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CONTRACT EXTENSION FOR SUPPLY AND SERVICE OF WIDE-AREA-NETWORK CONNECTIONS, NETWORK INFRASTRUCTURE EQUIPMENT AND VIRTUAL PRIVATE NETWORKING

The Finance and Administration Committee recommends:

1. **the recommendations contained in the following report, February 28, 2005, from the Commissioner of Finance, be adopted; and**
2. **the matter of further extensions to these contracts be referred to the e-Government Sub-Committee for consideration of underlying details and future strategy.**

1. RECOMMENDATIONS

It is recommended that Finance and Administration Committee and Council:

1. Authorize staff to extend the contract with Sprint Canada (formerly 360Networks) for Wide-Area-Network (WAN) connections at an estimated cost of $192,000 until December 31, 2005.

2. Authorize staff to extend the contract with Infostream Technologies Incorporated (a Bell Canada Company) for the supply and maintenance of network infrastructure equipment at an estimated cost of $249,500 until December 31, 2005.

3. Authorize staff to extend the value of the contract with Infostream Technologies Incorporated (a Bell Canada Company) for the supply and maintenance of network infrastructure equipment by an additional $775,000 to cover the costs for the new Bales Road and 380 Bayview Avenue facilities.

4. Authorize staff to extend the contract with FCI Broadband for virtual private network (VPN) services at an estimated cost of $120,000 until December 31, 2005.

5. Direct staff to report further to the Committee on the matter of further extensions in the fall of 2005.

2. PURPOSE

The purpose of this report is to request a further extension to agreements due to expire on June 30th, 2005 for wide area network connections, network infrastructure equipment, virtual private network services and to provide an update on the status of the Converged Network initiative of the ITS Branch.

3. BACKGROUND

Report No. 7 of the Finance and Administration Committee was adopted by Regional Council at its meeting on May 20th, 2004. The report recommended extending contracts with the incumbent vendors for wide area network connections, supply and maintenance of network equipment and virtual private network services until June 30th 2005 with the option of further extensions to December 31st, 2005. In accordance with these directives, staff extended each agreement to June 30th, 2005 and added appropriate funds. The option of further extensions to December 31st, 2005 was subject to staff reporting the matter back to the committee. This is the subject report.

3.1 Migration to a Single "Converged" Voice and Data Network

At it's meeting on April 6th, 2004, the Finance and Administration Committee considered a report recommending that the Region migrate its separate voice and data network connections and equipment to a single "converged" voice and data network based on voice over internet protocol (VoIP). The Committee directed staff to study the market place for this technology to avoid the Region prematurely implementing VoIP, to develop the business case for a future migration and to report back to the Committee with a recommendation in the fall of 2004 – but to delay for 9 months entering into any agreements with suppliers to migrate to VoIP technology.

Staff originally contemplated that an early 2004 approval to migrate to VoIP technology would allow a time frame in which to issue an RFP and to select a vendor that would migrate the VoIP data communications connections, VPN connections as well as the associated VoIP infrastructure equipment, from current technology to VoIP technology, replacing and/or augmenting the services provided by these incumbent vendors. The decision to defer the selection of a VoIP supplier meant the Region in the interim, had to extend existing agreements with incumbent suppliers for these services.

3.1.1 The Converged Network Vendor Selection Process

The vendor selection process consists of two stages. The first stage was the issuance of a Request for Qualification (RFQ) in October of 2004 which invited vendors to describe their qualifications, capabilities and experience in providing converged voice and data network solutions. The evaluation team selected five qualified vendors who were then issued the Converged Network RFP in January of 2005. The RFP was organised into four parts as follows:

1. Voice Messaging Services
2. Wide Area Network Services
3. Voice over Internet Protocol (VoIP) Services, also called IP Telephony
4. Local Area Network Services

3.1.2 Impact of the OneYork Broadband Initiative

During the time that the Region was preparing and issuing the Converged Network RFP, the E-Government sub-Committee began pursuing the OneYork initiative. The foundation of this initiative is a Region wide broadband fibre optic network intended for use by the MUSH (Municipalities, Universities, Schools and Hospitals) sector.

Staff recognize the value of this initiative, and have included in the Region's Converged Network RFP a statement to vendors that their proposals must ensure that the Region is not precluded from participating in OneYork when it comes to fruition.

It is envisioned that when a OneYork broadband network materializes, the Region's converged network links would become part of the OneYork broadband infrastructure.

4. ANALYSIS AND OPTIONS

The RFP responses from the five pre-qualified vendors are currently being evaluated by staff. If the results of the RFP are determined to be favourable to the Region, ITS staff will proceed with a business case and bring forward recommendations to Council on the award of the RFP. If results are determined to be unfavourable, ITS staff will inform Council that separate RFPs will be issued for each of the services described in this report. Extension to the existing agreements beyond December 31st, 2005 may be required regardless of the evaluation results in order to allow staff sufficient time to either negotiate the final terms and conditions of the converged network agreement or to issue and award separate RFPs.

Council has the option of either tendering for the supply and support of the equipment required for the Bales Drive and 380 Bayview Avenue facilities or increasing the scope of the existing Infostream contract. Staff recommend increasing the scope due to timing constraints associated with the occupancy at these facilities. Further details on this option are presented in Section 5.2 of this report.

5. FINANCIAL IMPLICATIONS

Council approved extensions to existing contracts from January 1st to June 30th, 2005. The funds described below are required to continue critical network services and support for the remainder of 2005. Staff will report back to Council during the fall of 2005 requesting further extensions once detailed plans have been established regarding the scope and timing of the Converged Network Initiative.

5.1 Sprint Canada – WAN Costs

Costs for the wide area network connections are provided in the annual budget of the Finance Department, ITS Branch. The current monthly cost of this service including GST and PST is approximately $32,000. The funds required to cover July 1st to December 31st, 2005 are approximately $192,000. The final cost for 2005 will be affected by the actual number of sites and services added to the network throughout the year.

5.2 Infostream Technologies – Network Equipment and Support

Costs for the Local and Wide Area Network equipment are provided in the annual budget of the Finance Department, ITS Branch. The funds required to cover July 1st to December 31st, 2005 is approximately $249,500. These funds cover the cost for the normal annual growth of new equipment leases required through the Region's approved third-party Lessor as well as maintenance of all installed equipment. The final 2005 cost will be affected by the actual number of sites and services added to the network throughout the year.

In addition to the funds required for normal growth, additional funds ($775,000.00) are required for equipment and support at the new Bales Road and 380 Bayview Avenue facilities. The breakdown of the approximate costs for these equipment and support are $450,000 for Bales Road and $325,000 for 380 Bayview Avenue. Funds to cover these costs are provided in the 2005 Property Services budget. To elaborate on these costs, both sites require internal equipment including call managers, voice mail servers, communication gateways, network switches, redundant power supplies and network cabinets. Furthermore, the proposed solution includes several redundant design characteristics that provide high level of availability.

5.3 FCI Broadband –VPN Costs

Costs for the Wide Area Network connections are provided in the annual budget of the Finance Department, ITS Branch. The current monthly cost of this service including GST and PST is approximately $20,000. The funds required to cover July 1st to December 31st, 2005 are approximately $120,000. The final cost for 2005 will be affected by the actual number of sites and services added to the network throughout the year.

6. LOCAL MUNICIPAL IMPACT

There are no local municipal impacts associated with this report.

7. CONCLUSION

Staff are currently evaluating proposals to the Converged Network RFP. The results of this evaluation will serve as the business case for either proceeding with this initiative or simply re-tendering for existing services separately. Renewing the agreements with incumbent suppliers of existing technology until December 31st, 2005 will allow staff sufficient time to perform the required analysis, negotiate agreements for the supply of a converged network or re-tender for new, separate contracts.

The Senior Management Group has reviewed this report.