



Report to: General Committee

Report Date: September 01, 2011

SUBJECT:	Award of Tender 162-T-11, Microsoft Licencing Agreement
PREPARED BY:	Sugun Rao, Technology Manager
	Rosemarie Patano, Senior Buyer Purchasing

RECOMMENDATION:

THAT the report entitled “Award of Tender 162-T-11, Microsoft Licencing Agreement” be received;

AND THAT tender 162-T-11 for “Microsoft Licensing Agreement” be awarded to the overall lowest priced bidder, CDW Canada Inc., in the total amount of \$709,536.81 inclusive of HST impact, for “Microsoft Licensing Agreement” for a term of three years to expire on July 31, 2014;

AND THAT the following annual payments, inclusive of HST towards the Enterprise Agreement and Select Agreement be funded from ITS Department’s Operating Account 400-404-5397. The budget for 2012 - 2014 will subject to Council approval.

- \$98,546.78 (August - December 2011)
- \$236,512.27 (Year 2012)
- \$236,512.27 (Year 2013)
- \$137,965.49 (January – July 2014)

AND THAT staff be authorized to enter into a 3-year Enterprise Agreement with Microsoft Canada and CDW Canada Inc. in a form satisfactory to Markham Solicitor for the provision of the licensing of Microsoft desktop and server software products;

AND THAT the Mayor and the Town Clerk be authorized to execute the agreement;

AND THAT this report be brought forward to the September 20th, 2011 Council meeting;

AND 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 approval to award the tender for “Microsoft Licensing Agreement” to the lowest priced bidder, CDW Canada Inc., for a term of three (3) years to expire on July 31, 2014.

BACKGROUND:

In September 2005, Markham enter into an agreement with Microsoft Canada and the Microsoft reseller for the purchase of Microsoft software products under the Province of Ontario’s Standing Agreement. Since then Markham has been licensing and purchasing software at a discounted rate which is not available through the traditional channel. This agreement expired on July 31, 2011 for Markham. The Province has renewed its contract

for Microsoft licenses at a discounted rate that is available for the Broader Public Sector, including Markham. The Province, however, didn't include municipalities such as Markham to use the same reseller that the Province is using. Therefore, Markham is required to retain a reseller through a competitive process in order to benefit from the Province-negotiated rate for the maintenance and support of existing products and new acquisitions. This process guarantees Markham, at minimum, to obtain the discounted rates under the Ontario's new Standing Business Agreement # U8364444 or negotiate with the vendors for future reductions in rates.

Accordingly, Markham issued a tender for an authorized reseller of Microsoft products with price as the main evaluation criteria. In the tender, pricing was requested for maintenance and support of all products under the Enterprise Agreement (EA).

The products included in the EA are Windows Operating Systems upgrade, Microsoft Office Suite, Microsoft Visio, Microsoft Project, Client Access License for file, print, Exchange Enterprise (for email), System Centre Configuration Manager - SCCM (for asset management, desktop deployment, desktop power management and automated software deployment), Share Point Server and SQL Server (for database), Development Network (for research and development), TechNet (for server maintenance) and Essential Support (for applications and technical support) and training.

The benefit of Microsoft EA includes maintenance, support and the ability to upgrade to latest version of Microsoft software that is critical for Markham to conduct business. Majority of the software covered under Microsoft EA are Client Access Licenses (CAL). CAL is device based which each device requires CAL to access to various Server applications like email, print, Database services, Share Point Servers, etc. Enrolling in the Microsoft EA includes significant cost savings by allowing more streamlined management of software licenses and avoidance of large one-time budget impacts by spreading the cost over multiple years. Furthermore, this arrangement will allow Markham to be compliant with license agreements and continue to obtain significant discount levels over individual licensing purchase models (full retail price). It allows Markham to update to the latest versions of software to provide consistent versions of Microsoft software throughout Markham.

Additional benefits includes, web based technical support, 30 days of Microsoft certified training for technical staff, Microsoft Home use Advantage which allows staff with Town email ID, right to install the current version of Microsoft office products at home for shipping cost of the media.

OPTIONS/ DISCUSSION:

Markham will obtain significant savings by entering into an enterprise agreement with a Microsoft Large Account Reseller (LAR). If Markham does not sign the Enrolment with a LAR, the new releases of the software, which happens fairly frequently, will not be available to Markham without purchasing the new license. In addition, Microsoft software cannot be purchased at government discounts, and full retail pricing is about 40% to 70% higher than government pricing.

It has been determined that the EA is the most cost-effective option for the purchase of desktop computing products based on the current software replacement strategy.

The cost of the previous award was \$574,894.25 (exclusive of PST and inclusive of HST impact). The current award cost is \$709,536.81 (inclusive of HST impact), a 23% increase as compared to the previous award. The increase of \$134,642.56 (\$709,536.81 - \$574,894.25) is due to volume increase in the amount of \$120,190.17 resulting from growth and price escalation of \$14,452.39. The growth in volume is attributed from the following areas:

- a) Increase in the number of desktop software (50 additional desktops – 36 for EOC, 4 for Fire Station 93, 2 for Angus Tennis Facilities and other new desktop requests)
- b) Additional software license (2 Microsoft database software, 20 Visio, etc.) as per business needs.
- c) Additional 35 Windows Server Operating System License for training lab, EOC and Fire Dispatch System

It is to be noted that the current award includes the cost for Software Assurance (maintenance) for all products as well as licensing cost for new software. The licensing costs for new software only apply to this contract. Thus, the costs of the future renewal will be lower.

BID INFORMATION

Advertised, place and date	ETN
Bids closed on	August 22, 2011
Number of bidders picking up bid documents	8
Number of bidders responding to bid	6*

* One bidder was disqualified as their company's bid submission did not include the mandatory completion of Markham's Bid Form, as specified on the requirements page. As per Markham's Purchasing General Terms and Conditions Section 2, "The failure by a Bidder to comply with any requirement of a Quotation which is identified as "MANDATORY" shall result in the Bid being rejected as non-compliant."

DETAILED PRICING INFORMATION

Detailed pricing information as submitted is as follows, inclusive of HST;

Companies	Price*
CDW Canada Inc.	\$709,536.81
Insight Software Canada	\$725,398.64
SHI Canada ULC	\$731,811.97
Dell Canada	\$732,542.41
Compugen Inc.	\$737,901.48

*Tender price submission did not include the cost for the premium support.

FINANCIAL CONSIDERATIONS:

	Cost of Award (incls. of HST impact)	Budget (Acct#400 404-5397)	Variance Fav./(Unfav.)
August - December 2011	98,546.78	206,000.00	107,453.22 (1)
January - December 2012	236,512.27	206,000.00	(30,512.27) (2)
January - December 2013	236,512.27	206,000.00	(30,512.27) (2)
January - July 2014	137,965.49	120,166.67	(17,798.82) (3)
Total	709,536.81	738,166.67	28,629.86

Notes:

1. The available budget for 2011 is \$206,000. The licensing costs for January to July were pre-paid in 2010.
2. The 2012 ITS Operating budget will be adjusted through budget reallocation from various departments in the telecommunications account resulting from savings to be realized from the Core – Phone System Project (Project#10077) to accommodate the shortfall of \$30,512.27. The budget for 2012 - 2014 will subject to Council approval.
3. The 2014 budget has been prorated for 7 months for the contract term January – July 2014.

ENVIRONMENTAL CONSIDERATIONS:

Not Applicable

BUSINESS UNITS CONSULTED AND AFFECTED:

Not Applicable

RECOMMENDED BY:

14/09/2011

X



Nasir Kenea
Chief Information Officer

14/09/2011

X



Andy Taylor
Chief Administrative Officer

ATTACHMENTS:

Not Applicable