

**CITY OF HOMER  
HOMER, ALASKA**

City Manager/  
Chief Technology Officer

**ORDINANCE 25-10**

AN ORDINANCE OF THE CITY COUNCIL OF HOMER, ALASKA,  
AMENDING THE FY25 CAPITAL BUDGET BY REAPPROPRIATING  
FY23 STATE OF ALASKA COMMUNITY ASSISTANCE PROGRAM  
PAYMENT IN THE AMOUNT OF \$40,000 FROM THE WORKSTATION  
UPGRADE TO MICROSOFT OFFICE 2021 PROJECT.

WHEREAS, Ordinance 23-43(S) appropriated \$40,000 in State of Alaska Community Assistance Program funds to upgrade City of Homer workstations to Microsoft Office 2021; and

WHEREAS, Subsequent consideration has identified the pressure to explore options for next-generation office productivity software to enable the most effective solution for City staff and elected officials; and

WHEREAS, Several upgrade options are available, including Microsoft Office 365, which offers enhanced tools and features, advanced support for collaboration, and the potential to improve productivity and efficiency across City departments; and

WHEREAS, A feasibility project involving a pilot team of approximately 20-25 staff members from various City departments using Microsoft Office 365 for up to one year will provide valuable data and insights into the suitability, effectiveness and limitations of this solution for the City of Homer workforce.

NOW, THEREFORE, THE CITY OF HOMER ORDAINS:

Section 1. The funds originally allocated to "Upgrade City Workstations to Microsoft Office 2021" in the amount of \$40,000 are hereby re-appropriated to be used to fund a feasibility project to evaluate the next generation of office productivity software for the City of Homer staff and elected officials as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
151-7033	Office 365 Feasibility Project	\$40,000

Section 2. The feasibility project shall include the following:

- Assessment of the productivity software needs of the City of Homer workforce.
- Selection of a pilot team of 20-25 staff members from various City departments.

c. Engagement of contractors to assist with migration and licensing of Microsoft Office 365 for the pilot team for a period of one year.

d. Evaluation of the pilot team's experience with Microsoft Office 365, including features, collaboration tools, productivity gains, and cost-effectiveness.

e. Preparation of a report with recommendations on the most effective and affordable solution for the whole City of Homer workforce.

Section 3. The City Manager is authorized to negotiate and execute any necessary agreements or documents to implement this project.

Section 4. This is a budget amendment ordinance, is temporary in nature and shall not be codified.

ENACTED BY THE CITY COUNCIL OF HOMER, ALASKA, this 10th day of February, 2025.

CITY OF HOMER

  
DONNA ADERHOLD, MAYOR PRO TEM

ATTEST:

  
RENEE KRAUSE, MMC, CITY CLERK

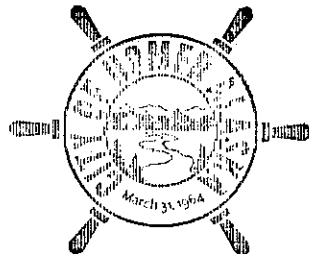
YES: 6

NO: 0

ABSTAIN: 0

ABSENT: 0

First Reading: 1/27/25  
Public Hearing: 2/10/25  
Second Reading: 2/10/25  
Effective Date: 2/11/25





# MEMORANDUM

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**Ordinance 25-10, An Ordinance Amending the FY25 Capital Budget by Reappropriating FY23 State of Alaska Community Assistance Program Payment in the Amount of \$40,000 from the Workstation Upgrade to Microsoft Office 2021 Project.**

**Item Type:** Backup Memorandum  
**Prepared For:** Mayor Lord and City Council  
**Date:** January 15, 2025  
**From:** Bill Jirsa, Chief Technology Officer  
**Through:** Melissa Jacobsen, City Manager

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Ordinance 25-10 requests approval to re-appropriate \$40,000 from the State of Alaska Community Assistance Grant, initially allocated for upgrading Microsoft Office 2016 to Office 2021. The funds will be used to conduct a feasibility project evaluating cloud-based office productivity software and preparing a cloud adoption plan that meets the City's budget and needs.

## Background

Improving the City's *digital maturity* is one of four IT Department objectives for the coming fiscal budget period. Digital maturity refers to how well an organization employs technology to drive value and success.

One of the budget items that impacts digital maturity is office productivity software: tools like Microsoft Office (Outlook, Word, Excel, and PowerPoint) that determine how information is captured or created, processed, managed and stored. While an upgrade from Microsoft Office 2016 to Microsoft Office 2021 will extend vendor support for essential tools, the conventionally licensed "classic" versions of Microsoft Office increasingly represent a "locked-in-time" version of the software.

Since 2013, Microsoft has promoted the "cloud-based" Office 365 as the primary means of obtaining Microsoft Office tools. At the same time Microsoft has ceased developing new features for the classic office software, adding additional pressure for hold-out organizations like the City of Homer to migrate to the cloud. Microsoft has announced the end of support for the latest version of the classic suite, which many anticipate may be the last, in 2029. According to data from 2023, 84% of new Microsoft mailbox deployments were in the cloud, meaning the City of Homer is now on the trailing edge of new technology adoption in this area.

## Proposal

The IT Department would like to use the funds appropriated for Microsoft Office 2021 to conduct a feasibility project aimed at evaluating City staff office software needs against the various licensing structures and features available for Office 365 and then recommend the most affordable and effective solution for the City of Homer's present and future needs.

## Benefits of Office 365

Office 365 offers new opportunities to improve digital maturity. It includes new features aimed at boosting collaboration and streamlining workflows, features that are not included in the classic releases of Office. For instance, Office 365 includes options with the following tools that are not available in the classic version:

1. Content management and file sharing tools (SharePoint)
2. Survey and poll authoring tools (Microsoft Forms)
3. Collaborative task management tools (Microsoft Planner)
4. Diagramming and flow chart tools (Visio)
5. Workflow automation tools (Power Automate)
6. Social networking tools for private communication within organizations (Viva Engage)
7. Video conferencing, chat and file sharing features (Teams)
8. Generative AI tools (Copilot)

Additionally, migration to the cloud promises eventual return on investment in local infrastructure. Transferring the role of securing and maintaining the servers and equipment that software runs on reduces the subscriber's responsibility. Crucially, the full ROI only occurs after complete migration.

### **Risks and Considerations:**

The proposal to operate in a hybrid cloud/on-premise environment through a pilot project period is intended to mitigate some of the risks involved with migrating to the cloud.

1. Cost: Office 365 abandons the notion of software as a capital asset and transfers it to an ongoing operational expense through subscriptions (Software as a Service, or SaaS). While the budgeted price for software will likely increase, there are eventual cost savings if migration is handled properly.
2. Over-licensing: Cloud subscriptions could drive up costs if the entire staff is assigned licenses for tools that many workers make little use of. One goal of the project is to determine the appropriate product licensing based on the actual needs of the workforce.
3. Adoption and training: Simply purchasing the tools does not ensure that their adoption will attain the desired outcome. The pilot team period is intended to drive adoption of the new tools by engaging key members of City staff who can identify opportunities to maximize the value of the tools.

### **Alternatives**

The following options were considered as part of the initiation of this project:

Option	Pros	Cons
<p><b>Option 1 – Do Nothing</b> Continuing to use Office 2016 is not a feasible option. Although the software will still function after the Microsoft retirement date October 14, 2025, newly discovered vulnerabilities will not be addressed. Continuing to operate over 125 computers with increasingly unacceptable cybersecurity risk would be reckless, and the risks would easily offset the cost of more reasonable options.</p>	<ul style="list-style-type: none"> <li>• The only benefit of doing nothing is a modest savings.</li> </ul>	<ul style="list-style-type: none"> <li>• Unacceptable security risk.</li> <li>• Probably violates compliance with data security rules.</li> <li>• Potentially breaks integrations with other essential applications.</li> <li>• Emboldens “shadow implementation” in other platforms when knowledgeable staff become frustrated with authorized tools.</li> </ul>
<p><b>Option 2 –Microsoft Office 2024</b> Messaging from Microsoft indicates Office 2024 may be the last classic version of Office software, but it will meet the City’s most basic needs until its announced retirement date in 2029 (\$40,00 one-time cost).</p>	<ul style="list-style-type: none"> <li>• Most affordable among feasible options: pay once and use for four more years.</li> </ul>	<ul style="list-style-type: none"> <li>• Does not address digital maturity goals/continues the “locked-in-time” user experience.</li> <li>• Emboldens “shadow implementation” in other platforms when knowledgeable staff become frustrated with authorized tools.</li> <li>• Kicks the can down the road another 4 years, and significant parts of our on-premise infrastructure will be due for replacement again by that time.</li> </ul>
<p><b>Option 3 – Consider Another Cloud Platform</b> Microsoft Office is not without competitors. The most established of these is Google Workspace which offers competitive features and pricing.</p>	<ul style="list-style-type: none"> <li>• Make immediate return on investment by retiring parts of the on-premise infrastructure.</li> <li>• Transfers operational burden of security management to service vendor.</li> </ul>	<ul style="list-style-type: none"> <li>• Disruption from switching to Google Workspace: involves significant changes from the familiar tools and work environment, without significant benefits in features or price over Microsoft options.</li> <li>• Would likely break some important integrations with existing procedures and applications that would need to be re-built.</li> </ul>

<b>Option 4 – A Pilot Team Hybrid Environment for a Limited Period</b>  Migrate a selected portion of staff to Office365 for a limited period to help make well-informed decisions about which subscription levels are appropriate for which roles and carefully plan the final migration.	<ul style="list-style-type: none"><li>• Significant savings compared to Option 5.</li><li>• Operating in a hybrid environment for some period mitigates technical risks of abrupt migration to the new platform.</li></ul>	<ul style="list-style-type: none"><li>• Delays the return on investment by requiring both cloud and on-premise environments for the duration of the migration.</li><li>• Requires higher level of effort for careful analysis of role-based needs of City staff.</li></ul>
<b>Option 5 – Migrate to Office 365 all at once</b>  The most straightforward means of adopting Office 365 would be to migrate the entire organization from Office 2016 on-premise to Office 365 in the cloud at one time.	<ul style="list-style-type: none"><li>• Make immediate return on investment by retiring parts of the on-premise infrastructure.</li><li>• Transfers operational burden of security management to Microsoft.</li><li>• Simplified implementation: there is additional overhead to operate an organization in a hybrid environment (option 4).</li></ul>	<ul style="list-style-type: none"><li>• Most expensive option. This could lock in operating expenses of \$50,000 - \$70,000/year.</li></ul>

**Recommendation:**

Re-appropriate the \$40,000 State of Alaska Community Assistance Funds identified to purchase Microsoft Office 2021 and use the funds to conduct a feasibility project that will help determine the most appropriate and affordable solution for the City of Homer.

Repurposing these funds will support a well-informed decision on the City's next-generation office productivity software and foster goals around digital maturity. Such a project also mitigates some of the financial and technical risks involved with migrating the entire workforce to a new platform.