



STAFF REPORT ACTION REQUIRED

Sole Source Contract Amendment- Bentley Systems Enterprise Software Licensing

Date:	December 14, 2009
To:	Government Management Committee
From:	Executive Director of Technical Services and Director, Purchasing and Materials Management Division
Wards:	All
Reference Number:	P:\2010\Cluster B\TEC\GM10001

SUMMARY

The purpose of this report is to obtain Council approval for a three year extension, and amendment to the sole source contract (47012463) and agreement established in 2007 for the Municipal Licensing Subscription (MLS) with Bentley Systems Incorporated. Bentley Systems Inc. holds exclusive rights as the sole provider of support and licensing of its computer aided design and drafting and geographic information systems software widely used by City divisions, Toronto Transit Commission (TTC) and Toronto Hydro-Electrical System Limited (THESL).

The current agreement expires December 31, 2009 and the replacement Enterprise Licensing Subscription agreement provides the City with the opportunity to avoid costs with respect to software management, acquisition, support, upgrades and training.

RECOMMENDATIONS

The Executive Director of Technical Services and the Director of Purchasing and Materials Management recommend that:

1. City Council approve the extension and amendment of the existing sole source contract with Bentley Systems Incorporated under Bentley's Enterprise License Subscription for a period of three years (commencing January 1, 2010 and expiring December 31, 2012) at a cost not to exceed \$631,750 in 2010, \$673,312.50 in 2011 and \$716,478 in 2012 for a total of \$2,021,540.50 (net of GST) over three years.

2. City Council authorize the Executive Director of Technical Services and the Executive Director of Information and Technology to negotiate and execute the amending agreement satisfactory with the City Solicitor respecting the Enterprise License Subscription Program with Bentley Systems, Incorporated for a term of three years.
3. City Council authorize the Executive Director of Technical Services to invoice Toronto Hydro Electric System Limited and the Toronto Transit Commission for their proportionate share of the Bentley's Enterprise License Subscription for a period of three years.
4. City Council authorized and directed the appropriate City Officials to take the necessary action to implement the foregoing.

Financial Impact

For 2007-2009, the approved budget for Bentley Systems Inc. software license maintenance for the City has a total value of \$1,539,000 for three years and an annual expenditure of \$513,000.00 (net of GST) available in the cost centre for Data Integration Services-Administration (WT0023), which is part of the Technical Services operating budget. Of the total \$513,000, 32% (\$164,160) was recoverable from the THESL and 23% (\$117,990) was recoverable from the TTC. This percentage allocation of costs was agreed upon by the City, THESL and TTC on the basis of software license usage at the time of the original agreement.

This report proposes to extend and amend the contract with Bentley Systems Inc. for the period 2010 to 2012, with an increase in the budget (net of GST) of \$118,750 in 2010, \$41,562.50 in 2011 and \$43,165.50 for 2012 totalling \$203,478 (net of GST) for the three year term, with the percentage and cost breakdown (net of GST) between the participating groups as indicated in the following chart.

	Percentage of Cost	2007-2009 Agreement (yearly cost)	2010	2011	2012
City Divisions WT0023	45%	\$230,850	\$284,287.50	\$302,991	\$322,415
THESL Transfer to WT0023	32%	\$164,160	\$202,160	\$215,460	\$229,273
TTC Transfer to WT0023	23%	\$117,990	\$145,302.50	\$154,862	\$164,790
Annual Total WT0023 (net of GST)	100%	\$513,000.00	\$631,750.00	\$673,312.50	\$716,478.00

	Percentage of Cost	2007-2009 Agreement (yearly cost)	2010	2011	2012
Annual Increase WT0023 (net of GST)			\$118,750.00	\$41,562.50	\$43,165.50

Funding for 2010, including the incremental costs, is included in the 2010 Recommended Operating Budget for Technical Services and will be accommodated within the Technical Services' operating budget target for 2010. The remainder of the funds in the amount of \$1,389,790.50 (net of GST) will be requested in the 2011-2012 Technical Services Operating Budget and will be accommodated within the Program's targets for those years. The proportional increase over these years is fully recoverable from commitments made by THESL and the TTC for the term of the contract. The TTC's portion will be accommodated within this Program's targets for 2010 and future years. Any other administrative costs associated with this agreement will be accommodated in the Technical Services operating budget.

The total potential value of the contract extension identified in this report is \$2,115,130 including all applicable taxes and charges for the three year term. The cost to the City net of GST is \$2,021,541.50

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

DECISION HISTORY

The 2007-2009 agreement with Bentley Systems Inc. was authorized by City Council in September 2006 by the following report:

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060925/pof7rpt/cl030.pdf>

ISSUE BACKGROUND

The amendment to the Bentley Select Program agreement, known as the Municipal Licensing Subscription (MLS), transitioned the City, TTC and THESL from individual software licensing to a municipal licensing model. The amending agreement continued the software licenses owned by each organization and provided the additional benefit of unrestricted use of Bentley Systems Inc. suite of software including mapping, survey, civil engineering, building and architecture and plant design.

The amending MLS agreement was initiated to:

1. Reduce administrative costs of managing individual software licenses;
2. Provide a fixed cost for the duration of the three year agreement.
3. Avoid the cost of buying new licenses of Bentley Systems Inc. software.

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The amending MLS agreement expires December 31, 2009 and a revised three year agreement under a new program known as the Enterprise Licensing Subscription (ELS) is proposed by Bentley Systems Inc.

COMMENTS

Bentley Systems Inc. holds exclusive rights as the sole provider of support and licensing of its software for computer aided design and drafting and geographic information systems used widely throughout City Divisions, the Toronto Transit Commission (TTC) and Toronto Hydro-Electrical System Limited (THESL).

Value Analysis of 2007 Agreement

In mid 2009 representatives from the City, TTC and THESL assessed the benefits derived from the MLS agreement over the term of the 2007 MLS agreement and concluded that, software license software support costs were fixed for the duration of the three year agreement and the following costs were avoided:

1. individual license administration;
2. software acquisition costs in excess of \$400,000; and
3. annual software support costs of approximately \$100,000 for new licenses.

Value Analysis of 2010-2012 Agreement

The City, TTC and THESL team also assessed the value of ELS amending agreement proposed by Bentley Systems Inc for the period 2010-2012 as summarized below.

The ELS proposal for 2010-2012 from Bentley Systems Inc includes the following amendments.

1. Bentley Learn, which provides unlimited access to online instructor lead training.
2. Adjustments to pricing for inflation

The Bentley Systems Inc. 2010-2012 proposal was assessed for its value based on three possible scenarios:

1. Proceed with the MLS as proposed.
2. Revert to the Select Program Agreement and purchase support annually on a per license basis and purchase training as required.
3. Do not purchase software support or maintenance for upgrades, but purchase training and new versions of software as required.

The three scenarios were assessed on the following factors and are summarized in the table titled "Cost Analysis of Options".

1. **Cost of additional software used in the 2007-2009 agreement:** During the MLS period, the City's use of additional software licenses, above its inventory of

owned licenses, could be purchased at a cost of approximately \$400,000 plus a Select Program annual support cost of \$100,000.

2. **Cost of additional software that will be implemented on the 2010-2012 agreement:** During the proposed period, projections indicate that the City will use additional software licenses (above current inventory of owned licenses and the additional licenses used during the 2007-2009 agreement) at an estimated cost of \$300,000 plus a Select Program annual support cost of \$67,000.
3. **Projected costs of training for the 2010-2012 contract:** Training to support software installation, administration, use and upgrades is estimated at \$400,000 over the term of the three-year contract.
4. **Cost of purchasing software upgrades:** The current replacement value of the City's existing Bentley Systems Inc. software under the MLS program would be \$4.25 million plus a Select Program support cost of \$640,000 annually. In the absence of the software support program, the City would need to purchase new versions of its software as versions become obsolete. Estimating an 8 year upgrade cycle, the City would have to replace 12% of its software annually or 36% of the software over the term of the contract. Considering the current licenses owned by the City (item 1) and the projected increases in software use over the next three years (item 2), the license value of the City's software would be \$4.95 million. The replacement cost for 36% of the software will be \$1.78 million.
5. **Technical Support:** Only available to ELS or Select Program participants.
6. **Select Subscription support:** This is support purchased on per license basis. This cost includes the support of the current City licences; additional software currently used and proposed additional software that would come into use over the term of the contract.
7. **Cost of ELS support:** The cost of the proposed agreement over the three year term.

Cost Analysis of Options

Item	Description	Proposed ELS	Select Agreement	No Support
1	Cost of additional software used in the 2007-2009 agreement.	Included	\$400,000	\$400,000
2	Cost of additional software that will be implemented on the 2010-2012 agreement.	Included	\$300,000	\$300,000

Item	Description	Proposed ELS	Select Agreement	No Support
3	Costs of training if access to Bentley Learn is not available	Included	\$400,000	\$400,000
4	Cost of purchasing software upgrades	Included	Included	\$1,782,000
5	Technical Support	Included	Included	Not available
6	Select Support cost		\$1,920,510	
7	Enterprise License Subscription cost	\$1,871,797		
	Total cost (excluding PST/GST)	\$1,871,797	\$3,020,510	\$2,882,000
	Total Cost (net of GST)	\$2,021,541	\$3,262,151	\$3,112,560

The price quoted by Bentley Systems Inc. has been reviewed by Technical Services and is considered to be fair and reasonable. The prices quoted by Bentley Systems Inc. have been confirmed to be in accordance with the standard program terms and pricing offered by Bentley Systems Inc. to all their customers.

The Fair Wage Office has reported that the recommended firm has indicated that it has reviewed and understands the Fair Wage Policy and Labour Trades requirements and has agreed to comply fully.

Conclusions

The proposed ELS agreement for the three-year period, commencing in January 1, 2010 and ending December 31, 2012, represents a minimum savings of over \$1 million over the other two options in view of the historic and projected use of Bentley Systems Inc software licenses, the cost of support, upgrades and training. It is therefore recommended that Council authorize a three year extension and amendments to the sole source contract and agreements established in 2007 for the Municipal Licensing Subscription (MLS) with Bentley Systems Inc to include the Enterprise Licensing Subscription program.

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SIGNATURE

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