the unused minutes of phones on rate plans that have a higher fixed cost and include a predetermined number of minutes.

The City developed an RFP with the objectives of maximizing cost savings through rate plans based on the City's aggregate usage, simplifying the rate plan structure to better align with the City's requirements, and improve processes to facilitate the ongoing management of the program.

ANALYSIS

On July 21, 2006, the RFP was released and advertised on the City's BidLine and the DemandStar bid notification system. In addition, the RFP announcement was sent directly to all major cell phone service providers. Representatives from five companies attended the mandatory pre-proposal Conference on August 7, 2006 to receive an overview of the RFP and to address any questions prospective from proposers. Three companies requested the RFP and three proposals were received by the September 11, 2006 deadline.

Minimum Qualifications: The proposals were reviewed for minimum requirements. This initial evaluation was a pass/fail assessment of each proposal to ensure that all required forms and



documentation were submitted and that the Proposer possessed the minimum qualifications and expertise. All three proposals submitted were deemed responsive and submitted to the evaluation team.

Technical Evaluation (25%): The proposals were evaluated by a cross-functional evaluation team to afford input from major users representing public safety and non-public safety departments. Representatives from Police, Information Technology, and Public Works independently evaluated and scored the products and service offerings of each proposer including phone features, billing solutions, pooled minutes implementation, coverage, and customer service/support.

Cost (65%): Cost proposals were submitted by each company separate from the written proposals to ensure that cost did not inadvertently influence the technical scores. It is important to note that all cost proposals received were based on Proposer's competitive award of contract with the State of California for Wireless Services. Cost was not disclosed to the evaluation team until completion of the technical review of written proposals. Staff analyzed different cost scenarios to determine the most advantageous pricing and presented the results to the Evaluation Team.

Best and Final Offer (BAFO): A BAFO was issued to clarify rate plans, features, and options and Proposers were allowed to make any changes to their original pricing submission. All three companies submitted a BAFO response by the deadline. After review of all BAFO responses, staff determined that Cingular did not submit pricing in accordance with the rate plan requirements set forth in the BAFO document (i.e., flat rate plan with 100 minutes) and removed Cingular from further consideration.

In accordance with Municipal Code Section 4.12, the Local Businesses was applied to the Sprint proposal, since Sprint has a local presence. The preference was not a factor in the final ranking of the proposals.

The overall scores and ranking of the responsive proposers is summarized below:

Rank	Company Name	Products/ Services (25%)	Cost (65%)	Local (5%)	Small (5%)	Overall Score (100%)	% of High Score
1	Sprint Nextel (Reston, VA)	18%	65%	5%	0%	88%	100%
2	Verizon Wireless (Irvine, CA)	16%	39%	0%	0%	55%	62%

Environmentally Preferable Procurement

The RFP included the City's Environmentally Preferable Procurement Policy (EP³). Sprint is implementing an innovative recycling program based on the re-purposing of waste products. Re-purposing involves using parts from returned phones to repair or refurbish phones under warranty. Any un-serviceable phones or parts that cannot be reused, recycled or repurposed are



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shipped to a Sprint authorized recycling facility which complies with Sprint's Zero E-Waste policy.

Protest Process

The RFP provided for a protest process for unsuccessful Proposers to protest staff's award recommendation. The ten-day protest period afforded to Proposers commenced on April 12, 2007 with the notification of award recommendation to all participants and ended on April 23, 2007. The City's Chief Purchasing Officer did not receive a protest.

Evaluation Summary

The Evaluation Team concluded that Sprint's proposal and pricing offered the most flexibility for the City's business environment and provided the most cost effective rates. As a result, the Sprint proposal was rated highest, providing the best overall value to the City. As mentioned in the "cost" evaluation section, the proposal pricing is based on a cooperative agreement between the State of California and Sprint. In order to take advantage of the same favorable pricing as the State for a five year period, Staff is recommending that the City execute a "Custom Service Agreement" with Sprint that will serve as a bridging agreement governed by the terms and conditions of the State of California Wireless Contract. The Sprint agreement will cover most of the City's wireless service needs for voice, push-to-talk, and wireless broadband.

However, in the event that Sprint is unable to meet unique requirements of the City, Staff requests approval to purchase cellular wireless services and equipment from either Cingular or Verizon as may be required. For example, the Parks, Recreation and Neighborhood Services (PRNS) Department has unique emergency call box phones programmed to 911 throughout various parks and trails that are specifically configured to Cingular network technology. Changing cell service provider would result in significant cost to change or upgrade the hardware and software. To ensure maximum cost savings through the Sprint contract, all requests to use another wireless service provider requires submission of justifications to and authorization by Finance for issuance of a Purchase Order.

Rate Plan Analysis and Audit Recommendations

As stated previously, in 2004, the City Auditor's Office released an audit of the City's Cellular Phone Program providing recommendations, among others, that the Administration contract for a citywide pooled plan to avoid unnecessary overage charges. To benchmark the cost of citywide cellular wireless service, the report states that the estimated annual cost of the cell phone program was \$930,000 (average 17.9¢ per minute). After the Audit, the annual program cost was reduced to an estimated amount of \$519,000 (reduced current average of 11¢ per minute). This reduced program cost is due to fewer phones being in service and the phone usage has been reduced.

After the release of the audit, the pricing concepts offered by cellular wireless service providers evolved to affording large entities the opportunity for a pricing structure based on minutes used with no commitment to maximum usage of minutes. Through this new pricing structure, as



recommended in this agreement with Sprint, the City will not be charged penalties for using more minutes than the maximum amount. Therefore, after the recommendations of this memorandum are implemented, the annual program cost is estimated to be \$280,476 (new proposed average rate of 6¢ per minute). Compared to Audit Report usage, the annual cost savings is 70%. Compared to current usage, the annual cost savings is conservatively estimated to be 46%.

The table below compares the 2004, current, and estimated programmatic costs.

Cell Phone Program	Annual Minutes	Average Cost/ Minute	Estimated Annual Cost	Annual Savings to Audit	Annual Savings to Current
2004 Audit (prior stipend)	5,200,000	17.9¢	\$930,000		
Current*	4,674,600	11.1¢	\$518,881	\$411,119	
Sprint Proposal*	4,674,600	6¢	\$280,476	\$649,524	\$238,405
Additional Savings For new activation (\$50 x 744)					\$37,200
TOTAL 1ST YEAR SAVINGS					\$275,605

* Includes minutes currently paid through stipend (199 users x 450 minutes/month = 89,550 minutes/month) to allow comparison with 2004 Audit.

The administration of the City's cell phone contract is decentralized. In addition to the ongoing monitoring by departments, ITD will review quarterly a citywide summary report to ensure compliance with the contract.

Additionally, the 2004 Audit recommended that the Administration consider changing the reimbursement rate for personal use (only allowed for emergency situations) of City-issued cellular phones to reflect the actual cost of cellular phone usage. With the implementation of the new contract, the reimbursement rate will be 6 cents per minute.

Employee Purchase Program

The RFP included an optional city employee purchase program for personal cell phones and service. City employees may choose from any Sprint Nextel service plan and receive a 15% discount off Sprint's published rate plans.

Transition Plan

The transition will begin immediately upon Council approval. Staff will work closely with Sprint to develop a detailed transition and implementation plan to minimize any disruption. Staff estimates that approximately 700 cell phones from one of the current service providers will need to be transitioned to Sprint.

Wireless Broadband Data

While the requirements of this RFP were for voice and push-to-talk, the City has existing requirements for wireless data network communications. Specifically, the Police Department



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deployment of laptop computers in the police car fleet enables police officers wireless data network communications to existing police systems such as Computer Aided Dispatch (CAD) and Records Management System (RMS). The use of a data network supports technologies for public safety including automated field reporting, electronic citations, and field access to photo, fingerprint and other databases. In 2006, the General Services Department Radio Shop conducted thorough testing from the same wireless providers that participated in this RFP and determined that Sprint Nextel has superior coverage citywide. Subsequently, the City awarded a \$427,000 purchase order to Sprint Nextel for wireless broadband data equipment and service for the Police Department utilizing the Council approved cooperative purchase agreement with the Western States Contracting Alliance.

Therefore, the recommended not-to-exceed dollar amount of \$1,000,000 of this memorandum includes the City's data requirements, voice and push-to-talk services, related equipment, and sufficient authorization to purchase additional services as needed during the next five years.

POLICY ALTERNATIVES

Not applicable.

PUBLIC OUTREACH/INTEREST



Criteria 1: Requires Council action on the use of public funds equal to \$1 million or greater; **(Required: Website Posting)**



Criteria 2: Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**



Criteria 3: Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This memorandum meets Criteria 1 and will be posted on the Council Agenda for June 12, 2007. As described above, this requirement was advertised on the City's internet Bid-Line, and the DemandStar solicitation notification system. Additionally, the recommended vendor provided phones to end users for a one week trial period to test reception and quality of phone calls. Users logged the information. The end user test was successful documenting no significant disruption of service.

COORDINATION

This memorandum has been coordinated with the Information Technology Department, the City Manager's Budget Office, the City Auditor's Office, and the City Attorney's Office.

FISCAL/POLICY ALIGNMENT

This action is consistent with the following General Budget Principles “We must focus on protecting our vital core city services for both the short- and long-term” and “We must continue to streamline, innovate, and simplify our operations so that we can deliver services at a higher quality level, with better flexibility, at a lower cost” and the Strategic Initiative “Make San Jose a Tech-Savvy City; lead the way in using technology to improve daily life.”

COST SUMMARY/IMPLICATIONS

- 1. AMOUNT OF RECOMMENDATION/COST OF PROJECT:

Not to Exceed Amount (Annually)	\$1,000,000
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- 2. COST ELEMENTS OF AGREEMENT/CONTRACT:

Voice & Push-to-Talk equipment/services	Approximately \$400,000
Broadband Data equipment/services	Approximately \$600,000
Not to Exceed Amount	\$1,000,000

- 3. SOURCE OF FUNDING: Various Department Funds.

- 4. FISCAL IMPACT: Funding is available in departmental annual appropriations.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract	Adopted 2006-2007 Budget Page	Last Budget Action (Date, Ord. No.)
Various Department Funds.						

CEQA

Not a project.


 SCOTT P. JOHNSON
 Director, Finance

For questions please contact Walter C. Rossmann, Chief Purchasing Officer, at (408) 535-7051.

