

RESPONSE TO COUNCIL QUESTIONS RE: 9/26/17 CITY COUNCIL AGENDA

Agenda Item #: 1.E.
Title: Award a Contract to Provide a Colocation Facility for City Data Centers (F17-104)

Council Question: It seems like we're making this decision hastily and without all of the information that we need. The cost of the proposed 5-year contract is slightly less than the \$3.4 million to build a new one, although that doesn't take into account the 5-year cost of 1.5 FTEs. But we're basically being asked to choose to rent a solution rather than buy one. And the general reason to buy a solution rather than rent one is because it's usually cheaper to own in the long run. And we have no visibility into whether that's the case with this decision. The recommendation says that this course of action isn't budgeted for over 20 years, and neither is the in-house. But that doesn't tell us what the long-term projections are. Worse, we're creating a large hole in our 20-year budget, right after the large budget hole that we created during our last meeting. What options do we have to address this in a way that doesn't imbalance the budget, with a better understanding of the long-term impact of the two options (taking staff's recommended course of action vs. doing the work in house)? Do other nearby cities tend to operate their own data centers or lease solutions?

Staff Response: During the last two annual operational priority session, staff shared with the Council the antiquated state of our IT infrastructure and services and conveyed the consequences of underfunding IT investments for the last decade. Based on that discussion, Council adopted a Council Policy priority focused on IT investments and funded a large percent of needs over 20 years. Further, prior to our CIO joining the City over a year ago, the City Manager hired Civic Foundry to assess the Information Technology Department. Based on the IT assessment and the recommendation of our CIO, staff started to plan for a colocation facility and presented it at several occasions to the City Council. Like many other facilities, the current data center sites have not been maintained and unfortunately the maintenance and staffing projections for a properly maintained data center have not been budgeted adequately in the current 20-year projections; the budgetary hole already exists and staff lacks the training and capacity to absorb this work.

The use of a colocation facility is common in the private sector and is becoming more common in the public sector. According to the Civic Foundry assessment, there are many cities that have implemented a colocation and cloud-first strategy similar to staff's recommendation. The reasons for doing so included managing cost and risk, as well as modernizing applications and infrastructure. In discussions with CIOs across the Bay and California, many are now looking into colocation strategies due to the increasing costs of maintaining data centers in-house. Several are waiting for our contract to piggy-back off ours for their discussions. By moving into the colocation facility, the City will benefit from the knowledge, experience and commitment (via contract and business model) of a vendor partnership that focuses on running data centers as their primary business.

Moving to a colocation facility provides the City with numerous advantages and aligns the City to industry practices such as:

1. Disaster recovery site: since we are in a high-risk area for natural disasters, we still would need to identify another location and facility to rent and establish network connectivity to have disaster recovery which could be up to an additional \$2 – 4 million (depending on location) over 20 years.
2. Stable infrastructure: if we were to keep the data center on campus, we would need to spend one-time funds on remodeling the current facility and then later building a data center in the new Civic Center. Staff has not developed the cost for the remodel of the current data center, however, the new Civic Center data center is estimated to cost \$3.4 million.
3. Increased connectivity bandwidth: part of this bundled contract is the purchase of increased bandwidth to support the business system cloud strategy.
4. Cost avoidance: if we were to keep our own data center on site, on an ongoing basis, we would need additional funds to maintain the additional redundant equipment in the on-campus data center and to increase staff by 1.5 FTEs for maintenance of the data center.

The estimates for the additional ongoing costs are high-level estimates and these costs are estimated to be greater than the additional annual average cost of \$430,000.

The total cost of the colocation facility and included Disaster Recovery Site over 20 years is approximately \$8.6 million. This assumes a 5 percent increase in the ongoing cost at the end of the contract and then growing with inflation forward. The City funds IT Equipment and Services through the Information Technology Internal Service Fund which receives contributions from all the City's operating funds. The largest contributor is the General Fund at about 85 percent of the revenue. By removing data center equipment that was on the schedule for replacement, and defunding the fiber optic project which is no longer needed, the fund is able to absorb the cost for about 10 years. After that, an additional \$430,000 (after anticipated growth) per year will need to be collected from all the other funds, with approximately 85 percent coming from the General Fund. Staff reviews the internal service funds annually and will be able to make adjustments to the schedules, as well as build in the longer-term impact. How this affects the other funds, especially the General Fund, will be dependent on many variables including the performance of the General Fund's major revenues, expenditures, and more. Staff will update Council in December with presentation of the Budgetary Year End Financial Report. The budget will need to be modified regardless of which path is taken and for the City to move into a colocation facility that also includes a disaster recovery site provides for a more risk-mitigating and fiscally sustainable path.

Our data centers will not be able to withstand a major earthquake as they are today, which is a risk to operations and potential costs in lost revenue along with costs to rebuild during a time of crisis. With the move into a colocation facility, the City will be moving data and systems into a data center built to protect against earthquakes and maintain system connectivity to include redundant links to their alternate sites beyond our disaster recovery site. This set up will allow staff to bring back critical systems after a natural disaster far quicker than keeping a data center on site.

Agenda Item #1.F.

Title: Award a Contract for an Archiving, eDiscovery and Virtual Phone Numbers Solution (F17-131)
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Council Question: Microsoft just announced that Microsoft Teams will be replacing Skype for Business. How might this affect the contract?

Staff Response: We have flexibility in the contract to choose which content types we use. Most likely once settled and we move to implementing Teams, we may add the Teams content type instead of Skype.

Agenda Item #: 2

Title: Proposed Project: WITHDRAWAL OF APPEAL by the adjacent property owner (550 W. El Camino Real) of a decision by the Planning Commission to approve a SPECIAL DEVELOPMENT PERMIT to redevelop a vacated 0.55-acre site with an existing 2,675-square foot commercial building to a five-story hotel with 85 guest rooms and underground parking. File #: 2014-7659; Location: 590 W. El Camino Real (APNs: 201-22-006)
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Council Question: I'm puzzled why we haven't been given a full staff report. Even if the Appellant withdraws the appeal, the notices have gone out to the community that there would be hearing and the project needs to go through "normal" process, correct? Shouldn't Council be required to deny the appeal? Or were notices never sent out?

Staff Response: The zoning code (Sunnyvale Municipal Code section 19.98.070) was amended a few years ago to allow an appeal to be withdrawn. The Code section, in relevant part, reads as follows:

19.98.070. Appeals and calls for review.

(d) Withdrawal of Appeal. An appellant may submit a written request to withdraw their appeal any time before the scheduled hearing for the appeal, in which case the appeal shall not move forward and the decision that was the subject of the appeal shall be the final decision. (emphasis added.)

As the appeal has been withdrawn, and as there are no other appeals or calls for review, then pursuant to Sunnyvale Municipal Code section 19.98.070 (d) explicitly terminated the Council's jurisdiction over the appeal and the prior decision of the Planning Commission stands and is final. At this point in the process the City Council has no authority to take any action on the appeal or the application.

Agenda Item #: 5

Title: Award of Bid No. PW17-31 for the Golf Buildings Renovations Project, Finding of California Environmental Quality Act (CEQA) Categorical Exemption, and Approve Budget Modification No. 6 in the Amount of \$113,121

Council Question: How was CWS Construction Group selected as the contractor? If it was a competitive process, how many other bids were received and for how much?

Staff Response: The City issued a competitive invitation for bids in June for the project. Despite having multiple plan holders, only one bid was received (from CWS). Recent experience suggests that the construction market for these types of projects is very competitive and it is unlikely that re-bidding the project will provide any savings.

Agenda Item #: 7

Title: Direction on Potential Charter Amendments to Revise Sections 604 (Filling Vacancies in Council Seats) and 606 (Designation of Vice Mayor) (Study Issue)

Council Question: How was the 2010 11-member charter review committee chosen?

Staff Response: The 2010/2011 Charter Review Committee was created by Council action on November 9, 2010 (RTC 10-300), to be comprised of 11 members, to be selected through an open application process, Council interviews, and appointments based on the procedure for appointments to City boards and commissions. On January 25, 2011, Council appointed all 11 applicants (RTC 11-018) to serve on the Charter Review Committee.