



## Board Summary Report

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**File #:** 26-353

**Agenda Date:** 7/7/2026

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**To:** Board of County Commissioners

**Through:** Philip Savino, Director, Information Technology

**Prepared By:**  
Brian Bostwick, Deputy Director, Information Technology

**Presenter:** Brian Bostwick, Deputy Director, Information Technology

**Subject:**  
11:00 AM \*IT Capital Assets Funds Appropriation to 2026

**Purpose and Request:**

The purpose of this drop-in is to obtain the Board's authorization for two related actions, which will be formally appropriated upon adoption of the second-quarter budget review. The first is to authorize the appropriation of funding for capital assets that were previously approved for replacement and already have assigned capital asset numbers. The second is to approve new capital assets and authorize the appropriation of associated funding for additional hardware replacements. These assets would be used to purchase hardware to facilitate the migration of servers from our cloud hosting provider to the County's data center. The original plan was to complete this migration in 2027; however, recent changes to Microsoft's server licensing rules would result in an additional \$130,000 in expenses if licenses are renewed in October. This request proposes to reallocate like-for-like expenses from 2027 to 2026, with no new funds being requested

**Alignment with Strategic Plan:** Economic Resilience and Stability - Support long-term economic resilience through responsible fiscal and investment strategies.

**Background and Discussion:** In 2022, Arapahoe entered into an agreement to move almost all of our servers from our local data center to a cloud provider. In the original contract, our cloud hosting provider made capacity calculation errors that significantly underestimated Arapahoe's consumption level. After properly calculating our total consumption needs, the estimated December 2027 contract renewal costs are above the level that makes it economically sensible to continue with our cloud hosting provider. Since those miscalculations came to light, we have been planning to move our servers back to our local data center in 2027, before our current agreement ends in December 2027.

In recent weeks, we were informed that Microsoft has ended the SPLA licensing program we used to license our Windows servers in the cloud. Our current SPLA licenses expire in October 2026. To stay compliant in the cloud, we will need to use a different licensing model for our Windows Server. The only other option we have is to purchase licenses through our cloud hosting provider. Our SPLA license costs \$123K for a one-year subscription. Our cloud hosting provider is quoting us \$230K. This is a \$107K increase over our budget. There is an opportunity to avoid this expense if we can order and install the hardware and migrate all of the servers before our SPLA license expires in

October. If we accelerate our move back to our data center this year, we can avoid purchasing any cloud Windows Server licenses. This would mean we could avoid the whole \$230K in cloud Windows Server licenses.

To be compliant in our data centers, we would incur \$30K in on-premises Windows Server license costs. There is potential for additional savings on the cloud hosting provider agreement. We are currently under contract with our cloud hosting provider for \$520K in 2027. If we can move most cloud services back on-premises, there is potential to renegotiate the last year of the contract to achieve additional savings. This plan hinges on getting new hardware installed as soon as possible.

To accomplish this, we are asking the board to authorize the appropriation of funding for capital assets previously approved for replacement and already assigned capital asset numbers, and to approve new capital assets and authorize the appropriation of associated funding for additional hardware replacements. This is a one-for-one ask and is at no additional cost to the County. The combination of the two will allow us to buy hardware now to meet the October deadline using existing assets, and then fund the replacement of those assets during the second-quarter budget review.

**Alternatives:** The alternative to moving our servers back from our cloud hosting provider in 2026 is to proceed with the 2027 move. This would require the County to fund the additional \$100K in Windows licenses and forgo the potential savings on the 2027 cloud hosting provider agreement costs.

**Fiscal Impact:** We are requesting to move the purchase of capital assets from 2027 to 2026 through the appropriation of funding for capital assets that were previously approved for replacement and already have assigned capital asset numbers, and to approve new capital assets and authorize the appropriation of associated funding for additional hardware replacements. The goal of this initiative is to avoid paying the combined \$230K in Windows licensing costs. Additionally, there is the potential to negotiate down our \$520K commitment to our cloud hosting provider in 2027 to just the services needed to support our twelve months of backups. The two hardware solutions we are requesting are currently quoted at \$512K and \$246K, which are not new expenses but simply moving the purchase from 2027 to 2026.

**Alignment with Strategic Implementation Strategies:** The attached framework helps Arapahoe County institutionalize values-based, transparent decision-making, documenting how we make decisions and carry out actions to achieve the county's strategic plan.

**Staff Recommendation:** IT staff recommends this funding allocation.

**Concurrence:** Finance is aware of this proposal and does not have concerns about the proposed course of action.