

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) | 8 |
| 10-Year Capital Plan Overview | 10 |
| 10-Year Capital Plan: Incremental Operating Impact Summary | 17 |
| Total 2010 Recommended Cash Flow & Future Year Commitments | 18 |
| 2010 Recommended Capital Budget: Overview | 19 |

PART II: ISSUES FOR DISCUSSION

| | |
|--|----|
| 2010 Recommended Capital Budget Issues | 21 |
| 2011-2019 Recommended Capital Plan Issues..... | 21 |
| 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 | 24 |
| Appendix 2: 2010 Recommended Capital Budget; 2011 to 2019 Capital Plan | 25 |
| Appendix 3: 2010 Recommended Cash Flow & Future Year Commitments | 26 |
| Appendix 4: 2010 Recommended Capital Projects with Financing Details | 27 |
| Appendix 5: 2010 Reserve / Reserve Fund Review | 28 |
| Appendix 6: 2010 to 2019 New and Expansion Facility Projects..... | NA |

Contacts: Judy Broughton
Manager, Financial Planning
Tel: (416) 392-8393

Harvey Tham
Senior Financial Planning Analyst
Tel: (416) 397-4218

November 2, 2009

PART I: CAPITAL PROGRAM**Executive Summary**

- The 10-Year Recommended Capital Plan provides funding to maintain the City's Information and Technology assets in a state of good repair and supports Council's priorities for good government and service excellence, while ensuring the delivery of core integration, application and technology foundational components that are the basis of an enterprise architecture approach.
- The following summarizes the allocation of recommended funding by project type:
 - The 10-Year Recommended Capital Plan of \$401.981 million addresses the renewal needs of essential life cycle replacement of the City's Information Technology assets, and for maintaining the City's core technology infrastructure and corporate applications. The Program consists of 11 projects and 84 subprojects that can be categorized as follows:
 - Asset Lifecycle and Business Sustainment Systems (\$177.605 million).
 - Application Systems (\$47.256 million).
 - Corporate Planning and Management (\$38.439 million).
 - Technology Infrastructure (\$102.383 million).
 - Business Sustainment Systems (\$36.298 million)
- The 2009 Approved Capital Budget of \$66.983 million was 32.1% or \$21.480 million spent, as at September 30th, 2009. Actual expenditures by year-end are anticipated to be \$46.830 million or 69.9% of the 2009 Approved Capital Budget. The spending rate in 2008 for Information and Technology was 71.4%.
 - The projection of 2009 funding to be carried forward into the 2010 Recommended Capital Budget is \$12.013 million. Significant projects requiring funding carried forward are Disaster Recovery, Information Management Strategy, EAI Solution & Business Interfaces, Geospatial Environment Integration, IT Infrastructure Library Best Practices, Risk Management Framework, Integrated Telecom Infrastructure, the Toronto Building e-Services, and the MLS Case Management System.
- The 10-Year Recommended Capital Plan totals \$401.981 million, excluding 2009 carry forward funding into 2010 of \$12.013 million, of which \$235.693 million is projected for the first 5 years, with the final 5 years requiring funding of \$166.288 million or 41.4%.
 - The 10-Year Recommended Capital Plan is funded primarily from the IT Equipment and Capital Financing Reserves, which account for approximately 69% or \$276.283 million. Debt funding provides 31% or \$125.698 million, which meets the debt affordability target established for Information and Technology.

- Changes to the 2009-2018 Approved Capital Plan include an increase in cash flow funding of \$48.519 million in 2010-2019. Major changes include the transfer of IT Projects from Policy, Planning, Finance and Administration (PPFA) totalling \$36.298 million. In addition, the new SAP Landscape project requires \$15.000 million.
- The 10-Year Recommended Capital Plan includes operating impacts from previously approved and new/change in scope capital projects for 2010 of \$0.402 million; 2011 of \$0.994 million; 2012 of \$0.612 million; 2013 of \$1.566 million; 2014 of \$1.772 million; 2015 of \$0.665 million; 2016 of \$0.268 million; 2017 of \$0.186 million; 2018 of \$0.353 million; and 2019 of \$0.071 million. The operating impacts primarily reflect maintenance and support services costs to ensure continuity of systems operations for business requirements.
- Funding for the 10 Year Recommended Capital Plan reduces the current state of good repair backlog by an average \$4.429 million annually. The total backlog projected by year end 2009 is \$50.226 million. At the end of the 10 year time frame, the backlog will be reduced to \$5.937 million. The total asset inventory value for hardware is \$70.885 million in 2009. Of this total, \$4.647 million or 6.6% is required to maintain the assets in a state of good repair.
- The 2010 Recommended Capital Budget for previously approved and new projects (excluding 2009 carry forward funding into 2010) of \$47.236 million is 81% allocated to state of good repair projects at \$38.306 million; and 19% to service improvement projects at \$8.930 million.
- Approval of the 2010 Recommended Capital Budget will result in a commitment to future year funding for new projects of \$28.923 in 2011, \$22.950 in 2012, \$18.698 million in 2013, \$20.045 million in 2014, \$5.754 million in 2015, \$3.694 million in 2016, \$3.297 million in 2017, \$2.868 million in 2018, and \$2.840 million in 2019. The future year funding commitments reflects the nature of some of the Information and Technology's capital program which includes many multi-year, multi-million dollar projects such as the Life-cycle Asset Management project, the SAP Landscape project, the Integrated Telecom Infrastructure project, and the Consolidated Data Centre project.
- The 2009 summer labour disruption will not significantly impact Information and Technology's delivery of the 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan.
- The 2010 Recommended Capital Budget of \$47.236 million provides funding to:
 - Begin work on the Web Foundation and SAP Landscape projects (\$7.626 million); the Quality Assurance Tools, and Project/Resource Capacity Management project (\$0.475 million); and various Business Sustainment Systems in Cluster B (\$2.398 million); eCity Enterprise Architecture, eCity Strategic Planning, and Business Transformation Framework projects (\$3.205 million).

- Continue work on the Disaster Recovery project (\$1.970 million); Mainframe Decommissioning project, SAP 2007 Upgrade (\$1.675 million); eCity Information Security and IT Infrastructure Library Best Practices project (\$1.865 million); Enterprise Systems Management, Consolidated Data Centre, and Integrated Telecom Infrastructure (\$14.350 million); Asset Life-cycle Management (\$20.424 million);
- Complete the Websphere Upgrade project, Web.NET Product Support, Geospatial Environment Integration (\$2.343 million); Network – Data Centre Expansion, eMail Archiving Solutions project, Enterprise Systems Management Implementation (\$2.872 million); Cluster B Mainframe Application Replacement, Computer System Integration, and various application systems for City Planning, Remote computing, and eServices for MLS (\$2.348 million)
- The SAP Landscape project will implement key technology to support an SAP foundation for various Program initiatives. The goal is to establish SAP as the system of record for the City. Funding in the amount of \$15.000 million is included in the 2010 Recommended Capital Budget and 2011 to 2019 Recommended Capital Plan.

Recommendations

The City Manager and Chief Financial Officer recommend that:

1. Council approve the 2010 Recommended Capital Budget for Information and Technology with a total project cost of \$89.834 million, and 2010 cash flow of \$59.249 million and future year commitments of \$121.082 million comprised of the following:
 - a) New Cash Flow Funding for:
 - i) 58 new/change in scope sub-projects with a 2010 total project cost of \$89.834 million that requires cash flow of \$26.078 million in 2010 and a future year commitment of \$8.914 million in 2011; \$11.414 million in 2012; \$14.120 million in 2013; \$16.865 million in 2014; \$3.214 million in 2015; \$2.474 million in 2016; \$2.077 million in 2017; \$1.838 million in 2018; and, \$2.840 million in 2019;
 - ii) 26 previously approved sub-projects with a 2010 cash flow of \$21.158 million and a future year commitment of \$20.009 million in 2011; \$11.536 million in 2012; \$4.578 million in 2013; \$3.180 million in 2014; \$2.540 million in 2015; \$1.220 million in 2016; \$1.220 million in 2017; and, \$1.030 million in 2018.
 - b) 2009 approved cash flow for 45 previously approved sub-projects with carry forward funding from 2009 into 2010 totalling \$12.013 million;
2. Council approve new debt service costs of \$0.150 million in 2010 and incremental debt costs of \$0.929 million in 2011, \$1.560 million in 2012, \$1.560 million in 2013 \$1.560 million in 2014, \$1.560 million in 2015, \$1.585 million in 2016 \$1.690 million in 2017, \$1.690 million in 2018, and, \$1.690 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 Information and Technology totalling \$244.296 million in project estimates, comprised of \$15.498 million in 2011; \$18.347 million in 2012; \$36.996 million in 2013; \$27.000 million in 2014; \$26.393 million in 2015; \$24.139 million in 2016; \$40.525 million in 2017; \$28.375 million in 2018; and, \$28.403 million in 2019; and,
4. Council consider operating impacts of \$0.402 million in 2010; \$0.994 million in 2011; \$0.612 million in 2012; \$1.566 million in 2013; \$1.772 million in 2014; \$0.665 million in 2015; \$0.269 million in 2016; \$0.186 million in 2017; \$0.353 million in 2018; and, \$0.071 million in 2019 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 |
| 66,983 | 21,480 | 32.1% | 46,830 | 69.9% | 20,153 |

The 2009 Approved Capital Budget of \$66.983 million for *Information and Technology* was \$21.480 million or 32.1% spent as at September 30, 2009. The projected expenditures to year end are anticipated to be \$46.830 million or 69.9% of its 2009 Approved Capital Budget. The spending rate in 2008 for Information and Technology was 71.4%. Projected actual expenditures have increased by \$4.505 million, although the spending rate for 2008 was slightly higher than 2009. This is due to the transfer of IT projects from Policy, Planning, Finance and Administration in Cluster B to Information and Technology totalling \$9.855 million.

State of Good Repair projects represent 81.4% or \$54.541 million of the 2009 Approved Capital Budget. As of September 30th, \$20.044 million or 36.8% of the 2009 approved cash flow funding for SOGR projects was spent. The spending rate in the same period of last year was 34.0%. However, as most expenditures usually occur in the second part of the year, Information and Technology is presently projecting a spending rate of 75.3% in this category. This is marginally higher than the 2008 rate of 75.0%.

Significant projects in this category are:

- Technology Asset Sustainment projects represent 37.9% of the 2009 Approved Capital Budget. It is projected that the sustainment project activities and spending will be 76.5% at year end. The under-spending is primarily due to better pricing and effective contract negotiations
- Application Systems projects represent 28.7% of the 2009 Approved Capital Budget. A spending rate of 84.4% is expected at year-end. The under-spending is primarily attributed to a shifting of priorities in several SAP projects, such as the SAP Foundation Upgrade, the SAP Collaborative Value Assessments, Data Warehouse Implementation to the Financial Planning Analysis and Reporting Systems project.
- Corporate Planning and Management projects represent 9.6% of the 2009 Approved Capital Budget. A spending rate of 55.4% is expected at year-end. The under-spending is due to several e-City projects, including e-City Information Security, e-City Architecture, and Information Technology Infrastructure Library Best Practices Implementation being delayed due to recruitment challenges for qualified staff.

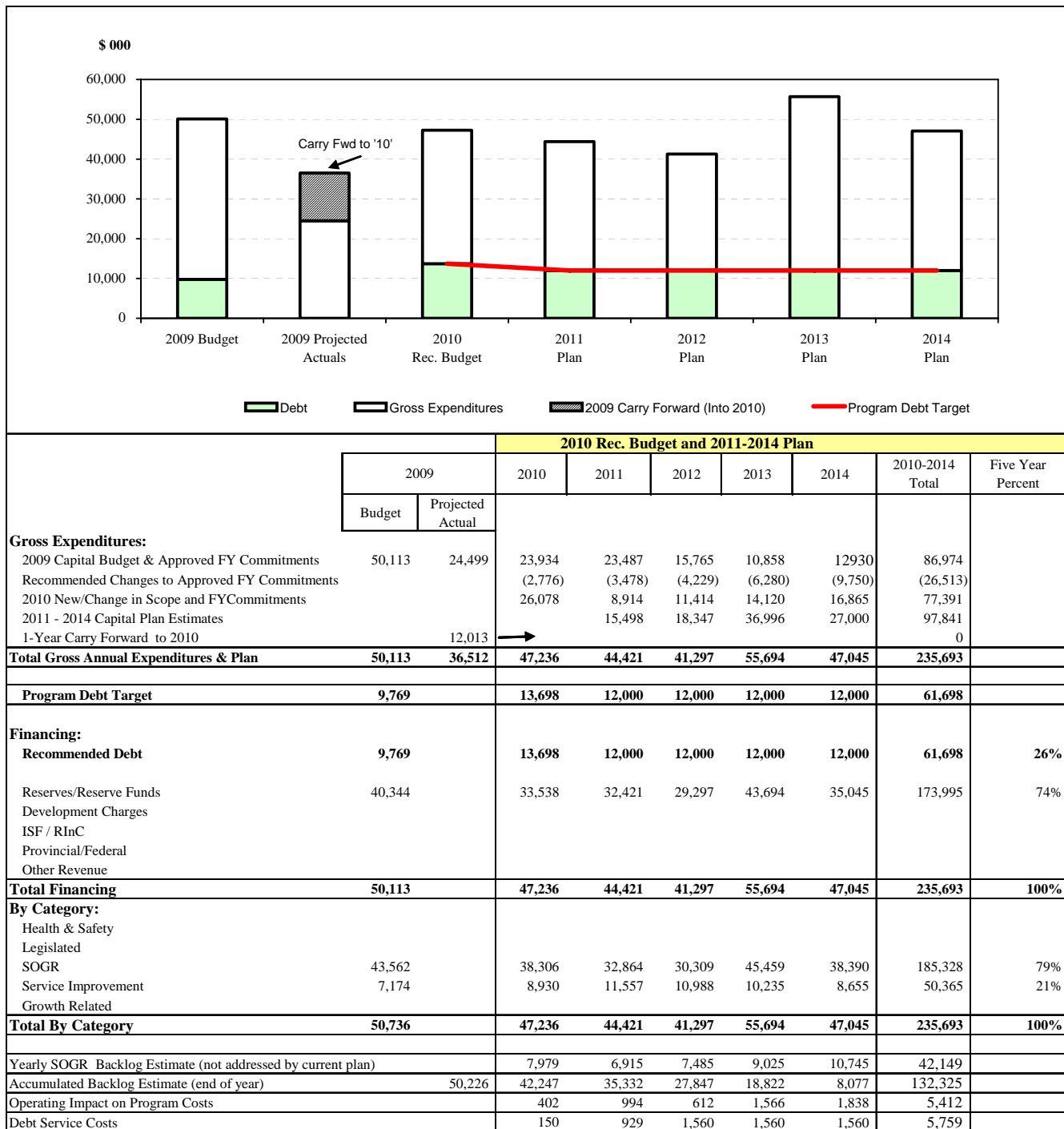
- Technology Infrastructure projects represents 9.0% of the 2009 Approved Capital Budget. The projected spending rate at year-end will be 47.4%. The under spending is primarily attributed to the Consolidated Data Centre project as the RFQ for the engineering study is pending. The target date for completing the study is the end of the 1st quarter of 2010.
- A small number of Growth and Expansion projects make up 18.5% of the 2009 Approved Capital Budget. As of September 30th, \$1.436 million or 11.5% of the 2009 approved cash flow funding for Growth and Expansion projects was spent. However, as most expenditures usually occur in the second part of the year, Information and Technology is presently projecting a spending rate of \$5.770 million or 46.4% in this category. The under-spending is due to delays in evaluating the RFP for the City of Toronto Telecommunications Infrastructure and Voice over Internet Protocol (COTTI/VoiP) Implementation project. Implementation is expected to begin in the 3rd quarter of 2010. Also, delays in strategy development are being experienced in the e-City Strategic Plan project.

The Information and Technology capital projects represent a combination of systems development versus ‘off-the-shelf’ applications. The program will make every effort to report on the completion rates for the program based on this distinction, beginning in 2010.

In May 2009, Council approved the report entitled “Sole Source SAP License Framework”. The report recommended a strategic investment framework for purchasing SAP Licenses. The funding source for the purchases totalling \$7.015 million was the IT Equipment Reserve. The Reserve is to be replenished with funds for projects under-spent in 2009. The specific projects and funding sources will be identified in the 2009 Year-End Final Capital Variance Report. As a result, of the total projected unspent funds of \$20.153 million, only \$12.013 million will be carried forward into 2010.

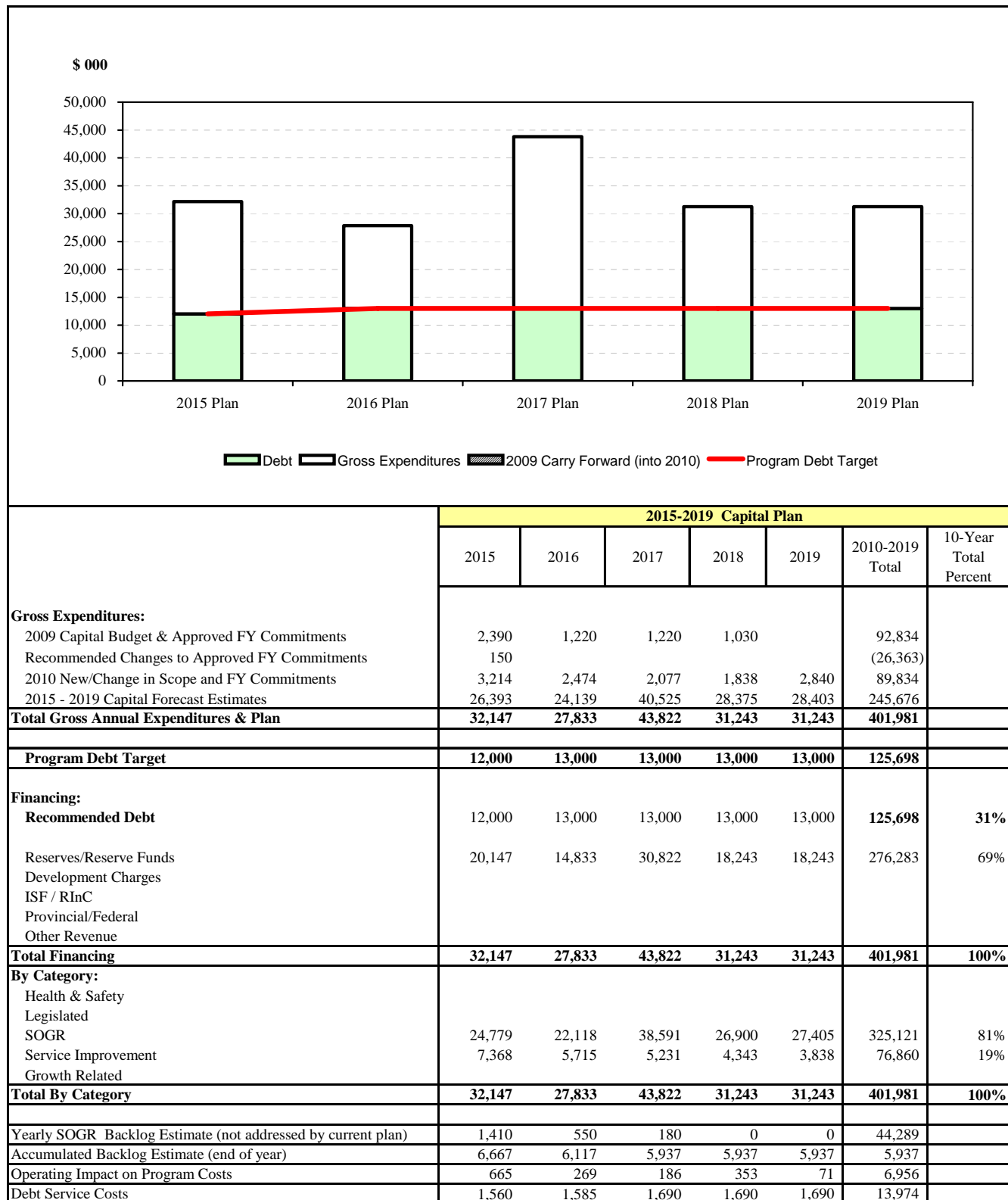
10-Year Capital Plan

2010 Recommended Capital Budget, 2011-2014 Recommended Capital Plan



10-Year Capital Plan

2015-2019 Recommended Capital Plan



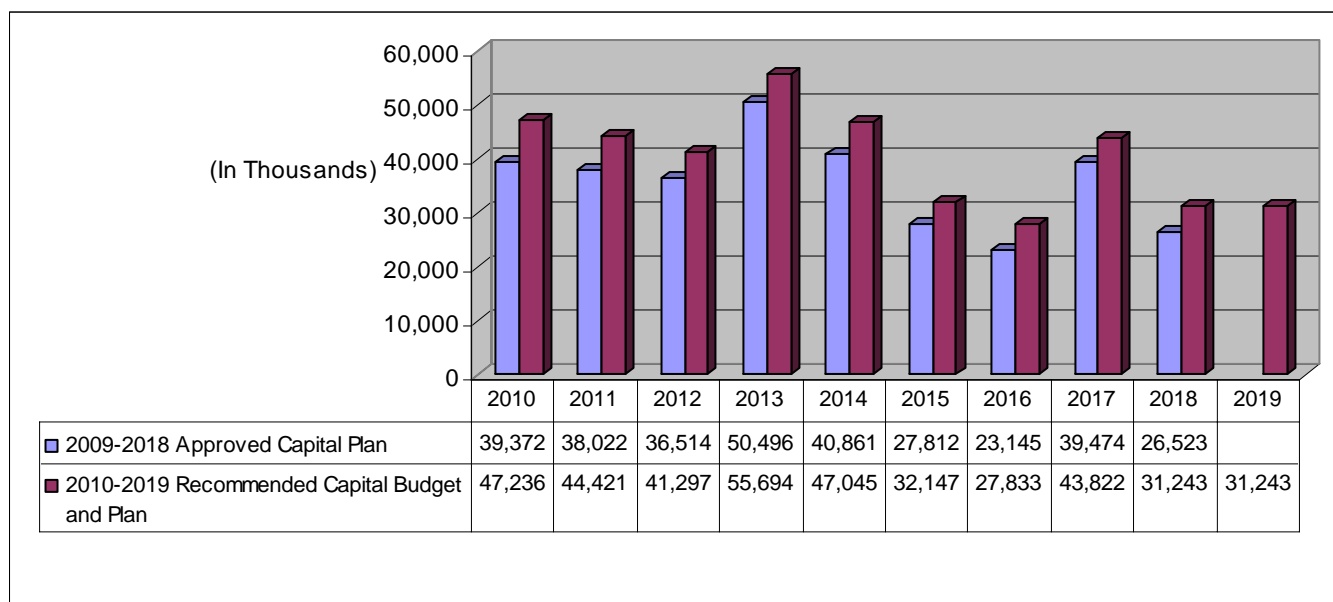
10-Year Capital Plan Overview

- Funding for the 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan enables Information and Technology to maintain the City's core technology infrastructure and corporate applications. In addition, funding is also provided to ensure that increases in system capacity keep pace with business demand for better e-services and e-businesses.
- The 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan is funded primarily from the IT Equipment and Capital Financing Reserves, which account for approximately 69% or \$276.283 million. Debt funding provides 31% or \$125.698 million, which meets the debt affordability target established for Information and Technology for each of the 10 years.
- The 2009 summer labour disruption will not significantly impact the Program delivery of the 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan.
- 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* primarily to address the renewal needs of essential life cycle replacement of the City's Information Technology assets, and for maintaining the City's core technology infrastructure and corporate applications. Of the total forecasted cash flow over the 10-year planning horizon, 81% is allocated to State-of-Good Repair projects at \$325.121 million. The Asset Life-cycle Management project accounts for \$177.605 million or 54.6% of this total allocation.
 - *Service Improvement projects* represent approximately 19.0% or \$76.860 million of recommended expenditures in the 10-Year Recommended Capital Plan. The Technology Infrastructure project accounts for \$29.014 or 37.8% of this for the Integrated Telecom Infrastructure, and the Data Centre Zones Implementation projects.
- Information and Technology currently has a State of Good Repair backlog, estimated at \$50.226 million by December 31, 2009. The 2010 Recommended Budget and 2011-2019 Recommended Capital Plan includes funding to decrease this backlog by \$42.149 million over the 10 year period to \$5.759 million by 2019. The asset inventory comprised of hardware has an estimated value of \$70.885 million in 2009. Of this total, \$4.647 million or 6.6% is required to maintain the assets in a state of good repair.

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 \$47.236 million in cash flow represents an increase of 20.0% or \$7.864 million compared to 2010 Approved Capital Plan of \$39.372 million. There is a \$48.119 million or 14.9 % increase in the 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan over the 9 year period.

Changes to the 2009-2018 Approved Capital Plan



The majority of the increase is due to the implementation of the IT Transformation project which is a strategy to centralize information technology projects corporately. In 2009, IT projects were transferred from Policy, Planning, Finance and Administration (PPFA) in the amount of \$9.955 million. The 10-Year Recommended Capital Plan includes funding for these PPFA IT Projects totalling \$36.298 million. The new SAP Landscape project requires \$15.000 million, in order to establish the SAP foundation necessary for the City business requirements, with the Financial Planning Analysis and Reporting System project, in the Financial Services Capital program being the first project to utilize this technology. Other increases are due to higher funding requirements for the Life-cycle Asset Management project (\$27.224 million), the Disaster Recovery Plan project (\$10.057 million), e-City Enterprise Architecture project (\$6.081 million), and the Multi Channel Electronic Service Delivery project for Cluster B (\$4.849 million), attributed to more IT assets due for replacements in 2010, and the roll out of the enterprise architecture approach down to the service delivery/system development level, and increased demand for e-Services.

Summary of Project Changes

| Key Projects (\$000's) | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2010 - 2018 |
|----------------------------------|-------|-------|-------|-------|---------|------|------|------|------|-------------|
| Asset Life-cycle Management | 7,793 | 8,344 | 410 | (917) | (1,082) | 300 | 200 | 200 | | 15,248 |
| SAP Landscape | 6,856 | 4,072 | 4,072 | | | | | | | 15,000 |
| eCity Enterprise Architecture | 1,399 | 1,782 | 900 | 800 | 800 | 400 | | | | 6,081 |
| CRM Support Framework | 639 | 443 | 237 | | | | | | | 1,319 |
| eCity Strategic Planning | 848 | 737 | 619 | 649 | 425 | 473 | 473 | 473 | 473 | 5,170 |
| Multi Channel Electronic Service | 1,140 | 1,123 | 1,061 | 871 | 654 | | | | | 4,849 |

Project Financing

Information and Technology's 10-Year Recommended Capital Plan is primarily funded from reserves and reserve funds. \$276.283 million or 69% of the \$401.981 million 10-Year Recommended Capital

Plan is funded from reserves and reserve funds. \$125.698 million or 31% is funded from debt, which meets the debt affordability approved for the Program.

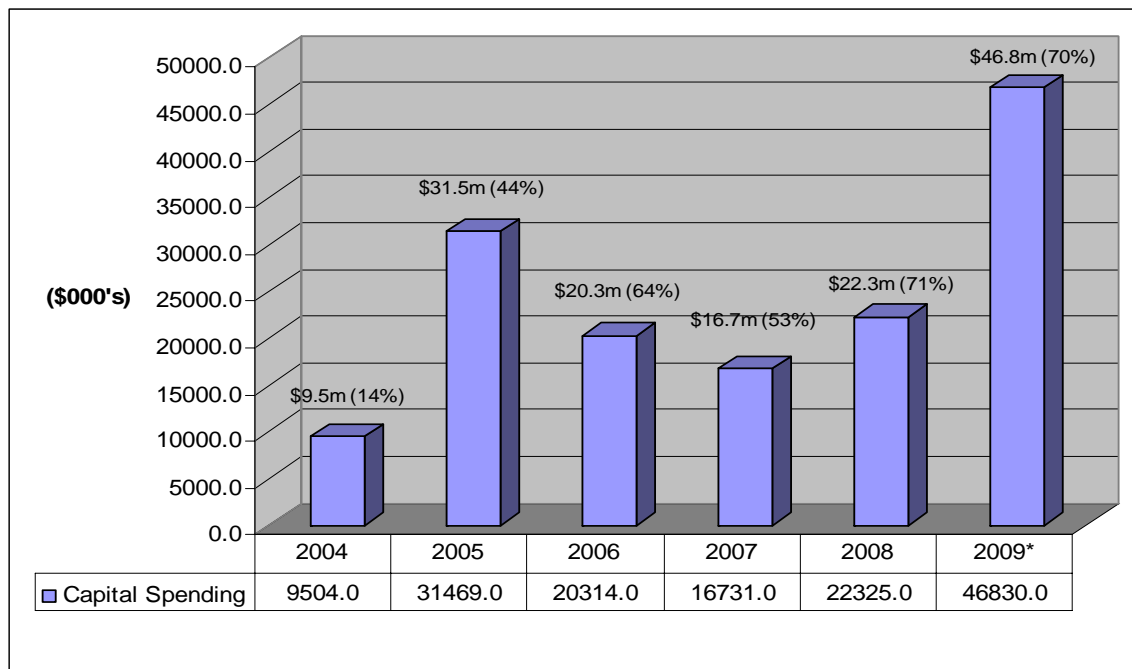
10-Year Recommended Capital Plan Versus Multi-Year Debt Targets

The 2010-2019 Recommended Capital Plan for Information and Technology meets the debt affordability target of \$125.698 million over the 10 year period and the annual debt targets in each year of the 10-Year Recommended Capital Plan time frame.

Program Capacity and Readiness to Proceed

Information and Technology's 2009 Approved Capital Budget of \$66.983 million was 32.1% or \$21.480 million spent as of September 30, 2009. Actual expenditures by year end are anticipated to be \$46.830 million or 69.9% of the 2009 Approved Capital Budget. The 2009 projected spending rate by year-end represents a continued improvement over the Program's historic spending capacity. The last several years, have shown a consistent ramping up of capital spending rates, with 2004 expenditures of \$9.504 million (14%); 2005 expenditures of \$31.469 million (44%); 2006 expenditures of \$20.314 million (53%); 2007 expenditures of \$16.731 million (71%); and \$22.325 million (71%) in 2008, as outlined in the graph below.

Information and Technology Capital Budget Spending (2004-2009)



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

A number of the I&T Program's capital initiatives are under-taken in conjunction with other City Programs, and often require coordinated efforts and involve complex procurement procedures.

There are several key factors that contribute to the deliverables of IT projects, which include very specific skill set requirements to develop projects. Where internal expertise is not available, external technical services are utilized.

A significant amount of resources will be directed to the various SAP projects in order to move forward as rapidly as possible on the corporate Financial Planning Analysis and Reporting System (FPARS), the Capital Asset Accounting project and Property Tax initiatives.

Work is continuing on the Consolidated Data Centre project, including selection of the site, and the issuance of an RFP for the design of the new data centre. On-going discussions with key stakeholders are taking place, while milestones are being achieved.

State of Good Repair (SOGR) Backlog

The SOGR backlog which is estimated to be \$50.226 million by December 31, 2009, is primarily comprised of the Mainframe Decommissioning, Telecom Management System, the Disaster Recovery, and the Data Centre Projects. The backlog is targeted to decrease by \$44.289 million over the next ten years to \$5.937 million.

The asset inventory, comprised of Servers, Storage devices, Network equipment, Desktops, Notebooks, Thin Client Devices, Monitors, Printers and Plotters has an insurable/replacement value of \$70.885 million in 2009. Of this total, \$4.647 million or 6.6% is required to maintain the assets in a state of good repair. The inventory does not include Software as these are acquired on a licensing or “subscription” basis, and the City does not own the Software.

Capital Projects Highlights

The 10-Year Recommended Capital Plan supports the Mayor’s and Council’s priority of:

Good Government and Service Excellence

The 10-Year Recommended Capital Plan of \$401.981 million provides funding to invest in Information and Technology projects that are focused on service excellence; managing information and well-planned, and executed solutions for business systems based on an Enterprise Architecture platform

The Mayor’s and Council’s priority of Service Excellence as an important part of Good Government is focused on improving the City’s Website to make it easier to navigate and take advantage of new technology to enhance functionality for “users” staff, councillors and the public, including single sign-on and consolidation of application users interfaces. The various components required to redesign the website includes the WebSphere Upgrade, and Web.Net Product Support projects.

The 10-Year Capital Plan will fund capital projects that have common foundations comprised of:

- Web Foundations and Website Redesign
- SAP Landscape
- Business Intelligence & Data Warehouse
- Information Management
- Enterprise Architecture
- eCity Strategic Planning
- Technology Foundation

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 |
|---------------------------------|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------------|
| IT Projects | | | | | | | | | | | |
| Asset LifeCycle Management | 20,424 | 15,217 | 11,499 | 28,098 | 16,828 | 13,558 | 11,656 | 28,039 | 16,143 | 16,143 | 177,605 |
| Network Upgrade | 850 | 1,100 | 1,100 | 3,880 | 4,340 | 2,510 | 2,047 | 1,650 | 2,100 | 2,100 | 21,677 |
| Application Systems | 9,621 | 7,463 | 7,434 | 4,855 | 1,100 | 3,840 | 3,364 | 3,164 | 3,108 | 3,307 | 47,256 |
| Corporate Planning & Management | 5,435 | 5,313 | 4,253 | 3,027 | 3,402 | 3,016 | 3,127 | 3,774 | 4,069 | 3,023 | 38,439 |
| Technology Infrastructure | 6,174 | 11,157 | 14,086 | 12,834 | 17,484 | 6,157 | 3,884 | 3,437 | 2,323 | 3,170 | 80,706 |
| Cluster B (PPF&A) | 4,732 | 4,171 | 2,925 | 3,000 | 3,891 | 3,066 | 3,755 | 3,758 | 3,500 | 3,500 | 36,298 |
| Sub-total | 47,236 | 44,421 | 41,297 | 55,694 | 47,045 | 32,147 | 27,833 | 43,822 | 31,243 | 31,243 | 401,981 |
| Other Major Initiatives: | | | | | | | | | | | |
| Sub-total | | | | | | | | | | | |
| Total | 47,236 | 44,421 | 41,297 | 55,694 | 47,045 | 32,147 | 27,833 | 43,822 | 31,243 | 31,243 | 401,981 |

The 10-Year Recommended Capital Plan totalling \$401.981 million for Information and Technology provides the resources for the Program to enable information and technology leadership and services to the City to support effective program delivery and to enable service improvements and operational efficiencies through the innovative application of information technology.

Life-cycle Management of IT Assets

The 10-Year Recommended Capital Plan provides \$177.605 million for lifecycle management of IT Assets that includes hardware, software, servers, storage and enterprise software and technology equipment for the City's computing network. This project focuses on ensuring that the City's IT Assets remain in a state of good repair for operations, and that they are replaced at the end of their useful life and to replace or upgrade software for PCs, Notebooks, Servers and Operating Systems to ensure compatibility and/or effectiveness and efficiency.

Application Systems

The 10-Year Recommended Capital Plan provides \$47.256 million for Applications Systems. These initiatives develop and/or enhance corporate systems, business applications, and data/document management.

Significant projects include:

➤ **SAP Workflow**

The **SAP Workflow** projects arose from the eProcurement directive to establish workflow functionality for approval processes in Accounting Services, Payroll, Purchasing, Facilities and Real Estate, and Human Resources.

The **SAP Landscape** project will implement a SAP foundation to support various Programs' initiatives to use SAP to deliver their systems requirements for business operations and reporting. The City implemented SAP's financial, HR and Payroll systems technology over 10 years ago and upgraded the financial software system 2 years ago. The demand for SAP is expanding in the City. This project will implement the common foundation to support new SAP initiatives and will therefore establish SAP as the system of record for the City.

➤ **GeoSpatial**

GeoSpatial initiatives integrate business systems with City geography, providing the capability to collect, maintain and view business data on a map. These enterprise projects integrate data and provide tools and frameworks to enhance business systems capability for data management, analysis, and reporting across all services and operations.

➤ **Web Foundation**

Investments in the City's web foundations and its rebranding through redesign, web content management and publishing tools will vastly improve the way the City's web-site works and enables it as a dynamic web asset. The redesign is expected to establish a user centered design that responds to the needs of residents and business to engage and interact with the City.

Corporate Planning & Management

The 10-Year Recommended Capital Plan provides \$38.439 million for the Corporate Planning and Management Project, which is focused on key IT management areas and support for setting direction for IT initiatives across the City. This includes components in strategic planning, service and performance management, project and portfolio management.

➤ **Strategic Planning**

Strategic Planning initiatives are intended to create a comprehensive multi-year IT strategy for the City to ensure that there is consistent corporate direction for each of the e-City realm – eServices, eGovernment, eBusiness, and eFoundations, and support for delivery of all of the City's ePrograms.

➤ **Project Management**

Project Management initiatives are focused on governance processes, tools and techniques employed to manage IT capital projects, to ensure alignment with strategic priorities, legislated and quality standards. The outcomes will have standard processes and systems for evaluating, quantifying, monitoring and measuring the optimal selection and sequencing of projects that minimize risks and maximizing the realization of benefits and returns.

➤ **Client Relation Management**

Client Relation Management initiatives are intended to solidify IT relationships, and to ensure productive relationships throughout the corporation. The Business Transformation Framework project development will assess, evaluate and implement methodology, toolkits to facilitate changes in division operational models and business processes; promote greater flexibility and responsiveness by reducing duplication of efforts across the enterprise and develop collaboration among divisions and with other government jurisdictions. The Client Relations Support Framework implementation will ensure effective planning and implementation of all of the City's IT projects to meet business priorities and to ensure an accountable delivery of IT services that would support Divisions' program delivery to the public.

Technology Infrastructure

Technology infrastructure projects include Enterprise Systems Management, the Consolidated Data Centre, Dual Web Infrastructure, and Integrated Telecom Infrastructure. Total cash flow recommended for Technology Infrastructure projects over the 10-Year planning horizon is \$80.706 million. These initiatives will extend the capability of technology facilities, computing and communications systems that underpin city business applications, including web technology, applications such as SAP, IBMS, 311 and internal applications such as eMail, fixed and mobile telephony.

NetWork Upgrade

The 10-Year Recommended Capital Plan provides \$21.677 million for a NetWork Upgrade that is required to address the risks identified in 2008 by the Auditor General. A formal disaster recovery plan to ensure continuity of information technology systems operation to sustain business operations in the event of a catastrophic occurrence was recommended.

Projects transferred from PPFA to the Information and Technology Division as part of the implementation of the IT Transformation project include the Mainframe Application Replacement, Systems Integration, Business Sustainment Systems, TMMS Uniface Upgrade, and Animal Services Electronic Communications projects. Total recommended funding over the 10-Year planning horizon is \$36.598 million.

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 (Net) | 402 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 402 |
| Approved Positions | 1.2 | | | | | | | | | | 1.2 |
| Debt Service Costs | 150 | | | | | | | | | | 150 |
| Recommended 10-Year Capital Plan | | | | | | | | | | | |
| Program Costs (Net) | 0 | 994 | 612 | 1,566 | 1,772 | 665 | 269 | 186 | 353 | 71 | 6,488 |
| Approved Positions | | 2.8 | 2.0 | 7.0 | 5.0 | 7.0 | 1.0 | | | | 24.8 |
| Debt Service Costs | | 929 | 1,560 | 1,560 | 1,560 | 1,560 | 1,585 | 1,690 | 1,690 | 1,690 | 13,824 |
| Total | | | | | | | | | | | |
| Program Costs (Net) | 402 | 994 | 612 | 1,566 | 1,772 | 665 | 269 | 186 | 353 | 71 | 6,890 |
| Approved Positions | 1 | 3 | 2 | 7 | 5 | 7 | 1 | 0 | 0 | 0 | 26 |
| Debt Service Costs | 150 | 929 | 1,560 | 1,560 | 1,560 | 1,560 | 1,585 | 1,690 | 1,690 | 1,690 | 13,974 |

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 includes operating impacts from previously approved and new/change in scope capital projects for 2010 of \$0.402 million.

The 2011 to 2019 Recommended Capital Plan includes operating impacts from previously approved and new/change in scope capital projects of \$0.994 million in **2011**, **\$0.612 million in 2012**, **\$1.566 million in 2013**, **\$1.772 million in 2014**, **\$0.665 million in 2015**, **\$0.269 million in 2016**, **\$0.186 million in 2017**, **\$0.353 million in 2018**, and **\$0.071 million in 2019**.

The operating impacts primarily reflect incremental costs to maintain and support systems when completed and operationalized. Support and maintenance of systems are required either on a 24/7 coverage or next business day response depending on critical factors. The services include email and phone support, hardware components repair or replacement, software upgrades, including installation of patches; system monitoring, data backup, storage and retrieval.

Information and Technology has identified 26 new positions arising from approval of the 2011-2019 Recommended Capital Plan. Capital Projects with complement additions include:

- Network Upgrade (6 positions).
- Corporate Planning & Management (3 positions)
- Technology Infrastructure (11 positions)
- Municipal Licensing and Standards Business Sustainment Systems (6 positions)

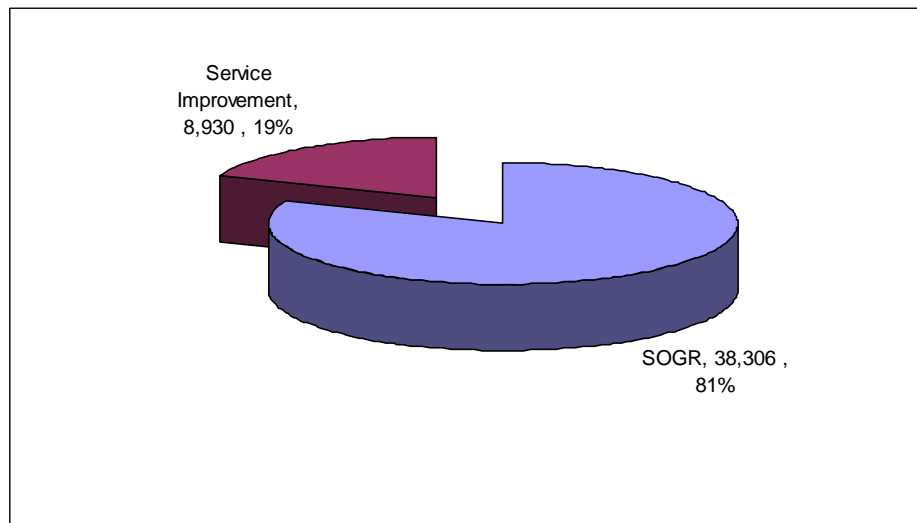
Total 2010 Recommended Cash Flow & Future Year Commitments

| | 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 | | 21,158 | | 21,158 | 12,013 | 33,171 | 20,009 | 11,536 | 4,578 | 3,180 | 2,540 | 1,220 | 1,220 | 1,030 | 0 | 78,484 |
| Change in Scope | | | (9,255) | (9,255) | | (9,255) | (4,008) | 6,196 | 13,267 | 16,461 | 3,031 | 2,442 | 2,045 | 1,810 | 2,840 | 34,829 |
| New | | | 8,916 | 8,916 | | 8,916 | 4,499 | 4,301 | 240 | | | | | | | 17,956 |
| New w/Future Year | | | 26,417 | 26,417 | | 26,417 | 8,423 | 917 | 613 | 404 | 183 | 32 | 32 | 28 | | 37,049 |
| Total Expenditure | 0 | 21,158 | 26,078 | 47,236 | 12,013 | 59,249 | 28,923 | 22,950 | 18,698 | 20,045 | 5,754 | 3,694 | 3,297 | 2,868 | 2,840 | 168,318 |
| Financing | | | | | | | | | | | | | | | | |
| Debt | | 7,711 | 5,987 | 13,698 | | 13,698 | 5,856 | 5,803 | 3,702 | 2,719 | 1,073 | 772 | 772 | 768 | 740 | 35,903 |
| Reserves/Res Funds | | 13,447 | 20,091 | 33,538 | 3,736 | 37,274 | 23,067 | 17,147 | 14,996 | 17,326 | 4,681 | 2,922 | 2,525 | 2,100 | 2,100 | 124,138 |
| Development Charges | | | | | | 0 | | | | | | | | | | 0 |
| ISF / RInC | | | | | | 0 | | | | | | | | | | 0 |
| Provincial/Federal | | | | | | 0 | | | | | | | | | | 0 |
| Other-CFC | | | | | 8,277 | 8,277 | | | | | | | | | | 8,277 |
| Total Financing | 0 | 21,158 | 26,078 | 47,236 | 12,013 | 59,249 | 28,923 | 22,950 | 18,698 | 20,045 | 5,754 | 3,694 | 3,297 | 2,868 | 2,840 | 168,318 |

- The 2010 Recommended Capital Budget is \$59.249 million, and includes funding carried forward from 2009 into 2010 of \$12.013 million, funding previously approved projects of \$21.158 million, and funding for new/change in scope projects of \$26.078 million.
- Approval of the 2009 Recommended Capital Budget will result in a future year commitment of \$28.923 million in 2011, \$22.950 million in 2012, \$18.698 million in 2013, \$20.045 million in 2014, \$5.754 million in 2015, \$3.694 million in 2016, \$3.297 million in 2017, \$2.868 million in 2018, and \$2.840 million in 2019.
- The 2010 Recommended Capital Budget is funded from debt in the amount of \$13.698 million which meets the debt affordability target, and \$33.538 million from reserves/reserve funds.

2010 Recommended Capital Budget: Overview

Capital Budget by Project Category



The 2010 Recommended Cash Flow of \$47.236 million, excluding funding carried forward from 2009 into 2010 is comprised of \$38.306 million or 81% for State of Good Repair projects, and \$8.930 million or 19% for Service Improvement projects.

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

- The 2010 Recommended Capital Budget allocates significant funding to *State of Good Repair projects*. These projects account for \$38.306 million or 81% of the total new cash flow of \$47.236 million being recommended for 2010. State of good repair projects include Asset Life-cycle Management project (\$20.424 million) for sustaining the desktops, Servers, Storage and Enterprise Software, the Network Upgrade (\$0.850 million) for the Disaster Recovery project, the Application Systems project (\$9.871 million), Corporate Planning and Management project (\$3.008 million), and the Technology Infrastructure project (\$3.549 million).
- *Service Improvement projects* represent 19% or \$8.930 million of the total new recommended cash flow for 2010. Examples of service improvement projects include the Project and Resource Capacity Management project (\$0.375 million), eCity Strategic Planning project (\$0.846 million), Business Transformation and CRM Support Framework project (\$1.009 million), Quality Assurance Strategy project (\$0.180 million) and the Integrated Telecom Infrastructure project (\$2.625 million), and Cluster B Business Sustainment Systems (\$4.128 million).

2010 Recommended Capital Budget versus Debt Target

The 2010 Recommended Capital Budget requires new 2010 cash flow of \$47.236 million with debt funding of \$13.698 million. This cash flow combined with funding carried forward of \$12.013 million for 2009 projects results in a total 2010 Recommended Capital Budget of \$59.249 million. The 2010 Recommended Capital Budget for Information and Technology meets the 2010 debt affordability target of \$13.698 million.

Capacity and Readiness to Proceed

The Program's spending rate has improved over the last couple of years. This has been achieved by the Program taking corrective action to address the causes of some of the delays encountered in the past, such as resource constraints that impact the start of I&T projects, and delays in obtaining deliverables from the vendors.

Projects included in the 2010 Recommended Capital Budget are ready to proceed.

Capital Project Highlights

The 2010 Recommended Capital Budget is primarily comprised of funding to maintain the state of good repair of the City's technology network, developing and implementing application systems and technology infrastructure, and ensuring service improvement and enhancement for the City's Telecom Infrastructure.

There are several foundation projects included in the 2010 Recommended Capital Budget in areas such as:

- Web Foundations & Website Redesign
- Business Intelligence & Data Warehouse
- Information Management
- Enterprise Architecture
- eCity Strategic Planning
- Technology Foundation projects including:
 - SAP Landscape
 - Consolidated Data Centre
 - Enterprise Systems Management & Tools
 - Integrated Telecommunications Infrastructure
- Life-Cycle Management/sustainment

The 2010 Recommended Capital Budget of \$47.236 million provides funding to:

- Begin work on the Web Foundation and SAP Landscape projects (\$7.626 million); the Quality Assurance Tools, and Project/Resource Capacity Management (\$0.475 million); and various Business Sustainment Systems in Cluster B (\$2.398 million); and eCity Enterprise Architecture, eCity Strategic Planning, and Business Transformation Framework (\$3.205 million);
- Continue work on the Disaster Recovery project (\$1.970 million); Mainframe Decommissioning, SAP 2007 Upgrade (\$1.675 million); eCity Information Security and IT Infrastructure Library Best Practices (\$1.865 million); Enterprise Systems Management, Consolidated Data Centre, and Integrated Telecom Infrastructure (\$14.350 million); Asset Life-cycle Management (\$20.424 million); and,
- Complete the Websphere Upgrade, Web.NET Product Support, Geospatial Environment Integration (\$2.343 million); Network – Data Centre Expansion, eMail Archiving Solutions, Enterprise Systems Management Implementation (\$2.872 million); Cluster B Mainframe Application Replacement, Computer System Integration, and various application systems for City Planning, Remote computing, and eServices for MLS (\$2.348 million).

PART II: ISSUES FOR DISCUSSION**2010 Recommended Capital Budget Issues****SAP Licensing Framework**

In May 2009 Council approved the “Sole Source SAP License Framework” which recommended approval of the sole source purchase of \$7.015 million in SAP licenses and 2009 maintenance fees to SAP Canada Inc.

A temporary funding source for these purchases totalling \$7.015 million was identified as the IT Equipment Reserve. The Reserve is to be replenished with funds for projects under-spent in 2009. The specific projects and funding sources will be identified in the 2009 final capital variance report.

2011-2019 Recommended Capital Plan Issues**SAP Landscape Upgrade**

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. This SAP Landscape Upgrade project 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. These views can integrate data from different sources in SAP, and from other systems across the divisions, so that comprehensive information is available for reporting and online queries
- 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. This will lead to improved decision making for budget and resource usage, increased employee productivity by eliminating repetitive manual tasks (e.g. downloading to spreadsheets) and provides easy, simple data access to all employees and Councillors
- 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. As more and more business needs require the data stored in SAP and vice versa, having this capability will allow for a quicker and timelier means to meet these growing needs. This will also facilitate the growing need to provide this data out to the public or other agencies

- 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. This will provide the insight needed by divisions to maximize efficiencies. This capability is fully web-enabled and would allow for the easy publishing of benchmarks for Intranet and Internet uses
- 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. As more and more services are offered online, this will allow for effective, secure and efficient financial transactions for the public 7 days a week, 24 hours a day.

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 10-Year Recommended Capital Plan provides funding in the amount of \$15.000 million over three years for the SAP Landscape Upgrade project. Cash flow required in 2010 is \$6.856 million; and \$4.072 million in each of the following two years, 2011 and 2012. This is funded \$2.675 million from debt, and \$12.325 million from the IT Equipment Reserve.

Corporate Review of IT Projects

As part of the I&T Governance and Transformation Project, two senior staff committees were formed: The Business Advisory Panel (BAP) and the Enterprise Architecture Review Panel (EARP).

The purpose of these committees is to guide the development of enterprise architecture and ensure appropriate standards are in place and are followed for IT project city-wide.

The Panel review deliverables from projects that span divisions, that are enterprise-wide or that have a significant potential impact in accomplishing key priorities of Council.

Projects are considered in the context of the City enterprise infrastructure that is the overall blueprint for the information, automated business processes and the systems and technology that enable these to meet the strategic and critical priorities of the City. This is to ensure consistent, quality results are achieved that provide value. Value is defined as the degree to which business requirements are met and at the same time promote re-use and integration of IT assets.

The Business Advisory Panel (BAP) chaired by the City Manager, provides strategic direction, establishes business priorities and guides the City's investment in information and technology. Key responsibilities include:

- Translate City strategic direction into business priorities
- Review and prioritize existing initiatives
- Review spending and funding for entire IT portfolio
- Approval authority for major new initiatives
- Communicate and enforce alignment with City strategies
- Approve IT Strategy

For 2010, the BAP review of IT Projects across the City's capital plans was intended to take place prior to the start of the annual Capital Budget cycle, in order to inform the process. However, the 2009 labour disruption delayed the review process. Consequently, the Corporate review of IT projects by EARP and BAP for the 2010 Recommended Capital Budget and 2011-2019 Recommended Capital Plan has taken place concurrently with this capital plan review process.

The potential identification of duplicated projects and refinement of various programs and IT projects will continue into the first quarter of 2010. It is anticipated that the full review by EARP and BAP of IT projects will be finalized prior to consideration of the 2011 Capital Budget Process.

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 |
| XQ1508 - IT Equipment Reserve | Beginning Balance | \$16,525 | \$16,525 | \$11,004 | \$2,779 | \$2,359 | (\$6,002) | (\$4,261) | (\$3,042) | \$3,400 | (\$10,358) | (\$12,761) | |
| | Sustainment Program | | (\$20,906) | (\$14,736) | (\$11,499) | (\$20,760) | (\$13,926) | (\$16,006) | (\$11,416) | (\$27,948) | (\$16,143) | (\$16,143) | (\$169,483) |
| | SAP Landscape | | (\$6,856) | (\$4,072) | (\$4,072) | | | | | | | | (\$15,000) |
| | Disaster Recovery | | (\$700) | (\$1,100) | (\$1,100) | (\$3,880) | (\$4,340) | (\$2,510) | (\$2,047) | (\$1,650) | (\$2,100) | (\$2,100) | (\$21,527) |
| | Consolidated Data Centre | | (\$1,360) | (\$5,505) | (\$646) | | | | | | | | (\$7,511) |
| | | | | | | | | | | | | | |
| | Total Proposed Withdrawals | | (\$29,822) | (\$25,413) | (\$17,317) | (\$24,640) | (\$18,266) | (\$18,516) | (\$13,463) | (\$29,598) | (\$18,243) | (\$18,243) | (\$213,521) |
| | Projected Contributions | | \$24,301 | \$17,188 | \$16,897 | \$16,279 | \$20,007 | \$19,735 | \$19,905 | \$15,840 | \$15,840 | \$15,773 | \$181,765 |
| TOTAL RESERVE FUND BALANCE AT YEAR-END | | \$16,525 | \$11,004 | \$2,779 | \$2,359 | (\$6,002) | (\$4,261) | (\$3,042) | \$3,400 | (\$10,358) | (\$12,761) | (\$15,231) | |