

**PROGRESS REPORT UPDATE - STAGE GATING, CAPITAL AND CONTINGENCY**

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**EXECUTIVE SUMMARY**

This report provides a response to the questions posed by Council on 2016 July 25 regarding report TT2016-0578.

Specifically, during the discussion regarding RouteAhead and questions raised regarding the Southwest Bus Rapid Transit (BRT), Council requested a progress report and recommendations related to the use and reporting of project estimates, contingency and changes to the capital budgeting process including Council's approval. The progress report and recommendations can be found in Attachment 1.

**ADMINISTRATION RECOMMENDATION(S)**

Administration recommends that Council:

Direct the Administration to continue its work regarding the implementation of a capital budgeting process that aligns to the stage gating, project risk management, estimation and contingency standards and report back to the Priorities and Finance Committee prior to the end of December 2017.

**RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2016  
DECEMBER 13:**

That the Administration Recommendation contained in Report PFC2016-0853 be approved.

Excerpt from the Minutes of the Regular Meeting of the Priorities and Finance Committee, held 2016 December 13:

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**"1. Report PFC2016-0853 be sent to the 2016 December 19 Regular Meeting of Council as an item of Urgent Business."**

**PREVIOUS COUNCIL DIRECTION / POLICY**

In its meeting on 2016 July 25 when discussing item TT2016-0578, "RouteAhead Rapid Transit Corridors Update and Response to Public Questions on the SW BRT", Item 6 of Council's motion directed Administration to:

"... Report back with recommendations to Council through the Priorities and Finance Committee with a progress report no later than 2016 December 31 with:

- a) Changes to the City's capital budgeting process, including but not limited to consideration of Class 1-5 cost estimating process;
- b) Criteria used to rank capital projects;
- c) Criteria for determining the appropriate contingencies for projects; and
- d) The Council approval process in relation to cost estimates, contingencies, budgets and scope changes."

**BACKGROUND**

The continuous improvement of infrastructure investment and project management practices

Approval(s): Stevens, Brad concurs with this report. Author: Wyton, Steve  
City Clerk's: D. Williams

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has been the topic of past review and recent discussion with Council. For instance, in 2011 a number of internal audits and Notices of Motion identified further improvements for the practice of project management, including:

1. Audit Committee report AC2011-54, "16<sup>th</sup> Avenue North Urban Corridor,"
2. Audit Committee report AC2011-60, "Fire Department Facilities Construction,"
3. Notice of Motion NM2011-33, "Improvements to the Project Management Process,"
4. An amendment to LPT2011-99, "West LRT – Project Update and Completion Plan"

In addition to items one and two above, the Corporate Project Management Centre (CPMC) was directed by the Audit Committee and Council to establish the Corporate Project Management Framework (CPMF). On 2015 March 17, Administration presented its final report to the Priorities and Finance Committee (PFC) outlining the various deliverables that were developed to meet the audit and Notice of Motion requirements. This included the development of standards and practices for estimating and contingency.

Administration provided a status update regarding the continual improvement of project management practices to Council on 2015 September 14 in report C2015-0484, "Green Sheet Response, Project Management on City Projects". The direction received from Council was that: "Administration continue with improvements to the Corporate Project Management Framework, including implementation of value management, stage gating and a more comprehensive approach for quality management for capital projects."

Council has also approved The Corporation's Capital Infrastructure Investment Strategy at its meeting on 2015 November 25. This document sets the foundation for the establishment of enterprise wide infrastructure management and will serve as the basis for new capital budget processes and practice development.

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

The improvement of infrastructure and project management maturity is an evolutionary journey that requires a careful and thorough approach. For a complex organization the size of The City of Calgary, improving business maturity is a change that requires time to do it right. Calgary has successfully started that journey.

While Administration is continuing to improve its project management maturity, it is also building on these successes by establishing an enterprise wide approach to infrastructure investment management, namely Infrastructure Calgary (IC). Administration's ultimate goal is to continue to move beyond simple compliance with project management standards and capital budgeting to creating value in the community through infrastructure investment.

As directed by Council regarding report C2015-0484, Administration is in the process of implementing internal project management and infrastructure investment practices, including the adoption of a Stage Gate methodology. Stage Gate is a trademarked method (by Stage Gate International) used by leading project management organizations to manage project risk. More specifically, the approach is used to release project funds as a project

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progresses through various "gates". Individual business units within The Corporation are at various phases of implementation of stage gating. For instance, the Water Utility, Waste & Recycling Services and Facilities Management have already implemented a stage gate process that aligns to the CPMF standard.

Attachment 1 of this report provides additional detail regarding the process and practices that Administration has completed as a result of Council's direction, including the criteria used to develop the appropriate levels of contingency for projects.

As a next step, IC will work with the CPMF Steering Committee and Finance to establish new capital budgeting processes. It will make recommendations to Council accordingly prior to the end of 2017 and the start of the next business planning and budgeting cycle.

### **Stakeholder Engagement, Research and Communication**

The following provided input and assistance into the development of this report:

- Managers within the CPMF Steering Committee;
- Infrastructure Calgary and its members within the Senior Management Team;
- Members of the Administrative Leadership Team, and;
- External project management professionals, including Stage Gate International.

### **Strategic Alignment**

This report aligns with the CPMF program plan as approved by Council in early 2012, the Strategic Leadership Plan, the Infrastructure Investment Strategy approved by Council in July of 2016 and goals and objectives of Action Plan 2015-2018

### **Social, Environmental, Economic (External)**

#### **Social**

There are no social implications as part of this work.

#### **Environmental**

There are no environmental implications as part of this work.

#### **Economic (External)**

In addition to internal project management practice and infrastructure investment improvements, Administration is exploring innovative ideas that will increase The City's percent capital spend, decrease the "time to market" and inspire leveraged community value investments as part of the economic resiliency work currently underway.

### **Financial Capacity**

#### **Current and Future Operating Budget:**

This work can be completed within current budget allocations.

#### **Current and Future Capital Budget:**

This work can be completed within current budget allocations.

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**Risk Assessment**

The major risks associated with this program are:

- resource constraints could result in slowing or stoppage of the IC and CPMF programs;
- resistance to change may be encountered from project managers, management teams and others; and

Having the appropriate program charter and effective governance as well as a change management and communications plan in place is the key to mitigating these risks.

**REASON(S) FOR RECOMMENDATION(S):**

The recommendation supports Administration's ongoing work to develop a comprehensive and value added project management and infrastructure investment approach for The Corporation.

**ATTACHMENT(S)**

1. Response to Question 6 of TT2016-0578, Progress Report: Changes to the Capital Budget Process