

NO: R061

COUNCIL DATE: April 15, 2019

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## REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **April 11, 2019**

FROM: **General Manager, Corporate Services**

FILE: **1345-01**

SUBJECT: **ServiceNow Licensing and Support Subscription Agreement**

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## RECOMMENDATION

The Corporate Services Department recommends that Council:

1. Approve a three-year contract renewal with ServiceNow Inc. for Licensing and Support Subscription at an annual (average) cost of \$442,549.00, including GST;
2. Set the total three-year expenditure authorization limit at \$1,460,000.00, including taxes and contingency; and
3. Authorize the General Manager, Corporate Services to execute the contract renewal with ServiceNow Inc. for a three-year term.

## INTENT

This report seeks Council authority for a contract renewal with ServiceNow Inc. (“ServiceNow”) to provide software maintenance and licensing for a term of three years. ServiceNow is integral to the delivery of efficient and effective Information Technology (“IT”) service to the organization which includes:

- IT Service Management;
- Service Request management for several City departments;
- IT Asset Management; and
- Business process automation services across the organization.

## BACKGROUND

ServiceNow is a leading provider of enterprise cloud computing solutions that automate workflows within and between departments in an organization helping to improve service quality and reduce costs.

ServiceNow was initially implemented in 2009 and, at the time, included an IT Service Desk suite, Incident, Problem, and Change Management capabilities and a self-service web portal for all City staff to submit and track requests to IT.

Since its implementation in 2009, the City has significantly expanded the functionality of ServiceNow to include the following:

- Self-serve password reset;
- Information Technology asset management tracking and reporting;
- Analytics and reporting;
- Project management and capacity planning;
- Automated manager request approval processes;
- Consolidated incident, problem, and change management;
- Staff self-serve portals for IT, Marketing and Surrey Fire Services; and
- Workflow automation – example: employee onboarding and off boarding.

ServiceNow’s capabilities have also been expanded to include automated governance/risk processes related to IT security and privacy legislation. In addition, the Parks, Recreation & Culture Department, Engineering Department and Surrey Fire Services are using ServiceNow to automate their request tracking and fulfillment business processes resulting in improved service to their customers.

Moving forward, ServiceNow functionality will be further expanded to include the following:

- Marketing - Equipment Booking Request Management;
- Marketing - Project Management;
- Media and Communication - Request Management;
- Research and Surveys Request Management;
- Records and Mail Room - Request Management; and
- IT Business Application - Release Management.

## DISCUSSION

In 2018, the BC government completed a competitive Request for Proposal ("RFP") process on behalf of participating BC municipalities and selected ServiceNow as the most cost-effective solution. While the City was eligible to take advantage of the pricing negotiated by the Province, staff have directly negotiated more favorable pricing with ServiceNow, given our long-standing partnership.

### Pricing

The City’s current contract with ServiceNow expires on April 30, 2019. Under the terms of this contract the City has an option to renew for a one-year or three-year term. The recommended option is to renew for a three-year term. The table below compares the total cost of individual one-year contracts versus a three-year term contract (prices below include GST).

	Year 1	Year 2	Year 3	3 Year Total
One-year contract terms	\$486,830	\$535,513	\$589,064	\$1,611,406
Three-year contract term	\$442,549	\$442,549	\$442,549	\$1,327,648
<b>Savings with a 3-year contract term:</b>				<b>\$283,758</b>

By signing a three-year agreement with ServiceNow, the City will lock-in licensing rates at 2019 pricing and save \$283,758.00 over the term of the contract compared to engaging multiple single year contracts.

## **ServiceNow Alternatives**

ServiceNow provides a critical IT Service Management platform that the Information Technology Division depends on to deliver high quality, efficient and effective customer and technical support for the City. While other IT service management products exist, ServiceNow dominates this market with over 42% market share globally. Its robustness presently meets and exceeds the City's IT Service Management solution requirements.

It is very important for the City to renew this contract to avoid service disruptions and significant delays to planned initiatives. Accordingly, considerations of an alternative solution is not recommended at this time. Doing so would require significant time and cost (far exceeding the licensing costs) to complete a transition and would result in no greater value to the City.

Notwithstanding the above, staff will continue to closely monitor market developments and, prior to the end of the 3-year contract term, will determine if suitable alternatives are available for the City's consideration that can potentially deliver the same or higher level of quality, breadth of functionality and services, at a better value to the City.

## **FUNDING**

Funding for this contract renewal is available from the annual Corporate Services IT Operating Budget.

## **Legal Services Review**

Legal Services has reviewed this report and has no concerns.

## **SUSTAINABILITY CONSIDERATIONS**

Renewal of the ServiceNow Licensing and Support Subscription Agreement will support the City's Sustainability Charter 2.0. In particular, the renewal will assist in achieving the corporate sustainability objectives and strategies as set out in the City's Sustainability Charter 2.0, specifically:

- Objective #8: Work towards corporate financial sustainability.

## **CONCLUSION**

Based on the above discussion, it is recommended that the City renew its Licensing and Support Subscription contract with ServiceNow for a three-year term at a total three-year expenditure authorization limit of \$1,460,000.00, including taxes and contingency.

Rob Costanzo  
General Manager, Corporate Services

TK/TB/RAC:jhs