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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 the adoption of the recommendations contained in the following report, April 26, 2004, from the Commissioner of Finance subject to:

a) amending the extensions of the contracts only until June 30, 2005 with the option of further extensions to December 31, 2005;

b) staff report further to the Committee on the matter of the further extensions in February, 2005; and

c) Recommendation 3 be amended to delete "$333,000" and replace it with "$240,000", based on information provided by the Commissioner of Finance.

1. RECOMMENDATIONS

It is recommended that Finance and Administration Committee and Council:

1. Authorize staff to extend the contract with 360networks (formerly Group Telecom) for Wide-Area-Network (WAN) connections at an estimated cost of $384,000 until December 31, 2005.

2. Authorize staff to extend the contract with Infostream Technologies Incorporated for the supply and maintenance of network infrastructure equipment at an estimated cost of $499,000 until December 31, 2005.

3. Authorize staff to extend the contract with FCI Broadband for Virtual Private Network (VPN) Services at an estimated cost of $333,000 until December 31, 2005.

2. PURPOSE

The purpose of this report is to request a further extension to certain agreements, due to expire in December 2004 for wide area network connections, network infrastructure equipment and VPN Services following a direction received from Finance and Administration Committee on April 6th 2004 concerning the recommendation to migrate the Region's networks to a Voice over Internet Protocol (VoIP) technology.

3. BACKGROUND

At its meeting on April 6th 2004, Finance and Administration Committee considered a report that the Region migrate its separate voice and data network connections and equipment to a single voice and data network based on voice over internet protocol (VoIP). 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 Committee with a recommendation in the fall of 2004 – but to delay for nine months entering into any agreements with suppliers to migrate to VoIP technology.

At the September 18, 2003 Council meeting, Regional Council adopted the recommendation contained in Report No. 7 of the Commissioner of Finance that requested extension of the agreement with the existing supplier of our VPN Services connections for one year.

At the December 11, 2003 Council meeting, Regional Council adopted the recommendation contained in Report No. 9 of the Commissioner of Finance that requested extension of the agreement with the existing supplier of our network connections for one year.

Coincident with the expiry of the network connection agreement is the expiry of the agreement with the suppliers of our network infrastructure equipment which controls the flow of data through the network. Council agreed to extend both agreements stipulating that staff would tender these services in 2004 when this extension expired, based on the new strategy.

Staff originally contemplated that an early 2004 approval to migrate to VoIP technology would allow a time frame in which to issue an RFP for a VoIP services 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 the services provided by these incumbent vendors.

The decision to defer the selection of a VoIP supplier means the Region must, in the interim, enter into new agreements for the supply of the existing technology data communications connections, VPN connections and technology network infrastructure equipment.

4. ANALYSIS AND OPTIONS

4.1 Alternatives

Staff could develop and issue RFPs for the supply of the data communications connections, VPN connections and network infrastructure equipment. The prudent time frame would be one year (for the period January to December 2005) so that we have the ability to migrate to VoIP should Council decide to do so based on the report we are to prepare for the fall of 2004.

Since a one year contract is a relatively short time frame in the communications services industry, we expect there will be no significant price reduction as a result of the RFP process. We will need to do a minimum of three RFPs. Significant staff time will be necessary to implement new vendors who are unfamiliar with the Region’s environment, processes and infrastructure. These efforts will take time away from implementation of the 2004 ITS initiatives and increase the likelihood of disruptions to service.

Alternatively, with a one year extension, we expect to maintain existing pricing and there will be minimal staff effort required to extend these agreements one more year.

5. FINANCIAL IMPLICATIONS

ITS staff realized over the past several years that the rapid expansion of the Region’s network infrastructure and the ever increasing load placed upon it calls for more sophisticated management techniques. Accordingly, in 2003, ITS staff enhanced the level of service provided by our supplier of maintenance services. In order to continue improving the reliability of the network, further enhancements were considered for 2004 however were deferred under the assumption they would be included in a managed, VoIP network solution in 2005. With the implementation of the VoIP solution deferred, ITS must consider implementation of the above mentioned enchancements early in 2005. Estimated costs for these services is $95,000 plus GST however, this requirement will be further refined during the 2005 budget planning process.

5.1 360networks – Current Networking Costs

Monthly 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 $32,000 for an annual total of $384,000. Any additional requirements identified through the annual business planning and budget approval process will add to the current 2004 total.

Budget projections have not yet been made for 2005, however, barring any significant inflationary pressures past experience has shown that a cost structure similar to 2004 is realistic. The final cost for 2005 will be affected by the actual number of sites and services (i.e. four digit dialling and remote users of high traffic applications such as AutoCAD) added to the network. The 2005 estimates will be further refined as part of the 2005 budget planning process.

5.2 Infostream Technologies Inc. – Network Infrastructure Costs

Monthly costs for the Local and Wide Area Network equipment are provided in the annual budget of the Finance Department, ITS Branch. The current cost of the service provided is approximately $499,000 annually; $129,000 for new equipment leases through the Region's approved third-part Lessor and $370,000 for maintenance of all installed equipment. Any additional requirements identified through the annual business planning and budget approval process will add to the 2004 total.

Budget projections have not yet been made for 2005, however, barring any significant inflationary pressures past experience has shown that a cost structure similar to 2004 is realistic. The final 2005 cost will be affected by the actual number of sites and services (i.e. four digit dialling, video streaming and remote users of high traffic applications such as AutoCAD) added to the network. The 2005 estimates will be further refined as part of the 2005 budget planning process.

5.3 FCI Broadband – VPN Costs

Monthly costs for the VPN Services are provided in the annual budget of the Finance Department, ITS Branch. The current monthly cost of this service including GST and PST is $27,750 for an annual total of $333,000. Any additional requirements identified through the annual business planning and budget approval process will add to the current 2004 total.

Budget projections have not yet been made for 2005, however, barring any significant inflationary pressures past experience has shown that a cost structure similar to 2004 is realistic. The final cost for 2005 will be affected by the actual number of VPN Based sites are added to the network. The 2005 estimates will be further refined as part of the 2005 budget planning process.

6. LOCAL MUNICIPAL IMPACT

There are no local municipal impacts associated with this report.

7. CONCLUSION

Staff are currently preparing a plan to develop the Business Case for Voice over Internet Protocol Technology as directed by Committee at its April 6th meeting. This plan will be reviewed by the CTRC and the proposed Information Technology Steering Committee after which staff will report back to the Finance and Administration Committee during its October – November meeting cycle. Decisions made at these meetings will provide the direction for the network communications in the future.

Renewing the agreements with incumbent suppliers of existing technology for an additional year, commencing January 2005 will allow staff to realize significant time savings and to focus on preparing the plan requested by Committee concerning the VoIP alternative.

The Senior Management Group has reviewed this report.