



City of Richmond

Report to Committee

To: General Purposes Committee **Date:** April 16, 2021
From: Grant Fengstad **File:** 04-1300-01/2020-Vol
 Director, Information Technology 01
Re: 7036Q – Supply and Delivery of Microsoft Licensing

Staff Recommendation

1. That contract 7036Q – Supply and Delivery of Microsoft Licensing be awarded to Dell Technologies with three-year cost estimated at \$807,882.34, exclusive of taxes.
2. That a contingency amount of \$181,935.66 be approved to accommodate any unforeseen license true up requirements and any remaining funding would be returned to the software provision fund.

Grant Fengstad
 Director, Information Technology
 (604-276-4096)

REPORT CONCURRENCE		
ROUTED TO: Finance Department	CONCURRENCE <input checked="" type="checkbox"/>	CONCURRENCE OF GENERAL MANAGER Acting GM, F&CS
SENIOR STAFF REPORT REVIEW	INITIALS: 	APPROVED BY CAO

Staff Report

Origin

The Information Technology (IT) Department budgets, governs and ensures compliance for software licensing requirements. IT assesses the number of users (seats) in use annually and ensures compliance through a “true-up” process, which is a process that compares the number of licenses currently owned against the number of seats in use.

The City has chosen to license using a perpetual license model for our Corporate software. This provides the City with the right to use the software product at the version purchased perpetually, without additional cost. Software vendors have also introduced a “subscription model” where organizations pay for the use of software annually. Based on analysis conducted by City staff, the subscription model only begins to benefit the City financially when software versions are updated within 30 to 36 months. Our Corporate software is upgraded every five to seven years thus the perpetual model provides a better financial outcome for the City.

Microsoft ended support and security patching for Windows 7 Operating System on January 14, 2020 and ended its support and security patching for Office 2010 suite on October 13, 2020. Plans to move to recent software versions (Windows 10 Operating System and Office 2016 suite) are in progress.

With the migration to Windows 10 Operating System, Microsoft software licensing must be purchased to ensure licensing compliancy and to proactively prepare for Microsoft licensing non-compliancy audits. Violation of licensing compliancy agreements can lead to unplanned licensing costs, or reputational damage.

In April 2020, a software true-up, to ensure product usage compliance of a newer version, confirmed that the City would need to maintain the current license quantities for Office Suite, Visio, Project and Exchange Server Client Access but would require more Windows Server Client Access and Office 365 subscription licenses. The required purchase quantities are outlined as following:

- 1500 Microsoft Office licenses
- 40 Microsoft Visio Standard licenses
- 16 Microsoft Project Standard licenses
- 50 Microsoft Office 365 licenses
- 400 Windows Server Client Access Licenses
- 1500 Exchange Server Client Access Licenses

This report supports Council’s Strategic Plan 2018-2022 Strategy #5 Sound Financial Management:

Accountable, transparent, and responsible financial management that supports the needs of the community into the future.

5.1 Maintain a strong and robust financial position.

5.4 Work cooperatively and respectfully with all levels of government and stakeholders while advocating for the best interests of Richmond.

RFQ Process

A Request for Quotation (RFQ) public bid was posted to BC Bid on November 24, 2020 and closed for bidding on December 22, 2020.

The RFQ outlined the City's requirements for Microsoft Licensing, detailing product name description, quantities required for initial true-up and as-needed licensing based on new hires. Licensing types included perpetual (uninterrupted user's right to use for the version purchased) and subscription (user's right to use for the current version supported by the reseller for the term purchased).

Quotations were received prior to the stated closing time from Dell Technologies, CDW Canada, Compugen Inc., Insight, Longview and Softchoice LP. (Individual pricing quotation breakdowns may be found in Attachment 1: Bidder Product Quotation Details)

Analysis

Four companies (Dell Technologies, CDW Canada, Compugen Inc and Softchoice LP) submitted quotations that responded to all the listed requirements in the RFQ: 3-year subscription costs, perpetual licensing costs and as-needed licensing for years 2 and 3.

Two companies had incomplete bids; Insight Canada Inc and Longview only provided pricing for subscription costs and perpetual licensing costs, and declined to provide as-needed licensing in years 2 and 3. In addition, Longview did not provide pricing for the requested full 3-year term for Office 365 licenses making their bid incomplete, as it was not responsive to all of requirements described in the RFQ.

Staff determined that the quotation received from Dell Technologies totalling \$807,882.34 was therefore the lowest priced quotation and responsive to all of the requirements set out in the RFQ.

Financial Impact

The RFQ licensing requirements were based on known users and equipment when they were determined, and did not allow for additional requirements and unknown future demand created by the current pandemic. In the past year, City staff and additional equipment have been deployed to work remotely. Given the current situation, the City continues to require additional licenses ensure compliancy. There is an estimated \$181,935 remaining in funding which could be used for these licenses purchases. Any remaining funding would be returned to the software provision fund.

Capital projects CY00047 and CY00051 form the funding source of \$989,818.00. Initial projected funding required is \$807,882.34 exclusive of taxes. The financial impact over a three-year period is summarized as follows:

Estimated Cost

Approved Budget	
Capital account CY00047 (Microsoft Office Licensing)	\$494,909.00
Capital account CY00051 (Microsoft Office Licensing)	\$494,909.00
Total Approved Budget	\$989,818.00
Estimated Costs	
Contract 7036Q – Supply and Delivery of Microsoft Licenses –Year 1	\$624,418.60
Contract 7036Q – Supply and Delivery of Microsoft Licenses –Year 2	\$81,448.88
Contract 7036Q – Supply and Delivery of Microsoft Licenses – Year 3	\$81,448.88
Contract 7036Q – As needed Licensing (Years 2 and 3)	\$20,565.98
Subtotal	\$807,882.34
Contingency	\$,181,935.66
Total Estimated Costs	\$989,818.00
Funds Remaining	\$ 0.00

Conclusion

This report presents the RFQ summary results for Contract 7036Q. It is recommended that a contract be awarded to Dell Technologies as the lowest responsive and responsible bidder with 3-year cost estimated at \$807,882.34, exclusive of taxes, and to approve a contingency amount of \$181,935.66 to accommodate any unforeseen license true up requirement.



Angela Deer
 Manager, IT Compliance and Project Delivery
 (604-276-4252)

AED:aed

Att. 1: Bidder Product Quotation Details

Attachment 1 – Bidder Product Quotation Details

Table 1: Product Quotation by License Category

Company	Perpetual Licensing	Subscription Licensing	As-needed Licensing	Total Quoted Amount
Dell Technologies	\$546,969.72	\$244,346.64	\$20,565.98	\$807,882.34
CDW Canada	\$560,146.12	\$252,099.00	\$21,531.55	\$833,776.67
Compugen Inc	\$565,913.70	\$255,256.50	\$21,430.90	\$842,601.10
Softchoice LP	\$559,749.30	\$608,589.00	\$21,108.60	\$1,189,446.90
Insight Canada Inc	\$565,837.15	\$264,727.50	No response	\$830,564.65
Longview	\$571,461.06	\$230,263.00	No response	\$801,724.06 ¹

Table 2: Product Quotation by License Type

Product	Dell	CDW	Compugen	Softchoice	Insight	Longview
Windows Server CAL – user with SA annual cost	\$1,031.87	\$1,064.50	\$1,075.50	\$2,824.50	\$1,075.50	\$1,086.00
Windows Server CAL – device with SA annual cost	\$5,687.99	\$5,869.50	\$5,929.00	\$15,571.50	\$5,929.00	\$5,985.00
MS Exchange CAL – device with SA annual cost	\$28,641.62	\$29,550.00	\$29,856.00	\$78,372.00	\$23,142.00	\$30,144.00
MS Exchange CAL – user with SA annual cost	\$33,305.58	\$34,362.00	\$34,713.00	\$91,125.00	\$44,775.00	\$35,055.00
Office 365 E3 Licencing - 3 year term – annual cost	\$12,781.82	\$13,187.00	\$13,512.00	\$14,970.00	\$13,321.00	\$13,453.00 ¹
MS Office 2019 Standard (Perpetual)	\$504,082.60	\$520,046.10	\$525,400.50	\$520,046.10	\$525,327.75	\$530,551.20
MS Office 2019 Professional Plus (Perpetual)	\$21,261.60	\$21,924.90	\$22,150.80	\$21,708.00	\$22,149.00	\$22,367.70
Microsoft Visio Standard 2019 (Perpetual)	\$9,294.80	\$9,584.40	\$ 9,683.20	\$9,489.60	\$9,682.00	\$9,778.00
Microsoft Project Standard 2019 (Perpetual)	\$8,330.72	\$8,590.72	\$8,679.20	\$8,505.60	\$8,678.40	\$8,764.16

¹ Quoted pricing only includes 1-year of Office 365 licensing, not 3-years as requested in RFQ