



Administrative Report

To: Warden MacDonald and Members of Essex County Council
From: Darrel Laurendeau, Director, Information Technology
Date: Wednesday, February 4, 2026
Subject: 2026 Virtualized Environment Purchase
Report #: 2026-0204-ITS-R01-DL

Purpose

The purpose of this report is to seek Council approval to fund the additional costs of the approved virtualized computing environment replacement.

Background

The County's virtualized computing environment has reached end-of-life and was approved for replacement in the 2026 budget.

In 2023, the popular and commonly used virtual environment manager, VMware, was purchased by Broadcom. Since then, Broadcom has changed the pricing model for VMware and prices have increased significantly across the market. The County was not immune to these increases, and the resulting cost overages have been addressed by the IT Director during a previous Council meeting. VMware was identified in the report [2024-09-4-R18-FIN-MR](#) during the September 4th, 2024 Regular Council Meeting. In response to the pricing increases, the County's Information Technology (IT) Department explored alternative options to the traditional virtualized environment. During 2025, the IT Department found a suitable replacement that meets the County's requirements.

During preparations for the 2026 budget submission, the IT department gathered budgetary information from vendors to replace the current environment. At the time of this information being obtained, the memory market was stable.

In December 2025, it was announced that OpenAI struck agreements to secure forty percent (40%) of the global memory market. Since that time, the market has shifted towards making memory to support the artificial intelligence industry.

In January, Administration requested an updated quote from our vendor. The vendor is part of the Kinetic GPO. On Wednesday, January 28th, the County received notification that the manufacturer has notified the distributors that the quotes would be invalid at the end of January and will need to be refreshed the first of February 2026. At this time, it was communicated that the quotation would increase by approximately \$120,000. Furthermore, the manufacturer has advised that a similar increase is anticipated in March.

Discussion

The County's virtualized computing environment has reached the end of its supported lifecycle. It currently hosts approximately 62 virtual servers supporting critical applications, core infrastructure, and essential services, including emergency services and long-term care operations. While some applications are moving to cloud-based services, the County will continue to operate in a hybrid environment of cloud-based and on-premises systems, which requires high-speed, highly available infrastructure.

The IT Department reviewed multiple replacement options. Maintaining the current VMware-based configuration on Dell or Lenovo servers would be significantly more expensive due to increased memory and licensing costs. Recent market shifts, including higher demand for memory driven by artificial intelligence applications, have caused equipment and licensing costs to rise and may further increase if replacement is delayed.

The County worked with the vendor to secure pricing through a letter of intent on January 30, 2026, subject to Council approval. Should Council approve the additional funding, the order will be confirmed on February 5, 2026. If not approved, the letter of intent will be voided, and securing replacement equipment in the near future may be more costly or delayed.

Proceeding with the replacement now mitigates operational and financial risks and ensures continuity of services.

Financial Implications

The 2026 budget for this project was approved at \$197,600. The actual cost of the replacement virtualized computing environment, including a five-year license subscription, is \$655,100. This results in an additional funding requirement of \$457,500, which is proposed to be funded from the Rate Stabilization Reserve. In accordance with Section 4.7 of the Procurement Policy, Council approval is required for procurements exceeding the approved budget by more than 10% and above \$500,000.

The chart below summarizes the costs of the two solutions over five years:

Item	5-Year Total
Current Solution (maintaining VMware)	\$1,002,946
New Solution (replacement environment)	\$655,100
Estimated Savings if New Solution Implemented Now	\$347,846

The current solution has lower first-year costs but higher overall costs over five years. The new solution requires a larger initial investment but results in lower total costs over the same period. Proceeding with the new solution now locks in these costs and reduces operational and financial risks associated with aging equipment. Entering into a 5 year contract also mitigates the County's exposure to further market price shocks by locking in pricing at January 2026 rates.

Consultations

- Melissa Ryan, Director of Financial Services / Treasurer
- Heidi McLeod, Manager, Accounting – Administration/ Deputy Treasurer
- Kelly Robinson, Financial Analyst
- Jay Gilchrist, Network Administrator

Strategic Plan Alignment

Working as Team Essex County	Growing as Leaders in Public Service Excellence	Building a Regional Powerhouse
<input checked="" type="checkbox"/> Scaling Sustainable Services through Innovation <input checked="" type="checkbox"/> Focusing "Team Essex County" for Results <input type="checkbox"/> Advocating for Essex County's Fair Share	<input type="checkbox"/> Being an Employer with Impact <input type="checkbox"/> A Government Working for the People <input type="checkbox"/> Promoting Transparency and Awareness	<input checked="" type="checkbox"/> Providing Reliable Infrastructure for Partners <input type="checkbox"/> Supporting Dynamic and Thriving Communities Across the County <input type="checkbox"/> Harmonizing Action for Growth <input type="checkbox"/> Advancing Truth and Reconciliation

Recommendation

That Essex County Council receive report number 2026-0204-ITS-R01-DL, 2026 Virtualized Environment Purchase, as information and approve funding of the replacement equipment, including the additional \$457,500 required, to be funded from the Rate Stabilization Reserve.

Approvals

Respectfully Submitted,

D. Laurendeau

Darrel Laurendeau, Director, Information Technology

Concurred With,

CAO Signature

Sandra Zwiers, MAcc, CPA, CA, Chief Administrative Officer

Appendix	Title
N/A	N/A