



Memorandum

Date: 1/6/2026
Meeting of: City Council

File No. AM No. 26-003
Type: Consent Item

TO: Members of the City Council
FROM: Mayor Angela Birney
DEPARTMENT DIRECTOR CONTACT(S):

Technology and Information Services	Michael Marchand	425-556-2173
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DEPARTMENT STAFF:

Technology and Information Services	Jeremy Mikkola	Business Solutions Manager
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TITLE:

Approval of the HSO Contract, in the Amount of \$603,071, to Support the City’s D365 Financial System

OVERVIEW STATEMENT:

Approve the Mayor to sign an updated contract with HSO in support of the City’s D365 financial system. The D365 Managed Services Advanced Support Plan contract totals \$603,071.88 for the initial three-year term (January 2026-December 2028) and outlines two optional two-year renewal terms thereafter.

Additional Background Information/Description of Proposal Attached

REQUESTED ACTION:

Receive Information **Provide Direction** **Approve**

REQUEST RATIONALE:

- **Relevant Plans/Policies:**
N/A
- **Required:**
Council approval is required for contracts that exceed \$50,000.
- **Council Request:**
N/A
- **Other Key Facts:**
N/A

OUTCOMES:

This contract provides the City with a trusted partner who delivers continuous support, strategic guidance, and proactive recommendations for Microsoft Dynamics 365 Finance & Operations (D365 F&O).

The managed services model ensures stable day-to-day operations while also enabling future enhancements, integrations, and new modules that improve service delivery.

These services strengthen the reliability and efficiency of core financial and operational processes, support data drive decision making, and help the City maximize its long-term investment in the D365 platform.

Continuing our partnership with HSO preserves the continuity of a partner who already understands the City's environment, maintains established knowledge of our configuration and processes, and is well positioned to support ongoing system maturity and future growth.

COMMUNITY/STAKEHOLDER OUTREACH AND INVOLVEMENT:

- **Timeline (previous or planned):**
N/A
- **Outreach Methods and Results:**
N/A
- **Feedback Summary:**
N/A

BUDGET IMPACT:

Total Cost:
\$603,071.88

Approved in current biennial budget: **Yes** **No** **N/A**

Budget Offer Number:
294

Budget Priority:
Strategic and Responsive

Other budget impacts or additional costs: **Yes** **No** **N/A**

If yes, explain:
Support services with monthly cost. Refer to Attachment B.

Funding source(s):
520

Budget/Funding Constraints:
\$184,954 is already allocated in the 2026 TIS Operational Budget.

Additional budget details attached

COUNCIL REVIEW:

Previous Contact(s)

Date	Meeting	Requested Action
12/9/2025	Committee of the Whole - Finance, Administration, and Communications	Provide Direction

Proposed Upcoming Contact(s)

Date	Meeting	Requested Action
N/A	None proposed at this time	N/A

Time Constraints:

N/A

ANTICIPATED RESULT IF NOT APPROVED:

If not approved, the City will lose continuity of D365 F&O support, creating risks to system stability, delayed issue resolution, increased downtime, reduced service levels, and disruption to planned enhancements and integrations.

ATTACHMENTS:

Attachment A_HSO Managed Services SoW - Advanced - 2025 - City of Redmond - November 19 FINAL
Attachment B_HSO Cost Table