

Agenda Report

February 24, 2025

TO: Honorable Mayor and City Council

FROM: Department of Information Technology

SUBJECT: AUTHORIZE THE CITY MANAGER TO ENTER INTO A CONTRACT WITH DELL MARKETING LP FOR MICROSOFT SOFTWARE LICENSES AND SERVICES IN AN AMOUNT NOT-TO-EXCEED \$7,650,000 FOR A PERIOD OF THREE YEARS

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the recommended actions are exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061 (b)(3), the "common sense" provision that CEQA only applies to projects that may have an effect on the environment;
2. Approve a renewal of an Enterprise License Agreement (ELA) with Microsoft for a period of three years from April 1, 2025 to March 31, 2028;
3. Authorize the City Manager to enter into a contract without competitive bidding pursuant to City Charter Section 1002(H) contracts with other governmental entities or their contractors, with Dell Marketing LP for the licensing of Microsoft software and services under the Microsoft ELA in an amount not to exceed \$7,650,000 for a period of three years from April 1, 2025 to March 31, 2028 as set forth in the body of this report; and
4. Grant the recommended 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.

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 and 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 and computing infrastructure to the City, including communications and collaboration services, such as email and telephone, 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 January 24, 2022, City Council approved the latest three-year contract, 32213, 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;
- Designed and implemented multiple online applications for managing various City operations and constituent facing services leveraging Microsoft Azure's cloud infrastructure;
- Implemented new cybersecurity controls and technologies to improve protections to the city's computing infrastructure and data; and
- Enhanced operations with Microsoft Power Automate to streamline workflows and improve service delivery for a variety of departments.

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:

- Volume discounts on current licenses and guaranteed discounted pricing on future renewals.
- Support for the annual budget planning process for software licensing and cloud services.
- Consistent, vendor-provided technical support for all products covered under the ELA.
- Ensuring the City's use of Microsoft products remains compliant with all licensing agreements.
- Guaranteed upgrades to the latest versions for all covered products.

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 expected to utilize the ELA during its next 3-year term include:

- **Enhanced Cybersecurity:** Implementing robust cybersecurity initiatives to ensure the resiliency of the City's data and infrastructure.
- **Mobile Device Management:** Implementing and managing mobile devices for remote workers and field staff to enhance security.
- **Data Loss Prevention:** Implementing data loss prevention technologies to minimize the risk of exposing sensitive information and maintain compliance with HIPAA and PCI DSS requirements.
- **Expanded Collaboration and Productivity:** Expanding the utilization of Office 365, SharePoint Online, and OneDrive to enhance collaboration, data storage, and sharing capabilities.
- **Enhanced IT Service Resiliency:** Increasing the resiliency and availability of core IT services through the utilization of cloud services to ensure business continuity in the event of a disaster.
- **Improved Data Analytics and Decision-Making:** Investing in Microsoft Fabric and Power BI to enhance data analysis and reporting capabilities, enabling faster, more informed decision-making while promoting transparency, accountability, and efficiency.

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 Marketing LP (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. While Dell did not offer the deepest discount in the County of Riverside's request for qualifications #ITARC-00532, because of the strong partnership with the City, they agreed to provide the lowest overall pricing for the products the City currently utilizes over the three-year term of the proposed contract. 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.

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 \$7,650,000 for a period of three years from April 1, 2025 to March 31, 2028 per the table below.

Category	Amount
Core Licensing	\$3,100,000
Azure Cloud Services	\$2,340,000
Cybersecurity Investments	\$ 900,000
Future/Expanded Services	\$1,310,000
Total:	\$7,650,000

By entering into this contract, the City will pay on average, over \$1.03 million annually for the core licensing products that are the basis for many of the entitlements and benefits mentioned earlier in this report. The other categories of products and services under the proposed contract are based on consumption, and the cost will vary year to year. This includes the flexibility to add new products and services that may provide a benefit to the City during the contract period, subject to available budget.

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 the CEQA pursuant to State CEQA Guidelines Section 15061(b) (3), the "common sense" provision of CEQA (formerly the general rule), which applies to projects which may have the potential for causing a significant effect on the environment. The proposed action will not result in any new development or physical changes.

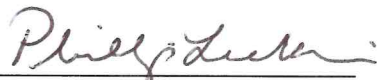
FISCAL IMPACT:

The cost of this action will be \$7,650,000 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 \$544,402 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.

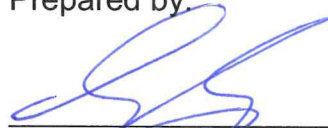
The following table presents an overall contract summary.

FY 2025 Contract Amount	\$ 544,402
IT Ops-Microsoft Licensing	\$7,105,598
Total Fiscal Impact	\$7,650,000

Respectfully submitted,


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