

SUBJECT: Microsoft 365 Licensing and Implementation
PREPARED BY: Ned Sirry, Ext. 4885
Alex Moore, Ext. 4711

RECOMMENDATION:

1. That the report entitled “Microsoft 365 Licensing and Implementation” be received; and,
2. That the contract for Microsoft 365 Licensing and Implementation be awarded to Microsoft Canada in the following amounts;
 - Year 1 - \$ 615,779
 - Year 2 - \$ 615,779
 - Year 3 - \$ 615,779
 - Year 4 - \$ 256,576 (5 months)
 - Total - \$2,103,913
3. That the tendering process be waived in accordance with Purchasing By-Law 2017-08, Part II, Section 7 Non Competitive Procurement, item 1 (b) which states “Where there is only one source of supply for the goods to be purchased”; and,
4. That the Year 1 award in the amount of \$615,779 be funded by a combination of Capital Project 23043, ITS – Microsoft 365, in the amount of \$311,769 and operating account Computer Software Maintenance, GL account 400-404-5461, in the amount of \$304,010; and,
5. That the Year 2 to 4 licensing costs be funded through the annual operating budget of Computer Software Maintenance account, GL account 400-404-5461, with a current annual operating budget for Microsoft volume licenses in the amount of \$304,010; and,
6. That the incremental operating budget impact in the amount of \$311,769 be funded as part of the 2024 and 2025 budget as outlined under Operating and Life Cycle Budget Impact section from the report; and,
7. That upon award of the contract, the ITS department, in conjunction with Finance conducts Life Cycle budget review to identify future offset opportunities for legacy system cost avoidance post implementation in the areas of on premise server infrastructure costs, licensing costs across what will become redundant platforms, services and applications.
8. That the Chief Information Officer and Senior Manager, Procurement & Accounts Payable be authorized to approve any new purchases related to this contract needed due to growth and/or future licensing requirements during the term of this contract; subject to the Expenditure Control Policy and budget approval; and further,
9. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

The purpose of this report is to obtain Council approval to award the contract to Microsoft Canada to enhance our existing expiring licensing from our Enterprise Agreement with new and updated Microsoft 365 (M365) cloud based licensing.

This enhancement will support the Markham digital strategy and provide our users an improved and consistent email, collaboration/office tools and meeting experience. Additionally, it will further work to establish the digital footprint required to expand digital strategy offerings with other Microsoft tools.

BACKGROUND:

The City of Markham currently has an Enterprise Agreement for the licensing of all its Microsoft user and server products. The current relationship is brokered through CDW Canada and expires on July 31, 2023.

The City has been in discussion directly with Microsoft about the opportunity to obtain best price licensing directly from the supplier. In addition, the City is looking to update and upgrade the licenses to facilitate the previously approved move of our corporate Microsoft tools off the current on premise legacy systems and onto cloud based licensing and the use of M365 inclusive of Office products (email in the cloud, Teams and Sharepoint collaboration tools, server and Database licensing) as well as enhanced cloud security measures to protect the City's information and information assets.

Working directly with Microsoft Canada, the City has received pricing that leverages the Provincial Vendor of Record (VOR) agreements, and supports the City's continued journey towards digital transformation.

FINANCIAL CONSIDERATIONS**Costs of Award**

The costs of award are primarily for the licensing of the M365 software. The contract term covers from August 2023 to December 2026, for a total of 41 months. The monthly costs are \$51,315 over the term of the award, based on the contracted volume. The contract volume might change over the contract term to align with changes in licensing needs due to growth in staff count and change in the ratio mix of office staff vs front line staff, who have different licenses requirements. The costs of award based on the contracted volume are as follow:

	Total Cost of Award Aug2023-Dec2026	Cost of Award by Year			
		Year 1 Aug2023-Jul2024	Year 2 Aug2024-Jul2025	Year 3 Aug2025-Jul2026	Year 4 (5 months) Aug2026-Dec2026
Corporate	\$ 1,979,583	\$ 579,390	\$ 579,390	\$ 579,390	\$ 241,413
Library	<u>124,330</u>	<u>36,389</u>	<u>36,389</u>	<u>36,389</u>	<u>15,163</u>
Subtotal	2,103,913	615,779	615,779	615,779	256,576

Budget Analysis

The Year 1 cost of \$615,779 will be funded by a combination of Capital Project 23043, ITS – Microsoft 365, in the amount of \$311,769 and operating account Computer Software Maintenance, GL account 400-404-5461, in the amount of \$304,010.

Year 1	Project 23043	A/C 400-404-5461	Subtotal	
Budget Available	\$ 344,027	\$ 304,010	\$ 648,037	(A)
Cost of Award - Year 1	<u>311,769</u>	<u>304,010</u>	<u>615,779</u>	(B)
Budget Remaining	32,258	0	32,258	(C) = (A)-(B)

The remaining capital budget in the amount of \$32,258 will be retained in the account to fund additional licenses requirements in subsequent years.

The Year 2 to 4 licensing costs will be funded through the operating budget of Computer Software Maintenance account, GL account 400-404-5461, in their respective years. The current annual operating budget for Microsoft volume licenses is \$304,010. The licensing costs for 12 months are \$615,779.

Year 2	Budget Impact	
Current Operating Budget over 12 Months	\$ 304,010	(D)
Cost of Award – Year 2	<u>615,779</u>	(E)
Budget Shortfall over 12 Months	(311,769)	(F) = (D)-(E)

At time of submitting the capital budget request for the M365 initiative, Staff estimated the incremental increase in annual licensing costs to be \$100,000. However, Microsoft licensing costs have increased significantly in the past year. The additional annual operating budget requirement is \$311,769.

OPERATING AND LIFE CYCLE BUDGET IMPACT

As the contract starts in mid-2023, the below table illustrates the incremental operating budget impact by calendar year.

	Aug-Dec2023	Year 2024	Year 2025	Year 2026	Subtotal	
Current Operating Budget	\$ 126,671	\$ 304,010	\$ 304,010	\$ 304,010	\$ 1,038,701	(G)
Capital Budget	129,905	181,864			311,769	(H)
Less: Cost of Award	<u>(256,576)</u>	<u>(615,779)</u>	<u>(615,779)</u>	<u>(615,779)</u>	<u>(2,103,913)</u>	(I)
Budget Shortfall	0	(129,905)	(311,769)	(311,769)	(753,443)	(J) = (G)+(H)-(I)

There will be no incremental operating budget impact to a/c 400-404-5461 in 2023. The 2024 operating budget will be increased by \$129,905. The 2025 operating budget will be increased by \$181,864 (\$311,769 - \$129,905).

Future updates to the Life Cycle Reserve Study will incorporate savings realized from the eventual transition away from on premise server infrastructure costs, and licensing costs across what will become redundant platforms, services and applications.

HUMAN RESOURCES CONSIDERATIONS

Not applicable.

ALIGNMENT WITH STRATEGIC PRIORITIES:

The Building Markham's Future Together 2020-2023 Strategic Plan contains the goal of exceptional services by exceptional people and this award will help support that goal.

BUSINESS UNITS CONSULTED AND AFFECTED:

ITS consulted with the Financial Services Department in the preparation of this report.

RECOMMENDED BY:

Sumon Acharjee
Chief Information Officer

Trinela Cane
Commissioner, Corporate Services