
Subject: Niagara Regional Broadband Network (NRBN) Contract Renewal

Report to: Corporate Services Committee

Report date: Wednesday, March 20, 2019

Recommendations

1. That the renewal of the Niagara Regional Broadband Network (NRBN) contract for fibre optic data services **BE APPROVED** at an annual cost of \$581,756 (including 13% HST) for a period of 5 years with an option for an additional 5 years at the same rates.
2. That the Regional Clerk and the Chair **BE AUTHORIZED** to execute the amending agreement with NRBN to be prepared in a form satisfactory to the Director of Legal and Court Services.

Key Facts

- The purpose of this report is to provide an update on the contract negotiations with NRBN and to obtain Council approval to proceed with sole source contract renewal with NRBN.
- Section 18(a)(i) of the Procurement By-law permits single source purchases under the following condition, “the compatibility of a purchase with existing equipment, product standards, facilities or service is a paramount consideration”.
- Procurement By-law requires Council approval for contracts over \$1M.
- NRBN is a private company providing fibre networking services in the Niagara Region. Its shareholders are subsidiaries associated with the hydro utilities of, and ultimately owned by the cities and towns of Niagara Falls and Niagara-On-The-Lake.
- In 2004, the Niagara Public Sector Alliance (NPSA) entered into an agreement with NRBN for the purposes of building a high-speed fibre optic network within the Niagara Region for its members.
- NPSA consists of Niagara Region, Niagara Catholic District School Board, Niagara District School Board, Niagara Health Systems, Niagara College and St. Catharines Library.
- NRBN currently provides the Niagara Region with high-speed fibre network connectivity to 53 Regional facilities and collectively provides connectivity to approximately 250 sites for the NPSA.

- The original contract was for 10 years - August 2004 to August 2014, with a provision for an extension.
- August 2010, Council authorized extending the agreement for a further 10 year term from August 14, 2014 to August 13, 2024. Under this amending agreement, modifications to our fees can be negotiated for the last five years – namely August 14, 2019 to August 13, 2024.
- Contract states that a failure to agree on negotiated charges shall result in termination of the amending agreement.
- On May 24, 2018 Council directed staff, on behalf of the Region and as a member of the NPSA, to enter into sole source negotiations with NRBN for the purpose of achieving service enhancements and cost-savings for the Niagara Region.

Financial Considerations

The current cost of the agreement for Niagara Region is approximately \$515,000 per year (approximately \$2.6 million for the next five years). The current collective 5 year cost for all NPSA members is approximately \$14.3 million.

The new negotiated pricing for Niagara Region remains the same as current rates and includes additional enhanced services over and above what is included in the current contract. New rates are based on a 5 year term with an option to renew for an additional 5 years at the same rates.

Pricing also remains the same for the other NPSA members and includes additional enhanced services.

The proposed rates (before taxes) assume that all existing NPSA partners renew.

<i>Customer</i>	<i>Access Ports</i>	<i>Current Annual Cost</i>	<i>New Annual Cost</i>	<i>Difference</i>
Niagara Region	53	\$514,828.80	\$514,828.80	\$0.00
Niagara Regional Police	17	\$281,520.00	\$281,520.00	\$0.00
Niagara Regional Police - Radio	8	\$43,200.00	\$43,200.00	\$0.00
District School Board of Niagara	101	\$984,562.80	\$864,562.80	(\$120,000.00)
Niagara Catholic District School Board	70	\$584,400.00	\$584,400.00	\$0.00
Niagara Health Systems	12	\$231,960.00	\$231,960.00	\$0.00
Niagara College	6	\$197,880.00	\$197,880.00	\$0.00
St. Catharines Public Library	4	\$21,000.00	\$21,000.00	\$0.00
Total		\$2,859,351.60	\$2,739,351.60	(\$120,000.00)

Niagara Region's annual cost for NRBN services including 1.76% non-refundable HST is \$523,890 and is included in the approved IT Solutions operating budget.

Analysis

NRBN was originally formed in 2004 by a group of local Niagara municipalities to address the need for fiber technology that was not being adequately served by the open market within Niagara. NRBN's initial infrastructure investment was made possible through a partnership with Niagara Region (including NRPS), Niagara Catholic District School Board, District School Board of Niagara, Niagara Health Systems, Niagara College and St. Catharines Library. Each of these organizations collectively made long term commitments to NRBN to ensure that the municipal owners would see an adequate return on their investment and allow NRBN to grow capabilities beyond the needs of their original MUSH sector partners.

A unique element to this collective contract is a payment schedule modeled around each partner's ability to pay – not everyone pays the same rate for the same service. This has allowed NRBN to provide high speed connectivity to approximately 170 schools that otherwise would not have been able to afford those services.

In 2004 this initiative was ahead of its time however this level of connectivity has now become essential for service and program delivery. The need for a robust fiber infrastructure in Niagara is more critical than ever and demand will only continue to increase with the introduction of emerging high-speed technologies such as 5G wireless.

NRBN have always been a very responsive provider with exceptional service levels and a demonstrated willingness to explore new opportunities that better the Niagara community. NRBN recently partnered with Niagara Region in submitting an application to the Federal Connect to Innovate (CTI) program that, if awarded, could deliver up to \$10 million in fiber investment directly related to underserved communities.

As part of the contract negotiations NRBN have committed to providing a number of enhanced services with no increase in overall annual costs to each partner. Examples of the enhanced services include:

- Reduced service costs for unchanged services
- Increased bandwidth at high volume sites
- Increased internet connectivity
- Increased redundancy with automatic failovers
- Additional connections

Specific enhancements for each partner include:

Niagara Region

- 4 x 2G increased to 2 x 10G connections at HQ
- 1G increased to 10G connection at DR

- WAN upgrade from 2G to 5G at HQ
- WAN upgrade from 1G to 2G at DR
- Internet upgraded from 1G to 3G at HQ
- Internet upgraded from 60mb to 1G at DR
- 200mb Niagara Cloud Connection

Niagara Regional Police

- 4 new camera locations connected with 1G fibre and up to \$50,000 in capital funding to connect them.
- 200mb Niagara Cloud Connection

District School Board of Niagara

- SDWan – Direct internet at every school as well as their existing WAN network.
- Niagara Cloud connection increased from 10mb to 200mb
- Rebates for small cell installation at schools for a specific mobile carrier (outside of the main agreement)

Niagara Catholic District School Board

- Internet upgraded from 2G to 10G and upgrade path available for all their schools 100m to 1G
- Niagara Cloud connection increased from 10mb to 200mb
- Rebates for small cell installation at schools for a specific mobile carrier (outside of the main agreement)

Niagara Health System

- Internet upgrade from 1G to 4G
- Upgraded primary connection from 1G to 10G at Welland Hospital

Niagara College

- Internet upgrade at NOTL campus from 100mb to 1G
- New 2G internet connection at Welland campus

St Catharines Library

- Internet upgrades from 50mb to 500mb

NRBN have also offered to extend the newly negotiated unified rates to other public sector partners in the Region.

In order to ensure the proposed pricing is competitive a market scan was completed to look for comparable initiatives. As a member of SWIFT, one of the services we receive is aggregate connectivity rates from other members. Based on the information supplied by SWIFT the proposed NRBN rates are below existing markets rates.

Alternatives Reviewed

The Niagara Region could pursue negotiations separately from the other NPSA partners. When NRBN was first established the rates were structured based on the different partner organization's ability to pay – the rates are not equal across all partners. Separating out the different partners would reduce the individual entities ability to negotiate due to reduced scope of services being procured. This could result in increased overall costs over current rates.

Relationship to Council Strategic Priorities

This supports the Council Strategic Priorities, "Doing Things Differently" and "Advancing Organizational Excellence" through an ongoing focus on continuous and community improvement and identifying opportunities for cost reduction. Additionally, this supports council's strategic initiative to bring expanded broadband to underserved communities in Niagara.

Other Pertinent Reports

- GM 07-2018 Niagara Regional Broadband Network (NRBN) Contract
- CSD19-2017 Connect to Innovate (CTI) Funding for Broadband

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