



**STAFF REPORT  
ACTION REQUIRED**

**Proprietary Information Technology Maintenance  
Contract Renewals and Amendments**

<b>Date:</b>	October 30, 2013
<b>To:</b>	Government Management Committee
<b>From:</b>	Rob Meikle, Chief Information Officer and Michael Pacholok, Director, Purchasing and Materials Management
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2013\Internal Services\PMMD\gm13007pmmd (AFS # 18195)

**SUMMARY**

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This report is a consolidated list of existing proprietary IT maintenance contracts that require renewals and amendments for various software applications and hardware throughout the City of Toronto.

The purpose of this report is to seek Council authority to renew and amend the existing IT maintenance contracts listed in Attachment A, B, and C which can only be provided by the vendors identified therein due to proprietary reasons.

In addition, this report will align the commitment approval period with that of GM32.20 and GM16.5, which is from January 1, 2011 to December 31, 2015, instead of seeking a different approval period, e.g., 2013 to 2017. Proceeding with this option 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, 2015.

## **RECOMMENDATIONS**

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

1. City Council grant approval, subject to Operating Budget approval in each year, to increase the value of the nine (9) 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 not to exceed \$1,200,538.45, net of HST recoveries for a period from January 1, 2013 to December 31, 2015.
2. City Council grant approval, subject to Operating Budget approval in each year, to renew five (5) IT system maintenance contracts listed in Attachment B of this report with a planned growth requirement due to software versions being upgraded and software modules that were required to be installed to accommodate the growing automated services that the City provides, at a total cost not to exceed \$250,109.79, net of HST recoveries for a period of three (3) years from January 1, 2013 to December 31, 2015.
3. City Council grant approval, subject to Operating Budget approval in each year, to renew the thirty-three (33) IT system maintenance contracts listed in Attachment C of this report that are required due to regular maintenance renewals to maintain the existing software and/or hardware with no planned growth requirements, at a total cost not to exceed \$1,628,629.70, net of HST recoveries for a period of three (3) years from January 1, 2013 to December 31, 2015.
4. City Council grant authority for City Divisions and Information & Technology to negotiate amendments to the contracts listed in Attachment A based on the increased contract amounts recommended under Recommendation 1 and to enter into agreements to renew or extend the contracts identified in Attachment B, and C for a period of up to three (3) years from January 1, 2013 to December 31, 2015, all in accordance with this Staff Report, City Policies and Procedures and in a form satisfactory to the City Solicitor.

### **Financial Impact**

At its meeting held in July 2010 (GM32.20), City Council authorized the renewal of 44 maintenance contracts that support proprietary software applications and hardware used throughout the City for a maximum period of five (5) years ending December 31, 2015, at a total cost not to exceed \$73,744,911.07 (net of HST recoveries).

At its meeting held in October 2012 (GM16.5), City Council authorized increases to the value of 15 out of the 44 contracts identified in GM32.20 for the amount of \$15,008,389.11 (net of HST recoveries) (as a result of unanticipated future requirements such as increased licenses) and the renewal of 38 additional contracts for the amount of

\$4,571,635.62 (net of HST recoveries) (that were identified by Divisions that required renewal, as part of regular operating activities). These increases in value and renewals increased the total maximum (i.e. "not to exceed") amount for proprietary software and hardware maintenance contracts by \$19,580,024.73 (net of HST recoveries) to \$93,324,935.80 (net of HST recoveries).

The recommendations contained in this report increase the total maximum further by \$3,079,277.94 (net of HST recoveries) as follows:

- a) \$1,200,538.45 related to increases required for 9 out of 82 contracts previously approved by Council under GM32.20 and GM16.5, in Attachment A of this report due to growth of maintenance requirements as a result of evolving IT projects;
- b) \$250,109.79 related to 5 additional contracts identified in Attachment B that require regular renewal with planned growth requirement from evolving IT projects, and not previously included in the list of contracts approved by Council under GM32.20 or GM16.5; and,
- c) \$1,628,629.70 related to 33 additional contracts identified in Attachment C that requires regular renewal to existing software and/or hardware with no planned growth requirement and previously not included in the list of contracts approved by Council under GM32.20 or GM16.5.

Table 1 below sets out the maximum contract amounts (net of HST recoveries) approved under GM32.20, GM16.5 and the increases recommended in this report for the five (5) year period from January 1, 2011 to December 31, 2015.

**Table 1**  
**Proprietary Software Support & Maintenance Contract Renewals for 5 Years**  
**(2011 to 2015)**

	2011	2012	2013	2014	2015	5 Year Total
Contract Amounts approved July 2010 (GM32.20)	\$12,158,994.68	\$12,122,441.62	\$15,920,844.08	\$16,421,773.50	\$17,120,857.21	\$73,744,911.07
Contract Amounts approved October 2012 (GM16.5)	\$0.00	\$823,629.80	\$3,452,453.13	\$6,879,468.81	\$8,424,472.99	\$19,580,024.73
Attachment A Previously Reported Contract Renewals with Growth Requirements	\$0.00	\$0.00	\$245,706.94	\$391,532.76	\$563,298.75	\$1,200,538.45
Attachment B Previously Unreported Contract Renewals with Planned Growth Requirements	\$0.00	\$0.00	\$17,299.20	\$106,155.01	\$126,655.58	\$250,109.79
Attachment C Previously Unreported Contracts with No Planned	\$0.00	\$0.00	\$300,901.18	\$535,830.72	\$791,897.80	\$1,628,629.70

Growth Requirements						
TOTAL (net of HST recoveries)	\$12,158,994.68	\$12,946,071.42	\$19,937,204.53	\$24,334,760.80	\$27,027,182.33	\$96,404,213.74

The contract amounts identified in Attachments A, B and C, and summarized in Table 1 above, represent estimates for maintenance and support only and will be funded by the respective Divisions' Operating Budget submissions each year. Spending from Capital, such as 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 Deputy City Manager and Chief Financial Officer have reviewed this report and agree with the financial impact information.

## DECISION HISTORY

On July 6th, 7th, and 8th, 2010, City Council granted the authority under GM32.20 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, 2011 to December 31, 2015. The following is the link to City Council Decision Document;

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.GM32.20>

On October 2nd, 3rd, and 4th, 2012, Information and Technology was granted approval by City Council under GM16.5 to amend the contracts that were approved on GM32.20 and to renew additional contracts that have reached either the \$500,000 cumulative threshold or will have exceeded the five (5) year commitment limit by end of December 31, 2015. The following is the link to City Council Decision Document;

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.GM16.5>

## ISSUE BACKGROUND

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. Furthermore, since these contracts have exceeded either the \$500,000 cumulative

threshold or the five (5) year commitment limit under the City's Purchasing By-Law, 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 percentage increase cannot exceed the CPI index. This makes it easier to manage and prevents vendors from increasing prices unexpectedly.

The requested amounts for 2013, 2014 and 2015 are estimated and represent "not to exceed" amounts over the three (3) year period for purposes of obtaining approval to negotiate the contracts listed in 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 approval of up to three (3) years, 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 2015, 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.

## **COMMENTS**

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, B and C. Contracts will also be reviewed to include renewal options subject to future City Council approval in 2015; 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 indicated in this Staff report and on the attached Appendices 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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Rob Meikle  
Chief Information Officer  
Information & Technology Division

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Michael Pacholok  
Director  
Purchasing and Materials  
Management Division

## ATTACHMENTS

**Attachment A:** Previously Reported Contract Renewals with Growth Requirements

**Attachment B:** Previously Unreported Contract Renewals with Planned Growth Requirements

**Attachment C:** Previously Unreported Contract Renewals with No Planned Growth Requirements