

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 25, 2013**

Item 11, Report No. 8, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on June 25, 2013.

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**11                      DRAFT CAPITAL PROJECT FINANCIAL CONTROL 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 June 10, 2013, be approved;**
- 2)        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; and**
- 3)        That Communication C4, Presentation Material titled “Draft Capital Project Financial Control Policy”, dated June 10, 2013, be received.**

**Recommendation**

The Interim City Manager and the Acting Commissioner of Finance & City Treasurer recommends:

1. That the Draft Capital Project Financial Control Policy be received for input and comments; and
2. That staff report back in the fall of 2013 with a Proposed Capital Project Financial Control Policy for approval.

**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 Control 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 Control Policy will be incorporated within the City of Vaughan’s policy manual. In addition, this policy will support the City’s budget process and be referenced in future budget guidelines, deliberations, and regular reporting.

It is intended, as per policy, for this document and associated templates to be further discussed at a quarterly SMT/Directors working session. This discussion will incorporate any input received by Council.

## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 25, 2013

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#### Purpose

The purpose of this report is to introduce a Draft Capital Project Financial Control Policy and associated templates for input and comments from Members of Council. Staff will report back with a final Proposed Capital Project Financial Control Policy in the fall of 2013 for approval.

#### Background Analysis and Options

The City of Vaughan is committed to ensuring effective municipal governance. Capital project control practices have existed within the City for many years, but typically are informal in nature. Therefore a review was undertaken and a draft policy formalized to capture existing practices and develop a foundation, which will be enhanced as new policies and practices evolve. This document is intended to:

- Provide a consistent approach to capital project 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

Within the policy the following topics have been addressed:

- Definition of a capital project
- Capital project roles and responsibilities
- Project risk assessment
- Capital project payments
- Treatment of over spending
- Closing of capital projects and the application of remaining funds
- Reporting requirements
- Project management responsibility
- Policy review & update

#### **New Policy Concepts for Consideration**

Relatively new to the City are concepts related to capital project risk assessment and additional reporting requirements associated with high profile capital projects. These items are briefly summarized.

Project Risk Assessment - Given the varying degree of complexity, timeframes and the use of estimates associated with capital projects and awards, an element of risk is naturally inherent. It is therefore good management practice to include a level of contingency to account for project risk factors. This concept is supported through recommendations provided in the Construction Audit Report for Vaughan City Hall in 2011. To address this recommendation, a contingency matrix was developed in the spring of 2012 to guide departments in assessing a base level of risk and associated contingency. Since that time, this tool has been introduced and utilized by some departments to develop contingency balances for capital budgets and project award reports. The matrix framework formulates a contingency percentage based on the cumulative scoring of seven risk elements and based on the outcomes an associated contingency percentage ranging from low (0-5%) to extreme (20-25%) is determined. In rare cases, where a contingency in excess of 25% is necessary, a separate and distinct justification will be required. This percentage is a clear indication of uncertainty and risk and will be used to develop the contingency amount for capital project budgets and awards.

## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 25, 2013

#### Item 11, Finance Report No. 8 – Page 3

High Profile Capital Project Reporting – A high profile capital project is defined as being of a large value, has a greater level or risk, or is highly visible or sensitive in nature. Considering their high impact nature, the levels of oversight, management and assurance need to be heightened. This concept is also supported through recommendations provided in the Construction Audit Report for Vaughan City Hall. For this reason, as part of City's quarterly reporting process, capital projects of this nature will require a more comprehensive level of reporting and analysis. Specific reporting requirements and a template are incorporated with the policy, but reflect the following:

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

Selection criteria for additional reporting is based on project value, risk and sensitivity; these items are also incorporated in the policy.

Risk and Project Management – Although the above concepts speak to some elements of risk and project management, they do not in themselves constitute an enterprise or city-wide risk management or project management program. Integrated Risk Management Practices and Project Management Standards and Guidelines are a fundamental underpinning of good governance and management supporting decision-making at all levels of an organization. When embedded and integrated into existing decision-making structures and processes, they support effective planning, priority setting, financial reporting, audits and evaluations, corporate business plans, performance assessment and other key functions throughout an organization. This in turn creates and protects community value.

City Hall – As part of the completion of the City Hall project, it was appropriate to conduct a project audit given its overall complexity and value. The project audit was conducted by Commercial Cost Control, whom provided audit findings and recommendations. Findings and recommendations related to financial aspects have been captured within this policy, primarily contingency setting and additional reporting.

#### 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

#### Conclusion

It is recommended that the Draft Capital Project Financial Control Policy be received for input and comments. A Proposed Capital Project Financial Control Policy will be brought back to Council for approval in the fall of 2013.

#### Attachments

Attachment 1 - Draft Capital Project Financial Control Policy

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 25, 2013**

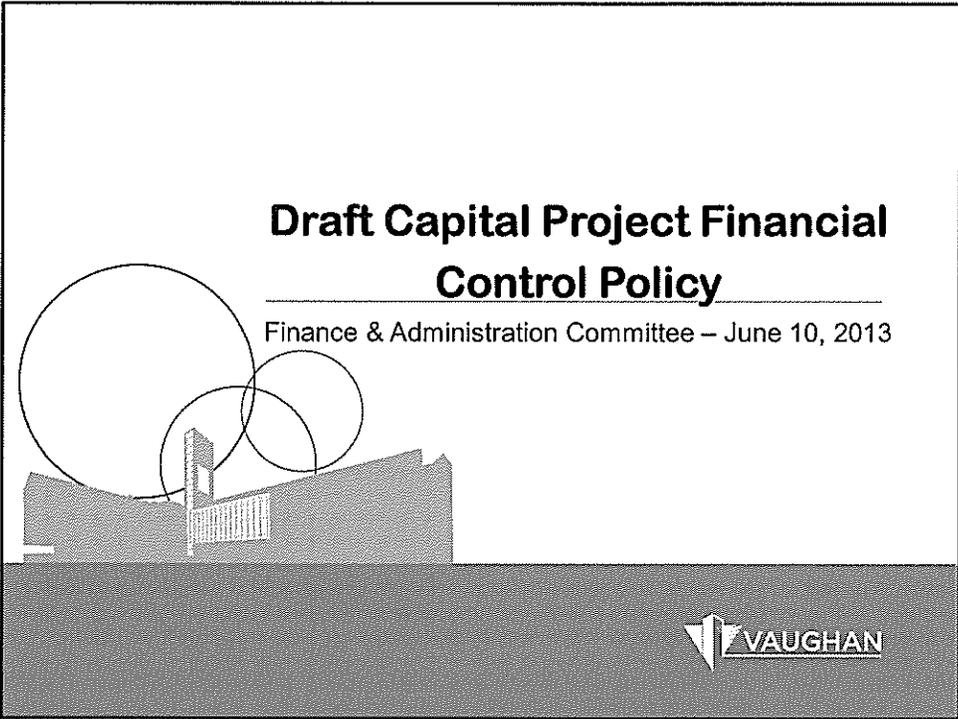
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**Report prepared by:**

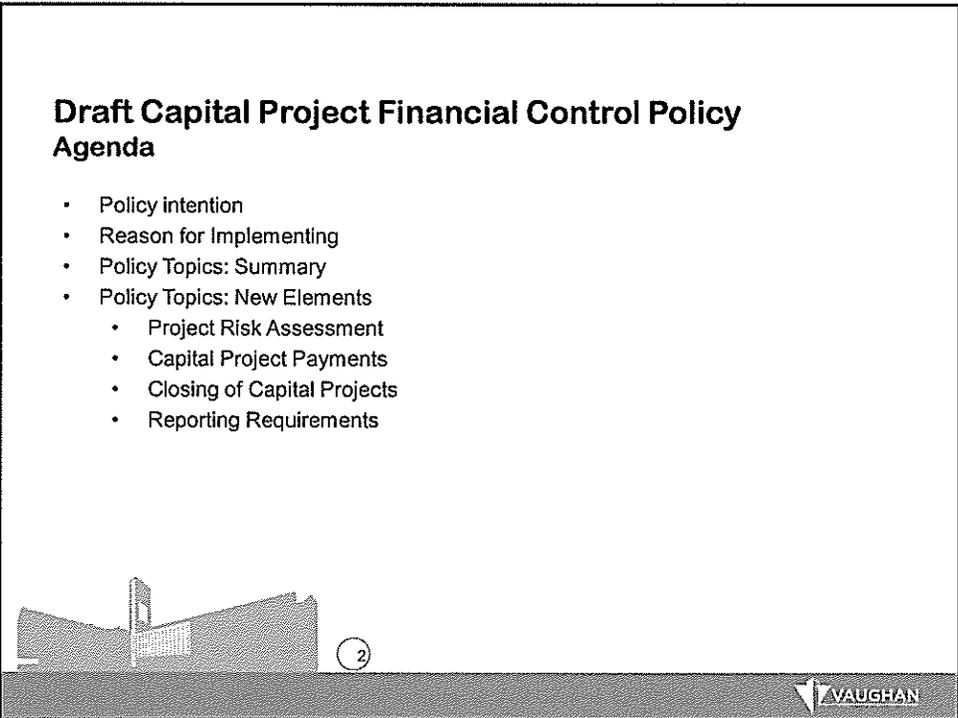
John Henry, CMA  
Acting Commissioner of Finance & City Treasurer,  
Ext. 8348

(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.)

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



**Draft Capital Project Financial Control Policy**  
Finance & Administration Committee – June 10, 2013



**Draft Capital Project Financial Control Policy Agenda**

- Policy intention
- Reason for Implementing
- Policy Topics: Summary
- Policy Topics: New Elements
  - Project Risk Assessment
  - Capital Project Payments
  - Closing of Capital Projects
  - Reporting Requirements



## Draft Capital Project Financial Control Policy Policy Intention

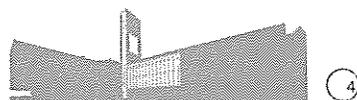
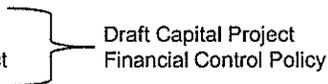
(S1) This Policy is intended to:

- 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



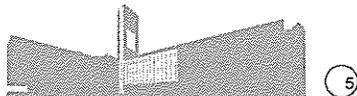
## Draft Capital Project Financial Control Policy Reason for Implementing

- 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 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

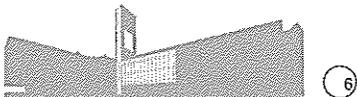


## Draft Capital Project Financial Control Policy Policy Topics

(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		
<b>Description of Capital Project:</b> Project M: Realigning the flow of a small creek while improving public access, adding additional retention ponds and reducing risk of floods			<b>Description of Capital Project:</b> Project N: Purchase 2 new vehicles for new department staff		
<b>Risk Factor</b>	<b>Rating (choose one for each risk factor)</b>	<b>Pts</b>	<b>Risk Factor</b>	<b>Rating (choose one for each risk factor)</b>	<b>Pts</b>
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
<b>Results</b> Total Points (Max. 24) 18 Risk Level Extreme Contingency Required 20%			<b>Results</b> Total Points (Max. 24) 1 Risk Level Low 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



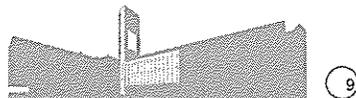
## Draft Capital Project Financial Control Policy Policy Topics

### (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.



## Draft Capital Project Financial Control Policy Policy Topics

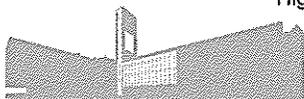
### (S10) Reporting Requirements

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



	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

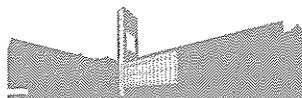
- Developed a DRAFT reporting template; included as Appendix #2
- Intended to provide information regarding:
  - Financial budget vs. the award with Actual tracking
  - Change order processing
  - Project contingency
  - Project budget/award revisions
  - Financial planning components
  - Project timelines



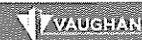
11



## Draft Capital Project Financial Control Policy



12



**DRAFT CAPITAL PROJECT FINANCIAL CONTROL POLICY**

**Recommendation**

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2. That staff report back in the fall of 2013 with a Proposed Capital Project Financial Control Policy for approval.

**Contribution to Sustainability**

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**Economic Impact**

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City Hall – As part of the completion of the City Hall project, it was appropriate to conduct a project audit given its overall complexity and value. The project audit was conducted by Commercial Cost Control, whom provided audit findings and recommendations. Findings and recommendations related to financial aspects have been captured within this policy, primarily contingency setting and additional reporting.

### **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

### **Conclusion**

It is recommended that the Draft Capital Project Financial Control Policy be received for input and comments. A Proposed Capital Project Financial Control Policy will be brought back to Council for approval in the fall of 2013.

### **Attachments**

Attachment 1 - Draft Capital Project Financial Control Policy

### **Report prepared by:**

John Henry, CMA  
Acting Commissioner of Finance & City Treasurer,  
Ext. 8348

Respectfully submitted,

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Barbara Cribbett, CMA  
Interim City Manager

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John Henry, CMA  
Acting Commissioner of Finance & City Treasurer

**CITY OF VAUGHAN  
POLICY MANUAL**

<b>SECTION: FINANCE</b>	<b>POLICY NO.: XXXX</b>
<b>DEPARTMENT: BUDGETING AND FINANCIAL PLANNING</b>	<b>SUBJECT: CAPITAL PROJECT FINANCIAL CONTROL POLICY</b>

**1.0 PURPOSE:**

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

**2.0 SCOPE:**

This policy applies to all staff and local boards of the Corporation of the City of Vaughan responsible for capital projects and associated spending decisions.

**3.0 POLICY STATEMENTS:**

- 3.1 The City of Vaughan is committed to ensuring municipal governance by establishing a Capital Project Financial Control Policy to standardize practices and provide clarity regarding administration, management, and reporting requirements.
- 3.2 Capital Projects shall incorporate consistent project management processes, which can be applied and adapted based on the size, complexity and risk of each project.
- 3.3 Staff shall apply this policy in conjunction with other Council and administration policies and standards that are specific to a commission, department, process or project. This includes policies and standards related to procurement, risk management and financial/budget control.
- 3.4 The focus of this policy and related procedures and practices are Capital Projects that have been defined and approved in the City’s capital plan.

**CITY OF VAUGHAN  
POLICY MANUAL**

<b>SECTION: FINANCE</b>	<b>POLICY NO.: XXXX</b>
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**4. DEFINITION OF A CAPITAL PROJECT**

A capital project is any project approved by Council and detailed within the City's adopted Capital Budget. Further details regarding the definition of a capital project is provided within the City's approved budget guidelines.

**5. ROLES AND RESPONSIBILITIES**

Department Heads are responsible for:

- i. Completing capital projects within the approved project budget or purchase award (A purchase award includes all Council authorized spending amounts)
- ii. Managing Capital projects in the best interest of the City.
- iii. Providing the Budgeting and Financial Planning Department with capital project status updates in a timely manner, as required by this policy to facilitate periodic reporting.
- iv. Informing Senior Management and Council on a timely basis of any urgent, significant or material issues associated with a capital project, which would fall outside of regular reporting.
- v. Reviewing and authorizing the payment of capital project related invoices. To charge expenses to appropriately assigned capital projects
- vi. Providing direction to close capital projects in a timely manner, per the requirements of this policy.
- vii. Evaluating the risk of capital projects and determining an appropriate contingency balance using methods illustrated within this policy.
- viii. Consulting with Finance regarding the provision of capital project financial detail e.g. items, reports, correspondence, etc.
- ix. Accountability to the City Manager and to Council for spending against their approved capital budgets. Capital project management and control is a primary management responsibility.

The Budgeting and Financial Planning Department's is responsible for:

- i. Administering and co-ordinating the financial reporting process
- ii. Reporting to the Finance and Administration Committee and Council on a quarterly basis regarding the financial status of the capital budget and associated projects
- iii. Providing departments with capital budget and actual information, as necessary
- iv. Processing authorized invoices for payment and accounting purposes

**CITY OF VAUGHAN  
POLICY MANUAL**

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<b>DEPARTMENT: BUDGETING AND FINANCIAL PLANNING</b>	<b>SUBJECT: CAPITAL PROJECT FINANCIAL CONTROL POLICY</b>

- v. Co-ordination with department heads the closing of completed capital projects in a timely manner
- vi. Developing processes, procedures, and policy recommendations regarding capital budget control and reporting
- vii. Administering approved policy

Senior Management Team (SMT) and the City Manager are responsible for:

- i. Administering any authority granted in accordance with policy
- ii. To provide a level of reasonable oversight, management and assurance

Council is responsible for:

- i. Approving capital budgets, associated projects, recommended amendments, and purchasing awards as required through the purchasing policy.
- ii. Providing direction regarding capital project status updates or staff initiated reporting

## **6. PROJECT RISK ASSESSMENT**

Risk is the probability of a future event or circumstance that cannot be predicted with certainty. Given the varying degrees of complexity, timeframes and the use of estimates associated with capital projects, an element of risk is naturally inherent. It is therefore a good management practice to include a level of contingency to account for project risk factors.

All capital projects will include a level of general contingency based on the City's Contingency Matrix. The Contingency Matrix formulates a contingency % 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% is necessary, a separate and distinct explanation will be required 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.

The level of contingency is an indication of the level of project risk. If project risk assessment or level of contingency is determined to be excessive (high to extreme) actions should be undertaken to mitigate or forestall those risks e.g. restructuring the project, increased project management, further specification/design review, etc.

Contingency balances are to be accounted for as a separate capital project line. Expenses associated with award change orders or budget overruns should be charged to the contingency

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account. In some cases, departments will be relied on to provide detail regarding change orders. These balances will assist in monitoring progress and tracking project performance.

**7. CAPITAL PROJECT PAYMENTS**

Capital project invoice payments will be conducted within the authorization and process parameters set out within the Capital Project Control Policy, Consolidated Purchasing Policy, Signing Authority or any other related City policy or practice. Departments must ensure invoices are supported with proper documentation and approvals before processing. Authorization of the purchase, receipt and invoice should be performed by different individuals and within authorization levels. Payments will only be applied to appropriate capital projects and accounts.

**8. TREATMENT OF OVER SPENDING**

As mentioned in Section 5, Department Heads are expected to complete capital projects within the lower of the approved budget or purchasing award. In addition, current practice is the Purchasing Department requires budget validation and authorization prior to processing purchase orders. However, after the capital project budget or purchasing award is approved, situations might be encountered that involve spending beyond the approved budget and/or purchasing award amounts:

- A. In the interest of maximizing operational efficiency, the following budget over spending allowances are permitted under the following conditions:
  - o 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 illustrated within the quarterly report.
  - o A Department Commissioner with the approval of the Commissioner of Finance/City Treasurer and City Manager 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 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 specifically highlighted within the following quarterly report.

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- B. In extreme cases of “Emergency Purchases”, compliance as per section 10 of the consolidated purchasing policy will be applicable.
- C. Requests to authorize overruns are to be provided in writing with appropriate justifications and approvals.

The above authorizations will allow timely access to funds that help address normal capital project management issues, thereby reducing the need of Council to become engaged in routine operational matters. With exception for the above items, Department Heads are required to seek Council approval for either additional budget funding or increased purchase award authorized spending before exceeding limitations.

*Budget Amendments*

Capital project budget amendments will be permitted within the following conditions:

- That department head makes every effort to obtain funding from alternate sources or projects to minimize any capital budget impact
- That the department head, in consultation with Budgeting and Financial Planning department, provide a report to Council illustrating the capital project situation, including a justification and plan for the additional funding and any other pertinent information.
- That any budget amendments must be adopted by Council pursuant to section 290 of the Municipal Act.
- That the inclusion of the matter on a public committee agenda with respect to increasing or amending the budget be identified and deemed sufficient notice pursuant to section 2(1)(C) of by-law 394-2002

**9 CLOSING CAPITAL PROJECTS & APPLICATION OF REMAINING FUNDS**

Specific criteria have been developed to identify when a capital project will be closed to ensure scarce financial resources are not tied up in capital projects that are no longer required.

*Capital projects will be closed*

- When the Department Head provides direction the capital project is complete and within 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.
- When the capital project has not been initiated or has been inactive for 24 months

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(inactive meaning no accounting transactions or contractual activity). To retain a project with 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.

The Commissioner of Finance & City Treasurer has the authority to close a capital project meeting the above criteria. Any surplus funding for closed projects will be returned to the original funding source.

In the event that an invoice is received after the closure of a capital project, the Commissioner of Finance & City Treasurer has the authority to approve payment of the invoice from the original funding source as previously approved for the project, provided the total cost of the project is within the original budget and within the same scope. This will require temporarily reopening the project to process the transaction.

## **10. REPORTING REQUIREMENTS**

The Budgeting and Financial Planning Department will report to Council on the status of all capital projects. To assist in this requirement, Departments will be required to forward capital project information and status updates in accordance with procedures and timelines set by the Budgeting and Financial Planning Department. The Budget and Financial Planning Department will consolidate department and financial information into a quarterly report to Council for information purposes. Given the volume and the breath of varying types of capital projects a multi-tiered reporting structure is necessary and further detailed below.

### 10.1 Regular Capital Project Reporting

As part of regular reporting, all capital projects will be listed with the following minimum detail requirements:

- Capital project reference information (name, reference number, yr approved, etc.)
- Capital project budget, actual spend to date, and variance
- Estimated completion date and percentage of completion
- Projects closed within the quarter and current year

As mentioned, the above items reflect the minimum reporting requirements and the Commissioner of Finance/City Treasurer may add additional information, as necessary.

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10.2 High Profile Capital Project Reporting

A high profile capital project is defined as being of a large value, has a greater level of risk, or is highly visible or sensitive in nature. Considering their high impact nature, the levels of oversight, management and assurance need to be heightened. For this reason, these capital projects will require a more comprehensive level of reporting. As part of the quarterly report, each high profile capital project will require an additional status report with comprehensive details submitted by the appropriate department. A high profile project should reflect all components of a project, even if project elements reside with separate budgets. This is to ensure the full picture of the project is captured. A sample template for the high profile projects is provided as Appendix 2.

Minimum reporting requirements

- Information regarding budget and award revisions
- Change order tracking
- Risk and issue identification along with mitigation efforts
- Project element breakdown and schedule performance
- Project cost performance ( current and project completion estimates)

As mentioned, the above items reflect the minimum reporting requirements and the Commissioner of Finance/City Treasurer may add information or modify the template, as necessary.

High Profile Project Selection Criteria

- A total capital project budget value equal to or greater than \$5million
- A contingency level greater than 15%
- Identified as a high visibility or sensitive project by SMT or Council

10.3 Other Reporting and Control

In addition to quarterly reporting illustrated above the following activities will occur:

- Departments are provided with internal capital reports on a monthly basis to review capital project financial status.
- Regular internal review of capital projects occur through random spot checks.
- The internal audit department will conduct capital project reviews, within the scope of their internal audit risk based work plan and schedule.
- Departments can provide project management status reports to Council and the Senior Management Team, independent of Capital Project Financial Control Reporting requirements.

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**11. PROJECT MANAGEMENT**

Project management and control is the primary responsibility of the department with ownership over the capital project. Project management includes, but is not limited to:

- Initiating the project and associated objectives ,
- Determining requirements and planning the project
- Executing the project and managing constraint e.g. (scope, quality, cost, schedule, risk)
- Monitoring the project, providing status updates and communicating issues and risk
- Closing the project once complete in a timely manner

The Capital Project Financial Control Policy does not provide direction on how to perform project management, but rather provides guidance and parameters regarding financial control and reporting matters. Although there are concepts of project management embedded in some reporting elements, this process is much more involved. It is expected that departments undertake project management best practices for all capital projects, for which information may be leveraged for corporate reporting when required.

**12. POLICY REVIEW AND UPDATE**

This policy will be reviewed at minimum within each term of council, more frequently if determined appropriate by the Commissioner of Finance & City Treasurer.

**APPENDIX  
SECTION**

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## Appendix #1 – Contingency Matrix

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

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## Appendix # 2- High Profile Capital Project Status Report

Capital Project Name  Ref #

Department  Project Manager

Reporting Period Ending

	Budget	*Award	Variance	Change Orders (CO)	#	Value	% of Contingency
Original Amount	360,000	252,000	108,000	YTD Actual	1	5,000	12%
Original Incidentals		25,000	(25,000)	In process	1	7,500	18%
Original Contingency	54,000	41,500	12,500	Forecasted	6	22,500	54%
Subtotal	414,000	318,500	95,500	Subtotal		35,000	84%
Revision	-	-	-	Contingency Remaining		6,500	
Total	414,000	318,500	95,500				

\* 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

**Risk and Issue Status** ( Summarize changes or issues, actions to control risk or keep project to plan, etc)

**Project Cost Performance - Current**

Project Element	*Planned	% Comp	Earned	Actual	Variance	%	Comment	
Element A	75,000	85%	63,750	60,000	3,750	6%	Commodity prices	Ahead
Element B	100,000	65%	65,000	85,000	(20,000)	-31%	Prepayment	Behind
Element C	47,000	10%	4,700	-	4,700	100%	Preliminary work (early opportunity)	Ahead
Element D	55,000	2%	1,100	-	1,100	100%	Small opportunity purchases	Ahead
Sub-total	277,000	49%	134,550	145,000	(10,450)	-4%		Behind
Contingency	41,500	0%	-	5,000	(5,000)		CO	Behind
<b>Total</b>	<b>318,500</b>	<b>42%</b>	<b>134,550</b>	<b>150,000</b>	<b>(15,450)</b>	<b>-5%</b>		<b>Behind</b>

**Project Cost Performance - Completion Forecast**

Project Element	Actual YTD	In process	Forecasted	\$ @ Comp.	Plan	Variance	Comment	
Element A	60,000	25,000		<b>85,000</b>	(10,000)	-13%		Behind
Element B	85,000	15,000		<b>100,000</b>	-	0%		On Plan
Element C	-	55,000		<b>55,000</b>	(8,000)	-17%		Behind
Element D	-	35,000		<b>35,000</b>	20,000	36%		Ahead
Sub-total	145,000	130,000	-	<b>275,000</b>	2,000	1%		Ahead
Contingency	5,000	15,000	15,000	<b>35,000</b>	6,500	16%		Ahead
Total	150,000	145,000	15,000	<b>310,000</b>	8,500	3%		<b>Ahead</b>

**Project Schedule Performance**

Project Element	Planned		Actual /Forecasted		Schedule Variance (Days)			Comment
	Start	Completion	Start	Completion	Start	Completion	Duration	
Element A	1-Jan-13	1-May-13	<b>1-Feb-13</b>	12-Jul-13	(31)	(72)	(41)	Behind
Element B	2-Mar-13	2-Jul-13	<b>2-Mar-13</b>	17-Jul-13	-	(15)	(15)	Behind
Element C	3-Sep-13	3-Jan-14	16-Aug-13	4-Dec-13	18	30	12	Ahead
Element D	4-Nov-13	4-Apr-14	19-Nov-13	15-Mar-14	(15)	20	35	Ahead
Total	1-Jan-13	4-Apr-14	1-Feb-13	15-Mar-14	(31)	20	51	<b>Ahead</b>

*Specific Deliverable Status Comments*