



REPORT FOR ACTION

Provision of the Supply, Delivery and First Year Maintenance and Support of Oracle Software Licences from Oracle Canada ULC

Date: October 30, 2017

To: Government Management Committee

From: Chief Information Officer, Information & Technology Division and Director, Purchasing and Materials Management Division

Wards: All

SUMMARY

The purpose of this report is to request authority to negotiate and enter into a five (5) year non-competitive contract with Oracle Canada ULC for the supply, delivery and first year maintenance and support of proprietary Oracle software licences. The 5-year contract term will be effective January 1, 2018 to December 31, 2022. The estimated value of this procurement is in the amount of \$5,000,000, net of HST (\$5,088,000 net of HST recoveries).

The annual maintenance and support renewals will be done using the approval granted by Council under GM8.8 for Proprietary Information Technology Maintenance and Support Contracts 2016-2020.

City Council approval is required in accordance with Municipal Code Chapter 195-Purchasing, where the current request exceeds 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 exceeds 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.

RECOMMENDATIONS

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

1. City Council grant authority to the Chief Information Officer to negotiate and enter into a contract with Oracle Canada ULC for the supply, delivery and first year maintenance and support of new Oracle software licences for a five (5) year term effective January 1, 5-Year Non Competitive Contract for Oracle Canada ULC

2018 to December 31, 2022, in the amount of \$5,000,000, net of HST (\$5,088,000 net of HST recoveries), on terms and conditions satisfactory to the Chief Information Officer and in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

Listed in Table 1 below is a summary of cost estimates by year for Net New Licence with first year maintenance and support purchases over a five (5) year term effective January 1, 2018 to December 31, 2022:

Table 1: Oracle 5-year Software Cost Estimates (Net of HST Recoveries)

	Jan 1 to Dec 31, 2018	Jan 1 to Dec 31, 2019	Jan 1 to Dec 31, 2020	Jan 1 to Dec 31, 2021	Jan 1 to Dec 31, 2022	Total
Estimated Net New License Purchases and first year maintenance and support	\$800,000	\$900,000	\$1,000,000	\$1,100,000	\$1,200,000	\$5,000,000
TOTAL (net of HST recoveries)	\$ 814,080	\$ 915,840	\$ 1,017,600	\$ 1,119,360	\$1,221,120	\$ 5,088,000

The funding for new licences and the first year maintenance services required will be included for consideration in each participating City Division/Agency's Operating and/or Capital Budget for 2018 and future years, subject to Council approval.

Renewal of support and maintenance for subsequent years are approved under GM8.8 for Proprietary Information Technology Maintenance and Support Contracts 2016-2020.

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

DECISION HISTORY

At its meeting 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, including Oracle Canada ULC, for IT software and hardware maintenance services for a period of five (5) years from January 1, 2016 to December 31, 2020.

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

At its meeting of October 31, 2012, Council adopted under GM18.11 a motion to authorize staff in the Information & Technology Division and the City Solicitor's Office to negotiate and enter into a contract with Oracle Canada ULC for the supply, maintenance and support of Oracle software products with a term ending no later than December 31, 2017 and in an amount not to exceed \$24,348,667 (net of taxes). Blanket Contract number 47017478 was issued to Oracle Canada ULC in the amount of \$24,348,667 (net of taxes)

for annual Maintenance and Support, and new software license purchases for the period ending December 31, 2017.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.GM18.11>

At its meeting of June 19, 20 and 22, 2007, Council adopted a motion under GM5.8 to authorize staff in the Information & Technology Division and the City Solicitor's Office to negotiate and enter into a contract with Oracle Canada ULC for the supply, maintenance and support of Oracle software products with a term ending no later than December 31, 2012 and in an amount not to exceed \$19,809,028 (net of taxes). Blanket Contract number 47013359 was issued to Oracle Canada ULC in the amount of \$10,403,736.67 (net of taxes) for Maintenance and Support for the period ending December 31, 2012. Blanket Contract number 47013371 was issued to Oracle Canada ULC in the amount of \$7,500,000 (net of taxes) for Oracle Licences for the period ending December 31, 2012.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2007.GM5.8>

COMMENTS

The Information & Technology Division has the responsibility for centralized management of the Oracle Licence and Maintenance Support Contract, which is used by divisions across the City for the acquisition of required Oracle software licences and support.

Oracle is the leader in enterprise database technology. The City currently has an extensive investment in Oracle database products which are used by multiple Divisions across the City. Currently, there are 312 Business Applications dependant on Oracle as a backend Database to host their data. The applications are supporting 311, Human Resources, Finance, Tax & Revenue, Toronto Water, Social Housing, Municipal Licensing, On-line Payments, Council Meeting Management, Public Health and multiple public facing web applications.

The existing agreement with Oracle Canada ULC will expire on December 31, 2017. If a new agreement is not established, new Oracle software products will not be available for City's use. This will delay any new application projects which require Oracle databases licenses.

Unit prices for the new licenses in the next five (5) year agreement will be higher than the current contract due to the US Dollar exchange rate adjustments and new volume based pricing policy implemented by Oracle. The US and Canadian Dollar were at par when the last price hold was negotiated in 2012-13. The current Oracle Canadian Base license prices issued on June 1st 2017, are approximately 33 percent higher than the US license prices. During the last two years, Oracle has switched the Ontario Government and other public sector license contracts from fixed pricing to volume based pricing. The license prices are based on the quantities purchased in a single purchase. The City has purchased about \$2.8 million of net new licenses during the last 5 years (2012-2017), and the discount rate is approximately 48 percent on the average. Estimating the same volume of net new license purchases for 2018-2022, Oracle is offering a 45 percent

discount on base prices for database products and a 38 percent discount on base prices for other software products. These prices and discounts are still better than what can be attained for licenses purchased on an as-needed basis or through a reseller. Furthermore, by negotiating a five-year price hold, only Oracle Canada ULC can guarantee product cost and discounts not available through any other Oracle resellers.

Oracle provides a maintenance and support license for the first year of purchase. Once the one-year term has lapsed, the annual maintenance and support will be renewed using the approval granted by Council under GM8.8 for Proprietary Information Technology Maintenance and Support Contracts 2016-2020 and any future Council authorities.

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.

CONTACT

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SIGNATURE

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ATTACHMENTS
