



## Supply of Microsoft Software

**Date:** Wednesday, April 14, 2021

**To:** TTC Board

**From:** Chief Financial Officer

### Summary

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The purpose of this report is to obtain the Board's authorization to award a contract for the Supply of Microsoft Software to Softchoice LP, in the upset limit amount of \$9,519,000, inclusive of taxes, for an approximate three-year term.

This contract uses the Province of Ontario's Microsoft Reseller Agreement with the Vendor of Record, Softchoice LP, which allows broader public-sector entities to leverage the same terms, conditions and preferred pricing discount. The pricing in this recommended contract award provides an 18% discount from Level D pricing, which is the best pricing level Microsoft offers.

The products in this contract include, but are not limited to, Microsoft software required in delivering information technology (IT) infrastructure state of good repair projects, purchasing end user productivity software and renewing software maintenance on previously acquired Microsoft software licenses.

### Recommendations

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It is recommended that the Board:

1. Authorize the award of the contract to Softchoice LP in the upset limit amount of \$9,519,000 in Canadian funds, inclusive of taxes, for an approximate three-year term from Notification of Award to December 31, 2023, as a result of a competitive process conducted by the Ontario Ministry of Government and Consumer Services.

### Financial Summary

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Funds in the amount of \$4.8 million have been included in the TTC's 2021-2030 Capital Budget and Plan under the respective IT capital projects impacted, and sufficient funds have been included in the TTC's 2021 Operating Budget. Budget approval was received by the TTC Board on December 21, 2020 and by City Council on February 18, 2021.

Additional funds will be requested in future operating budgets based on each year's anticipated spending requirements.

The forecasted capital spending is required for the TTC to purchase Microsoft platform (i.e., SharePoint Server, BizTalk Server, Windows Server and SQL Server) software licenses to upgrade the existing infrastructure to maintain it in a state of good repair. The anticipated operating expenditures for this contract vary over the three-year term, as the annual spending is dependent on the number of software licenses purchased in a given year and on the renewal of maintenance for expiring software maintenance licenses.

The amounts noted in Table 1 below reflects the expected spending by year.

Table 1. Forecasted Contract Spending by Year				
	2021	2022	2023	Total
Capital	\$ 4,059,700	\$ 42,000	\$ 677,900	\$ 4,779,600
Operating	\$ 1,516,000	\$ 1,493,700	\$ 782,700	\$ 3,792,400
Recoverable HST	\$ 615,870	\$ 169,630	\$ 161,330	\$ 946,830
<b>Total</b>	<b>\$ 6,191,570</b>	<b>\$ 1,705,330</b>	<b>\$ 1,621,930</b>	<b>\$ 9,519,000</b>

Software maintenance renewals, which represent the majority of the operating costs, are pre-paid in full in the year the maintenance is acquired and is then expensed to the operating budget on a straight-line basis over the three-year term to reflect the year in which the maintenance is applied and valid.

Three-year term software maintenance renewal purchases are planned for each year based on the expiry of the existing software maintenance licenses. The resulting annual operating budget allocation of expenses for the operating purchases are outlined in Table 2 below.

Table 2. Expected Operating Expenses by Year for This Award							
	2021	2022	2023	2024	2025	2026	Total
Productivity Software	\$56,200	\$140,300	\$141,400				<b>\$337,900</b>
Software Maintenance Renewal	\$81,100	\$561,800	\$973,400	\$1,070,400	\$589,700	\$178,100	<b>\$3,454,500</b>
<b>Total</b>	<b>\$137,300</b>	<b>\$702,100</b>	<b>\$1,114,800</b>	<b>\$1,070,400</b>	<b>\$580,700</b>	<b>\$178,100</b>	<b>\$3,792,400</b>

## Equity/Accessibility Matters

A cornerstone of the TTC's 2018-2022 Corporate Plan is accessibility, and as a proud leader in providing accessible public transit in the City of Toronto, we are committed to ensuring reliable, safe and inclusive transit services for all our customers. This service objective is supported through the continued work of the TTC to implement modern and accessible information technology infrastructure.

The software acquired through this contract strengthens and modernizes the TTC's IT infrastructure and provides tools that enable the equal access of business systems and information for use by TTC employees to perform their work, thereby supporting and promoting an accessible public transit service for the City of Toronto.

## **Decision History**

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Based on a competitive bid process, the Ontario Ministry of Government and Consumer Services (Province) entered into a Microsoft Select Plus software products and support services Vendor of Record Reseller Arrangement (Tender-12683) with Softchoice LP for the Supply of Microsoft Software for the term of October 1, 2020 to September 30, 2023. Under the Province's agreement, Microsoft software products can be ordered on an as-required basis with no minimum ordering requirements.

The City of Toronto also uses the Province's agreement and issued a contract to Softchoice LP for the supply of Microsoft Software under the same Microsoft Reseller Agreement.

The previous contract (Contract No. OSS\_00519307), for the supply of Microsoft Software was based on the Province's previous Reseller Agreement.

## **Issue Background**

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As part of the ongoing modernization and alignment of software tools, staff have developed an enterprise architecture technology road map and life cycle replacement program across all hardware, software and application platforms to ensure a consistent use of technology, the availability of appropriate business tools and consistent reliability of the technical environment. As a result of continued modernization and strategic requirement planning, staff have forecasted the need to purchase the following Microsoft software until December 2023:

- Productivity software: Microsoft Office Professional 2019 (Word, Excel, Project and Visio);
- Document management platform software and licenses: Microsoft SharePoint 2019;
- Technology infrastructure platform software and licenses: Microsoft Windows Server 2019, Microsoft SQL Server 2019 and Microsoft BizTalk Server 2020; and,
- Software maintenance: Ongoing support of the Microsoft Software purchased.

All of the above are included in the planned and budgeted state of good repair projects and operational purchases during the period of 2021 to 2023.

## **Comments**

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The TTC is leveraging the Province's Vendor of Record Reseller Agreement for Microsoft Select Plus software products and support services. The Province's agreement allows the TTC to leverage this agreement for its use through the Broader Public Sector adoption clause, which permits the broader public sector to issue their own agreement under the same terms, conditions and discounted rates.

The Province's Microsoft Reseller Agreement with Softchoice LP offers the highest level of discount from Microsoft. The pricing is based on an 18% discount for Microsoft software products. The TTC would not be able to obtain a better pricing for Microsoft software purchases separately.

The authorization of this award will allow the TTC to purchase Microsoft software for the following types of purchases:

- Capital purchases of platform software licenses to upgrade existing versions of IT technology to the latest version that is supported by Microsoft. The platform software upgrades enable the TTC to maintain its Information Technology in a state of good repair.
- Operational purchases of productivity software and software maintenance renewals.

### **Capital purchases**

For capital purposes, two types of software licenses will be required to be purchased:

- Server licenses: used to license the platform software.
- Client access licenses: used to license each user that access the platform environment.

As part of each associated IT state of good repair project, the purchase of each of these licenses has been planned to cover the initial upgrade of the platform and the initial baseline of users required to be licensed. Potential increases in the number of users of each platform has been also taken into consideration for purchase after the initial upgrade.

The products that will be purchased for the capital purposes are:

- Microsoft BizTalk Server 2020: This product is used by the TTC to automate end-to-end business processes by allowing business systems to communicate with each other through a message broker.
- Microsoft SharePoint Server 2019: This product is used as TTC's enterprise document and records management system and enables the hosting and sharing of TTC's 1M+ corporate documents.
- Microsoft Windows Server 2019: This product is used as a server operating system which enables the TTC to run and host their business systems

- Microsoft SQL Server 2019: This product is used as TTC's database management system and hosts TTC's back-end data, which are used by TTC's business systems.

### **Operational purchases**

Productivity software are applications used by TTC employees to enable them to perform day-to-day duties (i.e., word processing, spreadsheets, project management scheduling and diagramming). This software includes Microsoft Office Professional, Microsoft Project and Microsoft Visio. The planned productivity software purchases are based on potential increases in the number of users.

Software maintenance is required to ensure the ongoing vendor support of the Microsoft platform products that the TTC owns. It also provides additional operational benefits, such as server virtualization rights and product upgrade entitlements.

### **Contact**

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### **Signature**

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Josie La Vita  
Interim Chief Financial Officer

### **Attachments**

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Attachment 1: Software Categories and Expenditures

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### Capital Expenditures

<b>Description</b>	<b>Project</b>	<b>3 Year Total (Including Taxes)</b>
BizTalk Server Upgrade	7103 BizTalk SOGR	\$ 1,197,200
SharePoint Server Upgrade	7127 SharePoint SOGR	\$ 1,147,300
Windows Server Upgrade	6230 Server Virtualization	\$ 1,772,300
SQL Server Upgrade	6580 Enterprise Database	\$ 697,900
Client Access Server Upgrade	6602 End User Devices SOGR	\$ 377,600
<b>Total:</b>		<b>\$ 5,192,300</b>

### Operating Expenditures

<b>Description</b>	<b>3 Year Total (Including Taxes)</b>
Productivity Software (Microsoft Office, Microsoft Project, Microsoft Visio)	\$ 490,500
Software Maintenance Renewal	\$ 3,836,100
<b>Total:</b>	<b>\$ 4,326,000</b>