Niagara **Region**

Subject: Microsoft Enterprise Agreement Contract Renewal - 2025

Report to: Corporate Services Committee

Report date: Wednesday, August 13, 2025

Recommendations

1. That the renewal of the Microsoft Enterprise Agreement (EA) contract for software and support services **BE APPROVED** for a period of 5 years for a total cost of $8,529,907 (including 13% HST);

2. That an additional 5% contingency of $426,496 (including 13% HST) **BE APPROVED** should license quantity increases be necessary for the length of the contract; and

3. That the Regional Clerk and the Regional Chair **BE AUTHORIZED** to execute the agreement with Microsoft to be prepared in a form satisfactory to the Director of Legal and Court Services.

Key Facts

- The purpose of this report is to provide information on the Microsoft Enterprise Agreement contract and to obtain Council approval to proceed with a single source contract directly with Microsoft in accordance with Section 18 (a) (i) of Procurement By-law 02-2016 as amended on February 28, 2019, at a total cost of $7,548,590 (excluding tax) plus a 5% contingency for future license quantity increases of $377,430 (excluding tax).

- Procurement By-law requires Council approval for single source contract awards in excess of $1M.

- Niagara Region utilizes a significant amount of Microsoft software and services to support the Region's services. Products include Microsoft 365, MS Project (PM Software), MS Visio (process mapping), Exchange (email), SharePoint (document management and collaboration), SQL Server (databases), SSRS and PowerBI (reporting and analytics), Visual Studio (application development), File Server (file storage), remote access and security products.

- Any software that is part of the Microsoft EA can be upgraded at anytime to the latest versions ensuring we always have access to the most stable and secure versions of the software.

- The end user productivity software (Microsoft 365) is a subscription-based model with the opportunity to reduce license counts annually. Should there be a material reduction in Regional services due Provincial mandates we would have the option to adjust the license counts on the annual renewal date.

- Procurement By-law 02-2016 as amended on February 28, 2019, specifically Section 18(a)(i) permits single source purchases where "the compatibility of a purchase with existing equipment, product standards, facilities or service is a paramount consideration".

- In addition to receiving the discounted government pricing, Niagara Region would also receive an additional discount by entering into a direct agreement with Microsoft as opposed to procuring through a reseller.

Financial Considerations

The annual cost of the proposed 5-year Microsoft EA is $1,536,289 (including 1.76% non-recoverable HST) for a total 5-year cost of $7,681,445 (including 1.76% non-recoverable HST).

In addition to the proposed 5-year Microsoft EA contract, a 5% contingency is proposed. Including the 5% contingency, the annual cost would be $1,613,103 for a total 5-year cost of $8,065,515. This contingency would allow for accommodation of growth in license quantity in future years.

Products and services list can be found in Appendix 1.

The 2025 annual budget for the Microsoft EA was $1,620,000 (including 1.76% non-recoverable HST). The new annual cost including contingency of $1,613,103 represents a decrease of $6,897 (-0.4%) compared to the approved 2025 budget.

In addition to receiving the discounted government pricing, Niagara Region would also receive an additional discount by entering into a direct agreement with Microsoft as opposed to procuring through a reseller.

Analysis

Niagara Region utilizes a significant amount of Microsoft software and services to support the Region's services. Products include Microsoft 365, MS Project (PM Software), MS Visio (process mapping), Exchange (email), SharePoint (document management and collaboration), SQL Server (databases/ERP), SSRS and PowerBI

(reporting and analytics), Visual Studio (application development), Files Server (file storage and backup), remote access software, security products and network access licences.

Microsoft, like many software providers, are significantly changing their licencing models to better align with their cloud offerings. As a result, true "like for like" comparisons become more complicated with perpetual licences being replaced with ongoing subscription-based models. Taking one product as an example, a perpetual MS Office Professional Plus 2024 licence has a list cost of $973.99, can only be installed on one computer and does not include upgrades to future versions. A Microsoft M365 E3 licence has a monthly subscription cost of approximately $27.46 ($329.52/year) but allows the product to be installed on up 5 devices (computers, tablets. Smartphones) and also provides access to web versions of the applications. The subscription also includes Cloud versions of Exchange (email), SharePoint (collaboration, document storage), OneDrive (file server), Teams (enhanced collaboration and conferencing) plus additional productivity tools. Additionally, the subscription model provides us the option to tier the level of service we subscribe to based on user needs. A Microsoft M365 E3 licence includes the items noted above however there is also the option to procure an F1 licence that has less features at a lower cost. This flexibility allows us to procure a combination of licences that balances cost, staff needs and security (the distribution of licences can be found in Appendix 1).

The Region is heavily reliant on a large portfolio of Microsoft products and services and having ongoing access to current software via the EA ensures that the Region is able to run the most stable and secure versions of the software. The Office365 option also allows for the migration of key applications such as Microsoft Exchange and SharePoint to the cloud and ultimately reduce future capital expenditures related to hardware and software acquisitions.

The end user productivity software (M365) is a subscription-based model with the opportunity to reduce license counts annually. Should there be a material reduction in Regional services we would have the option to adjust the license counts on the annual renewal date.

A Microsoft EA agreement offers the best value and flexibility to allow Niagara Region to move forward with cloud services and/or on-premises software while managing licenses under one agreement.

Committing to a five-year licensing agreement, we are able to lock in the current pricing and spread the payments over the five years.

The renewal of the Microsoft software licenses is required to allow the Region of Niagara employees the ability to continue using these products as per Microsoft licensing agreement. Every employee at the Niagara Region requires a Microsoft license.

Alternatives Reviewed

- Use of Microsoft software without valid licensing – This would put the Region out of compliance and would result in significant fines and additional costs to put us back in licence compliance.

- Migrating away from Microsoft technology – This would represent significant time and resources for both the business and IT, increase risk to the organization (change) and increase support costs (training and response times).

- Renewing the license annually rather than for a five-year period – This would result in an increase in the licensing and administrative costs. Since the Region plans to continue using Microsoft products for the foreseeable future, negotiating annual renewals does not offer any benefits.

- Procure the Microsoft Enterprise Agreement on the open market – Microsoft have indicated they would not compete with resellers on an open procurement and as a result we would not receive any additional direct discount.

Relationship to Council Strategic Priorities

This supports the Council Strategic Priority of being an "Effective Region" by ensuring we are able to deliver financially responsible and sustainable technology services to the organization and the clients it serves.

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Appendices

Appendix 1   Licence Renewal Details