



City of Richmond

Report to Committee

To: General Purposes Committee **Date:** November 15, 2024
From: Martin Younis, B. Eng., M. Eng. **File:** 10-6000-01/2024-Vol 01
Director, Facilities and Project Development
Re: **Major Projects Oversight - Referral Response**

Staff Recommendation

That the report titled, "Major Projects Oversight - Referral Response," dated November 15, 2024, from the Director, Facilities and Project Development, be received for information.

Martin Younis, B. Eng., M. Eng.
Director, Facilities and Project Development
(604-204-8501)

Att. 3

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF DEPUTY CAO
Business Advisory Services	<input checked="" type="checkbox"/>	
Finance	<input checked="" type="checkbox"/>	
SENIOR STAFF REPORT REVIEW	INITIALS:	APPROVED BY CAO

Staff Report

Origin

At the July 2, 2024 General Purposes Committee meeting, Council adopted the following resolution:

That the proposed motion regarding the establishment of a Blue-Ribbon Oversight Committee be referred to staff to examine various options for the effective management and execution for publicly funded infrastructure projects exceeding \$50 million dollars and report back.

The purpose of this report is to address the referral by:

- Providing an overview of the City's existing quality assurance and oversight procedures and processes related to capital project management;
- Presenting an overview of other public-sector capital project quality assurance and oversight committees;
- Describing the City's past experience with different types of governance, planning, and performance management related committees; and,
- Outlining a draft terms of reference for a project advisory committee that could complement existing procedures and processes, for Council's consideration.

This report supports Council's Strategic Plan 2022-2026 Focus Area #4 Responsible Financial Management and Governance:

Responsible financial management and efficient use of public resources to meet the needs of the community.

4.1 Ensure effective financial planning to support a sustainable future for the City.

4.2 Seek improvements and efficiencies in all aspects of City business.

4.3 Foster community trust through open, transparent and accountable budgeting practices and processes.

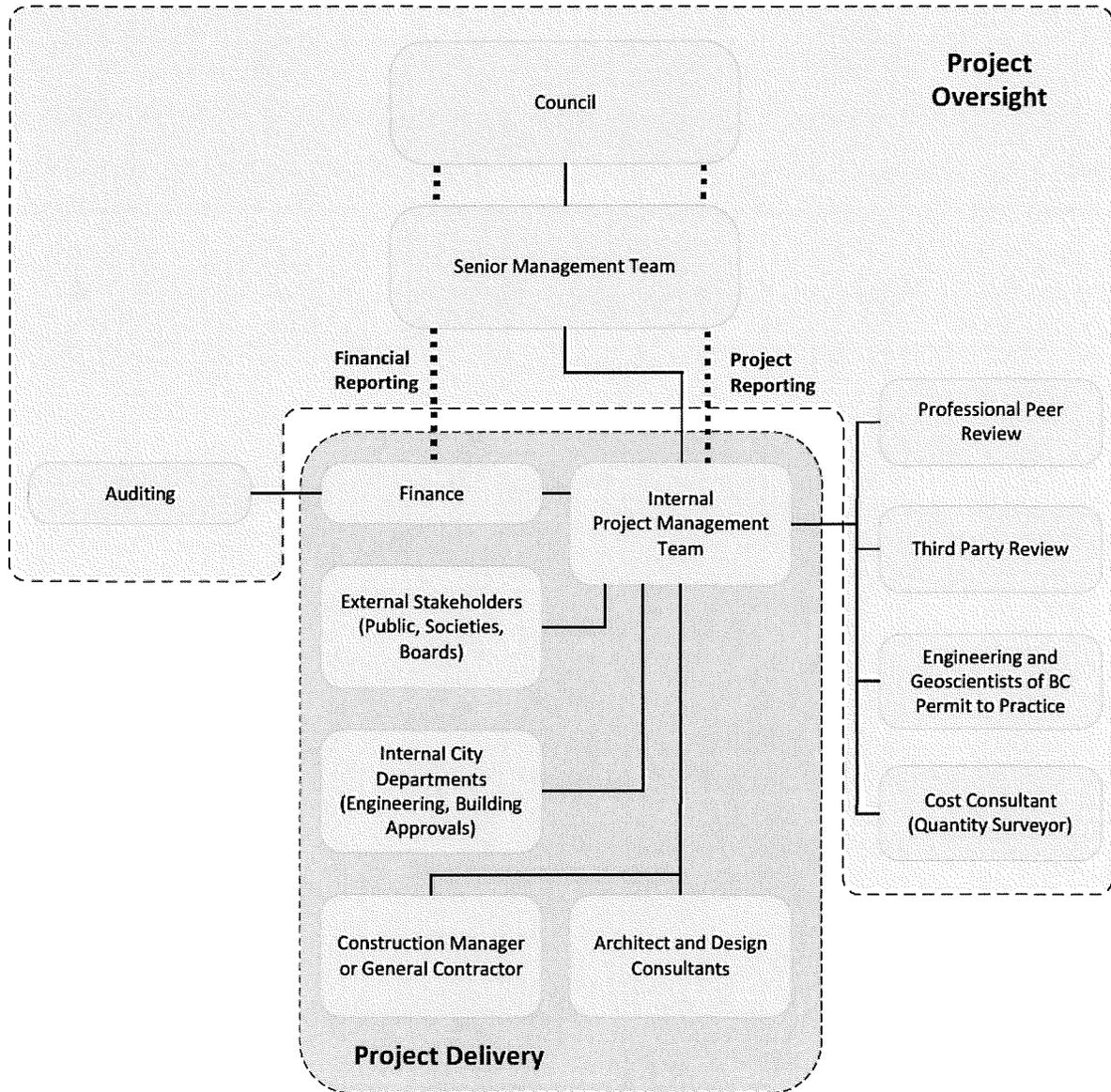
Background

Quality assurance and oversight of capital project management refers to the actions taken to review and monitor public sector projects, plans and programs to ensure:

- Value for money spent;
- Compliance with applicable policies, laws, regulations, and ethical standards; and
- Results are achieved as expected.

The City takes a comprehensive approach to maintaining and constantly improving how projects are managed and delivered. There are multiple layers of accountability and transparency built into the City’s capital management and delivery process that are essential to creating successful outcomes. This is outlined graphically in Figure 1.

Figure 1: City’s Current Capital Project Governance Model



The following outlines some of the oversight and quality assurance practices the City has in place for major infrastructure projects, as well as the outcomes of those actions. At key milestones, Council and the Senior Management Team are provided with updates related to budget, scope, and schedule, before approval is provided to move the project to the next stage. Due diligence, including risk management, takes place before key decisions are made, using the following methods:

- Professional cost estimators and construction managers are engaged to provide estimates and multiple budget validations up to the tender and award of the project;
- Third-party design experts review the plans to ensure they are practical, cost-effective and fulfill project requirements;
- Construction managers review constructability and schedule analysis to identify potential challenges and opportunities;
- Risk management tools, such as a risk matrix, are used to identify, mitigate, and monitor risks that could impact the budget, scope, or schedule; and
- Risks of financial changes are transferred to the contractor by utilizing a fixed price contract.

Additionally, as required by the Provincial Professional Practice Act, the City maintains a Permit to Practice with the Engineers and Geoscientists of British Columbia. The Permit to Practice is renewed annually with the City's Professional Practice Management Plan that extensively covers ethics, quality management and continuing education requirements for the City's registered staff.

Project monitoring and control are essential to completing a project on schedule, on budget, and within scope. Monitoring, control processes, and quality assurance checklists/inspections identify deviations from the project plan, ensuring that performance is seamless, efficient, and on track.

In addition, the City has implemented various administrative processes and procedures to ensure compliance to Council policies, legislation, and other regulations.

- Comprehensive financial tracking and review, including forecasting, to ensure that costs are incurred within the approved project scope and in accordance with Canadian Public Sector Accounting Standards.
- The consolidated financial statements, which include the accounts of the tangible capital assets and capital projects' work-in-progress, are independently audited by an external auditor, appointed by Council, to ensure the financial statements are free from material misstatements.
- The Community Charter and Local Government Act requires local governments to prepare a five-year financial plan each year, which includes the amount of expenditures required for capital purposes.
- The City's procurement processes are consistent with other public sector organizations and are designed to comply with binding trade treaties, the City's procurement policy, and relevant bylaws.

Per Council's Budget Amendments Policy 3001 (Attachment 1), Council approval is required for any of the following:

- a) Funding is not available from the Operating, Utility Budget, or an approved capital project, or;
 - b) Costs for a construction management capital project exceed the original amount that was approved in the City's Capital Budget by more than \$500,000, or;
 - c) Costs for a capital project exceed the original amount that was approved in the City's Capital Budget by more than \$100,000, or;
 - d) Changes to project scope.
- Staff present an Active Capital Projects Financial Update Report to the Finance Committee three times per year: the report provides an overview of the financial performance and key highlights of active capital projects. The report also includes the final financial result for those capital projects closed during the quarter.
 - After every year-end, staff present the audited consolidated financial statements, which include the accounts of the tangible capital assets and capital projects' work-in-progress, to the Finance Committee for approval.

The success of projects is supported by robust quality assurance and oversight practices from the initiation stage through to ongoing monitoring and control. Major capital projects are delivered using a systematic approach and agile methods that allow opportunities for review, input and adjustment at multiple stages throughout the project life cycle.

As of September 30, 2024, 577 capital projects approved by Council, since 2014, have been closed. Out of the \$503 million dollars approved budget related to the closed capital projects, \$456 million dollars were spent and \$47 million dollars were returned to the original funding sources.

British Columbia's construction industry continues to be affected by a skilled labour shortage, associated wage increases, cost escalation, and ongoing public infrastructure spending, leading to a continued increase in construction costs.

In order to maintain this level of high performance related to capital project delivery, the City must continue to be vigilant and invest in continuous improvement opportunities. As part of the close-out process for each project, the City performs post-completion reviews, including identifying lessons-learned, and staff continue to review best practices in capital project management to successfully deliver projects efficiently and effectively.

Analysis

Approaches to Project Oversight Committees

Local governments may consider the following types of committees that can provide additional layers of quality assurance and oversight related to capital project delivery:

- Oversight Committee – assess and advise on the integrity of the processes used throughout a project and recommend improvements, as needed;

- Steering Committee – established for large scale, higher risk and/or higher value capital projects; and
- Technical or Working Committees (e.g. financial, legal, design, and engineering) – serve in either an advisory or an evaluative capacity.

The City researched numerous organizations across Canada from local authorities, other levels of governments, private industries and associations to review project governance processes. Although not referred to as a Blue-Ribbon Committee, the following are similar in intent.

City of Burnaby

Burnaby's Council has voted to establish an advisory panel to review the costs of city infrastructure projects for several community centre redevelopments in response to project delivery challenges. The administration team responsible for capital construction are developing a terms of reference for an advisory committee.

Metro Vancouver

The Solid Waste and Recycling Industry Advisory Committee (IAC) provides advice and oversight on solid waste and recycling services by supporting the management plan update, providing information to industry representatives, and act as a forum for feedback.

The IAC is one of two advisory committees in Metro Vancouver that provide input on the solid waste management plan. The other committee is the Public/Technical Advisory Committee, which is comprised of members from a variety of sectors and interests.

In addition, Metro Vancouver is currently conducting an independent review of cost overruns in the North Shore Wastewater Treatment Plant Program.

BC Hydro – Site C Project Assurance Board

The board has nine members, including an independent chair, independent external advisors, and members of the BC Hydro Board of Directors. The Project Assurance Board makes recommendations to the BC Hydro Board of Directors on matters requiring BC Hydro Board approval and keeps the BC Hydro Board, the Minister of Energy, Mines, and Low Carbon Innovation, and government apprised of development and progress on the project.

City of Calgary

The City of Calgary has created a Corporate Project Management Centre that is responsible for developing, stewarding, and supporting the City of Calgary's Project Management Practices, including the facilitation and chair of a governance committee comprised of appropriate senior staff from each business unit responsible for capital projects and the City Manager's Office. This closely compares to the City's current practice.

This research indicates the use of project oversight committees is relatively rare. Where they are used in the region at the municipal or required level, they are typically comprised of experts and professionals from the local consulting and contracting community. In some cases, these are the same individuals hired directly by the City, in various project delivery and oversight roles under the City's current governance model.

City of Richmond Project-Related Committees

The following are examples of Council-approved committees established for different projects in the City of Richmond. Details of the purpose, objectives, and membership are included in Attachment 2.

Older Adults / Aquatic Centre (Minoru Centre for Active Living)

- Minoru Major Facility Stakeholder Advisory Committee
- Building / Project Technical Advisory Committee

Various Britannia Heritage Site Projects

- Steveston Historic Sites Building Committee

Infrastructure Projects Over \$50 Million Dollars

There are currently two active City infrastructure projects over \$50 million dollars:

- Steveston Community Centre and Library Replacement; and
- Works Yard Replacement.

Steveston Community Centre and Library Replacement

- 60,350 sq. ft. replacement facility in the southeast quadrant of Steveston Park;
- \$95 million dollars budget, anticipated project completion in Q4 2026;
- Currently in the construction implementation stage; and
- The main fixed-price construction contract has been awarded and the risk of financial changes has been transferred to a Construction Manager through a competitive bid process.

Works Yard Replacement Project

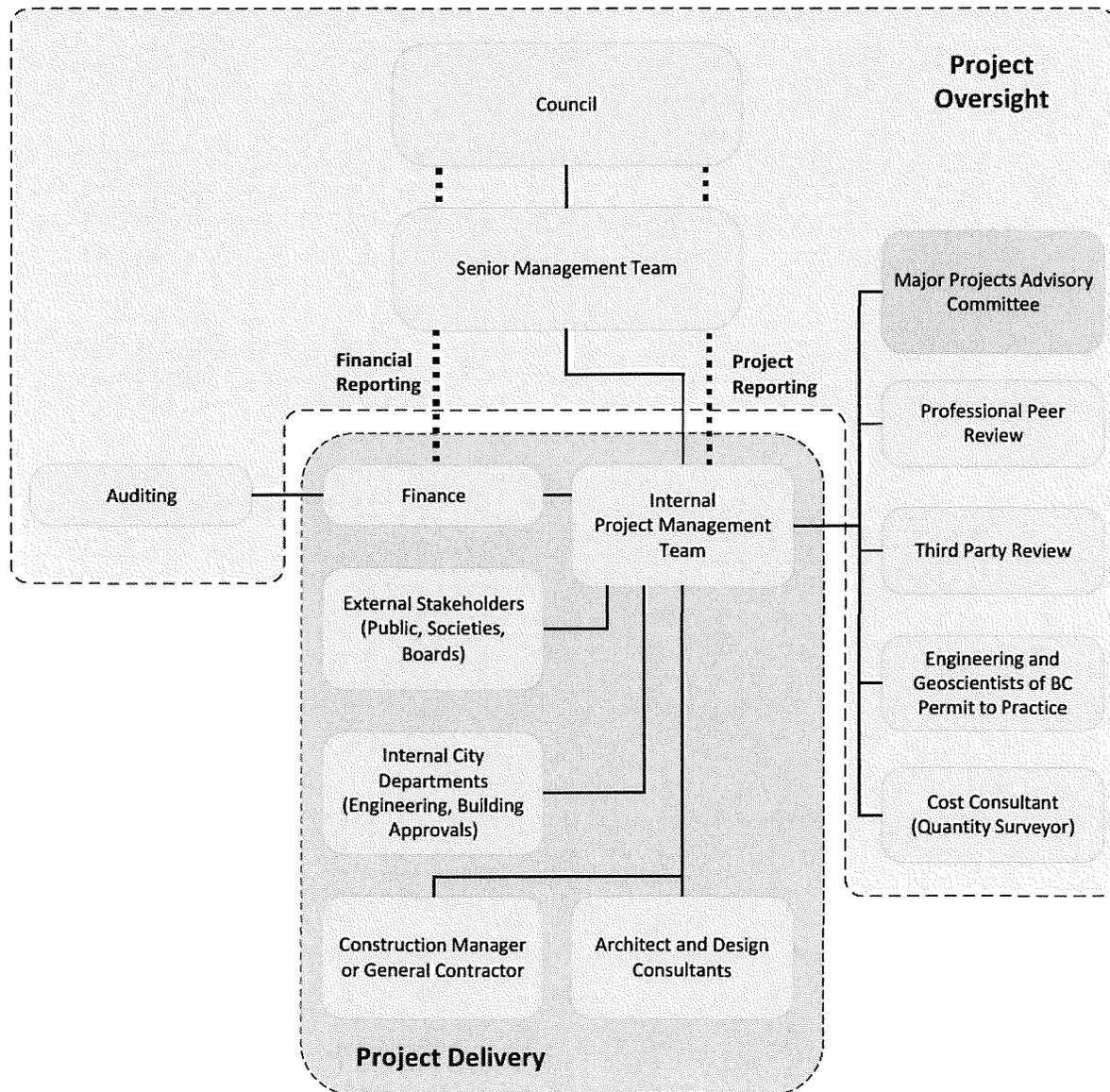
- \$100 million dollars Council-approved funding to date;
- The project is in the advanced planning/program development and enabling works stages, where space requirements, budget, schedule, form and phasing plans, underground utility relocations in the Phase 1 construction zone, site condition investigations and ground improvement works are being determined;
- Will be delivered in multiple phases over 7 to 10 years, during which full operations will be maintained; and
- Monthly Works Yard Replacement Project memos provided to the Mayor and Councillors.

In consideration of current City procedures and its past experiences with different types of capital project related advisory committees, if the City is to proceed with formalizing an advisory committee for capital projects over \$50 million dollars, a terms of reference is required.

Draft terms of reference (Attachment 3) has been developed to ensure that any such committee provides the best value to the City and complements existing procedures related to major project governance and oversight.

Figure 2 depicts the current project governance structure with the addition of the proposed Major Project Advisory Committee.

Figure 2: Example of Capital Project Governance Model with an Advisory Committee



Financial Impact

The City consulted numerous municipalities across Canada, for which only a handful responded and information regarding remuneration rates was not provided. The information regarding costs associated with an Advisory Committee in other organizations is not available.

Some major project oversight committees may provide remuneration for members while others, such as those previously established by the City of Richmond, engage members on a voluntary basis.

Based on the panel member qualifications of the different fields of expertise, staff reviewed the professional fee guides for Architectural Institute of British Columbia (AIBC) and Association of Consulting Engineering Companies British Columbia (ACEC-BC) which recommend billable hourly rates for senior-level professional services ranging from \$240 to \$450 per hour.

Conclusion

This report provides an overview of the City's existing quality assurance and oversight practices related to capital project delivery. Project oversight committees within government agencies exist in different forms and can enhance existing controls. Staff have identified and examined various types of oversight committees (projects exceeding \$50 million dollars) for Council's consideration. The City will continue to apply established, rigorous processes for major capital projects to ensure compliance with the project deliverables, budget, and schedule.



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Director, Facilities and Project Development
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- Att. 1: City of Richmond - Policy 3001
- Att. 2: Existing City of Richmond Project Committees
- Att. 3: Proposed Draft Terms of Reference - Major Projects Advisory Committee

CITY OF RICHMOND - POLICY 3001:

City of
Richmond

Policy Manual

Page 1 of 3	Budget Amendments	Policy 3001
	Adopted by Council: October 10, 1989 Amended by Council: September 28, 2015	

POLICY 3001:

It is Council policy that budget amendments that increase the City's expenditures are only permitted where funding is from sources other than taxation or utility fees. During the year there may be a need to change how the budget was allocated in order to ensure that City staff have appropriate authority to manage budget resources to ensure programs and services are delivered in an efficient and effective manner:

OPERATING AND UTILITY BUDGET

1. The Financial Officer may approve the following budget changes at the request of a General Manager:
 - (a) Transfer of budget resources within a Division that does not exceed \$100,000 and that does not involve salaries. Requests must clearly identify the allocations that are proposed, the funding source and/or the budget resource that will be transferred. Any changes will be documented and reported at an upcoming Finance Committee, and included in the staff report when the City's 5 Year Financial Plan amendments are presented
2. Council approval is required for any of the following changes:
 - (a) Transfers that involve salaries;
 - (b) Transfer of budget resources between Divisions;
 - (c) Transfers that exceed \$100,000.

CAPITAL BUDGET

Council will approve the budget amount for each project prior to commencement.

1. The CAO and the Financial Officer may approve the following changes to a construction management capital project at the request of a General Manager, provided that surplus funding (based on the restrictions above (OPERATING AND UTILITY BUDGET)) is available from the respective General Manager's Divisions Operating, Utility Budget or an approved capital project:

The lesser of:

- (a) \$500,000, or;
- (b) 5% of the original construction management capital project that was approved in the City's Capital Budget.

Any changes will be documented and reported at an upcoming Finance Committee, and included in the staff report when the City's 5 Year Financial Plan amendments are presented.

2. The Financial Officer may approve the following changes to a capital project at the request of a General Manager, provided that surplus funding (based on the restrictions above (OPERATING AND UTILITY BUDGET)) is available from the respective General Manager's Divisions Operating, Utility Budget or an approved capital project.

The lesser of:

- (a) \$100,000, or;
- (b) 5% of the original capital project that was approved in the City's Capital Budget.

Any changes will be documented and reported at an upcoming Finance Committee, and included in the staff report when the City's 5 Year Financial Plan amendments are presented.

3. Council approval is required for any of the following:
 - (a) Funding is not available from the Operating, Utility Budget, or an approved capital project, or;
 - (b) Costs for a construction management capital project exceed the original amount that was approved in the City's Capital Budget by more than \$500,000, or;
 - (c) Costs for a capital project exceed the original amount that was approved in the City's Capital Budget by more than \$100,000, or;
 - (d) Changes to project scope.

CAPITAL PROJECTS IN PROGRESS

Capital and construction management projects that were previously approved by Council 3 years or earlier, will be closed with funds returned to the original source. Any exceptions will require the Financial Officer's approval and all capital and construction management projects work in progress will be reported annually to the Finance Committee.

City of Richmond Project Committees

The following are examples of Council-approved committees established for different projects in the City of Richmond.

Minoru Major Facility Stakeholder Advisory Committee

- Project specific committee that meets on an ad-hoc basis at the request of the Chief Administrative Officer (CAO) or designate
- Purpose: is to provide advice, input, and feedback from a stakeholder perspective at key milestones during the planning and development process the project.
- Objective: is to support the City's efforts in the development of the functional space program in direct relation to the proposed facility use programming for the Aquatic and Older Adults Replacement Facilities.
- Membership:
 - Four (4) representatives of the public;
 - Two (2) representatives of the Aquatic Services Board;
 - Two (2) representatives of the Minoru Senior's Society; and
 - Two (2) Council liaisons.

Building / Project Technical Advisory Committee

- Project specific committee that meets on an ad-hoc basis at the request of Staff
- Purpose: is to advise City of Richmond staff on the design, construction, scope and schedule for the combined Aquatic Centre, Older Adults Centre and multi-purpose facility and associated urban realm improvements.
- Other major projects may be also be reviewed on an ad-hoc basis upon request.
- Objectives:
 - To provide input, feedback and advice on the design and construction of the Project;
 - To advise on the best use of City resources;
 - To advise on the financial sustainability of the Project and the soundness of business decisions; and
 - Other matters that will contribute to the success of the project.
- Membership:
 - Eight (8) members; and
 - One (1) council liaison.

Steveston Historic Sites Building Committee

- Project specific committee that meets based on the program of work to be undertaken.
- Purpose: Advise and provide input into the development of the program for the Seine Net Loft facility and the stories to be told in the exhibits; and Guide the focus of the development of the program of the restoration and future use of:
 - i. the Japanese Duplex;
 - ii. the First Nations Bunkhouse;
 - iii. the Phoenix Gill Net Loft; and
 - iv. the Interurban Tram.
- Membership: The Building Committee will consist of Four (4) members:
 - Two (2) members of City Council, City of Richmond;
 - One (1) member of the Britannia Heritage Shipyard Society; and
 - One (1) member of the Steveston Historical Society.

Draft Terms of Reference - Proposed Major Projects Advisory Committee

The following Draft Terms of Reference include details of duties and objectives of the proposed Major Projects Advisory Committee (Committee), created for specific projects.

Duties

To consider and provide advice, input, and feedback with regard to the planning, design, and construction of City projects exceeding \$50 million dollars.

The objective of the Committee is to provide independent advice and input at key milestones during the planning and design phases, with focus on the following:

Planning and Design

- Project Scope – ensures the project scope meets the requirements per Needs Assessments and the Council Strategic Plan or Council-approved program.
- Project Schedule – ensures the project schedule aligns with the scope of work and similar local projects, considering current industry trends.

Monitoring and Control

- Project Budget – ensures the project budget is similar to other projects being constructed locally.
- Progress Tracking – compares critical project milestones to the fundamental elements of scope, schedule, and budget to the fixed baseline.

While the Committee may make suggestions or recommendations on projects, the project team will review and consider these impacts to the projects. It is Council that must approve any significant changes to the project scope, schedule, or budget that may ensue from this input.

Committee Members

Council will appoint one liaison member and up to three (3) Subject Matter Experts who have relevant, project-specific experience, and registered membership (in good standing), including retirements, in the following areas:

- Design Consultant: Architectural Institute of British Columbia or Engineers and Geoscientists of British Columbia
- Construction Consulting: Vancouver Regional Construction Association or British Columbia Construction Association
- Professional Estimator (Quantity Surveyor): Quantity Surveyors Society of British Columbia or Canadian Institute of Quantity Surveyors

Additional committee members, with relevant project experience, shall be invited to provide feedback on projects. These additional committee members may change meeting-to-meeting depending on the agenda item and shall not have any involvement in the project that they are reviewing with the Committee.

Term of Office

One year for the Chair, two years for members, with appointments reviewed annually.

Procedures and Meetings

Prescribed intervals (i.e. defined design milestones) or ad-hoc basis at the request of staff.

A meeting agenda and attached reports will be circulated at least one (1) week in advance of each meeting. The reports will outline current projects, providing details for review and input.

Attendance requirement

Three (3) members of the Committee shall constitute quorum. Meetings may be cancelled and rescheduled if one or more member is unable to attend any regularly scheduled meeting.

Membership may be terminated following more than one unplanned and unexpected absence from scheduled meetings. If a member is to miss a meeting, they may speak to the designated staff liaison about an appropriate replacement.

Appointment of the Chair

The Chair shall be elected by the members of the Committee at the first regular meeting in the calendar year.

Duties of the Chair

- Determines the date and time of meetings. Meetings will be scheduled by City staff. Meetings may take place in person or virtually over MS Teams, as determined by the Committee.
- Chairs meetings of the Committee.
- Represents the Committee between meetings.

Staff Liaison

At least one staff representative from the City will attend each meeting as the subject matter expert and to present projects for review and input.

The City will provide the Committee with staff support for the preparation of minutes and agendas.

Duties of the Recording Secretary

- Prepare and circulate agenda and minutes to Committee members within one week of the meeting

Presentations to the Committee

The meetings are conducted by the chair in the following manner:

- For each project listed on the agenda, staff introduces the project to the Committee and summarises the information provided in the report (referring to its location, context, background, scope, schedule, budget, and most recent cost estimate).
- The Committee is given the opportunity to ask questions about any aspects of the project.
- Committee members review the project material and provide comments and observations.
- The Chair summarizes the comments of the Committee for the minutes, then proceeds to the next item on the agenda.

The meetings are not a forum for public comment.

Code of Conduct

Conflict of Interest:

- A conflict of interest exists if a Committee member is a director, member or employee of an organization seeking to benefit from the City or if the Committee member has a direct or indirect pecuniary (financial) interest in the outcome of Committee deliberations.
- Committee members who have a conflict of interest with a topic being discussed shall declare the conflict, describe the nature of the conflict, leave the room prior to any discussions.
- Committee members are not permitted to directly or indirectly benefit from their participation on the Committee during their tenure and for a period of twelve (12) months following their term(s).

Professionalism:

- Committee members are expected to act in accordance with the City's Respectful Workplace Policy (Policy 6800), including being respectful towards other members.
- Committee members must devote the necessary time and effort to prepare for meetings, arrive at meetings on time, and provide feedback consistent with the Committee's mandate. Any Committee member who is absent for three (3) meetings of the Committee, without reason satisfactory to the Committee, may be removed from the Committee.

Reporting and Social Media:

- The Committee members may not represent themselves as having any authority beyond that delegated in the Terms of Reference approved by Council. Items will be presented to the Committee if referred by Council or staff, and the standard process of communication is through staff to Council. Committee members may communicate directly to Council or the media, if the Committee members identify themselves as an individual, and not as representatives of the Committee.
- Any use of social media must, as with all other forms of communication, meet principles of integrity, professionalism, and privacy.

Should a Committee member violate the Code of Conduct or act outside the Terms of Reference, the member may be removed from the Committee.

Committee members serve at the pleasure of Richmond City Council. Council may amend these Terms of Reference at its discretion.