



**STAFF REPORT
ACTION REQUIRED**

**Contract Amendment –Dell Canada Contract No.
47013098 Microsoft Licenses**

Date:	September 29, 2009
To:	Government Management Committee
From:	Chief Information Officer, Information & Technology Division Director, Purchasing and Materials Management Division
Wards:	All
Reference Number:	P:/2009/Internal Services/pmmd/gm09030pmmd (AFS #10515)

SUMMARY

The purpose of this report is to seek authority to amend Contract No. 47013098 as a result of an over expenditure for the required purchases of Microsoft Office 2007 licences and increase the value of Contract to Dell Canada for the supply of Microsoft Licences for the various software products such as XP for Windows operating system, Word, Excel, and PowerPoint Microsoft Project, Visio, Terminal Services, Client Access Licences, desktop and server lifecycle replacement licences to support the City’s current Microsoft architecture.

RECOMMENDATIONS

The Chief Information Officer, Information & Technology Division and Director, Purchasing and Materials Management Division recommend that the Government Management Committee:

1. Grant authority to increase Contract No. 47013098 issued to Dell Canada for the supply of Microsoft Licences by \$2,692,712.92 net of GST from \$5,612,800.00 net of GST to a new total value of \$8,305,512.92 net of GST.

Financial Impact

The contract value as of August 31, 2009 of Blanket Contract No. 47013098 is \$5,612,800.00 net of GST. As of August 31, 2009, the current contract spend is \$6,033,966.62 net of GST resulting in an over-expenditure of \$421,166.62 net of GST.

In addition to amending the current over-expenditure, an additional \$2,271,546.30 net of GST is requested to cover projected Microsoft licence requirements through to the end of the current contract term of September 30, 2010, for a revised contract value of \$8,305,512.92 net of GST (\$8,690,027.41, including all taxes and charges).

The actual and projected spending for this contract is as follows: All totals are net of GST

	2007 (actual)	2008 (actual)	2009 (Jan-Aug actual)	2009 (Sept - Dec projected)	2010 (projected)	Total
Sustainment* (CIT702-02-01 CIT702-03-03)	\$0.00	\$450,002.49	\$5,290,872.75	\$1,035,296.49	\$461,281.25	\$7,237,452.98
Divisional	\$2,591.93	\$650,888.94	\$164,303.26	\$109,535.51	\$140,740.30	\$1,068,059.94
Total	\$2,591.93	\$1,100,891.43	\$5,455,176.01	\$1,144,832.00	\$602,021.55	\$8,305,512.92

*sustainment dollars include both desktop and server licence requirements

Funds are available in the 2009 Information & Technology Division (I&T) Capital Budget and 2010-2013 Capital Plan and the requesting Programs' current Capital or Operating Budgets and future year submissions.

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

DECISION HISTORY

In 2007, the Ontario Ministry of Government Services selected a single Large Account Reseller through an open competitive process to aggregate demand and leverage licence volume. By leveraging off of the Provincial agreement with Microsoft, the City would be able to take advantage of Provincial pricing which is much more aggressive, based on a high volume of licences, then if the City was to conduct a separate tendering process.

In November 2007, Council approved a staff report seeking authority to enter into an agreement with the contracting Microsoft affiliate, MSLI, GP (Microsoft Inc.) and Dell Canada for the period ending September 30, 2010 in an amount not to exceed \$5,612,800.00 net of GST.

<http://www.toronto.ca/legdocs/mmis/2007/gm/bgrd/backgroundfile-7315.pdf>

ISSUE BACKGROUND

An over expenditure of \$421,166.62 net of GST was a result of purchasing Microsoft Office 2007 licensing required to upgrade from version Office XP to Office 2007. The original intent of purchasing Microsoft Office 2007 upgrade project was to purchase these licences through a separate enterprise agreement with Microsoft and thus, these licenses were not part of the original projections. However, it was determined that the best possible pricing was available through the existing agreement and this contract was subsequently used to make the bulk purchase for these licenses. The City was able to further negotiate a cost savings of approximately \$500,000.00 by purchasing these licences prior to a Microsoft-imposed deadline of June 30, 2009. This resulted in an over expenditure in the amount of \$421,166.62 net of GST.

In addition to the over expenditure, I&T also requires that additional funds be made available to meet the required projected activity against this Contract including upgrades to other Microsoft Software Products such as Microsoft Project, Visio, Terminal Services and Client Access Licences, until the contract termination date on September 30, 2010.

By leveraging off of the Provincial agreement the City is getting the best possible price than if the City was to conduct a separate tendering process. This approach rather than the separate enterprise agreement has enabled the City to save approximately \$6.0 million dollars over 3 years.

All City Divisions have been using this blanket contract for the supply of Microsoft Licences on an as required basis. Staff in the former Contract Management Office of the I&T Division manage the contract in accordance with the terms and conditions stated in the agreement, and process all orders released against the Contract No. 47013098.

COMMENTS

A further increase of \$2,692,712.92 net of GST increases the current contract value from \$5,612,800.00 to \$8,305,512.92 net of GST is required to cover the existing over expenditure of \$421,166.62 net of GST and \$2,271,546.30 net of GST required for the additional requirements needed for the period ending September 30, 2010. The increase is due to upgrades required to other Microsoft software products such as Microsoft Project, Visio, Terminal Services, Client Access Licences, desktop and server lifecycle replacement licenses, to support the City's current architecture with respect to Microsoft licences.

Prior to the expiration of the current contract of September 30, 2010, the City will, once again look to leverage from a newly issued agreement by the Ontario Ministry of Government Services Standing Agreement with Microsoft once the Large Account Reseller is awarded this will allow the City to continue to take advantage of the reduced Broader Public Sector pricing.

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SIGNATURE

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