

## **GREEN SHEET RESPONSE - PROJECT MANAGEMENT ON CITY PROJECTS**

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### **EXECUTIVE SUMMARY**

This report provides a response to the Green Sheet approved by Council on 2015 February 09 titled "Project Management on City Projects." Specifically, the further centralization of City of Calgary capital construction projects and the enhancement of current project management capabilities.

The analysis and business cases for each enhancement is presented for Council's consideration in Attachment 2, as is the definition of value management, stage gating and quality management. While enhancements to The City of Calgary's project management practice have already been made, the evolution of this practice is only partly complete. Direction provided by Council will be prioritized as part of the sustainment of the Corporate Project Management Framework.

### **ADMINISTRATION RECOMMENDATION(S)**

Administration recommends that Council:

Direct Administration to continue with improvements to the Corporate Project Management Framework (CPMF and also known as The Framework), including implementation of value management, stage gating and a more comprehensive approach for quality management for capital projects.

### **PREVIOUS COUNCIL DIRECTION / POLICY**

The continuous improvement of project management practices and the centralization of capital construction projects has been the topic of past review. 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, the Corporate Project Management Framework 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. Attachment 5 of this report outlines the key highlights and work plan of the CPMF from 2012-2015.

At its meeting of 2015 February 09, Council approved a Green Sheet from Councillors Keating and Pootmans for the City Manager to present alternatives for further improvement to capital project management practices at The City of Calgary. The wording of the Green sheet is found in Attachment 2 of this report.

## **GREEN SHEET RESPONSE - PROJECT MANAGEMENT ON CITY PROJECTS**

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### **BACKGROUND**

Improvement of 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. Even with executive support, there is some change management risk. Improving project management maturity requires a diligent approach guided by sound process, data, benchmarking and quality management approaches as well as addressing change management issues.

Administration has completed the delivery of the Corporate Project Management Framework (CPMF) program as of 2015 February 02. With the implementation of mandatory project management standards and the establishment of quality assurance processes complete, the first phase towards the improvement of project management practices and maturity has been undertaken. This is significant achievement which has already gained The City the reputation as being a leader in municipal project management.

Administration also acknowledges many successful capital projects that have benefited from having project management standards in place, including the cross-organizational 2013 Flood Recovery program.

Despite these successes, Administration recognizes that our evolution towards a fully mature project managing organization is not complete. It is committed to continually building upon the standards and practices to improve its project management maturity, to improve its organizational model to deliver capital projects and to establish ways of achieving and capturing project savings to reinvest into the community.

Administration's ultimate goal is to continue to move beyond simple compliance with project management standards, towards the establishment of project management practices that ensure what we do creates value to the citizens of Calgary and help to ensure The City of Calgary's capital projects are "on time, on budget and on scope."

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

In response to this Green sheet, Administration has explored alternatives to further enhance project management capabilities, construction efficiencies, the quality of project outputs and the further centralization of capital construction projects.

Attachment 2, "Response to Green Sheet – Project Management on City Projects," provides the alternatives and business cases in relation to the five areas identified in the Green Sheet. These business cases outline the work that has been completed, what is currently underway as well as the risks and recommendations that will further improve project management practices. The definitions for quality management, value management and stage gating, as referenced in this report's recommendations, are found in sections 2b) and 2c) of Attachment 2, respectively.

Administration believes it is moving in the right direction with respect to the continuous improvement of project management practices. It recommends that The City of Calgary continue to build upon existing internal project management standards to further improve

## **GREEN SHEET RESPONSE - PROJECT MANAGEMENT ON CITY PROJECTS**

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upon the practice, including the implementation of value management, project management maturity and stage gating.

As a direct result of this Green Sheet, Administration has undertaken the following actions:

1. At its meeting of 2015 July 28, the Administrative Leadership Team (ALT):
  - a. Reconfirmed a 2006 ALT decision to create a centralized Project Management Office (PMO) for current, new and renewal future facility projects within Corporate Properties and Buildings;
  - b. Directed Administration to undertake a review of current facility projects to determine which projects will be transferred to the centralized PMO;
2. On 2015 July 28, the Deputy City Manager provided direction to the CPMC to develop a mandatory corporate standard for the practice of value management, as well as develop a guidance document for the implementation of stage gating within The Corporation.
3. Administration will continue to use existing pre-qualifications to ensure that external consultants are leveraged to deliver facilities projects.
4. Administration established initiatives, including "Accelerating Capital for Economic Resiliency" (ACER) program, to identify and implement efficiencies for capital construction.

Attachment 3 provides further detail regarding recent examples of value management studies undertaken by Administration on City capital projects. This has resulted in the identification of significant cost efficiencies and future cost deferrals that are outlined in Attachment 2, page 4.

Finally, as a result of this Green Sheet, Attachment 6 has also been created to help explain the role and responsibilities of internal City of Calgary Project Managers, especially where an external project manager may be used to deliver a more complex capital project. It is important to note that the role of internal project managers as an "owner's representative" cannot be assigned to an external third party and is critical to the success of City capital projects. For example, it is this role that ensures that any capital project, simple or complex, complies with The City's legal, safety and regulatory requirements, that the project aligns to internal policy and process and that the needs of all City stakeholders are met.

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

In order to create the business cases found in Attachment 2, the CPMC held a number of focus groups with internal City of Calgary staff, members of senior management and Council in March 2015. The findings of these focus groups are summarized in Attachment 4 of this report. CPMC researched and presented the findings of previous relevant reports by Administration on the topic of project management. CPMC also leveraged industry generally accepted standards (i.e. the Project Management Institute) as a foundation for the alternatives presented. Finally, the CPMC consulted with project management experts from outside of the organization to solicit feedback regarding the alternatives presented in this report.

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

## **GREEN SHEET RESPONSE - PROJECT MANAGEMENT ON CITY PROJECTS**

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- The CPMC;
- project managers and subject management experts within Administration;
- Managers within the CPMF Steering Committee;
- Directors responsible for capital construction projects;
- members of the Administrative Leadership Team, and;
- external project management professionals.

Managers and Directors of capital project management business units have had the opportunity to provide comment and direction regarding the creation of this report.

### **Strategic Alignment**

This report aligns with the CPMF program plan as approved by Council in early 2012, the Strategic Leadership Plan and goals and objectives of Action Plan 2015-18

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

In addition to internal project management practice improvements, Administration is currently exploring new and innovative ideas that will increase The City's percent capital spend and decrease the "time to market" as part of the economic resiliency work currently underway. The intent is to fill the gap in the market that has been left by a contraction of capital spending by other business sectors.

### **Financial Capacity**

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

None.

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

The impact of value management and stage gating activities would provide a net benefit to The City's capital budget.

### **Risk Assessment**

The major risks associated with this program are:

- resource constraints could result in slowing or stoppage of the CPMF program;
- resistance to change may be encountered from project managers, management teams and others; and
- lack of strong advocacy and direction from senior management may preclude permanent cultural change within The Corporation.

Having the appropriate program charter, governance, change management and communications plan in place is the key to mitigating risks related to resources. The program continues to work with the business units to ensure program work is scoped with consideration to available resources.

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

The first step in implementing mandatory project management standards and establishing quality assurance processes has been delivered. Notwithstanding this, Administration is only part way towards a comprehensive and value added project management approach.

**GREEN SHEET RESPONSE - PROJECT MANAGEMENT ON CITY PROJECTS**

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**ATTACHMENT(S)**

1. Green Sheet - Project Management on City Projects
2. Response to Green Sheet: Project Management at the City of Calgary
3. Summary and Outcomes of the City of Calgary Value Management Studies
4. Green Sheet Engagement Workshop Outputs
5. Corporate Project Management Framework Highlights and Work plan
6. Project Management Roles