

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

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|---|------------------------|--|
| <input checked="" type="radio"/> Action <input type="radio"/> Information | MEAD Number: 101001 | Resolution: <input checked="" type="radio"/> Yes <input type="radio"/> No |
|---|------------------------|--|

TITLE:

Recommendation on Pay Phone Program

PURPOSE:

To obtain Board approval to initiate and award a contract to provide a pay phone with TTY capabilities at each of Metro`s 108 rail station entrances for a base year and three 1-year options.

DESCRIPTION:

Our 10-year contract with Verizon to provide Metro with pay phones in 86 rail stations expires in March 2011. The contract generated approximately \$1M per year from a combination of commission revenue and guaranteed payments. Over the course of the 10-year contract Metro earned a total of \$10M.

In the most recent two years, as pay phone revenue generally declined by 50%, and a greater proportion of Metro`s payments from Verizon have been from guaranteed annual payments making up the \$1M in annual guaranteed revenues. In 2009, Verizon lost \$400K on the pay phone contract; in 2010, Verizon lost over \$500K on the pay phone contract.

With the contract set to expire and with cellular phone usage now ubiquitous, Metro issued an RFP in September 2010 for follow-on pay phone services. Not a single revenue-generating proposal was received. Verizon did not bid at all and is exiting the pay phone business. An unsolicited proposal was received after the RFP closing date for Metro to pay \$85 per month for the current 1,074 pay phones, a total \$1.1M annual cost to Metro.

Metro has no legal requirement to maintain pay phones in the system, but has an interest in maintaining emergency communications capabilities for Metro riders with accessibility needs until Neutral Host cellular services are fully-installed throughout Metro`s stations and tunnels.

Given the upcoming pay phone contract expiration and Metro`s desire to maintain emergency communications, Metro identified the following options:

| Option | Description | Assessment | Financial Impact |
|---------------|---|--|---|
| 1 | Maintain all pay phones | -1,074 phones - \$85/phone cost per month | - Annual Cost = \$1.07M |
| 2 | Maintain only profitable and TTY pay phones | - 214 phones - Requires service agreement - Locations are not optimal - Profitability continues to decline | - Year 1 Revenue = \$25K for 106 phones (revenue converts to cost as usage declines) - Initial Annual Cost = \$110K - Net Annual Cost = \$85K first year only |
| 3 | Maintain only TTY pay phones at station entrances | - 108 phones (1 per station entrance) - Requires service agreement - Potential additional installation costs - Removes unused pay phones and enclosures | - Net Annual Service Cost = \$110K |
| 4 | Abandon pay phone service | - 0 phones - No revenue or cost - Potential public safety concerns | - Net Annual Cost = \$0 |

Metro recommends adopting Option 3 which provides the following benefits until the Neutral Host program cellular services are fully implemented:

- maintains emergency communication capabilities;
- incorporates recommendations from the Riders Advisory Committee (RAC), Jurisdictional Coordinating Committee (JCC) and the Accessibility Advisory Committee (AAC);

- maintains 1 TTY pay phone at each rail station entrance; and,
- minimizes pay phone costs.

The proposed contract would be for 1-year base with three 1-year options.

The FY12 Budget assumes no Pay Phone Program revenue or cost.

This action supports Metro`s goal to Use Resources Wisely.

FUNDING IMPACT:

| | |
|----------------------------|--|
| Budget: | Operating Budget, Fiscal 2011 - 2015 |
| Project/Account: | Services Other - 50399990 |
| Project Manager: | Al Pegram |
| Project Department/Office: | Information Technology/ Office of Network and Communications |
| This Action: | \$440,000 |
| Remarks: | Annual Expense: Estimated additional \$110,000 non-personnel expense to be added to the budgets for FY12 -FY15. FY2012 - 2015 subject to availability of funds and approval of Board. |

| | FY 2011 | FY2012 - FY2015 |
|-------------------|-------------|-----------------|
| Budget: | \$3,448,449 | \$14,000,000 |
| This Action: | \$30,000 | \$410,000 |
| Prior Approval: | \$3,202,818 | \$0 |
| Remaining Budget: | \$215,631 | \$13,590,000 |

RECOMMENDATION:

Approval to initiate and award a contract to provide a pay phone with TTY capabilities at each of Metro`s 108 rail station entrances for a base year and three 1-year options.

PRESENTED AND ADOPTED: January 27, 2011

SUBJECT: AUTHORIZE INITIATION AND AWARD OF CONTRACT TO PROVIDE PAY PHONE WITH TELETYPEWRITER CAPABILITIES AT EACH METRORAIL STATION ENTRANCE AND REMOVAL OF UNDERUTILIZED PAY PHONE ENCLOSURES THROUGHOUT METRORAIL SYSTEM

2011-04
RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

WHEREAS, On June 21, 1990, pursuant to Resolution #90-32, the Board of Directors resolved that a minimum of two pay telephones be installed on each station platform; and

WHEREAS, Over time, Metro has entered into revenue-generating contracts with several telephone carriers to provide Metro with pay phones in its rail stations; and

WHEREAS, Metro's most recent 10-year contract with Verizon to provide Metro with pay phones in its 87 rail stations expires in March 2011; and

WHEREAS, With the contract set to expire and with cellular phone usage now ubiquitous, Metro issued an Request For Proposal (RFP) in September 2010 for follow-on pay phone services; and

WHEREAS, Verizon is exiting the pay phone business and therefore did not bid on the RFP and not a single revenue-generating proposal was received; and

WHEREAS, Under the only bidder's proposal, Metro would pay \$85 per month per phone for 1,074 current pay phones costing Metro \$1,020 per phone per year; a total annual cost to Metro of \$1.1M per year; and

WHEREAS, The cost to maintain pay phones at Metro is prohibitive and the use of cellular services and the continued expansion of the Neutral Host Project continues to minimize the need for pay phones; and

WHEREAS, Metro is considering removing all pay phones by FY12 when all 87 rail stations should be upgraded via the Neutral Host program to provide universal cellular services; and

Motioned by Mr. Benjamin, seconded by Mr. Downey
Ayes: 8 - Mr. Benjamin, Mrs. Hudgins, Mr. Downs, Ms. Hewlett, Mrs. Hynes, Mr. Wells, Mr. Downey and Mr. Acosta

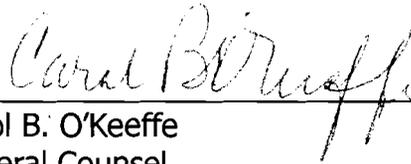
WHEREAS, Staff is recommending incurring the expense to maintain one Teletypewriter (TTY) pay phone at each rail station entrance and removing any underutilized pay phone enclosures located throughout the Metrorail system; now, therefore be it

RESOLVED, That the Board of Directors authorizes staff to: i) initiate and award a contract to provide one pay phone with TTY capabilities at each Metrorail station entrance; and ii) remove any underutilized pay phone enclosures located throughout the Metrorail system; and be it further

RESOLVED, That Board Resolution #90-32 is hereby repealed to the extent that it is inconsistent with this Resolution; and be it finally

RESOLVED, That this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency,

A handwritten signature in cursive script, reading "Carol B. O'Keeffe", is written over a horizontal line.

Carol B. O'Keeffe
General Counsel