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INFORMATION TECHNOLOGY SERVICES
AUTHORIZATION TO ENTER INTO A MICROSOFT ENTERPRISE AGREEMENT

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report dated May 13, 2010, from the Commissioner of Finance.

1. RECOMMENDATIONS

It is recommended that:

1. Regional Council authorize entering into a new Microsoft Enterprise Agreement with Dell Canada for the provision of Microsoft Software for the duration of three years at a cost of approximately $2,700,000 plus applicable taxes.

2. Regional Council approve the transfer of funds from the Software Replacement Reserve to meet the annual costs of the software.

3. The Regional Chair and Regional Clerk be authorized to execute the contract, subject to terms and conditions acceptable to the Commissioner of Finance and the Regional Solicitor.

2. PURPOSE

The purpose of this report is to seek Council authorization to enter into a Microsoft Enterprise Agreement with Dell Canada for the provision of new Microsoft Software licences and the associated software maintenance (commonly referred to by Microsoft as Software Assurance).

A key part of delivering a sound information technology strategy is to implement a solid foundation of integrated ‘core technology’ components. Their combination and integration will provide a sustainable base for service improvements delivered through corporate projects.

3. BACKGROUND

A key component in delivering this ‘core infrastructure’ is through a new Microsoft Enterprise Agreement (EA). This agreement will allow the Information Technology Services Branch to install the latest versions of Microsoft’s core software products and client access licenses across the Region’s computing devices for a fixed annual fee per year. The length of the agreement is three years with an option to continue Software Assurance benefits for an additional three years determined annually.

The Microsoft Enterprise Agreement is a three year term contract that would allow the Region to run and update to the latest versions of Microsoft software covered by the Agreement.

Microsoft is the foundation software technology for York Region's information technology infrastructure. York Region dropped Microsoft Software Assurance for desktops in 2004 because it was believed that the Region had stable Microsoft Office software that needed to be replaced many years in the future by repurchasing the licenses rather than paying maintenance. This proved to be a reasonable approach over the past 6 years as it permitted the Region to divert the maintenance fees into a software replacement reserve fund. Although an opportunity arose with Microsoft Vista, the Region opted not to use the funds to purchase the Vista licenses and waited instead until the new Windows 7 operating system was introduced.

Sufficient funding currently exists in the software reserve fund to move this initiative forward and realize the benefits of an Enterprise Agreement with Microsoft Corporation incorporating the Windows 7 solution.

The acquisition of the software will be made through the Province of Ontario's current agreement for Microsoft Products between Dell Canada and the Province (Management Board Secretariat, MBS). This MBS agreement is also available to all municipalities in the Province. This MBS agreement was awarded to Dell Canada some 3 years ago and enables the Region to take advantage of the Enterprise Agreement which is the subject of this report. Furthermore, June 30th 2010 is Microsoft Corporation year end which provides the potential for negotiating beneficial terms to the Region.

Entering into the agreement at this time allows the Region to standardize and stabilize on the latest Microsoft Platform to allow interaction with customers and business partners. The current software portfolio is aging and it is currently two versions behind for most core applications.

Benefits of the Agreement include;

- new functionality
- the ability to upgrade to any versions released even after the contract has ended, allowing greater flexibility in the implementation of the Microsoft products.
- A comprehensive package of online training is included within the agreement.
- The Region will receive training vouchers for courses from Microsoft Certified Technical Education Centres (CTECs), the key channel for delivering learning products and services on Microsoft technology. Microsoft CTECs are full service technical training companies qualified by Microsoft to deliver high quality training to IT professionals and developers.

4. ANALYSIS AND OPTIONS

The technical risk(s) to proceeding with the Agreement are minimal

There are no significant technical risks to proceeding with the Enterprise Agreement as the Region already utilizes Microsoft software products. However; it is prudent to update the current software products in the most cost effective manner, to keep pace with the Region's business partners who are continuing to use later versions to ensure that the sharing of information and documents remains efficient.

The Agreement adds new services, capabilities and benefits to the Region

The products covered under the Agreement are fundamental to the Region's technology operations. The benefits of these products include access to many new features including but not limited to those provided by the following five core products; the Windows 7 Operating System, Office 2010, Exchange 2010 (E-mail Services), Office Communication Server and System Centre. The new or enhanced technical and business services are:

- Faster computing,
- better reliability and stability
- Better compatibility with third party devices and software
- Better protection of the Region's corporate data though the use of drive and data encryption built right into the operating system
- Stronger endpoint security from the level of staff PCs and laptops right through the entire corporate network
- E-mail archiving which reduces the overall amount and cost of the Region's disk storage
- Desktop computing virtualization at the level of the operating system
- Better client support through the use of fully integrated management tools and help desk software
- Better employee communications and knowledge sharing through the use of fully unified communication and collaboration tools
- Enhanced capabilities for business intelligence allowing data from various sources to be collected, shared and presented in a manner most appropriate the to user.

The Agreement will provide additional employee benefits

- Employee Home use of Microsoft Office
- Online training and e-Learning for all Microsoft applications
- On-site or Classroom Technical Training

The cost of the Enterprise Agreement can be offset by cost avoidance and cost savings

The table below summarizes the costs associated with the purchase of EA from Dell Canada in comparison to the costs that would be incurred if the software was purchased individually. Furthermore Table 1 illustrates the cost avoidance resulting from entering into EA for software required for both currently planned initiatives as well as potential future initiatives.

Table 1
Enterprise Agreement cost and cost avoidance potential

Current Software	Cost based on EA (3 year total)	Costs if purchased individually	Cost avoidance for software for currently planned initiatives	Cost avoidance for software for potential future initiatives
Windows 7	$600,000	$1,100,000		
Office 2010	$1,250,000	$2,300,000		
Office Communications Server (OCS)	$350,000	$600,000		
EA Other	$500,000	$1,200,000		
System Center			$125,000	
Exchange 2010			$200,000	
Drive Encryption			$180,000	
Data Encryption			$75,000	
Endpoint Security			$100,000	
Desktop Security			$50,000	
Business Intelligence (BI)				$500,000
Virtualization				$160,000
Content Management				$600,000
Social Computing				$50,000
Mobile Workers				$60,000
Unified Communications				$150,000
Sub Totals	$2,700,000	$5,200,000	$730,000	$1,520,000

The Enterprise Agreement includes software that will eliminate the need for certain existing maintenance costs

The Table 2 illustrates the cost savings associated with existing maintenance costs that will be eliminated with the approval of the Enterprise Agreement. Most of these maintenance costs savings will continue past the 3 year agreement.

Table 2
Cost savings through Enterprise Agreement

	Annual	**3 Year Cost Savings**
Data center software maintenance	$100,000	$300,000
Microsoft maintenance	$100,000	$300,000
Other associated software Maintenance	$80,000	$240,000
Total	$280,000	$840,000

In the long run the Enterprise Agreement is a cost effective approach

Notwithstanding the benefits associated with upgraded and state of the art software acquired through the Enterprise Agreement, it is clear from the comparison in Table 3 that in the long run the investment in EA is justified on the basis of cost avoidance and cost savings alone.

Table 3
Comparison of EA costs vs. individual software costs

	Cost based on EA (3 year total)	**Costs if software purchased individually, i.e. not EA**
Total Cost	$2,700,000	$5,200,000
Cost Avoidance		
Planned items from table 1	$730,000	$730,000
Potential items from table 1	$1,520,000	$1,520,000
Cost Savings from table 2	$840,000	$840,000
Total	$3,090,000	$2,110,000

From discussions with Microsoft and other reliable technical sources, the Region has learned that the delay in moving to an Enterprise Agreement post September 30th, 2010 will cost the Region approximately $625,000. This is based on a number of factors including; anticipated increases in Microsoft software costs and the expiry of the DELL/MBS agreement.

There are options post Enterprise Agreement

It should be noted that the Region can exercise a number of options once the 3 year Enterprise Agreement expires. These include;

1. Drop Software Assurance (SA) support except for critical applications. This would continue the practice started in 2004 and build software reserves for a possible future replacement likely in 2018/2019. Under this option the Region would continue to purchase annual maintenance services for the critical applications.
2. Purchase full Software Assurance support for years 4-6. This option will cost significantly more than option 1 but it can be reviewed and exercised on an annual basis. This option would provide the Region the benefit of upgrading to the latest Microsoft version during the subject period.
3. Enter into a new Enterprise Agreement for years 4-6.

Staff believe that option 1 is preferred however this will be fully reviewed prior to the end of the three year agreement.

5. FINANCIAL IMPLICATIONS

The total three year Enterprise Agreement will cost approximately $2,700,000. Sufficient funding currently exists within the software replacement reserve fund to meet the annual commitment. Council approval is requested to flow these funds to the Information Technology operating budget in each of the agreement to meet the costs.

Based on current volumes, the Enterprise Agreement will cost the Region approximately $900,000 each year. In addition the Region should plan for additional implementation costs to cover consulting, professional services and additional training. It is anticipated that these costs will not exceed $300,000 which can also be accommodated from funding available within the software replacement reserve.

6. LOCAL MUNICIPAL IMPACT

There is no direct municipal tax levy impact associated with this initiative. Many of the Region’s local municipalities are in the midst of evaluating the compatibility of their municipal applications with the new Microsoft products listed in this report. Based on the outcome of their evaluation, and the end of life for support of their current Microsoft products, implementation timelines vary greatly among the local municipalities, but most plan to move to an updated version of Microsoft Office and Windows 7.0 over the next three years.

7. CONCLUSION

York Region has been utilizing Microsoft technologies for a number of years and 2010 is proving to be a pivotal year for deploying the newest Microsoft technologies to our clients. Prudent planning, maintenance deferral and Capital reserve funds dedicated to software acquisition over the past number of years enables the Region to deploy these new technologies without resorting to new Capital funding.

It is recommended that Regional Council authorize entering into a Microsoft Enterprise Agreement with Dell Canada for the future provisioning of Microsoft software at a cost of approximately $2,700,000.00 plus all applicable taxes.

For more information on this report, please contact Louis Shallal, Director, ITS Branch at Ext. 1752.

The Senior Management Group has reviewed this report.