



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: October 18, 2012 REPORT NO: 12-131

ATTENTION: Honorable Council President Tony Young and Members of the City Council

SUBJECT: Final Report on the Microsoft Enterprise Agreement License Renewal

REFERENCE: Report #12-128, dated October 9, 2012, titled "Preliminary Report on the Microsoft Enterprise Agreement License Renewal"

REQUESTED ACTION:

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

STAFF RECOMMENDATION:

Approve the requested action.

SUMMARY:

This report has been finalized subsequent to the October 17th, 2012 meeting of the Committee for Rules, Open Government and Intergovernmental Relations. This report reflects final pricing, which is lower than the estimate in the preliminary report. For more information, see the Fiscal Considerations section of this report.

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 (CompuCom Systems) 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.
- Use of 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 Police 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 Systems' quote for the Enterprise Agreement, for a total of \$8,365,654.72 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: \$1,673,122.80
Year 2: \$1,673,132.98
Year 3: \$1,673,132.98
Year 4: \$1,673,132.98
Year 5: \$1,673,132.98

The first year contract costs have been included in the approved FY2013 budget. Staff requests that Council approve an amount not to exceed \$8,867,594.00, which is greater (a 6% 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:

Report #12-128 was presented to the Rules Committee on October 17, 2012, regarding this request.

Rules Committee ACTION: Motion by Councilmember Emerald, second by Council President Young, to move the item to the full City Council for approval.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

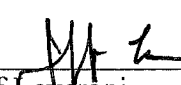
None.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

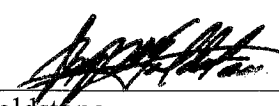
All City departments budget to participate in the Microsoft Enterprise Agreement. All City departments, except the San Diego Police Department, will be migrated to the Office 365 service during the first fourteen months of the proposed agreement.

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



Jeff Leveroni
Director
Department of Information Technology



Jay M. Goldstone
Chief Operating Officer



October 4, 2012

Jeff Leveroni
City of San Diego
1012 2nd Avenue, Suite 500
San Diego, Ca 92101

Re: Office 365 Migration

Dear Mr. Leveroni,

We understand that Microsoft's partner, Planet Technologies will be participating with the City of San Diego in an Office 365 Migration project. We welcome this opportunity and if *the City of San Diego* executes this letter of agreement on or before November 30th, 2012, Microsoft will provide an amount not to exceed \$213,000.00 (USD) to *Planet Technologies*, for the delivery of services to *the City of San Diego*. Microsoft intends that this funding be provided to *Planet Technologies* in full compliance with applicable laws and regulations with respect to gratuitous services, and Microsoft waives any and all entitlement to compensation from the City of San Diego for the contribution of such funds. As such, we would appreciate your acknowledgment and agreement that: (i) we may provide these funds to *Planet Technologies* for the purposes of the engagement; (ii) that all services and services deliverables provided are for the sole benefit and use of *the City of San Diego* and are not provided to or for any individual government employee; and (iii) Microsoft will have no liability for the services provided by *Planet Technologies*.

If the terms of this letter agreement are acceptable to you, please sign in the space provided below and return this letter to *Planet Technologies*. This letter agreement is not valid until accepted and executed by Microsoft below.

Sincerely,

Mark Starr

Microsoft Corporation

Title: Account Executive, US Public Sector

Date: 10/04/2012

ACCEPTED AND AGREED:

City of San Diego

By: _____

Title: _____

Date: _____

Case Study, Press & Analyst Release for Microsoft Office 365

This Case Study, PR and AR Release (the "Release"), is between Microsoft Corporation, a Washington corporation ("Microsoft") and the city identified below ("City"). This Release is effective on the later of the two signature dates below (the "Effective Date").

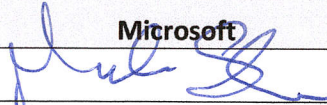
This Release consists of:

- The terms and conditions below; and
- Exhibit A – Individual Release (applicable to specific quotes or testimonials)

Addresses and contacts for notices

Microsoft	Company: City of San Diego
Attention: Mark Starr	Attention: Jeff Leveroni
Address: 3 Park Plaza, Suite 1800, Irvine, Ca 92614	Address: 1010 2nd Ave, Ste 500 East, San Diego, CA 92101
Phone number: (909) 915-5411	Phone number: 619-533-3637
Fax number: (909) 915-5411	Fax number:
E-mail (if applicable): mstarr@microsoft.com	E-mail (if applicable): jleveroni@sandiego.gov
Other contact address:	Other contact address:

Agreed and accepted

Microsoft	City of San Diego
Signature: 	Signature:
Name: <i>Mark Starr</i>	Name:
Title: <i>Devt Executive</i>	Title:
Date: [October 15, 2012]	Date: [insert month date, year]

Signature/Return Instructions:

Print and sign the release and fax to 1-425-936-7329 (note that a fax cover sheet must include the following information to be correctly routed to Alexander Bradley):

Mark Starr
 Email: mstarr@microsoft.com
 Tel: +1.909.915.5411

SECTION 1 Purpose

Microsoft would like to conduct a case study and other public/analyst relations activities with City describing City's use of Microsoft products, technologies or services. This Release sets forth the activities that City will take part in. It also sets forth the parties' use rights for any documents or recordings ("*Materials*") resulting from these activities. This Release applies to the activities listed in Section 2 (Participation) below unless the parties otherwise agree in writing. Microsoft is not required to create or use such Materials.

SECTION 2 Participation

City's Director of Information Technology will take part in the following activities that are marked below (note that City can elect to be eligible for additional activities by checking additional boxes below):

Public Relations

- Written case study – a document/story describing City's experience with use of Microsoft technologies
- Video case study – a video version of the case study describing City's experience with use of Microsoft technologies
- Media Reference – Remain Anonymous
Participate in 1:1 interviews with media, customer name remains anonymous
- Media Reference – Named
 - City's name/logo used publically (press release, Microsoft blog, event keynote/presentation, Microsoft press interviews)
 - City written response to media inquiries (e-mail Q&A with reporter)
 - Company quote/statement used in public facing content (press release, quote sheet, Microsoft blog)
 - Company story (customer issues press release, blog, bylined article)
 - Company guest blog post (customer guest writes on Microsoft blog)
 - Company participates in 1:1 interviews with media, customer name/quote/data may be used in published story (a document/story describing your experience with use of Microsoft technologies)
 - Company Video (a video version of the case study describing your experience with use of Microsoft technologies)
 - Conversations with media press describing your purchase decision and/or experience with the use of Microsoft technologies.

Analyst Relations

- Analyst Reference – Remain Anonymous
City participates in 1:1 discussions with analysts, if approved by City's Director of Information Technology, customer name remains anonymous
- Analyst Reference – Named
 - o City participates in 1:1 discussions with analysts, , if approved by City's Director of Information Technology, customer name/quote/data may be used in published research as approved by customer
- Industry Analyst Reference – Conversations with industry analysts at leading firms e.g. Gartner Research, Forrester, who conduct research on industry trends.
- Company Showcase – Named
Participate in customer/analyst get together to discuss deployment/use of MSFT technology (customer/analyst roundtable at industry tech conference).

City's Director of Information technology will describe City's experience using Microsoft products, technologies or services for each such activity. City's agreement to participate in these activities does not obligate Microsoft to create or use any of the Materials or to offer the opportunity to City to use any of the Materials.

SECTION 3 Intellectual property rights

The following terms apply to all Materials created under this Release.

- (a) Microsoft and its Affiliates may interview and record by any means City's Director of Information Technology to gather information for creating the Materials. City will obtain the consent of City's Director of Information Technology if his quotes, name, voice or image appears in the Materials to grant the rights set forth in this Release. "Affiliate" means any legal entity that owns, is owned by, or is commonly owned with Microsoft. "Own" means having more than 50% ownership or the right to direct the management of Microsoft.
- (b) Microsoft and its Affiliates may display City's name, logo/seal, and other identifying information in the Materials, as approved by City during its review of the Materials. Microsoft will obtain City's approval before initially releasing any Materials to the public. City will review the Materials before it approves their release for factual accuracy and to prevent the inadvertent release of City's confidential information. City will give its approval or comments in writing (e-mail sufficient) in a timely manner.
- (c) Microsoft will own the Materials except for any of City's trademarks, service marks, logos, seal, and other identifying information contained therein.

SECTION 4 Mutual rights and obligations

Each party will have a worldwide right to use, reproduce, publish, distribute, broadcast, publicly perform or display, translate, and transmit the final, approved Materials. These rights apply to the Materials in whole or through unedited excerpts, in all forms of media now or hereafter known. Neither party will change the Materials without the prior written consent of the other party. Each party will stop distributing, publicly referencing, and displaying the Materials upon the earlier of written request from the other party or three years from the Effective Date.

SECTION 5 Representation and warranties

City warrants and represents that:

- (a) It has the legal authority to enter into this Release; and
- (b) The rights granted in this Release do not violate the rights of any other person or entity and do not conflict with existing commitments.

SECTION 6 Limitation of liability

Each party releases the other party and its contractors, agents, affiliates and employees, from any claims relating to use of the Material as long as the Materials are used according to the rights granted under this Release.

SECTION 7 Term

The term of this release shall be three years from the Effective Date.

[Remainder of this page is intentionally left blank.]

Individual Release

For good and valuable consideration, the receipt and sufficiency of which is acknowledged, the undersigned enters this Individual Release ("*Individual Release*"). This Individual Release is effective on *[insert date]* (the "*Effective Date*").

Agreed and accepted

Individual
Signature:
Name:
Date: <i>[insert month date, year]</i>
Address:
Phone number:
E-mail (if applicable):

SECTION 1 IP rights

I grant to Microsoft, for a term of three years from the Effective Date, the nonexclusive, irrevocable, worldwide, right to distribute, reproduce, publicly perform or display, transmit, modify, broadcast, translate, create derivative works of, or use my name, biographical information, likeness, image and quotes or testimonials below for Microsoft Online Services. These rights apply to my quotes or testimonials in whole or in part and may be exercised by all methods now known or developed in the future.

[Insert Quote or Testimonial]

[Insert specific solution, project, product, etc.]

SECTION 2 No fees/waiver

I will not be paid in connection with this Individual Release. In consideration of my personal satisfaction resulting from Microsoft's use of my quotes or testimonials, I hereby waive all other forms of compensation for granting the above IP rights to Microsoft. I will not bring a claim against Microsoft related to the rights granted in this Individual Release. I waive all rights to any equitable relief in connection with this Individual Release.

SECTION 3 Representations and warranties

I warrant and represent that:

- (a) I have the legal authority to enter into this Individual Release; and
- (b) The rights granted herein will not:
 - (1) Violate any third party right;
 - (2) Conflict with any existing contractual or legal commitment on my part; or
 - (3) Require Microsoft to obtain any additional permission from or pay any third party.

SECTION 2 Limitation of liability

I hereby release Microsoft, its Affiliates, contractors, agents, employees, licensees and assignees from all liability to me relating to this Individual Release.