



Department: Information Technology
Cost Center: 1101
For Agenda of: 12/2/2025
Placement: Consent
Estimated Time: N/A

FROM: Greg Hermann, Deputy City Manager
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SUBJECT: AWARD CONTRACT TO RE(DESIGN) FOR HOST SERVER EQUIPMENT

RECOMMENDATION

1. Authorize the City Manager to award a contract to Re(Design) for Dell replacement server infrastructure and support (Project Number 2000604-07); and,
2. Waive formal bids and authorize the use of NASPO Agreement Number 23026 Participating Addendum No. 7-23-70-55-01, as allowed under 03.24.060E of the City of San Luis Obispo Municipal Code.

POLICY CONTEXT

Per the City's Purchasing Policy, purchases over \$200,000 (general goods) require approval from the City Council. Waiving formal bids and authorizing the use of NASPO 23026 Contract Number: California NASPO Participating Addendum No. 7-23-70-55-01 under the Master Agreement No. 23026 to procure this purchase is consistent with City Purchasing Policy, Section 204: No-Bid Purchasing, and Municipal Code Section 03.24.060E, which permits staff to dispense with bidding requirements, "when the purchase will be made cooperatively with one, or more, other units of government, or from a local dealer within the city limit that can provide the same brand, model and configuration of item(s) identified in the cooperative purchase agreement(s) at or below the cooperative purchasing net cost within the same terms and conditions."

DISCUSSION

Background

City Information Technology (IT) infrastructure and virtualization solutions are hosted on Dell servers and storage systems, which serve as the backbone of the City's technology operations. Dell's hardware is recognized for its reliability, performance, and seamless integration with virtualization environments, making it an ideal choice for organizational needs. The City previously standardized on Dell servers and storage, which benefits the City by streamlining its internal and external support operations through the use of common platforms across the organization. This setup supports critical business functions, enhances operational efficiency, and ensures the availability of services.

Virtualization technology is widely used to enable organizations to run all the servers needed to support their IT operations on a smaller subset of physical hardware. This smaller subset of hardware has a useful life of approximately five years, during which Dell offers full support, with parts replacement available next business day. Because these servers underpin the entirety of the City's server infrastructure, the City maintains this high level of warranty service, ensuring continuous operation for the City. IT Staff includes this standard five-year replacement cycle in its five and ten-year IT Capital Improvement Plan forecasts.

This purchase replaces the compute portion of the City and Police Department's virtualization infrastructure. These clusters host 90% of the City's on-premises servers and data. The warranty period for the current hardware clusters recently expired. As a general practice, Dell server hardware has a useful life of five years. In the past, Dell has allowed a single extension up to seven years. The City has exercised this option with the current hardware, and further extensions are no longer possible. Once the Dell warranty expires, it is difficult to source replacement components. As the current equipment has reached the end of its useful life and we can no longer warranty the hardware, any hardware failures that occur could lead to service disruptions. Disruptions to Dispatch and Police operations could lead to significant issues for the City.

City staff recommend the use of the NASPO (National Association of State Procurement Officials) ValuePoint contract for this purchase in accordance with Section 3.24.060E of the City's Municipal Code. NASPO ValuePoint is a cooperative purchasing program facilitating public procurement solicitations and agreements using a lead-state model. NASPO is a non-profit organization of state and local government procurement officials that provides resources, training, and cooperative purchasing programs to enhance efficiency, transparency, and value in public procurement across the United States. Using NASPO contracts allows the City to ensure it is getting excellent pricing on technology products by leveraging the increased buying power of a much larger organization.

Re(Design) is a Value Added Reseller (VAR) that sells Dell hardware and storage solutions and is part of Dell's sales channel. Re(Design) provided two quotes for the required hardware, one for general City computing hardware (Attachment A - City of San Luis Obispo – City Hall Server Refresh) and one for Police Department computing hardware (Attachment B - City of San Luis Obispo – Police Department Server Refresh). The City is required to maintain separate hardware for general City use and for Police Department use to be compliant with State and Federal regulations.

Purpose

Staff recommends proceeding with the Dell hardware replacement through Re(Design). Previous hardware purchases were made directly through Dell, but for this refresh, Dell advised partnering with Re(Design) to take advantage of improved pricing and expanded service options.

Need/Justification

Dell hardware is purchased with a limited warranty period that guarantees support, maintenance, and parts replacement. Once this warranty expires, several factors necessitate hardware replacement:

1. **Risk of Downtime and Increased Maintenance Costs:** Out-of-warranty hardware is more prone to failures, leading to potential downtime and costly repairs. These disruptions can adversely impact critical services.
2. **Security Vulnerabilities:** Older hardware may lack compatibility with the latest security updates, exposing our systems to risks.
3. **Advances in Technology:** The IT industry evolves rapidly, with new hardware offering improved speed, energy efficiency, and scalability. Replacing outdated equipment ensures our infrastructure adheres to current standards.

Proactively upgrading hardware after the warranty period ensures reliability, optimizes performance, and safeguards our systems against potential risks.

Previous Council or Advisory Body Action

Previous hardware purchases of this type have not come before the Council due to varying purchasing thresholds in previous years.

Public Engagement

This item is on the agenda for December 2, 2025, City Council meeting and will follow all required posting and notification procedures. The public may comment on this item at or before the meeting.

ENVIRONMENTAL REVIEW

The California Environmental Quality Act does not apply to the recommended actions in this report because the action does not constitute a “project” under CEQA guidelines, Section 15378.

FISCAL IMPACT

Budgeted: Yes

Budget Year: 2025-26

Funding Identified: Yes

Fiscal Analysis:

The 2025-27 Financial Plan identified \$242,000 in funding for this capital improvement project (Project #2000604-07, VMware Infrastructure Upgrade Project). This project has sufficient balance to support this capital improvement project and will leave a remaining balance of \$26,054.

VMware Infrastructure Upgrade, Project # 2000604-07

Project # 2000604-07	\$191,123	\$15,822	\$20,630	\$1,281	\$4,843	\$8,301	
Funding Source	Info Tech Repl Fund	Water Fund	Sewer Fund	Parking Fund	Transit Fund	Whale Rock Fund	Project Total Costs
Fund #	403	601	602	611	621	705	
[Re]design Group	\$170,546	\$14,119	\$18,409	\$1,143	\$4,322	\$7,407	\$215,946
Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	
Total for Construction	\$170,546	\$14,119	\$18,409	\$1,143	\$4,322	\$7,407	\$215,946
Construction Mgmt.	\$0	\$0	\$0	\$0	\$0	\$0	
Materials Testing:	\$0	\$0	\$0	\$0	\$0	\$0	
Public Relations:	\$0	\$0	\$0	\$0	\$0	\$0	
Printing:	\$0	\$0	\$0	\$0	\$0	\$0	
Total Project Cost	\$170,546	\$14,119	\$18,409	\$1,143	\$4,322	\$7,407	\$215,946
Current Project Balance:	\$191,123	\$15,822	\$20,630	\$1,281	\$4,843	\$8,301	\$242,000
Additional Funding:	\$0	\$0	\$0	\$0	\$0	\$0	
Post Project Remaining Balance:	\$20,577	\$1,703	\$2,221	\$138	\$521	\$894	\$26,054

ALTERNATIVES

- 1. Deny awarding the contract.** This hardware is a foundational piece of the city's infrastructure. Not replacing hardware after the warranty expires can lead to increased downtime, higher maintenance costs, and reduced performance. It could expose systems to security vulnerabilities, limit access to technological advancements, and reduce vendor support. Additionally, older hardware may hinder scalability and compromise long-term growth.
- 2. Deny awarding the contract to Re(Design).** The Council may request staff to seek additional proposals. Based on the recommendation to use the NASPO contract and Dell's recommendation to work with Re(Design) as the most cost-effective partner, staff anticipate that other proposals would be more expensive.

ATTACHMENTS

- A - City of San Luis Obispo – City Hall Server Refresh
 B - City of San Luis Obispo – Police Department Server Refresh