

Analyst Briefing Notes

Budget Committee

November 3, 2009

Page

PART I: CAPITAL PROGRAM

Executive Summary	2
Recommendations	5
2009 Capital Variance Review	6
10-Year Capital Plan (2010 Recommended Budget, 2011-2019 Recommended Plan)	7
10-Year Capital Plan Overview	9
10-Year Capital Plan: Incremental Operating Impact Summary	13
Total 2010 Recommended Cash Flow & Future Year Commitments	14
2010 Recommended Capital Budget: Overview	15

PART II: ISSUES FOR DISCUSSION

2010 Recommended Capital Budget Issues	17
2011-2019 Recommended Capital Plan Issues	17
Issues Referred to the 2010 Capital Budget Process.....	NA
Outstanding Issues from Prior Years' Budgets	NA

APPENDICES

Appendix 1: 10-Year Recommended Capital Plan Project Summary	19
Appendix 2: 2010 Recommended Capital Budget; 2011 to 2019 Capital Plan	20
Appendix 3: 2010 Recommended Cash Flow & Future Year Commitments.....	21
Appendix 4: 2010 Recommended Capital Projects with Financing Details	22
Appendix 5: 2010 Reserve / Reserve Fund Review	23
Appendix 6: 2010 to 2019 New and Expansion Facility Projects	NA

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November 3, 2009

PART I: CAPITAL PROGRAM**Executive Summary**

- Funding for the 10-Year Recommended Capital Plan focuses on systems improvements and enhancements that maximize financial and management information for the City's divisional and corporate decision making processes. State of good repair upgrades to information systems improve accuracy and timeliness of information, standardize reporting practices across the City and facilitate improved information distribution to Divisions, Committees and Council.
- The following summarizes the allocation of recommended funding by project type:
 - The SAP Business Process Change & Technology Transfer project delivering business requirements using the SAP foundation components requires funding in the amount of \$45.900 million;
 - The Tax and Utility Billing Systems Upgrade totalling \$21.928 million.
 - The CAPTOR Migration project totalling \$5.375 million;
 - The Financial Planning Analysis and Reporting System (FPARS) extension project and the budgeting system requires funding in the amount of \$4.697 million;
 - The Planning Program Information System Upgrade totalling \$4.000 million;
 - The Parking Tag Management Software Upgrade totalling \$3.143 million; and
 - Workflow & Document Management Technology requiring funding in the amount of \$2.241 million.
- The 2009 Approved Capital Budget of \$17.117 million was 15.5% or \$2.646 million spent, as at September 30th, 2009. Actual expenditures by year-end are anticipated to be \$4.818 million or 28.1% of the 2009 Approved Capital Budget.
 - The projection of 2009 funding to be carried forward into the 2010 Recommended Capital Budget is \$7.157 million. Large multi-year projects requiring 2009 carry forward funding include the Financial Planning, Analysis & Reporting System (\$4.376 million); Revenue Services –Phase II project (\$0.568 million); and Fixed Asset Records System project (\$0.514 million).
- The 10-Year Recommended Capital Plan totals \$105.461 million, including 2009 carry forward funding into 2010 of \$7.157 million, of which \$83.666 million is projected for the first 5 years, with the final 5 years requiring funding of \$21.795 million or 22.2%.
 - The 10-Year Recommended Capital Plan is funded primarily from debt and reserves. Debt accounts for approximately 53% or \$52.383 million; reserve funding accounts for approximately 33% or \$32.772 million. Funding from the other internal sources amounts to 12.0% or \$12.169 million and Development charges provides funding of approximately 1.0% or \$0.980 million.

- Changes to the 2009-2018 Approved Capital Plan amount to \$43.787 million or 89.9% compared to the 2010 Recommended Capital Budget and 2011-2018 Recommended Capital Plan. These include key changes to the following program areas within the SAP Business Process Change & Technology Transfer project (\$45.900 million); the Tax & Utility Billing Systems Upgrade project (\$1.814 million); and, reductions due to deferrals to 2019 for the CAPTOR Migration project (\$2.975 million) and Parking Tag Management Software Upgrade project (\$1.522 million). This significant increase in the 10-Year Capital Plan is almost entirely due to funding required to re-engineer the City's business processes in Accounting Services, Pension, Payroll and Employee Benefits, Revenue Services and Human Resources Division and Technology transfer in preparation for new SAP landscape.
- The 10-Year Recommended Capital Plan includes operating impacts from previously approved and new/change in scope capital projects for 2010 of \$0.310 million; 2011 of \$0.903 million; 2012 of \$0.809 million; 2013 of \$0.140 million; and 2014 of \$0.158 million. The operating impacts primarily reflect storage and maintenance costs for the Financial Planning, Analysis and Reporting System; costs to create and update databases of the Corporate Fixed Assets Records System and for system maintenance and training services for the Tax and Utility Billing Systems.
- Needs assessment studies have been finalized for major capital works included in the 10-Year Recommended Capital Plan. Financial Services' capital projects are complex and involve scoping and development of related IT/systems, a large amount of internal and external resources are required to proceed on projects. The focus of these projects is primarily on improving and supporting the City's financial processes. In order to take advantage of efficiencies, and realize cost savings, Financial Services must possess systems which are able to conduct business in a highly advanced technology driven environment to meet Corporate and divisional operational information needs and financial Planning management control. The Program has the means to achieve the 10-Year Recommended Capital Plan within the specified timelines.
- The 10-Year Recommended Capital Plan provides funding to advance the following priority action outlined in the Mayor's and Council's policy agenda:
 - **Efficiency and Accountability at City Hall:** Approximately \$82.750 million in funding is recommended to improve efficiency and accountability by implementing a multi-year planning and budgeting system to support a performance based service model with the Financial Planning Analysis and Reporting System project (FPARS) (\$4.697 million); the SAP Business Process Change & Technology Transfer project (\$45.900 million); Tax & Utility Billing Systems (\$21.928 million); CAPTOR Migration project (\$5.375 million); Programming Planning Information System Upgrade (\$4.0 million) and Fixed Assets Records System (\$0.850 million).
- The 2010 Recommended Capital Budget for previously approved and new/change in scope projects (excluding 2009 carry forward funding into 2010) of \$19.051 million is 59.2% allocated to state of good repair projects at \$11.282 million; 38.7% to service improvement projects at \$7.379 million; and, 2.1% or \$0.390 million to legislated projects.

- Approval of the 2010 Recommended Capital Budget will result in a commitment to future year funding for new/change in scope projects of \$28.300 million in 2011; and, \$7.774 million in 2012.
- The 2009 summer labour disruption will not significantly impact Financial Services' program delivery for the 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan as original scheduled deliverables have been adjusted accordingly.
- The 2010 Recommended Capital Budget of \$19.051 million provides funding to:
 - Begin the business transformation that will influence how the City does business, utilizing best practices and maximizing SAP as the City's system of record with new projects commencing in 2010 and/or continuing over the next two years of the Capital Plan in preparation for the SAP and non SAP projects in the City. Such as the Financial Planning, Analysis and Reporting System project and the Tax & Utility Billing System.
 - Begin the relocation of the Revenue Services Payment Processing Centre from leased premises to City owned premises.
 - Begin the E-Procurement Implementation to utilize corporate technology to streamline the purchasing functions.
 - Continue with the Tax and Utility Billing Systems and Upgrade; enhance the Risk Management System to sustain Privacy Information Act recommendations; the Workflow & Document Management and imaging projects and the E-Procurement Implementation to utilize corporate technology to streamline the purchasing functions.
 - Continue the extension of the Financial Planning, Analysis and Reporting system implementation project.
 - Complete the Fixed Assets Record Systems SAP initiatives; Revenue Systems –Phase II to develop and implement a general ledger interface for Tax and Utility Systems and the Local 79 wage harmonization Collective Agreement project.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. Council approve the 2010 Recommended Capital Budget for Financial Services with a total project cost of \$47.694 million, and 2010 cash flow of \$26.208 million and future year commitments of \$54.843 million comprised of the following:
 - a) New Cash Flow Funding for:
 - i) 4 new/change in scope sub-projects with a 2010 total project cost of \$47.694 million that requires cash flow of \$11.620 million in 2010 and a future year commitment of \$28.300 million in 2011 and \$7.774 million in 2012;
 - ii) 3 previously approved sub-projects with a 2010 cash flow of \$3.074 million and a future year commitment of \$3.375 million in 2011; \$7.330 million in 2012; \$4.358 million in 2013; and, \$0.815 million in 2014;
 - iii) 9 sub-projects from previously approved projects with carry forward funding from 2008 and prior years requiring 2009 cash flow of \$4.357 million which forms part of the affordability targets that requires Council to reaffirm its commitment; and
 - b) 2009 approved cash flow for 13 previously approved sub-projects with carry forward funding from 2009 into 2010 totalling \$7.157 million;
2. Council approve new debt service costs of \$0.430 million in 2010 and incremental debt costs of \$1.942 million in 2011, \$0.736 million in 2012, \$0.815 million in 2013, \$0.640 million in 2014, \$0.246 million in 2015, \$0.330 million in 2016, \$0.211 million in 2017, \$0.476 million in 2018 and \$0.450 million in 2019 resulting from the approval of the 2010 Recommended Capital Budget, to be included in the 2010 and future year operating budgets;
3. Council approve the 2011-2019 Recommended Capital Plan for Financial Services totalling \$79.253 million in project estimates, comprised of \$33.395 million in 2011; \$15.964 million in 2012; \$6.096 million in 2013; \$2.003 million in 2014; \$3.380 million in 2015; \$1.745 million in 2016; \$4.700 million in 2017; \$6.150 million in 2018; and, \$5.820 million in 2019; and,
4. Council consider operating impacts of \$0.310 million in 2010; \$0.903 million in 2011; \$0.809 million in 2012; \$0.140 million in 2013; and, \$0.158 million in 2014 emanating from the approval of the 2010 Recommended Capital Budget for inclusion in the 2010 and future year operating budgets.

PART I: CAPITAL PROGRAM

2009 Capital Variance Review

2009 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2009 Approved	Actuals as of Sept. 30th (3rd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
17,117	2,646	15.5%	4,818	28.1%	12,299

The Financial Services' 2009 Approved Capital Budget of \$17.117 million was 15.5% or \$2.646 million spent, as at September 30th, 2009. Actual expenditures by year-end are anticipated to be \$4.818 million or 28.1% of the 2009 Approved Capital Budget. This represents an improvement over the 27.5% spending rate achieved in 2008. Delays in implementing projects were due to the labour disruption and by start-up delays for several projects and contract issues with the vendor for imaging projects.

State of Good Repair projects represent 24.8% or \$4.243 million of the 2009 Approved Capital Budget. The projected year-end spending will be 15.5% in this category. This is significantly lower than the 2008 rate of 28.2%. The key State of Good Repair projects include:

- The Tax & Utility Water Upgrade projects represent 18.0% or \$3.081 million of the 2009 Approved Capital Budget.
- The Payment Processing Equipment Replacement project represents 3.5% or \$0.599 million. This is expected to be completed in the first half of 2010.
- The Parking Tag Management Software Upgrade project represents 2.3% or \$0.389 million.

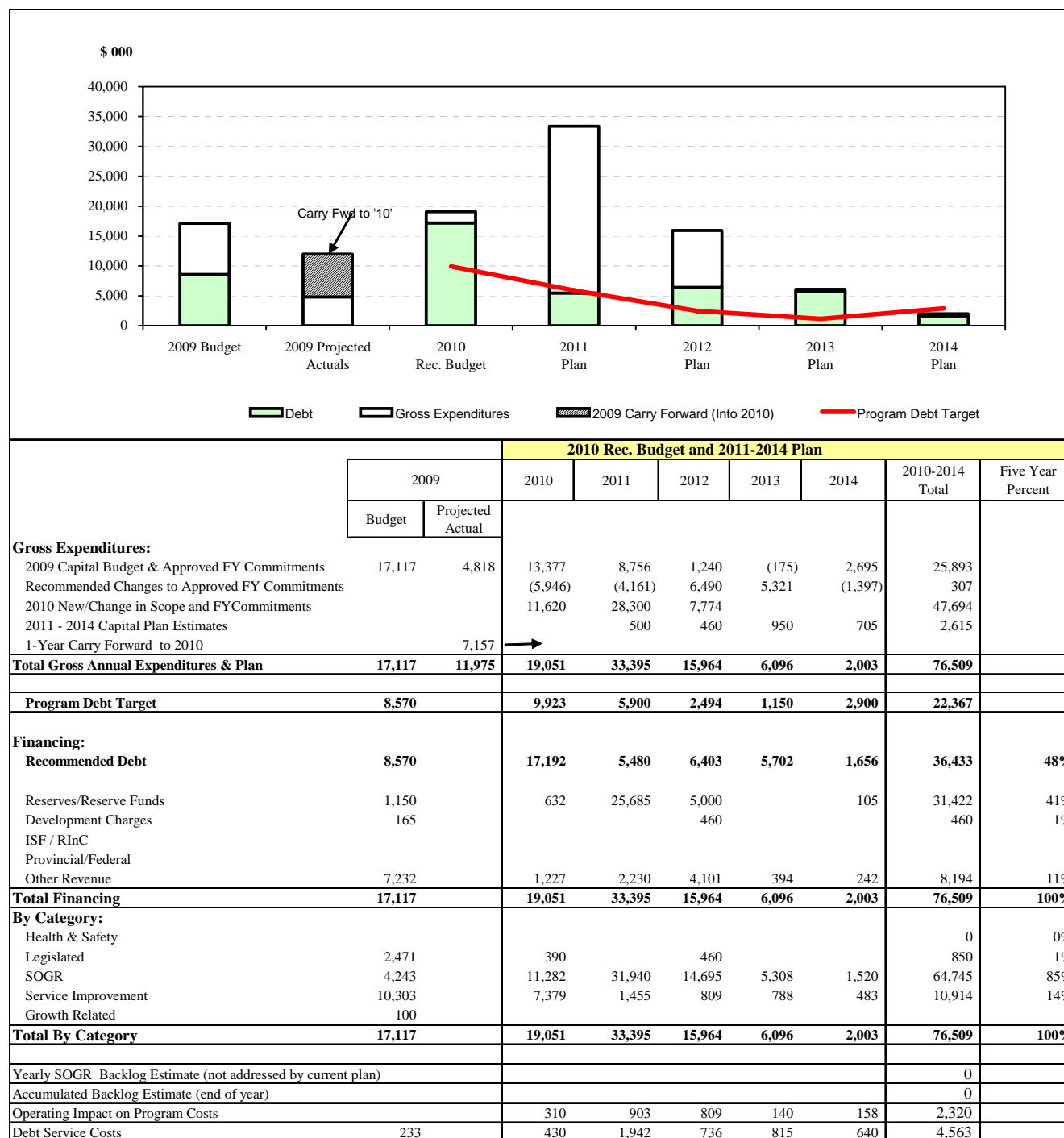
The funding from 2009 carried forward into 2010 included in the 2010 Recommended Capital Budget is \$7.157 million and is lower than the projected unspent actual expenditures of \$12.299 million. The balance of the 2009 unspent expenditures are now included in the future years cash flow starting in 2011.

Large multi-year projects requiring 2009 carry forward funding in the 2010 Recommended Capital Budget include:

- The Financial Planning, Analysis & Reporting System project (\$4.376 million).
- Revenue Services –Phase II project (\$0.568 million); and
- Fixed Asset Records System project (\$0.514 million).

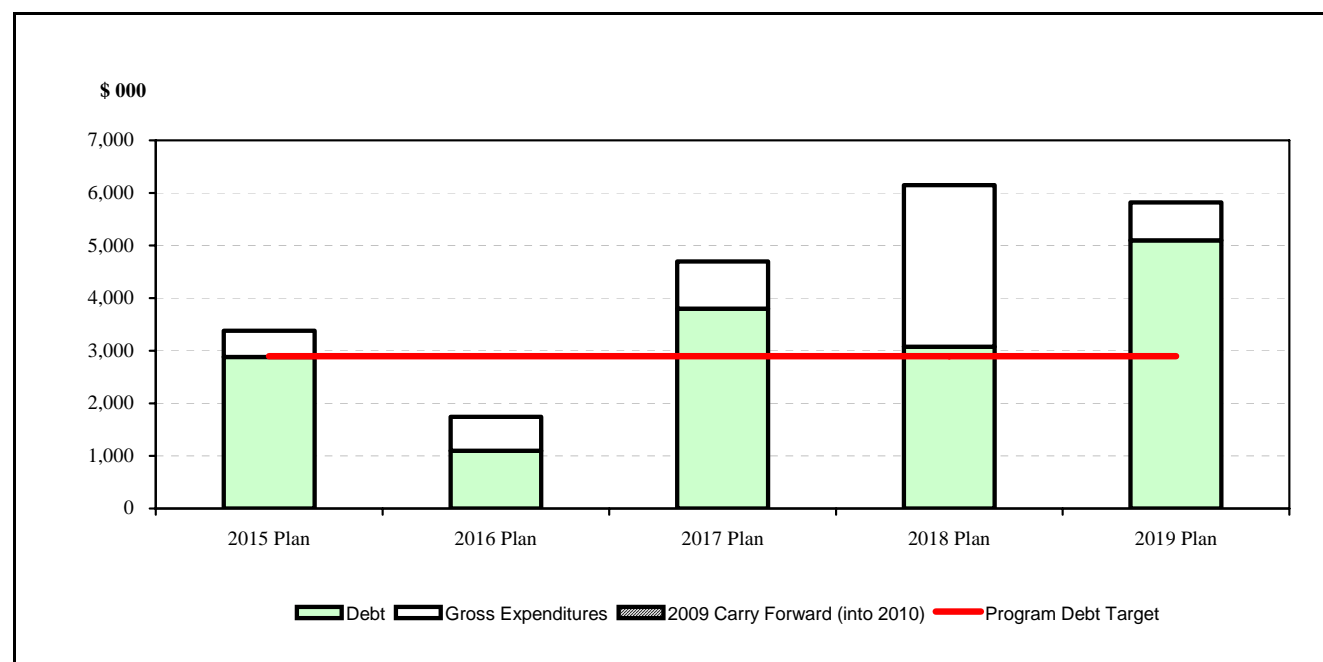
10-Year Capital Plan

2010 Recommended Capital Budget, 2011-2014 Recommended Capital Plan



10-Year Capital Plan

2015-2019 Recommended Capital Plan



	2015-2019 Capital Plan						
	2015	2016	2017	2018	2019	2010-2019 Total	10-Year Total Percent
Gross Expenditures:							
2009 Capital Budget & Approved FY Commitments						25,893	
Recommended Changes to Approved FY Commitments						307	
2010 New/Change in Scope and FY Commitments						47,694	
2015 - 2019 Capital Forecast Estimates	3,380	1,745	4,700	6,150	5,820	24,410	
Total Gross Annual Expenditures & Plan	3,380	1,745	4,700	6,150	5,820	98,304	
Program Debt Target	2,900	2,900	2,900	2,900	2,900	36,867	
Financing:							
Recommended Debt	2,880	1,100	3,800	3,075	5,095	52,383	53%
Reserves/Reserve Funds	500	125			725	32,772	33%
Development Charges		520				980	1%
ISF / RInC							
Provincial/Federal							
Other Revenue			900	3,075		12,169	12%
Total Financing	3,380	1,745	4,700	6,150	5,820	98,304	100%
By Category:							
Health & Safety							
Legislated		520				1,370	1%
SOG	3,380	1,225	4,700	6,150	5,820	86,020	88%
Service Improvement						10,914	11%
Growth Related							
Total By Category	3,380	1,745	4,700	6,150	5,820	98,304	100%
Yearly SOGR Backlog Estimate (not addressed by current plan)							
Accumulated Backlog Estimate (end of year)							
Operating Impact on Program Costs						2,320	
Debt Service Costs	246	330	211	476	450	6,276	

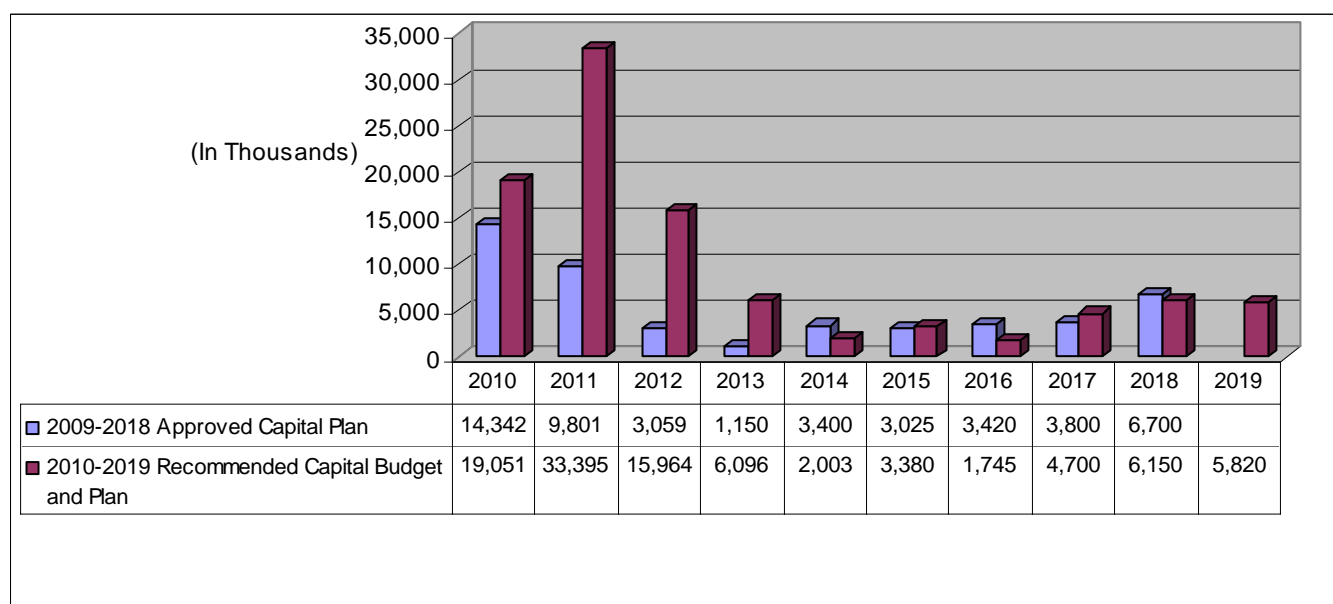
10-Year Capital Plan Overview

- Funding for the 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan maintains the existing technology infrastructure in a state of good repair and provides for financial business process and system improvements to enhance service delivery and optimize the use of the City's financial information systems.
- The 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan of \$98.304 million is funded by debt in the amount of \$52.383 million or 53%, reserves in the amount of \$32.772 million or 33%. Funding from rate Programs amounts to 12.0% or \$12.169 million and Development Charges provide funding for approximately 1.0% or \$0.980 million.
- The 2009 summer labour disruption will not significantly impact Financial Services' delivery of the 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan as timelines and cash flows have been adjusted accordingly.
- The following summarizes the allocation of recommended funding by project category:
 - The 10-Year Recommended Capital Plan allocates significant financial resources to *State of Good Repair projects* consisting mainly of new system upgrade projects. Projects that maintain assets in a state of good repair represent 88% or \$86.020 million of the total planned cash flow of \$98.304 million and include investment to sustain and revitalize the current SAP system for future years as reflected by the \$45.900 million included in the SAP Business Process Change & Technology Transfer project. Business process re-engineering is required to reorganize financial and human resource data and to transfer new technology to the City. Other SOGR projects include periodic upgrades of the Tax and Utility Billing System, Parking Tag Management Software, CAPTOR Migration and subsequent upgrades, Program Planning and Information System Upgrade and the business foundation warehouse platform in the outer years.
 - *Service Improvement projects* represent approximately 11% or \$10.914 million of the 10-Year Recommended Capital Plan. Service improvement projects include the current implementation of the Financial Planning Analysis and Reporting System project; continuation of the Workflow and Document Management Technology project; E-Procurement implementation and the Revenue Services Cashiering Initiative.
 - *Legislative projects* account for 1% or \$1.370 million of funding in the 10-Year Recommended Capital Plan. These projects include the completion of the Fixed Asset Records System (PSAB requirements) and the Development Charges Background Study in 2012 and 2016.

Key Changes to the 2009-2018 Approved Capital Plan

The following highlights the changes from the 2009-2018 Approved Capital Plan with the 2010-2019 Recommended Capital Budget and Plan. As outlined in the table below, the 2010 Recommended Capital Budget of \$19.051 million in cash flow represents an increase of 32.8% or \$4.709 million compared to 2010 Approved Capital Plan estimates of \$14.342 million in 2009. There is a \$43.787 million or 89.9% increase in the 2010 Recommended Capital Budget and 2011-2018 Recommended Capital Plan over the 9 year period.

Changes to the 2009-2018 Approved Capital Plan



The majority of the increase is due to updating the capital program areas as outlined below:

- To capitalize on new and prevailing SAP technologies for City Programs, investments must be made in financial and human resources process re-engineering and SAP technology transfer to sustain and revitalize the system in future years. (\$45.900 million)
- Due to the delay in 2009 pending approval of a tax solution provider, deferred cash flow to the Tax & Utility Billing Systems Upgrade resulted in an increase of cash flow funding of \$1.814 million over 2010 to 2013 Capital Plan.

Summary of Project Changes

Key Projects (\$000's)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2010 - 2018
SAP Business Process Change & Technology Transfer	10,655	27,880	7,365							45,900
Financial Planning Analysis & Reporting System (FPARS)	658									658
Tax & Utility Upgrade	(4,390)	(3,926)	7,330	2,800			0	0	0	1,814
Captr Migration	(125)	(950)	(1,325)	950		1,450	(250)	(1,150)	(1,575)	(2,975)
Workflow & Document Management Technology	(1,302)	320	400	788	483					689
Parking Tag Management Software Upgrade	(1,000)	(815)		1,558	(1,265)					(1,522)
Fixed Assesr Records System	390		0							390
Investment & Debt Management	(500)	500			(500)	500			(600)	(600)
Risk Management Information System Upgrade	154	185	(105)		105	(125)	125		(125)	214
Accounts Payable Process Improvements	186	400								586
Collective Agreement Implementation	233									233
Customer Service Strategy Development	(250)									(250)
Business Information Warehouse			(760)	(1,150)	480	1,430				0
Payment Processing Equipment Replacement					(500)	(850)				(1,350)
Program Planning Information Upgrade					(200)	(2,050)	(1,550)	2,050	1,750	0

Project Financing

The Financial Services' 10-Year Recommended Capital Plan is primarily funded from debt and reserve funds. \$52.383 million or 53% of the \$98.304 million 10-Year Recommended Capital Plan is funded from debt, while \$32.772 million or 33% will be funded from Reserve Funds. Other sources of funding

include recoveries from rate Programs of \$12.169 million or 12% and \$0.980 million or 1% funded from Development Charges.

10-Year Recommended Capital Plan Versus Multi-Year Debt Targets

The 2010-2019 Recommended Capital Plan for Financial Services is above the debt affordability target of \$36.867 million by \$15.516 million or 42.1% over the ten years of the Capital Plan. The 10-Year Recommended Plan is above the annual debt targets in each of the 10-Year Capital Plan with the exception of 2011, 2014, 2015 and 2016 where Financial Services is under the target by a combined amount of \$3.484 million.

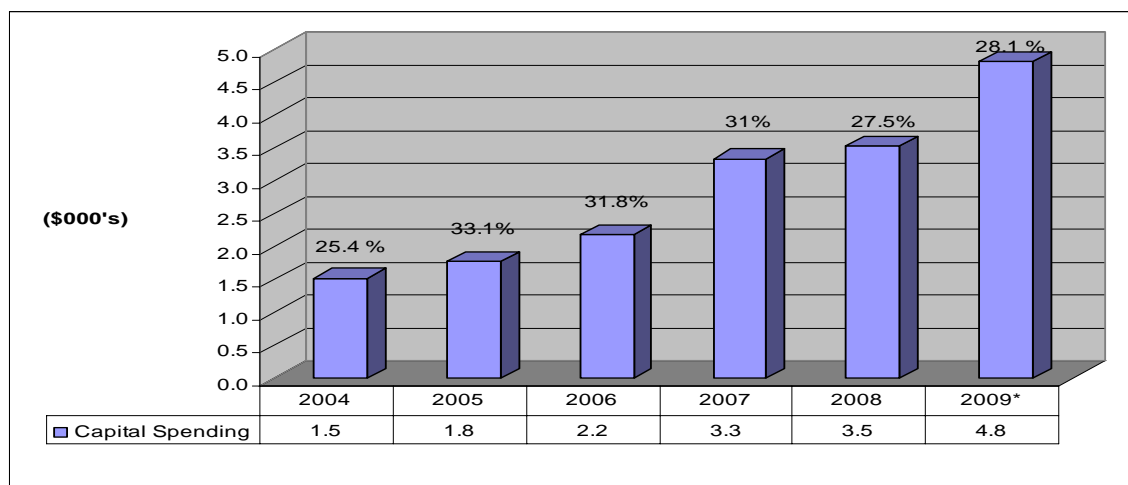
- Re-assessing priorities and requirements due to the City's changing business information needs and the availability of new technologies, additional investments of \$45.900 million over the 2010 is required to re-engineer financial, payroll and human resources business processes and ensure technology knowledge transfer occurring in preparation for the City's use of new SAP functionality that is required by Programs City-wide.

Program Capacity and Readiness to Proceed

The Financial Services 2009 Approved Capital Budget of \$17.117 million was 15.5% or \$2.646 million spent, at of September 30th, 2009. Actual expenditures by year-end are anticipated to be \$4.818 million or 28.1% of the 2009 Approved Capital Budget.

The 2009 projected spending rate of 28.1% by year-end is a slight improvement over the 2008 spending rate of 27.5%. Annual spending rates have generally increased, with 2004 expenditures of \$1.524 million (25.4%); 2005 expenditures of \$1.774 million (33.1%); 2006 expenditures of \$2.181 million (31.8%); 2007 expenditures of \$3.338 million (31%); and, \$3.526 million in 2008 (27.5%), as outlined in the graph below.

Financial Services Capital Budget Spending (2004-2009)



Note: *2009 Year-End Capital Budget Spending Rate Projection as of Sept. 30th, 2009.

The SAP Business Process Change & Technology Transfer and the FPARS projects are the highest priority for Financial Services. Significant corporate resources will be dedicated to these projects to ensure they meet the scheduled timelines. Several previously approved projects have been deferred and/or phased over longer time periods in order to ensure these corporate priorities are addressed.

State of Good Repair (SOGR) Backlog

The Program does not have any backlog of state of good repair projects.

Capital Projects Highlights

The 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan supports one key priority action outlined in the Mayor's and Council's policy agenda. The following highlights the key capital project.

Efficiency and Accountability at City Hall:

The 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan provides funding to implement a multi-year planning and budgeting system (\$4.697 million); the SAP Business Process Change & Technology Transfer project (\$45.900 million); Tax & Utility Billing Systems (\$21.928 million); CAPTOR Migration project (\$5.375 million); Programming Planning Information System Upgrade (\$4.0 million) and Fixed Assets Records System (\$0.850 million).

The FPARS system is essential to meeting requirements of the mature financial planning process and is scheduled to be fully operational in 2012. The system will support a multi-year, performance based service view budget for planning, analyzing, approving and evaluating financial data, tracking and reporting performance measures including service level indicators with a cost performance matrix to assess efficiency. This project will also include analytical tools that permit sensitivity and scenario analysis that provide flexibility to incorporate and track long-term service planning initiatives.

Summary of Major Capital Initiatives

(In \$Thousands)	2010 Rec. Budget	2011 Plan	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2010-2019 Total
New & Expansion Facility Projects											
IT Projects											
SAP Business Process Change & Technology Transfer	10,655	27,880	7,365								45,900
Tax & Utility Upgrade	473	3,375	7,330	2,800			900	2,650	4,400		21,928
Business Information Warehouse					600	1,430					2,030
Financial Planning, Analysis & Reporting System	4,697										4,697
Program Planning Information System Upgrade							200	2,050	1,750		4,000
Captor Migration & Upgrade				1,325						2,975	4,300
Parking Tag Management Software Upgrade				950	815	1,450				770	3,985
Other IT projects	3,226	2,140	809	788	588	500	125			2,075	10,251
Sub-total	19,051	33,395	15,504	5,863	2,003	3,380	1,225	4,700	6,150	5,820	97,091
Other Major Initiatives:											
Sub-total											
Total	19,051	33,395	15,504	5,863	2,003	3,380	1,225	4,700	6,150	5,820	97,091

The 10-Year Recommended Capital Plan provides funding for information technology projects totalling \$97.091 million over the 2010 to 2019 timeframe. Most of the projects are complex and involve scoping and development of related IT/systems; focussing on improving and supporting the City's financial processes. They are primarily state of good repair or service improvement projects with 9 previously approved projects to be completed within the 2010 to 2014 timeframe and 4 new and change in scope projects scheduled for completion by 2013. In addition, there are required periodic

future upgrades of current systems to meet the demands of a highly advanced technology driven environment.

10-Year Capital Plan: Incremental Operating Impact Summary

(In \$Thousands)	2010 Rec. Budget	2011 Plan	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2010-2019 Total
2010 Recommended Capital Budget											
Program Costs (Gross)	276	1,354	809	60	100						2,599
Program Costs (Revenue)	(34)	451									417
Program Costs (Net)	310	903	809	60	100						2,182
Approved Positions	3.0	2.0									5.0
Debt Service Costs	430	1,942	736	791	525	111					4,535
Recommended 10-Year Capital Plan											
Program Costs (Gross)				180	78	(120)					138
Program Costs (Revenue)				100	20	(120)					0
Program Costs (Net)				80	58	0					138
Approved Positions				2.0	1.0	(2.0)					1.0
Debt Service Costs				24	115	135	330	211	476	450	1,741
Total											
Program Costs (Gross)	276	1,354	809	240	178	(120)					2,737
Program Costs (Revenue)	(34)	451	0	100	20	(120)					417
Program Costs (Net)	310	903	809	140	158						2,320
Approved Positions	3	2	0	2	1	(2)					6
Debt Service Costs	430	1,942	736	815	640	246	330	211	476	450	6,276

Debt Service cost of repayment of principal and interest is calculated according to corporate guidelines, in the following manner: 2.5% Year 1, and 13% for subsequent years.

The 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan includes operating impacts from previously approved and new/change in scope capital projects for 2010 of \$0.310 million; 2011 of \$0.903 million; 2012 of \$0.809 million; 2013 of \$0.140 million; and 2014 of \$0.158 million.

The operating impacts primarily reflect storage and maintenance costs for the Financial Planning, Analysis and Reporting System of \$1.301 million; for creating and updating databases of the Corporate Fixed Assets Records System of \$0.210 million; for system maintenance and training services of the Tax and Utility Billing System of \$0.457 million.

Financial Services has identified 5 new positions arising from approval of the 2011-2019 Recommended Capital Plan. Capital Projects with complement additions include:

- 2 positions are required in 2010 to create and update databases for the Fixed Assets Records System.
- 1 position is required to maintain the Financial Planning, Analysis and Reporting System in 2010.
- 2 positions will be added to maintain the new Tax and Utility Billing Systems in 2011.
- 1 position will be added in 2014 to review and replace custom coded reports in the Business Information Warehouse production system.

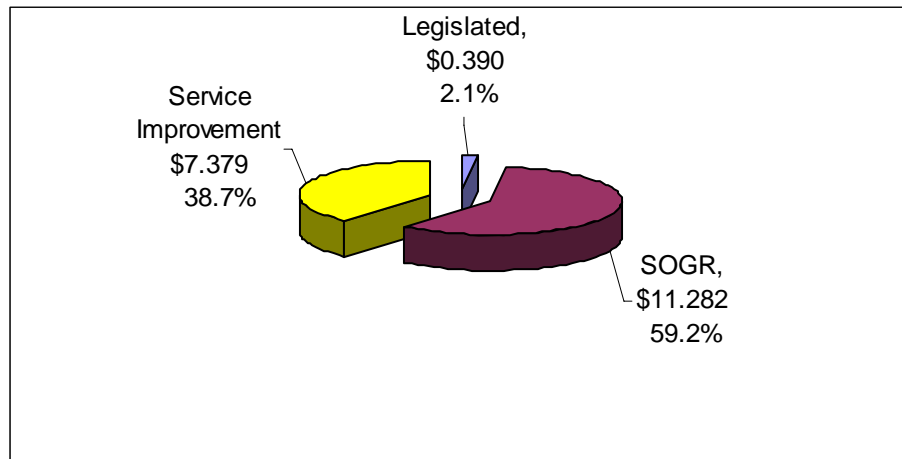
Total 2010 Recommended Cash Flow & Future Year Commitments

	2008 & Prior Year Carry Forwards	2010 Previously Approved Cash Flow Commitments	2010 New Cash Flow Rec'd	2010 Total Cash Flow Rec'd	2009 Carry Forwards	Total 2010 Cash Flow (Incl 2009 C/Fwd)	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total Cost
Expenditures																
Previously Approved	4,357	3,074		7,431	7,157	14,588	4,595	7,730	5,146	1,298						33,357
Change in Scope			154	154		154	185									339
New			11,466	11,466		11,466	27,880	7,365								46,711
New w/Future Year						0	235	409								644
Total Expenditure	4,357	3,074	11,620	19,051	7,157	26,208	32,895	15,504	5,146	1,298	0	0	0	0	0	81,051
Financing																
Debt	3,534	2,592	11,066	17,192		17,192	5,480	6,403	4,752	1,056						34,883
Reserves/Res Funds	478		154	632	800	1,432	25,185	5,000								31,617
Development Charges					100	100										100
ISF / RInC																
Provincial/Federal																
Other	345	482	400	1,227	6,257	7,484	2,230	4,101	394	242						14,451
Total Financing	4,357	3,074	11,620	19,051	7,157	26,208	32,895	15,504	5,146	1,298	0	0	0	0	0	81,051

- Financial Services' 2010 Recommended Capital Budget is \$26.208 million and provides funding for 2009 projects carried forward into 2010 of \$7.157 million; previously approved projects with carry forward funding from 2008 and prior years requiring 2009 cash flow of \$4.357 million; previously approved 2010 commitment funding of \$3.074 million; and funding for, \$11.620 million for new / change in scope projects.
- Major projects requiring 2009 carry forward funding include the Financial Planning, Analysis & Reporting System; Revenue Services – Phase II project; Fixed Asset Records project; Payment Processing Equipment Replacement; Accounts Payable Process Improvements and Tax & Utility Upgrades project.
- Approval of the 2010 Recommended Capital Budget will result in a commitment to future year funding for new/change in scope projects of \$28.300 million in 2011 and \$7.774 million in 2012 for SAP Business Process Change & Technology Transfer, E-Procurement Implementation and Risk Management Information System Upgrade.

2010 Recommended Capital Budget: Overview

Capital Budget by Project Category



The following summarizes the allocation of recommended funding by project category:

- *State of Good Repair projects.* These projects account for approximately \$11.282 million or 59.2% of the total new recommended cash flow for 2010. State of good repair projects include the human resources, financial and business process re-engineering and SAP technology transfer project necessary to prepare the organization to use the new SAP technologies. Other SOGR projects include the Tax & Utility Billing Systems Upgrade and the Risk Management Information System Upgrade projects.
- The 2010 Recommended Capital Budget reflects the allocation of significant funding for *Service Improvement projects.* These projects account for approximately \$7.379 million or 38.7% of the total new cash flow of \$19.051 million being recommended for 2010. Major projects to be undertaken in 2010 include the implementation strategy for the Financial Planning, Analysis and Reporting System project, E-Procurement Implementation, Revenue Services Payment Processing Centre Relocation and Cashiering, Accounts Payable Processing Improvements and Workflow and Document Management Technology projects.
- Legislated projects comprise 2.1% of the 2010 Recommended Budget at \$0.390 million for the Fixed Asset Records System project.

2010 Recommended Capital Budget versus Debt Target

The 2010 Recommended Capital Budget requires new 2010 cash flow of \$19.051 million with debt funding of \$17.192 million. This cash flow combined with funding carried forward of \$7.157 million for 2009 projects results in a total 2010 Recommended Capital Budget of \$26.208 million. The 2010 Recommended Capital Budget for Financial Services is \$7.269 million over the allocated debt target of \$9.923 million.

2010-2019 Capital Program

Capacity and Readiness to Proceed

The 2010 Recommended Capital Budget is ready to proceed. The SAP Business Process Change and Transfer project and the FPARS planning and budgeting system are the highest priorities for Financial Services. Significant corporate resources will be dedicated to this project to ensure it meets the scheduled timelines. Several previously approved projects have been deferred and/or phased over longer time periods in order to ensure this corporate priority is addressed.

Capital Project Highlights

The 2010 Recommended Capital Budget provides funding for that advances Financial Services' strategic direction and supports one key priority outlined in the Mayor's Mandate and Council's policy agenda.

Efficiency and Accountability at City Hall: The 2010 Recommended Capital Budget provides funding of \$4.697 million for the Financial Planning, Analysis and Reporting System implementation project and \$10.655 million for the SAP Business Process Change & Technology Transfer. Upgrades to the Tax & Utility Billing Systems (\$0.473 million); and Fixed Assets Records System (\$0.390 million).

The 2010 Recommended Capital Budget of \$19.051 million provides funding to:

- Begin the business transformation that will influence how the City does business, utilizing best practices and maximizing SAP as the City's system of record by re-engineering human resources, financial business processes and transferring new technology knowledge to City staff (\$10.655 million).
- Begin the relocation of Revenue Services Payment Processing Centre from leased premises to City owned premises (\$0.800 million).
- Continue the extension of the Financial Planning, Analysis and Reporting system implementation project (\$4.697 million).
- Continue with: the Tax and Utility Billing Systems implementation (\$0.473 million); to enhance the Risk Management System to sustain Privacy Information Act recommendations (\$0.154 million); revised project scope of the Workflow & Document Management and imaging projects (\$0.436 million) and the E-Procurement Implementation (\$0.511 million) to utilize corporate technology to streamline the purchasing functions.
- Complete the Fixed Assets Record Systems SAP initiatives \$0.390 million); Revenue Systems – Phase II (\$0.702 million) to develop and implement a general ledger interface for Tax and Water Systems and the Local 79 wage harmonization Collective Agreement project (\$0.233 million);

PART II: ISSUES FOR DISCUSSION

2010 Recommended Capital Budget, 2011-2014 Recommended Capital Plan Issues

Leveraging SAP – SAP Business Process Change and Technology Transfer

The demand for SAP is expanding in the City beyond the original implementation of the SAP Financial, Purchasing, Human Resources (HR) and Payroll functions over 10 years ago. SAP's Work Order and Leasing functions have been implemented in recent years and several divisions have chosen SAP to deliver their business requirements after completing due diligence with other vendors. This includes the Financial Planning and Reporting System and also the new Property Tax and Utility Tax Systems, as well as other SAP projects being identified by City Programs. The SAP Landscape Upgrade project in the Information and Technology's 2010-2019 Recommended Capital Plan will implement key technology to support these and other new initiatives while greatly improving overall access to the data stored in SAP to Programs, Councillors and ultimately, the public. The SAP Landscape Upgrade includes the computer hardware and software to provide the following capabilities:

- a Business Warehouse capability that can store different “views” of the financial, HR and Payroll data in SAP.
- a flexible, user-friendly adhoc reporting and query capability using Business Intelligence (Business Objects) technology which will provide Programs and Councillors with vastly improved access to information stored in SAP from the Business Warehouse.
- an integration “engine” that provides a hub to link other systems to that significantly reduces the current manual effort needed to build and support integration to and from SAP
- performance metric gathering, tracking and reporting and a scorecard capability that will allow for balance scorecard, dashboard and other structured displays of metrics for tracking the performance of services at the City, as tracked in SAP.
- a portal capability delivering web-enablement that will allow for personalization and improved authentication of the systems that leverage SAP. This will be very important in helping to advance the “Toronto at Your Service” goal that is consistent with the recent 311 launch.

By putting in the above components, the SAP Landscape project will allow for more and more corporate and Program-specific systems across the City to leverage the financial, HR and Payroll data stored in SAP and at the same time will reduce the time and costs launching these new systems that will be replacing outdated current systems that are largely inflexible, unique to each division and difficult to maintain.

The City has begun the development of a new Financial Planning, Analysis and Reporting System, referred to as the FPARS Project, designed to support a multi-year, performance-based service budget. The system is essential to meeting the requirements of the mature financial planning process and is scheduled to be operational in 2012. The system supports a multi-year, performance-based service budget for planning, analyzing, approving and evaluating financial data, tracking and reporting performance measures including service level indicators with a cost performance matrix to assess efficiency. It will also include analytical tools that permit sensitivity and scenario analysis that will provide flexibility to incorporate and track long-term service planning initiatives. This approach has been endorsed by the Fiscal Review Panel and recognized Credit Rating Agencies

2010-2019 Capital Program

In accordance with Council's SAP First Policy, SAP has been chosen to deliver this system. However, Financial, Payroll and Human Resources processes and SAP systems have not been renewed since their installation in 1999. Business Process Reengineering is required to reorganize financial and human resource data and to transfer new technology knowledge to the City.

While FPARS is the first project that is dependent on clean, reliable data and the new tools; other corporate and divisional projects will require the same, including the Property Tax Billing and Collection System, the Utility Billing and Collection System and the Capital Budget System (CAPTOR) replacement. In fact, there are over eighty projects (SAP and non-SAP) in the 10-Year Recommended Capital Plan that are reliant on 'clean' SAP data and are identifying the need for tools that provide similar functionality to the new SAP tools. The City's Agencies, Boards and Commissions are not currently in the initial plan, but have identified similar needs. There are real opportunities to reduce/eliminate duplicate systems development and business process costs as well as subsequent sustainment costs by taking an integrated approach to meeting these needs, which in many cases, can occur with the new SAP landscape technology,

The 10-Year Recommended Capital Plan for Financial Services includes \$45.900 million to build a corporate team, document and/or create all our processes and complete work on the technology transfer on the web portal, business warehouse and business intelligence reporting tools. In addition, \$9.073 million of funding is included in the Plan for the FPARS project, which includes the issuance of an RFP and integration of the PBF system with the new SAP tools and business process changes.

Essentially, the FPARS project will be the catalyst for business transformation that will influence how the City does business, utilizing best practices and maximizing SAP as the City's system of record.

Appendix 1
10-Year Recommended Capital Plan Project Summary

Appendix 2
2010 Recommended Capital Budget; 2011 to 2019
Capital Plan

Appendix 3

**2010 Recommended Cash Flow
And Future Year Commitments**

Appendix 4
2010 Recommended Capital Projects
With Financing Details

Appendix 5

Reserve / Reserve Fund Review

Reserve / Reserve Fund Name	Project / SubProject Name and Number	Projected Balance as at Dec. 31, 2009	Proposed Withdrawals										
			2010 Rec. Budget	2011 Plan	2012 Plan	2013 Plan	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2010 - 2019 Total
XR1002 Employee Benefits Reserve Fund	Beginning Balance		\$223,823	\$223,191	\$197,506	\$192,506	\$192,506	\$192,401	\$191,901	\$191,776	\$191,776	\$191,776	
	TRE906813 Collective Agreements Implementation	\$137,151	(\$233)										(\$233)
XQ1508 Vehicle Reserve -IT Equipment	CFO906795-3 Planning and Scoping	\$27,632	(\$245)										(\$245)
	CFO906798-1 Risk Management Information System	\$15,745	(\$154)	(\$185)			(\$105)		(\$125)			(\$125)	(\$694)
XR1010 Insurance Reserve Fund	Investment and Debt Management System Upgrade	\$43,295		(\$500)				(\$500)				(\$600)	(\$1,600)
	CFO906795-7 SAP Business Process Change & Technology Transfer		\$0	(\$25,000)	(\$5,000)								(\$30,000)
	Total Proposed Withdrawals		(\$632)	(\$25,685)	(\$5,000)	\$0	(\$105)	(\$500)	(\$125)	\$0	\$0	(\$725)	(\$32,772)
	Projected Contributions												\$0
TOTAL RESERVE FUND BALANCE AT YEAR-END		\$223,823	\$223,191	\$197,506	\$192,506	\$192,506	\$192,401	\$191,901	\$191,776	\$191,776	\$191,776	\$191,051	