Agenda – Executive Policy Committee – March 18, 2025

REPORTS

Item No. 13 Single Source Approval for 12 Month Contract for the Provision of Microsoft Licensing Services - Purchasing Reference No. 68-2022

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That a Single Source contract extension for the provision of Microsoft Licensing Services with Insight Canada Inc., Purchasing Reference No. 68-2022, be approved for the one-year period from April 1, 2025, to March 31, 2026, pursuant to B4.1(i) of the Purchasing Policy, where the supply is for interim contractual arrangements following the expiration of a contract. The Services are provided by Microsoft and funds are paid to Microsoft as noted in Recommendations 2 and 3 below. However, Microsoft requires that the City enter into a licensing agreement with a third party such as Insight Canada before the City can enter into an agreement with Microsoft.

2. That, subject to the approval of Recommendation 1, the City enter into, execute, deliver, and approve a contract with Microsoft Canada Inc. for three years from April 1, 2025, to March 31, 2028, at an estimated cost in the first year of $3,944,303, MRST and GST extra, as applicable, pursuant to B4.1(f) of the Purchasing Policy, where the compatibility of a supply with existing property or services is the paramount consideration and that supply is available only from a single supplier.

3. That, subject to the approval of Recommendation 1, the City enter into, execute, deliver, and approve a contract with Microsoft Canada Inc. specific for to service provided to the Winnipeg Police Service for three years from April 1, 2025, to March 31, 2028, at an estimated cost in the first year of $1,989,216, MRST and GST extra, as applicable pursuant to B4.1(f) of the Purchasing Policy, where the compatibility of a supply with existing property or services is the paramount consideration and that supply is available only from a single supplier.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

ADMINISTRATIVE REPORT

Title: Single Source Approval for 12 Month Contract for the Provision of Microsoft Licensing Services - Purchasing Reference No. 68-2022

Critical Path: Executive Policy Committee

AUTHORIZATION

Author	Department Head	CFO	CAO
K. Ross	M. Walczak	T. Graham	S. Armbruster, Interim CAO

EXECUTIVE SUMMARY

This report's recommendations are to extend the contract for one year to allow time to leverage the Government of Manitoba Request for Proposal (RFP) for Microsoft Licensing Services and to renew the Microsoft Enrollment Enterprise Agreement entered into as a result of the Contract for an additional three years.

The City is participating in a cooperative procurement with the Government of Manitoba to select a provider for the next multi-year term. Completion of that procurement has been delayed, and this report's recommendation is to extend the current contract for one year while the Government of Manitoba completes the procurement.

This report is recommending the approval of an extension of the contract for the Provision of Microsoft License Solution Provider Services and Licensing Support Services under a co-operative purchase agreement with the Government of Manitoba. The current Microsoft Licensing Services contract with Insight Canada Inc. (formerly Acrodex/PCM Canada), expires on March 31, 2025, and the related Microsoft Enterprise Enrollment Agreement between the City and Microsoft expired February 28, 2025.

If extended, the contract with Insight Canada Inc. will continue to permit the City to purchase Microsoft O365 Subscription Licenses Azure services via Insight Canada Inc. and facilitate the City's renewal of the Microsoft Enterprise Enrollment Agreement with Microsoft. Microsoft does not permit direct purchases of Enterprise Licenses, which must be purchased subject to the terms of a licensing agreement with an authorized third party.

Two single-source contract extensions were previously approved by the Executive Policy Committee for the period from April 1, 2024, to September 30, 2024, and from October 1, 2024, to March 31, 2025, for an amount not to exceed $3,428.122.00 and $3,428,122.00 respectively. Due to the delay of the cooperative procurement, no contract was entered into during this period. The Public Service's spending authority must be extended beyond March 31, 2025, so that the contract can be signed and the Microsoft Enterprise Enrollment Agreement renewed.

The recommendations of this report are compliant with the Purchasing Policy, but may not comply with the applicable Trade Agreements. Further details are provided in the History/Discussion section.

RECOMMENDATIONS

1. That a Single Source contract extension for the provision of Microsoft Licensing Services with Insight Canada Inc., Purchasing Reference No. 68-2022, be approved for the one-year period from April 1, 2025, to March 31, 2026, pursuant to B4.1(i) of the Purchasing Policy, where the supply is for interim contractual arrangements following the expiration of a contract. The Services are provided by Microsoft and funds are paid to Microsoft as noted in Recommendations 2 and 3 below. However, Microsoft requires that the City enter into a licensing agreement with a third party such as Insight Canada before the City can enter into an agreement with Microsoft.

2. That, subject to the approval of Recommendation 1, the City enter into, execute, deliver, and approve a contract with Microsoft Canada Inc. for three years from April 1, 2025, to March 31, 2028, at an estimated cost in the first year of $3,944,303, MRST and GST extra, as applicable, pursuant to B4.1(f) of the Purchasing Policy, where the compatibility of a supply with existing property or services is the paramount consideration and that supply is available only from a single supplier.

3. That, subject to the approval of Recommendation 1, the City enter into, execute, deliver, and approve a contract with Microsoft Canada Inc. specific for to service provided to the Winnipeg Police Service for three years from April 1, 2025, to March 31, 2028, at an estimated cost in the first year of $1,989,216, MRST and GST extra, as applicable pursuant to B4.1(f) of the Purchasing Policy, where the compatibility of a supply with existing property or services is the paramount consideration and that supply is available only from a single supplier.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

Where the estimated value of the single source contract to be negotiated exceeds $1 million, and the procurement may not be permitted under the various Trade Agreements, Executive Policy Committee (EPC) approval is required pursuant to B8.1.1(b) of the Purchasing Policy.

IMPLICATIONS OF THE RECOMMENDATIONS

This agreement provides a standing offer, allowing the City to purchase Microsoft licensing subscriptions and products on an “as required” basis. Products purchased will be funded through approved Operating Budgets within the Innovation and Technology Department and departmental budgets.

The City can terminate the three-year contract with Microsoft if the City does not have the funding, providing no commitment to future budgets.

HISTORY/DISCUSSION

In December 2018, the Government of Manitoba issued Request for Proposals No. ICTP-0019-2018/19-BTT for a "Software Licensing Solution Provider (LSP)" (the "**RFP**"). On April 1, 2019, the Government of Manitoba subsequently awarded the RFP contract for "Provision of Microsoft License Solution Provider Services and Licensing Support Services" to Acrodex Inc. doing business as PCM Canada (now Insight Canada Inc.) for the period of April 1, 2019, to March 31, 2024. As the City was named as a participant in the Government of Manitoba's RFP, the City is also considered an Affiliate under the resulting Microsoft Business Services Agreement ("MBSA") and Enterprise Agreement entered into between the Province and Microsoft, and could avail itself of these service offerings, and enter into an agreement with Insight Canada Inc. for Microsoft purchases on substantially the same terms and conditions as the Government of Manitoba.

On February 9, 2022, the Chief Financial Officer approved the award of contract for the Provision of Microsoft License Solution Provider Services and Licensing Support Services with Insight Canada Inc. at a total estimated cost of $2,797,563.46, MRST and GST extra, as applicable for the period of date of award until March 31, 2024.

The City entered into two Enrollment Agreements with Microsoft as a result of the award. One specific to the Winnipeg Police Service, given the sensitive nature of their work, and one for the rest of the City. The Enrollment Agreements allowed the City to purchase Microsoft Office 365 Subscription Licenses and other Microsoft software at a discount over other licensing agreements available to the City.

The Microsoft Enrollment Agreement was for a three-year term with a minimum commitment of 500 Subscription Licenses. The Microsoft Qualifying Government Entity Addendum (the "**Addendum**") modified the Enrollment Agreement, reducing the minimum commitment to 250 Subscription Licenses (totaling as little as $24,480 plus applicable MRST and GST, per year). The City was allowed to increase or decrease license quantities in an annual True Up process as long as a minimum of 250 licenses was maintained for the duration of the Enrollment term.

In addition to lower the minimum commitment of the Enrollment Agreement, the Addendum also allowed for "Mid-term Cancellation for Non-Appropriation of Funds". This section states that the City can terminate an Enrollment Agreement "without liability, penalty or further obligation to make payments if funds to make payments [...] are not appropriated or allocated for such purpose". The Public Service has interpreted this to mean that if Council does not approve an operating budget which makes room for ongoing licensing, the City will be able to terminate the Enrollment without penalty. When asked for confirmation of this interpretation, a Microsoft representative confirmed the presence of the language, however they would not confirm in writing that the City's interpretation of the language was correct. There is therefore a risk that Microsoft may disagree with this interpretation should the City attempt to leverage this section, however in the opinion of the Public Service the risk associated with this is low given the *prima facie* interpretation of the language and the relatively low minimum potential cost, which could likely be absorbed by contingent capital funds in a worst-case scenario.

Upon the expiration of the cooperative arrangement on March 31, 2024, a single source contract extension of the contract with Insight Canada Inc. was approved by the Executive Policy Committee for the period from April 1, 2024, to September 30, 2024, for an amount not to

exceed $3,428.122.00. As of July 18, 2024, the expectation was that the Government of Manitoba agreement would not be awarded by September 30, 2024.

A second single source contract extension with Insight Canada Inc. was presented and approved by the Executive Policy Committee for the period October 1, 2024, to March 31, 2025, for an amount not to exceed $3,428,122.00.

As of February 11, 2025, it has been confirmed that the Government of Manitoba has extended its existing Microsoft Software Licensing contract for one year, similar to the City of Winnipeg, to provide additional time to conduct a new procurement process. The Province is now actively working on putting a new cooperative contract in place by April 2026. The City of Winnipeg's proposed extension aligns with this approach, ensuring continued participation in the Government of Manitoba's cooperative buying agreement. The Province's extension supports the collective purchasing strategy and provides continuity of Microsoft Licensing Services.

Therefore, the Public Service is recommending approval of the spending authority of an amount up to $5,933,519 and not to exceed this spend amount. This request supports a consolidation of a couple of contracts specifically our Server Cloud Enrollment (SCE) Agreement for the Azure Subscription contract that was transferred to this Enterprise Agreement. The Public Service is requesting a single source contract extension for the period from April 1, 2025, to March 31, 2026, and will be subject to the same terms and conditions as the existing contract for the provision of Microsoft Licensing Services with Insight Canada Inc. This will permit the City to renew is Microsoft Enrollment Agreements for another three years.

The City of Winnipeg will continue to support the partnership collective buying agreement collaboration with Government of Manitoba. The RFP for Microsoft License Services and the City will require this extension to participate permit the renewal of the Microsoft Enrollment Agreements for another three years.

Microsoft provides a grace period of 30 days from the expiration of an Enrollment Agreement. The City will use this grace period to ensure the timelines for the Microsoft Licensing Services with Insight Canada Inc. and the Enrollment Agreements are in alignment. This will also ensure the contract that results from the new RFP being conducted by the Province, will also be aligned with the Microsoft Enrollment Agreements. If the Province awards the contract to a different supplier, the relationship between the City and Microsoft may continue if the City chooses.

This single source extension of the contract with Insight Canada is in accordance with B4.1 (i) of the Purchasing Policy, which states that the supply is for interim contractual arrangements following the expiration of a contract.

The extension of the Contract with Insight Canada Inc. is subject to the New West Partnership Trade Agreement ("**NWPTA**"), which incorporates the requirements of the Canadian Free Trade Agreement ("**CFTA**"), and the Comprehensive Economic and Trade Agreement ("**CETA**") (collectively the "Trade Agreements"). The Trade Agreements do not appear to contain an exception that would permit the actions in Recommendations 1, 2 and 3 of this Report. In the opinion of the Public Service, though minimal, there is a risk a complaint could be brought against the City pursuant to the Trade Agreements should EPC approve these Recommendations.

The contract renewals for the Enrollment Agreements with Microsoft are in accordance with B4.1(f) of the Purchasing Policy, which permits a single source procurement where the

compatibility of a supply with existing property or services is the paramount consideration and that supply is available only from a single supplier. Similar provisions are contained in Article 513.1(b)(v) of the CFTA, Part V, C.2(g) of the NWPTA and Article 19.12(1)(c) of CETA.

As of February 28, 2025, the Government of Manitoba agreement has not published for vendor response and has not confirmed timing for an award, however we believe their plans will be to release an RFP this year. The City will therefore participate in the RFP for Microsoft License Services and the Innovation and Technology team will require this extension to continue providing Microsoft license services to the City.

The Contract Administrator (Innovation and Technology) is satisfied that the recommended Contractors have the necessary experience and resources to perform the work of the contract satisfactorily and has satisfactorily performed the work since the beginning of the contract in accordance with the requirements of the Contract.

In considering the cost benefit of extending this contract, it's important to state that Insight Canada Inc. was chosen for RFP 68-2022 as the lowest bidder. If the City delays the extension, the City of Winnipeg may not be able to purchase additional software and support from Microsoft after the current contract with Insight Canada Inc. which ends on March 31, 2025.

FINANCIAL IMPACT

Financial Impact Statement

Date: March 10, 2025

Project Name:

First Year of Program **2025**

Single Source Approval for 12 Month Contract for the Provision of Microsoft Licensing Services - Purchasing Reference No. 68-2022

	2025	2026	2027	2028	2029
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 4,783,392	$ 1,565,474	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 4,783,392	$ 1,565,474	$ -	$ -	$ -
Less: Existing Budget Amounts	4,783,392	1,565,474	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs represent the estimated total of $6,348,866 (5,933,519 plus $415,346 MRST) for the contract for the provision of Microsoft Licensing Services with Insight Canada Inc. from April 1, 2025 to March 31, 2026.

Funding for this contract is through approved budgets of various user departments. The financial impact will be managed by the user departments on an individual basis. The work of the contract is performed on an "as required" basis and the contract does not commit the City to purchase any fixed quantity.

Randy Bernard

Randy Bernard, CPA, CMA
Manager of Finance & Administration (Campus)
Corporate Finance Department

CONSULTATION

This Report has been prepared in consultation with:

- Legal Services

OURWINNIPEG POLICY ALIGNMENT

This initiative aligns with the Goal of Leadership and Good Governance.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

Consideration was given as to whether this report connects to the Winnipeg Climate Action Plan (CAP), and it was determined that the CAP is not applicable to this specific report

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

Consideration was given as to whether this report connects to the Winnipeg Poverty Reduction Strategy (PRS) and its Goals and Objectives, and it was determined that the PRS is not applicable to this specific report.

SUBMITTED BY

Department: Innovation and Technology
Division: Service and Infrastructure
Prepared by: D. Wickberg / K. Ross
Date: March 10, 2025
File No: n/a

Attachments: n/a