

| | |
|---------|----------|
| ITEM #: | 11 |
| DATE: | 01-23-24 |
| DEPT: | FIN |

COUNCIL ACTION FORM

SUBJECT: **RENEWAL OF SOFTWARE LICENSING AND SUPPORT FROM INSIGHT
PUBLIC SECTOR**

BACKGROUND:

The FY 2023/24 adopted budget includes \$238,839 for Microsoft enterprise software, including Office 365, which is the City's enterprise e-mail, productivity, and collaboration system as well as cloud storage.

Insight Public Sector (Insight) is the City's software vendor for all Microsoft enterprise software. The City Council authorized a three-year contract with Insight on November 22, 2022, for fixed license costs for Microsoft products for a three-year period beginning January 31, 2023. In the first year of the agreement, the City contracted for Microsoft end-user office products, primarily Office 365. The total contract cost, based on the license count and contracted pricing, was \$158,577.46.

The contract is now being presented for renewal for the second year in the amount of \$215,351.80. The increased amount is due to three items, which are described in further detail below:

Contract Consolidation: Over the course of the past year, staff migrated other existing server-related services into this agreement with Insight. The rationale for this migration was to consolidate all Microsoft services into a single renewal, which will simplify billing and secure the best price available for future agreements. Moving these services into the main Insight agreement increased the cost of the agreement by \$17,619.56. The increase is the same amount that the City would have paid if these services remained in a separate agreement.

User Count Increases: Separately, in July 2023, staff increased the user count of the Microsoft software used for multi-factor authentication as an additional security measure for end users. This increase in user count resulted in an increased cost of the agreement with Insight Public Sector by \$30,856.14.

Contract Unit Cost Discrepancy: When Insight provided pricing information for the contract approved by Council in November 2022, the license type Insight used as the basis for the contract was incorrect. This led to the total contract calculation being incorrectly reported to City staff as a lower amount. The incorrect amount reported to City staff was then used to prepare the contract amount of \$158,577.46, which was reported to and approved by the City Council. Insight's error was not discovered until later. Upon discovery of the error, Insight honored its commitment for the first year of the contract, which resulted in a cost savings to the City. For this renewal, the total amount has been calculated based on the correct license type unit pricing, resulting in an additional cost increase of \$8,298.64.

These three modifications to the original agreement, as noted above, result in a total contract cost of \$215,351.80, as outlined below:

| | |
|--------------------------------------|--------------|
| Original License Count per Agreement | \$158,877.46 |
| Migrated Server Licenses | 17,619.56 |

| | |
|--------------------------------------|---------------------|
| Increased Multi-factor License Count | 30,856.14 |
| Billing Correction | <u>8,298.64</u> |
| Total | \$215,351.80 |

The adjusted FY 2023/24 budget contains \$238,839 for Microsoft enterprise software.

ALTERNATIVES:

1. Award a contract for software licensing and support for Microsoft Office 365 to Insight Public Sector, Dallas, TX, in the amount not to exceed \$215,351.80.
2. Do not authorize continuing software licensing and support with Insight Public Sector.

CITY MANAGER'S RECOMMENDED ACTION:

Insight Public Sector is the City's provider of the licensing and support for Microsoft enterprise software. This software is used by both end users and servers daily throughout the entire City organization for communication and the delivery of services. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as described above.