



REPORT FOR ACTION

Renewal of Proprietary Technology Maintenance Contracts supporting the City Services from 2021-2025

Date: September 21, 2020

To: General Government and Licensing Committee

From: Chief Technology Officer and Chief Procurement Officer

Wards: All

SUMMARY

The purpose of this report is to seek authority to renegotiate and renew to maximize City interest of 186 non-competitive contracts for maintenance of proprietary technology (which includes software, hardware, and subscriptions), supporting City services identified in Appendix B and C of this report, for the five (5) year period from January 1, 2021 to December 31, 2025. This maintenance is required to maintain the City's Strategic Plan of a Well-Run City. The estimated total value of renewing these contracts during this period is up to \$169,353,022, net of Harmonized Sales Tax (\$172,333,635 net of Harmonized Sales Tax recoveries). As the City reviews modernization of services, Technology Services is reviewing opportunities to limit dependencies on proprietary technology resulting in digitization of government through utilization of best practice standards and platforms such as enterprise customer relationship management tools for call centres.

The contracts listed in Appendix B and C are renewed annually to ensure support for the business solutions pertaining to hardware and software applications, many of which are critical to the day-to-day operations of the City and can only be provided by the vendors identified therein because of Exclusive Rights. These renewals will cover the City's most critical and functional enterprise-wide systems and divisional or service specific applications supported by various technology solution providers.

Appendix B includes 121 contracts for maintenance of proprietary technology supporting City services that were previously reported to Council in 2015, 2016 and 2017 under GM8.8, GM16.7, and GM23.9 respectively. Appendix C includes 65 new contracts for maintenance of proprietary technology supporting City services that are now being reported to Council.

City Council approval is required in accordance with Municipal Code Chapter 195- Purchasing, where the current request exceeds the Chief Purchasing Official's authority of the cumulative five year commitment for each vendor, under Article 7, Section 195- 7.3 (D) of the Purchasing By-Law or exceeds the threshold of \$500,000 net of HST allowed under staff authority as per the Toronto Municipal Code, Chapter 71- Financial Control, Section 71-11A.

RECOMMENDATIONS

The Chief Technology Officer and the Chief Procurement Officer recommend that:

1. City Council grant authority to the Chief Technology Officer, subject to budget approval, to renegotiate and renew the contracts listed in Appendix B and C, for a period of up to five (5) years from January 1, 2021 to December 31, 2025, for a maximum estimated amount of \$169,353,022, net of Harmonized Sales Tax (\$172,333,635 net of Harmonized Sales Tax recoveries), subject to recommendation 2.

2. City Council grant authority to the appropriate City Division Heads and the Chief Technology Officer to negotiate, enter into and execute new contracts or to renew and extend existing contracts identified in Appendix B and C and any ancillary documents required to give effect thereto, for a period of up to five (5) years from January 1, 2021 to December 31, 2025, 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 Harmonized Sales Tax recoveries, will be included in the programs' Operating and Capital Budget submissions in the respective years:

Table 1 - Proprietary Technology Maintenance Contract Renewals for 5 Years (2021 to 2025)

	2021	2022	2023	2024	2025	5 Year Total
Previously Reported Contract Renewals	\$27,308,337	\$29,512,883	\$30,812,413	\$32,018,698	\$33,538,222	\$153,190,554
New Contract Renewals	\$2,592,335	\$3,196,974	\$3,638,577	\$4,643,236	\$5,071,959	\$19,143,081

	2021	2022	2023	2024	2025	5 Year Total
Total Contract Amounts Requested for Approval for 2021 - 2025	\$29,900,671	\$32,709,858	\$34,450,990	\$36,661,934	\$38,610,182	\$172,333,635

The potential increase for the 5-year period over the 2020 reported amount for these contracts is an average of \$819,642, net of Harmonized Sales Tax (\$834,068 net of Harmonized Sales Tax 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 and a breakdown of amounts for each year overall is attached as Appendix A and Appendix D, respectively, to this staff report.

The requested amounts for 2021, 2022, 2023, 2024, and 2025 are the estimated costs over the five (5) year period to renew the contracts listed in Appendix B and C, and will be subject to budget approvals in each of the respective Program's Budgets. The amounts are based on the current proprietary technology maintenance requirements, potential future requirements resulting from approved procurements and anticipated inflationary increases.

The Chief Financial Officer and Treasurer has been provided the financial impacts associated with the programs identified in this report for review as part of the 2021 budget process.

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>

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>

On December 13, 14 and 15, 2016, City Council granted the authority under GM16.7 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 four (4) years from January 1, 2017 to December 31, 2020. The following is the link to City Council Decision Document:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.GM16.7>

On December 5, 6, 7 and 8, 2017, City Council granted the authority under GM23.9 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 three (3) years from January 1, 2018 to December 31, 2020. The following is the link to City Council Decision Document:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.GM23.9>

COMMENTS

The proprietary technology maintenance contracts identified in this report are contracts that support business solutions and hardware and software applications, many of which are critical to providing day-to-day support to City services.

These contracts allow the City to receive:

- Technology patches that mitigate technical risk of a device by closing any gaps in the software.
- Current versions of the software, to ensure compatibility and operational efficiency in the City's technology environment.
- Proprietary technical support services from the software and hardware vendors to support the City's technology infrastructure.

Based on exclusive rights, support and maintenance of these products is only available directly from the vendors identified in this report.

As proprietary technology maintenance contracts come up for renewal, Technology Services Division continues to work with the various divisions within the City to review, consolidate contracts and ensure cost controls are in place to manage proprietary dependency. As a best practice, Technology Services Division includes renewal clauses with a set maximum percentage increase that cannot be exceeded in these contracts, for example, percentage increase cannot exceed the Consumer Price Index (CPI).

CPI is an indicator of changes in consumer prices experienced by Canadians. It is obtained by comparing, over time, the cost of a fixed set of goods and services purchased by consumers.

The current CPI for this commodity is less than 3%. This makes it easier to manage and prevents vendors from increasing prices unexpectedly.

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

The requested amounts are estimated for the period for purposes of obtaining approval to negotiate the contracts listed in the attachments of this report and will be subject to Budget approval in each year. The amounts are based on the current requirements and potential future requirements.

Upon approval of this staff report, the Technology Services 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 achieved. Contracts will also be reviewed to include renewal options subject to future City Council approval in 2025, however, the City will continue to pay for technology maintenance on an annual basis as per current policies. Rights to terminate such contract will be maintained in the event the City elects to discontinue service on any of its business solutions, hardware or software. The Technology Services Division will continue to identify 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 proprietary technology maintenance vendors identified in this staff report and in the 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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ATTACHMENTS

Appendix A- Divisional Summary of Proprietary Technology Maintenance Contracts

Appendix B- Divisional Breakdown of Previously Reported Proprietary Technology Maintenance Contracts

Appendix C- Divisional Breakdown of Newly Reported Proprietary Technology Maintenance Contracts

Appendix D- Annual Summary of Proprietary Technology Maintenance Contracts