



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Scott P. Johnson

SUBJECT: SEE BELOW

DATE: June 4, 2007

Approved

Ray Wines

Date

6/10/07

COUNCIL DISTRICT: Citywide

SUBJECT: APPROVE THE THIRD AMENDMENT TO THE AGREEMENT FOR OPERATIONS & MAINTENANCE SERVICES OF THE CONVERGED NETWORK AND TELPHONY SYSTEM BETWEEN THE CITY OF SAN JOSE AND NORTEL NETWORKS, INC.

RECOMMENDATION

Adoption of a resolution authorizing the Director of Finance to:

1. Execute the Third Amendment to the Agreement for the Operations & Management of the Converged Network and Telephony System with Nortel Networks, Inc. to reduce the on-site representatives from three to one, resulting in a decrease of annual compensation by \$460,000 from \$1,260,000 to a not-to-exceed compensation of \$800,000 for the maintenance period beginning July 1, 2007 and ending June 30, 2008.
2. Further amend the Agreement, as necessary, to reflect the City's needs for Nortel services, subject to appropriation of funds.

OUTCOME

Decrease on-site Nortel staffing requirements as City staff continues to take on lead roles supporting the critical data and telephony systems.

BACKGROUND

As a result of a competitive Request for Proposal (RFP) solicitation, on March 15, 2005, the City Council approved executing an agreement with Nortel Networks, Inc. (Nortel) for the purchase

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of a converged network and telephone system, including all hardware, software, security, installation and one year of operation and maintenance support for City Hall.

On August 15, 2006, Council approved the first amendment authorizing the Director of Finance to exercise the first of six one-year options to renew the operation and maintenance services for converged network and telephony system at City Hall effective August 15, 2006 until June 30, 2007 and to exercise the second option to renew the contract subject to annual appropriation of funding. This amendment provided for a headcount reduction from four to three on-site Nortel team members providing technical and training support services the City's Information Technology (IT) staff.

On October 17, 2006, Council adopted a resolution authorizing the Director of Finance to negotiate and execute the second amendment to the agreement for enhancements to the City's phone system for the Customer Contact Center by increasing compensation by \$70,420 to a not-to-exceed compensation of \$1,172,920.

ANALYSIS

During the past year, the Information Technology staff has worked with Nortel's on-site staff and gained valuable hands-on experience on this system. In addition, IT staff also attended outside training classes and has gained the necessary skills, training and experience and is now prepared to assume the lead roles for two of the three full time Nortel core staff. During Fiscal Year 2007-2008, IT will continue to work closely with Nortel to complete the transition for primary support and maintenance from Nortel to City Staff.

Implementation of this transition will result in reduction of Nortel's compensation by \$460,000 which is based primarily on assigning tasks previously performed by Nortel to City Staff. Nortel staff reductions include a dedicated Security Engineer and Nortel Data Engineer who documented and trained staff on voice O&M activities.

Nortel has met or exceeded the service level requirements stipulated by the contract. Through continuing the Agreement, the City of San José and its residents and businesses will benefit from the company's experience in delivering highly reliable services. Finally, through the remaining Nortel support, City IT Staff will continue to benefit from an additional year of on-going knowledge transfer and training.

POLICY ALTERNATIVES

Not Applicable.

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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)**

While this item does not meet any of the above criteria, this memorandum is posted on the City's website for the June 26, 2007 Council Agenda.

COORDINATION

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

FISCAL POLICY ALIGNMENT

This Council item is consistent with Council approved Budget Strategy Memo General Principle #2, "We must focus on protecting our vital core City services."

BUDGET REFERENCE

Not applicable.

CEQA

Not a Project.


Scott P. Johnson
Finance, Director

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