

Roberto Rossini
Deputy City Manager & Chief Financial Officer

Financial Planning
City Hall, 7th Floor, east Tower
100 Queen St. West
Toronto, ON M5H 2N2

Josie Lavita
Director

Tel: 416-397-4229
Fax: (416-397-4465
jlavita@toronto.ca
www.toronto.ca

2014 CAPITAL BUDGET BRIEFING NOTE

Financial Planning Analysis and Reporting System (FPARS)

Project Update

Purpose:

The purpose of this briefing note is to provide a status update on the Financial Planning Analysis Reporting System project (FPARS).

Project Background:

- Municipalities face ever-present financial pressures, so steps must be taken to ensure the cost-effectiveness of public services. It is therefore necessary to provide Council and senior management with the capability to strategically allocate limited resources so as to meet City priorities and ensure results.
- Many organizations have recommended that the City align financial planning methods with best practices, including the Fiscal Review Panel and credit rating agencies.
- In 2005 and again in 2011, City Council approved a multi-year financial planning and budgeting process for the City which are key components in the City's integrated planning and performance framework. 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 FPARS project in 2006.
- 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.

- A significant driver behind the FPARS project is the need within the City to capture better service-related information. FPARS- introduced policies, procedures and tools will:
 - Create service and performance inventories for City programs and agencies;
 - Establish service planning as a formal process;
 - Institutionalize multi-year planning and budgeting;
 - Organize financial, complement and performance data in a Service View; and,
 - Deliver the means to analyze and report on service performance.

Project Status:

- The FPARS project is a City-wide, complex, business transformation and technology project utilizing new SAP technologies, the first of its kind since amalgamation.
- 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.
- The PBF budgeting tool was implemented in May 2013 and is being used by City Divisions and Agencies for the 2014 Operating Budget process.
- Other PBF/ SAP Enterprise Central Components (ECC) such as complement management and payroll functionalities, including recording financial transactions to functional (service) area codes to achieve the service view reporting went live on November 12, 2013.
- HR Organizational Management e-Request system and complement management reporting tools were released on December 6, 2013.
- 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.

Project Costs and Expenditures to Date

- The FPARS 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. This funding has been approved through the annual budget process.
- 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. These costs were incurred to the end of 2009.
- 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.

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

- The Financial Services 2014-2023 Recommended Capital Budget and Plan provides cash-flow funding for the FPARS project of \$13.555 million (including 2013 carryforward funding of \$6.137 million) in 2014 and \$7.119 million for 2015 to implement the remaining components of the project, including Business Warehouse to manage the information flows from source divisional systems to SAP and Enterprise Performance Management (EPM) that will introduce a unified approach to the collection, monitoring and reporting of key performance indicators (KPIs) for the City.

FPARS Benefits to Date

- 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. Immediate benefits include:
 - 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.
 - The need for financial reporting in a 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 of \$2.03 million. The savings to date are summarized in Table 2 below:

Table - 2 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.		

- 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.
- 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.
- 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.

- A comprehensive analysis of costs and benefits report, entitled, "*The Financial Planning Analysis and Reporting System (FPARS) Project: Costs and Benefits*" was received for information at the Government Management Committee meeting of November 21, 2013, and was adopted without amendment. This report can be viewed at (<http://www.toronto.ca/legdocs/mmis/2013/gm/bgrd/backgroundfile-64193.pdf>).

Prepared by: David Metcalfe, FPARS Project Manager, 416-392,8351; dmetcal@toronto.ca

Further information: Josie La Vita, Director, Financial Planning Division, 416-397-4229; jlavita@toronto.ca

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