



# STAFF REPORT

AGENDA NO: 9g

MEETING DATE: May 18, 2026

**To:** Honorable Mayor and City Council

**Date:** May 18, 2026

**From:** Helen Yu-Scott, Finance Director – (650) 558-7222  
Matthew Boudreaux, IT Manager – (650) 558-7277

**Subject:** Adoption of a Resolution Authorizing the City Manager to Execute a Purchase Agreement with Spearus and Dell Technologies for the Procurement and Deployment of Replacement Server and Storage Infrastructure for the City's Primary Data Center in the Amount of \$362,402, plus a 35% Contingency of \$126,840 for a Total Not-to-Exceed Authorization of \$489,241

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## **RECOMMENDATION**

Staff recommends that the City Council adopt a resolution that authorizes the City Manager to execute a purchase agreement with Spearus and Dell Technologies for the procurement and development of replacement server and storage infrastructure for the City's primary data center in the amount of \$362,402, plus a 35% contingency of \$126,840, for a total not-to-exceed authorization of \$489,241. The purchase will be procured through cooperative purchasing contract OMNIA Partners Contract 01-137 (Dell – SLED), in compliance with the City's purchasing policy.

## **BACKGROUND**

The City's primary data center and storage infrastructure were originally procured in 2015-16. The existing environment consists of equipment from multiple servers and storage vendors, which has historically resulted in separate warranty programs, support channels, and troubleshooting processes. With over 10 years in service, this equipment has reached the end of its expected lifecycle and is no longer covered under standard manufacturer support. While warranty and maintenance may still be options, it will become harder to get service and replacement parts, which will be increasingly difficult to source as the equipment continues to age.

## **DISCUSSION**

Prior to issuing requests for quotes, IT staff evaluated three primary virtualization platforms to determine the best fit for the City's operational requirements and compatibility with existing licensing programs:

- Microsoft Hyper-V
- VMware vSphere
- Nutanix Hyperconverged Infrastructure

Following this evaluation, Microsoft Hyper-V was selected as the virtualization platform for this refresh project. The City already holds Microsoft user licenses under an existing enterprise agreement, and Hyper-V is included in these licenses at no additional cost. This eliminates the need for hypervisor software licensing over the life of the new equipment, resulting in cost avoidance compared to the VMware and Nutanix alternatives.

The proposed solution will support the City's operational needs for on-premises equipment and consolidate server and storage hardware under a single vendor (Dell Technologies), unifying warranty coverage and technical support under a single point of contact. This directly addresses the multi-vendor complexity of the current environment and reduces the administrative burden on IT staff when hardware issues arise.

The proposed scope of this purchase includes:

- Enterprise-class server and storage hardware sufficient to host the City's on-premises virtualized workloads
- One-time Microsoft software licensing at a discounted rate, fixed for the life of the equipment, as included in the quote
- Professional services for "rack and stack" deployment. This includes equipment delivery, physical installation, configuration, and formal knowledge transfer to City IT staff upon completion.

The Technology hardware market is currently experiencing significant price volatility. The rapid expansion of data centers for artificial intelligence (AI) has created extraordinary demand for enterprise-grade servers and storage components. This AI-driven surge has strained global supply chains, leading to component shortages and price increases across the market.

Because of these market conditions, the quote from Spearus and Dell Technologies is valid for only 14 days, significantly shorter than the standard 30-day quote window. Staff is presenting this item for Council consideration on an expedited basis to preserve the quote pricing. Failure to act within the quote validity window may result in price increases that would require staff to return with a revised request. A 35% contingency is requested to provide a buffer against potential price escalation should market conditions shift between authorization and final order execution, potential Software Assurance costs, or the need for additional components during deployment.

Specific technical details regarding the configuration, architecture, and capacity of the replacement infrastructure are intentionally omitted from this public-facing report. Disclosure of such information could create unnecessary security exposure of the City's network and systems. City IT staff and management have reviewed the proposed solution in detail and are prepared to answer questions in a separate confidential briefing upon request.

## **FISCAL IMPACT**

There is sufficient budget in the IT Internal Services Fund to cover the cost.

**Costs:**

Hardware, Software Licensing, and Deployment Services	\$362,402
Contingency (35%)	126,840
<b>Total Cost</b>	<b>\$489,241</b>

Exhibit:

- Resolution