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

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## PART I: CAPITAL PROGRAM

### Executive Summary

- The 2008 Approved Capital Budget of $31.258 million was 19% spent as at June 30, 2008. Actual expenditures by year-end are anticipated to be $23.542 million, or 75% of the 2008 Approved Capital Budget. This projected under expenditure is primarily due to delays for various reasons, including delay in the issuance of RFPs/RFQs due to complexity of projects and their inter-dependencies and/or major project issues, internal staff resource shortages, and a scarcity of IT professionals in the job market.

- The 2009 Recommended Capital Budget; 2010 to 2013 Recommended Capital Plan and 2014 to 2018 Proposed Capital Forecast totals $365.034 million excluding 2008 funding carried forward into 2009, provides funding for maintaining the City's core technology infrastructure and corporate applications. Most of the projects are corporate in nature (i.e. serving multiple Divisions), with some projects for specific Division initiatives such as Human Resources, and Financial Services. Other projects support infrastructure and applications that are budgeted in other Programs, such as 3-1-1.

- The 2009 Recommended Capital Budget; 2010 to 2013 Recommended Capital Plan and 2014 to 2018 Proposed Capital Forecast totals $365.034 million, requiring debt funding of $95.769 million. Of that total amount, $207.219 million is projected for the Program's Recommended 5-Year Capital Plan, requiring debt funding of $48.269 million and cash flow of $42.815 million in 2009, $39.372 million in 2010, $38.022 million in 2011, $36.514 million in 2012, $50.496 million in 2013

- The 10-Year Capital Plan and Forecast incorporates the Information and Technology's core portfolio of State-of-Good-Repair (SOGR) and essential life cycle replacement of IT assets, including hardware, software, servers and storage equipment. The majority of these initiatives will be implemented during the first five years.

- 85% of the total forecasted cash flow over the 10-year planning horizon is allocated to State of Good Repair projects at $176.444 million, and 15% to Service Improvement projects at $30.775 million.

- Funding for the Recommended 5-Year Capital Plan reduces the current state of good repair backlog by $26.142 million over the 5-Year period to $10.225 million by the end of 2013. It is forecasted that the backlog will continue to be decreased by $12.450 million during the following 5-Year forecast period, to be eliminated by 2018.

- The Recommended 5-Year Capital Plan requires cash flows of $46.681 million in 2009, $39.372 million in 2010, $38.022 million in 2011, $36.514 million in 2012, and $50.496 million in 2013.

- The Recommended 5-Year Capital Plan will ensure that the City has a secure and high performance technology infrastructure and systems environment that is maintained in a state of good repair. Most of the projects are multi-year, for network and computing infrastructure, business applications and data integration environment, as well as for establishing a technology environment with best practices and tools.

- The 2009 Recommended Capital Budget including previously approved commitments requires new 2009 cash flow of $42.815 million gross with debt funding of $9.769 million.

- In 2009, the Plan will fund $25.257 million for the replacement of hardware and software through the management of IT asset lifecycle, and continue to develop and implement the Disaster Recovery Plan with funding of $1.953 million to ensure continuity of City's IT operations and applications. Development and implementation of applications systems, and technology infrastructure will require funding of $8.467 million and $5.173 million respectively. Projects for Corporate Planning and Management, including Portfolio Management, e-City, Enterprise Architecture, Business Transformation and Continuity Plan will require funding of $5.731 million.

- The 2009 Recommended Capital Budget advances the strategic priority that supports the Mayor's mandate for Good Government and Service Excellence, to improve the City's Website to make it easier to navigate and take advantage of new technology with the Website Redesign and Websphere Upgrade projects. These projects will improve functionality for users including single sign-on, and consolidation of application user interfaces.

- Information and Technology is working with City Programs to identify ways in which information technology can enable the business units to achieve their goals and objectives, and in some cases transform how they are conducting business. Focused attention to customer relationship management, strategic planning and architecture, and portfolio management will align the City's business needs with strategic information technology solutions.

- Information and Technology is continuing to enhance the planning, prioritization and review of all technology-related capital projects within the City. To strengthen the process, the *Enterprise Architecture Review Panel* (EARP) was established to review all new and change-in-scope IT projects to ensure conformance with the city's technology architecture and compliance with corporate systems and overall project feasibility issues. The *Business Advisory Panel* (BAP) reviews the IT projects recommended by the EARP, and those that are cross-divisional and/or are corporate in nature are identified, discussed and approved by the BAP for the Programs to include in their Capital Budget submission which is subject to the funding, affordability and other requirements of the capital budgetary process.

# Recommendations

The City Manager and Acting Chief Financial Officer recommend that:

1.      Council approve the 2009 Recommended Capital Budget for Information and Technology with a total project cost of $105.735 million and a 2009 cash flow of $46.681 million and future year commitments of $74.044 million comprised of the following:

   a) New Cash Flow Funding for:

   i)   42 new sub-projects with a 2009 total project cost of $105.735 million that requires cash flow of $34.342 million in 2009 and a future year commitment of $14.404 million in 2010, $13.962 million in 2011, $14.265 million in 2012, and $10.858 million in 2013;

   ii)  20 previously approved sub-projects with a 2009 cash flow of $8.473 million, and a future year commitment of $9.530 million in 2010, $9.525 million in 2011, and $1.500 million in 2012;

   b) 2008 approved cash flow for 17 previously approved sub-projects with carry forward funding from 2008 into 2009 totalling $3.866 million;

2.      Council approve the new debt service costs of $0.244 million in 2009, and incremental costs of $1.276 million in 2010, $1.288 million in 2011, $1.235 million in 2012, and $1.235 million in 2013 resulting from the approval of the 2009 Recommended Capital Budget to be included in the 2009 and future year operating budgets;

3.      Council approve the 2010 to 2013 Capital Plan for Information and Technology totalling $90.360 million in project estimates, comprised of $15.438 million in 2010; $14.535 million in 2011; $20.749 million in 2012, and $39.638 million in 2013;

4.      Council approve in principle the 2014 to 2018 Capital Forecast totalling $157.815 million in project estimates, comprised of $40.861 million in 2014, $27.812 million in 2015, $23.145 million in 2016, $39.474 million in 2017, and $26.523 million in 2018; and that this forecast be used as a foundation for preparing a firm 2010 to 2019 Capital Plan and Forecast as part of the 2010 Capital Budget process;

5.      Council consider the net operating impacts in the Information and Technology's operating budget of $0.136 million in 2010, $0.370 million in 2011, $1.015 million in 2012, and $0.337 million in 2013 that emanate from the approval of the 2009 Recommended Capital Budget within the overall scope of Information and Technology's 2009 Operating Budget and future year operating budgets; and,

6.      Commencing with the 2010 Capital Budget Process, the Chief Information Officer, in conjunction with Financial Planning, ensure that all business cases involving information technology are reviewed and assessed by the *Enterprise Architecture Review Panel,* who will make recommendations to the *Business Advisory Panel,* and if included in the Programs' Capital Budget submission, will be subject to the funding, affordability and other requirements of the capital budgetary process.

### 2008 Capital Variance Review

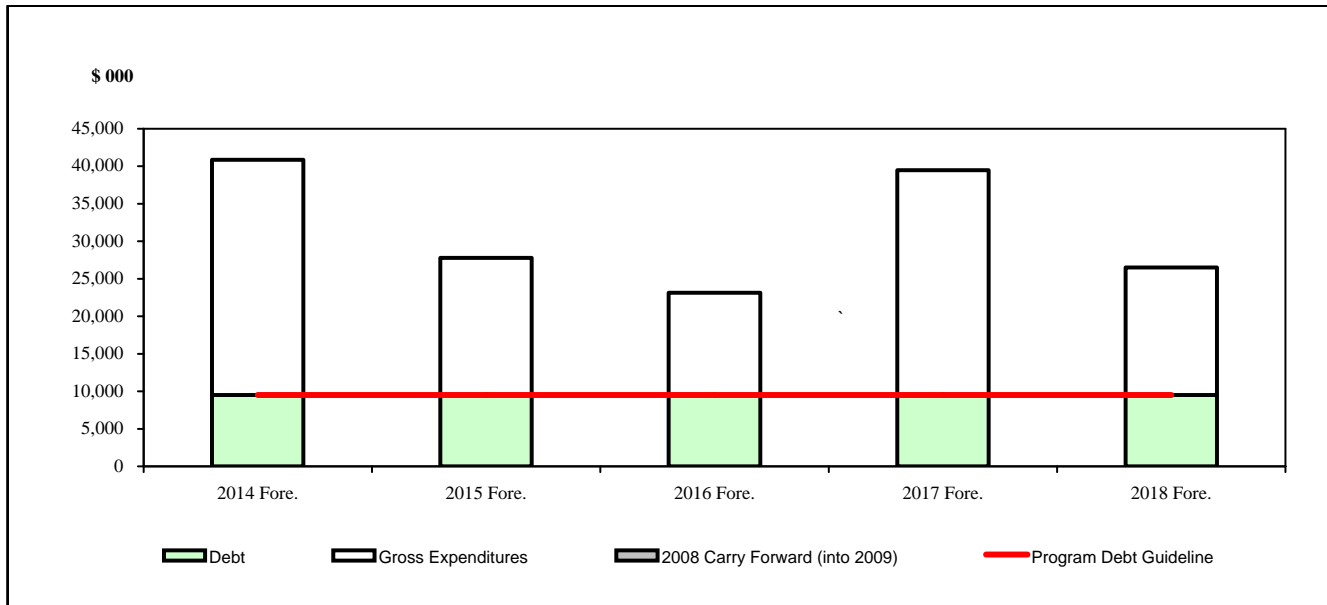| 2008 Budget to Actuals Comparison - Total Gross Expenditures ($000s) | | | | | |
|---|---|---|---|---|---|
| **2008 Approved** | **Actuals as of June 30 (2nd Qtr Variance)** | | **Projected Actuals at Year End** | | **Balance** |
| **$** | **$** | **% Spent** | **$** | **% Spent** | **$ Unspent** |
| 31,258 | 5,990 | 19.2% | 23,542 | 75.3% | 7,716 |

## Comments / Issues:

- At the end of the 2nd quarter, Information and Technology spent $5.990 million or 19.2% of its 2008 Approved Capital Budget of $31.258 million.

- Information and Technology's projected year-end spending is expected to be $23.542 million or 75.3% of its 2008 Approved Capital Budget. This represents an improvement over the 59.5% spending rate achieved in 2007.

- Under spending is primarily due to delays in various projects for a variety of reasons:

  ➤ The Website Redesign project has experienced delays due to the complexity of the RFP issuance; three inter-related projects are involved.

  ➤ The Document Management project has several projects/sub-projects, including the Litigation Pilot project which is on hold due to some major project issues. This delay has also affected the Competency Centre and the I&T Division Rollout projects due to the interdependencies among these projects.

  ➤ Internal staff resource shortages and a scarcity of IT professionals in the market place have caused significant challenges in recruiting qualified professionals to deliver on capital projects, causing several projects to be delayed, including the Disaster Recovery, Mainframe Data Retention, IT Performance Measurement, and the ITIL projects.

  ➤ Several Strategic Planning and Project Management Office projects have been delayed until the IT Governance & Transformation rollout has progressed further.

- The recommended carry forward funding included in the 2009 Recommended Capital Budget is $3.806 million and is lower than the projected under-spending in the 2nd Quarter Variance Report based on more recent information on actual spending.

## 5-Year Capital Plan (2009-2013)
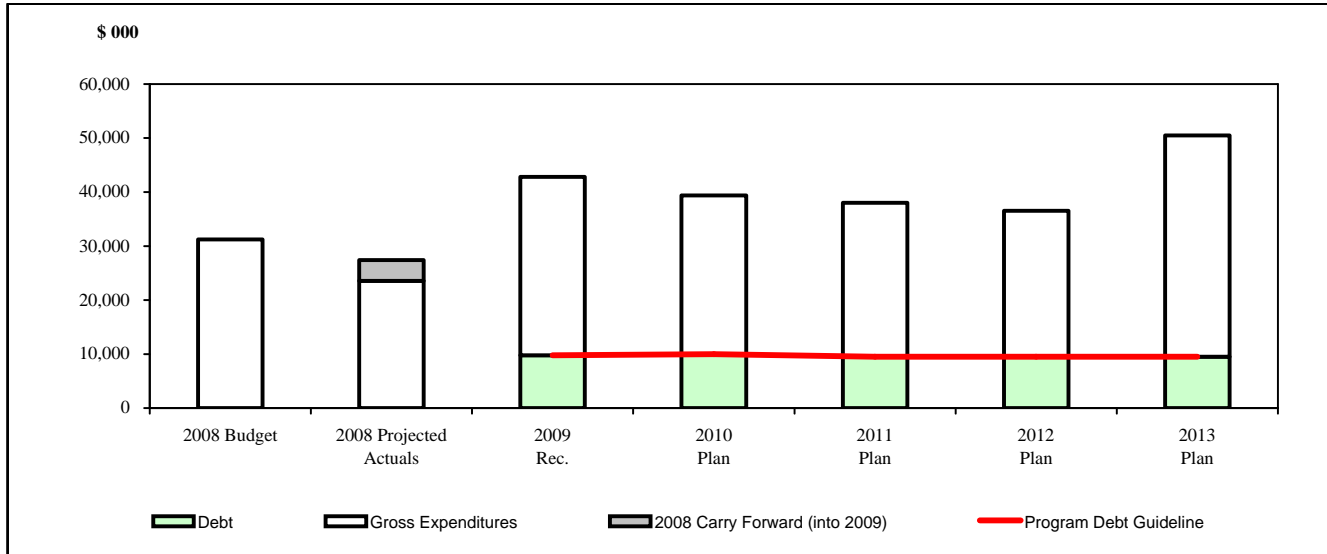


| | 2008 | | 5-Year Capital Plan | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2009-2013 | 5-Year Total Percent |
| | Budget | Projected Actual | | | | | | | |
| **Gross Expenditures:** | | | | | | | | | |
| 2008 Capital Budget & Future Year Commitments | 31,258 | 23,542 | 8,749 | 10,244 | 10,225 | 1,750 | | 30,968 | |
| Recommended Changes to Commitments | | | (276) | (714) | (700) | (250) | | (1,940) | |
| 2009 New/Change in Scope and Future Year Commitments | | | 34,342 | 14,404 | 13,962 | 14,265 | 10,858 | 87,831 | |
| 2010 - 2013 Capital Plan Estimates | | | | 15,438 | 14,535 | 20,749 | 39,638 | 90,360 | |
| 1-Year Carry Forward  to 2009 | | 3,866 | | | | | | | |
| **Total Gross Annual Expenditures & Plan** | **31,258** | **27,408** | **42,815** | **39,372** | **38,022** | **36,514** | **50,496** | **207,219** | |
| | | | | | | | | | |
| **Program Debt Target** | | | **9,769** | **10,000** | **9,500** | **9,500** | **9,500** | **48,269** | |
| **Financing:** | | | | | | | | | |
| Recommended Debt | | | 9,769 | 10,000 | 9,500 | 9,500 | 9,500 | 48,269 | 23% |
| | | | | | | | | | |
| Reserves/Reserve Funds | | | 32,681 | 29,097 | 26,441 | 24,384 | 37,956 | 150,559 | 73% |
| Development Charges | | | | | | | | | |
| Federal | | | | | | | | | |
| Provincial | | | | | | | | | |
| Other | | | 365 | 275 | 2,081 | 2,630 | 3,040 | 8,391 | 4% |
| **Total Financing** | | | **42,815** | **39,372** | **38,022** | **36,514** | **50,496** | **207,219** | 100% |
| **By Category:** | | | | | | | | | |
| Health & Safety | | | | | | | | | |
| Legislated | | | | | | | | | |
| SOGR | | | 40,326 | 32,903 | 29,381 | 28,490 | 45,344 | 176,444 | 85% |
| Service Improvement | | | 2,489 | 6,469 | 8,641 | 8,024 | 5,152 | 30,775 | 15% |
| Growth Related | | | | | | | | | |
| **Total By Category** | | | **42,815** | **39,372** | **38,022** | **36,514** | **50,496** | **207,219** | 100% |
| | | | | | | | | | |
| Yearly SOGR  Backlog Estimate (not addressed by current plan) | | | (3,267) | (3,325) | (5,760) | (6,610) | (7,180) | (26,142) | |
| Accumulated Backlog Estimate (end of year) | | 36,367 | 33,100 | 29,775 | 24,015 | 17,405 | 10,225 | 10,225 | |
| Operating Impact on Program Costs | | | 0 | 136 | 370 | 1,015 | 337 | 1,858 | |
| Debt Service Costs | | | 244 | 1,276 | 1,288 | 1,235 | 1,235 | 5,278 | |

# 5-Year Capital Forecast (2014-2018)



| | Debt | | Gross Expenditures | | 2008 Carry Forward (into 2009) | | Program Debt Guideline |

| | | | | 5-Year Capital Forecast | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2014-2018 | 2009-2013 | 10-Year Total Percent |
| **Gross Expenditures:** | | | | | | | | |
| 2008 Capital Budget & Future Year Commitments & Estimates | | | | | | | 30,968 | |
| Recommended Changes to Commitments & Estimates | | | | | | | (1,940) | |
| 2009 New/Change in Scope and Future Year Commitments | | | | | | | 87,831 | |
| 2014 - 2018 Capital Forecast Estimates | 40,861 | 27,812 | 23,145 | 39,474 | 26,523 | 157,815 | 248,175 | |
| **Total Gross Annual Expenditures & Plan** | **40,861** | **27,812** | **23,145** | **39,474** | **26,523** | **157,815** | **365,034** | |
| | | | | | | | | |
| **Program Debt Target** | **9,500** | **9,500** | **9,500** | **9,500** | **9,500** | **47,500** | **95,769** | |
| **Financing:** | | | | | | | | |
| Recommended Debt | 9,500 | 9,500 | 9,500 | 9,500 | 9,500 | 47,500 | 95,769 | 26% |
| Reserves/Reserve Funds | 26,486 | 18,312 | 13,645 | 29,974 | 17,023 | 105,440 | 255,999 | 70% |
| Development Charges | | | | | | | | |
| Federal | | | | | | | | |
| Provincial | | | | | | | | |
| Other | 4,875 | | | | | 4,875 | 13,266 | 4% |
| **Total Financing** | **40,861** | **27,812** | **23,145** | **39,474** | **26,523** | **157,815** | **365,034** | **100%** |
| **By Category:** | | | | | | | | |
| Health & Safety | | | | | | | | |
| Legislated | | | | | | | | |
| SOGR | 36,709 | 23,660 | 21,623 | 38,599 | 26,523 | 147,114 | 323,558 | 89% |
| Service Improvement | 4,152 | 4,152 | 1,522 | 875 | 0 | 10,701 | 41,476 | 11% |
| Growth Related | | | | | | | | |
| **Total By Category** | **40,861** | **27,812** | **23,145** | **39,474** | **26,523** | **157,815** | **365,034** | 100% |
| | | | | | | | | |
| Yearly SOGR Backlog Estimate (not addressed by current plan) | (2,700) | (2,700) | (2,700) | (2,700) | | (10,800) | (36,942) | |
| Accumulated Backlog Estimate (end of year) | 7,525 | 4,825 | 2,125 | | | 12,450 | 12,450 | |
| Operating Impact on Program Costs | 340 | 340 | 340 | 340 | 340 | 1,700 | 3,558 | |
| Debt Service Costs | 1,235 | 1,235 | 1,235 | 1,235 | 1,235 | 6,175 | 11,453 | |

# 10 – Year Capital Plan and Forecast Overview

- The 10-Year Capital Plan and Forecast incorporates the Information and Technology's core portfolio of State-of-Good-Repair (SOGR) and essential life cycle replacement of IT assets, including hardware, software, servers and storage equipment. The majority of these initiatives will be implemented during the first five years (5-Year Capital Plan).

- The 10-Year Capital Plan and Forecast totals $365.034 million, excluding carry forward funding, of which 26% is funded from debt. The remaining funding consists of reserves/reserve funds.

- The main objective of the 10-Year Capital Plan and Forecast is to maintain the City's core technology infrastructure and corporate applications. Most of the projects are corporate in nature (i.e. serving multiple Divisions), with some projects for specific Division initiatives such as Human Resources, and Financial Services. Other projects support infrastructure and applications that are budgeted in other Programs, such as 3-1-1.

- 89% of the total forecasted cash flow over the 10-Year planning horizon is allocated to State-of-Good-Repair projects at $323.558 million, and 11% to Service Improvement projects at $41.476 million.

## Multi-Year Debt Affordability Targets

The Recommended 5-Year Capital Plan and Proposed 5-Year Capital Forecast for Information and Technology meets the multi-year debt target for each year.

This is achieved by continuing the capital financing structure approved in last year's 2008 to 2012 Capital Plan for Information and Technology, using a mixture of debt, reserves and reserve funds.

## Project Financing

The 10-Year Capital Plan and Forecast is funded from Debt, Reserves/Reserve Funds, and other sources in a ratio of 30.1%, 66.8% and 3.1% as shown in the table below:

| ($000s) | 2009 | 2010 | 2011 | 2012 | 2013 | Total 2009 to 2013 | Ratio | Total 2014 to 2018 | Ratio |
|---|---|---|---|---|---|---|---|---|---|
| Debt | 9,769 | 10,000 | 9,500 | 9,500 | 9,500 | 48,269 | 23.3% | 47,500 | 30.1% |
| Reserves/Reserve Funds | 32,681 | 29,097 | 26,441 | 24,384 | 37,956 | 150,559 | 72.7% | 105,440 | 66.8% |
| Other | 365 | 275 | 2,081 | 2,630 | 3,040 | 8,391 | 4.0% | 4,875 | 3.1% |
| Total | 42,815 | 39,372 | 38,022 | 36,514 | 50,496 | 207,219 | 100.0% | 157,815 | 100.0% |

The project financing meets the debt target each year of the Recommended 5-Year Capital Plan.

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

The projected backlog at December 31, 2008 is $36.367 million. The backlog estimate is based on the deferred investment to the end of 2008 for key corporate IT projects that protect the City's IT capabilities. This is comprised of the Telecom Management System, Mainframe De-commissioning, the Disaster Recovery Plan and the Data Centre expansion and consolidation. The backlog is expected to be reduced by $26.142 million over the 5-Year period to $10.225 million by 2013. In years 6 to 10 the backlog will be reduced to zero.

## Program Capacity and Readiness to Proceed

In the past, spending rates have not supported a capacity to expand Information and Technology's capital budget. The Program has had a history of challenges in spending its annual approved capital funding.

As the table below shows, the average spending rate for the two years 2006 and 2007 is 58.5%.

| YEAR | PLAN | ACTUALS | % SPENT |
|---|---|---|---|
| 2007 | 31,532 | 16,731 | 53.1% |
| 2006 | 31,786 | 20,314 | 63.9% |
| TOTAL | 63,318 | 37,045 | 58.5% |

The Capital Variance report for the 2nd quarter period ended June 30, 2008 showed the Program's year-to-date spending at $5.990 million or 19.2% of its 2008 Approved Capital Budget of $31.258 million.

There are several key factors that contribute to the deliverables of I&T projects. Some projects are delayed because of complexities resulting from inter-dependencies of two or more projects. Delays caused by the RFP/RFQ process are driven by the complexity of some of the documents, the need to re-issue the RFP/RFQ because of project issues.

Resource constraints also impact the deliverables of I&T projects. These are due to vacancies, and challenges in recruiting IT professionals with very specific skill set requirements. Where external expertise is available, this option has been utilized. Projects impacted by resource constraints include the Disaster Recovery, Mainframe Data Retention, and the IT Infrastructure Library projects.

In addition, there have been deferrals experienced in some projects such as the Enterprise Technology Asset Management, and the Telecom Management System projects due to delays in obtaining deliverables from the vendors.

Information and Technology is taking action to address the above factors by working with Purchasing, Materials Management Division, Legal Services, and their own Contract Management Office to streamline the IT procurement process. The Contract Management Office is currently undergoing a full business process review.

With respect to resource constraints represented by vacancies and challenges in recruiting staff in the IT jobs market, out-sourcing alternatives are being used where the expertise and specific skill sets are required. The Program is taking corrective action to ensure the RFP/RFQ documents are clearly worded, that well defined service level agreements are in place, and making satisfactory performance as a condition for invoice payments, are actions that Information and Technology expects will minimize delays in project delivery.

## Changes to the 5-Year Capital Plan (2009-2013)

The following highlights the changes from the 2008 - 2012 Approved Capital Plan to the 2009-2013 Recommended Capital Plan.

| ($000s) | 2009 | 2010 | 2011 | 2012 | 2013 | Total 2009 to 2013 | Total 2014 to 2018 |
|---|---|---|---|---|---|---|---|
| 2008 - 2012 Approved Capital Plan | 43,666 | 34,091 | 29,457 | 30,274 | 52,474 | 189,962 | 167,489 |
| Changes to the 5-Year Capital Plan | (851) | 5,281 | 8,565 | 6,240 | (1,978) | 17,257 | (9,674) |
| 2009 - 2013 5-Year Capital Plan | 42,815 | 39,372 | 38,022 | 36,514 | 50,496 | 207,219 | 157,815 |

These changes are a result of the efforts taken to carefully plan cash flows based on needs and to meet the affordability debt target.

The Information and Technology Program is being realigned to meet service plan objectives and priority actions. This will create a stronger I&T leadership role in the Corporation, and establish governing bodies that are more strategic and collaborative. The realignment of I&T groups at the divisional, cluster and corporate levels will help eliminate service duplications and competing goals, and allow for better use of information and technology resources across the City.

Cash flows for previously approved commitments were revised based on updated information. This enabled new projects to be accommodated. For example, the City of Toronto Telecom Infrastructure project is a new project that will move the City increasingly from conventional phones to Voice Over Internet Protocol (VoIP) at a cost of $18.266 over 5 years. This has been accommodated by reducing funding for other previously approved projects where lesser costs or needs have been identified.

## Capital Projects Highlights

### Strategic Priorities

The 10-Year Capital Plan and Forecast contains several projects that are aligned with the following strategic priorities:

- *Good Government and Service Excellence*

The 10-Year Capital Plan and Forecast provides $2.663 million to improve the City's website to make it easier to navigate, and take advantage of new technology to enhance functionality for users, including single sign-on and consolidation of application user interfaces.

The Website Re-design, the Websphere Upgrade, Web.Net Product Support, and Web Portal Community Approach, are projects that are aligned with the Mayor's Mandate for good government and service excellence.

## 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 |
|---|---|---|---|---|---|---|---|---|
| **New & Expanded Facility Projects** | | | | | | | | |
| **IT Projects** | | | | | | | | |
| Asset LifeCycle Management | 25,257 | 19,378 | 14,169 | 11,888 | 29,465 | 100,157 | 91,773 | 191,930 |
| Network Upgrade | 1,670 | 1,970 | 2,280 | 1,990 | 2,680 | 10,590 | 2,700 | 13,290 |
| Application Systems | 6,597 | 4,875 | 4,668 | 6,256 | 3,169 | 25,565 | 15,544 | 41,109 |
| Corporate Planning & Management | 5,434 | 4,322 | 3,936 | 3,385 | 2,900 | 19,977 | 16,094 | 36,071 |
| Technology Infrastructure | 3,857 | 8,827 | 12,969 | 12,995 | 12,282 | 50,930 | 31,704 | 82,634 |
| Sub-Total | 42,815 | 39,372 | 38,022 | 36,514 | 50,496 | 207,219 | 157,815 | 365,034 |
| **Other Major City Initiatives:** | | | | | | | | |
| Sub-Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **42,815** | **39,372** | **38,022** | **36,514** | **50,496** | **207,219** | **157,815** | 365,034 |

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

The 5-Year Capital Plan contains $100.157 million for lifecycle replacement of technology assets, including hardware, software, servers, storage and enterprise software and technology equipment for the City's computing network.

Application system development projects include SAP projects, Website Design, and Data and Document Management with an allocation of $25.565 million.

Projects for Corporate Planning and Management total $19.977 million. These include projects for e-City and e-Business, Enterprise Architecture, and Corporate Consolidation.

Technology infrastructure projects include Operations Management Tools, and Enterprise Systems Management, and the Consolidated Data Centre. Total cash flow for these projects over the next five years is $50.930 million.

## 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 |
|---|---|---|---|---|---|---|---|---|
| **2009 Recommended Capital Budget** | | | | | | | | |
|   Program Costs (net) | | | | | | | | |
|   Approved Positions | | | | | | | | |
|   Debt Service Costs | 244 | 1,212 | 900 | 578 | 383 | 3,317 | | |
| **Recommended 2010-2013 Capital Plan** | | | | | | | | |
|   Program Costs (net) | | 136 | 370 | 1,015 | 337 | 1,858 | | 1,858 |
|   Approved Positions | | | 4 | 7 | 1 | 12 | | 12 |
|   Debt Service Costs | | 64 | 387 | 657 | 852 | 1,961 | | |
| **Recommended 2014-2018 Capital Forecast** | | | | | | | | |
|   Program Costs (net) | | | | | | | 1,700 | 1,700 |
|   Approved Positions | | | | | | | | |
|   Debt Service Costs | | | | | | | 5,976 | |
| **Total** | | | | | | | | |
|   Program Costs (net) | | 136 | 370 | 1,015 | 337 | 1,858 | | 1,858 |
|   Approved Positions | | | 4 | 7 | 1 | 12 | | 12 |
|   Debt Service Costs | 244 | 1,276 | 1,288 | 1,235 | 1,235 | 5,277 | 5,976 | 11,253 |

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

## Program Operating Impact

Approval of the 2009 to 2013 Recommended Capital Plan will increase future year Information and Technology Operating Budgets by a total of $1.858 million net over the five year period. This is comprised of costs to maintain the systems once they are completed and operationalized. The impacts will be $0.136 million in 2010, $0.370 million in 2011, $1.015 million in 2012 and $0.337 million in 2013. Staff increases will be 4 positions in 2011, 7 positions in 2012 and 1 position in 2013 for Technical Support Specialists to support and maintain the systems.

The incremental net impacts are from the following recommended capital projects/sub-projects:

| ($000s) | 2010 | 2011 | 2012 | 2013 | Total 2009 to 2013 |
|---|---|---|---|---|---|
| eMail Archiving Solutions | 20 | | | | 20 |
| Telecom Management System | 26 | | | | 26 |
| Document Mgt - Core Development | 20 | | | | 20 |
| SAP-2007 Upgrade | 70 | | | | 70 |
| Document Mgt - Technologies | | | 54 | | 54 |
| SAP-HR e-Enablement & Business Intelligence | | 90 | 306 | | 396 |
| Data Mgt - Data Warehouse-Environment Upgrade | | | 60 | | 60 |
| Enterprise SAP Business Intelligence Strategy | | 32 | | | 32 |
| EAI Solution & Business Interface | | 50 | | | 50 |
| Enterprise Desktop Security Tools | | 52 | 49 | 49 | 150 |
| Quality Assurance Tools Assessment | | | 50 | 50 | 100 |
| Technology Broadband Wireless Implementation | | | | 30 | 30 |
| Enterprise System Mgt - Implementation | | 63 | 93 | 56 | 212 |
| Dual Web Infrastructure | | 63 | 81 | 81 | 225 |
| COT Telecom Infrastructure | | | 302 | 71 | 373 |
| Operations Management Tools | | 20 | 20 | | 40 |
| | 136 | 370 | 1,015 | 337 | 1,858 |

During the Proposed 5-Year Forecast period 2014 to 2018, the incremental net operating impacts from capital is $1.700 million from the Consolidated Data Centre for 24/7 operation and custodial services, and maintenance.

## Debt Service Cost

The 2009 Recommended Capital Budget and 2010 – 2013 Capital Plan will result in new debt service costs of $0.244 million in 2009, and incremental debt service costs of $1.276 million in 2010, $1.288 million in 2011, $1.235 million in 2012, and $1.235 million in 2013 and $1.235 million for each year thereafter from 2014 to 2018 resulting from the approval of the 2009 Recommended Capital Budget.

## 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Expenditures** | | | | | | | | | | | | | | | | |
| Previously Approved | | 8,473 | | 8,473 | | 3,866 | 12,339 | 9,530 | 9,525 | 1,500 | | | | | | |
| Change in Scope | | | 1,233 | 1,233 | | | 1,233 | (1,725) | (1,420) | 7,520 | 10,208 | 12,930 | 2,390 | 1,220 | 1,220 | 1,030 |
| New | | | 1,913 | 1,913 | | | 1,913 | | | | | | | | | |
| New w/Future Year | | | 31,196 | 31,196 | | | 31,196 | 16,129 | 15,382 | 6,745 | 650 | | | | | |
| **Total Expenditure** | | **8,473** | **34,342** | **42,815** | **9,769** | **3,866** | **46,681** | **23,934** | **23,487** | **15,765** | **10,858** | **12,930** | **2,390** | **1,220** | **1,220** | **1,030** |
| **Financing** | | | | | | | | | | | | | | | | |
| Reserves/Res Funds | 2,850 | | 29,831 | 32,681 | | 383 | 33,064 | 16,216 | 16,663 | 9,940 | 5,920 | 6,405 | 1,170 | | | |
| Development Charges | | | | | | | | | | | | | | | | |
| Other | 1,650 | | (1,285) | 365 | | 3,483 | 3,848 | 275 | 2,081 | 2,630 | 3,040 | 4,875 | | | | |
| Debt | 3,973 | | 5,796 | 9,769 | | | 9,769 | 7,443 | 4,743 | 3,195 | 1,898 | 1,650 | 1,220 | 1,220 | 1,220 | 1,030 |
| **Total Financing** | | **8,473** | **34,342** | **42,815** | **9,769** | **3,866** | **46,681** | **23,934** | **23,487** | **15,765** | **10,858** | **12,930** | **2,390** | **1,220** | **1,220** | **1,030** |

## Comments / Issues:

- The 2009 Recommended Capital Budget is $46.681 million, and includes funding carried forward from 2008 into 2009 of $3.866 million, previously approved funding of $8.473 million, and new funding of $34.342 million.

- Approval of the 2009 Recommended Capital Budget will result in future year commitments of $23.934 million in 2010, $23.487 million in 2011, $15.765 million in 2012, and $10.858 million in 2013.

- The 2009 Recommended Capital Budget is fully funded from debt, reserves/reserve funds at a ratio of 22.8%, and 76.3%, and 0.9%, respectively.

# 2009 Recommended Capital Budget

## 2009 Recommended Capital Budget versus Debt Target

22.8% or $9.769 million of the 2009 Recommended Capital Budget for Information and Technology is funded from debt, which meets the debt target for 2009. The balance of the 2009 Recommended Capital Budget is funded by reserves and reserve funds at 76.3% or $32.681 million, and 0.9% or $0.365 million from Other sources.

## Capital Budget by Project Category

$40.326 million or 85% of the funding in the 2009 Recommended Capital Budget is allocated to State-of-Good Repair (SOGR) projects, and $2.489 million or 15% to Service Improvement projects.

## 2009 Capital Project Highlights

The 2009 Recommended Capital Budget is primarily comprised of funding to maintain the state of good repair of the City's technology network, applications and infrastructure, and ensuring service improvement and enhancement for the City's Telecom Infrastructure. In 2009, the Capital Budget will fund:

- Asset Lifecycle Management ($25.257 million) to replace IT assets, including hardware, software, servers and storage equipment in accordance with their lifecycle.
- Network upgrade to develop and implement the Disaster Recovery Plan ($2.053 million) to safeguard the City's IT operations and applications.
- Application Systems ($8.467 million) including the Website re-design, SAP foundation upgrade, and Enterprise SAP Business Intelligence strategy, and SAP e-enablement and Business Intelligence implementation, Enterprise Architecture Implementation, including 3-1-1, and Geospatial Data Warehouse, and Information Integration.
- Corporate Planning & Management ($5.731 million) including Project Management System Development Lifecycle, and Testing Tools, projects for e-City; Information Technology Infrastructure Library Best Practices, and Business Transformation.
- Technology Infrastructure ($5.173 million) including Enterprise Systems Management Strategy, the City of Toronto Telecom Infrastructure Implementation, and the Consolidated Data Centre.

## Capacity and Readiness to Proceed

Information and Technology has experienced challenges to improve its spending rates on the Capital Budget in the last few years. These are described in more detail on page 10.

The Program is taking corrective action to address the causes of some of the delays encountered in the past, which will result in improved spending rates in 2009 and future year capital budgets.

## PART II: ISSUES FOR DISCUSSION

# 5-Year Capital Plan Issues

**Corporate Governance of Information Technology Projects**

A process for planning, prioritization and review of all technology-related capital projects within the City by Information and Technology Division staff has been established. All new and "change-in-scope" business cases for IT projects are sent to I&T Division prior to the formal submission of the capital budgets to the Financial Planning Division. These business cases will have prior consultation and involvement by the I&T Division to validate compliance with corporate systems and overall project feasibility.

**Project Planning:**

The Information and Technology Division (I&T) is working with Divisions to identify how information technology can enable the business units to achieve their goals and objectives, and in some cases, transform how they are conducting business. This process will enable an early participation by I&T in the budget process to develop more comprehensive and complete business cases for IT projects and also enable a more city-wide perspective as to potential collaborative opportunities.

**Project Prioritization:**

Two governance bodies have been established as stewards of 1) enterprise architecture, and 2) IT investment decisions for the City of Toronto.

> ➤ The *Enterprise Architecture Review Panel* (EARP) reviews the portfolio of submitted IT business cases, to ensure conformance with the City's technology architecture and for promoting architected approach, and re-usability of solution components to all IT projects to ensure the most effective use of the City's investments in information technology.

> ➤ The *Business Advisory Panel* (BAP) establishes overall priorities and strategic directions. This panel reviews all IT projects as recommended by the EARP, and those that are cross-divisional and/or are corporate in nature are identified, discussed and approved by the BAP.

It is recommended that commencing with the 2010 Capital Budget Process, the Chief Information Officer, in conjunction with Financial Planning, will ensure that all business cases involving information technology are reviewed and assessed by the *Enterprise Architecture Review Panel,* who will make recommendations to the *Business Advisory Panel,* and if included in the Programs' Capital Budget submission, will be subject to the funding, affordability and other requirements of the capital budget process.

# 5-Year Capital Forecast Issues

There are no 5-Year Capital Forecast Issues.

# 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 of Dec 31, 2008 | Proposed Withdrawals | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2009 Rec. Budget | 2010 Plan | 2011 Plan | 2012 Plan | 2013 Plan | 2014 Fore. | 2015 Fore. | 2016 Fore. | 2017 Fore. | 2018 Fore. | 2009-2018 Total |
| XQ1508 - IT Equipment Reserve | 42,421 | 28,677 | 24,490 | 20,057 | 14,628 | 32,145 | 24,315 | 16,141 | 12,770 | 29,099 | 17,023 | **219,345** |
| XQ1011 - Capital Financing Res | 0 | 4,004 | 4,605 | 6,386 | 9,756 | 5,811 | 2,171 | 2,171 | 875 | 875 | 0 | **36,654** |
| **Total Reserve / Reserve Fund** | **42,421** | **32,681** | **29,095** | **26,443** | **24,384** | **37,956** | **26,486** | **18,312** | **13,645** | **29,974** | **17,023** | **255,999** |