



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 06/17/2025

ITEM NO: 13

DATE: June 17, 2025
TO: Mayor and Town Council
FROM: Chris Constantin, Town Manager
SUBJECT: Authorize the Town Manager to Execute a Three-Year Agreement with Microsoft to Purchase Software Licensing Through SHI in an Amount Not to Exceed \$255,785.

RECOMMENDATION:

Authorize the Town Manager to execute a Microsoft software licensing agreement through SHI in an amount not to exceed \$255,785 over the three-year agreement period.

FISCAL IMPACT:

The first year's cost of \$82,511.24 is included in the FY 2025-26 Operating Budget. Costs for future years, including a five percent contingency amount for potential license increases, will be included in the Town's Information Technology Operating Budget for FY 2026-27 and FY 2027-28.

BACKGROUND:

In June 2022, the Town executed a three-year Microsoft software licensing agreement which will expire on June 30, 2025. A new agreement is required for the Town's continued use of Microsoft products and secures pricing for the next 3 years. Payments are made annually after a license true-up assessment is made each year. The Fiscal Year 2025/26 Operating Budget anticipated the annual fees of Microsoft software licensing in the Town's Information Technology Budget Operating Expenditures line item.

DISCUSSION:

The Microsoft software licensing agreement covers licensing for server operating systems, server management, server applications, Office 365 services, and security software on both staff accounts and in the cloud.

PREPARED BY: Sai Kim
Chief Technology Officer

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Finance Director

In accordance with the Town Purchasing Policy Section XVII regarding Cooperative Purchasing Agreements, the prices for Microsoft software license renewals are negotiated by the County of Riverside and sold by volume licensing partner SHI. Town Code Section 2.50.130(b)(6) also provides that competitive bidding is not required when the Town is using cooperative purchasing in accordance with the Town's purchasing policy. Most California agencies, from large ones such as the Department of Motor Vehicles, to small cities and special districts, use this purchasing arrangement to obtain the best prices.

The Town's current Microsoft software licensing agreement is valid through June 30, 2025. The new agreement is a means of securing pricing for the next three years through June 30, 2028. Our annual payment for the first year will be \$82,511.24. The annual payments may fluctuate for years two and three since our license count may change over the course of a given year. An additional 5% contingency will be added to cover any additional licenses captured during the annual true-up assessment. If no additional licenses are needed, then the renewal for years two and three will remain at \$82,511.24/year.

SHI is the vendor the Town will purchase the license through, and the agreement is with Microsoft.

An interruption in Microsoft licensing software would halt the daily computer operations of Town staff.

CONCLUSION:

Staff recommends that the Town Manager execute the new three-year Microsoft software licensing agreement through SHI in an amount not to exceed \$255,785.

COORDINATION:

The Finance Department, IT, Town Attorney, and Town Manager's Office coordinated this report.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachments:

1. Microsoft Volume Licensing Agreement
2. SHI Renewal Quote