Business Case

Microsoft Campus Agreement
UBC Information Technology

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Summary

UBC has an opportunity to save approximately $800,000 annually on its licensing costs for Microsoft products. UBC can achieve savings by moving from a purchasing model to a leasing model for core desktop software products. The Microsoft Campus Agreement is a university-wide annual program that allows UBC staff and faculty to use designated software for the agreement period. Under a campus agreement, license counts are FTE based, but cover all university owned equipment – a significant savings for UBC as there are more workstations (at least 20,000) than FTE's. The program also extends work-at-home rights for UBC faculty and staff.

While any Microsoft product can be licensed under a campus agreement, the usual products to include are the operating system, the office productivity package (including Office for Mac), and client access licenses for common shared systems (e.g. Windows server and Exchange email).

Savings to UBC under a campus agreement are very conservatively estimated to equal $800,000 a year. These savings are in 'hard' dollars, and do not include the substantial indirect savings through productivity increases. Benefits include:

- Significantly reduced costs for core Microsoft products
- Full legal compliance for the core Microsoft products
- All staff and faculty have access to the latest tools including work-at-home rights
- Significant reduction in the overhead of purchasing and distributing software
- Significant reduction of the management and administration of core Microsoft software
- All university owned equipment is covered, including research machines

Drivers to enter into this agreement are

- Budget - UBC is currently facing an ongoing budget shortfall, and is looking for opportunities to reduce costs for the fiscal year 2007/08, and also achieve recurring savings. A campus agreement offers an opportunity to immediately reduce ongoing operational costs
- Timing - the current release of many new Microsoft products means that we are at the beginning of the upgrade cycle, where the savings are most likely to be realized as it avoids the up front costs of upgrading to a new operating system or Microsoft office product

An agreement with Microsoft is not an exclusive arrangement, and people still have the flexibility to use other products. This proposal reflects choices made by people to use Microsoft software today.

A UBC-Wide MS Campus Agreement will require a continuing annual commitment of approximately $900,000.

Background

The majority of workstations on campus use a Windows operating system and Microsoft office productivity application, (e.g. Word, Excel, PowerPoint) which are standard tools on campus. UBC is conservatively estimated to spend at least $1.8 million each year in the purchase of the standard Microsoft licenses.

Concerns about the current model include:

- UBC is not utilizing its purchasing power to reduce the cost of Microsoft licenses
- Significant overhead for the purchase and administration of licenses

- Inequitable access to basic tools required for University activities

IT support (for the workstation) is decentralized within the faculties, and purchasing decisions are made at the department or unit level. In many cases the individual faculty member or researcher has budgetary authority and makes individual decisions about equipment and software purchases. Software is usually purchased and installed at the time the workstation is acquired however many staff and faculty will upgrade when newer versions are released.

One of the benefits of decentralization is that it ensures that decisions are being made at the level which has the greatest access to information. However, it also means that UBC has little access to information on how much is being spent on workstation replacement and on software licensing, and there is a great deal of duplication of effort. Most importantly, UBC is losing its ability to leverage its enormous purchasing power and obtain software at the lowest possible price.

Evaluation of options

There are several options open to UBC to address the costs of licensing desktop tools:

1. Current state
2. UBC-wide Microsoft Campus Agreement
3. Departmental Agreements
4. Open source products

An analysis indicates that 1 through 3 are currently the only viable possibilities. Open source products, such as Open Office, can be used during the life of the agreement, and might be a viable campus wide alternative in the future.

1. Current state

UBC can continue to license Microsoft products on an ad hoc basis. UBC will not be able to take advantage of its purchasing power and at the campus level will continue to pay significantly more for its software. Departments will continue to make their decision based on their current economic environment and there will be no requirement for UBC to commit to funding licenses on an annual basis. However, this mechanism may continue to disadvantage some faculty or researchers as it may affect their access to tools. It also impacts productivity as administrative and IT staff time is spent purchasing licenses, trading JV's across campus, and attempting to track licenses across multiple units and hundreds of workstations.

2. UBC-Wide Microsoft Campus Agreement

Under the terms of a campus agreement, UBC saves on the annual cost of its core Microsoft products. These saving are achieved by:

- Greater discounts and lower unit costs
- Licensing FTE's instead of workstations (the workstation ratio is conservatively estimated to be 1.75 workstations to 1 FTE)
- Reduced overhead for the acquisition and management of licenses

Other benefits include:
- All staff and faculty have access to the latest tools including work-at-home rights
- Significant reduction in the overhead of purchasing and distributing software

- Significant reduction of the management and administration of core Microsoft software
- Research workstations will be covered under this agreement

UBC will be required to commit to a multi year agreement. If UBC chooses not to renew the agreement after 3 years it would mean that the workstations would revert to the last purchased software version prior to entering into the campus agreement.

3. Departmental Agreements

Departments can sign up for independent departmental agreements. This would result in savings to the departments; however the challenge to entering into an agreement independently is the 3 year commitment, which leaves departments vulnerable should future reductions in funding occur.

Another drawback is the inability of departments to access top tier pricing. Departments would not be able to access the best pricing as they would not have the necessary purchasing power at the department level. We estimate there is a $7-10 per FTE difference between the discount available to the entire campus, and the discount available to individual departments.

At the operational level, there would be significant effort required to inform departments about the benefits of an agreement and sign them up under a single UBC agreement. Any savings gained might be lost to the administrative effort required to inform and persuade departments to sign up. However, this is a possible alternative to a UBC-Wide MS Campus Agreement.

4. Open Source Products

There are a number of open source products available that UBC could use for its business productivity tools. However, there are still compatibility issues across products and potential impacts on current systems at UBC are not known. It is unlikely that this option could be successfully used without costing the university significant time and effort to convert.

The use of a non-standard office product may also cause difficulties for staff, faculty, and researchers attempting to collaborate with colleagues and interact with students. It is unlikely that UBC could easily persuade students to convert to an open source product today. It is also unlikely given the decentralization on campus that departments would stop purchasing Microsoft products.

We do not believe that this is a viable option for UBC at this time.

Business and Operational Impacts

The business and operational impacts for each of the viable options is listed below.

Impact & Description	Current State	UBC-Wide Campus Agreement	Departmental Agreement
Savings to UBC	None	High	Med
Liability for compliance with Microsoft licensing policies	High	Low	High
Cost for Microsoft desktop licenses	High	Low	Low
Departmental FTE effort to administer licenses	High	Low	Med
Departmental FTE effort to distribute licenses for work-at-home	High	Low	High

UBC Bookstore Revenue Negative Impacts (recurring)	Low	Low	Low

Recommendation

A UBC-wide Campus Agreement is the best option for achieving significant savings on core Microsoft software and attaining significant benefits.

Cost/Benefit Analysis

Summary of Estimated Costs and Estimated Savings

Current State Annual costs (Averaged)	Campus Agreement Annual costs (Averaged)	Annual Savings (Averaged)
$1,800,000	$950,000	$880,000

These numbers are estimates, and are based on some key assumptions that are conservative, and have been reviewed with other members of the UBC community. However, in the absence of inventory or financial information, assumptions have been made to determine costs and potential savings.   Appendix I identifies the assumptions that have been made.

Some of the benefits under a campus agreement are difficult to measure. For example, productivity gains from having all staff using the same software. The table below demonstrates some of the additional benefits that will be achieved.

Benefits	Description	Stakeholder(s)
Reduced administrative overhead	▪ Reduced time for those departments who have campus agreements distributing work-at-home licenses ▪ Reduced administrative overhead	Departments with existing campus agreements
Reduced risk of software piracy	▪ UBC no longer has to be concerned about compliance for core Microsoft products	UBC Administration Technical staff in departments
Equivalent versions across campus	▪ Productivity gains from being able to use the same tools across the university ▪ Reduced support costs for technical staff	All staff, faculty, researchers
Work-at-home rights	▪ Time savings from having the same functionality at home – less time spent troubleshooting versioning issues	All staff, faculty, researchers

Implementation

Risks

The risks associated with the project are not related to technology or implementation, but instead are change management issues.

1. Assumptions
2. Realization of savings
3. License fees

Assumptions

The following assumptions are critical to the estimates of costs and potential savings, and if inaccurate would negatively impact the savings:

- UBC Departments are making an effort to ensure their workstations are appropriately licensed
- Interviews with UBC staff indicate that the ratio of workstations to FTE's is over 2 to 1. We have used a ratio of 1.75
- Interviews with UBC staff indicate that most faculty and staff workstations are replaced after 3 years, however we have conservatively used a 4 year replacement cycle
- After applying the Microsoft FTE formula, the FTE count is 13051 and the annual cost used is $64 per FTE

Appendix II outlines all the assumptions that have been made in our calculations.

Realization of savings

We believe that it may be difficult for departments to quantify their costs for Microsoft licenses as this number is not tracked and as a result it may be difficult for the UBC Administration to realize the savings from the departments. While departments may be able to contribute to the FTE license cost, to contribute an additional amount towards the $800,000 in savings would be challenging given the current financial environment.

Our estimates indicate $64 per FTE is required to fund the UBC-Wide Microsoft Campus Agreement. If this cost is centrally funded (with a contribution from ancillary units), the extent to which different departments will benefit from the estimated $800,000 saving to the university as a whole will vary, and will not necessarily reflect their share of the centrally funded cost.

License fees

A UBC-wide Microsoft campus agreement requires a multi year contract, with annual financial commitment of $900,000. Based on the current financial situation, UBC may not have the ability to make this commitment.

There is a risk that the cost for the agreement may rise when the contract is up for renewal in the final year.

Departments who have an existing campus agreement could contribute the budgeted portion of their current campus agreement license costs.

Conclusions and recommendations

Recommendation # 1

UBC should enter into a UBC-wide Microsoft campus agreement. Software to be included in the agreement:
- Microsoft Operating System upgrade

- ▪ Microsoft Office application for PC and Mac
- ▪ Core CALS

Recommendation # 2

UBC should fully fund the agreement including project and operating costs, and allow departments to keep any savings.

Appendix I

Quantitative Analysis – Campus Agreement

	Year 1 2007/08	Year 2 2008/09	Year 3 2009/10	Year 4 2010/11	Cost over 4 years	Average Annual cost
Costs:						
Campus agreement	$874,406	$874,406	$874,406	$961,846	$3,585,064	$896,266
Implementation	85,000	0	0	20,000	100,000	25,000
Ongoing Operational Costs:						
Communications	5,000	5,000	5,000	5,000	20,000	5,000
Administration (UBC IT)	15,000	15,000	15,000	15,000	60,000	15,000
Distribution costs (UBC IT)	10,000	10,000	10,000	12,000	42,000	10,500
Cost of Campus agreement	**$989,406**	**$904,406**	**$904,406**	**$1,013,846**	**$3,807,064**	**951,766**

Quantitative Analysis – Current State

	Year 1 2007/08	Year 2 2008/09	Year 3 2009/10	Year 4 2010/11	Cost over 4 years	Average Annual Cost
Costs:						
Desktop licenses acquired when workstation purchased	$1,393,176	$1,393,176	$1,393,176	$1,393,176	5,572,704	$1,393,176
Upgrade licenses	$260,000	$520,000	$260,000	$260,000	1,300,000	325,000
Ongoing Operational Costs:						
License administration	$121,567	$121,567	$121,567	$121,567	486,268	121,567
Cost of Status Quo	$1,774,743	$2,034,743	$1,774,743	$1,774,743	7,358,972	1,839,743

Appendix II

Key Assumptions

Key Assumption	Description	Sensitivity	Verified	Risk
Compliance	UBC departments are making attempts to comply with Microsoft licensing requirements	High – if this is incorrect then the savings will be reduced	No	Medium
FTE to Staff Ratio	There are more workstations than the FTE count – ratio assumed to be 1 FTE to 1.75 workstations	High – if there are fewer workstations, savings will be reduced	Yes	Low
Lowest possible prices being obtained	Assumes that departments are purchasing software at the lowest prices	Medium – if departments are paying more, savings will increase	Yes	Low
4 year replacement cycle	Assumes that the regular workstation refresh for faculty and staff happens every 4 years	High – if the workstation refresh happens at the 5 year point, the savings will be reduced	Yes	Low
PAIR numbers used for calculations	Assumes that the PAIR FTE count is correct	High – if these numbers are not correct, the FTE count could increase or decrease which would increase or decrease the cost of the campus agreement	No	Medium
Cost for the campus agreement	Calculations are based on recent quote from vendor.	High – if prices go up or down, costs will be impacted	Yes	Medium

Appendix III

Project Costing

	Cost Category	Estimate to Complete
Labour Costs		
	External (Contract) Resources	35,000
	Internal Resources	20,000
	Subtotal	**55,000**
Other Costs		
	Hardware Upgrades	12,000
	Microsoft License server	10,000
	Contingency (10%)	7,700
Total		**84,700**