



CITY COUNCIL STAFF REPORT

From: City Manager

Report Type: CONSENT CALENDAR

Lead Department: IT Department

Meeting Date: January 30, 2023

TITLE

Approval of Amendment Number One (1) with Insight Public Sector, C20177991 Extending the Term by Three Years and Compensation by \$1,686,615 Utilizing a Riverside County Agreement for Citywide Microsoft Licensing and Approve a Contingency in the Amount of \$100,000 Annually, for a new Total Not-to-Exceed Contract Amount to \$3,628,317; CEQA Status—not a project

RECOMMENDATION

Staff recommends that Council approve and authorize the City Manager or designee to execute the following:

1. Amendment 1 to Contract C20177991 extending the contract by three years with Insight Public Sector for the City's Microsoft infrastructure and cloud licensing and support in the amount of \$1,686,615, (Attachment A).
2. Authorize a contingency in the amount of \$100,000 annually (\$300,000 total) for the purchase of additional Microsoft licensing for growing business requirements.

EXECUTIVE SUMMARY

The Microsoft products and services outlined in the agreement are required to operate the City's email system, collaboration suite, and data centers. Microsoft solutions are critical to the daily operations and cybersecurity of the City.

Microsoft requires all licenses governed by an Enterprise License Agreement (ELA) to be purchased through an authorized Licensing Solution Partner (LSP). Insight Public Sector is an LSP who entered into a Software Cooperative Purchasing Agreement with the County of Riverside, which extends guaranteed pricing for Microsoft products and services from a competitively bid master agreement to municipal governments.

The County of Riverside Enterprise Licensing Agreement for Microsoft 365 provides the City the highest available discounts and is available to all local jurisdictions in California.

This new contract with Insight Public Sector is exempt from competitive solicitation requirements under Palo Alto Municipal Code (PAMC) section 2.30.360(k) (exemption from competitive solicitation requirements by use of another governmental or public agency's contract) as (1) the services are solicited using methods substantially similar to those used by the City; and (2) the contract is consistent with the requirements specified in this Municipal Code.

BACKGROUND

Microsoft creates the core technologies and software upon which the City's information technology operations are built. These products are necessary to efficiently and cost effectively deliver City services to staff internally and to constituents. The most visible of these products are the Windows desktop, laptop, and the Office productivity applications such as Word, Excel, Teams and Outlook. In addition, Microsoft cloud-based technologies deliver on-demand technology and computing infrastructure to the City, including email, software as a service, application hosting and data storage solutions.

On February 24, 2020¹ Council approved Microsoft G3 (Contract No. C2017799), data and server licensing with Insight Public Sector which expires on January 31, 2023. Amendment No. 1 will extend the term by three additional years, through January 31, 2026. The original terms and conditions for use of the County of Riverside's contract remain unchanged. This contract, #PSA-0001526/RIVCO-2020-RFQ-0000048 and its Amendment No. 1 to the Licensing Solution Provider Agreement, are included in CMR 10946.

DISCUSSION

Demand for technology use across City departments has increased year over year and Microsoft products are a key tool that the Information Technology Department has used to respond to this demand, leveraging the City's investments in Microsoft products and services to accelerate the pace at which it can deliver solutions to departments.

Microsoft cloud-based technologies and services provide new and improved services, while minimizing capital investments, helping shift toward an operations expense model, and ensuring the City can expand or shrink services as needed without undue expense or sunk costs.

During the term of the current Microsoft Enterprise License Agreement (ELA), IT staff leveraged Microsoft products and services to implement many new systems and services, including:

¹ City Council, February 24, 2020 Item #7, CMR 10946:
<https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2020/id-10946.pdf?t=53319.98>

- Implemented Microsoft Teams for collaboration and communication that has integrated virtual conferencing and phone services, which were heavily utilized during the pandemic and continue to be a critical tool for the modern workforce.
- Built out various online services to communicate COVID-19 and other emergency related information via dashboards, portals, and various online forms.
- Utilized Microsoft's scheduling platform for virtual and on-premise customer appointments.
- Implemented new cybersecurity controls and technologies to improve protections to the City's computing infrastructure and data; and
- Implemented cloud-based data backup across all systems to increase resiliency, redundancy and disaster recovery of critical data.

By entering into a new ELA with Microsoft the City will be eligible to leverage Microsoft products to meet various business needs while standardizing core sets of products across the organization for easier management, compatibility, and support. Benefits include:

- Volume discounting and discounts on future licensing renewals.
- Simplified management to track and manage centralized software licenses.
- Priority support from Microsoft for quick resolution of technical issues raised by staff.
- Compliance with Microsoft's licensing requirements for City use of Microsoft products.
- Guaranteed product upgrades to newer versions.

The City anticipates continuing to increase its investment in Microsoft technologies for the City's technology needs. Examples of projects and initiatives that are expected to leverage the Microsoft platforms and utilize/expand the Microsoft ELA during the next 3-year term include:

- Mobile device management to secure and manage devices used by remote workers and field staff.
- Data loss prevention technologies to reduce the risks of exposing protected information and to remain compliant with Health Insurance Portability and Accountability Act (HIPAA) and Payment Card Industry Data Security Standard (PCI DSS) requirements.
- Office365 and OneDrive expansion to enhance collaboration, data storage, and sharing capabilities enterprise wide.
- Increase the resiliency and availability of core IT services in the event of a disaster.

Staff recommends utilization of this agreement with Insight Public Sector for Microsoft software licensing and services. Foregoing the contract renewal would have a negative fiscal impact as future versions of Microsoft products will need to be purchased new. Additionally, without an ELA the City would not benefit from license entitlements it currently receives and which are only available to ELA customers.

RESOURCE IMPACT

The FY 2023 Adopted Operating Budget for the Information Technology Department has \$0.5 million budgeted for Microsoft licensing. Staff anticipate reviewing funding needs for the \$0.1 million to align the funding source with the needs determined for use of that contingency. In FY 2023, staff expect to bring forward a budget adjustment as part of the Mid-Year Budget Review. Funding for subsequent years of the contract will be subject to approval through the annual budget development process. The Information Technology Department is funded by an internal service fund². Approximately 60% of the department is General Fund funded with the remaining 40% funded by enterprise and special revenue funds.

Original Contract	\$ 1,641,702
Amended Contract	\$ 1,686,615
Subtotal:	\$ 3,328,317
Contingency	\$ 300,000
Total Contract Not-to-Exceed	\$ 3,628,317

STAKEHOLDER ENGAGEMENT

The services were coordinated with internal stakeholders and the service provider.

ENVIRONMENTAL REVIEW

Council action on this item is not a project as defined by CEQA because the purchase of software licenses is a continuing administrative or maintenance activity. CEQA Guidelines section 15378(b)(2).

ATTACHMENTS

Attachment A: Contract with Insight Public Sector for Citywide Microsoft Licensing, C20177991

APPROVED BY:

Darren Numoto, Chief Information Officer

Report #: {{item.custom_tracking_number}}

² A fund that primarily provides either benefits or goods or services and is used to track those goods or services shifted between departments on a cost reimbursement basis. Other funds, departments, or agencies of the government organization are charged on a cost-reimbursement basis, with the goal to 'break-even.'