

# Committee Report

<b>To:</b>	Warden Matrosovs and Members of Grey County Council
<b>Committee Date:</b>	July 10, 2025
<b>Subject / Report No:</b>	ITR-CW-01-25
<b>Title:</b>	Approval of over budget IT capital project
<b>Prepared by:</b>	Jody MacEachern, Director of Information Technology
<b>Reviewed by:</b>	Niall Loble, Deputy CAO Mary Lou Spicer, Director of Finance
<b>Lower Tier(s) Affected:</b>	None.

## Recommendation

1. That report ITR-CW-01-25 be received; and
2. That the budget shortfall of up to \$42,500 be funded from IT Technology Infrastructure Needs Reserve to cover a one-year licensing extension on server hardware at the administration building and long-term care homes.

## Executive Summary

Grey County last replaced its core IT infrastructure in its main data center and long-term care homes in 2019 and 2020. These systems were licensed for five years. Licensing for the main data center was extended from 2023-2025. Originally, County staff planned on replacing the primary data center hardware and decommissioning the hardware in the three long-term care homes in 2025.

In 2023, one of the vendors supporting the County's infrastructure was acquired, and the new company has imposed significant price increases on the licensing models. In response, staff has started a thorough assessment of infrastructure needs and competing solutions. However, this requires short-term extension of licensing at the County's main data center.

Further, the Long-term care systems (which support critical resident safety systems) require standalone on-premise server resources. While staff initially planned to replace those systems in 2025, those projects have been delayed to 2026 and require that the current systems, and hence data center licensing, be extended another year. Rockwood Terrace will need to be extended while the old building is operational.

County staff budgeted \$25,000 to extend licensing on the primary data center infrastructure and \$16,000 to extend licensing for the long-term care systems. The actual cost to extend licensing at the administration center is \$43,500. County staff are expecting similar cost increases to extend the licensing in its long-term care data centers. Based on the increases to the primary

data center licensing costs, staff anticipates the actual cost will be \$30,000-\$40,000 for the long-term care systems.

Staff are recommending the budget shortfall of an estimated total of up to \$42,500 be funded from the IT Technology Infrastructure Needs Reserve. The estimated 2025-year end balance of this reserve is \$1,026,200.

## Background and Discussion

In 2019, Grey County replaced its server room infrastructure with its first hyperconverged server hardware. Hyperconverged systems combine traditional servers, storage, and virtualization software, which allows for the segmentation of server resources into virtual servers, into a single product. Grey County selected VxRail, a partnership between Dell (hardware) and VMWare (virtualization software). The County anticipated a five-year lifespan for this product, following the terms of the initial license agreement.

In addition, the County purchased and licensed smaller VxRail systems for the data centers in each of its three long-term care (LTC) homes. These purchases were made in 2020 under five-year licensing agreements.

At the time, the County's data center hosted most of its major applications. This included County websites, document management (Alfresco), email, HR, finance software, GIS, HR software, databases, the county's custom applications, and numerous other enterprise applications. The County has since moved several resource-intensive applications to software-as-a-service models (hosted in other data centers and providing just the user interface through a web browser), including email (Microsoft 365), document management (SharePoint), and HR (Dayforce). The County has also moved its websites to external hosting. These decisions have greatly improved cybersecurity controls and application management. Further, moving major applications to cloud-hosted environment has decreased reliance on the County's on-premise server infrastructure, allowing for growth of storage and on-premise applications without requiring more hardware.

The LTC data centers host applications that require local servers and need to run during power or internet outages. As such, they could not be hosted at the County's main data center in the administration building. These applications include the nurse call and elopement systems, and local nodes for the County's on-premise phone system, which have since been migrated to Microsoft Teams.

From the outset of this engagement, Dell could not guarantee extensions to the licensing agreement. However, the County did extend its licensing in 2023 with plans to replace the full system in 2025.

The County has been planning for a replacement for its on-premise server infrastructure in 2025; however, there are several factors that have led to a postponement of this project. Firstly, in late 2023 Broadcom acquired VMWare. While the VxRail product is still available through a Dell-Broadcom partnership, Broadcom has imposed steep price increases on customers (upwards for 300% for some clients). Given the drastic increase, the County chose to do a more thorough evaluation of different options, including cloud-hosted infrastructure ("infrastructure as a service").

The County has been planning to decommission all three long-term care data centers. The homes are slated for new nurse call and elopement systems. Newer systems can be cloud-hosted and still retain functionality with local equipment in a power or internet outage. Further, the County's phone system is now an online Microsoft product with standalone appliances in the homes that allow internal dialing even in a power or internet outage. However, replacement nurse call and elopement systems will not be in place until 2026, and Rockwood Terrace will need to stay operational until the old building is vacated.

The County will need to extend the licensing on all four VxRail systems until 2026, when infrastructure in the administration data center will be replaced, and two of the long-term care clusters can be decommissioned. Rockwood Terrace will need an additional extension until the end of 2026 or early 2027.

## Financial and Resource Implications

When VxRail was first purchased by the County in 2018 the price was approximately \$295,000 for the hardware and five years licensing. The County paid an additional \$50,000 to extend the licensing from 2023 to 2025. The three systems in Long Term Care cost \$142,000 for hardware and licensing, from 2020-2025.

In 2023, Broadcom acquired VMWare. While the VxRail product is still available, Broadcom implemented significant price increases to customers, in some cases approaching 300% increase in licensing. This has been applied to new systems as well as licensing renewals.

The County's IT capital budget currently includes \$25,000 to extend VxRail licensing to 2026. The actual cost is \$43,500. The current licenses expire in July 2025.

The County had included \$16,000 in the 2025 budget to support extension of the VxRail licensing across the three long term care homes in 2026. Staff do not yet have a full quote for this but are anticipating the total cost to be between \$30,000 and \$40,000.

In total, this leaves a budget shortfall of between \$32,500 and \$42,500 based on quoted pricing (on-premise system) and estimates for the three long term care homes.

County staff request that the difference of up to \$42,500 between budgeted amounts and quoted amounts be taken from the IT Technology Infrastructure Needs Reserve to extend the licensing on all four VxRail systems until 2026.

Prior to the recommendation in this report, the reserve has a projected 2025 year-end balance of \$1,026,200. County staff will budget for a further extension of licensing at Rockwood Terrace within the 2027 budget process. County staff will also plan on decommissioning the server hardware in Lee Manor and Grey Gables in 2026 so no further extension for those systems will be required.

## Appendices and Attachments

None.