

SANTA BARBARA COUNTY BOARD AGENDA LETTER



Clerk of the Board of Supervisors
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Agenda Number:
Prepared on: 10/12/02
Department Name: GS/Telephone Services
Department No.: 063
Agenda Date: 11/5/02
Placement: Administrative
Estimate Time:
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Ron Cortez
General Services Director

STAFF CONTACT: Douglas Haddon
Communications Manager, X5590

SUBJECT: **Countywide Telephone System Replacement**

Recommendation(s):

That the Board of Supervisors:

1. Authorize General Services to complete the upgrade of the County-Wide Telephone System in FY 02/03 (originally scheduled for FY 04/05).
2. Approve the attached appropriation transfer of \$1,747,374 from fund 1919 replacement reserves.
3. Waive the bidding requirement for the telephone system upgrade and authorize General Services to negotiate a contract with NEC BNS Inc the current provider and local vendor.

Alignment with Board Strategic Plan:

The recommendation is primarily aligned with Goal No. 1, an efficient Government able to anticipate and respond effectively to the needs of the community.

Executive Summary and Discussion:

In fiscal year 87/88 General Services replaced a number of independent telephone systems in the County with one fully integrated, County-Wide System. The \$4.7 million purchase was funded through Certificates of Participation, which were financed over a period of ten-years. The system was competitively bid and a ten-year purchase and support contract was awarded to API Telephone Systems, which has since been merged with NEC BNS Inc. At the end of the initial ten-year term in 1997, a new 5-year purchase and support contract was competitively bid and awarded to NEC BNS Inc. This contract expires March 30th, 2003. The debt on the Certificates of Participation was retired in 1997. At that same time and the Board authorized General Services to collect \$421,000 per year (through the rate structure) to build a reserve fund for replacement of the aging telephone system.

In addressing the problems resulting from aging and over-capacity telephone switches at various locations, General Services started a phased replacement plan in the year 2000. The systems that have been replaced were at maximum capacity and were becoming problematic. Since that time, 7 switches, and approximately 2,500 telephone instruments have been upgraded to the latest platforms. At this time, approximately 40% of the old telephone equipment has been upgraded. The replacement of the telephone system was originally scheduled to be completed in FY 04/05. This schedule is no longer practical, as the county was informed earlier this year that NEC will no longer be able to support our 17-year old switches and telephones with replacement parts and software patches. If we don't immediately replace the remainder of our old systems, the county will be at risk of finding parts on the used market. A key limitation with the immediate replacement of the remaining 17-year old switches was the fact that the county's telephone system replacement fund could not afford to fund full replacement until FY 04/05.

In mid September of this year, NEC BNS presented to the County a migration plan to accelerate equipment replacement this fiscal year with significant equipment and labor cost savings that will allow the county to fully fund the replacement of the remainder of the telephone system immediately. The cost savings offered over and above our current contract pricing is \$492,000. General Services recommends that this offer be accepted, as the discount levels far exceed the California Multiple Award Schedule (CMAS), a state administered competitively bid pricing system, or current bid pricing and is a one-time offer. The new telephone system will support both PBX and IP telephony solutions to meet the county's business needs.

The bid waiver and sole source request is based on the following reasons:

- There are no local NEC Authorized vendors capable of offering this discount level to the county, or have the resources to perform the work.
- The county needs to purchase NEC equipment in order to properly integrate with equipment recently upgraded.
- The discount level being offered is at a level that far exceeds CMAS, and the county's existing discount rate.
- The bid waiver does NOT extend the term of our existing agreement with NEC/BNS.

Mandates and Service Levels:

No mandates, service levels will improve with new equipment resulting in fewer repairs.

Fiscal and Facilities Impacts:

The replacement reserve cost of \$421,000 per annum will be reduced to \$310,000, which represents the annual depreciation cost for the new Telephone System cost over its expected 10-year life. Funds for this project are located in Fund 1919 Department 063 Program 3110. This project can be found on page B-10 of the Capital Improvement Projects book.

Special Instructions:

Concurrence: