

DATE ISSUED: November 15, 2000

REPORT NO. 00-231

ATTENTION: Honorable Mayor and City Council
Docket of November 20, 2000

SUBJECT: Selection of Wireless Telephone Service and Equipment Provider

REFERENCE: City Council Docket of May 1, 2000, City Manager Report No. 00-87,
dated April 26, 2000

SUMMARY

Issue - Should the City Manager enter into an agreement for wireless telephone services and equipment with Verizon Wireless?

Manager's Recommendation - Authorize the execution of a requirements contract with Verizon Wireless to provide wireless telephone services and equipment for an initial period of two years with three one year renewal options.

Other Recommendations - None

Fiscal Impact - This is a requirements contract with specified rates for wireless telephone service and equipment. Based upon rates proposed and projected City usage of wireless telephone service, the estimated fiscal impact to the City of San Diego for a two year period is approximately \$1,000,000.

BACKGROUND

On May 8, 2000 the City issued a Request For Proposal and Partnership (RFP) for Wireless Communications Goods and Services. Four responses were received by the June 15, 2000 deadline. The wireless providers that submitted proposals are GTE Wireless, Nextel, Pacific Bell Wireless and Verizon Wireless. The responses were reviewed and analyzed by staff to determine whether the proposals met the requirements for cellular/PCS equipment and services outlined in the RFP. All four responses met these requirements and it was determined each of the proposers could provide the City with a high level of wireless telephone service and equipment.

DISCUSSION

The City of San Diego currently has approximately 1,450 active lines of wireless telephone service. Over the past few years, the use of wireless telephone service has increased as the technology has improved and the City has been able to utilize this technology to improve efficiency of staff.

Since we are continuing to see technical improvements and rapid advancements in wireless technology, it is highly desirable that the City only enter into a two year commitment for service at this time, with renewal options if it is determined in the City's best interests to continue beyond the initial two year commitment. This will allow flexibility to the City as further wireless services and equipment enter the marketplace and our needs for technology change and/or grow.

To clarify each proposal, a series of meetings were held with all four respondents and they were requested to provide their best pricing proposal and service plans during the meetings. Each vendor was provided with the assumption that over a five year period, the City would experience a 20% growth in wireless telephone use. Staff then analyzed the four proposals to determine which best met the City's needs based upon current usage and anticipated growth of use and selected the service plan for each vendor which was the most cost effective proposal for the City based upon this criteria. The following summarizes this estimated cost analysis for wireless telephone service:

In addition, each vendor was required to provide free cellular/PCS phones under the RFP and in addition to meeting this requirement, Verizon Wireless will also provide each user a vehicular cigarette lighter adapter free of charge. This adds another \$42,000 to the value of Verizon's proposal.

Verizon Wireless proposed a service plan, “The City of San Diego Shared Bundled Minute Price Program,” which provides the City blocks of minutes of cellular service time and also has the following service features:

- Caller ID
- Call Waiting
- Call Forwarding
- Three-Way Conference Calling
- Voice Mail with Pager Notification
- 1,000 Mobile to Mobile Minutes Free
- Free Enhanced Voicemail (normally \$3.95/mt. per line of service)
- 5-State Home Calling Area consisting of (CA, NV, AZ, NM and HI)

Based upon the final proposals submitted by each provider and staff’s analysis of the resulting comparative costs to the City for wireless telephone service and equipment, the proposal submitted by Verizon Wireless is the most cost effective for the City.

In addition to providing the City high quality wireless services and equipment, Verizon Wireless has committed to work with staff as a technology partner and will provide the following under the terms of the Contract:

Share Technology - Verizon Wireless will schedule regular technology updates with the City to discuss various changes within the wireless industry, new technologies being developed, the time frames when they will become available and impacts these technologies will have on the City. These updates will focus on testing and evaluation strategies, budgeting information and implementation strategies.

Train Technical Staff - Verizon Wireless will provide ongoing training for City technical staff. General technology sessions will provide a broad base level training for employees. Detailed training will be provided for new products. This training will include operational and support issues and various troubleshooting strategies.

Test New Products - The City will be included in Verizon Wireless’s evaluation process of new services and devices. Testing methods and time periods will be discussed and agreed to based upon the specific product and the expected needs of the City.

The City’s RFP asked proposers if they were interesting entering into a marketing partnership with the City of San Diego. Each of the four proposers indicated an interest in pursuing partnership discussions. Discussion of the marketing partnership opportunities and the service/equipment delivery opportunities were held separately, but concurrently. The City’s Director of Development and The Pathfinder Group, the City’s consultant to the MMPP, worked solely on negotiating the marketing partnership. Concurrently, IT&C staff negotiated the equipment and services agreement. A proposed Marketing Partnership Agreement with Verizon Wireless is being docketed for Council approval as a separate companion item and is described in a companion City Manager Report. It should be noted that Verizon’s marketing partnership proposal was also clearly the best of the four received. If adopted by the Council, under the

Marketing Partnership Agreement, Verizon will pay the City \$200,000 per year for each year that Verizon has the wireless telephone contract.

ALTERNATIVE

Do not approve the wireless telephone service agreement with Verizon Wireless.

Respectfully submitted,

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Information Technology
& Communications Director

Approved: Dianah Neff
Deputy City Manager/CIO

REW/sjl