SUBJECT: Intergraph Enterprise Site Licence Agreement (FCS09035) (City Wide)

RECOMMENDATION:

(a) That Council authorize the Acting General Manager of Finance and Corporate Services to enter into a three and a half (3½) year Enterprise Site License (ESL) Agreement (plus two (2) optional one (1) year extensions), satisfactory to the City Solicitor, with Intergraph Canada Limited, for the provision of discounted Intergraph GIS software licences and maintenance;

(b) That Council authorize the Acting General Manager of Finance and Corporate Services to enter into a Master Services Agreement (MSA), satisfactory to the City Solicitor, with Intergraph Canada Limited, for Professional Services associated with the customization of Intergraph GIS software, for the duration of the Enterprise Site Licence Agreement; and

(c) That the purchase of Intergraph GIS software licence products and customization professional services be standardized and single sourced to Intergraph Canada Limited for the duration of the Enterprise Site Licence Agreement.

EXECUTIVE SUMMARY:

Since 1989, the City of Hamilton has invested significantly in the licence acquisition of Geographic Information System (GIS) software from Intergraph Canada Limited. GIS software has become a fundamental component of daily operational requirements in virtually every Department. Over the next three and a half (3½) years, even without any
additional software licence purchases, the City will incur costs in excess of $1.3 million for the maintenance of those existing licences.

If the current trend in additional software acquisition continues, with Departments using the current ad-hoc acquisition model, it is projected that, by the end of 2012, the licence acquisition and maintenance expenditure will exceed $3.1 million.

This report recommends the implementation of a three and a half (3½) year, planned-growth Enterprise Site Licence (ESL) Agreement (plus two (2) optional one (1) year extensions) with Intergraph Canada Limited resulting in a net cost avoidance of approximately $1.1 million over the term of the initial three and a half (3½) year contract. Fixed-price costs for this agreement will be $445,578 for 2009; $476,770 for 2010; $491,072 for 2011; and $515,625 for 2012. Two (2) optional one (1) year extensions (for 2013 and 2014) will be made available, to be executed at the sole discretion of the City, at a cost of $546,563 for 2013 and $579,357 for 2014.

The City of Hamilton Public Works Department has successfully utilized a Site Licence Agreement with Intergraph since 2006. Their Agreement expires on June 30, 2009. The intent of this report is to seek approval from Council to enter into an Agreement with Intergraph Canada which would follow the successful Public Works model, however, extend its use to all City Departments.

In addition to the acquisition of GIS software licences from Intergraph, the firm has also been used extensively by numerous Departments for the provision of Professional Services associated with the customization of their GIS software products. These Professional Services engagements vary in scope and number, from year to year, and have typically been secured through Purchasing Policy 10/11 approvals.

This report also recommends that Intergraph Canada Limited be retained as a single source vendor for the provision of Professional Services associated with the customization of their GIS software products for the term of the ESL. A Master Services Agreement (MSA), acceptable to the City Solicitor, will be negotiated and executed to govern the terms and conditions under which these Professional Services will be rendered and consumed (e.g. indemnification, limits on liability, insurance requirements, etc.). This MSA will be referenced on each Purchase Order associated with Professional Services engagements with Intergraph. The MSA, in and of itself, has no dollar value associated with it.

**BACKGROUND:**

The City is under increasing pressure to comply with a broad range of new and pending legislation, regulations and reporting requirements. In addition, there are increasing requirements to address emergency preparedness, litigation defence and effective growth management. An Enterprise Site License (ESL) Agreement for Geographic Information Systems (GIS) software acquisition is being introduced in order to provide the City of Hamilton the technological tools needed to support all City Departments and the City’s Strategic Plan, and to increase effectiveness and efficiency across a variety of business functions.
Entering into this ESL Agreement with Intergraph Canada will enable City staff to expand the use of GIS across the Corporation as an important means of managing and delivering services. The Agreement also offers centralized fixed-price software maintenance providing a total cost avoidance of approximately **$1.1 million** over three and a half (3½) years when compared to projected system growth figures across all City Departments acting independently.

The Agreement will ensure that the City is appropriately licensed and supported in regards to GIS technology. The existing Enterprise GIS has formed a core, foundational technology for the City and is now business critical for, but not limited to, Asset Management, Public Sector Accounting Board 3150 (PSAB 3150), Water and Wastewater Management, Tax Assessment Analysis, development tracking, fire response and incident analysis, Emergency Planning and Management, zoning and land use designation, Economic Development and Tourism, Public Health Surveillance and the provision of information to the general public via the City's website.

The GIS technology solutions, provided by Intergraph, are major components to the framework for supporting a number of City wide projects. These projects support the operating Departments in meeting Council’s priorities. In order to be successful, GIS Services will need to provide tools and resources that will enable the Departments to be successful and deliver the required results. These projects, to list a few examples, include PSAB 3150, Corporate Property and Development Tracking, Enabling the Mobile Workforce and Mobile Resource Management (AVL). By providing Site Licensing and maintenance, projects can be accelerated or started and not be dependent on traditional software acquisition methods to begin. Once we have an established (signed) Agreement with Intergraph, we receive all Intergraph GIS software and have access to all their services.

**ANALYSIS/RATIONALE:**

**Enterprise Site Licence**

Since 1989, the City of Hamilton has invested significantly in the acquisition of Geographic Information System (GIS) software licences from Intergraph Canada Limited. GIS software has become a fundamental component of daily operational requirements in virtually every Department. Over the next three and a half (3½) years, even without any additional software licence purchases, the City will incur in excess of $1.3 million in costs for the maintenance of those existing licences.

If the current trend in additional software acquisition continues, with Departments using the current independent and ad-hoc acquisition model, it is projected that, by the end of 2012, the licence acquisition and software maintenance expenditure will exceed $3.1 million.

Problems with the current method of acquiring software and consulting services include:

- Software acquisitions have been ad-hoc, costs are close to list price.
- Significant administration costs to manage individual licence purchases.
- Maintenance costs, at full rate, with some premiums based on multiple “sites”.
This report recommends the implementation of a three and a half (3½) year, planned-growth Enterprise Site Licence (ESL) Agreement (plus two (2) optional one (1) year extensions) with Intergraph Canada Limited resulting in a \textbf{net cost avoidance of approximately $1.1 million} over the term of the initial three and a half (3½) year contract. Fixed-price costs for this Agreement will be $445,578 for 2009; $476,770 for 2010; $491,072 for 2011; and $515,625 for 2012. Two (2) optional one (1) year extensions (for 2013 and 2014) will be made available, to be executed at the sole discretion of the City, at a cost of $546,563 for 2013 and $579,357 for 2014.

The City of Hamilton Public Works Department has successfully utilized a site licence agreement with Intergraph since 2006. Their agreement expires on June 30, 2009. The intent of this report is to provide authorization for a new Agreement which would follow the successful Public Works model, however, extend its use to all City Departments.

Benefits of the Enterprise Site License Agreement approach include:

- The City’s anticipated investments in spatial information services are undertaken in a planned, coordinated, efficient and more cost-effective manner.
- Leverages and extends the success of the expiring Public Works Site Licence Agreement with Intergraph.
- Includes access to unlimited licences of all Intergraph GIS software, including any new solutions introduced over the course of the ESL.
- Significantly reduced software costs enabling staff by providing GIS tools that will aid them in achieving corporate priorities.
- Streamlined administration costs to manage licenses and contracts.
- Minimized software maintenance costs.
- GIS technology can be further leveraged by every Department of the City.
- The City will be in a better position to respond to increasing pressure to comply with a broad range of new and pending legislation, regulations and reporting requirements (e.g. municipal road maintenance standards, municipal performance measurement, annual expenditures reporting, retaining data, condition assessments, asset valuation, etc.).

From a financial perspective, an Enterprise Site Licence Agreement yields the following benefits over the initial three and a half (3½) year period:

- Trend Costs (continued ad-hoc approach) $3,106,727
- Enterprise Site Licence Agreement $1,929,045
- \textbf{Total Cost Avoidance} $1,177,682

<table>
<thead>
<tr>
<th>Year</th>
<th>Trend Costs</th>
<th>Agreement Costs</th>
<th>Net Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$1,973,707</td>
<td>$445,578</td>
<td>$1,528,129</td>
</tr>
<tr>
<td>2010</td>
<td>$571,780</td>
<td>$476,770</td>
<td>$95,010</td>
</tr>
<tr>
<td>2011</td>
<td>$280,620</td>
<td>$491,072</td>
<td>($210,452)</td>
</tr>
<tr>
<td>2012</td>
<td>$280,620</td>
<td>$515,625</td>
<td>($235,005)</td>
</tr>
<tr>
<td>Total</td>
<td>$3,106,727</td>
<td>$1,929,045</td>
<td>$1,177,682</td>
</tr>
</tbody>
</table>
Notes:

1. Trend costs include maintenance on existing software licences, projected additional software licences and maintenance on those licenses.
2. All Intergraph software is available upon execution of the Agreement.

Professional Services

In addition to the acquisition of GIS software licences from Intergraph, the firm has also been used extensively by numerous Departments for the provision of Professional Services associated with the customization of the Intergraph GIS software products. As the publisher of these products, Intergraph is the sole provider for those services. These Professional Services engagements vary in scope and number, from year to year, and have typically been secured through Purchasing Policy 10/11 approvals.

This report also recommends that Intergraph Canada Limited be retained as a single source vendor for the provision of Professional Services associated with the customization of their GIS software products for the term of the ESL. A Master Services Agreement (MSA), acceptable to the City Solicitor, will be negotiated and executed to govern the terms and conditions under which these Professional Services will be rendered and consumed (e.g. indemnification, limits on liability, insurance requirements, etc.).

The MSA will be referenced on each Purchase Order associated with Professional Services engagements with Intergraph. The MSA, in and of itself, will not have a dollar value associated with it, nor does it commit the City to make any purchases. Intergraph agrees to review the options regarding a discounted rate at the time of each request for Professional Services.

ALTERNATIVES FOR CONSIDERATION:

Alternative 1 – Status Quo (not recommended)

Status quo is always an option, however, is not recommended for the following reasons:
• Software acquisition costs are very close to list price, no economies of scale.
• Software maintenance costs are very close to list price, with some premiums based on multiple "sites".
• Duplication of licence administration tasks across Departments.
• Maintenance costs alone of existing GIS software is $1.3 million over the next three and a half (3½) years (does NOT include any system expansion or new solutions).
• It will be necessary for the Public Works Department to further extend their existing Intergraph Site Licence Agreement which expires June 30, 2009, at significant costs.

Alternative 2 – Enterprise Site Licence Agreement (recommended)

Benefits of the Enterprise Site License Agreement include:
• The City’s anticipated investments in spatial information services are undertaken in a planned, coordinated, efficient and more cost-effective manner.
Leverages and extends the success of the expiring Public Works Site Licence Agreement with Intergraph.

Includes access to unlimited licences of all Intergraph GIS software, including any new solutions introduced over the course of the ESL.

Significantly reduced software costs enabling staff by providing GIS tools that will aid them in achieving corporate priorities.

Streamlined administration costs to manage licenses and contracts.

Minimized software maintenance costs.

GIS technology can be further leveraged by every Department of the City.

The City will be in a better position to respond to increasing pressure to comply with a broad range of new and pending legislation, regulations and reporting requirements (e.g. municipal road maintenance standards, municipal performance measurement, annual expenditures reporting, retaining data, condition assessments, asset valuation, etc.).

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Financial Implications

Funds for the Enterprise Site Licence Agreement are available through existing approved budgets of Departmental stakeholders. All 2009 software maintenance costs, already paid to Intergraph by individual Departments, will be credited 100% towards their cost allocations under the Enterprise Site Licence Agreement. Agreed to Departmental cost allocations under the ESL are distributed as follows:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Services</td>
<td>$65,716</td>
<td>$70,400</td>
<td>$71,500</td>
<td>$76,000</td>
</tr>
<tr>
<td>Public Works</td>
<td>$300,000</td>
<td>$309,000</td>
<td>$317,300</td>
<td>$327,000</td>
</tr>
<tr>
<td>Planning and</td>
<td>$74,112</td>
<td>$89,200</td>
<td>$90,900</td>
<td>$95,700</td>
</tr>
<tr>
<td>Economic Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emergency Services</td>
<td>$5,750</td>
<td>$6,170</td>
<td>$6,372</td>
<td>$6,925</td>
</tr>
<tr>
<td>Public Health</td>
<td>n/a</td>
<td>$1,000</td>
<td>$2,500</td>
<td>$5,000</td>
</tr>
<tr>
<td>Community Services</td>
<td>n/a</td>
<td>$1,000</td>
<td>$2,500</td>
<td>$5,000</td>
</tr>
<tr>
<td>Agreement Costs</td>
<td>$445,578</td>
<td>$476,770</td>
<td>$491,072</td>
<td>$515,625</td>
</tr>
</tbody>
</table>

If the optional extensions are executed, cost allocations will be calculated based on 6% increases in 2013 and additional six (6%) increases in 2014.
Staffing Implications

Management of the Intergraph Enterprise Site Licence Agreement will be centralized within the Corporate Services Department (Information Services Division). No additional staffing resources will be required.

Legal Implications

Prior to execution, the Intergraph Enterprise Site Licence Agreement will need to be reviewed by the City of Hamilton’s Legal Services Division. Execution is required prior to July 1, 2009, as this Agreement replaces (and extends) an existing Site Licence Agreement between Intergraph and the City’s Public Works Department which expires June 30, 2009.

In addition, the City of Hamilton’s Legal Services Division will be required to assist in negotiations of the Master Services Agreement.

POLICIES AFFECTING PROPOSAL:

Purchasing Policy #14 (Policy for Standardization) allows for the following:

“Standardization is a Management decision-making process that examines a specific common need or requirement and then selects a Good and/or Service that best fills that need to become the standard.”

“Wherever possible, when more than one City application exists for any Good and/or Service, a standard will be established.”

Since 1989, the City of Hamilton has invested significantly in the licence acquisition of Geographic Information System (GIS) software from Intergraph Canada Limited. GIS software has become a fundamental component of daily operational requirements in virtually every Department. This report serves to establish Intergraph as a standard for core GIS software and customization services for the City of Hamilton.

Purchasing Policy #14 (Policy for Standardization) continues:

“Where the establishment of a standard will result in a single source purchase, that purchase shall also be approved by the Manager of Purchasing and Council or by the Standards and Approved Products Committee.”

“The Manager of Purchasing shall have the authority to negotiate house accounts with original equipment manufacturers and licensed distributors of approved standardized products.”

In addition to the acquisition of GIS software licences from Intergraph, the firm has also been used extensively by numerous Departments for the provision of Professional Services associated with the customization of their GIS software products. These Professional Services engagements vary in scope and number from year to year, and have typically
been secured through Purchasing Policy 10/11 approvals. This report serves to eliminate the need for these numerous Policy 10/11 approvals.

**RELEVANT CONSULTATION:**

The following have been consulted prior to the creation of this report:

- Corporate Services Department (Information Services Division, Budgets & Finance Division, and the Purchasing Section of the Financial Services Division)
- Public Works (Capital Planning and Implementation, Water and Waste\Water)
- Hamilton Emergency Services (Emergency Medical Services, Fire)
- Planning and Economic Development (Administration and Support Services, Economic Development and Real Estate)
- Community Services (Social Development and Early Childhood Services)
- Public Health (Health Protection, Surveillance Unit, Environmental Health, Planning and Continuous Improvement)

The City’s Information Services Working Committee (ISWC) provided input and supports the recommendations.

**CITY STRATEGIC COMMITMENT:**

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

| Community Well-Being is enhanced. | ☑ Yes □ No |
| Environmental Well-Being is enhanced. | ☑ Yes □ No |
| Economic Well-Being is enhanced. | ☑ Yes □ No |

Does the option you are recommending create value across all three bottom lines? ☑ Yes □ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☑ Yes □ No