



Date: February 9, 2001

TO: Board Members - Parks and Recreation
FROM: General Manager - Parks and Recreation
SUBJECT: CAPITAL PROJECT PROCESS REVIEW

RECOMMENDATION

THAT the Board accept the Capital Project Process Review dated February 2001, and its recommendations as described on pages 4, 5 and 6 of this report.

POLICY

There is no applicable policy.

BACKGROUND

In the fall of 1999, presidents of several Community Associations expressed their concern that the current capital project process (i.e. the way we design, fund, and build recreation facilities) did not respond to their needs, and they wanted an opportunity to discuss the issues. In response, staff suggested a series of meetings with Association representatives to identify and discuss areas of concern and recommend solutions.

In a series of five meetings held between March and June 2000, staff of the Planning and Operations division and of the Districts met with a number of representatives of Community Associations.

At the outset of the review, overall and specific objectives for the capital project process were identified. Specific objectives were:

- To provide adequate and appropriate recreation and community centre facilities that meet the needs of the local and wider community in a cost-effective manner, both now and in the foreseeable future.
- To seek input from members of each community on the needs and culture of that community.
- To design and build rinks, pools and community centres which fit with their surroundings, are functional, and cost-efficient to maintain and operate.

While the focus of this review was on facility development, it was acknowledged that the Park Board's capital program also includes land acquisition, park development, street trees and other

projects. Some, but not all of the recommendations made during the review may also be applicable to other aspects of the development and implementation of the Three Year Capital Plan.

DISCUSSION

The Vancouver Park Board is the owner and manager of numerous parks and recreation facilities throughout the city. Included are 23 neighbourhood community centres, operated in partnership with Community Associations.

Annually, the Board spends approximately \$13 million net from its operating budget for the maintenance and repairs of community centres, rinks and pools. In addition, major maintenance projects are also funded through the Capital Plan. In the 1997/99 Capital Plan cycle, for example, \$2.7 million was allocated for this purpose, just under half of the \$5.7 million spent on expansion and development of these facilities.

The review of the capital project process examined how major maintenance and construction projects are delivered to communities by the Vancouver Park Board. The review was compiled from existing, revised and new data and documents, and discussion among Park Board District staff, Park Board Planning and Operations staff and Community Association representatives.

New Directions

In 1997, the Board completed an initiative called the Organizational Review. This service and structure review took place in line with efforts in other city government departments to explore customer-focused improvements to systems, processes, and operations. It was the first step in a process designed to assist the Park Board in becoming more responsive to the expectations and service requirements of Park Board customers.

New Directions (October 1998) is a guiding document that stipulates the course of action which emerged from the recommendations of Organizational Review. The main components of New Directions are:

- a decentralized approach to building a customer-focused organization
- an emphasis on both parks and recreation as the core business of the Board
- a new mission, vision, and organizational structure based on service delivery in three geographical areas.

Specific strategic issues identified as part of the New Directions initiative include:

- Responding to customer needs
- Developing partnerships and stakeholder relationships
- Changing the way we work
- Upgrading the park and facility infrastructure
- Financing the future

The Process Review

Encouraged by the Board's new focus, representatives of several Community Associations requested a review of the capital project process. This is the process by which the Board, working with partners and stakeholders, initiates, reviews, funds and implements capital improvements to facilities. Board members of several Community Associations felt that the process did not respond to their needs, and wanted an opportunity to discuss their concerns, including poor communication between Park Board staff and Associations, lack of a long range plan, and unclear accounting for staff time and construction project costs.

In response, staff initiated a series of meetings with Association representatives to identify, discuss and recommend solutions.

On March 29, 2000 staff of the Planning and Operations division and of several Districts met with a number of representatives of Community Associations. The Committee established the following objectives for the Capital Project Process review:

1. To examine how Capital Projects are designed, built and financed
2. To contemplate ways in which work could be done differently
3. To reach consensus on the way in which project processes should be undertaken
4. To produce a process document/manual
5. To share recommendations of the process review with the Board, Community Centre Associations, and other stakeholders.
6. To develop guidelines to ensure Capital Plan funds are utilized in an accountable and understandable manner.

At this and the four subsequent meetings, specific and general issues relating to the Capital Project Process were explored.

The committee reiterated the need for a long term capital spending framework for community centres and other community recreation facilities. The objectives and terms of reference for a Capital Development strategy are presented in Section 2 of the appended document.

For the benefit of both Association partners and staff, the principles and procedures recommended in the review will be consolidated into a manual entitled **Capital Project Process Guidelines**. The wording contained in the previously existing manual, along with recommended changes and additions, is contained in the appended review. The manual will provide a convenient reference for staff and volunteers seeking to understand the capital project process. A draft of the reprint has been circulated to all Community Centre Associations since 2000, and this version reflects comments received.

RECOMMENDATIONS

A detailed record of the review group's deliberations and findings may be found in the appended report. Following is a list of recommendations arising out of those discussions.

The Long Range Capital Plan (Section 2.2)

It was agreed that a long range plan for capital projects was needed. A “Terms of Reference for Facility Capital Renewal Plan” was agreed to by the Review Committee. The Draft Long Range Capital Plan is scheduled for completion by April 1, 2001.

Recommendation:

- 1) That a Long Range Capital Plan be created, which will guide the development of future Three Year Capital Plans.***

Capital Replacement Financing Options (Section 2.3)

There was discussion of how, in future, Park Board might avoid borrowing for capital projects. Examples of other municipalities, with large reserve funds, were compared to Vancouver, and opportunities for creating such a fund were explored.

Recommendation:

- 2) That the Park Board explore the creation of a capital replacement fund.***

Project Selection for Inclusion in the Three Year Capital Plan

It was agreed that the present system for evaluating capital projects to be included in a Three Year Capital Plan was not consistent, transparent, or thorough. Suggestions for an improved system with more stringent criteria for inclusion have been set out in Section 2.4.

Recommendations:

- 3) That in future, the projects to be included in a Three Year Capital Plan submission will meet a set of criteria, to be identified in the Long Range Capital Plan.***
- 4) That feasibility studies will be undertaken where possible, to allow for prioritizing and better cost estimates. At least \$100,000 will be set aside in each Three Year Capital Plan for feasibility studies for projects that may be undertaken in the subsequent Three Year Capital Plan.***

Designing and Building Projects (Section 3.3)

In future, the way in which designers and builders are chosen for projects will be examined on a job-by-job basis. The method will be recommended by the project manager, with the input of the building committee.

Recommendation:

- 5) That, at the outset of each project, the options for design and construction be reviewed, to determine the method of delivery which best suits that particular project .***

Funds - (Section 3.4)

Association Contributions - Capital fund allocation and disbursement are administered by Park Board, including funds provided by Associations toward projects.

Recommendation:

- 6) ***That Association contributions to capital projects be paid in three installments, one third each after one third, two thirds, and upon substantial completion of the project.***

Project Management Charges (i.e. Staff Time)- It was agreed that in future Three Year Capital Plans, project management charges would be moved from individual project budgets to the overall Three Year Capital Plan.

Project management charges will be determined, based on a variety of cost factors, at the outset of each Three Year Capital Plan budget cycle. It is expected that they will total approximately 10% to 13% of project costs. Any contributions made to the project by Association or other sources will be subject to a project management charge of 50% of the above rate. The rationale for this approach is outlined in section 3.4.2.

Recommendations:

- 7) ***That, in future, the Three Year Capital Plan will include a project administration line for:***
- direct staff time (project management, project design)***
 - indirect staff time (overhead)***
 - the debenture discount.***

- 8) ***Contributions made to a project by Association or other sources will be subject to a project administration charge of 50% of the above combined rate, or 5% to 7%.***

The Role of the Project Manager and The Project Building Committee (Section 3.6)

The role of the project manager was examined, as were the roles and responsibilities of the project building committee. The project manager will no longer necessarily chair the committee, but will be responsible for ensuring that the chair is identified, meeting notes taken and distributed, and budget updates are presented periodically and in a timely manner.

Recommendation:

- 9) ***That, in future, the Building Committee will select the Committee chair.***

The Over/Under Policy (Section 3.8.1)

Development of a fair and equitable policy for the disbursement of remaining funds from completed capital projects, as well as the funding of cost overruns, was explored. Rules on determining when a project is under, or when a project is eligible for an further funding, may be as cumbersome as the current approach.

Recommendation: None

Maintenance and Capital Expenditures (Section 3.8.2)

It was agreed that policy should be adopted to transfer major maintenance from the Three Year

Capital Plan to the Park Board operating budget, in accordance with the direction being considered by senior management at the City and Park Board.

Recommendation:

10) That policy should be adopted to transfer major maintenance from the Three Year Capital Plan to the Park Board operating budget.

Although the review focused on community recreation buildings, the principles enshrined in the recommendations should also be applied to park development projects or capital projects with other partners.

Implementation of recommendations 2 and 10 would be subject to City Council approval. Further reports on these matters will be presented to the Board following further discussion with senior city staff.

Prepared by:

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