



## **STAFF REPORT**

**11/4/2025**

**TO:** Honorable Mayor and City Council Members

**FROM:** Jason Stevens, IT Manager

**SUBJECT:** Authorize the annual subscription to Microsoft Office 365 cloud services for the amount of \$83,945.00.

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### **STAFF RECOMMENDATION:**

Staff recommends that the City Council authorize the annual subscription to Microsoft Office 365 cloud services for a subscription commitment of three years for the annual amount of \$83,945.00.

### **BACKGROUND:**

The City of Coachella for most of its past has obtained Microsoft software and licensing through Microsoft's volume licensing program without their annual Software Assurance Subscription service. This licensing is obtained through the cities trusted government sales partner CDWG who offers pricing based on California state and county procurement contracts.

Currently the city operates its own on-premise Microsoft Exchange email server. While this provides some benefits in terms of unlimited storage of email and lack of requirement for perpetual per user per month licensing costs, it does present multiple security related concerns. While Microsoft in the past has provide multi factor authentication methods for on-premise solutions, they no longer do so and there are not any other viable MFA (multi factor authentication) solutions that can secure an Exchange server and network authentication to the level or point of Microsoft's hosted or SaaS solution Microsoft 365 services does.

Due to recent security concerns and cyber security insurance requirements, staff now recommends the transition to Microsoft 365 services in order to provide the most secure communications and collaboration services that is available. The recommend subscription level would be Office 365 G3 GCC with Entra ID plan 2. These services will provide end to end multi factor authentication, conditional access policies, privileged identity management, geographic access controls and many other robust security controls, monitoring and alerting that will significantly minimize the Cities vulnerability footprint helping to reduce access vulnerabilities such as ACH fraud, identity fraud and theft and other security concerns.

The Microsoft Office 365 subscription not only includes email hosting, but all of the other services encompassed in the G3 level. This includes all current and future versions of Microsoft Office, Teams, SharePoint, OneDrive and other services. Please see accompanying services matrix sheet for all services included in Office G3 with Entra ID plan 2. Current mailbox count is 238 so pricing is noted for 250 users.

In anticipation of this possible upgrade IT did budget \$60,000 for this line item which was included in the 25-26 budget. However, it was previously determined to post-pone the migration to Office 365 but instead renew the local Exchange SE Server with Software Assurance for one year at the cost of \$8,345.00 which was performed. Remaining reserved funds in account 101-11-161-90-612-000 for this line item is \$51,655.

**ALTERNATIVES:**

1. Remain with Volume Licensing, the current Exchange SE with Software Assurance licensing version and remain with on-premise Exchange.

**FISCAL IMPACT:**

With this action, City Council authorizes a three-year commitment for the annual subscription of Microsoft Office 365 G3 with Entra ID plan2 for the amount of 83,948.00. For the first year, \$51,655.00 would be allocated from account 101-11-161-90-612-000 with remaining funds of \$32,290.00 coming from the unreserved general fund. Years two and three will be included in future budgets for account 101-11-161-90-612-000.