



ADMINISTRATION COMMITTEE

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Agenda Report

File #: 2024-3899

Agenda Date: 11/13/2024

Agenda Item No: 5.

FROM: Robert Thompson, General Manager
Originator: Wally Ritchie, Director of Finance

SUBJECT:

CONTINGENCY INCREASE FOR ANNUAL TRUE-UP OF MICROSOFT ENTERPRISE LICENSE AGREEMENT (ELA) FOR MICROSOFT ENTERPRISE SOFTWARE LICENSES

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION: Recommend to the Board of Directors to:

Approve a Contingency increase of \$525,748 (36%) to the existing Contract for annual true-up of the Microsoft ELA for a new total contingency amount of \$746,322 (51%).

BACKGROUND

The Orange County Sanitation District (OC San) relies on various Microsoft product licenses for essential components of its software architecture, including Windows desktop and server operating systems, email and chat communications, Office suite, databases, cyber defense software, and conference room integrations. While we strive to accurately project Microsoft licensing needs to support our business needs over the three-year agreement, new technologies and unforeseen circumstances may arise, necessitating unplanned technologies and licenses. Therefore, we request contingency as part of the original approval.

RELEVANT STANDARDS

- Protect OC San assets
- 24/7/365 treatment plant reliability
- Maintain a culture of improving efficiency to reduce the cost to provide the current service level or standard

PROBLEM

During the three-year period of this ELA, three projects have increased our Microsoft Enterprise Licensing beyond our contingency. The projects listed below have raised the number of servers on the Industrial Control System and Office networks, necessitating additional Microsoft licenses:

- J-117 - Ocean Outfall System Rehabilitation
- J-120 - Process Control System Upgrade (SCADA Upgrade)

- IT Hardware for Enterprise Server Refresh and Upgrade

The computing systems implemented by each of these projects were not in place at the time this Microsoft ELA was initiated; however, the cost of the licensing is included in the project budgets noted above.

At the end of each calendar year, we must true-up the additional licenses that were added during the year above-and-beyond the Microsoft ELA. This causes an immediate cost for the true-up and an increase in the ongoing, annual Microsoft ELA payment cost. For year one, 2022, and year two, 2023, true-ups for a release of contingency funds in the amount of \$182,811 for payment was approved. There is currently \$37,763 remaining of the originally approved contingency amount. An increase of contingency in the amount of \$525,748 for year three, 2024, true-up is required to maintain license compliance with Microsoft.

PROPOSED SOLUTION

Approve an increase for the contingency in the amount of \$525,748 for a total contingency amount not to exceed \$746,322.

TIMING CONCERNS

The annual true-up of Microsoft licensing must be completed by the end of the contract term, December 31, 2024.

RAMIFICATIONS OF NOT TAKING ACTION

This amount is due to Microsoft as a true-up of licensing utilization over the course of our agreement, payable at the end of the contract term. Failure to true-up with amount may cause OC San to become non-compliant with contractual terms. Delay in approval and payment may result in loss of Microsoft services, impacting OC San's critical infrastructure.

PRIOR COMMITTEE/BOARD ACTIONS

November 2021 - Approved a Purchase Order for a three-year contract to purchase Microsoft Enterprise licenses under the Microsoft ELA in accordance with Microsoft Volume Enterprise Enrollment - for State and Local government, Riverside County Master Licensing Agreement 01E73970, payable annually and with a contract expiration date of December 31, 2024, for a total amount not to exceed \$1,470,495; and approved a contingency of \$220,574 (15%).

ADDITIONAL INFORMATION

The total true-up cost for the third and final year of the contract is \$563,511. The cost attributed by each project is noted below.

- J-117 Ocean Outfall System Rehabilitation - \$108,240
- J-120 Process Control System Upgrade (SCADA Upgrade) - \$306,681
- IT Hardware for Enterprise Server Refresh and Upgrade - \$148,590

CEQA

N/A

FINANCIAL CONSIDERATIONS

This request complies with the authority levels of OC San's Purchasing Ordinance. This item has been budgeted (Budget FY 2024-25 and 2025-26, Section 8, Pages 4, 37, and 38) and the budget is sufficient for the recommended action.

ATTACHMENT

The following attachment(s) may be viewed on-line at the OC San website (www.ocsan.gov) with the complete agenda package:

N/A