

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

Meeting Date: <u>10/13/14</u>		Item Number: <u>C-3</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 \$396,213.81 for a Three (3) Year Term.			
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 (10/08/14), Jonathan Gold, Dell Inc. (10/02/14)			
Department Approval: Michele Williams (10/02/14)		City Attorney Approval: Carol Schwab (by H. Baker) (10/07/14)	
Chief Financial Officer Approval: Jeff Muir (by M. Noller) (10/08/14)		City Manager Approval: John M. Nachbar (10/08/14)	

RECOMMENDATION:

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 \$396,213.81 (three annual payments of \$132,071.27).

BACKGROUND:

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 are used for communication, research, software application access 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 are installed on the City's desktops or servers using the Microsoft products as foundation to do their work.

City of Culver City, California
Agenda Item Report

In 2003, the City entered into an Enterprise Agreement with pricing and terms mirroring the County of Riverside's Microsoft Enterprise Agreement. The agreement was renewed in October of 2008 for an additional five-year period, which expired in 2013. On October 28, 2013, the City Council authorized renewing the agreement for a one year term.

The Enterprise Agreement bundles desktop and server licensing into a single program. The terms and pricing contained in the Enterprise Agreement are available to every municipality in California through a "piggy-back" clause in the County of Riverside's Agreement. 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 it would not normally qualify and also exempts this purchase from competitive bidding requirements, pursuant to Culver City Municipal Code Section 3.07.045.G.

The Enterprise Agreement also designates Dell as an approved LAR for Microsoft products. The City has used Dell, Inc. for the previous agreements, and staff recommends continuing to use this vendor for the renewed agreement.

DISCUSSION:

The Enterprise Agreement has been very beneficial to the City over the years. During the agreement term, the City is automatically entitled to major update releases of all the 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. Each year, the IT Department conducts an internal audit to identify the number of desktops and server licenses required for the organization. Additional purchases by the City during the life of the Enterprise Agreement have been at preferential pricing and added to the Enterprise Agreement's annual coverage.

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

Staff recommends entering into a three-year Renewed Agreement with Microsoft. The proposed renewal for three years would require an annual payment of \$132,071.27 each year. The following table summarizes the cost increases comparing the proposed Renewed Agreement to the current Enterprise Agreement.

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

Product Licenses	Current Agreement	Proposed Agreement	Pricing Difference	Description of Changes
Desktop Software - Includes Windows OS and Office Productivity Suite	\$53,607.68	\$104,818.52	\$51,210.84	Increased pricing for migration to Office 365 (cloud email and productivity suite). Licensing model changes from price per desktop (386) to per end-user/employee (700)
Server Software - Includes Windows Server OS, SQL Server Database, Remote Desktop, System Center, Enterprise Sharepoint	\$17,548.04	\$27,252.75	\$9,704.71	Increased pricing reflects compliance with Windows server OS. Moving to a "data center" model which supports licensing for a virtual environment and adding a SQL license for the external facing SQL database that is located on the website server
	\$71,155.72	\$132,071.27		

Agreement Changes

The IT Department has been investigating internet/cloud based services including e-mail and productivity software which could be licensed under the Microsoft Enterprise Agreement. Transitioning to a cloud e-mail solution means that daily administration tasks, backup/recovery, and physical data storage would be outsourced. This would result in efficiencies gained as these tasks would no longer be performed by City staff. Additionally, the e-mail system would be enhanced as current storage limitations that are in place due to limited data storage would be eliminated.

Transitioning e-mail services to a cloud solution would also include an option to implement E-Discovery tools. E-Discovery is a legally required process during litigation to identify, secure and review electronic data. Currently this identification, collection and preservation process is done manually and requires extensive staff resources from the IT Department in consultation with the City Attorney's Office. While there will be a significant cost increase for the cloud solution, staff recommends this strategic direction because having an E-Discovery tool will greatly enhance the City's efficiency in complying with modern E-Discovery requirements.

The Renewed Agreement provides for discounted pricing for transitioning to the Microsoft "Government Cloud." It should be noted that the Government Cloud has additional privacy and security restrictions and is exclusively used by governmental agencies. Microsoft has also received compliance with the FBI's Criminal Justice Information Services (CJIS) standards. In addition, IT will consult with the City Attorney's Office throughout the implementation of the new Government Cloud software to ensure that confidentiality and security issues are addressed. Local

City of Culver City, California
Agenda Item Report

municipalities which have transitioned to Microsoft's Government Cloud (or are currently in the transition process) include San Jose, San Diego, Long Beach, Oakland, and San Mateo County.

Another contributing factor to the cost increase is that the pricing model for Microsoft's cloud solution (Office 365) is different from the current model. Currently, the licensing is priced per desktop installation of the software. The City has 386 desktops licensed under the existing Enterprise Agreement. Transitioning to the Government Cloud requires pricing per end-user or employee, and the City would extend licensing for approximately 700 employees.

There is also an increase for the server licensing component of the Renewed Agreement. This change includes moving to a "data center" license to support the virtual server environment. Additionally, staff was recently notified of a compliance issue where a specific license is required for external-facing website servers. To satisfy this requirement, a new license is also being added to cover the database software utilized on the City's web server.

FISCAL ANALYSIS:

Approval of the Renewed Agreement would result in three annual payments of \$132,071.27 for a total expenditure not-to-exceed \$396,213.81. Initial year funding is appropriated in the City Council Adopted Budget for Fiscal Year 2014/2015 in the Information Technology Repairs and Maintenance account - 10124100.600200. Should the City Council approve this agreement, staff will request appropriate funding for future years as part of the annual budget process.

ATTACHMENTS:

None.

MOTION:

That the City Council:

- 1) Approve the Renewed Agreement with Dell, Inc. for a three year term (with one two-year extension subject to the approval of the City Manager provided the renewal pricing does not increase by more than 10%) resulting in three annual payments of \$132,071.27 for a total expenditure not-to-exceed \$396,213.81 with Dell, Inc. as the Large Account Reseller; and,

City of Culver City, California
Agenda Item Report

- 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.