



Date: June 18, 2026

To: Clerk of the Board of Supervisors

From: Michael Makstman
City CIO, Executive Director
Department of Technology

**Re: Request for Approval of the First Amendment to the Citywide Enterprise Agreement with Zones, LLC for Microsoft Products
Supplier ID: 0000038064; FSP Contract ID: 1000029070**

The Department of Technology (DT) respectfully requests approval of the First Amendment to the Citywide Enterprise Agreement (EA) with Zones, LLC for Microsoft software and cloud products. The proposed amendment will extend the agreement for three years, from September 1, 2026 through August 31, 2029, and increase the contract not-to-exceed amount from \$55,000,000 to \$115,000,000.

The agreement provides Microsoft software licenses and cloud products to all City departments except the Municipal Transportation Agency (MTA), including email, collaboration tools, cybersecurity, identity management, cloud infrastructure, and productivity software.

Approval of this amendment represents the most cost-effective approach for maintaining the City's enterprise technology platform. Without this agreement, the City would incur approximately 12–15 percent higher costs due to loss of enterprise pricing, loss of eligibility for Microsoft discounts and incentives, and increased administrative costs associated with decentralized procurement. DT estimates these additional costs would total approximately \$10.5 million over the next three years.

The proposed extension maintains a firm \$60,000,000 spending cap while ensuring continuity of critical services supporting public safety, health, and core City operations.

Procurement and Pricing Structure:

The City's centralized enterprise agreement preserves enterprise pricing and Microsoft discounts, reduces administrative burden across departments, avoids duplicative procurements, and enables centralized management and optimization of licenses.

Without the enterprise agreement, departments would be required to procure Microsoft products independently through multiple purchasing programs and separate solicitations. DT estimates that more than 20 departments would otherwise need to conduct separate procurement activities annually, increasing administrative costs and reducing the City's leverage for pricing discounts.

Cost Control and Financial Management:

DT actively manages Citywide Microsoft licensing to control costs and ensure that licenses reflect actual operational needs through ongoing monitoring, elimination of inactive accounts, license reassignment, and annual true-up / true-down processes.

DT anticipates eliminating approximately 1,500 unused licenses during the 2026 pre-renewal true-down process, resulting in approximately \$1 million in savings over the next three years.

In addition to operational savings, the City achieves substantial cost avoidance through enterprise pricing. Without the EA, the City would be subject to Estimated Retail Pricing, which can range from approximately 12–15 percent higher depending on available Microsoft purchasing programs.

The proposed extension also makes the City eligible for additional Microsoft incentives. Following negotiations with Microsoft, the City secured a 25 percent discount on Citywide email licenses for Years 1 and 2 and a 15 percent discount for Year 3. These negotiated incentives are expected to reduce projected costs by approximately \$3.45 million over the extension term.

Fiscal Impact:

The proposed amendment establishes a three-year spending target of \$60,000,000. Current projections estimate approximately \$18 million annually in planned licensing expenditures and approximately \$2 million annually in contingency capacity for operational growth and true-up requirements.

Prior to renewal, departments will complete a comprehensive true-down process between June and August 2026 to align license counts with actual operational needs. Departments will be required to adjust license counts as necessary to remain within the approved contract amount.

Conclusion:

The proposed amendment represents the lowest-cost and lowest-risk option for maintaining the City’s enterprise Microsoft environment. The agreement preserves enterprise pricing, secures significant negotiated discounts, supports critical cybersecurity and cloud products, and avoids fragmented procurement across City departments.

Approval of this amendment will allow the City to continue operating essential enterprise technology services while maintaining strong fiscal controls, centralized oversight, and active cost management.

Sincerely,



Michael Makstman
City CIO, Executive Director
Department of Technology