

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: ARI PIOTRKOWSKI, DEPUTY DIRECTOR,
INFORMATION TECHNOLOGY DEPARTMENT
SUBJECT: THREE-YEAR RENEWAL OF MICROSOFT ENTERPRISE
AGREEMENT

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Information Technology Department, that the Council, by resolution, approve a three-year Enterprise Agreement renewal with Microsoft for software licenses and cloud services, through the County of Riverside's Cooperative Agreement # PSA-0001524/RIVCO-2020-RFQ-0000048, via Microsoft's Value-Added Reseller (VAR) Dell Marketing, L.P., in the amount of \$1,952,547.48 plus a \$400,000 contingency, for a total of \$2,352,547.48.

EXECUTIVE SUMMARY

Microsoft products provide the backbone of core applications in the City for email, word processing, spreadsheets and data analysis, presentation software, file sharing and storage, collaboration tools, server operating systems, database servers, and other key functions used by nearly all City staff on a daily basis. These products also include software designed for our Cybersecurity prevention measures, disaster recovery, and hybrid meeting technology. The suite of products used by the City are covered in an "Enterprise Agreement", which is due for renewal this fiscal year.

BACKGROUND

In 2021, the City entered into a three-year Enterprise Agreement ("EA") with Microsoft, via VAR Dell Marketing, L.P., to provide City-wide software licenses for applications such as Office, SharePoint, Exchange and Windows Server. The City is now needing to extend its current Microsoft EA in order to maintain current licenses and to include future additional licenses at a reduced cost.

The EA consolidates software purchases across the City at a reduced price, and significantly streamlines the software license management and accounting process for City-wide software upgrades.

THREE-YEAR RENEWAL OF MICROSOFT ENTERPRISE AGREEMENT

PAGE 2 OF 4

As part of its technology procurement practices, the City Information Technology (IT) Department typically upgrades and deploys core City software on a timescale that keeps City software versions at or near current commercial release versions. This practice is necessary to ensure core City software is current and operates efficiently with the latest features and security-related improvements.

PRIOR CITY COUNCIL REVIEW

On July 13th, 2021, the City Council, by Resolution No. RES-2021-128, approved entering into a three-year Microsoft Enterprise Agreement through Dell Marketing L.P. for the total amount of \$1,187,598.60 with a \$400,000 contingency for a total of \$1,587,598.60.

ANALYSIS

The three-year Enterprise Agreement will enable the City to continue use of existing Microsoft products and allow for acquisition of new software versions while continuing the benefit of software assurance upgrades to the latest features and security patches. Microsoft renews EA's in three-year terms.

With this renewal there is an increase in cost of approximately \$258,000 per year over the three-year term. There are several factors that contribute to the increase in cost compared to the prior agreement which include global increases in pricing by Microsoft outside of our control, increased number of licenses to accommodate additional full and part time staff in the City as well as outside contractors working on behalf of the City, additional board/committee members, additional cybersecurity safeguards, and increased adoption of the cloud for disaster recovery/business continuity. These areas are identified as follows:

In 2021, the pricing of an Office license was \$23.88 per user/per month, and we had 1,175 licensed users. In 2024, Microsoft has increased this price to \$28.53 – roughly a 20% increase and we now require licensing for 1,225 users. This represents a net increase of \$82,683 per year. Microsoft also instituted price increases on other software products staff use in a more limited fashion, including Visio, Project, and PowerBI. These changes represent an increase of approximately \$1,600 per year.

In 2022, additional critical cybersecurity measures were added, including advanced phishing protection, forensic email analysis and incident response tools for improved protection of the City's email system from cybersecurity threats. This cost was not present in the original 2021 agreement and was added mid-contract and paid for out of one-time funds within IT's existing budget. Going forward, the cost to maintain this service represents an increase of \$28,536.48 per year.

THREE-YEAR RENEWAL OF MICROSOFT ENTERPRISE AGREEMENT

PAGE 3 OF 4

During the last 3 years, software assurance licensing for the City's database servers was incorporated into our 3-year EA agreement. This ensures we continue to have the latest supported software versions, including security updates. These systems run some of the most critical applications for City services such as financials, payroll, water billing, and GIS. Due to increased needs for IT-related services, the City also increased the total number of servers within our datacenter within the last 3 years; requiring us to add an additional quantity of Windows Server datacenter licensing to remain compliant with the Microsoft licensing agreement. These additions represent an increase of \$26,925.84 per year.

In addition to our on-premises datacenters, the City leverages the Microsoft Azure cloud to provide effective disaster recovery and business continuity solutions. This includes the ability to rapidly restore critical City servers directly to the cloud, in most cases within minutes. These services also allow us to protect documents and files in near real time with robust protection from ransomware attacks. As the City's reliance on the cloud has grown, we are needing to incorporate this into our existing agreement. The average annual cost to maintain these services is \$114,996. These services are charged on a pay-as-you-go basis and may fluctuate during the year as our utilization changes.

Furthermore, Microsoft requires an annual true-up to account for any new licenses added during the year. This true-up occurs each year of the contract term. The City will also need to purchase additional software as additional staff, contractors, and boards and commissions members are added, as well as for critical needs such as Cybersecurity prevention measures, hybrid meeting technology and cloud resources for disaster recovery/continuity of operations. As such, a contingency amount not to exceed \$400,000 has been added to the contract to pay for potentially new licenses over the three-year term.

FISCAL IMPACT

Funds for year one of this three-year renewal have been included in the Fiscal Year 2024-25 Information Technology budget, and will continue to be included in subsequent Fiscal Year budgets as approved by Council.

ENVIRONMENTAL IMPACT

This action is exempt from the provisions of the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15061(b)(3) and 15378 in that there is no possibility that the implementation of this action may have significant effects on the environment, and no further environmental review is required.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

THREE-YEAR RENEWAL OF MICROSOFT ENTERPRISE AGREEMENT
PAGE 4 OF 4

NOTIFICATION

Not applicable.

ATTACHMENTS

- Resolution/Exhibit A (Agreement)

PRESENTER

Ari Piotrkowski, Deputy Director, Information Technology Department