



THE CITY OF SAN DIEGO  
**REPORT TO THE CITY COUNCIL**

DATE ISSUED: October 9, 2012 REPORT NO: 12-128

ATTENTION: Honorable Council President Tony Young and Members of the  
Committee on Rules, Open Government and Intergovernmental Relations

SUBJECT: Preliminary Report on the Microsoft Enterprise Agreement License  
Renewal

REFERENCE: n/a

REQUESTED ACTION:

Authorize execution of the Agreement with authorized Microsoft reseller Compucom, the Microsoft EA License Agreement, and the Microsoft Case Study Agreement.

STAFF RECOMMENDATION:

Approve the requested action.

SUMMARY:

The City uses Microsoft products for its standard desktop operating system and office productivity suite. The current software license and maintenance agreement expires on October 31, 2012. In order for the City to maintain accessibility to future releases of Microsoft products, the City must renew its licensing agreement with Microsoft via a Microsoft reseller.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

In December 2009, the City of San Diego entered into an Enterprise License Agreement (“EA”) with a Microsoft reseller to license key Microsoft products that are used throughout the City. The underlying license with Microsoft runs through October 31, 2012. The City used an agreement for licensing Microsoft software that was developed for local government agencies in the State of California by the California County Information Services Directors Association and the County of Riverside (“Riverside County Agreement”). Riverside County originally issued an RFQ which identified qualified Microsoft resellers.

The products licensed in the City’s expiring EA include:

- Desktop operating systems (Microsoft Windows)
- Server operating systems (Windows Server)
- Desktop office automation (Microsoft Office)
- E-mail and Calendar (Microsoft Exchange)
- Network access (Microsoft Active Directory)

- Document collaboration (SharePoint)
- Database software (Microsoft SQL Server)
- Other Microsoft software required within the City's enterprise

As technology evolves and new service offerings become available, the City continues to evaluate its strategies and considers alternatives that may improve service, be more cost effective, or both. Thus, in September of this year, the Department of Information Technology worked with Microsoft on the renewal of the EA. The agreement proposed for Council approval is based on a strategy that increases functionality for City desktop users, increases the capacity and flexibility of the City's IT environment, and reduces the City's enterprise cost incrementally over five years. The new EA incorporates the following concepts:

- Minimizing the City-owned infrastructure needed to use Microsoft products by deploying them via the Office 365 "cloud services".
- No longer paying for annual upgrades for certain products that are only refreshed, on average, every 4 years.
- Right-sizing EA software service levels to the products we actually use.

Approval of the proposed EA, and transitioning to Office 365, will afford the City the following benefits provided from Microsoft's US-based data centers:

- New versions of Microsoft Office will be available to City desktop users more quickly via Microsoft Software-on-Demand.
- Microsoft-hosted E-mail and Calendar services will reduce the City's cost and provide the flexibility to deploy additional services to City desktop users when required.
- Microsoft-hosted SharePoint services will provide a modern, world class deployment of the SharePoint collaboration software that will enhance communication with City employees and constituents.
- We will be able to use Instant Messaging and Presence, through Microsoft-hosted Lync Online, to communicate more efficiently.
- Service levels based on 99.9 % availability, with enforceable financial remedies.
- Data centers managed to, and audited for, best practice standards for security and privacy (Federal Information Security Management Act, ISO 27001).

The City currently maintains duplicate e-mail infrastructures, one for the San Diego Policy Department (SDPD) and one for the balance of the City. Maintaining two infrastructures increases the City's overall cost of IT services. The Department of Information Technology is working collaboratively with SDPD to craft the strategic direction of the proposed EA to consolidate these services by the end of the second year of the proposed EA.

By rethinking the City's EA strategy and using Microsoft services provided via the Office 365 model, the City will reduce its enterprise cost by an estimated \$350,000 over a five year period. The estimated savings assume additional license investments through discretionary budget

actions. The IT services contract recently signed with Atos is consistent with the Office 365 strategy and is structured so that the City will realize savings as we migrate to Office 365. The City will require assistance with configuration and implementation of Office 365. Planet Technologies, Inc. will provide those services, at no cost to the City, pursuant to a Memorandum of Agreement with the City. Microsoft will pay for the cost of the services as described in the Memorandum of Agreement with Planet Technologies, Inc., and a separate Letter Agreement between the City and Microsoft. Today's action will also authorize the Mayor or his designee to enter into the "Case Study, Press & Analyst Release for Microsoft Office 365" which, notwithstanding Council Policy 000-40, Marketing Partnership Program, or 000-41, Product Endorsement, will allow the Director of Information Technology to participate in written and videotaped case studies and certain interviews describing the City's experience with Microsoft technologies and allow Microsoft to use the City's name and seal for a press release, Microsoft blog, event keynote/presentation, Microsoft press interviews.

The City of San Diego Purchasing and Contracting Department issued a Request for Quote ("RFQ") to obtain quotes from resellers that were authorized under the Riverside County Agreement. Because this qualifies as a cooperative procurement exempt from the regular bidding process pursuant to Municipal Code Section 22.3212(d), staff is recommending that Council waive formal bidding and award the contract based on the best value from the RFQ.

FISCAL CONSIDERATIONS:

The City received responses from four vendors that are authorized to resell Microsoft products at the lowest negotiated price to governmental entities. The winning bidder was Compucom's quote for the Enterprise Agreement, for a total of \$8,493,040.90 over five years. The cost savings when compared to our current enterprise model are estimated at \$350,000 over the term of the agreement. The cost breakdown for the five year agreement is as follows:

Year 1: \$1,698,608.18  
Year 2: \$1,698,608.18  
Year 3: \$1,698,608.18  
Year 4: \$1,698,608.18  
Year 5: \$1,698,608.18

Staff requests that Council approve an amount for \$8,917,692.00, which is greater (a 5% contingency) than the sum total of years one through five. This will allow for minor increases in licensing needs that vary from year to year, including for the planned consolidation of City and SDPD services in contract year two. The projected incremental variance in cost has been included in the savings calculation.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

None.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:


None.

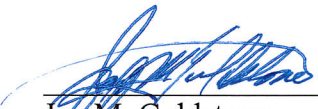
KEY STAKEHOLDERS AND PROJECTED IMPACTS:

All City departments budget to participate in the Microsoft Enterprise Agreement. All City departments, except the San Diego Police Department, will be migrated to the Office 365 service during the first fourteen months of the proposed agreement.

ATTACHMENTS:

- Letter affirming Microsoft's commitment to provide Office 365 Migration Services to the City of San Diego.
- Microsoft Case Study, Press and Analyst Release for Microsoft Office 365

  
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