



COUNTY OF LOS ANGELES

CHIEF INFORMATION OFFICE

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April 21, 2009

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**AMENDMENT NUMBER FOUR TO COUNTY MASTER SERVICES AGREEMENT
NO. 75272 WITH MICROSOFT CORPORATION
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

SUBJECT

Request approval of Amendment Number Four to Master Services Agreement with Microsoft Corporation to increase the annual contract expenditure limit, increase the delegated authority of the Chief Information Officer to execute Microsoft Consulting Services Statements of Services and approve subcontracting, and revise the option for term extension.

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and instruct the Chair of the Board to sign the attached proposed Amendment Number Four (the "Fourth Amendment") to the Master Services Agreement ("MSA") No. 75272 with Microsoft Corporation to:

1. Increase the total maximum amount authorized for expenditure during each calendar year under the MSA from \$2,000,000 to \$3,000,000;
2. Increase the authority delegated to the Chief Information Officer ("CIO") to execute Statements of Services for Microsoft Consulting Services ("MCS") under the MSA from a maximum sum of \$100,000 to \$300,000;
3. Delegate authority to the CIO to approve subcontracting under the MSA for Statements of Services with a maximum sum of \$300,000; and

4. Provide to the County, and delegate the authority to the CIO to exercise, options to extend the term of the MSA for three (3) two-year periods, for a total of six (6) additional years if all such options are exercised.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The MSA, approved by your Board on May 24, 2005, provides a structure that streamlines and standardizes the acquisition process for highly-skilled Microsoft technical services:

- Microsoft Premier Support Services (PSS) for priority support and operational guidance on Microsoft technologies; and
- MCS for consulting engagements to architect, plan, build, and deploy Microsoft technologies, such as Active Directory (directory service), Exchange Server (e-mail and calendaring system), Microsoft Office SharePoint Server (information sharing and collaboration system), Microsoft Dynamics CRM (customer relationship management system), and desktop and server operating systems.

On June 2, 2008, we informed your Board of the Chief Information Office's plan to submit a fourth amendment for your Board's approval. The proposed Fourth Amendment will:

- Increase the annual expenditure limit under the MSA from \$2 million to \$3 million based on increasing department demand;
- Raise the delegated authority of the CIO to execute MCS Statements of Services in amounts of \$300,000 or less, from the current limit \$100,000, which will bring the Microsoft MSA in alignment with other MSAs (IBM and Oracle) approved by your Board;
- Delegate authority to the CIO to approve subcontracting under the MSA for Statements of Services with a maximum sum of \$300,000, similar to other MSAs (IBM and Oracle) approved by your Board; and
- Delegate authority to the CIO to extend the term of the MSA for three (3) two-year periods, for total of six (6) additional years if all such options are exercised, which will allow the County to retain a favorable negotiated cap on Microsoft fee increases.

The Chief Information Office will continue to issue activity and expenditure reports every six months to keep your Board apprised of the MSA's use in the County.

Implementation of Strategic Plan Goals

The services provided under the MSA support the County Strategic Plan Goal for Operational Effectiveness (Goal 1). These services allow departments to better plan, design, implement, manage, and support the computer systems that rely upon Microsoft technologies. As the County continues to employ Microsoft products to support improvements in service delivery, the MSA will serve an increasingly important role in allowing County departments to achieve the County's strategic goals.

FISCAL IMPACT/FINANCING

The proposed Fourth Amendment will increase the annual expenditure authority limit under the MSA to \$3.0 million to accommodate departmental requirements that have been growing over the past three years and are expected to exceed the current \$2.0 million limit. The Chief Information Office has confirmed this projection, after recently canvassing County departments for anticipated Microsoft MSA expenditures for Calendar Years 2009 and 2010. Over these next two years, approximately \$2.8 million in Microsoft PSS and MCS services were identified for both 2009 and 2010. Additionally, the Fourth Amendment increases the CIO's delegated authority to execute MCS Statements of Services of \$300,000 or less from the current maximum of \$100,000. Expenditures over the term of the MSA and the expenditures in any given year will remain within each department's budgeted appropriation for such services. The administrative provisions of the MSA require confirmation that funding is available before any individual Statement of Services is executed.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The attached proposed Fourth Amendment has been approved as to form by County Counsel. The MSA and the proposed Fourth Amendment contain all County-required contract provisions.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The MSA and proposed Fourth Amendment will provide County departments continued access to Microsoft Premier Support Services and Microsoft Consulting Services. These are unique Microsoft technical services for Microsoft technologies/products, which are used in mission and non-mission critical business systems throughout the County.

CONCLUSION

Upon approval by your Board, it is requested that the Executive Officer-Clerk of the Board return one adopted copy of this Board letter and three executed copies of the Fourth Amendment to the Chief Information Office for further processing.

Respectfully submitted,


RICHARD SANCHEZ
Acting Chief Information Officer

RS:GM:DH:ygd

Attachment

c: Chief Executive Officer
County Counsel
IT Board Deputies

**FOURTH AMENDMENT TO
MASTER SERVICES AGREEMENT
BY AND BETWEEN
MICROSOFT CORPORATION AND
COUNTY OF LOS ANGELES**

This Fourth Amendment to Master Services Agreement (this "Fourth Amendment") is entered into as of the ____ day of _____, 2009 by and between the County of Los Angeles, a political subdivision of the State of California ("County"), and Microsoft Corporation, a Washington State corporation ("Microsoft"). The County and Microsoft are sometimes hereinafter referred to collectively as the "Parties" and each individually as a "Party."

RECITALS

WHEREAS, the Parties entered into that certain Master Services Agreement which was adopted by County's Board of Supervisors on May 24, 2005 as Agreement No. 75272 (the "Agreement") with respect to the procurement by County of Microsoft Premier Support Services (PSS) and Microsoft Consulting Services (MCS);

WHEREAS, under that certain First Amendment to Master Services Agreement which was adopted by County's Board of Supervisors on May 9, 2006 (the "First Amendment"), the Parties updated (i) the PSS fee schedule attached to the Agreement as Exhibit A2 (the "PSS Fee Schedule"), and (ii) the MCS fee schedule attached to the Agreement as Exhibit B2 (the "MCS Fee Schedule");

WHEREAS, under that certain Second Amendment to Master Services Agreement which was adopted by County's Board of Supervisors on May 8, 2007 (the "Second Amendment"), the Parties (i) further updated the PSS Fee Schedule, and (ii) delegated to the Chief Information Officer the authority at his discretion to approve changes to any exhibits to the Agreement, or Microsoft personnel performing services under the Agreement, pursuant to the terms of the Agreement;

WHEREAS, under that certain Third Amendment to Master Services Agreement which was executed by County's Program Director, with the delegated authority granted under the Second Amendment, on April 22, 2008 (the "Third Amendment"), the Parties updated (i) the PSS fee schedule attached to the Agreement as Exhibit A2 (the "PSS Fee Schedule"), and (ii) Microsoft's Consulting Engagement Manager for MCS, as named in Section 9.2;

WHEREAS, the Parties now wish to further amend the Agreement to (i) establish the total maximum amount authorized for expenditure during each calendar year under the Agreement to be \$3,000,000, (ii) delegate to the County's Chief Information Officer ("CIO") the authority to execute Statements of Services for Microsoft Consulting Services having a maximum sum of \$300,000, (iii) delegate to the CIO the authority to approve subcontracting under the Agreement for Statements of Services having a maximum sum of \$300,000, and (iv) delegate to the CIO the authority to extend the term of the Agreement for three (3) two-year periods, pursuant to the terms of the Agreement.

NOW, THEREFORE, pursuant to Section 22 (Changes and Amendments) of the Agreement and in consideration of the mutual covenants of the Parties contained herein and in the Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Paragraph 5.1 (General) of the Agreement is hereby deleted in its entirety, and is replaced with the following new Paragraph 5.1 (General) to read as follows:

"The Maximum Contract Sum under this Master Agreement shall be the total maximum monetary amount which may be paid by County to Microsoft. The total amount which may be paid by County to Microsoft during each calendar (January 1 through December 31) of the term of this Agreement shall not exceed Three Million Dollars (\$3,000,000)."

2. All occurrences of "\$100,000" shall be replaced with "\$300,000" in Paragraph 6.2 (Process for Issuance of Statements of Services) of the Agreement.
3. All occurrences of "\$100,000" shall be replaced with "\$300,000" in Paragraph I of Exhibit B3 (MCS SOS Issuance Process) attached to the Agreement.
4. All occurrences of "\$100,000" shall be replaced with "\$300,000" in Paragraph J of Exhibit B3 (MCS SOS Issuance Process) attached to the Agreement.
5. Paragraph 19.1 (Prior Approval Required) is hereby deleted in its entirety, and is replaced with the following new Paragraph 19.1 (Prior Approval Required) to read as follows:

"No performance of this Master Agreement, or any portion thereof, shall be subcontracted by Microsoft without the prior written approval of County, which shall specifically include the approval of the subcontractor Microsoft proposes to use for the work in question as provided in this Section 19.

For SOSs in an amount up to \$300,000, the subcontractor shall be approved by the County's Program Director or Acting Director. For SOSs over \$300,000, the subcontractor shall be approved by the County's Board of Supervisors. Any attempt by Microsoft to subcontract any performance under this Master Agreement without the prior written consent of County shall be null and void and shall be deemed a material breach of this Master Agreement, upon which the County may immediately terminate this Master Agreement."

6. Paragraph 4.2 (Option to Extend) of the Agreement is hereby deleted in its entirety, and is replaced with the following new Paragraph 4.2 (Option to Extend) to read as follows:

"Microsoft hereby grants to County the irrevocable option to extend this Master Agreement for up to three (3) two-year periods beyond the initial term. County's option(s) shall be exercised by the County's Program Director or Acting Director, in any increment, by written Notice delivered to Microsoft not less than thirty (30) days prior to the expiration of the then-current term of this Master Agreement. As used herein, the "term" of this Master Agreement shall mean the initial term and any extension periods."

7. Except as otherwise specifically provided under this Fourth Amendment, the Agreement, as amended under the First, Second, and Third Amendments, and the respective rights and obligations of the Parties thereunder, remains as previously written and in full force and effect.

IN WITNESS WHEREOF, the County of Los Angeles and Microsoft Corporation have caused this Fourth Amendment to be executed by and through their respective and duly authorized representatives on the day and year above first written.

MICROSOFT CORPORATION

By David T. Gallagher
David T. Gallagher
Director of Contracts, Microsoft U.S. Public Sector Services

COUNTY OF LOS ANGELES

By _____
Chairman, Board of Supervisors

ATTEST:

SACHI A. HAMAI
Executive Officer and Clerk
Board of Supervisors of the County of Los Angeles

By _____

APPROVED AS TO FORM:
ROBERT KALUNIAN
Acting County Counsel

By  _____
Jose Silva
Principal Deputy County Counsel