



General Manager
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TRANSMITTAL MEMORANDUM

TO: The Honorable Mayor and City Council

FROM: Lacey G. Simpson, Acting General Manager

DATE: September 23, 2022

RE: **Exempting the Procurement of Ericsson LRA 4G/LTE Software Subscription Service for eNodeB Equipment from the Competitive Bidding/Written Quotation Requirements of the Ketchikan Municipal Code – Ericsson Inc. and Request for Budget Transfer**

The motion detailed below was prepared at the request of Acting Telecommunications Division Manager Dan Lindgren, who asked that it be placed before the City Council for consideration at its meeting of October 6, 2022. If adopted, the motion provides for exempting the procurement of Ericsson LRA 4G/LTE Software Subscription Service from the competitive bidding/written quotation requirements of the Ketchikan Municipal Code and authorizing the acquisition of such subscription service from Ericsson Inc. at a cost of \$27,500.

Subparagraph 6 of Section 3.12.050(a) of the Ketchikan Municipal Code provides for exempting the purchase of such annual support services from competitive bidding/quotations when:

“Supplies, materials, equipment or contractual services which should be purchased from a specific source in order to prevent incompatibility with previously purchased supplies, materials, equipment or contractual services. For the purpose of this paragraph, the term ‘incompatibility’ is defined as:

- (A) The inability to interconnect, combine, interchange, or join; or
- (B) That which causes substantial duplication in maintenance, expertise or training or in the stocking of parts, materials, supplies or replacements. Any purchase which is to be excluded from competitive bidding by authority of this subparagraph which exceeds \$10,000, must first be approved by the council.”

The rationale for the exemption is detailed in Mr. Lindgren's transmittal memorandum and requires no elaboration on the part of the General Manager's office. I concur with the Acting Telecommunications Division Manager's recommendation.

Mr. Lindgren will be attending the City Council meeting of October 6, 2022, in order to address any questions and/or concerns that Councilmembers may have.

A motion has been prepared for City Council consideration.

RECOMMENDATION

Pursuant to subparagraph 6 of Section 3.12.050(a) of the Ketchikan Municipal Code, it is recommended that the City Council adopt the motion exempting the procurement of Ericsson LRA 4G/LTE Software Subscription Service in the amount of \$27,500 from the competitive bidding/written quotation requirements of the Ketchikan Municipal Code; authorizing a \$42,100 budget transfer from the Rents and Leases Infrastructure account (Account No. 645.04) to the Software & Equipment Maintenance Services account (Account No. 635.04); approving funding from the Telecommunications Division's 2022 Software & Equipment Maintenance Services account (Account No. 635.04); and directing the General Manager to execute the contract documents on behalf of the City Council.

Recommended Motion: Pursuant to subparagraph 6 of Section 3.12.050(a) of the Ketchikan Municipal Code, I move the City Council exempt the procurement of Ericsson LRA 4G/LTE Software Subscription Service in the amount of \$27,500 from the competitive bidding/written quotations requirements of the Ketchikan Municipal Code; authorize a \$42,100 budget transfer from the Rents and Leases Infrastructure account (Account No. 645.04) to the Software & Equipment Maintenance Services account (Account No. 635.04); approve funding from the Telecommunications Division's 2022 Software & Equipment Maintenance Services account (Account No. 635.04); and direct the General Manager to execute the contract documents on behalf of the City Council.



Memorandum

To: Lacey Simpson, Acting KPU General Manager

From: Dan Lindgren, Acting KPU Telecommunications Division Manager

Date: September 20, 2022

Subject: **Request to Exempt the Procurement of Ericsson LRA 4G/LTE Software Subscription Service for eNodeB Equipment from the Competitive Bid/Written Quotation Requirements of the Ketchikan Municipal Code and Request for Budget Transfer**

The purpose of this memorandum is to request that the General Manager seek City Council approval to exempt the procurement of Ericsson LRA (LTE in Rural America) 4G/LTE (Long Term Evolution) Software Subscription Service in the amount of \$27,500 from the competitive bid and written quotations requirements of the KMC and approve funding from the 2022 KPU Telecommunications Annual Budget for Software & Equipment Maintenance Services (account 635.04). This purchase is in keeping with the 2022 expense budget plan, and procures the software and services necessary to maintain the 4G/LTE Network at a software version required by our agreement with Verizon.

Background

KPU Telecommunications owns and operates an Ericsson 4G LTE network, utilized to provide Verizon Wireless service in Ketchikan and Skagway. The Ericsson network enables KPU to contract with Verizon Wireless as a voice and data-roaming partner for 'tourists' as well as support Verizon services to local customers. Pursuant to our Master Agreement with Verizon we are required to upgrade our system to the most current Ericsson eNodeB software load. This will allow the most recent functions and features to be fully supported by the 4G/LTE network.

Since the expenditure for 2022 is above \$10,000, this purchase requires competitive bids or written quotations unless the City Council approves an exemption. Section 3.12.050(a)(6) of the Ketchikan Municipal Code provides an appropriate exemption for this transaction. Subparagraph (6) states the following:

"Supplies, materials, equipment, or contractual services which should be purchased from a specific source in order to prevent incompatibility with previously purchased supplies, materials, equipment, or contractual services. For purpose of this subparagraph, the term incompatibility is defined as:

- (a) the inability to interconnect combine, interchange, or join; or
- (b) that which causes substantial duplication in maintenance, expertise or training or in the stocking of parts, materials, supplies or replacements.

Any purchase which is to be excluded from competitive bidding by the authority of this subparagraph which exceeds ten thousand dollars must first be approved by the council.”

Acquiring the Ericsson LRA LTE eNodeB software upgrades from Ericsson is the only option available that would prevent incompatibility with the Ericsson platform. I recommend seeking approval from the City Council to exempt this procurement from the competitive bidding and written quotation requirements of the KMC.

While reviewing this expenditure in the context of the remaining budget in account 635.04, it became apparent that a budget transfer is necessary. Account 635.04 is over budget due to the cost of support agreements for our network security support services that were previously under support contract from the initial purchase (i.e. software support was included in the initial purchase, but now is a billable annual expense). Additionally, we are anticipating a couple more software support renewal before the end of the year. We are requesting a budget transfer in the amount of \$42,100 from within the 2022 KPU Telecommunications Annual Budget from the Rents and Leases account - 645.04 to the Software & Equipment Maintenance Services Account - 635.04.

Recommended Motion:

Pursuant to Section 3.12.050(a)(6) of the Ketchikan Municipal Code, I move the City Council exempt the procurement of Ericsson LRA 4G/LTE Software Subscription Service in the amount of \$27,500 from the competitive bid and written quotations requirements of the Ketchikan Municipal Code; authorize a \$42,100 budget transfer from the Rents and Leases Infrastructure Account - 645.04 to the Software & Equipment Maintenance Services Account - 635.04; and approve funding from the 2022 KPU Telecommunications Annual Budget for Software & Equipment Maintenance Services (account 635.04).

Cc: Michelle Johansen, City Finance Director