



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: MARCH 6, 2018**

FROM: INNOVATION AND TECHNOLOGY DEPARTMENT **WARDS: ALL**

SUBJECT: INCREASE CHANGE ORDER AUTHORITY IN THE AMOUNT OF \$78,212 OR 2.75% FOR PURCHASE ORDER 143459 WITH PCMG, INC. FOR FIVE-YEAR MICROSOFT ENTERPRISE AGREEMENT TO COVER SHORTAGE OF FUNDS FOR FINAL ANNUAL PAYMENT AND TRUE-UP

ISSUE:

Authorize an increase in change order authority in the amount of \$78,212 or 2.75% for Purchase Order 143459 with PCMG, Inc. for the existing five-year Microsoft Enterprise Agreement to cover a shortage of funds for the final annual payment and true-up.

RECOMMENDATIONS:

That the City Council:

1. Authorize an increase in change order authority in the amount of \$78,212 or 2.75% for Purchase Order 143459 with PCMG, Inc., for the existing five-year Microsoft Enterprise Agreement for the period of February 1, 2014 through January 31, 2019, revising the total contract authority from \$3,129,500 to \$3,207,712; and
2. Authorize the City Manager, or his designee, to approve the increase in change orders to PCMG, Inc. Purchase Order 143459 for a total project cost not to exceed \$3,207,712.

BACKGROUND:

For the past twelve years, the Innovation and Technology (IT) Department has utilized a Microsoft Enterprise Agreement (EA) for Microsoft software products. This agreement simplifies mandatory licensing by only requiring a single transaction to acquire licenses across the City for city-owned computers and allows for volume pricing. The agreement also includes updates so that the City has access to the current version of Microsoft products.

On January 28, 2014, the City Council approved award of Bid No. 7222 to PCMG, Inc. for a five-year renewal (February 1, 2014 through January 31, 2019) of the Microsoft Enterprise Agreement, in the amount of \$569,000 per year, for a total of \$2,845,000. Additionally, the City Council authorized staff to issue change orders in an amount not-to-exceed 10% of the annual amount of the PCMG, Inc. Purchase Order. This allows for an additional \$284,500 over the five-year term, for a total of authority of \$3,129,500.

Each year the Microsoft EA requires the City to perform an audit and subsequent true-up of the existing Microsoft licenses. Common changes for licenses include new devices (e.g. tablets, cell phones, computers), hardware (e.g. servers), and changes in the number of employees. Based on the Microsoft EA, the City is billed for true-ups annually and the City pays for these true-ups via Change Orders to the PCMG PO. No Amendment to the Microsoft EA is required. As of March 16, 2018, the City has paid four annual payments of \$569,000 and true-up costs totaling \$330,212, for a grand total of \$2,606,212. Therefore, the remaining authority for this agreement is \$523,288.

DISCUSSION:

As of January 31, 2018, the City was invoiced for the year five annual amount of \$569,000 (See Attachment 2). Payment of this invoice will exceed the total authority granted for this agreement by \$45,712. Although the original authority was expected to be sufficient to cover five annual payments and \$284,500 in true-ups, if needed, actual true-ups to date have totaled \$330,212. This has resulted in a shortage of funds for the final annual payment.

The final year-five true-up will also come due on January 31, 2019. Based on license requests for the past year, we estimate that the final annual true-up will be approximately \$32,500.

The shortage for the last annual payment (\$45,712) and future true-up (\$32,500) totals \$78,212. The IT Department is requesting that City Council approval these additional funds, which amount to an additional 2.75% in change order authority, for a total contract authority of \$3,207,712.

FISCAL IMPACT:

The total fiscal impact of the action is \$78,212. Only \$45,712 of this amount is due during Fiscal Year 2017-2018. The funds are available in account 2410000-424310 (IT-Operations-Software Maintenance/Support). The remaining \$32,500 was included in the IT Department Budget submission for Fiscal Year 2018-2019 to be presented to the City Council for approval.

Prepared by: Lea Deesing, Chief Innovation Officer
Certified as to
availability of funds: Adam Raymond, Chief Financial Officer/Treasurer
Approved by: Marianna Marysheva, Assistant City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachments:
1. Purchase Order
2. Agreement