**Agenda – Council – July 22, 2009**

**Report – Executive Policy Committee – July 8, 2009**

**Item No. 3 Award of Contract – FleetNet Radio Services**
**eFile GL-9**

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 8, 2009, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submits the following to Council:

1. That the Business Technology Services Division within the Corporate Support Services Department be authorized to negotiate, without solicitation, with MTS Allstream Inc., and since negotiations were satisfactory, that a contract from October 1, 2009 to December 31, 2014 be awarded to MTS Allstream Inc. for the provision of FleetNet Radio services for City of Winnipeg departments.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

## Report – Executive Policy Committee – July 8, 2009

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 8, 2009, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

# ADMINISTRATIVE REPORT

**ISSUE:** **SINGLE SOURCE NEGOTIATIONS AND AWARD OF CONTRACT FOR THE PROVISION OF FLEETNET RADIO SERVICES**

**Critical Path:** **Executive Policy Committee - Council**

## AUTHORIZATION

| Author | Department Head | CFO | CAO |
|---|---|---|---|
| E. Richardson | L. Black | M. Ruta | A. Robinson<br>Deputy CAO |

## RECOMMENDATIONS

1. That the Business Technology Services Division within the Corporate Support Services Department be authorized to negotiate, without solicitation, with MTS Allstream Inc., and since negotiations were satisfactory, that a contract from October 1, 2009 to December 31, 2014 be awarded to MTS Allstream Inc. for the provision of FleetNet Radio services for City of Winnipeg departments.

## IMPLICATIONS OF THE RECOMMENDATIONS

Two-way communications are essential to the operation of the Winnipeg Police Service and the Winnipeg Fire Paramedic Service. The only alternatives available are to enter into an agreement for service from MTS Allstream Inc. or design and build a City owned infrastructure.

## HISTORY

In 1996, the City began the process to replace the aging police two-way radio communication system. Bid Opportunity 96-070B was issued to solicit bids from suppliers offering various technologies. After a lengthy evaluation, the contract was awarded to MTS Mobility Inc. and their FleetNet communication service. The contract provided for 10 years of FleetNet service commencing on the date of acceptance by the City of all system tests and installation requirements being satisfied. This acceptance was formalized on July 1, 1999 which set the effective contract period as July 1, 1999 to June 30, 2009.

The FleetNet communication system provides two-way radio coverage over 75% of the total area of Manitoba, including all major Cities, towns and provincial highways. The federal and provincial governments have adopted this network as their principal communication network for two-way radio. All provincial fire departments, provincial ambulances, and municipal police departments utilize this Network. The RCMP and Manitoba Health have recently negotiated contract extensions with MTS with termination dates in 2016. MTS is obligated to maintain the current network infrastructure through to the end of 2014 and plans to begin a major system upgrade prior to 2016.

An initial capital expenditure of $3,933,703 by the Winnipeg Police Service was used by MTS to expand their network and allowed them to offer the WPS a fixed annual operating lease of $94,600 for 10 years.

In 2000, The Winnipeg Fire Paramedic Service adopted the FleetNet system with an initial capital acquisition of $1,480,000. By the end of 2008, capital expenditures by the WPS and WFPS for radios and infrastructure have pushed the total to $9.9 Million.

The Winnipeg Police Service relies on the interoperability of communications between the RCMP, East St. Paul Police, CN Rail Police, CP Rail Police and the Provincial Arson Task Force.

The Winnipeg Fire Paramedic Service relies on the interoperability capabilities with Manitoba Health, Office of the Fire Commissioner, Winnipeg Airport Authority, and 17 Wing of the Canadian Armed Forces.

Since 2000, the Winnipeg Park Police and the Winnipeg Parking Authority have also begun using the FleetNet service. The total number of City radios on the FleetNet system is 1370 radios.

If the City elects to not establish a contract for future FleetNet services, a new communication systems infrastructure would have to be acquired or another alternative service found. Planning, construction and testing of new infrastructure would take a minimum of 12 months. The estimate cost to purchase and install equivalent communication infrastructure is estimated at $7.9 million. To maintain and operate the equivalent infrastructure would require 3 additional City Staff ($240,000) plus an annual operating cost of $156,000/

Construction of an exclusive City of Winnipeg infrastructure would make interoperability with external agencies difficult. Either the City or external agency would require a second radio operating on the other agencies network. A city owned private infrastructure would limit coverage to the City only and the ability to roam outside of Winnipeg would be eliminated.

Currently there are no alternative networks of appropriate Public Safety quality available in Winnipeg.

Discussion between MTS Allstream and The City over the terms of a new contract began in June of 2008. The pricing and service terms were finally presented to the City in June 2009. Since this contract requires approval of Council, and approval could not be obtained prior to the contract expiration, a 3 month extension to the existing contract was requested. Legal Services concurred with this approach to dealing with the imminent expiration of the contract and the Manager of Materials approved the 3 month extension.

Initial offers from MTS Allstream Inc. are for monthly operating costs of $22 per month per radio for the 1370 radios.

Based on current projections for cost and the number of radios, the cost per month to The City would be $33,000 per month or $396,000 per year. The table below compares the current operating cost and number of radios versus the projected values.

| Department | Radios 2008 | Current annual operating cost | Radios 2009 | Estimated new operating cost |
|---|---|---|---|---|
| WPS | 920 | $94,600* | 1000 | $264,000 |
| WFPS | 380 | $89,000 | 420 | $110,880 |
| WPA | 56 | $12,096 | 66 | $17,424 |
| Parks Police | 14 | $3,024 | 14 | $3696 |
| **Totals** | 1370 | $198,720 | 1500 | $396,000 |
| | | | | |

* (w/o original capitalized investment this would be ~$200,000)

Commencing October 1, 2009 the Winnipeg Police Service can expect a 179% increase because it will no longer have a credit for its original capitalized investment. Other departments will see a 22.2% increase.

Total operating cost to extend the contract through December 31, 2014 would be approximately $2,178,000.00. This is significantly lower than the $5.9 million minimum capital investment plus the $1.98 million in operating costs required to construct a City owned infrastructure.

Section B4:1 of the Materials Management Policy provides: A supply to be made to the City may be negotiated without the solicitation of competitive offers where the Chief Administrative Officer determines that, it is appropriate/necessary and that:

(f) The compatibility of a supply with existing property or services is the paramount consideration and that supply is available only from a single supplier; or

Funding for this project has been scheduled and has been identified in the 2009 and 2010 Projections for the Operating Budget.

## FINANCIAL IMPACT

**Financial Impact Statement** **Date:** June 8, 2009

**Project Name:** **First Year of Program** 2009

**Single Source Negotiations and Award of Contract for the Provision of Two-Way Radio Communication Services**

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 and Beyond |
|---|---|---|---|---|---|---|
| **Capital** | | | | | | |
| Capital Expenditures Required | $ - | $ - | $ - | $ - | $ - | $ - |
| Less: Existing Budgeted Costs | - | - | - | - | - | - |
| Additional Capital Budget Required | $ - | $ - | $ - | $ - | $ - | $ - |
| **Funding Sources:** | | | | | | |
| Debt - Internal | $ - | $ - | $ - | $ - | $ - | $ - |
| Debt - External | - | - | - | - | - | |
| Grants (Enter Description Here) | - | - | - | - | - | - |
| Reserves, Equity, Surplus | - | - | - | - | - | - |
| Other - Enter Description Here | - | - | - | - | - | - |
| Total Funding | $ - | $ - | $ - | $ - | $ - | $ - |
| Total Additional Capital Budget Required | $ - | | | | | |
| Total Additional Debt Required | $ - | | | | | |
| **Current Expenditures/Revenues** | | | | | | |
| Direct Costs | $ 55,440 | $ 110,880 | $ 110,880 | $ 110,880 | $ 110,880 | $ 110,880 |
| Less: Incremental Revenue/Recovery | - | - | - | - | - | - |
| Net Cost/(Benefit) | $ 55,440 | $ 110,880 | $ 110,880 | $ 110,880 | $ 110,880 | $ 110,880 |
| Less: Existing Budget Amounts | 55,440 | 110,880 | 110,880 | 110,880 | 110,880 | 110,880 |
| Net Budget Adjustment Required | $ - | $ - | $ - | $ - | $ - | $ - |

**Additional Comments:** This financial impact statement represents the Winnipeg Fire Paramedic Service share of the contract based on the operating costs for 420 radios effective July 1, 2009.

(Original signed by ) Bodo Roloff

Manager of Finance & Administration

## Financial Impact Statement — Date: June 7/09

**Project Name:** — **First Year of Program** 2009

**Single Source Negotiations and Award of Contract for the Provision of Two-Way Radio Communication Services**

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| **Capital** | | | | | |
| Capital Expenditures Required | $ - | $ - | $ - | $ - | $ - |
| Less: Existing Budgeted Costs | - | - | - | - | - |
| Additional Capital Budget Required | $ - | $ - | $ - | $ - | $ - |
| **Funding Sources:** | | | | | |
| Debt - Internal | $ - | $ - | $ - | $ - | $ - |
| Debt - External | - | - | - | - | - |
| Grants (Enter Description Here) | - | - | - | - | - |
| Reserves, Equity, Surplus | - | - | - | - | - |
| Other - Enter Description Here | - | - | - | - | - |
| Total Funding | $ - | $ - | $ - | $ - | $ - |
| Total Additional Capital Budget Required | $ - | | | | |
| Total Additional Debt Required | $ - | | | | |
| **Current Expenditures/Revenues** | | | | | |
| Direct Costs | $ 141,240 | $ 282,480 | $ 282,480 | $ 282,480 | $ 282,480 |
| Less: Incremental Revenue/Recovery | - | - | - | - | - |
| Net Cost/(Benefit) | $ 141,240 | $ 282,480 | $ 282,480 | $ 282,480 | $ 282,480 |
| Less: Existing Budget Amounts | 141,240 | 282,480 | 282,480 | 282,480 | 282,480 |
| Net Budget Adjustment Required | $ - | $ - | $ - | $ - | $ - |

**Additional Comments:**

Police has budgeted the lease costs in account 001-527010-224361-291. Includes PST.

original signed by Ron Smolik Jun 7/09

Controller/Manager of Finance

## CONSULTATION

**In preparing this Report there was consultation with:**

Winnipeg Police Service
Winnipeg Fire Paramedic Service
Winnipeg Parking Authority
Corporate Finance - Materials Management Branch
Legal Services Division

## SUBMITTED BY

| | |
|---|---|
| Department: | Corporate Support Services |
| Division | Business Technology Services |
| Prepared by: | E. Richardson |
| Date: | June 26, 2009 |
| File: | |