



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Authorize the City Manager to Execute an Agreement with the California Department of Technology for the Purchase of Microsoft Online Subscription Services (F23-025)

REPORT IN BRIEF

Approval is requested to authorize the City Manager to execute a three year and four-month Agreement with the California Department of Technology for Microsoft online subscription services in an amount not-to-exceed \$2,034,910 and approve a 9.8% contingency in the amount of \$200,000.

EXISTING POLICY

Pursuant to Section 2.08.040 (d) of the Sunnyvale Municipal Code (SMC), Council approval is required for the procurement of goods and/or services greater than \$250,000 in any one transaction.

Further, SMC section 2.08.220 (b) authorizes the Purchasing Officer to participate in a cooperative agreement for the procurement of goods and/or services publicly solicited by another governmental, public or quasi-public entity.

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(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment.

BACKGROUND AND DISCUSSION

On September 20, 2016, Council approved the implementation of Microsoft Office 365 (O365), which provided the City with traditional technology tools such as email, calendaring, collaboration, instant messaging, and video conferencing (RTC No. 16-0903). Licensing was authorized through the issuance of a purchase order for a three-year subscription for Microsoft Office O365 (RTC No. 16-0933). Subsequently, licenses were authorized through a contract for Microsoft Enterprise Agreement Licenses with SHI International Corp. (RTC No. 19-0939). The current enterprise agreement is expiring on October 31, 2022.

Staff is recommending procuring subscriptions via an Enterprise Agreement offered through the California Department of Technology (CDT). CDT solicited and negotiated an agreement to provide highly discounted rates for the G5 Microsoft Subscriptions, which is the latest version of MS Office 365 designed to meet government standards and are packaged to include the highest security offerings. The CDT contract is a five-year agreement that offers the following discounts off MSRP that locks in the pricing at a set discount level each year: 40% in year one; 30% in year two and three; 20% in year 4; and 10% in year five. The City will be joining on November 1, 2022, which is during

year two of the CDT Agreement, and is requesting to continue participation through year five. The City's participation will include licenses for the standard Microsoft Office Suite (i.e., Outlook, Word, Excel, PowerPoint) for most employees, a lite version of only Outlook, a limited number of licenses for Project and Visio, and necessary support licenses for TeamDynamics, which is the backbone of the ITSM ticketing management system. The rates for the TeamDynamics, Visio and Project licenses are 5% more than other competitively available licensing agreements but are advantageous to combine for ease of management, immediate accessibility and advantage of adding the additional security features with the G5 version. In addition, these increased costs are easily offset by the forecasted savings associated with the other components the City will be purchasing through this program. In reviewing the available contract options for Microsoft Enterprise Agreements, the participation in the CDT program will provide the greatest cost savings and best value for the G5 product security offering.

To utilize the CDT Agreement (Attachment 1 to this report), the City is required to enter into the SupportNow online program created by CDT. Entering this program would create an agreement between the City and CDT and a mechanism to provide on-demand licenses, which are supplied through Crayon Enterprises (Attachment 1 and 2 to this report). The anticipated cost to provide the minimum number of subscription licenses during the complete term of the contract is \$1,910,708.74 (See Attachment 3). Factoring in program fees and contingency to increase license counts to address staffing needs, staff is requesting a purchase agreement in the amount of \$2,234,910 (See Attachment 3).

FISCAL IMPACT

To participate in the CDT program, the City will pay a 2.71% pass-through fee to the supply vendor (Crayon Enterprises) and a 3.5% fee to CDT for their administration and support of the program. Over the term of the agreement, this is expected to cost \$118,655.01. The cost to provide the minimum number of subscription licenses during the term of the contract is \$1,910,708.74. In anticipation of the need for new licenses during the term of the agreement, staff is requesting a contingency in the amount of \$200,000 for a total purchase agreement amount of \$ 2,234,910. After factoring in the cost discount for the licenses and additional fees for participation, the City still anticipates savings of approximately \$300,000 compared to continuing the current contract arrangement. Operating costs will increase commensurate to the agreement and will be in excess of typical growth planned for goods and services. These costs will be included in the operating budget each year of the agreement.

Funding for Microsoft online subscription services is available in the Information Technology Operating Budget, Technology and Communications Fund 7027.

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 Public Library, Senior Center, Community Center and in the Department of Public Safety Lobby. In addition, the agenda and report are available at the Sunnyvale Public Library, Office of the City Clerk, and on the City's website.

RECOMMENDATION

Authorize the City Manager to Execute an Agreement with the California Department of Technology for Microsoft online subscription services in a not-to-exceed contract amount of \$2,034,910 and for a term of three years and four months and and approve a 9.8% contingency in the amount of

\$200,000.

Prepared by: Gregory S. Card, Purchasing Officer

Reviewed by: Tim Kirby, Director of Finance

Reviewed by: Kathleen Boutté Foster, Chief Information Officer

Reviewed by: Jaqui Guzmán, Deputy City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. CDT Agreement
2. Crayon Agreement with CDT
3. Crayon Pricing Quote for Term of Agreement