



**SAN DIEGO COUNTY  
REGIONAL AIRPORT AUTHORITY  
STAFF REPORT**

Item No.  
**13**

Meeting Date: **DECEMBER 2, 2010**

**Subject:**

**Authorize the President/CEO to Execute a First Amendment to the Contract with Microsoft Licensing, GP**

**Recommendation:**

Adopt Resolution No. 2010-0136, authorizing the President/CEO to execute a first amendment to the contract with Microsoft Licensing, GP increasing the compensation amount by \$80,000 for a not to exceed amount of \$310,777.49.

**Background/Justification:**

The Authority currently has a contract with Microsoft Licensing, GP that expires on July 31, 2012, for a not to exceed amount of \$230,777.49. The Authority uses the Microsoft Licensing, GP contract for Microsoft Software Assurance Support for site software licensing of Microsoft applications and operating systems. Approval of this item will authorize the President/CEO to add Microsoft Business Productivity Online Suite cloud hosting support from Microsoft Inc. to the existing Microsoft Licensing, GP contract for the remaining contract period of 19 months. Approval will also add \$80,000 to the contract amount.

Authority Information Technology (IT) staff continuously evaluates new technologies for more efficient and cost effective ways to improve service to the Authority staff and customers. In particular, cloud computing has been investigated as a way to enhance service while lowering the cost per employee to provide e-mail and other Microsoft services. IT staff examined two major competitors, Google and Microsoft, to compare services provided and the ease of adaptability to the Authority IT environment. Staff determined that Google cloud-based services offered an impressive array of features, as did Microsoft. However, by using Microsoft BPOS cloud services, the Authority could cut costs for features provided, without forcing Authority staff to move to a new set of products that may have significant negative impacts throughout the organization (*e.g.*, loss of functionality, incompatibility with external entities, and significant training implications).

IT staff also evaluated providing SharePoint functionality internally to aid with electronic content management, automate routine forms, and simplify the Authority Intranet and Internet web environments. IT staff considered CITRIX (Go-To-Meeting), and CISCO (WebEx) as possible products to provide on-line meeting features which have been requested by Authority personnel to aid in electronically sharing desktops, holding live video conferences, and shared whiteboard sessions with remote users (between buildings on campus, and city-to-city).

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**What changed?** The computer industry is currently undergoing a major technical revolution that is moving the industry from in-house based applications to "cloud based" applications. Cloud based computing is the outgrowth of previous initiatives known as hosted services or SaaS (software as a service), and now has come to be known as cloud based computing. Microsoft, Apple, and Google are all now fiercely competing to gain preeminence in the cloud computing environment – a circumstance of which the Authority can take advantage. The Authority currently hosts the Enterprise One software (Finance, Procurement, Human Resources, Work Management, Real Estate) in Seattle; the WingSpan performance management system is hosted in the cloud; and the NeoGOV on-line job applicant processing system is also hosted in the cloud. More and more applications will be hosted in the cloud environment, as the cloud model clearly can deliver cost savings to companies like the Authority.

**Advantages:** By using Microsoft cloud computing services for e-mail, SharePoint, Office Communications, and Live Meeting services, the Authority does not need to expand the computer room equipment to support this additional functionality, nor acquire and maintain additional server hardware and software. Also, the Authority does not need to hire additional personnel to support the increased functionality. Microsoft handles the routine maintenance (at their location) of all system hardware and software, e-mail software, and virus and spam filtering. Additionally, in the event of a major catastrophe in the San Diego region, the Microsoft data center will likely remain functional. However, if the normal Microsoft data center does fail, a backup location will continue to operate. This is a major benefit to the Authority, in that to ensure business continuity, all that is needed is Internet access. And lastly, the hours not devoted to the maintenance of e-mail servers by Authority staff can be reallocated to other IT activities and delivering the new and enhanced services.

**Options considered:** IT staff calculated the return on investment (ROI) based upon a five year period in order to incorporate the server hardware life-cycle costs. The number of licenses used for the calculation was 430 licenses.

1. Switching the Authority to Google cloud services, including Google mail, and Google office suite.

Due to the significant change in day-to-day tools (*i.e.*, Google Office versus Microsoft Office, Google Mail versus Microsoft Outlook) and the unproven nature of the Google set of services, it was determined that minimum disruption of services would occur by retaining tools on which Authority staff were well trained (*i.e.*, Microsoft Office). Furthermore, some of the recent reports of Google winning large government contracts were predicated upon completely different circumstances. For instance, the City of Los Angeles (LA) had various outdated Microsoft Office licenses and outdated Novell GroupWise e-mail licenses (depending on department). For LA, the cost to replace and update their outdated desktop Office Suite software and standardize on the most current e-mail version was immense. This made it an easy decision for LA to go with Google to significantly reduce the cost to get all LA City employees on the same platform. However, the LA decision came at the cost of betting their future on the fact that Google Office Suite would meet all their administrative needs. Additionally, some LA agencies had concerns about the safety and security of their e-mail. These concerns about security are based upon the method that Google uses to store information, which can be anywhere in the world. Microsoft, on the other hand,

identifies two major data centers, located in the U.S., which will act as primary and backup data centers. The use of the two data centers by Microsoft ensures that Authority data is protected and not distributed across many data centers throughout the world. Also, unlike LA, all of the Authority's Microsoft product licenses are fully up-to-date, which makes it easy to migrate to the Microsoft cloud environment without the same huge upgrade costs. An ROI was not calculated for the Google option, as it was not considered a viable option for the Authority.

2. Continuing to operate Microsoft e-mail with in-house resources.

Staff contemplated continuing as is: providing e-mail with in-house resources. However, by investigating the ROI of going with cloud services, it became readily apparent that the cloud business model had significant potential to reduce costs to the Authority. The ROI came out to \$47.00 per month, per employee, to continue providing e-mail service with in-house resources.

3. Implementing e-mail only, using Microsoft cloud services.

This option has the advantage of reducing costs over the current method of providing e-mail only with in-house resources. The ROI came out to \$42.00 per month, per employee, to provide Microsoft e-mail only BPOS service. However, Microsoft has weighted its pricing model to encourage implementation of the full BPOS suite and does not give a fully proportional discount for implementing an e-mail only version of BPOS. In other words, e-mail only service was one-fourth of the BPOS services, but was offered at only a 13% discount (versus 75%) over full BPOS suite pricing.

4. Implementing the full BPOS suite (e-mail, SharePoint, Office Communications, and Live Meeting) using in-house resources.

After computing the ROI of implementing the full BPOS suite using in-house resources, it was determined that the costs would almost double to get the additional functionality of SharePoint, Office Communications and Live Meeting. This made the potential for implementing these additional services unattractive due to significantly increased costs. The calculated ROI was \$87.00 per month, per employee, to provide the equivalent of the full BPOS suite with in-house resources. The significant increase in costs was due to the additional hardware and software licenses that would need to be purchased and the additional staff required to maintain the new systems.

5. Implementing the full BPOS suite using Microsoft cloud services.

After analyzing the ROI, which was \$49.00 per month, per employee, it became clear that this option offers the best ROI. Also, given that IT staff had already been examining how to bring these additional services (*i.e.*, SharePoint, Office Communications and Live Meeting) into the Authority computing environment, it appears to be the best fit for the Authority's needs.

The following ROI spreadsheet is a simplified overview of how the ROI was calculated:

(Calculations were based upon 430 licenses.)

Cost Description	Internal E-Mail Only Operation	E-Mail Only BPOS	Full BPOS Operated Internally	Full BPOS Microsoft Cloud
Internal Admin Costs	19	16	35	18
Hardware Costs	3	1	9	2
Software Costs	18	15	31	15
Contract Services	5	3	7	5
HVAC (Green) Costs	2	1	5	0
Microsoft BPOS Monthly Fee	0	6	0	9
<b>Total Monthly Cost Per Seat</b>	<b>\$47</b>	<b>\$42</b>	<b>\$87</b>	<b>\$49</b>

**Conclusion:** By using the Microsoft cloud BPOS services, IT can deliver significantly more services to the Authority with the same number of personnel that currently support e-mail only. It is now less expensive to acquire e-mail, SharePoint, Office Communications and Live Meeting functionality as a service from Microsoft than it is to provide these services with in-house resources.

### **Fiscal Impact:**

Sufficient funds are in the FY11 Information Technology budget to cover this expenditure. The requested revised contract amount funds will be requested in the FY12 budget process for the contract costs in that fiscal year.

### **Environmental Review:**

- A. This Board action, as an administrative action, is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act Pub. Res. Code Section 30106.

**Equal Opportunity Program:**

The Authority's small business program promotes the use of small, local, disadvantaged, and other business enterprises, on all contracts, to provide equal opportunity for qualified firms. By providing education programs, making resources available, and communicating through effective outreach, the Authority strives for diversity in all contracting opportunities.

The Authority has a Disadvantaged Business Enterprise ("DBE") Plan as required by the Department of Transportation, 49 CFR Part 26. The DBE Plan calls for the Authority to submit an annual over-all goal for DBE participation on all federally funded projects.

This project does not use federal funds; therefore, it will not be applied toward the Authority's over-all DBE goal.

**Prepared by:**

HOWARD KOURIK  
DIRECTOR, INFORMATION TECHNOLOGY

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**RESOLUTION NO. 2010-0136**

**A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY AUTHORIZING THE PRESIDENT/CEO TO EXECUTE A FIRST AMENDMENT TO THE CONTRACT WITH MICROSOFT LICENSING, GP, INCREASING THE COMPENSATION AMOUNT BY \$80,000 FOR A NOT TO EXCEED AMOUNT OF \$310,777.49.**

**WHEREAS, the current Microsoft Licensing, GP contract for Microsoft Software Assurance Support services is \$230,777.49 for a three year period provided by Microsoft Licensing, GP, through CompuCom Systems, Inc. for software licensing of Microsoft applications, which ends on July 31, 2012; and**

**WHEREAS, a proposed amendment will provide for hosting and managing of the San Diego County Regional Airport Authority ("Authority") Microsoft Business Productivity Online Standard Suite applications (BPOS), which includes Microsoft Exchange, SharePoint, Office Communications, and Live Meeting Applications for a 19 month term beginning January 1, 2011; and**

**WHEREAS, the Board believes that it is in the best interest of the Authority to authorize the President/CEO to amend Contract AA-1191 with Microsoft Licensing, GP, to include Microsoft (BPOS) Business Productivity Online Standard Suite applications, upon the terms and conditions set forth in the existing software assurance contract.**

**NOW, THEREFORE, BE IT RESOLVED that the Board hereby authorizes the President/CEO to execute a first amendment to Contract AA-1191 with Microsoft Licensing, GP, to incorporate Microsoft Business Productivity Online Standard Suite (BPOS) applications, increasing the compensation amount by \$80,000, for a not-to-exceed amount of \$310,777.49 upon the terms and conditions set forth in the solicitation, with such minor changes or modifications as the Authority's President/CEO or designee may deem to be in the best interests of the Authority; and**

**BE IT FURTHER RESOLVED that the Authority's President/CEO or designee hereby is authorized to execute and deliver such amendment to Microsoft Licensing, GP; and**

**BE IT FURTHER RESOLVED that the Authority and its officers, employees, and agents hereby are authorized, empowered, and directed to do and perform all such acts as may be necessary or appropriate in order to effectuate fully the foregoing; and**

000305

**BE IT FURTHER RESOLVED** that the Board of the San Diego County Regional Airport Authority finds that this Board action is not a "project" as defined by the California Environmental Quality Act (CEQA) Pub. Res. Code Section 21065; and is not a "development" as defined by the California Coastal Act Pub. Res. Code Section 30106.

**PASSED, ADOPTED, AND APPROVED** by the Board of the San Diego County Regional Airport Authority at a regular meeting this 2<sup>nd</sup> day of December, 2010, by the following vote:

**AYES:** Board Members:

**NOES:** Board Members:

**ABSENT:** Board Members:

**ATTEST:**

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**TONY R. RUSSELL  
DIRECTOR, CORPORATE SERVICES/  
AUTHORITY CLERK**

**APPROVED AS TO FORM:**

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**BRETON K. LOBNER  
GENERAL COUNSEL**

000306