



May 4, 2020

Board of Supervisors
1 Carlton B. Goodlett Place
San Francisco, CA 94102

The Department of Technology (DT) has completed its negotiations for a Citywide Enterprise Agreement with Zones, LLC for the purchase of Microsoft products, software licenses and maintenance/support.

- Bidding Process: DT and OCA conducted a Request for Quote (RFQ), and Zones, LLC submitted the lowest bid out of the qualifying respondents.
- Term: thirty-nine months with no option to extend.
- Amount: The not-to-exceed amount is \$40,000,000 with a minimum commitment of \$32,000,000.
- Scope: This contract will be available for use as needed by all City and County of San Francisco (City) departments.
- Requirements: This is based on gathering product and licensing requirements from all the City Departments except for MTA under the 2017 Microsoft Enterprise Agreement (EA).

Summary

On February 20, 2020, OCA and DT conducted an RFQ to select a qualified Licensed Solution Provider (LSP) as reseller to assist the City in efficiently and cost-effectively procuring Microsoft products, software subscription licenses and maintenance/support. Zones, LLC submitted the lowest bid out of three bids that were deemed responsive.

The not-to-exceed amount is \$40,000,000 with a minimum commitment of \$32,000,000. This is based on gathering product and licensing requirements from 26 large and medium City departments that are currently licensed affiliates under the 2017 Microsoft EA, including DT who also manages the licenses for the smaller departments; approximately 56% of the minimum committed amount will be used to support the City's 32,000 employees with Microsoft Office 365 email accounts.

The contract term is for thirty-nine (39) months with no option to renew. Thirty-nine months was selected with Year 3 covering a period of 15 months. The reason for the additional three months in the final year is to allow the City to shift the start and end date of this contract so that it aligns with the City's fiscal year and budget planning.

Out of the remaining uncommitted balance of approximately \$8,000,000 (\$40,000,000 less \$32,000,000), \$4,000,000 has been earmarked for departments to utilize as "true-ups" for additional products they may require and deploy during the 39-month term; this amount is based on a projected growth of 3.8% each year. By

comparison, the average increase over the last six years has been 14%. The remaining \$4,000,000 has been reserved for possible upgrades to employee email accounts with enhanced security features; the City's Chief Information Security Officer (CISO) is reviewing options to standardize all employees' email accounts so there will be uniform levels of security and threat protection. Any decisions to implement Microsoft enhanced security features would include a cost savings analysis resulting from the elimination of other software currently used for the same functionality.

Price Reasonableness

The City will be "piggybacking" on a contract developed by Riverside County through a competitive bidding process. Because Microsoft only sells their products through resellers, the County of Riverside's Purchasing Department released a Request for Quote (#RIVCO-2020-RFQ-0000048) to solicit Microsoft Licensed Solution Providers (LSPs). Riverside elected to take a consortia approach which yielded ten LSPs selected for the pool of qualified resellers. The ten (10) LSPs are: Insight Direct USA, CDWG, Crayon Software Experts LLC, Dell Marketing, LP, GovConnection, Inc., PCMG, Inc., SHI International Corp., Softchoice Corporation, Software ONE, and Zones, LLC. All California governmental entities have the option to select one of these LSPs based on their own geographical or other criteria.

Working with Microsoft, the County of Riverside's Purchasing Department obtained best pricing and developed a customized licensing program that works best for California governmental entities. By participating in the Enterprise Agreement (EA), government agencies are guaranteed to receive pricing Level D minus 2% discounts throughout the term of any enrollment. If the City does not execute this Enterprise Agreement taking advantage of this pricing, the cost of product licensing would be at a much higher rate.

Competitive Solicitation

DT solicited quotes from the resellers who were authorized Licensed Solution Providers entitled to transact procurements under the Riverside/Microsoft Master Agreement. DT selected this approach because the County of Riverside, CA ("Riverside") obtained the greatest level of discounts offered to any government agency throughout the State of California.

How will the contract benefit the City?

1. **Discounts:** Under this new contract, DT will receive the lowest pricing available nationwide. Pursuant to Administrative Code Section 21.16, the City's solicitation piggybacked on the Master Enterprise Agreement between Microsoft and Riverside County. This Master agreement provides protection against Microsoft price increases for the duration of the City's enrollment, as well as a consistent year-to-year budget for anticipated costs.
2. **Speed and ease of ordering:** Departments will be able to quickly provision for additional licenses based on the City's business requirements. Without this EA, 26 or more City Departments will have to go through the lengthy procurement process 26 times, resulting in duplicated effort by the City Attorney, Office of Contract

Administration (OCA) and departments. Additionally, departments can deploy additional licenses quickly when required, and can true-up the number of licenses at each annual anniversary.

3. **Greater transparency and more effective vendor management:** The entire City spend on all Microsoft products and services will be highly visible under one contract. The cost and vendor performance will be centrally monitored and actively managed.

Thank you for your consideration.

Sincerely,

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