

- **Board of Directors**
Subcommittee on Real Property and Asset Management

December 12, 2000 Board Meeting

8-7

Subject

Authorize (1) \$899,500; and (2) award of a contract to Siemens Information and Communication Networks, Inc., not to exceed \$700,000, to replace outdated ROLM telephone equipment (Appn. 15263, No. 2)

Description

In December 1994, the Board authorized \$454,500 to purchase communication equipment for the Skinner and Mills filtration plants. This action was part of a proposed multi-year program to replace telecommunication equipment at nine facilities (Mills filtration plant, Skinner filtration plant, Iron Mountain Pumping Plant, Lake Mathews, Eagle Mountain Pumping Plant, Gene Camp, Hinds Pumping Plant, Diemer filtration plant, and Jensen filtration plant). The estimated cost for the program at that time was \$2 million.

Prior to purchasing the equipment, staff initiated studies to better define the scope and cost of the overall program. When studies determined that the program's total cost would be approximately \$2.5 million, staff deferred the equipment purchases, developed short-term fixes for ongoing problems, and began investigating alternatives to reduce the overall program cost. Metropolitan's Competitive Challenge Team also reviewed this project and recommended continued deferral pending reevaluation.

The reevaluation is now complete and has identified a cost-saving alternative. The recommended alternative is to purchase factory-refurbished telecommunications equipment for the nine facilities in lieu of purchasing new equipment. Cost/benefit analyses indicate that using factory-refurbished equipment saves \$1.1 million in initial cost, delays future telecommunication expenditures for about five years and significantly reduces overall cost. Since the refurbished equipment would be the same type and model as the equipment that is currently used at Union Station and the Weymouth filtration plant, it enables the District to leverage its maintenance experience, decreases the risk of potential problems associated with utilizing different equipment, and simplifies future migrations. In addition, this alternative provides equivalent telecommunication functions and services at all Metropolitan facilities.

Outsourcing telecommunication functions was also considered, but ruled out as a viable, cost-effective alternative at this time. Based on the results of a Request for Proposal that was issued a few years ago, no private telephone carrier currently serves all areas where Metropolitan operates facilities and can provide a comprehensive, integrated solution. Since the telecommunication industry is changing rapidly, this alternative will be reconsidered in the future when some promising new technologies are more mature (e.g., wireless communication, the merging of voice and data networks, etc.).

Since the existing telecommunication equipment at the nine facilities is about 16 years old and components have begun failing at an increasing rate, staff recommends that Metropolitan proceed with the equipment replacements as soon as possible. The factory-refurbished equipment that is compatible with our existing ROLM telephone equipment is only available from the manufacturer, Siemens Information and Communication Networks, Inc.

The Capital Investment Plan (CIP) Evaluation Team evaluated the project as part of the CIP review process and concurred with the recommended alternative to utilize refurbished equipment. The project is included in the Capital Budget for Fiscal Year 2000/01.

The proposed project is categorically exempt under the provisions of the California Environmental Quality Act (CEQA). The overall activities involve the minor upgrading and alterations of existing public facilities along with the construction of a minor structure (about 500 square feet) with negligible expansion of use and no possibility of significantly impacting the physical environment. As such, the proposed project qualifies under both Class 1 and Class 3 Categorical Exemptions (Sections 15301 and 15303) of the State CEQA Guidelines.

Policy

Metropolitan Water District Administrative Code Section 5115: Capital Project Approval and Code Section 8115: Negotiated Contracts

Board Options/Fiscal Impacts

Option #1

Increase Appropriation No. 15263 by \$899,500 to a total of \$1.354 million; authorize the General Manager to award a negotiated contract to Siemens Information and Communication Networks, Inc., for an amount not to exceed \$700,000 for factory-refurbished telecommunication equipment, associated software and related services; authorize staff to perform all work necessary to replace outdated telecommunication equipment at the nine facilities; and determine that pursuant to the California Environmental Quality Act (CEQA), the proposed project qualifies for two Categorical Exemptions (Class 1, Section 15301 and Class 3, Section 15303 of the State CEQA Guidelines). This option will delay future telecommunication expenditures by about five years and has the lowest overall cost.

Fiscal Impact: \$1.354 million total program expenditure

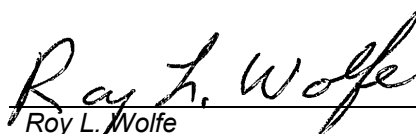
Option #2

Authorize staff to procure and install new telecommunication equipment for the nine facilities and determine that pursuant to CEQA, the proposed project qualifies for two Categorical Exemptions (Class 1, Section 15301 and Class 3, Section 15303 of the State CEQA Guidelines). This option will delay future telecommunication expenditures by about eight years. However, the overall cost for this option is higher because the delay in expenditures does not offset the higher initial cost.

Fiscal Impact: \$2.5 million

Staff Recommendation

Option #1


 Roy L. Wolfe
 Manager, Corporate Resources

11/9/2000
 Date


 Ronald R. Jester
 General Manager

11/20/2000
 Date

Attachment 1—Financial Statement

BLA #629

FINANCIAL STATEMENT

Board Action No. 2 for Appropriation No. 15263-B to finance replacement of outdated communication equipment at nine facilities (Mills filtration plant, Skinner filtration plant, Iron Mountain Pumping Plant, Lake Mathews, Eagle Mountain Pumping Plant, Gene Camp, Hinds Pumping Plant, Diemer filtration plant and Jensen filtration plant) is as follows:

	BOARD ACTION NO. 1 (Dec 1994)	BOARD ACTION NO. 2 (Dec 2000)
Preliminary Design	20,000	20,000
Final Design	8,000	8,000
Contract Administration	8,000	8,000
Project Management	0	25,000
Minor Construction	0	164,000
Installation & Programming	0	215,000
Materials & Supplies	0	214,000
Equipment Contract	414,000	700,000
Contingency	4,500	0
Total	\$454,500	\$1,354,000

FUNDING REQUEST

Program Name:	Replace Rolm Network				
Source of Funds:	Pay-As-You-Go Fund				
Appropriation No.:	15263	Board Action No.:	2	Budget:	\$1,354,000
Requested Amount:	\$899,500	Capital Program No.:	15263-B		
Total Appropriated Amount:	\$1,354,000	Capital Program Page No.:	E-32		
Total Program Estimate:	\$1,354,000	Program Category:	Administrative & General		