



Supply of Microsoft Cloud Subscriptions

Date: July 7, 2021
To: TTC Board
From: Interim Chief Financial Officer

Summary

The purpose of this report is to obtain the Board's authorization to amend the Enterprise Subscription Agreement (ESA) contract for Supply of Microsoft Cloud Subscriptions to Microsoft Canada by \$4,234,045, for a revised total contract amount of \$5,912,418. The additional contract authority is required to fund 2022 and 2023 subscription costs.

The ESA contract was awarded for a three-year term, but with only a one-year financial commitment of \$1,678,373. This approach was taken to ensure that the TTC could renew existing subscriptions prior to its annual expiry at the end of January 2021, while we negotiated pricing for the agreement with the vendor.

This contract leverages the Province's Master Business Agreement, which allows broader public-sector entities to leverage the same terms, conditions and preferred pricing discount. The pricing in this contract offers the highest level of discount from Microsoft (Government Level D Pricing).

The ESA contract provides software subscription for various software products that support the TTC's customer relationship management (CRM), data analytics, and project management business activities, as well as hosting capabilities for the TTC's public web content management. The software subscriptions will provide continued use of the following specific products: Dynamics 365 CRM, Azure Cloud Services, Project Online, OneDrive for Business, Power BI and Microsoft 365 (formerly Office 365).

Recommendations

It is recommended that the TTC Board:

1. Authorize the issuance of a contract amendment with Microsoft for the Supply of Microsoft Cloud subscriptions, to increase the upset limit amount of the Enterprise Subscription Agreement (ESA) contract by \$4,234,045, to a revised upset limit amount of \$5,919,418, inclusive of HST to fund the remaining two years of the three year contract term.

Financial Summary

Funds in the amount of \$1,511,427 have been included in the TTC's 2021 Operating Budget. Budget approval was received by the TTC Board on December 21, 2020 and by City Council on February 18, 2021.

Additional funds will be requested in future operating budgets based on each year's anticipated spending requirements.

Most product subscriptions covered by the ESA contract are priced on an annual per user basis and the growth for these products is based on an anticipated increase in the number of users.

Azure is priced by computing resources consumed and growth provides for contingency in the event of unexpected increase in usage and/or provides the opportunity to utilize additional functionality, if deemed appropriate. Actual spending will be less if increased usage does not materialize.

The amounts noted in Table 1 below outlines the anticipated expenditures in 2021 and the financial impact in each of the following two years of the contract term.

| Table 1. Anticipated Expenditures by Contract Term | | | | |
|--|--------------------|--------------------|--------------------|--------------------|
| Subscription | 2021 | 2022 | 2023 | Total |
| Azure | \$712,320 | \$923,540 | \$1,144,420 | \$2,780,279 |
| Dynamics CRM | 433,540 | 459,552 | 487,125 | 1,380,218 |
| Project Online | 85,413 | 90,537 | 95,970 | 271,920 |
| OneDrive | 9,005 | 9,546 | 10,118 | 28,669 |
| Power BI | 990 | 1,049 | 1,112 | 3,151 |
| Microsoft 365 | 270,159 | 286,369 | 303,551 | 860,079 |
| Financial Impact | \$1,511,427 | \$1,770,593 | \$2,042,296 | \$5,324,316 |
| Recoverable HST | 166,946 | 195,573 | 225,584 | 588,102 |
| Contract Total | \$1,678,373 | \$1,966,165 | \$2,267,880 | \$5,912,418 |

Equity/Accessibility Matters

A cornerstone of the TTC's 2018-2022 Corporate Plan is accessibility, and as a proud leader in providing accessible public transit in the city of Toronto, one of the TTC's service objectives is a commitment to ensuring reliable, safe and inclusive transit

services for all of our customers. This service objective is supported through the continued work of the TTC to implement modern and accessible information technology (IT) infrastructure.

The subscriptions acquired through the ESA contract further strengthen and modernize the TTC's IT infrastructure. They do so by providing tools that enable easier and more equal access of business systems and information for use by TTC employees to perform their work and to meet the ever-changing business needs and customer expectations, thereby supporting the TTC's service objective noted above.

Decision History

The TTC entered into an Enterprise Subscription Agreement with Microsoft Canada for the Supply of Microsoft Cloud Subscriptions under the Province's Microsoft Master Business Agreement for the term of February 1, 2021 to January 31, 2024. The initial award included only a one-year financial commitment amounting to \$1,485,286 before HST.

Issue Background

The ESA provides the TTC the ability to purchase Microsoft software subscriptions on an as-required basis, with no minimum ordering requirements. It provides the TTC price protection for the life of the agreement on all subscriptions and allows the TTC to decrease their order during the annual true-up.

The products available through the ESA are used within the TTC for various purposes, the most critical of which is Dynamics 365 CRM, in use since 2014. The Dynamics 365 CRM provides customer relationship management and case management capabilities for the TTC's Customer Service and Wheel-Trans teams.

In January 2021, the TTC entered into a new ESA contract for the term of February 1, 2021 to January 31, 2024. The initial award of the contract included only a one-year financial commitment of \$1,678,373. This approach was taken to ensure that the TTC could renew existing subscriptions prior to its annual expiry at the end of January 2021, while we negotiated pricing for the agreement with the vendor

The total planned purchases during the full term of the ESA require an additional \$4,234,045 (before HST rebate) to the contract for a revised total of \$5,912,418. As this amendment exceeds the \$5-million delegated authority threshold, Board approval is required.

Comments

The TTC's Enterprise Subscription Agreement (ESA) is leveraging the Province's Master Business Agreement (#U8364444) for the acquisition of Microsoft software, licenses and services. The Province's agreement allows the TTC to leverage this agreement for its use through the Broader Public Sector adoption clause, which permits

the broader public sector to issue their own agreement under the same terms, conditions and discounted rates.

The Province's agreement offers the highest level of discount from Microsoft (Government Level D Pricing).

The authorization of this amendment will provide additional authority of \$4,234,045 to fund subscription costs for the second and third year of this agreement.

The annual subscriptions that will be purchased through this agreement are:

- **Dynamics 365 CRM:** This product is used by the TTC to manage complaints, compliments, or other concerns that are raised by customers.
- **Azure Cloud Services:** The Azure cloud computing platform is used by the TTC as its data warehouse and analytics platform and to host the public website (TTC.ca).
- **Project Online:** The online solution is used by the TTC for project portfolio management to allow staff to report on portfolios, plan schedules, track projects, and view/update information on their assigned tasks.
- **Power BI:** This data analytics tool is used in conjunction with Dynamics 365 CRM and Project Online to provide reporting capabilities.
- **OneDrive for Business:** The use of OneDrive is limited to the secure sharing of files with organizations outside of the TTC.
- **Microsoft 365:** These subscriptions allow the TTC to undertake a Microsoft 365 Proof-of-Concept Assessment. The aim of the assessment is to evaluate the value proposition of the Microsoft 365 platform to the TTC by understanding the business benefits, as well as the budgetary, technical and security implications of an enterprise wide rollout.

Contact

Dhaksayan Shanmuganayagam, Head – Information Technology Services

416-393-3922

dhaksayan.shanmuganayagam@ttc.ca

Signature

Josie La Vita
Interim Chief Financial Officer