

# Analyst Briefing Notes

## Budget Committee Review

(October 29, 2007)

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**Contacts:** Judy Broughton, Manager, Financial Planning  
Tel: (416) 392- 8393

Maria Djergovic, Senior Financial Planning Analyst  
Tel: (416) 397- 4558

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

- The 2007 Approved Capital Budget of \$16.639 million was 11% or \$1.909 million spent as at June 30, 2007. Actual expenditures by year-end are anticipated to be \$5.607 million, or 34% of the 2007 Approved Capital Budget, resulting in projected 2007 cash flow funding of \$11.032 million being carried forward into 2008. This variance is attributable to the fact that a new call document for the 3-1-1 Technology RFP had to be issued, resulting in an extension to the evaluation and recommendation schedule by approximately three months. Completion of several other interrelated sub-projects also had to be extended.
- The 2008 Recommended Capital Budget; 2009-2012 Plan and 2013 to 2017 Estimates total \$26.653 million of which \$26.235 million is projected for the Program's 5-Year Capital Plan, requiring debt funding of \$19.129 million and cash flow of \$26.235 million in 2008; and \$0.418 million in 2009.
- The 2008 Recommended Capital Budget, including previously approved project commitments, requires new 2008 cash flow funding of \$7.952 million gross funded fully from debt. This cash flow combined with carry forward funding of \$18.283 million for 2007 projects brings the total 2008 Recommended Capital Budget to \$26.235 million gross, of which \$18.711 million is funded by debt.
- The 3-1-1 Customer Service Strategy Program's capital projects are all categorized as Service Improvement projects.
- The 2008 recommended cash flow will fund the following functional components of this Program:
  - ⇒ Knowledge base content development and business process reviews requiring funding in the amount of \$0.752 million;
  - ⇒ 3-1-1 Technical Solution and core technology acquisition of \$4.318 million;
  - ⇒ Phase 1 electronic integration between the 3-1-1 system and other service order systems in the amount of \$1.380 million;
  - ⇒ Design, development and delivery of training courses in the amount of \$0.180 million;
  - ⇒ 3-1-1 Service Page design implementation in the amount of \$1.097 million;
  - ⇒ Privacy consultant services to complete privacy and risk analysis in the amount of \$0.115 million;
  - ⇒ Communication strategy in the amount of \$0.110 million.
- The majority of the 3-1-1 functional components will be completed in 2008, including the 3-1-1 Technology Solution implementation and the Phase 1 work order system integration. Funding of \$0.418 million in 2009 is required to complete scheduled Phase II

business process reviews and implement the Phase II work order system integration. The 3-1-1 Customer Service Strategy is scheduled to be completed in 2009.

- Any further significant unanticipated delays to major components such as the 3-1-1 Technology Solution implementation or Legacy System integration could impact projected cash flows and affect the soft and hard launch dates.
- Once implemented, the project will result in the establishment of the new 3-1-1 Operating Division, which will be providing 3-1-1 services to the public starting in the fall of 2008. This division will have permanent staff which will be reallocated, together with appropriate non-salary funding, from other City divisions.
- Starting in 2009, in addition to the operational labour and space requirements, there may be partial year incremental technology costs. These costs and potential operating budget impact will be determined during the negotiations with a selected vendor, which are currently underway.
- The Program is currently developing the 3-1-1 Operating Division Service Plan and operating budget requirements for Council approval. It is recommended that the Deputy City Manager for Citizen Services “A” report to Budget Committee on annual operating costs for the 3-1-1 Division prior to the 2009 Operating Budget Process.
- The 3-1-1 Customer Service Strategy represents a new corporate service delivery model. By establishing direct and simple access to City Hall, the 3-1-1 Customer Service Strategy will greatly increase efficiency and accountability of the public service, one of Council’s key priorities.

### **Recommendations**

The City Manager and Chief Financial Officer recommend that:

1. the 2008 Recommended Capital Budget for the 3-1-1 Customer Service Strategy with a maximum 2008 cash flow of \$26.235 million and future year commitments of \$0.418 million be approved.  
The 2008 Recommended Capital Budget consists of the following:
  - a) New cash flow funding for:
    - i. 7 previously approved sub-projects with a 2008 cash flow of \$6.722 million and a future year commitment of 0.418 million in 2009;
    - ii. 5 previously approved projects with carry forward funding from 2006 requiring 2008 cash flow of \$1.230 million which forms part of the affordability targets that require Council to reaffirm its commitment; and
  - b) 2007 approved cash flow for 8 previously approved sub-projects with carry forward funding from 2007 into 2008 totalling \$18.283 million;
2. new debt service costs of \$1.037 million in 2009 and incremental costs of \$0.135 million in 2009, resulting from the approval of the 2008 Recommended Capital Budget, be approved for inclusion in the 2008 and future year operating budgets; be approved; and
3. the Deputy City Manager for Citizen Services “A” report to the Budget Committee on the annual operating costs for the 3-1-1 Division prior to the 2009 Operating Budget Process.

## 2007 Capital Variance Review

2007 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2007 Approved*	Actuals as of June 30 (2nd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
16,639	1,909	11	5,607	34	11,032

. \* Does not include subsequent in-year adjustments.

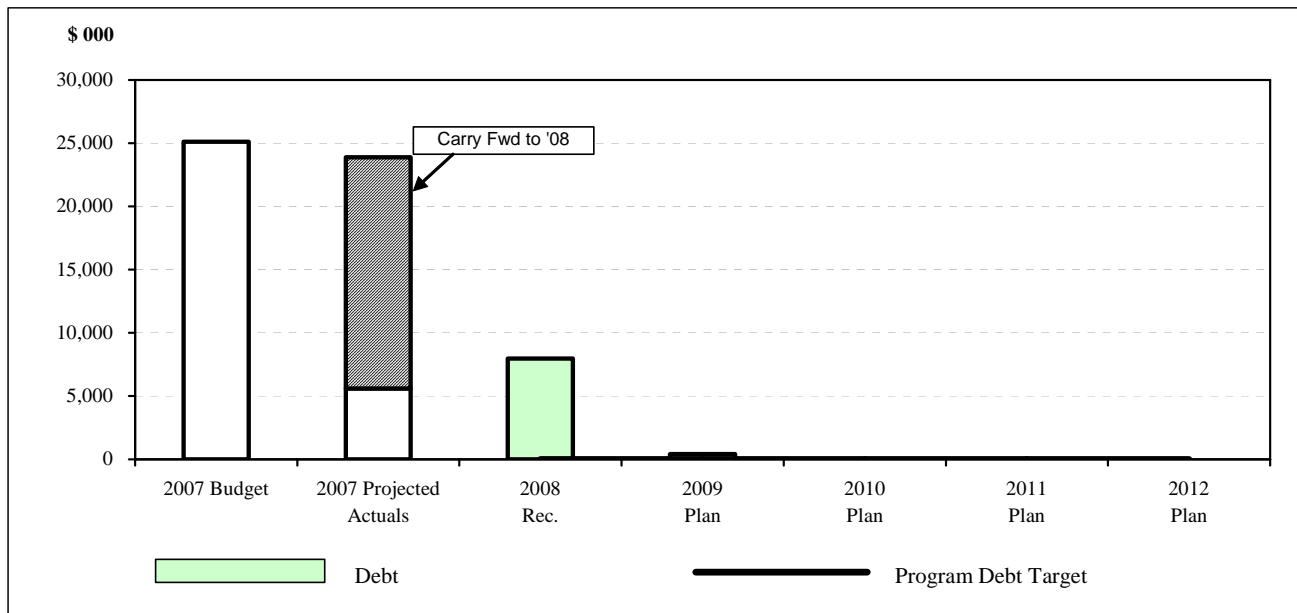
### Comments / Issues:

- At the end of the 2<sup>nd</sup> quarter, approximately \$1.9 million or 11% was spent on the 3-1-1 Customer Service Strategy's 2007 Approved Capital Budget of \$16.6 million. This variance is attributable to the fact that a new pricing call document for the 3-1-1 Technology RFP had to be issued, resulting in an extension to the evaluation and recommendation schedule by approximately three months. Completion of several other interrelated sub-projects also had to be extended.
- The 3-1-1 Customer Service Strategy Program has projected a year-end spending rate for 2007 approved projects at 34% or \$5.607 million in its June 30, 2007 Variance Report. The extension to finalize the Technology RFP evaluation process has resulted in lower spending than originally planned and funding in the amount of \$11.032 million will be carried forward into 2008. It is anticipated that significant spending will occur in the first quarter and continue through the 2<sup>nd</sup> and 3<sup>rd</sup> quarters of 2008. The remaining eight sub-projects of this initiative are on target for completion.
- Carry forward funding included in the 2008 Recommended Capital Budget is \$19.513 million and it is higher than the projected under-spending in the 2nd Quarter Variance Report. Of that total amount, \$18.283 million is 2007 carry forward funding. The remaining \$1.230 million represents unspent funds from 2006, and as such, according to the corporate policy is to be considered as a new funding request, requiring new debt.
- A difference in carry forward funding (compared to the one projected in the 2<sup>nd</sup> Quarter Variance Report) is due to the subsequent Council approved in-year adjustment made for the 3-1-1 Technology Solution contract award, which resulted in an overall increase to the 2007 Capital Budget and the additional funding being carried forward to 2008.

### Cost Containment Impact

The 3-1-1 Customer Service Program did not defer any capital project as part of the cost containment measures. All sub-projects represent interrelated components, none of which could have been delayed without impacting the whole project.

## 5-Year Capital Plan (2008-2012)



		5-Year Plan					
		2007	2008	2009	2010	2011	2012
		Budget	Projected Actual				
<b>Gross Expenditures:</b>							
2007 Capital Budget & Future Year Commitments	25,117	5,607	6,722	418			
Recommended Changes to Commitments							
2008 New/Change in Scope and Future Year Commitments			1,230				
2009 - 2012 Plan Estimates							
1-Year Carry Forward to 2008		18,283					
<b>Total Gross Annual Expenditures &amp; Plan</b>	<b>25,117</b>		<b>7,952</b>	<b>418</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Program Debt Target</b>							<b>0</b>
<b>Financing:</b>							
Recommended Debt			7,952	418	0	0	0
<b>Other Financing Sources:</b>							
Reserves/Reserve Funds	7,524						
Development Charges							
Federal							
Provincial							
Other Revenue	17,593						
<b>Total Financing</b>	<b>25,117</b>		<b>7,952</b>	<b>418</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>By Category:</b>							
Health & Safety							
Legislated							
SOGR							
Service Improvement	25,117		7,952	418			
Growth Related							
<b>Total By Category</b>	<b>25,117</b>		<b>7,952</b>	<b>418</b>	<b>0</b>	<b>0</b>	<b>0</b>
Yearly SOGR Backlog Estimate (not addressed by current plan)							
Accumulated Backlog Estimate (end of year)							
<b>Operating Impact on Program Costs</b>			0	0	0	0	0
<b>Debt Service Costs</b>			37	135	0	0	0

\* Note that the 1-Year Carry Forward reflects the latest estimate.

## **5-Year Capital Plan Overview**

### **Overview**

- The 3-1-1 Customer Service Strategy represents a new corporate service delivery model. The 5-Year Capital Plan provides for the implementation of the Council approved 3-1-1 service model, which includes several functional components (Page 9).
- The Recommended 2008-2012 Capital Plan for the City's 3-1-1 Customer Service Strategy calls for \$8.370 million in funding, excluding one-year carry forward funding, over the next two years. The 3-1-1 Customer Service Strategy is categorized as a Service Improvement project (s).
- The main objective reflected in the Recommended 5-Year Capital Plan is the successful completion of this project in 2009, with a soft launch of the 3-1-1 customer service model in 2008, subject to successful contract negotiations. The Toronto 3-1-1 solution incorporates best practices from several 3-1-1 installations to provide the most comprehensive and responsive 3-1-1 system envisioned to date. Therefore, there are issues related to the integration of multiple existing IT systems and components, which will pose significant challenges during the implementation period. In addition, any further significant unanticipated delays to major components such as the 3-1-1 Technology Solution implementation or Legacy System integration could impact projected cash flows and affect the soft and hard launch dates.
- The 3-1-1 Technology Solution RFP, which was issued in April 2006, did not result in the selection of a Preferred Proponent due to the fact that both proponents submitted non-compliant pricing documentation. At its meeting of March 5, 6, 7, and 8, 2007, Council directed that the two proponents from the original 3-1-1 Technology Solution RFP be deemed Pre-qualified Proponents in a new RFP for pricing of the Technical Solution only. The conditions stated in the new RFP required that a Pre-qualified Proponent wishing to participate must confirm that the technical portion of its response to the first RFP would be incorporated without change into the Proposal to the new RFP. This initiative went forward with both Pre-qualified Proponents taking part in the new RFP process. At its meeting of September 26 and 27, 2007, Council adopted the recommendations contained in the report entitled "3-1-1 Technology Solution Request for Proposal No.3412-07-3010: Best and Final Offer Results", confirming Bearing Point as the Preferred Proponent for the 3-1-1 Technology Solution and directing the 3-1-1 Project Management Office to undertake negotiations.

### **Multi Year Debt Affordability Target**

No debt targets were assigned to the 3-1-1 Customer Service Strategy Program. However, the Recommended 2008-2012 Capital Plan exceeds Council approved cash flow projections for 2008 by \$1.230 million. This increase is related to the projected under-spending of the 2006 approved capital funds. According to the corporate carry forward policy, if project funding is still not spent by the end of the second fiscal year it is to be treated as a new request requiring new debt funding in the next capital budget cycle. Therefore, the Recommended 2008-2012 Capital Plan includes \$1.230 million as a new funding request for 2008.

### **Recommended Changes to the 2007 – 2012 Capital Plan**

The 2008-2012 Capital Plan includes \$1.230 million related to the projected under-spending of the 2006 approved capital funds.

An in-year capital budget adjustment for the approval of the Preferred Proponent for the 3-1-1 Technology Solution resulted in an increase of the 2007 carry forward funding which is now included in the Recommended 5-Year Capital Plan.

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

Due to the changed evaluation schedule and implementation of a new pricing submission process, the expected 3-1-1 Technology Solution RFP award was delayed for approximately three months and it is now scheduled for the fourth quarter of 2007. Once the contract is awarded, spending rates will improve with significant spending occurring in the first three quarters of 2008.

However, issues related to the integration of multiple existing IT systems and components will continue to pose significant challenges until the end of the project life-span in 2009. Also, any further unanticipated delays in the 3-1-1 Technology Solution contract negotiations and implementation could impact projected cash flow requirements and affect the project completion schedule.

The Program is ready to continue implementation of this initiative. Substantial work has been completed to date, including the 3-1-1 Contact Centre facility, an intensive content and electronic knowledge data base (with approximately 15,000 unique questions and answers documented, validated and electronically stored) and business process reviews for a number of City divisions such as Transportation Services, Solid Waste Management, Toronto Water (Phase 1) and Municipal Licensing and Standards (MLS) and Urban Forestry (Phase 2).

### **Backlog of Projects – Unmet Needs**

The Program does not have any backlog of projects.

### **Capital Project Highlights**

#### **Strategic Priorities:**

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

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

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

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

Litter and dumping problems identified by residents' calls to a new "311" telephone service and through all other 3-1-1 channels of communication will be used to coordinate efforts of a Litter Action Team, which will be created to enable quick response to any serious problem area. Specific Municipal Licensing and Standards service requests supporting the efforts of the Litter Team will be introduced as part of the 3-1-1 service menu in 2009.

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

The 3-1-1 Customer Service Strategy will incorporate options for a multilingual access to City Services.



**Other City Initiatives:**

The 5 Year Capital Plan for 3-1-1 Customer Service Strategy consists of several interrelated functional components, the largest one being the Core Technology project.

**Summary of Major Capital Initiatives**

	\$000s						
	2008 Rec. Budget	2009 Plan	2010 Plan	2011 Plan	2012 Plan	Total 2008 -2012	Total 2013 -2017
<b>Major Sub-project Components</b>							
Knowledge Base Content Development and Business Process Reviews	752	318				1,070	
Core Technology	4,318					4,318	
System Integration	1,380	100				1,480	
Training	180					180	
Service Page	1,097					1,097	
Privacy Impact Assessment	115					115	
Communications Plan	110					110	
<b>Total</b>	<b>7,952</b>	<b>418</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,370</b>	<b>0</b>

\* Excludes the 2007 carry forward funding.

The primary project objectives to be completed in 2008 are as follows:

- Knowledge Base Content Development - content validated and electronically migrated into new 3-1-1 solution;
- Business Process Review sessions with MLS and subsequent changes to IBMS and associated business processes to ensure full 3-1-1 compliance completed;
- Core Technology - 3-1-1 Technical Solution implemented;
- Work Order System Integration – Phase 1 systems scheduled for completion (Transportation Services, Solid Waste Management and Toronto Water);
- Training – delivery of comprehensive 3-1-1 staff training program to be completed;
- Privacy Impact Assessment – final privacy and threat risk analysis and recommendations fully implemented to be completed;
- Communications Plan – internal/external communications plan completed; and
- Soft Launch of the Phase 1 service operations successfully implemented.

The 2009 funding will be used to complete the refinement work required on the knowledge base content development; recommended changes arising from business process reviews; all activities to support the Phase 2 system integration (Municipal Licensing and Standards and Urban Forestry).

## Operating Budget Impact – 5-Year Plan

### Incremental Operating Impact Summary

Incremental Operating Budget Impact	2008	2009	2010	2011	2012
<b>2008 Recommended Capital Budget</b>					
Program Costs (net) (\$000s)	0	0	0		
Approved Positions		(14)	(17)		
Debt Service Charges (\$000s)	37	135	0	0	0
<b>Recommended 2009-2012 Capital Plan</b>					
Program Costs (net) (\$000s)					
Approved Positions					
Debt Service Charges (\$000s)	0	0	0	0	0
<b>Total</b>					
Program Costs (net) (\$000s)	0	0	0	0	0
Approved Positions	0	(14)	(17)	0	0
Debt Service Charges (\$000s)	37	136	0	0	0
<i>Debt service cost of repayment of principal and interest is calculated according to corporate guidelines, in the following manner: 3.0% Year 1, and 14% for subsequent years.</i>					

### Program Operating Impacts

The incremental operating impacts include the following:

- The 3-1-1 Service Customer Strategy project involves work on front-end content development for all divisions and prioritized ABCCs, formal business process reviews for five divisions, core technology implementation, integration with three work order systems, service page development and privacy impact assessments. Up to 29 temporary positions have been approved to complete the work, all fully recoverable from capital funding. These positions include research and technology staff, user acceptance testers, new staff trainers etc., all contributing significantly to the 3-1-1 Project implementation. Their scope of responsibilities will be decreasing significantly as the Launch and Project completion/documentation wrap-up dates approach (as shown in the table above).
- Once implemented, the project will result in the establishment of the new 3-1-1 Operating Division, which will be providing 3-1-1 service to the public, commencing with the soft Launch in 2008, subject to successful contract negotiations. This division will have permanent staff which will be reallocated from other City divisions resulting in an overall \$0 net budget impact.
- Starting in 2009, in addition to the operational labour and space requirements, there may be partial year incremental technology costs. These costs will be determined during the negotiations with the selected vendor, which started on October 16<sup>th</sup>, 2007.

The Program is currently developing the annual 3-1-1 Operating Division budget requirements and Service Plan and will report back in time for consideration with the 2009 Operating Budget.

### Total 2008 Recommended Cash Flow & Future Year Commitments (\$000s)

	2006 & Prior Year Carry Forwards	2008 Previously Approved Cash Flow Commitments	2008 New Cash Flow Recommended	2008 Total Cash Flow Recommended	2008 Debt Target	2007 Carry Forwards	Total 2008 Cash Flow (Incl 2007 C/Fwd)	2009	2010	2011	2012	2013-2017	Total Cost
<b>Expenditures</b>													
Previously Approved	1,230	6,722		7,952		18,383	26,335	418					26,753
Change in Scope													0
New													0
New w/Future Year													0
<b>Total Expenditure</b>	<b>1,230</b>	<b>6,722</b>	<b>0</b>	<b>7,952</b>		<b>18,383</b>	<b>26,335</b>	<b>418</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26,753</b>
<b>Financing</b>													
Debt	1,230	6,722		7,952	6,722	10,759	18,711	418					19,129
Subsidy (SCPI)													0
Prov. Subsidy/Grant													0
Development Charges													0
Other													0
Federal Grants													0
Reserves/Res Funds						7,524	7,524						7,524
<b>Total Financing</b>	<b>1,230</b>	<b>6,722</b>	<b>0</b>	<b>7,952</b>		<b>18,283</b>	<b>26,235</b>	<b>418</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26,653</b>

#### Comments / Issues:

- The 2008 Recommended Capital Budget is \$26.653 million gross, including \$18.283 million to fund projects carried forward from 2007 to 2008 and carry forward funding from 2006 of \$1.230 million, which forms part of the City's new debt requirements.
- The funding is provided for the following previously approved projects: a) knowledge base content documentation and business process reviews in the amount of \$0.752 million; b) 3-1-1 Technical Solution and core technology acquisition of \$4.318 million; c) electronic work system integration in the amount of \$1.380 million; d) 3-1-1 staff training program design of \$0.180 million; e) service page development in the amount of \$1.097 million; f) privacy impact professional services of \$0.115 million; and g) internal/external communication plan development in the amount of \$0.110 million.
- All future year commitments resulting from the approval of the 2008 Recommended Capital Budget (\$0.418 million in 2009) have been previously approved. This funding is required to complete scheduled Phase II business process reviews and implement the Phase II work order system integration.

## **2008 Recommended Capital Budget**

### **2008 Recommended Capital Budget versus Debt Target**

The 2008 Recommended Capital Budget requires debt funding of \$7.952 million. There are no debt targets for 3-1-1 Customer Service Strategy. The 2008 Recommended Capital Budget exceeds Council approved cash flow projections for 2008 by \$1.230 million. This increase is required to fund the projected under-spending of the 2006 approved capital project.

### **Recommended Capital Budget by Category**

The 3-1-1 Customer Service Strategy projects are categorized as Service Improvement projects.

## **PART II: ISSUES FOR DISCUSSION**

### **2008 Capital Budget Issues**

#### **Implementation Schedule**

The Toronto 3-1-1 solution incorporates best practices from several North American 3-1-1 installations to provide the most comprehensive and responsive 3-1-1 system envisioned to date. There are inherent challenges of integrating multiple existing IT systems – any unanticipated delays to major components such as further delay in the 3-1-1 Technology Solution contract negotiations and implementation impact not only the 2008 cash flow, but also the overall project implementation schedule.

The finalization of contract negotiations with the preferred technology vendor is planned for Q4 of 2007, with an anticipated commencement of the 3-1-1 Technology Solution implementation in the first quarter of 2008. Engagement of a validation expert is also planned to verify the selected vendor's implementation schedule. These activities will continue in 2008.

### **5-Year Capital Plan Issues**

#### **Challenges**

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

#### **Operating Impact**

Once implemented, the project will result in the establishment of the new 3-1-1 Operating Division, which could have an incremental operating budget impact in 2009 and beyond. The Program is currently developing annual operating budget requirements for inclusion in the 2009 Operating Budget Submission.

### **Issues Referred to the Budget Process**

During the 2007 Capital Budget Process, the Deputy City Manager for Citizen Services "A" has been directed to report to Budget Committee on annual operating costs for the 3-1-1 Division prior to the 2009 Operating Budget Process.

The extended evaluation and recommendation schedule also extended other interrelated sub-projects and therefore, the information necessary to determine the 3-1-1 technology incremental operating budget requirements and actual commencement date of the 3-1-1 Operating Division operations was not available prior to the 2008 Operating Budget Process.

At its meeting of September 26 and 27, 2007, Council adopted the recommendations contained in the report entitled "3-1-1 Technology Solution Request for Proposal No.3412-07-3010: Best and Final Offer Results", directing the 3-1-1 Project Management Office to undertake negotiations with the

preferred technology solution vendor, Bearing Point. Negotiations which began on October 16<sup>th</sup>, 2007 and are currently underway.

The 3-1-1 Project Management Office is currently developing the annual 3-1-1 Operating Division budget requirements and Service Plan and will report back in time for consideration with the 2009 Operating Budget.

## **Appendix 1**

### **2008 Recommended Capital Budget; 2009 to 2012 Plan and 2013 to 2017 Estimates**

## **Appendix 2**

### **2008 Recommended Cash Flow and Future Year Commitments**



**Appendix 3**  
**2008 Recommended Capital Projects**  
**with Financing Details**