



Office of the City Manager

CONSENT CALENDAR

December 13, 2005

To: Honorable Mayor and  
Members of the City Council

From: *PK* Phil Kamlarz, City Manager

Submitted by: Chris Mead, Director, Information Technology

Subject: Contract: Telephone System Completion

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to execute a contract and any amendments with Nexus Inc. for the completion of the City of Berkeley's telephone system in an amount not to exceed \$455,000 for the period January 1, 2006 through to June 30, 2007.

FISCAL IMPACTS OF RECOMMENDATION

The acquisition of the telephone system was originally part of the Department of Public Work's Capital Project's budget, and was re-allocated to the Department of Information Technology's budget in 2001. Additional amounts were contributed to the overall phone system budget by departments that required substantial additional equipment or changes to the installed system.

Budget Codes: General Fund (010-2751-410-7044)	\$202,000
(010-3301-410-3038)	\$50,000
Capital Improvement Fund (610-2751-410-7044)	\$203,000
Total	\$455,000

There are three components to the total amount of \$455,000

1. Final payment of balance for original telephone system \$180,000
2. Payment for additional work (already-installed upgrades) \$175,000
3. New IP Telephony gateway and pilot program \$100,000

CURRENT SITUATION AND ITS EFFECTS

In 1999, Council set the spending limit for the telephone system at \$1.87 million. Staff is seeking to execute a new agreement for \$455,000 with Nexus, the vendor that took over the original telephone contractor [Exp@nets](#) Inc., effectively increasing the 1999 limit by \$275,000. (Presently, \$1.69 million of the originally authorized \$1.87 million has been paid to the vendor.)

There are two reasons for this request:

First, the City's telephone system has been considerably expanded beyond its original specifications. (The largest expansion has been the provisioning of 1947 Center Street. Additionally, many departments asked for features that were not included in the original design.) As a result of these additions, the original 1999 spending limit has been exceeded by \$175,000. Payment of the extra \$175,000, plus a final installment of \$180,000 on the original \$1.87 million, will complete the City's payments for the current telephone system. Clearly staff should have sought Council authority to increase the scope of the contract when it became apparent that the original contract amount was going to be exceeded, and staff will be more diligent monitoring future contracts. However, it should be emphasized that the work covered by the extra \$175,000 was budgeted by the relevant departments.

The second reason for additional expenditure is that staff proposes to ready the system to handle the next generation of telephone equipment known as "IP Telephony." Unlike current telephones, IP phones use the Internet as the vehicle for transmitting signals. As a consequence, each handset plugs into a computer network outlet rather than a telephone plug. The cost of the IP Telephony connection to the current system, plus a departmental pilot program is \$100,000

IP Telephony has many long-term advantages:

- Only one cabling infrastructure – the computer network – is required. (Presently, all the City's telephones run over a separate, duplicate cable network.)
- All further additions to the telephone network, particularly to remote offices, will cost far less. Savings could be as high as \$15,000 per location.
- The central switch is simply a program running high-reliability computer server, so administration and maintenance costs are lower than for a PBX.
- Much tighter integration is possible between phone calls and computer systems. This has the potential for improving customer service by, for example, automatically accessing billing information as soon as a call is received.

Staff did review the possibility of moving into IP telephone in 1999 when the current system was acquired. However, in 1999, IP telephony was still in its infancy and not ready at that time to support mission-critical systems. In the intervening six years, the technology has matured dramatically and is now used by many large corporations. The present drive to adopt IP telephony is indeed part of a larger movement of technological convergence that will finally embrace all media including voice, data, and video running on optical fiber digital networks.

Staff proposes to contract with Nexus to install a bridge between IP Telephony and the current system and to build a pilot project. In this way, new telephones that are added to the City's system can be IP devices, yet they will still be able to use the features of the current system. This approach will allow the incremental migration to IP Telephony without the need for an abrupt cutover at some point in the future.

[Exp@nets](#) Inc., the company that won the original competitive bid and installed the telephone system in 1999, ceased trading under that name in 2003. The company went through a complex series of mergers, and its client base and receivables have been taken over by Nexus Inc. Staff is therefore seeking Council authority to make payment to and complete the City's telephone system with the new company. Nexus also inherited [Exp@nets](#)' technical staff and maintenance records. This fact, plus the company's proven track record in IP telephony, makes them the natural choice to expand the City's current telephone system. Staff therefore requested the City Manager to waive the RFP process for this acquisition.

BACKGROUND

The City of Berkeley's current telephone system was chosen by competitive bid in 1999 as part of the major capital projects programs that were undertaken at that time. (The two principal components of the capital program were the new Public Safety Building and the seismic retrofit of the MLK Civic Center.) The system is a PBX (Private Branch eXchange) that executes many of the functions traditionally handled by the phone company including voice mail, direct extension dialing, call forwarding, and call routing. In the past, each of these features was supplied by the phone company, SBC (formerly Pacific Bell), as a billable item. The subsequent savings, plus other initiatives to control phone costs, have lead to a reduction in the City of Berkeley's annual phone bill from a peak of over \$900,000 in 1999 to an average of \$300,000 to \$400,000 today.

ALTERNATIVE ACTIONS CONSIDERED

The City could simply pay Nexus \$355,000, the balance for the work on the current system, and not install the IP Telephony gateway. However, towards the end of this decade, the current system will be approaching the end of its operational life and will have to be replaced. By installing an IP gateway now, we will be well positioned the effect a gradual non-disruptive upgrade at a lower cost than purchasing a whole new system in, say, 2009. Further, it should be noted that the cost of acquiring the IP equipment as a stand-alone deal would be significantly higher than \$100,000, and Nexus is deeply discounting the price as part of a complete package that includes the final payment for the current system.

CONTACT PERSON

Chris Mead, I.T. Director.....981-6510

Attachment:  
1: Resolution

RESOLUTION NO. -N.S.

CONTRACT AND AMENDMENTS WITH NEXUS INC. FOR COMPLETION OF THE  
CITY'S TELEPHONE SYSTEM

WHEREAS, the City of Berkeley's telephone system is essential to the Administration; and

WHEREAS, partial payment to Nexus Inc. for the telephone system is still outstanding; and

WHEREAS, Nexus Inc.'s predecessor, Exp@nets Inc., was chosen by competitive bid in 1999 to install the City of Berkeley's telephone system; and

WHEREAS, on July 25, 1999, the Council of the City of Berkeley adopted a resolution approving a bid of \$1.87 million for the City's telephone system by [Exp@nets](#) Inc.; and

WHEREAS, the City should position itself to be ready for the next generation of telephony; and

WHEREAS, funds are available in the General Fund (\$252,000) and the Capital Improvement Fund (\$203,000); CMS No. PRARC.

NOW THEREFORE, BE IT RESOLVED that the Council of the City of Berkeley authorizes the City Manager to enter into an agreement with Nexus Inc. for a total not to exceed \$455,000 for the period January 1, 2006 to June 30, 2007. A record signature copy of said agreement and any amendments to be on file in the office of the City Clerk.