



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Julia H. Cooper

SUBJECT: SEE BELOW

DATE: April 30, 2018

Approved

Date

5/11/18

SUBJECT: REPORT ON REQUEST FOR BIDS FOR MICROSOFT OFFICE 365 SOFTWARE

RECOMMENDATION

- (a) Approve continued participation in the Microsoft Enterprise License Agreement for State and Local Governments ("Enterprise Agreement"), a cooperative agreement administered by the County of Riverside, California ("Riverside") on behalf of State and Local public agencies.
- (b) Approve enrollment with Insight Public Sector (Tempe, AZ), who provided the lowest responsive and responsible bid from authorized Microsoft Licensing Solutions Providers pursuant to the terms and conditions of the Enterprise Agreement.
- (c) Adopt a resolution authorizing the City Manager to:
 - (1) Execute purchase orders and other required enrollment documentation to purchase Microsoft Office 365 and related enterprise licenses for an initial three-year term beginning on June 1, 2018 and ending on May 31, 2021 in an amount not to exceed \$5,272,776, subject to the appropriation of funds.
 - (2) Execute additional purchase orders and required enrollment documents for up to two additional three-year options to extend the term through May 31, 2027, subject to the appropriation of funds.
 - (3) Execute amendments, change orders, and required enrollment documents as required to cover any unanticipated changes, including additional subscriptions at the Enterprise Agreement discounted rates as may be required, subject to the appropriation of funds.

OUTCOME

Provide City employees with modern office productivity tools to enable effective and efficient collaboration and work.

BACKGROUND

The County of Riverside (“Riverside”) administers a cooperative Microsoft Enterprise License Agreement on behalf of State and Local public agencies throughout California. Pursuant to City of San José Municipal Code Section 4.12.225.B.3, the City leverages Riverside’s competitive Request for Quotes process and the resulting cooperative agreement to take advantage of volume discounts for which the City would not otherwise qualify.

Council first provided approval to participate in Riverside’s Enterprise Agreement in May 2013,¹ but the City’s enrollment resulting from that approval expires on May 31, 2018. Most of the City’s 6,400+ employees use Microsoft’s cloud-based Office 365 productivity software procured through this Enterprise Agreement for email, word processing, spreadsheet, presentation, teleconferencing, eDiscovery, spam filtering, and online file storage.

Riverside conducted a new Request for Quotes in 2016 and awarded Participating Agreements to a new pool of seven Microsoft Licensing Solution Providers pursuant to the terms and conditions of the Enterprise Agreement.

ANALYSIS

In April 2018, the Finance Department released a Request for Bids (RFB) for Microsoft Office 365 and Enterprise Licenses to the new pool of awarded Licensing Solution Providers from Riverside’s Request for Quotes competitive process conducted in 2016. Four responses were received by the bid deadline as follows:

<u>Bidder</u>	<u>Annual Cost*</u>	<u>Cost for 3-Year Initial Term*</u>
PCMG (El Segundo, CA)	\$1,765,588	\$5,296,764
Insight Public Sector (Tempe, AZ)	\$1,768,985	\$5,306,955
Crayon Software (Dallas, TX)	\$1,769,949	\$5,309,847
SHI (Somerset, NJ)	\$1,772,989	\$5,318,967

*Final contract costs reflect estimated final subscription quantities extended at the bid per unit prices.

¹ May 2013 Council Memo: <http://sanjoseca.gov/DocumentCenter/View/15524>

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Insight Public Sector (“Insight”) operates an office in San José and requested and received the City’s Local Business Preference. Pursuant to San José Municipal Code Section 4.12.320.B, for solicitations where price has been chosen as the determinative factor for award, bidders who qualify as a local business shall be given a credit of two and one-half (2.5) percent of the cost bid. Application of local preference resulted in an adjusted annual cost for Insight of \$1,724,760.

Pursuant to San José Municipal Code Section 4.12.310, recommendation of award is made to Insight as the lowest cost responsive and responsible bidder after applying the Local Business Preference. The City’s RFB process includes a ten-day protest period that began when the City issued the Notice of Intended Award on April 20, 2018. No protests were received.

EVALUATION AND FOLLOW-UP

This memorandum will not require any follow-up from staff.

PUBLIC OUTREACH

This memorandum will be posted on the City’s website for the May 22, 2018 Council Agenda.

COORDINATION

This memorandum has been coordinated with the Department of Information Technology, the City Manager’s Budget Office, and the City Attorney’s Office.

COMMISSION RECOMMENDATION/INPUT

This item does not require any input from a board or commission.

COST SUMMARY/IMPLICATIONS

The following outlines the cost elements for the initial three-year term. The annual price for the subscriptions purchased at the start of the enrollment are provided at a special reduced price that is less than the County of Riverside Enterprise Agreement discounts. The City may add licenses as required during the term of the enrollment, but per unit pricing for any additional licenses will be at the standard Enterprise Agreement discounts.

The Amount of Recommendation varies from the RFB bid costs as adjustments have been made to reflect the City’s final estimated subscription quantities. Costs below were calculated based on the final estimated subscription quantities extended at the bid per unit prices.

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1. **AMOUNT OF RECOMMENDATION:** Annual Cost 3-Year Cost
\$1,757,592 \$5,272,776

2. **COST ELEMENTS**

<u>Description</u>	<u>Estimated # of Subscriptions</u>	<u>Annual Cost</u>	<u>3-Year Cost</u>
MS Office 365 GOV (User License Subscriptions, Enterprise Mobility and Security, Advanced Threat Protection, and Exchange Online Archiving)	7,250	\$1,694,943	\$5,084,829
Project, Design, Diagram, and Development Software (Visio, Project, and Visual Studio)	318	54,066	162,198
Collaboration/Telecom (Power BI, Domestic Calling, and Phone System)	108	8,583	25,749
Total		\$1,757,592	\$5,272,776

3. **SOURCE OF FUNDING:** General Fund -- 001

4. **FISCAL IMPACT:** Subject to availability and approval of funding through the annual budget process.

BUDGET REFERENCE

The table below identifies the fund and appropriations proposed to fund the contract recommended as part of this memorandum.

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract*	2017-2018 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
001	0432	Information Technology Department Non-Personal/Equipment	\$8,770,899	\$1,757,592	Page 687	10/17/2017, 30014

*The Amount for Contract reflects annual costs for Year 1. The balance of funding required for Years 2 and 3 will be programmed through the annual budget process.

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CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/

JULIA H. COOPER

Director of Finance

For questions, please contact Jennifer Cheng, Deputy Director of Finance, at (408) 535-7059.