



# **ADMINISTRATIVE STANDARD FM-004**

## **ASSET MANAGEMENT V1.1**

**AUTHORITY FOR STANDARD:** Chief Administrative Officer

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**NOTE:** The Asset Management Administrative Standard FM-004 supersedes the previous FM-004 Capital Project Administration as of March 31, 2015.

### **STANDARD**

ALL DEPARTMENTS WILL ADOPT A COMPREHENSIVE APPROACH TO MANAGING THE CITY'S ASSETS TO MEET ESTABLISHED LEVELS OF SERVICE AT THE LOWEST OVERALL COST OF OWNERSHIP AT AN ACCEPTABLE LEVEL OF RISK.

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**Document Quality Information**

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V1.1	Section A.2.4, A.4.7, Appendix G, H and J	January 13, 2016	D. McNeil, CAO

## Purpose of Standard

The purpose of this Standard is to ensure that all City Departments (Note: Departments include Special Operating Agencies (SOA)) follow the same approach to achieve the City's Asset Management Policy objectives by integrating the four asset management organizational components:

- **Strategy** – Sets the vision, mission, framework and roadmap.
- **Business Process** – Design and implement streamlined and effective processes and procedures.
- **Physical Assets** – Minimize total cost of ownership, maximize reliability and meet performance standards.
- **People** – Make the right choices in organization design and people resources.

These components, supported by appropriate technologies, provide a robust foundation for efficient service delivery.

*Note: As SOA's prepare business plans vs. submit an investment plan into the budget process, SOA's need to embed the principles and processes into their business processes.*

## Roles and Responsibilities

The following sections detail each component and note the specific requirement that needs to be fulfilled by the Corporate Asset Management Program (AMP) and the Departments.

### A.1 STRATEGY

#### A.1.1 Manager of City Asset Management Program

- Develop and manage the AM – Management System (AMMS) as identified in section A.2.2, and as detailed in Appendix A.
- Develop and manage the AMMS governance documents. The key documents being the AM Policy and Administrative Standard.
- Develop a Corporate AM Plan; the plan will be reviewed and updated on a 3-5 year basis. The plans will be developed per the latest version of the AMP Guideline and identify the following key elements:
  - Develop in consultation with Departments Level of Service targets that are detailed in Departments' AM Plans.
  - Develop a State of the Infrastructure Report. The report will be a summary of data produced and measures tracked in the Department's AM Plans.
  - Develop funding strategies in consultation with Departments and other stakeholders.
- Develop and manage a business process master plan that identifies key Corporate and Departmental business processes.
- Develop an AM Competency Plan.
- Plan for each area of the AMMS. The plan will define the necessary skills and competencies needed to effectively manage the asset base to meet Level of Service.
- Develop an AMMS Technology Master Plan in consultation with the Departments and Corporate Support Services.

## A.1.2 Department

- Adhere to the AMMS governance documents.
- Develop a Departmental Service Delivery Plan that will clearly identify business drivers (such as growth) and define strategies and tactics necessary to effectively maintain or enhance level of service.
- Develop an AM Plan. The plans will be:
  - Developed per the latest version of the AM Plan Guideline
    - [Asset Management Plan Guideline](#)
  - Reviewed and updated on a 3-5 year basis.
- Develop an AM Strategy for major physical asset classes as defined in the AM Plan Guideline. Each AM Strategy will consider both existing and new infrastructure needs to meet current and future levels of service. The AM Strategy will link to:
  - OurWinnipeg,
  - Funding strategies,
  - Service delivery plans, and
  - 4-10 year investment plans.
- Develop a State of the Infrastructure Report as defined in the AM Plan Guideline.
- Develop and manage procedures and assign accountabilities for the identification of current and future legal, regulatory and statutory requirements. Asset upgrades take into account future/potential legislation where appropriate.
- Develop Business Continuity Plans that ensure essential business functions continue to operate during and after a disaster.
- Develop a business process master plan that integrates with the AMMS.
- Align Information Technology solutions to the AMMS Technology Master Plan:
  - As part of the AMMS Technology Master Plan continually work to automate the processes with the AMMS to achieve efficiencies and effectiveness of service delivery to the customer.
  - Work within the technology master plan and Corporate Support Services' strategy to help rationalize the number of IT solutions in use to support AM practices.

## A.2 BUSINESS PROCESS

### A.2.1 Business Process Owners

A business process owner has the responsibility and authority to design and manage the process to ensure it integrates with the Asset Management – Management System (AMMS) and other City processes.

Table 1 identifies the key processes within the AMMS. Each process is linked to a process owner and governance document.

*Note: the AM Policy, Strategic AM Plan and Quality Management Plan are applicable governance documents to all the processes below except where noted otherwise.*

**Table 1 – Key AM processes and owners**

<b>Process</b>	<b>Process Owner</b>	<b>Process Governance</b>
Asset Management – Management System (AMMS)	Manager of City Asset Management Program	<ul style="list-style-type: none"> <li>• AM Administrative Standard</li> </ul>
Investment Planning (IP)	Manager of City Asset Management Program	<ul style="list-style-type: none"> <li>• Investment Planning Manual</li> <li>• Project Management Manual</li> </ul>
Investment approval between Budget Cycles	Manager of City Asset Management Program	<ul style="list-style-type: none"> <li>• Investment Planning Manual</li> </ul>
Project Management (PM)	Manager of Capital Projects	<ul style="list-style-type: none"> <li>• Investment Planning Manual</li> <li>• Project Management Manual</li> </ul>
Contract Administration (CA)	Manager of Capital Projects	<ul style="list-style-type: none"> <li>• Project Management Manual</li> </ul>
Operations & Maintenance	Department Heads	<ul style="list-style-type: none"> <li>• Departmental Operating Manuals</li> <li>• Defined Maintenance Practices</li> <li>• Operation and Maintenance Guideline (Future)</li> </ul>
Decommissioning and Disposal	Manager of City Asset Management Program	<ul style="list-style-type: none"> <li>• Asset Disposal Guidelines (Future)</li> <li>• FM-002</li> </ul>

## Other related processes

The above Process Owners need to ensure that their processes integrate with the following associated processes.

**Table 2 - Other related Processes and Owners**

<b>Process</b>	<b>Process Owners</b>	<b>Process Governance</b>
Debt Financing	Manager of Financial Services	Investment Policy Debt Management Policy
Loan Guarantees	Manager of Financial Services	Investment Policy Debt Management Policy
Budget Submission	Manager of Financial Planning & Review	Call Letter
Procurement - Solicitation	Materials Management	Materials Management Policy FM-002
Tangible Capital Asset Reporting	Corporate Controller	Financial Statement Policies Financial Administration Manual Generally Accepted Accounting Principles for Tangible Capital Assets and Leases
Land Acquisitions and Expropriations	Corporate Controller	Appendix H
Annual Capital Review, Project Closing and Supplemental Borrowing Authority	Corporate Controller	Appendix I
Interest and Administrative Overhead Charges	Corporate Controller	Appendix J

## Process Control

The following are the key process controls within each process governed by the AM Policy and Administrative Standard.

### **A.2.2 Asset Management - Management System (AMMS)**

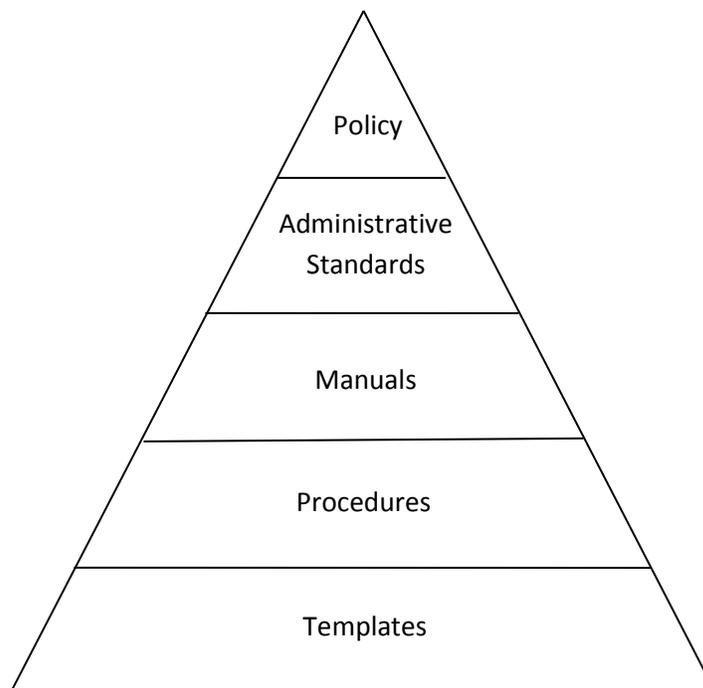
#### **Manager of City Asset Management Program (Process Owner)**

- Develop and manage the Quality Management Plan for the AMMS

- The Quality Management Plan defines how quality will be embedded in the system.
- Performance Evaluation & Improvement - Measures will be defined to gauge effectiveness and efficiency of the processes within the AMMS.
- Document Management System – develop a system to manage documents produced within the AMMS. This includes roles, responsibility and authority during a record's/document's lifecycle.

The document hierarchy that forms the foundation of the AMMS is noted in Figure 1 and a corresponding description of these documents is noted below:

**Figure 1: Governance document hierarchy**



- **AM Policy** – Defines the goals and objectives of Council.
- **AM Administrative Standard** – Defines the roles, responsibilities and authority to achieve the objectives of the Policy. The Administrative Standard directs the Public Service to a specific process area for more detailed direction. The following are the key documents that support the Administrative Standard:
  - **Strategic AM Plan** – Defines Senior Management's commitment and approach to achieving Council's approved policy and the Administrative Standard. Provides the high level roadmap for how the AM Plan will be implemented and transition into sustainment.
  - **Quality Management Plan** – Defines how quality is integrated into the AMMS

- **Manuals** – Define “How-to’ instructions for specific business processes. The following are the manuals that have been developed. Other manuals may be developed as the AMMS is fully developed:
  - **Investment Planning Manual** – Defines the Investment Planning process in detail including process charts with role level responsibilities and the hand-off between individuals.
  - **Project Management Manual** – Details how to manage a project, which includes development of a charter, plan, project organizational structure, change controls and cost controls etc. Contract administration is part of the manual.
  - **Business Unit Asset Management Plan Framework & Guidelines** – Defines the elements that need to be captured in both the Corporate and Departmental AM plans.
- **Procedures** - Step by step instructions that support both the processes and the templates. These are either embedded or referenced in the manuals.
- **Templates** – Ensure consistency in document layout and reporting of information. They will include instructions within each template on how to complete the template.

In case of disagreement between any of these documents, document order of precedence shall be in order, Council Policy, Administrative Standard followed by the Manuals. Any disagreements between these documents should be brought to the attention of the Manager of the City Asset Management Program.

### **Department**

- Adopt and integrate the AMMS into the Department’s business processes.

### **A.2.3 Investment Planning (IP)**

#### **Process Owner**

- Develop and manage the Investment Planning process.
- Develop key Corporate Level of Service indicators in consultation with the Departments responsible for the service.
- Assess the Multi-Criteria Prioritization (MCP) model on a yearly basis to ensure it reflects the values of the Customers.

#### **Department**

- Develop Level of Service models for each defined service area.
- Develop Business Cases to evaluate capital investment projects submitted for inclusion in the capital budget.
- Utilize the MCP model to prioritize capital investments submitted for inclusion in the capital budget.
- Develop 4-10 year investment plans based on investment needs and not funding limitations for major asset groups.
- Investments identified between budget cycles need to be approved as outlined in the Investment Planning Manual.
- Produce 1-3 year investment plans and integrate into the capital and operating budget process as outlined in the Investment Planning Manual.

- Discuss financing opportunities with the Manager of Financial Services when considering advancing major capital investments.
- Ensure that investments are coordinated with the City's Debt Strategy prior to submission into the budgeting process.
- Ensure the CFO is in concurrence with the inclusion of any future Loan Guarantees in the Department's investment plan prior to submission into the annual capital budget process.
- During the development of the Business Case, consider alternative project delivery methods such as Design-Build, Construction Manager or P3 (Private – Public –Partnership) for large value major capital projects.
- The Department responsible for making the investment decision submits the capital budget detail sheet which is listed under their department name in the capital budget book. The department accountable to Council for delivering the capital project is identified by the project identification number on the capital budget detail sheet.

#### **A.2.4 Project Management (PM)**

##### **Process Owner**

- Develop and manage the project delivery process as defined in the Project Management Manual (PMM).
- Develop and manage the project delivery processes for Major Capital projects per the PMM and the supplementary directives in Appendix G - Major Capital Projects Directives.

##### **Department**

- Accountable to Council for capital project delivery. For greater certainty, the Department accountable for the project is identified by the project identification number assigned to the project in either the annual Capital Budget or Administrative Report to Council (for in-year authorizations).
- Manage capital projects in accordance with all Council Policies, Administrative Standards and the PMM. Appendix G of this Standard provides directives for major capital projects.
- Develop project plans to the level of detail required based on the project's complexity, risk profile and how routine the deliverables are. The Department's Director shall be responsible to determine the level of project plan detail that is required.
- All projects will follow the risk management process identified in the PMM throughout the project lifecycle.
- All projects will follow the key processes identified in the PMM, specifically; Organizational Change Management, Public Engagement and Change Control.
- Capital Project reporting to Council must be open, transparent and fully disclose all material facts so as elected officials can make informed decisions with respect to capital project approvals.
- Responsible for adequately resourcing capital projects. In instances where capital projects are unable to be adequately resourced, the CAO should be advised immediately.
- Capital projects greater than \$20 million are considered Major Capital projects and have additional requirements prescribed in this Administrative Standard.
- The Public Service or Council may also direct projects that are below the threshold to report to SPC Finance in instances where those projects are high profile or involve a higher level of risk.
- Projects should have a Class 3 estimate prior to entering the execution phase of the project or prior to development of detailed design and construction. The intent is to complete planning/preliminary works to refine the scope to a class 3 estimate prior to submission into

the budgeting process. Major Capital Projects not meeting this standard have additional requirements prescribed elsewhere in this standard.

- For all tax supported Buildings projects, the Project Manager shall be from the Planning, Property and Development Department – Municipal Accommodations Division. For clarity, this includes refurbishments of existing buildings as well as new construction.
- All real estate transactions should be led by the Planning, Property and Development Department – Real Estate Division in accordance with Council Policy. Appendix H of this standard provides more detail with regards to Land Acquisitions and Expropriations.
- Business owner representation on project teams is at the discretion of the project manager. While business owner representation may be important to ensure that customers' expectations are met, the project team structure should be carefully evaluated to ensure that business owners are not in a position to arbitrarily increase project scope during the construction phase. Any such scope increases should form part of a change order and if additional budget is required it is the responsibility of the business owner department to find additional budget to cover the additional work following city procedures for approval of over-expenditures as described in FM-002.

### **A.2.5 Contract Administration (CA)**

#### **Process Owner**

- Develop and manage the processes identified in the Project Management Manual

#### **Department**

- Follow the processes identified in the Project Management Manual.

### **A.2.6 Operations & Maintenance**

#### **Process Owner**

- Develop and manage the processes in the operations and maintenance stage of an asset's lifecycle to meet the requirements identified in the Physical Asset section of this Standard.

### **A.2.7 Decommissioning and Disposal**

#### **Process Owner**

- Develop and manage the Physical Asset Disposal guidelines (future).

#### **Department**

- Decommission and Dispose of Assets to obtain the best value based on the asset's condition.
- Follow the Physical Asset Disposal guidelines (future) and Materials Management Policy and Administrative Standard.

## A.3 PHYSICAL ASSETS

### A.3.1 Physical Asset Governance model

The City owns all the physical assets but a single Department, or Division within a Department, will be designated as the “control and use” owner of City assets based on the following criteria:

- There will be a direct link from the customer to the service provided to the service the asset exists to provide;
- The Department or Division that has direct responsibility and authority to the customer will be defined as the control and use owner responsible for the physical asset throughout its lifecycle;
- Departments will focus on the service(s) they provide to customers as their core business and utilize, via Service Level Agreement (SLA), the expertise of other Departments (internal service delivery Departments) whose core business is to service assets;
- Control and use Departments will enter into SLA’s with internal service delivery Departments or SOA’s to provide specific services to manage their asset inventory. For example, Planning, Property and Development - Municipal Accommodations Division have the expertise in facility management which other Departments need to utilize;
- The reporting responsibility to Standing Policy Committee (SPC) will be determined based on the SPC to which the “control and use” (Service) Department reports. That is;
  - Budget process; Asset Investments will be identified in the Department’s capital budget detail sheet that delivers the service to the customer.
  - The project identification number, as disclosed on the capital budget detail sheet, will identify the Department accountable to Council for project delivery and that Department will report through their relevant standing committee, except for:
    - Buildings projects, which will be budgeted based on control and use (Service), but assigned a PP&D project identification number. In these instances, PP&D is accountable to Council for project delivery, but will report to Council through the control and use (service) department’s relevant SPC.
      - For example, where a library building project would be budgeted in Community Services but assigned a PP&D Project identification number, PP&D will report to Council via Community Services’ relevant SPC (SPC Protection and Community Services).

### Manager of City Asset Management Program

- Support the Department and, if appropriate, the specific Division to define responsibility and authority for control and use of the City’s asset based on the above criteria and as outlined in the Investment Planning manual.
- Develop with the Departments a data hierarchy for all asset groups to support the Level of Service models as detailed in the Investment Planning manual.
- Facilitate the development of SLA’s between Departments.
- Maintain an inventory of SLA’s for entry by each Department.

**Departments will:**

- Departments will utilize the services and expertise that currently exist with specific Departments vs. re-creating that expertise in-house.
  - Enter into formal SLA's with other Departments to utilize these services for each stage in an asset's lifecycle.
- Develop and maintain asset registers.
- Support the development of a data hierarchy for each asset group.
- Produce Criticality and Risk profiles for all major asset classes per the Investment Planning Manual and the Operational & Management guideline (Future). The Criticality and Risk profiles should be reviewed and updated on a 3-5 year basis.
- Capture all Standard Operating Procedures, Emergency Standard Operating Procedures and update (with appropriate version control and security) to ensure business continuity.
- Perform Risk and Hazard Assessments (Assessment of a Facility, System and Operation) for appropriate asset groups. The assessment is intended to identify and evaluate risks to personnel, equipment and systems that can prevent efficient operation.
- Evaluate lifecycle costs in asset maintenance and replacement investment decisions.
  - Strive toward determination of full cost of ownership (cradle to cradle) for each asset. This should include procurement, maintenance, operation and disposal include all labor and material costs.
- Optimize operation and maintenance resources to meet customer Level Of Service targets.
- Adopt Strategic Work and Maintenance management practices to ensure effective work order backlog management and preventive maintenance optimization.
- Decommission and Dispose of Assets per the Asset Disposal Management guidelines (future) to obtain the best value based on the asset's condition.
- Perform Root Cause Analysis techniques; conduct on a regular basis to better understand and reduce/eliminate asset failures.
- Capture and report data for PSAB 3150 compliance per the Tangible Capital Asset Reporting Guideline.
- Define the control and use owner of all assets based on the Physical Asset Governance Model in Section A.3.1 and in the Investment Planning manual.

## **A.4 PEOPLE**

### **A.4.1 AM Governance**

- The AM governance structure is as identified in Appendix B.

### **A.4.2 Corporate Project Management Office (PMO)**

- The Corporate PMO entity shall be comprised of the Manager of Infrastructure Planning, the Manager of the Asset Management Program and the Manager of Capital Projects.
- The Manager of Infrastructure Planning needs to ensure the responsibilities of the Corporate PMO reconcile with the AMMS governance elements.

### **A.4.3 Departmental PMO**

- The Departmental PMO is responsible to implement and sustain the AMMS within their Department.
- A single individual needs to be identified as the PMO lead for the Department.
- The number of individuals assigned to the PMO will be Department specific. The Departmental PMO should be comprised of the Departmental Asset Manager, Investment Planner, Senior Project Manager and/or other designated staff depending on the complexity of the investments managed by the PMO.

### **A.4.4 AM Program (AMP) Organization Delivery Structure**

- The AMP Delivery Structure is as identified in Appendix D – AMP Organizational Delivery Structure.

### **A.4.5 Roles and Responsibilities**

To support the above governance structure, the following responsibilities are applicable to each role identified:

**Table 3 – Role & Responsibility Summary**

Role	Responsibilities
Chief Administrative Officer (CAO)	<ul style="list-style-type: none"> <li>• Ensure compliance with this Standard</li> <li>• Ensure that adequate resources are available to meet the requirements of this Standard and accompanying procedures</li> </ul>
Chief Financial Officer (CFO)	<ul style="list-style-type: none"> <li>• Oversee financial systems for purposes of timely financial reporting relating to capital investments</li> <li>• Provide input and advice to the CAO on all financial decisions relating to investment in infrastructure assets</li> <li>• Ensure City's liability is limited and not exposed to un-necessary financial risk</li> <li>• Grant applications and Third Party funding</li> <li>• Ensure infrastructure investment decisions are consistent with the City's Debt Strategy</li> </ul>
Corporate Controller	<ul style="list-style-type: none"> <li>• Ensure compliance with respect to quarterly reporting to SPC Finance as identified in the Major Capital Project Advisory Committee section</li> <li>• Land and expropriation transaction reporting (Appendix H)</li> <li>• Annual Capital Review, Project Closing and Supplemental Borrowing Authority (Appendix I)</li> <li>• Interest and Administrative Overhead Charges (Appendix J)</li> </ul>
Asset / Project Management Advisory Committee	<ul style="list-style-type: none"> <li>• Monitor and manage the performance of the AMP</li> <li>• Provide guidance and advice to the AMP</li> <li>• Agree on Multi-Criteria Prioritization criteria and weightings</li> <li>• Monitor progress and success of the Corporate AM Plan</li> </ul>

Role	Responsibilities
Departmental Directors	<ul style="list-style-type: none"> <li>• Develop Asset Strategic plans that link to Departmental business plans</li> <li>• Develop Strategic risk assessments for the service and asset that provide those services</li> <li>• Provide Departmental sponsorship for AM practices and concepts</li> <li>• Provide leadership and support to Departmental AM staff and stakeholders</li> <li>• Provide adequate resources to support asset management goals at the Departmental level</li> <li>• Develop and maintain a succession plan to minimize the risk of knowledge loss and maintain the Department's ability to operate and manage its assets</li> <li>• Track, analyze and report on their Departmental AMP</li> <li>• Approve the CIP for submission</li> <li>• Provide input into the AM competency plan</li> <li>• Support and promote the training program</li> <li>• Strive for the right mix of in-house and external resources</li> <li>• Accountable to Council for capital project delivery</li> <li>• Responsible for assigning both a Project Sponsor and a Project Manager to a capital project</li> <li>• Responsible for adequately resourcing capital projects or advising the CAO where projects cannot be adequately resourced</li> <li>• Responsible for the establishment of the Major Capital Projects Advisory Committee</li> </ul>
Manager of Infrastructure Planning	<ul style="list-style-type: none"> <li>• Provide City-wide leadership in AM practices and concepts</li> <li>• Participate in the Asset / Project Management Advisory Committee</li> <li>• Perform corporate reviews on behalf of the CFO</li> </ul>
Manager of City Asset Management Program	<ul style="list-style-type: none"> <li>• Coordinate internal and external AM and PM benchmarking as identified in the Quality Management Plan</li> <li>• Coordinate tracking of City-wide AM maturity (using the CAMRA Tool)</li> <li>• Provide oversight and guidance to the Departments' approach to Investment Planning</li> </ul>

Role	Responsibilities
<p>Manager of Capital Projects</p>	<ul style="list-style-type: none"> <li>• Provide oversight and guidance to Departments accountable for project delivery</li> <li>• Recommend improvements to the PMM and this Administrative Standard, considering best practices in project management, lessons learned on prior projects as well as resourcing levels authorized by Council in the annual operating and capital budgets</li> <li>• Participate on all Major Capital Project Advisory Committees (or appoint a designate)</li> <li>• Aid the Manager of Infrastructure Planning in performing any corporate secondary review as prescribed in this Administrative Standard</li> <li>• Perform capital project reviews on an ad hoc basis with a focus on high dollar value and high risk projects</li> <li>• Provide recommendations to the Chief Financial Officer to avoid, reduce or mitigate risks on major capital projects</li> <li>• Review capital project administrative reports and over-expenditure reports, as assigned by the Chief Financial Officer</li> </ul>
<p>Control &amp; Use Owner</p>	<ul style="list-style-type: none"> <li>• The Entity at either the Department or Division level within a Department that is designated as responsible for control and use of the asset</li> <li>• The control and use owner is responsible for the delivery of the service to the Customer and subsequently the asset that exists to provide the service</li> <li>• As the City owns all assets, this specific entity within the City organization structure needs to be responsible for the asset during its entire lifecycle</li> <li>• Enters into and manages the Service Level Agreements</li> <li>• Control &amp; Use Owner is the Business Owner in the project organizational structure</li> </ul>
<p>Corporate Project Management Office (PMO)</p>	<ul style="list-style-type: none"> <li>• The Manager of Infrastructure Planning is designated as Head of the Corporate PMO</li> <li>• Responsible for the governance items identified in Appendix B</li> </ul>
<p>Departmental PMO</p>	<ul style="list-style-type: none"> <li>• Responsible to integrate the AMMS into the Departmental business processes</li> <li>• The communication link with the Corporate PMO and Departmental resources</li> <li>• The responsibilities include coaching, mentoring staff and developing performance reports to continually improve the system</li> <li>• Ensure resources are assigned and utilized effectively and efficiently based on Investment</li> </ul>

Role	Responsibilities
	<p>demands</p> <ul style="list-style-type: none"> <li>• Responsible for Quality Management of the AMMS per the Quality Management Plan at the Department level. This includes gathering and reporting on quality performance measures and implementing corrective actions</li> <li>• Review the project/change control process to identify trends and improvement solutions</li> </ul>
Departmental Asset Managers	<ul style="list-style-type: none"> <li>• Integrate and operationalize the AMMS into the Department's business processes</li> <li>• Provide support, direction and leadership for asset management practices</li> <li>• Provide input into the AM Strategic Direction and support implementation once approved by the CAO</li> <li>• Develop and update the Department's AM plan</li> <li>• Prepare and maintain lifecycle management strategies for key asset classes</li> <li>• Track and report on AM benefits at the Departmental level</li> <li>• Provide skills development to employees in specific AM disciplines</li> <li>• Participate in Asset / Project Management Network Committee meetings as the lead for their Department</li> <li>• Participate in implementation teams as part of the AM program development process</li> <li>• Manage the Investment Planning process</li> </ul>
Departmental Investment Planner	<ul style="list-style-type: none"> <li>• Develop Departmental Investment plans for 1-3 year budget submission and 4 to 10 year plans based on investment needs</li> <li>• For Major Capital Projects, should consider budgeting monies for design work in advance of the construction phase of the project in order to have a Class 3 estimate in place prior to support the authorization request for the project construction budget</li> </ul>
Project Sponsor	<ul style="list-style-type: none"> <li>• Acts as a champion of the project</li> <li>• Provides advice to the Department Head and Project Manager using their experience and expertise</li> <li>• Aids in securing cooperation and resourcing from outside the project that is critical to the successful delivery of the project</li> </ul>

Role	Responsibilities
Project Managers	<ul style="list-style-type: none"> <li>• Responsible to the Department Head for capital project delivery</li> <li>• Manage projects in accordance with Council Policy, Administrative Standards, all procedures including the PMM and the Investment Planning Manual</li> <li>• Responsible for completing and retaining all documentation required by the PMM</li> <li>• Responsible for ensuring capital project reporting to Council is open, transparent and fully discloses all material facts so as elected officials can make informed decisions with respect to the capital project approvals</li> </ul>

#### **A.4.6 RACI Matrix**

See Appendix F - RACI (Responsibilities, Accountability, Consulted, and Informed) Matrix. The objective of the RACI matrix is to define specific roles and responsibilities. The roles were created to align with the AMMS and the management of an asset during its lifecycle. As each Department may have different job titles and job descriptions, the Departments will need to assign individuals to a specific role(s).

#### **A.4.7 Committee Composition & Responsibility**

##### **AM Advisory Committee**

- The Advisory Committee is comprised of the Departmental Directors and other key individuals as designated by the CFO.
- The purpose of the advisory committee is to provide Departmental input into the Asset Management – Project Management program decision making process.
- The Manager of the Asset Management Program coordinates and chairs the Asset / Project Management Advisory Committee and Network Committee meetings.

##### **Major Capital Projects Advisory Committee**

*Note: Additional directives for major capital projects are included in Appendix G.*

##### *Dollar Thresholds and Exclusions*

- Council at its meeting held October 28<sup>th</sup>, 2015 approved an adjustment to the Major Capital Projects reporting threshold from \$10 to \$20 million dollars. Applied on a prospective basis projects \$20 million or greater are required to form a Major Capital Projects Advisory Committee. Those projects with already established committees under the \$20 million threshold will continue reporting to SPC Finance until the project is complete.
- Programs are excluded from the formation of a Major Capital Projects Advisory Committee, including annual programs such as the Transit Bus Replacement program, Residential Street Renewals program, Sewer and Water Main Renewals program.
- For greater certainty, projects requiring a Major Capital Projects Advisory Committee are now disclosed in an Appendix to the annual Council approved Capital Budget book.

##### *Council Delegation*

- A project is not authorized until it has been approved by Council.
- Council authorization identifies the Department accountable for the project delivery via the project account number.
- The project account number is disclosed either on the Capital Budget detail sheet or Administrative Report to Council (for in-year approvals).

### *Accountability*

- The Department Head is accountable to Council for the delivery of the project and therefore has final approving authority with respect to the project. The Department Head then delegates the work to a Project Manager.

### *Committee Establishment*

- The Department Head accountable for the project is responsible for establishing the Major Capital Projects Advisory Committee and is the Chair of the Committee.
- The Major Capital Projects Advisory Committee is to be established and begin reporting financial status to the SPC Finance within 180 Calendar Days of project authorization and must continue to operate to the end of the project.
- The Major Capital Projects Advisory Committee shall meet as often as necessary and at least quarterly in advance of any reporting to the SPC Finance.

### *Reporting Requirements*

- Financial status reporting to the SPC Finance shall be quarterly, unless otherwise directed by SPC Finance.
- Minutes of each meeting must be recorded with a copy sent to the Manager of Infrastructure Planning Division and retained in the Departmental records. Minutes should include the issues or information presented, who participated in the meeting and any decisions made by the Committee and/or any information requested from the project.
- Over-expenditure reports (if any) are to be approved in accordance with Appendix 7 (Contract Over-Expenditures) of Administrative Standard No. FM-002. Over-expenditure reports beyond the delegated authority to the Public Service are to be approved by the Department's relevant Standing Committee and/or Council.

### *Committee Composition*

- The Department Head/Chair is responsible for appointing other committee members in accordance with the following committee composition:
  - Department Head (Chair)
  - One member from the accountable department - having considerable experience directly related to the project, preferably with similar projects
  - Two members from two outside departments – each holding a senior position in their respective department with significant experience and competencies directly relevant to the project
  - The Manager of Capital Projects (or Designate)
  - One member representing Corporate Finance, as approved by the Chief Financial Officer
- The Chair can appoint any other members to the Committee at his/her discretion.
- The Project Manager and Project Team members are not eligible to be appointed to the committee. The Project Manager (or designate) is required to attend all committee meetings and team members will attend meetings at the request of the Chair.
- Any member of the Public Service holding a position senior in ranking to the committee Chair is not eligible to be appointed to the committee. As such, the Chief Administrative Officer, Chief Operating Officer, Chief Financial Officer and City Solicitor are not eligible to be appointed to the Committee. The Chair may (and should) invite any of these individuals

to attend committee meetings should their expertise be required in relation to a specific project issue.

- The Project Sponsor must be on the Committee and can fill any of the categories noted above. For greater certainty, the Chair may also elect to assume the role of the Project Sponsor.

#### *Committee Responsibility*

- Supporting the Committee Chair in the successful delivery of the project.

#### *Committee Chair Accountabilities*

- The Chair shall have final decision on all issues escalated to the Committee as he/she is accountable to Council for project delivery. Additional responsibilities include:
  - Establishing the committee within the parameters set out above
  - Appointing a Project Sponsor
  - Appointing a Project Manager
  - Approving the Project Charter and any changes
  - Approving the Project Delivery Plan and any changes
  - Approving a project risk register as well as monitoring project risk and any mitigation plans
  - Ensuring minutes are kept, circulated, approved and filed as required.
  - Ensuring all required reports are submitted to Committees of Council and Council
  - Providing direction to the Project Manager on matters escalated to the committee including critical decisions as to the trade-off between cost, schedule, scope/quality
  - Supporting the Project Manager and Project Team as required to aid in the delivery of the project
  - Ensuring the project is adequately resourced

#### *Committee Member Responsibilities*

- Supporting the Committee Chair, Project Manager and Project Team in the delivery of the project
- Using their experience and expertise to provide advice to the Chair on matters escalated to the committee including critical decisions as to the trade-off between cost, schedule, scope/quality
- Providing support to the project from outside departments, where required
- Aiding in the coordination of activities between departments
- Preparing for and attending meetings on a regular basis
- Reviewing and approving committee minutes
- Reviewing and making recommendations to the Committee Chair regarding the project charter and project delivery plan including the risk matrix

#### *Project Manager Responsibilities*

- Ensuring all material issues are escalated to the Committee including critical decisions as to the trade-off between cost, schedule, scope/quality
- Preparing and signing the Project Charter and any changes
- Preparing and presenting to the committee a summarized project delivery plan and any changes

- Preparing a project risk register, identifying and reporting project risk and developing mitigation plans
- Preparing the quarterly Financial Status Report to SPC Finance
- Preparing Over-expenditure reports (if any)
- Managing the project in accordance with Council Policy, Administrative Standards and the PMM (i.e. – procedures)
- Attending Committee meetings (or appointing a designate to attend)
- Supporting the Project Team in the delivery of the project
- Ensuring capital project reporting to Council is open, transparent and fully discloses all material facts so elected officials can make informed decisions with respect to the capital project approvals

### **AM & PM Network Committees**

- The Manager of the City Asset Management Program is responsible to form network committees with representatives from Corporate and the Departments. Two committees are envisioned but this may change as the program moves into sustainment. The two committees envisioned relate to the Asset Management and Project Management areas.
- The Chair of the committees shall be as determined by the Manager of the City Asset Management Program.
- The Committee provides overall support and guidance to Departmental staff, assists with the implementation of specific processes and practices, and communicates and promotes the objectives of the Vision, Mission and Program Measures of Success to ensure they are achieved within the Departments.
- The Chair shall be responsible to review the Vision, Mission and objectives on a regular basis as the Asset Management Program matures.

### **A.4.8 Competency Development**

#### **Manager of City Asset Management Program**

- Defines the necessary skills and competencies needed to effectively manage the asset base to meet agreed levels of service.
- Develops a roadmap that outlines a graduated training scheme for the major roles within the AMMS.
- Facilitates skills development (Training) as it relates to asset management across the organization.
- Designs the organization to ensure that asset lifecycle coordination and work management is effective through a mix of centralized and decentralized units and tailored job descriptions.
- Provides the tools and processes to facilitate communication of knowledge and information both vertically and horizontally within the organization.
- Creates awareness of the AM Plan to all stakeholders both internally and externally via various media tools.
- Facilitates communication and organization change management as it relates to AM.

#### **Departments shall:**

- Design their organization to ensure that asset lifecycle coordination and work management is effective through a mix of centralized and decentralized units and tailored job descriptions.
- Strive for the right mix of in-house and external resources based on the Alternative Service Delivery Guideline.

- Coordinate with the Corporate Support Services Department through the Manager of City Asset Management Program to implement a skills development program (training) to ensure that the desired competencies are in place to support AM practices.
- Develop and maintain a succession plan to minimize the risk of knowledge loss and ensure their ability to operate and manage their assets.

## References and Links to Related Documents

[Asset Management Policy](#)  
[Investment Planning Manual](#)  
[Project Management Manual](#)  
[Asset Management Plan Framework & Guideline](#)  
 Strategic Asset Management Plan (future)  
 Quality Management Plan (future)

## Review Process

The Manager of the Asset Management Program and the Manager of Capital Projects shall review this Administrative Standard on a yearly basis.

The CAO's approval shall be required for amendments to this Standard.

## Key Contacts

Questions relates to this Standard should be forwarded to the Manager of Infrastructure Planning in Corporate Finance.

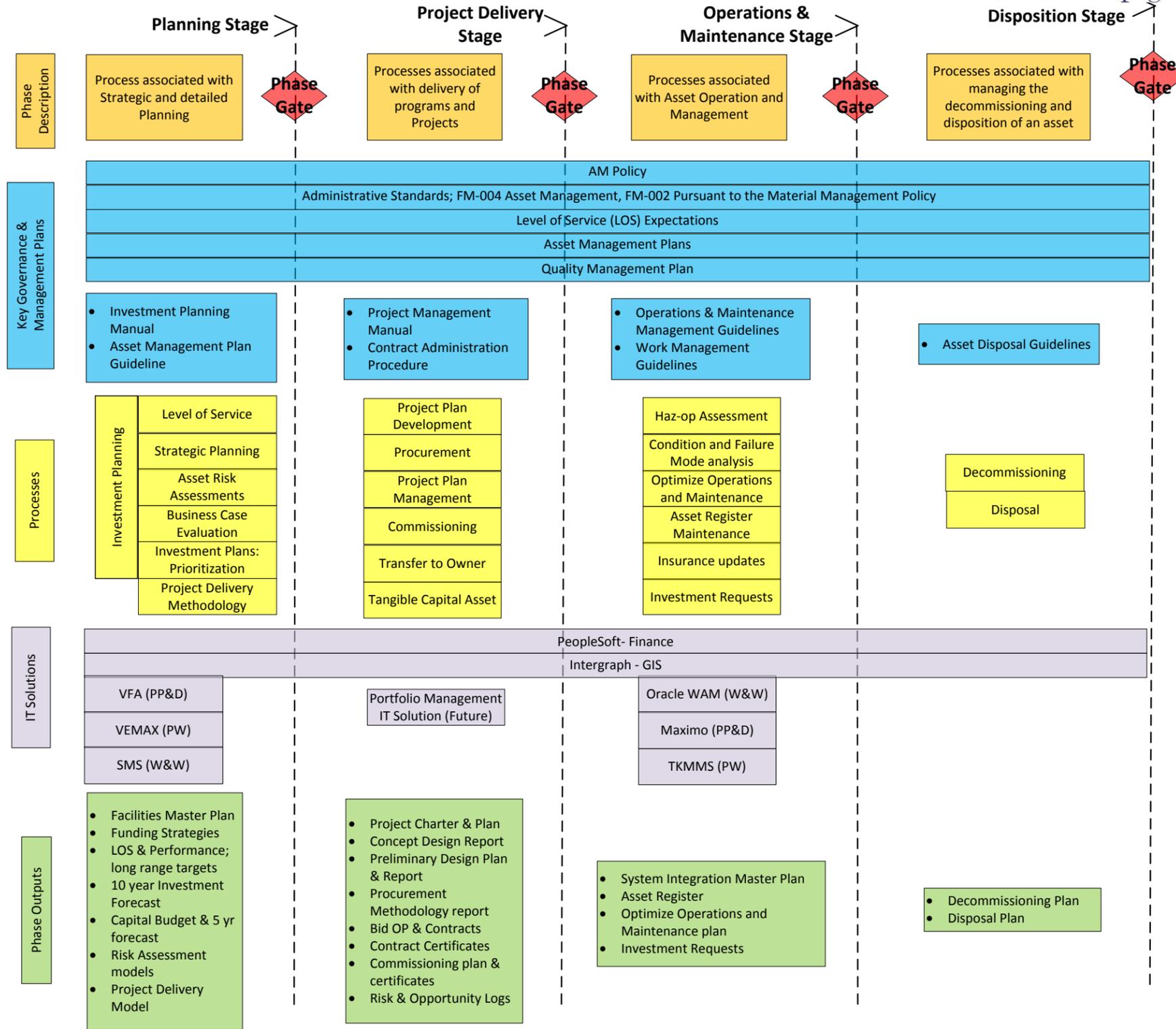
## Definitions

Term	Definition/Explanation
Asset Management Competency Plan	A plan that defines the knowledge and practical experience for the specific roles identified in this Standard.
Asset Management – Management System Technology Master Plan	The overall plan for how IT can support the AMMS.
Asset	A resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.
Asset Management Administrative Standard	The governance document that outlines the asset management business requirements that the Public Service needs to follow.
Asset Management – Management System (AMMS)	A set of interrelated elements (governance, processes and technology) that align the Public Service to consistently manage City Assets. See Appendix A for the elements that define the AMMS

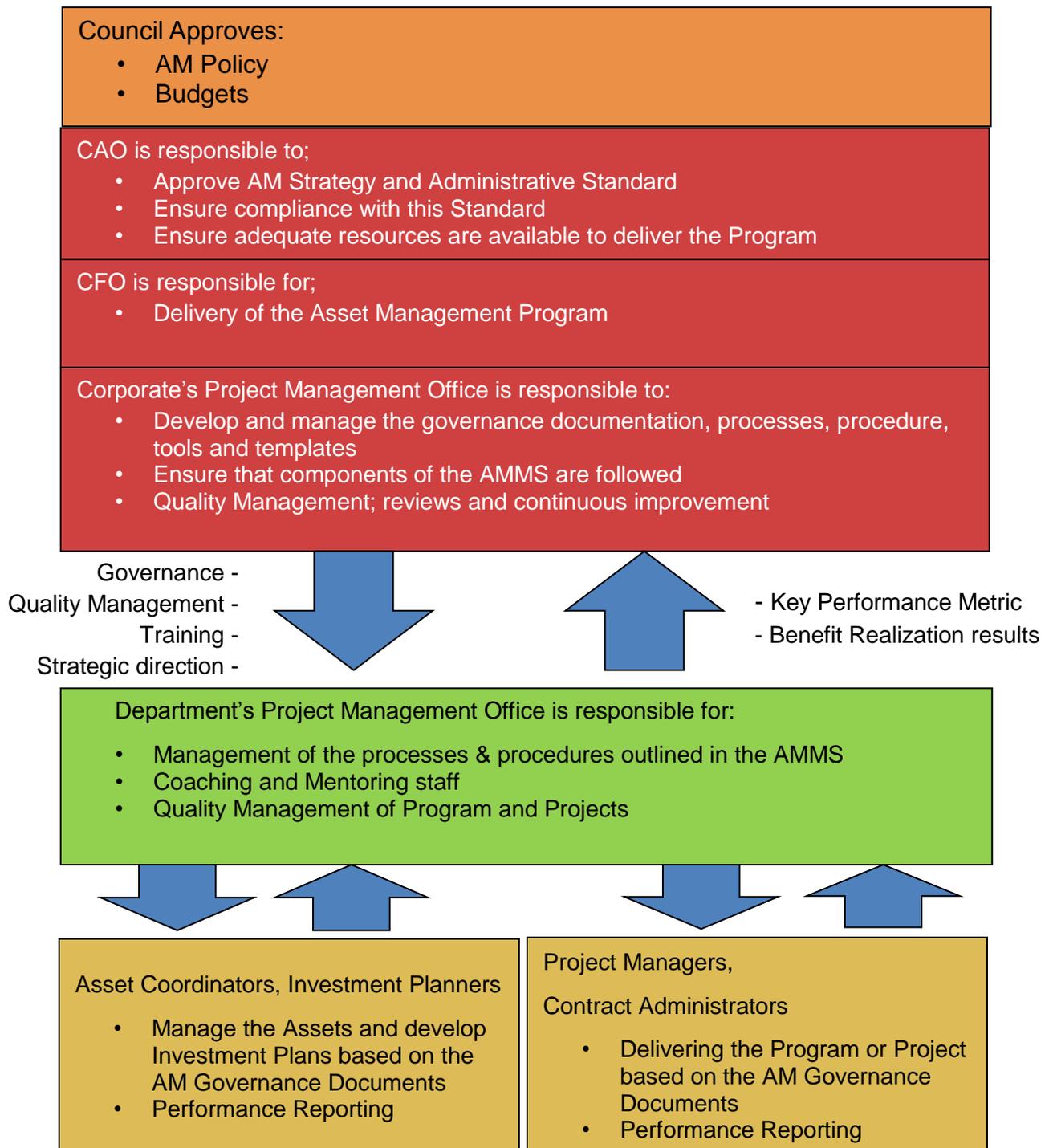
Term	Definition/Explanation
Asset Management Plan (AM Plan)	Document that details how the City's asset are managed. The documents are prepared at the Corporate and Departmental level. See the AM Plan Guidelines document for details.
Asset Management Plan Guidelines	Document that defines the content for an "AM Plan". Key sections are: State of Infrastructure, Desired Level of Service, AM Strategy, Financing Strategy and Improvement & Monitoring Plan.
Asset Management (AM) Policy	Document approved by Council that provides the Public Service direction to implement the AM program.
Asset Management Program (AMP)	The organizational structure defined to deliver the various AM Strategic initiatives.
Asset Management (AM) Strategy	A strategy for how assets will be managed to meet target level of service criteria. A section in the AM plan.
Business Continuity Plan	Document that outlines the processes, procedures and responsibilities that need to be undertaken to ensure the business continues to deliver services at a pre-defined level during and after a disaster.
Business Owner	Is the entity in a Project organization structure who will assume ownership of the final project deliverable. Typically this is the Control & Use owner.
Control & Use Owner	The City owns all the physical assets but a single Department, or Division within a Department, will be designated as the "control and use" owner of City assets. Refer to "Physical Asset Governance model" section.
Document Management System (DMS)	An IT solution for managing the AMMS records (documents) throughout their lifecycle.
Investment Planning Manual	Governance document that details how the Investment Planning process is to be managed.
Level of Service Targets	The service delivery objectives that the customer expects and the assets are expected to provide. A section in the AM plan.
Multi-Criteria Prioritization (MCP)	A method used to prioritize investments based on the TBL (Triple-Bottom Line) method. See the IP manual for details.

Term	Definition/Explanation
Physical Asset Disposal Guidelines	Document that provides guidance on how assets are to be disposed of (Future).
Project Management Office (PMO)	<p>The term is used to describe two entities; a Portfolio or Project Management Office. For purposes of this Standard, the term is used for a Portfolio Management Office:</p> <p>Portfolio Management Office – entity at the Corporate and Department level that provides governance direction, coaching, mentoring and guidance to a specific level in the organization.</p> <p>Project Management Office – An entity at the Department level that provides support directly to project managers in the delivery of projects. Also provides coaching and mentoring services.</p>
Project Management Manual (PMM)	Governance document that details how the projects delivery process is to be managed.
PSAB 3150	<p>PSAB - Public Sector Accounting Board.</p> <p>PSAB 3150 outlines the requirement for reporting on Tangible Capital Assets for financial accounting purposes.</p>
Quality Management Plan (QMP)	Document that outlines how quality will be embedded within the AMMS.
Risk and Hazard Assessment	Hazard and Operation Assessment - is a structured and systematic technique often used as a technique for identifying potential hazards in a system and identifying operability problems likely to lead to nonconforming products.
Service Delivery Plans	The plan that defines the services and the service target levels that will be provided to the Customer based on growth and enhancement criteria. This may be part of the Departmental Business Plan or a separate document.
Service Level Agreements (SLA)	Agreement that documents the services provided by one Department to another.
State of the Infrastructure Report (SOIR)	Report that details the current state of the City's assets based on defined condition criteria. Section in the AM Plan.
Strategic Asset Management Plan	Governance document that outlines the strategic initiatives in the form of a Roadmap that need to be implemented for the AMP to be successful in the City of Winnipeg.

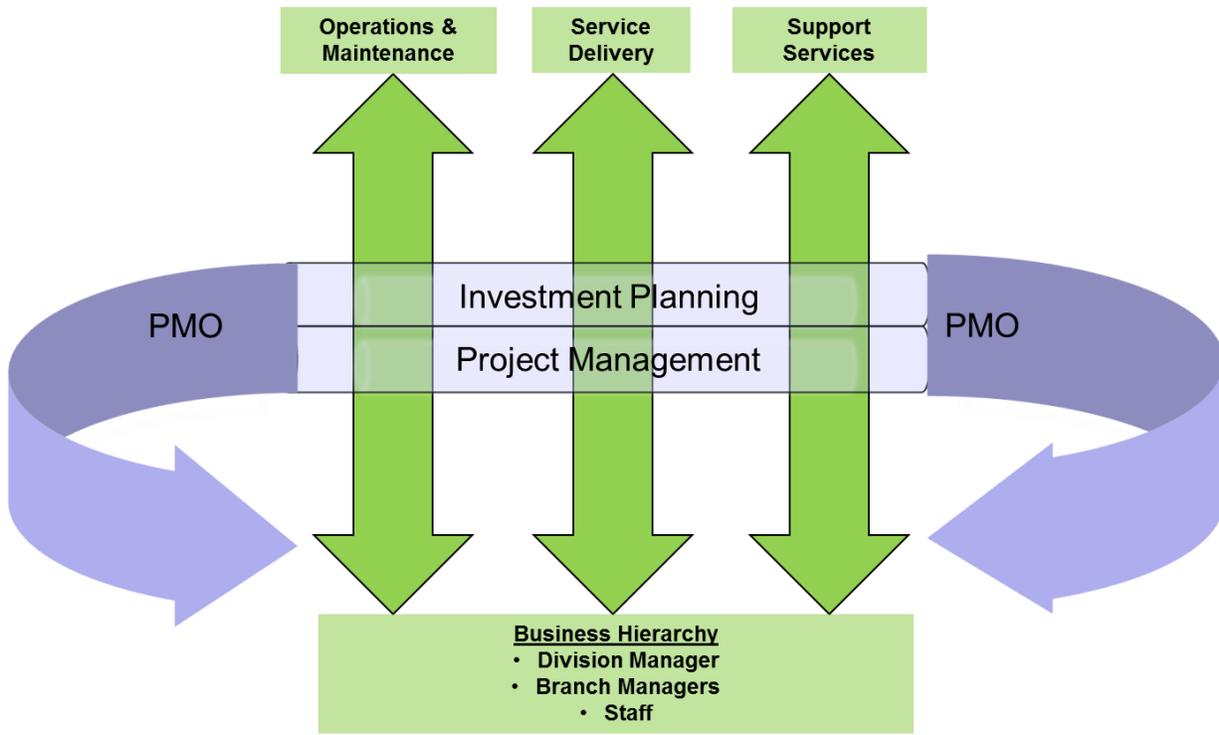
### Asset Management - Management System



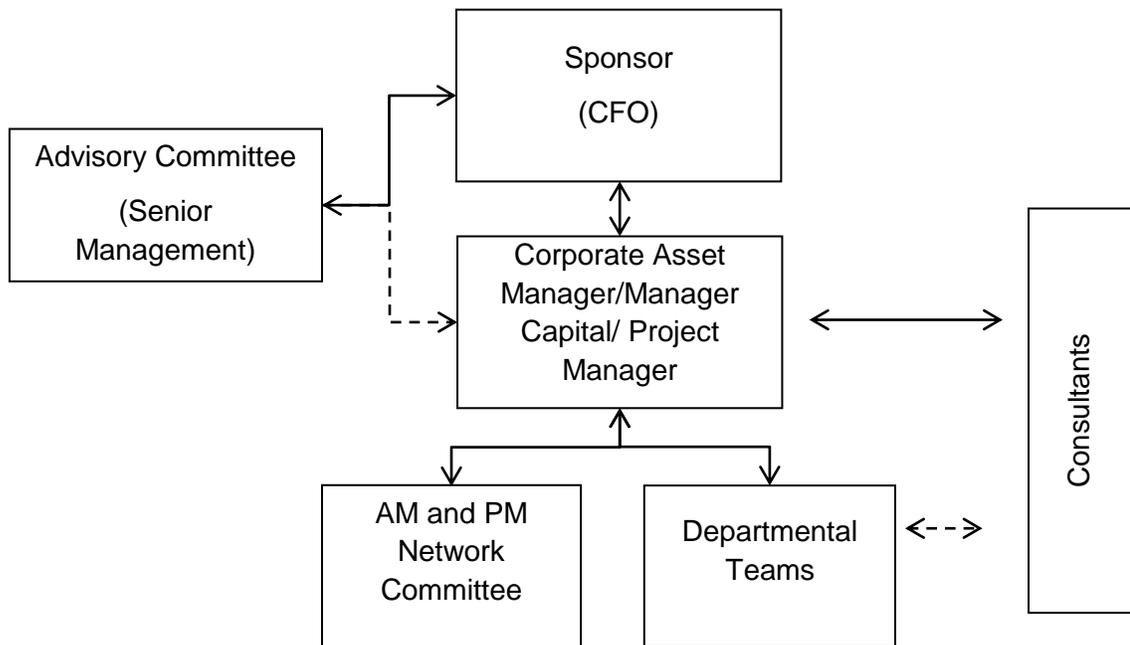
## Appendix B Asset Management Governance Structure



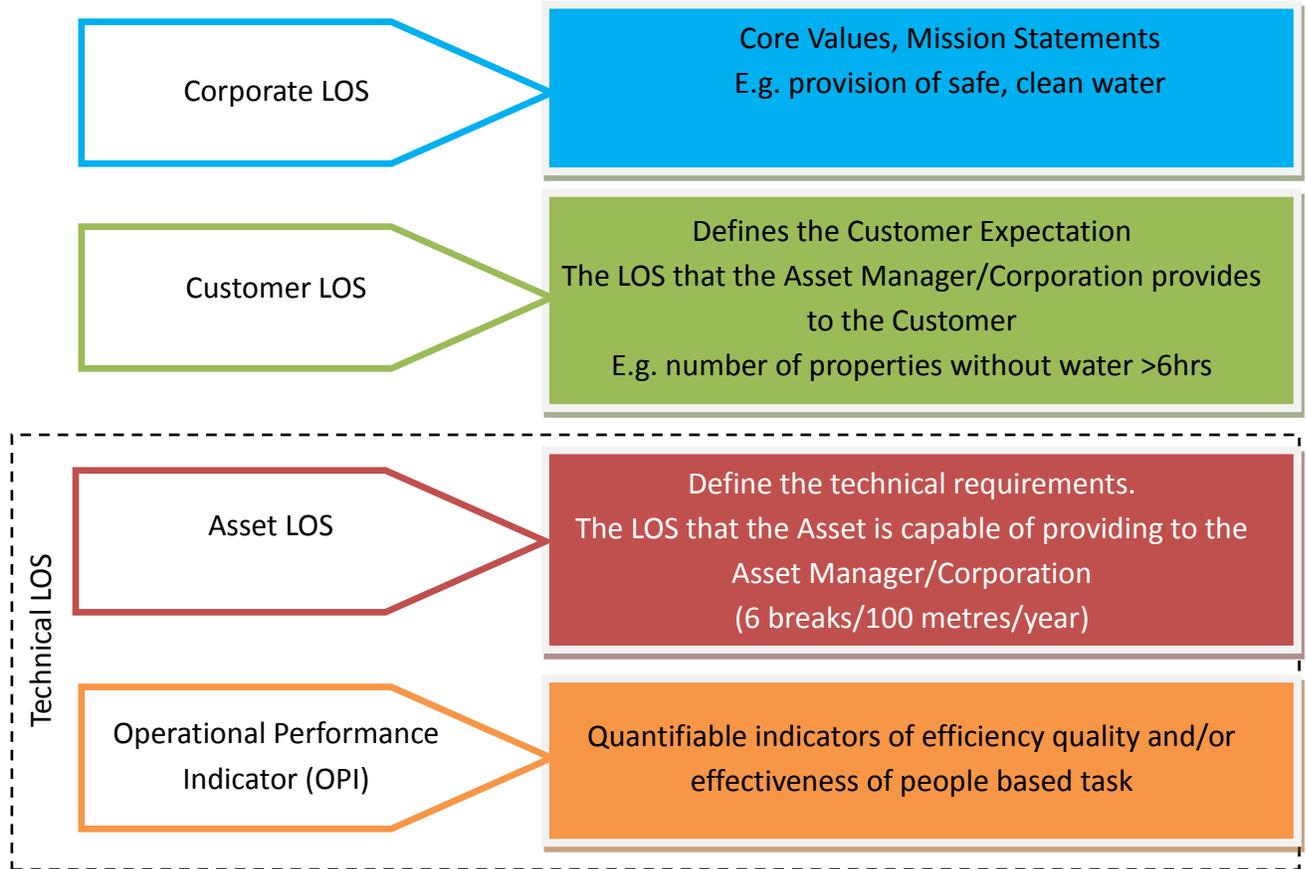
## Appendix C PMO Governance - Departmental coverage



## Appendix D AM Program Organization Delivery Structure



## Appendix E Level of Service Model



## Appendix F RACI Matrix

<p>Accountable (final approving authority)</p>	<ul style="list-style-type: none"> <li>• Answerable for the correct and thorough completion of the deliverable or task</li> <li>• Delegates the work to those responsible</li> <li>• Only can be <u>one</u> accountable specified for each task or deliverable</li> <li>• For clarity, this is the individual that is ultimately accountable to Council for delivery of the project</li> </ul>
<p>Responsible</p>	<ul style="list-style-type: none"> <li>• Those who do the work to achieve the task</li> <li>• Only <u>one</u> role type of responsible (R), although others can be delegated to assist as required which are designated as (<math>R_2</math>)</li> </ul>
<p>Consulted (sometimes counsel)</p>	<ul style="list-style-type: none"> <li>• Those whose opinions are sought, typically subject matter experts; and with whom there is two-way communication</li> </ul>
<p>Informed</p>	<ul style="list-style-type: none"> <li>• Those who are kept up-to-date on progress, often only on completion of the task or deliverable; and with whom there is just one-way communication</li> </ul>

<b>RACI Matrix</b>																
Process Control / Role	CAO	CFO	Corporate Controller	Corporate Asset Manager	Director	Department Controller	Department Asset Manager	Investment Planner	Sponsor	Business Owner/ Control & Use Owner	PMO Lead	Project Manager	Contract Administrator	Materials Management	Legal	Operations Supervisor
AM Policy	A	R	C	R <sub>2</sub>	C	C	C	C		I	C			C	C	
AM Standard	A	R	C	R <sub>2</sub>	C	C	R <sub>2</sub>			I	C			C	C	
Strategic AM Plan		A	I	R	C	I	R <sub>2</sub>				C			I		
Departmental Business Plan					A	R										
Service Delivery Plans					A	C	R	C		I						C
Manage Regulatory Requirements					A	I	C			R						R <sub>2</sub>
Business Continuity Plans	I	I		I	A	I	C			R						R <sub>2</sub>
AMMS		A	C	R	C	I	R <sub>2</sub>			C	C			C	C	I
AMMS Technology Master Plan		I	C	A, R	I	C	C			C	C			C		C
Service Level Agreements				I	C	C	R			A						R <sub>2</sub>
Strategic Risk Assessments					I	C	A,R	R <sub>2</sub>		C						C
Department AMP					A	I	R	R <sub>2</sub>		C						C
Corporate AMP	I	A	C	R	I		R <sub>2</sub>			I						
Business Cases							A	R		C	C	R <sub>2</sub>				R <sub>2</sub>
Investment Prioritization & Plans					A	C	R	R <sub>2</sub>		C						C
Project Charter					A						I	R				C

<b>RACI Matrix</b>																
Process Control / Role	CAO	CFO	Corporate Controller	Corporate Asset Manager	Director	Department Controller	Department Asset Manager	Investment Planner	Sponsor	Business Owner/ Control & Use Owner	PMO Lead	Project Manager	Contract Administrator	Materials Management	Legal	Operations Supervisor
PDP (including Risk Assessment)									C		I	A,R				I
Procurement - Solicitation									I		I	A, R	R <sub>2</sub>	C	C	
Procurement – Contract Admin									I		I	A	R	C	C	I
Change Control									I		I	A,R	R <sub>2</sub>	C	C	I
TCA reporting						R					I	A,R <sub>2</sub>				
O&M manual							I									A,R
Work Order Management						C	I									A, R
Criticality and risk profiles						I	C			I						A, R
Standard Operating Procedures (SOP)										I						A,R
Emergency Standard Operating Procedures (ESOP)					I					I						A,R
Risk and Hazard Assessments					I					I						A,R
Decommissioning						C	C			A						R
Disposal						C	C			A				C	C	R

## Appendix G Major Capital Project Directives

This section applies to all capital projects that are \$20 million or greater. The directives in this section are to be applied on a prospective basis.

### **MCD – 001**

**Department Heads should ensure that Major Capital Projects are adequately resourced and sufficient resources are dedicated to the project, especially during the Planning Phase. In instances where the Department is unable to adequately staff a Major Capital Project, the Department Head shall advise the CAO.**

Under-resourcing a Major Capital Project, particularly in the early planning stage of the project, increases the likelihood that major financial risks and project issues (including scope) are not identified at an early stage. This in turn increases the likelihood that a project will be materially under-budgeted and subsequently require additional budget/experience 'cost overruns'.

As not adequately staffing a Major Capital Project at an early project stage increases financial risk to the City, the CAO should be advised of the situation in order to allocate appropriate human resources to the project.

### **MCD – 002**

**Funding applications to other levels of government for projects \$100 million or greater must be reviewed by the CFO prior to submission. These funding applications must be submitted by the Manager of Infrastructure Planning.**

Once a funding application is submitted to a higher level of government, a 'funding ceiling' is effectively set for that project. If further due diligence on that project determines that the project will cost more than originally estimated, the City is unlikely to be able to increase its funding request and must either absorb the increased cost or discontinue the funding request. As such, additional quality assurance is being prescribed for funding applications on projects \$100 million or greater.

The Department responsible for delivering the project will prepare the funding application as well as the supporting documentation required to facilitate the review. The application and supporting documentation will be forwarded by the Department to the Manager of the Infrastructure Planning Division, who will perform the secondary review on behalf of the CFO to ensure the project estimate is of appropriate quality. Once finalized, the application to the other levels of government will be submitted by the Manager of Infrastructure Planning.

This quality assurance process is meant to be an interactive process between the relevant Department and Corporate Finance. For clarity, accountability for the project budget and delivery still resides with the relevant Department Head. Corporate is only meant to be a second party review for added assurance of the quality of estimate. The Department should build in an appropriate amount of time for the corporate review and application submission process.

## **MCD – 003**

**In order to commence construction, Major Capital Projects must have either a Class 3 (or better) estimate that is within budget or approval from Executive Policy Committee (EPC).**

The City Auditor has in past audits highlighted concerns that commencing construction on Major Capital Projects based on Class 5 or Class 4 estimates represents a significant financial risk to the City and has recommended that Class 3 estimates should be in place one year prior to construction. This directive is an internal control meant to ensure that a Class 3 estimate is in place prior to the commencement of construction.

To achieve a Class 3 estimate on a design, bid, build project (DBB), design work would normally have to be completed to approximately a 30% level of project definition. This normally takes approximately 1 year to complete and likely costs in excess of one million dollars for a Major Capital Project.

As such, while reducing risk, this requirement has the potential to have schedule implications for projects. In order to mitigate the potential schedule impact of this requirement, departments should consider budgeting monies for design work in advance of the construction phase of the project in order to have a Class 3 estimate available and not delay construction.

The process for projects procured using alternative delivery methods will be different than the process for DBB described above. However, the standard of having a Class 3 estimate (or better) prior to commencing construction also applies to alternative delivery methods.

For greater certainty, to be considered to be within budget, appropriate contingency must be carried in the project considering corporate guidelines and level of project risk.

In some instances, it may be in the City's best interest to proceed to construction prior to having a Class 3 estimate (e.g. Schedule is a higher priority than cost) and assume greater financial risk. In these instances, EPC must approve commencement of construction. To ensure EPC is able to make an informed decision, reporting to EPC must specifically disclose that this guideline is not being met and that proceeding to construction prior to having a Class 3 estimate represents a higher likelihood that the project will experience 'cost overruns' in the future.

## **MCD – 004**

**The Project Manager shall ensure that all projects \$20 million or greater delivered using an alternative delivery method (i.e. – not design, bid, build) are compliant with Provincial Legislation and Regulations (i.e. - The Public-Private Partnerships Transparency and Accountability Act).**

The Province has enacted legislation governing P3 projects. The definition of a P3 project that the Province is using in their legislation is fairly broad and may include projects that are not viewed as being a 'P3' project internally in the City. The Provincial legislation applies to projects that are \$20 million or greater.

It is the Project Manager's responsibility to review the legislation to determine if it is applicable to their project or not. In instances where the legislation is applicable to their project, the Project Manager should

document each item that is required for compliance as well as how the City plans to be compliant. This listing should be available for inspection by the Province.

One of the legislative requirements is that an independent Value for Money assessment be performed on the project prior to initiating construction procurement.

In some instances, consultation with Legal Services may be required to fully determine applicability as well as compliance.

If at any point in the project the Project Manager becomes aware of any issue of non-compliance, the CAO should be advised immediately.

### **MCD – 005**

#### **Design work required to get to a Class 3 estimate should not be deferred until Federal/Provincial Cost Sharing agreements have been signed.**

Under existing federal rules, costs incurred prior to the signing of a financial agreement are not reimbursable under the cost sharing agreement. In the past, engineering and design work (that would have increased the quality of the City's cost estimates) was deferred until after the cost sharing agreement had been signed in order to have these costs become reimbursable under the agreement.

However, these same agreements also make the City solely responsible for all cost overruns, which can amount to significant amounts on Major Capital Projects. Performing the engineering work earlier in the process results in more accurate cost estimates prior to signing cost sharing agreements, which in turn reduces the risk of future 'cost overruns' being borne solely by the City.

Based on past experience, reducing financial risk on Major Capital Projects and avoiding future cost overruns is of greater value than the additional cost associated with the non-reimbursable portion of preliminary design fees.

### **MCD – 006**

#### **For all P3 Projects, Council should approve the use of the project delivery method.**

Proponents that bid on P3 Projects make a significant investment of both time and money that is far beyond what is required under the normal design, bid, build process. Demonstrating Council-level commitment to a P3 project increases value to taxpayers as it enhances private sector confidence in the project. This in turn results in higher quality of bidders, enhanced competition and higher quality bids.

As well, the P3 method of procurement typically involves a long-term commitment on the part of the City (30 years); as such, Council approval is warranted.

While specific Council approval by separate report is considered best practice for Canadian P3's, this could also be accomplished via the approval of the project budget sheet in the annual Capital Budget process.

The approach of seeking Council approval of procuring a project using the P3 delivery method is consistent with past practice that was followed on both the Disraeli Bridges Project and Chief Peguis Trail Extension Project.

## **MCD - 007**

**For all Major Capital Projects \$50 million or greater, the Department responsible for delivering the project must examine the project and determine the best method of delivery for that project, considering alternative delivery methods. The Manager of the Infrastructure Planning Division would then perform a second party review on behalf of the CFO.**

As Major Capital Projects involve large dollar amounts and risk, it is especially important that the correct delivery method is selected at the early stages of the project. Different delivery methods involve different allocations of risk between the contractor and the City and have the potential to impact the City's finances in either a positive or negative manner.

The analysis performed by the Department should consider the project risk profile, past experience with similar projects and the overall project fit with a particular delivery method.

This shall be administered by the relevant Department submitting a summary report to the Manager of the Infrastructure Planning Division in Corporate Finance. The Manager of the Infrastructure Planning Division would then perform a second party review on behalf of the CFO.

In the event that a Department is recommending an alternative delivery method for project delivery, the next step would normally be to perform an independent assessment of Value for Money.

The threshold for the review of the delivery method was set at \$50 million, as alternative delivery methods for projects below this value normally do not yield significantly positive Value for Money.

Standardized contracts for alternative delivery methods are also not available for alternative delivery methods as upfront development costs for these contracts are significant and projects are normally procured using the design, bid build approach.

For Major Capital Projects where it is determined that the DBB model is the preferred method of delivery, consideration should also be given as to the selection of a contract administrator and whether it is in the City's best interest to split the design work from the contract administration between separate companies. This is of particular importance where there is significant design risk. This was noted by the City Auditor in the Capital Project Management audit.

## **MCD – 008**

**Annual Capital Budget submissions from Departments should consider allocating monies in order to have a list of 'shovel ready' projects available should net new funding become available from other levels of government.**

The current financial reality of the City is that not all planned Major Capital Projects are included in the annual capital budget and forecasts due to limited funding. Current examples are several projects in the Transportation Master Plan where projects are planned, but not yet funded.

In some instances, net new monies become available from other levels of government. This type of funding is sometimes time sensitive and it represents a significant opportunity for the City to deliver additional infrastructure that was not previously contemplated in the Capital Budget and accompanying capital forecasts.

However, as these projects were not previously contemplated, they are frequently a Class 5 level of estimate, which exposes the City to additional financial risk. It should be noted in current federal funding programs, all 'cost overruns' are born by the City and not shared by the other levels of government.

Developing Class 3 estimates for these projects and having a listing of 'shovel ready' projects will allow the other levels of government to select from projects where the City has already performed the necessary due diligence and reduced the financial risk associated with these projects. This practice is currently employed by other Canadian municipalities.

As such, Department annual capital budget submissions should consider inclusion of funding in order to develop a listing of 'shovel ready' projects.

#### **MCD – 009**

**For projects not meeting the standard of a Class 3 estimate one year in advance of construction, the Capital Budget detail sheet submitted for Council approval should specifically disclose that this Standard is not being met.**

All Capital Budgets now disclose the class of estimate on the capital budget detail sheet. Not meeting the Class 3 Standard increases the risk that the project will experience future cost overruns. Highlighting that this Standard is not being met enhances the quality of information to elected officials to be considered in their approval decision.

#### **MCD – 010**

**For Major Capital Projects requiring land acquisitions, annual Capital Budget submissions from Departments should consider budgeting for land acquisitions at least 2 years in advance of the anticipated commencement of construction.**

It is in the best interest of both the land owner and the City to come to a negotiated settlement for the acquisition of land. A mutually agreed upon exchange is a more desirable option than expropriation. Additional lead time for land acquisition will make negotiated settlements more likely and benefit all parties involved.

Also, the City cannot commence construction without access to the land. As such, the project schedule can be delayed in the event land acquisitions are not completed soon enough.

## Appendix H Land Acquisitions and Expropriations

### Land and Expropriations

- This appendix applies to all capital projects.

### Project Delivery Stage

- All real estate transactions should be handled by the Real Estate Division of the Planning, Property and Development Department in accordance with Council Policy.
- In most instances monies for land acquisition are budgeted in the capital project and there is no separate budget for land acquisitions.
- The Project Manager should internally track the amount of funding within the capital project that is available for land acquisitions throughout the project.
- The Project Manager should consult with the Planning, Property and Development Department (PP&D) in establishing the initial land acquisition budget. The budget should consider the possibility that land acquisition cannot be successfully negotiated and expropriation may be required.
- Responsibility for negotiating land acquisitions resides with PP&D. The Project Manager should work closely with the PP&D throughout the project as to the status of land acquisitions and the impact on project budget. PP&D is responsible for ensuring all land transactions are in accordance with Council Policy.
- It is normally in the best interest of the City to come to a negotiated settlement where possible; however, in some instances this is not possible and the land acquisitions must move to expropriations.
- As land acquisitions have the potential to become expropriations and can become progressively more expensive to the City, the amount of land required should be considered carefully in the design stage.
- As land negotiations progress, the design should be periodically reevaluated to consider the impact of the land acquisition on overall project costs and if design can be altered to avoid or reduce land takings. This is especially important where land acquisition cost estimates exceed internal budget.
- The Project Manager must consider carefully the date by which the land is required, as not having access to the land can delay construction and in some instances may constitute a delay claim for the construction company.
- The Project Manager, considering the construction schedule, should ensure all required expropriation by-laws are approved by Council in order to obtain the land in time for construction. Legal Services should be consulted in drafting any by-law and report to Council. It should be noted that Council approval of an expropriation by-law does not preclude any of the parties from coming to a negotiated settlement. Significant lead time may be required to obtain the necessary approvals.
- Expenditures related to land transactions are charged to the project budget as incurred and should use the 'Property' activity code as land is not depreciable and will need to be segregated for financial statement reporting purposes.
- Land acquisitions that move to expropriation have the potential to not settle until long after the project is complete. Therefore, this could result in projects remaining open for an extended period of time. As such, once the project is substantially complete, both the budget for land acquisitions and the corresponding liability should be transferred from the capital project to the department's expropriation account (see below).

- For greater certainty, land acquisition costs are a project cost and therefore the responsibility of the project manager.

### **Transfer to the Department Expropriation Account**

- Once the construction portion of a project is complete and if an expropriation liability exists, the expropriation budget remaining in the capital project must be transferred from the capital project to the Department's expropriation project account.
- Estimates of expropriation expenses should always err on the side of caution using the principle of conservatism.
- The estimated expropriation expense and corresponding amount of transfer is to be determined by the PP&D.
- The transfer itself is to be processed by the Corporate Controller's corporate capital accounting staff.
- In cases where the remaining funds in the project are deficient, the capital delivery department must consider if there are sufficient funds in the department's expropriation account or if an over-expenditure report is required.
- The department expropriation project account will show funding transferred from capital projects.
- When expropriations are settled, costs will be charged to the department's expropriation project.
- Department Expropriation accounts are to be managed on a pooled basis. Specifically, expropriations settled under budget will be able to help fund expropriations that do not have sufficient funding. Similarly, expropriations settled above budget may be off-set by expropriations settled under budget.

### **Annual Review of Expropriation Liability Accounts**

- Expropriation liabilities are accrued on the City's consolidated financial statements using a conservative estimate. From a funding perspective, the City measures its funding against this conservative estimate.
- The expropriation liabilities and available funding amounts shall be reviewed by the Corporate Controller on an annual basis as part of the Financial Statement year end process.
- The Corporate Controller must obtain expropriation liability estimates from PP&D. The estimates should include both 'most likely' and 'worst case' scenarios. These estimates are to be updated for the accrual of interest required under the Provincial Legislation governing expropriations.
- The liability recorded on the City's financial statement shall be determined in accordance with Generally Accepted Accounting Principles.
- Excess cash to capital must be reallocated to the non-specified capital account (see description below).
- An expropriation report will be created in PeopleSoft to show a summary of all expropriation projects for the City, their actual expenditures and available funding. This can be compared to liability estimates on a regular basis. This report will be provided to the CFO annually as information.

### **Non-cash transactions**

- Negotiations that result in a situation where a non-cash transaction arises, such as a land exchange, require further review to ensure the transaction is captured appropriately according to Generally Accepted Accounting Principles (GAAP). All real estate matters are handled by the Planning, Property & Development Department and the Controller of that Department is responsible for identifying all non-cash land transactions.
- The Controller of the PP&D Department is responsible for ensuring the transactions are recorded in the capital project.

# Appendix I Annual Capital Review, Project Closing and Supplemental Borrowing Authority

## Overview

- The annual capital review process examines all projects and programs, as directed by the Chief Financial Officer, in order to identify any surplus budget that could potentially be available for other priorities.
- The intent of this process is to ensure that capital budgets are being utilized in an efficient/timely manner and that no budgets are being unduly idled in the general capital fund, reserves or utility funds.

## Annual Capital Review and Closure Process

- The Corporate Controller's division performs the Capital Review and Closure process on an annual basis.
- All projects are reviewed with current direction being to focus on those projects greater than two years old. As well, projects with less than \$10,000 unspent and less than \$100,000 unspent but greater than 95% of budget has been spent will be reviewed. A listing is sent to each department with their projects/programs under review.
- The capital delivery Department is responsible to review all projects/programs to determine if the project needs to remain open, can be closed or can be reduced by the amount of surplus identified.
- The onus is on the capital delivery department to make the case for keeping a capital project open by identifying all commitments and forecasting the expenditures required to complete the project.
- The Corporate Controller is responsible for challenging cases where the capital delivery department is requesting that the capital project remain open.
- In most instances, Major Capital Projects will take more than two years to construct. These projects should be reviewed on a project-by-project basis.
- For annual capital programs consideration is given to the total unspent authorization outstanding with the program in comparison to forecasted spending over the next fiscal year.
- The results of the Annual Capital Review and Closure Process will be discussed as part of the annual budget process. Information on closed projects are also reported to SPC Finance in the Open Capital Projects and Programs Status Report. An appendix to the Annual Capital Budget also identifies projects that were closed and the surpluses that remained.

## Non-specified Capital Accounts

- Non-specified accounts were created in 2007 for each capital delivery department as an outcome of the City Auditor's Main/Norwood Bridges Process Review
- When capital projects are completed, any remaining budget (surplus) is transferred to the department's non-specified account.

- For tax supported departments, non-specified capital accounts will be limited to cash to capital.
- For Utility Funds this will be limited to retained earnings.
- The intent of the non-specified capital account is as follows:
  - To provide flexibility to deal with unexpected shortfalls that arise in any other Council-authorized capital projects.
  - To facilitate the closure of non-active projects with balances too small to individually be utilized
- The maximum balance of funds in the departments' non-specified capital accounts shall not exceed
  - \$2,000,000 for Public Works; Planning, Property and Development (including Municipal Accommodations) and tax-supported Water and Waste (Land Drainage and Flood Control)
  - \$1,000,000 for Sewage Disposal and Waterworks Utilities
  - \$100,000 for all other departments
- Amounts above the departmental thresholds are transferred to the Corporate Non-Specified Capital account and will be identified as available to be re-purposed in future years, subject to Council approval.
- Non-Specified Capital accounts only hold budget surpluses. Expenditures are not charged directly to these accounts.

#### Transfers into Non-Specified Capital Accounts

- Departments should be reviewing their open capital projects on an ongoing basis and close projects that have been completed.
- Departments can request through the Corporate Controller's Division of Corporate Finance to transfer any remaining surpluses from completed projects into their departmental non-specified capital account.
- Surpluses identified through the annual capital review and closure process will also be transferred into non-specified capital accounts.
- Treatment of other surplus budgets (i.e. - Government Transfers, Reserves) will be determined in accordance with the terms under which the funding was originally committed.

#### Transfers out of Non-Specified Capital Accounts

- Departments must have proper approval to transfer budget out of the non-specified capital accounts.
- Approval authorities follow the delegations as set out in Appendix 7 of Administrative Standard FM-002:
  - Departmental Directors have the delegated authority to approve transfers out of the departmental non-specified capital accounts up to 25% of the original base budget up to a maximum of \$100,000
- Requests in excess of the authority granted to Departmental Directors requires the approval of the relevant department's Standing Policy Committee
- For clarity, Standing Policy Committees can approve additional budget appropriations as long as there is budget available from existing surpluses in the non-specified capital accounts. Where, for example, additional borrowing

is required to supplement a Council approved budget, Council approval must be sought and not that of the Standing Policy Committee. The same is true where additional funding is coming from an external party, for example, the Provincial or Federal Government.

- Transfers must be to projects already authorized by Council. Non-specified capital accounts cannot be used to create new projects. All projects must be authorized by Council.

### **Borrowing Authority Review Process**

- The Corporate Controller shall review all outstanding borrowing authority on an annual basis.
- This review would normally be conducted in conjunction with the Annual Capital Review and Closure Process.
- All unrequired borrowing authority should be cancelled.
- As cancelling outstanding borrowing authority requires Council approval, the Corporate Controller shall obtain Council approval by way of either:
  - A stand-alone administrative report
  - Inclusion of a recommendation in the annual capital budget

## Appendix J Interest and Administrative Overhead Charges

- This applies to all capital projects and not only Major Capital Projects

### Council Policy

- Council approved a motion on October 3, 1979, that overhead is included in capital costs as part of City Policy. Any requests for changes in overhead rates must be submitted to Council for approval. Council approved overhead rates are as follows:
  - Corporate Interest – 2%
  - Corporate Administration – 1.25% to a maximum of \$100,000
- There is no specific policy regarding departmental overhead rates. These overhead charges are to be included in project capital costs and are approved by Council as part of the annual Capital and Operating Budgets (Note: the recoveries are reflected in the Operating Budget).

### Corporate Interest

- Council approved interest charges of 2% only on the City's share of funding, including cash to capital, reserves and debt, and not on external funding such as grants, sponsorship and donations.
- Interest is charged as a means of reimbursing the operating budget for the cost of funding advanced in the year of expenditure.
- All costs are charged interest overhead except for the following activities:
  - Salary costs (SALARY)
  - Consultant Fees (EXCONSULT)
  - Legal Fees (LEGAL)
  - Internal Services - Legal (INTLEGAL)
  - Interest & Admin (OHINT, OHADM)

### Corporate Administration

- Council approved administrative charges of 1.25% on all expenditures including those financed by Provincial & Federal grants.
- The rate was increased from 1% to 1.25% via a Mill Rate Savings Option accepted in the adopted 2015 Operating Budget.
- Overhead is charged as a means of recouping the costs incurred for preparing such things as contracts, tender awards, legal documents, etc.
- Administrative overhead can only be charged up to a maximum of \$100,000
- Only the following activities are charged administrative overhead:
  - Contracted Services – External (CONTRACTEX, CONSTRUCT)
  - Non-Contracted Services (CONSEREX)
  - Property Acquisition (PROPERTY)
  - Internal Services – Legal (INTLEGAL)
  - Legal Services – External (LEGALEXT)

## **Departmental Overhead Charges**

- Departmental overhead charges are to be determined annually by each individual capital project delivery department.
- These charges are to be included in the determination of cost of each capital project.
- The charges must represent a recovery of anticipated expenditures related to the delivery of capital projects. Examples include recovering the cost of:
  - Project Manager's time;
  - Supervisory time; and,
  - Administrative Staff time
- The rates should be established by examining the annual costs associated with delivering the annual capital program, and a standard rate should be applied to all capital projects in the annual budget, with the exception of Major Capital Projects.
- The overhead amounts being applied to capital projects for departmental overhead charges should be disclosed in the annual Capital Budget.
- These charges are approved by Council with their approval of the annual Capital Budget.
- Departments should evaluate their rates on an annual basis to ensure the recovery amounts are reasonable.

## **P3 Annual Service Payments**

- The Annual Service Payments for these projects are exempt from all overhead interest and administrative overhead charges.
- The Annual Service Payments are the on-going contractual lease or financing payments over the operations and maintenance term of the facility, which is normally 30 years. These payments begin once the facility has been constructed and is in-service.
- It should be noted that the original capital budgets for the construction of these facilities will have had administration charges included in the construction cost of the facility; therefore, also applying these charges to the Annual Service Payments would charge administration beyond Council-prescribed rates (i.e. – would 'double charge' the project).
- The annual costs associated with monitoring these contracts should be built into the annual capital budget.

## **Major Capital Projects**

- Standardized rates (both Corporate and Departmental) are not to be applied to Major Capital Projects. Rather,
  - On an individual project basis, the administrative costs directly associated with the delivery of that project should be estimated at the beginning of the project and included in the capital budget.

- The administrative cost being estimated should cover the time period from the initiation of the project to the completion of construction.
- The total administrative charges should be disclosed on the capital budget detail sheet.
- The capital budget detail sheet should also identify that the standard corporate charge of 2% and standard corporate administrative charge of 1.25% have not been applied to the project, but rather: that the overhead charges represent estimated administrative costs directly associated with the delivery of that project.
- For projects budgeted over multiple years, the amount to be recovered shall be applied equally on a percentage basis to each project year.
- The administrative charges should consider:
  - Construction period interest;
  - Project Manager Time;
  - Project Team Member time;
  - Supervisory Time;
  - Administrative Support time; and,
  - Any other administrative costs that are directly associated with delivering the project.
- If after considering administrative charges on individual project basis the charges are not found to differ materially from the standard corporate rates, for administrative efficiency, it would be acceptable to continue application of the standard corporate rates.
- In instances where the standard corporate rates have not been applied to a Major Capital Project, Council shall approve the administrative charges to be applied to the project by approving the annual Capital Budget.
- It should be noted that this section has been drafted to address concerns raised by the City Auditor regarding application of standardized overhead rates to Major Capital Projects.<sup>1</sup>

## **Waiver Mechanism**

- Council approval is required in order to have the 2% corporate interest overhead charge waived.
- Departments may request a waiver of the 1.25% administrative overhead charge by writing to the CFO. Waiver of the charge will be considered only on an exceptional basis. Consideration will be given in circumstances where the majority of the project is financed by outside funding from the Federal or Provincial governments, and where these sources will not consider overhead charges as qualified expenditures for purposes of the funding program.

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<sup>1</sup> Waverley West Arterial Roads Project Audit – Preliminary analysis from the Audit team noted, “A standardized rate for engineering overhead can be problematic when applied to Major Capital Projects (exceeding \$10 million). The projects are not typically allocated more than one Project Manager regardless of project size; therefore, actual overhead costs remain relatively flat no matter how large the project is. The projected overhead costs from the standardized rate, however, continue to rise with the budget as the costs of construction increase”.

- If it is known at the time requests are being submitted as part of the budget process, Departments should indicate their request to have the interest and administrative overhead charges waived directly on the capital project detail sheet.