

Date: April 1, 2021

To: Chair and Members of General Committee

From: Shawn Slack, MBA, Acting Commissioner of Corporate Services and Chief Financial Officer

Originator's files:

Meeting date:  
June 9, 2021

## Subject

**Migration to the Microsoft 365 Cloud Platform and Acquisition of Related Products & Services and Microsoft City Standard Recommendation; File Ref: FA.49.322-13, FA.49.328-13, FA.49.308-15, PRC000951, PRC002979**

## Recommendation

1. That the corporate report dated April 1, 2021 from the Acting Commissioner, Corporate Services Department and Chief Financial Officer entitled "Migration to the Microsoft 365 Cloud Platform and Acquisition of Related Products & Services and Microsoft City Standard Recommendation; File Ref: FA.49.322-13, FA.49.328-13, FA.49.308-15, PRC000951, PRC002979" be approved.
2. That Microsoft continue as designated City Standard for the period ending June 28, 2031, in accordance with the City's Purchasing By-law 374-06, as amended.

## Executive Summary

- The City has used Microsoft software products for decades and Microsoft has been a City Standard for many years. The City is dependent on Microsoft software products to sustain operations and hundreds of business applications.
- Staff conducted a software rationalization assessment of Microsoft and similar products to determine cost avoidance, cost savings and benefits. The results of the assessment showed that by replacing some existing products with the Microsoft 365 Cloud Platform, a cost savings of approximately \$8 million in operating budget over the next 10 years, starting in year 3, can be potentially realized. In addition, staff reviewed the current Microsoft licensing and determined that some staff only need limited functionality which will reduce the per user licensing cost resulting in an estimated \$672,000 annual cost avoidance.
- The City declared Microsoft as a City Standard until June 29, 2028. This report recommends that Microsoft continue to be designated as a City Standard to June 28, 2031 for the supply of Microsoft suite of products, services, and cloud technologies.

- The City will migrate to the Microsoft 365 Cloud Platform and acquire the necessary related products and services on a single source basis, directly from Microsoft, to support productivity, collaboration, and the immediate and future business needs of the City as listed in Appendix 1: Microsoft Canada Inc. – Statement of Work. The Microsoft 365 Cloud Platform is licensed as an annual subscription cost and will result in a gradual shift, over the next 3 years, from existing capital budgets to annual operating budgets.
- The Purchasing Agent will continue to be authorized to execute the necessary amendments to increase the value of the contract between the City and Microsoft for the purpose of accommodating growth and future expansion including adoption of new technology to meet business requirements, if the funding for such contract increase has been approved by Council.

## Background

The City has used Microsoft software products (Windows, Word, Excel, PowerPoint, etc.) for decades and Microsoft has been a City Standard for many years. The City is dependent on Microsoft software products to sustain operations and hundreds of business applications.

In 2013, Council approved Microsoft as a continued City Standard through GC-0388-2013. The City awarded a contract for the supply of Microsoft software and related products to Dell Canada Inc. (Dell) as the Large Account Reseller (LAR) for a period of five (5) years (2013-2018) through a competitive tender (file ref. FA.49.322-13), and the City contracted directly with Microsoft Canada Inc. for Microsoft Support Services for the same period (file ref. FA.49.328-13).

### Microsoft Cloud Services Assessment

In June 2015, to provide more current, effective, and responsive cloud-based solutions, Council approved a Proof of Concept (POC) through the Corporate Report entitled "Contract Amendment and Single Source Contract for Infrastructure as a Service Proof of Concept to include Azure Cloud Storage subscription services and Microsoft Office 365" (GC-0429-2015, file ref. FA.49.308-15). The intention of the POC was to test the Public Cloud and how the City can consume Microsoft's Azure and Microsoft's Office 365 Cloud Services to augment the City's traditional technology infrastructure.

Information Technology successfully concluded the Public Cloud Services POC at the end of June 2017 and confirmed that the City can integrate the Microsoft Azure and the Microsoft Office 365 Cloud Services with the City's internal IT infrastructure. The final recommendation provided a plan to move forward with the Microsoft 365 Cloud Platform (previously named Microsoft Office 365 Cloud Services), related products and implementation services as the City's enterprise solution.

To determine the best value, Information Technology initiated an assessment in 2020 to review and analyze the current landscape and usage of Microsoft and other related products and determined a product strategy and roadmap, cost of ownership, and a ten (10) year budget forecast.

Market research for the assessment included: new product information sessions with Microsoft Canada, Nine (9) Gartner Group Magic Quadrant reviews strategies, best practices and lessons learned, obtained through Open Data sources, from other government agencies such as City of Toronto, City of Brampton, City of Ottawa, Province of Ontario and the Federal Government.

### **Microsoft Support Services**

Microsoft Support Services have been in place since 2007 and are crucial to effectively support the current Microsoft ecosystem at the City. The City uses these services exclusively to:

- Respond to mission-critical issues on a 24x7 basis;
- Participate in Microsoft Risk and Health Assessment Programs (“RAP”) (e.g. Active Directory). The RAP has been adopted as a best practice based on Internal Audit recommendations;
- Gain access to Microsoft product and technology specialists to assist in deploying new solutions quickly and correctly to reduce future support and expense;
- Obtain strategic advice and recommendations on the operation of technology and future trends.

In 2013, Council approved the procurement of support services directly from Microsoft for a period of five (5) years (GC-0388-2013).

In 2018, under the Province of Ontario Volume License Agreement (VLA) framework and the Master Services Agreement, the City continued to procure Microsoft Support Services directly from Microsoft (GC-0300-2018) for the next three (3) years.

The current Microsoft Support Services contract expires in June 2021 and Microsoft continues to require that these services be purchased directly from Microsoft.

### **Software Advisor**

The Software Advisor is an entity authorized by Microsoft and engaged by an Enrolled Affiliate (in this case, the City) to provide pre- and post-transaction assistance related to a Microsoft agreement. The Software Advisor assists in the preparation of the City’s orders and then transmits the orders to Microsoft. Microsoft, not the City, pays fees to the Software Advisor in exchange for their advisory services. Microsoft requires that the City choose one of the ten authorized Licensing Solution Providers (LSPs) to act as its Software Advisor.

In 2013, through a competitive procurement process under FA.49.322-13, the City awarded the contract for the supply of Microsoft software and related products, for a period of five (5) years (2013-2018) to Dell Canada Inc. (Dell) as the Large Account Reseller (LAR). Dell is one of the named ten Software Advisors the City can select.

In 2018, through GC-0300-2018 and a subsequent Memorandum to Council dated 2018/09/28 on the matter, approval was granted for the continuation of Dell as the City's Software Advisor for a term of three years, with an option to extend for two additional three-year terms.

Dell has been the City's Software Advisor for the past three years.

### **Volume Licensing Agreement Framework**

In June 2018, through GC-0300-2018, the City procured its Microsoft suite of products directly from Microsoft under the Province of Ontario Volume License Agreement (VLA) framework for the fulfillment of Microsoft software and related services and consisting of a Microsoft Enterprise Enrollment (EE) Agreement and Server and Cloud Enrollment (SCE) Agreement. The City also adopted the Microsoft Master Business Agreement (U8364444), the Microsoft Enterprise Agreement (75E61295) and the Microsoft Master Services Agreement (5555737) signed by the Province. At the time, the City selected the incumbent, Dell Canada Inc., as the Software Advisor for its Microsoft suite of products and as the Reseller for its Microsoft software for libraries under the Academic Select Plus Agreement.

The Province of Ontario Microsoft Volume License Agreements (VLAs) are a framework of agreements that are not Vendor of Record (VOR) arrangements. Based on the City's size and scale, it is able to procure Microsoft products and services directly from Microsoft under the framework, at the VLA pricing negotiated by the Province, and at a cost equivalent to that offered through Microsoft channel partners (Resellers).

In 2018, through GC-0300-2018 and a subsequent Memorandum to Council dated 2018/09/28 on the matter, approval was granted for the execution of the necessary contracts directly with Microsoft, utilizing the Province's VLA framework, for a term of three years, with an option to extend for two additional three-year terms.

To ensure business continuity, Council designated Microsoft as a City Standard for the supply of Microsoft suite of Products, Services, and Cloud technologies for ten (10) years until June 29, 2028.

### **Comments**

The Microsoft 365 Cloud Platform is an industry standard for productivity and collaboration that is used by many Canadian Government agencies and includes products such as:

- email
- office productivity tools (Word, PowerPoint and Excel)
- mobile device management tools
- communication tools (virtual meetings, chat and soft phones)
- collaboration tools for document sharing between staff and external partners
- security tools for data protection

The Microsoft 365 Cloud Platform is well positioned to support the current and future needs of the City, improves the City's security posture, and provides better user experience and integration with the City's existing tools. The benefits are as follows:

- Aligns with the goal to modernize and enhance the City's workforce productivity and digital transformation that includes workforce mobility
- Aligns with the City's Cybersecurity Program to enhance computer security with security features such as multi-factor authentication, dynamic screen locking and geo-fencing
- Provides the ability to use Microsoft applications on any device (smart phones, laptops, tablets, etc.)
- Provides the ability to work offline when internet connectivity is not available
- Provides the ability to deploy software including Windows and iOS, Microsoft Office tools through self-enrollment on City and Bring Your Own (BYOD) devices
- Provides secure access to City data on any device including BYOD
- Supports the City's data classification and data handling policies as part of the City's Smart City Program
- Provides document management and information protection capabilities
- Provides enhanced productivity and collaboration internally as well as with external partners

Staff conducted a software rationalization assessment of Microsoft and similar products to determine cost avoidance, cost savings and benefits. The results of the assessment showed that by replacing some existing products with the Microsoft 365 Cloud Platform, a cost savings of approximately \$8 million in operating budget over the next 10 years, starting in year 3, can be potentially realized, as shown in the table below:

<b>Year</b>	<b>Products Replaced with the Microsoft 365 Cloud Platform</b>	<b>Potential Cost Savings</b>
Year 1	-	\$ -
Year 2	-	\$ -
Year 3	Identity Protection (self-serve password reset, Multi-factor authentication, etc.)	\$130,000
Year 4	Email Malware Protection	\$490,000
Year 5	Mobile Device Management	\$1,010,000
Year 6	Storage and backup (Personal Network Drives)	\$1,010,000

Year 7	Storage and backup (Shared Network Drives)	\$1,340,000
Year 8	Soft phones	\$1,340,000
Year 9	Virtual meetings	\$1,340,000
Year 10	Video Streaming	\$1,350,000
<b>Total</b>		<b>\$8,010,000</b>

In addition, staff reviewed the current Microsoft licensing and determined that some staff only need limited functionality which will reduce the per user licensing cost resulting in an estimated \$672,000 annual cost avoidance.

The City will migrate to the Microsoft 365 Cloud Platform and acquire the necessary related products and services on a single source basis, directly from Microsoft, to support productivity, collaboration, and the immediate and future business needs of the City as listed in Appendix 1: Microsoft Canada Inc. – Statement of Work.

In order to realize the potential cost avoidance and cost savings over the 10 year period, this report recommends extending Microsoft as a City Standard for an additional three (3) years from June 29, 2028 to June 28, 2031;

The City will renew its Microsoft contract agreements for a 3-year term, for which the authority has already been obtained in 2018, and will still have the option to extend for an additional 3-year term (ref. GC-0300-2018 and a subsequent Memorandum to Council dated 2018/09/28).

The City will continue to leverage the provincial Microsoft VLA framework for the provision of Microsoft's commercial off-the-shelf software products and related support services available through the Enterprise Agreement (EA) under the Master Business Agreement with Level D pricing negotiated by the Province.

The City will renew the Microsoft Support Services under the VLA Master Services Agreement for the provisioning of Microsoft's Premier Support Services (also now known as Unified Support).

To mitigate and reduce knowledge loss, the City will continue to designate Dell Canada Inc. as its Software Advisor for the renewal term.

The agreements included under the VLA framework will cover any purchases required.

#### Purchasing By-law Authorization

Purchasing By-Law 374-06 provides for the ability to amend the terms and conditions of contract (including increases to value) through Section 18 (2) (e) pertaining to Amendments, which states that, "Notwithstanding subsection (d) and (d.1) no Council approval for amendments to a High Value Acquisition is required if":

(iii) "Council has provided direction otherwise on the procurement at issue"

The authority to amend, extend, and increase the value of the contract with Microsoft was issued in 2018 through GC-0300-2018 and a subsequent Memorandum to Council dated 2018/09/28.

In 2021, the City will enter into the first of two optional 3-year extension terms. One optional 3-year extension term will remain.

Information Technology, Materiel Management and Legal Services staff will collaborate to establish the detailed requirements, negotiate the final arrangements and prepare the requisite forms including the contract agreements.

## Financial Impact

The Microsoft 365 Cloud Platform is licensed as an annual subscription cost and will result in a gradual shift, over the next 3 years, from existing capital budgets to annual operating budgets. Refer to Appendix 1: Microsoft Canada Inc. – Statement of Work for further details.

Approved funding of \$2 million, to procure the Microsoft 365 Cloud Platform and Acquisition of Related Products & Services for year 1, is outlined in the table below:

Budget Type	Account(s)	Account Name	Amount
Operating	715516-22346	MS Software Licensing, Maintenance & Support	\$1,100,000
Capital	PN 21560	Desktop Software Licensing 2021 for Microsoft Office & Windows Desktop	\$450,000
Capital	PN 19506	IT Security Program (Security Software Tools) for Microsoft Cloud Identity	\$150,000
Capital	PN 18512	Server & Storage Lifecycle Replacement 2018 for Microsoft OneDrive & SharePoint Online	\$50,000
Capital	PN 20512	Server & Storage Lifecycle Replacement 2020 for Microsoft OneDrive & SharePoint Online	\$100,000
Capital	PN 20560	Desktop Software Licenses 2020 for Microsoft Office & Windows Desktop	\$50,000

Capital	PN 17509	SharePoint Upgrades for Microsoft SharePoint Online	\$100,000
<b>Total</b>			<b>\$2,000,000</b>

Funding for 2022 to 2024 will be a mix of Capital and Operating budgets and subject to budget approval.

### Conclusion

The City declared Microsoft as a City Standard until June 29, 2028. This report recommends that Microsoft continue to be designated as a City Standard to June 28, 2031 for the supply of Microsoft suite of products, services, and cloud technologies.

The City will migrate to the Microsoft 365 Cloud Platform and acquire the necessary related products and services on a single source basis, directly from Microsoft, to support productivity, collaboration, workforce mobility and the immediate and future business needs of the City as listed in Appendix 1: Microsoft Canada Inc. – Statement of Work.

The authority to amend, extend, and increase the value of the contract with Microsoft was issued in 2018 through GC-0300-2018 and a subsequent Memorandum to Council dated 2018/09/28. In 2021, the City will enter into the first of two optional 3-year extension terms. One optional 3-year extension term will remain.

The Purchasing Agent will continue to be authorized to execute the necessary amendments to increase the value of the contract between the City and Microsoft for the purpose of accommodating growth and future expansion including adoption of new technology to meet business requirements, if the funding for such contract increase has been approved by Council.

### Attachments

Appendix 1: Microsoft Canada Inc. – Statement of Work




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Shawn Slack, MBA, Acting Commissioner of Corporate Services and Chief Financial Officer

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