



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Authorize the Issuance of a Purchase Order for a Three-year Subscription for Microsoft Office O365 (F17-034)

REPORT IN BRIEF

Approval is requested to issue a Purchase Order to Softchoice Corporation of San Francisco in the amount of \$683,100 for the purchase of a three-year subscription for Microsoft Office 365 G3 and BridgeCAL licenses. Approval is also requested to authorize the City Manager to renew the licenses subscription for two additional one-year periods, not to exceed budgeted amounts.

EXISTING POLICY

Chapter 2.08 of the Municipal Code requires Council approval for transaction greater than \$100,000.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.

BACKGROUND AND DISCUSSION

On September 20, 2016, Council approved the implementation of Microsoft Office 365 (O365) in order to provide the City with traditional technology tools such as email, calendaring, collaboration, instant messaging, and video conferencing (RTC No. 16-0903). In that RTC, staff discussed that the cost of the necessary Microsoft licenses was offered by authorized resellers for \$240,000 annually, which was more than the expected pricing under a cooperative procurement agreement through Riverside County. Therefore, staff decided to decouple the purchase of the O365 implementation services from the license contract in order to negotiate better pricing. As pricing options were being evaluated, staff discovered that the absolute best pricing from the Riverside County agreement was not available to Sunnyvale because that pricing is only available to jurisdictions who have executed an Enterprise Agreement (EA) with Microsoft (Riverside County established a Master Enterprise Agreement - #01E73134 - with six authorized resellers).

As a part of migrating from Google mail to O365, the City will be required to establish an EA with Microsoft for the O365 licenses. The advantage of an EA is the flexibility of hosting other infrastructure onto the cloud solution (Azure) and potential future license cost savings (e.g., Customer Relationship Management, SQL Server). The City will benefit from the entitlements to regular upgrades of Office versions.

Although staff was not able to obtain the best licensing costs available to jurisdictions with EAs in

place, staff was able to achieve a lower cost through a competitive process in the annual amount of \$227,700 with no price escalation for three years. This was accomplished by soliciting quotes from the authorized resellers on the Riverside County EA. The price quotes ranged from \$230,276 to \$234,646. The final annual cost of \$227,700 includes a 7.5% discount available through the Riverside EA, plus an additional discount negotiated through a best and final offer process.

Therefore, staff recommends entering into an Enterprise Agreement with Microsoft for O365 licenses and back-end server connectivity (BridgeCAL) licenses based on the County of Riverside Microsoft Enterprise Agreement #01E73134. Additionally, staff recommends authorizing the City Manager to renew the purchase order for two (2) additional one-year periods, not-to-exceed budgeted amounts.

FISCAL IMPACT

The total three-year cost is \$683,100, to be paid in annual increments of \$227,700. Budgeted funds are available in the Information Technology Equipment Replacement Fund to purchase and implement MS Office 365. Budgeted funds for annual subscription costs are available in operating program 746, IT Services and Support. The annual subscription of \$227,700 will be offset by funds currently programmed for annual support, and various replacements and upgrades for current communication and collaboration tools. Although there still is an impact on the twenty year plan of approximately \$90,000 annually, it is less than previously estimated, and staff anticipates reducing the impact through anticipated staff efficiency gains and ongoing savings through future license cost savings.

Funding Source

Funds are budgeted in the General Fund (Technology Project Funding) and the General Services, Technology and Communication Services sub-fund. Ongoing funds will be included in the General Services Fund and reimbursed by the various city-wide operating funds (e.g. General Fund, Water Fund, Development Enterprise Fund, etc.)

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

RECOMMENDATION

1) Authorize the issuance of a three-year purchase order, in substantially the same form as Attachment 1 to the report in the amount of \$683,100 to Softchoice Corporation; and 2) Authorize the City Manager to renew the purchase order for two (2) additional one-year periods, not-to-exceed budgeted amounts.

Prepared by: Pete Gonda, Purchasing Officer

Reviewed by: Timothy J. Kirby, Director of Finance

Reviewed by: Kathleen Boutte-Foster, Chief Information Officer

Reviewed by: Walter C. Rossmann, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENT

1. Draft Purchase Order