

## Memorandum

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**To:** Honorable Board of Directors

**From:** Jeffrey E. Small, Chief Information Officer

**CC:** Sue McCormick, Bill Wolfson, Nicolette Bateson

**Date:** July 25, 2018

**RE:** Response to Questions from Member Daddow Regarding Agenda Item  
8(c) – Proposed Amendment No. 2, Contract No. CS-1689, ATT  
Telecommunication / WAN/ LAN/ Managed Security Services

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1) Would like a brief history of the origination of this contract – particularly since it started out at \$18M or so. Was it competitively bid is one key question?

- 7/30/2010 - the original Master Agreement (attached) went into effect. We have thus far been unable to locate the contract pricing information.
- 11/4/2014 – (\$45 M for five years) Amendment 1 was executed to restructure multiple agreements with AT&T to better meet the needs of the organization. As part of this agreement a \$7M Minimum Annual Revenue Commitment (MARC) was added for network integration services
  - **Consolidated Pricing Schedules** include AT&T Cloud Service, Managed Internet Service, and Long-Distance High Volume Calling Plan Services.
  - **New Services** includes Managed Sourcing Suite for network integration, Virtual Private Network (VPN), IPflexible Reach, LAN services, Managed Router Services, and Secure Network Gateway Services.
  - **“Sunsetted” Pricing Schedules** which were meant to run their course and not be extended include Incumbent Local Exchange Carrier (ILEC) Intrastate Services and Managed Firewall.
  - **Terminated Pricing Schedules** include Contract Management, Unified Communications as a Service (UCaaS), consulting services for LAN/WAN technical services, and Network Integration equipment.

- FY 2016 annual contract amount (\$7.5M) vs. actual spend annualized (\$18.8M)
- FY 2017 annual contract amount (\$7.5M) vs. actual spend (\$16.3M)
- 3/22/2017 – MOU approved by Board of Directors of both DWSD and GLWA to recast, extend, transfer services from DWSD to GLWA and settle billing disputes.
- FY 2018 annual contract amount (\$7.5M) vs. actual spend (~\$12M) - last two months have not been processed and is an accrual.

2) It would be helpful to have the March 22<sup>nd</sup> MOU available for reference for all board members to see what was agreed to at that time. Hopefully it is readily available.

The MOU from 3/22/2017 is attached.

3) What is the 2019 and 2020 operating budget associated with this contract - \$12M is expected to be incurred per year?

FY 19 \$12,000,000

FY 20 \$12,000,000

4) What are the services being covered in this agreement – can see some of them such as the new telephone system (which is expensive based on Oakland's in progress efforts on this one as well). Network and if so what does it connect to for what purpose – pump stations / SCADA and other pressure monitoring; email services, cybersecurity on the network; etc.

There are many services covered in this contract in addition to the new VoIP telephone system. The contract amount, which encompasses the scope of the agreement with AT&T, includes; telephony, managed network services, managed security services and consulting services. These services span the GLWA organization. The network services include what you have noted above as well as LAN services at each site and WAN services that connect all the sites to the data center. We have multiple layers of security and redundancy at each site and diverse connections from AT&T into our primary data center. I would be happy to discuss the specifics with you or any other board member at your convenience.

5) Are there additional operating costs associated with the telephone system – taxes come to mind, long distance charges – or is this simply the installation and launch costs?

GLWA will be leasing the phones and services from AT&T as part of Unified Communications as a Service (UCaaS). The price we are paying is a per licensed user per month based on the MI-Deal state contract. GLWA is a tax-exempt organization so there are no charges for taxes.

6) Bullet two on page two – reference to GLWA opting out already. Is this outside the \$12 million per year (i.e. before the deal was struck on the annual costs) or inside?

Before this contract amendment is approved, if we choose to cancel a service, we are bound by AT&T's termination penalties. This agreement shortens the "Minimum Payment Period" for most of the covered services to 12 months from the date of installation or service start date. Since most of these services have been in place longer than 12 months, we could theoretically choose to opt out of these services without penalty.

- 7) DWSD apparently is going to migrate their services to the City by Dec. 2019:
- How does this impact the MARC, if at all?

The current MARC is \$7.5M and the new MARC will be \$4.8M. The new MARC is a \$36% reduction and incorporates the anticipated reduction in charges related to the bifurcation. GLWA services alone will easily exceed the MARC for any given year, but between the reduced MARC and 12 month opt out language, we gain significant flexibility.

- Will this have any impact on the apparent agreement to bill through shared services 20% of the costs to DWSD?

The migration service date in the contract aligns with Amendment 1's end date and allows DWSD to migrate without either organization paying for early termination. Once they migrate, they will no longer be charged for their share.

- How does the DWSD leaving the system impact the amounts to be billed beyond December 31, 2019 – will these all be GLWA's costs with no sharing?

All costs after December 31, 2019 will be GLWA costs unless DWSD chooses not to migrate at that time.

- 8) Page 3 – has DWSD agreed to the 20% shared services amount – doesn't say that they have done so. Can DWSD confirm this 20% and for how long (see above concern involving their leaving the system by Dec. 2019).

As set forth in Shared Service Agreement, ITS-009, the allocation for DWSD is 20% of the total billed under this contract. Any amount other than that is determined by the Shared Service Agreement's true up process.

- 9) Power point – page 4. Why is the \$12M marked 'preliminary'?

Final year end invoices for Fiscal Year 2018 are still being reconciled by the Accounts Payable Team. The \$12M preliminary amount includes actuals through April 2018 and estimated amounts for May 2018 and June 2018 based upon the current monthly run rate.