

City & County of San Francisco
London N. Breed, Mayor



Office of the City Administrator
Carmen Chu, City Administrator
Linda J. Gerull, CIO & Executive Director
Department of Technology

Date: June 2, 2023

To: Clerk of the Board of Supervisors

From: Linda Gerull
City CIO, Executive Director
Department of Technology

**Re: Approval of the Citywide Enterprise Agreement with Zones LLC. for Microsoft Products
Supplier ID: 0000038064; Contract ID: 1000029070**

The Department of Technology (DT) is seeking Board of Supervisors approval for a Citywide Enterprise Agreement (EA) with Zones, LLC for the purchase of all Microsoft software products and cloud computing solutions after having completed its competitive solicitation and negotiations.

Summary

- Bidding Process: DT and Office of Contract Administration (OCA) conducted an Invitation for Bids (IFB), and Zones, LLC submitted the lowest bid out of the qualifying respondents.
- Term: three years with six 1-year options to extend.
- Not-to-Exceed Amount: \$55,000,000.
 - The estimated spend is \$45,955,000 over the first 3-years, reflecting a 15% price increase every three years.
 - The not-to-exceed includes \$9.0 million for possible upgrades to employee email accounts with enhanced security features and as needed products. 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.
- Scope: all Microsoft products for all City Departments except for MTA.

Price Reasonableness and Competitive Solicitation

Because Microsoft only sells its products through resellers, the City issued a public solicitation to all Microsoft Licensed Solution Providers (LSPs). Since pricing for large government entities in the United States is standardized by Microsoft, the main evaluation criteria for bids are the amount of mark-up implemented by resellers.

The City received two bids; one bid was submitted by Zones, LLC, and the other was submitted by CDW Government LLC. Zones, LLC submitted the lowest bid with a mark-up of only 0.50% above Microsoft's standard pricing for any large state and local governments, while CDW Government LLC submitted a mark-up of 1.25%.

If the City does not execute this EA taking advantage of this pricing and minimal mark-up, the cost of product licensing would be at a much higher rate (up to 12% higher).

Cost Control and Partnering with Microsoft

DT implemented a process to review email license counts across the city monthly and eliminate unused licenses and/or downgrade licenses for certain classifications of employees. While DHR requires all employees to have an email account for notification purposes, DT recognized not all employees require the full functionality of the highest email license. In consultation with departments, DT was able to identify and either downgrade or eliminate approximately 3,000 email licenses resulting in \$414,000 savings per year.

The City also partnered with Microsoft to explore other cost savings opportunities. For example, in May 2021, President Biden released an Executive Order on Improving the Nation's Cybersecurity. In response to the Executive Order, Microsoft approached the City with an offer to provide 30,000 trial licenses to their M365-M5 security suite of tools. The City was able to successfully negotiate the following:

- 28,000 Enterprise Mobility and Security Licenses. These licenses are for an identity and access management solution that helps safeguard employee credentials and allow safe connections to apps. These licenses were provided to the City at no cost for 12-months, resulting in a savings of \$1,560,000.
- 28,000 Audio Conference Licenses from June 2020 – August 2023. These licenses allowed City employees to arrange virtual meetings through Teams by adding a call-in number for audio and video connection. 28,000 licenses were provided to the City at no cost for 3-years, resulting in a savings of \$3,554,880 (\$1,184,960/year).
- 28,000 Audio Conference Licenses from September 2023 – August 2026. As part of the negotiations for this new EA, the City was able to extend the audio conference licenses for another 3-years at no cost. The savings to the City is \$2,318,400 (\$772,800/year), and allows City employees to continue using necessary tools to support its hybrid work schedule.

How will the contract benefit the City?

1. **Discounts:** Under this new contract, DT will receive the level D pricing for all large state and local governments, which reflects an approximate 12% discount off the market list prices. This enterprise agreement will provide 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. **Efficiency:** Without this EA, 22 or more City Departments will have to go through the lengthy procurement process 22 separate times, resulting in duplicated effort by the City Attorney, Office of Contract Administration (OCA) and departments, and be subject to higher reseller markups due to the loss of volume discounts. In addition, without this EA, departments would have to conduct separate solicitations each time they want to simply add a few licenses for new employees.
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,



Linda Gerull
City CIO | Executive Director
Department of Technology