

Agenda Report

February 4, 2019

TO: Honorable Mayor and City Council
FROM: Department of Information Technology
SUBJECT: AUTHORIZATION TO ENTER INTO A CONTRACT WITH SOFTWAREONE, INC. FOR LICENSING OF MICROSOFT SOFTWARE

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed contracts are exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061(b)(3);
2. Approve a renewal of an Enterprise License Agreement (ELA) with Microsoft for a period of three years from April 1, 2019 to March 31, 2022;
3. Authorize the City Manager to enter into a contract with SoftwareOne, Inc., for the licensing of Microsoft software and services under the Microsoft ELA in an amount not to exceed \$3,300,000 for a period of three years from April 1, 2019 to March 31, 2022. Competitive Bidding is not required pursuant to City Charter Section 1002(H) contracts with other governmental entities or their contractors for labor, materials, supplies or services;
4. It is further recommended that the City Council grant the proposed SoftwareOne contract an exemption from the Competitive Selection process pursuant to Pasadena Municipal Code Section 4.08.049(B) contracts for which the City's best interests are served; and
5. Authorize the City Manager to increase contract 30526 with SoftwareOne, Inc., by \$200,000, thereby increasing the total not to exceed amount from \$1,850,000 to \$2,050,000.

BACKGROUND:

Microsoft creates the core technologies and software upon which the City's information technology operations are built. These products are necessary to efficiently and cost effectively delivery City services to staff internally and to constituents. The most visible of these products are the Windows desktop and the Office productivity applications such

as Word, Excel, PowerPoint and Outlook. In addition, Microsoft cloud-based technologies deliver on-demand technology, infrastructure solutions and capacity including email, access to City resources from mobile devices, and data storage.

On February 22, 2016, City Council approved a three-year contract, 30526, with SoftwareOne, Inc. for the purchase of Microsoft licensing and services which guarantees the best prices available to government, including an additional 7.5% discount over standard government pricing. This contract covers the annual costs for Microsoft licensing and provides flexibility to add new products and services that will provide benefit to the City during the term of the contract. Since the contract took effect on April 1, 2016, demand for technology use across City departments has increased. The Department of Information Technology (DoIT) has responded to this demand by leveraging the City's investments in Microsoft products and services to accelerate the pace at which it can deliver solutions to departments.

To that end, DoIT has leveraged more Microsoft cloud-based technologies and services to provide new and improved services while minimizing capital investments, helping shift toward an operations expense model, and ensuring the City can expand or shrink services as needed without undue expense or sunk costs. During the term of the current ELA, DoIT staff leveraged Microsoft products and services to implement many new systems and services and respond to business needs, including:

- Upgraded the City's Virtual Private Network (VPN) remote access solution, implementing a phone, text and app based two-factor authentication solution;
- Migrated from on-premises email to Exchange Online on Office 365, which avoided the capital expense of new hardware needed for an on-premises upgrade, reduced the operating expense of staff time required for operating and maintaining the hardware, and increased the availability and resiliency of City email;
- Implemented new cybersecurity controls and technologies to improve protections to the City which improve the ability to better withstand a variety of threats and risks against staff computer accounts and email such as phishing, malware, and credential harvesting;
- Migrated the City's intranet to SharePoint Online on Office 365, which retired a 16-year old unsupported software application from the City's datacenter and increased the availability and resiliency of the site;
- Migrated the City's time keeping system for employee payroll from the City's datacenter to Microsoft's Azure cloud service, which avoided the capital expense of new hardware and increased the availability and resiliency of the system; and
- Implemented the servers for the Land Management System replacement in Microsoft's Azure cloud service, avoiding the capital expense of new hardware, paying only for what is used when it is used, and assuring availability and resiliency of the system when it goes live later this year.

Renewing the relationship with Microsoft will enable the City to continue leveraging services and technologies available through the ELA to improve infrastructure operations, recover costs by reducing contracts in other overlapping areas, and

continue to implement services to protect City information resources and data with effective cybersecurity solutions that integrate with existing technologies. The assurance of ELA licensing and associated benefits provides a consistent roadmap upon which to enable new services now and in the future, and to invest in new and emerging technologies, such as mobile applications, IoT (Internet of Things) and smart city initiatives.

By entering into a new ELA with Microsoft the City receives many benefits including the flexibility to use Microsoft products to meet various business needs while standardizing core sets of products across the organization for easier management, compatibility, and support. Standardizing Microsoft purchases through a single vendor streamlines the administration of citywide Microsoft software licensing and services and will continue to:

- Provide volume discounting and entitlement to discounts on future licensing renewals;
- Assist in the annual budget planning forecast for software licensing and services;
- Ensure consistent vendor-based technical support for the products covered by the ELA;
- Ensure that City users, desktops and servers are covered by the ELA and in compliance with licensing requirements; and
- Guarantee upgrades for covered products to newer versions.

The City will continue to increase its investment in Microsoft technologies, products and services as a key enabling partner for the City's technology needs. Projects and initiatives that are expected to utilize the Microsoft ELA during its next 3-year term include:

- Enhance offsite data storage capabilities for improved disaster recovery resiliency;
- Cybersecurity initiatives that decrease the City's cyber risk;
- Mobile device management to secure and manage devices assigned to field staff;
- Enhancements that reduce staff time for general IT operations and deliver faster resolution for common tasks and requests;
- Data loss prevention technologies to reduce the risks of exposing protected information and to remain compliant with HIPAA and PCI DSS requirements; and
- Increase the resiliency and availability of core IT services in the event of a disaster.

Additionally, the ELA supplies supplemental benefits in the form of IT infrastructure planning and design assistance, online software training to City employees, unlimited non-critical support for Microsoft IT infrastructure products and services, and the Home Use Program (HUP) for Microsoft Office and Office 365 available to all City employees. To date, nearly 500 City employees have taken advantage of the HUP and enjoy fully licensed copies of Microsoft Office products on their personal home computers and mobile devices at significantly reduced prices.

Microsoft requires all licenses governed by an ELA to be purchased through an authorized Large Account Reseller (LAR) designated as part of the ELA. In 2016, the

City selected SoftwareOne, Inc., as its authorized LAR. The County of Riverside led the California County Information Services Director Association (CCISDA) initiative to identify a more cost-effective license management program for participating California state and local governments resulting in a master agreement, Microsoft agreement #01E73970. The State of California subsequently entered into a cooperative agreement with the County of Riverside based on their Request for Proposal for the acquisition of Microsoft software licensing and services. SoftwareOne, Inc., is one of six LARs who have entered into a Software Cooperative Agreement with the State of California Department of General Services, Procurement Division, which extends guaranteed pricing from the Riverside master agreement to municipal governments. Staff recommends utilization of this agreement again for renewal of the City's ELA with Microsoft, and to contract with SoftwareOne, Inc., for the software license purchases.

Foregoing the ELA renewal would have a negative fiscal impact as future versions of Microsoft products will need to be purchased new. Additionally, without an ELA the City would not benefit from license entitlements it currently receives and which are only available to ELA customers. These entitlements decrease the overall operating costs associated with implementing, operating and maintaining Microsoft software products, and include technology used to deploy and manage desktops and servers. Executing a contract with SoftwareOne, Inc. that piggybacks on the County of Riverside master agreement provides an additional 7.5% discount over standard government renewal pricing. Therefore, the best interests of the City are served by approving the staff recommendations to renew an ELA with Microsoft and authorize a new contract with SoftwareOne, Inc. for an amount not to exceed \$3,300,000 for a period of three years from April 1, 2019 to March 31, 2022. This will cover the annual cost of Microsoft software licensing and services estimated at \$985,000, and provide the flexibility to add new products and services that may provide a benefit to the City during the contract period, subject to available budget.

Additionally, based upon invoices paid to date, pending invoices, and projected costs for the remainder of the current contract term through March 31, 2019, these costs will exceed the current not to exceed contract amount of \$1,850,000. As previously stated, additional Microsoft cloud-based technologies and services have been leveraged to implement many new systems and services over the course of the contract to respond to business needs. Therefore, staff is recommending an increase to contract 30526, with SoftwareOne, Inc., by \$200,000 for a new total not to exceed amount of \$2,050,000.

COUNCIL POLICY CONSIDERATION:

The proposed three-year contract provides for a consistent annual budget for Microsoft products and a 7.5% discount over other standard government contracts and therefore is consistent with the City Council's strategic planning goal to maintain fiscal responsibility and stability.

ENVIRONMENTAL ANALYSIS:

The proposed contract is exempt from CEQA per section 15061(b)(3), the General Rule. The General Rule can be applied when it can be seen with certainty that the activity will not have a significant effect on the environment. The proposed actions are for software licenses and services and will not result in any new development or physical changes.

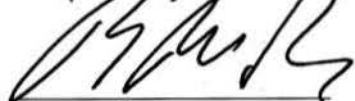
FISCAL IMPACT:

The cost of this action will be \$3,500,000 over three years. It is anticipated that \$974,400 of the cost will be spent during the current fiscal year, which will be addressed by the utilization of existing budgeted appropriations in operating accounts 50114006 (IT Ops-Enterprise Computing), 50114007 (IT Ops-Microsoft Licensing), and 50114009 (IT Ops-Desktop Replacement Program), totaling \$635,400 and existing budgeted appropriations in Capital Improvement Program project #71152 – Land Management System (LMS) replacement for \$94,000, and Capital Improvement Program project #71157 – DoIT Equipment Lifecycle Replacement FY 2015 – 2019 for \$245,000. The remainder of the costs will be spent over the next three fiscal years, where annual licensing and cloud services costs are estimated at \$985,000, and beginning in FY 2020, will be budgeted solely in the DoIT operating budget, and distributed to departments through the Enterprise Computing fixed service cost. There are no indirect and support costs anticipated because of this contract.

The following table presents a summary of the overall contract sources for the three-year period.

IT Ops-Enterprise Computing	\$1,750,000
IT Ops-Microsoft Licensing	\$1,366,000
IT Ops-Desktop Replacement Program	\$45,000
CIP #71157-DoIT Lifecycle Replacement	\$245,000
CIP #71152-Land Management System	\$94,000
Total Sources	\$3,500,000

Respectfully submitted,



FOR
P.L.

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