TORONTO

STAFF REPORT
ACTION REQUIRED

Provision of Proprietary Software Maintenance and Services from Danic Technology Inc.

Date:	March 15, 2012
To:	Board of Health
From:	Medical Officer of Health and Acting Director, Purchasing and Materials Management Division
Wards:	All
Reference Number:	

SUMMARY

This report requests authority to award a proprietary single source contract to Danic Technology Inc. for the procurement of software maintenance, support and services for Toronto Public Health (TPH), for a five year period effective November 1, 2011 to October 31, 2016, not to exceed $120,842.04, net of HST recoveries.

Danic Technology Inc.'s software, which has been customized for the City of Toronto, has been used in the City's Public Health network since September 1, 1999. It is an integral part of the operation of the Toronto Preschool Speech and Language program which includes eight community agencies, all of which rely on the Danic System for program and service data. Annual software maintenance and services can only be purchased through Danic Technology Inc. since they are the sole author and provider of their software and retain all proprietary and copyrights for the associated maintenance. There is no other vendor or reseller that can perform these services on the software created by Danic Technology Inc.

This program including the recommended contract is 100 percent funded by the Ontario Ministry of Children and Youth Services (MCYS).

RECOMMENDATIONS

The Medical Officer of Health, and the Acting Director, Purchasing and Materials Management Division recommend that:

1. This report be referred to the Government Management Committee meeting of April

25, 2012, for consideration; and

2. City Council grant authority to the Medical Officer of Health to enter into a single source contract with Danic Technology Inc. for the purchase of software maintenance, support, and services at a cost not to exceed a total of $120,842.04 net of HST recoveries ($136,551.51 including HST) for five years effective November 1, 2011 to October 31, 2016, on terms and conditions satisfactory to the Medical Officer of Health and in a form satisfactory to the City Solicitor.

Financial Impact

The single source contract value identified in this report for the provision of software maintenance, support, and services is $118,752.00 (net of all applicable taxes and charges) or $120,842.04 (net of HST recoveries) for a period of five-years from November 1, 2011 to October 31, 2016.

Funding of $3,500.00 for the period November 1, to December 31, 2011 was available in TPH's 2011 Approved Operating Budget and funding of $21,100.00 for the period January 1 to December 31, 2012 is included in TPH's 2012 Approved Operating Budget. The funding requirements for the balance of the contract of $96,242.04 will be requested in TPH's 2013-2016 operating budget submissions.

The table below provides the yearly contract amounts for ongoing maintenance and services costs funding from 2011 to 2015 under cost Centre PH3039 (Preschool Speech and Language Services), Cost Element #4474.

This program including the recommended contract is 100 percent funded by the Ontario Ministry of Children and Youth Services (MCYS).

Payment Year	Period	Maintenance Cost (net of HST recoveries)	Services Cost (net of HST recoveries)	Total (net of HST recoveries)
2011	Nov 1, 2011 to Oct 31, 2012	$20,860.80	$0.00	$20,860.80
2012	Nov 1, 2012 to Oct 31, 2013	$21,903.84	$10,176.00 *	$32,079.84
2013	Nov 1, 2013 to Oct 31, 2014	$21,903.84	$0.00	$21,903.84
2014	Nov 1, 2014 to Oct 31, 2015	$22,998.78	$0.00	$22,998.78
2015	Nov 1 2015 to Oct 31 ,2016	$22,998.78	$0.00	$22,998.78
Note * Development of additional management reports **TOTAL:**				**$120,842.04**

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

DECISION HISTORY

The City of Toronto has been purchasing maintenance, support, and services from Danic Software Inc. since 1999. During the period from September 1, 2000 to October 31, 2001, Danic provided Maintenance on a "Fee-For-Service / As Needed Basis". Following that period, Danic stopped providing Maintenance Services to any client under a Fee-For-Service basis and moved exclusively to "Annual Service Agreements". Since 1999, the total cost of maintenance service from Danic Technology for the Toronto Preschool Speech and Language software is $180,603.43(inclusive of all taxes). Below is a full history of all Purchase Orders (POs) and Divisional Purchase Orders (DPOs) associated with Danic annual maintenance through the "Annual Service Agreements":

Period	PO #	Cost (including taxes)
September 1, 1999 to August 31, 2000	3007175, 3007176	$8,755.00
September 1, 2000 to October 31, 2001	3029721, 3032437, 3047784	$1,351.88
November 1, 2001 to October 31, 2002	3067201, 3074949, 3083042, 3097117	$8,800.00
November 1, 2002 to October 31, 2003	6009687	$13,320.00
November 1, 2003 to October 31, 2004	6012152	$13,710.75
November 1, 2004 to October 31, 2005	6014257	$18,225.00
November 1, 2005 to October 31, 2006	6018769	$14,580.00
November 1, 2006 to October 31, 2007	6023237	$14,580.00
November 1, 2007 to October 31, 2008	6023237	$22,140.00
November 1, 2008 to October 31, 2009	3390391	$22,140.00
November 1, 2009 to October 31, 2010	3414404	$22,140.00
November 1, 2010 to October 31, 2011	3449009	$20,860.80
Total Sept.1, 1999 to October 31, 2011		**$180,603.43**

In accordance with Municipal Code, Chapter 195-1, staff authority for the maximum term of five years in respect to the cumulative year commitment for single source purchases, for Toronto Public Health, has been reached with Danic Technology Inc. City Council authority is required for further single source purchases from Danic Technology Inc.

ISSUE BACKGROUND

Single source procurement is a non-competitive purchase where there is only one supplier of a product or service and as a result a competitive quotation process is simply not possible. Examples include utility purchases, TTC tokens and suppliers mandated by the Provincial government.

The City of Toronto entered into an agreement with Danic Technology Inc. on March 4th, 1999. The Request for Proposal (RFP) entitled "Data Base Development and Networking, Toronto Preschool Speech and Language Services" was an RFP process that resulted in Danic Technology Inc. being awarded as the successful proponent. Effectively the City of Toronto and Danic Technology Inc. entered into an agreement that required:

1. The delivery of specific proprietary software of which Danic Technology Inc. owned the exclusive rights, patent and copyright to that software;

2. The inclusion under Section 14 of the agreement that the City of Toronto not violate any of the warranties or license provisions of the software by allowing any other vendor to modify the proprietary software.

COMMENTS

Software maintenance, support, and services are required from Danic Technology Inc. as Toronto Public Health and its community partners of eight citywide agencies rely on Danic Technology Inc. to maintain its database software solution. This solution is used to effectively deliver preschool speech and language services to 9,000 children annually by capturing client and service information in an integrated database.

Software maintenance, support, and services involves solving technical problems impacting the reliable operation of the solution through the delivery of software fixes and answering technical questions. It also involves providing new features and functionality that clients have requested to improve service delivery, management reporting, and security and auditing of personal health information; and making changes to the software to ensure that it remains compatible with current Microsoft platforms and operating systems. As a result, problems are avoided.

The delivery of new software releases and software fixes by Danic Technology Inc. reduces the risk that the database software solution will be unavailable for use. If this occurs, information within the database cannot be kept up-to-date and services would need to be delivered using inefficient manual processes. Delays in service delivery and reporting will also result in non-compliance with standards defined in the service level agreement between the City of Toronto and the Ministry of Children and Youth Services.

Danic Technology Inc. created, and continues to support this database software solution. The software has been customized for the City, and has been part of the City of Toronto network from September 1, 1999. It is an integral part of operation of the Toronto Preschool Speech and Language Program, and there is no other company legally authorized to provide maintenance, support and services to this proprietary database software solution. This is the reason why the on-going annual maintenance, support, and services can only be provided by Danic Technology Inc. based on their specialized skill and expertise and to avoid violating the warranty and licence of the database. Toronto Public Health will continue to use the software for the next five years, at which time, its replacement will be reviewed as part of the Public Health Systems State of Good Repair (SOGR) capital project scheduled to begin in 2016.

The prices quoted by Danic Technology Inc. have been reviewed by Toronto Public Health Division staff and are considered to be fair and reasonable. The prices quoted by Danic

Technology Inc. have been confirmed to be equal to or lower than any prices they offer to any customers purchasing similar services.

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.

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SIGNATURE

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