



## Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Julia H. Cooper

**SUBJECT:** SEE BELOW

**DATE:** June 3, 2019

Approved

Date

6-13-19

**SUBJECT: REPORT ON REQUEST FOR BIDS FOR MICROSOFT AZURE CLOUD STORAGE**

### RECOMMENDATION

- (a) Adopt a resolution authorizing the City Manager to:
- (1) Execute purchase orders and required enrollment documentation with Insight Public Sector (Tempe, AZ) to purchase Microsoft Azure Cloud Storage and support for an initial three-year term beginning July 1, 2019 and ending June 30, 2022 for an amount not to exceed \$1,075,539, subject to the appropriation of funds; and
  - (2) Execute purchase orders and required enrollment documents for up to two additional three-year options to extend the term through June 30, 2028, subject to the appropriation of funds; and
  - (3) Execute amendments, change orders, and enrollment documents as required to cover any unanticipated changes, including additional subscriptions and usage fees, subject to the appropriation of funds.

### OUTCOME

To provide a cost effective and sustainable cloud computing service for data back-up, recovery, and storage.

## **BACKGROUND**

In 2012, the City released a Request for Proposal (RFP) for an Enterprise Cloud Storage Solution. In June 2013,<sup>1</sup> Council authorized staff to execute contracts and enrollment documentation to implement the selected cloud storage solution. The new solution included Microsoft Azure for cloud data storage, data transfer services, and support. The City purchased Azure from StorSimple, a Large Account Reseller for Microsoft that has since been acquired by Microsoft. The current Microsoft Enterprise Agreement for Azure will expire June 30, 2019.

The City currently uses Microsoft Azure for multiple programs and purposes, including, but not limited to the following: (1) the Police Department uses the Azure Government cloud for its business intelligence project, (2) the Finance Department uses Azure for its Business Tax program, (3) the Community Energy Department's IT infrastructure resides on Azure, (4) the City Clerk's Office uses Azure to store and search for City's documents such as ordinances, resolutions, and contracts, and (5) both the Airport and Information Technology Departments use Azure for data storage.

The County of Riverside (Riverside) administers a cooperative Microsoft Enterprise License Agreement, which includes Azure Cloud Services, 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. Riverside conducted its most recent 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 May 2019, the Finance Department released a Request for Bids (RFB) for Microsoft Azure to the new pool of awarded Licensing Solution Providers identified in Riverside's Request for Quotes competitive process conducted in 2016. Two responsive bids were received by the bid deadline as follows:

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<sup>1</sup> June 2013 Council Memo: <http://sanjoseca.gov/DocumentCenter/View/18089>

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<b>Bidder</b>	<b>Estimated Annual Cost*</b>	<b>Estimated 3-Year Cost (Initial Term)*</b>	<b>Adjusted Estimated 3-Year Cost after LBE*</b>
Crayon Software (Dallas, TX)	\$349,980	\$1,049,940	\$1,049,940
Insight Public Sector (Tempe, AZ)	\$358,512	\$1,075,536	\$1,048,648

\*Projected based on historical utilization.

Insight Public Sector (“Insight”) operates an office in Cupertino, California 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 \$1,048,648.

Pursuant to San José Municipal Code Section 4.12.310, recommendation of award is made to Insight Public Sector 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 May 22, 2019. 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 June 25, 2019 Council Agenda.

### **COORDINATION**

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

### **COMMISSION RECOMMENDATION/INPUT**

There is no commission recommendation or input associated with this action.

### **FISCAL/POLICY ALIGNMENT**

This action is consistent with the City's Strategic Support Mission: To effectively develop, manage, and safeguard the City's fiscal, physical, technology, and human resources to enable and enhance the delivery of City services and projects.

### **COST SUMMARY/IMPLICATIONS**

The following outlines the cost elements for the initial three-year term.

1. AMOUNT OF RECOMMENDATION:	<b><u>Annual Cost</u></b>	<b><u>3-Year Cost</u></b>
	\$358,513	\$1,075,539

#### 2. COST ELEMENTS

<b><u>Description</u></b>	<b><u>Annual Cost</u></b>	<b><u>3-Year Cost</u></b>
Azure Commercial*	\$311,916	\$935,748
Azure Standard Support	14,341	43,023
Azure Government*	20,317	60,951
Azure StorSimple	11,939	35,817
	<b><u>\$358,513</u></b>	<b><u>\$1,075,539</u></b>

\*Projected based on historical usage.

3. **SOURCE OF FUNDING:** Various City Departments
4. **FISCAL IMPACT:** Subject to availability and approval of funding through the annual budget process.

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**BUDGET REFERENCE**

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

Dept.	Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract*	2019-2020 Proposed Operating Budget Page	Last Budget Action (Date, Ord. No.)
Airport	523	0802	Airport - Non-Personal Equipment	\$45,690,740	\$22,707	X-3	N/A**
IT	001	0432	Information Technology Department – Non-Personal/Equipment	\$10,542,879	\$315,806	VIII-220	N/A**
Police	001	0502	Police -Non-Personal Equipment	\$27,018,918	\$20,000	VIII-324	N/A**

\*The Amount for Contract reflects annual costs for the first year of the initial three-year term based on projected utilization. The balance of funding required for Years 2 and 3 will be programmed through the annual budget process.

\*\*The 2019-2020 Proposed Operating Budget is scheduled to be approved by Council on June 11, 2019 and adopted on June 18, 2019.

**CEQA**

Not a project, Public Project Number 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.