

ITEM #: 22
DATE: 01-27-26
DEPT: FIN

COUNCIL ACTION FORM

SUBJECT: MICROSOFT SOFTWARE LICENSING AND SUPPORT RENEWAL

BACKGROUND:

Insight Public Sector (Insight) serves as the City's software vendor for all Microsoft enterprise products. In November 2022, City Council authorized a three-year Microsoft Enterprise Agreement with Insight that established fixed pricing for the City's Microsoft licenses.

During the first year of the agreement, the City contracted primarily for end-user Microsoft office products, including Office 365. Based on the contracted license counts and pricing, the **total cost for this initial year was \$158,577.46**.

In FY 2023/24, staff expanded the agreement to include additional server-related Microsoft services. This consolidation was intended to align renewal cycles, simplify billing, and secure the most favorable pricing structure for future agreements. During the same fiscal year, Microsoft Multi-Factor Authentication capabilities were added through the Azure P1 product. **Council authorized \$215,351.80 in FY 2023/24 to support these additional services.**

Council approved funding in FY 2024/25 for the final year of the three-year Microsoft Enterprise Agreement. The agreement continued to include end-user office products, client access licenses, device management tools, identity and security software, server operating system licenses, and Structured Query Language (SQL) licenses. **The total cost for the final year of the agreement was \$216,028.28.**

Approval is now being requested to enter into a new three-year Microsoft Enterprise Agreement for the period of January 2026 through January 2029. The proposed agreement includes Microsoft 365 G3 licenses, server operating system licenses, and SQL licenses. The Microsoft 365 G3 licenses consolidate several core services into a single offering, including Office 365 applications, client access licenses, Intune device management, and Azure P1 identity and security features. This structure also enhances the City's ability to monitor and manage the security posture of software installed on client computers. Under the proposed agreement, server operating system licenses will continue to support the City's virtualized server environment and other infrastructure, while SQL licenses will support City websites and internal applications hosted within that environment.

The proposed agreement provides fixed pricing for the full three-year term and will be paid in three equal annual installments of \$287,530.68. The agreement contains a non-appropriation clause providing for cancellation in the event that the City Council does not allocate funding in future City budgets for the services.

Compared to the prior year, the proposed renewal reflects several changes, including an annual cost increase for existing Microsoft 365 licenses (\$26,766.25), the addition of new Microsoft 365 licenses resulting from the Library IT transition (\$31,020.80) and for overall user growth (\$1,938.80), incremental SQL licensing related to physical security needs (\$2,598.80)

and annual SQL cost adjustments (\$100.96), additional server licensing to support virtualized servers (\$6,614.52), backups (\$385.56), video recording systems (\$171.36), network security (\$171.36), and other minor Microsoft 365 software used across various departments (\$1,733.99). The total cost of these changes is \$71,502.40.

The FY 2025/26 amended budget Council will be considering in the coming months includes \$286,803 for the renewal of the Microsoft Enterprise Agreement. The IT operating budget contains sufficient funding to cover the remaining shortfall of \$727.68.

As requested in the past, staff is requesting Council waive the purchasing policy requirements given that **Microsoft software is sold at a fixed price through resellers**. Insight has been the City's partner for Microsoft Office since Spring 2020. Based on Microsoft's pricing model and the significant transition costs to switch resellers, staff is recommending the City continue to contract through Insight for all Microsoft software.

ALTERNATIVES:

1. Waive the Purchasing Policies and Procedures requirements and award a contract for software licensing and support for Microsoft software to Insight Public Sector, Dallas, TX, in the amount not to exceed \$287,530.68.
2. Do not authorize continuing software licensing and support with Insight Public Sector.

CITY MANAGER'S RECOMMENDED ACTION:

Insight Public Sector serves as the City's provider for Microsoft enterprise software licensing and support. This software is used daily by both end users and servers across the organization and is essential to Citywide communication and service delivery. Additionally, Microsoft software is sold at fixed prices through authorized resellers, transitioning to a different reseller would result in significant one-time transition costs with minimal, if any, long-term benefits. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as described above.