INFORMATION TECHNOLOGY CONTRACT

ITEM: 4-IT Agency Contact: Ellis Kitchen (410) 260-2994

ekitchen@dbm.state.md.us

DEPARTMENT: Budget and Management (DBM)

PROGRAM: Office of Information Technology (OIT)

Telecommunications Division

DBM's OIT oversees the management and integration of Information Technology (IT) throughout the Executive branch of State government and has direct responsibility for the State's planning, policy formulation and implementation and administration of all Statewide IT contracts, including wireless communications services. The OIT Telecommunications Division is responsible for coordinating and managing telecommunications based activities Statewide, including Statewide high capacity circuit services to meet voice, video and data transport needs.

CONTRACT NO. & TITLE: DBM-0302-HCCS;

Statewide High Capacity Circuit Services

ADPICS DOCUMENT ID NUMBER: 050B4800028

<u>DESCRIPTION:</u> Statewide contract to two vendors (both subsidiaries of the Verizon Corporation) to obtain various high capacity circuit services to support the telecommunications needs of the State in two service areas. The new contract is expected to produce an approximate 8% cost savings over the prior contracts and is also being extended to Maryland County and Municipal Governments and their agencies (see Requesting Agency Remarks below).

TERM: 1/7/2004 - 12/31/2006 (W/4 two-year

renewal options)

PROCUREMENT METHOD: Competitive Sealed Proposals

BIDS OR PROPOSALS: See Attachment

ITEM: 4-IT (Cont)

AWARDS: Verizon Maryland, Inc.

Baltimore, MD

Verizon Select Services, Inc.

Irving, TX

(Local address in Linthicum, MD)

INCUMBENTS: Verizon, Inc.

(DBM-9817-HCS; 9/2/98 - 10/12/2004;

\$85,505,916)

AT&T and MCI, Inc.

(DBM-9911-IHCS; 10/13/99 - 10/12/2004;

\$15,000,000)

(See Requesting Agency Remarks below)

FUND SOURCES: Various Agencies **APPROP. CODES:** Various

AMOUNTS: \$ 41,000,000 Est. (3 Years; Base Contract)

\$ 26,600,000 Est. (2 Years; 1st Renewal

Option)

\$ 25,200,000 Est. (2 Years; 2nd Renewal

Option)

\$ 23,900,000 Est. (2 Years; 3rd Renewal

Option)

\$ 22,700,000 Est. (2 Years; 4th Renewal

Option)

\$139,400,000 Est. Total (11Years; see

Requesting Agency Remarks below)

PERFORMANCE BOND: None.

ITEM: 4-IT (Cont)

REQUESTING AGENCY REMARKS: A notice of the availability of the Request For Proposals (RFP) was advertised in the *Maryland Contract Weekly*, on the DBM website and at *eMarylandMarketplace.com*. Copies of the solicitation notice were mailed directly to 5 prospective vendors, all of which were Maryland firms, and included no MBEs. A copy was also sent to the Governor's Office of Minority Affairs. There is no MBE goal established for this contract because no sub-contracting opportunities exist for these services.

The services provided under this contract will support the State's requirements for transporting electronic information across the State in a high capacity manner. This includes voice, video and data and will be used by all State agencies in support of their various applications and business needs and to meet present and future communications needs in the most cost effective manner possible.

These Statewide high capacity circuit services are in two service areas:

- 1. Digital Data System (DDS) for inter/intra Local Access and Transport Area (LATA) circuit services. DDS employs various private line digital services technologies.
- 2. Frame Relay /Asynchronous Transfer Mode (FR/ATM) circuit services. FR services use packet switching technology and ATM services use fast, cell-switched technology.

The solicitation invited vendors to provide offers for either or both of these service areas.

Three offerors submitted a total of five proposals for these services. After one offeror was permitted to withdraw its offer, two offerors remained with three proposals being evaluated for these services (see Attachment). As indicated in the Attachment, the Verizon Corporation's ("Verizon") two subsidiaries were the only remaining offerors proposing in both service areas, with MCI WorldCom Communications, Inc. (MCI) proposing only DDS services.

Based upon the Evaluation Committee's proposal evaluations, the recommended awardees, Verizon Maryland, Inc. ("Verizon Maryland") and Verizon Select Services Inc. ("VSSI"), are able to provide services in both the areas required by the RFP. These Verizon subsidiaries had the best technical and price proposals for both service areas and are recommended for award in a single consolidated contract. For this contract, Verizon Maryland will act as a single point of contact for all services provided to the State.

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The *Award Amount* above for the base period contract is different from the financial *Offer Amount* shown in the Attachment. This is due to the use of a financial model to arrive at an evaluated price (the total Verizon Maryland, Inc. and VSSI offer amounts for both services for the contract base period was \$39,335,245).

The Award Amount of \$41,000,000 for the contract base period is an estimate based upon anticipated purchases for services under the contract. Also, under this contract, all circuits previously installed by MCI, Verizon and AT&T Corp., prior to the effective date of this contract, will be transitioned to this new consolidated contract.

If the new Verizon rates were applied to the State's existing inventory of Verizon circuits, the new pricing would produce an approximate 8% savings over current Verizon invoices. This means the State will accrue immediate savings with each circuit it transitions. The intent is to begin the transition process as soon as possible after award. Additional savings are expected from consolidating services.

The existing State contracts for these services (DBM-9911-IHCS and DBM-9817-HCS) were recently modified (see DBM BPW Item 8-IT-MOD on 7/30/2003 and DBM Item 7-IT-MOD on 8/20/2003, respectively). These modifications were processed to provide for the acquisition of a circuit inventory and to make both contracts end on 10/12/2004. This will allow time to transition all existing circuits to this new contract.

The Office of the State Comptroller has verified, under Control Number <u>03-2246-1111</u>, that the recommended contractors have no known deficiencies in the payment of their Maryland tax obligations. Verification has also been obtained from the Comptroller's Office, or the Department of Assessments and Taxation, as applicable, that the contractors are appropriately registered to conduct business within the State to the extent required by the laws of Maryland.

The contractors **are** resident businesses under the guidelines of BPW Advisory P-003-95 Revised.

DBM REMARKS: Furnishing long-term services are required to meet State needs; estimated requirements cover the period of the contract and are reasonably firm and continuing; and a multi-year contract will serve the best interests of the State by promoting economies in State procurement.

$\frac{\textbf{DEPARTMENT OF BUDGET AND MANAGEMENT}}{\textbf{ACTION AGENDA}}$

By approving this contract, the Board grants DBM the authority to approve the unilateral
exercise of the renewal option(s) at the scheduled times as provided for in the contract, and

directs that the exercise of each option renewal be reported on a DBM PAAR.

Approval recommended.

4-IT (Cont)

ITEM:

Board of Public Works Action - The above referenced Item was:

APPROVED

DISAPPROVED

DEFERRED

WITHDRAWN

WITH DISCUSSION

WITHOUT DISCUSSION

BIDS OR PROPOSALS (Cont):

For DDS Services

Offeror	Tech. <u>Rank</u>	Three-Year * Financial Offer (Rank)	Overall <u>Rank</u>
Verizon Maryland Inc. ** Baltimore, MD and Verizon Select Services Inc. Irving, TX (Local address in Linthicum, MD)	1	\$ 29,328,388 (1)	1
MCI WorldCom Communications, Inc. Vienna,VA	2	\$114,014,486 (2)	2

For FR/ATM Services

		Three-Year *	
	Tech.	Financial	Overall
Offeror	<u>Rank</u>	Offer (Rank)	<u>Rank</u>
Verizon Maryland , Inc. **	1	\$ 10,006,857 (1)	1
Baltimore, MD			

*Note: Offer amount was based upon a financial model in the RFP for evaluation purposes.

**Note: Total Verizon Maryland Inc. and Verizon Select Services Inc. offer values for both services is \$39,335,245.