



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Maria Öberg
Khaled Tawfik

SUBJECT: See Below

DATE: March 27, 2026

Approved

Date:

4/1/26

COUNCIL DISTRICT: Citywide

SUBJECT: Fifth Amendment to the Agreement with SHI International, Corp. for an Infrastructure Refresh Project

RECOMMENDATION

Adopt a resolution authorizing the City Manager or her designee to:

- (a) Negotiate and execute the Fifth Amendment to the Agreement with SHI International, Corp. (Somerset, NJ) for an Infrastructure Refresh Project, to expand the City's hyperconverged infrastructure environment and increase the maximum compensation by \$2,120,837, and add three additional one-year options to extend the agreement through September 30, 2032, subject to the appropriation of funds.
- (b) Approve a contingency of \$425,000 for any additional unanticipated modifications to the City's hyperconverged infrastructure environment, subject to the appropriation of funds.
- (c) Exercise up to three additional one-year options to extend the term of the agreement ending on or about September 30, 2032, subject to the appropriation of funds.

SUMMARY AND OUTCOME

The Information Technology Department is responsible for managing the City's information technology infrastructure. The City's hyperconverged infrastructure environment is at capacity and can no longer support additional server requests. The servers supporting the City's existing environment will no longer be eligible for vendor support starting in October 2026 due to an end-of-life manufacturer designation.

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Continuing to operate unsupported infrastructure increases the risk of system vulnerabilities, service disruptions, and reduced reliability for critical City services.

Approval of this recommendation will expand the City's hyperconverged infrastructure environment through the purchase of additional hardware and related services. This investment will refresh aging infrastructure, maintain vendor support, and ensure the City can continue supporting critical systems and future computing needs.

BACKGROUND

In January 2012,¹ the City Auditor's Office conducted an Audit of Information Technology General Controls that identified several weaknesses in the City's information technology environment including data security vulnerabilities, limited disaster recovery capabilities, and outdated computer systems. In response, the City approved the Innovation and Technology Strategic Plan in 2017 to modernize the City's information technology infrastructure.

In March 2018, the City issued a Request for Proposal for an Infrastructure Refresh Project and based on the evaluation results, recommended awarding the contract to SHI International, Corp. In December 2018,² the City Council authorized the City Manager, or her designee, to negotiate and execute an agreement with SHI International, Corp. for an Infrastructure Refresh Project.

Since execution of the original agreement, City Council has approved additional amendments to the agreement to support evolving technology needs. In August 2022,³ City Council authorized the First Amendment to the agreement to add hardware, software, licensing, support, and professional services to implement disaster recovery and high availability functionality at the City's Emergency Operations Center. In 2023,⁴ City Council authorized the Second Amendment to the agreement to add hardware, storage and related services to replace the Police Department's virtual machine cluster

¹ 12-02 Audit of Information Technology General Controls:

<https://www.sanjoseca.gov/home/showpublisheddocument/33758/63678>

² December 2018 Council Memorandum:

<https://sanjose.legistar.com/View.ashx?M=F&ID=6826655&GUID=0AA53587-7766-465A-AF44-EB4958EFC7E6>

³ August 2022 Council Memorandum:

<https://sanjose.legistar.com/View.ashx?M=F&ID=11099016&GUID=B2D12957-ED73-41E5-8804-A4565ADE90C3>

⁴ October 2023 Council Memorandum:

<https://sanjose.legistar.com/View.ashx?M=F&ID=12386585&GUID=F854CD3C-DEF1-4E7F-86E4-EC2CF5ECA02F>

for its records management system. In July 2024,⁵ the City Council authorized the Third Amendment to the agreement retroactively to extend the initial term through September 30, 2024, to allow completion of project implementation activities. In October 2025, the City executed the Fourth Amendment to perform minor revisions to the scope of services including consolidation and migration of existing infrastructure.

ANALYSIS

The City's current computing environment relies on a hybrid infrastructure model that combines on-premises infrastructure with cloud resources. While the City continues to modernize applications for cloud deployment, several legacy systems must remain on-premises. Maintaining a hybrid infrastructure provides flexibility in where applications and servers are hosted and strengthens the City's disaster recovery capabilities. Several servers currently supporting the City's hyperconverged infrastructure environment will be designated as end of life by their manufacturer in October 2026. Adding new servers will allow the City to refresh aging hardware while phasing out equipment that is no longer supported by the manufacturer.

Without this infrastructure expansion, critical City applications would continue operating on hardware that is no longer supported. Unsupported infrastructure may no longer receive security patches, software updates, or technical support, increasing the risk of cybersecurity vulnerabilities, system instability, and service disruptions. In addition, the City would have reduced flexibility to move virtual machines between on-premises and cloud environments to support disaster recovery operations. Expanding the City's hyperconverged infrastructure environment will ensure sufficient capacity to support existing systems and future technology initiatives while maintaining reliable service delivery for City departments and the public.

EVALUATION AND FOLLOW-UP

No additional follow-up action with the City Council is expected at this time.

FISCAL IMPACTS

The recommended action of \$2.1 million related to the amendment of the agreement will be funded by the General Fund, the Public Works Program Support Fund, the Storm Sewer Operating Fund, the San José-Santa Clara Treatment Plant Operating Fund, the General Purpose Parking Fund, the Sewer Service and Use Charge Fund, Vehicle

⁵ June 2024 Council Memorandum:

<https://sanjoseca.primegov.com/api/compilemeetingattachmenthistory/historyattachment/?historyId=8ab9f94d-35d2-441a-b029-4997a6d999f4>

Maintenance and Operations Fund, the Building Development Fee Program Fund, the Planning Development Fee Program Fund, the Fire Development Fee Program Fund, the Public Works Development Fee Program Fund, the Federated Retirement Fund, and the Airport Maintenance and Operation Fund. The project has no additional ongoing costs. Funding for the recommended contingency amount and additional option terms is subject to the appropriation of funds.

BUDGET REFERENCE

The table below identifies the funds and appropriations to fund the agreement amendment recommended as part of this memorandum.

Fund #	Appn. #	Appropriation Name	Total Appropriation	Amount for Contract	2025-2026 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
001	0432	ITD Non-Personal/Equipment	\$14,182,002	\$1,843,816	652	2/10/2026 31308
001	2071	Development Fee Program - Shared Resources Non-Personal/Equipment (ITD)	\$110,000	\$21,986	652	6/17/2025 31230
237	2071	Development Fee Program - Shared Resources Non-Personal/Equipment (ITD)	\$609,815	\$62,659	950	6/17/2025 31230
513	0432	ITD Non-Personal/Equipment	\$80,310	\$60,191	1036	6/17/2025 31230
446	0432	ITD Non-Personal/Equipment	\$66,973	\$45,675	1044	6/17/2025 31230
241	2071	Development Fee Program - Shared Resources Non-Personal/Equipment (ITD)	\$129,831	\$17,588	1023	6/17/2025 31230
541	0432	ITD Non-Personal/Equipment	\$36,622	\$17,349	1040	6/17/2025 31230
150	0432	ITD Non-Personal/Equipment	\$18,450	\$13,554	1025	6/17/2025 31230
523	0802	Airport Non-Personal/Equipment	\$59,102,392	\$12,198	940	6/17/2025 31230
134	N/A	Retirement Non-Personal/Equipment	N/A	\$7,624	980	N/A
552	0432	ITD Non-Personal/Equipment	\$6,683	\$5,545	1048	6/17/2025 31230

Fund #	Appn. #	Appropriation Name	Total Appropriation	Amount for Contract	2025-2026 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
533	0432	ITD Non-Personal/Equipment	\$14,812	\$4,957	987	6/17/2025 31230
238	2071	Development Fee Program - Shared Resources Non-Personal/Equipment (ITD)	\$48,322	\$4,397	1019	6/17/2025 31230
240	2071	Development Fee Program - Shared Resources Non-Personal/Equipment (ITD)	\$56,280	\$3,298	981	6/17/2025 31230

COORDINATION

This memorandum was coordinated with the City Attorney’s Office and the City Manager’s Budget Office.

PUBLIC OUTREACH

This memorandum will be posted on the City Council Agenda website for the April 21, 2026 City Council meeting.

BOARD, COMMISSION, COMMITTEE RECOMMENDATION AND INPUT

No board, commission, or committee recommendation or input is associated with this action.

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

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PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.



Maria Öberg
Director of Finance



Khaled Tawfik
Director of Information Technology

For procurement and contract related questions, please contact Fletcher Barnes, Interim Deputy Director of Purchasing, Finance Department, at fletcher.barnes@sanjoseca.gov.

For program related questions, please contact Vince Pereira, Deputy Director of Information Technology, at vince.pereira@sanjsoeca.gov.