



## CITY COUNCIL AGENDA ITEM

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April 11, 2011

TO: John Szerlag, City Manager

FROM: John M. Lamerato, Assistant City Manager/Finance and Administration  
Susan A. Leirstein, Purchasing Director  
Gertrude Paraskevin, IT Director

SUBJECT: Telecommunication Contracts

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### **Background**

A review of the City's voice and data telecommunications contracts with AT&T was recently completed as some contracts were expiring, and to determine if any cost savings could be achieved utilizing newer technology. The goal was to change services so as to have minimal impact on City operations, reduce cost, and improve service.

A telecommunications consultant, Telegation, was utilized as part of this review at no cost to the city. Telegation has been in the telecommunication business since 1990 and provided their expertise to find the best solution for the lowest cost. We also worked with our current vendor AT&T which holds the state contract for some of these services.

A summary of the services, explanation of each and recommendations are listed in Appendix A. The services under these contracts are integrated, complex and dependent upon each other. We were careful to extract pieces to a provider other than AT&T without affecting our ability to convert unexpired contracts to a different service without incurring any early termination penalties and still reduce costs.

Traditionally, the City has utilized AT&T on the State of Michigan contract for all voice and data services. However, we have chosen to recommend an alternate vendor, Telnet, as identified by Telegation for PRI voice services. The driving force behind this decision was price. Unfortunately AT&T is subject to tariffs, so the State of Michigan contract pricing was higher. A savings of approximately \$450 per month or \$16,200 over the life of the 3-year contract made it difficult to dismiss. The service will still be installed and maintained by AT&T, but Telnet will be our contact should any issues arise.

### **Recommendation**

City management recommends the following:

- Contract Telnet to provide PRI voice service for the City telephone switch and Codespear at a cost of approximately \$1,381 per month for three (3) years.
- Utilize the State of Michigan contract with AT&T for three (3) direct T1 circuits at a cost of approximately \$805 per month for three (3) years.
- Convert nine (9) T1 circuit contracts to the faster AVTS technology offered by AT&T, avoiding any early termination charges at a cost of approximately \$1,527 per month for three (3) years.
- Upgrade the current AT&T Internet service from 3MB to 30MB at a cost of \$1,578 per month for three (3) years.
- Eliminate the current DS3 service with AT&T.



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### **Recommendation** (continued)

The total monthly cost would be \$5,291 for three (3) years. These costs do not include any additional fees as required by law such as federal telecommunications fees.

The result will be a monthly savings of approximately \$1,862 per month or \$67,032 over the life of the three (3) year contracts.

This recommendation is contingent upon a successful AVTS proof of concept and the vendors submitting acceptable contract and insurance documents.

### **Fund Availability**

Funds are budgeted in the Information Technology, City Hall, Police and Fire Department operating budgets.



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## APPENDIX A Telecommunication Contracts

Service	Current Monthly Cost	Recommended Vendor	State Contract	New Monthly Cost
DS3	\$1,163	Eliminate		0
Voice PRIs (3)	3,093	Telegration\Telnet	No	1,381
Direct T1 lines (3)	585	AT&T	Yes	805
T1s to Convert to AVTS (9)	1,553	AT&T	No	1,527
Internet increase from 3MB to 30MB	759	AT&T	No	1,578
Total	\$7,153			\$5,291

**Monthly Savings: \$1,862**

DS3 – Utilized for all PRI and T1 services coming into the City. The DS3 reduces the cost of each individual connection. Since we are recommending changing a majority of the services from T1s to AVTS they would no longer come into the city over this connection so it would be eliminated. This also allows us to eliminate two pieces of hardware: An Adtran MX2800 Multiplexer that breaks out the DS3 into the various channels, and a Cisco 7206 Router that manages all the T1 data connections to the various sites. Both of these pieces of equipment are becoming aged.

Voice PRIs – The City has two voice PRIs that service the Avaya telephone system and one for Codespear our emergency notification system. The recommended PRIs include unlimited calling and no charge for intralata calls which are the majority of the City’s long distance charges. To evaluate the savings approximate long distance charges are included in these costs.

Direct T1 circuits – Two lines are used as backup to fiber between the remote Avaya telephone switches at DPW and Community Center back to the main switch in City Hall. These cannot be converted to AVTS and should remain on the State of Michigan contract. The third is for LEIN used by the Police Department. This could potentially be converted to AVTS in the future, but until it has been thoroughly tested we did not want to chance disrupting this service.

T1s to Convert to AVTS – All remaining T1 services, 6 to the fire stations and 3 to the Golf Courses will be converted from the slower T1 (1.5MB) on the DS3 to a faster connection (12MB down / 1MB up) utilizing AT&Ts Managed Virtual Private Network Tunneling Service (AVTS) on a broadband connection. This connection includes equipment at all locations and is fully managed by AT&T meaning they are responsible for maintaining and configuring the hardware and software. Of those nine contracts only one has expired, however AT&T will allow us to convert to this newer technology with no penalty. Since this is new technology to the City we will require AT&T conduct a successful proof of concept at one of the Fire Stations before moving forward.

Internet – The current copper based AT&T Internet connection of 3MB is consistently utilized to its maximum capacity. Increasing to a fiber based 30MB accommodates the additional bandwidth for the incoming AVTS connections as well as providing additional capacity for other resources through that connection, such as access to our website and remote access on devices in the field. This is an area we wish to expand in the future. AT&T is offering this more reliable fiber based service at an 88% discount.