

1 MOTION NO. 5728

2 A MOTION relating to implementing King County's
3 Enhanced 911 Emergency Communication System.

4 WHEREAS, on November 3, 1981, King County voters approved
5 the imposition of a \$0.45 telephone excise tax to pay for the
6 implementation and operation of a Countywide Enhanced 911
7 (E-911) Emergency Communication System, and

8 WHEREAS, the King County Council, in placing the telephone
9 excise tax on the ballot by enacting Ordinance 5680, reserved
10 decision-making authority over the "actual rate of tax to be
11 imposed, procedures for administration and collection of the
12 tax, the design of the system, and the requests for proposals
13 issued pursuant to K.C.C. 4.16," and

14 WHEREAS, on September 9, 1982, the King County Executive
15 proposed an implementation strategy that included preparing
16 detailed performance specifications for the E-911 System;
17 soliciting a design and cost proposal from Pacific Northwest
18 Bell (PNB); and signing a contract with PNB, provided that
19 PNB's proposal met King County's performance specifications at
20 a reasonable and justifiable cost; and

21 WHEREAS, on October 18, 1982, the King County Council
22 adopted Motion 5588, approving and modifying the Executive's
23 proposed strategy by asking the Executive to work with
24 potential qualified E-911 vendors other than PNB, and

25 WHEREAS, on February 14, 1983, PNB submitted to King
26 County's E-911 Program Office a cost proposal of approximately
27 \$17.6 million to provide an E-911 System Countywide for a
28 period from 1985 to 1990, based on the projected number of
29 access lines on January 1, 1985, and

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1 WHEREAS, aside from various costs that are unique to King
2 County's proposed E-911 System, the basic costs of the proposed
3 System's service features, (ANI, ALI, and SR), are allocated
4 over the total number of access lines within an eight county
5 market area projected by PNB, and

6 WHEREAS, the implementation strategy adopted by Motion 5588
7 (except signing a contract with PNB) has been completed by the
8 Executive, and

9 WHEREAS, THE Executive has stated that only two vendors
10 other than PNB have indicated an interest in providing the
11 E-911 System as a prime contractor, and

12 WHEREAS the Executive has stated both vendors indicated
13 they would have to subcontract with PNB for a substantial
14 portion of the system thereby minimizing the likelihood of
15 reducing costs and/or improving the quality of the E-911 system
16 by issuing a request for proposals (RFP), and

17 WHEREAS, no other company other than a Bell operating
18 telephone company has provided an E-911 System and the
19 Executive has stated such experience is critical to timely
20 implementation and the reliability of the System, and

21 WHEREAS, the Executive has stated that PNB is the most
22 qualified vendor and is capable of providing King County with a
23 high quality E-911 System, at a reasonable and justifiable
24 cost, in a timely manner, and

25 WHEREAS, the Executive has stated that King County
26 residents will be better served and will receive a superior
27 product in a more timely manner by contracting with PNB; and

28 WHEREAS, the King County Prosecuting Attorney has
29 determined that the County may legally dispense with
30 competitive bidding for its E-911 System assuming the
31 conditions stipulated in his March 11, 1982 letter opinion are
32 met, and

1 WHEREAS, the E-911 Task Force and the E-911 User Committee
2 recommend negotiating a contract with PNB, and

3 WHEREAS, the King County Executive concurs with that
4 recommendation.

5 NOW, THEREFORE, BE IT MOVED by the Council of King County:

6 A. Per Motion 5588 The King County Council accepts the King
7 County Executive's recommendation to negotiate a sole source
8 contract with PNB, as the Executive has indicated there are no
9 other qualified vendors.

10 B. The King County Council authorizes the King County
11 Executive to sign a letter declaring King County's intent to
12 negotiate and execute a contract with PNB for the
13 implementation and operation of a Countywide E-911 Emergency
14 Communication System, subject to Council approval of the
15 proposed contract.

16 C. The King County Executive, in negotiating a contract
17 with PNB shall be guided by the following concerns identified
18 by the County Council, contained in PNB's cost proposal, which
19 the Council declares need additional explanation and
20 justification prior to the execution of the contract:

21 1. Cost Issues.

22 a. Cost of money - is comprised of PNB's cost of debt
23 service and return on stockholders' equity. PNB incurs this
24 cost as a result of capitalizing the System prior to being
25 reimbursed from revenues generated by the E-911 excise tax.
26 PNB has generally identified its cost of money at a rate of
27 16.5%, or approximately \$2.354 million over the proposed life
28 of the contract. The Council questions this cost, and the
29 assumption that such cost may be financed only through long
30 term debt acquired by PNB.

1 b. Inflation assumptions - employed by PNB for various
2 elements of the System. These are forecasts of future costs of
3 the System. PNB has identified labor inflationary assumptions
4 at an annual rate of 11.5% throughout the proposed period of
5 the contract, 1985-1990. The Council questions the assumptions
6 leading to the predicted rate.

7 c. Administrative overhead - are PNB's costs to
8 provide a contribution toward the common corporate costs of the
9 business. These costs are in addition to the direct costs of
10 the System, as contained in PNB's cost proposal. PNB has
11 identified these costs as constituting 15% of the direct costs
12 of providing the system, approximately \$2.01 million. The
13 Council questions these costs, given the lack of detailed
14 information regarding their derivation.

15 d. Profit, or return on stockholders' equity - is
16 included in PNB's proposed cost of money. The Council
17 questions that PNB's cost proposal does not identify their
18 projected profit.

19 e. Cost estimates of independent telephone companies -
20 the charge displayed in PNB's cost proposal constitutes their
21 formal proposal. Two other independent telephone companies
22 will participate in the program, (General Telephone, Telephone
23 Utilities). Their proposed costs at this time, are estimates.
24 The Council questions that their costs have not been
25 formalized. Further, the Council is concerned that these
26 estimates do not disclose:

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- 28 (1) Cost of money,
29 (2) Inflation assumptions,
30 (3) Administrative overhead,
31 (4) Profit (return on stockholders' equity).

1 PNB's cost proposal identifies the total costs as \$2.197 million.

2 f. Lease versus outright purchase of capital equipment -
3 PNB proposes only a lease for the use of all E-911 capitalized
4 equipment owned by PNB. The Council questions whether specific
5 equipment would be less costly if purchased outright from PNB, the
6 ATT Divestiture Agreement legally allowing the same.

7 2. Contractual Policy Issues. Issues to be addressed in the
8 terms of the executed contract should include, but are not limited
9 to:

10 a. Liability for maintenance of the System - the executed
11 contract should contain provisions stating the responsibilities of
12 all parties for the maintenance of the System, once it becomes
13 operational. Such provisions should not be limited to stating
14 which party is responsible solely for responding to incidents of
15 System malfunctions, but also include the party or parties
16 responsible for the establishment of a program to monitor the
17 System's performance, on a continuing basis. The intent of such a
18 maintenance program should be to reduce incidents of System
19 malfunctions.

20 b. Procedures for collection of the revenue generated by
21 excise tax - the executed contract should contain provisions
22 defining policy relating to the collection and remittance of the
23 revenue to King County.

24 c. Responsibilities defined - the executed contract
25 should contain provisions specifying the respective contractual
26 obligations, limitations of liability, of King County and PNB at
27 the time the System becomes operational.

d. Commonality of contractual terms throughout the eight county E-911 market - the executed contract should contain provisions assuring King County that no other jurisdiction has or will receive more favored consideration in the terms of an E-911 contract with PNB.

If advantages are provided to other jurisdictions, like advantages shall be extended to King County. As an example, if lower recurring rates and charges are assessed in any other jurisdiction's contract with PNB, such reduced charges or recurring rates shall be likewise extended to King County under this contract.

e. Option to extend E-911 service - The executed contract should stipulate that PNB will continue to provide E-911 services for a minimum of two additional five-year contract periods. The renewal provisions should define the specific elements of the System which shall be renewable upon the County's exercise of its option.

PASSED this 25th day of April, 1983.

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON


Chairman

ATTEST:

Dorothy M. Omens
Clerk of the Council