



2020 Operating and Capital Budget

Innovation, Transformation and Technology



November 18, 2019

Agenda

1. Strategic Objectives and Priorities
2. Performance Measurement
3. Operating Budget (including options to achieve target)
 - Operating Budget (Departmental Basis)
 - Year over Year Variance Explanations
 - Implications of the Recommended Target to Balance the Operating Budget
 - Salaries and benefits, FTEs, and vacancy management and options to achieve target
4. Capital Budget (including options to achieve target)
 - Capital Budget
 - Implications of the Recommended Target for the Capital Budget
 - Capital Forecast to Submission Reconciliation
5. Operating and Capital Budget Referrals – N/A
6. Budget Summary
7. Questions

Strategic Objectives and Priorities

Strategic Objectives

- Establish Enterprise Architecture framework and support corporate strategic planning
- Establish enterprise-level transformation agenda and demonstration projects / outcomes
- Formalize technology architecture and strategy to enable corporate performance and coordinated, citizen-centric service
- Create sustainable management systems that support and enable business-driven innovation and execution
- Establish sustainable, optimum capacity across departments that enables innovation, cross departmental collaboration, and improved outcomes
- Ensure efficient and effective delivery of technology and innovation services to support ongoing business requirements

Key Priorities

- Maintain existing technology supporting critical service delivery across City
- Establish Enterprise Architecture capability to ensure optimum service delivery across City
- Creation of innovation capability and execution of highest value innovation opportunities

Performance Measurement

Year	2016	2017	2018
Number of Website Visits	22.7 million	23.3 million	20.1 million
Percentage of Service Level Agreements Achieved	97%	98%	97%
Number of Open Data Datasets	n/a	114	126
Number of Managed Workstations	5,943	6,625	6,877
Number of Email Accounts	7,677	8,261	8,624
Number of Technology Service tickets addressed	29,596	30,023	31,854
Percentage of scheduled computer network available during business hours	99.945%	99.960%	99.800%
Number of pieces of mail processed	3.1 million	3.3 million	3.2 million
Number of Innovation ideas received [A] [B]	28	17	52
Number of Innovation projects initiated [A] [B]	11	9	19
Number of staff trained in Innovation Engineering [C]	0	0	20

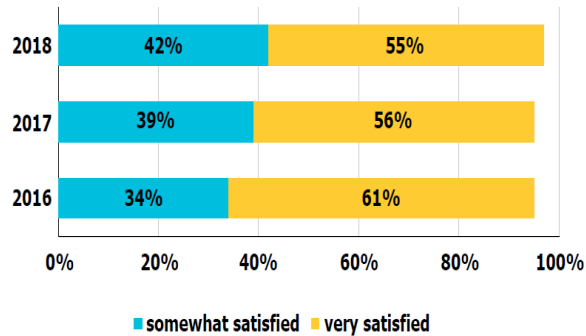
[A] In 2016 and 2017 the number is related to the Innovation Capital Fund (City Clerks).

[B] In 2018 the number is a combined Innovation Capital Fund (City Clerks) and Innovation Strategy Program (Innovation, Transformation and Technology).

[C] Innovation Engineering training is a new activity that began in 2018.

Performance Measurement

City Department's Satisfaction with Services (2018)

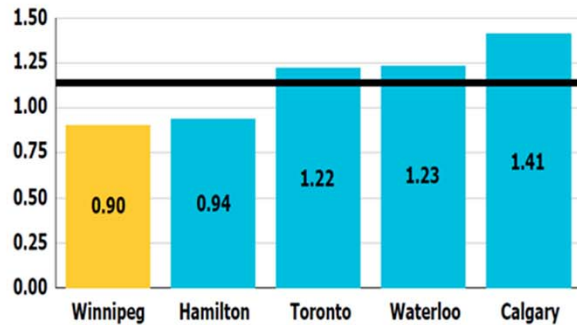


Client satisfaction continues to remain high based on ongoing survey results.

	2015	2016	2017	2018
Total Satisfied	95%	95%	95%	97%

Source: Innovation, Transformation and Technology Client Survey

Devices per Municipal FTE (2017)



The number of computing devices is an indication of the level of automation within city services, with Winnipeg being lower than other cities.

	2013	2014	2015	2016	2017
Wpg. Trend	0.77	0.88	1.12	0.99	0.90

Source: Municipal Benchmarking Network of Canada (INTN205)

Recommended Target to Balance the Budget

1. Departmental Operating Budget – (1.2%) annual budget rate decrease net of capital expenditures, based on 2019 expenditures. (0% over 2019 plus Legal Services allocation)

Department Operating Targets	2020	2021	2022	2023
Target Reductions	(1,960)	(2,919)	(3,784)	(4,596)

2. Capital funding levels:

Department Capital Targets	2020	2021	2022	2023	2024	2025
Target Reductions	(8,220)	(7,175)	(7,736)	(6,377)	(6,157)	(6,262)
Capital funding after reductions (Cash to Capital and Debt)	3,304	2,392	1,358	1,346	1,293	1,181

3. Key assumptions for multi-year budget:

These proposed recommended targets present a balanced tax-supported operating budget from 2020 to 2023:

- a. Property Tax Increases: 2.33% annually (road renewal and southwest rapid transit (stage 2))
- b. Fees and Charges: Inflationary increases annually
- c. Natural Assessment Base Growth: 1.2% annually
- d. Efficiencies/Vacancy Management: \$17 Million annually
- e. Additional Transfers/Savings: \$32.5 million in 2020 growing to \$40 million by 2023
- f. Provincial Operating Grants: Flat at \$149.7 million annually (2016 level)
- g. Utility dividend rate: 11% of Water and Sewer Sales
- h. Remaining Tax Supported Debt Room: \$150 million in total

Operating Budget

2020 Draft Operating Budget and 2021 to 2023 Projections in millions of \$	2018 Actual	2019 Budget	2020 Draft Budget *	Year over Year Increase / (Decrease)	%	Exp. No.	2021 Draft Projection*	2022 Draft Projection*	2023 Draft Projection*
SERVICE AND OTHER	0.146	0.146	-	(0.146)			-	-	-
TOTAL REVENUE	0.146	0.146	-	(0.146)	-100%	1	-	-	-
SALARIES & BENEFITS	14.673	16.719	17.226	0.507			17.067	17.104	17.130
SERVICES	2.583	2.745	2.764	0.019			2.940	3.134	3.309
MATS PARTS & SUPPLIES	3.354	4.313	3.403	(0.910)			3.520	3.486	3.559
ASSETS & PURCHASES	0.648	0.534	0.450	(0.084)			0.505	0.515	0.523
GRANTS, TRANSFERS & OTHER	1.128	0.828	0.884	0.056			0.875	0.875	0.876
RECOVERIES	(4.609)	(4.212)	(4.321)	(0.109)			(4.372)	(4.476)	(4.582)
TOTAL OPERATIONAL EXPENDITURES	17.777	20.927	20.406	(0.521)	-2%		20.535	20.638	20.815
DEBT & FINANCE CHARGES	1.582	2.974	4.915	1.941			6.055	6.194	6.194
TRANSFER TO CAPITAL	-	-	-	-			1.190	1.358	1.346
TRANSFERS TO COMPUTER, CRITICAL SYSTEMS AND SUPPORT RESERVE	0.638	1.212	1.301	0.089			1.082	1.164	1.247
TOTAL EXPENDITURES	19.997	25.113	26.622	1.509	6%	2	28.862	29.354	29.602
Mill Rate (Contribution) / Support	19.851	24.967	26.622	1.655			28.862	29.354	29.602

* 2020 Draft Budget and 2021 to 2023 Draft Projections include the options to achieve the operating target.

Operating Budget

Options to Achieve Operating Budget Target:	2020	2021	2022	2023	Total 2020 - 2023
a. Reduction of operating expenses due to elimination of capital projects: Tait radio upgrade, Smart Cities, Enterprise Content Management and Email Archiving	(0.942)	(1.086)	(1.117)	(1.117)	(4.262)
b. Reduction of FTE's due to the elimination of capital projects: Smart Cities, Enterprise Content Management and Email Archiving	(0.636)	(0.923)	(0.960)	(0.976)	(3.495)
c. Change to 3rd Party PeopleSoft support	(0.550)	(0.550)	(0.550)	(0.550)	(2.200)
d. Net reduction of FTE's within multiple service areas	-	(0.436)	(0.800)	(1.148)	(2.384)
e. Efficiency savings through Innovation/transformation and business application rationalization	-	-	(0.225)	(0.350)	(0.575)
f. Miscellaneous reduction in operating expenses	-	(0.100)	(0.100)	(0.143)	(0.343)
Total Options to Achieve the Target	(2.128)	(3.095)	(3.752)	(4.284)	(13.259)
EPC Recommended Target to Balance	(1.960)	(2.919)	(3.784)	(4.596)	(13.259)
Variance (Shortfall from the Target)	0.168	0.176	(0.032)	(0.312)	-

Implications of the Recommended Target to Balance Operating Budget

a. Reduction of operating expenses due to elimination of capital projects: Tait radio upgrade, Smart Cities, Enterprise Content Management and Email Archiving. Cancelling these projects will eliminate all benefits associated with the projects.

b. Reduction of FTE's that had been previously added relating to capital projects that are cancelled. Resulting in a reduction of 9 FTE's by the end of 2023.

c. Transition PeopleSoft's support to third party's support, expected to reduce annual support costs by 50% while maintaining legislated tax updates and security patching. Will result in no further functionality updates to the PeopleSoft environment (HR, Finance, Budget), requiring full upgrade at some time in future.

d. Decrease of 9 FTE's by 2022. Will impact multiple service areas as there will be less staff to deliver services and impact our ability to achieve innovation efficiencies across city.

Implications of the Recommended Target to Balance Operating Budget

e. Prioritization of all business applications that are currently supported and elimination of the applications with the lowest value to the city and stakeholder service delivery. Will result in business units no longer having access to business applications that they currently rely upon to deliver services. Analysis to be completed in 2020 with eliminations to start in 2021 (after consultation with impacted business units). As well, the department will continue to implement innovative ideas to realize additional operating expense savings.

f. Miscellaneous reduction in operating expenses will be from freezing internet bandwidth (starting 2023) resulting in reduced performance for all Internet communications, reduction in support of Intake projects putting sustainability at risk, utilizing 3rd party support vendors resulting in non-upgradeable systems (starting 2021), extending desktop hardware lifespan to (by 1 year) to 6 years, which has an increased risk of slower applications, unplanned expenses as computers fail and lower productivity (starting 2023).

Year over Year Variance Explanations

(in millions)

Year over year (increase) / decrease	2020 Draft Budget	2021 Draft Projection	2022 Draft Projection	2023 Draft Projection
1) <i>Revenue change due to the following:</i>				
- Decrease in inter-fund transfers - now recorded as inter-fund recoveries	\$ 0.146	\$ -	\$ -	\$ -
Net Revenue Change	\$ 0.146	\$ -	\$ -	\$ -
2) <i>Expenditure change due to the following:</i>				
- Increase in debt and finance charges	\$ 1.941	\$ 1.140	\$ 0.139	\$ -
- Increase (decrease) in transfer to capital	-	1.190	0.168	(0.012)
- Increase (decrease) in salaries and benefits due to net change in FTE's and step adjustments	0.507	(0.159)	0.037	0.026
- (Decrease) increase in material, parts & supplies largely due to decrease in software expense due to change to 3rd party support for PeopleSoft and cancelling other capital projects, offset by vendor increases	(0.910)	0.117	(0.034)	0.073
- Increase in inter-fund recoveries - previously recorded as transfer revenues	(0.146)	-	-	-
- Miscellaneous adjustments	0.117	(0.048)	0.182	0.161
Net Expenditure Change	\$ 1.509	\$ 2.240	\$ 0.492	\$ 0.248

Salary Budget and Full Time Equivalents (FTEs) / Vacancy Management / Options to Achieve the Target

2020 Draft Operating Budget

	2019 Adopted Budget	2020 Draft Budget*	Increase / (Decrease)	2021 Draft Projection*	2022 Draft Projection*	2023 Draft Projection*
Full Time Equivalents <i>(number of FTEs) (1)</i>	161.77	161.98	0.21	157.23	154.98	152.98
Salaries & Benefits <i>(in millions of \$)</i>	\$ 16.719	\$ 17.226	\$ 0.507	\$ 17.067	\$ 17.104	\$ 17.130
Vacancy Management included in Salaries & Benefits <i>(in millions of \$)</i>	\$ (0.550)	\$ (0.551)	\$ (0.001)	\$ (0.557)	\$ (0.567)	\$ (0.576)

* 2020 Draft Budget and 2021 to 2023 Draft Projections include the options to achieve the operating budget target

(1) By 2023, the net change in FTEs relating to capital projects is a decrease of 1.27 FTE, the net change in FTEs relating to non capital positions is a decrease of 5.52 FTEs. There is also a transfer of 2 FTE's to City Clerks department in 2020.

Capital Budget

INNOVATION, TRANSFORMATION AND TECHNOLOGY - GENERAL CAPITAL FUND

Capital Investment Plan - Authorization

(\$000's)

Authorization

List of Capital Projects:

	2019 Adopted	2020 Draft Budget*	Draft Forecast*					6-Year Total
			2021	2022	2023	2024	2025	
1 Innovation Strategy	1,000	-	-	-	-	-	-	-
2 Smart Cities Innovation Program	1,000	-	-	-	-	-	-	-
3 Communications Systems Branch Facilities	174	-	-	-	-	-	-	-
4 Enterprise Computing Initiatives	1,026	1,962	2,091	1,172	1,103	574	1,956	8,858
5 Information Security Initiatives	365	136	194	140	144	199	776	1,589
6 E-Mail Archiving	484	-	-	-	-	-	-	-
7 Enterprise Content Management	1,102	-	-	-	-	-	-	-
8 Communications Network Infrastructure	298	385	395	1,184	923	476	447	3,810
9 Microsoft Office License Evergreen	1,375	711	-	633	-	802	-	2,146
10 Printing Graphics & Mail Services Asset Renewal	-	-	350	-	-	-	-	350
11 Microsoft Development Network Software Renewal	247	-	-	231	-	-	253	484
12 Disaster Recovery Gap Mitigation Phase 1	954	-	-	-	-	-	-	-
SUB TOTAL	8,025	3,194	3,030	3,360	2,170	2,051	3,432	17,237

* 2020 Draft Budget and Five Year Draft Forecast include the options to achieve the capital target

Capital Budget

INNOVATION, TRANSFORMATION AND TECHNOLOGY - GENERAL CAPITAL FUND

Capital Investment Plan - Authorization

(\$000's)

	2019 Adopted	2020 Draft Budget *	Authorization					6-Year Total
			Draft Forecast*					
			2021	2022	2023	2024	2025	
List of Capital Projects:								
SUBTOTAL BROUGHT FORWARD	8,025	3,194	3,030	3,360	2,170	2,051	3,432	17,237
13 PeopleSoft Enhancements	892	-	-	-	-	-	-	-
14 Geographic Information System Aerial Imagery Renewal Program	-	-	161	-	-	-	187	348
15 Tait Radio Replacement	1,902	-	-	-	-	-	-	-
16 Corporate VoIP Phone System	-	-	160	-	-	-	-	160
17 Intake Program	534	122	100	100	100	100	-	522
TOTAL CAPITAL PROJECTS	11,353	3,316	3,451	3,460	2,270	2,151	3,619	18,267

* 2020 Draft Budget and Five Year Draft Forecast include the options to achieve the capital target

Capital Budget

INNOVATION, TRANSFORMATION AND TECHNOLOGY - GENERAL CAPITAL FUND

Capital Investment Plan - Authorization

(\$000's)

Options to Achieve the Target		2020	2021	2022	2023	2024	2025	6-Yr Total
a.	Eliminate capital funding for Innovation Strategy and Smart Cities programs	(4,000)	(3,000)	(4,000)	(3,500)	(4,000)	(3,500)	(22,000)
b.	Reduce projects to minimum funding level to maintain baseline service level: Enterprise Computing Initiatives, Information Security Initiatives, Communications Network Infrastructure, Microsoft Office Evergreen, Printing Graphics & Mail Services Asset Renewal, Microsoft Development Network Software Renewal, Geographic Information System Aerial Imagery Renewal, Corporate VoIP Phone System and Intake Program.	(1,006)	(1,045)	(747)	(1,095)	(363)	(1,388)	(5,644)
c.	Cancel Enterprise Content Management project	(352)	(871)					(1,223)
d.	Cancel PeopleSoft Enhancements	(854)	(823)	(887)	(857)	(936)	(936)	(5,293)
e.	Cancel Tail Radio Replacement	(1,997)	(377)					(2,374)
f.	Cancel prior years projects to allocate unspent funds to future years projects	(11)	(1,059)	(2,102)	(925)	(858)	(2,438)	(7,393)
Total Options to Achieve the Target *		(8,220)	(7,175)	(7,736)	(6,377)	(6,157)	(8,262)	(43,927)
EPC Recommended Target to Balance		(8,220)	(7,175)	(7,736)	(6,377)	(6,157)	(8,262)	(43,927)
Variance (Shortfall from Target)		-	-	-	-	-	-	-

Implications of the Recommended Target for the Capital Budget

a. Eliminating capital funding for Innovation Strategy and Smart Cities programs will limit funding for Innovative and Smart City opportunities within the City. Programs to be self-funded from this point forward, with funding coming from a portion of the financial savings achieved by the projects undertaken within the programs. Will result in a shift to projects that have higher return on investment (rather than highest value to the city) and place the sustainability of the programs at risk if not able to be self funded.

b. Capital projects' contingencies reduced to very low levels and only allows for basic mandatory expenditures, any delays or vendor increases could cause significant cost overages or inability to have the required functionality in place.

c. Cancel project to implement Enterprise Content Management (ECM) capability for entire city. Will result in continued significant document management and workflow challenges which will prevent optimization and savings within services and impact legislated record management obligations. Expenses already incurred within project will not provide business value.

d. Cancelling PeopleSoft Enhancements project is a result of transitioning to third party support. No further functionality updates to the PeopleSoft environment will be able to be completed (HR, Finance, Budget) as third party support does not provide functionality upgrades. Significant investment will be required to replace the system when it becomes outdated.

Implications of the Recommended Target for the Capital Budget

e. Cancel Tait Radio Upgrade Project - Cancel project to migrate all users of end of life Tait radio system to the P25 radio system. Will result in much higher business risk as we continue to use Tait radio system beyond its expected life span. Attempts will be made to acquire critical spare equipment to allow Tait radio system to operate as long as possible. Will require emergency migration when Tait radio environment fails.

f. Cancel prior years projects to allocate funds to critical future years projects - these funds were associated with the cancelled projects listed above as well as the Email Archiving Project. Cancelling this project to implement email archiving for entire city will result in continued challenges in meeting legislated record management expectations and support of legal discovery requirements for litigation.

Capital Forecast to Draft Budget (Including Options to Achieve Capital Target) Reconciliation

**HANDOUT WILL BE PROVIDED
ATTACHMENT TO THE PRESENTATION**



Draft Capital
Summary



Draft Capital
Summary Template

Operating Budget Summary

Recommended target – 4 year budget – (1.2%) annual budget rate decrease net of capital expenditures, based on 2019 expenditures. (0% over 2019 plus Legal Services allocation)

(in millions of \$)

	2019 Approved Budget	2020 Projection (from 2019)	2020 Draft Budget	2021 Draft Projection	2022 Draft Projection	2023 Draft Projection	Total 2020- 2023 Draft Projection
Expenditure Budget*	25.113	32.545	26.622	28.862	29.354	29.602	114.440
EPC Recommended Expenditure Target			26.790	29.038	29.322	29.290	114.440
Variance (Shortfall from Target)			0.168	0.176	(0.032)	(0.312)	-

* Note: Draft budget and projections include the options to achieve the EPC recommended targets to balance.

- Will retire business applications with lowest value (even though still used)
- Capital projects cancelled because operating expenses cannot be sustained
- Reduction of operational FTEs to allow highest value business applications to continue to be available
 - Will impact our city-wide ability to achieve more efficient service delivery

Capital Budget Summary

Recommended target for capital

(in millions of \$)

	2019 Approved Capital	2020 Draft Budget	Draft Forecast				
			2021	2022	2023	2024	2025
Cash to Capital and Debt Budget*	9.45	3.30	2.39	1.36	1.35	1.29	1.18
EPC Recommended Capital Target		3.30	2.39	1.36	1.35	1.29	1.18
Variance (Shortfall from Target)		-	-	-	-	-	-

* Note: Draft budget and forecast include the options to achieve the EPC recommended targets to balance.

- Cancelling of previously approved capital projects is required to have sufficient funding to allow business applications to continue operating
- Capital funding is being applied to keeping critical computing infrastructure running, service enhancement and innovation capital funding cancelled
- Several projects have large future expenses that may need to be funded (i.e. Tait Radio Replacement, Microsoft Office Evergreen, PeopleSoft Upgrade)
- Innovation and Smart City funding will come from savings achieved from successful projects (high risk given maturity of programs)

Questions?