



Metro

Los Angeles County
Metropolitan Transportation Authority

One Gateway Plaza
Los Angeles, CA 90012-2952

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**FINANCE & BUDGET COMMITTEE
JUNE 17, 2009**

SUBJECT: POINT-TO-POINT DEDICATED FIBER

ACTION: AWARD CONTRACT FOR POINT-TO-POINT DEDICATED FIBER TO METRO SITES

RECOMMENDATION

- A. Authorize the Chief Executive Officer to award a sole source, seven-year, fixed unit rate, contract, Contract No. PS9240-2354, to Time Warner Cable, Inc., for the provision of dedicated fiber optic cable services in an amount not to exceed \$2,020,200, effective July 1, 2009.
- B. Authorize the Chief Executive Officer to negotiate and execute Change Orders for this procurement up to ten (10) percent of the original approved contract value, in an amount not to exceed \$202,020, for a total contract value not to exceed \$2,222,220.

RATIONALE

Our Wide Area Network (WAN) was built to support the collection and distribution of information electronically from all our sites and business systems. As we have expanded our use of business systems, the volume of information processed and distributed has also grown significantly. We are approaching full utilization of our current data transmission bandwidth capacity of three megabits/second, which was implemented in July 2003. The procurement of higher capacity transmission bandwidth will preclude bandwidth contention for continuing daily operations and provide the capacity required to support additional business systems, such as Transit Operator Activity Scheduling and Tracking (TOAST) and SmartDrive, which are high volume transaction systems. Both systems are scheduled to come on-line in FY10.

Time Warner Cable, Inc. (TWC) holds the franchise rights to be the sole cable provider for the metropolitan Los Angeles area. They have built a high capacity fiber optic network to provide service to both commercial and residential customers. Their fiber optic network provides an alternate source for transmission services other than public telecommunication carriers, such as AT&T and Verizon. Use of TWC, in conjunction with public telecommunication carriers, provides us the ability to build in network redundancy for continuous support of our 24X7 operations.

TWC's point-to-point dedicated fiber optic network will provide a transmission capacity of ten megabits/second, a three-fold increase over our current capacity of three megabits/second, and at a slightly lower cost than our current capacity rates. This service will be implemented at our bus, rail and sector office locations. Use of TWC's fiber optic network will reduce our transmission services cost by \$47,000 annually.

FINANCIAL IMPACT

The funding of \$288,600 for this service is included in the FY10 budget in cost center 0921, Non-Departmental Expense/Utilities, under various projects. In FY09, \$251,685 has been expended through March 2009. Since this is a multi-year contract, the Chief Information Officer and Chief Administrative Services Officer will be accountable for budgeting the cost in future years.

Impact to Enterprise Fund Bus and Rail Operating Budget

The \$288,600 budgeted will be charged to the Enterprise Fund (EF) bus and rail operating budget for data transmission bandwidth capacity for bus and rail locations. The amount charged to the bus and rail operating budget is based on the unit charge for the transmission circuit(s) required to support each location. For FY10, the new service will realize a reduction of \$47,000 from FY09 expenditure.

ALTERNATIVES CONSIDERED

One alternative is to not increase our transmission bandwidth capacity. This will create contention for transmission capacity resulting in slower response time that affects employee productivity and an inability to support the new systems scheduled to come online in FY10. Also, the cost for maintaining the current level of capacity is more costly than migrating to TWC. This is not a desirable option as transmission bandwidth contention will degrade employee efficiency and system effectiveness while offering no cost reductions.

Another alternative is to increase our transmission bandwidth capacity to ten megabits/second with our existing public telecommunications service provider. Installation costs to upgrade to a higher capacity service would be an additional one-time charge. Based on their price schedule, staff determined this was not a cost effective solution as the same base bandwidth capacity, ten megabits/second, costs thirty-three percent more than TWC's proposal.

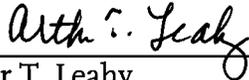
ATTACHMENT(S)

- A-1. Procurement Summary
- A-2. Procurement History

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Chief Information Officer



Lonnie Mitchell
Chief Administrative Services Officer



Arthur T. Leahy
Chief Executive Officer

**POINT-TO-POINT DEDICATED FIBER
PROCUREMENT SUMMARY**

1.	Contract Number: PS9240-2354		
2.	Recommended Vendor: Time Warner Cable, Inc.		
3.	Cost/Price Analysis Information:		
	A. Bid/Proposed Price: \$2,125,200	Recommended Price: \$2,020,200	
	B. Details of Significant Variances are in Attachment A-1.D		
4.	Contract Type: Fixed Unit Rate		
5.	Procurement Dates:		
	A. Issued: N/A		
	B. Advertised: N/A		
	C. Pre-proposal Conference: N/A		
	D. Proposals Due: N/A		
	E. Pre-Qualification Completed: TBD		
	F. Conflict of Interest Form Submitted to Ethics: TBD		
6.	Small Business Participation: TBD		
	A. Bid/Proposal Goal: TBD	Date Small Business Evaluation Completed: TBD	
	Small Business Commitment: TBD		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent: N/A	Bids/Proposals Picked up: N/A	Bids/Proposals Received: N/A
8.	Evaluation Information:		
	A. Bidders/Proposers Names: Time Warner Cable, Inc.	<u>Bid/Proposal Amount:</u> \$2,125,200	<u>Best and Final Offer Amount:</u> \$2,020,200
	B. Evaluation Methodology: Details are in Attachment A-1.C		
9.	Protest Information:		
	A. Protest Period End Date: N/A		
	B. Protest Receipt Date:		
	C. Disposition of Protest Date:		
10.	Contract Administrator: Gregory Moore	Telephone Number: (213) 922-7342	
11.	Project Manager: Vincent Tee	Telephone Number: (213) 922-4537	

POINT-TO-POINT DEDICATED FIBER PROCUREMENT HISTORY

A. Background on Contractor

Headquartered in New York, NY, Time Warner Cable, Inc. (TWC) is the second-largest cable operator in the United States. The firm owns, manages and develops technologically advanced, well-clustered cable systems throughout the United States. TWC is a publicly traded company that provides video, data, and voice service to millions of residential and commercial customers. The company offers its customers video programming; data services, including Internet access, Web site hosting, and managed security; and Business Class Phone, a business-grade phone service geared to small- and medium-sized businesses, as well as commercial networking and transport services.

TWC has led the way in technical innovation through the use of fiber optics to improve and expand its cable products and services. In 2001, TWC completed a nationwide system upgrade to create a hybrid fiber coaxial cable network, and the company has invested substantial resources to improve and develop that network.

B. Procurement Background

Procurement staff performed an analysis, in accordance with Metro's Procurement Policies and Procedures covering non-competitive procurements. Staff determined that, based on state-issued franchise agreements and its extensive and well-established fiber optic network, there is no other cable company that can provide consistent and reliable fiber optic cable services in the Metro service area. TWC owns the franchise rights to more than 90% of the fiber optic cable network infrastructure throughout the Metro service area and, as a consequence, can provide seamless fiber optic connectivity to Metro headquarters and its outlying divisions. At Metro's request, TWC submitted a price proposal for the provision of fiber optic cable services throughout Metro's service area.

C. Evaluation of Proposals

This is a negotiated, non-competitive sole source procurement. Fact-finding and negotiations were held with TWC, including discussions on the optimal pricing and technical solutions available to Metro. TWC submitted a responsive price proposal for the provision of fiber optic cable services for twenty-two (22) Metro sites, including the Metro Headquarters Building. Pricing is based upon a monthly service charge for each circuit established at the respective Metro locations throughout Los Angeles County. TWC initial price proposal was based upon a monthly circuit charge of \$1,150/unit, for a total cost of \$2,125,200 for the proposed seven year contract term.

As a result of negotiations between the parties, TWC submitted a revised price proposal which reduced the per circuit price to \$1093.19/unit, for a total contract value of

\$2,020,200 for twenty-two pre-determined sites within Metro's service area. The revised pricing resulted in a savings of 5.19% or \$105,000 to Metro.

D. Cost/Price Analysis Explanation of Variances

Negotiations resulted in a final total price of \$2,020,200 or \$1093.19/circuit, 5.19% less than TWC's original proposed cost of \$2,125,200 or \$1,150/circuit. Moreover, the revised pricing is also 14.6% below retail rates quoted to any other private or public buyer by TWC. Based on the foregoing, and the cost/price analysis conducted by the assigned Contract Administrator, the recommended not-to-exceed amount of \$2,222,220 has been determined to be fair and reasonable.