

AGENDA REPORT

Resolution: Approve and Authorize the Executive Director to Enter into an Agreement with PCMG, Inc. to Renew Microsoft Software Licensing for 3 Years for an Amount Not to Exceed \$761,365. **(Finance & Admin.)**

MEETING DATE: 4/25/2019

AMOUNT: Not to Exceed \$761,365 (\$692,150 with a 10% contingency) for Three Years Operating Expense

PARTIES INVOLVED: PCMG, Inc., El Segundo, CA
Frank Khulusi, CEO

Microsoft Corp., Redmond, WA
Satya Nadella, CEO

SUBMITTED BY: Sara Lee, Chief Financial Officer

APPROVED BY: J. Christopher Lytle, Executive Director

ACTION TYPE: Resolution

EXECUTIVE SUMMARY

The Port is licensed to use various Microsoft products such as Windows, Office Suite, and Office 365 on its computers and servers. The current Microsoft licensing is set to expire on May 31, 2019. Port staff is requesting authorization to enter into a three-year agreement with PCMG, Inc. to renew its Microsoft licensing via the County of Riverside's competitive bid process authorized under Port Ordinance 4321, Section 7.D.4 (competitive cooperative purchase agreements -- known as piggyback-able contracts). The County of Riverside Microsoft Licensing Agreement is the vehicle by which Microsoft has authorized the lowest available pricing for California state and local government agencies.

BACKGROUND

The Port relies heavily on Microsoft products. Microsoft products used at the Port include Office 365 (email, calendaring, on-line conferencing, file sharing), Office Suite (Word, Excel, PowerPoint, Outlook), database servers, Windows (both desktop and server versions), cybersecurity, cloud storage, and individual programs (Project, Visio, Visual Studio). Port staff anticipates continued usage of Microsoft products for the term of the agreement as they are industry standard and few truly viable alternatives exist.

ANALYSIS

It is essential that the Port renew licensing for the Microsoft products currently being used. Without the renewal, the Port would no longer be licensed to add new servers or computers. Moreover, Port staff would no longer have access to Office 365 which provides email, calendaring, online conferencing, file sharing, and collaboration functions.

Microsoft licensing agreements also provides the Port with the following benefits:

- Twenty-four-hours-a day access to Microsoft technical support
- Security and functional patches, enhancements, updates, and new versions
- Flexibility to respond to changing business priorities
- A cost-effective method to acquire Microsoft software licenses and cloud services
- Improved manageability of our Microsoft licensing

The County of Riverside Microsoft Licensing Agreement is the vehicle by which Microsoft has authorized the lowest available pricing for California State and local government agencies.

Port Ordinance 4321, Section 7.D.4 (competitive cooperative purchase agreements) allows the Port to leverage the competitive procurements conducted by other governmental agencies provided the award of the contract was based on the agency's published competitive procurement or bidding procedures and not based on the waiver of competition. Staff is requesting authorization to use the County of Riverside cooperative purchasing agreement for Microsoft licensing in lieu of a separate formal bid process.

In consultation with the Purchasing Department and the Port Attorney's Office, staff conducted an informal solicitation (February 2019) and directly solicited quotes from seven Microsoft recommended resellers authorized under the County of Riverside Microsoft Licensing Agreement, which was competitively bid by the County in 2016. The authorized resellers have discretion to determine the final cost for the requested licenses within the ranges committed to in the County of Riverside Microsoft Licensing Agreement. Soliciting quotes from each of the authorized resellers ensures the Port receives the lowest pricing. The results of the solicitation are as follows:

Bidder	Location	Bid Amount
PCMG, Inc.	El Segundo, CA	\$692,150
Crayon Software Experts LLC	Dallas, TX	\$692,940
SHI International Corp.	San Jose, CA	\$696,813
Insight Enterprises Inc.	Tempe, AZ	\$711,632
CDW Government, LLC	Vernon Hills, IL	\$712,302
SoftwareOne, Inc.	Waukesha, WI	\$714,153
Comparex USA	Ranleigh, NC	\$720,706

PCMG, Inc. was determined to be the lowest responsive and responsible bidder and are approved by Microsoft as an authorized reseller. The Port has used PCMG, Inc. previously for licensing Microsoft products.

Microsoft requires all companies to perform an annual licensing ‘true-up.’ During this ‘true-up’ process, the Port will report and pay for additional licensing added throughout the year, if any. As a result, the total cost of renewal may increase year to year. Port staff does not expect the price to increase more than 10% over the next three years, and the requested amount in this agenda report will cover any additional licensing needs.

BUDGET & STAFFING

The Microsoft licensing renewals are paid annually. This fiscal year’s payment will be covered in the FY 2018-19 budget. Port staff will budget for the annual licensing renewal costs in future operating budgets. The proposed action does not have any staffing impact.

MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)

The matters included in this Agenda Report do not fall within the scope of the Port of Oakland Maritime and Aviation Project Labor Agreement (MAPLA) and the provisions of the MAPLA do not apply.

STRATEGIC PLAN

The action described herein would help the Port achieve the following goals and objectives in the Port’s Strategic Business Plan (2018-2022).

<https://www.portofoakland.com/wp-content/uploads/Port-of-Oakland-Strategic-Plan.pdf>

- Goal: Modernize and Maintain Infrastructure
- Goal: Strengthen Safety and Security

LIVING WAGE

Living wage requirements, in accordance with the Port’s Rules and Regulations for the Implementation and Enforcement of the Port of Oakland Living Wage Requirements, do not apply because the contract is not a covered service contract, but a contract for goods, commodities, supplies or equipment with incidental service provisions.

SUSTAINABILITY

Port staff reviewed the Port’s 2000 Sustainability Policy and did not complete the Sustainability Opportunities Assessment Form. Port staff concluded that there are no sustainability opportunities related to this proposed action because it does not involve a development project, purchasing equipment, or operations that presents sustainability opportunities.

ENVIRONMENTAL

The renewal of Microsoft licensing was reviewed in accordance with the requirements of the California Environmental Quality Act (CEQA), and the Port CEQA Guidelines. CEQA applies

only to actions which have a potential for resulting in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. It can be seen with certainty that there is no possibility that software license renewal would result in a physical change in the environment, and therefore this action is not subject to CEQA.

GENERAL PLAN

This action does not change the use of any existing facility, make alterations to an existing facility, or create a new facility; therefore, a General Plan conformity determination pursuant to Section 727 of the City of Oakland Charter is not required.

OWNER-CONTROLLED INSURANCE PROGRAM (OCIP)

This action is not subject to the Port's Owner Controlled Insurance Program (OCIP) as it is not a capital improvement construction project.

OPTIONS

- Authorize the Executive Director to enter into a three-year agreement with PCMG, Inc. to renew Microsoft licensing using the Microsoft licensing cooperative purchasing agreement developed by the County of Riverside (and the subsequent informal quotes received from the seven Microsoft recommended resellers authorized under the cooperative agreement) for an amount not to exceed \$761,365 (\$692,150 with a 10% contingency). This is the recommended action.
- Do not use the Microsoft licensing cooperative purchasing agreement developed by the County of Riverside, conduct a standalone formal competitive bid, and separately negotiate a contract for services. This is not recommended because the County of Riverside Microsoft Licensing Agreement is the vehicle by which Microsoft has authorized the lowest available pricing for California State and local government agencies.

RECOMMENDATION

Port staff recommends that the Board approve and authorize the Executive Director to enter into a three year agreement with PCMG, Inc. to renew Microsoft licensing using the Microsoft licensing cooperative purchasing agreement developed by the County of Riverside (and the subsequent informal quotes received from the seven Microsoft recommended resellers authorized under the cooperative agreement) for an amount not to exceed \$761,365 (\$692,150 with a 10% contingency).