



DATE: February 26, 2019

TO: Mayor and City Council

FROM: CIO/Director of Information Technology

SUBJECT: Approval of Microsoft Enterprise License Agreement (ELA) for Microsoft Enterprise Renewal Licenses for a Three-Year Contract, in an Amount Not to Exceed \$725,075

RECOMMENDATION

That the Council adopts the attached resolution (Attachment II) authorizing the City Manager to negotiate and execute a purchase order, payable annually for a total amount not to exceed \$219,722.84; and approves a contingency of 10%. The three-year contract will not exceed \$725,075 - \$659,168.52 plus a 10% contingency of \$65,905.85.

SUMMARY

The City's current Microsoft Enterprise License Agreement (ELA) for Microsoft Enterprise Software Licenses will expire on February 26, 2019. This agreement includes licensing for Windows 10 and Office 365, which are critical to the daily operations of the City. Staff is in negotiations to continue these services and is requesting authorization to fund the contract at the conclusion of negotiations.

BACKGROUND

The City of Hayward invests in technology to efficiently and economically support the organization's mission and vision. The Microsoft Enterprise Agreement has proven to be a cost-effective method to purchase Microsoft software that touches and integrates with the daily operations of the City.

Over the past three fiscal years, the City has spent \$765,878 on the Microsoft ELA. This amount covered licenses for a data center, Windows Operating System, SQL Database which is used for Munis, GIS Maps and other line-of-business applications, Microsoft Office 365, OneDrive, SharePoint, and Skype for Business Audio Conferencing. The previous contract that was signed with PCM-G included an initial year that was deeply discounted.

DISCUSSION

It is necessary for the City to renew its existing Microsoft Enterprise Agreement in FY 2020. To this end, the City's Information Technology Department solicited pricing for the above mentioned ELA and received quotes from five Microsoft Large Account Resellers (LARs), four of which are approved to sell the Microsoft Enterprise Agreement via the County of Riverside's Master Agreement. Staff also contacted the California Department of Technology for pricing and found that the current pricing they receive is comparable to the County of Riverside's Master Agreement.

The County of Riverside competitively bids the renewal of the Microsoft Enterprise Agreement every five years. In its latest procurement, the County of Riverside awarded the contract to Insight Public Sector, as the firm bid the lowest volume pricing among the six Microsoft LARs. Because the County of Riverside's procurement included terms that allow surrounding public agencies within California to benefit from volume pricing, a bench was created to include the six Microsoft LARS with their listed discount rates. This allows other public agencies to receive competitive quotes based on their Microsoft needs. In addition, the Microsoft LARs cannot go below their listed discount rates, which ensure fair and reasonable pricing.

Staff used a competitive procurement process by requesting four of the Microsoft LARs to submit quotes for the City of Hayward's Enterprise renewal license. The City is agreeable to the contract terms agreed upon by the County of Riverside. The County of Riverside's agreement contains the same Microsoft Master Agreement, which includes terms that are currently part of the City of Hayward's existing Microsoft contract. The annual cost of the contract is \$219,722.84 plus 10% contingency.

Staff looked into multiple license scenarios including some staff only being able to use the cloud version of Office 365; however, due to the limitations of the City's current phone and voicemail system, staff determined it was not possible to piece together a plan that would have a higher cost savings to the City over the M365 E3 license package that is currently in place. The three-year contract is not to exceed, \$725,0755 (\$659,168.52 plus a 10% contingency of \$65,905.85).

FISCAL IMPACT

The cost of this ELA will be included in the Information Technology Department's FY 2020 Operating Budget. This is a routine item that is part of the department's baseline budget annually and has been in the budget in the past few years, albeit at a reduced rate for the first several years of the agreement.

STRATEGIC INITIATIVES

This agenda item is a routine operational item and does not directly relate to the Council Strategic Initiatives.

NEXT STEPS

Following approval, staff will execute an agreement with the vendor that provides the lowest bid for the required licenses to maintain the current services required by the City.

Prepared by: Sandi Wong, IT Solutions Analyst II/ Project Manager

Recommended by: Adam Kostrzak, CIO / IT Director

Approved by:

A handwritten signature in black ink, appearing to read 'K McAadoo', written over a horizontal line.

Kelly McAadoo, City Manager