# 3
# MICROSOFT SOFTWARE LICENSES

**The Finance and Administration Committee recommends that:**

**1. the recommendation contained in the following report, February 22, 2005, from the Commissioner of Finance be adopted; and**

**2. the Commissioner of Finance provide Council with a further breakdown on the Microsoft software costs as an attachment to this Clause.**

## 1. RECOMMENDATION

It is recommended that:

1. Regional Council approve the annual allocation of funds budgeted for Software Assurance for Microsoft Software in the ITS Operating Budget to the IT Reserve for Office Suite licence purchases.

## 2. PURPOSE

The purpose of this report is to provide Council information on the approach by which Staff will provide Regional Departments with continued access to and support of Microsoft software products at the lowest possible cost.

## 3. BACKGROUND

Like most municipalities in Canada, the information technology environment in York Region is basically a Microsoft environment and most applications and IT services are highly dependant on Microsoft software products.

In Ontario, the Management Board Secretariat (MBS) of the Provincial Government has previously negotiated agreement with Microsoft for acquisition, maintenance and support of their products. Municipalities in Ontario were able to benefit from the MBS agreement as they received the same volume discount as the Province.

York Region has been purchasing Microsoft software under the provisions of previous MBS agreements since 1997. In 2004, the MBS negotiated a new agreement with discount that was significantly larger than under the previous agreement. Authorized resellers are allowed to offer further discounts and are selected through the tendering process. The new agreement has a term of three years which started on October 1st, 2004. Microsoft and the MBS finalized the terms and conditions of this agreement at the end of November 2004.

To benefit from the terms of the MBS agreement with Microsoft, York Region must sign an enrolment with a reseller authorized by Microsoft. The selection of a reseller was urgent because Microsoft only allowed customers to renew maintenance agreements (subsequently referred to as Software Assurance) on previously acquired software until December 31st, 2004.

Given the tight timelines imposed by the MBS agreement, staff requested and were granted an extension from Microsoft to allow sufficient time to perform the detailed assessment required to select the best software acquisition and maintenance approach. Many municipalities simply chose to tender for a new reseller or renew their previous relationships under the same conditions.

Regional staff consulted with a number of municipalities. Rather than issue a dedicated tender for York Region’s specific requirements, a reseller was chosen based on the results of a tender already issued by the Regional Municipality of Peel. The process of taking advantage of a tender issued by another municipality is permitted under Clause 14, Co-operative Purchasing, of the purchasing by-law. Under this clause the Commissioner (Finance) has the authority to enter into such co-operative purchasing arrangements. The results of the co-operative purchase will be reported to Council in the Director of Supplies and Services quarterly report. The tender process for the Region of Peel selected Software Spectrum as the low cost bidder who offered a discount of approximately 23% off the agreed upon prices of the MBS/Microsoft agreement.

Due to the delay in finalizing the terms and conditions of the MBS agreement, purchases scheduled for the fall of 2004 were delayed so they could be made under the terms of the new MBS agreement which were expected to be more favourable to the Region. The delayed purchases have since been processed under the new discount structure. While the term of the MBS agreement is three years, the Region has the right to change resellers at any time during the term.

## 4. ANALYSIS AND OPTIONS

The Region must keep its software up to date in order to take advantage of improved productivity and security features, reliability and compatibility and to ensure continued support from Microsoft. Under Software Assurance, product upgrades and priority technical support are included. Without Software Assurance, new licences must be purchased whenever upgrades are required.

Staff compared the cumulative cost of software assurance versus purchasing new licences when a new version is required. Staff also considered the anticipated release schedule of new Microsoft products, support requirements and the actual value York Region would realize from the new features incorporated in the new versions.

Due to significant upgrade, maintenance and recurring support requirements, Software Assurance was renewed on the following group of products:

- Microsoft Advanced and Standard Server 2000
- Microsoft SQL Server Standard 2000
- Windows Client Access Licence
- Exchange Server Access Licence
- Commerce Server Standard Edition

Further, it was determined that significant savings could be achieved by discontinuing Software Assurance on the Microsoft Office suite of products and purchasing new licences, when required, with minimal or no risks. Microsoft has confirmed that support for the current version of Microsoft Office (Office 2003) will continue until 2008. This approach will also provide future flexibility to accommodate Open Source when it becomes widely accepted. Applications written in Open Source allow anyone to read, redistribute and modify source code for technology to meet their own specific needs. It eliminates vendor lock-in.

## 5. FINANCIAL IMPLICATIONS

The cumulative Software Assurance payments for York Region's Microsoft Office Suite that are avoided by this approach amount to approximately $833,000. Staff have calculated the cost of purchasing the Microsoft Office Suite in 2008 at $717,600 based on the same discount and volume assumptions.

The approach outlined in this report provides the Region with additional savings over the term of the MBS agreement. The new purchase of large quantities of Microsoft licenses approximately every four years could cause “spikes” in the budget process. The annual 2005-2007 operating budgets will be prepared to accommodate an annual transfer to the IT Reserve equivalent to the annual Software Assurance cost. This cumulative amount will then provide for the purchase of new licences in 2008. This process will be accommodated within the existing base budget. By discontinuing Software Assurance and deferring the purchase of the new Office Suite licences until 2008, York Region can realize net savings of approximately $115,400.

The additional amounts for growth driven by new users, etc. will be determined through the annual business planning and budget approval process.

## 6. LOCAL MUNICIPAL IMPACT

There is no municipal impact resulting from the implementation of the recommendations contained in this report.

## 7. CONCLUSION

The Microsoft software license approach presented in this report produces significant savings to York Region over time with minimal if any risks.

The Senior Management Group has reviewed this report.

*(Please refer to the attachment.)*