



New York City Transit

January 25, 2013

The Honorable Andrew M. Saul
Chair, MTA Finance Committee
347 Madison Avenue
New York, NY 10017

Re: Retroactive approval for Part 1 of ASWO #87 in connection with the Data Center IT Support Services Contract (No. 03A8602-1) with International Business Machines Corporation (IBM)

Dear Board Member Saul:

This is to request review and retroactive approval by the MTA Finance Committee of the attached procurement action in the not-to-exceed amount of \$5,316,985 for Part 1 of ASWO #87 in connection with the above referenced Data Center contract. Part 2 of ASWO #87 is currently scheduled to be presented to the March 2013 Board.

Before Superstorm Sandy hit in October 2012, NYC Transit planned to bring the complete ASWO #87 to the October/November 2012 Board. One component of ASWO #87 was the migration of IBM's Staten Island Data Center (SIDC) to our 2 Broadway Data Center location. After the storm, ASWO #87 was pulled from the October/November 2012 Board in order to conduct a complete reevaluation of the migration plan. In the end, the 2 Broadway Data Center location, which is being further hardened in light of the lessons learned from Sandy, was confirmed as the appropriate Data Center site for the SIDC migration.

In order to expedite the procurement of critical and time sensitive equipment orders, as well as to have IBM's transition team perform certain aspects of the Staten Island Data Center migration plan from January 24, 2013 through March 13, 2013, NYC Transit recently authorized IBM to implement Part 1 of ASWO #87, which is fully described in the attached Staff Summary.

Thank you for supporting this request for retroactive approval of Part 1 of ASWO #87. With your support, we can insure that IBM will be meaningfully engaged in this critical SIDC migration project from now until the March 2013 Board, when we plan to request review and approval of Part 2 of ASWO #87, which is also discussed in the attached Staff Summary.

Sincerely,


Thomas F. Prendergast
President

cc: MTA Finance Committee Members
Fernando Ferrer

Schedule K: Ratification of Completed Procurement Actions



Item Number: 3

Vendor Name (& Location) International Business Machines Corp. (Albany, NY)	
Data Center IT Support Services	
Contract Term (including Options, if any) June 1, 2005 – May 31, 2013	
Option(s) included in Total Amount?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> n/a
Procurement Type	<input checked="" type="checkbox"/> Competitive <input type="checkbox"/> Non-competitive
Solicitation Type	<input type="checkbox"/> RFP <input type="checkbox"/> Bid <input checked="" type="checkbox"/> Other: Modification
Funding Source <input checked="" type="checkbox"/> Operating <input type="checkbox"/> Capital <input type="checkbox"/> Federal <input type="checkbox"/> Other:	
Requesting Dept/Div & Dept/Div Head Name: Technology and Information Services, Sidney Gellineau	

Contract Number 03A8602-1	ASWO/Modification # 87
Original Amount:	\$ 65,228,757
Option Amount:	\$ 35,711,692
Total Amount:	\$ 100,940,449
Prior Modifications:	\$ 10,477,714
Prior Budgetary Increases:	\$ 0
Current Amount:	\$ 111,418,163
This request:	\$ 5,316,985 (NTE)
% of This Request to Current Amount:	4.8%
% of Modifications (including This Request) to Total Amount:	15.6%

Discussion:

This procurement action seeks retroactive Board approval in the not-to-exceed amount of \$5,316,985 for Part 1 of a two part ASWO (i.e., ASWO #87) in connection with the Data Center IT Support Services Contract (No. 03A8602-1) with International Business Machines Corporation (IBM). In order to expedite (a) the procurement of new mainframe equipment, a new Automated Tape Library (ATL), and a new Virtual Tape Server (VTS); and (b) the migration of IBM’s Staten Island Data Center (SIDC) to our 2 Broadway Data Center location, NYC Transit authorized IBM to place orders for the above referenced equipment and to initiate transition staffing in order to perform a portion of the migration activities during the period from January 24, 2013 through March 13, 2013, the date of the next Board meeting. This authorization was given because IBM’s sub-lease for the SIDC expires on May 31, 2013 and time is of the essence. In short, the work performed under Part 1 of ASWO #87 will help to minimize the financial risk and the additional time that NYC Transit will need to remain at the SIDC beyond May 31, 2013.

Part 2 of ASWO #87 is currently scheduled to be presented to the March 2013 Board. Note that the above referenced costs associated with Part 1 of ASWO #87 are expected to be rolled up into the Steady State pricing component of Part 2 of ASWO #87 and paid out (on favorable terms) during the five year extension period (June 1, 2013 - May 31, 2018) to be proposed in that ASWO.

Before Superstorm Sandy hit in October 2012, NYC Transit planned to bring the complete ASWO #87 to the October 2012 Board. In the wake of the storm, however, questions were raised as to whether the SIDC should be migrated to the 2 Broadway Data Center, which was one component of ASWO #87 (i.e., Migration). As a result, ASWO #87 was pulled from the October/November 2012 Board in order to facilitate a complete reevaluation of the critical planning issues associated with the Staten Island Data Center Migration plan. In the end, the 2 Broadway Data Center location, which is being further hardened in light of the lessons learned from Sandy, was confirmed as the appropriate Data Center site for the SIDC migration. Further, the migration of the SIDC into the 2 Broadway Data Center location will significantly reduce the MTA’s rent obligations over the immediate years ahead.

ASWO #87, as will be more fully explained in the Part 2 March Board action, will modify the contract with IBM and extend its term by five years to May 31, 2018. Specifically, ASWO #87 will include funding for (1) the aforementioned Migration of the SIDC to the 2 Broadway Data Center; (2) the replacement of the mainframe (i.e., Mainframe Refresh), which will allow the MTA to increase the Mainframe capacity by roughly 35% and allow it to retire its current mainframe, which is operating at maximum capacity and at the end of its useful life; and (3) Steady State pricing for the five year extension period (June 1, 2013 - May 31, 2018). The Steady State component of ASWO #87 refers to the continuation of Data Center Services by IBM set forth in the contract pursuant to an established price schedule during the 5-year extension period.

Discussion Cont'd:

The current scope for ASWO #87, while very similar to the scope that was to have been presented to the October/November 2012 Board, has undergone some changes. The costs associated with those scope changes have not yet been fully negotiated; hence, the need to bring Part 2 of this ASWO #87 to the March 2013 Board. The not-to-exceed cost of \$5,316,985 for Part 1 of ASWO #87 pertains to the previously negotiated pricing and rates (all deemed to be fair and reasonable at the time of the October/November 2012 Board) for the Mainframe (\$2,886,000) and Network Hardware and certain Transition Staffing (\$1,688,824), as well as an additional \$742,161 for the acquisition of new ATL and VTS equipment. The ATL and VTS equipment pricing is also deemed fair and reasonable by virtue of the fact that IBM's pricing to NYC Transit is significantly below OGS pricing. The new ATL and VTS equipment will, among other things, facilitate the rigorous testing process associated with the new mainframe equipment and expedite the Transition process.

As stated earlier, the pricing associated with Part 1 of this ASWO will be rolled into the Steady State pricing schedule and paid out (on favorable terms) over the five year extension period. In the unlikely event that a decision is reached not to proceed with Part 2 of ASWO #87, then NYC Transit would be obligated to pay that portion of the not-to-exceed amount of \$5,316,985, which IBM will have actually incurred during the period between January 24, 2013 and March 13, 2013. Should this payment come due, NYC Transit plans to issue payment from already approved contract funds.

Some contract history follows. In February 2005, the Board approved the competitive award of this Data Center IT Support Services contract to IBM for a term of five years (June 1, 2005 – May 31, 2010) in the estimated amount of \$65,228,757. In March 2010, the Board approved NYC Transit's recommendation to exercise the 2-year option established under the base contract, along with one additional year for a total of three years (June 1, 2010 – May 31, 2013) in the amount of \$35,711,692, pursuant to negotiated price reductions that generated cost savings of 13%, or \$5.6M, for the MTA over that three year period. In addition, 77 ASWOs have been awarded since the inception of this contract totaling \$10,477,714. The total current value of the contract is \$111,418,163.

Under the terms of this contract, IBM is required to provide Data Center IT Support Services that include, among other things, mainframe and midrange server processing and maintenance for MTA New York City Transit, MTA Headquarters, Bridges and Tunnels, Long Island Railroad, Metro-North Railroad, MTA Bus Company and the Business Service Center. This contract also requires IBM to provide disaster recovery services at a remote location for both mainframe and midrange processing.