



STAFF REPORT ACTION REQUIRED

Consolidating Oracle Corporation Canada Inc. Contracts

Date:	May 29, 2007
To:	Government Management Committee
From:	Chief Information Officer Director, Purchasing and Materials Management
Wards:	All
Reference Number:	P:\2007\Internal Services\I&T\gm07001I&T (AFS #4307)

SUMMARY

The Auditor General recommended at its January 22, 2006 meeting, recommendation 11, that the Chief Corporate Officer review computer contracts to determine if consolidation opportunities exist.

The Information & Technology Division has identified three (3) contracts with Oracle Corporation Canada Inc., which will expire by December 31, 2007, that can be consolidated. The contracts are as follows:

- 47011278 for Oracle software licences.
- 47010429 for maintenance and support services for Oracle licenses
- 6021582 for Social Services (licenses, support and professional services).

The Information & Technology Division would like to negotiate and enter into a single contract for all of the above contracts with Oracle Corporation Canada Inc. for the supply, maintenance and support of Oracle licences and for related professional services.

RECOMMENDATIONS

The Chief Information Officer in the Information & Technology Division and the Director of Purchasing and Materials Management Division recommend that:

1. Council authorizes staff in the Information & Technology Division and the City Solicitor's Office to negotiate and enter into a contract with Oracle Corporation

- Canada Inc. for the supply, delivery and maintenance and support of Oracle licences, and for professional service, such contract to have a term ending no later than December 31, 2012, in an amount not to exceed \$19,709,028.00 net of GST, and in a form satisfactory to the City Solicitor,
2. Council authorizes staff to extend the Client Level Agreement under the Province of Ontario's Master Standing Agreement and Blanket Contract 47011278 with Oracle Corporation Canada Inc. to acquire licences in an amount not to exceed \$1,017,360.00 net of GST, until March 30, 2008 or until a new consolidated contract is executed, whichever is earlier.

Financial Impact

Licences and First Year Maintenance – under Provincial Agreement (47011278) to March 2008

It is expected that \$1,017,360.00 net of GST, of net new Oracle licences will be acquired between now and March 30, 2008. This will include an estimated 184 licences for approved capital programs such as Data Mart/CNS, Digital Audio Recording System for Court Services, 3-1-1, and Document Management. The estimated net cost to the City from the extension of the Client Level Agreement will include the cost of the licences of \$822,960.00 net of GST, and first year maintenance costs of \$194,400.00 net of GST for a total amount of \$1,017,360.00 net of GST.

The funding for additional licences and annual maintenance services required by City divisions is included in each division's respective operating or capital budgets every year.

Licences and First Year Maintenance – under Consolidated Agreement

It is anticipated that the City will spend \$1,620,000.00 per year net of GST between 2008 and 2012 for a total of \$8,100,000.00 net of GST over 5 years for net new licences required by City Divisions as new applications are developed.

Professional Services

It is anticipated that \$216,000.00 per year net of GST will be required in each year of the contract for professional services such as the installation and configuration of Oracle software, for a total of \$1,080,000.00 net of GST over five years. The funding for professional services required by City Divisions will be included in each division's respective operating or capital budgets every year.

Annual Maintenance and Support Services (2nd Year and onwards)

The following table shows the breakdown of annual Oracle maintenance and support services that is cost shared on a 46%/54% basis between the I&T Division and Social Services net of GST:

Annual Maintenance	Cost Center	Division	2008	2009	2010	2011	2012	Total
Data Mart Suite of Products	IT2031	I&T	\$122,859	\$129,019	\$135,477	\$147,649	\$160,963	\$695,967
	CO1117	Social Services	\$144,225	\$151,457	\$159,039	\$173,327	\$188,957	\$817,005
		Sub-Total	\$267,084	\$280,476	\$294,516	\$320,976	\$349,920	\$1,512,972
City wide Oracle Licences	IT1017	I&T	\$1,497,528	\$1,643,220	\$1,792,260	\$1,953,612	\$2,129,436	\$9,016,056
		TOTAL	\$1,764,612	\$1,923,696	\$2,086,776	\$2,274,588	\$2,479,356	\$10,529,028

Summary of Costs

Item	2008-2012 Total Net of GST	GST	2008-2012 Total Including GST
Annual Licence Maintenance - Consolidated Agreement	\$10,529,028	\$584,946	\$11,113,974
Professional Services	\$1,080,000	\$60,000	\$1,140,000
New Licences and 1 st Year Maintenance & Support	\$8,100,000	\$450,000	\$8,550,000
Sub-Total	\$19,709,028	\$1,094,946	\$20,803,974
Licences – Provincial Agreement (to March 2008)	\$1,017,360	\$56,520	\$1,073,880
TOTAL	\$20,726,388	\$1,151,466	\$21,877,854

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

The Audit Committee, in its meeting of January 22, 2006, recommended that:

“The City Manager direct divisions to provide the Contract Management Office with a list of all active computer contracts including those currently under negotiation or being considered for renewal. The Chief Corporate Officer review each one of these contracts to determine if opportunities exist for consolidating contracts and reducing costs.”

<http://www.toronto.ca/legdocs/2006/agendas/committees/au/au060222/it003.pdf>

City Council, in its session of February 1, 2, and 3, 2005, approved the following recommendation from the Administration Committee:

“The City of Toronto enter into an agreement with Oracle Corporation Canada Inc, for the provision of Oracle Data Base Enterprise Edition (IDEE) software maintenance commencing February 4, 2005 until December 31, 2007.”

<http://www.toronto.ca/legdocs/2004/agendas/committees/adm/adm041210/it004.pdf>

City Council, in its session of May 23, 2006, approved the following recommendation from the Administration Committee:

“...the appropriate City officials be authorized to extend the Client Level Agreement and Blanket Contract No. 47011278 with Oracle Corporation Canada Inc., to the Oracle Data Base Management System (DBMS) Standard - Vendor of Record Master Agreement to acquire licences under the approved Corporate Technology Acquisition process, for the period ending March 30, 2007 in an amount not to exceed \$1,955,000.00 including all applicable charges and taxes; and...”

<http://www.toronto.ca/legdocs/2006/agendas/committees/adm/adm060502/it012.pdf>

ISSUE BACKGROUND

The City of Toronto has an extensive investment in Oracle database products called Oracle Database Enterprise Edition (ODEE). This product line is used across the City by various business applications such as SAP, IBMS, CLASS, Tax & Water, Dine Safe and the City’s internet web site. Oracle Corporation Canada Inc. is the single source provider for the maintenance and support services for these products.

The budgeting and acquisition of Oracle licences and professional services is always based on a particular division’s business need. Information & Technology Division staff has taken the lead in identifying the best type of licence to acquire, tracking the number of licences used and monitoring the usage.

COMMENTS

The Government of Ontario selected Oracle products through a competitive process for a corporate Data Base Management System standard for midrange computer platforms. Her Majesty the Queen in Right of Ontario as represented by the Chair of the Management Board of Cabinet subsequently negotiated a Vendor of Record Master Agreement with Oracle Corporation Canada Inc. until March 30, 2008. The terms of this Agreement have been extended to every municipality in Ontario in the form of a Client Level Agreement. The City benefits from this Agreement by receiving a substantial cost savings through a set discount rate in the Master Agreement.

During the time it will take to negotiate and execute the consolidated Oracle contract, the City will require new Oracle licenses as new applications are developed. To bridge the gap, the City should continue to purchase new licences through the Province's Master Agreement until March 30, 2008 or until a new contract has been negotiated and executed by the City, whichever is earlier, at which point all new acquisitions of licences, support and maintenance, and professional services will be obtained pursuant to the new consolidated contract.

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SIGNATURE

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