

Agenda Report

January 24, 2022

TO: Honorable Mayor and City Council

FROM: Department of Information Technology

SUBJECT: AUTHORIZATION TO ENTER INTO A CONTRACT WITH DELL MARKETING LP FOR MICROSOFT SOFTWARE LICENSES AND SERVICES

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, 2022 to March 31, 2025;
3. Authorize the City Manager to enter into a contract with Dell Marketing LP for the licensing of Microsoft software and services under the Microsoft ELA in an amount not to exceed \$5,450,000 for a period of three years from April 1, 2022 to March 31, 2025. Competitive Bidding is not required pursuant to City Charter Section 1002(H) contracts with other governmental entities or their contractors;
4. It is further recommended that the City Council grant the proposed Dell Marketing LP 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 31413 with Software One, Inc., by \$75,000, thereby increasing the total not to exceed amount from \$4,400,000 to \$4,475,000.

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 deliver City services to staff internally and to constituents. The most visible of these products are the Windows desktop, laptop, and the Office productivity

applications such as Word, Excel, PowerPoint and Outlook. In addition, Microsoft cloud-based technologies deliver on-demand technology and computing infrastructure to the City, including email, software as a service, application hosting and data storage solutions.

The City has consistently maintained a multi-year contract for Microsoft licenses and services since 2005. On February 4, 2019, City Council approved the latest three-year contract, 31413, for the purchase of Microsoft licenses and services. This contract covers the annual costs for Microsoft licenses and services and provides flexibility to add new products and services that will provide benefit to the City during the term of the contract. Year over year demand for technology use across City departments has increased and 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 Microsoft Enterprise License Agreement (ELA), DoIT staff leveraged Microsoft products and services to implement many new systems and services, including:

- Implemented Microsoft Teams for collaboration and communication that has integrated virtual conferencing and phone services, which were heavily utilized during the pandemic and continue to be a critical tool for the modern workforce;
- Built out various online services to communicate COVID-19 and vaccination related information via dashboards, portals, and various online forms;
- Utilized Microsoft's scheduling platform for customer appointments and employee COVID-19 testing;
- Implemented new cybersecurity controls and technologies to improve protections to the City's computing infrastructure and data; and
- Implemented new cloud-based data backup across all systems to increase resiliency, redundancy and disaster recovery of critical data.

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, including:

- Provide volume discounting and entitlement to discounts on future licensing renewals;
- Assist in the annual budget planning for software licensing and cloud-computing services;
- Ensure consistent vendor-based technical support for the products covered by the ELA;

- Ensure City use of Microsoft products are in compliance with licensing requirements; and
- Guarantee product upgrades to newer versions.

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

- Cybersecurity initiatives that decrease the City's cyber risk;
- Mobile device management to secure and manage devices assigned to remote workers and field staff;
- Data loss prevention technologies to reduce the risks of exposing protected information and to remain compliant with HIPAA and PCI DSS requirements;
- Microsoft Teams cloud-based phone system to replace the City's aging PBX telephone system;
- Office 365 and One Drive expansion to enhance collaboration, data storage, and sharing capabilities; and
- Increase the resiliency and availability of core IT services in the event of a disaster.

Additionally, the ELA provides 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 reduced cost Office 365 subscriptions for City employees' personal use.

Microsoft requires all licenses governed by an ELA to be purchased through an authorized Licensing Solution Partner (LSP). Dell is one of ten LSPs who entered into a Software Cooperative Purchasing Agreement with the County of Riverside, which extends guaranteed pricing for Microsoft products and services from a competitively bid master agreement to municipal governments. Dell offered the deepest discount in the County of Riverside's request for qualifications #RIVCO-2020-RFQ-0000048. Staff recommends utilization of this agreement to contract with Dell for Microsoft software license and services.

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 products. Finally, by executing a contract with Dell and accelerating the ELA renewal ahead of the current contract expiration date, will provide additional savings on licensing over the three-year term.

For these reasons, staff recommends the renewal of the Microsoft ELA and authorization of a new contract with Dell Marketing LP for an amount not to exceed \$5,450,000 for a period of three years from April 1, 2022 to March 31, 2025. This

amount will cover the annual cost of Microsoft licenses and services 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, 2022, these costs will exceed the current not to exceed contract amount of \$4,400,000. 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 31413, with Software One, Inc., by \$75,000 for a new total not to exceed amount of \$4,475,000. Software One is the LSP on the City's current contract for Microsoft licenses and services purchases through March 2022.

COUNCIL POLICY CONSIDERATION:

The proposed three-year contract provides for a consistent annual budget for Microsoft products and preserves entitlements to future software upgrades 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.

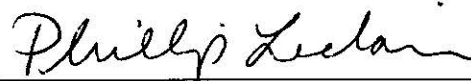
FISCAL IMPACT:

The cost of this action will be \$5,450,000 over three years. Funding for this action will be addressed by the utilization of annual budgeted appropriations in DoIT's operating budget for licensing, software, and cloud computing services. Additional funding will be addressed by the utilization of existing budgeted appropriations in various City department accounts and capital projects that are provided by department staff when Microsoft products and services are requested throughout the year. It is anticipated that approximately \$895,000 of the cost will be spent during the current fiscal year. The remainder of the costs will be spent over the next three fiscal years. There are no indirect or support costs anticipated as a result of this contract.

The following table presents an overall contract summary.

FY 2022 Contract Amount	\$ 895,000
Future Contract Amount	\$4,555,000
Total Fiscal Impact	\$5,450,000

Respectfully submitted,



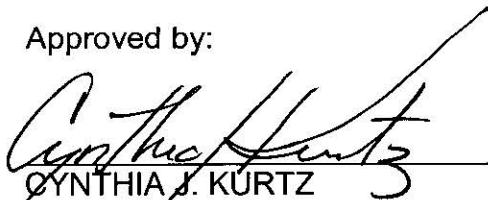
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