
Renewal of Microsoft Licenses – Sole Source

Recommendation

That the Standing Policy Committee on Environment, Utilities and Corporate Services recommend to City Council:

1. That the City enter into a sole source agreement with Microsoft for a three-year license renewal for Microsoft Direct Server and Cloud Enrollment for the total cost of \$879,281.28 (plus applicable taxes);
2. That the City enter into a sole source agreement with Microsoft for a three-year license renewal for Microsoft Enterprise Enrollment for the total cost of \$4,163,846.04 (plus applicable taxes); and
3. That Purchasing Services issue the appropriate purchase order.

Topic and Purpose

The purpose of this report is to obtain City Council approval to renew two Microsoft software licenses (Microsoft Direct Server and Cloud Enrollment (SCE) and Microsoft Enterprise Enrollment (EA)). This renewal is required to ensure that the City of Saskatoon (City) does not infringe on Microsoft licensing agreements.

Report Highlights

1. The City is heavily invested in Microsoft software for end-user computing including desktops and laptops as well as for most of the City's server infrastructure.
2. The renewal of the Microsoft software licenses is required to allow the City to continue using these products.

The license will be renewed for a period of three years.

Strategic Goals

This report supports the Strategic Goal of Asset and Financial Sustainability by mitigating risks of infringing licensing agreement for software that is critical for the operations of the City.

Background

The City has a long history of using Microsoft software for end-user computing on desktops and laptops. As well, Microsoft products are used to run and manage the servers, databases and cloud infrastructure. Over the years, the City has invested significant effort in Microsoft technologies including end-user training, technical skills and knowledge to support the City's IT infrastructure. In addition, the City has a number of management tools and processes to support this environment. Therefore, changing the City's current set of software tools would represent a significant effort for both business and IT.

The current contract with Microsoft is set to expire and requires a renewal for the City to continue the use the software. The City can only purchase the licenses from Microsoft as they have sole copyrights to their software.

Report

The two products that are due for license renewal are:

1. Microsoft Direct Server and Cloud Enrollment (SCE)
 - This products relates to running and managing the City's core IT infrastructure that includes servers, databases and cloud service.
2. Microsoft Enterprise Enrollment (EA)
 - This software includes the Windows operating system required for the City's 2,500 plus desktops and laptops as well as Microsoft Office products such as Word, Excel, etc.

The license renewal includes technical support for the products.

Microsoft licenses must be contracted through Microsoft. In conjunction with the Solicitor's Office, IT has negotiated a three-year license renewal for these products that offers the best value for the City.

Options to the Recommendation

Committee has the option not to renew the license agreements with Microsoft. The Administration did not recommend this option as:

- Use of Microsoft software without a valid licensing agreement will be infringing on Microsoft's copyright.
- Changing the current technology would represent significant effort of time and resources for both the business and IT.

The alternative of renewing the license annually rather than for a three-year period was considered. However, this will result in an increase in the licensing and administrative costs. Since the City plans to continue using Microsoft products for the foreseeable future, negotiating annual renewals does not offer any benefits.

Policy Implications

This matter is coming to City Council as the contract is a sole-source award in excess of \$75,000.00, and meets the relevant criteria for a sole-source award set out in Policy C02-030 – Purchase of Goods, Services and Work. In this case, Microsoft has proprietary rights in the software that is deployed and is only available from this single vendor.

Financial Implications

The estimated cost of the two licenses for three years are:

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1. Microsoft Direct Server and Cloud Enrollment: \$293,093.76 per year for a total of \$879,281.28 for three years.
2. Microsoft Enterprise Enrollment: \$1,387,948.68 per year for a total of \$4,163,846.04 for three years.

Total annual license renewal cost	\$1,681,042.44
GST	<u>84,052.12</u>
Total Cost	\$1,765,094.56
Less GST Rebate	<u>(84,052.12)</u>
Net Costs per annum	\$1,681,042.44

Total Costs for Three Years	<u>\$5,043,127.32</u>
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The annual licensing costs are budgeted within the required programs across the organization.

Other Considerations/Implications

There are no public and/or stakeholder involvement, communications, environmental, privacy or CPTED implications or considerations.

Due Date for Follow-up and/or Project Completion

None required.

Public Notice

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

Report Approval

Written by: Amin Ahmed, Project Manager
Reviewed by: Paul Ottmann, Director of Information Technology
Approved by: Dan Willems, A/General Manager, Corporate Performance Dept.

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