



Direct Award: Microsoft Canada Inc. Enterprise Agreement (EA) Volume Licensing

Item 7G

September 29, 2022

Board of Directors

Report: TCHC:2022-69

To: Board of Directors (the “Board”)

From: Building Investment, Finance and Audit Committee (“BIFAC”)

Date: September 27, 2022

PURPOSE:

The purpose of this report is to seek approval of the Board of Directors (the “Board”) for a Direct Award to **Microsoft Canada Inc.** totaling **\$4,084,588.84** (exclusive of taxes) for enrollment into Microsoft’s Enterprise Agreement (EA) volume licensing agreement for a three (3) year term to acquire Microsoft desktop, infrastructure, and security software licensing and services for TCHC and TSHC, as required by the Shared Delivery Agreement executed with TSHC on June 1, 2022.

RECOMMENDATIONS:

It is recommended that the Board of Directors approve the following recommendations to:

1. Approve a commitment to **Microsoft Canada Inc. (“Microsoft”)** with a value of **\$4,084, 588.84** (CAD, exclusive of taxes) for a three (3) year term, for enrolment into Microsoft’s Enterprise Agreement (EA) volume licensing agreement to provide TCHC and TSHC with Microsoft software licensing, bringing all licensing to a common termination date (desktop, server, and security); and

2. Authorize the appropriate staff to take the necessary actions to give effect to the above recommendation.

REASONS FOR RECOMMENDATIONS: BIFAC

The Building Investment, Finance and Audit Committee approved a Commitment, in the amount of \$4,080,588.84 at its meeting of September 8, 2022. However, additional analysis completed by the ITS team with TCHC's Microsoft advisor following the September 8, 2022 meeting has resulted in an adjustment of annual expenditures, identified in the Report considered by BIFAC, in connection with its approval of the Commitment. While the overall commitment amount remains unchanged, the first year commitment is now a higher value. In light of this additional analysis, TCHC is recommending that the Board approve the overall commitment limit for the three (3) year contract term, as both the value of the commitment and its implementation through a Direct Award fall outside the authority of Toronto Community Housing's ("TCHC") Procurement Award Committee ("PAC"). TCHC's current EA agreement with Microsoft expires on September 30, 2022.

Background and Current State

Microsoft software and services are foundational for end-user computing and technology infrastructure at TCHC/TSHC. There are no suitable enterprise-level alternatives or substitutes for Microsoft products that meet the necessary infrastructure, security and end-user requirements. The current TCHC/TSHC technology environment comprises of a hybrid of on-premise and some subscription services of Microsoft desktop (email, productivity tools, and collaboration solutions) and server (Windows Server, Active Directory) software products. There are a number of Microsoft on-premise products within the TCHC environment that have reached end-of-life (EOL) and Microsoft is discontinuing support for these products. End of support (EOS) means that TCHC will no longer receive new security updates, non-security updates, or assisted support. TCHC will transition its end-of-life Microsoft products to online services and upgraded software over the term of this agreement.

Procurement History

In October 2019, TCHC enrolled into Microsoft's Enterprise Agreement (EA) volume licensing agreement by Direct Award for a three (3) year term with Microsoft Canada Inc. in the amount of \$1,314,372.24 (CAD, exclusive of taxes) to provide TCHC with some of the required Microsoft desktop and server software licensing and services from October 1, 2019 to September 30, 2022. This was the first time TCHC had enrolled in the Microsoft EA program as TCHC was not eligible for this program until 2019. When TCHC entered into this agreement, TCHC was unable to use the EA to procure all licensing and services required and therefore, the amount of the original EA award in 2019 did not capture all Microsoft licensing spend. From 2018 to 2022, TCHC's total spend was approximately \$4.3M (CAD, exclusive of taxes) for Microsoft software and services through the 2019 EA and various Microsoft resellers and programs.

From late 2020 to current, ITS added additional products not previously licensed. As an example, the rollout of the HoMES solution (Integrated Housing Management Solution) included an integration with SharePoint Online. This provided the organization with a central location to store all documents. This was a new product to the TCHC Microsoft catalogue and was procured during that timeframe as new users were added to the HoMES solution. TCHC procured Microsoft licensing in 2022 to support the transition of the Seniors Housing Unit to TSHC.

The Microsoft EA will consolidate all products and services under one agreement. TSHC licensing will be consolidated under the EA in 2023.

Benefits

The Microsoft EA provides many benefits that cannot be achieved through the procurement of products from resellers. Some benefits include:

- Best pricing as software and services is the only option to purchase directly from Microsoft without reseller markup. An EA provides savings from 15% to 45%;
- 24 by 7 technical support, planning services and technical training directly from MS to ITS staff at no additional cost;
- Dedicated Microsoft commercial executive to work with TCHC to optimize our licensing decisions;
- Simplified licensing management; and

- Flexibility to add and remove products, annually, as business requirements change.

The Microsoft EA provides the flexibility needed to manage evolving requirements and allows ITS to standardize versions and offerings across the enterprise which was unachievable when Microsoft products were not under one agreement.

Workplace Modernization (ModernTO/ Flexible Hybrid Workplace)

In 2019, the City of Toronto implemented the Office Portfolio Optimization Plan (commonly referred to as “ModernTO”). TCHC is part of the ModernTO strategy. Included in the goals of ModernTO is the establishment of a flexible and mobile workplace leveraging changes in workplace trends and technology to allow employees greater choice as to where, how, and when they work. In support of ModernTO and TCHC’s Hybrid Work Policy implemented in 2022, it is necessary to implement new productivity tools (Microsoft O365) which will enhance productivity, collaboration and security needed in a ModernTO/Hybrid environment. The Microsoft EA also allows TCHC/TSHC to manage the deployment at our own pace, only incurring costs as users are enabled.

The Microsoft O365 platform is the choice for all three levels of government and public sector. The Microsoft EA will enable TCHC/TSHC to join a number of organizations who have implemented O365 including the federal government (300,000 users), the Province of Ontario (70,000 users), the City of Toronto (37,000 users), the Regions of York, Durham (4,500 to 6,500 users each) and Peel (9000 users) and other Agencies, Boards, and Committees (ABC’s) including Metrolinx (5,000 users), Ontario Health (12,000 users), LCBO (3,000 users), and WSIB (5,600 users).

Roadmap

The Microsoft EA proposed is aligned with TCHC’s Technology and Cyber Security Roadmap.

Procurement Process

This direct award is recommended under the following justification under section 4.3(a) of TCHC’s Procurement Policy:

- v. To ensure compatibility with goods and services previously acquired where there are no reasonable alternatives or substitutes.

This commitment expenditure will be reconciled on a quarterly basis to ensure the expenditures and forecasts do not exceed the approved spend.

IMPLICATIONS AND RISKS:

Microsoft Canada Inc. is the current provider of Microsoft software and services for TCHC and TSHC and sells direct through an Enterprise Agreement volume licensing agreement. The Vice-President, Information Technology Services has reviewed the pricing and determined it to be reasonable and acceptable for the services.

Twenty-five percent (25%) of the total costs represent the needed products to maintain TCHC/TSHC's technology infrastructure and seventy-five percent (75%) are in support of TCHC/TSHC's end-users.

Funding for this Direct Award is within the 2022 ITS budget. A portion of these costs will be recovered through the Shared Delivery Agreement with TSHC. Funding for future years will be requested in each consecutive year of the term from the ITS Divisional Capital and Operating Budgets and appropriate costs recovered through the Shared Delivery Agreement.

SIGNATURE:

"Luisa Andrews"

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