

Analyst Briefing Notes

Budget Committee - February 16, 2010

PART I: 2010 OPERATING BUDGET

Executive Summary	2
Recommendations	6

PART II: 2010 SERVICE OVERVIEW AND PLAN

Mission Statement	7
Program Map	7
2010 Recommended Services: Overview	7

PART III: 2009 EXPERIENCE

2009 Accomplishments	10
2009 Budget Variance Analysis	11
Impact of 2009 Operating Variance on 2010 Recommended Budget	11

PART IV: 2010 RECOMMENDED BASE BUDGET

2010 Recommended Base Budget	12
2010 Key Cost Drivers	13
2010 Service Changes	13

PART V: RECOMMENDED SERVICE CHANGES

2010 Recommended Service Changes	15
--	----

PART VI: RECOMMENDED NEW/ENHANCED SERVICE PRIORITY ACTIONS

2010 Service Priority Actions	18
-------------------------------------	----

PART VII: ISSUES FOR DISCUSSION

2010 Budget Issues	21
2011 and Future Year Issues	NA
Issues Referred to the 2010 Operating Budget Process	NA
Issues Referred from 2009 and Prior Years	NA

Appendix A: 2010 Recommended Base Budget Changes vs. 2009 Approved Budget	22
--	----

Appendix B: Summary of Service Changes	23
---	----

Appendix C: Summary of 2010 Recommended New/Enhanced Service Priority Actions	24
--	----

Appendix D: Program Summary by Expenditure Category	25
--	----

Appendix E: Inflows / Outflows to / from Reserves and Reserve Funds	26
--	----

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

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

February 16, 2010

PART I: 2010 OPERATING BUDGET**Executive Summary**

- Information and Technology provides technology leadership and services to the City of Toronto to support effective program delivery and to enable service improvements and operational efficiencies through innovative applications. The Program plans, builds and sustains information technology solutions.
- Information and Technology's 2010 service objectives are highlighted below:
 - Leading the planning, prioritizing and demand management for information and technology resources.
 - Leveraging Information and Technology to support current business practices and shape new service delivery strategies in the City's delivery of effective and efficient services.
 - Developing a City-wide I&T strategic planning methodology and framework.
 - Maintaining a secure, reliable and high performance technology infrastructure
 - Maintaining uninterrupted access to business information, application, and internet resources.
 - Implementing and supporting corporate and Program specific IT enhancements.
 - Developing and implementing an SAP foundation focused on building a more functional, service-based, performance-focused model for planning, budgeting, monitoring, and evaluating City services, the investments in those services, and the outcomes they produce.
 - Continuing to improve the City's website.
- Information and Technology's achievements are highlighted below:
 - Produced the first enterprise view of all IT capital projects for assessment and review through the Enterprise Architecture Review Panel and approval at Business Advisory Panel. Worked collaboratively with divisions to develop capital business cases and navigate the process.
 - Developed significant IT services in support of the launch and the ongoing delivery of the City's new 311 Toronto Service. Integrated both Transportation and Solid Waste work order systems with 311 Toronto, and integrated geospatial components.
 - Enhanced the City's website by establishing the Webbook for active blogs, and live chats, launching the @311Toronto Twitter account, the Telepermit system for Toronto Building, and the Licensing System documentation using the City's wikipedia, and deploying 37 Domino applications for various divisions on both the Intranet and Internet.

- Established an SAP Licensing Framework, as approved by Council, allowing the City to take an integrated, coordinate approach to investments in SAP software. By doing so, the City's SAP license discount percentage has more than doubled.
- Continued building the infrastructure at the Infrastructure Disaster Recovery site for supporting core applications (e.g. GroupWise, SAP, etc.)
- For 2009, Information and Technology projects year-end net expenditures of \$60.239 million which are \$0.072 million or 0.1% below the 2009 Approved Operating Budget of \$60.310 million net. The favourable variance primarily is the result of vacant positions prolonged by recruitment challenges faced by the Division, including the need to hold vacancies as part of the service review process. These are positions required to deliver capital projects, and these vacancies have resulted in lower recovery from capital.
 - There is no impact on the 2010 Recommended Operating Budget as a result of the 2009 experience.

Table 1: 2010 Recommended Budget

(In \$000s)	2009		2010 Recommended Operating Budget			Change - 2010 Recommended Operating Budget v. 2009 Appvd. Budget		FY Incremental Outlook	
	2009 Appvd. Budget	2009 Projected Actual	2010 Rec. Base	2010 Rec. New/Enhanced	2010 Rec. Budget			2011	2012
	\$	\$	\$	\$	\$			%	\$
GROSS EXP.	78,290.2	74,800.8	80,185.3	5,522.5	85,707.8	7,417.6	9.5	946.9	4,519.0
REVENUE	17,979.6	14,561.9	20,201.7	3,982.5	24,184.2	6,204.6	34.5	551.7	191.6
NET EXP.	60,310.6	60,238.9	59,983.6	1,540.0	61,523.6	1,213.0	2.0	395.2	4,327.4
Approved Positions	575.5	497.2	587.5	50.0	637.5	62.0	10.8	636.5	642.5

TARGET COMPARISON	2010 Target	2010 Rec. Budget	2010 Rec. Budget vs. 2010 Target	2011 Target
NET BUDGET	59,989.6	61,523.6	1,534.0	56,974.0
PROGRAM REDUCTION (\$)	(3,015.5)	(3,028.5)	(13.0)	(3,015.5)
PROGRAM REDUCTION (%)	(5.0)	(5.0)	(0.0)	(5.0)

- The 2010 Recommended Operating Budget for Information and Technology of \$85.708 million gross and \$61.523 million net is \$1.213 million or 2.0% above the 2009 Approved Net Operating Budget of \$60.310 million, and achieves Program reductions of \$3.029 million or 5.0% of the 2009 Approved Budget.
- The 2010 Recommended Operating Budget for Information and Technology includes funding of \$5.523 million gross and \$1.540 net for new or enhanced service priority actions. Approval of the 2010 Recommended Budget will result in the Program's total staff complement increasing from 575.5 to 637.5 approved positions. This is a result of adding 62.0 temporary positions to deliver new projects contained in the 2009 and 2010 Approved Capital Budget.
- The 2010 Recommended Operating Budget for Information and Technology results in incremental future year net increases to the Program of \$0.395 million in 2011 and \$3.607 million in 2012.

- The 2011 Outlook includes projected increases of \$1.404 million for COLA, progression pay and step increases, inflationary increases for non-salary expenses, namely materials and supplies, services and rents, of \$0.110 million, the operating impact from capital of \$1.099 million required for maintenance and licensing costs for various projects including the SAP Licensing and SAP Landscape products for FPARS and other capital initiatives using SAP. In addition, it reflects a cost reduction of \$2.218 million resulting from service change actions recommended for 2010.
- The 2012 Outlook anticipates incremental increases of \$0.657 million for progression pay and step increases, inflationary increases for non-salary expenses of \$0.110 million, operating impact from capital of \$2.670 million for increased maintenance and licensing costs for various capital projects, including the SAP Licensing Framework and SAP Landscape projects. It also reflects \$0.890 million increase for sustaining the capital projects, including Mainframe Decommissioning, and the Integrated Telecom Infrastructure, recommended in the 2010 Recommended Operating Budget.
- Savings totaling \$2.218 million as a result of the service changes recommended for 2010 have been identified, and additional options will be considered during the 2011 Operating budget process to meet the 2011 Operating Budget Target.
- The 2010 Recommended Base Budget provides funding for the following key cost drivers:
 - Increases in salaries and benefits resulting from progression pay, and COLA of \$1.181 million net.
 - Annualized costs of \$0.383 million net, for positions approved in 2009.
 - Operating impact from capital projects for to increased maintenance and licensing costs of \$0.269 million.
 - Inflationary increases for non-salary items.
- Information and Technology's 2010 Recommended Operating Budget includes service changes with savings of \$2.813 million for 2010, and incremental savings of \$2.218 million in 2011. The 2010 service change actions include \$1.616 million net in service efficiency savings and minor service level changes of \$1.197 million net. Through the reassignment and absorption of work by existing staff, the Information and Technology can maintain 2009 services.
- The following key program issues have been identified during the 2010 Operating Budget process:
 - The SAP Landscape project in the 2010 Approved Capital Budget will require 19 additional temporary staff funded from the capital budget at a cost of \$2.000 million gross and \$0.0 net to implement key SAP technology to support various new initiatives that will use SAP as a foundation, while greatly improving overall access to the data stored in SAP to Programs, Councillors and ultimately, the public.
 - The increase in maintenance costs arising from the purchase of SAP Licenses that are an integral component of the SAP Landscape Upgrade project mentioned above.

- The 2010 Recommended Operating Budget for Information and Technology provides funding for the Program to complete, continue and initiate the following activities:
 - Leveraging Information and Technology to support current business practices and shape new service delivery strategies in the City's delivery of effective and efficient services.
 - Developing a City-wide I&T strategic planning methodology and framework.
 - Maintaining a secure, reliable and high performance technology infrastructure, and uninterrupted access to business information, and system applications.
 - Implementing and supporting corporate and Program specific IT enhancements.
 - Developing and implementing an SAP foundation focused on building a more functional, service-based, performance-focused model for planning, budgeting, monitoring, and evaluating City services, the investments in those services, and the outcomes they produce.
 - Continuing to improve the City's website.
 - Continuing with the implementation of the Enterprise Architecture Program.

Recommendations

The City Manager and Chief Financial Officer recommend that:

- 1. City Council approve the 2010 Recommended Operating Budget for Information and Technology of \$85.708 million gross and \$61.524 million net, comprised of the following services:

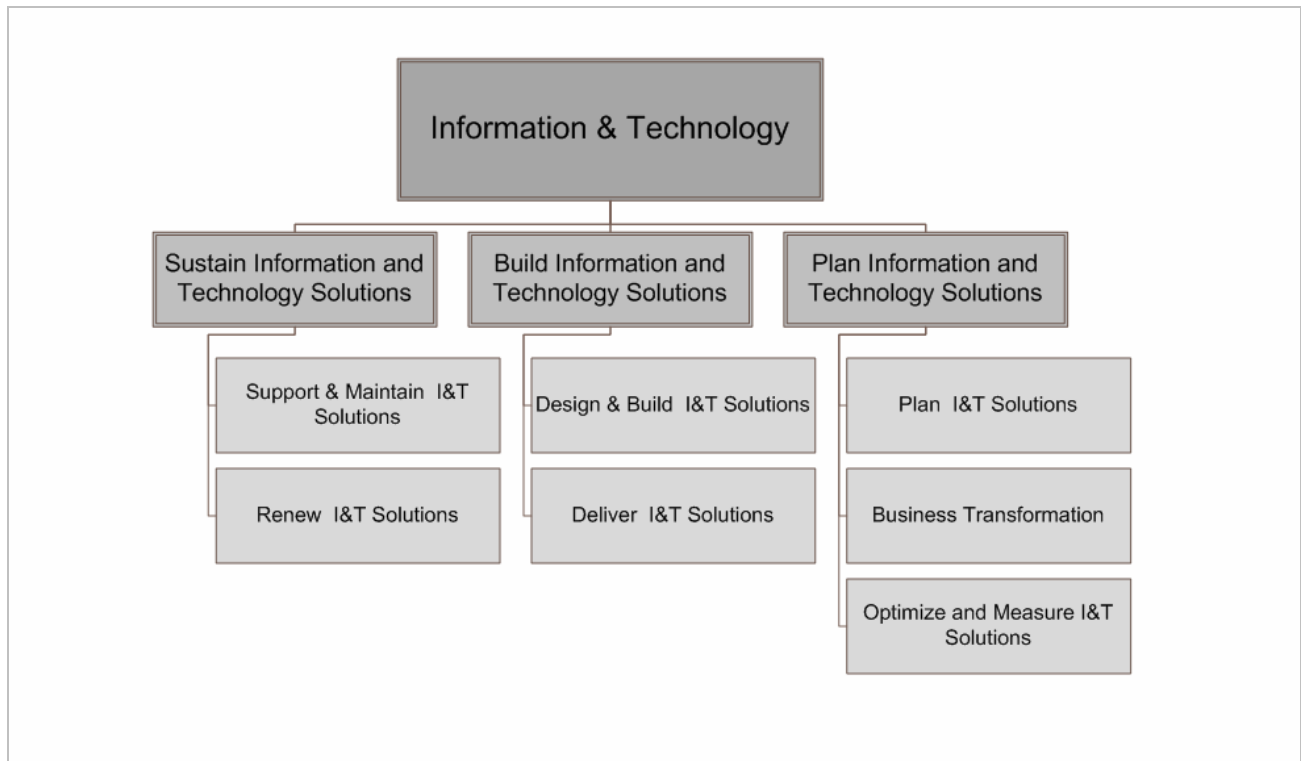
<u>Service:</u>	Gross <u>(\$000s)</u>	Net <u>(\$000s)</u>
Desktop Computing	51,447.7	33,271.5
Application Delivery	30,544.7	24,762.5
Voice & Telecommunications	947.0	947.0
Land Information Toronto	2,768.3	2,542.5
	<hr/>	<hr/>
Total Program Budget	85,707.7	61,523.5
	<hr/>	<hr/>

PART II: 2010 SERVICE OVERVIEW AND PLAN

Mission Statement

To provide innovative and reliable Information and Technology services that enable and support efficient citizen-centric program delivery.

Program Map



Through Information and Technology’s 3 Services, Plan Information and Technology Solutions, Build Information and Technology Solutions, and Sustain Information and Technology Solutions, the Program will focus on several key strategic directions including enterprise approaches to information technology, service excellence, financial planning and fiscal sustainability, and strategic asset management. This includes the management and delivery of well-architected solutions for business systems and the delivery of efficient core information technology services.

Plan Information and Technology Solutions

Information and Technology provides leadership in planning, prioritizing, and demand management for information and technology resources that support effective City program delivery and enables services to be progressively improved and delivered in a cost effective manner.

Build Information and Technology Solutions

Design, build and deliver innovative solutions that meet or exceed client business requirements while delivering to both timeliness and budget.

Sustain Information and Technology Solutions

Sustain critical enterprise and/or divisional computer applications and infrastructure to support client business objectives.

The Activities within the above services are highlighted below:

- Continuous delivery of the prioritized list of IT projects that contribute the highest benefits to the Corporation as identified and approved by the Business Advisory Panel.
- Plan the Enterprise Architecture Framework, a Business Continuity and Disaster Recovery Planning, Capacity building, Risk Management, an Enterprise Client Relationship Management, and Quality Assurance Frameworks.
- Design and build hardware and software design and development to support City service delivery requirements in compliance with budget and timelines committed.
- Deliver solutions to end users, and meeting or exceeding client business requirements as approved.
- Establish and maintain Service Level Agreements to ensure availability of network and telecom infrastructure, SAP, Groupwise applications, and other systems applications, such as Internet, Microsoft functionalities, and Oracle.
- Lifecycle replacement of Technology Infrastructure Assets in accordance with pre-determined standards and policy.

Service Objectives

Information and Technology has established service objectives to address its challenges and opportunities that prioritizes and aligns strategic initiatives with Mayor and Council priorities, increasing demands and legislative requirements. The following are Information and Technology's service objectives for 2010 and beyond:

- Enhance the alignment of IT services with the administrative structure of the City and to strengthen the coordination and delivery of those services.
- Establish an Enterprise Architecture Framework and program across the architecture domains of business, information, security, technology, and application, moving towards a Service-Oriented Architecture approach.
- Establish a Business Continuity and Disaster Recovery Planning Framework to be effectively prepared to respond to unforeseen events and ensure business and IT service continuity.
- Build capacity to assist the City in developing and implementing its business transformation agenda enabled by information and technology.

- Develop enterprise I&T strategies and plans, and support the development of divisional IT plans that meet their service plans.
- Establish a Risk Management function, managing risk from an enterprise perspective.
- Provide leadership support for governance bodies, including the Business Advisory Panel, Enterprise Architecture Review Panel, Web Governance Committee, and other governance bodies.
- Develop and implement an enterprise client relationship management framework to better align IT services, projects and priorities with the City's priorities and program delivery agenda through collaboration and partnerships across the organization including City agencies, and/or with external jurisdictions, industry or communities.
- Maintain uninterrupted access to business information, application and internet resources.
- Establish a project management methodology based on best practices and implement an Enterprise Project and Portfolio Management tool.
- Establish a Quality Assurance Framework and develop a more mature performance management and measurement program.
- Complete the IT Transformation Implementation project establishing the go-forward foundations for the delivery of IT services across the City.
- Manage information & technology assets in compliance with the I&T Asset Lifecycle Plan.
- Move towards a "unified communications" implementation over next 2 years to replace current phone technology to VoIP (Voice of IP) integrated voice and data telecommunications.
- Developing strategies on the effective use of the City's network infrastructure, including the dark-fibre build out and potential support for public policy initiatives.

PART III: 2009 EXPERIENCE**2009 Accomplishments**

Information and Technology achieved the following in 2009:

- Implemented the Enterprise Architecture Program with the establishment of the City's first Head Architect and the Architecture Core Team.
- Worked with divisions and within the I&T Division to advance several critical business IT projects, such as CSIS on the Web, Parks & Forestry and Recreation's Welcome Policy Online Registration and web refresh, Social Housing and Administration System (SHAS), Webcast for civic engagements, Public Health's Collaboration Toolkits, Take Our Kids to Work Day, 311 Phase I implementation, and CLASS training.
- Developed metadata and a reference model for the Municipal Reference Model v2 (MRMv2) which is a toolset for the City to define its vision, goals, objectives, programs, services and performance metrics.
- Promoted the innovative use of IT and information sharing across City Divisions and across jurisdictions through the City's participation in Showcase Ontario 2009, the planning and launching of the 2009 Toronto Innovation Showcase, and the City's first Innovation Award Program.
- Produced the first enterprise view of all IT capital projects for assessment and review through the Enterprise Architecture Review Panel and approval at Business Advisory Panel. Worked collaboratively with divisions to develop capital business cases and navigate the process.
- Developed significant IT services in support of the launch and the ongoing delivery of the City's new 311 Toronto Service. Integrated both Transportation and Solid Waste work order systems with 311 Toronto, and integrated geospatial components.
- Established the web re:Brand initiative, including selection of pilots, established phases, and developed readiness criteria for the adoption of foundation technologies for a citizen-centric Web content approach.
- Completed the Transition of 158 Cluster-Based IT positions and staff to the I&T Division through the IT Transformation Implementation Project.
- Created an online I&T Service Catalog that can be accessed on the IT Web.
- Developed and implemented the first IT Awards of Excellence program, recognizing IT projects and staff from across the organization.
- Built geospatial applications for the upcoming 2010 Election, municipal zoning public consultations and public kiosks, green roof assessment study, cycling routes and environmental assessment for GO train routes.
- Upgraded the Remote Computing System used by Toronto Building and Municipal Licensing & Standards to allow real-time wireless transactions and include photo capture integration.
- Established an SAP Licensing Framework, as approved by Council, allowing the City to take an integrated, coordinated approach to investments in SAP software.

- Currently expanding the infrastructure and network connectivity at Telus co-location the data centre site hosting production servers for high priority projects (AMR, FPARS).
- Continued building the infrastructure at the Infrastructure Disaster Recovery site for supporting core applications (e.g. GroupWise, SAP, etc.)
- Delivered the Desktop Lifecycle Technology Refresh program: 1550 Notebooks, 1400 Desktops, 374 Monitors, 290 Printers planned for replacement in 2009.

Table 2: 2009 Budget Variance Review (\$000s)

(In \$000s)	2008 Actuals	2009 Approved Budget	2009 Projected Actuals*	2009 Appvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	%
GROSS EXP.	58,469.0	78,290.2	74,800.8	(3,489.4)	(4.5)
REVENUES	9,333.5	17,979.6	14,561.9	(3,417.7)	(19.0)
NET EXP.	49,135.5	60,310.6	60,238.9	(71.7)	(0.1)
Approved Positions	395.0	575.5	497.2	(78.3)	(13.6)

*Projected Actuals Based on the September 30, 2009 Variance Report

2009 Budget Variance Analysis

Information and Technology Third Quarter Variance report projects that the Program will be \$0.072 million or 0.1% below the 2009 Approved Operating Budget of \$60.310 million by year-end.

- The under-spending is primarily due to vacant positions prolonged by recruitment challenges faced by the Program, including the need to hold vacancies as part of the service review process. These positions were required to deliver capital projects. These vacancies have resulted in a lower recovery from capital.

Impact of 2009 Operating Variance on the 2010 Recommended Budget

- There is no impact of 2009 Operating Variance on the 2010 Recommended Operating Budget.

PART IV: 2010 RECOMMENDED BASE BUDGET

Table 3: 2010 Recommended Base Budget (\$000s)

	2009 Appvd. Budget	2010 Recommended Base	Change 2010 Recommended Base v. 2009 Appvd. Budget		FY Incremental Outlook	
			\$	%	2011	2012
(In \$000s)	\$	\$	\$	%	\$	\$
GROSS EXP.	78,290.2	80,185.3	1,895.1	2.4	1.9	2,084.0
REVENUE	17,979.7	20,201.7	2,222.0	12.4		
NET EXP.	60,310.5	59,983.6	(326.9)	(0.5)	1.9	2,084.0
Approved Positions	575.5	587.5	12.0	2.1	587.5	587.5

TARGET COMPARISON	2010 Target	2010 Rec. Budget	2010 Rec. Budget vs. 2010 Target	2011 Target
NET BUDGET	59,989.6	59,983.6	(6.0)	56,974.0
PROGRAM REDUCTION (\$)	(3,015.5)	(3,028.5)	(13.0)	(3,015.5)
PROGRAM REDUCTION (%)	(5.0)	(5.0)	(0.0)	(5.0)

Table 3a: Program Reduction Requirements (\$000s)

(In \$000s)	2010 Required Reductions	2011 Required Reductions
2009 Approved Budget (September 30)	60,310.6	
Pressures Reported with 2010 / 2011 Outlook	2,694.5	707.7
Pressures Not Reported with 2010 / 2011 Outlook		0.0
5% Reduction Target	(3,015.5)	(3,015.5)
Additional Pressures not in 2010 Reported Outlook	0.0	TBD
Program Reduction Target	(3,015.5)	(3,015.5)
Net Budget Target	59,989.6	57,681.7

2010 Recommended Base Budget

The 2010 Recommended Base Budget of \$80.185 million gross, and \$59.984 million net represents a \$0.327 million or 0.5% decrease over Information and Technology’s 2009 Approved Operating Budget of \$60.310 million net. The 2010 Recommended Base Budget includes \$2.495 million or 4.1% in base budget increases, which have been offset by savings of \$3.029 million net or 5% arising from service changes resulting in the Program exceeding the Program reduction target of \$3.016 million by \$0.013 million or 0.0%.

Approval of the 2010 Recommended Base Budget will result in the Program's total staff complement increasing from 575.5 to 587.5 approved positions as a result of an increase of 12.0 temporary positions required for delivery of capital projects in the 2009 Approved Capital Budget.

2010 Base Budget Key Cost Drivers

The 2010 Recommended Base Budget provides funding for the following key cost drivers:

- Cost of living allowance (COLA) of 2% for union staff and 1% for exempt staff resulting in an increase of \$0.750 million including benefits.
- Step and progression pay increments of \$0.431 million.
- Annualized costs of \$0.383 million net, for positions approved in 2009.
- Operating impact of Capital projects of \$0.269 million for increased maintenance and licensing.
- Inflationary increases for non-salary expenses totaling \$0.110 million.

Base budget pressures have been offset by reductions in the base budget of \$0.215 million resulting in 2010 savings of \$0.215 million as follows:

- *Increase Gapping Provision:* An increase in gapping of \$0.065 million is recommended in order for the Program to maintain its rate of 4.5%, and also contributes to meeting its 2010 reduction target.
- *Increase Inter-Divisional Recoveries:* Adjustments to various services received from other Programs, such as Legal Division, and the Facilities Division, or services provided to other Programs have resulted in a savings of \$0.091 million net in 2010.
- *Additional contribution from the reserve for maintenance and licensing:* An additional contribution of \$0.059 million to offset increased maintenance due to growth in the number of servers required to support City's IT operations will reduce net expenditures by \$0.059 million in 2010.

2010 Service Changes

Information and Technology's 2010 Recommended Base Budget includes service changes of \$2.814 million representing 4.7% of the 2009 Approved Budget with annualized savings of \$2.218 million in 2011.

The recommended service changes are summarized below:

Service Efficiencies

- Replacing old mainframe applications with newer and more functional applications running in the City's data centres on new City managed infrastructure will save \$0.450 million net
- Reduced purchases of software and hardware licenses, such as Oracle and SAP licenses, will save \$0.306 million net.

- Operational savings are anticipated from the Integrated Telecom Infrastructure project in the amount of \$0.610 million net.
- Reduction of Hardware and Software maintenance from server consolidation by the Technology Infrastructure unit will save \$0.250 million net.

Minor Service Change

- Eliminating the funding for the Toronto Innovation Showcase participation in the annual provincial Showcase Ontario and the annual City's own Innovation Showcase will save \$0.040 million net.
- Reducing the number of research seats available from the City's Research & Advisory Services provider, Gartner will save \$0.050 million net.
- Reducing consulting and production support for SAP will result in a savings of \$0.050 million net.
- Reducing the purchases for materials and supplies is expected to save \$0.016 million net.
- Re-negotiating maintenance contracts based on critical business needs, and the level of support required will result in savings of \$0.513 million net.
- Reducing support service to an "as needed" basis for SAP, Tax and Water Billings, and Web services will save \$0.030 million net.
- Eliminating 6 vacant positions for savings of \$0.498 million net towards the costs reduction target.

2011 and 2012 Outlook: Net Incremental Impact

Approval of the 2010 Recommended Base Budget for Information and Technology will result in a 2011 incremental impact of \$0.002 million net, and 2012 incremental impact of \$2.084 million net to maintain the 2010 level of service. Future year costs are primarily attributed to the following:

- The 2011 Outlook includes projected increases of \$1.404 million for COLA, progression pay and step increases, inflationary increases for non-salary items, namely materials and supplies, services and rentals, of \$0.110 million, the operating impact from capital of \$0.706 million related to maintenance and licensing costs, and a cost reduction of \$2.218 million resulting from annualized service change savings recommended for 2010.
 - The 2010 Recommended Operating Budget will result in 2011 incremental service change savings of \$2.218 million to assist the Program in achieving their 2011 reduction target of a further decrease of \$3.015 million or 5% of the 2009 Approved Budget. Information and Technology has presented viable 2011 reduction options during the 2010 process. These options will be further reviewed over the course of the year and presented for consideration during the 2011 Operating Budget process.
- The 2012 Outlook anticipates incremental increases of \$0.657 million for progression pay and step increases, inflationary increases for non-salary items, namely materials and supplies, services and rentals, of \$0.110 million, operating impact from capital of \$0.427 million for increased maintenance and licensing costs, and \$0.890 million increase from service change actions recommended for the 2010 Recommended Operating Budget.

PART V: 2010 RECOMMENDED SERVICE CHANGES

Table 4: 2010 Recommended Service Change Summary
(In \$000s)

Description	2010 Recommended Service Changes				Net Incremental Impact	
	Position Change	Gross Exp.	Net Exp.	% Change over 2009 Budget	2011	
	#	\$	\$	#	\$	# Pos
Base Change Summary		(215.0)	(215.0)	-0.4%		
Service Efficiencies:						
Mainframe Decommissioning	4.0	(450.0)	(450.0)	-0.7%	(950.0)	
Reduce Software & Hardware Purchases		(306.4)	(306.4)	-0.5%		
Optimizing of Telecomm	2.0	(610.0)	(610.0)	-1.0%	(920.0)	
Reduction of Hardware & Software Maintenance		(250.0)	(250.0)	-0.4%		
Minor Service Level Changes:						
Eliminate funding for Toronto Showcase		(40.0)	(40.0)	-0.1%		
Reduce Research & Advisory for I&T Services		(50.0)	(50.0)	-0.1%		
Reduce Professional services for SAP		(50.0)	(50.0)	-0.1%		
Reduce Expenditure on Materials and Supplies		(16.5)	(16.5)	0.0%		
Strategy to Reduce Infrastructure Maintenance		(512.7)	(512.7)	-0.9%	(347.6)	
Reduce Stand By/On Call for Application support to as needed basis.		(29.5)	(29.5)	0.0%		
Reduce vacant positions	(6.0)	(498.4)	(498.4)	-0.8%		
Sub-Total Service Changes	0.0	(2,813.5)	(2,813.5)	-4.7%	(2,217.6)	0.0
Total Changes	0.0	(3,028.5)	(3,028.5)	-5.0%	(2,217.6)	0.0

2010 Recommended Service Changes

The budgetary impact of implementing the following 11 service adjustments are included in the 2010 Recommended Base Budget, with savings of \$2.814 million in 2010 and incremental savings of \$2.218 million in 2011. Approval of the recommended service changes will not result in any changes in the number of approved positions, which remains at 575.5 in the base. The 2010 Recommended Base Budget includes funding of \$2.495 million net for base budget increases, which have been offset by \$2.814 million in budget reductions arising from recommended Service Changes.

Service Changes

The following recommended service changes included in Information and Technology's 2010 Recommended Base Budget are discussed below.

Service Efficiencies***Mainframe Decommissioning***

This initiative will replace old mainframe applications with newer and more functional applications running in the City's data centres on new City managed infrastructure and is expected to save \$0.450 million net. The new in-house mainframe operations will require 4 positions to support and maintain the infrastructure, at a cost of \$0.100 million net for the 4th quarter of 2010, offset by anticipated savings of \$0.550 million net. There are incremental net savings in 2011 of \$0.950 million.

Reduce Software and Hardware Purchases

Savings of \$0.306 million is anticipated from reducing purchases of software and hardware licenses, such as Oracle and SAP licenses, including the elimination of some infrastructure related upgrades. A more selective approach will be used on a "as needed basis."

Optimization of Telecommunication Technologies

Historically the costs of the telecommunication infrastructure and services have been paid to the Telecommunication Service provider from separate billings that are charged to the individual Programs. The budgets for this reside in individual Program budgets, and actual costs are charged against them. Information and Technology has initiated a capital project to integrate the Telecom Infrastructure, and to implement Voice over Internet Protocol (VoIP). Operational savings are anticipated from the integrated Telecom Infrastructure, and to maximize the savings there needs to be a centralized telecom budget in Information and Technology to enable consolidated and bundled billing.

The savings will result from Information and Technology in-sourcing the management of the voice telecom infrastructure to their Technology Infrastructure Services group. This function currently is largely outsourced to Telecommunication Service providers.

Total savings are anticipated to be \$0.610 million net in 2010. However, in order to support the operations, 2 permanent full time Enterprise Technical Support Specialist positions are required effective July 1, 2010. The salary and benefit costs for them are \$0.060 million. This is offset by savings from the new Integrated Telecom Infrastructure of \$0.670 million net in 2010 resulting in a net savings of \$0.610 million net in 2010, and a further savings of \$0.920 million net in 2011.

Reduction of Hardware and Software Maintenance –Solutions Development & Sustainment Section

Server consolidation by the Technology Infrastructure Section (TIS) has enabled the Solutions Development and Sustainment Section (SDS) to reduce expenditures for hardware and software maintenance in an amount of \$0.250 million net.

Minor Service Impact***Eliminate Funding for Toronto Showcase and Showcase Ontario***

Eliminating the funding for the Toronto Innovation Showcase participation in the annual provincial Showcase Ontario and the annual City's own Innovation Showcase is expected to save \$0.040 million net. This event was established to promote learning and sharing of best practices and experiences on innovative use of technology in transforming public service delivery. The minor

service impact will be the awarding of the Toronto Innovation Award, without the showcase and award ceremony.

Reduce Research and Advisory Services for I&T functions

Reducing the number of research seats available from the City's Research & Advisory Services provider, Gartner, is expected to save \$0.050 million net. Currently the City has 6 seats, and it is reasonable to reduce the number of seats to 3. This would involve reducing the number of staff with account access. The intended result is a reduction but not an elimination of the research and advisory services. This is an important reference source for the City's I&T function, providing industry best practices, advice and guidance, and engagement with industry experts.

Reduce Professional Services/Consulting for SAP

Professional services/consulting funding for SAP expertise to ensure that a contractor or specialist can be retained to rectify system issues that the City staff lack the expertise to resolve is recommended to be reduced by \$0.050 million. While the impact will mean restricted ability to meet unplanned client requests and to address emergencies that may arise, the situation is considered manageable.

Reduce Expenditure on Materials and Supplies

Reducing the purchases for materials and supplies is expected to save \$0.016 million net. The minor impact will be on staff having to wait longer to receive the supplies or use alternate options to perform their tasks.

Reduction in Infrastructure Maintenance

Information and Technology has categorized its business systems and applications as critical or non-critical with the objective of providing cost efficient service delivery. Maintenance contracts are being re-negotiated based on the business needs and the level of support required. The expected savings from this strategy is \$0.513 million net.

Reduce Stand-by and On-Call for Application Support to as needed basis.

Currently stand-by and on-call service support is provided for SAP, Tax and Water Billings, and Web Services. It is recommended that this support service be reduced to an "as needed" basis, such as only on the payroll run for SAP, Tax and Water billing and support on web content to the City's website during regular business hours from 8:30 am to 4:30 pm. This change will save \$0.030 million net.

Eliminate Vacant Positions

Currently there are 6 vacant positions, consisting of 3 System Integrators, 1 Sr. Financial System Analyst, 1 System Developer, and 1 System Development Specialist, that are to provide client relationship management services and application sustainment and support for client divisions. Eliminating these 6 vacant positions will contribute \$0.498 million net in savings in 2010. The impact will be reduced resources available to deliver client services, but this is considered manageable.

PART VI:
RECOMMENDED NEW SERVICE PRIORITY ACTIONS

Table 5: 2010 New / Enhanced Service Priority Actions: Summary

(In \$000s)

Description	2010 Recommended			Net Incremental Impact			
	Gross Exp.	Net Exp.	New Positions	2011		2012	
	\$	\$	#	\$	# Pos	\$	# Pos
New Services - Program Initiated							
Temporary Capital staffing - Capital Projects	1,675.0	0.0	28.0				
Temporary Capital staffing - Risk Management Information.	184.5	0.0	2.0				
Temporary Capital staffing - Accounts Payable Improvement.	123.0	0.0	1.0				
Temporary Capital staffing - SAP Landscape Upgrade project	2,000.0	0.0	19.0		(1.0)	720.0	
Maintenance - SAP Licenses	1,540.0	1540.0		750.0		1750.0	
Sub-Total New Services	5,522.5	1,540.0	50.0	750.0	(1.0)	2,470.0	0.0
Total Enhanced/New Services	5,522.5	1,540.0	50.0	750.0	(1.0)	2,470.0	0.0

2009 Recommended New / Enhanced Service Priority Actions**New Service Priority Actions***Program Initiated**Temporary Staffing to Deliver Capital Projects*

The 2010 Approved Capital Budget includes several new projects that will require an increase of 28 temporary positions to work on delivering those projects. The temporary staffing will comprise of 9 System integrators, 11 Technical Support Specialists, 1 Network Specialist, 1 Voice Infrastructure Specialist, 1 Data Centre Co-coordinator, 1 Enterprise IT Designer/Developer, 2 Business Analysts, 1 Policy Analyst, and 1 Standards Analyst.

These temporary positions, effective April 1, 2010, are recommended to develop, build and implement capital projects that include:

- the Consolidated Data Centre
- the e-City Architecture
- the Enterprise Information Management
- the Enterprise Desktop Security Tools
- the Enterprise Work Management Systems

- the Project and Resource Capacity Management
- the IT Performance Reporting
- the e-City Strategic Plan
- the Enterprise Systems Management – Implementation
- the Disaster Recovery Plan
- the Integrated Telecom Infrastructure
- the Information Technology Infrastructure Library (ITIL)
- the ML&S Case Management System
- the Client Relations Management Support
- the Quality Assurance
- the Automated Meter Reading projects.

The gross expenditures of \$1.675 million for the staffing resources to deliver on the above projects are provided for in the 2010 Approved Capital Budget which will result in a \$0.0 net impact on the 2010 Operating Budget for Information and Technology.

Staffing Requirements for Financial Services Division's Risk Management Information Upgrade

Two Systems Integrators, effective April 1, 2010, are recommended at a gross cost of \$0.185 million, and net \$0.0 to assist Financial Services in completing their Risk Management Information System Upgrade 2009. Currently, the City of Toronto utilizes STARS as its risk management system. It is a robust software package that assists the City in making claims and risk management information decisions. The project is to upgrade the existing risk management information software to the most current version that will require server hardware changes to the existing STARS server located at Don Mills.

Staffing Requirements for Accounting Services Division's Accounts Payable Process Improvements

A temporary System Integrator, effective April 1, 2010, is recommended for delivery of the Accounts Payable Process Improvement system project in Accounting Services to improve on the invoice processing and storing, and significantly reduce the resources to process invoices, including data entry, etc. The recommended temporary capital position will increase gross expenditures by \$0.123 million, but will have net \$0.0 impact with funding from capital.

Temporary Positions for the SAP Landscape Project

The SAP Landscape project will implement key technologies to support an SAP foundation with a focus on the Financial Planning, Analysis and Reporting System (FPARS) which will ensure that various Program initiatives in the Financial Services, the Human Resources, and the Facilities and Real Estate Services Divisions, as well as those in Cluster A and B have the proper SAP functionalities and meets corporate standards. It will also greatly improve overall access to the data stored in SAP to Programs, Councillors and the public. The goal is to establish SAP as the system of record for the City.

To begin the implementation, 19 temporary positions, effective April 1, 2010, are recommended for the SAP Landscape project at a cost of \$2.000 million gross, and \$0.0 net funded from the 2010 - 2019 Approved Capital Budget.

The 19 temporary positions are:

- 1 Senior System Integrator
- 12 Senior Technical Support Specialists
- 1 Administrative Assistant
- 1 CMO Co-coordinator
- 4 Corporate Application Project Leads

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 Analysis and Reporting System (FPARS) and also the new Property Tax and Utility Tax Systems, as well as other SAP projects being identified by City Programs and ABCs.

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.

PART VII: ISSUES FOR DISCUSSION**2010 Budget Issues*****Maintenance Fee for SAP Licensing***

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.

Following the integrated plan of SAP projects for the next three to five years as established by the SAP Steering Committee, the projects currently being assessed using the "SAP First" approach were identified as to the requirement for additional SAP Licenses. SAP Canada Inc. is the only supplier of SAP Licenses. In 2009, Council authorized Information and Technology to purchase the requisite number of SAP Licenses to meet the demands of the next five years. Currently, there are approximately 3000 SAP users across the City and the Toronto Police Service for the following purposes:

Accounting, Budgeting, Payroll, Human Resources, Work Order Management, Purchasing, and Inventory Management.

The pre-requisite technology to support FPARS, property tax, water billing, as well as the many data warehouse and business intelligence projects in the 5-year SAP capital project plan, requires the purchase of SAP Licenses which has an immediate cost of maintenance fees attached based on 25% of the license costs. The additional maintenance fees on the SAP Licenses purchased in 2009 is \$1.540 million net in 2010, with incremental impact of \$0.750 million in 2011, and \$1.750 million in 2012. This is recommended as a New Service Priority Action item and included in the 2010 Recommended Operating Budget.

Appendix A

2010 Recommended Base Budget Changes vs. 2009 Approved Budget

(In \$000s)	Summary of 2010 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2011	2012
		\$	\$	\$	\$	\$
2009 Council Approved Operating Budget	413.0	60,306.7	11,260.0	49,046.7	0.0	0.0
Technical Adjustments	162.5	17,981.8	6,719.7	11,262.1		
In-Year Budget Adjustments		(6.4)		(6.4)		
2009 Approved Operating Budget	575.5	78,282.1	17,979.7	60,302.4	0.0	0.0
Prior Year Impacts:						
Annualizations from Prior Year		583.5	200.9	382.6		
Reversals from Prior Year						
Operating Impacts of Capital		269.0		269.0	706.0	427.0
Zero Base Items						
Economic Increases:						
Salary		1,542.9	362.4	1,180.5	1,404.0	657.5
Non Salary		109.5		109.5	109.5	109.5
Adjusted Base Budget	575.5	80,787.0	18,543.0	62,244.0	2,219.5	1,194.0
Base Expenditure Changes	12.0	2,211.8	1,658.7	553.1		
Base Revenue Changes						
2010 Base Budget Prior to Service Changes	587.5	82,998.8	20,201.7	62,797.1	2,219.5	1,194.0
Recommended Service Changes:						
Service Efficiencies	6.0	(1,616.4)		(1,616.4)	(1,870.0)	890.0
Revenue Changes						
Minor Service Level Changes	(6.0)	(1,197.1)		(1,197.1)	(347.6)	
Major Service Level Changes						
Total Recommended Base Changes	0.0	(2,813.5)	0.0	(2,813.5)	(2,217.6)	890.0
2010 Recommended Base Budget	587.5	80,185.3	20,201.7	59,983.6	1.9	2,084.0

Appendix B
Summary of Service Changes

Appendix C

**Summary of 2010 Recommended
New/Enhanced Service Priority Actions**

Appendix D

Program Summary by Expenditure Category

CLUSTER: INTERNAL SERVICES PROGRAM: INFORMATION AND TECHNOLOGY							
	2009 Approved Budget	2009 Projected Actuals	2010 Recommended Budget	Change from 2009 Approved Budget		2011 Outlook	2012 Outlook
	\$	\$	\$	\$	%	\$	\$
Salaries and Benefits	57,444.8	53,955.4	64,722.0	7,277.2	12.7%	66,761.0	68,103.5
Materials and Supplies	335.0	335.0	325.2	(9.8)	(2.9%)	331.9	338.6
Equipment	1,188.7	1,188.7	955.2	(233.5)	(19.6%)	977.7	1,000.2
Services & Rents	18,778.6	18,784.7	19,180.0	401.4	2.1%	18,058.6	21,205.9
Contributions to Capital	87.90	87.9	92.2	4.3	4.9%	92.2	92.2
Contributions to Reserve/Res Funds				0.0	n/a		
Other Expenditures				0.0	n/a		
Interdivisional Charges	447.0	447.0	433.2	(13.8)	(3.1%)	433.2	433.2
TOTAL GROSS EXPENDITURES	78,282.0	74,798.7	85,707.8	7,425.8	9.5%	86,654.6	91,173.6
Interdivisional Recoveries	5,397.8	5,397.8	5,402.7	4.9	0.1%	5,402.7	5,402.7
Provincial Subsidies				0.0	n/a		
Federal Subsidies				0.0	n/a		
Other Subsidies				0.0	n/a		
User Fees & Donations				0.0	n/a		
Transfers from Capital Fund	10,126.4	6,708.7	16,262.1	6,135.7	60.6%	16,809.8	17,001.4
Contribution from Reserve Funds				0.0	n/a		0.0
Contribution from Reserve	2,451.4	2,451.4	2,515.4	64.0	2.6%	2,519.1	2,519.1
Sundry Revenues	4.0	4.0	4.0	0.0	0.0%	4.0	4.0
TOTAL REVENUE	17,979.6	14,561.9	24,184.2	6,204.6	34.5%	24,735.6	24,927.2
TOTAL NET EXPENDITURES	60,302.4	60,236.8	61,523.6	1,221.2	2.0%	61,919.0	66,246.4
APPROVED POSITIONS	575.5	575.5	637.5	62.0	10.8%	636.5	642.5

Appendix E

Inflows / Outflows to / from Reserves & Reserve Funds

Reserve / Reserve Fund Name (In \$000s)	Reserve / Reserve Fund Number	Balance as of December 2009	Proposed Withdrawals (-) / Contributions (+)		
			2010	2011	2012
		\$	\$	\$	\$
Insurance Reserve Fund	XR1010	32,534.1	87.9	87.9	87.9
I&T Vehicle & Equipment Reserve	XQ1509	5,635.5	4.3	4.3	4.3
I&T (Sustainment) Equipment Reserve	XQ1508	36,503.5	(2,510.5)	(2,510.5)	(2,510.5)
Total Reserve / Reserve Fund Draws / Contributions			(2,418.3)	(2,418.3)	(2,418.3)