

## **CITY OF VAUGHAN**

### **EXTRACT FROM COUNCIL MEETING MINUTES OF DECEMBER 10, 2013**

Item 3, Report No. 15, of the Finance and Administration Committee, which was adopted, as amended, by the Council of the City of Vaughan on December 10, 2013, as follows:

***By approving the following:***

***That the policy adjustments outlined in Communication C8 from the Acting Commissioner of Finance & City Treasurer, dated November 19, 2013, be approved.***

### **3        CAPITAL PROJECT FINANCIAL ADMINISTRATION AND REPORTING POLICY**

The Finance and Administration Committee recommends:

- 1)        That the recommendation contained in the following report of the Interim City Manager and the Acting Commissioner of Finance & City Treasurer, dated November 18, 2013, be approved, subject to amending the Capital Project Financial Administration and Reporting Policy as follows:
  1.        That where a contingency in excess of 10% is necessary, a separate and distinct explanation will be provided as part of the funding request; and
  2.        That any budget overruns be brought forward to Council through the quarterly reporting process; and
- 2)        That the presentation by the Manager of Capital and Reserve Planning and C1, presentation material entitled: “*Capital Project Financial Administration and Reporting Policy*”, dated November 18, 2013, be received.

#### **Recommendation**

The Interim City Manager and the Acting Commissioner of Finance & City Treasurer, in consultation with the Senior Management Team recommend:

1.        That the Capital Project Financial Administration and Reporting Policy be approved; and
2.        That the High Profile Capital Report Template be adopted for reporting purposes.

#### **Contribution to Sustainability**

Capital projects make up a substantial portion of the City’s overall budget, ranging from 30 -70 million annually. Given the volume, duration and magnitude of capital projects it is vital for the City to ensure capital investments are safeguarded and capital projects are delivered in the manner and timeframe intended to sustain the City’s operations and services. The Capital Project Financial Administration and Reporting policy will assist the City in this regard by providing guidance and control related to capital project governance and assurance.

#### **Economic Impact**

There is no economic impact associated with this report.

#### **Communications Plan**

Upon approval, the Capital Project Financial Administration and Reporting Policy will be incorporated within the City of Vaughan’s policy manual. This policy will support the City’s budget process and be referenced in future budget guidelines, deliberations, and regular reporting. After policy approval, staff will meet with key Directors and Managers to communicate and educate on the new policy and processes.

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##### **Purpose**

The purpose of this report is to obtain Council approval of the Proposed Capital Project Financial Administration and Reporting Policy, incorporating comments received from the Senior Management Team as recommended at the June 10<sup>th</sup> Finance and Administration meeting..

##### **Background - Analysis and Options**

On June 10th, 2013, staff provided a Draft Capital Project Financial Control Policy and presentation to the Finance and Administration Committee. The purpose of this report and presentation was to introduce a draft policy and associated template for input from Members of Council, with the intent of reporting back in the fall of 2013 with a proposed policy. In addition to adopting staff's recommendations Council recommended:

"That the Proposed Capital Project Financial Control Policy be developed in consultation with the Senior Management Team and that their comments be included in the report back"

##### **Department Collaboration**

Subsequent to the Finance and Administration meeting, staff conducted a series of working meetings with key department representatives between July and September to review the contents of the policy and the reporting template. Members of this group were:

- Manager, Capital & Reserve Planning
- Director, Building & Facilities
- Director, Engineering Services
- Director, Parks Development
- Director, Development & Transportation Engineering
- Director of Internal Audit

These meetings resulted in a refinement of the language within the policy to provide more clarity for those that would be guided by the policy. There were no major principal changes to the information contained within the policy. However ample discussion occurred over the reporting template for reporting on High Profile Capital Projects.

***High Profile Capital Report Template:*** The new report template marries together some project management theory with financial reporting requirements. Graphs were added to streamline the presentation of information while still allowing for expanded discussion on project activity to occur within the report. The end result is a report that will provide the following:

- Information regarding budget and award revisions
- Change order tracking
- Risk and issue identification/mitigation efforts
- Project activity/milestone breakdown and schedule performance
- Project cost performance ( current and project completion estimates), etc

##### **Senior Management Team (SMT) Collaboration**

On October 16, 2013 the policy renamed as the Capital Project Financial Administration and Reporting policy and the associated reporting template were presented to the Senior Management Team (SMT). Comments received during and after this meeting have been incorporated into the revised policy. Common threads of discussion revolved around the following principles:

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1. Contract and project management accountability is the responsibility of the source department or designated project manager. This resulted in adjustments to the title, scope and responsibility sections of the policy. Aspects associated with this requirement were raised during the Public Service Renewal (PSR) initiative and will proceed through a separate policy and process review.
2. A provision for work continuance in circumstances that require immediate resolution to prevent adverse outcomes was needed, which resulted in the addition of section 8D.
3. There was discussion regarding the \$75,000 threshold in section 8A being too conservative for larger projects, but there was also recognition this amount may be appropriate initially, with the potential to revisit at a later date.
4. SMT also carefully considered the criteria for high profile project selection and reflected on the qualifying contingency level and potential for capturing many lower value projects. Despite this risk it was determined to continue with the criteria as projects assigned a high or extreme contingency should be few. If required after monitoring the policy, this aspect can be revisited.
5. Further comments received, refined the language contained within the document to provide greater clarification and fine tuning.
6. The revised High Profile Project Reporting Template was favored for the graph based reporting ability, which quickly communicated project status.

Other than the above mentioned items the policy continues with the following main initial themes:

To provide:

- A consistent approach to capital project financial administration and reporting
- Clarity regarding roles, responsibility and authorization
- Integrated project risk assessment
- Flexibility to manage operational circumstances
- Process to communicate and report on the status of capital projects
- Support the City's core values and corporate strategic themes

Within the policy the following topics are discussed:

- Definition of a capital project
- Roles and responsibilities
- Project risk assessment
- Capital project payments
- Treatment of budget or purchase award overages
- Closing of capital projects
- Reporting requirements
- Policy review & update

#### **Relationship to Vaughan Vision 2020**

The above recommendations are consistent with the City's overarching goal of organizational excellence and specifically relate to ensuring a high performing organization and manage corporate asset strategic themes.

#### **Regional Implications**

No Implications

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**Conclusion**

It is recommended that the Capital Project Financial Administration and Reporting Policy and the High Profile Capital Project Template be approved.

**Attachments**

Attachment 1 - Capital Project Financial Administration and Reporting Policy

Attachment 2 – High Profile Capital Project Status Report Template

Attachment 3 – Draft Capital Project Financial Control Policy – June 25<sup>th</sup>, 2013 item

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(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)