

Agenda Report

February 22, 2016

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 contract is 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;
3. Authorize the City Manager to enter into a contract with SoftwareONE, Inc. for the City's licensing of Microsoft software in an amount not to exceed \$1,500,000 for a period of three years from April 1, 2016 to March 31, 2019. Competitive bidding is not required pursuant to City Charter section 1002(H), contracts with other governmental entities or their contractors for labor, material, supplies or services; and
4. Grant the proposed contract an exemption from the competitive selection process of the Competitive Bidding and Purchasing Ordinance, Chapter 4.08 of the Pasadena Municipal Code, pursuant to Section 4.08.049(B) contracts for which the City's best interests are served.

BACKGROUND:

The Department of Information Technology (DoIT) is responsible for citywide information technology operations and support services in several key areas: applications, enterprise computing, Geographic Information Systems (GIS), network and wireless, program and project management, radios, telecommunications, and phone and field support through the Service Center (Help Desk). At the core of DoIT's IT operations is a host of applications and products that provide a consistent set of capabilities, both client- and server-based, to nearly every employee in the City.

Many of these capabilities are provided by Microsoft licensed software utilizing a large suite of Microsoft products, such as System Center, Exchange, Windows Server, and SQL Server databases, which power a large number of the enterprise applications, including the Tyler Munis Enterprise Resource Planning (ERP), the land management and records management systems, and many constituent-focused applications through the City's website. The Microsoft Windows desktop operating system and Office Suite are used for all employee desktops encompassing email, including Outlook and mobile device connections; Word, Excel, PowerPoint, Access, and file and print services. Additionally, Microsoft's Azure Cloud Services are in use to provide cost effective scale and flexibility for data storage and hosting services for systems and applications offsite.

Given this extensive use of Microsoft software and services, the City entered into a Microsoft ELA volume licensing program 11 years ago. The City's enrollment in an ELA has 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 helps to streamline the administration of citywide Microsoft software licensing requirements 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;
- Ensure consistent vendor-based technical support for the products covered by an ELA;
- Ensure that City desktops and servers covered by an ELA are in compliance with licensing requirements; and
- Guarantee upgrade protection for covered products to newer versions released within the ELA term

By continuing the relationship with Microsoft, the City is able to continue leveraging services and technologies available through the ELA to improve infrastructure operations, and recover costs by reducing contracts in other overlapping areas. The assurance of ELA licensing and associated benefits provides a consistent roadmap upon which to enable new services now and in the future, such as Microsoft's cloud-based Office 365 and Azure infrastructure, to lower capital costs for infrastructure investment and support, and to invest in new and emerging technologies, such as mobile applications.

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 the Home Use Program (HUP) for Microsoft Office. 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 at significantly reduced prices.

The ELA was last renewed in 2013 and will expire on March 31, 2016. 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 2013, the City contracted with CompuCom Systems, Inc., which was selected by the County of Riverside to serve as its contract vendor for licensing Microsoft software under Riverside's Master Enterprise Agreement #01E73134. Staff is recommending to utilize this agreement again for renewal of the ELA with Microsoft, and to contract with SoftwareONE, Inc. for the software licensing. In 2015, CompuCom re-branded their software licensing business to SoftwareONE and previously was named one of five recommended LARs by a County of Riverside led California County Information Services Directors Association (CCISDA) initiative to identify a more cost effective license management program for participating California state and local governments. SoftwareONE is one of four LARs who have entered into a Software Cooperative Agreement with the State of California Department of General Services, Procurement Division, which extends contract pricing to municipal governments.

Since signing the ELA in 2013, the City has increased the total number of Microsoft desktop product licenses as new desktop computers were purchased to accommodate desktop computer needs across City departments. Along with the increase in the total number of licenses, the proposed ELA also reflects a switch from device based licensing to user based licensing as more and more employees utilize multiple devices, e.g. Desktop, Laptop, iPad, iPhone, Android, and Surface, with Microsoft software to perform their daily duties. Given these changes, the annual base licensing cost will be \$416,666, which is an increase of \$88,333 from the current annual contract amount. Staff recommends Council authorize a three-year contract in the amount of \$1,500,000 to cover the annual cost for Microsoft licenses and provide the flexibility to add new products and services from Microsoft as new technology is unveiled that provides a benefit to the City during the contract period.

Foregoing the ELA renewal would have a negative fiscal impact as future versions of Microsoft products will need to be purchased new. The value of Microsoft Licenses owned by the City today if purchased new is over \$2.3 million and equates to a 45% premium over the cost to renew the ELA with rights to future version upgrades. Furthermore, by executing a contract with SoftwareONE that piggybacks on the County of Riverside master agreement, an additional 7.5% savings over standard government renewal pricing will be realized. Consequently, the best interests of the City are served by pursuing the recommended action.

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 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 action is for software licenses and services and will not result in any new development or physical changes.

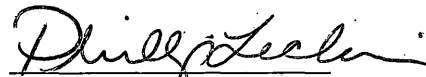
FISCAL IMPACT:

The maximum cost of this action will be \$1,500,000 over three years. Annual funding for this action will be addressed by the utilization of existing budgeted appropriations in accounts 50114006 (IT Ops-Enterprise Computing) and 50114007 (IT Ops-Microsoft Licensing) which total \$333,000 in the current DoIT operating budget. It is anticipated that \$416,666 of the contract amount will be spent during the current fiscal year when the first annualized payment is made at the start of the new contract on April 1, 2016. A projected savings in the current year budget related to personnel and other operating expenses will cover the difference of \$83,666. Additionally, some of the annual costs incurred by this contract will be offset by an estimated reduction of over \$45,000 in other IT-related software licensing costs as these software products are shifted to those made available through the ELA. The proposed FY 2017 Operating Budget will reflect the new contract amount, and anticipated savings. There are no indirect or support costs anticipated because of this contract renewal.

The following table presents an overall contract summary for the three-year period:

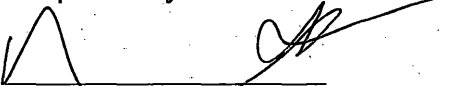
FY2016 Contract Amount	\$ 416,666
Future Contract Amount	\$ 1,083,334
Total Fiscal Impact	\$ 1,500,000

Respectfully submitted,



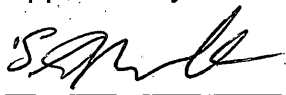
PHILLIP LECLAIR
Chief Information Office
Department of Information Technology

Prepared by:



Michael Royer
IT Manager
Department of Information Technology

Approved by:



STEVE MERMELL
Interim City Manager