

REGULAR COUNCIL

TO: **Mayor & Council** DATE: **May 1, 2018**

FROM: **General Manager, Corporate Services** FILE: **1355-100**

SUBJECT: **TELUS Communications Company Wireline Voice Services – Contract Renewal**

RECOMMENDATION

The Corporate Services Department recommends that Council:

1. Approve a three-year contract renewal to the TELUS Communications Company for Wireline Voice Services at a total (three year) cost of \$603,929 including GST;
2. Set the expenditure authorization limit for the Wireline Voice Services Contract with the TELUS Communications Company at \$664,500 (including contingency and GST); and
3. Delegate authority to the General Manager, Corporate Services Department to execute a contract renewal for a three-year term to the TELUS Communications Company for Wireline Voice Services.

INTENT

This report seeks Council authority for a contract renewal with the TELUS Communications Company (“TELUS”) for services associated with local and long distance voice services, for a term of three years.

BACKGROUND

In late 1997, the City entered into an agreement with TELUS, for wireline (landline) voice services, following a competitive procurement process. The term of the agreement was for 5 years from November 1997 to November 2002.

In late 2003, the City renewed the agreement with TELUS, for a term of 5 years, retroactive to November 2002 (Corporate Report No. R228: 2003 is attached as Appendix “I”). Each renewal since then has occurred on an annual basis (for a one year term).

DISCUSSION

In 2017, TELUS submitted a renewal proposal that, in addition to price reductions, included options for either a one, three, or five-year renewal term.

- The one-year renewal option offered no cost savings to the City;
- The three-year term renewal option demonstrated a total savings of \$212,174 (representing an annual savings of \$70,725) including GST; and
- The five-year renewal option demonstrated a total savings of \$380,978 (representing an annual savings of \$76,196) including GST.

Since the City's existing telephone (landline) system is scheduled to reach end of life in 2020, it was determined that a three-year renewal to the Wireline Voice Services contract will allow the City to realize financial savings and be positioned to consider emerging, competitive service alternatives during an anticipated tender for a replacement phone system in 2021.

At present, emerging competitive service alternatives are not feasible because they require a transition investment, in time and cost, which negate potential financial savings.

Further, a competitive process was not tendered because the City of Surrey's *Purchase and Expenditure Authorization By-Law No. 16535* allows for a recurring non-competitive expenditure associated with Utilities including:

- Telephones;
- Communications; and
- Cable and Satellite Services.

Based on the above, it is recommended that the City renew its contract with TELUS for a three-year term.

FUNDING

Funding for this contract extension is available in the annual Corporate Services IT Operating Budget.

SUSTAINABILITY CONSIDERATIONS

Renewing the Contract will support the City's Sustainability Charter 2.0, specifically the following Corporate Sustainability objective:

- Objective #7: Integrate sustainable purchasing into our way of business.

CONCLUSION

The Corporate Services Department recommends that Council:

1. Approve a three-year contract renewal to the TELUS Communications Company for Wireline Voice Services at a total (three year) cost of \$603,929 including GST;
2. Set the expenditure authorization limit for the Wireline Voice Services Contract with the TELUS Communications Company at \$664,500 (including contingency and GST); and
3. Delegate authority to the General Manager, Corporate Services Department to execute a contract renewal for a three-year term to the TELUS Communications Company for Wireline Voice Services.

Rob Costanzo
General Manager, Corporate Services

Appendix "I" - Corporate Report No. R228: 2003



Corporate Report

APPENDIX "I"
CITY MANAGER'S
DEPARTMENT
NO: R228

COUNCIL DATE: Nov. 3/03

REGULAR COUNCIL

TO: Mayor & Council DATE: October 15, 2003
FROM: General Manager, Finance, Technology & HR FILE: 2320-20
SUBJECT: Telus Centrex Service Renewal

RECOMMENDATION

That Council authorize staff to renew the Telus Centrex agreement to sustain the current telephone service at locations throughout the City of Surrey for a total cost of up to \$1,600,000 CDN for five years including GST and PST.

BACKGROUND

The City currently spends \$319,400 annually for the existing Centrex service with Telus. This includes service to Parks, Recreation & Culture facilities, remote access lines at all fire halls, RCMP district offices, and several storm water management lines. Our five-year agreement with Telus expired in November 2002 and renewal options have been evaluated. Telus is the only telephone company in British Columbia that offers this service.

DISCUSSION

The City uses two types of telephone technology to suit different needs – Private Branch Exchange (PBX), and Centrex. The City has entered into a variety of contracts using PBX for services throughout the City Hall Building, RCMP Detachment, works yard and fire halls. Centrex is used at all the PRC facilities and RCMP district offices. Seven years ago, the City sent out an RFP to replace all of the individual telephone systems in the Parks, Recreation & Culture facilities. Based on the City's business requirements (features, reliability, one system to maintain, cost effective), Centrex was chosen. Centrex continues to provide us with reliable service, while satisfying business needs.

New technologies are now emerging that may provide higher-level features and financial benefits to the City. One such technology, called voice over IP (VoIP), would take advantage of the spare capacity in our existing data network and leverage our investment in the PBX at City Hall. We are currently testing this new telephone technology at the Semiahmoo Library. If the pilot project is successful, we will consider its deployment to new facilities and plan a gradual migration of Centrex over to VoIP. To allow for a conversion such as this, we need favourable contract terms and a technology platform that will allow a phased migration.

In consideration of renewing the existing telephone service, both a three-year and a five-year Centrex contract were reviewed. These contracts are regulated by the CRTC making many of the terms and conditions unalterable. If we decide to move to a new technology like VoIP within the contract term, an early termination clause would be triggered requiring us to transfer any remaining financial commitment to new Telus services or contracts. A new Centrex agreement, three or five-year, would be retroactive to the expiry date of the last contract, November 30, 2002, making the effective term two and four years respectively.

A three-year contract would result in an increased annual cost of \$10,000 but would present a reduced financial commitment, compared to a five-year contract, and a shorter contract period. This increased cost would have to be offset by any potential savings and benefits derived from moving to the new VoIP technology. It is unlikely that the City would realize the potential cost benefits of VoIP within the confines of a three-year contract.

Renewal of another five-year contract would maintain the existing Centrex pricing but would require a larger financial commitment over a longer period of time. There is a risk that if a more aggressive conversion to VoIP is desired, the migration might be more difficult to achieve due to the contract restrictions. However, the fact that the cost benefit savings from VoIP are presently unproven, combined with the effectiveness of the current solution, this risk is offset.

The pricing for the five-year contract is the less expensive option. It also gives staff four years to fully evaluate and perhaps take advantage of new technologies such as VoIP as new facilities are built. It also provides staff an opportunity to evaluate the feasibility of converting PBX services when current contracts expire. It is therefore recommended that the City enter into a five-year contract with Telus for the existing Centrex service.

Surrey RCMP lines are currently part of the City's Centrex contract and cost about \$73,000 per year. It is recommended that staff investigate the feasibility of transferring these lines to the Federal Government Telus Centrex agreement which could save the City approximately \$9,500 savings per year.

CONCLUSION

In accordance with the City's Purchasing Policy, we recommend that Council approve the renewal of the contract with Telus to provide Centrex service for the non-competitive expenditure of \$236,400 per year for a five-year term, retroactive to November 2002. Funding is available in the departmental operating budgets. We also recommend that services currently provided to RCMP district offices be transferred to the Federal Government Telex Centrex agreement.



Vivienne Wilke, CGA
General Manager, Finance,
Technology & HR