



## REPORT FOR ACTION

## Proprietary Information Technology Maintenance & Support Contract Renewals and Amendments

**Date:** October 27, 2017

**To:** Government Management Committee

**From:** Chief Information Officer

Director, Purchasing and Materials Management Division

**Wards:** All

### SUMMARY

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The purpose of this report is to seek City Council authority to amend the dollar value of existing IT maintenance contracts listed in Attachment A that were reported under GM8.8 and GM16.7, and also previously unreported contracts as outlined in Attachment B, which will exceed the Chief Purchasing Official's authority of the cumulative five year commitment limit for each vendor under Article 7, Section 195-7.3 (D) of the Purchasing By-Law or exceed the threshold of \$500,000 net of HST allowed under staff authority as per the Toronto Municipal Code, Chapter 71- Financial Control, Section 71-11A. The total amount identified in this report is \$1,384,673 (net of HST recoveries).

In addition, this report clarifies that maintenance and support integrated into annual subscriptions of products and services are also covered by this report.

Furthermore, this report will align the commitment approval period with that of GM8.8, which is from January 1, 2016 to December 31, 2020, instead of seeking a different approval period. Proceeding with this approach will avoid overlapping of approval periods and will allow staff to consolidate any further renewal of all information technology systems proprietary contracts into one staff report before the current approval period ends on December 31, 2020.

### RECOMMENDATIONS

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**The Chief Information Officer and the Director, Purchasing and Materials Management recommend that:**

1. City Council approve an increase to the value of the six (6) existing IT system maintenance contracts listed in Attachment A of this report due to growth of maintenance and support requirements from evolving IT projects, for a total amount of \$1,255,075, net of HST recoveries, for a period from January 1, 2018 to December 31, 2020, subject to Operating Budget approval in each year.

2. City Council approve the renewal of nine (9) previously unreported IT system maintenance contracts listed in Attachment B of this report due to upgraded software versions and required software module installations to accommodate the growing automated services that the City provides, or due to regular maintenance renewals to maintain the existing software and/or hardware, for a total amount of \$129,598, net of HST recoveries, for a period from January 1, 2018 to December 31, 2020, subject to Operating Budget approval in each year.

3. City Council authorize City Divisions and Information & Technology to negotiate amendments or extensions to the contracts identified in Attachment A based on the increased contract amounts set out in recommendation 1 above, and to enter into agreements to renew or extend the contracts identified in Attachment B for a period of up to three (3) years from January 1, 2018 to December 31, 2020, all in accordance with this staff report, City Policies and Procedures and in a form satisfactory to the City Solicitor.

## **FINANCIAL IMPACT**

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The recommendations contained in this report increase the total maximum (i.e. "not to exceed") amounts of existing Information and Technology maintenance and support contracts approved in reports GM8.8 and GM16.7 by \$1,384,673 (net of HST recoveries) as follows:

a) \$1,255,075 related to increases required for 6 out of 175 contracts approved by Council under GM8.8 and GM16.7, in Attachment A of this report mainly due to the extended maintenance of CLASS beyond original end-of-life and the growth of other maintenance requirements as a result of evolving IT projects; and,

b) \$129,598 related to 9 additional contracts identified in Attachment B that require regular renewal to existing software and/or hardware maintenance and not previously included in the list of contracts approved by Council under GM8.8 and GM16.7.

Table 1 sets out the maximum contract amounts (net of HST recoveries) approved under GM8.8 and GM16.7 and the increases recommended in this report for the five (5) year period from January 1, 2016 to December 31, 2020.

**Table 1 -  
Proprietary Software Support & Maintenance Contract Renewals for 5 Years (2016 to 2020)**

	2016	2017	2018	2019	2020	5 Year Total
Contract Amounts approved December 2015 (GM8.8)	\$22,331,469	\$26,609,236	\$29,615,284	\$31,651,560	\$33,466,115	\$143,663,726
Contract Amounts approved December 2016 (GM16.7)	N/A	\$440,397	\$497,335	\$476,696	\$528,393	\$1,942,821
Attachment A Previously Reported Contract Renewals with Increases Required	N/A	N/A	\$384,013	\$412,809	\$458,252	\$1,255,075
Attachment B Previously Unreported Contract Renewals	N/A	N/A	\$28,595	\$42,454	\$58,549	\$129,598
TOTAL (net of HST recoveries)	\$22,331,469	\$27,049,633	\$30,525,227	\$32,583,519	\$34,511,309	\$146,991,220

The contract amounts identified in Attachments A and B and summarized in Table 1 above represent estimates for maintenance and support only, and funding will be included for consideration in Divisions' Operating Budget submissions each year. Spending for purchases of additional licenses and major hardware equipment is not covered by this staff report. City Divisions are responsible for obtaining the proper commitment authority for any capital expenditure in accordance with existing City policies and procedures.

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

## **DECISION HISTORY**

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On December 9 and 10, 2015, City Council granted the authority under GM8.8 for Information & Technology Division and the respective City Divisions to enter into agreements with proprietary vendors for IT software and hardware maintenance services for a period of five (5) years from January 1, 2016 to December 31, 2020. The following is the link to City Council Decision Document:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.GM8.8>

On December 13, 14 and 15, 2016, City Council granted the authority under GM16.7 for Information & Technology Division and the respective City Divisions to enter into agreements with proprietary vendors for IT software and hardware maintenance services for a period of four (4) years from January 1, 2017 to December 31, 2020. The following is the link to City Council Decision Document:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.GM16.7>

## **COMMENTS**

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The maintenance contracts identified in this report are contracts that support software applications and hardware within the City which are critical to day-to-day operations. These maintenance contracts allow the City to receive security patches and current versions of the software which are required in order to ensure compatibility with other software applications and hardware in the City's information technology environment.

In addition, these contracts provide for technical support from the software and hardware vendors when problems occur to minimize any downtime of the City's software applications. Maintenance of these products is only available directly from the vendors identified in this report as the software and hardware are proprietary to these vendors.

Also, due to the shift in several vendors' business model to an annual subscription of products and services that includes maintenance and support, these will fall within the bounds of this report. Furthermore, since these contracts will exceed the Chief Purchasing Official's authority of the cumulative five year commitment limit for each vendor under Article 7, Section 195-7.3 (D) of the Purchasing By-Law or exceed the threshold of \$500,000, net of HST, allowed under staff authority as per the Toronto Municipal Code, Chapter 71- Financial Control, Section 71-11A, Council approval is required before any funds may be committed for these purchases.

As maintenance contracts have come up for renewal, the Information & Technology Division has worked with the various Divisions within the City to consolidate contracts, and continues to do so. As much as possible, the Information & Technology Division includes renewal clauses that will not have an increase percentage over the previous year or have a set maximum percentage increase that cannot be exceeded. For example, a percentage increase cannot exceed the CPI index. This makes it easier to manage and prevents vendors from increasing prices unexpectedly.

The requested amounts are estimated and represent "not to exceed" amounts over the period for purposes of obtaining approval to negotiate the contracts listed in the attachments of this report and will be subject to Operating Budget approval in each year. The amounts are based on the current support and maintenance requirements and potential future requirements.

With a multi-year approval, the City will have more leverage to negotiate lower annual maintenance costs by negotiating these contracts once, instead of annually. At a minimum, the City will save administrative costs by not having to prepare individual reports for each contract.

Although Information & Technology Division anticipates that all proprietary IT maintenance contracts and future maintenance requirements are captured in this report, and no further amendments will be required until 2020, there is the possibility of Divisions that may have additional maintenance requirements due to unforeseen IT project requirements and a further amended report will be required.

Upon approval of this report, the Information & Technology Division and City Divisions will be in a position to negotiate multi-year agreements with vendors listed in Attachments A and B. Contracts will also be reviewed to include renewal options for 2021 to 2025 subject to future City Council approval. However, the City will continue to pay maintenance and support on an annual basis as per current policies. Rights to terminate such contracts will be maintained in the event that the City elects to discontinue support on any of its software or hardware. The Information & Technology Division will continue to pursue opportunities to consolidate contracts and ensure cost controls are in place, and all contracts will be renewed or re-negotiated in accordance with City policies and procedures, and in a form acceptable to the City Solicitor.

The Fair Wage Office has reported that all the software and hardware support and maintenance services vendors identified in this Staff report and on the attached Attachments have reviewed and understand the Fair Wage Policy and Labour Trades requirements and have agreed to comply fully.

## **CONTACT**

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## **SIGNATURE**

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Information & Technology Division

Michael Pacholok  
Director,  
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## **ATTACHMENTS**

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1. Attachment A: Previously Reported Contract Renewals with Increases Required
2. Attachment B: Previously Unreported Contract Renewals