



City of Rochester Hills  
AGENDA SUMMARY  
FINANCIAL ITEMS

1000 Rochester Hills Dr.  
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[www.rochesterhills.org](http://www.rochesterhills.org)

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Legislative File No: 2018-0150

**TO:** Mayor and City Council Members  
**FROM:** Bob Grace, Director Management Information Systems  
**DATE:** April 23, 2018  
**SUBJECT:** Network Server and Storage Platform Upgrade

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**REQUEST:**

City Council waiver under Section 2-275(c), of the formal competition requirement for purchases exceeding \$25,000.00, under Section 2-281, which allows City Council the authority to waive any regulation or procedure pertaining to purchasing, deeming it to be in the best interest of the City.

City Council is requested to authorize the purchase of Network Service and Storage Platform Upgrade in the amount of \$343,350.00 to IT Solutions Group, Novi, Michigan.

**REASON FOR PURCHASE:**

The MIS Department completed a planned project in 2016 which upgraded our server and storage platform. This houses most of our processing and storage capacity. At the time, the system selected was state of the art technology with a few years of maturity behind it. It was anticipated that the system would have a five year lifecycle. The City had issued an RFP for the project and had received four (4) proposal responses, in which IT Solutions Group, LLC was selected and recommended for award, as the proposer's offering the best value and lowest price to the city for the equipment, software, and professional services required.

The City has been notified by HPE (Hewlett Packard Enterprise) that they have discontinued development and sales on the platform that was purchased in 2016. HPE recently purchased a competitor that they felt had a superior product and rather than enhance the feature set of their own product (the one in which the City purchased) HPE felt it made more business sense to simply discontinue the product they were manufacturing and start fully supporting and marketing the recently purchased new product. This is not unusual in the technology arena.

As HPE transitions their engineering and support staff over to the new product, support resources for the system we are currently using will dwindle, and ultimately become unavailable. This leaves the City in a precarious situation. With three years left to go on the lifecycle of the current system, MIS has serious concerns about the ability to receive qualified support should a major problem arise with HPE now focusing their full support behind the new product, and not looking to further invest resources into the discontinued product line.

HPE recognizes this transition will leave current, valued customers in a potential bind so they have created a program to transition their existing customers to the new product by offering a deeply discounted price for the new equipment and they have also instituted a rebate program to buy back equipment customers currently have to try and ease the financial burden. HPE has provided the City a proposal in which they are offering to buy back our current system at fair market value of \$91,000.

The pricing proposed for the new system is provided with significant discounts being applied. HPE has implemented a time limit on taking advantage of this offering, and the City must have approvals and provide purchase authorization prior to May 31, 2018. The caveat of the program that creates an issue is that the program requires that the purchase is made and authorized through the original vendor, IT Solutions Group (ITSG), whom the City purchased the original system from in 2016.

In addition to the purchase of the equipment, MIS is also highly recommending that ITSG be responsible for the installation of the new system and the migration from the old to new system. The fees for this service are provided as part of the overall proposal and are in addition to the HPE program offering. MIS is recommending ITSG perform the installation and migration due to the complicated nature of the system, customized configuration, and having previously completed the project in 2016 successfully. We feel they are best suited to perform this installation and migration as well. The best chance of success in this migration is to have them involved as they are intimately familiar with our current configuration. If Council concurs with the recommendations of purchase of the new equipment and installation, it will require City Council to authorize an exemption of the purchasing ordinance, which requires the City to seek competition and issuance of a bid for this service.

To provide City Council with some information about the advanced features of the proposed system. First, it will provide all of the services of our existing system, so the City is not losing any service by transitioning to this new equipment. Second, it will greatly enhance our disaster recovery (DR) capabilities. Our current system has the capability to perform a disaster recovery replication to our DR site once per week, but it is limited by the current bandwidth of our connection as well as the ability of the system to transfer data. This is simply a data replication with no processing capacity at the DR site. What does this mean in a disaster recovery scenario? In the event of a loss of the entire system at City Hall, the data itself would be protected, but the data could be anywhere from one to seven days old. To get the City operational again, we would have to procure a replacement system, configure it, and then transfer the data to the system. We can't estimate how long this would take because it depends on availability of equipment, delivery times, and time to configure the system. It is also unlikely that we would be able to get a full replacement in the event of a total loss because they are not manufacturing this system anymore. A recovery from a total loss would involve a new system design and procurement. The data would be safe but it may take a while to recover. Once recovered to that point we would need to bring the whole system up to date using our secondary backup data that would be one day old as of the event. This whole recovery process could take a significant amount of time depending on the severity of the loss and could negatively impact operations of the City.

In contrast, the new system will allow us to perform a disaster recovery replication to our DR site several times per day. Additionally, in the event of a failure of the system at City Hall, the DR site will have the capability to run all services while rebuilding the main site. This affords us much greater protection in the event of a general system failure. In the event of a viral or ransomware attack we would have the ability to quickly roll back affected servers to a point in time prior to the infection. A secondary benefit of the disaster recovery replication capabilities of the new system is a potential reduction of our existing data backup expenses by approximately \$10,000 per year.

**PROCESS:**

**Vendor Name and Address:**

IT Solutions Group LLC  
41039 S. McMahan  
Novi, MI 48375

**Reason for Selection:**

Required by Program Offering

**Method of Purchase:**

Purchase Order

**BUDGET:**

If approved by City Council, a 2<sup>nd</sup> Quarter 2018 Budget Amendment shall be presented to increase the MIS expense budget by \$343,350 for the cost of the new system, offset by an increase in the MIS revenue budget of \$91,000 due to the HPE rebate. This results in a net increase from MIS Retained Earnings of \$252,350 (= \$343,350 - \$91,000).

The replacement of the existing system (initially projected in FY 2021) would not be needed, and the new system is not projected to be upgraded until FY 2023 at minimum.

Fund Name	Department Account No	Account No. Description	Budget Amount	Cost	Remaining Budget
MIS Fund	636.980000	Office Equipment	\$0	\$343,350	(\$343,350)

**RECOMMENDATION:**

Recommended City Council consider waiver under Section 2-275(c), of the formal competition requirement for purchases exceeding \$25,000.00, under Section 2-281, which allows City Council the authority to waive any regulation or procedure pertaining to purchasing, deeming it to be in the best interest of the City.

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APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Budget Content: Chief Financial Officer		
Purchasing Process: Supervisor of Procurement		
Mayor		
Deputy Clerk		