



## Board Report

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**REVISED**  
**EXECUTIVE MANAGEMENT COMMITTEE**  
**OCTOBER 17, 2019**

**SUBJECT: POLICY FOR SOFTWARE AND HARDWARE LICENSE AND MAINTENANCE AGREEMENTS**

**ACTION: APPROVE RECOMMENDATION**

**RECOMMENDATION**

DELEGATE to the Chief Executive Officer the authority to approve all multi-year renewals of software and hardware license and maintenance agreements, with a cap of five years per renewal.

**ISSUE**

In April 2003, the Metro Board of Directors approved to delegate to the Chief Executive Officer the authority to approve all annual software and hardware licenses and maintenance agreements. The Board supported the recommendation for renewing routine software and hardware license and maintenance agreements to align with current industry practices at that time. The policy embraced best practices and sound business judgement.

Current policy allows for single-year annual renewals. Metro staff is recommending that the policy be changed to allow multi-year renewals of software and hardware licenses and maintenance agreements. Multi-year contract renewals are offered by Metro vendors resulting in significant cost savings.

**BACKGROUND**

The current policy acknowledges the unique character of Information Technology (IT) agreements and allows the Chief Executive Officer (CEO) to promptly renew expiring licenses and maintenance coverages needed to maintain Metro's key Information Systems infrastructure. IT agreements are sophisticated and designed primarily to recoup software development costs through licensing software use and providing maintenance service coverage.

There are many factors that go into determining license and maintenance fees:

- Some software vendors sell their products by granting the buyer a conditional license to use the product in perpetuity. The license agreement may also provide ongoing product support

and software upgrades if the buyer prepays an annual subscription fee, which is automatically renewed unless the buyer specifically requests in writing that it be terminated.

- Some software providers require separate license and maintenance agreements with discrete renewal periods. Therefore, ongoing maintenance service is provided without the need to execute additional contractual documents, if the licensee pays the recurring subscription fee.

## **DISCUSSION**

The additional administrative burden for processing annual renewals holds equally with the software maintenance vendor. Processing single annual renewals adds time and cost to the overall product fee. Metro can take advantage of the discounts being offered by vendors by executing multi-year license and maintenance renewals, whenever possible. Current industry practices are for vendors to offer significant discounts (we have seen discounts between 10-30% annually) when multi-year contract renewals are offered versus individual single annual renewals. Multi-year renewals can also protect Metro from major annual increases.

## **DETERMINATION OF SAFETY IMPACT**

Many of our mission critical business, communication and productivity systems require 24 by 7 operational uptime. To ensure this service level, it is critical to have these systems covered under hardware and software maintenance contracts. This policy will expedite the administrative process to maintain these agreements and minimize any safety risk.

## **FINANCIAL IMPACT**

There is no increased cost; however, Metro should realize a decrease in costs for implementing this change.

### Impact to Budget

Funding for these services are included under the Information Technology and Services departmental budget through a combination of local operating, state and federal funding sources. The Chief Information Technology Officer will be responsible for budgeting cost.

## **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

Recommendation supports Metro Vision 2028 Strategic Goal 5 - Provide responsive, accountable and trustworthy governance within the Metro organization.

## **ALTERNATIVES CONSIDERED**

The alternative is to not change the current policy and not allow for multi-year contract renewals

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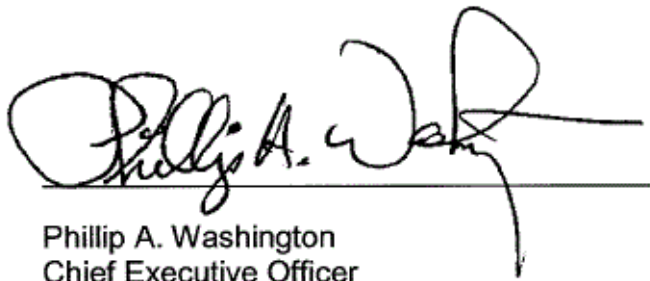
under the CEO's delegated authority. This approach is not recommended since it would mean that Metro would not realize the multi-year contract renewal discounts that vendors are offering.

**NEXT STEPS**

Upon Board approval, staff will implement the multi-year renewals of software and hardware license and maintenance agreements when applicable, effective immediately.

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