

# Internal memo

Financial Services Department



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**REPORT TO:** Committee of the Whole

**DATE OF MEETING:** March 20, 2023

**SUBMITTED BY:** Ryan Scott, Chief Procurement Officer, 519-741-2200 ext. 7214

**PREPARED BY:** Brad Kowaleski, Procurement Specialist, 519-741-2200 ext. 7063

**WARD(S) INVOLVED:** N/A

**DATE OF REPORT:** March 14, 2023

**REPORT NO.:** FIN-2023-130

**SUBJECT:** NSP23-063 Microsoft Enterprise Agreement

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## RECOMMENDATION:

**That the City leverage the Province of Ontario's, Master Business Service Agreement U8364444 - Microsoft Enterprise Agreement, with Microsoft Canada, Toronto, Ontario, for a three (3) year period, with no options for renewal, provided a satisfactory contract is executed.**

## REPORT HIGHLIGHTS:

- The purpose of this report is to obtain approval to proceed with a non-standard procurement in accordance with Procurement By-law 2022-109;
- The City has leveraged enterprise agreements for these products for ten (10)+ years;
- This report supports the delivery of core services.

## BACKGROUND:

The City's Technology Innovation and Services Division purchases and manages all required Microsoft software licenses on behalf of the organization. Microsoft software is used on all of the City's computer systems and licenses are purchased for:

- Desktop / Laptop and Server Operating Systems
- Back office server systems supplied by IT such as email and database systems
- Cloud services such as Office 365, Visio, Project

It is the intent to continue to utilize the Microsoft Enterprise Agreement, a volume licensing program to purchase this software.

Microsoft Enterprise Agreement – this volume purchasing program is designed for large organizations (500+) with a standard software deployment across the organization. This program locks in the pricing for three years and spreads the software licensing cost equally across the three-year period. An annual license “true-up” process reduces software license

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management. The Enterprise Agreement licensing also offers a much easier path to transition to more cloud-based services. The majority of Microsoft software used in the City is purchased through the Enterprise Agreement.

The City's total estimated spend against this contract for a three-year period is \$3,300,000. The actual spend will depend on the level of activity throughout the term of the contract.

## REPORT:

The Ministry of Public and Business Service Delivery (Supply Chain Ontario) established a framework of Microsoft agreements and their various programs under which non-provincial entities including municipalities can procure products and services. These agreements fall under Master Business agreement U8364444. This Master Business Agreement (MBA) with Microsoft was originally signed in 2004 and amended in 2015

The City can take advantage of the terms and pricing offered within this agreement and sign its own agreement with Microsoft. Through a review of the agreement and current costs gathered through historical competitive processes, staff have assessed that leveraging this agreement would continue to provide best value.

## REPORT:

In accordance with the Procurement By-law 2022-109, Section 15 – Non-Standard Procurement, Council's approval is required as the total value of the deliverables for this non-standard procurement exceeds the delegated authority.

A non-standard procurement is the acquisition of goods, services or construction through a process or method other than the process and method normally required for the type and value of the required deliverables, as identified below:

Requirement	Procurement Value Excluding Taxes	Procurement Process	Approval Authority
Goods, Services or Construction under the circumstances included in Schedule "C".	\$30,001 - \$120,000	Non-Competitive or Limited Competition	Chief Procurement Officer
Goods, Services or Construction under the circumstances included in Schedule "C".	\$120,001 or more	Non-Competitive or Limited Competition	Council

In accordance with the Procurement By-law 2022-109, Schedule “C”, “Goods, services and construction may only be acquired through a non-standard procurement process under the following circumstances: Item 2 - Where only one supplier is able to meet the requirements of a procurement in order to:

- a) ensure compatibility with existing products;
- b) recognize exclusive rights, such as exclusive licenses, copyright and patent rights“

The documentation was reviewed by D. Murray, Director of Technology Innovation and Services, C. Hassarajani, Manager of Digital Infrastructure and Support and B. Kowaleski, Procurement Specialist, who concur with the above recommendation.

## STRATEGIC PLAN ALIGNMENT:

The recommendation of this report supports the achievement of the city’s strategic vision through the delivery of core service.

## FINANCIAL IMPLICATIONS:

The net cost for this tender (A), is fair and reasonable for a purchase of this scope but the upset limit exceeds the budget allowance (B) provided within the budget. As this is a three year contract, the budget shown represents amounts for term of the contract (Apr 2023 to Mar 2026). The estimated surplus (E) will be returned to the Tax Capital Reserve account upon completion of the three year contract.

### NSP23-063 Microsoft Enterprise Agreement

#### Estimated Cost for this Work

Microsoft Enterprise and Select Agreement costs including HST	3,729,000.00	
less: HST rebate on tender	<u>(370,919.84)</u>	
Net Cost Being Awarded	3,358,080.16	A
Projected Costs	<u>-</u>	
Total Estimated Cost for this Work	<u><u>3,358,080.16</u></u>	C

#### Budget for this Work

Software Capital Budget (2023-2026)	<u>3,359,000.00</u>	
Total Budget for this Work	<u><u>3,359,000.00</u></u>	B

Estimated Surplus/(Deficit)	<u><u>919.84</u></u>	E
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The above figures represent the known costs for the Enterprise Agreement software purchase. Entering this agreement will establish the purchase source for Microsoft software

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licenses for a three-year period. The software will be purchased as needed in accordance with the procurement by-law.

These purchases could be related to growth (new PCs or staff) or by specific project requirements and will be funded by various project and divisional budgets as appropriate.

## **COMMUNITY ENGAGEMENT:**

INFORM – This report has been posted to the City’s website with the agenda in advance of the council / committee meeting.

## **PREVIOUS REPORTS/AUTHORITIES:**

FIN-20-044 - Emergency Procurement - Microsoft Enterprise Agreement

**APPROVED BY:** Jonathan Lautenbach, Chief Financial Officer, Financial Services Department