



## Major Capital Cost Share Funding

PREPARED BY: Executive Administration

COUNCIL APPROVAL DATE:

EFFECTIVE DATE:

REFERENCES:

1. Major Capital Cost Share Projects Approval Process Document
2. Project Forecast and Business Case Form
3. Sanctioning Approval Checklist Form

PREVIOUS REVISION DATE: New

FUNCTION: Financial Controls

LS REVIEW DATE: February 27, 2019

### PURPOSE

The purpose of this policy is to establish the protocols and methodology for municipalities to request funds from Parkland County for Major Capital investments.

This policy provides the basis for the governance process for all major capital cost share requests not defined in another contractual relationship. It is intended to ensure an integrated, consistent and transparent process is used for evaluating and making strategic decisions on major capital investment projects.

### POLICY STATEMENT

Parkland County will provide capital investments only when approval milestones are reached and only upon proper due diligence. It will be the policy that investments made on behalf of Parkland County residents for major capital investment projects must be to the benefit and enjoyment of its residents and that such investments must meet certain criteria in order to be approved.

Parkland County Council has a fiduciary responsibility to approve all material capital investments relating to this policy. The Major Capital Cost Share Projects Approval Process document outlines the approval process from the appropriate bodies up to and including the Council.

### DEFINITIONS

The following definitions and interpretations apply in this policy:

1. **Major Capital Investment Projects:** A major capital investment project is a new project that is suggested to be constructed, built or developed or significantly renovated by a third party municipality, or related entity, with the ask that monies are provided by Parkland County on behalf of its residents. These tend to be bricks and mortar facilities and could include, but are not limited to indoor recreation and cultural facilities, parks and outside recreational areas (where Parkland County's contribution exceeds \$250,000 in value).
2. **Class D Cost Estimate:** A Class D cost estimate is a total project cost estimate, including construction costs and associated soft costs. The level of accuracy of a Class D cost Estimate will reflect the risk profile of the project (including complexity, type of project, and magnitude of budget) and will typically include a 20% Design Contingency and 10% Construction Contingency allowance. In addition, a Risk Allowance may be included within the Class D cost estimate for high risk or complex projects.

3. **Concept Design:** Concept designs are created to represent work done in the Pre-Design phase of a project including the analysis of resident needs and statement of requirements, program confirmation, functional program, feasibility study, technical investigation, building condition assessment, construction cost estimate, site and existing conditions study, geotechnical information, and hazardous substances assessment.
4. **External Project Sponsor:** In the case of where monies are provided to a third party this identifies who is the **accountable executive** of the third party.
5. **Functional Program:** Documents the scope of functions, objectives and a basic operational description of each function to be addressed in the capital project. This includes proposed staffing or usage requirements of the functions together with an estimate and description of the space required to support the identified need. It provides a comprehensive understanding of the activities and functional needs of each function and the adjacency requirement for each function within the project.
6. **Internal Review Process:** Stakeholders from the following areas must review and sign off on the Business Case: Chief Administration Office (CAO), Chief Financial Office (CFO) General Manager (GM) of related department, Project Management Office (PMO), and Legal Services. Review can be concurrent but for efficiency purposes should not be initiated until a draft business case is complete.
7. **Major Scope Change:** A change in functional program that would significantly impact program deliverables, space requirements, or operations.
8. **Major Timeline Adjustment:** A change in the timeline that would significantly impact operations.
9. **Project Initiation:** First stage of approval from Parkland County Council.
10. **Project Scope:** The project scope contains a high level description of the project, including the relationship to a Functional Program and the intended deliverables of the project. There should be enough detail on Functional Program requirements and the deliverables to provide clear parameters to understand when the project scope is changing.
11. **Project Sponsor:** Senior administrator whose role is to champion, oversee and advocate for the project, its requirements, and ensure support within the community.
12. **Project Steering Committee:** The Project Steering Committee (PSC) is the governance body that assumes authority and oversight of a Major Capital Investment Project after it has been approved by Council. The PSC will have responsibility for approval of all major project decisions and is ultimately responsible for ensuring that the project is on budget, on schedule and within scope until occupancy and/or project completion.
13. **Sustaining Capital Investment Projects:** These are projects under \$250,000 and already under contract through a cost sharing agreement with a current municipality or in another contractual relationship.

## SCOPE

This policy applies to all major capital cost share requests not under an existing contractual relationship.

## RESPONSIBILITIES

The Chief Administrative Office is responsible for ensuring that all major capital cost share projects to be undertaken, and therefore proposed for Council approval, support the overall strategic plans and direction of Parkland County.

The Project Management Office is responsible for the oversight of the Major Capital Cost Share Projects Approval Process including providing assistance with the completion of supporting documentation and ensuring the steps in the process are completed appropriately.

The Chief Financial Office is responsible for identifying the source of funding and ensuring the expenditure and funding receives approval from Council.

Parkland County Executive Committee (EC) is responsible for reviewing any proposal and business case for a Major Capital Cost Share Project and recommending project and budget approval to Parkland County Council.

## STANDARDS

### 1. STAGE ONE – Project Initiation

The External Project Sponsor is responsible for Project Initiation. This step must be completed and approval obtained before any external stakeholder discussions or communication takes place. Parkland County may require up to 60 days to review this information and provide a decision whether to move to stage two.

This stage identifies required elements within the project. This section of the document is not a directive, but is a report and request for decision that must include the following details:

- A. A substantial part of the municipalities residents or businesses benefit from it, or could benefit from it;
- B. It is not a duplication of another effort in the region;
- C. The private sector does not offer it;
- D. There is a demonstrated need through study or evaluation that is robust and has been agreed upon by Council;
- E. It is a facility providing services that Parkland County residents expect to have available to them; and
- F. There is a demonstrated support from Parkland County residents.
- G. Based on administration's recommendation(s), Council has the authority and will make a decision at each stage as follows:
  - i. Approve the recommendation(s);
  - ii. Reject the recommendation(s);
  - iii. Send the report back to administration for further due diligence;
  - iv. If project initiation is approved, approve monies to the project to complete phase two.

## 2. STAGE TWO – Preliminary Capital Cost Share Project Proposal

The External Project Sponsor is responsible for preparation and submission of the Preliminary Capital Cost Project Proposal (the Proposal). This step must be completed and approval obtained before any external stakeholder discussions or communication takes place. Parkland County will require 90 days to review this information and provide a decision whether to move to stage three.

- A. The purpose of the Business Case is to provide a comprehensive overview of the Capital Project, including the need for the Capital Project, the Scope of the Capital Project, a Class D Cost Estimate, future operating costs, a clear funding plan, the identification of key risks and mitigation strategies, and the planned governance structure for the project. At the conclusion of this stage, the following details must be available:
  - i. Functional program
  - ii. Concept design drawings
  - iii. Site Location
  - iv. Class D Cost Estimate
  - v. Estimate of annual facility operating and maintenance costs
  - vi. Target Project timeline
  - vii. Identification of key risks and mitigation strategies
  - viii. Evidence of appropriate stakeholder consultation plan
  - ix. Identification of governance structure including the Project Steering Committee
  - x. Identification of funding sources
  - xi. Determining if external project management resources are required
  - xii. Planned construction approach (stipulated bid, design/build, and construction management).
- B. Required form(s): Project Forecast and Business Case
- C. The Business Case must undergo the Internal Review Process before it is brought forward for approval to Council. Based on administration's recommendation(s), Council has the authority and will make a decision at each stage as follows:
  - i. Approve the recommendation(s) as is;
  - ii. Reject the recommendation(s);
  - iii. Send the report back to administration for further due diligence.
  - iv. If Preliminary Capital Cost Share Project Proposal is approved, approve monies to the project to complete phase three.

### 3. STAGE THREE - Project Sanctioning

Upon approval at this stage, monies if required would be released to the partner municipality to enable them to complete all of the work required in engineering and design, including, but not limited to, final details as required to meet the Sanctioning Approval Checklist.

- A. Parkland County Council may approve the sanctioning of the project, reject it, or send it back to Administration for further due diligence, or sanction the intent of a plebiscite or forum for residents to provide direction. Engineering and design includes, but is not limited to, the following:
  - i. Procurement
  - ii. Engineering Design to IFC (Issued for Construction)
  - iii. Risk Management Plan
  - iv. Schedule
  - v. Contracting Strategy
  - vi. Constructability
  - vii. Work Breakdown Structure
  - viii. Costing Breakdown- Lump sum requirement of Parkland County.
- B. Parkland County will require the following details to enable completion of the Sanctioning Approval Checklist and final approval for construction. It is expected that this process would take 90 days to review and complete once the following is provided:
  - i. Completed IFC drawings including all schedules
  - ii. Proposed construction management contract or project management contract
  - iii. Proposed contract or joint venture cost share agreement
  - iv. Detailed financial analysis and controls, including, but not limited to:
    - a. Lump Sum ask of capital cost share
    - b. Operating cost breakdown and operating share
    - c. Cash Flow analysis.
  - iv. Insurance and risk mitigation plan
  - v. Fee structure for services
  - vi. Management of Change Process
  - i. Level 3 or 4 Project schedule.
- C. Required form(s): Sanctioning Approval Checklist
- D. Based on administration's recommendation(s), Council has the authority and will make a decision at each stage as follows:
  - i. Approve the recommendation(s) as is;
  - ii. Reject the recommendation(s); and
  - iii. Send the report back to administration for further due diligence.
  - iv. If Project Sanctioning is approved, release monies to the partner municipality to enable them to complete all of the work required.

#### 4. REPORTING

Once the project is sanctioned, it is the role of the applicable Project Sponsor to provide monthly updates to Parkland County. Reporting must include, but is not limited to, the following:

- A. Schedule adherence
- B. Earned value versus actual
- C. Estimated cost to complete
- D. Number of change orders
- E. Project risks.