Minutes - Executive Policy Committee – March 16, 2005

Minute No. 258
Report - Standing Policy Committee on Public Works - March 8, 2005

Item No. 1 Lease Agreement for iSeries Computer Configuration
File GL-9 [c/r T]

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Public Works and submits the following to Council:

1. That a three year lease agreement for an iSeries Computer Configuration be awarded to AniSoft Group Inc at an estimated cost of $509,174.44 (GST and PST included).

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

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DECISION MAKING HISTORY:

Moved by Councillor Eadie,
That the recommendation of the Standing Policy Committee on Public Works be concurred in and forwarded to Council.

Carried

STANDING COMMITTEE RECOMMENDATION:

On March 8, 2005, the Standing Policy Committee on Public Works concurred in the administrative recommendation and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

RE: **Lease Agreement for iSeries Computer Configuration**

FOR SUBMISSION TO: **Standing Policy Committee on Public Works**

ORIGINAL REPORT SIGNED BY: **T. Dreolini, Acting Director of Transit**

REPORT DATE: **February 18, 2005**

RECOMMENDATION(S):

That a three year lease agreement for an iSeries Computer Configuration be awarded to AniSoft Group Inc at an estimated cost of $509,174.44 (GST and PST included).

REPORT SUMMARY

Key Issues:

1. Winnipeg Transit needs to upgrade and consolidate the server configurations which are required for the majority of Transit's critical business applications.
2. The Manager of Materials approved the negotiation of a single source agreement for an iSeries Computer Configuration with Anisoft Group Inc.

Implications of the Recommendation(s):

General Implications:

	None
	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:

Policy implications:

x	No
	Yes

Comment:

Environmental Implications:

x	No
	Yes

Comment:

Human Resources Implications:

x	No
	Yes

Comment:

Financial Implications:

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

Comment:

REPORT

REASON FOR THE REPORT:

Pursuant to the Materials Management Policy, approval of City Council is required for this agreement as it is a multi-year contract.

HISTORY:

Transit has deployed a wide variety of software applications requiring this specific hardware architecture. These applications are critical to the operation of the department.

Transit currently owns three AS/400 systems which are older than 5 years. One iSeries configuration is currently leased from Anisoft Group Inc. This lease expires in 2005.

On January 17, 2005 the Manager of Materials, considered a report from Winnipeg Transit, dated January 14, 2005 and approved the request for negotiation of a single source agreement for an IBM eServer iSeries Computer Configuration with Anisoft Group Inc.

DISCUSSION:

Application Requirements

Winnipeg Transit has a large number of applications which are dependent on the hardware architecture available only on the iSeries. These include: Bus Operator Work Management, Bus Operator Timekeeping, Vehicle Maintenance, Vehicle Control, Dispatch, Inventory Management, Handi-Transit Reservations, Handi-Transit Scheduling, Navigo Trip Planner, Internet Stop Schedules, Trip Schedules, Route Timetables, TeleBus, Bus Radio Control, and Control Centre Incident Management.

Current Equipment

Currently, four IBM midrange configurations are installed to support this application workload. These include three AS/400 configurations that are more than 5 years old and are approaching obsolescence, and a single iSeries system for which the lease expires in 2005. Capacity constraints are having an impact on public service in the form of availability of the very popular and successful Navigo trip planner. The current configuration is capable of processing approximately 2300-2700 requests per day. Demand for Navigo can exceed 6000+ requests on busy days, leading to numerous public complaints.

Upgrade Requirement

In order to assure the continued viability of its base business applications as well as servicing the demand for popular public applications such as Navigo, it is necessary that Transit upgrade the supporting midrange configurations.

Winnipeg Transit specifically requires IBM eServer iSeries systems since this are the only hardware architecture capable of executing the required applications. Currently Anisoft Group Inc. is the only authorized VAR (Value Added Retailer) for eServer equipment in our region.

New Configuration

The IBM iSeries configuration specified in this agreement incorporates two 9406-520 i5 processors which replace two of the existing AS/400 systems and the leased iSeries system, as well as a number of Intel based servers.

The new configuration is specified in detail in the AniSoft/IBM Lease Agreement. Hardware and software maintenance for the full term of the lease are included in the agreement.

Benefits

Through the combined consolidation of AS/400, iSeries and Intel systems substantial savings can be realized in the form of reduced; hardware maintenance costs, software maintenance costs, management costs, and operating/infrastructure costs.

The proposed configuration provides an overall 250% increase in midrange capacity with a specific increase of over 300% available to resolve the Navigo trip planner bottleneck. The configuration also provides for a 200% increase in the file storage capacity over the replaced Intel-based systems.

Costs

The total obligation to Winnipeg Transit for the 3 year lease agreement including all hardware and software maintenance totals $509,170.44 (includes PST/GST). This represents a monthly payment of $14,143.62. Despite the substantial increase in capacity and performance, the cost is equivalent to the costs currently being incurred for the replaced systems. The previous acquisition costs for the replaced equipment were financed at the time of purchase from various capital budget projects and/or operating budget equipment replacement funds. The monthly cost of the new equipment can be covered by existing budgeted equipment rental funds, and savings in hardware maintenance and software maintenance costs.

Assuming the equipment has a residual value of 10% at the lease end, the interest rate implicit in this lease is approximately 5%. If the equipment, software and maintenance contracts were bought outright, the City would likely be able to obtain three year financing at 3.75%. However, in spite of costing approximately $5,000 more in interest costs, the lease option proposed here is preferred. Leasing provides for equal monthly charges that are more manageable for the 2005 operating budget. As the equipment will most likely be obsolete at the end of the lease term, it also provides the department for a ready opportunity to acquire newer equipment with the latest equipment at that time.

Award of Contract

Because of the contractual relationship between AniSoft Group Inc. and IBM Canada Ltd., the City cannot purchase or lease this equipment directly from IBM Canada. In addition to the contract with AniSoft Group Inc., the City will be required to execute an Order Confirmation Document with IBM Canada Ltd. for the leased equipment and make payments directly to IBM.

In the opinion of the Department the proposed contractor has the skills and resources to satisfactorily complete the Work.

FINANCIAL IMPACT STATEMENT:

Project Name: Lease of an IBM eServer iSeries Computer Configuration
Date: January 27, 2005 First Year of Program: 2005

	2005	2006	2007	2008
Capital				
Capital Expenditures Required				
Less: Existing Budgeted Costs				
Additional Capital Budget Required	$ -	$ -	$ -	$ -
Funding Sources:				
Debt - Internal				
Debt - External				
Grants (Ienter 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	$ 122,826	$ 163,768	$ 163,768	$ 40,942
Less: Incremental Revenue/Recovery				
Net Cost/(Benefit)	$ 122,826	$ 163,768	$ 163,768	$ 40,942
Less: Existing Budget Amounts	122,826	163,768	N/A	N/A
Net Budget Adjustment Required	$ -	$ -	N/A	N/A

Additional Comments: The above financial impact statement assumes a lease commencement in April, 2005. The existing budget amounts for 2005 and 2006 are administrative only and have not yet been approved by council

Manager of Finance & Administration

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

Legal Services Division
Materials Management Branch
Corporate Information Technology

THIS REPORT SUBMITTED BY:
Department: Winnipeg Transit
Division: Information Systems
Prepared by: Herbert Vossler
File No.