



**STAFF REPORT
ACTION REQUIRED**

Use of the Province of Ontario's Volume License Agreement for the Procurement of Microsoft Licenses from Softchoice LP and Microsoft Canada

Date:	October 25, 2016
To:	Government Management Committee
From:	Chief Information Officer, Information & Technology Director, Purchasing & Materials Management
Wards:	All
Reference Number:	P:\2016\Internal Services\I&T\Gm16007I&T (AFS#23865)

SUMMARY

The purpose of this report is to request authority to enter into a contract with the Vendor of Record (VOR) Reseller, Softchoice LP, selected through a competitive process by the Province of Ontario's Ministry of Government and Consumer Services, Supply Chain Ontario (SCO), for the supply of Microsoft licenses under the Province's Microsoft Select Plus Agreement, for various City of Toronto Programs as required on a pay-as-you-go basis for a period of one (1) year with the option to renew for two (2) separate one (1) year periods ending December 31, 2019 in the amount of \$5,370,634 (net of HST recoveries).

Also to request authority to enter into a direct contract with Microsoft Canada for the supply of Microsoft cloud products under the Province's Microsoft Enterprise Agreement for the City's cloud pilot projects for a three (3) year period ending December 31, 2019, in the amount of \$818,820 (net of HST recoveries).

Leveraging the SCO's Microsoft Master Business Agreement (#U8364444) provides the City with the best possible pricing for Microsoft Licenses.

RECOMMENDATIONS

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

1. City Council authorize the Chief Information Officer to enter into a new contract with Softchoice LP, the successful VOR Reseller, under the Province of Ontario's Microsoft Select Plus Agreement, for the supply of Microsoft licenses, as required on a pay-as-you-go basis for a period of one (1) year with the option to renew for two (2) separate one (1) year periods ending December 31, 2019, in the amount of \$5,370,634 (net of HST recoveries).
2. City Council authorize the Chief Information Officer to enter into a new contract with Microsoft Canada, under the Province of Ontario's Enterprise Agreement, for the supply of cloud products, for a three (3) year period ending December 31, 2019, in the amount of \$818,820 (net of HST recoveries).

Financial Impact

The total potential contract award identified in this report is \$6,799,232, including HST. The total potential cost to the City is \$6,189,454, net of HST recoveries. The annual estimated expenditures are summarized as follows:

	2017	2018	2019	Total
Microsoft licenses (net of HST recoveries)	\$1,842,345	\$1,047,132	\$2,481,157	\$5,370,634
Microsoft cloud products (net of HST recoveries)	\$272,940	\$272,940	\$272,940	\$818,820

Funding for 2017-2019 has been included in the respective programs 2017 Capital Budget Submissions and the 2017-2026 Capital Plan, and the 2017 Operating Budget Submissions for various programs. Funding for operating expenditures in 2018-2019 will be included in 2018-2019 Operating Budget Submissions for various programs.

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

DECISION HISTORY

On December 16, 17 and 18, 2013 City Council granted the authority under GM26.13 to the Chief Information Officer to enter into a new contract with Compugen Inc., the successful VOR Reseller of the competitive process conducted by the Province of Ontario's SCO, for the supply of Microsoft software licences, under the Province's 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.

The following is the link to City Council Decision Document:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.GM26.13>

The previous Blanket Contract No. 47017870, for the supply of Microsoft Licenses was based on the Province of Ontario, Ministry of Government and Consumer Service, SCO's Select Plus Agreement. This Agreement expired on September 30, 2016.

ISSUE BACKGROUND

The Microsoft Select Plus Agreement is a Volume License program that allows qualifying Broader Public Sector (BPS) organizations that have mixed software requirements and want a simple, flexible, way to purchase the Microsoft products on a pay-as-you-go basis. The new Microsoft Select Plus Reseller Agreement is in effect as of October 1, 2016. The Provincial Select Plus Agreement offers the highest discount level from Microsoft and continues to be available to the Broader Public Sector.

City's Microsoft Licensing Strategy

As part of City's technology road map, Information and Technology (I&T) Division is planning to pilot selected Microsoft cloud products to understand the impact and potential benefits for the City. The pilot will include Office 365, SharePoint online and Microsoft Project online and will allow the City to gain a better understanding of the technical requirements and impact of moving to a cloud licensing strategy for the City. Many vendors, including Microsoft, are moving to subscription-based licensing model for software. Currently Microsoft offers stay in place (pay-as-you-go) licenses, but also subscription-based versions of the office productivity suite.

Based on the outcomes from the pilot, I&T Division will make recommendations for a go forward enterprise Microsoft licensing strategy for the City. The recommendations arising from the pilot will also have an impact on the financial funding model and contract structure.

COMMENTS

The Microsoft Select Plus Agreement is a flexible, pay-as-you-go volume purchasing model that allows purchase of software licenses as needed, either as a license only or a license with Microsoft Software Assurance. The Provincial Select Plus Agreement is

required for all pay as you go licences and offers the highest discount level from Microsoft Canada Inc. In order to provide the City with competitive prices for the supply of various Microsoft commercial off-the-shelf software, it is recommended that the City utilize the Province of Ontario's Microsoft Select Plus Volume License Agreement with Softchoice LP.

The Microsoft Enterprise Agreement is a Volume Licensing program that is available to the Broader Public Sector organizations to purchase Microsoft cloud products which are not available on the Provincial Select Plus Agreement. For the supply of Microsoft cloud products, the City may utilize the Province of Ontario's Microsoft Enterprise Agreement and enter into a direct enrolment with Microsoft for the Microsoft Online Services offering. The Microsoft Enterprise Agreement enrolment require minimum quantities for each cloud product and sets out a fixed, annual subscription fee for the term of the enrolment.

The Fair Wage Office has reported that Softchoice LP and Microsoft Canada Inc. have reviewed and understand the Fair Wage Policy and Labour Trades requirements and have agreed to comply fully.

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