

Non-Competitive Contract with Microsoft Canada Inc. for M365 Software Licenses, Cloud Subscriptions, and Support Services

Date: March 23, 2026

To: General Government Committee

From: Chief Technology Officer and Chief Procurement Officer

Wards: All

REASON FOR CONFIDENTIAL ATTACHMENT

The attachment to this report contains a plan in the form of a strategic approach as well as an instruction to be applied to negotiations carried on or to be carried on by or on behalf of the City of Toronto. The instruction includes financial information which, if disclosed, could reasonably be expected to significantly prejudice the City's negotiating position or interfere with contractual arrangements and other negotiations undertaken by the City of Toronto.

SUMMARY

The purpose of this report is to request City Council authority to:

- Enter into a non-competitive contract with Microsoft Canada Inc. ("Microsoft"), a Canadian business subsidiary, for software licenses, cloud subscriptions, and support services for five (5) years in total which may include three (3) years initial with the option to extend for two (2) additional one-year periods.
- Amend authority previously approved under GG24.9 for Microsoft Unified Support, extending it by an additional five (5) months with no increase in the contract value, to ensure access to the enterprise support service for Microsoft products for the full duration of the proposed non-competitive Microsoft agreement.

Microsoft 365 (M365) is a set of cloud-based solutions and applications that help staff communicate and collaborate with each other, including Outlook, MS Teams, SharePoint, OneDrive, and Office applications like Word, Excel, and PowerPoint. The

City's current agreement with Microsoft provides access and support to these tools for about 32,000 City staff. The current contract expires on May 31, 2026.

A non-competitive agreement directly with Microsoft is recommended to secure favourable commercial terms and enhanced discounts not offered through resellers. This proposed non-competitive contract ensures uninterrupted access to these essential services and allows the City to purchase additional pay-per-use Microsoft tools (e.g., Copilot, Power BI, etc.), when there is a business need.

The total contract value is outlined in Confidential Attachment 1. This report also seeks the establishment of a total ceiling authority, with no commitment to spend the full amount. The Technology Services Division (TSD) engaged an independent third-party firm to provide objective market insight to ensure the City negotiates fair and competitive pricing.

City Council approval is required in accordance with Municipal Code Chapter 195, Purchasing, where the current request exceeds the Chief Procurement Officer's authority of the cumulative five-year commitment limit 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 Harmonized Sales Tax allowed under staff authority as per the Toronto Municipal Code, Chapter 71, Financial Control, Section 71-11(A).

RECOMMENDATIONS

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

1. City Council authorize the Chief Technology Officer in accordance with Section 195-7.1(C) of the Toronto Municipal Code Chapter 195, Procurement, to negotiate and enter into an agreement with Microsoft Canada Inc. commencing from June 1, 2026 for a contract term of five (5) years in total which may include three (3) years initial with the option to extend for two (2) additional one-year periods, for up to the total amount set out in Confidential Attachment 1, subject to terms and conditions in a form satisfactory to the Chief Technology Officer and City Solicitor.
2. City Council direct that Confidential Attachment 1 remain confidential in its entirety as it pertains to a strategic negotiation approach including financials.
3. City Council authorize the Chief Technology Officer to amend the authority for the Chief Technology Officer under GG24.9 with Microsoft Canada Inc. for Unified Support to extend the contract term for an additional five (5) months from December 31, 2030 to May 31, 2031 with no increase in the contract value.

FINANCIAL IMPACT

The Financial Impact for the requested non-competitive contract with Microsoft Canada Inc. is included in Confidential Attachment 1.

This report also amends the authority to execute a blanket contract with Microsoft Canada Incorporated for Unified Support for an additional five (5) months from December 31, 2030, to May 31, 2031, with no increase in the contract value. This amendment is only to the term of the contract and has no financial impact.

DECISION HISTORY

In October 2025, the annual maintenance contract for Unified Support from 2026 to 2030 was approved under 2025.GG24.9 Review and Renewal of Technology Maintenance Contracts for Sustainment of City Services from 2026 - 2030.

<https://secure.toronto.ca/council/agenda-item.do?item=2025.GG24.9>

In April 2021, City Council adopted 2021.GL21.17, which authorized the Chief Technology Officer to negotiate and execute non-competitive contracts with Microsoft Canada Inc. leveraging the provincial enterprise agreement, including an amending agreement for Microsoft 365 (M365) subscription licenses for a 5 year term, an agreement to secure professional services to implement the M365 platform, and an agreement to secure additional support services for the ongoing maintenance and operational support of the M365 platform and foundational Microsoft technologies.

<https://secure.toronto.ca/council/agenda-item.do?item=2021.GL21.17>

In October 2020, City Council adopted 2020.GL16.5, which authorized the Chief Technology Officer to execute a contract with Microsoft Canada Inc. for software support, maintenance and upgrades under the Microsoft Unified Support Program that replaces the Premier Support Program.

<https://secure.toronto.ca/council/agenda-item.do?item=2020.GL16.5>

In December 2019, City Council adopted 2019.GL10.9, which authorized the Chief Technology Officer to amend Purchase Order No. 6047456 with Microsoft Canada Inc. to extend the term of the agreement for a two-year period and increase its scope of work and enhance security.

<https://secure.toronto.ca/council/agenda-item.do?item=2019.GL10.9>

In December 2016, City Council adopted 2016.GM16.8 which authorized the Chief Information Officer to enter into a new contract with Microsoft Canada (Purchase Order No. 6047456), under the Province of Ontario's Enterprise Agreement, for the supply of cloud products, for a three-year period.

<https://secure.toronto.ca/council/agenda-item.do?item=2016.GM16.8>

COMMENTS

This report seeks authority to execute and enter into a non-competitive contract for key enterprise Microsoft products and services, including enterprise Microsoft 365 tools and Power BI, Copilot, and Azure based on business need. This report requests the establishment of a total ceiling authority, with no commitment to spend the full amount.

This agreement directly with Microsoft provides favourable commercial terms and enhanced discounts unavailable through third-party resellers. This agreement allows the City to adjust license volumes at each anniversary of the agreement, provided the minimum commitment is maintained. It also enables the City to defer purchases in cases where deployment timelines are delayed.

Microsoft 365 (M365)

M365 provides City staff – including full-time, part-time, seasonal, recreational, and elected officials – with secure, consistent access to communication and collaboration tools like Outlook, Teams, SharePoint, OneDrive, and Office applications like Word, Excel, and PowerPoint. In 2021, M365 was established as the City of Toronto's enterprise solution and standard productivity suite for City staff through GL21.17 - Leveraging Provincial Agreement to Acquire Microsoft 365 Cloud Licenses, Implementation and Support Services.

Currently, approximately 32,000 staff across all City divisions use M365. The City's current agreement will expire on May 31, 2026, and it is critical to establish a new contract to ensure continuity of these foundational products and services that City staff rely on.

The Technology Services Division will conduct a strategic assessment of Microsoft tools required for each role and optimize license allocation accordingly. This approach leverages the flexibility to adjust license volumes while maintaining compliance with Microsoft's licensing terms.

Security and Privacy Protections

M365 strengthens the City's security and compliance posture by providing built-in protections and controls for data, identity management, and privacy that enable compliance with City information management and cybersecurity standards. A key component is Microsoft Entra ID, which manages how users sign in and access City systems. It helps reduce security risks by ensuring only authorized users can access information, while making access simpler and more consistent for staff.

Additional Pay-Per-Use Services

Through this agreement, additional Microsoft services can be included as necessary, including:

- **Microsoft Power BI** is a data visualization and analysis tool that connects to data from many sources to create clear visual reports and dashboards. Using Power BI, City staff can analyze and visualize data to support data-driven decision-making.
- **Microsoft Copilot** is a generative artificial intelligence (AI) tool that can create new content – such as text, summaries, and other outputs – based on prompts, links, attachments, and information available to the user. The City is currently undertaking a Copilot pilot to validate the value and use of the tool with the intention to scale adoption over the contract term, aligning licence growth to

organizational readiness and demonstrated value. Early pilot results show the strongest benefits in roles with heavy writing, meeting load, and document synthesis needs.

- **Microsoft Azure** provides the secure cloud infrastructure and computing capabilities that Copilot and other AI tools rely on to process data, run AI models, and integrate those capabilities into applications like Power BI, Excel, Teams, and Word, enabling insights and assistance based on the organization's data.

Microsoft Unified Support

Microsoft Unified Support is an enterprise support service that provide technical assistance, issue resolution, and proactive guidance for Microsoft products and services. It helps maintain system reliability and reduce service disruptions.

In October 2025, the annual maintenance contract for Microsoft Unified Support from 2026 to 2030 was approved under GG24.9 for a term from January 1, 2026 to December 31, 2030. This report requests an amendment to this authority to extend the contract term for an additional five (5) months from December 31, 2030 to May 31, 2031 with no increase in the contract value to align the Unified Support contract with the Microsoft contract and ensure support remains in place for the full duration of the Microsoft agreement.

CONTACT

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SIGNATURE

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ATTACHMENTS

Confidential Attachment 1