



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: July 29, 2011

IBA Report Number: 11-47

City Council Docket Date: August 2, 2011

Item Number: TBD

Verizon Wireless Contract Extension

OVERVIEW

On August 2, 2011, the City Council will be asked to approve an ordinance for a month-to-month contract extension with Verizon Wireless for wireless communication goods and services including commercial wireless telephone service. The contract extension would be for an amount not-to-exceed \$125,000 a month for a six-month period ending March 8, 2012. Sufficient funds have been appropriated in the FY 2012 General Fund Budget to cover the requested contract extension.

The City and Verizon Wireless entered into an agreement to provide wireless telephone and equipment services for up to five years, effective December 1, 2005. The contract expired November 30, 2010. Last March, staff requested Council authorize a one-year extension retroactively from the contract expiration date to complete the Request for Proposal (RFP) process. On March 8, 2011, a motion was unanimously approved by Council to limit the requested extension to six months with a new expiration date of September 8, 2011. In addition, Council requested staff return to Committee with a needs assessment, utilization analysis and cost efficient options for City cell phone use (Use and Options Study).

In an effort to better understand the current request for a month-to-month contract extension and staff's response to Council direction provided in March, the IBA spoke with the Communications Division of the General Services Department. This report provides additional information regarding the status of the RFP process as well as an update on the Use and Options Study requested by Council.

FISCAL/POLICY DISCUSSION

The Communications Division provides lifeline voice and data communications to emergency responders in San Diego and coordinates mobile voice and data services for all City departments.

Verizon wireless is one of three (Verizon, AT&T and Sprint/Nextel) vendors that provide wireless communications goods and services. The current AT&T and Sprint/Nextel contracts were extended through February 2012. With a goal of reducing operating expense, staff intends to recommend a single vendor be the wireless services provider for the City. As indicated by staff, the Department is working to conclude a competitive process following the issuance of an RFP on February 24, 2011.

In facilitating the RFP process, staff solicited interest in potential marketing partnerships from responding vendors. If a new marketing partnership opportunity results, the Corporate Partnership Program Director would return with a separate agreement for the marketing partnership. The Council may wish to inquire about the possibility of a new wireless marketing partnership.

Use and Options Study

In discussing the status of the requested Use and Options Study, staff informed the IBA that the study is in progress and they hope to present their analysis to the Budget & Finance Committee in September 2011. The study will include a review of current City cell phone needs and an analysis of current City cell phone use.

With respect to current cell phone use, assigned employee cell phones are allotted 400 minutes on a monthly basis. Individual minutes are then pooled together and reviewed on the department level by the Communications Division. The Division evaluates departmental usage as it relates to pooled minutes in order to monitor/control costs. The Use and Options Study will review individual usage and determine whether a less expensive service plan alternative exists to reduce costs for those departments not utilizing their full allocation of minutes.

At the March 8, 2011 Council meeting, Communications Division staff was asked to assess the possible use of stipends for employees with personal cell phones. In discussing this request with staff, the IBA learned that the use of stipends will not be explored in the Use and Options Study but will be reviewed as part of an update to the Administrative Regulation for Office and Wireless Telephones (A.R. 90-20). Council may wish to request further information regarding the use of stipends as it is unclear when A.R. 90-20 will be updated or how that information might relate to the selection of a new wireless service provider.

FY 2012 Budget

The Mayor’s FY 2012 May Revise, released on May 19, 2011, included a budgetary savings of \$200,000 for cell phone use. Staff indicated that these savings will continue to be realized irrespective of the pending recommendation for a new wireless service contract. The table below identifies those General Fund departments receiving a cell phone expenditure reduction in the FY 2012 budget.

Reductions in Cell Phone Expenditures Included in the Mayor's FY 2012 May Revise	
General Fund Department	Reduction Amount
Park and Recreation	\$ 60,000
Environmental Services	\$ 30,000
Public Works-Engineering and Capital Projects	\$ 30,000
Transportation and Storm Water	\$ 50,000
Public Works-General Services	\$ 30,000
Total:	\$ 200,000

It should be noted that the above reductions were taken as a budgetary action to reduce cell phone expenditures. The Use and Options Study may identify/result in additional cost reductions as usage is better understood and allotted minutes are optimized. For example, since the Council's action to extend the Verizon contract last March, the Communications Division has informed the IBA that they have eliminated \$15,000 of expense related to cell phones that were not being utilized.

CONCLUSION

The Council is being asked to approve an ordinance for a month-to-month contract extension with Verizon Wireless for wireless communication goods and services including commercial wireless telephone service.

When asked the implications of City Council not approving the requested contract extension, staff responded that: 1) potentially 3,000 cell phones and other wireless devices would be impacted; 2) there would be insufficient time (requires at least two months) to facilitate a complete transition to one of the other existing service providers; and 3) "air cards" used by public safety and other personnel would be impacted. If quick transition to one of the other services providers were to be accomplished, it should also be noted that a new wireless service contract would still be required on or before February 2012.

With the understanding that staff will present their Use and Options Study to the Budget and Finance Committee in September 2011, the IBA recommends approval of the requested contract extension in order to avoid the cited adverse service implications.

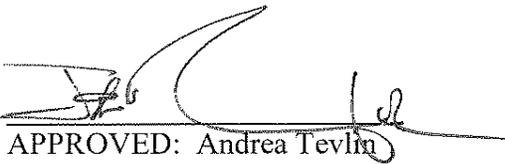
Following up on discussion from the Council meeting in March 2011, the Council may wish to inquire as to the possibility of a new wireless marketing partnership and/or request further information regarding the use of stipends for employees with personal cell phones. Finally, we note that this report was prepared using draft docket information and discussions with staff. Final docketed materials had yet to be released when this report was issued.



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