



Legislation Text

File #: 2018-0052, **Version:** 1

DATE: April 10, 2018

SUBJECT:

RESOLUTION AUTHORIZING \$4,002,231 TO BE EXPENDED FOR LICENSING, PROFESSIONAL SERVICES, AND SYSTEM SUPPORT FROM MICROSOFT INC. FOR A PERIOD OF 5 YEARS; ANY AGREEMENTS UTILIZING THE \$4,002,231 WILL BE AUTHORIZED PURSUANT TO BOARD OF PORT COMMISSIONERS (BPC) POLICY NO. 110; FY 2018 EXPENDITURES, IF NEEDED, ARE BUDGETED. ALL FUNDS REQUIRED FOR FUTURE FISCAL YEARS WILL BE BUDGETED IN THE APPROPRIATE FISCAL YEAR, SUBJECT TO BOARD APPROVAL UPON ADOPTION OF EACH FISCAL YEAR'S BUDGET

EXECUTIVE SUMMARY:

The majority of the District's Information Technology (IT) services that are provided to the staff and public utilize Microsoft products. Data and applications are supported by numerous on-premises and cloud-based servers, providing access to applications which are fundamental to the day-to-day business of the District. All these services, both front and back office, are underpinned by a Microsoft product in almost every circumstance. Services currently licensed include:

- Microsoft Windows Server
- Microsoft SQL Server
- Microsoft SharePoint Server
- Microsoft Project
- Microsoft Office 365 Enterprise Cloud Suite (ECS)

The District has an opportunity to establish a strategic partnership with Microsoft leveraging current technology and increasing IT service efficiency and overall service delivery value. This partnership allows the District to standardize third-party services onto one common IT operating environment and homogenizing some of the District's core systems using Microsoft as a replacement. The District can cut costs by implementing services that we already own as part of our Microsoft Enterprise Licensing Agreement while retiring the older, third-party systems.

In addition to the benefit of economies of scale, fully leveraging the Microsoft suite of products also reduces the costly burden on Staff to service support a multitude of various third-party systems. Building upon the standard Microsoft foundation will also give the District greater freedom to streamline operations through ease of interoperability with current and future systems.

Standardizing on Microsoft as the District's IT operating and identification environment allows the District to retire its antiquated tools currently in use for this purpose. Microsoft elements included in

this system replacement are:

- Upgrade the Microsoft enterprise license to level E5
- Implement the Microsoft System Center Configuration Manager
- Implement Microsoft Azure Site Recovery
- Implement Microsoft Identity Manager
- Implement Microsoft Azure Government Cloud

RECOMMENDATION:

Adopt a Resolution Authorizing \$4,002,231 to be expended for licensing, professional services, and system support from Microsoft Inc. for a period of 5 years; any agreements utilizing the \$4,002,231 will be authorized pursuant to Board of Port Commission (BPC) Policy No. 110.

FISCAL IMPACT:

Funds for the first year of this expenditure are budgeted for in the FY 17/18 Technology Management Program Professional Services expense account. Funds required for future fiscal year(s) will be budgeted for in the appropriate fiscal year and cost account subject to Board approval upon adoption of each fiscal year's budget.

	(And Beyond)				
Cash Requirement Forecast	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
Equipment & Systems	\$ 498,690	539,559	584,515	633,966	688,363
Services - Professional & Other	\$ 419,000	137,500	151,250	166,375	183,013
Total by Fiscal Year	\$ 917,690	677,059	735,765	800,341	871,376
	\$ 4,002,231	Total Cash Requirement			

Some of the licenses included in the cash requirement forecast for the "Equipment & Systems" cost account have a 10% estimated escalation factor to allow for growth. Likewise, some services provided by Microsoft included in the cash requirement forecast for "Services - Professional & Other" have a 10% escalation.

COMPASS STRATEGIC GOALS:

This agenda item supports the following Strategic Goal(s).

- A Port that the public understands and trusts.
- A thriving and modern maritime seaport.
- A Port that is a safe place to visit, work and play.
- A Port with an innovative and motivated workforce.
- A financially sustainable Port that drives job creation and regional economic vitality.

DISCUSSION:

The District's Information Technology (IT) Department commissioned a study in 2012 that led to the

development of a five-year Technology Strategic Plan. The results of the study indicated that many of the technology systems in place at the time were out-of-date. Additionally, it pointed out that the District had tremendous opportunities to both reduce costs and increase its IT service delivery value by standardizing on one common IT operating environment and homogenize some of the District's core systems.

As a result of the Technology Strategic Plan, the District began strategically replacing some of the antiquated technology that it outlined with more modern, core systems. The District is now in a position to leverage these key systems by replacing the District's current IT operating and user identification environment with a Microsoft Windows Domain Platform.

Rationale for Standardizing on the Microsoft Platform

The current IT operating and identification environment is not only outdated but presents an operational risk to District daily operations due to system instability and lack of system support. Replacing this system is critical to the District achieving a 21st century government by delivering modern services to staff and to the public. The benefits of using Microsoft products to standardize the District's IT operating and identification environment include:

- Creating continuity in system functionality allowing the District to get relevant and timely data and information to the right people at the right time
- Allowing out-of-the-box interoperability opportunities between systems (both Microsoft and non-Microsoft) enabling the District to implement the right solutions for the required business need
- Minimizing IT costs by leveraging economies of scale
- Reducing burden on IT staff to learn and support a multitude of disparate third-party systems and eliminates the need to create a work-around for compatibility problems and complications

Microsoft is the best choice for the new IT operating and identification environment for three reasons:

- 1) As part of its Enterprise License Agreement with Microsoft, the District already subscribes to many of the licenses needed to replace these third-party or out-of-date solutions,
- 2) Microsoft continues to be a market leader for many of solutions and services the District is seeking to replace, and
- 3) Microsoft products are already heavily ingrained into the District's operations. For instance, all District desktop computers and the majority of its servers run on Microsoft Windows operating systems. Most of the District's core technology requirements such as email and productivity software (e.g. Office) are served through Microsoft products. Windows Server, SharePoint, SQL Server, Exchange Online, the Office Suite and many other Microsoft products underpin the provision of all District services in some way. In addition, the SAP Enterprise Resource Planning system runs on servers based on the

Microsoft Windows operating system and the servers utilize Microsoft SQL Server for database services.

Leveraging the District's Existing Agreement for the Transition

To transition to the Microsoft IT operating and identification environment, the District will utilize its current Microsoft Enterprise Agreement that covers licensing for the following products:

- Microsoft Windows Server
- Microsoft SQL Server
- Microsoft SharePoint Server
- Microsoft Project
- Microsoft Office 365 Enterprise Cloud Suite (ECS)

These licenses will allow the District to implement Microsoft System Center Configuration Manager (SCCM) which is a Windows product that enables system administrators to manage the deployment and security of devices and applications across an enterprise. SCCM discovers servers, desktops, tablets, and mobile devices connected to the network through Active Directory. It then manages application deployments and updates on a device or group basis, allowing for automated patching and policy enforcement thus strengthening the District's cybersecurity posture.

Anticipated New Systems and Cost Structure

SCCM serves as the foundation system for four new, core Microsoft systems that will allow the District to fully transition from, and retire, its current IT operating and identification environment. Although there are no additional costs for the SCCM licensing, there are cost increases to license the four new systems (described below). Some of these costs will be offset by a \$90,000 decrease in annual license fees that the District currently pays for the old tools.

1. Upgrade Microsoft Licenses to E5 - Upgrading our Microsoft enterprise licensing level from E3 to E5 provides the District additional security features (Access Control, Advanced Threat Protection) and access to Microsoft's Business Intelligence tools which allow the District to analyze all of the data existing in the Microsoft Office environment. It also provides the District with integration options for its unified communications platform which include video conferencing and web meetings.

The District currently spends approximately \$320,000 annually on its current E3 level license. Upgrading to the E5 level license will increase the annual licensing spend by approximately 25% or \$88,690 to \$408,690 in the first year. The E5 license uplift allows the District to access to the following additional tools:

- Data Visualization Tools (Power Business Intelligence)
- Project, Portfolio & Capacity Management Tools (Project Online)

2. Azure Site Recovery - Azure Site Recovery orchestrates and manages disaster recovery for on-premises virtual and physical servers. Site Recovery helps ensure business continuity by

keeping business applications and workloads running during premises outages (which was cited on a recent audit as high priority action item). Site Recovery replicates workloads running on physical and virtual machines from the primary site to a secondary cloud-based location. When an outage occurs at the primary site, systems and services fail over to the secondary cloud location. After the primary location is running again, systems and services fail back to it.

Costs for Azure Site Recovery include a \$150,000 one-time implementation service fee and an additional \$25,000 in annual licensing.

3. Microsoft Identity Manager - Microsoft Identity Manager binds Microsoft's identity and access management solutions together by seamlessly bridging multiple on-premises authentication stores like Active Directory, LDAP, SAP, and other applications with Azure Active Directory. This provides consistent experiences to on-premises applications and Software as a Service (SaaS) solutions.

Costs for Microsoft Identity Manager include a one-time \$144,000 implementation service fee and an additional \$25,000 in annual licensing.

4. Microsoft Azure Government Cloud - Microsoft Azure Government Cloud is an Infrastructure as a Service (IaaS) offering that delivers a cloud platform built upon the foundational principles of security, privacy and control, compliance, and transparency. Public Sector entities receive a physically isolated instance of Microsoft Azure that employs world-class security and compliance services critical to U.S. government for all systems and applications built on its architecture. These services include FedRAMP and DoD compliance certifications, CJIS state-level agreements, the ability to issue HIPAA Business Associate Agreements, and support for IRS 1075. Operated by screened U.S. persons, Azure Government supports multiple hybrid scenarios for building and deploying solutions on-premises or in the cloud. Public Sector entities can also take advantage of the instant scalability and guaranteed uptime of a hyper-scale cloud service.

The District already pays annually for Azure Cloud Services. The current annual spend is \$12,000 for Azure Cloud. The projected spend for Government Cloud is \$40,000.

As demonstrated, the District is already heavily invested in Microsoft products. Standardizing the District's IT operating and identification environment with Microsoft will require a Premier Support Agreement for efficient operations. This agreement provides the District with:

- Expert incident and crisis management
- Premier expert knowledge base directly from Microsoft
- Critical security support advice and assistance
- System upgrade services
- System remediation planning
- 24/7 phone support to subject matter specialists for level-three support services for all Microsoft applications including on-premises and cloud technologies

- Planning support services for full system architecture
- Onsite assistance for various projects where Microsoft applications are affected

Implementing these Microsoft tools also provides the District with the opportunity to replace other third-party solutions in the future such as the District's current mobile device manager and the IT Service Desk ticketing system. Additional analysis will be done after the implementation of the above systems and are likely to provide even greater opportunities to fully leverage the Microsoft investment.

The Total Cost of Ownership is estimated below:

	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23	5-Year Total TCO
Enterprise Agreement	\$ 408,690	\$ 449,559	\$ 494,515	\$ 543,966	\$598,363	\$ 2,495,093
Identity Manager	\$ 169,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 269,000
Azure Government Cloud	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 200,000
Azure Site Recovery	\$ 175,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 275,000
Premier Support	\$ 125,000	\$ 137,500	\$ 151,250	\$ 166,375	\$183,013	\$ 763,138
	\$ 917,690	\$ 677,059	\$ 735,765	\$ 800,341	\$871,376	\$ 4,002,231

General Counsel's Comments:

The Office of the General Counsel has reviewed the issues set forth in this agenda and found no legal concerns as presented and will review for form and legality any agreement utilizing the \$4,002,231.

Environmental Review:

The proposed Board action, including without limitation, procurement of licensing, professional services, and system support from Microsoft Inc. does not constitute a "project" under the definition set forth in California Environmental Quality Act (CEQA) Guidelines Section 15378 because it will not have a potential to result in a direct or indirect physical change in the environment and is, therefore, not subject to CEQA. No further action under CEQA is required.

In addition, the proposed Board action allows for the District to implement its obligation under Sections 21, 30, , 81, and 87 of the Port Act, which allow for the Board to manage the business of the District by providing software licensing, technology services, and support from Microsoft Inc. The Port Act was enacted by the California Legislature and is consistent with the Public Trust Doctrine. Consequently, the proposed Board action is consistent with the Public Trust Doctrine.

Finally, the proposed Board action does not allow for "development," as defined in Section 30106 of the California Coastal Act, or "new development," pursuant to Section 1.a. of the District's Coastal

Development Permit Regulations. Therefore, issuance of a Coastal Development Permit or exclusion is not required.

Equal Opportunity Program:

Not applicable.

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