Agenda – Executive Policy Committee – September 7, 2005

REPORTS

Item No. 1 **Award of Contract for the Provision of Dark Fibre Services**
File GL-9

COUNCIL DECISION:

On July 27, 2005, Council referred the item back to the Executive Policy Committee.

Agenda – Executive Policy Committee – September 7, 2005

DECISION MAKING HISTORY:

COUNCIL DECISION:

On July 27, 2005, Council referred the item back to the Executive Policy Committee.

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 20, 2005, the Executive Policy Committee concurred in the administrative recommendation and submitted the matter to Council.

RE: AWARD OF CONTRACT FOR THE PROVISION OF DARK FIBRE SERVICES – BID OPPORTUNITY NO. 132

FOR SUBMISSION TO: **EXECUTIVE POLICY COMMITTEE**

ORIGINAL REPORT SIGNED BY: Cliff Jeffers
Chief Information Officer

REPORT DATE: July 14, 2005

RECOMMENDATION(S):

1. That the contract for Provision of Dark Fibre Services for the period be awarded as a whole to the responsible and qualified bidder, Ignition Point Technologies Corp., for the following:

    a) Construction of a turn-key dark fibre optic network to connect each of 48 City buildings by 24 strands to be owned and used for high speed network connectivity by the City of Winnipeg. Construction is to begin August 2005 and be completed May 2006 in the amount of $2,104,050.58.
    b) Maintenance of dark fibre optic network for a period of 10 (ten) years from August 1, 2005 to July 30, 2015 in the amount of $764,000.40.

    Total conditional contract amount before taxes – $ 2,868,050.98

Report Summary

Key Issues:

- That a contract for Provision of Dark Fibre Services be awarded as a whole to the responsible and qualified bidder submitting the lowest evaluated responsive bid which is Ignition Point Technologies Corp.

- The proposed multi-year maintenance contract provides the City with continued service at the best pricing possible.

- **Approval of award of contract by Council is requested by July 27, 2005 to allow construction to begin in August 2005 to address immediate requirements as noted in the History section of this award report. Approval at the end of September 2005 would delay the construction period to start in Spring 2006.**

- Offers will lapse unless acceptance by October 1, 2005.

Implications of the Recommendation(s):

General Implications

	None
X	For the organization overall and/or for other departments
	For the community and/or organizations external to the City of Winnipeg
X	Involves a multi-year contract

Comment: The City of Winnipeg's requirements for cost-effective high speed internal data network connectivity is required by all departments. The proposed multi-year maintenance contract provides the City with continued service at the best pricing possible.

Policy Implications

X	No
	Yes

Environmental Implications

X	No
	Yes

Human Resource Implications

X	No
	Yes

Financial Implications

	Within approved current and/or capital budget
X	Current and/or capital budget adjustment required

Comments: A one-time charge for installation is funded through capital accounts. Departments have been notified and have consented to a monthly charge for the recovery of maintenance costs related to the provision of this service.

REASON FOR THE REPORT:

The contract is for an interdepartmental purchase committing payments by the City from future capital and operating budget and accordingly, must be approved by Council.

HISTORY:

Existing remote data network connectivity services for City offices in South and West Winnipeg are provided by a variety of leased services from MTS Communications Inc. and GT Group Telecom as well as City-managed fixed wireless connections. Contracts for leased lines at 421 Osborne, 1539 Waverley and 700 Assiniboine have expired and need to be renewed.

Alternatively, City buildings in downtown Winnipeg connect to the City's data network using dark fiber leased from Manitoba Hydro and network hardware managed by Corporate IT which offer much higher network speeds (10 to 1000 times faster) at lower costs. These buildings include 510 Main Street Administration Building, 151 Princess, Council Building, Mandarin Building, Dynasty Building, Centennial Library, 457 Main, 395 Main, 1155 Pacific, 65 Garry, 33 Warnock, 1057 Logan and 100 Main St.

In support of new applications that will improve City services, City departments have requirements for more cost-effective and higher speed network connectivity to remote City buildings consistent with the current fiber-connected downtown buildings.

The highest priority is the City's planned alternate communications centres which have requirements for a highly available and high speed (at least one Gigabit per second) network connection to the City's downtown campus. Departments with high speed network requirements at other remote locations include Winnipeg Police Services, Fire Paramedic Services, Community Services, Winnipeg Public Library, Public Works, and Corporate IT. These locations and their application requirements are detailed in Appendix C – New Network Requirements.

Corporate Information Technology and Materials Management issued a Request for Proposal for dark fiber optic services in May of 2005 to allow for connection of remote City buildings to the downtown fiber optic network.

Final Receipt of offers took place on June 3, 2005 with bids being received from two offerers.

DISCUSSION:

Bids were received from two companies:

- Crown Utilities Ltd
- Ignition Point Technologies Corp.

Bidders had to provide proposals for a fibre optic network design to connect City buildings in South Winnipeg with special attention to a fault tolerant redundant path for sites requiring high availability. Bidders were to provide one or more pricing alternatives which include outright purchase, lease or lease to own.

A comparison of the bidders proposals is attached (Appendix A).

The recommended award is as a whole to Ignition Point Technologies Corp., the bidder offering the proposal with the highest weighted score based on the evaluation criteria specified in B17 of the RFP.

The 48 City locations that can be connected by Ignition Point Technologies Corp.'s proposal were compared to 3 alternatives:

1) existing network communications line speed and costs (detailed in Appendix B)
2) new fiber networks's speeds to meet new requirements (detailed in Appendix C)
3) compared to using leased line contracts with service providers (detailed in Appendix D)

The comparisons are summarized in this table

	Communications line costs over 10 years	**Aggregate Network Bandwidth (megabits per second)**
Current Network (Appendix B)	$1,851,000	575
Proposed fiber network in this award report (Appendix C)	$2,868,051	30,200
Leased lines alternative (Appendix D)	$6,480,000	20,400

Offers will lapse unless acceptance by October 1, 2005.

Financial Impact Statement — Date: June 28, 2005

Project Name: — **First Year of Program** 2005

Award of Contract for the Provision of Dark Fiber Services - RFP No. 132

	2005	2006	2007	2008	2009
Capital					
Capital Expenditures Required	$ 2,086,987	$ 231,887			
Less: Existing Budgeted Costs	2,086,987	231,887			
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal					
Debt - External					
Grants (Enter Description Here)					
Reserves, Equity, Surplus					
Other - Enter Description Here					
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs					
Debt & Finance Charges	$ 488,723	$ 544,523	$ 544,523	$ 544,523	$ 544,523
Mainenance	$ 34,062	$ 81,748	$ 81,748	$ 81,748	$ 81,748
Less: Incremental Revenue/Recovery	34,062	81,748	81,748	81,748	81,748
Net Cost/(Benefit)	$ 488,723	$ 544,523	$ 544,523	$ 544,523	$ 544,523
Less: Existing Budget Amounts	488,723	544,523	544,523	544,523	544,523
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

1. A one-time charge for installation is funded through capital accounts.
2. Departments have been notified and have consented to a monthly charge for the recovery of maintenance costs related to the provision of this service.
3. Capital expenditures are amortized over 5 years at an annual interest rate of 5.50% for 2005 and 6.50% for 2006.
4. Debt & Finances Charges beyond 2009 total $55,800; maintenance costs from 2010 to July/2015 total $456,427.
5. A 3% Interest & Administrative charge is included in capital expenditures.
6. All costs include 7% PST.

(Original signed by A. Abeysekera)
Manager of Finance & Administration
Corporate Services & CIT Dept.

IN PREPARING THIS REPORT THERE WAS CONSULTATION WITH, AND CONCURRENCE BY:

Legal Services Division, Corporate Services Department and Materials Management Division, Corporate Finance Department**.**

This Report Submitted By:

Department: Corporate Information Technology
Division: IT Operations & Infrastructure
Prepared by: Stanley Yuen

- **Comparison of proposal from the two bidders based on the evaluation criteria.**

Criteria	Weight	Crown Score (0 to 100)	Crown Weighted Score	Ignition Point Score (0 to 100)	Ignition Point Weighted Score
Vendor's experience and abilities	10%	80	8	80	8
Dark Fibre Design and Proposal	30%	67	20.1	85	25.5
Maintenance Services	25%	80	20	80	20
Proposed Schedule of Work	10%	50	5	90	9
Total Cost	25%	76	19	90	22.5
					0
TOTALS	**100%**	**353**	**72.1**	**425**	**85**

Evaluation Notes

- **Vendor's Experience and Abilities**

Both vendors are compliant and have comparable experience and abilities in building dark fiber optic networks. Crown Utilities Ltd's bid states they started offering dark fiber installs through a sub-contractor since 1991 for local service providers with a comparable fiber optic build underway for Pembina Trails School Division in the July to December 2005 timeframe.

Ignition Point Technology Corp.'s bid states they are exclusively in the dark fiber installation business since 1997 with fiber optic builds for the Public and Private Sector as well as major telecom and Internet Service Providers.

- **Dark Fibre Design and Proposal**

Both vendors are compliant and were able to propose a dark fiber optic design that allowed for connectivity to meet and exceed the City sites required in the RFP.

The fiber optic ring design proposed by Crown Utilities Ltd incorporated a mix of 24 strands of fiber connectivity through new builds in addition to leased 4 strands of fiber from their build for Pembina Trails School Division. Crown Utilities Ltd's approx. 60 km fiber optic ring is predominately in the South West part of Winnipeg. The fiber optic ring design proposed by Ignition Point Technology Corp. specifies 24 strands of fiber to all City locations. Ignition Point Technologies Corp.'s approx. 55 km fiber optic ring design runs through South West Winnipeg as well as West Winnipeg.

Evaluation Notes *(cont'd)*

Higher scores in this category were awarded to Ignition Point Technology Corp. over Crown Utilities Ltd's for two primary reasons:

1) Ignition Point Technology Corp.'s fiber optic network design provided greater geographical diversity that can more easily connect a higher number of City sites. Ignition Point Technology Corp.'s design can accommodate 48 City sites compared to Crown Utilities Ltd's design which can accommodate 30 City sites.
2) Ignition Point Technology Corp.'s fiber optic network allows for more network design flexibility than Crown Utilities Ltd's proposal due to a higher fiber optic strand count. Ignition Point Technology Corp. will provision 24 strands of dark fiber to each building while Crown Utilities Ltd's proposal allows for 4 strands of fiber on the half of the fiber ring that is shared with Pembina Trails School Divisions'.

- **Maintenance Services**

Both vendors replied in their bid that they are able to provide the required level of maintenance services in ongoing support of the fiber optic network as specified in Section E11 of the RFP.

- **Proposed Schedule of Work**

Crown Utilities Ltd proposed a schedule that will connect City sites on the south half of the fiber optic ring that coincides with their fiber build for Pembina Trails School Division this summer. The north half of the ring would be completed Spring of 2006 as weather permits.

Ignition Point Technology Corp. proposed a schedule that would complete both halves of the fiber optic ring in the August to December 2005 timeframe with some lower priority sites identified by the City to be completed in Spring of 2006.

Ignition Point Technology Corp. was given higher scores with their faster proposed schedule of work.

Evaluation Notes *(cont'd)*

Total Cost

Ignition Point Technology Corp.	
Alternative 1 - Purchase of Fibre Optic Network	
Initial and Total Construction Costs	$ 2,104,050.58
Total Maintenance Costs over 10 years	$ 764,000.40
Total	**$ 2,868,050.98**
Alternative 2 - Lease	
Initial Payment	$ 100,000.00
Total Leasing Costs over 10 years	$ 3,900,000.00
Total	**$ 4,000,000.00**
Alternative 3 - Lease to Own	
Initial Cost	$ 1,150,000.00
Total Lease-to-own Costs over 10 years	$ 2,436,001.00
Total	**$ 3,586,001.00**
Crown Utilities Ltd	
Initial and Total Construction Costs for half the ring	$ 2,400,000.00
Maintenance and IRU costs over 10 years	$ 1,000,000.00
Total	**$ 3,400,000.00**

Detailed information is available upon request through the Chief Information Officer

Detailed information is available upon request through the Chief Information Officer

Detailed information is available upon request through the Chief Information Officer