



STAFF REPORT ACTION REQUIRED

Microsoft Licences Reseller Selection

Date:	October 31, 2013
To:	Government Management Committee
From:	Chief Information Officer, Information & Technology Division and Director, Purchasing and Materials Management Division
Wards:	All
Reference Number:	P:\2013\Internal Services\PMMD\gm13009pmmd (AFS # 16531)

SUMMARY

This report requests authority to enter into a new contract with the Large Account Reseller, Compugen Inc., selected by the Province of Ontario's Ministry of Government Services (MGS) which resulted from a competitive process, for the supply of Microsoft Licences under the Microsoft Select Plus Agreement, for various City of Toronto Programs as required until September 30, 2016, under MGS Microsoft Master Business Agreement # U8364444.

A cost-benefit analysis of various Microsoft Licensing options was undertaken in support of the recommended approach. Leveraging the Provincial MGS agreement provides the City with the best possible pricing for Microsoft Licences.

RECOMMENDATIONS

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

1. City Council grant authority for the Chief Information Officer to enter into a new Contract with Compugen Inc., the successful vendor of the competitive process conducted by the Province of Ontario's MGS, for the supply of Microsoft software licences. This contract will be based on the same legal terms and conditions of the MGS Select Plus Agreement, for a three year period ending September 30, 2016, in an amount not to exceed \$19,044,288 net of HST recoveries.

Financial Impact

The total potential contract award identified in this report is \$21,147,843 including HST. The total potential cost to the City is \$19,044,288.00 net of HST recoveries. The annual estimated expenditures are summarized as follows:

	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>Total</i>
Contract award including HST	\$5,350,748	\$12,609,471	\$3,187,624	\$21,147,843
Contract award net of HST recoveries	\$4,818,514	\$11,355,220	\$2,870,554	\$19,044,288

Funding for 2014-2016 has been included in 2014 Capital Budget Submissions and 2015-2023 Capital Plan, and 2014 Operating Budget Submissions for various programs. Funding for operating expenditures in 2015-2016 will be included in 2015-2016 Operating Budget Submissions for various programs.

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

DECISION HISTORY

At its meeting of February 7, 2011 Council approved a staff report seeking authority to enter into a contract with Compugen Inc. for the supply of Microsoft Licences, as a result of a competitive process undertaken by the Province of Ontario, for the period ending September 30, 2013. To view the report on-line follow the link below:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.GM1.11>

At its meeting of March 28, 2012 Government Management Committee requested the Chief Information Officer to initiate regular meetings with the Microsoft Account team and to evaluate various options related to licensing of Microsoft software, notably to report on the potential of an Enterprise Agreement (relative to the City's traditional approach of using the Select Agreement via the provincial competitive process).

To view the report on-line follow the link below:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.GM12.13>

ISSUE BACKGROUND

The previous Contract No. 47015752, for the supply of Microsoft Licences was based on the Province of Ontario, Ministry of Government Service (MGS) Select Plus Agreement. This Agreement expired September 30, 2013 with the option, at the sole discretion of the MGS, to exercise a three (3) year renewal. The MGS recently announced that it will exercise its option to renew this contract for an additional three (3) years, ending September 30, 2016.

However, the City was not notified of the MGS renewal until September 17, 2013 by the Province of Ontario, not allowing enough lead time for Information & Technology (I&T) to request authority to exercise the 3 year renewal options on Contract No. 47015752. As an interim measure, to ensure continuity of licence requirements, a six-month Bridging Contract No. 47017764 was processed to cover the period from October 1, 2013 until March 31, 2014, or until approval for a new contract has been received from the Government Management Committee and City Council decision (if approval is received prior to March 31, 2014). The Bridging Contract was processed to allow all Divisions to continue ordering MS Licences on an as-required basis without a break in service and to ensure compliancy with software licence terms and conditions. The Bridging Contract potential value was approved at \$500,000, net of all taxes. The use of the Bridging Contract will be discontinued upon the approval by Government Management and Council and the setup of the new three (3) year contract term.

The MGS Select Plus Agreement offers the highest discount level from Microsoft and continues to be available to the Broader Public Sector. The City would not be able to obtain better pricing for its Microsoft software licence purchases.

The I&T Division and all City divisions will be utilizing this contract upon acquisition requests through the I&T Division for the supply of Microsoft Licences on an as required basis.

COMMENTS

Responding to March 28, 2012 GMC motions:

Brief responses to Motions 2-6 are included in the following table. The analysis related to Motion 7 is more complex, so it will be treated separately.

<p><i>Motion 2: Engaging the Microsoft Account Team.</i></p>	<p>Staff have been meeting with the Microsoft Account team on a regular basis to determine the options for licensing and to facilitate planning for the pending migration to the Microsoft Exchange eMail system. This level of interaction has been helpful to ensure the optimization of current and future Microsoft software.</p>
<p><i>Motion 3: Microsoft be invited to speak at the April 25, 2012 GMC meeting.</i></p>	<p>Microsoft made a presentation and answered questions of the Committee.</p>
<p><i>Motion 4: Microsoft software asset management review.</i></p>	<p>In late 2012 through to Spring 2013, Microsoft and City staff undertook a comprehensive review and documentation of the City's Microsoft software inventory, including licences.</p>

<i>Motion 5: Potential for moving from device-based to user-based licensing.</i>	Based on analysis of the licensing options, staff will initiate the migration to user-based licensing commencing with the implementation of Microsoft Exchange in 2014.
<i>Motion 6: Loading Microsoft SKU's into the City's SAP system</i>	All required Microsoft product SKU's have been loaded into SAP and available for use from the Blanket Contract. This catalogue in SAP will be updated with new product information as it is available.

Motion 7: Potential for an Enterprise Agreement with Microsoft

Staff have worked with Microsoft to assess both financial and other factors to be considered in an evaluation of the principle Microsoft software licensing options; notably continuing with the Select Plus Agreement, versus adopting an Enterprise Agreement.

The Select Plus Agreement, is volume discount pay as you go agreement with a Microsoft reseller, that sets a price for each licence type and allows the City and its ABC's to purchase the licences as and when they are required, over the term of the agreement. Specific new releases of software are not always eligible for a no-cost upgrade under this option.

An Enterprise Agreement with Microsoft is an advanced purchase of a bundle of Microsoft products with additional costs that enable the option to upgrade these products any time during the agreement. This upgrade capability is an advantage principally when a rapid upgrade cycle is required.

The financial analysis of these 2 options was based on:

- Estimated volumes of Microsoft product licences the City would require over time (including an estimated product upgrade cycle); and,
- The prices for these products under the Province's Select Plus Agreement and under an Enterprise Agreement (as provided by Microsoft).

Based on this analysis, the availability to leverage the Province's pricing indicates that an Enterprise Agreement would be at least 7% more costly than a Select Agreement.

Staff also considered other factors, including the flexibility that an Enterprise Agreement would offer in the event of more frequent product upgrades, and various inclusions, such as training vouchers and e-Learning software products, which has been factored into the analysis. On balance, while an Enterprise Agreement does offer additional benefits, staff do not believe that at this time, this sufficiently offsets the financial savings provided via a Select Plus Agreement.

Based on the evaluation summarized above, City staff believe that the best option at this time, is to continue to adopt a Select Plus Agreement, based on the pricing model available to the City via the provincial agreement with its Large Account Reseller. This agreement expires in September, 2016. Prior to this expiry, staff will undertake an updated cost-benefit analysis of licensing options based on product volume forecasts and pricing information available at that time.

Select Plus Agreement with Compugen Inc.

The Select Plus Agreement renewal with the Province's Large Account Reseller, Compugen Inc. will cover all standard Microsoft desktop and server-based software products, including:

- Windows Client Access licences, Windows desktop, notebook and tablet operating systems, Word, Excel, PowerPoint, Access, Project, Visio
- Windows server operating system
- SQL Server data base system
- Exchange (eMail)
- SharePoint

The forecast of software licence needs is based on both I&T Division and anticipated City divisional requirements. The \$19,044,288 requirement over the 3 year period is higher than it was in the previous 3 year period due to: the pending implementation of Microsoft Exchange as the City's new e-Mail system; an upgrade to Microsoft Office (since the last upgrades licences were purchased prior to the last contract), and new product acquisitions.

For the 3 year period, the expenditures on Microsoft licences are expected to be highest in 2015, due to the timing of the implementation of both the Exchange and Office products, which is expected to peak in 2015.

The Agreement also includes such value-added services as: account management; product and licensing education and strategic advice; online transaction and support services; custom reporting and invoicing; software asset management advice; and, audit assistance.

SUMMARY

Based on a comprehensive review of options for licensing of Microsoft products, staff recommend that the City continues to adopt a Select Plus Agreement and revisit licensing options ahead of the Select Plus Agreement expiry in 2016.

It is further recommended that the City enter into a new three (3) year contract term, under the same legal terms and condition as outlined in the Select Plus Agreement with

the Province of Ontario's Large Account Reseller, Compugen Inc. for the supply and delivery of Microsoft software licences.

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