

## City Budget 2012

## Financial Services Capital Budget Analyst Notes

The City of Toronto's budget is presented by program and service, in Analyst Note format. The City's Capital Budget funds major infrastructure.

# 2012–2021 Capital Program

## 2012 CAPITAL BUDGET ANALYST BRIEFING NOTES

### BUDGET COMMITTEE NOVEMBER 28, 2011

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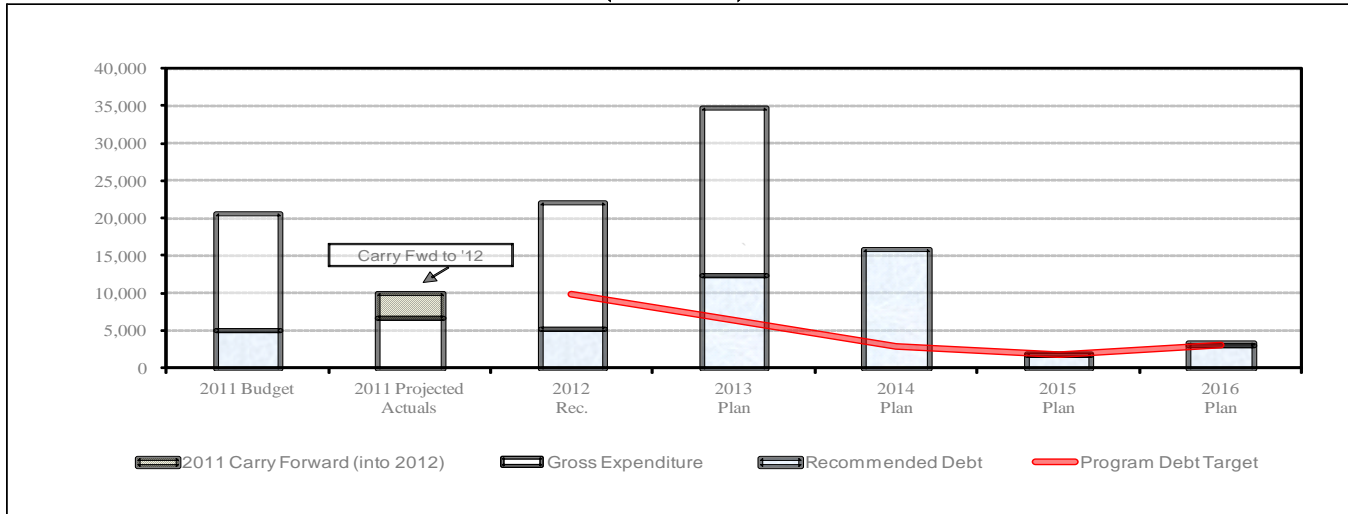
## PART I: RECOMMENDATIONS

The City Manager and Chief Financial Officer recommend that:

1. Council approve the 2012 Recommended Capital Budget for Financial Services with a total project cost of \$0.958 million, and 2012 cash flow of \$25.440 million and future year commitments of \$50.660 million comprised of the following:
  - a) New Cash Flow Funding for:
    - i) 3 new/change in scope sub-projects with a 2012 total project cost of \$0.958 million that requires cash flow of \$0.758 million in 2012 and a future year commitment of \$0.200 million in 2013;
    - ii) 17 previously approved sub-projects with a 2012 cash flow of \$12.448 million and a future year commitment of \$34.681 million in 2013; \$14.961 million in 2014; and \$0.818 million in 2015;
    - iii) 13 sub-projects from previously approved projects with carry forward funding from 2010 and prior years requiring 2012 cash flow of \$8.932 million which forms part of the affordability targets that requires Council to reaffirm its commitment; and,
  - b) 2011 approved cash flow for 7 previously approved sub-projects with carry forward funding from 2011 into 2012 totalling \$3.302 million;
2. Council approve new debt service costs of \$0.106 million in 2012 and incremental debt costs of \$0.818 million in 2013; \$1.628 million in 2014; \$1.621 million in 2015 and \$0.088 million in 2016 resulting from the approval of the 2012 Recommended Capital Budget, to be included in the 2012 and future year operating budgets;
3. Council approve the 2013–2021 Recommended Capital Plan for Financial Services totalling \$25.375 million in project estimates, comprised of \$0.950 million in 2014; \$1.138 million in 2015; \$3.142 million in 2016; \$1.680 million in 2017; \$4.190 million in 2018; \$5.045 million in 2019; \$6.380 million in 2020; and, \$2.850 million in 2021;
4. Council consider operating impacts of \$0.510 million in 2013; \$0.875 million in 2014; and \$0.020 million in 2015 emanating from the approval of the 2012 Recommended Capital Budget for inclusion in the 2012 and future year operating budgets.

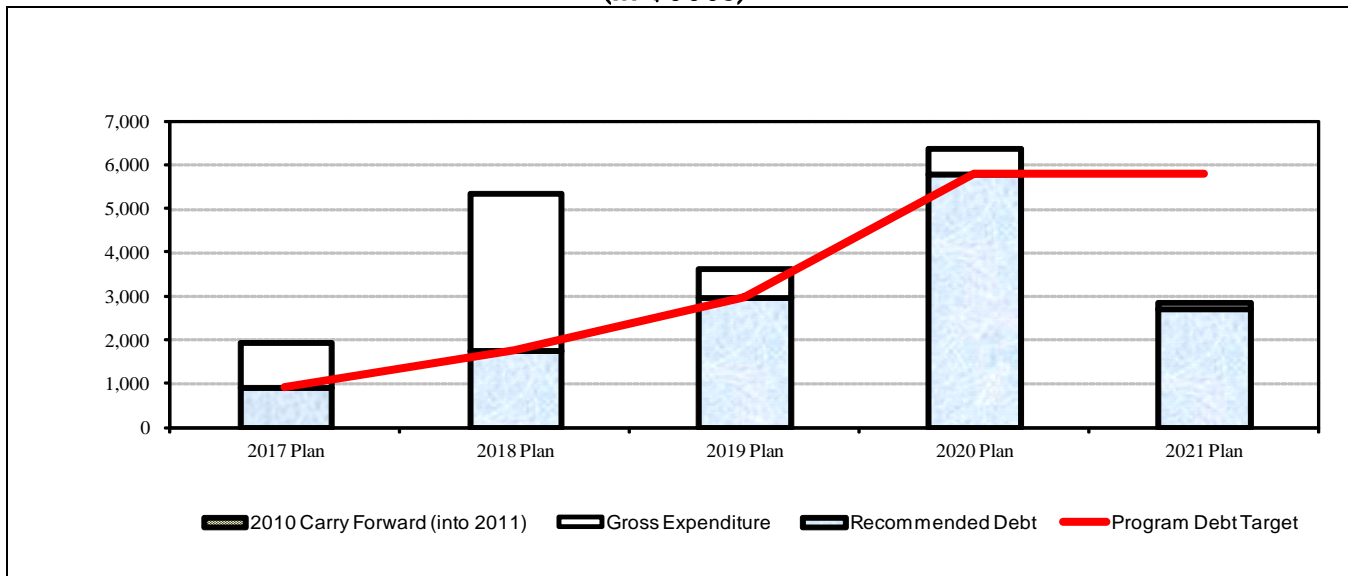
# PART II: 2012 - 2021 CAPITAL PROGRAM

## 10-Year Capital Plan 2012 Recommended Budget, 2013-2016 Recommended Plan (In \$000s)



			2012 Rec. Budget and 2013-2016 Plan							
			2012	2013	2014	2015	2016	2012-2016	5-Year Total	
		2011								
		Budget	Projected Actual							
<b>Gross Expenditures:</b>										
2011 Capital Budget & Approved FY Commitments		20,605	6,661	20,360	(1,776)	(11,218)	1,213		8,579	11%
Recommended Changes to Approved FY Commitments				(7,912)	6,734	12,953	(395)	375	11,755	15%
2012 New/Change in Scope and Future Year Commitments				758	200				958	1%
2013 - 2016 Capital Plan Estimates						950	1,138	3,142	5,230	7%
2-Year Carry Forward for Reapproval				8,932	29,723	13,226			51,881	66%
1-Year Carry Forward to 2012			3,302							
<b>Total Gross Annual Expenditures &amp; Plan</b>		<b>20,605</b>	<b>9,963</b>	<b>22,138</b>	<b>34,881</b>	<b>15,911</b>	<b>1,956</b>	<b>3,517</b>	<b>78,403</b>	<b>100%</b>
<b>Program Debt Target</b>		<b>5,149</b>		<b>9,814</b>	<b>6,379</b>	<b>2,853</b>	<b>1,851</b>	<b>3,017</b>	<b>23,914</b>	
<b>Financing:</b>										
<b>Recommended Debt</b>		<b>5,149</b>		<b>5,320</b>	<b>12,392</b>	<b>15,911</b>	<b>1,851</b>	<b>3,017</b>	<b>38,491</b>	<b>49%</b>
Reserves/Reserve Funds		1,293		13,911	17,083		105	500	31,599	40%
Development Charges		100		260	200				460	1%
ISF										
Provincial/Federal										
Other Revenue		14,063		2,647	5,206				7,853	10%
<b>Total Financing</b>		<b>20,605</b>		<b>22,138</b>	<b>34,881</b>	<b>15,911</b>	<b>1,956</b>	<b>3,517</b>	<b>78,403</b>	<b>100%</b>
<b>By Project Category:</b>										
Health & Safety										
Legislated				896	377	177			1,450	2%
SOGR		9,300		4,185	11,181	2,508	1,956	3,517	23,347	30%
Service Improvement		11,205		16,997	23,323	13,226			53,546	68%
Growth Related		100		60					60	0%
<b>Total By Project Category</b>		<b>20,605</b>		<b>22,138</b>	<b>34,881</b>	<b>15,911</b>	<b>1,956</b>	<b>3,517</b>	<b>78,403</b>	<b>100%</b>
Asset Value - end of each year ( \$ )										
Yearly SOGR Backlog Estimate (not addressed by current plan)										
Accumulated Backlog Estimate (end of year)										
Backlog: Percentage of Asset Value (%)										
<b>Debt Service Costs</b>				106	818	1,628	1,621	88	4,261	
Operating Impact on Program Costs				0	510	875	20	0	1,405	
New Positions				0	4	6	0	0	10	

**10-Year Capital Plan  
2017–2021 Recommended Plan  
(In \$000s)**



	2017 - 2021 Capital Plan							10-Year Total Percent
	2017	2018	2019	2020	2021	2012-2021		
<b>Gross Expenditures:</b>								
2011 Capital Budget & Approved FY Commitments						8,579	9%	
Recommended Changes to Approved FY Commitments	250	1,150	(1,400)			11,755	12%	
2-Year Carry Forward for Reapproval						51,881	53%	
2012 New/Change in Scope and Future Year Commitments						958	1%	
2017 - 2021 Capital Plan Estimates	1,680	4,190	5,045	6,380	2,850	25,375	26%	
<b>Total Gross Annual Expenditures &amp; Plan</b>	<b>1,930</b>	<b>5,340</b>	<b>3,645</b>	<b>6,380</b>	<b>2,850</b>	<b>98,548</b>	<b>100%</b>	
<b>Program Debt Target</b>	<b>900</b>	<b>1,750</b>	<b>2,970</b>	<b>5,780</b>	<b>5,780</b>	<b>41,094</b>		
<b>Financing:</b>								
<b>Recommended Debt</b>	<b>900</b>	<b>1,750</b>	<b>2,970</b>	<b>5,780</b>	<b>2,725</b>	<b>52,616</b>	<b>53%</b>	
Reserves/Reserve Funds		125		600	125	32,449	33%	
Development Charges	130	390				980	1%	
ISF								
Provincial/Federal								
Other Revenue	900	3,075	675			12,503	13%	
<b>Total Financing</b>	<b>1,930</b>	<b>5,340</b>	<b>3,645</b>	<b>6,380</b>	<b>2,850</b>	<b>98,548</b>	<b>100%</b>	
<b>By Project Category:</b>								
Health & Safety								
Legislated	130	390				1,970	2%	
SOGR	1,800	4,950	3,645	6,380	2,850	42,972	44%	
Service Improvement						53,546	54%	
Growth Related						60	0%	
<b>Total By Project Category</b>	<b>1,930</b>	<b>5,340</b>	<b>3,645</b>	<b>6,380</b>	<b>2,850</b>	<b>98,548</b>	<b>100%</b>	
Asset Value - end of each year (\$)								
Yearly SOGR Backlog Estimate (not addressed by current plan)								
Accumulated Backlog Estimate (end of year)								
Backlog: Percentage of Asset Value (%)								
Debt Service Costs	0	0	0	0	0	4,261		
Operating Impact on Program Costs	0	0	0	0	0	1,405		
New Positions	0	0	0	0	0	10		

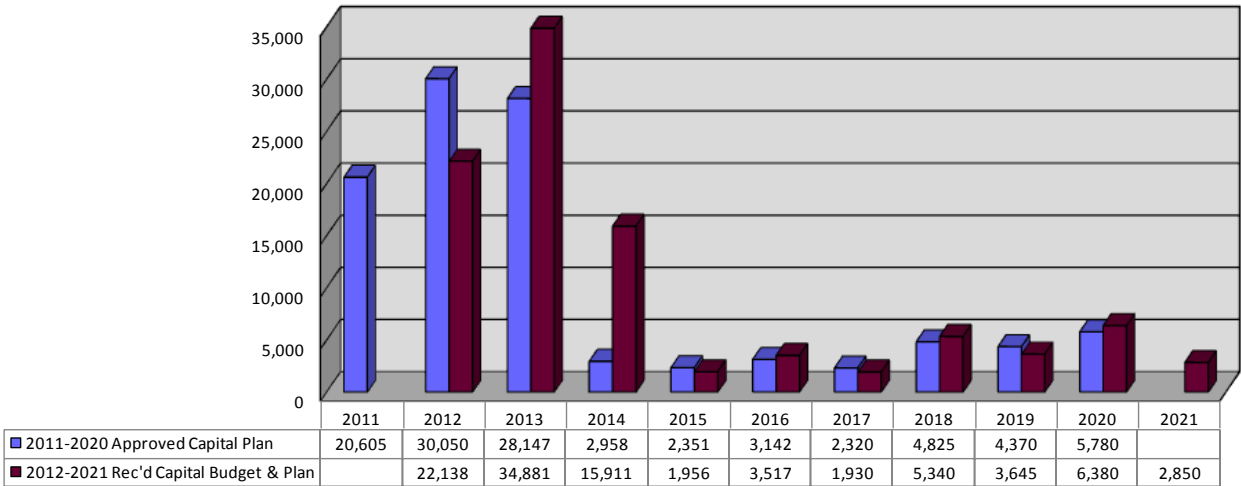
## 10–Year Capital Plan Overview

- The 10–Year Recommended Capital Plan focuses on continued improvements to the City's financial processes to provide better financial and management information for divisional and corporate decision making and management.
- Financial Services ' 10–Year Recommended Capital Plan allocates state of good repair funding to centralize and sustain the current and new SAP functionality and data for future years in the Financial Planning, Analysis Reporting System (FPARS) project, periodic updates to the Tax & Utility Billing Systems, CAPTOR Migration to a new capital budgeting system and the Parking Tag Management Software project as well as subsequent replacements in the outer years.
- The 10–Year Recommended Capital Plan also allocates funding to service improvements for the implementation of multi–year performance–based planning and budgeting through the FPARS project, continuation of the Workflow and Document Management Technology project; E–Procurement implementation as well as Revenue systems improvements.
- The 2012–2021 Recommended Capital Plan totals \$101.850 million, including funding carried forward from 2011 into 2012 of \$3.302 million, of which \$81.705 million or 80.2% is projected for the first 5 years, with the final 5 years requiring funding of \$20.145 million or 19.8%.
- The 10–Year Recommended Capital Plan requires new debt funding of \$52.616 million, which exceeds the debt affordability target over the 10 years by \$11.522 million. This is fully attributed to the funding to be carried forward from 2010 to 2012 for the FPARS project. Due to delays in implementation, budgetary requirements are now revised for 2012 and re–submitted for 2013 and 2014.
  - Debt funding of \$52.616 million comprises 53.1% of Financial Services' 10 Year Recommended Capital Plan financing.
  - Other sources of funding include Reserves/Reserve Funds of \$32.449 million (32.9%). Other revenues of \$12.503 million (12.7%) and Development Charge funding of \$0.980 million (1.0%).
- The 10–Year Recommended Capital Plan will increase future year Operating Budgets by a total of \$1.405 million net. The operating impact is primarily for maintenance and services costs required to sustain completed capital systems projects.
- The capacity to spend in 2010 was hindered by project delays that continued into 2011. In particular, the inability to acquire external resources to move forward on the FPARS projects that required re–alignment of SAP project priorities resulting in a review of the release strategy and resource plans. Revised implementation plans have

shifted cash flow funding into 2013 and 2014 resulting in the Program exceeding the debt affordability target.

**Key Changes to the 2011–2020 Approved Capital Plan**

**Changes to the 2011–2020 Approved Capital Plan  
(In \$000s)**



- The 2012 Capital Budget and 2013 – 2021 Recommended Capital Plan reflects an increase of \$11.755 million or 14.0% from the 2011–2020 Approved Capital Plan. For the most part, changes to the 2011–2020 Approved Capital Plan are the result of the delays in implementation of on-going IT projects, rather than a change in scope of these projects.
  - Changes to project timelines for the FPARS project account for \$9.549 million of the total change of \$11.755 million, from the 2011 Approved 10–Year Capital Plan.
  - The project has not increased in scope. The 2012, 2013 and 2014 cash flow estimates for the FPARS project have been revised to reflect delayed implementation plans. An unsuccessful tendering process to acquire the necessary external resources in early 2011 has required the project to retender the system implementation RFP resulting in delayed implementation. Accordingly, the cash flow funding for 2012 has been reduced by \$8.681 million and increased in 2013 by \$5.172 million and \$13.058 million in 2014 to account for the shift.
  - Additional funding of \$2.206 million, which is not part of the 2011 – 2020 Approved Capital Plan, is also due to revised plans as a result of the 2011 delays. The largest of these is the Tax Billing System Upgrade project, which is delayed

pending a decision regarding a supplier and acquisition approach with \$1.000 million deferred to 2013.

- Details of changes to cash flow funding in the 2012–2021 Recommended Capital Plan are noted below:

### Summary of Project Changes

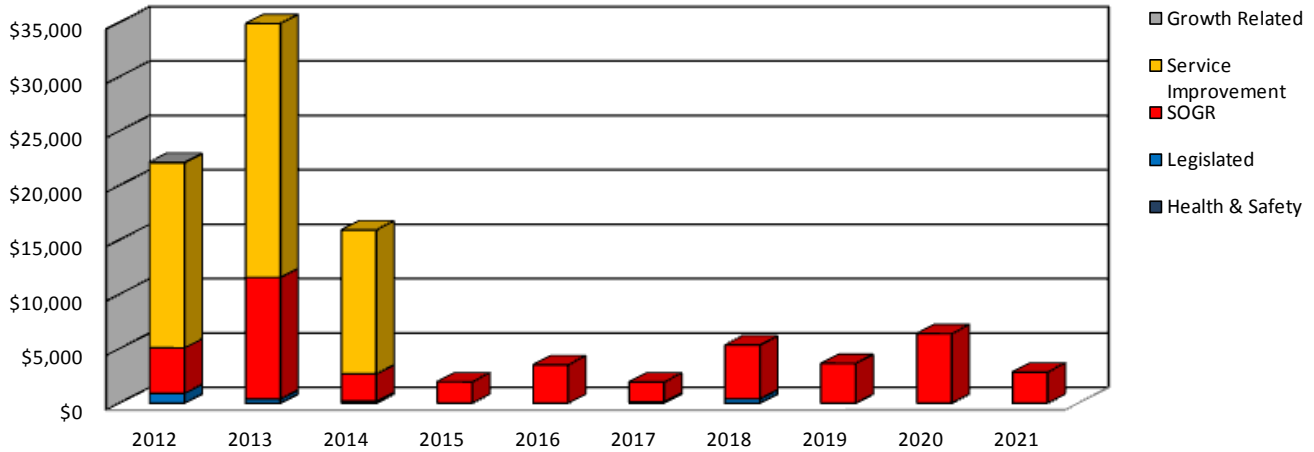
(In \$000s)

Key Projects	Total Project Cost	2012	2013	2014	2015	2016	2017	2018	2019	2020	2012 - 2020	Revised Total Project Cost
Financial Planning Analysis & Reporting System (FPARS)	61,100	(8,681)	5,172	13,058							9,549	61,100
Risk Management Information System Replacement	1,207	501		(105)	105	(125)					376	1,207
Payment Processing Centre Relocation	800	400									400	800
Revenue System-Phase II	3,500	16	(16)								-	3,500
Tax Billing Replacement	13,897	(432)	1,000								568	13,897
Collective Agreements Implementation-FS	3,952	97									97	3,952
Investment & Debt Mgmt. System Replacement	1,575				(500)	500					-	1,575
Workflow & Document Mgmt Technology	2,852	(178)	378								200	2,852
e-Procurement	1,955	223									223	1,955
PCI Compliance	1,712	342									342	1,712
Development Charges Background Studies	920	(260)	200								(60)	920
Tax Increment Financing Implementation	100	60									60	100
<b>Total Change</b>		<b>(7,912)</b>	<b>6,734</b>	<b>12,953</b>	<b>(395)</b>	<b>375</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,755</b>	



## 2012 – 2021 Recommended Capital Plan

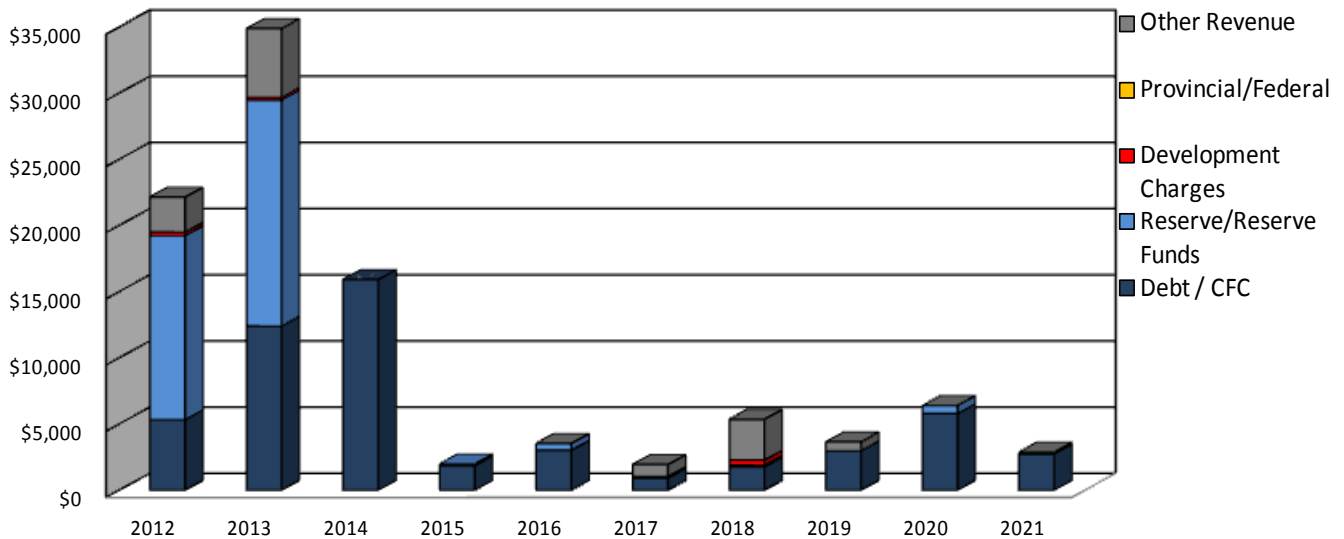
2012–2021 Capital Plan by Project Category  
(In \$000s)



- The 2012–2021 Recommended Capital Plan has been developed to balance a commitment to maintain the existing technology infrastructure in a state of good repair and provides for system improvements to enhance delivery and to maximize the use of the City's financial information systems. The majority of the Capital Plan is systems oriented, focussing on technological improvements to enhance city-wide financial processes.
- Service Improvement projects represent 54.3% or \$53.546 million of total project funding recommended in the 10–Year Capital Plan, all of which resides in the first 5 years.
  - Capital funding for projects residing in the first 5 years, total \$16.997 million in 2012; \$23.323 million in 2013 and \$13.226 million in 2014. Funding of \$48.740 million is required to complete the FPARs implementation project by 2014. Funding is required for the Sustainment of the Revenue System Phase 2 project (\$0.921million) for issuing RFP meter reading and delivery of the cashiering software; \$1.510 million for the hiring of the project team and completing preliminary work in the e–Procurement project. Other sustainment projects include Accounts Payable Imaging process, the Workflow and Document Management Technology project and the Revenue Services Payment Processing Centre Relocation project.
- The 10–Year Recommended Capital Plan allocates \$42.972 million or 43.6 % of financial resources to State of Good Repair projects to replace and revitalize current financial information systems to improve accuracy and to maintain the existing technology infrastructure.
  - Over the first 5 years, a significant investment of \$23.347 million is recommended for periodic system replacements.

- The majority of investments are for replacement of the Tax and Utility Billing System (\$14.820 million); CAPTOR migration to a new capital budgeting system after the FPARS implementation (\$5.000 million) and replacement of the Parking Tag Management Software (\$2.376 million).
- During the second 5 years, additional investments of \$19.625 million are required to replace systems based on life-cycle management and technological advancements. Included are mandatory system upgrades to the Tax and Utility Billing System (\$7.950 million), lifecycle replacement for FPARS (\$4.000 million), CAPTOR system replacement (\$2.975 million), upgrade to the Parking Tag Management Software (\$2.500 million) and replacement of the Payment Processing Equipment (\$1.350 million).
- Capital funding requirements for Legislated projects total is \$1.970 million or 2.0% of total funding over the 10 years of the Recommended Capital Plan period.
  - \$1.050 million or 53.3% is required in the first five years to complete the PCI Compliance project by 2014. Security standards to ensure the financial integrity of all processing of card transactions must be completed by 2014 to ensure the sustainment of the City's business.
  - \$0.920 million or 46.7% is required for the Development Charges Background Study project of which \$0.400 million is required in the first five years starting in 2012 and ending in 2013 and \$0.520 million is required in the second 5 years for the next update starting in 2017 and ending in 2018. Funding is recovered from developer's contributions for the legislated 5 year update of the Development Charges By-Law.
- Funding for the Growth related project is recommended at a cost of \$0.060 million. The Tax Increment Financing Implementation project will take place in 2012.

2012–2021 Capital Plan by Funding Source  
(In \$000s)



- The 2012– 2021 Recommended Capital Plan is funded 53.4% or \$52.616 million from debt, which is over the 10–Year debt affordability target of \$41.094 million by \$11.522 million.
- The 10–Year Recommended Capital Plan exceeds the debt affordability guideline by \$14.577 million in the first five years. This is fully attributable to the revised cash flow funding for FPARS as a result of project delays arising from the need to retender the system implementation RFP. The first RFP process did not result in a successful proponent. The project has not increased in scope. However, as a result of a need to carry forward funding approved prior to 2011; according to City policy, the recommended funding is re–submitted and forms part of the Program's debt affordability target.
  - Debt funding for the first five years totals \$38.491 million or 49.1% of the total funding over the period.
  - Total debt funding drops to \$14.125 million in the second five years. This meets the debt affordability target in each of the five years except in 2021 where debt is below the target by \$3.055 million. Debt remains relatively stable except for 2019 and 2020 where \$0.200 million and \$3.800 million, respectively, will be required to upgrade SAP for the FPARS PBF system.
- Recommended financing for Reserves/Reserve Funds amount to \$32.449 million or 32.9% of the 2012– 2021 Recommended Capital Plan.
  - The majority of the reserve–funded projects are concentrated in 2012 and 2013 when SAP priority projects will be completed.

- Other sources of revenue represent 12.7% or \$12.503 million of total capital financing.
  - This is primarily funding from Rate Supported Programs totalling \$9.946 million. Funding of \$5.971 million is required in the first five years and \$3.975 million is in the second five years for the Replacement of the Toronto Water and Solid Waste Management Utility Billing Systems.
- Development Charges (DCs) fund approximately 1.0% or \$0.980 million of the 10–Year Recommended Capital Plan.
  - At the end of the first five years, DC funding will constitute 0.6% or \$0.460 million of the total funding for the period. DCs will fund the Legislated 5 year updates of the Development Charges By–Law that requires a new background study that must be completed with updated DC By–Law in 2014 and 2019.

## Summary of Major Capital Initiatives

(In \$000s)

	Total Project Cost	2012 Rec. Budget	2013 Plan	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2012-2021 Total
<b>State of Good Repair (incl. H&amp;S , &amp; Leg.)</b>												
Tax Billing System Replacement	9,922	2,014	6,835				900	1,750	2,095	1,730		15,324
Utility Billing System Replacement	5,971	1,625	4,346				900	3,075				9,946
Risk Mgmt. Information System Replacement	1,207	546			105			125			125	901
PCI Compliance	1,712	696	177	177								1,050
Development Charges Background Study	920	200	200				130	390				920
Investment Debt Mgmt. System Replacement						500				600		1,100
Payment Processing Equipment Replacement									1,350			1,350
Captor Migration to New System				950	1,033	3,017				250	2,725	7,975
Parking Tag Mgmt. Software Replacement				1,558	818							2,376
Financial Planning Analysis & Reporting System Upgrade									200	3,800		4,000
<b>Sub-Total</b>		5,081	11,558	2,685	1,956	3,517	1,930	5,340	3,645	6,380	2,850	44,942
<b>Service Improvements</b>												
Financial Planning Analysis & Reporting System	61,100	13,775	21,907	13,058								48,740
Revenue System -Phase II	3,500	486	435									921
Accounts Payable Process Improvements	3,470	357										357
Workflow & Document Mgmt. Technology	2,852	672	849									1,521
e-Procurement Implementation	1,955	1,210	132	168								1,510
Payment Processing Centre Relocation	800	400										400
Collective Agreements Implementation	3,952	97										97
<b>Sub-Total</b>		16,997	23,323	13,226	0	0	0	0	0	0	0	53,546
<b>Growth Related</b>												
Tax Increment Financing	100	60										60
<b>Sub-Total</b>		60	0	0	0	0	0	0	0	0	0	60
<b>Total</b>		22,138	34,881	15,911	1,956	3,517	1,930	5,340	3,645	6,380	2,850	98,548

## Major Capital Initiatives

- The 10–Year Recommended Capital Plan support improvements to the City's financial processes; focussing on efficiency, transparency and accountability, through sound financial planning, management control and reporting.

*Service Improvements*

- The majority of the *Service Improvement* projects will enable improvements and enhancements in systems and processes that result in better financial planning and management information for divisional and corporate decision–making.
  - Service improvement projects include the FPARS multi–year planning and budgeting system and performance reporting project with cash flow funding of \$48.740 million, development of a technological model to improve the workflow of document management (\$1.521 million), e–Procurement implementation (\$1.510 million) and the completion of the Integrated Revenue Systems project (\$0.921 million).

*State of Good Repair:*

- *State of Good Repair projects* provide funding for upgrades to leverage and implement information systems, to improve accuracy and timeliness of information, standardize reporting practices across the City and facilitate improved information distribution to Programs, Committees and Council.
- Major SOGR projects include the Tax Billing Replacement system (\$15.324 million), the Utility Billing Replacement system (\$9.946 million), migrating the functionality in the current capital software program, CAPTOR, to a new system (\$7.975 million), lifecycle replacement of the Parking Tags Software System (\$2.376 million) and the future year lifecycle upgrade of the FPARS project commencing in 2019 (\$4.000 million).

*Growth Related:*

- The Tax Increment Financing Implementation project (\$0.060 million) is the only growth related project in 2012.

**State of Good Repair (SOGR) Backlog**

Financial Services does not have any backlog of State of Good Repair projects.

## 10–Year Capital Plan: Operating Impact Summary

(In \$000s)

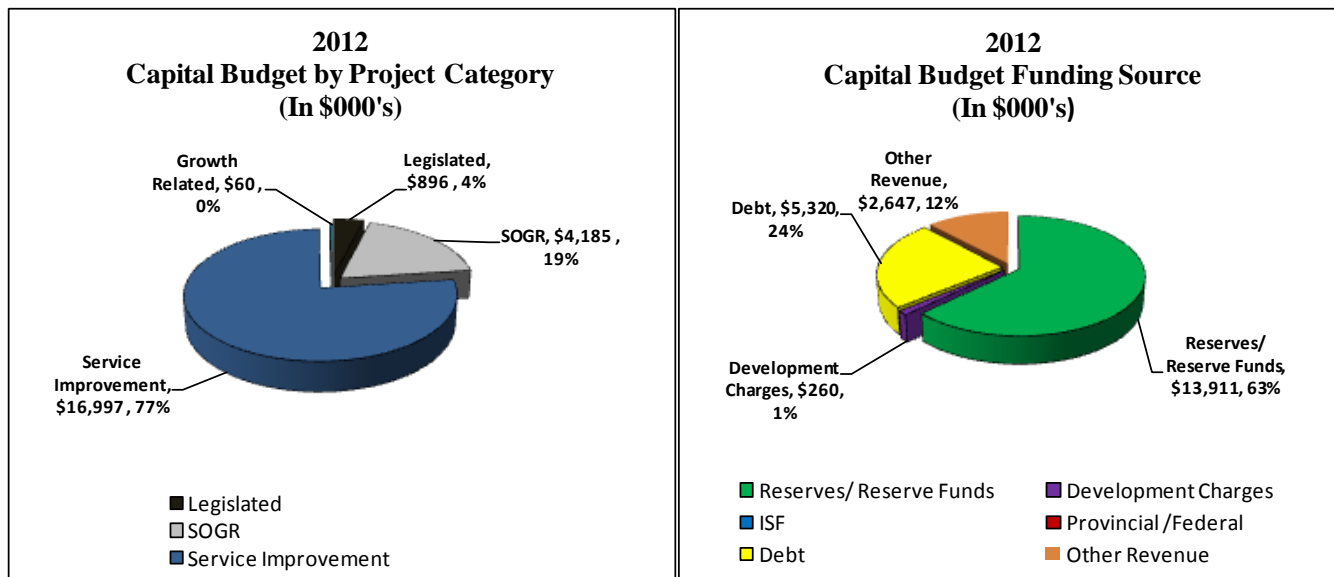
	2012 Rec. Budget	2013 Plan	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2012- 2021 Total
<b>2012 Recommended Capital Budget</b>											
Program Cost (Net)		510	875	20							1,405
Approved Positions		4	6								10
<b>Recommended 10-Year Capital Plan</b>											
Program Cost (Net)											-
Approved Positions											-
<b>Total</b>											
Program Net	-	510	875	20	-	-	-	-	-	-	1,405
Approved Positions	-	4	6	-	-	-	-	-	-	-	10

The 10–Year Recommended Capital Plan will increase future years operating budgets by a total of \$1.405 million net and additional 10 approved positions for the following completed projects.

- Salaries and benefits for 4 positions (1 for Accounting Services and 3 for Information & Technology) are required to sustain the Financial Planning, Analysis and Reporting System with operating costs of \$0.480 million in 2013 while another 6 positions (1 position each for Financial Planning, Payroll and Human Resources and another 3 for Information & Technology), will be required in 2014 with operating costs of \$0.790 million and \$0.020 million in 2015;
- The Workflow & Document Management Technology project for the Revenue Services Division will require funds to maintain equipment resulting in \$0.085 million in 2014; and
- The E–Procurement Implementation will require \$0.030 million for maintenance and support in 2013.
- The operating impacts from these capital projects will be reviewed in detail each year as part of the annual Budget process.

# PART III – 2012 RECOMMENDED CAPITAL BUDGET

## 2012 Capital Budget by Project Category and Funding Source



- The 2012 Recommended Capital Budget, excluding funding carried forward from 2011 to 2012, requires new 2012 cash flow funding of \$22.138 million.

The 2012 Recommended Capital Budget reflects the allocation of significant funding for Service Improvement projects which represent 76.8% of the funding included in the 2012 recommended cash flow. The largest service improvement projects to proceed in 2012 include the multi-year planning and budgeting system (FPARS) at \$13.775 million, e-Procurement implementation project of \$1.210 million, on-going work for Revenue systems improvements (\$0.486 million), the imaging component of the Accounts Payable Process Improvement project (\$0.357 million) and the Workflow & Document Technology project (\$0.672 million).

- State of Good Repair projects which represent 18.9% of the 2012 recommended cash flow. The primary focus of the 2012 Recommended Capital Budget is to address the SOGR projects identified for replacement- mainly the Tax & Utility Billing System upgrades at \$3.639 million.
- Legislated projects account for 4.0% of the 2012 Recommended Capital Budget’s cash flow funding. The Development Charges Background Study and PCI Compliance projects require funding of \$0.896 million in 2012.



- Growth projects represent 0.3% of the 2012 Recommended Capital Budget's cash flow funding. This is allocated to the Tax Increment Financing Implementation project to be completed in 2012 (\$0.060 million).
- The 2012 Recommended Capital Budget is funded 24.0% or \$5.320 million from debt, which is \$4.494 million below the debt affordability guideline of \$9.814 million set for Financial Services in 2012.
- Reserve/Reserve Funds amount to \$13.911 million or 62.8% primarily in support of the SAP project priorities.
- Other sources of revenue amount to 12.0% or \$2.647 million of 2012 recommended funding and include financing from the Rate Supported Programs of \$1.625 million for Utility Billing System project; \$0.486 million for the Revenue systems improvement project and \$0.336 million for the Workflow and Document Management Technology project and \$0.200 million for the Revenue Services Payment Processing Centre Relocation project.
- Development Charges provide funding for approximately \$0.260 million or 1.2% of the 2012 Recommended Capital Budget.

### 2012 Recommended Cash Flow & Future Year Commitments (In\$000s)

	2010 & Prior Year Carry Forward	2012 New Cash Flow Rec'd	2012 Total Cash Flow Rec'd	2011 Carry Forwards	Total 2012 Cash Flow (Incl 2010 C/Fwd)	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total Cost
<b>Expenditures</b>															
Previously Approved	8,932		21,380	3,302	24,682	34,681	14,961	818							75,142
Change in Scope		558	558		558										558
New		200	200		200	200									400
New w/Future Year															
<b>Total Expenditure</b>	8,932	758	22,138	3,302	25,440	34,881	14,961	818							76,100
<b>Financing</b>															
Debt	8,181		5,320	2,362	7,682	12,392	14,961	818							35,853
Other	300		2,647	625	3,272	5,206									8,478
Reserves/Res Funds	451	498	13,911	315	14,226	17,083									31,309
Development Charges		260	260		260	200									460
ISF															
Provincial/Federal															
<b>Total Financing</b>	8,932	758	22,138	3,302	25,440	34,881	14,961	818							76,100

\*Please refer to Appendix 4 for detailed project listings

- Financial Services' 2012 Recommended Capital Budget of \$22.138 million provides funding for previously approved 2011 projects totalling \$21.380 million and \$0.758 million for new/change in scope projects.
- New projects totalling \$0.400 million including the Development Charges Background Study project (\$0.200 million in 2012 and \$0.200 million in 2013); \$0.498 million for the

Risk Management Information System Replacement project and \$0.060 million for the Tax Increment Financing Implementation project,

- Approval of the 2012 Recommended Capital Budget will result in Council's commitment to future year cash flow funding for new/change in scope projects of \$0.200 million in 2013.
- Future year funding commitments for previously approved projects (primarily the FPARS project) will result in future year commitments of \$34.881 million in 2013, \$14.961 million in 2014 and \$0.818 million in 2015.

## 2012 Capital Project Highlights

### 2012 Recommended Capital Projects (In \$000s)

Project	Total Project Cost	2012	2013	2014	2015	2016	2012 - 2016	2017	2018	2019	2020	2021	2012 - 2021
Financial Planning Analysis & Reporting System	61,100	16,137					16,137						16,137
Tax Billing System Replacement	9,922	2,014					2,014						2,014
Utility Billing System Replacement	5,971	1,625					1,625						1,625
Revenue System -Phase II	3,500	486					486						486
Accounts Payable Process Improvements	3,470	357					357						357
Workflow & Document Mgmt. Technology	2,852	1,233					1,233						1,233
e-Procurement Implementation	1,955	1,274					1,274						1,274
Payment Processing Centre Relocation	800	400					400						400
Collective Agreements Implementation	3,952	150					150						150
Risk Mgmt. Information System Replacement	1,207	668					668						668
PCI Compliance	1,712	696					696						696
Investment Debt Mgmt. System Replacement	1,575	140					140						140
Development Charges Background Study	920	200					200						200
Tax Increment Financing	100	60					60						60
<b>Total (including carry forward)</b>		<b>25,440</b>					<b>25,440</b>						<b>25,440</b>

The 2012 Recommended Capital Budget of \$25.440 million, including funding carried from 2011 will:

- Complete the following projects:
  - Accounts Payable Process Improvements project with \$0.357 million provided to complete the imaging component.
  - Payment Processing Centre Relocation project with cash flow funding of \$0.400 million.
  - The Wage Harmonization for the Collective Agreement project (\$0.150 million).
  - The Tax Increment Financing Implementation project (\$0.060 million).

- Continue the following projects:
  - The FPARS Project, which will leverage the financial, human resource and payroll data required to support performance-based multi-year budgeting with an integrated complement management process using a service view of City data with \$16.137 million in 2012, \$21.907 million in 2013 and \$13.058 million in 2014.
  - Enhancements to the Tax and Utility Billing Systems Upgrade solution assessment with \$3.639 million in 2012; \$11.181 million in 2013 and upgrades with \$1.800 million in 2017 and \$4.825 million in 2018 and \$1.325 million in 2019.
  - The meter-reader software equipment and the cashiering software of the Revenue Systems-Phase II improvements project with \$0.486 million in 2012 and \$0.435 million in 2013.
  - The revised scope of the Workflow & Document Management and imaging projects with \$1.233 million in 2014 and \$0.849 million in 2013.
  - The e-Procurement Implementation project to utilize corporate technology to streamline the purchasing functions with \$1.274 million in 2012, \$0.132 million in 2013 and \$0.168 million in 2014.
  - Periodic enhancements to the Risk Management System in 2012 (\$0.668 million), 2015 (\$0.105 million), in 2018 (\$0.125 million) and in 2021(\$0.125 million).
  - The credit card payments compliance project -PCI Compliance is on schedule to be completed in 2014 to ensure the City meets the full payment card and data security standards. Funds will be required in 2012 for \$0.696 million and \$0.177 million in 2013 and 2014.
- Begin the upgrade to the Investment and Debt Management System project with \$0.140 million provided in 2012 and \$0.500 million in 2016 and \$0.600 million in 2020.
- Begin the Development Charges Background Study in 2012 with \$0.200 million and \$0.200 million in 2013 with funding of \$0.130 million in 2017 and \$0.390 million in 2018.

## PART V: ISSUES FOR DISCUSSION

### 2012 Issues

#### *Debt Versus Debt Target*

- The 2012 Recommended Capital Budget and 2013–2021 Recommended Capital Plan exceeds the debt affordability target of \$41.094 million by \$11.522 million. This is fully attributed to the FPARS project. Due to delays in implementation timelines, it was necessary to re-submit budgetary requirements from 2010 or prior years. According to the City's financial policies, funding to be carried forward for two subsequent years must be treated as new debt and considered within the Program's debt affordability target. The scope of the project has not changed. A status update for the overall project is provided below.

#### *SAP Business Process Change and Technology Transfer/Multi-Year Financial Planning and Analysis Reporting (FPARS) Status Update*

- Financial Services (Financial Planning, Accounting Services and Payroll, Pension and Employee Benefits) in conjunction with Information and Technology and Human Resources, staff continue to develop a business warehouse capability with integrated financial, HR and payroll data to support a performance-based multi-year planning and budgeting process; enhanced service-based reporting capabilities and performance metric gathering and reporting capabilities (dashboards and scorecards).
- It was anticipated that the City would select a qualified suite of consultants during 2011 to assist it in delivering this significant City-wide undertaking. However, there were no successful proponents as a result of the RFP that was issued in the early months of 2011. This has resulted in a significant delay in the timelines for the project and the need to carry forward funding anticipated to be spent in 2011 had the first RFP been successful.
- Subsequently, a second RFP was issued. Candidates have now submitted their proposals and the scoring process is currently underway. An award is anticipated for January, 2012.
- Although the project has been delayed, it is anticipated that projected outcomes will continue to meet the preliminary timetable: the first release of the project will be ready for March 2013 for use in the 2014 budget process, with all budget data fully integrated for the 2015 budget process.
- In spite of the significant delays, other deliverables have been proceeding. For instance, the FPARS team extended the City's Program Map/Service inventory to

develop, in conjunction with City Programs and Agencies, service standards and service levels for all City service activities (types) profiles related to service types. This groundbreaking work was instrumental in the Core Service Review undertaken by KPMG in August of 2011. In addition, the backfill recruitment process and training strategy are well underway in preparation for the FPARS project team to begin the project in the new year.

# Appendix 1

## 2011 Performance

### 2011 Key Accomplishments

In 2011, Financial Services achieved the following:

- ✓ Extended the City's service inventory to include a type profile (service standards and service levels) for each Program's services and activities. This was used to support the Core Service Review.
- ✓ Reissued the RFPs twice as the first RFP process was unsuccessful in identifying a suitable proponent in acquiring external resources required for the FPARS project's system implementation.
- ✓ Finalized the FPARS recruitment strategy and process for City resources required from Financial Planning, Human Resources, Payroll, Pensions and Employee Benefits, Accounting Services, Information Technology and representatives from 19 City Divisions.
- ✓ Completed documentation of current City complement management processes to develop one streamlined end-to-end City-wide process that will provide corporate data to integrate with FPARS.
- ✓ Completed FPARS training strategy and project start-up in preparation for implementation.
- ✓ Completed the Payment Processing System Replacement project.
- ✓ Issued Request For Information (RFI) for the Utility Billing solutions which identified solutions for an integrated tax-utility solution.
- ✓ Developed and issued an RFP for the Workflow & Document project and selected a successful proponent with implementation scheduled to begin in the second quarter of 2012.
- ✓ Completed the Accounts Payable Business Architecture (both Current and Future State Business Architecture ).
- ✓ Completed imaging of the Accounts Payable Chapter 71, Schedule A payments that will save staff time and reduce the amount of paper currently used to schedule payments.
- ✓ Commenced a pilot project, as part of the Accounts Payable Transformation project, with City Clerk's office on automating internal payment requisitions and petty cash replenishment.
- ✓ Upgraded the Accounts Payable project PCard software, with additional reporting capabilities.
- ✓ Identified and contracted with a Qualified Security Assessor for the PCI Compliance project.

- ✓ Continued in the remediation phase of the PCI Compliance project by working with the City's new acquirer (Global Payment Systems) to identify ways in which the cost of the scope of remediation can be reduced, prior to making any changes to our environment.
- ✓ Identified a work plan for conversion of Corporate systems to connect with new provider as a new point-of sale provider has been chosen for the Online Payment Services Migration project beginning February 1, 2012.

## 2011 Capital Variance Review

### 2011 Budget to Actuals Comparison – Total Gross Expenditures (In \$000s)

2011 Approved	Actuals as of September 30th (3rd Qtr Variance)		Projected Actuals at Year End		Unspent Balance	
	\$	% Spent	\$	% Spent	\$	% Unspent
20,605	2,277	11.1%	4,873	23.6%	15,732	76.4%

- Financial Services' 2011 Approved Capital Budget of \$20.605 million was 11.1% or \$2.277 million spent at the end of the third quarter of 2011. The projected year-end spending is anticipated to be \$4.873 million or 23.6% spent. The under-expenditure is primarily due to the following:
  - Financial Planning, Analysis and Reporting System (FPARS) project will be under-spent by \$11.833 million, mainly due to delays in finding a successful proponent to acquire external resources to assist with the Public Sector Budget Formulation (SAP) implementation.
  - The Payment Processing Centre Relocation project was delayed, pending Council approval for the use of space. Council approved the utilization in July 2011, which will result in 2011 under-spending of \$0.785 million.
  - The Workflow & Document Mgmt. Technology project will be under-spent by \$0.561 million. Contract negotiations are expected to be completed by the end of 2011 with implementation commencing in 2012.
  - The PCI Compliance project is proceeding with an approved change in scope and projecting to be under-spent in 2011 by \$0.524 million due to delay in completing contract with a qualified Security Assessor. This project is scheduled to be completed by 2014 to ensure the City meets the full payment card and data security standards.

- The e-Procurement Implementation project will be under-spent by \$0.522 million mainly due to the delayed hiring of the project team and delays in completing the preliminary work required prior to proceeding with the project. Some of the preliminary work includes the review and approval of the project charter and business architect reports as well as the logical architect report by I & T.
- The Tax Billing System Upgrade project is delayed pending a decision regarding a supplier and acquisition approach. No expenditures are anticipated in 2011 resulting in an under-spending in 2011 of \$0.449 million.

### **2011 Funding to be Carried Forward to 2012**

- The 2012 Recommended Capital Budget includes \$3.302 million in funding carried forward from 2011 into 2012. This is lower than the projected under-spending of \$15.732 million in the 3<sup>rd</sup> quarter variance report. Financial Services is monitoring expenditures and will review and revise 2011 funding to be carried forward into 2012 in the 1<sup>st</sup> quarter of 2012.



## Appendix 2

## 10 – Year Recommended Capital Plan Project Summary

Projects (In \$Thousands)	2012 Rec. Budget	2013 Plan	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2012-2021 Total
Tax Billing System Replacement	2,014	6,835				900	1,750	1,325			12,824
Utility Billing System Replacement	1,625	4,346				900	3,075				9,946
Risk Mgmt. Information System Replacement	546			105			125			125	901
PCI Compliance	696	177	177								1,050
Development Charges Background Study	200	200				130	390				920
Tax Increment Financing	60										60
Financial Planning Analysis & Reporting System	13,775	21,907	13,058								48,740
Revenue System -Phase II	486	435									921
Accounts Payable Process Improvements	357										357
Workflow & Document Mgmt. Technology	672	849									1,521
e-Procurement Implementation	1,210	132	168								1,510
Payment Processing Centre Relocation	400										400
Collective Agreements Implementation	97										97
Captor Migration to New System			950	1,033	3,017				250	2,725	7,975
Parking Tag Mgmt. Software Replacement			1,558	818				770	1,730		4,876
Investment Debt Mgmt. System Replacement					500				600		1,100
Payment Processing Equipment Replacement								1,350			1,350
Financial Planning Analysis & Reporting System Upgrade								200	3,800		4,000
<b>Total Program</b>	<b>22,138</b>	<b>34,881</b>	<b>15,911</b>	<b>1,956</b>	<b>3,517</b>	<b>1,930</b>	<b>5,340</b>	<b>3,645</b>	<b>6,380</b>	<b>2,850</b>	<b>98,548</b>

## **Appendix 3**

### **2012 Recommended Capital Budget; 2013 to 2021 Capital Plan**

## **Appendix 4**

### **2012 Recommended Cash Flow and Future Year Commitments**

**Appendix 5**  
**2012 Recommended Capital Project with Financing Details**

## Appendix 6

### 2012 Reserve / Reserve Fund Review

#### Reserve/Reserve Fund Review - Program Specific

Table 1		Projected Balance as at Dec. 31, 2011 *	Proposed Withdrawals										2012 - 2021 Total
Reserve / Reserve Fund Name	Project / SubProject Name and Number		2012 Rec. Budget	2013 Plan	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan	
	Beginning Balance	\$0	\$153,712	\$153,264	\$153,264	\$153,264	\$153,264	\$153,264	\$153,264	\$153,264	\$153,264	\$153,264	
IT Sustainment Reserve (XQ1508)	FPARS - Planning & Scoping CFO906795-3	\$24,729	(\$351)										(\$351)
Employee Benefit Reserve Fund (XR1002)	Collective Agreement Implementation TRE906813-1	\$128,983	(\$97)										(\$97)
	Total Proposed Withdrawals		(\$448)										(\$448)
	Projected Contributions												
<b>TOTAL RESERVE FUND BALANCE AT YEAR-END</b>		<b>\$153,712</b>	<b>\$153,264</b>	<b>\$153,264</b>	<b>\$153,264</b>	<b>\$153,264</b>	<b>\$153,264</b>	<b>\$153,264</b>	<b>\$153,264</b>	<b>\$153,264</b>	<b>\$153,264</b>	<b>\$153,264</b>	

#### Reserve/Reserve Fund Review - Corporate

Table 2		Projected Balance as at Dec. 31, 2011 *	Proposed Withdrawals										2012 - 2021 Total	
Reserve / Reserve Fund Name	Project / SubProject Name and Number		2012 Rec. Budget	2013 Plan	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan		
	Beginning Balance													
Insurance Reserve Fund (XR1010)	Risk Management Information System Replacement CFO906798	\$31,346	(\$546)			(\$105)				(\$125)			(\$125)	(\$901)
Capital Financing Reserve (XQ0011)	FPARS - SAP Business Process Change & Technology Transfer CFO906795-7	\$42,810	(\$12,917)	(\$17,083)										(\$30,000)
Capital Financing Reserve (XQ0011)	Investment & Debt Management System Replacement CFO906794-1	\$42,810				(\$500)						(\$600)		(\$1,100)
	Total Proposed Withdrawals		(\$13,463)	(\$17,083)		(\$605)				(\$125)		(\$600)		(\$32,001)

\* Based on 3rd Quarter Variance Report