

Business Item

Management Committee



Committee Meeting Date: December 11, 2024

For the Metropolitan Council: December 11, 2024

Business Item: 2024-345 SW

Microsoft Enterprise Agreement, Contract 21P057 Amendment 2

District(s), Member(s):	All
Policy/Legal Reference:	FM 14-2, Expenditures for the Procurement of Goods, Services, and Real Estate Policy; Minn. Stat. § 471.345
Staff Prepared/Presented:	Gretchen White, Chief Information Officer, Information Services (IS), 651-602-1443 Jody Jacoby, Chief Procurement Officer, Procurement, 651-602-1144
Division/Department:	Regional Administration/Information Services

Proposed Action

That the Metropolitan Council (“Council”) authorize the Regional Administrator to negotiate and execute an amendment to contract 21P057 with Insight Public Sector Inc. to add \$3,300,000 for Microsoft licenses and support of Windows, Office 365, SharePoint and Azure cloud services for a total contract amount not to exceed \$18,150,000.

Background

In May 2021, the Council authorized Business Item 2021-27 for a three-year Enterprise Agreement with Insight Public Sector, Inc. for Microsoft licensing and Azure services in the amount of \$13.5M. The initial three-year term was May 1, 2021, to April 30, 2024. The licensing to include all Microsoft Tools and Applications such as server operating systems, Office 365 products, SQL server databases, and SharePoint. Azure is a cloud platform that offers a variety of services to help build, run, and manage applications, and supports the Council’s goal of migrating more systems to the cloud. An Azure cloud services commitment of \$4.5M was a key component of this agreement. Azure cloud services are billed monthly based on consumption.

Due to unforeseen circumstances resulting from the pandemic, the initial adoption of Azure cloud technology was slower than anticipated. At the conclusion of the contract term, Azure cloud spend was \$3.2M. The Council was contractually obligated to pay Microsoft the remainder of the commitment totaling approximately \$1.3M.

An extension was negotiated to extend the original term of the contract by twelve months to avoid loss of value for the \$1.3M payment. Metropolitan Council prepaid \$1.4M for Azure services which Microsoft accepted as meeting the obligation of \$4.5M with no additional Azure commitment. The Council also agreed to additional end-user licensing functionality by licensing Compliance, Security, and Power Application features at a discounted price. This extension allowed the Council sufficient time to assess needs and plan for further cloud expansion.

Amendment 1 to the contract was processed in March 2024 that added \$1.35M and increased the total contract value to \$14,850,000. This was a bridge to continue service as plans and forecasting for the remainder of the fourth year of the contract were finalized as 2023 costs exceeded \$4M.

After full analysis of Azure consumption needs, it is projected that an additional \$3.3M is needed to meet the increased consumption in Azure use and user licensing growth through April 30, 2025. Approximately \$1.6M of the \$3.3M is specifically to cover the costs of Azure cloud services.

Rationale

Council Policy requires contract amendments exceeding 10% of the original authorized contract value to be approved by the Council if the original value exceeds \$500,000

Thrive Lens Analysis

This action advances the Thrive outcome of Stewardship and Sustainability by ensuring reliability, resilience, security and cost-effectiveness of the Council's computers, servers and cloud services.

Funding

Funding for this enterprise agreement is included in the Information Services operating budget.

Small Business Inclusion

The original contract did not include a Metropolitan Council Underutilized Business (MCUB) goal.

