

City of Cambridge

Agenda # 49 appropriation of
\$1,350,000 million for the purchase
of Centrex from NET&T

MASSACHUSETTS

In City Council June 25 199 0

	YEA	NAY	ABSENT	PRESENT	
Mr. Ed Cyr	✓				
Mr. Francis H. Duehay	✓				
Mr. Jonathan S. Myers	✓				
Mr. Kenneth E. Reeves	✓				
Mrs. Sheila T. Russell	✓				
Mr. Walter J. Sullivan	✓				
Mr. Timothy J. Toomey, Jr.	✓				
Mr. William H. Walsh	✓				
Mayor Alice K. Wolf	✓				

9 0 0

June 25, 1990

INTRODUCED BY CITY MANAGER ROBERT W. HEALY

AN ORDER CONCERNING APPROPRIATIONS FOR THE FISCAL YEAR BEGINNING JULY 1, 1989

ORDERED: That in addition to sums previously appropriated by the City Council for the fiscal period 1989-90 the following sum is hereby appropriated in the Public Investment fund of the City of Cambridge:

<u>FUNCTION</u>	<u>DEPARTMENT OR PROGRAM</u>	<u>SALARIES & WAGES</u>	<u>OTHER ORDINARY MAINTENANCE</u>	<u>TRAVEL & TRAINING</u>	<u>EXTRAORDINARY EXPENDITURES</u>	<u>APPROPRIATIONS</u>
General Government	General Services				\$1,350,000.00	\$1,350,000.00

BE IT FURTHER ORDERED: That the above appropriations in the Public Investment Fund to be financed by estimated revenues drawn from the following sources:

<u>FINANCING PLAN</u>	<u>REVENUE</u>
Free Cash	\$1,350,000.00

In City Council June 25, 1990.

Adopted by a ye and nay vote:-

Yeas 9; Nays 0; Absent 0.

Attest:- Joseph E. Connarton, City Clerk.

A true copy;

ATTEST:-

Joseph E. Connarton, City Clerk.



CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139

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FAX. 868-8159

EXECUTIVE DEPARTMENT

ROBERT W. HEALY

City Manager

RICHARD C. ROSSI

Deputy City Manager

June 25, 1990

To The Honorable, The City Council:

Recommendation: That the City Council appropriate \$1,350,000 million for the purchase of Centrex services from New England Telephone and the purchase of phone equipment from a vendor to be determined through the public bid process.

Background:

Current System

The City of Cambridge has leased an AT&T Dimension telephone system since 1978. Currently, the system poses the following problems:

1. It is outdated and is at full capacity. No additional telephone lines can be added and many departments are currently underequipped and have multiple employees sharing phones.
2. It is expensive, costing \$764,892 annually.
3. There is difficulty for telephone users to make phone calls to outside of City Hall due to the lack of physical lines available.
4. When a telephone line is in use, the caller does not hear a busy signal. Instead, the caller erroneously thinks that the call is not being answered, causing a public perception problem.
5. Since the telephone switching equipment is located on our premises, if electrical power is lost, the City loses all telephone services.

Process of Selection

During the Spring of 1989, a Telecommunications Selection Committee was created to research and evaluate the potential solutions to the current telephone problems. Additionally, a Telecommunications User Group Subcommittee, consisting of representatives of the major telephone user groups, i.e., Police, Fire, School, Hospital, Data Processing and City Hall (including all other departments not listed above) was created. An inventory of the current telephone lines, current departmental problems and requested departmental needs was taken and verification meetings with individual departments were held. In addition, an informal survey was taken of various municipalities and local companies. The philosophy and goal of the selection process was to acquire a telephone system that could resolve the current problems and save money.

To The Honorable, The City Council:
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Proposed System

The system proposed for purchase is Centrex from New England Telephone. The service is a computer controlled central office based telecommunications service that provides the City with flexibility, cost-effectiveness and reliability. The advantages to Centrex are as follows:

1. Centrex offers the City the ability to resolve many of the current problems. Every telephone line will be a direct dial line, therefore, alleviating the problem of not being able to obtain a line to call out of City Hall; when a telephone line is in use, the caller will hear a busy signal and the proposal offers the necessary growth.
2. Centrex has proven itself to be a reliable, widely used system with telecommunications system among municipalities and when surveyed, its users were extremely favorable.
3. Centrex will offer the City considerable savings (see attached documentation).
4. The conversion to Centrex from our current system would not necessitate major cabling work in any of the municipal buildings.
5. The central office architecture of Centrex service facilitates growing and changing requirements. As new technologies are introduced, ongoing upgrades to New England Telephone central office hardware and software will provide the City with the opportunity to keep our system current, as opposed to purchasing a system that could be outdated a few months from now in this ever-changing market.
6. Since all telephone switching equipment is located in the central office and not on premises, a power outage within any City building would not affect our telecommunications abilities.

Fiscal Impact

The City currently spends approximately \$765,000 annually for access to network facilities provided by New England Telephone and to AT&T for on premises switching systems and the rental of telephone headsets. These annual payments will be cut considerably under the proposed plan. Depending upon the type of financing used, the City can cut the annual payments by between \$180,000 and \$586,000 annually. The largest annual saving would occur under my recommended upfront payment plan while the lowest annual savings would occur under the five year lease plan. The table below shows the seven year costs of the four available financing plans. The seven year cost is shown because that is the longest use agreement allowed by New England Telephone for Centrex.

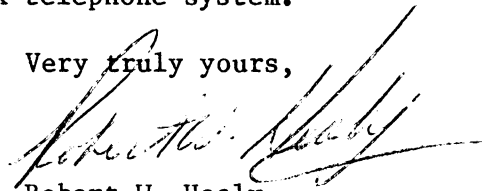
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FINANCING OPTIONS
000's omitted

	<u>UPFRONT PAYMENT</u>	<u>5 YEAR LEASE</u>	<u>7 YEAR LEASE</u>	<u>5 YEAR BOND</u>	<u>CURRENT</u>
FY91	\$1,350	\$585	\$494	\$358	\$765
FY92	179	585	494	520	765
FY93	179	585	494	504	765
FY94	179	585	494	488	765
FY95	179	585	494	467	765
FY96	179	179	494	179	765
FY97	179	179	494	179	765
	<u>\$2,424</u>	<u>\$3,283</u>	<u>\$3,458</u>	<u>\$2,695</u>	<u>\$5,355</u>

As can be seen from the table, the upfront payment plan is significantly less expensive than any other one. I strongly recommend that the City Council appropriate \$1,350,000.00 in Free Cash to Capital Projects Fund to allow the City to install the new Centrex telephone system.

Very truly yours,


Robert W. Healy
City Manager

RWH/mev

Agenda # 49

F-337

Appropriation of \$1,350,000 million for
the purchase of Centrex from NET&T.

In City Council,

June 25, 199

Order adopted
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