

ITEM #:	<u>27</u>
DATE:	<u>03-24-26</u>
DEPT:	<u>FIN</u>

COUNCIL ACTION FORM

SUBJECT: VOIP PHONE SYSTEM CONTRACT RENEWAL

BACKGROUND:

In March 2025, the City Council approved a five-year (annually renewable) agreement with RingCentral, Inc. to replace the City's aging on-premise phone system with a cloud-based Voice over Internet Protocol (VoIP) solution. The first year included a one-time implementation fee and the purchase of handsets, as well as annual software licensing costs of \$72,000, for a total awarded amount of \$143,824.

RingCentral has now been fully implemented across City departments. The implemented VoIP system has reduced hardware maintenance as intended and has provided the expected improvements in functionality, call handling features, analytics, and support for communication in the field when staff are away from a desk phone.

The Year 2 renewal covers ongoing annual software licensing for all required user licenses. Pricing is fixed for the full five-year term; however, the City is obligated only one fiscal year at a time, and the agreement includes both a non-appropriation clause and the option to terminate with 30 days' notice for any reason. The second year of the contract is effective on March 19, 2026.

For year 2, the City is renewing 455 full-service VoIP phone lines, 219 local lines, and 3 SMS campaigns. Fixed costs for Year 2 are as follows:

- 455 Full Service Lines at \$120 each: \$54,600
- 219 Local Lines at \$3 each: \$657
- 3 SMS Campaigns at \$18 each: \$54
- **Total Annual Licensing Fees: \$55,311**

Funds for this contract are available in the Information Technology Computer Services operating budget. Approximately three months of this service will be charged to FY 2025/26, where there is an unencumbered account balance of \$63,892. The remaining nine months of the contract will be charged to FY 2026/27, where the adopted budget contains \$50,000 for this contract.

ALTERNATIVES:

1. Approve the renewal of annual software licensing with RingCentral, Inc. for Year 2 VoIP phone services in an amount not to exceed \$55,311.
2. Do not approve and direct staff to evaluate alternative service providers.

CITY MANAGER'S RECOMMENDED ACTION:

RingCentral's VoIP solution has fulfilled the City's project goals of providing a modern, reliable cloud-based phone system while reducing the overall phone service and maintenance costs associated with the former on-premise system. Therefore, it is the recommendation of the City Manager that the City Council approve Alternative No. 1, as described above.