



COUNCIL AGENDA: 03/04/08

ITEM: 3.8

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Scott P. Johnson

SUBJECT: SEE BELOW

DATE: February 11, 2008

Approved

Christine J. Shippy

Date

2-20-08

COUNCIL DISTRICT: Citywide

SUBJECT: PURCHASE OF MICROSOFT SOFTWARE

RECOMMENDATION

Adoption of a resolution authorizing the Director of Finance to execute any necessary documentation to make purchases from PC Mall Gov (Torrance, CA) for Microsoft software licensing, under the pricing, terms, and conditions obtained under the Microsoft Select License Agreement ("Select Agreement") for State and Local Governments not to exceed \$500,000 for the first year, and for two additional years, as may be required, subject to annual appropriations.

OUTCOME

Provide for Microsoft software licensing at the most cost effective volume pricing levels to support citywide requirements.

BACKGROUND

On May 17, 2005 (Item 3.7), the City Council approved the current Select Agreement and the Select Enrollment with PC Mall Gov and authorized the Director of Finance to execute purchase orders for Microsoft software products for a three year period expiring on May 16, 2008. The Select Agreement is an agreement between the State of California and Microsoft for volume software licensing that offers a variety of Microsoft product licenses at discounted rates for purchase by state and local government agencies. Cities are allowed to leverage these discounts by purchasing under this agreement. The Select Agreement offers discounts over retail rates on all Microsoft products.

Historically, the City of San Jose has utilized the Select Agreement to purchase a variety of Microsoft software licenses such as server licenses (Exchange and Windows Server), computer operating systems, and computer applications (Office Suite, FrontPage, Visio, Publisher, and MS Project).



ANALYSIS

Since the Select Agreement is scheduled to expire on January 31, 2008, the State recently exercised the option to renew the agreement for three additional years at the same pricing discounts. Approval of the Select Agreement provides convenience, flexibility and best pricing to acquire licenses for Microsoft products for the next three years. There are significant savings by leveraging the State's purchasing power under the Select Agreement. For the period 2005 through 2007, the City saved approximately \$1,366,625 by purchasing under the statewide Select Agreement. The Select Pricing offers discounts of approximately 30%-50% off retail prices depending on the various products. Below is a comparison of the projected annual costs between Select pricing and retail pricing for 2008 as well as related projected savings.

Product Type (License)	Estimated 2008 Qty	Retail		Select		Projected Annual Savings
		Unit Price	Extended Price	Unit Price	Extended Price	
Exchange	500	\$88	\$44,000	\$42	\$21,000	\$23,000
Windows	500	\$40	\$20,000	\$18	\$9,000	\$11,000
Office Professional	1250	\$558	\$697,500	\$299	\$373,750	\$323,750
Total			\$761,500		\$403,750	\$357,750

Since Microsoft does not sell its products directly under the Select Agreement, the City has been purchasing Microsoft software licenses under existing Select Enrollment with PC Mall Gov, a Large Account Reseller (LAR). While there are a few LARs to choose from nationwide that sell Microsoft products under the Select Agreement pricing, PC Mall Gov was selected in 2005 as a result of a price determinative competitive solicitation, offering Microsoft products to the City at Select Pricing less 2.5%. PC Mall Gov was the only respondent with a discount on the Select Pricing. Therefore, staff recommends to continue to purchase Microsoft software from PC Mall Gov Inc.

As described in the attached determination memorandum, Finance approved a Brand Name Procurement in accordance with Municipal Code Section 4.12.240.B.2, which allows limiting procurements to a single manufacturer to facilitate interoperability with existing hardware, software, systems or programs. Microsoft software is currently used citywide and has long been the industry standard desktop operating system. Microsoft has been the City's recommended standard for Server Operating System, Email Exchange and various Windows applications since 1990; the Windows Server Operating System was endorsed by the Information Technology Planning Board (ITPB) and approved as the City standard in 2004. Recently the ITPB concurred with the Finance Department's approval to continue with Microsoft as the City's standard operating system.

Additionally, Finance determined that the Select Agreement is the most cost-effective contract available to public agencies for the purchase of various types of Microsoft software, based on previous competitive solicitation and as confirmed by Microsoft Government Division.



EVALUATION AND FOLLOW-UP

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

POLICY ALTERNATIVES

Not applicable.

PUBLIC OUTREACH/INTEREST

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater; **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This memorandum meets Criteria 1 and will be posted on the Council Agenda for March 4, 2008.

COORDINATION

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

FISCAL/POLICY ALIGNMENT

This action is consistent with the following General Budget Principles "We must focus on protecting our vital core city services for both the short- and long-term" and "We must continue to streamline, innovate, and simplify our operations so that we can deliver services at a higher quality level, with better flexibility, at a lower cost" and the Strategic Initiative "Make San Jose a Tech-Savvy City; lead the way in using technology to improve daily life."



COST SUMMARY/IMPLICATIONS

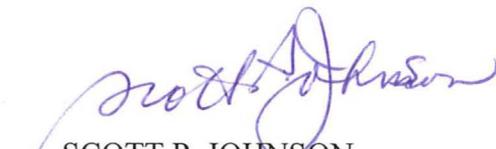
Funding is available in annual departmental appropriations.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract	Adopted 2007-2008 Budget Page	Last Budget Action (Date, Ord. No.)
Various Department Funds.						

CEQA

Not a project.


SCOTT P. JOHNSON
Director, Finance

For questions please contact Walter C. Rossmann, Chief Purchasing Officer, at (408) 535-7051



Memorandum

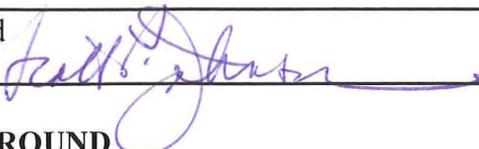
TO: Scott P. Johnson

FROM: Walter C. Rossmann, C.P.M.

**SUBJECT: MICROSOFT SOFTWARE
BRANDNAME PROCUREMENT**

DATE: January 23, 2008

Approved



Date

2/21/08

BACKGROUND

The Information Technology Department (ITD) has requested renewal of Microsoft software brandname procurement in support of Citywide requirements. Microsoft has been the City's standard for Server Operating System and various mission critical applications including Email since 1990. On January 17, 2008, the Information Technology Planning Board (ITPB) renewed the Information Technology standard for Microsoft as the City's recommended server and computing operating software platform.

ANALYSIS

Purchasing has reviewed the request and agrees for the following reasons:

- City is heavily invested in Microsoft. Essentially all of the City's existing 200 servers and 6,000 desktop computers are running on Microsoft Windows Operating System.
- Microsoft software is required to match existing Citywide installed software base to ensure proper operation and interoperability including Microsoft based applications. Some applications may be available on other operating system platforms but migration to a new operating system would require the re-purchase of the application designed for that specific operating system.
- Users citywide have extensive familiarity and experience with Microsoft based applications resulting in reduced training and greater efficiency.
- City Technical Staff has extensive working knowledge and certification on Microsoft Operating System, allowing technicians to effectively diagnose, repair and secure software/computer issues.
- Significant cost would be required to move to another platform, migrate business processes, train both technical staff and end users, and maintain compatibility with existing technical operations.

DETERMINATION

Purchasing has determined that the request to purchase Microsoft Software is consistent with the San José Municipal Code section 4.12.240.B.2. This section allows for the purchase of software to ensure proper operation, compatibility and interoperability with existing software. This decision is valid through January 31, 2011.



Walter C. Rossmann, C.P.M.
Chief Purchasing Officer