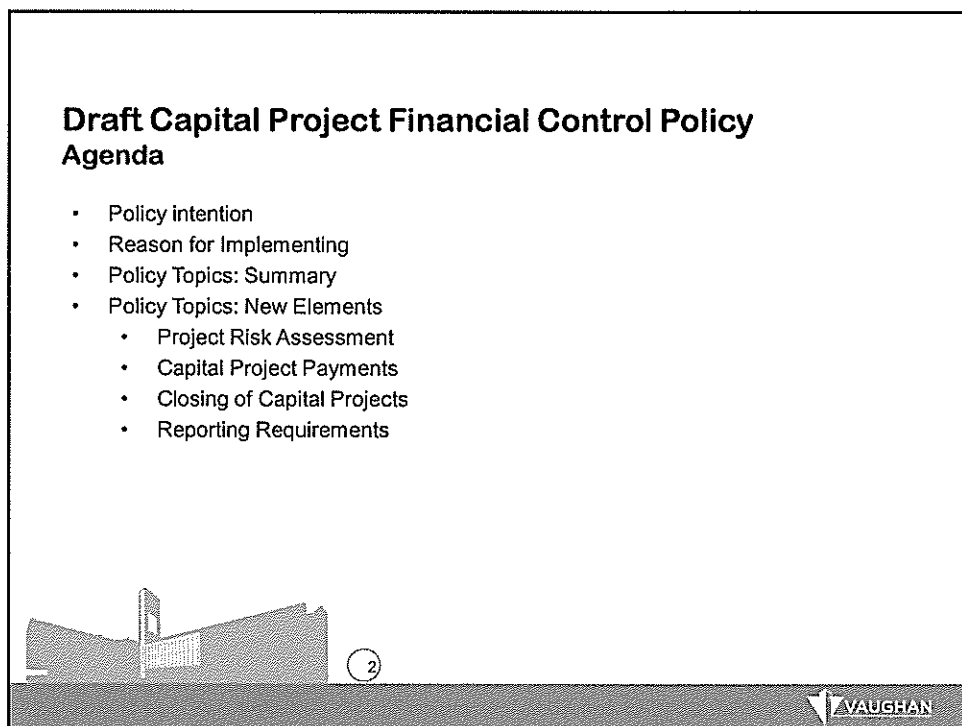
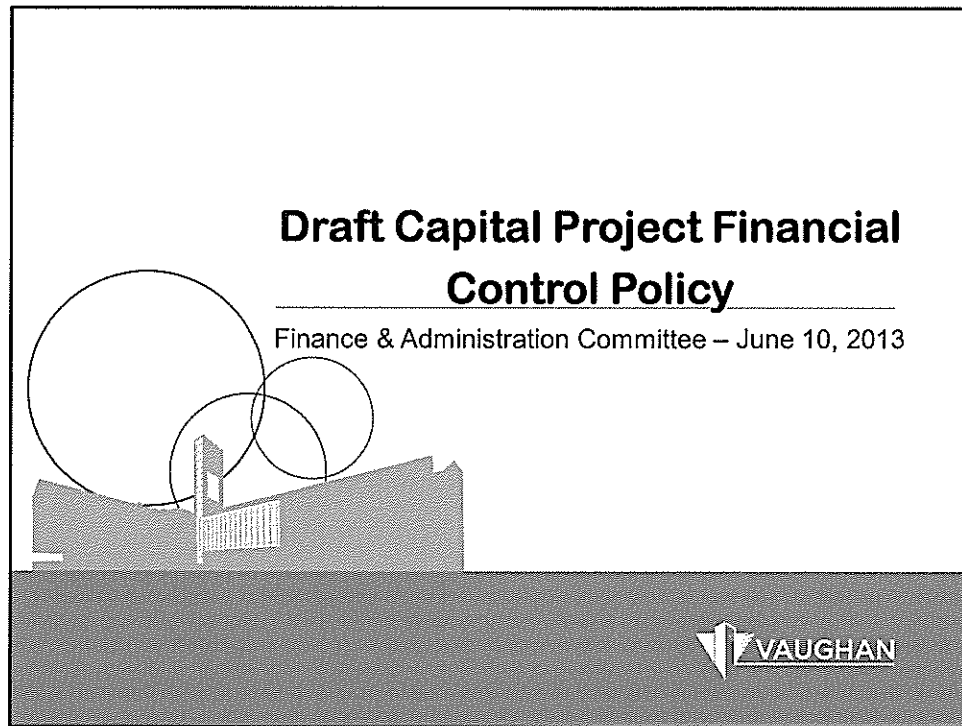


c <u>4</u>
Communication
F+A: <u>June 10/13</u>
Item: <u>11</u>



## Draft Capital Project Financial Control Policy Policy Intention

(S1) This Policy is intended to:

- Provide a consistent approach to capital project financial control
- Ensure approved capital projects are implemented as intended
- Provide an element of flexibility to manage operational circumstances
- Report on the status of capital projects
- Develop consistency regarding authorization and resolution of common issues
- Support the City's core values and corporate strategic themes







## Draft Capital Project Financial Control Policy Reason for Implementing

- In response to the Construction Audit Report for The Vaughan City Hall (July 6, 2011)
- Six Observations for Processes and Procedures mentioned:
  - Bid analysis
  - Contingency factoring
  - Regular reporting of the project
  - Cash flow
  - Change orders signing and COP
  - Institutional memory

} Draft Capital Project  
Financial Control Policy



## Draft Capital Project Financial Control Policy Policy Topics

- (S4) Definition of a capital project
- (S5) Capital project roles and responsibilities
- (S6) Project risk assessment 
- (S7) Capital project payments
- (S8) Treatment of over spending 
- (S9) Closing of capital projects and the application of remaining funds 
- (S10) Reporting requirements 
- (S11) Project management responsibility
- (S12) Policy review & update

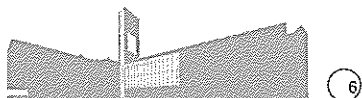


## Draft Capital Project Financial Control Policy Policy Topics

### (S6) Project Risk Assessment – Contingency Matrix

Risk Factors	Low	Med	High	Extreme		
Points	0	1	2	3		
Complexity	Singular aspect /low difficulty	Moderate aspects & difficulty	High aspect & difficulty	Multiple aspects/extreme difficulty		
Scope/Outcome	Clearly defined	Defined with few identified prob.	Mostly defined - prob. uncertainty	Vaguely defined/open ended		
Experience	Expert	Familiar	New	Breakthrough		
Duration of Project*	0-6 months	6 months-1 year	1-3 years	greater than 3 years		
Constraint/Delegation	Few/Primarily Internal	Many/Primarily Internal	Few/ Primarily External	Many/Primarily External		
Mgmt Level	Unit	Dept.	Commission	Multi-Commission		
Cost Element	Actuals/Signed Contracts	Quotes/Consult.reports	Benchmarks/Standards	Magnitude/Preliminary Estimate		
Total Point Range	0-2	3-5	6-10	11-16	17-19	20-21
Contingency %	0%	5%	10%	15%	20%	25%

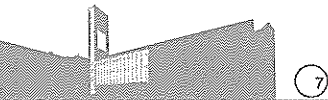
\* from start of project to completion



## Draft Capital Project Financial Control Policy Policy Topics

Example of Contingency Matrix

Contingency Cost Matrix			Contingency Cost Matrix		
Description of Capital Project: Project M: Realigning the flow of a small creek while improving public access, adding additional retention ponds and reducing risk of floods			Description of Capital Project: Project N: Purchase 2 new vehicles for new department staff		
Risk Factor	Rating (choose one for each risk factor)	Pts	Risk Factor	Rating (choose one for each risk factor)	Pts
Complexity	Multiple aspects/high difficulty	3	Complexity	Singular Aspect/low difficulty	0
Scope/Outcome	Mostly defined - Problems uncertain	2	Scope/Outcome	Clearly defined	0
Experience	Breakthrough	3	Experience	Expert	0
Timeframe	Greater than 4 years	3	Timeframe	8 months	0
Constraints/Delegation	Few/Primarily External	2	Constraints/Delegation	Few/Primarily Internal	0
Mgmt Level	Multi-Commission	3	Mgmt Level	Unit	0
Cost Element	Benchmarks/Standards	2	Cost Element	Quotes/Consultant reports	1
Results			Results		
Total Points (Max. 24)	18		Total Points (Max. 24)	1	
Risk Level	Extreme		Risk Level	Low	
Contingency Required	20%		Contingency Required	0%	



## Draft Capital Project Financial Control Policy Policy Topics

(S8) Treatment of Overspending

- \$ > 5% of lower of project budget or purchase award (max \$10,000) =  
Department Head with Director of Budgeting & Financial Planning
- \$ > 15% of lower of project budget or purchase award (max \$75,000) =  
Department Commissioner with Commissioner of Finance/City Treasurer  
and City Manager

Requests to authorize overruns are to be provided in writing with appropriate justifications and approvals



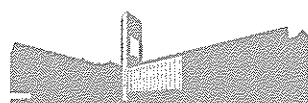
## Draft Capital Project Financial Control Policy Policy Topics

### (S9) Closing of Capital Projects



- When the capital project has not been initiated or has been inactive for 24 months

To retain a project that is inactive, Department Heads are required to provide the Commissioner of Finance & City Treasurer with a justification memo for consideration, explaining why the project should not be closed before the next budget cycle. Otherwise the project will be closed and if required resubmitted by the department for consideration in a subsequent budget cycle.



9



## Draft Capital Project Financial Control Policy Policy Topics

### (S10) Reporting Requirements

In addition to the quarterly reports and department initiated reports to council, policy implements High Profile Capital Project Reporting

#### Project

- A total capital project budget value equal to greater than \$5 million

OR

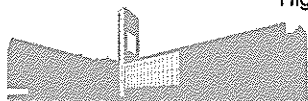


- A contingency level 20% or greater

OR

- Identified as a high visibility or sensitive project by Council or SMT

#### High Profile Capital Project - Status Report



10

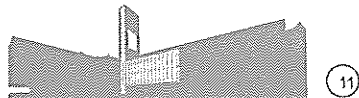
	Open Projects	# >\$5M	% of Open	% of Budget \$
Capital Projects	575	12	2.09%	36.00%



## Draft Capital Project Financial Control Policy Policy Topics

### Reporting Requirements – High Profile Capital Project Reporting

- Developed a DRAFT reporting template; included as Appendix #2
- Intended to provide information regarding:
  - Financial budget vs. the award with Actual tracking
  - Change order processing
  - Project contingency
  - Project budget/award revisions
  - Financial planning components
  - Project timelines



## Draft Capital Project Financial Control Policy

