Agenda - Executive Policy Committee - April 23, 2003

Report - Standing Policy Committee on Public Works - April 15, 2003

Item No. 3 License Agreement for Sewer Management Systems Software
File WS-5 (Vol. 19)

STANDING COMMITTEE RECOMMENDATION:

On April 15, 2003, the Standing Policy Committee on Public Works concurred in the administrative recommendation, and recommended:

1. That Council approve a five-year exclusive license with UMA Engineering Ltd. for the Sewer Management System software in accordance with the terms and conditions as outlined in this report, and such other terms and conditions as may be required by the City Solicitor.

2. That Council delegate to the Chief Administrative Officer the authority to consent to sub-license agreements requested by UMA Engineering Ltd., on such terms, conditions and fees as the Chief Administrative Officer considers to be appropriate.

3. That any revenues generated by the sub-license fees be directed to the Sewer Renewal Reserve.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing, including the execution of any documents related thereto.

Agenda - Executive Policy Committee - April 23, 2003

Report - Standing Policy Committee on Public Works - April 15, 2003

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On April 15, 2003, the Standing Policy Committee on Public Works concurred in the administrative recommendation and submitted the matter to Executive Policy Committee and Council.

RE: LICENSE AGREEMENT FOR SEWER MANAGEMENT SYSTEM SOFTWARE

FOR SUBMISSION TO: STANDING POLICY COMMITTEE ON PUBLIC WORKS

ORIGINAL REPORT SIGNED BY: Barry D. MacBride, P. Eng.
Director
Water and Waste Department

REPORT DATE: March 26, 2003

RECOMMENDATION(S):

1. That Council approve a five-year exclusive license with UMA Engineering Ltd. for the Sewer Management System software in accordance with the terms and conditions as outlined in this report, and such other terms and conditions as may be required by the City Solicitor.

2. That Council delegate to the Chief Administrative Officer the authority to consent to sub-license agreements requested by UMA Engineering Ltd., on such terms, conditions and fees as the Chief Administrative Officer considers to be appropriate.

3. That any revenues generated by the sub-license fees be directed to the Sewer Renewal Reserve.

REPORT SUMMARY

KEY ISSUES:

- In 1997 the Water and Waste Department assigned engineering services for the Sewer Management Study to UMA Engineering Ltd., including development and configuration of the Sewer Management System software application.

- UMA Engineering has requested a five year exclusive license for the Sewer Management System software with the right to sub-license, with sub-licensing terms and conditions subject to City approval. The City would share as a partner in any profits from sub-licensing fees.

- A present worth analysis indicates that the proposed licensing agreement is a financially attractive option for the City, as well as providing other non-tangible benefits.

IMPLICATIONS OF THE RECOMMENDATION(S):

General Implications

	None
	For the organization overall and/or for other departments
	For the community and/or organizations external to the City of Winnipeg
X	Involves a multi-year contract

Comment(s): Approval is requested to enter into a 5 year agreement for licensing of the Sewer Management System software.

Policy Implications

X	No
	Yes – Comment(s):

Environmental Implications

X	None
	Yes – Comment(s):

Human Resources Implications

X	No
	Yes – Comment(s):

Financial Implications

X	Within approved current and/or capital budget
	Current and/or capital budget adjustment required

Comment(s): The proposed licensing agreement will generate revenues; therefore, there are no financial implications to existing budgets.

REPORT

REASON FOR THE REPORT:

Council approval is required to enter into legal agreements and to set fees.

HISTORY:

1997 Council approved the 1997 Capital Estimates, which included funding for the sewer renewal program. A portion of this funding was used for the Sewer Management Study, which included development of a software application known as the Sewer Management System.

DISCUSSION:

In 1997 the Water and Waste Department assigned engineering services for the Sewer Management Study to UMA Engineering Ltd. The scope of the study included a review of existing sewer management practices in Winnipeg, recommendation of a sewer condition rating system, development of interpretive assessment guidelines to be used in conjunction with condition rating data, and development of sewer rehabilitation guidelines and economic appraisal criteria. Finally, the scope of the study included development of a data management application, which would manage the sewer condition data and aid in development of capital and maintenance programming. As a result, UMA Engineering Ltd. developed the Sewer Management System software application for the City of Winnipeg.

Under the Terms and Conditions of the Engineering Agreement for the Sewer Management Study, the Sewer Management System software is the property of the City of Winnipeg.

UMA Engineering Ltd. has indicated that several of their clients have expressed interest in sub-licensing the Sewer Management System software (SMS). As a result, they have requested a five-year exclusive license for the Sewer Management System software with the right to sub-license, with sub-licensing conditions and fees subject to City approval on a case-by-case basis.

Potential revenues generated by sub-license fees are difficult to forecast at this preliminary stage. However, in UMA's letter of request, they advise that two of their clients have formally approached them regarding sub-licensing of the SMS. The estimated revenue to the City generated by sub-license fees for these two clients is $26,000, subject to City approval.

Options:

The options under consideration are as follows:

1. Current arrangement (status quo) – In this option, the City would continue to utilize the Sewer Management System software under the existing arrangement. Costs to develop the software have already been expended by the City. There are no licensing or maintenance costs associated with the software since we are the owners.

2. Enter into licensing agreement – This is the option proposed by UMA Engineering. Costs to develop the software have already been expended by the City, and we will remain the owners of the software. As such, there will continue to be no licensing or maintenance costs associated with the software. However, we would enter into a licensing agreement with UMA, which would allow them to sub-license the software to other clients, with conditions and fees subject to City approval. Sub-licensing fees will generate revenue for the City.

3. Sale of Sewer Management System software - Although it has not been proposed, an additional option would be the outright purchase of the SMS software, where the City's costs for development of the core application would be reimbursed and UMA would become the sole owner of the software. In turn, the City would purchase a software license, and annual software maintenance costs would be applicable.

The financial aspects of the various options are as follows:

- <u>Option 1 - Current arrangement (status quo):</u>

Core application development costs	$80,000
Application maintenance costs	0
Revenue	0
Present Worth Costs (Benefits)*	$80,000

- <u>Option 2 – Enter into licensing agreement:</u>

Core application development costs	$80,000
Application maintenance costs	0
Revenue** - Year 1	($26,000)
- Year 2-5 (per year)	($12,500)
Present Worth Costs (Benefits)*	$11,500

- <u>Option 3 - Sale of SMS:</u>

Core application development costs	$80,000
Proceeds from sale of core application	($80,000)
License fee***	$50,000
Application maintenance costs (annual)	$2,000
Revenue	0
Present Worth Costs (Benefits)*	$58,900

*assuming 4% discount rate and 5 year license duration
**projected revenue in years 2 to 5 based on licensing 2 users per year
***license fee based on 4 concurrent users (access by 4 users at a time)

The analysis above demonstrates that the most financially attractive option to the City is to enter into the proposed licensing agreement (Option 2). In addition to the financial benefits associated with the proposed licensing arrangement due to sub-license revenues, there will be financial benefits associated with upgrades being offered to the City at no cost. Finally, in addition to direct financial compensation, the City will benefit from a wider user base for the SMS software, which will assure continued support for the software.

If revenues generated by the sub-license fees are directed back to the program that developed the Sewer Management System software and continues to fund maintenance and support for the software, the SMS may become self-sustaining, by funding its own data maintenance and/or any future upgrading required due to technological or work process changes.

This potential licensing arrangement has been discussed with Legal Services. Contingent on Council approval, a formal license agreement with UMA Engineering Ltd. will be prepared by the City Solicitor. Terms and conditions in the agreement will include (but not be limited to):

- The license will be exclusive to UMA Engineering Ltd., for a term of five years, for the nominal sum of one dollar.
- There will be no cost to the City for permitting UMA to sub-license SMS.
- UMA Engineering Ltd. will indemnify the City against any and all claims resulting from use of the SMS. If UMA utilizes a third party to perform modifications of SMS, it will ensure that the City is indemnified in any third party agreement.
- Sub-licensees and sub-license agreements will be subject to City approval on a case-by-case basis.
- Improvements suggested, developed, implemented, and financed by other parties (including UMA) will become UMA's intellectual property but will be offered back to the City of Winnipeg at no cost.
- The City will retain the right to audit UMA, to such extent necessary to confirm that sub-licensing fees due to the City are being collected and re-distributed to the City in accordance with the appropriate agreements.

FINANCIAL IMPACT:

The following financial impact statement for this project has been prepared in accordance with the recommendation adopted by Council on December 13, 2000.

Financial Impact Statement Date: March 26, 2003

Project Name: License Agreement for Sewer Management System Software

COMMENTS: The proposed licensing agreement will have no financial impact as estimated revenues are negligible.

Moira L. Geer C.A.
Manager of Finance & Administration

IN PREPARING THIS REPORT THERE WAS CONSULTATION WITH AND CONCURRENCE BY:

Corporate Services, Legal Services Division
Corporate Information Technology

THIS REPORT SUBMITTED BY:

Water and Waste Department
Engineering Division
Prepared by: Diane Sacher, P.Eng.
File No. 17-07-09-00