



REVISED
FINANCE & BUDGET COMMITTEE
APRIL 15, 2004

SUBJECT: TELEPHONE SYSTEM SERVICE CONTRACT

ACTION: AWARD CONTRACT TO SHARED TECHNOLOGIES FOR TELEPHONE SYSTEM MAINTENANCE AND SERVICE IN AN AMOUNT NOT TO EXCEED \$1,534,489

RECOMMENDATION

Award a Fixed Price Contract to Shared Technologies to provide telephone system maintenance and service for a period of seven (7) years, inclusive of two two-year options, in the amount of \$1,534,489.

RATIONALE

This report was originally submitted to the Finance & Budget Committee in February, Item 17. It is being resubmitted due to a vendor notification received during the Committee meeting that they had filed a protest the previous day. The protest was dated February 18, 2004 and a supplement to the protest was received on February 24th. The Office of Procurement and County Counsel denied the protest on March 15, 2004. The Finance and Budget Committee has deferred this item to April awaiting expected resolution of Shared Technologies emergence from bankruptcy filing by its parent company, Allegiance.

Allegiance Telecom/Shared Technologies submitted to the court a Plan of Reorganization on March 18, 2004 and anticipates a hearing on the Plan of Reorganization in late May.

Metro's Pre-Qualification organization has reviewed the qualifications of Shared Technologies both as an independent concern and as an entity within Allegiance. It is their determination that Shared Technologies is a viable concern, qualified to do business with Metro and that an award to Shared Technologies does not represent undue risk to Metro. See Attachment B

The services of a technically qualified contractor are required to provide maintenance and repair services for the MTA owned NORTEL Networks (NORTEL) telephone system. This system provides telephone service at MTA Headquarters, the Regional Rebuild Center (RRC), Rail operating divisions, the Metro Red Line Stations, and other MTA support facilities.

Maintenance, service and repair of the telephone system must be performed by NORTEL certified engineers and technicians. Although MTA technicians perform basic maintenance and repair on the NORTEL telephone system, they are not certified to perform the higher levels of maintenance and repair required for the major components. Also, it is not economical for the MTA to maintain the extensive inventory of replacement parts necessary to keep the telephone system operational. Therefore, the MTA has historically contracted with a qualified service provider.

FINANCIAL IMPACT

Funding in the amount of \$206,000 for the first year of service is included in the FY04 budget in cost center number 0921, ITS Non-Departmental, under project numbers 100001 and 100033, General Overhead, account 50308, Contract Maintenance Services. Since this is a multi-year contract, the Chief Information Officer and Chief Financial Officer will be accountable for budgeting the cost in future years.

ALTERNATIVES CONSIDERED

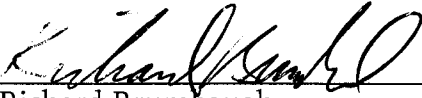
The alternative of not awarding the contract would be to shift the responsibility for repair and maintenance of the entire telephone system to MTA staff. This would require the MTA to train and obtain NORTEL certification for existing staff, hire a minimum of two additional NORTEL trained technicians, and maintain an extensive inventory of replacement parts. The expense to bring in-house the repair and maintenance of the telephone system would substantially exceed the cost to retain a service provider.

If the Board chooses not to proceed with this award recommendation, the Board may direct Staff to continue with the current contract with Shared Technologies for approximately six months in an amount not to exceed \$100,000. During this period, Metro would conduct a re-procurement for these services.

ATTACHMENT(S)

- A. Procurement Summary
- B. **Allegiance Telecom Reorganization Plan Impact**

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Chief Information Officer



Richard Brumbaugh
Chief Financial Officer



Roger Snoble
Chief Executive Officer

**BOARD REPORT ATTACHMENT A
PROCUREMENT SUMMARY**

Telephone System Service Contract

1.	Contract Number: PS92301371		
2.	Recommended Vendor: Shared Technologies		
3.	Cost/Price Analysis Information:		
	A. Bid/Proposed Price: \$1,534,489	Recommended Price: \$1,534,489	
	B. Details of Significant Variances are in Attachment A-1.D		
4.	Contract Type: Firm Fixed Price		
5.	Procurement Dates:		
	A. Issued: October 27, 2003		
	B. Advertised: November 7, 2003		
	C. Pre-proposal Conference: November 12, 2003		
	D. Proposals Due: December 10, 2003		
	E. Pre-Qualification Completed: January 13, 2004		
	F. Conflict of Interest Form Submitted to Ethics: January 28, 2004		
6.	Small Business Participation:		
	A. Bid/Proposal Goal: 5% SBE	Date Small Business Evaluation Completed: January 29, 2004	
	Small Business Commitment: 5.3% Details are in Attachment A-2		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent: 990	Bids/Proposals Picked up: 11	Bids/Proposals Received: 3
8.	Evaluation Information:		
	A. Bidders/Proposers Names:	Bid/Proposal Amount:	Best and Final Offer Amount:
	Scottel	\$1,127,674 \$1,318,474	
	Shared Technologies	\$1,534,489	
	Qwest	\$3,156,687	
	B. Evaluation Methodology: Explicit factor. Details are in Attachment A-1.C		
9.	Protest Information:		
	A. Protest Period End Date: February 23, 2004		
	B. Protest Receipt Date:		
	C. Disposition of Protest Date:		
10.	Contract Administrator: Don Dwyer	Telephone Number: (213) 922-6387	
11.	Project Manager: Elizabeth Bennett	Telephone Number: (213) 922-4522	

BOARD REPORT ATTACHMENT A-1 PROCUREMENT HISTORY

Telephone System Service Contract

A. Background on Contractor

Shared Technologies provides maintenance service and repair of Nortel PBX's ancillary and attached equipment. Shared Technologies was established in 1972. The company has been acquired over the years by various firms. Shared Technologies is presently an Allegiance Telecom company, which is headquartered in Dallas, Texas and was established in 1995. Shared Technologies has over 600 employees.

Shared Technologies has provided MTA satisfactory performance on its current telephone maintenance contract since 2000. Shared Technologies also has contracts with the city of Philadelphia, United States Army Reserve Corp, Amgen, Veterans Administration Hospital, and AOL.

B. Procurement Background

MTA solicited proposals for a firm-fixed contract for telephone system maintenance and service. The contract will also include options for additional services that MTA may request through task orders for telephone moves, adds, changes, and professional telecommunications engineering services to support all the existing MTA's Nortel PBX telephone and Meridian Mail systems.

The Diversity and Economic Opportunity Department (DEOD) established a five percent SBE goal for this contract.

C. Evaluation of Proposals

In accordance with MTA Procurement Policies and Procedures, the Source Selection Committee (SSC) conducted a comprehensive evaluation of all technical proposals received. The SSC consisted of MTA staff members from Information Technology, Facilities Maintenance and SAFE. **The SSC evaluated all proposals in accordance with the RFP's stated evaluation criteria based on three explicit factors, Corporate Experience and Past Performance, Work Plan Approach, and Price. The two factors, Corporate Experience and Past Performance and Work Plan Approach, comprise the technical evaluation that accounts for sixty (60) percent of the total score. The third factor, Price, accounts for forty (40) percent of the total score.**

Corporate Experience and Past Performance was determined by evaluating the certification and technical experience of the Proposer's staff, reference checks of existing clients and installations, and the Proposer's equipment resources, parts inventory, and online trouble reporting and tracking system. Work Plan and Approach was determined by evaluating the submitted work plan in addressing the statement of work, the

efficiency of the process for addressing emergency repairs, non-emergency repairs, preventative maintenance and engineering services.

References were selected from a list submitted by each Proposer. The reference checks revealed that Shared Technologies client installations were similar in size and complexity to Metro whereas Scottel client installations were smaller in size and were not networked, i.e., operate in standalone mode. Among the references contacted for Shared Technologies were City and County of Denver, Nextel Communications, and DBC Dain Rauscher, dba Royal Bank of Canada. All three installations operate in a networked mode utilizing the Primary Rate Interface (PRI) function. The references contacted for Scottel were Amcor Sunclipse, a packaging products manufacturer, Northrup Grumman (service is for a single site), and Marriott International (service is for L. A. and Northern California only). Amcor Sunclipse had only 2 of its 30 sites networked via the PRI function with the remaining sites operating in standalone mode. Both Northrup Grumman and Marriott International installations operate in standalone mode.

As the stated RFP evaluation methodology is based on explicit factors, which included price, the recommendation for award is for Shared Technologies who earned the overall highest score.

D. Cost/Price Analysis Explanation of Variances

Scottel's initial price proposal was \$1,127,674. However, the price proposal was incorrectly calculated and revised pricing of \$1,318,474 was received from Scottel on February 26th. Shared Technologies price proposal was \$1,534,489, a difference of \$216,015 over the seven-year contract period.

The recommended price has been determined to be fair and reasonable based upon the price analysis.

BOARD REPORT ATTACHMENT A-2
LIST OF SUBCONTRACTORS
Telephone System Service Contract

PRIME CONTRACTOR – Shared Technologies, An Allegiance Company

Small Business Commitment

Unlimited Services Airclean, Inc.: 5.3%

Total Commitment: 5.3%

ATTACHMENT B
ALLEGIANCE TELECOM REORGANIZATION PLAN IMPACT

Telephone System Service Contract

Allegiance Telecom Inc. submitted a Plan of Reorganization on March 18, 2004, to the bankruptcy judge. Below are highlights of the plan that pertain to Shared Technologies.

- Allegiance Telecom Liquidating Trust (ATLT) was established to hold all Allegiance assets during the bankruptcy proceedings.
- Shared Technologies (STFI) upon reorganization will become a separate legal entity (stand-alone) under Delaware corporate laws. All of STFI's assets will be retained by STFI free and clear of all claims and liens.
- Reorganized STFI will issue all securities, notes, instruments, certificates and other documents required by the plan, this will include new STFI Common Stock.
- The new STFI Common Stock will be distributed to ATLT as its owner.
- ATLT will issue certificates giving interest in the ownership of STFI Common Stock to creditors (unsecured). In Shared Technologies' case, ATLA will use B-Certificates.
- ATLT B-Certificates represent ATLT's ownership in the new stock of Shared Technologies, and creditor's ownership interest in ATLT.
- The plan refers to the STFI Cash Amount – this means the amount of cash necessary to fund the operations of the STFI Assets on and after the Initial Effective Date, which amount shall be not less than \$5 million, unless otherwise determined by the Debtors and the Creditors Committee. In other words, STFI is guaranteed to have sufficient operating capital to continue operations after the reorganization occurs.

The above information indicates that Shared Technologies should emerge from the reorganization in a solid and viable position, with no undue risk to MTA in the performance of their contract.