



STAFF REPORT ACTION REQUIRED

Proprietary Information Technology Maintenance & Support Contracts 2016-2020

Date:	October 23, 2015
To:	Government Management Committee
From:	Chief Information Officer, Information & Technology Division and Director, Purchasing and Materials Management Division
Wards:	All
Reference Number:	P:\2015\Internal Services\I&T\Gm15010I&T (AFS21089)

SUMMARY

The purpose of this report is to seek City Council authority to approve and renew proprietary Information Technology maintenance and support contracts (Refer to Appendix B and C, for a period of five (5) years from January 1, 2016 to December 31, 2020, approximately 158 proprietary contracts for an estimated total of \$143.6 million over five (5) years and covers many of the City's most important and functional enterprise-wide systems such as SAP Canada, Oracle and Microsoft, as well as division or service specific applications.

RECOMMENDATIONS

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

1. City Council authorize the Chief Information Officer, subject to budget approval, to renew the contracts listed in Appendix B and C, for a period of five (5) years, for a total estimated amount of \$143,628,726 net of HST recoveries subject to recommendation 2.
2. City Council grant authority to the appropriate City Division Heads and the Chief Information Officer to negotiate and enter into agreements to renew or extend the contracts identified in Appendix B and C, for a period of up to five (5) years, in accordance with city policies and procedures, and in a form satisfactory to the City Solicitor.

Financial Impact

Funding in the following amounts net of HST recoveries will be included in the programs' Operating and Capital Budget submissions in the respective years:

Table 1

	2016	2017	2018	2019	2020	5 Year Total
Previously Reported Contract Renewals	\$21,286,308	\$25,096,045	\$27,857,622	\$29,705,301	\$31,274,707	\$135,219,984
New Contract Renewals	\$1,038,561	\$1,506,391	\$1,750,661	\$1,939,061	\$2,184,006	\$8,408,743
Total Contract Amounts Requested for Approval for 2016-2020	\$22,324,869	\$26,602,436	\$29,608,284	\$31,644,360	\$33,458,715	\$143,628,726

The potential increase for the 2016-2020 period over the 2015 reported amounts for these contracts is an average of \$1,286,306 (net of HST recoveries), or approximately 3% per year. This is an aggregate high level estimate only, specific pricing and increases will be determined on a contract by contract and vendor by vendor basis as they are renewed. A breakdown of the amounts for each contract grouped by Division is attached as Appendix A to this staff report.

The requested amounts for 2016, 2017, 2018, 2019, and 2020 are estimated amounts over the five (5) year period for the contracts listed in Appendix B and C, and will be subject to budget approvals in each of the respective Programs' Budgets. The amounts are based on the current support and maintenance requirements, potential future requirements and anticipated inflationary increases.

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

DECISION HISTORY

On July 6, 7, and 8, 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 Information Technology software and hardware maintenance services for a period of five (5) years from January 1, 2011 to December 31, 2015 at a total cost not to exceed \$73,744,911 (net of HST recoveries). The following is the link to City Council Decision Document:

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

On October 2, 3 and 4, 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 increase 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>

On December 16, 17, and 18, 2013, Information & Technology was granted approval by City Council under GM26.12 to amend the contracts that were approved on GM32.20 and GM16.5 and to renew additional contracts that have reached either the \$500,000 cumulative threshold increase 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=2013.GM26.12>

ISSUE BACKGROUND

The maintenance contracts listed in Appendix A are contracts that support software applications and hardware within the City which are critical to day-to-day operations. The list includes one hundred and one (101) proprietary Information Technology maintenance contract renewals that were previously reported to Council under GM32.20, GM16.5, and GM26.12 and fifty-seven (57) new proprietary Information Technology maintenance contract renewals that are now being reported to Council as a result of either reaching the \$500,000 cumulative threshold increase or will have exceeded the five (5) year commitment limit by end of December 31, 2020.

These proprietary maintenance and support contracts allow the City to receive security patches and current versions of the software, to ensure compatibility and operational efficiency in the City's information technology environment. In addition, these contracts provide proprietary technical support services from the software and hardware vendors to support the City's technology infrastructure.

As maintenance contracts come up for renewal, the Information & Technology Division continues to work with the various divisions within the City to consolidate contracts and ensure cost controls are in place. As a best practice, in its maintenance and support contracts, the Information & Technology Division includes renewal clauses with a set maximum percentage increase that cannot be exceeded, for example, percentage increase cannot exceed the CPI index. The current CPI is running at less than 3%.

Securing contracts with five (5) year terms gives the City more leverage and flexibility to negotiate contracts with the vendors which provides better overall value for the City. Consolidating all proprietary maintenance and support contracts onto one staff report also reduces the administrative costs of preparing individual reports for each contract.

COMMENTS

Upon approval of this staff report, the Information & Technology Division and city divisions will be in a position to negotiate five (5) year pricing arrangements with vendors listed in Appendix B and C, with potential savings to be made. Contracts will also be reviewed to include renewal options subject to future City Council approval in 2020, however, the City will continue to pay maintenance and support on an annual basis as per current policies. Rights to terminate such contract 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 look for opportunities to consolidate contracts and ensure cost control is 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 contracts listed in Appendix B and C are for software and hardware support and maintenance services for various software applications and hardware throughout the City of Toronto which can only be provided by the vendors identified therein due to proprietary reasons.

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SIGNATURE

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ATTACHMENTS

- Appendix A- Divisional Summary of Proprietary IT Support and Maintenance Contracts
- Appendix B- Divisional Breakdown of Previously Reported Proprietary IT Support and Maintenance Contracts
- Appendix C- Divisional Breakdown of Newly Reported Proprietary IT Support and Maintenance Contracts