Agenda – Executive Policy Committee – June 8, 2016

REPORTS

Item No. 8 Over-Expenditure Authorization – Provision of Telephone System Infrastructure, Related Equipment and Systems and Cellular Wireless Services

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That the Executive Policy Committee approve an over-expenditure amount of $1,300,000 (plus MRST and GST) on the contract for the provision of Telephone System Infrastructure, Related Equipment and Systems, and Cellular Wireless Services - Bid Opportunity 695-2012 - Section A with MTS Inc. from December 1, 2013 to November 30, 2016.

2. That the increased contract authority will be funded through the existing budgets of the various user departments.

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

ADMINISTRATIVE REPORT

Title: Request for Over-Expenditure Authorization for the Provision of Telephone System Infrastructure, Related Equipment and Systems and Cellular Wireless Services - Bid Opportunity 695-2012 - Section A.

Critical Path: Executive Policy Committee

AUTHORIZATION

Author	Department Head	CFO	CAO/COO
D. Hamm	S. West Acting Director	M. Ruta	M. Jack COO

RECOMMENDATIONS

1. That the Executive Policy Committee approve an over-expenditure amount of $1,300,000 (plus MRST and GST) on the contract for the provision of Telephone System Infrastructure, Related Equipment and Systems, and Cellular Wireless Services - Bid Opportunity 695-2012 - Section A with MTS Inc. from December 1, 2013 to November 30, 2016.

2. That the increased contract authority will be funded through the existing budgets of the various user departments.

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

REASON FOR THE REPORT

As the accumulated amount for the contract exceeds $5,000,000, Executive Policy Committee approval is required.

EXECUTIVE SUMMARY

While the public service is seeking increased contract award authority, it is not in a situation of over-expenditure in the traditional sense as the incremental costs, which have accumulated over the period of the contract, will continue to be funded through the existing budgets of the various user departments and special operating agencies.

The contract value of $4,174,785 for RFP 695-2012 Section A – Cellular Voice Only and Voice Data was estimated based on the quantity of usage of cellular voice and voice+data hardware and network services at the time of award in 2013.

Over the course of the contract, departments and special operating agencies have found that investments in smartphones gain efficiencies/better business practices, particularly for mobile and/or on-call employees and provide for flexible working arrangements (e.g., managing mobile work requirements and after-hours situations using a smartphone rather than commuting back and forth to the workplace to access online information). Based on analysis, this additional demand will result in the need to increase the three-year, cumulative contract value for RFP 695-2012 Section A by approximately $1,300,000.

As a result of its review of the issue, Corporate Support Services has already enhanced its process for review of future estimates in collaboration with the user departments and agencies, to increase the accuracy of such usage estimates.

IMPLICATIONS OF THE RECOMMENDATIONS

RFP 695-2012 Section A terminates November 30, 2016, and based on current spending the City will exceed the Section A contract value prior to the contract termination date.

HISTORY

On November 20, 2013 Council approved the Award of Contract for Provision of Telephone System Infrastructure, Related Equipment and Systems, and Cellular Wireless Services - Bid Opportunity 695-2012. Evaluation of RFP 695-2012 was performed using estimates based on past usage of cellular and landline telephone products and services at the time the RFP was awarded.

Section A of RFP 695-2012 was awarded to MTS Inc. for the provision of cellular voice and voice+data network hardware and services.

City departments make purchases under the contract for Section A on an as-required basis. Costs are paid for by the requesting department, funded by their existing operating budgets. Corporate Support Services is the central administrator of the contract and is seeking to adjust the contract based on departmental service consumption that has accumulated over the course of almost three years.

Since the original contract award, smartphone technology and trends in its use have evolved, leading to increased use and benefits from mobile office capabilities. Thus, there has been a shift to use of smartphones, which has resulted in an increase in hardware and voice/data plan spending (there has been an approximate 30% increase in the use of smartphones and a corresponding 30% decrease in the use of regular cell phones since 2013).

The growth in smartphone adoption was not experienced in past contracts, and no indication of such growth potential was present at the time of the contract award. Departments and special operating agencies are increasingly likely to opt for iPhones for new and existing employees based on the following and other business benefits available from the technological advances since the contract award. iPhone technology provides efficiencies enabling mobile office capabilities (particularly for mobile and/or on-call employees), and can reduce labour and fuel costs for travel time in many instances. A few examples from across the public service:

- Many areas with mobile and on-call employees, and employees assigned to work in emergency preparedness functions, experience greater productivity by the ability to access and share information, task lists, situation reports, reminders, and contact lists, for more effective communication when on duty but away from the workplace.
- During the recent implementation of Voice over Internet Protocol (VoIP) desk phones, some areas removed landlines for staff with smartphones, to reduce costs.
- In some areas, smartphones are provided only to staff with responsibilities outside work environment so they can efficiently communicate by email, text and voice; the data plan can be omitted in some cases when practical to use only wi-fi connections.
- Some field staff have been assigned smartphones to replace cameras (i.e., for inspections and similar work requiring photo documentation), and removed landlines to work more efficiently and reduce expenses.
- Some mobile staff have been assigned smartphones and access documentation (e.g., email, permit applications and building plan documents) for more efficient and mobile workflow.
- Some areas use “tethering” function of smartphones for temporary internet connection of laptop computers, allowing connection at lower cost than dedicated data plans for laptops. Some areas have reduced the need for laptops by using smartphones and tablets.

Mobile devices like smartphones are provided primarily as business tools to enhance productivity, and their use is governed by Administrative Standard IT-007 – City of Winnipeg Mobile Device Usage. The accumulated and forecasted increase of use of iPhones and cellular voice and voice+data network services results in the need to increase the contract value to RFP 695-2012 Section A by approximately $1,300,000.

An enhanced estimation process involving departmental stakeholders has been implemented to monitor trends and usage to more accurately predict estimates for future contracts.

The contract is on an "as required" basis and does not commit the City to purchase any fixed quantity. In the opinion of the Department, the contractor has the skills and resources to satisfactorily complete the Work.

FINANCIAL IMPACT

Financial Impact Statement

Date: May 30, 2016

Project Name:

First Year of Program **2016**

Request for Over-Expenditure Authorization for the Provision of Telephone System Infrastructure, Related Equipment and Systems and Cellular Wireless Services - Bid Opportunity 695-2012 - Section A

	2016	2017	2018	2019	2020
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	$ 1,404,000	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 1,404,000	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	1,404,000	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

1. The recommendation is requesting for an over-expenditure amount of $1,300,000 (plus MRST and GST) on the contract with MTS Inc. for the provision of Telephone System Infrastructure, Related Equipment and Systems, and Cellular Wireless Services (Section A of Bid Opportunity 695-2012). The supplier will collect GST and MRST. However, GST is not included in the above costs as the City receives 100% rebate on this tax.

2. Funding for this over-expenditure is through the existing budgets of the various user departments. The financial impact will have to be managed by the user departments on an individual basis. The contract is on an "as required" basis and does not commit the City to purchase any fixed quantity.

Original signed by R. Hodges

Ramona Hodges
Manager of Finance (Campus)
Corporate Finance

CONSULTATION

In preparing this report there was consultation with:

Legal Services Department (as to legal issues)
Materials Management Division, Corporate Finance

OUR WINNIPEG POLICY ALIGNMENT

This request aligns with OurWinnipeg Policy 01-2 Safety and Security, by providing funding for infrastructure that ensures that emergency preparedness, response and recovery support and services are available.

SUBMITTED BY

Department:	Corporate Support Services
Division:	Connectivity – Communication Systems Branch
Prepared by:	D. Hamm
Date:	May 30, 2016