

COMMON COUNCIL REPORT

M&C No.	2021 - 169
Report Date	June 09, 2021
Meeting Date	June 14, 2021
Service Area	Strategic Services

Her Worship Mayor Donna Noade Reardon and Members of Common Council

SUBJECT: Microsoft Business and Services Agreement – Renewal Update

OPEN OR CLOSED SESSION

This matter is to be discussed in open session of Common Council.

AUTHORIZATION

Primary Author	Commissioner/Dept. Head	City Manager
Stephanie Rackley-Roach	Kevin Fudge	John Collin

RECOMMENDATION

The City Manager recommends that:

1. Common Council approve the unforeseen, one-time additional expenditure from the City's Operating Reserve, as required, for enhanced Microsoft security in the amount up to \$188,856.72 plus HST;
2. The City amend the three (3) year-term Enterprise Enrollment Agreement ("Agreement") with Microsoft Corporation for Volume Licensing Renewal of Microsoft's software for years 2 and 3 as outlined in the forms attached to M&C 2021-169; and
3. That the Mayor and City Clerk be authorized to execute the necessary documents from Microsoft (attached) and documents ancillary thereto.

EXECUTIVE SUMMARY

Common Council approved a three (3) year Enterprise Enrollment Agreement ("Agreement") with Microsoft Corporation ("Microsoft") on June 8, 2020. The intention of the Agreement was to purchase Microsoft licenses that would allow the City to migrate to an Office 365 environment (i.e., a hosted solution) over the next three years. With the cyberattack experienced on November 13, 2020, the City was forced to accelerate the implementation of Office 365 within weeks to restore the network, critical applications, and data.

The original Agreement included basic security features. Given the City's risk profile as it relates to cyberattacks, it was recommended that the City implement

enhanced security licenses. In addition to features that prevent dangerous links and malicious attachments from entering an organization via email and other tools, the enhanced security provides more intelligent threat protection, investigation, and response. It also allows for more flexibility to configure the City's network as it relates to conditional access and other security protocols.

The annual cost in the original Agreement was \$238,490.16 plus HST. Working with Softchoice, the City's Microsoft Vendor, a business case was created to ensure that the City was properly licensed for years 2 and 3 of the Agreement to support public service delivery and meet security requirements. The new annual cost is \$427,346.88 plus HST, an additional cost of \$188,856.72 plus HST.

Since the network was restored, the City has been purchasing monthly security as an interim solution for each user. The projected annual cost of this interim solution is approximately \$302,784 plus HST (based on 950 users). Once the new Microsoft Agreement is in place the City will no longer be paying for the interim monthly solution. The City will submit a portion of the monthly costs paid to date for security as part of the insurance claim.

PREVIOUS RESOLUTION

Resolved June 8, 2020:

That as recommended by the City Manager in the submitted report M&C 2020-87: Microsoft Business and Services Agreement – Contract Renewal, Common Council adopt the following:

1. The City enter into a three (3) year term Enterprise Enrollment Agreement with Microsoft Corporation for Volume Licensing Renewal of Microsoft's software as outlined in the forms attached to M&C 2020-87; and
2. That the Mayor and Common Clerk be authorized to execute the necessary documents from Microsoft (submitted).

REPORT

The City's current Enterprise Enrollment Agreement ("Agreement") was approved by Common Council on June 8, 2020. The Agreement at that time was for three (3) years and developed to prepare the City to migrate to Microsoft Office 365.

The City and its Commissions use a number of Microsoft software products including:

- Operating Systems (OS) for over 700 desktop computers, laptops, and tablets;
- Microsoft Office Suite (e.g., Word, Excel, PowerPoint);

- Operating Systems for servers (e.g., computers that run applications, storage); and
- Application software (e.g., email, SharePoint, Teams, and databases).

The software listed above enables approximately 950 users to deliver public service. This software powers and enables City communication and collaboration systems (i.e., through email and Teams), financial systems, protective services (i.e., 911 dispatch, Police records, Fire Resource Management), road maintenance tracking, Saint John Water utility infrastructure monitoring and design, property planning, and Council agendas for the citizens of Saint John. It is important that these enabling technologies remain secure, up to date, and operating.

On November 13, 2020, the City of Saint John experienced a cyberattack. The scope of the attack was wide-reaching with significant damage caused to the City's IT infrastructure. As part of the forensic investigation, a decision was made to rebuild the City's network. The City's Information Technology ("IT") team with the support of Bulletproof Solutions ("Bulletproof"), leveraged the existing Microsoft Agreement to start the rebuild (i.e., set up users, emails, servers).

The original Agreement did not include enhanced security licenses required to better protect the City against cyberattacks and mitigate damage should an attack occur. Basic security was included only as it typically takes several years to move from an on-premise (i.e., local installation) to a hosted (i.e., cloud) solution. However, with the need to bring up the City's network and critical systems as quickly as possible, enhanced security licenses were purchased through Bulletproof monthly until a business case could be made as part of Microsoft's annual renewal process to include enhanced security as part of the Agreement.

The original Agreement included Advanced Threat Protection ("ATP") that works to prevent dangerous links and malicious attachments from entering an organization via email and other tools (i.e., SharePoint, OneDrive, and Teams). On the occasion that Office 365 ATP somehow fails to intercept these dangers, the automated investigation and response feature will kick in and remediate the breach. These security features are considered basic.

The security licensing included in the renewal of the Microsoft Agreement for years 2 and 3 is enhanced. This plan affords an organization the same functionality as ATP, plus more intelligent features related to threat protection, investigation, and response. It also supports more complex configuration for conditional access (i.e., who can and cannot access the network) and compliance management.

When considering an organization's cybersecurity risk profile, enhanced Microsoft security is considered an industry best practice. Governments and large organizations are at a higher risk for cyberattacks. Organizations that have been attacked once, with public communication of the event and severity, are at an even greater risk of experiencing subsequent attacks. While organizations can

secure their systems to prevent attacks, the warnings are clear that it is 'when, not if' an organization is attacked. Microsoft is considered the best security solutions provider and the implementation of enhanced security is just one component of a strong cybersecurity program.

STRATEGIC ALIGNMENT

One of Common Council's priorities is to advance a culture of continuous improvement to drive operational efficiencies. The Microsoft contract renewal achieves this by right-sizing the licensing and security requirements for an organization as complex as the City of Saint John. This includes both the City and Police security requirements.

SERVICE AND FINANCIAL OUTCOMES

Softchoice is the City's vendor for Microsoft licensing. Working with Softchoice and Microsoft, the City was able to gain additional flexibility in securing Microsoft licensing that would enable service areas to deliver public service cost-effectively with enhanced security.

The Agreement approved by Common Council in 2020 outlined an annual cost of \$238,490.16 plus HST. With the inclusion of enhanced security for the remaining years of the agreement (i.e., years 2 and 3), the cost has increased to \$427,346.88 plus HST. The increased cost is \$188,856.72 plus HST.

The requirement for enhanced Microsoft security was not foreseen at the time Common Council approved the 2021 operating budgets. Enhanced security features were implemented given the accelerated migration to Office 365 to rebuild network services necessitated as a result of the cyberattack on November 13, 2020. Working with the Finance Team, these increased costs will be offset with surpluses in the operating budgets. However, if projected surpluses cannot cover the full increase in cost of Microsoft licensing of \$188,856.72 plus HST, the additional funds will need to be taken from the City's operating reserve. The operating reserve contains funds set aside to address costs related to unexpected and/or emergency events. Any funds required from the operating reserve for enhanced security costs in 2021 may be replaced with monies recovered from the insurance claim.

The City is currently paying \$26.56 plus HST per user each month for the enhanced security through Bulletproof. With approximately 950 users onboarded to the City's network (inclusive of the Police Commission), an annual cost for enhanced security on a monthly basis is approximately \$302,784 plus HST. Converting enhanced security into the Microsoft Agreement creates annual savings of \$124,562.88 plus HST over the month-to-month approach.

Given the necessity to implement enhanced security immediately to rebuild the network, the City will submit a portion of the month-to-month security license costs paid to date as part of the insurance claim. The IT team will work with the City's Risk Management team to ensure an appropriate claim is submitted.

The cost associated with licensing users is allocated in respective service area operating budgets. The additional security costs were not approved in 2021 operating budgets as the enhanced security was not anticipated until the cyberattack. Given the necessity of the enhanced security, the IT team will work with the Finance team to ensure that the Microsoft licensing costs, inclusive of enhanced security, are properly allocated moving forward.

INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS

General Counsel has been involved in discussions with Softchoice and Microsoft. This report and attached documentation have been provided to General Counsel for their review.

The Finance Team has been consulted on the impact of the additional costs for Microsoft security on the 2021 operating budget. The impact will be reflected in the budget analysis for each service area and the operating reserve.

ATTACHMENTS

1. Program Signature Form
2. Customer Price Sheet
3. Product Select Form