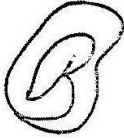



Item No. 14.2
Halifax Regional Council
July 23, 2013

TO: Mayor Savage and Members of Halifax Regional Council

Original signed by 

SUBMITTED BY: _____
Richard Butts, Chief Administrative Officer

Original Signed by 

Mike Labrecque, Deputy Chief Administrative Officer

DATE: July 5, 2013

SUBJECT: **Renewal of Enterprise Agreement – Microsoft Canada**

ORIGIN

The expiry of HRM's Enterprise Agreement with Microsoft Canada for software licenses, maintenance and support services approved by Halifax Regional Council on July 6, 2010.

LEGISLATIVE AUTHORITY

Under the HRM Charter, Section 79, Regional Council may expend money for municipal purposes. HRM Charter Section 111(5) requires the approval of the Minister, Service Nova Scotia and Municipal Relations for commitment to pay money for a lease, lease-purchase or other commitment over a period extending beyond the end of the current fiscal year, where the total commitment exceeds five hundred thousand dollars. Administrative Order #35, the Procurement Policy, requires Council to approve the award of contracts for sole sources exceeding \$50,000.

RECOMMENDATION

It is recommended that Regional Council, in accordance with the sole source provisions of Administrative Order 35 Section 8(11)(A)(a) (found at Appendix "A" to this report),

1. Renew the contract for the provision of HRM's Enterprise Desktop Solution (which includes software licenses, maintenance and support services) to Microsoft Canada for a term of three (3) years at a total projected cost of \$2,593,500 including net HST, subject to approval of the Minister Service Nova Scotia and Municipal Relations.
2. Authorize the Chief Administrative Officer to negotiate and approve up to two (2) additional terms of this contract, with each renewal period being for a term not to exceed three (3) years. Each renewal subsequent to the 2013 renewal shall include substantially similar terms and conditions (excluding price) as are in the 2013 renewal of contract. The negotiated price shall not exceed 120% of the payments made in relation to the Enterprise Desktop Solution and Enhanced Services (Enhanced Services include purchases of additional software licenses, software services, system upgrades and training) during the previous renewal period, and is subject to approval of the Minister Service Nova Scotia and Municipal Relations.
3. Authorize the Director Finance & ICT to purchase Enhanced Services from Microsoft Canada during any terms of the contract where the purchase is necessary to achieve HRM's operational requirements and the total expenditure on the Enterprise Desktop Solution and Enhanced Services in the year of purchase is within the most recent budget approved by Regional Council for the purchase of software products.
4. Make public the contents of the July 6' 2010 Private and Confidential staff report.

BACKGROUND

On July 6, 2010, Halifax Regional Council approved a Private and Confidential report for a sole source contract with Microsoft Canada to provide desktop software. The resultant contract allowed HRM to immediately replace its aging desktop software solutions, while splitting the licensing costs over the three year term. HRM entered into an Enterprise Agreement with Microsoft, which establishes an initial license purchase cost as well as costs for support and upgrade rights, collectively referred to as "software assurance".

A significant advantage of the Enterprise agreement is that for any products licensed, the pricing is established at the current rates at the beginning of the agreement for the entire term. HRM as a government customer receives "level D" pricing, which is the most highly discounted rate for corporate customers. In effect, a standing offer is created for subsequent purchases of Microsoft products. Over the term of the initial agreement, HRM has acquired additional software licenses to support various technology projects and system upgrades. These are implemented as needed, and purchased through an annual "true up" process, ensuring HRM maintains compliance with software licensing requirements.

HRM's Enterprise agreement will expire on July 31, 2013, and staff are recommending renewal on another three year term, as well as the purchase of additional software licenses to support future projects. Since the 2010 report to Council did not provide for renewal of the agreement,

and the scope of the agreement has changed, staff have brought the matter to Council for approval.

DISCUSSION

The original Enterprise Agreement licensed HRM primarily for the Microsoft Office suite (Word, Excel, PowerPoint, etc.) through a product referred to as Professional Plus, but also included a Core CAL which provides a variety of other products used for back office functions such as file and print services, email, and user authentication. Access to these licenses provided an opportunity for HRM to consolidate a number of technical functions to a single vendor's solution; simplifying the support process, training of staff, and procurement of software products.

Implementing additional Microsoft products which are available to HRM through this licensing mechanism has saved in software maintenance costs from other vendors, provided new features and enhanced product integration, while maintaining overall software costs constant at 2010 levels. For example, the original software maintenance portion of HRM's Enterprise Agreement with Microsoft was \$368K annually, in addition to \$215K paid to another vendor for email and file / print services, for a total annual spend of \$583K (before HST). Under the proposed renewal the software maintenance amount is \$570K (before HST) for the same services, which includes license growth in desktop software from 1561 to 2054 seats.

Based on the success HRM has had in containing costs while improving functionality, ICT intends to position the municipality for further efficiencies in the provision of software by moving from Professional Plus / Core CAL licensing to Enterprise CAL licensing. The Enterprise CAL is a combination of enhanced versions of existing products, as well as new products and cloud services which may be used in the future. Staff have reviewed the cost to upgrade the individual components of the Core CAL to support the enterprise level functionality and compared these costs to the Enterprise CAL, and believe the Enterprise CAL is the most cost effective approach for HRM to achieve the required software functions.

The additional cost of moving to the Enterprise CAL is \$182K (before HST) annually, which will be partially offset from existing software maintenance of products to be replaced. Current ICT operating and project budgets are sufficient to cover the additional costs, as outlined in the Financial Implications section of this report. Some of the initiatives which will be supported by having access to the Enterprise CAL are as follows:

Initiative	Outcome
Enterprise Decision Support / Business Intelligence	Enhanced reporting and analytics of HRM data sources supporting data-driven decisions
Endpoint Security Software	Improved protection from data loss due to

	malware, improved security through encryption. Simplified administration and support staff training through consistent management interfaces.
New Application Development Tools	Provides a modern toolset to provide internal and citizen-facing applications which are integrated with HRM's collaboration tools.
Cloud Based Email Archiving	Moves archival email to service provider, reduces internal administration and storage requirements.
Corporate Instant Messaging and Video Conferencing	Potential reduction in travel time for face to face meetings, reduction in the use of email for transitory messaging. Opportunities to collaborate with PNS on their Unified Communications Strategy.

In addition to the software license and support costs outlined previously, ICT purchases Microsoft Professional Services and staff training in advance under a three year Premier Services agreement. The cost is \$77,000 annually, and will be purchased concurrently with the Enterprise Agreement renewal.

Contemplating changing a software strategy based on the end of a support contract would be disruptive and expensive. Given the Municipality's current reliance on Microsoft's products for the bulk of its back office, communications, and end user software; combined with Microsoft's market leadership in this area, it is doubtful that such a change will happen in the foreseeable future. Therefore, to ensure future renewals are administered respectful of Council's time, staff are recommending that authority be delegated to the Chief Administrative Officer for two renewals of this agreement, and that such renewals be reported to Council through an information report.

FINANCIAL IMPLICATIONS

The cost of the three year agreement is as follows:

Component	Annual (Net HST Included)	Total (3 years)	Funding Source
Professional Plus / Core CAL (Software Assurance)	\$594,400	\$1,783,200	Operating Account A743-6204
Upgrade to Enterprise CAL (Licenses and Software Assurance)	\$189,800	\$569,400	Project Account CI990001 (\$140.8K) Project Account CI000004 (\$428.6K)
Premier Support	\$80,300	\$240,900	Operating Account A743-6204
Total (Net HST Included)	\$864,500	\$2,593,500	

ENVIRONMENTAL IMPLICATIONS

There are no environmental impacts.

ALTERNATIVES

Council could choose not to renew the Enterprise Agreement with Microsoft. Given the pervasive nature of the Microsoft software solutions serving HRM, this alternative is not recommended due to the risk associated with loss of enterprise support services. Also, the terms of the Enterprise Agreement require all software licenses to be purchased through the agreement, so allowing the agreement to lapse would necessitate repurchasing the existing licenses should HRM wish to re-enter into an EA in the future.

ATTACHMENTS

Appendix A – Administrative Order 35 – Procurement Policy Section 8(11)(A)

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: David Muise, Manager ICT Operations (490-6555)

Report Approved by:

Donna Davis, Chief Information Officer (490-4417)

Procurement Review:

Anne Feist, Manager Procurement (490-4200)

Report Approved by:

Greg Keefe, Director Finance & ICT (490-6308)

Appendix A - Administrative Order 35 Procurement Policy

8(11)(A). Sole Source/Single Source Purchases. These occur:

- (a) To ensure compatibility with existing products, to recognize exclusive rights, such as exclusive licences, copyright and patent rights, or to maintain specialized products that must be maintained by the manufacturer or its representative.
- (b) Where there is an absence of competition for technical reasons and the goods or services can be supplied only by a particular supplier and no alternative or substitute exists.
- (c) For the procurement of goods or services the supply of which is controlled by a supplier that is a statutory monopoly.
- (d) For the purchase of goods on a commodity market.
- (e) For work to be performed on or about a leased building or portions thereof that may be performed only by the lessor.
- (f) For work to be performed on property by a contractor according to provisions of a warranty or guarantee held in respect of the property or the original work.
- (g) For the procurement of a prototype of a first good or service to be developed in the course of and for a particular contract for research, experiment, study or original development, but not for any subsequent purchases.
- (h) For the purchase of goods under exceptionally advantageous circumstances such as bankruptcy or receivership
- (i) For the procurement of original works of art. (j) For the procurement of goods intended for resale to the public.
- (j) For the procurement from a public body or a not-for-profit corporation.
- (k) For the procurement of goods or services for the purpose of evaluating or piloting new or innovative technology with demonstrated environmental, economic or social benefits when compared to conventional technology, but not for any subsequent purchases.

The terms and conditions of a sole source/single source purchase shall be negotiated. Sole source/single source purchases over \$25,000 and not exceeding \$50,000 shall be approved by the CAO