INFORMATION REPORT

Information Technology Structural Budget Issues

ISSUE
Information Technology is expecting to be in a deficit position for the 2022 fiscal year. Many of these items are on-going structural issues that will continue into future budget years.

BACKGROUND
At its June 21, 2021 meeting, the Governance and Priorities Committee (GPC) deliberated Setting the 2022 and 2023 Indicative Rate. Within Appendix 3 of this report, Administration detailed adjustments that were removed from the indicative budget to keep the rate lower. One of these items was the exclusion of an increase of $1.25 million for Microsoft licensing costs.

At its November 14, 2022 meeting, GPC resolved in part:
> "2.   That administration report back for 2023 budget deliberations on the projected Information Technology deficit with details on which deficit items are structural in nature."

CURRENT STATUS
The GPC report for the 2022 Financial Forecast as presented November 14, 2022, contained an unfavourable Information Technology variance of $2.8 million mainly due to additional Microsoft and other software licensing, unbudgeted salaries to support critical operations, corporate priority initiatives and the cybersecurity program.

DISCUSSION/ANALYSIS
The 2022 projected variance of $2.8 million is comprised of the items in Table 1.

Table 1 – 2022 Projected Information Technology Variance

Description	Amount (in millions)	Ongoing or One-time
Microsoft and other software licenses	$1.4	On-going
Cybersecurity	0.3	On-going
Equipment for hybrid board rooms and meeting rooms	0.2	One-time
Stand-by Salary costs to support critical services and infrastructure	0.3	On-going
Salary costs to support Fusion, Land Management System (Cornerstone) and the Curbside Organics program	0.6	On-going
TOTAL	**$2.8**	

Microsoft and other licenses are an on-going structural budget issue. The number of Microsoft licenses continues to increase and was significantly impacted with the introduction of the enterprise resource management system (Fusion) particularly the

requirement for a license for every employee (including mobile workers) to be able to access the system. An increase of $218,200 was approved at the November 29, 2021, 2022/23 Preliminary Business Plan and Budget meeting, which partially addresses the licensing issues but an on-going structural issue of about $1.3 million will remain in the budget and will increase as additional employees require licenses.

Cybersecurity is also an on-going structural budget issue; however, there is an increase of $341,500 which has been approved in the 2023 Plan. This increase will address the current variance for cybersecurity, although additional funding will be required in future budgets for more cybersecurity initiatives.

The equipment to upgrade the technology for hybrid board room and meeting rooms is a project that will be completed in 2022 and additional costs will not be required in 2023, however, to keep current the technology will have to be refreshed in approximately three to five years and additional budget will be requested to be phased-in in future budgets.

Some of the stand-by salary costs for critical services and infrastructure such as the Water Treatment Plant will be required on an on-going basis. It is expected these stand-by costs will be approximately $140,000 annually. There is currently no increase in the approved 2023 Plan to cover these costs.

Salary costs to support Fusion, LMS and Curbside Organics will be required through 2023 for these special projects. It is anticipated past 2023 there will be additional funding required of approximately $200,000 to operationalize these programs.

FINANCIAL IMPLICATIONS
It is expected there will still be a structural budget issue for Information Technology in the 2023 budget of $1.3 million for Microsoft and software licenses as well as staffing costs of $140,000 for critical support and $200,000 for support to Fusion, and Curbside Organics. These three items are annual on-going costs.

OTHER IMPLICATIONS
There are no privacy, legal, social or environmental implications identified.

NEXT STEPS
There is no follow-up required.

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