

**City of Culver City, California
Agenda Item Report**

Meeting Date: 10/28/13		Item Number: <u>C-7</u>	
CITY COUNCIL AGENDA ITEM: Approval of a Renewed Enterprise License Agreement with the Microsoft Corporation (through Dell, Inc. LAR) for PC Operating System, Office Professional Software, Client Access Licenses, and Server Licenses in an Amount Not-to-Exceed \$77,915.51.			
Contact Person/Dept.: David Leuck		Phone Number: (310) 253-5950	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☒ No ☐	
Public Hearing: ☐		Action Item: ☐ Attachments: ☐	
Commission Action Required: Yes ☐ No ☒		Date: _____	
Public Notification: Meetings and Agendas – City Council (10/22/13), Erica Robinson, Dell Inc. (10/15/13)			
Department Approval: Michele Williams (10/17/13)		City Attorney Approval: Carol Schwab (by H. Baker) (10/21/13)	
Chief Financial Officer Approval: Jeff Muir (by M. Noller) (10/22/13)		City Manager Approval: John M. Nachbar (10/22/13)	
<u>RECOMMENDATION:</u> Staff recommends the City Council approve a Renewed Enterprise License Agreement with Microsoft Corporation (Redmond, WA) using Dell, Inc. (Round Rock, TX) as the Large Account Reseller (LAR) for PC Operating Systems, Office Professional software, Client Access Licenses, and Server Licenses in an amount not-to-exceed \$77,915.51. <u>BACKGROUND:</u> The City relies on Microsoft's operating System, office productivity software, client access licenses (CALs) and server products to run its desktop computers and servers. Microsoft Office includes word processing and spreadsheet applications along with presentation and database software. Microsoft Office E-mail and Internet software is used for communication, research, and to access software applications on a daily basis. The City also has purchased a wide range of department specific software for handling financial transactions, timekeeping, police and fire record keeping, public works requests for service and many other functions. These applications reside on the City's desktops or servers using the Microsoft products as foundation to do their work. In 2003 the City entered into an Enterprise agreement modeled on the County of Riverside's Microsoft Enterprise Agreement. It was renewed in October of 2008 for			

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an additional five year period which is expiring. This agreement bundles desktop and server licensing into a single program with favorable pricing. Microsoft has extended this program and is negotiating changes, options, new software to be included, and pricing. The present agreement between Riverside and Microsoft expires on 12/31/13 while Culver City's current contract expires 10/31/13. The bundle and pricing is available to every municipality in California. The Riverside Agreement designates Dell as a Large Account Reseller for Microsoft. The City used Dell, Inc. for the previous agreement, and staff proposed to continue using Dell.

This agreement simplifies licensing and record keeping compliance for the City. Culver City declares the number of desktop computers and submits the number of server licenses desired to be on the program as they are purchased. Each year a payment is made for the licensing. In exchange, Microsoft provides the City with the current version of every declared product. In addition, the City becomes eligible for training credits and support assistance each year.

DISCUSSION:

The Enterprise Agreement has been very beneficial to the City over the last five years. During the contract term, the City has benefitted from at least two major update releases of all covered products. The City also benefits from preferential pricing on new purchases for City use, an employee purchase program, training credits for IT staff, and access to support services.

One stop licensing through Dell's reporting to Microsoft has simplified licensing compliance checks, and ensures that Culver City will be able to pass compliance audits. Additional purchases by the City during the life of the agreement are at preferential pricing and added to the agreement's annual coverage.

Annual budgeting for the license payment has enabled the Information Technology (IT) Department to estimate costs over multiple years and eliminated large lump sum capital budget requests when a major update is released during a particular year.

The IT Department will be investigating internet/cloud based services including e-mail and productivity software which would typically be licensed under the Microsoft Enterprise Agreement. The evaluation and decision to transition to a cloud-based solution will not be complete prior to the expiration of the present agreement and will in all likelihood continue through the end of this fiscal year.

Staff recommends renewing the Microsoft Enterprise Agreement for a term of one year. Negotiations between Riverside and Microsoft are not yet complete and, at

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this time, the IT Department does not know what options and coverage the new agreement will contain. Additionally, staff does not recommend committing to a multi-year contract as the City's technological direction for E-mail (cloud evaluation) has not yet been determined.

Extending the contract for one year brings several benefits:

- The City maintains its current licenses and benefits for one more year at the preferred volume rates. If the City allows coverage to lapse all new purchases will be at non-preferred pricing schedules and each new version rolled out will have to be purchased at then-current prices as a new purchase.
- The City will know what changes, additions, and deletions of software will result from the County of Riverside negotiations. If they add licensing options for cloud based services that will also be evaluated.
- If the City determines to move E-mail and/or productivity applications to the internet/cloud, the transition will be planned to coincide with the expiration of the one year extension allowing a smooth transition with time to plan, test, and prepare.
- If the IT Department does not recommend moving services to the cloud a new three or five year agreement can be signed with Microsoft/Dell without a lapse in coverage.

Pursuant to Culver City Municipal Code Section 3.07.045.E, computer software is excepted from the competitive bid requirements.

FISCAL ANALYSIS:

Riverside County's negotiations include the buying power of counties and municipalities within California. As a result, Microsoft extends to Culver City a level of discount for which the City alone would not normally qualify. The one year extension is at price rates comparable to the expiring agreement. Comparing the previous agreements with the new pricing:

Agreement	Cost/Desktop/Year
Original (2003) Agreement	\$173.04 + tax*
Current (2008) Agreement	\$133.04 + tax*
One Year (2013) Agreement	\$138.88 + tax

* Past agreements have been non-taxable since software delivery is via Internet. It is expected that this will remain the same.

It should be noted that the reduction in pricing occurring with the 2008 agreement resulted from reducing the number of covered desktops after an audit was

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performed. The proposed 2013 agreement covers 386 desktop computers at a price of \$53,607.68.

The server and database Client Access Licenses (CALs) are also covered by the agreement. The annual count of server licenses changes slightly as Microsoft drops some product lines, merges some product lines, or grants new licenses as their licensing model evolves. The cost of server and database access licenses totals \$17,548.04. The total for the Enterprise Agreement is \$71,155.72 (plus applicable taxes) for one year.

Funding is appropriated in the Information Technology Repairs and Maintenance budget - 10124100.600200 to cover the payment.

ATTACHMENTS:

None.

MOTION:

That the City Council:

- 1) Approve a Renewed Microsoft Enterprise Agreement for one year for an expenditure not to exceed \$77,915.51 (including tax) with Dell, Inc. as the Large Account Reseller; and,
- 2) Authorize the City Attorney to review/prepare the necessary documents; and,
- 3) Authorize the City Manager to execute such documents on behalf of the City.