



Council Agenda Report

Item 6d

Department: Information Technology
Cost Center: 1101
For Agenda of: 5/20/2025
Placement: Consent
Estimated Time: N/A

FROM: Greg Hermann, Deputy City Manager
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SUBJECT: APPROVE A THREE-YEAR CONTRACT RENEWAL FOR MICROSOFT OFFICE 365 GOVERNMENT PLAN SUBSCRIPTION LICENSES

RECOMMENDATION

1. Approve a three-year contract renewal for Microsoft Office 365 Government Plan subscription licenses; and
2. Per Municipal Code 3.24.060E, authorize waiver of formal bids to purchase Microsoft Office 365 subscription licenses through the cooperative agreement under the Licensed Support Provider (LSP) Agreement No IT ARC-00934 for Microsoft products and services under Microsoft Enterprise Agreement (EA) – 8084445 between the County of Riverside and Dell Marketing, L.P.; or below the cooperative purchasing net cost within the same terms and conditions; and
3. Authorize the City Manager to approve related Purchase Order Requisitions through the duration of the agreement.

POLICY CONTEXT

Per the City's Financial Management Manual, City Council approval is required for purchases of this type that are over \$200,000 through the duration of the contract. Utilizing the [County of Riverside Master Agreement](#) allows the City to waive formal bidding as set forth in the Municipal Code, section 03.24.060 Bidding procedures – use of, not required and “when the purchase will be made cooperatively with one, or more, other units of government or from a local dealer within the city limits that can provide the same brand, model and configuration of the item(s) identified in the cooperative purchase agreement(s) at or below the cooperative purchasing net cost within the same terms and conditions,” and compliant with the purchasing policy, Section 204, No-Bid Purchasing – Cooperative Agreement Purchasing.

DISCUSSION

Background

Microsoft Office 365 productivity software is one of the City's most critical systems and includes Microsoft Access, Excel, Exchange, OneDrive, OneNote, Outlook, PowerPoint,

Publisher, SharePoint, Teams and Word. The City migrated to the Office 365 cloud-based platform subscription in 2016. The subscription-based service continues to allow the City to leverage new products as they are released without incurring additional costs. Subscription based licensing ensures the City's business use of the Office Suite will evolve in real time with enhancements and maintenance to the software.

The city uses the County of Riverside Agreement for Microsoft licensing because it offers a proven, cooperative purchasing framework widely adopted by public agencies across California to access Microsoft products and services. This agreement combines flexibility with cost savings, allowing each participating agency to create individual enrollments tailored to their specific needs while benefitting from discounted, volume-based pricing negotiated through statewide demand aggregation. Valid through October 31, 2027, the contract ensures long-term price stability and uninterrupted service. Additionally, it includes a comprehensive suite of benefits such as reduced paperwork through consolidated documentation, standardized government-level pricing, free onboarding via Microsoft FastTrack, and no-cost security incident support. Agencies also gain flexibility in adjusting hosted service commitments annually and Software Assurance like automatic version upgrades, roaming use rights, spread payments, and step-up licensing. These additional benefits are not available to agencies procuring through other contract vehicles and add tremendous value to the City, particularly to adjust service commitments for hosted services within the term of the agreement.

The proposed renewal includes a total of 585 licenses for a three-year term with annualized payments of \$214,639.32. (Attachment A)

Previous Council or Advisory Body Action

The current license subscription expiring June 30, 2025, was approved for purchase as part of the consent agenda at the [June 21, 2022, City Council Meeting](#).

Public Engagement

This is an administrative item, so no outside engagement was completed. Public comment can be provided to the City Council through written correspondence prior to the meeting and through public testimony at the meeting.

ENVIRONMENTAL REVIEW

The California Environmental Quality Act does not apply to the recommended actions in this report, because the action does not constitute a "Project" under CEQA Guidelines Sec 15378.

FISCAL IMPACT

Budgeted: Yes
Funding Identified: Yes

Budget Year: 2024-25

Fiscal Analysis:

Funding Sources	Total Budget Available	Current Funding Request	Remaining Balance	Annual Ongoing Cost
General Fund	\$184,919.30	\$	\$	\$184,919.30
Water Fund	\$ 14,860.01	\$	\$	\$ 14,860.01
Sewer Fund	\$ 14,860.01	\$	\$	\$ 14,860.01
State				
Federal				
Fees				
Other:				
Total	\$214,639.32	\$	\$	\$214,639.32

Funding for the current fiscal year was approved through the 23-25 Financial Plan, and 2024-25 budget appropriation. Water and Sewer Enterprise Funds contribute directly to their license fees as budgeted in the Financial Plan. The previous Microsoft subscription licensing agreement included 570 licenses at an annual rate of \$331.80 per license. The current renewal reflects an increase of 15 licenses, bringing the total to 585, with the per-license cost raising to \$355.32. Additionally, this renewal includes 14 G5 licenses and expanded cloud storage. As a result, the total annual cost is increasing from \$189,126 to \$214,639.32. This cost was budgeted for in the proposed 25-27 Financial Plan.

ALTERNATIVES

Do not renew subscription. Migrating infrastructure back on-premises and returning to Microsoft Office Suite (non-cloud-based) would require a significant amount of staff time and effort and may not be technically feasible. If the City were able to migrate services back to on-premises infrastructure, CIP upgrades on a three-year replacement cycle would need to be added back to the IT CIP forecast. Additionally, the organization would not receive big feature updates made available to subscription holders, limiting benefits and creating a steeper learning curve upon upgrading.

Direct staff to issue an RFP. Authorize the release of an RFP to solicit Microsoft subscription licensing and authorize the City Manager to enter a multi-year contract and approve related purchase orders. The current licensing agreement will expire on June 26, 2025, providing a four-week period to advertise and award the contract. If staff is unable to issue and award an RFP and get a signed contract in place before the expiration of the City's current licensing agreement, access to Microsoft products would likely be disrupted. This would make it difficult for the city to conduct day-to-day business.

ATTACHMENTS

A – Quote from Dell for Microsoft Enterprise Agreement Renewal