

# **CITY OF FORT SASKATCHEWAN**

## **Project Management Process Review**

---

### **Motion:**

That Council direct Administration to develop a Major Capital Project Budget Policy to be presented to Council for approval at the September 12, 2017 regular Council meeting.

### **Purpose:**

The purpose of this report is to provide a review of the Project Management Department processes and procedures as they relate capital project management.

### **Background:**

At the December 13, 2016 Regular Council Meeting, Council passed a motion directing Administration to prepare a report:

1. to review policies and processes related to project management, including cost estimation, budgeting, risk mitigation plans, including contingency policies, and construction management best practices;
2. which includes information regarding project deadline policies and best practices from comparable municipalities; and
3. to be presented to Council in the second quarter of 2017.

A review of Project Management policies, procedures and processes was conducted to ensure that processes align with best practices of the industry. Project estimating and budgeting processes were also reviewed in order to make recommendations to improve the process.

Through the review, it was determined that current Construction Management processes follow industry Best Practices, however it was found there are some gaps in the City's Capital Budgeting processes, which could be addressed.

Project Charters are developed and followed, thus ensuring outcomes, scope and affected departments are identified and consulted throughout the project cycle. Project Delivery models for a given project are constantly being evaluated and implemented, when it is appropriate.

Contingencies are set at values in line with Industry Best Practices. The contingencies will vary based on the type of project and stage it is in when it set, but they generally fall within 5 – 15% of the estimated construction value. Contingencies should not be used to account for estimate accuracy, they are intended to cover the costs of issues that arise during construction.

Risk management is identified within the Project Charters. Potential risks are identified as well as actions required. The earlier in a project that budgets are set, the higher the risk and more impact it could have on the project outcome / budget.

Adding time constraints to projects (bonus / penalty) adds risk to the contract and should only be used in exceptional circumstances. If a project needs to be completed for an event or other commitment it could be prudent to include constraints in the contract.

The City of Fort Saskatchewan is currently setting project budgets very early in the project development, which is not unique. The municipalities who responded to the City's survey all set their budgets early, and experience budget adjustments as the project moves forward into tender and construction.

ASTM E2516-11, Standard Classification for Cost Estimate Classification System, identifies the risk associated with setting a budget very early in a project's life. With little to no project definition these estimates can be expected to have an accuracy range of -30% to +50%.

The City of Edmonton and the City of St. Albert have both adopted a change to their capital budgeting process in the last 6 months. These changes were as a result of approved project budgets not aligning with actual construction costs.

The result of the review is a recommendation to change the budget process to help ensure that the approved construction budget is a more accurate estimate of the anticipated construction costs. This process will also allow for a more formal confirmation of priorities and scope as the project moves from design approval into construction approval.

#### **Financial Implications:**

There are no direct financial implications of the recommended policy. The recommended policy will, however, result in a more accurate construction budget for Major Capital Projects.

#### **Internal Impacts:**

The recommended policy will result in a budgeting process change, however there will be no impacts to resources as a result.

#### **Attachment:**

Project Management Process Review, May 26, 2017

---

File No.:

Prepared by:	Grant Schaffer Director Project Management	Date: June 20, 2017
Reviewed by:	Troy Fleming City Manager	Date: June 21, 2017
Submitted to:	City Council	Date: June 27, 2017