MEMORANDUM

TO: VICTOR CARDENAS, CITY MANAGER
FROM: ROB PETTY, CIO
SUBJECT: VMWARE LICENSING INCREASES
DATE: APRIL 14^{TH} 2026

The recent increase in the VMware License Renewal has required us to evaluate the financial impact of continuing with our current virtualization platform versus moving to an alternative platform. While the alternative platform could be modestly cheaper annually, switching now would require a $200,000 upfront hardware purchase and would significantly increase costs over the next three years. The most financially responsible approach is to lock in the VMware License Renewal cost and revisit this decision ahead of the next hardware refresh cycle.

<u>Current Annual Cost:</u>
We are currently licensing our infrastructure software from VMware. This purchase is made through various Value-Added Resellers (VARs), enabling us to shop competitively for the best price.

Annual software license renewal cost: $103,813 per year

Our current hardware still has 3 years of useful life, so no capital spending is required in the near term if we remain on the current platform.

<u>Alternative Platform Cost</u>
We evaluated a comparable solution from Nutanix.

Using conservative industry benchmark assumptions:

Expected annual software savings: 10%.
Estimated annual cost if we switched: $93,432 per year.
Estimated annual savings: $10,381.

While this represents modest annual savings, switching platforms would require a new hardware purchase of approximately $200,000.

Three-Year Financial Comparison

Option 1 — Remain on Current Platform

Continue using existing hardware until its natural replacement cycle.

Cost Category	3-Year Total
Software licensing	$311,439
Hardware purchase	$0
Total 3-year cost	$311,439

Option 2 — Switch Platforms Now

Immediate hardware purchase plus lower annual software cost.

Cost Category	3-Year Total
Software licensing	$280,296
New hardware	$200,000
Total 3-year cost	$480,296

Financial Impact

Switching platforms today would:

Increase spending by $168,857 over the next three years.
Require early capital expenditure before current assets are fully utilized.

Although the alternative platform is slightly cheaper annually, the required hardware purchase eliminates those savings in the near term.

Deferring the decision until the next hardware refresh will:

Avoid premature capital spending
Allow a competitive evaluation during the normal replacement cycle
Preserve negotiating leverage with both vendors

Recommendation

Continue using the current platform for the remainder of the hardware lifecycle. Lock in the license maintenance cost for three years. During this period, we should: (1) Monitor market pricing and (2) Prepare for a competitive evaluation before the next hardware refresh. This approach minimizes near-term spending while preserving future flexibility.