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## Memorandum

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**To:** Budget Standing Committee  
**Cc:** Jeanette Pillitteri  
**From:** Karthik Venkataraman, Senior Manager of IT-Corporate Support Services  
**Date:** November 14, 2017  
**Subject:** Budget Presentation Follow up - Service contracts from IT

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### **Service Contracts – Budget Standing Committee (BSC)**

On November 8, 2017 BSC requested a memo showing trends for service contracts from Information Technology ("IT") from the last few years to see what the driving factors are.

1. Service contracts are regularly monitored and audited to ensure adequate coverage within the allocated budgets.
2. However, over the last few years the IT division has been subject to increase in the expenses due to higher exchange rates and the addition of new systems being brought online that require external support.
3. Additionally, the IT division observes increases to the service contracts for entirely new systems that were not installed before.
4. This years' service contract expenditure is seeing an increase of 10.7% due to the following factors:
  - a. Implementation of new Payroll/HRIS system requires support and upkeep of two parallel systems to ensure accurate transfer of data and procedures to the new system.
  - b. Negotiated contract for new Payroll System requires \$59,600 ongoing in additional costs for support for the year.
  - c. Due to the new payroll system and several new online services, IT has had to increase their database consulting costs as they do not have a dedicated database administrator on staff. The estimated impact of this item is \$22,315.

d. IT has installed new servers and backend systems that have increased licensing costs to enhance services and support applications such as the Payroll/HRIS system

e. IT has had to install new software appliances to support enhanced security features to prevent abuse and breach of our systems. The estimated cost of this item is \$7,000.

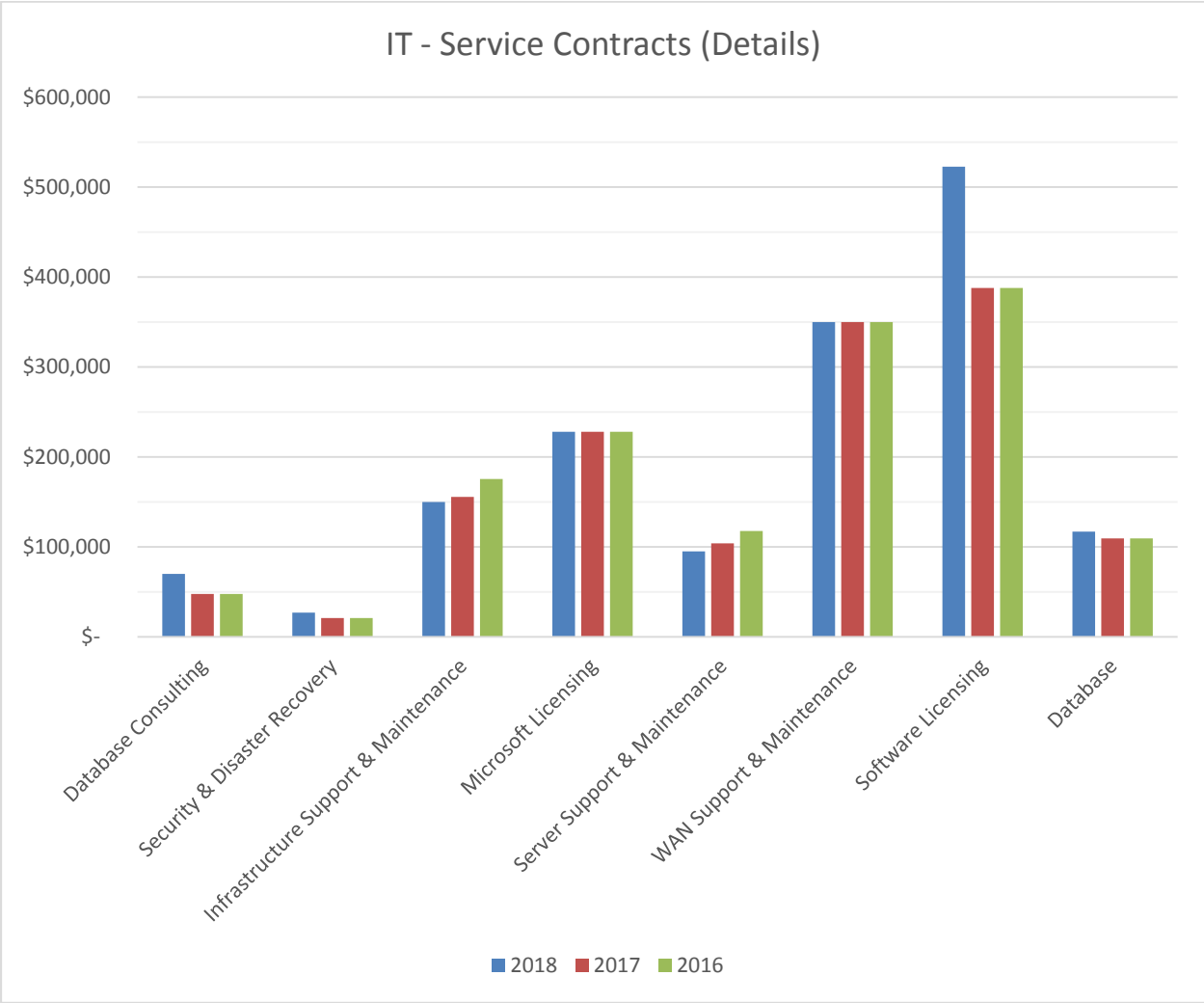
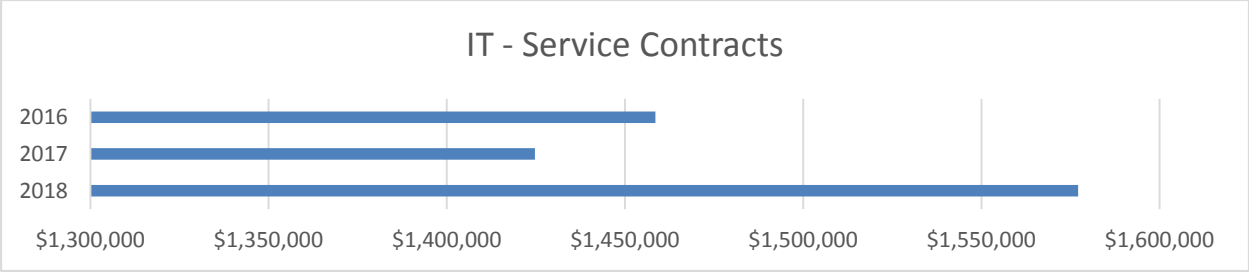
5. It should be noted that large IT systems are comprised of multiple modules that collectively make up the application. Therefore replacement or running of parallel systems during upgrades may only deal with specific modules and not the entire system. This can sometimes pose a minimum effect on cost reductions as the service contracts are on the entire system.

6. IT continues to engage consultants regarding contract reviews and their ability to reduce and eliminate underutilized service contracts.

7. IT has been able to save additional costs in service contracts by extending replacement lifecycles of equipment; utilizing internal resources to repair and maintain legacy systems; reducing the service levels and availability of non-essential systems.

8. Illustrated trend of expenses below:

Service Contract Item	2018	2017	2016
Database Consulting	\$ 70,000	\$ 47,685	\$ 47,685
Security & Disaster Recovery	\$ 27,000	\$ 20,990	\$ 20,990
Internet	\$ 1,440	\$ 1,440	\$ 1,440
Infrastructure Support & Maintenance	\$ 150,000	\$ 155,596	\$ 175,596
Microsoft Licensing	\$ 228,045	\$ 228,045	\$ 228,045
Server Support & Maintenance	\$ 95,000	\$ 103,973	\$ 117,794
WAN Support & Maintenance	\$ 350,000	\$ 350,000	\$ 350,000
Software Licensing	\$ 522,648	\$ 387,840	\$ 387,840
Database	\$ 117,000	\$ 109,405	\$ 109,405
Telecommunications Support & Security	\$ 4,000	\$ 3,975	\$ 3,975
AV Support & Maintenance	\$ 12,000	\$ 11,690	\$ 11,690
Council & Staff	\$ -	\$ 4,085	\$ 4,085
TOTAL	\$ 1,577,133	\$ 1,424,724	\$ 1,458,545



Thank you,

Karthik Venkataraman