

Enterprise IT Management Initiatives

California CALNET 2 Master Service Agreement (MSA) Project

Executive Summary

California's Department of Technology Services (DTS) provides comprehensive technology services to state and local government including support for enterprise applications. DTS serves the common technology needs through performance measures and processes that ensure accountability to customers by providing secure services that are responsive to client needs at a cost representing best value to the State. The State will adopt a statewide Enterprise Architecture to support business-driven, service-oriented IT solutions that facilitate the implementation of statewide technology standards in support of enterprise data sharing and statewide systems interoperability. Departments will be able to lower costs and improve reliability and performance of the IT and telecommunications infrastructure through consolidation and enterprise-wide procurements, as well as the adoption of enterprise-wide standards. DTS provides a comprehensive set of outsourced telecommunications and network services known as the California Integrated Information Network 2 (CALNET 2).

Project Description

The DTS Statewide Telecommunications and Network Division (STND) provides telecommunications and networking services to a state with the sixth largest economy in the world, encompassing 163,000 square miles and approximately 160 state and 1,800 local government agencies. We meet this challenge by educating ourselves and our customers on the latest technology offerings, listening to our customers needs and providing effective business solutions.

Through CALNET 1, the State provides for a vast and sophisticated, strategically outsourced telecommunications network infrastructure serving state, county, city, joint powers and other qualified entities in California. The CALNET 1 network is a wide area network with statewide local services that distributes end-to-end voice and data services through a combination of consolidated backbones and the Public Switched Telephone Network. It is privately owned, operated and maintained by the CALNET 1 contractors under the oversight of DTS STND. Individual customers purchase local network access and telecommunications services, and utilize the CALNET 1 backbones when services are required to cross one of California's eleven Local Access and Transport Areas (LATA).

The intent of CALNET 2 was to continue to build upon the strategy first implemented in 1998 with the award of the CALNET 1 MSA. That strategy was to replace the independent, heterogeneous, state-owned, telecommunication networks with an outsourced, consolidated, flexible, and efficient statewide network offering a variety of network and telecommunications services.

CALNET 2 is the result of long hours of research by DTS and the Department of General Services (DGS) teams, with special consideration of vendor and customer feedback. A significant amount of information was obtained in face-to-face meetings with the CALNET Customer Advisory Group (CAG) formed for the purposes of sharing information.

The CAG members consist of the State Chief Information Officer and state government members from state data centers, the Department of Transportation, Employment Development Department, Department of Justice, Department of Motor Vehicles, Franchise Tax Board, Department of Corrections, California Highway Patrol, Department of Water Resources, Lottery Commission, Office of Emergency Services, and the California Health and Human Services Agency. Local government agencies included the counties of Los Angeles, Riverside, Nevada, Contra Costa, and the City of Sacramento.

The goal of the CALNET 2 MSA was to establish a business-oriented, statewide telecommunications strategy that could address the full range of telecommunications services used by state agencies and local government customers, ranging from basic phone service to video conferencing, telecommuting, long-distance learning, call centers and other functions made possible by modern telecommunications technologies. The strategy also encompasses policies to expand wireless and statewide broadband access to the Internet. CALNET 2 provides an IT and telecommunications infrastructure that is secure, reliable and meets high performance standards by standardizing its infrastructure around an Enterprise Architecture and consolidating the management of that infrastructure to support and enable a more customer-focused government. Through the use of Enterprise Architecture, infrastructure consolidation and enterprise-wide procurements, as well as the adoption of enterprise-wide standards, departments will be able to lower costs, and improve reliability and performance of the IT and telecommunications infrastructure.

CALNET 2 is comprised of four separate MSAs which encompass:

- **MSA 1 – Core Services**
The Contractor provides local voice, line-side, statewide end-to-end data services.
- **MSA 2 – Long Distance for Voice Services**
The Contractor provides long distance voice network services and functionality consisting of Inter-LATA, Inter-State, and International calling, in addition to Network-Based Call Center solutions, 900 Services, Toll-Free services, Operator services, Calling Card services, and Network Audio Conferencing.

- **MSA 3 – Internet Protocol Services**
These services (i.e., Network-based Call Center solutions, managed IP video conferencing and a variety of converged services) enable the State to provide its CALNET 2 customers with hosted turnkey Voice Over Internet Protocol (VoIP) solutions and a migration path to convergence as customers business needs dictate.
- **MSA 4 – Broadband Fixed Wireless Access Services**
An alternative to traditional wire-line local loop service used to provide data services, and wire services through a variety of wireless technologies provided in conjunction with wired data services to form wireless-to-wired and wireless-to wireless end-to-end solutions.

Significance to the Improvement of the Operation of Government

DTS works closely with the State Chief Information Officer, the Department of Finance, State Procurement, and others to develop and implement consistent, standard state telecommunication and information technology policies and strategies.

The CALNET 2 MSAs are a recent example of the statewide vision and leadership that California is taking with regard to IT and its strategic deployment to meet business challenges.

Benefits Realized by Service Recipients, Taxpayers, Agency or State

The CALNET 2 MSAs affords the vendors a larger customer base than any qualified government purchaser would have alone, and it is able to offer state-of-the-art services and equipment at lower rates based on the collective purchasing power of the entire state public sector. Also, this contract is the result of an extensive competitive bidding process; therefore, agencies can purchase directly from the contract with confidence that all government requirements for competitive bidding have already been met.

The CALNET 2 MSAs make it easy to review and manage all telecommunications services and costs through a single invoice for items purchased under the contract (in Verizon Business and AT&T territories only).

Realized Return on Investments

Annually, the State spent approximately \$260 million for Local Service on the CALNET 1 MSA which is available in MSA 1 of CALNET 2. The State spent \$65 million on Long Distance Services which are available in MSA 2 of CALNET 2. The State benefits from an overall price reductions of about 10 percent.

The estimated annual savings for the CALNET 2 MSAs are approximately 80 percent of the annual costs for the same services from CALNET 1 which comes to roughly \$23,730,000. Given the many more options available to Customers under CALNET 2, as well as technology advances and changing needs of Customers, it is impossible to reliably predict actual cost savings at this time.

CALNET 2 offers these additional benefits to the State over the CALNET 1:

- Continuous downward pressure on pricing due to:

The Rule of Non-Exclusivity

Permits customers to seek bids from other vendors for their telecommunications needs.

The Availability of Competing Modules

Customers now have an option to move to wireless, VoIP services under MSA 3 of CALNET 2.

The Availability of the Individual Price Reduction (IPR) Option

Customers now can exercise the IPR option to further reduce cost; (e.g. there are now other vendors offering call center services). Customers could opt to competitive bids and compare with CALNET 2 pricing; if CALNET 2 is higher, the Vendors would have to offer lower rates under the IPR option to retain the customer.

- MSA 4 creates a door for future technology which was unavailable under CALNET 1 and new Service Level Agreements (SLA) provide improved coverage for customers.
- Reporting requirements from the contractors have also been greatly enhanced to permit the State to audit much more effectively, with likely cost savings to the State.