



Board of Supervisors Memorandum

July 1, 2014

Microsoft Enterprise and Academic Licenses Agreement

Background

A component of the County's information technology strategic plan is to upgrade and deploy County Core software on a timescale that keeps the County software versions at, or near, current commercial release versions. Such is necessary to ensure the core County software is maintained to provide and realize product feature improvements, as well as security-related upgrades.

We currently budget individually for software licensing and have purchased various versions of software over time. Today, we have at least five versions of Microsoft Office, seven versions of database platforms, and seven versions of Windows operating systems. Moving all of our software to a Microsoft Enterprise and Academic Licenses Agreement will enable the County to standardize and use one version of Microsoft products.

The Microsoft Enterprise and Academic Licenses Agreement should save the County, over time, significant funds. The present method of purchasing software over a six-year period is estimated to be slightly over \$10 million. Under this new Agreement, the same software purchase for the same six-year term will result in a savings of over \$1.2 million for the six-year period.

More importantly, operating under a Microsoft Enterprise and Academic Licenses Agreement ensures the County is in full compliance with licensing requirements and is not subject to penalties or fines for the use of unlicensed products.

Attached to this memorandum, for your information and review, is an Executive Summary of the Microsoft Enterprise and Academic Licenses Agreement.

Recommendation

I recommend the Board of Supervisors approve the Microsoft Enterprise and Academic Licenses Agreement with SHI International Corporation in the amount of \$7,066,856.40.

Respectfully submitted,


C.H. Huckelberry
County Administrator

CHH/mjk – June 26, 2014
Attachment

c: Jesse Rodriguez, Chief Information Officer

Executive Summary

Introduction

Pima County purchases Microsoft products under a State of Arizona “Microsoft Select Plus Agreement”, as well as having some items on a Microsoft Enterprise Agreement covering County Core software such as Windows, Exchange (Email), SharePoint, Database software - Structured Query Language (SQL), Office and other system support software. The current methodology for purchasing most of the products from the Select Plus agreement has left the County with a recurring cost to maintain upgrades for software.

This cost has not always been budgeted resulting in the County having at least (5) different versions of Office, seven (7) different database platforms, and at least (7) different Windows operating systems. Moving all software into the Microsoft Enterprise Agreement will enable Pima County to standardize on one version of Microsoft products, as well as reduce the costs of purchasing software each time an upgrade is available. Currently, the Sheriff, Assessor and all departments reporting to the County Administrator will be covered by the proposed Enterprise Agreement (or Academic Agreement with regards to the Library District) with the understanding that other Elected Officials will be able to be added to the agreement at any time.

Advantages of Microsoft Enterprise Agreement

A Microsoft Enterprise Agreement consolidates software purchases across the County at the best possible discounts. It will significantly streamline software license management and accounting processes. The agreement is a (3) year term of equal payments. Once the (3) year agreement is complete the County will be able to renew the contract for additional years with an annual payment of approximately 27 percent of the third annual payment. By maintaining this agreement, Pima County may upgrade to current software offered by Microsoft without additional cost. Additionally, the County may add/remove licenses to the organization throughout the year as needed and “true up” at annual payment. For example, if the County owned 3,300 Office licenses and a department hired 10 additional people in August, then under the Enterprise Agreement, the County may install and use the Office, Email and Windows software needed for the new hires and purchase them the following July by updating the contract with the additional licenses.

As part of Pima County Information Technology strategic direction, the plan is to upgrade and deploy County Core software on a timescale that keeps the County software versions at, or near, current commercial release versions. This practice is necessary to ensure the core County software is maintained to provide and realize product feature improvements, as well as security-related upgrades.

Pima County Information Technology estimates the Microsoft core software purchases under the existing Select Plus Agreement (SA) over a 6 year term are marginally over \$10.1 million. Under the Enterprise Agreement (EA), the same software purchases will total just under \$9.2 million over the same 6 year term. In regard to the Library District, they will continue using the academic pricing of about

\$216,000, which is the most cost effective strategy. This current strategy will cover the County departments as well as the Sheriff and Assessor's Offices.

By entering into a 3 year Enterprise Agreement with additional years of software assurance the County will save an estimated \$933,000 over 6 years compared to the current Select Plus Agreement. Additionally, future years would continue to save the County money as we would be paying software assurance instead of full price for upgrades.

In addition, if the Enterprise Agreement was expanded to include the rest of the Elected Officials then the total desktops/users would increase from 5000 to approximately 6500. The new costs over the 6 year term would be estimated at \$12.8 million if we continued purchasing all the software via the existing Select Plus Agreement or \$11.8 million if we moved to an Enterprise Agreement for the County. The savings to the County based on moving away from an individual purchase of Microsoft software to an Enterprise Agreement would be estimated at \$1 million over the 6 year term or an additional \$77,000 in savings. Currently 2 other Pima County entities (Pima County Attorney and Pima County Juvenile Courts) have existing Microsoft Enterprise Agreements that after discussions with Microsoft have the option to convert into one master Pima County Enterprise Agreement. Both the expansion of the agreement to the Elected Officials and the conversion of existing agreements into 1 agreement may be done throughout the three year term associated with this proposal.

Standardization of Software

Challenges

- Staff time required to keep old and failing software patched and in operation often results in poor quality of service.
- Keeping software running is more difficult with loss of key personnel.
- Staff development and training programs is difficult to account for differing software in use within the organization.
- Funding sources not guaranteed year to year.

Impact on the Organization

- Inability to improve operational efficiencies and increased total-cost-of-ownership.
- Information systems not adaptable over time, making them slow to respond to evolving organizational needs.
- New applications not able to be deployed without impacting legacy applications abilities to perform.

Benefits of continuing the Enterprise Agreement

- Provides County with a known lifecycle of its Microsoft based application solutions.
 - ✓ Predictable expenditures.
 - ✓ Costs spread over (3) years.
- Addresses problem of rapid obsolescence.
- Addresses problem of limited ability to support new and legacy applications

- Professional Engagement Services to ensure successful installation and configuration of enterprise software
- Reduced cost over time for maintenance and upgrades to Pima County owned Microsoft software
- No need to continually justify purchases.

Recommendation

Given the need to increase the Microsoft licenses deployed at Pima County, staff reviewed what the impacts and cost benefits would be for individual purchasing of software versus expanding the Microsoft Enterprise Agreement. It is recommended that the County initiate a more robust Enterprise Agreement encompassing not only server products, but also desktop and office productivity software. Appendix 1 details a breakdown of the lease vs buy costs. The best option for the County is to move forward with the Microsoft Enterprise Agreement, and it is recommended that a new master agreement be awarded to accommodate this agreement.

The Enterprise Agreement is less costly to the County than acquiring the software on an individual basis and purchasing each upgrade as needed (\$933,000 million savings for County Departments, Sheriff, and Assessor and \$1 million if the remaining Elected Officials participated). Additionally, the Enterprise Agreement also includes the ability to add software throughout the year and pay for it on a yearly review basis as well as providing additional professional services engagements allowing Pima County to leverage Microsoft engineers to assist in the configuration and implementation of the products. The true cost of ownership of the software on an enterprise agreement is much less than the old method of purchasing 5000 or 6500 (in the case of Elected Official inclusion) copies of the software and purchasing them again the next time the organization decides to upgrade.

PIMA COUNTY
INFORMATION TECHNOLOGY
Microsoft Enterprise Agreement

Appendix 1

The below table shows the cost comparison of purchasing the Microsoft software on a case by case basis versus entering into an Enterprise Agreement. In order to get the total discount/savings some products cost more over the 6 year term. For example, the Office software costs more with Enterprise Agreement, however it along with the other software that is included increases the discount received for other products like the Windows Desktop license that is substantially less expensive.

Product	Select + Agreement 6 year cost	Enterprise Agreement 6 year cost**	Variance
Biztalk Enterprise	\$28,858.00	\$36,075.00	(\$7,217.00)
Enterprise CAL	\$3,064,270.00	\$2,599,245.00	\$465,025.00
Exchange Enterprise	\$52,860.00	\$66,090.00	(\$13,230.00)
Lync Plus CAL	\$226.00	\$165.00	\$61.00
Lync Server	\$4,758.00	\$5,949.00	(\$1,191.00)
MSDN Premium	\$92,484.00	\$61,632.00	\$30,852.00
MSDN Professional	\$35,156.00	\$27,324.00	\$7,832.00
MSDN Ultimate	\$67,984.00	\$59,744.00	\$8,240.00
Office Professional Plus	\$3,250,280.00	\$3,258,007.00	(\$7,727.00)
Project CAL	\$2,540.00	\$3,180.00	(\$640.00)
Project Professional	\$117,696.00	\$161,280.00	(\$43,584.00)
Project Server	\$7,392.00	\$9,246.00	(\$1,854.00)
Project Standard	\$736.00	\$1,011.00	(\$275.00)
Remote Desktop Services CAL	\$304,000.00	\$390,000.00	(\$86,000.00)
SharePoint Server	\$106,464.00	\$133,092.00	(\$26,628.00)
SQL Enterprise	\$753,480.00	\$851,084.00	(\$97,604.00)
System Center Standard	\$2,000.00	\$864.00	\$1,136.00
System Center Datacenter	\$2,400.00	\$2,919.00	(\$519.00)
Visio Professional	\$630.00	\$864.00	(\$234.00)
Visio Standard	\$9,454.00	\$13,050.00	(\$3,596.00)
Windows Desktop w/MDOP	\$1,948,210.00	\$1,163,910.00	\$784,300.00
Windows Server Datacenter	\$281,190.00	\$354,540.00	(\$73,350.00)
Total	\$10,133,068.00*	\$9,199,271.00*	\$933,797.00*

*Prices do not include tax

** The table shows the 6 year cost for the EA to reflect the point at which the County will begin to see the cost benefits over the Select Plus Agreement