TORONTO

STAFF REPORT
ACTION REQUIRED

Facilities Management Division – Approval of Major Capital Projects

Date:	November 5, 2013
To:	Government Management Committee
From:	Chief Corporate Officer
Wards:	Ward 28
Reference Number:	P:\2013\Internal Services\FAC\Gm13015fac (AFS #18566)

SUMMARY

At the meeting of October 15, 2013 the Government Management Committee requested in item Committee Decision Motion 2, that the Chief Corporate Officer (CCO) report on ways to provide complete cost estimates on Major Capital Projects within the Chief Corporate Officer's jurisdiction prior to Council consideration of a project. As projects are advanced, forecast budget will be reported by design phase as well as in annual budget.

RECOMMENDATIONS

The Chief Corporate Officer recommends that:

1. The Government Management Committee receives this report for information.

FINANCIAL IMPACT

There are no direct financial implications arising from this report.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting on October 15, 2013, Government Management Committee reviewed the Union Station Revitalization Project – Status Update staff report. This report is available on line at:

http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.GM25.7

The Committee Decision Motion 2 requested, that the Chief Corporate Officer (CCO) report on ways to provide complete cost estimates on major capital projects within the Chief Corporate Officer's jurisdiction prior to Council consideration of a project.

ISSUE BACKGROUND

Facilities Management, Facilities Design & Construction (FMFDC) recognizes that there are influencing factors to an estimate, including:

- Client changes to the design increasing scope of work, caused by change in requirements leading to design changes which must be controlled;
- Incomplete feasibility studies not defining the complete parameters of the project work lead to later changes in the scope of work;
- Scheduling a project to tender before completion of the design or contract document preparation so as to not lose funding in a given year that will cause budget issues; and
- Unknown and hidden site conditions not predictable at the time of preparation of the design and contract documents and shall be allowed for in a contingency allowance within the budget.

COMMENTS

A Major Capital Project is a project that is complex in nature and has a significant budget over multiple years. The Major Capital Project may have political sensitivity, strategic requirements for timing and has a life time of more than three years from concept to completion. Whereas, in comparison a State of Good Repair (SOGR) project is a project that is not complex in nature and can usually be complete from concept to finish in two year time period.

Costs estimates are developed by a Third Party Cost Consultant and monitored during all stages of the design and contract document preparation to ensure the project stays within the estimates.

Cost estimates at each phase must go through the normal processes (staff report and/or annual budget process) approved by Council to be included in the capital budget for Facilities Management Division. The financial impact and funding source(s) must be confirmed by the Financial Planning Division.

In the event of changes in scope, additional requirements or cost overruns where the budget is insufficient to support the project at any stage, a detailed review of the scope of work in relation to the budget must be completed. Council approval is required for changes to the scope of work and/or adjustments to the budget, per current policy and practice City-wide.

FMFDC, to the extent possible makes best efforts to estimate as accurately as possible the financial resources required for capital projects and control costs throughout the design, document and construction stages.

FMFDC has developed Consultant Guidelines for the monitoring and cost control of budgets and will be enforcing these guidelines on all projects. Third Party Cost Consultants are professional service providers and experts in estimating major projects of unusual scale, scope and complexity.

The Chief Corporate Officer will implement the following improvements in the process for completing cost estimates for Facilities Management projects:

1. The Major Capital Project approval process shall include Feasibility, Design and Construction Budget approval with the associated funding requirements. Council approval of the project shall be in four phases:
   - Phase One - Feasibility and Conceptual Design
   - Phase Two – Site Investigations, Schematic Design & Design Development
   - Phase Three – Detail Design and Contract Documents
   - Phase Four - Tender and Construction Award

   The overall budget shall include for all phases of the project and allocate the required budget for each of the individual phases. Council approval of the budgets for each individual phase is required.

2. Requirements for funding availability, timing from other orders of Government or Private Sector Partners shall be known and confirmed prior to advancing into joint venture projects and such requirements shall be considered in the scheduling of the design and contract document production and construction phases.

3. When possible complete investigative testing, environmental assessment, historical research and destructive investigation to determine the site conditions, building features and conditions should be done early in the design stage. This investigation shall be completed during the schematic design stage to allow for the resulting information to be included in the design budget.

4. Funding requirements shall align to requirements of the project and be based on cost estimates prepared by a Third Party Cost Consultant commissioned to report after each of the major phases namely: Conceptual Design, Schematic Design, Design Development and Contract Documents when completed.

5. On all Major Capital Projects, a third party Peer Review Consultant shall be commissioned to ensure the project documents are completed and as accurate as possible prior to tender issue.

6. Annual Reporting to Council on Major Capital Projects will include status on budget and schedule.

The process improvements presented in this report will improve completion of cost estimates for Facilities Management Major Capital Projects. By staging Council approval of the various phases as design proceeds, better estimates are obtained.

CONTACT

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SIGNATURE

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