

**Analyst Briefing Notes**  
**Budget Committee**  
**(October 30, 2008)**

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**PART I: CAPITAL PROGRAM****Executive Summary**

- The 2008 Approved Capital Budget of \$26.599 million was 14% or \$3.700 million spent as of June 30, 2008. Actual expenditures by year-end are anticipated to be \$13.661 million, or 51% of the 2008 Approved Capital Budget, resulting in projected 2008 cash flow funding of \$12.937 million being carried forward into 2009. This variance is attributable to the amount of time required to negotiate the Technology Solution contract, which was signed at the end of March 2008, rather than during the second quarter of 2007, as initially anticipated. Completion of several other interrelated sub-projects also had to be extended.
- The 2009 Recommended Capital Budget; 2010-2013 Recommended Capital Plan and 2014 to 2018 Proposed Forecast total \$21.317 million of which \$21.317 million is projected for the Program's 5-Year Capital Plan, requiring debt funding of \$0.418 million and cash flow of \$16.583 million in 2009; \$2.434 million in 2010 and \$2.300 million in 2011. No additional funding is contemplated beyond the 2009-2013 timeframe.
- The 10-Year Capital Plan and Forecast provides for the implementation of the Council approved 3-1-1 service model (Model 3, Phase I and II), which includes several functional components. It also provides for the addition of another phase, previously contemplated as a part of an incremental service model (Model 4, Phase III), which will offer additional public self-serve service request capacity, extend the 3-1-1 technology system to other City applications and develop a City-wide counter service strategy. Installation of self-serve kiosks is also recommended. It is anticipated that all 3-1-1 projects will be completed by the end of 2011.
- The 3-1-1 Customer Service Strategy Program's capital projects are all categorized as Service Improvement projects.
- The 2009 Recommended Capital Budget, including previously approved project commitments, requires new 2009 cash flow funding of \$9.236 million, requiring debt funding of \$0.418 million. This cash flow combined with funding carried forward from 2008 to 2009 of \$7.347 million brings the total 2009 Recommended Capital Budget to \$16.583 million gross, of which \$0.418 million is funded by debt.
- The 2009 recommended cash flow will fund the following functional components/projects of this Program:
  - Knowledge base content development and business process reviews requiring funding in the amount of \$2.804 million;
  - 3-1-1 Technical Solution and core technology acquisition of \$10.013 million;
  - Phase II electronic integration between the 3-1-1 system and other service order systems in the amount of \$1.406 million;
  - Design, development and delivery of training courses in the amount of \$0.404 million;

- 3-1-1 Service Page design implementation in the amount of \$1.095 million;
  - Privacy consultant services to complete privacy and risk analysis in the amount of \$0.132 million;
  - Communication strategy in the amount of \$0.135 million; and
  - Phase III development in the amount of \$0.505 million.
- The main objective of the 2009 Recommended Capital Budget is to successfully complete the 3-1-1 Council approved model (Model 3, Phase I and II). The hard launch date for Phase I is scheduled for June 19, 2009. The hard launch date for Phase II is scheduled for April 19, 2010. Phase III development will continue into 2010 and 2011.
  - Once implemented, the project will result in the establishment of the new 3-1-1 Operating Program, which will be providing 3-1-1 services to the public starting in the spring of 2009. This Program will have permanent staff, the majority of which will be reallocated together with appropriate salary and non-salary funding, from other City divisions. However, in order to accommodate an anticipated increase in call volumes, it is currently estimated that additional staff will also be required.
  - The 3-1-1 Project Management Office Program has developed the annual 3-1-1 Operating Program budget requirements, which will be considered during the 2009 Operating Budget process. Considerations for 2009 include, in addition to the operational labour and space requirements, the need for permanent Information and Technology (I & T) technical staff positions for the sustainment of the 3-1-1 Contact Centre operation. There may also be partial year incremental technology costs.
  - The 3-1-1 Toronto Technology Solution incorporates best practices from several 3-1-1 installations to provide the most comprehensive and responsive 3-1-1 system envisioned to-date. Therefore, there are issues related to the integration of multiple existing IT systems and components, which still pose significant challenges. Any further significant unanticipated delays to major components such as the 3-1-1 Technology Solution implementation or Legacy System integration could impact projected cash flows and affect the soft and hard launch dates.
  - The 3-1-1 Customer Service Strategy is a new corporate service delivery model. By establishing direct and simple access to City Hall, the 3-1-1 Customer Service Strategy will greatly increase efficiency and accountability of the public service, one of Council's key priorities.
  - The 3-1-1 Customer Service Strategy will incorporate options for a multilingual access to City Services in more than 150 languages and will significantly contribute to meeting demand from the public for approachable, accessible government and achieving "An Inclusive, Diverse Multicultural City". It will also assist in enabling quick response to litter and dumping problems identified by residents who will be able to use a new "311" telephone service as well as all other 3-1-1 channels of communication to report on problem areas.
  - It is expected that successful Phase I and Phase II implementation will result in both public and Council demand for enhanced and expanded service offerings, as recognized by preparation for Phase III implementation in 2011.

**Recommendations**

The City Manager and Acting Chief Financial Officer recommend that:

1. Council approve the 2009 Recommended Capital Budget for 3-1-1 Customer Service Strategy with a total project cost of \$7.190 million, and 2009 cash flow of \$16.583 million and future year commitments of \$4.199 million comprised of the following:
  - a) New Cash Flow Funding for:
    - i) 2 new/increase in budget sub-projects with a 2009 total project cost of \$7.190 million that requires cash flow of \$2.991 million in 2009 and a future year commitment of \$2.049 million in 2010 and \$2.150 million in 2011;
    - ii) 2 previously approved sub-projects with a 2009 cash flow of \$0.418;
    - iii) 5 previously approved sub-projects with carry forward funding from 2007 requiring 2009 cash flow of \$5.827 million which forms part of the affordability targets that require Council to reaffirm its commitment; and
  - b) 2008 approved cash flow for 6 previously approved sub-projects with carry forward funding from 2008 into 2009 totalling \$7.347 million; and
2. Council approve the 2010-2013 Capital Plan for 3-1-1 Customer Service Strategy totalling \$0.535 million in project estimates, comprised of \$0.385 million in 2010 and \$0.150 million in 2011.

### 2008 Capital Variance Review

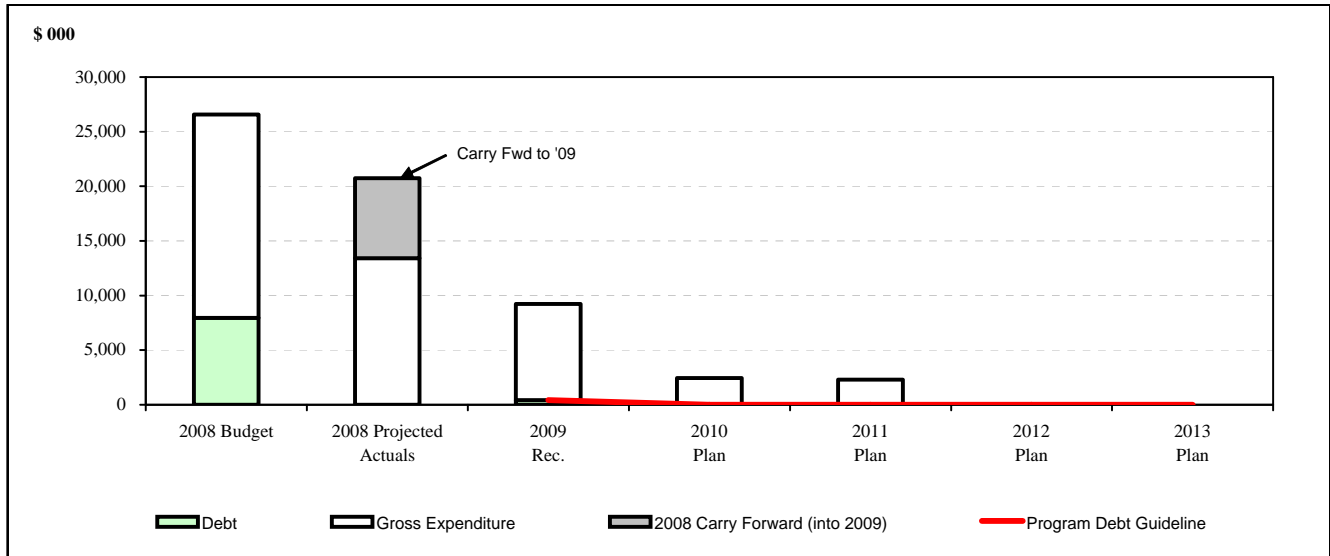
2008 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2008 Approved*	Actuals as of June 30 (2nd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
26,599	3,700	13.9%	13,661	51%	12,937

\*Does not include subsequent in-year adjustments.

#### Comments / Issues:

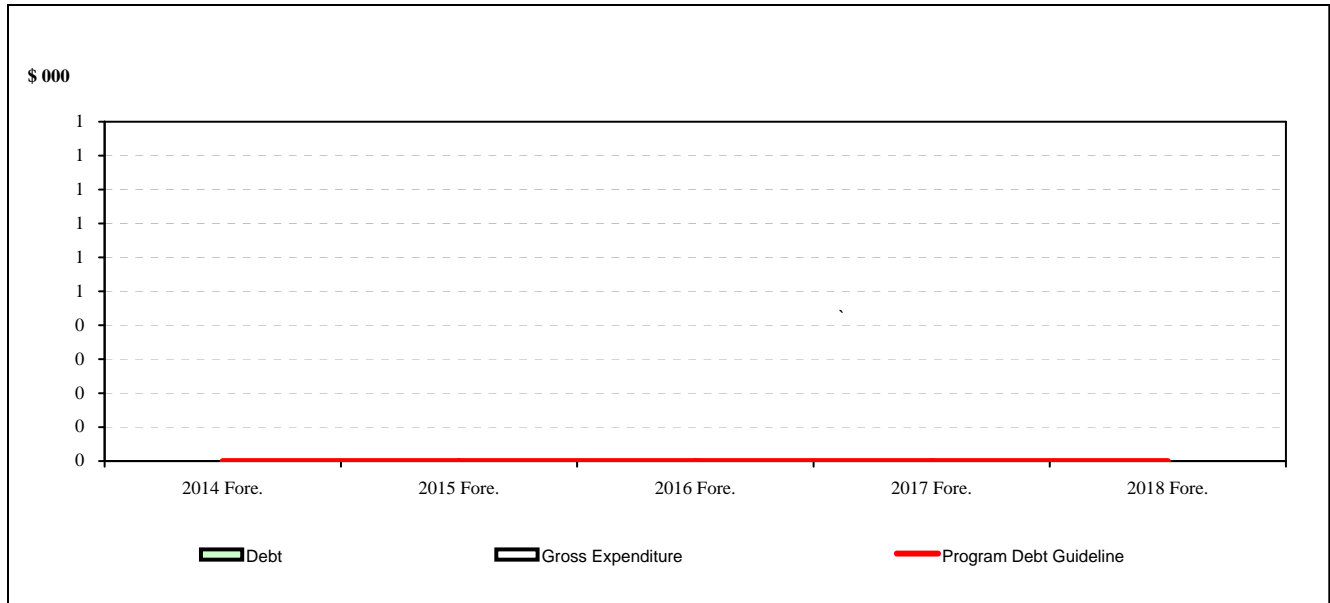
- At the end of the 2<sup>nd</sup> quarter, approximately \$3.7 million or 14% was spent on the 3-1-1 Customer Service Strategy's 2008 Approved Capital Budget of \$26.6 million. This variance is primarily attributable to the amount of time required to negotiate the Technology Solution contract, which was signed at the end of March 2008, rather than during the second quarter of 2007, as initially anticipated. Accordingly, completion of several other interdependent sub-projects also had to be extended.
- Based on the revised project schedule and milestones, the 3-1-1 Customer Service Strategy Program has projected a year-end spending rate for 2008 approved projects at 51% or \$13.661 million in its June 30, 2008 Variance Report. The extended negotiations have resulted in lower spending than originally planned and funding in the amount of \$12.937 million or 49% is to be carried forward into 2008. It is anticipated that significant spending will occur by the end of 2008 and continue through the 1<sup>st</sup> and 2<sup>nd</sup> quarters of 2009.
- Funding carried forward into the 2009 Recommended Capital Budget is \$13.173 million and is higher than the projected year-end under-spending in the 2nd Quarter Variance Report, based on more recent information on actual spending. Of that total amount, \$7.347 million is funding carried forward from 2008 to 2009. The remaining \$5.827 million represents unspent funds from 2007, and as such, according to the corporate policy, is to be considered as a new funding request, requiring new debt.
- Longer than anticipated negotiation time for the Technology Solution contract, coupled with the fact that a new pricing call document for the 3-1-1 Technology RFP had to be issued in 2007, resulted in an overall extension to the original project schedule by approximately eleven months. The 3-1-1 Customer Service Phase I hard launch is now expected to take place in June 2009, rather than the Summer of 2008, as anticipated during the 2008 Budget process. Based on the revised schedule at the end of the 2<sup>nd</sup> quarter, the project completion rate will reach 62% at year end.

5-Year Capital Plan (2009-2013)



	2008		5-Year Capital Plan					2009-2013	5-Year Total Percent
	Budget	Projected Actual	2009	2010	2011	2012	2013		
<b>Gross Expenditures:</b>									
2008 Capital Budget & Future Year Commitments	26,577	13,404	418					418	
Recommended Changes to Commitments			5,827					5,827	
2009 New / Increase in Budget and Future Year Commitments			2,991	2,049	2,150			7,190	
2010 - 2013 Capital Plan Estimates				385	150			535	
1-Year Carry Forward to 2009		7,347							
<b>Total Gross Annual Expenditures &amp; Plan</b>	<b>26,577</b>	<b>20,751</b>	<b>9,236</b>	<b>2,434</b>	<b>2,300</b>			<b>13,970</b>	
<b>Program Debt Target</b>			<b>418</b>					<b>418</b>	
<b>Financing:</b>									
Recommended Debt	7,952		418					418	3%
Reserves/Reserve Funds	7,524		8,818	2,434	2,300			13,552	97%
Development Charges									
Federal									
Provincial									
Other Revenue	11,101								
<b>Total Financing</b>	<b>26,577</b>		<b>9,236</b>	<b>2,434</b>	<b>2,300</b>			<b>13,970</b>	<b>100%</b>
<b>By Category:</b>									
Health & Safety									
Legislated									
SOGR									
Service Improvement	26,577		9,236	2,434	2,300			13,970	100%
Growth Related									
<b>Total By Category</b>	<b>26,577</b>		<b>9,236</b>	<b>2,434</b>	<b>2,300</b>			<b>13,970</b>	<b>100%</b>
Yearly SOGR Backlog Estimate (not addressed by current plan)									
Accumulated Backlog Estimate (end of year)									
Operating Impact on Program Costs									
Debt Service Costs									

5-Year Capital Forecast (2014-2018)



	5-Year Capital Forecast							
	2014	2015	2016	2017	2018	2014-2018	2009-2014	10-Year Total Percent
<b>Gross Expenditures:</b>								
2008 Capital Budget & Future Year Commitments							418	
Recommended Changes to Commitments							5,827	
2009 New / Increase in Budget and Future Year Commitments							7,190	
2014 - 2018 Capital Forecast Estimates							535	
<b>Total Gross Annual Expenditures &amp; Plan</b>							<b>13,970</b>	
<b>Program Debt Target</b>							<b>418</b>	
<b>Financing:</b>								
Recommended Debt							418	3%
Reserves/Reserve Funds							13,552	97%
Development Charges								
Federal								
Provincial								
Other Revenue								
<b>Total Financing</b>							<b>13,970</b>	<b>100%</b>
<b>By Category:</b>								
Health & Safety								
Legislated								
SOGR								
Service Improvement							13,970	100%
Growth Related								
<b>Total By Category</b>							<b>13,970</b>	<b>100%</b>
Yearly SOGR Backlog Estimate (not addressed by current plan)								
Accumulated Backlog Estimate (end of year)								
Operating Impact on Program Costs								
Debt Service Costs								

## **10-Year Capital Plan and Forecast Overview**

- The 3-1-1 Customer Service Strategy represents a new corporate service delivery model. The 10-Year Capital Plan and Forecast provides for the implementation of the Council approved 3-1-1 service model (Model 3, Phase I and II), which includes several functional components (Page 10). It also provides for the addition of another phase, previously contemplated as a part of an incremental service model (Model 4, Phase III), which will offer additional public self-serve service request capacity, extend the 3-1-1 technology system to other City applications to expand 3-1-1 Service Request capability, and develop a City-wide counter service strategy. Installation of self-serve kiosks is also recommended. It is anticipated that all 3-1-1 projects will be completed by the end of 2011.
- The Recommended 5-Year Capital Plan for 3-1-1 Customer Service Strategy requires \$13.970 million in funding (excluding one-year carry forward funding) over the next three years and is primarily funded by corporate reserves and reserve funds of \$13.552 million. The 3-1-1 Customer Service Strategy is categorized as a Service Improvement project.
- The Recommended 5-Year Capital Plan requires debt funding of \$0.418 million and meets the Program's approved debt target. However, the Recommended 5-Year Capital Plan also requires additional funding of \$13.552 million, which will be provided from the IT Sustainment Equipment Reserve (\$2.336 million) and Capital Financing Reserve Fund (\$11.216 million). The additional funding requirements are due to delays in the Technology Solution contract award and extended negotiations, which resulted in under-spending of the 2007 approved capital funds (\$5.827 million) and an incremental change in the budget/Commissioning Phase (\$2.753 million). New projects, previously not included in the 2008-2012 Capital Plan were also added, in order to provide for continuous expansion of 3-1-1 services (\$4.972 million).
- The main objective reflected in the Recommended 5-Year Capital Plan is the successful completion of the 3-1-1 Council approved model (Model 3). The hard launch date for Phase I is scheduled for June 19, 2009. The hard launch date for Phase II is scheduled for April 19, 2010. The Recommended 5-Year Capital Plan also reflects other objectives built into the 3-1-1 Project Management Office's Service Plan, including development of the new 3-1-1 Operating Program, promotion of divisional cooperation and fostering continued service innovation throughout the City.
- The Council approved 3-1-1 service model consists of the consolidated 3-1-1 Contact Centre operating on a 24 x 7 x 365 basis to provide general inquiry information and the placement and status tracking of service requests for Solid Waste Management, Transportation, Toronto Water (Phase I) and Urban Forestry and Municipal Licensing and Standards (Phase II). Another three models were also considered at the time, however, based on the assessment of divisional readiness for 3-1-1, it was determined that Model 3 was the one best suited for a phased-in implementation at that time. This approach was selected in order to mitigate risk factors, optimize use of City resources and build early public confidence in 3-1-1 services. It is currently anticipated that additional systems/divisions can further utilize the capacity of the new 3-1-1 service system. This would enable the implementation of Model 4 (Phase III) by 2011 and provide for the continuous expansion of 3-1-1 services, also contemplated in the Service Plan.



- It is expected that successful Phase I and Phase II implementation will result in both public and Council demand for enhanced and expanded service offerings, as recognized by preparation for Phase III implementation in 2011. Beyond Phase III, any further expansion of the 3-1-1 Customer Service Strategy (integration with additional legacy systems), enhancements during the lifecycle of the new 3-1-1 software related to the technology solution, as well as a disaster recovery site, will be part of future capital considerations.
- Once implemented, the project will result in the establishment of the new 3-1-1 Operating Division Program, which will be providing 3-1-1 services to the public starting in the spring of 2009. This Program will have permanent staff, the majority of which will be reallocated, together with appropriate non-salary funding, from other City divisions. However, in order to accommodate an anticipated increase in call volumes, it is currently estimated that additional staff will also be required.
- The 3-1-1 Customer Service Strategy is a new corporate service delivery model. By establishing direct and simple access to City Hall, the 3-1-1 Customer Service Strategy will greatly increase efficiency and accountability of the public service, one of Council's key priorities.

### **Multi-Year Debt Affordability Targets**

The previously approved (2008-2012 Capital Plan) debt target for this project was \$0.418 million in 2009, with the project completion scheduled for the same year. Although the 2009-2013

Recommended Capital Plan meets the approved debt target, it requires additional funding for 2009 of \$8.818 (\$6.482 million funded from the Capital Financing Reserve Fund and \$2.336 million funded from the IT Sustainment Equipment Reserve), for 2010 of \$2.434 million (all funded by Capital Financing Reserve Fund) and for 2011 of \$2.300 million (all funded by Capital Financing Reserve Fund), for a total of \$13.552 million. These increases are due to the following:

- Projected under-spending of the 2007 approved capital funds (\$5.827 million). According to the corporate carry forward policy, if project funding is still not spent by the end of the second fiscal year it is to be treated as a new request requiring new debt funding in the next capital budget cycle.
- Incremental change to the approved 3-1-1 capital project budget (\$2.753 million). Due to the Technology Solution contract delays there is a need for 3-1-1 Project staff to continue working on the project during 2009 and to extend the Commissioning Phase.
- Inclusion of new and future year projects (\$4.972 million) in order to continue with expansion of the 3-1-1 Customer Service Strategy.

Once implemented, the 3-1-1 Toronto Technology Solution will represent the most comprehensive and responsive 3-1-1 system to date. It is expected that its successful implementation (Phase I and Phase II) will result in both public and Council demand for enhanced and expanded service offerings and that there will be further opportunities to leverage the initial investment in the 3-1-1 Technology Solution providing additional service request capabilities and utilizing other available functions. Any expansion of the 3-1-1 Customer Service Strategy beyond Phase III will be reported at a later date and considered within the City's future debt affordability targets.

**Project Financing**

The 5-Year Capital Plan requires debt funding of \$0.418 million. The remaining \$13.552 million will be funded from the IT Sustainment Equipment Reserve (\$2.336 million which pertains to the unused funds from 2007) and Capital Financing Reserve Fund (\$11.216 million).

**Development Charge Funded Projects**

The 3-1-1 Customer Service Strategy is not eligible for development charge funding.

**State of Good Repair (SOGR) Backlog and Unmet Service Needs**

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

The 3-1-1 Customer Service Strategy, including Phase III, will be implemented by the end of 2011. Planning for expansion of 3-1-1 services beyond Phase III will be reported subsequent to its implementation as a part of future capital considerations within the City's debt affordability targets.

**Program Capacity and Readiness to Proceed**

Due to the extensive negotiations with the selected vendor, Bearing Point, the 3-1-1 Technology Solution contract was not signed until March 2008, which delayed the project schedule (already revised for five months) for another six months.

The Program is ready to continue implementation of this initiative. Substantial work has been completed to-date, including the 3-1-1 Contact Centre facility, an intensive content and electronic knowledge data base (with approximately 15,000 unique questions and answers documented, validated and electronically stored) and business process reviews for Transportation Services, Solid Waste Management, Toronto Water (all in Phase I) and the "As-is" models for Municipal Licensing and Standards and Urban Forestry (both in Phase II). Some of the Business Process Review recommendations added value to streamline and harmonize business processes and documentation and to complete technical upgrades have also been implemented. A number of other activities, such as service request configurations, development of soft skills training, the Privacy Impact Assessments on Phase I work order systems, and the 3-1-1 operational model will be completed by the end of 2008.

The Phase I hard launch will be June 19, 2009. Phase II completion is scheduled for 2010, with the hard launch on April 19, 2010. This necessitates the ongoing Commissioning role of the 3-1-1 Project Management Office to meet its responsibilities and contract obligations for ensuring all sub-project deliverables, testing new functions, and preparing all Phase I and II Project close-out documents. These activities will take place at the same time the new 3-1-1 Toronto Operating Division is delivering services to the public.

In addition to the Council approved 3-1-1 service model, it is currently anticipated that additional systems and divisions can be made ready and connect more efficiently to further utilize the capacity of the new 3-1-1 service system by year 2011, thus enabling the implementation of Phase III. Commencing with the development of Phase III activities in 2009 and throughout 2010, would allow existing staff resources to use experience they gained on Phases I and II. Therefore, a Phase III service request capacity expansion for 3-1-1, has also been included in the 5-Year Capital Plan.

The challenge over the next two years in implementing Phases I and II of the Council-approved 3-1-1 Service Model by 2010, will be meeting the project launch dates. Issues related to the integration of multiple existing IT systems and components will continue until the end of the project life-span in

2011. Any further unanticipated delays in the 3-1-1 Technology Solution could impact projected cash flow requirements and affect the project completion schedule.

The Project Management Office also faces significant challenges in developing and preparing appropriate strategies for the new 3-1-1 Operating Program capable of delivering the approved 3-1-1 Customer Service Strategy and Service Model. Obtaining sufficient Customer Service Representative (CSR) and non-CSR resources, and addressing staff availability for unpredictable call volume peak demand events and sustained call volume increases is one of the major issues requiring resolution.

### **Changes to the 5-Year Capital Plan (2008–2012)**

The Technology Solution contract delay and City-wide requirements for staff to find cost savings when negotiating the contract, resulted in the following changes to the 2008-2012 Capital Plan:

- Under-spending of the 2007 approved capital funds.
- Some tasks were identified that would have been provided by the Vendor, if the contract have been negotiated at a higher price. An extension of existing staff resources to meet time-critical launch dates is required due to a combination of delay in the Phase I implementation and the ongoing mandate of the 3-1-1 Project Management Office for ensuring all Phase I and Phase II deliverables are met. This led to the requirement for the incremental budget change (Commissioning Phase) and need for additional funding in 2009 and 2010.

The Recommended 5-Year Capital Plan also incorporates some new (Phase III implementation) and future year 3-1-1 initiatives (Self-Serve Kiosks project). These projects were identified in anticipation of the significant efficiencies that can be achieved by utilizing existing staff resources and the system efficiencies created, during the development and implementation of Phases I and II.

The additional funding required to accommodate the 3-1-1 Project Management Office responsibilities in implementing Phase I and II of the approved 3-1-1 service model, such as configuring service requests, represents an increase in total project costs of 7.8% (\$2.753 million vs. \$35.390 million), while the funding required for the implementation of Phase III and Kiosks pilot project would add another 14% to the total project cost (\$4.972 million vs. \$35.390 million).

### **Capital Project Highlights**

The Recommended 5-Year Capital Plan directly advances the following strategic priorities:

- ***Establish a 311 hotline so that every resident has direct and simple access to a person at City Hall who can help resolve problems***

By establishing direct and simple access to City Hall, the 3-1-1 Customer Service Strategy will greatly increase efficiency and accountability of the public service.

- ***Ensure Multilingual access to City Services through the 311 Project***

The 3-1-1 Customer Service Strategy will incorporate options for a multilingual access to City Services in more than 150 languages and will enable quick, accurate response to the public in the language of their choice. This is a significant contribution to meeting demand from the public for approachable, accessible government and achieving “An Inclusive, Diverse Multicultural City”.

- *Create a coordinated Litter Action Team that will quickly clean up serious litter and dumping problems*

Litter and dumping problems identified by residents calls to a new “311” telephone service and through all other 3-1-1 channels of communication will be used to coordinate efforts of a Litter Action Team, which will be created to enable quick response to any serious problem area.

**Summary of Major Capital Initiatives**

(In \$Thousands)	2009 Rec. Budget	2010 Plan	2011 Plan	2012 Plan	2013 Plan	5-Year Plan	2014 -2018 Forecast	2009 -2018 Total
<b>New Initiatives</b>								
Phase III	505.0	1,782.0	2,150.0			4,437.0		4,437.0
Kiosks		385.0	150.0			535.0		535.0
Sub-Total	505.0	2,167.0	2,300.0			4,972.0		4,972.0
<b>Other Major Sub-project Components:</b>								
Knowledge Base Content Development and Business Process Reviews	2,804.0	267.0				3,071.0		3,071.0
Core Technology	5,482.0					5,482.0		5,482.0
Work Order System Integration	100.0					100.0		100.0
Training	230.0					230.0		230.0
Sub-Total	8,616.0	267.0				8,883.0		8,883.0
<b>Total</b>	<b>9,121.0</b>	<b>2,434.0</b>	<b>2,300.0</b>			<b>13,855.0</b>		<b>13,855.0</b>

- The primary objective of the Recommended 5-Year Capital Plan is to deliver the Council approved 3-1-1 Service Model. In addition to the previously approved funding for the major projects of \$6.130 million, there is a requirement for an additional \$2.753 million to sustain the 3-1-1 Project staff and provide funding for Information and Technology expert staff. The 2009 funding will be used to complete the refinement work required on the knowledge data base content development and business process reviews; complete changes arising from business process reviews; pursue activities to support the Phase II system integration (Municipal Licensing and Standards and Urban Forestry) and activities during the Commissioning Phase necessary to enable the successful project transition from the Project Management Office to the new 3-1-1 Toronto Operating Program.
- Phase III, which is a new initiative in this 5-Year Capital Plan, would be developed and implemented over a three year period, starting in 2009. This project is identified in order to utilize the efficiencies of the 3-1-1 technology’s capacity to absorb more system integrations and to take advantage of the existing staff resources. The following activities are anticipated: (a) provision of additional service request capability to include additional systems/divisions (i.e. Model 4), (b) further enhancements and improvements to the City web design and the on-line Service Page, (c) extension of the knowledge base access to users of the on-line self service function and to divisional Tier 2 specialists, and (d) development of a City-wide counter service strategy.
- Another new initiative, installation of self-serve kiosks, is envisioned for 2010 as a pilot project. The kiosks project would enhance the in-person channel to service requests, which would in turn streamline City services and provide internal efficiencies.

## Operating Budget Impact - 10-Year Plan & Forecast

### Incremental Operating Impact Summary

(In \$Thousands)	2009 Rec. Budget	2010 Plan	2011 Plan	2012 Plan	2013 Plan	5-Year Plan	2014 -2018 Forecast	2009-2018 Total
<b>2009 Recommended Capital Budget</b>								
Program Costs (net)								
Approved Positions	7.20	-20.40	-4.80	-11.00		-36.20		-36.20
Debt Service Costs	0.00	0.00	0.00	0.00		0.00		0.00
<b>Recommended 2010-2013 Capital Plan</b>								
Program Costs (net)								
Approved Positions		2.00	-2.00					0.00
Debt Service Costs		0.00	0.00	0.00		0.00		0.00
<b>Proposed 2014-2018 Capital Forecast</b>								
Program Costs (net)								
Approved Positions								
Debt Service Costs								
<b>Total</b>								
Program Costs (net)								
Approved Positions	7.20	-18.40	-6.80	-11.00		-36.20		-36.20
Debt Service Costs	0.00	0.00	0.00	0.00		0.00		0.00
<i>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</i>								

The incremental operating impacts over the next five year horizon include the following:

- The 3-1-1 Service Customer Strategy project involves work on front-end content development for all divisions and prioritized ABCCs, formal business process reviews for five divisions, core technology implementation, integration with three work order systems, service page development and privacy impact assessments. Up to 29 temporary positions were approved in 2006 to complete the work, all fully recoverable from capital funding. These positions include research and technology staff, user acceptance testers, new staff trainers etc., all contributing significantly to the 3-1-1 Project implementation. It was anticipated that their amount of responsibilities would be decreasing significantly following the Phase I public launch and project completion/documentation wrap-up dates approached. However, it should be noted that, due to the delay in the signing of the Technology Solution contract and the resulting under spending in 2007 and 2008, as well as requirements for new capital funding (Phase III), an additional 7.2 positions (for a total of 36.2 positions) will be required to carry out the work in 2009. These positions will all be fully recoverable from the capital funding recommended in this 5-Year Capital Plan. In subsequent years, the 3-1-1 project staff would decrease as originally anticipated (and shown in the table above).
- Once Phase I of the project is implemented, commencing with the hard launch in 2009, the new 3-1-1 Operating Division will be established to provide direct 3-1-1 service to the public. This division will have permanent staff currently estimated at 143 positions. The majority of the staff and funding (for an estimated 129 positions) will be reallocated from other City divisions. However, it is currently estimated that an additional 14 positions will be required to accommodate anticipated call volumes in 2009, increasing by another 23 positions from 2010 on.
- Starting in 2009, there will be a need for additional permanent Information Technology technical staff (9 positions in 2009) for the sustainment of the 3-1-1 Contact Centre operation. In addition to the operational labour and space requirements, there will be incremental technology costs of \$0.444 million in 2009, with further incremental impacts in subsequent years.

- The 3-1-1 Project Management Office has developed the annual 3-1-1 Operating Program budget requirements and these will be considered with the 2009 Operating Budget. The majority of transfers have been negotiated and will be reported with the Variance Report for the 3<sup>rd</sup> quarter of 2008. It is anticipated that the remaining transfers will be negotiated by year end and reported with the 4<sup>th</sup> Quarter Variance Report.

**Total 2009 Recommended Cash Flow & Future Year Commitments (\$000s)**

	2007 & Prior Year Carry Forwards	2009 Previously Approved Cash Flow Commitments	2009 New Cash Flow Recommended	2009 Total Cash Flow Recommended	2009 Debt Target	2008 Carry Forwards	Total 2009 Cash Flow (Incl 2008 C/Fwd)	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total Cost
<b>Expenditures</b>																	
Previously Approved	5,827	418		6,245		7,347	13,592										13592.0
Increase in Budget			2,486	2,486			2,486	267									2753.0
New																	0.0
New w/Future Year			505	505			505	1,782	2,150								4437.0
<b>Total Expenditure</b>	<b>5,827</b>	<b>418</b>	<b>2,991</b>	<b>9,236</b>	<b>418</b>	<b>7,347</b>	<b>16,583</b>	<b>2,049</b>	<b>2,150</b>								<b>20,782</b>
<b>Financing</b>																	
Reserves/Res Funds	5,827		2,991	8,818		4,531	13,349	2,049	2,150								17548.0
Development Charges																	0.0
Other						2,816	2,816										2816.0
Debt		418		418			418										418.0
<b>Total Financing</b>	<b>5,827</b>	<b>418</b>	<b>2,991</b>	<b>9,236</b>		<b>7,347</b>	<b>16,583</b>	<b>2,049</b>	<b>2,150</b>								<b>20,782</b>

**Comments / Issues:**

- The 2009 Recommended Capital Budget is \$16.583 million gross, including \$7.347 million to fund projects carried forward from 2008 to 2009 and funding carried forward from 2007 of \$5.827 million, which forms part of the City’s new debt requirements.
- The funding is provided for the following previously approved projects: a) knowledge base content documentation and business process reviews in the amount of \$2.804 million; b) 3-1-1 Technical Solution and core technology acquisition and implementation of \$10.013 million; c) electronic work system integration in the amount of \$1.406 million; d) 3-1-1 staff training program design of \$0.404 million; e) privacy impact assessments of \$0.132 million, f) 3-1-1 Service Page design in the amount of \$1.095 million, and g) internal/external communication plan development in the amount of \$0.135 million.
- The funding for new (Phase III) and incremental budget changes (Commissioning Phase) account for \$0.505 million and \$2.486 million respectively.
- Approval of the 2009 Recommended Capital Budget will result in future year commitments of \$2.049 million in 2010 and \$2.150 million in 2011. The Commissioning Phase commitments account for \$0.267 million in 2010, while the remaining commitments of \$1.782 million in 2010 and \$2.150 million in 2011 are for the 3-1-1 service expansion.

## **2009 Recommended Capital Budget**

### **2009 Recommended Capital Budget versus Debt Target**

The 2009 Recommended Capital Budget requires debt funding of \$0.418 million and meets the approved target. However, the 2009 Recommended Capital Budget exceeds the Council approved cash flow projections for 2009 by \$6.482 million. This increase is required to fund the projected under-spending of the 2007 approved 3-1-1 capital project of \$3.491 million, incremental change of the previously approved 3-1-1 projects of \$2.486 million, and start up of the Phase III projects of \$0.505 million. The funding will be provided from the Capital Financing Reserve Fund.

### **Capital Budget by Project Category**

The 3-1-1 Customer Service Strategy project is categorized as a Service Improvement project.

The main objective of the 2009 Recommended Capital Budget is to successfully complete the 3-1-1 Council approved model (Model 3, Phase I and II). The 2009 funding will be used to complete the refinement work required on the knowledge data base content development and business process reviews; complete changes arising from business process reviews; pursue activities to support the Phase II system integration (Municipal Licensing and Standards and Urban Forestry) and activities during the Commissioning Phase necessary to enable the successful project transition from the Project Management Office to the new 3-1-1 Operating Program.

### **Capacity and Readiness to Proceed**

The Program is ready to continue implementation of this initiative. Substantial work has been completed to date and, based on the revised project schedule at the end of 2<sup>nd</sup> quarter, the project completion rate by year end is anticipated to be 62%.

As previously outlined, issues related to the integration of multiple existing IT systems and components will continue to pose significant challenges and any further unanticipated delays in the 3-1-1 Technology Solution implementation could impact projected cash flow requirements and affect the project completion schedule.

Besides challenges surrounding the complexity of the 3-1-1 service model, the Program requires additional financial resources to sustain the 3-1-1 Project staff and provide funding for the costs of Information and Technology expert staff for a total amount of \$2.753 million (Commissioning Phase). These are included in this 2009 Capital Budget and 5-Year Capital Plan. Without this funding, 3-1-1 will not be able to fully deliver the 3-1-1 Customer Service Strategy.



## PART II: ISSUES FOR DISCUSSION

### 2009 Capital Budget Issues

#### Implementation Schedule

The proposed 3-1-1 technology solution is very complex and includes Service Quality Management, Internet Protocol (IP) Telephony, Enterprise Application Integration (EAI), Workforce Management and Quality Management. The introduction of EAI for integration of the Contact Centre to the backend service delivery systems (TMMS, Hansen and IBMS) is unique to Toronto's 3-1-1 implementation. Although the inherent challenges of integrating multiple existing IT systems are recognized and measures to mitigate risks are taken, any unanticipated delays to major components of the Technology solution or Work Order (Legacy) System integration could impact projected cash flow, as well as capacity to deliver all intended features at launch. The Program continues to monitor and validate the project implementation schedule.

#### Operating Impact

The incremental operating impacts include the following:

- Up to 29 temporary positions have been approved in 2006 to complete the front end work on the 3-1-1 projects, all fully recoverable from capital funding. These positions include research and technology staff, user acceptance testers, new staff trainers etc., all contributing significantly to the 3-1-1 Project implementation. Due to the under spending in 2007 and 2008 and new capital funding requirements (Phase III), an additional 7.2 positions (for a total of 36.2 positions) will be required to carry out the work in 2009. Funding for these positions is included in the Recommended 5-Year Capital Plan.
- The Program's annual 3-1-1 Operating Program budget requirements will be considered with the 2009 Operating Budget process. All interdivisional transfers have been negotiated and will be reported with the Variance Report for the 3<sup>rd</sup> quarter of 2008. These requirements are not included in the 5-Year Capital Plan.

### 5-Year Capital Plan Issues

#### Challenges

Issues and challenges related to the IT integration of individual work order systems and customer Web access to online service order submissions will remain in place during the entire implementation period. These challenges are recognized and steps are being taken to reduce and mitigate any risks.

#### Financing

Although the 2011 Phase III expanded service requests, online capability, the extension of access to the Knowledge Base to City staff, and the Kiosks pilot project can be implemented independently from the previously approved service model, it is important to recognize possible efficiency gains from developing them immediately following the Phase I launch. A decision to proceed or not proceed may impact on the Toronto's future ability to achieve service levels delivered by other

municipalities/jurisdictions and to maintain its position as a public service leader in the provision of automated services.

### **5-Year Capital Forecast Issues**

The 3-1-1 Customer Service Strategy, including Phase III, will be implemented by the end of 2011. Planning for expansion of 3-1-1 services beyond Phase III will be reported subsequently and any further capital requirements will be considered within the City's debt affordability targets.

## **Appendix 1**

### **2009 Recommended Capital Budget; 2010 to 2013 Plan and 2014 to 2018 Forecast**

## **Appendix 2**

### **2009 Recommended Cash Flow and Future Year Commitments**

**Appendix 3**  
**2009 Recommended Capital Projects**  
**with Financing Details**

## Appendix 4

### Reserve / Reserve Fund Review

Reserve / Reserve Fund Name (In \$Thousands)	Balance as at December 30, 2008 (projected)	Proposed Withdrawals										2009-2018 Total	
		2009 Rec. Budget	2010 Plan	2011 Plan	2012 Plan	2013 Plan	2014 Fore.	2015 Fore.	2016 Fore.	2017 Fore.	2018 Fore.		
IT Sustainment Equipment Reserve Account (XQ1508)		6,867.0											6,867.0
Capital Financing Reserve Fund (XR1011)		6,482.0	2,434.0	2,300.0									11,216.0
<b>Total Reserve / Reserve Fund</b>	<b>0.0</b>	<b>13,349.0</b>	<b>2,434.0</b>	<b>2,300.0</b>									<b>18,083.0</b>