



**STAFF REPORT
ACTION REQUIRED**

The Financial Planning Analysis and Reporting System (FPARS) Project: Costs and Benefits

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| Date: | November 1, 2013 |
| To: | Government Management Committee |
| From: | Deputy City Manager and Chief Financial Officer |
| Wards: | All Wards |
| Reference Number: | P:\2013\Internal Services\Fp\Gm13029Fp |

SUMMARY

This report responds to the Audit Committee request that the Deputy City Manager and Chief Financial Officer prepare a detailed and comprehensive analysis of all related costs to date and costs to completion of the Financial Planning Analysis Reporting System (FPARS), including all anticipated financial and operational benefits of the FPARS project.

The FPARS project is a complex, business transformation and technology project, utilizing new SAP technologies, the first of its kind since amalgamation. The total project budget is \$69.9 million with actual spending projected to year-end 2013 of \$49.2 million. Total spending to the end of the project is currently estimated at \$69.9 million, as the project is still underway. Ongoing operating costs to meet the meet the sustainment needs of the Financial Planning, Accounting Services, Pension, Payroll and Employee Benefits, Human Resources and Information and Technology Divisions will be \$2.0 million and an additional 11 positions.

To date, ongoing salary and benefits savings of \$5.646 million net has been identified through the use of the new PBF personnel expenditure planning capability. Capital savings of \$2.03 million has been realized in the Financial Services' 2011 to 2020 Capital Plan with the deletion of a separate Business Information Warehouse Project, as the FPARS project will meet these needs. Other future benefits and savings will require further analysis once the FPARS project is completed and fully operational. Staff will be reporting back on the final costs and benefits at that time.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. This report be received for information.

Financial Impact

The Financial Planning Analysis Reporting System project is an approved capital project with a total project cost of \$ 69.9 million, of which \$61.0 million has been approved in the Financial Services 10-Year Capital Plan and \$8.9 million within the Information and Technology 10-Year Capital Plan.

As of September 30, 2013, expenditures incurred since the inception of this project in 2006 total \$41.5 million with an additional \$7.7 million to be spent by year-end, totalling \$49.2 million by the end of 2013. Projected costs to the completion of this project are anticipated to be \$69.9 million are summarized below in Table 1.

The Business Transformation and Implementation costs to the end of 2009 for the SAP configured solution had actual costs that total \$6.0 M. It also includes the FPARS Business Transformation and Implementation component with an approved budget of \$55M and is expected to have total projected costs to Dec 31, 2013 of \$34.3 M. The total for the Business Transformation and Implementation component is expected to total \$61.0 M at the end of the project.

The Information Technology costs to support the FPARS project totals \$8.9 M. This includes costs of \$2.3 M to support the configured solution, \$3.9 M allocated costs from the SAP upgrade and \$2.7 M for SAP PBF licenses.

Table 1
FPARS Total Project Cost Summary
(\$ Millions)

| Cost Description | Total Project Costs | Life to Date Cost Dec 31, 2012 | 2013 Actual Costs to Sept. 30, 2013 | Total Projected Project Costs to Dec. 31, 2013 | Projected Cost to End of Project |
|---|---------------------|--------------------------------|-------------------------------------|--|----------------------------------|
| Actual Costs prior to 2009 (Configured Solution) | 6.0 | 6.0 | 0.0 | 6.0 | 6.0 |
| FPARS Project Business Transformation & Implementation | 55.0 | 18.7 | 7.9 | 34.3 | 55.0 |
| Business Transformation & Implementation Subtotal | 61.0 | 24.7 | 7.9 | 40.3 | 61.0 |
| Information Technology Division Costs prior to 2009 (Configured Solution) | 2.3 | 2.3 | 0.0 | 2.3 | 2.3 |
| Information Technology Division SAP Upgrade Allocated Costs | 3.9 | 3.9 | 0.0 | 3.9 | 3.9 |
| Information Technology SAP/PBF License Costs | 2.7 | 2.7 | 0.0 | 2.7 | 2.7 |
| IT Costs Subtotal | 8.9 | 8.9 | 0.0 | 8.9 | 8.9 |
| FPARS Grand Total | 69.9 | 33.6 | 7.9 | 49.2 | 69.9 |

Table 2 provides a further breakdown of the FPARS total project costs and actual expenditures for the life of the project and a projected cost to its completion. This Table further delineates the costs according to the type of resources required for the project: the cost of in-house staff resources dedicated to the project (\$25.552 million); the cost of external project management and technical resources (\$28.110 million) and the cost to operate the project over its duration (\$7.338 million).

The Business Transformation and Implementation includes the implementation of the Public Budget Formulation (PBF), Reporting Analytics, and Complement Management functionality as well as re-engineering accounting and payroll transactional processes. PBF went live in May 2013, for use by City Divisions and Agencies for submission of their 2014 Operating Budget requests and will be used for the balance of the 2014 Budget process, up to and including the "booking" of the 2014 calendarized budget in SAP. Work is progressing on the remaining PBF and complement management functionality, financial and payroll components of SAP to achieve the service view all of which goes live November 12, 2013 and fully operational for January 1, 2014 from which time budgets and actual expenditures (payroll and non payroll) as well as complement information will be organized according to each City Division's Program Map of services and activities.

A decision was made to delay the implementation of Enterprise Performance Management (EPM) functionality to 2014. The project is currently exploring the full potential of the new SAP performance and reporting functionality offered from the SAP Business Warehouse and Business Intelligence tools and its ability to deliver reporting, analytics and score-carding solutions for the City prior to engaging in the final activity of this project.

Table 2
FPARS Budget Total Project Cost Detail
(\$000s)

| | Total Project Cost | Life to Date Actual Project Cost Dec 31,2012 | 2013 Actual Cost to Sept 30,2013 | Projected Cost to 2013 Year End (Oct-Dec) | Total Projected Project Cost Dec 31, 2013 | 2014 Plan | |
|---|---------------------------------|--|----------------------------------|---|---|---------------|------------|
| Internal Resources | | | | | | | |
| SAP Configured Solution/Requirements | 569 | 569 | - | - | 569 | - | |
| RFP/Project Preparation | 1,773 | 1,811 | - | - | 1,811 | - | |
| PBF Implementation | 17,043 | 4,624 | 3,499 | 3,589 | 11,712 | 2,981 | |
| Enterprise Performance Management | 6,167 | - | - | 127 | 127 | 5,946 | |
| Internal Resources Total | 25,552 | 7,005 | 3,499 | 3,716 | 14,220 | 8,927 | |
| Professional Services | | | | | | | |
| SAP Configured Solution/Requirements | 4,170 | 4,170 | - | - | 4,170 | - | |
| RFP/Project Preparation | 291 | 218 | - | - | 218 | 33 | |
| PBF Implementation | 17,076 | 9,322 | 3,594 | 3,738 | 16,654 | 400 | |
| Enterprise Performance Management | 6,573 | - | - | - | - | 3,884 | |
| Professional Services Total | 28,110 | 13,711 | 3,594 | 3,738 | 21,042 | 4,317 | |
| Project Operations | Project Operations Total | 7,338 | 4,032 | 820 | 207 | 5,059 | 850 |
| Business Transformation & Implementation Subtotal | 61,000 | 24,748 | 7,913 | 7,660 | 40,321 | 14,094 | |
| IT Costs | | | | | | | |
| Information Technology Division Costs prior to 2009 (Configured Solution) | 2,300 | 2,300 | - | 2,300 | 2,300 | - | |
| Information Technology Division SAP Upgrade Allocated Costs | 3,900 | 3,900 | - | 3,900 | 3,900 | - | |
| Information Technology SAP/PBF License Costs | 2,700 | 2,700 | - | 2,700 | 2,700 | - | |
| IT Costs Subtotal | 8,900 | 8,900 | - | 8,900 | 8,900 | - | |
| FPARS Project Grand Total | 69,900 | 33,648 | 7,913 | 16,560 | 49,221 | 14,094 | |

Anticipated ongoing sustainment costs are estimated at \$2.00 M annually. These costs and positions are allocated to the Corporate Partners Divisions based on their sustainment responsibilities as indicated below in Table 3:

Table 3
FPARS Sustainment Cost
(\$ Millions)

| FPARS Division | Number Of Positions | Total Ongoing Cost |
|--|---------------------|---------------------------|
| Financial Planning | 2 | 0.24 |
| Accounting Service | 1 | 0.13 |
| Payroll, Pension and Employee Benefits | 1 | 0.12 |
| Human Resources | 1 | 0.08 |
| Information Technology | 6 | 0.78 |
| Total Division Cost | 11 | 1.35 |
| FPARS Other Information Technology Cost | | Total Ongoing Cost |
| IT Licence | | 0.60 |
| IT Hardware | | 0.05 |
| Total Other Information Technology Cost | | 0.65 |
| Total FPARS Sustainment Cost | | 2.00 |

Benefits

The FPARS project is a transformative effort that aims to restructure the financial planning, budgeting, accounting, human resource and management information systems and processes by implementing SAP as an integrative solution. Improving the City's financial and organizational management functions has the potential to produce significant benefits both in terms of greater internal efficiencies and enhanced value to the public in improved transparency, accountability and the delivery of higher quality of services.

The SAP technology is just one element of a comprehensive approach that includes new systems and tools for enhanced internal operations and improved benefits and services to citizens. The technology plays a very important enabling role relative to the organizational strategies of integrating key business processes and functions, and expanding the internal infrastructure for overall financial and management information systems which provides support in the future to other City information technology initiatives.

The full impact of the FPARS project has to be examined over the life-cycle costs in relation to its benefits. It is expected that incremental benefits will accrue from this project over a number of years. Since the project is still in its early stages of implementation, the cost and benefit estimates in this report will be subject to a post implementation review after the systems and related processes become rooted and fully operational.

The anticipated financial and operational benefits of the FPARS project that can be derived from the new and reengineer processes, the reporting capability and the technology provided. Some of the benefits will be more immediate and will be seen through the implementation of the Public Budget Formulation (PBF) solution. Other benefits will be realized over a longer term including establishing the foundation for further business transformation at the City of Toronto.

In terms of immediate benefits that have been identified to date, ongoing salary and benefits savings of \$5.646 million will be realized in the 2014 Operating Budget through the use of the new PBF budgeting tool's personnel expenditure planning (PEP) functionality that has automated the budgeting for salaries and benefits based on particular instructions regarding the funding of vacant positions.

As well, the need for financial information Business Warehouse for analysis and reporting purposes by Accounting Services will be satisfied by the FPARS project which resulted in the deletion of a capital project in the Financial Services 2011 to 2020 Approved Capital Plan if \$2.03 million. The savings to date are summarized in Table 4 below:

Table - 4
Savings To Date (\$ Million)

| 2014 Operating Savings | | |
|---|---------------------|--------------------|
| | <u>Gross</u> | <u>Net</u> |
| Fleet Services | 0.150 | 0.150 |
| 311 Toronto | 0.213 | 0.191 |
| Facilities Management & Real Estate | 1.003 | 1.003 |
| Legal Services | 0.750 | 0.750 |
| Office of the Chief Financial Officer | 0.034 | 0.034 |
| Office of the Treasurer | 0.300 | 0.300 |
| Information & Technology | 1.039 | 1.039 |
| Toronto Water | 2.178 | 2.178 |
| | 5.668 | 5.646 |
| 2014 - 2023 Capital Budget and Plan Savings | | |
| | <u>Gross</u> | <u>Debt</u> |
| Financial Services * | 2.030 | 2.030 |
| *Note: from 2011 - 2020 Capital Budget and Plan for Business Information Warehouse project. | | |

The City is currently working with SAP Canada on establishing these benefits through a value engineering approach. This approach will document the benefit realization of FPARS and SAP assets at the City. It will also align to present and future business initiatives to maximize the investment. The goal ultimately is to ensure it is fully utilized in the business divisions. This evaluation will partner the City and SAP Canada to ensure the City leverage all the business benefits.

With the investment in this project, FPARS will:

- Make Toronto a leader in multi-year service and financial planning and budgeting by linking Mayor and Council priorities to outcomes; manage financial pressures through priorities; build service-based, multi-year plans with defined targets and service objectives and provide a long term view of the City's service delivery plan.
- Transform to a service based, performance-driven City with clean financial and performance information organized by service to improve planning, budgeting, budget monitoring and performance reporting. This will allow for more accuracy and effectiveness in determining service costs, track cost-savings, evaluate performance, prioritize services and service levels over a multi-year time horizon.

- Establish a full inventory of City services that will provide the basis for organizing information on services that will provide answers to questions such as:
 - Who provides services?
 - What services does the City provide?
 - Why does the City provide these services?
 - What service levels are provided and to whom?
 - How much do these services cost?
 - What is the value of these services? Are they meeting their intended outcomes?
- Provide better service information in a timely manner; thus enabling Council and the public to discuss and determine levels of service.
- Provide regular performance reporting on City services, objectives and targets, and a Report Card to Council and the public to demonstrate the extent to which objectives have been achieved.
- Improve accountability and transparency to the public regarding City services; thus fostering public trust in City government by offering better public access through the City's website, to budgets and related information such as the value of services and the resources allocated to those services.
- Establishing SAP as the system of record will replace “shadow systems/tools” and allow for more efficiencies and cost savings by rationalizing all independently-managed, decentralized divisional “shadow systems” and the burden of duplicate entry and manual processes.
- Allow other technology initiatives and City Agencies to leverage the system functionality in the future through the SAP Portal.
- Align with eCity vision of "*Local Government, Anywhere and Anytime*" and the 311 Vision of "*Toronto at Your Service*" and the newly adopted service strategy.

Based on the comprehensive nature of the FPARS project and its place in the overall City of Toronto initiatives, this project will provide the integrated infrastructure and information base necessary to support service delivery, more efficient service and resource allocation decision-making, and reporting of more meaningful (service) information to Council and the public.

DECISION HISTORY

At its meeting of May 29, 2013, The Audit Committee considered a report from the Auditor General entitled, "Financial Planning Analysis and Reporting System (FPARS) – A Large Scale Business Transformation/Information Technology Project. The report contained nine recommendations along with management response to each of the

recommendations. The FPARS project was selected for review by the Auditor General based on the extent of the expenditures and associated risks. The objectives of the audit were to assess the adequacy of measures, controls and processes in place to ensure successful implementation of the FPARS project, and to address a number of concerns, including the costs and benefits of the project.

This report entitled "Financial Planning Analysis and Reporting System – Analysis of Costs and Benefits" addresses Recommendation # 3 of the Auditor General's Report which states that,

"City Council request the Deputy City Manager and Chief Financial Officer to prepare a detailed and comprehensive analysis of all Financial Planning Analysis and Reporting System related costs to date as well as those costs projected to the completion of the project. This information should also include all anticipated ongoing maintenance costs. Further, the Deputy City Manager and Chief Financial Officer quantify and document all anticipated financial and operational benefits of the Financial Planning Analysis and Reporting System project. Such analysis be completed by July 31, 2013".

This report can be viewed at:

<http://www.toronto.ca/legdocs/mmis/2013/au/bgrd/backgroundfile-58424.pdf>

Financial Planning and Budget Process History

At its meeting of September 28 to 30 and October 1, 2004, Council approved a staff report entitled "City of Toronto Budget Process Recommended Improvements" without amendment. The report proposed a new City of Toronto financial planning process that incorporated best practices as established by the Government Finance Officers Association (GFOA) and practiced by leading governments internationally.

As a follow-up to the above report, City Council approved the staff report entitled "City of Toronto 2006 Budget Process and Guidelines at its meeting of May 17-19, 2005. In doing so, City Council reaffirmed its approach to multi-year planning and budgeting and approved the "Mature Budget Process" (as outlined in Appendix 2) for implementation over the 2007/2008 period which requires Council to approve service plans driven by strategic priorities that clearly detail service objectives, targets and priority actions to guide and inform multi-year budgeting, establish performance targets and metrics to evaluate services, including measures of efficiency and effectiveness, and resource allocation. In addition, the process encourages Council to do public consultation prior to setting its budget priorities.

At its meeting of April 12 and 13, 2011, City Council considered the report (March 8, 2011) entitled; "Service Review Program, 2012 Budget Process and Multi-Year Financial Planning Process", which outlined a financial planning process that include service planning and multi-year budgeting for the City of Toronto. Council approved the recommendations of that report and authorized the Deputy City Manager and Chief

Financial Officer to implement the Multi-Year Financial Planning and Budgeting Process outlined in Appendix 1 and Appendix 2 of that report which can be viewed at: (<http://www.toronto.ca/legdocs/mmis/2011/ex/bgrd/backgroundfile-36612.pdf>)

FPARS Project History

At its meeting of May 18, 19 and 20, 2004, Council adopted the staff report entitled "Moving Forward with SAP at the City of Toronto". That report addressed the Auditor General's recommendations that the City maximize its investment in SAP and develop a long-term strategic plan for the future of the SAP information system, including the establishment of the new SAP Competency Centre.

The staff report recommended a strategic direction for the future of the SAP information system with the establishment of a governance structure and decision making framework for corporate management information systems with clearly defined roles and responsibilities. It included a framework for improving corporate processes and administrative operations using best practices and a process review approach designed specifically to meet the unique challenges facing the City. It proposed establishing a SAP Competency Centre as a best practice for building internal capacity and effectively managing the SAP information system over the long term.

The report noted that the initial implementation of SAP technology was driven by the need to consolidate financial, payroll and human resources processes quickly for the newly amalgamated City of Toronto under tight timelines before the Y2K deadline with little opportunity to review business processes and adopt best practices. As a result, the report recommended that the City would take a business process review approach, known as the "Toronto Approach" to guide new opportunities for SAP technology implementation. The report specified:

"The requirement for this new approach is critical. The current SAP installation supports basic corporate functionality related to budget preparation and monitoring of actual capital and operating revenues and expenditures; financial reporting, ordering of goods and services and vendor payments, inventory control, tracking of employee hires, transfers, promotions and terminations, payroll and employee benefits management and general revenue billing and collection. While significant in its breadth, the initial SAP implementation in 1999 was limited to only the basic functionality deemed critical to quickly implement a single financial, HR and payroll system for the newly amalgamated city."

"The continuous improvement framework for corporate and administrative processes is built upon the development of a business process review approach that satisfies the unique requirements of the City of Toronto. The "Toronto Approach," developed by City staff, will establish a common language and understanding of business process review tailored to the diverse activities of the Toronto Public Service. The improvement framework will examine both effectiveness (based on results or

outcomes) and efficiency (based on how work is done or workflow). Process review teams will conduct comprehensive reviews, identify best practices and redesign their own processes with the assistance of experienced facilitators. This was a key component that was missing when the City first implemented SAP.”

With the approval of the new financial planning process by City Council in 2005 and the need for new technology for its implementation, the newly established eFACT Committee determined the FPARS project its top priority. Subsequently, the FPARS project was launched in 2006 with an initial approved capital budget of \$7.9 million, adopting the “Toronto Approach” and guided by the SAP First Policy. It was understood that once all requirements were identified and costed, that additional requests for project funding would be forthcoming.

The FPARS project was initiated to implement the new planning and budgeting framework and process approved by Council. Its objective was to design the new “to be” service planning and multi-year (operating) budget process; reorganize financial and complement data according to the services the City provides, otherwise known as the “service view,” and examine the best technology solution to enable these business changes. Using the “Toronto Approach”, the FPARS project documented the current end-to-end budgeting process across all City divisions and established the new multi-year planning and budgeting process with its business requirements. Program Maps and service profiles were established for all City Divisions which established the City’s service inventory and structure for implementation of the service view. A service planning process was developed and piloted in 2008 administratively and City-wide priorities were established which formed the basis of the Mayor’s budget direction to staff for the 2009 Budget process.

Guided by the SAP-First policy, the project completed a fit-gap analysis during the same period to first determine whether SAP technology could meet the requirements of the City’s new “to be” multi-year financial planning and budgeting process. While no “off the shelf” SAP solution existed at that time, it was determined that the City’s requirements could be met by adapting or configuring an existing suite of SAP functionalities. The decision was made by Executive Management to proceed with an SAP configured solution.

City Council, on October 29, 2008, adopted a report from the Deputy City Manager and Chief Financial Officer entitled, "Financial Planning Analysis and Reporting System", which provided an overview of the FPARS project within SAP, and a request for resources to continue the project to tailor multi-year financial and complement planning and reporting requirements for City Divisions and Agencies. This report can be viewed at: (<http://www.toronto.ca/legdocs/mmis/2008/ex/bgrd/backgroundfile-15931.pdf>)

During this feasibility and design phase, it was determined that complement data and cost centres needed to be restructured and realigned to present information in an organizational view (management accountability) and a service view (public accountability) simultaneously and to enable the integration of this data with the SAP

technology. Additional Accounting Services and Human Resources staff would be required to scope and continue the necessary work along with specialized technical resources to meet the expanded requirements. Consequently the budget for the project was increased to \$15 million as part of the 2009 Budget process.

In mid-2008, the City was advised by SAP that it had developed a new budgeting module for the public sector. An initial assessment determined that the Public Budgeting and Formulation (PBF) module was not ready for use at that time and the City committed to reviewing it again once the product was fully developed. Once available for general release in 2009, a subsequent detailed assessment was undertaken and in the fall of 2009 a decision was made to discontinue the development of the SAP configured solution and to implement the new Public Budget Formulation system designed by SAP.

The detailed assessment identified the need for significant process reengineering as the PBF module which operates in a business warehouse, relies on integrated financial, payroll and human resources processes and data. New SAP technologies were required: SAP Web Portal; Business Warehouse and Business Intelligence tool and other development tools. It was also determined that the project scope be expanded to incorporate work to integrate service planning and enterprise performance management that would be used by all City Divisions and subsequently, Agencies.

The integrated planning and performance framework continued to mature with the completion of the pilot service planning process in 2008 and additional reporting requirements were necessary to link strategy, service objectives and budgets together.

Given the scope of change required, it was determined that the FPARS project's success necessitated dedicated resources for process reengineering, business transformation, systems implementation, technology knowledge transfer and organizational change management, training and communications. It was critical that the project was adequately resourced to complete an enterprise-wide, business transformation and technology project. The full costing of all the project requirements was developed reflecting resources from the Financial Planning Division, Accounting Services Division, Payroll and Human Resources Divisions, Information Technology Division and other divisional resources. Consequently the FPARS project's capital budget was increased to \$55 million.

The total budget for the FPARS project is \$69.9 million and includes the costs of all resources related to:

- The feasibility and business requirements established prior to 2009 (pre-PBF decision);
- Acquisition of SAP licences for PBF;
- The implementation of the PBF "off-the-shelf solution"
- Business transformation processes and systems for service planning, multi-year service based budgeting; performance management
- Reengineering of financial, payroll, and human resource processes and data required to support the City's service planning and multi-year service-based budgeting, monitoring and evaluation using a service view;

- Organizational change management; communications; training and skilling of City staff on new processes and SAP technologies.
- Project management and operations.

These costs have been approved through the annual capital budget process.

ISSUE BACKGROUND

With the ever present financial pressures that face municipalities, it is imperative that steps be taken to ensure the long-term viability and effectiveness of the services provided to the public. It is therefore necessary that senior management and Council be provided with the full capability to determine and assess how to best allocate limited resources strategically to meet City priorities and ensure results are achieved.

Employing the Integrated Planning and Performance Framework

The City employs an integrated planning and performance framework to focus strategic investments to results and intended outcomes and provides increased transparency and accountability regarding the services it delivers to the public.

The integrated planning and performance framework enables the City to take a multi-year view to guide the City's service planning and budgeting process. This approach ensures that resources are efficiently allocated to services to achieve long-term strategic outcomes. By monitoring the results and impact of services, staff and Council will have the added capacity to re-allocate resources based on short and long term goals. The pillars of this framework are comprised of four integrated processes:

1. Council Priority-Setting
2. Strategic Planning
3. Service Planning
4. Multi-Year Budgeting

Strategic Planning

The City's strategic directions, as determined by Council's setting of priorities by way of its policy agenda and/or specific process, will form the basis for the development of a City strategic plan that will establish strategic actions based on Council's goals and themes and intended outcomes. Guided by these strategic actions, multi-year service plans will be developed that establish service objectives and priority actions (target setting) for each City service which will, in turn, direct the creation of service-based budgets. As the process matures, the City will gain the ability to measure and assess multi-year performance linked to strategic outcomes through monitoring of effectiveness and efficiency metrics and achievement of multi-year service objectives and targets.

City Council adopted a Strategic Plan in 2002 that set out a vision and mission for the City, 20 goals for City quality of life across five broad themes and established 19 directions to guide City programs, services and initiatives. Fiscal principles were approved in 2005 with the adoption of the Long Term Fiscal Plan to guide service planning, budgeting and to respond to the City's ongoing financial pressures.

Twenty-six Strategic Actions were developed across the six themes of the Strategic Plan to meet Council priorities and advance Council's goals. Twelve of the Strategic Actions focus primarily on goals related to City Building, Economic Vitality, Environmental Sustainability and Social Development. Fourteen of the Strategic Actions focus on the goals related to Good Governance and Fiscal Sustainability to ensure the continued capacity of the Toronto Public Service to serve Council and the public now and into the future.

City Council affirmed at its meeting on October 8, 9, 10 and 11, 2013 affirmed the Strategic Actions for 2013 to 2018 for use in the City's service planning, multi-year budgeting and performance planning processes.

<http://www.toronto.ca/legdocs/mmis/2013/ex/bgrd/backgroundfile-61590.pdf>

Service Planning

While many Divisions and Agencies have been engaged in an exercise of strategic, sectoral, service or business planning to guide their future service goals, objectives and delivery plans, some plans have remained administrative while others have been public and approved by City Council on a sporadic basis and not in relation to other priorities City-wide. Many of these have not had full implementation plans in place, making their achievement difficult, particularly when additional investments are required against competing priorities.

The integrated planning and performance framework calls for a common service planning process to be employed across City Divisions and Agencies based on a consistent methodology. Service Planning enables the City to develop multi-year service plans that strategically establish service objectives and targets over a 3 to 5 year period with priority actions necessary to meet these objectives, along with multi-year operating, capital and human resources (estimates) plans to implement these priority actions. Standing Committees will review the service plans and recommend priorities over a similar time horizon, enabling the City to establish relative priorities and their implementation timeframe within a fiscal framework. This will enable City Divisions and Agencies to more realistically achieve their service objectives as Service Planning will guide and inform the budget process by establishing service levels and multi-year estimates required to implement the priority actions/investments necessary to achieve service objectives.

Multi-Year Service-Based and Performance Focused Budgeting

Service-based and performance-focused budgeting is a customer based, results oriented budget that is based on service outcomes. A service-based budget is characterized by explicitly focusing on service levels, service delivery and measuring the relationship between resources and results. By doing so, a service's effectiveness and efficiency can be assessed. Efficiencies provide savings that could be permanently realized, reallocated to enhance program delivery or reinvested to add new services.

Unlike the traditional line-item budget system that allocates resources based on organizational units and line item expenses, service-based and performance focused budgeting allocates resources to services provided to the public based on performance: both planned and actual performance are measured in terms of service effectiveness and efficiency. Budgets are more explicitly tied to overall service outcomes.

Creating a Service View to Support the Planning and Performance Framework

Municipalities have traditionally prepared formal budgets based on their organizational and accounting structures. It is often difficult to understand budgetary information in any event, but particularly as it relates to the services offered to the public. Making the connection between the two views is difficult and does not lend itself to supporting effective planning and budgeting.

Program Mapping provides a vehicle to translate the organizational "view" of the City government to its related service model. This approach, when applied to all City Divisions and Agencies, provides a "common language" to communicate the suite of services offered by the City that is understandable to the public, including the key qualitative and quantitative information profiling each service. Program mapping provides service-based information for all City services.

With this service information in place, the City is able to produce a service-based budget that will clearly articulate the cost to deliver City services and activities and thereby improve the information presented to Councillors and the public. Multi-year budgets and plans will be organized by approximately 130 services offered by the City profiling the total resources (financial and human) required to deliver a particular service and its associated activities along with performance indicators and service levels.

The FPARS project was established to implement the new planning and budgeting processes approved by Council which are key components of the City's integrated planning and performance framework. The project's major goal is to strengthen the foundational elements of sound financial planning, budgeting and performance management and establish principles and best practices that will support the City's transition towards a service-based and performance focussed organization. Namely, the new planning and budgeting process:

- Incorporates a long-term perspective for planning and budgeting that promotes fiscal sustainability (multi-year);
- Introduces a more structured service planning process that establishes linkages between budget allocation decisions and Council's strategic goals and priorities;
- Focuses budget decisions on service levels, results and outcomes using performance targets and metrics;
- Emphasizes the evaluation of service performance to ensure that planned results are achieved.

The FPARS project is leveraging SAP functionalities and aligns with the Auditor General's recommendation to maximize the return on the City's investment in SAP. By adhering to the SAP-first policy, rationalizing existing systems, extending the use of SAP to Agencies, reengineering business processes, building corporate capacity, organizing financial, complement and performance information by service and improving its use in the decision-making process, the FPARS project will deliver an integrated planning and performance framework that will change how the City plans, budgets, and evaluates its services.

The Need for Better Information and Systems

In order to implement Council's direction for a City-wide, multi-year planning and budgeting process, the Financial Planning Division and its Corporate Partners initiated the Financial Planning Analysis Reporting System (FPARS) project. The project goal is to use SAP technology to build a more functional, service-based, performance-focused model for planning, budgeting, monitoring and evaluating City services, and to maximize the investments in those services and the outcomes they produce.

To ensure that the City can continue to meet its financial and service responsibilities into the future, the City has invested in new SAP technologies now available and leverage the system across City Divisions and Agencies. This investment in SAP was required to re-engineer processes, build systems, train staff and begin delivering functional information that:

- supports the work of City staff,
- informs Council decision-making processes
- provides transparency in the services being delivered; and,
- ensures the value of services being provided.

To offer a balanced assessment of the benefits of the FPARS project, it is useful to summarize the challenges that prevail across the organization and impact the City's ability to effectively plan, budget, monitor and report financial, complement and performance information for the services delivered to the public. The major challenges and issues for which the FPARS project is providing solutions are highlighted below and presented within the context of multi-year planning and budgeting; establishing the service view; and complement planning and management.

Multi-Year Planning and Budgeting

The City is constantly challenged to manage complex and changing issues with limited resources and to provide the most cost efficient services that provide the results expected by citizens. To ensure that resources are allocated to deliver the services that are relevant to the public; that those services are sustainable and effective in their ability to achieve Council's strategic directions and outcomes; and that meaningful information is available for decision making about those services over a longer-term view, the City needed to move to a multi-year approach to service-based planning and budgeting across the organization.

Currently, budget development and program reporting is managed in a decentralized manner as most divisions use their own budget development and information management systems with little to no integration between them or with the City's current SAP financial system. A significant amount of planning and budgeting information is stored and managed outside of SAP due to the limitations in existing functionalities. This has led to the creation of "shadow" budgeting systems that has resulted in inconsistent data, a dependency on the use of templates to gather and consolidate information, transcription/conversion errors, timing differences and reconciliation of information from several different sources.

A lack of key business management systems has made it difficult to access, analyze and provide accurate information to support strategic, management and operational decisions. Additionally, some financial information is embedded in non-SAP divisional systems, making it difficult to gather the strategic information for decision-making in a timely manner. In order to move the City toward a strategic approach to planning and budgeting, the foundation for an integrated information system infrastructure has to be created.

Systems integration demands more attention and increased information and technology resources. However, an investment in the SAP foundation will improve system performance, the quality of data and access to financial information by consolidating service delivery systems and SAP financial, human resource and other management systems. This will be achieved by transforming functionality of SAP products, advanced business intelligence/warehouse technology and web portal to allow access to the SAP data across the organization.

Establishing the Service View

Business processes and data have not been substantially renewed since the initial SAP implementation in 1998/99, and many processes are out of line with best practices and have built-in inefficiencies due to duplication of effort and disparate information systems across the organization. In addition, budgets and related reports are not presented in a format that is relevant to the public. Cost centres are used to track service performance information as several divisions do not have service delivery systems to manage business activities and track performance measures.

Accordingly, financial information needed to be reorganized on a service basis to present information in a manner that is understandable to the public.

Complement Planning and Management

A major element in the annual budgeting process is personnel expenditure planning. The SAP human resource and payroll systems are the data sources for positions and employees, respectively, but their systems are not integrated with the budgeting system. From a process and data perspective, there is no link between positions, people and their budget. There is no single system for complement planning and management across the organization. Divisions meet the requirements for personnel expenditure budgeting by developing their own systems, making it difficult to ensure a standard approach is utilized. The manual effort requires the submission of spreadsheets and paper forms with calculated information. In addition, because of the misalignment between people, positions and budget it is difficult to independently verify the accuracy of information presented, provide fulsome complement information to manage complement easily and to track vacancies.

A common framework and methodology for the projection of salaries and benefits, using a single data source from Human Resource/Payroll is a vital element of the multi-year budgeting process. This would serve to eliminate manual effort, reduce errors and also make it possible for planning and consolidation of salaries and benefits at the corporate level.

All City Divisions are looking for systems and processes to address these issues through a unified approach. The FPARS project invests in our current and new SAP technologies to enable the City to provide relevant, accurate and timely financial, complement and service information to decision makers. The project will rationalize resources by standardizing, consolidating and automating processes and systems to eliminate redundancy and implement streamlined processes; thus providing a more integrated, interactive tool for staff and an informative financial reporting system for the public.

There are also opportunities to extend SAP to the City's Agencies and for them to leverage the City's investment in new SAP technologies. For the 2014 Budget process, the PBF budgeting tool will be used by all City Agencies for their budget development and submission. The TTC has confirmed its interest in the City's new SAP technologies for its operations (ERP and Data Warehouse) and has included a capital project of \$63 million in its 2014 to 2023 Capital Plan for business reengineering and systems implementation. The Toronto Police Service which currently utilizes SAP for its financial transactional processes is also examining the use of SAP's data warehouse technology and business intelligence tools for performance reporting. The Toronto Police Services Board has approved the inclusion of an \$8.2m capital project for 2014 for this purpose.

FPARS Solution and Project Deliverables

FPARS provides systems and processes to link strategic directions to service objectives, support service focused, performance-based budgeting and provide tools for planning, analyzing, evaluating and reporting financial and service performance information based on the services the City delivers to the public. FPARS is designed as two concurrent and integrated projects:

1. Business Transformation; that will re-engineer financial planning, accounting, payroll and human resource processes; and,
2. SAP implementation that will provide the planning and budgeting systems and analytical tools to facilitate the monitoring and for reporting of financial, complement and performance data in a service view.

FPARS will address the City's need to maximize its limited resources by moving the City to a multi-year service and performance-based budgeting process, enabled with new technology. FPARS will achieve its objectives by delivering the following:

Service Inventory for City Programs and Agencies

An inventory of City services with key qualitative and quantitative information profiling each service will be established. This will form a common language for services across all Divisions and Agencies and facilitate the alignment of services to Council themes and goals.

Service Planning as a Formal Process

A formal service planning process will be developed that will translate Council's strategic themes and goals into service objectives, priority actions and performance targets aligned to the resources allocated through the budget process.

Performance Inventory for City Programs and Agencies

A performance framework and an inventory of measures for City Programs and Agencies will be created. This will make it possible to measure and evaluate services and their results and create dashboards that will allow the public to evaluate Council's achievements.

Multi-year Planning and Budgeting

Two of the four pillar processes of the integrated planning and performance framework will be implemented, namely: service planning and multi-year service-based and performance focused budgeting, monitoring, reporting and evaluation. This will be facilitated by redesigned processes, new systems and tools and training for staff in all City Divisions and Agencies.

Processes to Organize Financial, Complement and Performance Data in a Service View

A new complement management process will be created that links positions, people and their budget according to the services provided by each City Division. The new corporate process will, in turn, spawn new policies, standard definitions and a best practice approach to complement data management to support new organizational change approval process, vacancy management and complement planning.

The implementation of SAP Funds Management functionality and the realignment of the cost centre structure to provide financial information in both an organizational and service view. Processes for financial information reporting, expenditure/commitment tracking, accounts payable and receivable, corporate banking, purchasing and payroll time reporting will be amended to provide financial and payroll information in a service view.

Processes and Tools to Analyze and Report on Service Performance and Results

The new SAP Business Warehouse will be configured to house performance information and the Business Intelligence tools will be utilized to design dynamic reporting for service performance, including dashboards. Analytics and reporting capabilities will be developed to provide users with access to financial, complement, performance and service information for use to support service operations and for the planning, budgeting, monitoring, reporting and evaluation of City services.

Organizational Change Management Strategy and Plan

Organizational change management, training and communication plans and tactics will be developed and deployed to implement the new planning and performance framework, its processes, policies and systems and support the organization in its business transformation to a more service-based and performance focused entity.

By employing Program Mapping methodology to develop relevant, transparent, service information, establishing Service Planning and Performance Based Budgeting, expanding SAP functionalities, reengineering major core business processes that have not been holistically reviewed since amalgamation, revising policies, and training staff across all levels of the organization, FPARS will provide the foundation and strengthen the City's capacity to employ its integrated planning and performance framework, and provide timely and relevant information to support sound decision making and improve transparency and accountability.

COMMENTS

FPARS Project Costs

The Financial Planning Analysis Reporting System project is an approved capital project with a total project cost of \$ 69.9 million, of which \$61.0 million has been approved in the Financial Services 10-Year Capital Plan and \$8.9 million within the Information and Technology 10-Year Capital Plan.

As of September 30, 2013, expenditures incurred since the inception of this project in 2006 total \$41.5 million with an additional \$7.7 million to be spent by year-end, totalling \$49.2 million by the end of 2013. Projected costs to the completion of this project are anticipated to be \$69.9 million are detailed below in Table 5.

Table 5 provides a further breakdown of the FPARS total project costs and actual expenditures for the life of the project and a projected cost to its completion. This Table further delineates the costs according to the type of resources required for the project: the cost of in-house staff resources dedicated to the project (\$25.552 million); the cost of external project management and technical resources (\$28.110 million) and the cost to operate the project over its duration (\$7.338 million).

Initiated in 2006, the FPARS project is the City's first enterprise-wide business transformation project since amalgamation and a major technology development since the initial SAP installation. As well, the implementation of the PBF tool at the City of Toronto is the first of its kind in Canada. In order to understand the total budget for the FPARS project from the inception to the implementation phase, Table 5 details the major capital activities and associated resource costs for the FPARS project.

SAP Configured Solution Costs: Pre- 2010

The FPARS project's activities during the 2006 to 2009 period, categorized in Table 5 as the SAP Configured Solution (or pre-PBF solution) period primarily focused on project feasibility and design activities. During this period, all of the business requirements were established:

- Program Maps were developed for each and every City Division along with their service profiling information. These were necessary to create the service

- inventory and structure to which financial, complement and performance information would be aligned to establish the service view.
- A proof of concept was completed to establish functional requirements
 - An initial assessment of the viability of SAP functionality to meet FPARS's business requirements (fit-gap analysis) was completed, in compliance with the City's SAP First policy. It was determined in 2007 that SAP could not meet the City's requirements but required an integrated solution that was dependent on financial and complement information being structured on SAP best practices and standard configuration.
 - An assessment of the City's cost centre structure and an cost centre clean up (over 13,000 cost centres closed) took place to support the restructuring of the cost centres to the City's service structure.
 - A preliminary Service Planning process was developed and piloted in 2007 and completed in 2008 for City Divisions. These undertakings provided the business requirements for the service planning process design and technology implementation.
 - The "as is" budgeting process and systems were documented across all Divisions and the new "to be" multi-year budgeting process was designed with the articulation of over 300 business requirements created in a detailed requirements document.
 - A design blueprint was produced for the SAP Configured Solution.
 - Assessments of the PBF module and associated functionality that consumed over a year of the project's time (October of 2008 and again in Spring-Fall 2009) which ultimately resulted in the decision to proceed with PBF, for which Council approved a revised project budget in the 2010 Capital Budget process. The Pre-PBF solution's actual costs for the above project activities total \$6.0 million of the \$15.0 million FPARS project budget.

The Information and Technology Division also incurred costs of \$2.3 million during this period to support the FPARS project work, undertaking various assessments, initially to ready itself for the project and thereafter to assess the project's progress; to provide a development environment with the necessary technologies and tools and for project management.

The Business Transformation and PBF Implementation Costs: 2010-2014

With the approval to proceed with PBF, the project budget was revised to \$55 million, comprised of unspent funds of \$9 million carried forward from the previous FPARS capital budget of \$15m and new funding of \$46 million was approved in the 2010 Capital Budget process. The Business Transformation and PBF Implementation phase of the FPARS project has an approved budget of \$55M to fund:

- RFP preparation and evaluation (Two times as first RFP was not successful in selecting a proponent)
- Project preparation and start-up activities.

- Dedicated City staff teams (up to 70 FTEs) from Human Resources, Pension Payroll & Employee Benefits, Accounting Services, Financial Planning, Information & Technology to reengineer current processes, data and systems to support the integration of service data, the creation of a new end-to-end Complement Complement Planning and Management process and to implement the new PBF budgeting tool
- The services of a vendor to implement the PBF module for a new multi-year service planning and service-based and performance-focused budgeting process, analytics and reporting, dashboards and configuring SAP functionality to ensure service reporting through the City's financial, payroll and human resources systems.
- A dedicated Business Transformation team (up to 12 FTEs) to provide change management, communications and training; and to provide business leadership regarding planning, budgeting and evaluation process and policy change, to continue to extend the City's service inventory (with the additional of service standards and service level information) and to establish a new performance inventory.
- Enterprise Performance and Strategy Management and Reporting capability that provides the City with a technology structure for linking reporting for strategy, objectives and performance.
- Project management, operations and leased space.

The costs incurred by the Information and Technology Division to support the FPARS project implementation during this period total \$6.6 million. An upgrade to the SAP Enterprise Foundation required the use of new SAP technology and tools and the associated in-house expertise to implement and sustain them. This included an SAP web portal; an SAP business warehouse and business intelligence tools for analytics and reporting plus SAP technology implementation tools for documentation, training, scrambling confidential information etc. This SAP Landscape Upgrade project was planned and funded by the Information and Technology Division to implement a strategic SAP foundation as an expandable, scalable, cost efficient SAP system to support the growing list of SAP projects in the City's capital budget. The IT costs incurred in the installation of the new technology to support the FPARS project implementation was allocated \$3.9 M. The As part of a license agreement between SAP Canada and the City, IT purchased approximately \$6.6 M in SAP licenses in 2009 at a greatly reduced rate with the option of "swapping" the licenses by June 2012. \$2.7 million was spent on PBF licenses for the City.

The Business Transformation and Implementation includes the implementation of the Public Budget Formulation (PBF), Reporting Analytics, and Complement Management functionality as well as re-engineering accounting and payroll transactional processes.

PBF went live in May 2013, for use by City Divisions and Agencies for submission of their 2014 Operating Budget requests and will be used for the balance of the 2014 Budget process, up to and including the "booking" of the 2014 calendarized budget in SAP. Work is progressing on the remaining PBF and complement management functionality,

financial and payroll components of SAP to achieve the service view all of which goes live November 12, 2013 and fully operational for January 1, 2014 from which time budgets and actual expenditures (payroll and non payroll) as well as complement information will be organized according to each City Division's Program Map of services and activities.

A decision was made to delay the implementation of Enterprise Performance Management (EPM) functionality to 2014. The project is currently exploring the full potential of the new SAP performance and reporting functionality offered from the SAP Business Warehouse and Business Intelligence tools and its ability to deliver reporting, analytics and score-carding solutions for the City prior to engaging in the final activity of this project.

**Table 5
FPARS Budget Total Project Cost Detail
(\$000s)**

| | Total Project Cost | Life to Date Actual Project Cost Dec 31, 2012 | 2013 Actual Cost Sept 30, 13 | Projected Cost to Total Projected | | 2014 Plan |
|---|--------------------|---|------------------------------|-----------------------------------|--------------------------------|---------------|
| | | | | 2013 Year End (Oct Dec) | 2013 Project Cost Dec 31, 2013 | |
| Internal Resources | | | | | | |
| SAP Configured Solution/Requirement | | | | | | |
| Business Transformation Team | 513 | 513 | - | - | 513 | - |
| Accounting Services | 57 | 57 | - | - | 57 | - |
| | 569 | 569 | - | - | 569 | - |
| RFP / Project Preparation | | | | | | |
| Human Resources | 129 | 388 | - | - | 388 | - |
| Business Transformation Team | 1,524 | 1,351 | - | - | 1,351 | - |
| Accounting Services | - | 61 | - | - | 61 | - |
| Information & Technology | 120 | 12 | - | - | 12 | - |
| | 1,773 | 1,811 | - | - | 1,811 | - |
| PBF Implementation | | | | | | |
| Accounting Services | 2,332 | 607 | 1,612 | 133 | 2,352 | 58 |
| Pension Payroll and Employee Benefits | 3,479 | 715 | - | 503 | 1,218 | 81 |
| Human Resources | 3,919 | 1,136 | 710 | 989 | 2,835 | 990 |
| Financial Planning | 4,867 | 2,165 | 1,038 | 1,022 | 4,225 | 5,245 |
| Information & Technology | 2,080 | - | 138 | 942 | 1,080 | 220 |
| Divisional Rep | 177 | - | - | - | - | 52 |
| Facilities & Real Estate | 190 | 2 | - | - | 2 | - |
| | 17,042 | 4,624 | 3,499 | 3,589 | 11,712 | 7,899 |
| Enterprise Performance Management | | | | | | |
| Business Transformation Team | 849 | - | - | - | - | - |
| Enterprise Performance Mgt | 5,317 | - | - | 127 | 127 | 1,027 |
| | 6,167 | - | - | 127 | 127 | 1,027 |
| Total Internal Resources | 25,552 | 7,005 | 3,499 | 3,716 | 14,220 | 8,927 |
| Professional Services | | | | | | |
| SAP Configured Solution/Requirements | | | | | | |
| PMO | 688 | 688 | - | - | 688 | - |
| SAP Configuration Team | 3,482 | 3,482 | - | - | 3,482 | - |
| | 4,170 | 4,170 | - | - | 4,170 | - |
| RFP / Project Preparation | | | | | | |
| PMO | 172 | 172 | - | - | 172 | - |
| Fairness Consultant | 44 | 47 | - | - | 47 | - |
| Privacy Consultant | 75 | - | - | - | 0 | 33 |
| | 291 | 218 | - | - | 218 | 33 |
| PBF Implementation | | | | | | |
| IBM/Optimal Service Contract | 16,000 | 8,755 | 3,523 | 3,630 | 15,908 | 278 |
| PMO | 676 | 219 | 33 | 76 | 327 | 122 |
| Project Team - Technical Training | 400 | 348 | 39 | 32 | 418 | - |
| | 17,076 | 9,322 | 3,594 | 3,738 | 16,654 | 400 |
| Enterprise Performance Management | | | | | | |
| EPM | 5,550 | - | - | - | - | 3,330 |
| Org Chng Management | 623 | - | - | - | - | 374 |
| Project Team - Technical Training | 400 | - | - | - | - | 180 |
| | 6,573 | - | - | - | - | 3,884 |
| Total Professional Services | 28,110 | 13,711 | 3,594 | 3,738 | 21,042 | 4,317 |
| Project Operations | | | | | | |
| Total Project Operations | 7,338 | 4,032 | 820 | 207 | 5,059 | 850 |
| BT & Implementation Subtotal | 61,000 | 24,748 | 7,913 | 7,660 | 40,321 | 14,093 |
| IT Costs | | | | | | |
| Information Technology Division Costs prior to 2009 (Configured Solution) | 2,300 | 2,300 | - | - | 2,300 | - |
| Information Technology Division SAP Upgrade Allocated Costs | 3,900 | 3,900 | - | - | 3,900 | - |
| Information Technology SAP/PBF License Costs | 2,700 | 2,700 | - | - | 2,700 | - |
| IT Costs Subtotal | 8,900 | 8,900 | - | - | 8,900 | - |
| FPARS Project Grand Total | 69,900 | 33,648 | 7,913 | 7,660 | 49,221 | 14,093 |

Anticipated ongoing sustainment costs are estimated at \$2.00 M annually. These costs and positions are allocated to the Corporate Partners Divisions based on their sustainment responsibilities as indicated below in Table 6:

Table 6
FPARS Sustainment Cost
(\$ Millions)

| FPARS Division | Number Of Positions | Total Ongoing Cost |
|--|---------------------|---------------------------|
| Financial Planning | 2 | 0.24 |
| Accounting Service | 1 | 0.13 |
| Payroll, Pension and Employee Benefits | 1 | 0.12 |
| Human Resources | 1 | 0.08 |
| Information Technology | 6 | 0.78 |
| Total Division Cost | 11 | 1.35 |
| FPARS Other Information Technology Cost | | Total Ongoing Cost |
| IT Licence | | 0.60 |
| IT Hardware | | 0.05 |
| Total Other Information Technology Cost | | 0.65 |
| Total FPARS Sustainment Cost | | 2.00 |

FPARS Benefits

A fully implemented FPARS will result in many benefits for the City at all levels; divisional, corporate, Council and the public. These benefits can reflect one or more qualities of economy, efficiency or added value. Some of the benefits will be more immediate and will be seen through the implementation of the Public Budget Formulation (PBF) solution. Other benefits will be realized over a longer term as the service-based planning and performance foundation changes take root and become integrated into the City's working and decision-making environment.

Already, it is commonplace to refer to "program maps"; "service and activities" , "service standards and levels" and service targets and performance". This common language and key information is being used by both staff and elected officials when discussing the service issues of the City of Toronto and comes directly from the work of the FPARS project. As well, the service level information produced by FPARS was leveraged by KPMG for the work it performed for the City's Core Service Review that resulted in recommendations that could realize \$42.8 million in savings. KPMG acknowledged that they would have not been able to complete their work without the FPARS service information in the time period provided and at the cost incurred.

In terms of immediate benefits that have been identified to date, ongoing salary and benefits savings of \$5.646 million will be realized in the 2014 Operating Budget through the use of the new PBF budgeting tool's personnel expenditure planning (PEP) functionality that has automated the budgeting for salaries and benefits based on particular instructions regarding the funding of vacant positions.

As well, the need for financial information Business Warehouse for analysis and reporting purposes by Accounting Services will be satisfied by the FPARS project which resulted in the deletion of a capital project in the Financial Services 2011 to 2020 Approved Capital Plan if \$2.03 million. The savings to date are summarized in Table 7 below:

| Table - 7 Savings To Date (\$ Million) | | |
|---|--------------|--------------|
| 2014 Operating Savings | | |
| | <u>Gross</u> | <u>Net</u> |
| Fleet Services | 0.150 | 0.150 |
| 311 Toronto | 0.213 | 0.191 |
| Facilities Management & Real Estate | 1.003 | 1.003 |
| Legal Services | 0.750 | 0.750 |
| Office of the Chief Financial Officer | 0.034 | 0.034 |
| Office of the Treasurer | 0.300 | 0.300 |
| Information & Technology | 1.039 | 1.039 |
| Toronto Water | 2.178 | 2.178 |
| | 5.668 | 5.646 |
| 2014 - 2023 Capital Budget and Plan Savings | | |
| | <u>Gross</u> | <u>Debt</u> |
| Financial Services * | 2.030 | 2.030 |
| *Note: from 2011 - 2020 Capital Budget and Plan for Business Information Warehouse project. | | |

The City is currently working with SAP Canada on establishing these benefits through a value engineering approach. This approach will document the benefit realization of FPARS and SAP assets at the City. It will also help align present and future business initiatives to maximize the FPARS investment. The goal ultimately is to ensure it is fully utilized in the business divisions. This evaluation will partner the City and SAP Canada to ensure the City leverage all the business benefits.

Strategic Benefits

With the investment in this project, FPARS will:

- Make Toronto a leader in multi-year service and financial planning and budgeting by linking Mayor and Council priorities to outcomes; manage financial pressures through priorities; build service-based, multi-year plan with defined targets and service objectives and provide a long term view of the City's service delivery plan.
- Transform to a service based, performance-driven City with clean financial and performance information organized by service to improve planning, budgeting, budget monitoring and performance reporting. This will allow for more accuracy and effectiveness in determining service costs, track cost-savings, evaluate performance, prioritize services and service levels over a multi-year time horizon.
- Establish a full inventory of City services that will provide the basis for organizing information on services that will provide answers to questions such as:
 - Who provides services?
 - What services does the City Provide?
 - Why does the City provide these services?
 - What is the value of these services
 - How much do these services cost?
- Provide better information in a timely manner; thus enabling Council and the public to discuss and determine levels of service.
- Provide regular performance reporting on City services, objectives and targets, and a Report Card to Council and the public to demonstrate extent to which objectives have been achieved.
- Improve accountability and transparency to the public regarding City services; thus fostering public trust in City government by offering better public access through the City's website, to budgets and related information such as the value of services and the resources allocated to those services.
- Establishing SAP as the system of record will replace “shadow systems/tools” and allow for more efficiencies and cost savings by rationalizing all independently-managed, decentralized divisional “shadow systems” and the burden of duplicate entry and manual processes.
- Allow other technology initiatives and City Agencies to leverage the system functionality in the future using the SAP Portal.
- Align with eCity vision of "*Local Government, Anywhere and Anytime*" and the 311 Vision of "*Toronto at Your Service*" and the newly adopted service strategy.

Organizational Benefits

Organizational benefits to be realized from the FPARS project relate to processes, reporting, and technology recognizing the integration between these categories.

A. Processes

Implementing the infrastructure for the Integrated Planning and Performance framework with a focus on connecting Strategic Planning with Service Planning and Multi-year Budgeting will allow the City to better manage its resources and the services delivered. These will reduce the risk of inconsistent data, transcription/conversion errors, timing difference and reconciliation errors, and provide better information in a more efficient manner for service planning and service delivery. Efficiencies and cost savings will be achieved through process reengineering; that will reduce manual effort and eliminate duplicate processes; thus allowing staff to focus more effort on service delivery and management oversight and control. The benefits to be provided by these processes include:

- Improve/standardize information - PBF as the single point of entry for budget information has reduced duplication of efforts, improve accuracy of data and allow for real time analysis of budget information.
 - One system of record replaces potentially 140 plus "shadow" systems/tools.
 - In 2014, the budget system Debudas used by Cluster A was not used for the 2014 Budget process and the Financial Planning Division's Issue Tracking System was decommissioned.
- Automatic rollover of future year annualized budget estimates, thus reducing manual effort in budgeting the following year.
- Reduction in turnaround time of end-to-end process
- User fee pricing reported for rate increases over a three year period.
- Manual effort reduced for business cases.
- Projections for salaries and benefits for multi year (3 years).
- Forecast and submit personnel expenditure (salary and benefits) thus reducing the time effort involved in completing manual forms.
 - Allows for consistent approach to budgeting for salaries and benefits in 2014 resulting in \$5.646 million in savings.
- Integrated complement planning and management process (budget, position, employees), including Organizational Change Approval process will be streamlined and automated.
 - One system of record replaces potentially 136 plus "Shadow" system/tools
 - Vacancy Management
- With introduction of Management Self Service (MSS)-after 2014, a more streamlined and automated end to end complement planning and management process will provide more accurate and timely information and will require less staff time administering processes that can be redirected to service delivery.

- Access to salary/position/budget information which will be leveraged during collective bargaining for costing models
- Payroll Time reporting process improvements
- Utilizing FPARS changes as a first step to enhancing functionality through other PPEB projects - ESS/MSS phase 2, TAMS. The FPARS technology needed to be in place first, so that we could take the next step in automating processes and changing technologies.
- Cost centre Re-alignment to service view
- Financial controls/accounts payable/accounts receivable/purchasing controls

These processes currently demand time, effort and systems to execute the process. As with any process being re-engineered, it requires time to be stabilized and matured. These processes will have strong corporate oversight and provide capability to provide information on a service-based is being leveraged across the City in decision making involving cross divisional initiatives.

B. Reporting

Currently reporting from SAP is not user-friendly, requires expert resources for new reports, and is limited to reporting in 2 dimensions – typically costs centres and cost elements.

With FPARS, once fully functioning, the City will be implementing SAP's Business Warehouse and will have Business Intelligence tools which will allow for:

- financial reporting that is much more flexible and user-friendly;
- users to include additional dimensions
- viewing of reports and analyze information with little expert assistance.

This additional reporting is critical to enable staff to manage under both the organization structure and service views. It is also critical for a single source of relevant information for financial reporting, performance management and benchmarking.

Although we are not able to quantify the benefits received from additional reporting, it will clearly result in faster and better analysis capability at the Divisional and Corporate levels.

New analytics and reporting capability for financial, complement and performance information will have the following improvements:

- Business Intelligence will allow for Dashboards to be created.
- Analyst notes and budget book will leverage the reporting functionalities
- Service costing and performance information will be combined with variance reporting
- More time spent on analysis instead of consolidating of data.
- Ability to do analytics, predictive modelling, more timely and accurate data.

Finally Employee Self Service Phase 1 will involve rolling out of pay advice notices and T4's to non-union staff and elected officials via the employee portal (ESS)

C. Technology

The role of IT is to be an enabler for projects and business the experience gained with the implementation of FPARS has provided IT new skills that will be leveraged for other projects. The FPARS project and the Landscape project have emphasized the need for the SAP revitalization and the opportunity to allowing the city to bring the aging SAP environment to current state.

A number of new SAP Technologies have been implemented alongside the FPARS project. Many of the tool sets will be and can be used by other SAP and Non-SAP projects. The Knowledge gained by City Staff, through this experience will provide the City the skill sets necessary to be able to have efficient utilization of the Technologies. Some of the benefits realized due to the FPARS project are:

- Subsequently projects utilizing these tools will be able to reduce time and effort to deployment.
- The launch time required should reduce the effort for the project teams to learn the skills necessary.
- The scripts developed during the FPARS implementation maybe utilized/leveraged for other projects.
- The Data Governance Model and Data Plan will help IT better manage the needs for how information will be kept and made available for business utilization.
- The FPARS project has helped IT identify it's programs and services to better manage its resources.
- FPARS has expanded the use of SAP in the organization; this will assist in furthering the goal of have the city move towards a common system
- The experience gained by the project teams on the nuances of SAP and the capabilities of the tools with help the City avoids similar challenges.

FPARS Future Benefits-Enterprise Performance Management

Enterprise performance management (EPM) as defined by Gartner Group is a set of management and analytic processes that enables the management of an organization's performance to achieve one or more pre-selected goals. In support of the City's planning and performance framework, enterprise performance management has three main activities:

1. Selection of goals and key performance indicators;
2. Consolidation of measurement information relevant to an organization's progress against these goals; and
3. Interventions made by managers in light of this information with a view to improving future performance against these goals.

As with many organizations there is a struggle to meet business objectives by leveraging only the “critical layer” of information. The City of Toronto is no different. SAP solutions for EPM close the gap between strategy and execution. This helps the City of Toronto by cascading corporate goals down into department-relevant metrics; ensuring accountability; enabling trusted analysis and reporting and; streamlining execution of strategy, and risk-aware plans. This empowers City business users at all levels to rapidly align resources to execute strategies, understand risk, and drive effectiveness and efficiency. By clearly linking strategic plans to initiatives, performance measures, and people, organizations can set clear priorities that employees can act on with confidence and purpose. Ultimately, business users gain greater visibility into and control over the factors that affect their organizations’ performance – which leads to greater efficiency and more agile execution.

Today the City of Toronto owns several components enabling enterprise performance management which include Public Budget Formulation system, Business Warehouse, Business Intelligence & Analytics along with Data Integration & Data Quality. The City is examining all options for a strategic approach that addresses ‘big data’ predictive & trend analytics, social collaboration and strategy management.

This report presents and highlights the capital costs (\$69.9 million) and ongoing operating costs (\$2.0 million) related to the implementation of the FPARS project. Also presented are the initial financial benefits which staff have been able to quantify - \$5.646 million in ongoing operating savings and \$2.030 million in one time capital debt savings as well as many other efficiency, economic and value added benefits yet to be realized as the transformational impacts of the FPARS project takes root at the City. Staff will report back on additional benefits once the project is completed and fully operational.

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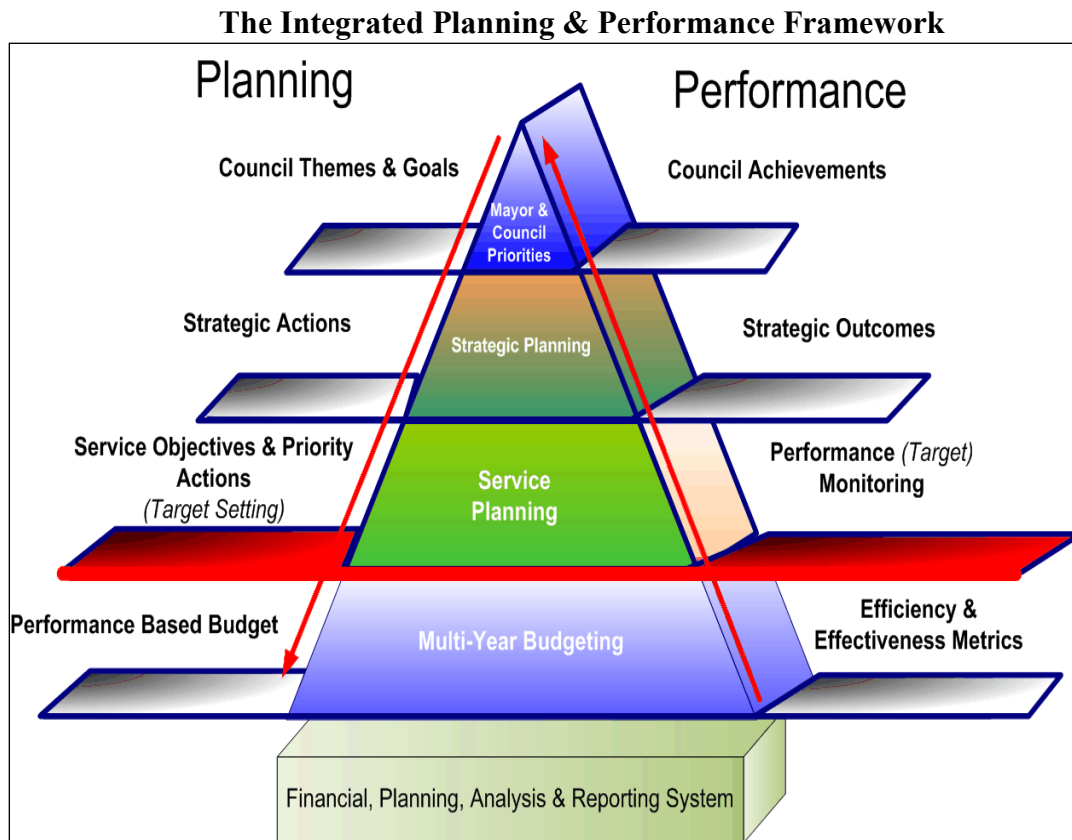
ATTACHMENTS

Appendix 1 – The Integrated Planning and Performance Framework

Appendix 1

The Integrated Planning and Performance Framework

To ensure that the potential benefits of FPARS are experienced across the organization, the City must build on its strong performance and accountability framework that is already in place by sharpening the focus on planning and performance in support of Council's commitment to deliver more appropriate, efficient and effective public services.



The integrated planning and performance framework emphasizes the elements of City services that are relevant to the public in assessing results:

- a) Service focused – "what we do"
- b) Plan, budget and monitor – "how we do it"
- c) Performance-based – "how well we are doing".

Integrated Planning and Performance Framework

The City employs an integrated planning and performance framework to focus strategic investments to results and intended outcomes.

The integrated planning and performance framework enables the City to take a multi-year view to guide the City's service planning and budgeting process. This approach ensures that resources are efficiently allocated to services to achieve long-term strategic outcomes. By monitoring the results and impact of services, staff and Council will have the added capacity to re-allocate resources based on short and long term goals. The pillars of this framework are comprised of four integrated processes:

1. Council Priority-Setting
2. Strategic Planning
3. Service Planning
4. Multi-Year Budgeting

Council Priorities

The integrated planning cycle incorporates key elements of management accountability that begins with the strategic actions established to advance Council Themes and Goals and linked to Council priorities.

Strategic Planning

The strategic planning process guides and informs service planning and multi-year budgeting by identifying the strategic actions and outcomes that are aligned to Council Priorities and support Council Themes and Goals. The objectives of this process are to:

- Reinforce Council's goals and priority areas;
- Inform service and operational plans of City Divisions and Agencies
- Guide resource allocation through the budget process.

Service Planning

Service planning is the process by which strategic actions as well as service objectives are implemented. It includes the setting of service objectives, identifies priority actions and targets and the allocation of resources for their implementation. Service planning strengthens existing processes and integrates various sector and operational plans and provides a consistent approach in planning and budgeting across the organization. Service planning is a best practice for effective financial management and provides the following benefits to the City:

- Identifies resources to meet approved priorities and outcomes;

- Provides opportunities for leveraging resources through collaboration across City services.
- Provides clear accountability for achieving Council's goals and Strategic Actions.
- Guides and informs the budget process by establishing service levels and multi-year estimates of resources required to achieve service objectives.

Multi-Year Performance Based Budgeting

With full implementation of FPARS, City Divisions and Agencies will be preparing 3-year operating budgets that will be service-based, focusing on the services and service levels delivered to the public and will provide key quantitative and qualitative information to assess service performance results. The objective is to present information that matters to citizen and in a format that is easy to understand.

Multi-year budgeting is intended to improve the City's long term planning, enhance funding stability, and create greater efficiency in the budget development process. While the Operating Budget will be adopted by Council for a one-year period, the information provided for years 2 and 3 will facilitate a better understanding of the financial implications for future years.

Multi-year budgets for divisions and agencies will be linked with performance measures to assess strategic outcomes. The performance measurement strategy will use a scorecard approach that will present a balanced set of measures to assess service efficiency and effectiveness, including measures that will indicate progress towards Council strategic priorities and outcomes, corporate goals, divisional/service objectives and performance targets.

Unlike traditional line-item budget that allocates resources based on organizational units and line item expenses, multi-year service based budgets will allocate resources based on Council priorities and service results; thus establishing linkages between service planning, budgeting and reporting of performance.

Supporting Elements of the Framework

The major elements for each stage of the process are highlighted below:

- Council Goals - form the basis for assessing Council achievements.
- Strategic Actions – translates Council themes and goals into corporate actions and related strategic outcomes.
- Service Objectives and Priority Actions – sets out the intended results and related actions and targets for performance monitoring.
- Performance Based Budget – allocates resources to services and initiatives to deliver Council priorities and contribute to strategic goals.

- Monitoring and Reporting – includes systems, tools and processes supported by FPARS, to facilitate in-depth analysis and timely reporting of budget and performance information to evaluate results.

Aligning the planning, budgeting, performance measurement and reporting functions within a longer term framework will improve accountability and transparency and provide a structured and consistent approach for assessing results across the organization. A strong performance and accountability framework depends on sound structures and processes throughout the entire organization. Through a continuous cycle of monitoring and reporting of financial and performance measures and by continually refining goals and strategies to improve service delivery, Council's long-term vision for efficient and effective public services will be accomplished.

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