

VAUGHAN

C	8
Item #	3
Report No.	15 (F&A)
Council - December 10/13	

memorandum

DATE: NOVEMBER 19, 2013

TO: MAYOR AND MEMBERS OF COUNCIL
SENIOR MANAGEMENT TEAM

FROM: JOHN HENRY, ACTING COMMISSIONER OF FINANCE & CITY TREASURER

RE: COMMUNICATION – COUNCIL MEETING – DECEMBER 10, 2013

**FINANCE AND ADMINISTRATION COMMITTEE - REPORT NO. 15, ITEM 3
CAPITAL PROJECT FINANCIAL ADMINISTRATION AND REPORTING POLICY
RECOMMENDED POLICY ADJUSTMENTS**

Recommendation:

1. That this communication be received; and,
2. That the policy adjustments outlined in this communication be adopted.

Background

On November 18, 2013, staff provided the Finance and Administration Committee with a Proposed Capital Project Financial Administration and Reporting Policy. As a result, discussion occurred on specific interest topics for which policy adjustments are provided e.g. strikeouts represent deletions and bolding indicates additions. These policy adjustments are outlined below:

1. Section 6.0 Project Risk Assessment Contingency

That the second paragraph be adjusted to read as follows:

"All capital projects will be assessed for a level of general contingency based on the City's Contingency Matrix. The Contingency Matrix formulates a contingency percentage based on the cumulative scoring of risk elements (e.g. complexity, scope definition, inexperience, duration, constraints, dependencies, cost estimates, etc). Based on the outcomes an associated contingency percentage ranging from low (0-5%) to extreme (20-25%) will be determined. In rare cases where a contingency in excess of ~~25%~~ **15%** is necessary, a separate and distinct explanation will be provided as part of the funding request. This percentage is to be used to develop the contingency amount for capital project budgets and awards. The contingency matrix is provided as Appendix #1.

2. Section 8.0 Treatment of Capital Project/Award Overages (Sections A & D only)

A. In the interest of maximizing operational efficiency, the following budget allowances are permitted under the following conditions:

- A Department Head with the approval of the Director of Budgeting and Financial Planning can exceed the lower of the project budget or the purchase award by a maximum of 5% with an upset limit of \$10,000. If over budget, these immaterial variances will be **separately identified** ~~illustrated~~ within the **following** quarterly report.
- A Department Commissioner with the approval of the Commissioner of Finance/City Treasurer can exceed the lower of the project budget or the purchase award by a maximum of 15% with an upset limit of \$75,000. These situations should be limited to reasonable events where Department Heads are unable to obtain Council authorization before invoice payment is required. In situations where the budget is exceeded, Department Heads should make a reasonable attempt to obtain an alternate funding source e.g. other projects, etc. These

projects will be ***separately identified*** specifically highlighted within the following quarterly report.

- D. *Work Continuance* – In special circumstances, there may be situations which arise during a capital project that require immediate resolution to prevent adverse financial or project outcomes. If Council authorization is required, but cannot be achieved in a timely manner, the interim continuation of work can be authorized by the City Manager with a follow-up Council report outlining the situation and capital project amendments ***to the next available Committee meeting.***

3. *Section 9.0 Closing Capital Projects & Applications of Remaining Funds*

That the section beginning with “Capital projects will be closed” be adjusted to read as follows:

- When the Department Head provides direction the capital project is complete and within project budget ***or amended project budget.***
- ~~When the Department Head provides direction the capital project is complete, but above the project budget and Council has approved the funding sources for the over expenditure or the over expenditure falls within the limits of Section 8 of this policy.~~
- ***For items falling within the limitations of Section 8, capital projects with budget overages will only be closed once funding is approved by Council. These projects will be reported separately as part of the quarterly reporting process with a funding recommendation. In special circumstances a separate report maybe required e.g. year-end project closing.***
- When the capital project has not been initiated or has been inactive for 24 months (inactive meaning no accounting transactions or contractual activity).

4. *Contingency Matrix*

Appendix 1 – Contingency Matrix should be included as part of the Capital Project Financial Administration and Reporting policy. This is included as attachment 1.

5. *High Profile Capital Project Reporting*

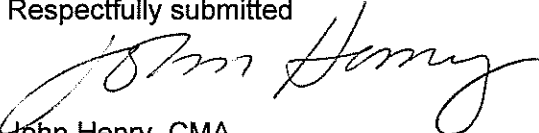
Based on committee discussion, it is recommended for the reporting template to reflect the estimated planned and actual % of completion, as part of the project schedule reporting section. This adjustment is illustrated as attachment 2.

Attachments

Attachment 1 – Appendix 1: Contingency Matrix

Attachment 2 – High Profile Capital Project – Status Report

Respectfully submitted



John Henry, CMA

Acting Commissioner of Finance and City Treasurer

- c: Barbara Cribbett, City Manager
Jeffrey Abrams, City Clerk
Jackie Lee Macchiusi, Manager of Capital and Reserves

APPENDIX 1: CONTINGENCY MATRIX

Risk Factors	Low	Med	High	Extreme
Points	0	1	2	3
Complexity	Singular aspect /low difficulty	Multiple aspects /low difficulty	Singular aspect/high difficulty	Multiple aspects/high 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
Contingency %	0%	5%	10%	15%
				20%
				25%

* from start of construction to operational

For items high to extreme

- Invest time in a very detailed project plan
- Consider alternative approaches to reduce risk
- Describe risks are factors most likely to cause problems
- Invest time in documenting requests for resources

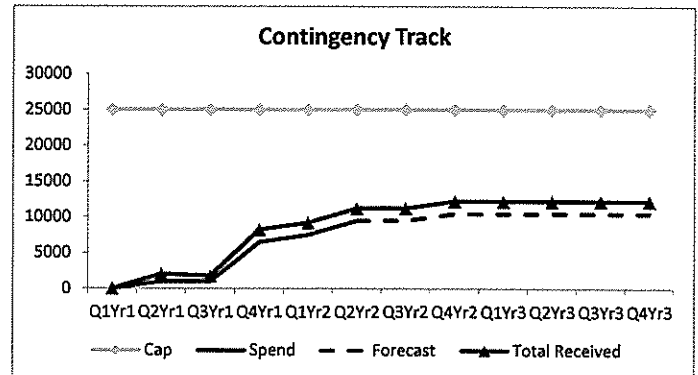
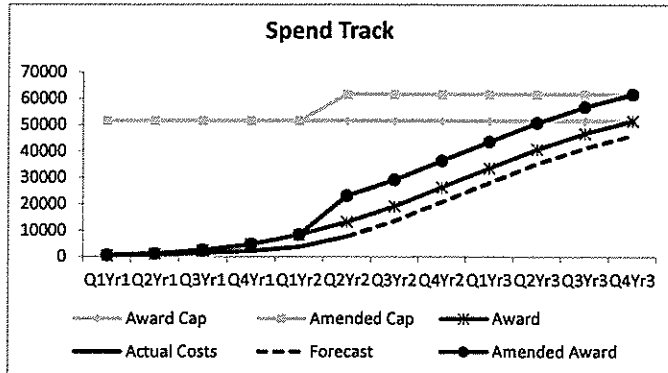
High Profile Capital Project - Status Report

Attachment 2

Capital Project Name	<input type="text"/>	Ref #	<input type="text"/>
Department	<input type="text"/>	Project Manager	<input type="text"/>
Reporting Period Ending	<input type="text" value="Q2Yr2"/>		

	Budget	Amendment	Total Budget	*Award	Amendment	Total Award	YTD Actuals + Commitments	Variance
Original Amount			-			-	46,050	(46,050)
Original Incidentals			-			-		-
Original Contingency			-			-	9,500	(9,500)
Total			-			-	55,550	(55,550)

* Council authorized award spending issued as the planned value for status reporting e.g. (Award + Cont+ Incidentals+ etc), which may be less than approved budget



Performance Highlights	
Progress to Date	Approved Changes to Plan made during Period
Area to highlight the progress of the project since the last reporting period with a summary of the ytd progress.	Area to highlight any changes that may have been approved during the time period.

Major Issues Encountered	Risk-Management Status
Area to highlight any major issues encountered since the last reporting period.	Area to highlight measures taken to address issues encountered; also to discuss the overall risk status of the project.

	Q1Yr1	Q2Yr1	Q3Yr1	Q4Yr1	Q1Yr2	Q2Yr2	Q3Yr2	Q4Yr2	Q1Yr3	Q2Yr3	Q3Yr3	Q4Yr3
Planned												
Completion		CheckIn#1 15%		CheckIn#2 30%	CheckIn#3 40%		CheckIn#4 75%		CheckIn#5 90%		CheckIn#6 100%	
Actual												
Completion	1%	6%	15%	30%	CheckIn#3 36%	40%					CheckIn#6 40%	

Project Timeline	Plans for Next Period
Area to discuss the projects timeline, highlighting any deviation from the planned timeline with discussion to the overall timeliness of the project (ability to complete as scheduled).	High level discussion on what is planned for the next period.