



**TO:** Board of Contracts and Awards  
**FROM:** Brian Tetreault, MAII, Information Technology Department  
Paul Federighi, Interim Director, Information Technology Department *PF*  
**COPY:** City Council, City Manager, City Clerk, SBE Coordinator, LEAP Coordinator, and  
Joe Parris, Finance/Purchasing  
**SUBJECT:** Microsoft Enterprise Agreement Licensing 2017  
NASPO ValuePoint Software VAR Master Agreement Number ADSPO16-130653,  
Washington State Master Contract Number 06016 – December 5, 2017  
**DATE:** November 15, 2017

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**SUMMARY:**

The Information Technology Department recommends a contract be awarded to **SHI International Corporation, Somerset, New Jersey**, in the amount of \$2,808,004, plus applicable sales tax, to renew the Microsoft Enterprise Agreement, for a contract term of three years. The total licensing amount includes all current enterprise licensing needs, anticipated true-ups, and a projected program growth of 2 percent per year.

**STRATEGIC POLICY PRIORITY:**

- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

By supporting the City’s Microsoft Enterprise Agreement licensing services, the City engages in a more efficient and effective government.

**BACKGROUND:**

The City of Tacoma decided to standardize on Microsoft productivity software over 20 years ago. This standardization includes products such as Windows and Office (Word, Excel, Outlook, Access, PowerPoint, etc.) for the City’s 3,600-plus computer workstations, laptops, and tablets. In addition to the standard productivity software, Project and Visio are available for use by users as required. Windows Server and SQL Server are required to support the City’s server infrastructure. The Dynamics CRM tool is used in support of business systems. The City uses Exchange for email communication, SharePoint for collaboration, and Visual Studio to develop websites, applications, services, and mobile apps.

Since 2001, the City has leveraged various State of Washington contracts to enroll in the Microsoft Enterprise Agreement program for volume-based discount pricing, which is offered to all government agencies in the State. Under the current contract, the City qualifies for the highest level of discount pricing. That price is locked for the three year contract term and includes subsequent orders and true-ups.

The Microsoft Enterprise Agreement covers Office Professional, Windows, Project, Visio, Windows Server, and Dynamics CRM for both General Government and Tacoma Public Utilities.

**ISSUE:** The City’s current enrollment in the Microsoft Enterprise Agreement program expires December 31, 2017. In order to remain compliant with the Microsoft software license, the City will need to renew the Enterprise Agreement with Microsoft before the current agreement expires. The City’s need for Microsoft products and services has changed since the last renewal due to business demand and compliance objectives.



For example, the City’s current licensing of Microsoft’s productivity software is based on a per device model in which the device (desktop, laptop, or tablet) is licensed and not the device user. While this model is useful for employees who have only one device, business needs have evolved to a more mobile environment where employees are likely to have multiple devices.

**ALTERNATIVES:** Microsoft has changed its fundamental business model to a cloud-based, subscription model known as Office 365 that licenses each employee to use up to five devices instead of licensing each device. The Office 365 model provides the City with flexible subscription based offerings, in addition to cloud-based services and access to applications not currently available to the City.

Nine different Microsoft licensing alternatives were evaluated. Transitioning to the Office 365 model enterprise-wide provides the City additional discount pricing by converting our current Software Assurance licenses into Office 365 licenses.

This licensing model best meets the City’s business needs and compliance requirements.

**COMPETITIVE SOLICITATION:** The NASPO ValuePoint Software VAR Master Agreement Number ADSP016-130653, Washington State Master Contract Number 06016 provides Microsoft Licensing discounts to the City at the highest level available, Level D Pricing, plus an additional 8%.

**CONTRACT HISTORY:** New contract.

**SUSTAINABILITY:** SHI has incorporated environmentally friendly initiatives into their business strategy to help protect the planet and reduce the amount of IT hardware waste each year. Some of these initiatives include, Asset Recovery, E-Waste Recycling, Asset Disposal, and Hardware Redeployment. SHI also received Gold LEED Certification, has zero irrigation landscaping, installed over 2000 solar panels and implemented company-wide paperless initiatives.

**SBE/LEAP COMPLIANCE:** Not applicable.

**RECOMMENDATION:**

The Information Technology Department recommends a contract be awarded to **SHI International Corporation, Somerset, New Jersey**, in the amount of \$2,808,004, plus applicable sales tax, to renew the Microsoft Enterprise Agreement, for a contract term of three years. The total licensing amount includes all current enterprise licensing needs, anticipated true-ups, and a projected program growth of 2 percent per year.

**FISCAL IMPACT:**

**EXPENDITURES:**

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
5800 Information Technology	596000	5412170	\$2,808,004
<b>TOTAL</b>			\$2,808,004

\* General Fund: Include Department



**REVENUES:**

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
5800 Information Technology	596000	Internal Assessments	\$2,808,004
<b>TOTAL</b>			\$2,808,004

**FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$821,288**

**ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED?** Yes. \$695,000 was for planned for and budgeted in Fund 5800’s 2017/2018 biennial budget. The approximate shortfall of \$126,288 will be covered by labor savings in Fund 5800. The approximate 2019/2020 renewal amount of \$1,986,716 plus applicable sales tax will need to be planned in Fund 5800 for the 2019/2020 biennial budget to accommodate the second and third year renewals.

**IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.**

FINANCE PURCHASING  
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