

NO: R125

COUNCIL DATE: June 11, 2018

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## REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **June 7, 2018**

FROM: **General Manager, Corporate Services**

FILE: **1355-01**

SUBJECT: **Microsoft Volume Licensing and Maintenance Agreements**

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## RECOMMENDATION

The Corporate Services Department recommends that Council:

1. Approve the renewal of volume licensing and maintenance contracts for a three year term with the Microsoft Corporation, at an annual (average) cost of \$1,643,000, including GST & PST;
2. Set the total three year expenditure authorization limit at \$5,421,000, including taxes and contingency; and
3. Authorize the General Manager, Corporate Services Department to execute the contract renewal with the Microsoft Corporation for a three year term.

## INTENT

This report seeks Council authority for a contract renewal with the Microsoft Corporation ("Microsoft") to provision software maintenance and licensing for the City's computers and servers, for a term of three years.

## BACKGROUND

In 2008, Council approved the recommendation contained in Corporate Report No. R087; 2008, attached as Appendix "I", which authorized staff to proceed with a contract for the purchase of operating system, infrastructure, and productivity software from Microsoft for all of the City's computers. The contract was for a four-year term, expiring June 30, 2012.

In 2012, Council approved Corporate Report No. R179; 2012, attached as Appendix "II", resulting in a renewal of the Microsoft contract for three years and expiring June 30 2015.

Subsequently, in May 2015 Council approved Corporate Report No. R088; 2015, attached as Appendix "III", resulting in a renewal contact for three years, expiring June 30 2018.

## DISCUSSION

Since the 2015 contract renewal, the City expanded its use of Microsoft software products to accommodate workforce growth and deliver on strategic initiatives including:

- Advancing security features for computer and mobile devices, and threat analytics reporting;
- Enabling a secure anywhere, anytime, any device Employee Portal that provides access to digital paystubs, expense claims, CityNet intranet content, and self-service technical support, including a new self-service account unlock and password reset feature;
- A reinvented CityNet intranet; and
- Data driven decision making (business intelligence) for the Parks Recreation & Culture Department.

As a result of signing multi-year volume license and maintenance contracts with Microsoft since 2008, the City has realized benefits including the following:

- Fixed and published pricing (predictable) during each term;
- Discounted corporate and education-qualifying pricing;
- Access to the \$11 Microsoft Office Home Use Program for all workers;
- Included access to online and classroom-based training programs and resources; and
- Included access to professional planning services.

### Pricing

Microsoft's price agreement is based on an organization's license quantity requirements:

Pricing Levels	Organization License Requirements
Level A:	Less than 2,400
Level B:	Less than 6,000
Level C:	Less than 15,000
Level D:	15,000 or more

The City's existing contract with Microsoft is based on a Broader Public Sector Agreement ("BPSA") that was negotiated between the BC Government and Microsoft and extended to other public sector organizations including local governments within the Province. This agreement provides for the maximum available discount at Microsoft's Level D pricing. Otherwise, based on the number of licenses required by the City, it would fall within the Level B pricing scheme resulting in annual license costs that are 12% higher than what the City has been paying under the BC Government's BPSA.

The City's existing contract with Microsoft, which terminates on June 30, 2018, is valued at approximately \$1,008,000 per year. Staff have negotiated a renewal of its existing contract with Microsoft for three years with Level D pricing for the full duration of the three-year period. The City's annual average cost under a new contract with Microsoft will be approximately \$1,643,000. As the contract amount is tied to the number of licenses the City initially purchases, the contract amount will fluctuate from year to year based on the City's personnel and infrastructure growth. A projected average growth of 15% has been factored into the average annual cost.

The increase in cost for the proposed contract renewal compared to our existing contract is based on the following:

- The use of the Microsoft Office applications has increased by 15% across the organization since 2015;
- The Office applications’ \$854,187 per year licensing cost alone represents approximately 52% of the total estimated annual contract cost;
- The City’s server platform has grown over the last 3 years, resulting in costs that have nearly doubled compared to the previous three-year period; and
- New components have emerged such as PowerBI, and others required for the Employee Portal.

The table below provides a breakdown of the City’s annual projected costs under a new agreement with Microsoft:

Microsoft Software Platform/Solution	Estimated Annual Cost, including GST	Percent of Estimated Annual Cost
Office 365:	\$854,187	52%
Employee Portal and Security:	\$408,533	25%
Windows 10:	\$147,840	9%
Windows Server:	\$131,413	8%
Database:	\$49,280	3%
Email and CityNet:	\$32,853	2%
Development Tools:	\$18,894	1%
<b>Total Estimated Annual Cost:</b>	<b>\$1,643,000</b>	

The proposed agreement includes a significant shift from the traditional PC-based Office suite to Office 365, which is an ever-evolving ecosystem of cloud-based storage and integrated productivity services. Implementing Office 365 will enable Surrey’s workforce to work, collaborate, and share anytime, anywhere, on any device, and represents a strategic investment in Microsoft’s cloud-based platforms and services.

### Microsoft Office Alternatives

At this time, Microsoft Office is uniquely positioned to integrate with Surrey’s line of business applications such as AMANDA (Planning & Development Department), and Microsoft-centric applications such as Exchange (email), Skype, CityNet (SharePoint), and PowerBI.

Globally, Microsoft Office dominates the \$15 billion market for business productivity tools due to its longstanding reliability and integration abilities. At this time, a cloud-based and Canadian hosted alternative to Microsoft Office does not exist, and open standard, non-cloud alternatives such as Open Office are not nearly as integrated or capable as Microsoft Office.

The closest competition to Microsoft on its business productivity tools is Google. However, Google’s G Suite business productivity tools are cloud-based only and a desktop software version does not exist. In addition, G Suite lacks the integration capabilities the City requires, as described above. In comparison to Microsoft Office, G Suite also lacks customizable workflow, smart content and theme functionality.

Notwithstanding the above, Google's future potential for its G Suite may be higher than Microsoft Office. G Suite presently dominates universities and start-ups as it is much lower in cost compared to Microsoft Office. It is anticipated that as this demographic ages and begins to dominate the job market, it may create a shift in product and service demand towards Google's productivity tools, thereby increasing its development resulting in higher levels of integration. Staff is closely monitoring this market to determine its effectiveness and potential for future consideration.

Based on the above, it is recommended that the City renew its volume licensing and maintenance contracts, for a three year term with the Microsoft Corporation, at an annual (average) cost of \$1,643,000, including GST & PST.

## FUNDING

Funding for this contract extension is available in the annual Corporate Services IT Operating Budget.

## CONCLUSION

The Corporate Services Department recommends that Council:

- Approve the renewal of volume licensing and maintenance contracts, for a three year term with the Microsoft Corporation, at an annual (average) cost of \$1,643,000, including GST & PST;
- Set the total three year expenditure authorization limit at \$5,421,000, including taxes and contingency; and
- Authorize the General Manager, Corporate Services Department to execute a contract renewal with the Microsoft Corporation for a three year term.

Rob Costanzo  
General Manager, Corporate Services

SK/RAC/jhs

Appendix "I" Corporate Report No. R087: 2008

Appendix "II" Corporate Report No. R179: 2012

Appendix "III" Corporate Report No. R088: 2015



# Corporate Report

NO: R081

COUNCIL DATE: May 26/08

## REGULAR COUNCIL

TO: **Mayor & Council** DATE: **May 22, 2008**  
FROM: **General Manager, Finance & Technology** FILE: **1075-01**  
SUBJECT: **Microsoft Enterprise Agreement Volume Licensing**

## RECOMMENDATION

That Council approve the award of a contract to Microsoft Corporation for the provision of new operating system software for the City's workstations, under a new BC Government Broader Public Sector agreement, at a total cost of up to \$1,900,000 plus GST and PST.

## INTENT

The purpose of this report is to provide Council with the current status of the negotiations for Microsoft software and to seek Council approval to award a contract for the provision of operating system software under the new BC Government Broader Public Sector agreement.

## BACKGROUND

On July 9, 2007, Council considered Corporate Report #R167 (copy attached as Appendix A) and authorized staff to proceed with negotiations for the purchase of new operating system software from Microsoft for all of the City's workstations.

During negotiations with Microsoft, staff identified that the City's agreement could be combined with a new BC Government Broader Public Sector agreement that was being negotiated by the Province.

The BC Government has now negotiated a relationship with Microsoft Corporation using a framework that can be extended to other public sector organizations including local governments. The BC Government approached its Microsoft negotiations with the goal of improved customer service. It also had the intention lowering costs for the public sector more broadly, including municipalities, Crown corporations, health authorities and specific service-providing non-profits and to align systems across entities to assist with information transfer and expedite workflow.

The Broader Public Sector agreement includes cost reductions and significant benefits. The period of the offer expires on June 1, 2008. The new terms were made public in April. Since that time, City staff having been working with Microsoft to review the agreement and reach further more favourable terms. These discussions have recently concluded in a tentative agreement.

## **DISCUSSION**

Originally, the Microsoft Enterprise Agreement licensing offering through the BC Government was for a three (3) year term with the option to renegotiate an extension for a two (2) year term. In order achieve broader benefits, the Broader Public Sector agreement is for a four (4) year term.

There are approximately 1,600 workstations throughout the City organization. To replace the operating system software in all of these workstations and to allow for a growth factor of about 3% per year, it was originally estimated that the total cost for replacing the operating systems over a 36-month period would be up to \$1,500,000 plus GST and PST. By extending the term from 36 months to 48 months and with other cost escalations that have occurred in the price of the software and other related costs, the total cost for the project under the new BC Government Broader Public Sector agreement has increased to \$1,900,000 plus GST and PST over the four-year period. This would have been significantly higher in the absence of the BC Government Agreement.

Funding is available within the Corporate Information Technology Capital Program to support the recommendation of this report.

## **CONCLUSION**

In accordance with the City's Purchasing Bylaw, it is recommend that Council award a contract to Microsoft to provide operating system software for the City's workstations under the new BC Government Broader Public Sector agreement at a total cost of up to \$1,900,000 plus GST and PST.



Vivienne Wilke, CGA  
General Manager,  
Finance & Technology

**Appendices available upon request**

# CORPORATE REPORT

## APPENDIX "II"

NO: R179

COUNCIL DATE: July 23, 2012

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### REGULAR COUNCIL

TO: Mayor & Council

DATE: July 16, 2012

FROM: General Manager, Finance & Technology

FILE: 1355-01

SUBJECT: Software Licensing and Maintenance Agreements - Microsoft

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### RECOMMENDATION

The Finance and Technology Department recommends that Council approve, under the BC Government Broader Public Sector Agreement, the renewal of licensing and maintenance Agreements with Microsoft Corporation for a 3-year term commencing on July 1<sup>st</sup> 2012 for the provision of software licensing and maintenance for the City's computers and related servers with the Agreements in combination having an upset cost limit of \$2,500,000 plus HST over the 3-year term all as generally described in this report.

### BACKGROUND

Under the BC Government Broader Public Sector Agreement, effective July 1<sup>st</sup>, 2008 the City entered into a four-year contract with Microsoft Corporation for the supply and maintenance of new operating system software for all of the City's workstations. That contract expired on June 30<sup>th</sup>, 2012.

The Province of BC has an agreement with Microsoft Corporation for the supply and maintenance of operating system software with a framework that can be extended to other public sector organizations including local governments. The use of the provincial contract results in lower costs for the operating system software and brings alignment of systems across agencies that assists with information transfer and expedites workflow.

### DISCUSSION

The City has approximately 1,730 computers and other processors that are covered under the general Microsoft Enterprise Agreement. This contract includes the provision and maintenance of each of Office Pro Plus (Outlook, Word, Excel, PowerPoint, Publisher, Lync, and OneNote), Windows Operating System, Windows Server Operating System, Exchange, SQL Server Database Management System, Client Access Licenses for connectivity to email and file shares, Visio and Project.

The City has another 500 computers and other processors that are located at the City's libraries and museum facilities that qualify for a more favourable pricing structure due to the nature of their usage. The devices in these locations are covered under a separate agreement, known as the Academic Select Plus Agreement. Under this Agreement Microsoft will license and maintain a more limited range of software commensurate with the demands that are placed on these computers.

### **Funding**

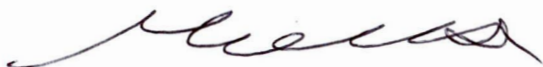
Each of the above-referenced agreements is based on an annual rate per computer/processor with a moderate adjustment in the rates included for each of the second and third years. The Agreements also allow for an increase in the number of computers being served under each contract. In combination, the recommended Agreements are expected to cost a total of \$750,000 in 2012 and a total of no more than \$2,500,000 over the 3-year term. Funding in support of the subject Agreements is available in the approved 2012 annual operating budget and in the approved Five-Year (2012 – 2016) Financial Plan.

### **SUSTAINABILITY CONSIDERATIONS**

The recommendations of this report will assist in achieving the objectives of the City's Sustainability Charter; more particularly action item EC1: "Corporate Economic Sustainability" that focuses on ensuring the City's resources are used efficiently and responsibly.

### **CONCLUSION**

Based on the above discussion, it is recommended that Council approve, under the BC Government Broader Public Sector Agreement, the renewal of licensing and maintenance Agreements with Microsoft Corporation for a 3-year term commencing on July 1<sup>st</sup> 2012 for the provision of software maintenance and licensing for the City's computers and related servers with the Agreements in combination having an upset cost limit of \$2,500,000 plus HST over the 3-year term all as generally described in this report.



Vivienne Wilke  
General Manager,  
Finance & Technology





# CORPORATE REPORT

## APPENDIX "III"

NO: R088

COUNCIL DATE: May 25, 2015

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### REGULAR COUNCIL

TO: Mayor & Council

DATE: May 8, 2015

FROM: General Manager, Finance & Technology

FILE: 1075-01

SUBJECT: Microsoft Volume Licensing and Maintenance Agreements

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### RECOMMENDATION

The Finance & Technology Department recommends that Council:

1. Approve the renewal of volume licensing and maintenance agreements, for three (3) years effective July 1, 2015, with Microsoft Corporation to provision software maintenance and licensing for the City's computers and servers, under the BC Government Broader Public Sector agreement; and
2. Set the expenditure authorization limit for Microsoft Corporation at a total cost of up to \$2,700,000 plus taxes.

### BACKGROUND

In 2008, Council considered Corporate Report #R087 and authorized staff to proceed with a contract for the purchase of new operating system software from Microsoft for all of the City's workstations. The established contract was for 4 years with a renewal date of June 30, 2012. Council further considered Corporate Report #R179, resulting in an established contract for 3 years with a renewal date of June 30, 2015.

### DISCUSSION

The BC Government continues to hold a negotiated relationship with Microsoft Corporation using a framework that can be extended to other public sector organizations including local governments. The BC Government approached its Microsoft negotiations with the goal of improved customer service. It also had the intention of lowering costs for the public sector more broadly, including municipalities, to align systems across entities to assist with information transfer and expedite workflow. The Broader Public Sector agreement includes the maximum available discount and significant benefits.

It is the intention of the City to renew its Microsoft Enterprise Agreement for a three (3) year term, as well as an annually-renewed Academic Select Plus Agreement for three (3) years. Funding is available within the Corporate Information Technology Capital Program to support the recommendation of this report.

## CONCLUSION

Based on the above discussion, it is recommended that Council:

- Authorize staff to renew the City's volume licensing and maintenance agreements with Microsoft Corporation, under the BC Government Broader Public Sector agreement; and
- Set the expenditure authorization limit for Microsoft Corporation at a total cost of up to \$2,700,000 plus taxes.



Vivienne Wilke, CGA  
General Manager,  
Finance & Technology