Subject: Microsoft Enterprise Agreement Contract Renewal

Report to: Corporate Services Committee

Report date: Wednesday, September 11, 2019

Recommendations

1. That the renewal of the Microsoft Enterprise Agreement (EA) contract for software and support services **BE APPROVED** at an annual cost of $1,024,869 (including 13% HST) for a period of 3 years; and

2. That the Regional Clerk and the 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.

*   Niagara Region utilizes a significant amount of Microsoft software and services to support the Region's services. Products include Microsoft Office, 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), Files Server (file storage), remote access and security products.

*   Microsoft Office was removed from the previous EA renewal in 2016 to help reduce overall support costs. The Region was able to run already existing software and still remain compliant but would no longer have access to new releases through the EA.

*   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.

*   Should there be a change in reporting structure related to Public Health and EMS the 2019 EA renewal has a special clause inserted that will allow a onetime reduction in the number of licences during the life of the contract.

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- 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".

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

- In addition to receiving the discounted government pricing averaging 12%, Niagara Region would also receive an additional average 4% discount by entering into a direct agreement with Microsoft as opposed to procuring through a reseller. This direct B2B purchasing option with Microsoft is a unique first time offer that was not available in previous renewals.

Financial Considerations

The annual cost of the proposed 3 year Microsoft EA is $906,964 with a total 3 year cost of $2,720,892 (excluding taxes). Products and services list can be found in Appendix 1.

Various cost scenarios with Microsoft Office included and not included:

	3YR Cost
2016 Contract (expires September 30, 2019)	$1,626,422
Quote to renew "as is" (does not include MS Office or Cloud Apps)	$2,099,520
Quote to renew "as is" and purchase MS Office during 3yr contract	$3,465,120
Recommended EA that includes Office365 and Cloud Services	$2,720,892

The annual cost of $922,929 for the recommended MS Enterprise Agreement including 1.76% non-refundable HST represents a budget pressure of $371,247 over the expiring contract annual cost of $551,682. This pressure was identified in the multi-year budget forecast for 2020 provided during 2019 budget deliberations and is included in the proposed 2020 IT Solutions operating budget.

In addition to receiving the discounted government pricing averaging 12%, Niagara Region would also receive an additional average 4% discount by entering into a direct agreement with Microsoft as opposed to procuring through a reseller. This direct B2B purchasing option with Microsoft is a unique first time offer that was not available in previous renewals.

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Analysis

Niagara Region utilizes a significant amount of Microsoft software and services to support the Region's services. Products include Microsoft Office, 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 2019 licence has a list cost of $569, can only be installed on one machine and does not include upgrades to future versions. A MS Office365 E3 licence has a monthly subscription cost of approximately $22 ($264/year) but allows the product to be installed on up 5 computers, 5 tablets and 5 smart phones for a single user 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. An MS Office365 E3 licence includes the items noted above however there is also the option to procure an E1 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.

Given the uncertainty of our organizational structure related to Public Health and EMS, the proposed 2019 EA renewal has a special clause inserted that will allow a onetime reduction in the number of licences during the life of the contract. If we were to buy perpetual licences this option would not be available to us.

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.

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Committing to a three year licensing agreement, we are able to lock in the current pricing and spread the payments over the three 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 three-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 be receive the additional direct discount.

Relationship to Council Strategic Priorities

The renewal of the Microsoft Enterprise agreement aligns with Council's strategic priority of a "Sustainable and Engaging Government" – A commitment to high quality, efficient, fiscally sustainable and coordinated core services through enhanced communication, partnerships and collaborations with the community.

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Prepared by: **Recommended by:**
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Appendices

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Appendix 1 – Licence Renewal Details

Enterprise Products	Qty
Microsoft Enterprise Mobility and Security	2,400
O365 E3 Subscription	900
O365 E1 Subscription	1,500
Additional Products	
Azure DevOps Server w Software Assurance	1
Azure DevOps Server Client Access License – User CAL	7
Biztalk Server Standard w Software Assurance - Core License	2
Project Standard w Software Assurance	62
Project Pro w Software Assurance Client Access License	5
Project Online Professional Server	1
Power BI Pro Subscription	60
Power BI PremP1 Shared Server Subscription	1
SQL Server Ent Core w Software Assurance	34
SQL Server Standard Core w Software Assurance	8
Visio Pro w Software Assurance	5
Visio Standard w Software Assurance	135
Visio OnlineP2 Subscription	1
Visio Studio Enterprise (MSDN) w Software Assurance Subscription	7
Windows Remote Desktop Device Access License w Software Assurance	400
Windows Virtual Desktop Access Per Device Subscription	257
SCE Products	
Windows Server Data Center License with Software Assurance	26
Windows Server Standard License with Software Assurance	11