



**City of Kingston  
Report to Council  
Report Number 19-239**

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**To:** Mayor and Members of Council  
**From:** Deanne Roberge, Acting Commissioner, Corporate Services  
**Resource Staff:** Jeff Bumstead, Chief Information Officer  
**Date of Meeting:** September 3, 2019  
**Subject:** Single Source Purchase - Microsoft Office 365 Subscription Licenses

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**Executive Summary:**

The purpose of this report is to seek Council approval to enter into a five-year agreement with Microsoft for the purchase of Office 365 subscription licenses.

Office 365 is a suite of services provided by Microsoft that includes email hosting, secure cloud file storage, videoconferencing and chat capabilities, web-based versions of familiar Office productivity applications (Microsoft Word, PowerPoint, Excel), and upgraded versions of the Office desktop applications for users who require advanced functionality. The suite also offers a series of information compliance features, including eDiscovery, legal hold, auditing and automated records management. In addition to being the natural evolution of the Microsoft Office productivity suite, the City also chose Office 365 as its Enterprise Content Management (ECM) platform through a competitive procurement process in 2015. Since then, staff have piloted the product and verified that it meets all our core requirements with regards to information and records management and compliance.

In recent months, staff have researched and reviewed the subscription licensing options and determined that the most appropriate and cost-effective method of licensing would be to enter into a direct agreement with Microsoft for the service offering. The purchase price for the first year of the subscription licensing is estimated at \$155,705 CAD plus applicable taxes. Funds for this purchase are included in the approved IS&T capital budget. Funding for additional years has been included in the IS&T 15-year capital plan.

Staff is proposing a 5-year contract for several reasons, including:

September 3, 2019

Page 2 of 6

- Price stability – Microsoft frequently raises product prices, and this approach allows us to predict pricing based on the contract parameters. Annual costs will increase if new users and/or capabilities are added.
- Future benefits – The provincial agreement with Microsoft will be up for re-negotiation and renewal in roughly this same timeframe so we will be able to take advantage of any benefits that might bring.
- Minimal risk – There is little risk in a 5-year contract as the City will be using the Microsoft Office productivity suite for many years to come.

In accordance with Section 4.5 of Purchasing By-Law Number 2000-134, Council approval is required for single source procurement.

**Recommendation:**

**That** Council authorize the Mayor and Clerk to execute a contract between the City of Kingston and Microsoft, in a form satisfactory to the Director of Legal Services, for the procurement of Office 365 subscription licenses for the initial purchase price of \$155,705 CAD plus applicable taxes for the 2019-2020 term, and an anticipated purchase price of approximately \$207,380 per year for the remaining four years of the agreement.

September 3, 2019

Page 3 of 6

**Authorizing Signatures:**

ORIGINAL SIGNED BY COMMISSIONER

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**Deanne Roberge, Acting  
Commissioner, Corporate  
Services**

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

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**Lanie Hurdle, Interim Chief  
Administrative Officer**

**Consultation with the following Members of the Corporate Management Team:**

Peter Huigenbos, Acting Commissioner, Community Services	Not required
Jim Keech, President & CEO, Utilities Kingston	Not required
Desirée Kennedy, Chief Financial Officer & City Treasurer	Not required
Sheila Kidd, Commissioner, Transportation & Public Works	Not required

September 3, 2019

Page 4 of 6

**Options/Discussion:**

The City of Kingston is seeking to modernize how it manages its information as it becomes a digital-first, data-driven organization.

This transformation process has resulted in the development of new information management governance, policies and practices. Significant effort has been undertaken in 2019 to develop training material, streamline records retention rules and begin responsible data clean-up in preparation for this modernization effort.

The City also recognizes that new tools and technology are required to support this new direction and to fully realize desired benefits. Like most organizations, the City has been using the Microsoft Office suite of productivity tools (Microsoft Word, PowerPoint, Excel, etc.) since they first became available many years ago. The Microsoft Office suite has gone through many iterations and upgrades over the years, the most significant of which being the offering of a cloud-based subscription platform named Office 365. The move to Office 365 is a natural evolution the City would have undertaken to take advantage of increased flexibility, new collaborative features, and other advanced capabilities. In addition, the City chose Office 365 as its Enterprise Content Management (ECM) platform through an extensive competitive (RFP) procurement process in 2015. Office 365 was selected as the City's ECM platform due to:

- the core tools provided (SharePoint, Word, Excel and PowerPoint);
- user familiarity with the Microsoft interface and user paradigm;
- new capabilities such as workflow automation, real-time chat, and video conferencing;
- anywhere/any time/any device access to documents and information;
- the fact that new features and upgrades are completely managed by Microsoft and delivered continuously; and
- competitive pricing.

Through an extended pilot period, IS&T, the Office of the City Clerk, and early adopter departments have validated that Office 365 provides the capabilities needed to modernize our digital workplace. The services provided through Office 365 will significantly serve to improve all aspects of information management and collaboration at the City for staff, leadership and Council. These critical capabilities will improve:

- the way documents are created, shared and protected;
- the way meetings are conducted, and information communicated; and
- the level of automation of document-based processes.

In recent months, staff have turned their attention to the task of procuring subscriptions for Microsoft's Office 365 service and have determined that a direct contract with Microsoft would be the best option for procuring these subscriptions.

To support the initial rollout of Office 365 across the organization, including Utilities Kingston, we recommend the following subscriptions be purchased for year 1:

September 3, 2019

Page 5 of 6

<b>Solution Name</b>	<b>User Profile (Benefits)</b>	<b># Users</b>	<b>Monthly Cost (per user)</b>	<b>Annual Cost</b>
Office 365 F1	Frontline/Mobile User (light storage, web versions of Word, Excel, Powerpoint)	1,000	\$3.47	\$41,640
Office 365 E1	Casual Office User (more storage, web versions of Word, Excel, Powerpoint)	150	\$8.16	\$14,688
Office 365 E3	Advanced User (more storage, full versions of Word, Excel, Powerpoint)	350	\$22.52	\$94,584
Office 365 E5	Advanced User (advanced information compliance and security features)	6	\$39.42	\$2,838
Office 365 Advanced Threat Protection (ATP)	N/A	10	\$1.92	\$230
Windows Intune Mobile Device Mgmt.	N/A	25	\$5.75	\$1,725
<b>Total:</b>		<b>1,541</b>	<b>\$81.24</b>	<b>\$155,705</b>

Funding for 2019-2020 has been secured. In future years we anticipate user subscriptions to increase to 1298 for F1, 226 for E1, 475 for E3. ATP and Intune (security management products) will be evaluated based on value. These increases have been included in funding for future years have been accounted for the IS&T 15-year capital plan.

In addition to providing staff with access to more modern, collaborative tools, the move to Office 365 will allow the corporation to avoid several upgrade and maintenance-related expenditures, which are outlined below. These include:

1. Periodic (every 5 years) upgrades to our on-premise email systems.
2. Annual maintenance and future upgrades to the TRIM records management solution.
3. Licensing costs and periodic (every 5 years) upgrades to the current Office productivity suite.

September 3, 2019

Page 6 of 6

While this is not a cost savings exercise, staff expects the total costs avoided as a result of this initiative to be in excess of \$300,000 over the next three to four years.

This purchasing recommendation is required to continue to move forward with the project as planned. Many departments have expressed interest in signing up to Office 365 to address immediate needs, while others have adopted other unsanctioned collaborative tools that present security, privacy and financial risks. It is imperative for the project that subscriptions be secured from Microsoft in order to continue.

**Existing Policy/By-Law:**

By-Law Number 2000-134, a By-Law to Establish Purchasing Policies and Procedures, as amended.

**Notice Provisions:**

There are no notice requirements for this report.

**Accessibility Considerations:**

Not applicable.

**Financial Considerations:**

There are sufficient funds available in the approved existing capital budget to proceed with this procurement as recommended in this report. Funding for additional years has been included in the IS&T 15-year capital plan.

**Contacts:**

Jeff Bumstead, Chief Information Officer 613 546 4291 extension 1341

**Other City of Kingston Staff Consulted:**

Scott Tulk, Manager, Digital Transformation, Architecture and Planning

**Exhibits Attached:**

Not applicable