



Agenda Item #: _____

Staff Report

City of Manhattan Beach

TO: Honorable Mayor Fahey and Members of the City Council

THROUGH: Geoff Dolan, City Manager

FROM: Bruce Moe, Finance Director
Leilani Emnace, Information Systems Manager

DATE: June 21, 2005

SUBJECT: Approval of Three-Year Contract with Microsoft Corporation for Enterprise Agreement Software Licensing and Award of Order to CompuCom Systems to Obtain License (\$131,543)

RECOMMENDATION:

Staff recommends that the City Council: a) waive formal bidding per Municipal Code Section 2.36.150 (Cooperative Purchasing), b) approve a three year contract with Microsoft Corporation for Enterprise Agreement Software Licensing, and c) award an order to CompuCom Systems to obtain the licenses in the amount of \$131,543.

FISCAL IMPLICATION:

The total cost of obtaining the enterprise wide license is \$43,848 per year, or \$131,543 for three years. Sufficient funds are available in the FY 2004-2005 budget, and will be provided for in future budgets. Staff estimates that the purchase of the enterprise wide software license will save approximately \$23,369 over other options, given our expected software needs and planned upgrades over the coming three years.

BACKGROUND:

On May 21, 2002, City Council approved the three year contract with Microsoft Corporation for the Enterprise Wide Software Licensing Agreement in the total amount of \$127,431. Based on a cost analysis at the time, the Microsoft Enterprise Agreement was the most cost effective approach to software licensing given the City's known software needs and assumptions over the three year period. The contract will expire June 30, 2005; renewal is due at this time.

DISCUSSION:

Since the inception of the City's network in 1995, the City has standardized on Microsoft products for our workstation operating systems (OS), network server operating systems and the Microsoft suite of office applications (Word, Excel, Outlook, Power Point, Access and Publisher). This decision was made based upon the de facto standardization on Microsoft products throughout the country, as well as the integration and compatibility of all products. The City continues its standardization on Microsoft products.

Without a licensing agreement, as new workstations are procured, the vendor (Dell) will automatically

load the most recent version of the Microsoft Operating System (OS) and office applications and provide the City with a paper license. In the past, this resulted in four different desktop configurations of OS (Windows '95, '98, 2000 and XP) and Microsoft Office applications ('97, '98, 2000 and XP). This mixed environment posed problems for our end users through inability to share files and integration problems. Further, software training was problematic because of the different versions installed throughout the City. At the time, it was our goal to re-establish a standardized OS and application environment enterprise wide using Windows 2000 and Office XP, while also maintaining the ability to provide for future upgrades to the OS and applications in a cost effective manner. We accomplished these goals by utilizing Microsoft's Enterprise Agreement.

Information Systems reviewed the various alternatives available to us to reach our stated goals. After careful review and cost analysis, it is apparent that Microsoft's Enterprise Agreement is the least expensive alternative given our known needs and assumptions (see the attached analysis on Microsoft Office Professional and Microsoft Windows OS).

Beyond being cost effective, the Microsoft's Enterprise Agreement will also allow us to continue to maintain our desktop standard on one OS and application suite for all users (even if that is not the version Microsoft is currently offering) since the Enterprise Agreement provides "downgrade" rights¹.

Finally, looking ahead, Information Systems anticipates the next major upgrade to the standardized desktop within the next 18 months. Under the Enterprise Agreement, no additional expense will be incurred to upgrade the operating system and office applications while we are covered by the agreement (see attached analysis).

To effect the purchase of the licenses, staff is recommending that Council waive formal bidding per Municipal Code Section 2.36.160 (Cooperative Purchasing) by utilizing the California County Enterprise Agreement. This agreement for licensing Microsoft software was developed in conjunction with the California County Information Service Directors Association (CCISCA) and the County of Riverside, for local government agencies in the State of California. The County of Riverside conducted a competitive RFP process. CompuCom has been awarded the contract and has worked jointly with Microsoft, CCISDA and the County of Riverside to enroll interested California local governments in the program. The California Counties Enterprise Agreement program gives participants discounted annualized pricing for Microsoft Windows, Microsoft Office Professional and the Microsoft BackOffice Client Access License (CAL).

In addition to providing a low annual, per desktop price, the Microsoft Enterprise Agreement provides the previously described downgrade rights and free upgrades to all included products during the three year contract period. The cost for the agreement is \$168/year per desktop (including sales tax) for three years (therefore, the cost for our 226 desktops is \$38,023 annually or \$114,068 for three years). The Enterprise Agreement has also bundled Microsoft server software into the program. The cost for the server programs in the agreement is \$5,825/year (including sales tax) or \$17,475 for three years. The total annual cost of the Enterprise Agreement for desktops and server programs is \$43,848 for three years or \$131,543.

Attachment: Microsoft Enterprise Agreement Cost Analysis

¹ Downgrade rights, which allow us to still receive non-current versions of software, is important once we standardize so that as we order replacement workstations, they too will have the City standard.

Microsoft Enterprise Agreement Cost Analysis

Fiscal Year	Description of Software Requirement	Without Enterprise Agreement	With Enterprise Agreement	Difference	Note
2005-2006	Enterprise Agreement for 226 city desktops	N/A	\$ 42,477.00		
	Cost of "Office Professional" Application on planned replacements (55 workstations)	\$ 10,000.00	Included		1
	Back Office Client Access License (NT) for 200 workstations	\$ 3,900.00	Included		
	Back Office Client Access License (Exchange) for 200 workstations	\$ 8,800.00	Included		
	Year Total	\$ 22,700.00	\$ 42,477.00	\$ 19,777.00	
2003-2004	Enterprise Agreement	N/A	\$ 42,477.00		
	Back Office Client Access License (SQL) for 130 workstations	\$ 12,675.00	Included		
	Back Office Client Access License (SMS) for 200 workstations	\$ 8,750.00	Included		
	Cost of "Office" Application on planned replacements (50 workstations)	\$ 10,000.00	Included		1
	Year Total	\$ 31,425.00	\$ 42,477.00	\$ 11,052.00	
2004-2005	Enterprise Agreement	N/A	\$ 42,477.00		
	Cost of "Office" Application on planned replacements (50 workstations)	\$ 10,000.00	Included		1
	Planned Upgrade to Later Version of Operating System (100 Workstations)	\$ 12,400.00	Included		2
	Planned Upgrade to Later Version of "Office" Application (100 Workstations)	\$ 30,400.00	Included		2
	Year Total	\$ 52,800.00	\$ 42,477.00	\$ (10,323.00)	
	Three Year Total Cost and Savings	\$ 106,925.00	\$ 127,431.00	\$ 20,506.00	
Notes					
	1 Dell charges \$200 for the "Office" suite when purchased with the workstation				
	2 Quantity conservatively assumes that half of the current workstations (100) would already have the new standard selected for upgrade. If the quantity if greater, then the savings from the Enterprise agreement would increase.				
	Office Professional				