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Item No. 15.1.3
Halifax Regional Council
July 12, 2022

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY: Original Signed by 

Jacques Dubé, Chief Administrative Officer

DATE: June 24, 2022

SUBJECT: Award – 22-1096, Alternative Procurement Microsoft Canada

ORIGIN

The requirement to continue HRM's relationship with Microsoft Canada.

LEGISLATIVE AUTHORITY

The Municipality may spend money for municipal purposes in accordance with section 79A of the *Halifax Regional Municipality Charter*. The recommended contract award complies with all of the pre-requisites for awarding contracts as set out in section 26 of Administrative Order 2020-004-ADM, the *Procurement Policy*. Section 28 of the *Procurement Policy* provides that Halifax Regional Council may approve contract awards of any amount.

Administrative Order 2020-004-ADM, the *Procurement Policy*, Section 16 (2)(b) allows that for procurement opportunities that exceed thresholds set out in applicable trade agreements, Alternative Procurement may be used, provided that it is not done for the purpose of avoiding competition among suppliers or in a manner that discriminates against suppliers of any jurisdiction covered by an applicable trade agreement if the Goods, Services or Construction can be supplied only by a particular supplier and no reasonable alternative or substitute Goods, Services or Construction exist in consideration of the protection of patents, copyrights, or other exclusive rights; or due to an absence of competition for technical reasons.

Administrative Order 2020-004-ADM, the *Procurement Policy* Section 29(2) allows that the CAO may execute contracts of any value subject to the conditions of the Policy.

RECOMMENDATION

It is recommended that Halifax Regional Council approve an Alternative Procurement with Microsoft Canada to:

1. Provision HRM's Enterprise Desktop Solution (which includes Enhanced Services such as software licenses, maintenance and support services and cloud services options) through Microsoft Canada for a term of three (3) years at a total projected cost of \$9,631,077 including net HST.
2. Delegate their authority to the Chief Administrative Officer (CAO) to approve up to two (2) optional terms of three (3) year subject to successful negotiation of commercial terms and conditions and pricing for the extension periods acceptable to the CAO and approved to form by Legal Services.
3. Authorize the Executive Director of IT to purchase Enhanced Services from Microsoft Canada during any terms of the contract where the purchase is necessary to achieve HRM's operational requirements and the total expenditure on the Enterprise Desktop Solution and Enhanced Services in the year of purchase is within the most recent budget approved by Regional Council for the purchase of software products.

BACKGROUND

On July 6, 2010, Halifax Regional Council approved a Private and Confidential report for a sole source contract with Microsoft Canada to provide desktop software (i.e., Microsoft Outlook [email], Word, Excel, PowerPoint, Access, OneNote, Visio, Project and desktop operating system). The resultant contract allowed HRM to immediately replace its aging desktop software solutions. HRM entered into an Enterprise Agreement with Microsoft, which establishes an initial license purchase cost as well as costs for support and upgrade rights, collectively referred to as "software assurance".

The agreement was extended by the CAO on July 7, 2016, for a period ending on July 31, 2022.

A significant advantage of the Enterprise agreement is that for any products licensed, the pricing is established at the current rates at the beginning of the agreement for the entire term. As a Public Sector entity, the Municipality receives preferred government pricing, which is the most highly discounted rate for corporate customers. In effect, a standing offer is created for subsequent purchases of Microsoft products. Over the term of the initial agreement, HRM has acquired additional software licenses and products, including Cloud computing services to support various technology projects and system upgrades. These will continue to be implemented as needed and purchased through an annual "true up" process, ensuring HRM maintained compliance with software licensing requirements.

HRM's Enterprise agreement will expire on July 31, 2022.

DISCUSSION

Like many organizations, digital transformation continues at HRM in respect to the creation, delivery and support of digital products and services to both employees and customers, its citizens and businesses.

The products and services offered through the Microsoft agreement will support this transformation in three specific areas:

1. End user computing on desktop, laptop and mobile devices.
 - The number of supported end users has increased from 1,561 in 2010 to over 3,800 in 2022 and will grow to over 5,000 users in 2023 through the extension of services to frontline

- workers and the migration of the remaining on-premise email account holders to the Exchange in the cloud.
- Migration of all on-premise email accounts to Exchange Online is required as Microsoft will not offer an on-premise email solution past October 14, 2025.
 - The elasticity of user growth is also coupled with the demand by users of having the agility to work anywhere on any device to get done what they need to get done, with as little friction as possible.
 - With the pervasive business process workflows built using the Microsoft Office software suite, there would be significant inconvenience and substantial duplication of costs for the Municipality in switching to a different vendor.
 - The rate of change and how we consume digital products and services has been forever changed by the global pandemic. The subscription-based offering within the agreement will enable mapping products and services to user requirements.
 - Purchasing from a market leader will ensure that HRM has available the latest innovation in product and services while benefiting from cost amortization across a broad customer base.
2. Business application platform support on premise and in the cloud.
- This agreement includes Microsoft Windows Server, an operating system used extensively by HRM to provide enterprise-wide services.
 - More than 90% of software solutions we host and manage can only be run in a Microsoft Windows Server environment. Continuity of service is critical for supporting the organization and its users.
 - To mitigate risk, as we migrate to Business Apps in the Cloud, we require a vendor that can make that transition seamless with little or no impact on users.
3. Integrated security and compliance for all.
- Microsoft is able to provide an integrated security blanket across platform/data/app within its ecosystem, reducing the overhead to support multiple vendors and applications and additionally reduces the possibility of gaps in coverage between multiple applications.
 - The agreement includes solutions (Defender for Endpoint & Defender for Server) we have in place for protecting Endpoint Devices (Computers, Tablets, etc.) and Servers, as well as a Mobile Device Management solution (Microsoft Intune).

Microsoft's integrated products and services will support HRM users and customers in our current hybrid IT environment, leveraging cloud and non-cloud solutions.

FINANCIAL IMPLICATIONS

The cost of the proposed agreement is currently estimated at \$9,235,254 plus a net HST of \$395,823 for a total estimated cost of \$9,631,077.

The estimated current fiscal year cost is available from operating cost centre A742-6204 (Technology Infrastructure – Computer Software & Licenses). This expenditure was included in the 2022/2023 operating budget. The cost for year 2 and 3 of the agreement represents an estimated increase of \$521,000 over the existing budget which is equal to an estimated \$1.62 increase to the average residential tax bill. Note the total increase is estimated to span multiple fiscal years, an estimate of the impact is provided in the table below.

The estimated increase over the existing budget will fluctuate based on actual growth in employees across the organization but the more significant portion of the increase is related to migrating 2,016 existing on-

premises users to the Cloud which increases the annual cost by approximately \$513,000 per year. The migration of these users is expected to be split between the current fiscal year with the remainder occurring in fiscal 2023/2024. Microsoft will not offer an on-premise email solution past October 14, 2025. Migrating existing users will provide enhanced services to these employees ensuring additional and current productivity tools are made available.

The table below outlines the estimated cost over the next 4 years.

Fiscal Year	2022/23	2023/24	2024/25	2025/26
Operating – A742	2,858,400	3,183,300	3,316,000	3,427,200
Existing Budget	2,906,400			
Total Over 22/23 Budget	-	(276,900)	(409,600)	(520,800)
Avg. residential bill increase	-	\$1.08	\$1.35	\$1.62

*Variance between fiscal year total and annual contract total is due to contract term being August 1 – July 31 and fiscal year running April to March.

Actual in year cost may vary depending on the type of license required and the total number of new licenses required, any variances for future fiscal year requirements would be handled through the regular budget process.

RISK CONSIDERATION

While there is risk in any alternative procurement, the risk in this award is considered low since the Microsoft suite of products are the intellectual property of Microsoft and cannot be supplied by any other supplier.

ENVIRONMENTAL IMPLICATIONS

No environmental implications were identified.

ALTERNATIVES

1. Halifax Regional Council could choose to approve an alternative procurement with Microsoft Canada to provision HRM's Enterprise Desktop Solution (which includes Enhanced Services such as software licenses, maintenance and support services and cloud services options) through Microsoft Canada for a term of three (3) years at a reduced price by not approving the increase to migrate existing on-premises users onto the cloud (approximately \$513,000 annually).
2. Halifax Regional Council could choose to approve an alternative procurement with Microsoft Canada to provision HRM's Enterprise Desktop Solution (which includes Enhanced Services such as software licenses, maintenance and support services and cloud services options) through Microsoft Canada for a term of three (3) years and spread the increased cost associated with migrating on-premises users out over multiple years to reduce the total increase in any one year.

ATTACHMENTS

No attachments.

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