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f.w.

Analysis of CALNET 3 Rates for Telecommunications Services

CITY & COUNTY OF SAN FRANCISCO



Office of the Controller

City Services Auditor

City Performance

Joe Lapka | 01.27.2016

Background

- In 2015 AT&T compared our costs for telecommunications services under its CALNET 2 rates with the estimated costs under its new CALNET 3 rate structure
 - Budget and Legislative Analyst noted that AT&T did not estimate the cost savings if the City were to select a CALNET 3 provider other than AT&T
- Budget and Finance Sub-committee subsequently requested that the City Administrator work with the Controller's Office to compare the prices of other CALNET 3 providers
- October 13, 2015 memorandum from Controller's Office
 - Concluded that AT&T's rates are generally competitive with the rates of other CALNET 3 providers

CALNET 3 Services and Providers

3

Category 1

1.1 - Dedicated Transport

- AT&T
- Verizon

1.2 – MPLS, VPN and Converged VoIP

- AT&T
- Integra
- Jive
- NWN
- Verizon

1.3 - Standalone VoIP

- AT&T
- Integra
- Jive
- Verizon

1.4 - Long Distance

- AT&T
- CenturyLink

1.5 - Toll Free

- AT&T
- CenturyLink
- Verizon

1.6 - Legacy Telecommunications

- AT&T

Categories 2 - 7

2 - Network Based Web Conferencing

- AT&T
- CenturyLink
- NWN

3 - Metropolitan Area Network Ethernet

- AT&T
- CenturyLink
- Integra

4.1 - SONET – Ring Connectivity

- Integra
- Verizon

4.2 - SONET – Point-to-Point Connectivity

- AT&T
- Integra
- Verizon

5 - Managed Internet Services

- AT&T
- Integra

6 - Hosted IVR/ACD Services

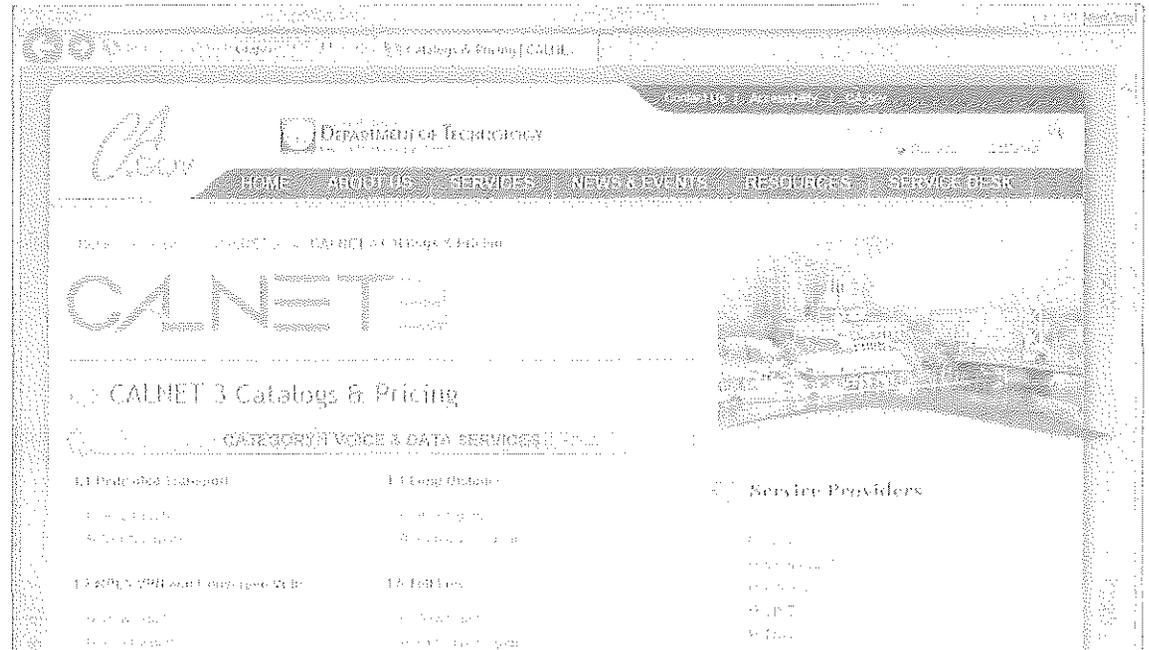
- AT&T
- NWN
- Verizon

7 - Network Based Managed Security

- AT&T
- CenturyLink
- Verizon

* With the exception of SONET service, which is used solely by the Airport, services shown in gray are not utilized by the City

Data and Methodology



1.5.2.4 Toll-Free Domestic Services

Contractor's Description of Service, include required service description, features and additional features offered by Contractor: AT&T Toll Free Service allow the receipt of inbound calls from anywhere in California as well as the rest of the United States and from more than 70 countries. These calls will be made to numbers that have 8XX as the area code which are recognized as toll free to the caller.

A	B	C	D	E	F	G	H	I	J	K
Line Item #	Feature Name	Contractor's Product Identifier	Feature Description	Feature Restrictions, Limitations and Additional Information	Non-Recurring Charge per item	Monthly Recurring Charge/item per unit	Unit of Measure	Charge per change per item	Delegation Needed (Yes/No)	Required or Discretionary
2	Basic Coverage - California Switched Access	TFCAS	Allows a Customer to receive toll-free calls from anywhere in the State of California on a switched line.		N/A	\$0.0149	minute	N/A	No	Required
4	Extended Call Coverage - US Switched Access	TFUSS	Allows a Customer to receive toll-free calls from the 50 United States, the District Of Columbia, the Virgin Islands, and Puerto Rico on a switched line.		N/A	\$0.0123	minute	N/A	No	Required

Summary of Findings

Table 1a – Comparison of Estimated Monthly Costs for CALNET 3 Service (AT&T vs Lowest-cost Alternative Providers)¹
 [lowest estimated costs shown in bold]

Service Category	Provider	Estimated Monthly Cost for C3 Service	Potential Monthly Savings vs AT&T
1.1 – Dedicated Transport ²	AT&T	\$164,990	-
	Verizon	\$166,800	
1.2 – MPLS, VPN and Converged VoIP	AT&T	\$1,231	\$513
	Jive	\$718	
1.4 – Long Distance	AT&T	\$9,413	\$1,501
	CenturyLink	\$7,912	
1.5 – Toll Free	AT&T	\$529	-
	Verizon	\$611	
1.6 – Legacy Telecommunications	AT&T	\$186,937	-
	[no other C3 service providers]	—	
3 – Metropolitan Area Network Ethernet	AT&T	\$73,506	-
	[other estimates not available] ³	—	
5 – Managed Internet Services ⁴	AT&T	\$11,869	\$1,801
	Integra	\$10,068	
Total			\$3,815

- Notes: 1. Estimates for service categories 1.1-1.6 are based on billing data from January 2014; estimates for service categories 3 and 5 are based on billing data from December 2014
2. Excludes costs for services not identified in Verizon’s product catalog, services identified in AT&T’s product catalog for legacy telecommunications, and those not considered by AT&T to be C3 services; see discussion below on pages 10-11
3. See discussion below on page 11
4. Excludes the cost of services offered by AT&T but not Integra, and the cost of service in locations outside of Integra’s service area; see discussion below on pages 11-12

Findings (continued)

**Table 1b – Estimated Non-recurring Charges for New Service with the Lowest-cost Alternative
CALNET 3 Providers**

Service Category	Lowest-Cost Alternative Provider	Estimated Non-recurring Charges
1.1 – Dedicated Transport	Verizon	\$741,187
1.2 – MPLS, VPN and Converged VoIP	Jive	\$0
1.4 – Long Distance	CenturyLink	\$0
1.5 – Toll Free	Verizon	\$200
1.6 – Legacy Telecommunications	-	-
3 – Metropolitan Area Network Ethernet	-	-
5 – Managed Internet Services	Integra	\$10,000

Conclusion

- AT&T’s rates are generally competitive with those of the other CALNET 3 providers
- Even where minor cost differences exist, additional considerations may also be pertinent to the selection of the City’s telecommunications service providers
 - Time, cost, and resource demands associated with redesigning or reconfiguring systems, networks, or circuits, and installing new infrastructure
 - Cost and logistical complexity associated with avoiding disruptions in service during a transition from one provider to another
 - Differences in the quality or level of service

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