



City of Culver City

Mike Balkman
Council Chambers
9770 Culver Blvd.
Culver City, CA 90232
(310) 253-5851

Staff Report

File #: 18-0455, **Version:** 1

Item #: C-3.

CC - (1) Authorization to Renew an Enterprise License Agreement with the Microsoft Corporation through CDWG, LLC or any approved Large Account Reseller (LAR) for PC Operating Systems, Office 365 Cloud Software, Client Access Licenses, and Server Licenses for a Term Not-to-Exceed Five Years in the Amount of \$189,537.75 Per Year; and (2) Authorization to the City Manager to Approve Amendment(s) to the Agreement in an Additional Amount of \$15,000 Per Year for the Term of the Agreement for Unanticipated Costs.

Meeting Date: November 6, 2017

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: (E-Mail) Meetings and Agendas - City Council (11/01/17); Aubrey Styles, Jeff Butchko, CDWG LLC., Bailey Cahill, Microsoft Inc. (10/17/17)

Department Approval: Michele Williams (10/26/17)

RECOMMENDATION

Staff recommends the City Council (1) approve the renewal of an Enterprise License Agreement with Microsoft Corporation, using CDWG, LLC. or any approved Large Account Reseller (LAR) for PC Operating Systems, Office 365 Cloud software, Client Access Licenses, and Server Licenses for a term not-to-exceed five years in the amount of \$189,537.75 per year; and (2) authorize to the City Manager to approve amendment(s) to the agreement in an additional amount of \$15,000 per year for the term of the agreement for unanticipated costs.

BACKGROUND

The City relies on Microsoft's operating systems, office productivity software, client access licenses (CALs), server products, and cloud services to run its desktop computers, e-mail/productivity software systems, and servers. Microsoft Office 365 includes word processing

and spreadsheet applications along with presentation, collaboration, and data storage software. E-mail and Internet software is used for communication, research, and to access software applications on a daily basis. The Microsoft Enterprise License Agreement (MELA) gives the City access to online E-Learning courses, training vouchers, and project and implementation vouchers that can be used with participating vendors to defray costs of training, research, and implementation of Microsoft software projects.

The City has also 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 sit on the City's desktops and servers using the Microsoft products as foundation to do their work.

In 2003 the City entered into an Enterprise agreement using the County of Riverside's Microsoft Enterprise Agreement. It was renewed in October of 2008 for an additional five-year period which expired and was superseded by the current agreement that was signed on November 8, 2016 and is in force through 2019. This program bundles Cloud, desktop, and server licensing into a single program with favorable pricing. Microsoft has extended this program over time and negotiates changes, options, new software to be included, and pricing as they update their available offerings. The present agreement between Riverside and Microsoft expires December 31, 2019. The software bundle and negotiated pricing is available to every municipality in California. The Riverside Agreement designates CDWG as one of several Large Account Resellers for Microsoft. The City used Dell, Inc. for the previous agreement. However Dell is no longer available as a LAR. Staff recommends authority to purchase through any of Microsoft's approved LAR's for the Riverside Agreement. All LAR's are approved through Microsoft and are contractually bound to provide the negotiated pricing and software offerings per the terms of the Riverside Agreement.

This agreement simplifies licensing and record keeping compliance for the City. Culver City declares the number of desktop computers, the number of server licenses, and number of E-Mail users 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. For Office 365 the City receives additional storage space for e-mail and file storage as additions are made to the program without additional charge. In addition the City is eligible for training credits and support assistance each year. There are also vouchers available to be used with implementation vendors if the City deploys a Microsoft related project and uses an approved vendor.

DISCUSSION

The Enterprise Agreement has been very beneficial to the City. During this contract term, the City has benefitted from at least two major update releases of all the covered products. In addition moving to Office 365 has increased e-mail storage capacity and given the City access to eDiscovery tools required by the City Attorney's office for litigation discovery. The City also benefits from preferential pricing on new purchases for City use, web use of Office applications, online storage of files, training credits for IT staff, and access to support services. One stop licensing through the LAR'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.

Moving to Office 365 was a major step forward for the City in several areas:

- eDiscovery. The search tools and ability to retrieve and review e-mail messages had been the object of another project. The pricing for the City to obtain the tools and necessary storage space had been projected to cost in the neighborhood of \$250,000 to as much as a half million dollars. The City obtained these tools at a price far below those estimates. Going forward the City Attorney's office is better able to respond to Discovery orders and record requests from the date of adoption in 2016.
- Disaster Recovery. E-Mail in the Cloud along with file storage and applications allow staff access to their mail and files anywhere there is internet access. Being stored in a Microsoft Government Cloud space the information is protected from a disaster that hits Culver City or as narrow a location as the City's Data Center.
- Licensing and storage for collaboration efforts. The City is engaged in projects to build a new document management system based on a tool and storage space in our Office 365 license (SharePoint). This leveraging of available resources will mitigate the costs of storage space and licensing that would otherwise have to be purchased for a solution not based on SharePoint.
- Expanded use of Email. Early this year the California Supreme court ruled that any official work done on private devices or using private accounts is subject to discovery. As a result the City Attorney's office through the Clerk's office with IT have moved to have permanent Committee, Commission, and Boards (CCBs) move away from private devices/account to City Office 365 accounts.

Staff recommends renewing the Microsoft Enterprise License Agreement for a term of three years; with the option of extending up to two additional one-year extensions (not to exceed five years) if Microsoft makes the program available for extension while it negotiates the successor agreement in 2020-2021.

Extending the contract for three years brings benefits to the City and avoids significant operational impact:

- The City maintains its current licenses and benefits 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 receive any changes and additions of software as Microsoft updates and refines its offerings that are covered under the City's license agreement.
- If coverage lapses the City will lose its e-mail and access to files stored in the Microsoft

Cloud after 30 days. A new e-mail and file storage infrastructure would have to be built and existing resources migrated to it. The time required for this would result in significant disruption to operations of all City Departments.

- The City will lose access to the eDiscovery tools gained with Office 365 and have to investigate new software, tools, and storage space at additional expense.

Pursuant to Culver City Municipal Code Section 3.07.045.G, this procurement is exempt from the formal competitive bidding as competitive bid procedures have already been utilized by another public agency and is being supplied to the City at the same or better price, as was obtained through the competitive bid procedures of that entity.

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.

Office 365 licenses cover e-mail, productivity software, online storage of user files, and a license and storage space for collaboration files and applications. Desktop Operating System and Server and Application operating system software are covered. 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. IT will add or drop licenses as our mix of servers and services evolves as well. As new programs or staff require e-mail services IT will add Office 365 licenses as needed to support their missions. The CCBs and e-mail accounts for the Emergency Operations Center positions are examples of accounts needed beyond staff accounts.

The total for the Enterprise Agreement is \$189,537.75 for one year. Electronic delivery of the software will not impose any sales tax. If additional licenses are required during the term of the contract, the total expenditure may vary slightly but the additional licenses will still be made available based on the negotiated pricing per the terms of the Riverside Agreement.

In the past Microsoft has allowed member agencies to extend the agreement one or two additional years at the same base pricing while it negotiates a new agreement with Riverside County. This option has been very valuable to Culver City and other agencies so that the licenses and prices for them remain valid and discounted while the negotiations take place and the agreement is setup. The current agreement between Microsoft and Riverside County runs until December 31, 2019.

With the use of online Cloud resources for critical City functions it is important that the City remain licensed at all times. As a result staff is recommending approval to extend the contract for a term not to exceed five years provided the Riverside Agreement is renegotiated and available to California municipalities.

The Riverside Agreement is the latest in a series over 15 years of agreements between Microsoft and Riverside County. The current agreement is a result of the Riverside County Purchasing Department, on behalf of Riverside County IT, issuing a bid (Request for Quote (RFQ) #PUARC-1518) for County-wide Microsoft licenses, product, and services available on Microsoft Enterprise Agreement #01E73970 to authorized Licensing Solutions Providers (LSP). The RFQ was viewed by fifty one companies and the County received bids from eight LSP's with all companies being

determined as responsive / responsible. From this RFQ process an agreement was generated. Through this agreement, which the State of California joined, all municipalities in California are eligible to use its pricing and conditions.

FISCAL ANALYSIS

Funding is appropriated in the Information Technology Repairs and Maintenance budget - 10124100.600220 to cover the payment. Future years will be in the funding request for this account to be approved by City Council each subsequent fiscal year.

ATTACHMENTS

None.

MOTION

That the City Council:

1. Approve renewing the Microsoft Enterprise License Agreement for a term not-to-exceed five years with a base expenditure each year of \$189,537.75 (electronic delivery will not impose tax) through CDWG, LLC or any approved Large Account Reseller; and
2. Authorize to the City Manager to approve amendment(s) to the agreement in an additional amount of \$15,000 per year for the term of the agreement for unanticipated costs; and
3. Authorize the City Attorney to review/prepare the necessary documents; and
4. Authorize the City Manager to execute such documents on behalf of the City.