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CLARK COUNTY
STAFF REPORT

DEPARTMENT: Information Technology

DATE: May 19th, 2026

REQUESTED ACTION: Information Technology is requesting that the County Council preapproves the budget increase related to the Microsoft Enterprise Agreement renewal in 2026 and delegate the County Manager to sign the agreement.

☒ Consent ☐ Hearing ☐ County Manager

BACKGROUND

The county's current three-year Enterprise Agreement (EA) with Microsoft comes to an end on May 31st 2026. This agreement covers the county's different Microsoft licenses. First, it provides the Microsoft Office and collaboration licenses that give us access to applications like Outlook, Word, Excel, Teams and many others. Second, it provides us licenses for our computer's Windows operating system. Lastly, it covers licenses related to the county's server infrastructure. Information Technology (IT) has been working the last couple of months with Microsoft to negotiate a renewal to the county's existing EA.

A multiple year EA is that it sets an expected cost for three years that helps with budgeting and allows us to skip annual cost increases. This year IT is looking to upgrade our licenses and add some additional licenses. Clark County currently uses the M365 E3 licenses. We see strong benefits to upgrading to the M365 E5 license tier as well as purchasing 500 Copilot Pro licenses for county employees. This will provide a series of additional features to the current products.

<u>E5 Licenses</u>

- Expand the available security tools offered by Microsoft to help protect the county and our data.
- Every employee would have access to Power Bi which allows for the creation of and viewing of dashboards that is currently only available by purchasing an additional license.
- Every employee would have access to Teams Phone features.
    - This would allow us to look into implementing a cheaper and easier to administer telephone system.

<u>Copilot Licenses</u>

- Every department that I have asked wants to take greater advantage of AI tools. Copilot is the Microsoft AI platform. By using this platform, we have greater control over protecting sensitive data from being released into a public AI platform. Purchasing 500 Co-pilot Pro licenses would allow the county to explore the value of AI.

It is the assessment of IT that the upgrade of our Microsoft licenses and the purchase of the Copilot licenses represents a potential for a significant improvement in security of resident data, improve the customer service provided to county residents, and create new efficiencies in departments.
Today the county's Microsoft licenses are purchased out of the 5092 Data Processing Fund. While this will continue, an increase in revenue to that fund and increased budget capacity will be required

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in 2027. The below tables show how the costs increase, the overall impact, and the impact specific to the General Fund which makes up about 62% of all revenue collected. "As is Renewal" shows what happens if we simply renew our existing licenses. "Upgrade Microsoft Licenses" (IT's recommended option) shows the costs of upgrading the Microsoft license level and adding the Co-pilot licenses.

Costs *(sales tax included)*

As Is Renewal

License	Annual Cost	Annual Cost Increase	Percentage Increase
2023-2026 G3 License EA	$832,976		
2026-2029 G3 License Quote	$934,879	$89,559	10.8%

Annual Cost Increase Estimated Impact to GF	$55,706

Upgrade Microsoft Licenses and Add Co-Pilot Licenses

License	Annual Cost	Annual Cost Increase
2026-2029 G5 License	$1,182,570	$349,594
2026-2029 Copilot License (500)	$112,356	$112,356

Total Annual Cost Increase	$461,951
Estimated Total Annual Impact to GF	$287,333
Estimated Annual Impact to GF Over "As Is Renewal"	$231,627
Estimated Total Annual Impact to Non-GF Departments	$174,618
Estimated Annual Impact to Non-GF Departments Over "As is Renewal"	$140,764

We are asking the County Council to preapprove an increase in the funding of the county's Microsoft licensing. We understand this is a significant investment and we do not take this lightly. We believe the investment by the county in the licenses, and IT making a time investment in AI training and AI implementation, is the most likely short-term solution for helping departments become more efficient. This investment will also significantly drive the IT strategic plan in 2027-2028, and IT resources, to maximize the value in the investment in licenses.

The approval of this staff report will result in an increase of the county's Microsoft licensing costs from an annual spend of $832,976 to approximately $1,294,927 annually. An increase of approximately $461,951. It will also allow the County Manager to sign the EA documentation prior to the end of the May 2026.

This staff report will be followed by a 2027 Annual Budget Change Request that will formalize the decisions made and document the actual additional costs to all county funding sources. We will also continue to look for ways to lower the cost impacts of this licensing upgrade. As an example, we can use the new M365 E5 licenses to replace our existing phone system and be able to offset some of the

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costs of the 2027 Microsoft invoice by using about $200,000 that we have been collecting for future phone system replacements that currently resides in the Technology Project Fund 3194.

Review by applicable departments/offices:

- Information Technology has worked with the County Manager, the Budget Office and the Finance Team to discuss. The Budget Office and the Finance Team acknowledge the operational need for the proposed renewal and recognize the anticipated value associated with the additional security features and Copilot licenses. The team also understands the increasing importance of incorporating AI-supported tools into future strategic planning, operational analysis, and service delivery efforts across County functions. At the same time, the team has reviewed the related financial impacts and remains concerned about the ongoing structural deficit within the General Fund. While the current financial forecast identifies one-time funding capacity that could support this commitment in the short term, the long-term affordability of these ongoing costs remains uncertain under the County's current General Fund structure, where expenditure growth continues to outpace recurring revenue growth.

Prior Council discussions/direction/approval:

- None

COUNCIL POLICY IMPLICATIONS

- No council policy implications

ADMINISTRATIVE POLICY IMPLICATIONS

- No policy implications

COMMUNITY OUTREACH

- No impact to the community.

BUDGET IMPLICATIONS (if applicable)

There is no expected budget impact from this staff report for 2026, but it is expected additional funding will be required for 2027, 2028, and part of 2029.

YES	NO	
X		Operating Budget Impacts
	X	Capital Budget Impacts
	X	Action falls within existing budget capacity.
	X	Action falls within existing budget capacity but requires a change of purpose within existing appropriation. If YES, please complete the budget impact statement. If YES, please route this Staff Report through the Budget Director and then to the County Manager.
X		Additional budget capacity is necessary and will be requested at the next supplemental or annual budget. If YES, please complete the budget impact statement. If YES, please route this Staff Report through the Budget Director and then to the County Manager. This action will be referred to the county council with a recommendation from the county manager.

BUDGET DETAILS

Dollar Amount	Annually (3 years) - $1,294,927
Fund	5092 – Data Processing Revolving

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Cost Center	CC108 – IT Maintenance and Operations Client Services
BASUB	B5188000 – Information Technology Services
Program	PG0257 – IT Maintenance and Operations Applications Support
Project	

Budget Office Financial Advisory Note: Approval of this Staff Report will provide the department/office with pre-authorization to spend ongoing financial resources to include General Fund resources to address the identified financial impacts. If approved, this request would be incorporated into the 2027 Annual Budget Submissions and designated as "Previously Approved by Council." Formal appropriation authority, however, would not occur until adoption of the 2027 Annual Budget Adoption in December 2026. From a fiscal management perspective, the Budget Office recommends that all funding requests be evaluated within the context of the annual budget development process to ensure alignment with the County's broader financial priorities and long-term planning framework. This approach supports a comprehensive assessment of competing needs and available resources. Given the current financial forecast and the General Fund's structural deficit, there are concerns associated with pre-committing resources in advance of the full budget process. The Budget Office advises that any such commitments be carefully evaluated for long-term fiscal sustainability to avoid exacerbating existing and future budget pressures.

Emily Zwetzig 05/12/26

Emily M. Zwetzig, Budget Director *(if applicable)*

Distribution: Council staff will post approved agenda items on the Clark County Council Meetings website.

Mike Sprinkle 05/11/26

Mike Sprinkle
Director of Information Technology

Michelle Schuster 05/11/26

Michelle Schuster
Director of Internal Services

Primary Staff Contact: [name and extension]: 5859

APPROVED: _____
CLARK COUNTY, WASHINGTON
CLARK COUNTY COUNCIL

DATE: _____

SR#_____

APPROVED: _____
Kathleen Otto, County Manager

DATE: _____

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BUDGET IMPACT ATTACHMENT (if applicable)

- No additional budget impacts

Part I: Narrative Explanation

This request will increase the Microsoft license costs from $832,976 to $1,294,927 annually. It is not expected that additional budget capacity will be needed in 2026. If that changes, a Fall Supplemental budget package will be submitted. The 2026 expenditures only cover 7 months of year based on a June 1st 2026 renewal date. This means that there is also a 5-month impact to 2029. Revenues collected in 2027-2029 will come from both the general fund and a series of other funds from around the county. A breakdown of the other funds and the amounts they will be impacted can be seen in Appendix A.

A 2027 Annual Budget package will be submitted that will formalize all the impacts to the General Fund and other county funding sources.

Part II: Estimated Revenues

Fund #/Title	2026 Annual Budget		2027 Annual Budget		2028 Annual Budget	
	GF	Total	GF	Total	GF	Total
5092 – Data Processing Revolving			805,444	1,294,927	805,444	1,294,927
Total			805,444	1,294,927	805,444	1,294,927

Identify types of revenues (grant, fees, etc.).

Part III: Estimated Expenditures

Provide total expenditures for three (3) years.

Fund #/Title	FTE's	2026 Annual Budget		2027 Annual Budget		2028 Annual Budget	
		GF	Total	GF	Total	GF	Total
5092 – Data Processing Revolving		469,843	755,374	805,444	1,294,927	805,444	1,294,927
Total		469,843	755,374	805,444	1,294,927	805,444	1,294,927

Provide total expenditures by object category for three (3) years.

Fund #/Title	2026 Annual Budget		2027 Annual Budget		2028 Annual Budget	
	GF	Total	GF	Total	GF	Total
Salary/Benefits						
Contractual	469,843	755,374	805,444	1,294,927	805,444	1,294,927
Supplies						
Travel						
Other controllables						
Capital Outlays						
Inter-fund Transfers						
Debt Service						
Total	469,843	755,374	805,444	1,294,927	805,444	1,294,927

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Appendix A

Fund 5092: TER&R receives it revenue based on device counts in each department. Below shows a chart of the estimated impacts for departments should this change take place. General Fund will be hit with approx. 62% of the cost each year as it is the fund with the most devices.

Fund to collect from	Approx % of cost	Approx Amount
1003	0.9%	$ 4,157.56
1011	5.3%	$ 24,483.40
1012	10.5%	$ 48,504.86
1013	0.1%	$ 461.95
1017	0.5%	$ 2,309.76
1018	0.8%	$ 3,695.61
1025	7.7%	$ 35,570.23
1032	1.3%	$ 6,005.36
1033	0.1%	$ 461.95
1039	0.1%	$ 461.95
1935	2.0%	$ 9,239.02
4014	0.6%	$ 2,771.71
4420	1.4%	$ 6,467.31
5006	2.0%	$ 9,239.02
5040/5043	0.0%	$ 1,154.88
5091	0.7%	$ 3,233.66
5093	1.4%	$ 6,467.31
0001	62.2%	$ 287,333.52
Other Agencies Billed	2.3%	$ 9,931.94
Grand Total	100.00%	$ 461,951.00