



**STAFF REPORT
ACTION REQUIRED**
with Confidential Attachment

**Bell Integrated Telecommunications Infrastructure -
Request for Five Year Contract Extension and Report on
Contract Dispute**

Date:	September 1, 2015
To:	Government Management Committee
From:	Chief Information Officer, Information and Technology Division City Solicitor Director, Purchasing and Materials Management Division
Wards:	All
Reason for Confidential Information:	This report contains advice or communications that are subject to solicitor-client privilege, and pertains to litigation or potential litigation that affects the City.
Reference Number:	P:\2015\Internal Services\I&T\Gm15008I&T (AFS #21147)

SUMMARY

This report requests authority to extend Contract number 47015457 for a period of five (5) years from October 1, 2015 to September 30, 2020 in the total estimated amount of \$49.841 million net of HST recoveries (\$48.979 million excluding taxes). The Integrated Telecommunications Infrastructure (ITI) RFP and contract included provision for this term of extension at the same pricing, terms and conditions.

The Confidential Attachment provides information related to the contract dispute between the City and Bell Canada. The recommendation to extend the contract is based on staff reaching a tentative settlement of the contract dispute.

RECOMMENDATIONS

The Chief Information Officer, Director Purchasing and Materials Management and City Solicitor recommend that:

1. City Council adopt the recommendations contained within Confidential Attachment 1.
2. City Council authorize the public release of all or a portion of the confidential recommendations in Confidential Attachment 1 once adopted by City Council at the discretion of the City Solicitor, and City Council direct that the balance of Confidential Attachment 1 remain confidential as it contains advice that is subject to solicitor-client privilege, and pertains to litigation or potential litigation.
3. City Council grant authority for the Chief Information Officer to extend the current Integrated Telecommunications Infrastructure (ITI) and related services contract and increase the contract value with Bell Canada for a five (5) year term commencing October 1, 2015 ending no later than September 30, 2020, for an additional estimated amount of \$49.841 million net of HST recoveries (\$48.979 million excluding taxes) based on the same pricing, terms and conditions.

Financial Impact

The total contract extension expenditure for the 5 year period October 1, 2015 – September 30, 2020 is \$49.841 million net of HST recoveries (\$48.979 million excluding taxes).

The annual estimated spending net of HST recoveries for the five (5) year contract extension is as follows:

	2015 Q4	2016	2017	2018	2019	2020 Q1-Q3	Total
Operating	\$1,940,338	\$7,749,095	\$8,414,738	\$8,883,873	\$9,338,448	\$7,314,629	\$43,691,121
Capital		\$700,000	\$1,600,000	\$2,000,000	\$950,000	\$900,000	\$6,150,000
Total	\$1,940,338	\$8,449,095	\$10,014,738	\$10,883,873	\$10,338,448	\$8,214,629	\$49,841,121

Funding for Operating expenditures is included in the various accounts in the 2015 Operating Budget. Funding for the years 2016-2020 will be included in the annual Operating Budget submissions for the appropriate Divisions.

Funding for Capital expenditures will be included in the 2016-2020 Capital Budget Submissions for the Information and Technology Division's Life Cycle Management Program (WBS# CIT702).

The Deputy City Manager & Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting of February 17, 2015 Government Management Committee deferred Item GM2.6 from the Chief Information Officer and Director, Purchasing and Materials Management and requested a supplementary report be provided with confidential information related to the Bell Integrated Telecommunications Infrastructure (ITI) contract.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.GM2.6>

At its meeting of April 8, 2015 Government Management Committee referred Item GM3.15 to the Chief Information Officer, Director, Purchasing and Materials Management and City Solicitor, with the request that they review the outstanding issues and report to the Government Management Committee on August 31, 2015.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.GM3.15>

At its meeting of June 15, 2015 Government Management Committee approved an interim one (1) year contract extension of the Bell Integrated Telecommunications contract. A report back on the conclusion of the contract dispute between Bell and the City was expected at the Government Management Committee on September 17, 2015.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.GM5.8>

ISSUE BACKGROUND

The ITI contract was based on Request for Proposal (RFP) 2104-09-3006 for the Integrated Telecommunications Infrastructure and related Services which was awarded to Bell Canada. The ITI contract is comprised of four (4) service bundles, as set out below:

1. Centrex and other Carrier services;
2. Low-medium speed Wide Area Network (WAN) data communications services;
3. Network Cabling services; and
4. A Unified Communications (UC) -Voice over Internet Protocol (VoIP) solution which consists of Internet Protocol (IP) telephony, IP phones, Unified Messaging, Call Centre Management services and other related equipment and services.

The RFP and contract specified that there was to be an initial five (5) year term, with provision for extensions of up to five (5) additional separate one (1) year terms at the same pricing, terms and conditions. Government Management Committee approved the initial award and financial authority of \$54.204 million net of HST recoveries (\$53.266 million excluding taxes) for the first five (5) years. Any extension for the optional contract period would require additional Council approval.

Although the RFP contemplated the award to be for an initial award of a five (5) year term plus the option to extend for five (5) years, Information & Technology could not clearly identify the estimates for the option years at the time of award. Growth was anticipated; however, given the changes in the telecommunications infrastructure technology, staff were not able to provide a realistic ten (10) year estimate. The Staff Report submitted to Government Management (GM27.13) only considered the award for the first five (5) year term, and not for the full ten (10) years. Information & Technology felt it prudent to assess the growth requirements following the initial implementation to provide a more accurate estimated dollar value to report back to Council.

Government Management Committee deferred the decision related to the initial staff recommendations to extend the contract for the October 1, 2015 – September 30, 2020 term pending resolution of a contract dispute between the City and Bell regarding the Unified Communications project delivery.

COMMENTS

Since a tentative settlement of the contract dispute has been reached, as detailed in Confidential Attachment 1, staff are recommending that Council grant authority for a five (5) year extension of the Bell ITI contract for October 1, 2015 – September 30, 2020, in the upset amount of \$49.841 million net of HST recoveries. This amount has been estimated as the upset requirement for delivery of the various telecommunications services from Bell to the City based on recent expenditure levels projected for the future term.

Bell Canada was awarded the ITI RFP for the four (4) service bundles based on being the highest scoring proponent offering the lowest price meeting all requirements of the RFP. The contracted services are performing to service level agreements and remain competitive in the market place.

Any transition of services (e.g. changing out the core voice and data communications infrastructure services) at this time would be highly disruptive, as was contemplated at the time when the "5 plus 5" year term was included in the RFP and contract. Exercising the option to extend the contract for the additional five (5) year term will provide continuity with the City's voice and data communications services as well as provide cost savings.

CONTACT

John Davies
Deputy CIO
Information & Technology Division
416-392-8494
jwdavies@toronto.ca

Elaine Holt
Solicitor, Municipal Law
Legal Services
416-397-5410
eholt@toronto.ca

Elena Caruso
Manager, Purchasing Goods & Services
Purchasing & Materials Management
(416) 392-7316
ecaruso@toronto.ca

SIGNATURE

Rob Meikle
Chief Information Officer

Anna Kinastowski
City Solicitor

Michael Pacholok
Director, Purchasing & Materials Management

ATTACHMENTS

Confidential Attachment 1 with Appendix - Bell Integrated Telecommunications Infrastructure Contract Dispute Update