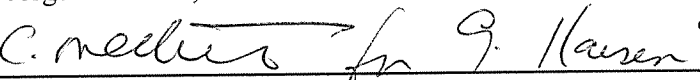**HALIFAX**
REGIONAL MUNICIPALITY

PO Box 1749
Halifax, Nova Scotia
B3J 3A5   Canada

Halifax Regional Council
August 31, 2004

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

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George McLellan, Chief Administrative Officer

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Geri Kaiser, Director, Shared/Services

DATE: August 18, 2004

SUBJECT: **Tender #04-110 - Supply of SUN Servers**

ORIGIN

This report originates from staff. A new agreement for supply of servers is required and, in addition, staff anticipates being able to reduce costs and improve functionality through a new agreement on supply of servers.

RECOMMENDATION

IT IS RECOMMENDED THAT:

- Tender #04-110 - Supply of SUN Servers be awarded to the lowest qualified bidder, GE IT Solutions on a three (3) year lease with a $1.00 buy-out option, for $233,207.54 plus net HST per year and a total three (3) year costs of $723,612.66, including net HST, from Account No. A440 6709. Award is subject to approval of the lease from the Minister of Service Nova Scotia and Municipal Affairs.

BACKGROUND

The servers in our SAP, Oracle (HANSEN) and GIS environments are currently leased and the leases expired the end of July 2004. HRM has the option to buy out the current leased equipment at current market value or to lease and/or purchase new equipment.

The option of buying out the current equipment was considered and rejected due to both cost and performance. The current servers have reached the end of their expected life cycle and present server capacity and operations are not to a standard expected to support HRM's current or future business needs. In addition maintenance agreements would have to be added to all the servers at a significant cost due to their age. The cost to maintain our current systems in year one alone would be more than the purchase price for new servers.

Also, server performance is not adequate to support HRM's current or future technology or disaster recovery requirements. For example:

We currently have our development and production environments on the same system. A problem in our development environment could possibly impact our production environment. The Oracle server is at capacity and cannot be upgraded.

The current server configuration does not provide the high availability solution which is necessary to eliminate impact on users during planned/un-planned outages. None of the systems have a backup server, should something happen to the main server. When a system fails or planned maintenance occurs, the system is unavailable until it can be brought back on line.

The requirement for a new server agreement allowed IT services to re-evaluate HRM's server requirements and configuration and to come up with cost effective and operationally superior solutions to provide significantly improved capacity and redundancy to the systems.

To determine the most cost effective way to provide for the required server capacity a publicly advertised tender was let with three pricing options for provision of HRM's server requirements.

Options: A) Purchase
             B) A Three (3) year annual lease
             C) A Three (3) year annual lease with a $1.00 buy- out option at the end of year 3

DISCUSSION

Tender #04-110 was publicly advertised and closed on Wednesday, July 7, 2004. Two companies responded as follows:

Financial Analysis
The expected useful server life is five (5 years). After examination of purchase and both leasing options and three (3) year buy-out options the lease to buy is the most cost effective alternative, once the cost of borrowing funds is added to the purchase cost..

COMPANY	Total Purchase Price (*before taxes*)	Annual lease payment, 3 year lease (*before taxes*)	Annual lease payment, 3 year lease with buy-out (*before taxes*)	Total Lease Price (before taxes)
GE IT Solutions	$657,791.68	$225,618.10	$233,207.54 *	$699,622.62
IMP Solutions	$678,572.46	$229,006.00	$242,424.00	$727,272.00

The new agreement will produce annual savings of approximately $210,000.00 over HRM's current server solutions.

Service Improvement
The acquisition of the new servers and supporting software will allow us to continue to build a robust and fully redundant computing environment. The end result will be that if any of our SUN servers should fail, another server will assume the failed servers identity. This switch over would take a couple of minutes as compared to the many hours it could take in the current setup. The switch would be done automatically without the need for user intervention. If a system crashes in the middle of the night or a storm, the system will be back up and running automatically within minutes.

Moving from a centralized system to a distributed computing environment as proposed in this tender, will make our environment more stable and robust. We will be able to separate our development areas from the production areas. This will also be of great benefit for Disaster/Recovery as we can separate our systems between two datacenters, Duke Tower and Eric Spicer Building (future). Each function/application would be in its own smaller server. This solution is not only cost effective but will provide a 99.9 % uptime and the ability to withstand hardware failures.

BUDGET IMPLICATIONS

Based on the lowest qualified bid of an annual lease payment of $233,207.54, plus Net HST for a total three (3) year lease cost of $723,612.66 inclusive of HST, funding is available from Operating Account No. A440 6706. The budget availability has been confirmed by Financial Services.

The new agreement will produce annual savings of approximately $210,000.00 over HRM's current server solutions once fully implemented.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

REGIONAL PLANNING IMPLICATIONS

N/A

ALTERNATIVES

- To buy out the leases on the current servers and perform the necessary upgrades to maintain the current setup. This is not a recommended alternative as:
  - The costs to maintain our current system for the first year alone would be more than the purchase price for the new servers.
  - Maintenance agreements would have to be added to all our servers and when a server is more than three years old, the support costs are much higher than in the first three years.
  - This alternative will not give us the redundancy for disaster recover or server performance that HRM requires to operate current or future technology.

- Select one of the alternative lease/purchase options presented in Tender #04-110 (Purchase or 3 year annual lease). This is not a recommended alternative as:
  - After examination of the financial options, including purchase, the three year lease with buy-out is the most cost effective alternative.

ATTACHMENTS

No Attachments

INFORMATION BLOCK

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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