

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.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF DECEMBER 10, 2013

Item 3, Finance Report No. 15 – Page 2

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 10th 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:

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF DECEMBER 10, 2013

Item 3, Finance Report No. 15 – Page 3

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

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF DECEMBER 10, 2013

Item 3, Finance Report No. 15 – Page 4

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

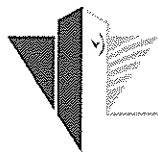
Attachment 2 – High Profile Capital Project Status Report Template

Attachment 3 – Draft Capital Project Financial Control Policy – June 25th, 2013 item

Report prepared by:

Jackie Lee Macchiusi, CGA
Manager of Capital and Reserve Planning,
Ext. 8267

(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.)



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*

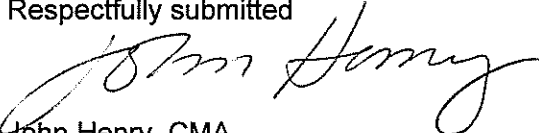
Based on committee discussion, it is recommended for the reporting template to reflect the estimated planned and actual % of completion, as part of the project schedule reporting section. This adjustment is illustrated as attachment 2.

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

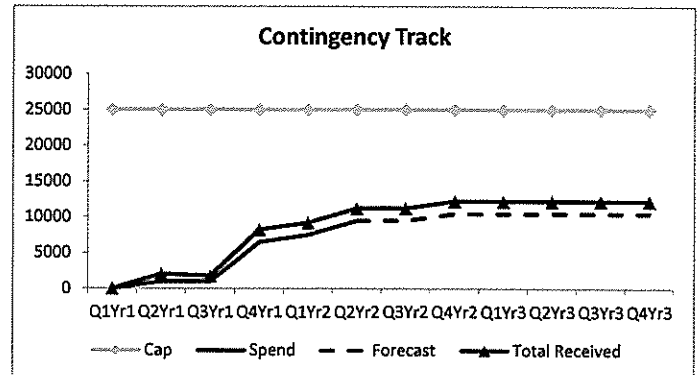
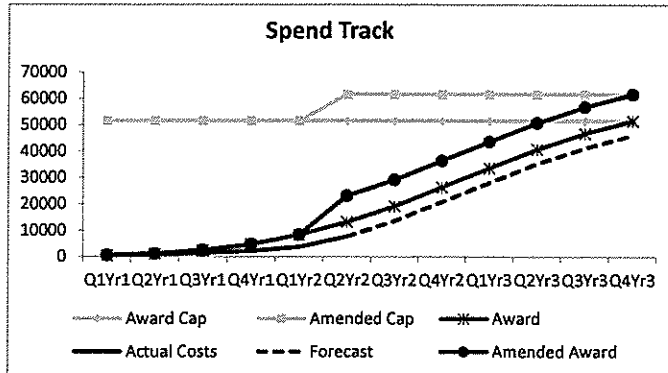
High Profile Capital Project - Status Report

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.

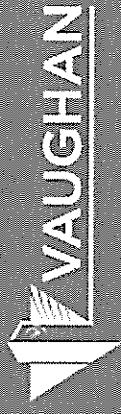
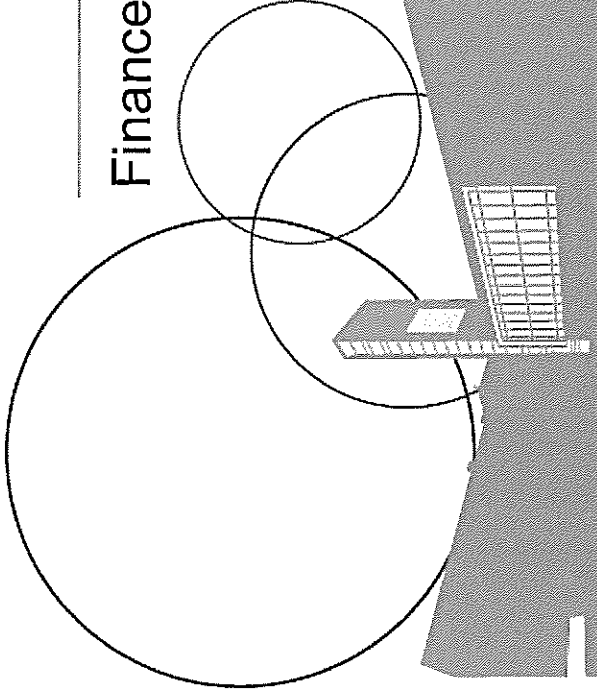
	Q1Yr1	Q2Yr1	Q3Yr1	Q4Yr1	Q1Yr2	Q2Yr2	Q3Yr2	Q4Yr2	Q1Yr3	Q2Yr3	Q3Yr3	Q4Yr3
Planned												
Completion		CheckIn#1 15%		CheckIn#2 30%	CheckIn#3 40%		CheckIn#4 75%		CheckIn#5 90%		CheckIn#6 100%	
Actual												
Completion	1%	6%	15%	30%	CheckIn#3 36%	40%					CheckIn#6 40%	

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.

C <u>1</u>
COMMUNICATION
F&A - <u>Nov. 18/13</u>
ITEM - <u>3</u>

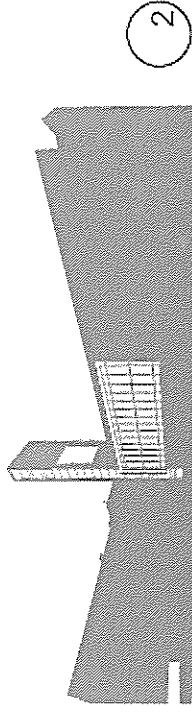
Capital Project Financial Administration and Reporting Policy

Finance & Administration Committee – Nov 18, 2013



Agenda

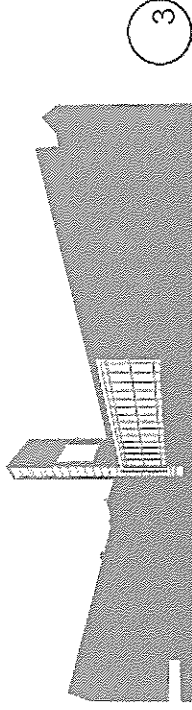
- Policy Intention
- Policy Update:
 - Department Collaboration
 - Senior Management Collaboration
- High Profile Capital Report Template



Policy Intention

This Policy is intended to provide a consistent and consolidated approach to capital project financial administration and reporting, which includes but not limited to:

- Managing capital projects in the best interest of the City
- Clarity regarding roles, authorization and accountability
- Integrate project financial risk assessment
- Flexibility to manage operational circumstances
- Communicate the status of approved capital projects
- Support the City's core values and corporate strategic themes

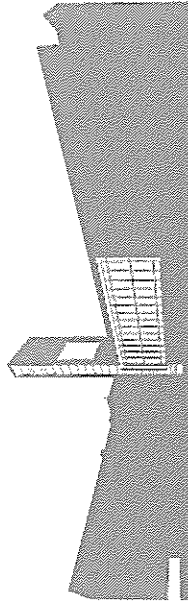


Policy Update – Department Collaboration

- Series of meetings were held over the summer, involving:
 - Manager, Capital & Reserve Planning
 - Director, Building & Facilities
 - Director, Engineering Services
 - Director, Parks Development
 - Director, Development & Transportation Engineering
 - Director of Internal Audit

Outcome:

- 1) Refinement of the language within the policy to provide more clarity for those guided by the policy
- 2) New Reporting Template (presented later in this presentation)

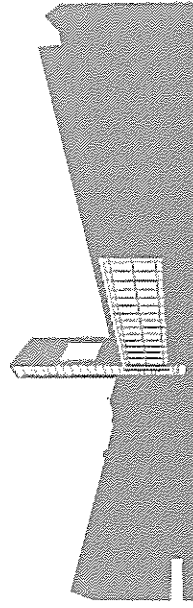


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Policy Update – SMT Collaboration

Common Threads:

1. Contract and project management accountability is the responsibility of the source department or designated project manager.
2. A provision for work continuance in circumstances that require immediate resolution to prevent adverse outcomes was needed(section 8D).
3. \$75,000 threshold in section 8A may be appropriate initially, with the potential to revisit at a later date.
4. Criteria for high profile project :continue with the criteria as projects assigned a high or extreme contingency should be few.
5. Refined the language contained within the document to provide greater clarification and fine tuning.
6. The revised High Profile Project Reporting Template was favored.



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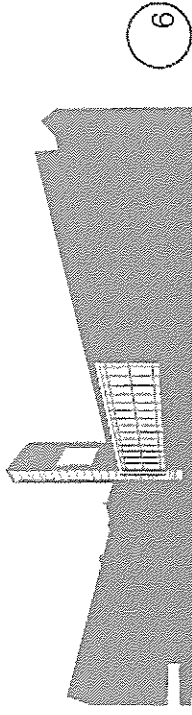
Reporting Template

The new report template incorporates 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.

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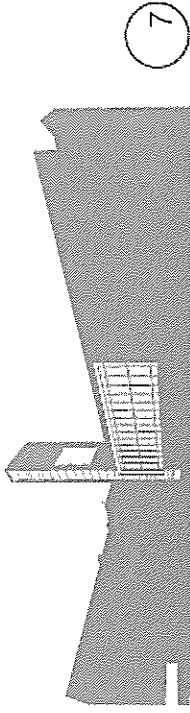


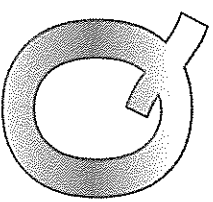
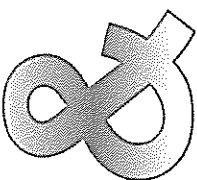
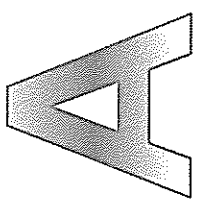
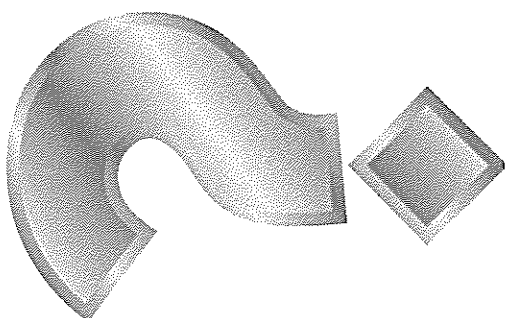
Policy Result

Adoption of the Policy and Template will address some of the recommendations identified on the Construction Audit Report for The Vaughan City Hall (July 6, 2011)

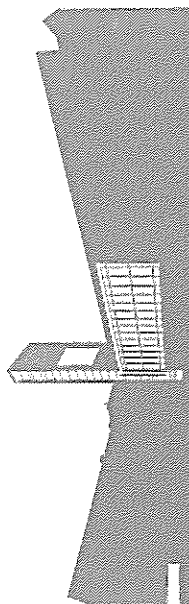
- Contingency factoring
 - Regular reporting of the project
 - Cash flow
 - Change orders processing
 - Institutional memory
- Intended to Address
- Assists with

This policy is to be applied to High Profile Capital Projects





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High Profile Capital Project - Status Report

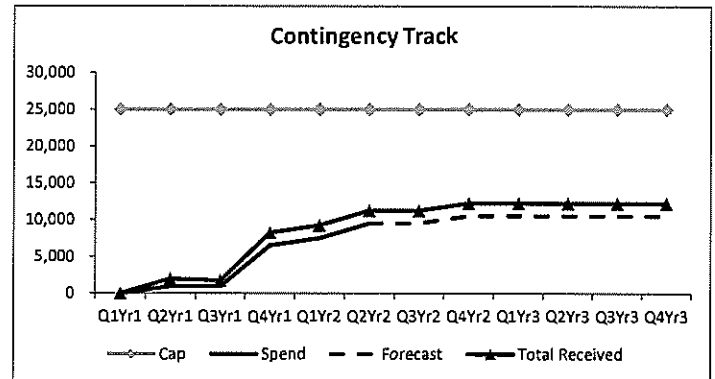
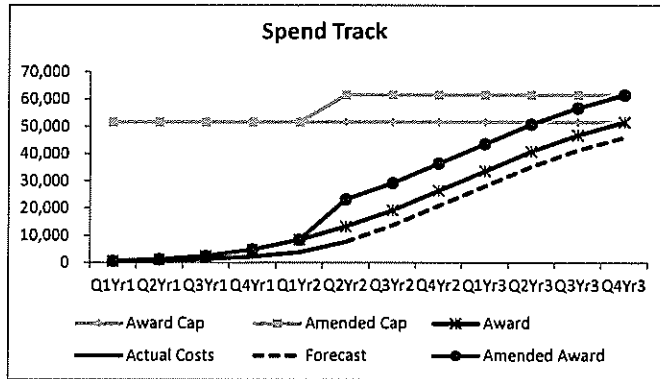
Capital Project Name Ref #

Department Project Manager

Reporting Period Ending Q2Yr2

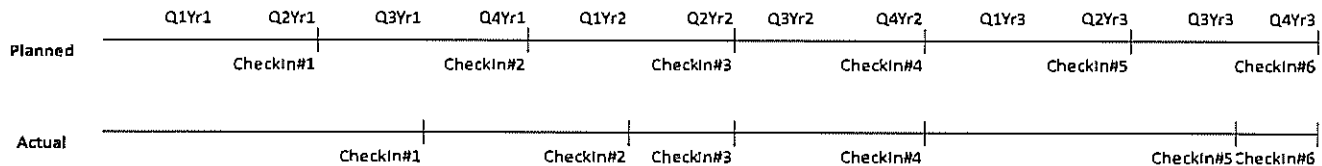
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CITY OF VAUGHAN
POLICY MANUAL

Appendix #1 – Contingency Matrix

Risk Factors	Low	Med	High	Extreme
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Mgmt Level	Actuals/Signed Contracts	Quotes/Consult.reports	Benchmarks/Standards	Magnitude/Preliminary Estimate
Cost Element	0-2	6-10	11-16	17-19
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For items *high to extreme*

- Invest time in a very detailed project plan
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CAPITAL PROJECT FINANCIAL ADMINISTRATION AND REPORTING POLICY

Recommendation

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1. That the Capital Project Financial Administration and Reporting Policy be approved; and
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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 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 25th, 2013 item

Report prepared by:

Jackie Lee Macchiusi, CGA
Manager of Capital and Reserve Planning,
Ext. 8267

Respectfully submitted,

Barbara Cribbitt, CMA
Interim City Manager

John Henry, CMA
Acting Commissioner of Finance & City Treasurer

Attachment 1

SECTION: FINANCE	POLICY NO.: XXXX
DEPARTMENT: BUDGETING AND FINANCIAL PLANNING	SUBJECT: CAPITAL PROJECT FINANCIAL ADMINISTRATION AND REPORTING POLICY

1.0 PURPOSE

This Policy is intended to provide a consistent and consolidated approach to capital project financial administration and reporting, which includes but not limited to:

- Managing capital projects in the best interest of the City
- Clarity regarding roles, authorization and accountability
- Integrate project financial risk assessment
- Flexibility to manage operational circumstances
- Communicate the status of approved capital projects
- Support the City's core values and corporate strategic themes

2.0 SCOPE

This policy focuses on the financial administration and reporting of Capital Projects and applies to all staff and local boards of the Corporation of the City of Vaughan responsible for approved capital projects and associated spending decisions.

Note Re: Contract/Project Management: Although there are overlapping concepts and elements with contract/project management, those processes are the responsibility of the Department or assigned project manager. It is expected that departments undertake project management best practices for all capital projects, for which information may be leveraged for corporate reporting.

3.0 POLICY STATEMENTS

- 3.1** The City of Vaughan is committed to ensuring municipal governance by establishing a Capital Project Financial Administration and Reporting Policy to standardize practices and provide clarity regarding administration, management, and reporting requirements.
- 3.2** Capital Projects shall incorporate project management philosophy, which can be applied and adapted based on the service, 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 budgeting, etc.

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3.4 The focus of this policy and related procedures and practices are Capital Projects that have been defined and approved by Council in the City's capital plan.

4.0 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.

5.0 ROLES AND RESPONSIBILITIES

Department Heads and Delegated Project Managers are responsible for:

- i. Completing capital projects within approved policies/procedures, and the approved project budget or purchase award.
(A purchase award includes all Council authorized spending amounts)
- ii. 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.
- iii. 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.
- iv. Reviewing and authorizing the payment of capital project related invoices. To charge expenses to appropriately assigned capital projects.
- v. Providing direction to close capital projects in a timely manner, per the requirements of this policy.
- vi. Evaluating the risk of capital projects and determining an appropriate contingency balance, where possible using methods illustrated within this policy.
- vii. Consulting with Finance regarding the provision of capital project financial detail e.g. items, reports, correspondence, etc.
- viii. Accountable to the City Manager and to Council for spending against their approved capital budgets. Capital project/Contract management is a primary management responsibility.
- ix. Assessing the impact of and reporting on any Council directed changes to project scope

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

- i. Administering and coordinating 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, ensuring payments are processed in a timely manner and charged to the appropriately assigned capital projects accounts.
- v. Co-coordinating with department heads the closing of completed capital projects in a timely manner
- vi. Developing processes, procedures, and policy recommendations regarding capital budget administration and reporting in consultation with the user departments
- vii. Administering approved policy

The City Manager and Commissioners are responsible for:

- i. Administering any authority granted in accordance with policy
- ii. To provide a level of reasonable oversight, management and assurance
- iii. Accountable to Council for the approved capital projects within their Commission

Council is responsible for:

- i. Approving capital budgets, associated projects, recommended budget amendments, and purchasing awards as required through the purchasing policy
- ii. Providing direction as required when receiving capital project status updates or staff initiated reporting
- iii. Considering impacts of Council directed changes

6.0 PROJECT RISK ASSESSMENT – CONTINGENCY

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.

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DEPARTMENT: BUDGETING AND FINANCIAL PLANNING	SUBJECT: CAPITAL PROJECT FINANCIAL ADMINISTRATION AND REPORTING POLICY

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% 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.

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 where possible 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 approved change orders are to be charged to the contingency account. Departments will be relied on to provide information regarding change orders. These balances will assist in monitoring progress and tracking project performance.

7.0 CAPITAL PROJECT PAYMENTS

Capital project invoice payments will be conducted within the authorization and process parameters set out within the Capital Project Financial Administration and Reporting 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. Finance will process the approved authorized payments in a timely manner, ensuring the charges are applied to the correct Capital budget accounts.

8.0 TREATMENT OF CAPITAL PROJECT/AWARD OVERAGES

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:

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DEPARTMENT: BUDGETING AND FINANCIAL PLANNING	SUBJECT: CAPITAL PROJECT FINANCIAL ADMINISTRATION AND REPORTING POLICY

- 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 illustrated within the 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 specifically highlighted within the following quarterly report.
- B.** In extreme cases of “Emergency Purchases”, compliance as per section 10 of the consolidated purchasing policy will be applicable.
- C.** Requests to authorize overages are to be provided in an internal communication with appropriate justifications and approvals.

The above authorizations will allow timely access to funds that help address normal capital project management issues, to ensure cost effective continuation of project delivery benefiting the City, its residents and other stakeholder. 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.

- 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.

(Note: The Capital Project Financial Administration and Reporting Policy philosophy applies to all purchase awards.)

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Budget /Purchase Award Amendments

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

- That department head in consultation with the Budgeting and Financial Planning department will make 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 any relevant legislation i.e. the Municipal Act, etc.
- 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

A budget amendment may be requested if:

- A new capital project is requested
- A change in funding sources is requested
- Additional funds are required

A purchase award amendment will be required if the project costs are anticipated to exceed Council authorization. The amendment should comply with section 8A and the City's Consolidated Purchasing Policy. The Director of Purchasing Services must be consulted regarding further direction.

Capital Project Swap

Occasionally based on operational requirements there may be a need to adjust the capital project to accommodate an exchange of the item or unit in relation to timing, location or use. Examples of this include exchanging the refurbishment of Fire Engine A for B due to unplanned repairs, correcting an administrative error related to the unit identified in the capital project detail, adjusting the location of mechanical equipment due to condition assessment, etc. The ability to perform these adjustments provides administrative flexibility and will only qualify if:

- The scope, type of work and intention is substantially the same
- There is no increase to the approved capital project budget

If the nature of the change deviates from the above, a budget amendment report to Council is required.

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9.0 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 (inactive meaning no accounting transactions or contractual activity).

The Budgeting and Financial Planning department will advise departments of projects being considered for closing. The Commissioner of Finance & City Treasurer has the authority after consultation with the appropriate Commissioner to close a capital project meeting the above criteria. Any surplus funding resulting from closed projects will be returned to the original funding source.

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. If the decision is to close the project, the Department Head has the option to resubmit the project for consideration in a subsequent budget cycle.

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.

10.0 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

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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 breadth 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, year 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

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

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 (criteria provided below). 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
- Contingency and change order tracking
- Risk and issue identification along with mitigation efforts
- Project schedule performance
- Project cost performance (current and project completion estimates)

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

High Profile Project Selection Criteria, one of the following:

- A total capital project budget value equal to or greater than \$5million
- A contingency level of 20% or more
- Identified as a high visibility or sensitive project by SMT or Council

10.3. Other Reporting

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

- The Budget department will provide departments with internal capital reports on a monthly basis to review capital project financial status
- Finance will conduct regular internal review of capital projects 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 will, as required, provide project management status reports to Council and the Senior Management Team, independent of Capital Project Financial Administration and Reporting requirements.

11.0 CONTRACT/PROJECT MANAGEMENT

Contract/project management is the primary responsibility of the department or designated project manager with ownership of 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 constraints 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

12.0 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.

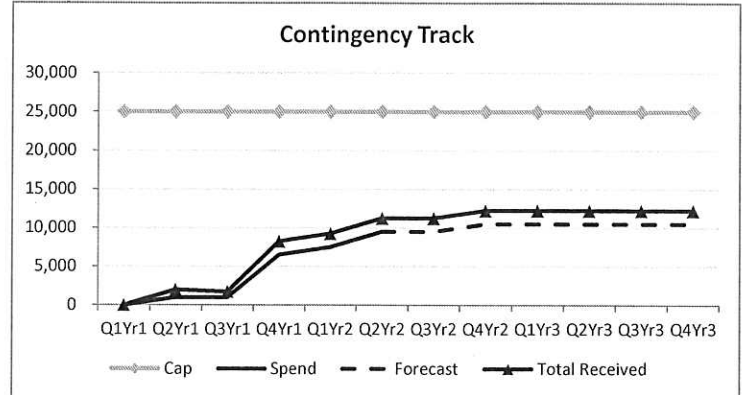
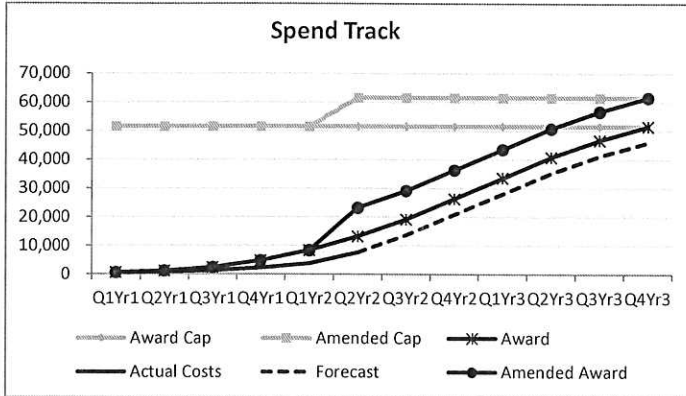
High Profile Capital Project - Status Report

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"/>		

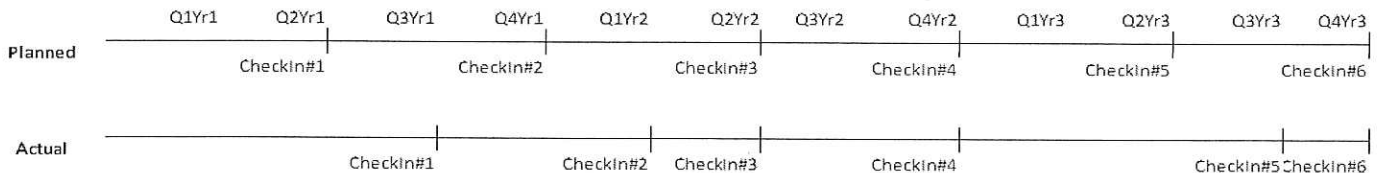
	Budget	Amendment	Total Budget	*Award	Amendment	Total Award	YTD Actuals + Commitments	Variance
Original Amount			-			-	46,050	(46,050)
Original Incidentals			-			-		-
Original Contingency			-			-	9,500	(9,500)
Total			-			-	55,550	(55,550)

* 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.



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.

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.

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

Item 11, Finance Report No. 8 – Page 2

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 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. 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

Item 11, Finance Report No. 8 – Page 4

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.)