

January 26, 1999

To: Board of Directors (Budget and Finance Committee--Action)

From: General Manager _____

Submitted by: David C. Edwards _____
Director, Information Technology

Subject: Purchase Upgrade and Maintenance Rights for the Microsoft Office '95 Product Suite

RECOMMENDATION

It is recommended that the General Manager be authorized to purchase upgrade and maintenance rights for the Microsoft Office '95 product suite at a cost of \$697,000.

EXECUTIVE SUMMARY

Metropolitan currently has software licenses for the Microsoft (MS) Office '95 product suite. These licenses authorize Metropolitan to install and run MS Office '95 on Metropolitan personal computers equal to the number of licenses purchased.

This letter requests approval to purchase upgrade and maintenance rights from Microsoft at a cost of \$697,000. The rights allow Metropolitan to convert its Microsoft licenses from MS Office '95 to MS Office '97. Also included in the cost are upgrade rights to new versions of the MS Office product suite (such as MS Office 2000) which may be released over the next two years.

Microsoft plans to offer its new version of MS Office (Office 2000) soon, possibly as early as March 1999. Once the new version is released, the upgrade pricing is no longer available. If Metropolitan elects not to purchase the upgrade now and wait for the new release, the cost to purchase the new version of MS Office is estimated to be \$1,000,000. By upgrading the product now, Metropolitan can achieve a savings of approximately \$300,000. Therefore, it is requested that the General Manager be authorized to purchase upgrade maintenance rights for Metropolitan's Microsoft Office '95 product suite at a cost of \$697,000. Since Operations & Maintenance (O&M) expenditures for the first half of this fiscal year are below budget, adequate funds are available for this work. Moreover, the estimate for the System Upgrades for Server and Workstation capital program will be reduced by a like amount.

JUSTIFICATION

The MS Office '97 suite provides additional features to the component software products over those in MS Office '95. The primary components of both MS Office suites are: Word, Excel, PowerPoint and Access. More important, the upgrade and maintenance rights will allow

Metropolitan to provide product support now and in the future, and remain current with industry standard software. In addition, MS Office '97 is tightly integrated with Microsoft Outlook which Metropolitan has recently implemented as its electronic mail and calendaring system. This upgrade path positions Metropolitan to better maintain compatibility between versions of MS Office and Outlook.

Purchasing the upgrade and maintenance rights now rather than later will save approximately \$300,000 over the cost of waiting and purchasing the new MS Office version once it is released.

ALTERNATIVE(S) TO PROPOSED ACTION

- Wait for the next release of the MS Office product suite (MS Office 2000) and purchase the product for an estimated \$1,000,000.
- Continue using the current installed versions of MS Office. This alternative would not allow the District to take advantage of the new product features and result in compatibility and support problems as Microsoft discontinues support for their older products.

ACTIONS AND MILESTONES

- Purchase MS Office Upgrade/Maintenance Rights - February 1999
- Test MS Office '97 on District Platforms - March 1999
- Roll-out MS Office '97 Product Suite, District-wide - April 1999

DETAILED REPORT

In September 1997, Metropolitan decided to continue with the Microsoft Office '95 product suite. Based on requirements and application compatibility at the time, it was not cost effective to upgrade to MS Office '97. Since that time Metropolitan has continued to utilize the MS Office '95 product as its standard office product suite. The main components of the MS Office '95 product suite are: Word, Excel, PowerPoint and Access.

Over time, more internal Metropolitan needs surfaced for the features in the newer version. In addition, several outside organizations who interact electronically with Metropolitan have migrated to MS Office '97, resulting in compatibility problems. Therefore in July 1998 an analysis was conducted to determine the most cost-effective method to upgrade the MS Office '95 product suite. At that time, Microsoft projected release of a new version of MS Office (Office 2000) around July 1999. Based on the information provided, an upgrade to the new version of the product suite was planned as part of Stage III of the System Upgrades for Server & Workstation Program which was scheduled to begin in April 1999.

Since the analysis was conducted, additional information has indicated that the new version (MS Office 2000) may be released in March 1999. Metropolitan can renew its current Microsoft Select license agreement after January 31, 1999 and purchase the upgrade and maintenance rights to the MS Office '95 product suite. Metropolitan will then be eligible to receive all subsequent releases of the product (including Office 2000) for a two-year period, free of additional charge.

This is important because Metropolitan plans to upgrade to Office 2000 after it is released and becomes a stable product. This is anticipated to occur within a year.

The cost of procuring the upgrade and maintenance rights is \$697,000. If Metropolitan were to wait until the next version is released, the cost would increase to approximately \$1,000,000 because it would no longer be considered an "upgrade," but rather a software "purchase." Therefore, Metropolitan staff recommends taking advantage of this window of opportunity by purchasing the rights to upgrade our MS Office '95 product suite now, thereby realizing a savings of approximately \$300,000.

From a budget perspective, the upgrade of Metropolitan's MS Office product suite was originally planned to be funded as part of the System Upgrades for Server & Workstation Program. A determination was subsequently made that this portion of the program constitutes an upgrade to the product suite and therefore should not be funded as a capital expenditure. Instead, it should be funded from available O & M funds. Therefore, expenditure of capital funds in Stage III of the System Upgrades for Server & Workstation Program will not be necessary and when this item is brought to the Board for appropriation; it will be adjusted downward accordingly. Sufficient O & M funding is available for this expenditure.

AL/DE