



**STAFF REPORT  
ACTION REQUIRED**

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

<b>Date:</b>	October 27, 2016
<b>To:</b>	Government Management Committee
<b>From:</b>	Chief Information Officer, Information & Technology Division and Director, Purchasing and Materials Management Division
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2016\Internal Services\I&T\Gm16008I&T (AFS#23789)

**SUMMARY**

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The purpose of this report is to seek City Council authority to amend the dollar value of existing IT maintenance contracts listed in Attachment A that were reported under GM8.8, and also previously unreported contracts as outlined in Attachment B, which will exceed either the \$500,000 cumulative value threshold or the five (5) year commitment limit under the City's Purchasing By-Law, Chapter 195 in the amount of \$1,942,821 (net of HST recoveries).

In addition, this report will align the commitment approval period with that of GM8.8, which is from January 1, 2016 to December 31, 2020, instead of seeking a different approval period. 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, 2020.

**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 of \$559,523, net of HST recoveries, for a period from January 1, 2017 to December 31, 2020.

2. City Council grant approval, subject to Operating Budget approval in each year, to renew seventeen (17) previously unreported IT system maintenance contracts listed in Attachment B of this report due to upgraded software versions and required software module installations to accommodate the growing automated services that the City provides, or due to regular maintenance renewals to maintain the existing software and/or hardware, for a total amount of \$1,383,298, net of HST recoveries, for a period from January 1, 2017 to December 31, 2020.
3. City Council grant authority for City Divisions and Information & Technology to negotiate amendments or extensions to the contracts identified in Attachment A based on the increased contract amounts recommended under recommendation 1 above, and to enter into agreements to renew or extend the contracts identified in Attachment B for a period of up to four (4) years from January 1, 2017 to December 31, 2020, 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 on December 9 and 10, 2015 (GM8.8), City Council authorized the renewal of 158 maintenance contracts that support proprietary software applications and hardware used throughout the City for a maximum period of five (5) years ending December 31, 2020, at a total cost not to exceed \$143,663,726 (net of HST recoveries).

The recommendations contained in this report increase the total maximum (i.e. "not to exceed") amount by an additional \$1,942,821 (net of HST recoveries) as follows:

- a) \$559,523 related to increases required for 9 out of 158 contracts approved by Council under GM8.8, in Attachment A of this report due to growth of maintenance requirements as a result of evolving IT projects; and,
- b) \$1,383,298 related to 17 additional contracts identified in Attachment B that require regular renewal to existing software and/or hardware maintenance and not previously included in the list of contracts approved by Council under GM8.8.

Table 1 below sets out the maximum contract amounts (net of HST recoveries) approved under GM8.8 and the increases recommended in this report for the five (5) year period from January 1, 2016 to December 31, 2020.

**Table 1  
Proprietary Software Support & Maintenance Contract Renewals for 5 Years  
(2016 to 2020)**

	2016	2017	2018	2019	2020	5 Year Total
Contract Amounts approved December 2015 (GM8.8)	\$22,331,469	\$26,609,236	\$29,615,284	\$31,651,560	\$33,466,115	\$143,663,726
Attachment A Previously Reported Contract Renewals with Increases Required	N/A	\$133,630	\$130,409	\$139,841	\$155,643	\$559,523
Attachment B Previously Unreported Contract Renewals	N/A	\$306,767	\$366,926	\$336,855	\$372,750	\$1,383,298
<b>TOTAL (net of HST recoveries)</b>	\$22,331,469	\$27,049,633	\$30,112,619	\$32,128,256	\$33,994,508	\$145,606,547

The contract amounts identified in Attachments A and B, 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 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 & Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## **DECISION HISTORY**

On December 9 and 10, 2015, City Council granted the authority under GM8.8 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, 2016 to December 31, 2020. The following is the link to City Council Decision Document: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.GM8.8>

## **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 will exceed either the \$500,000 cumulative value 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, a percentage increase cannot exceed the CPI index. This makes it easier to manage and prevents vendors from increasing prices unexpectedly.

The requested amounts are estimated and represent "not to exceed" amounts over the period for purposes of obtaining approval to negotiate the contracts listed in the attachments of 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 a multi-year approval, 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 2020, 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 and B. Contracts will also be reviewed to include renewal options subject to future City Council approval in 2020, however, the City will continue to pay

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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 identified in this Staff report and on the attached Attachments 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,  
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Michael Pacholok  
Director,  
Purchasing and Materials  
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## ATTACHMENTS

**Attachment A:** Previously Reported Contract Renewals with Increases Required

**Attachment B:** Previously Unreported Contract Renewals