
2006 BUDGET BRIEFING NOTE: Options to Fund the SAP Competency Centre Costs for 2006 to Meet the 2% Target

Issue/Background:

At its meeting held on January 20, 2006, the Administration Committee “requested the (Executive) Director of Information & Technology to report to the Budget Advisory Committee on January 27, 2006, with options to meet the 2 percent target, such options to include alternate ways to fund the SAP competency centre.”

Key Points:

- The history of the establishment of the SAP Competency Centre is the subject of a separate briefing note before this committee. It should be noted that City Council, at its meeting of May 18-20, 2004, adopted Report No. 2 of the Administration Committee titled “Moving Forward with SAP.” In the Financial Impact Statement it was stated that the annualized budget pressure of the SAP Competency Centre will be assumed corporately. The rationale was that the costs of centralization of the support for SAP should not be directly borne by the Information & Technology (I&T) Division.
- Through divisional reviews, reductions of \$1.7 million have been made to the overall I&T Division 2006 Proposed Budget (this includes a \$160k reduction to the SAP Competency Centre base budget).
- These budget reductions have reduced the 2006 Proposed Base Budget to the 2% target, *except for* the annualized costs of the final phase of the SAP Competency Centre (\$557k), which had been deferred to commence late 2005 instead of full year as originally planned.
- As a result of the SAP Competency Centre deferral, the I & T Division’s 2006 Proposed Operating Budget is 3.5% higher than the 2005 Approved budget due to the final annualization of the SAP Competency Centre.
- In addition, there is proposed new funding for the maintenance and licensing costs (\$87k) resulting from the approval of the 2006 Capital Budget.

IT Equipment Purchases – Operating Reduction

- The IT Sustainment Strategy, approved by Council, is funded by the I&T Equipment Reserve. The intent of this reserve is to provide a stable funding source to ensure that IT assets could be replaced at the end of their lifecycle.
- The 2006 Approved Capital Budget for the IT Sustainment Project has sufficient funds for the acquisition of equipment and related assets (including, for example, disk drives for SAP) that are currently proposed in the I&T Division’s 2006 Operating Budget valued at \$541k.
- The acquisition of this equipment through the IT Sustainment Project would enable I&T to reduce its operating budget by \$541k.

- In order to meet the 2% base operating target, staff recommend funding equipment and related asset purchases from the I&T Sustainment Capital Project.
- It would enable the funding for the final phase of the SAP Competency Centre to proceed as originally approved by Council, that is essential to ensure SAP is maintained in a State of Good Repair and that improvements to its capability to more effectively meet business needs can continue.

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