



Integrated Infrastructure Services
Deputy City Manager's Office

Major Capital Project Update

City Council
February 23, 2024

IIS02122

Why conduct a Major Capital Project Review?

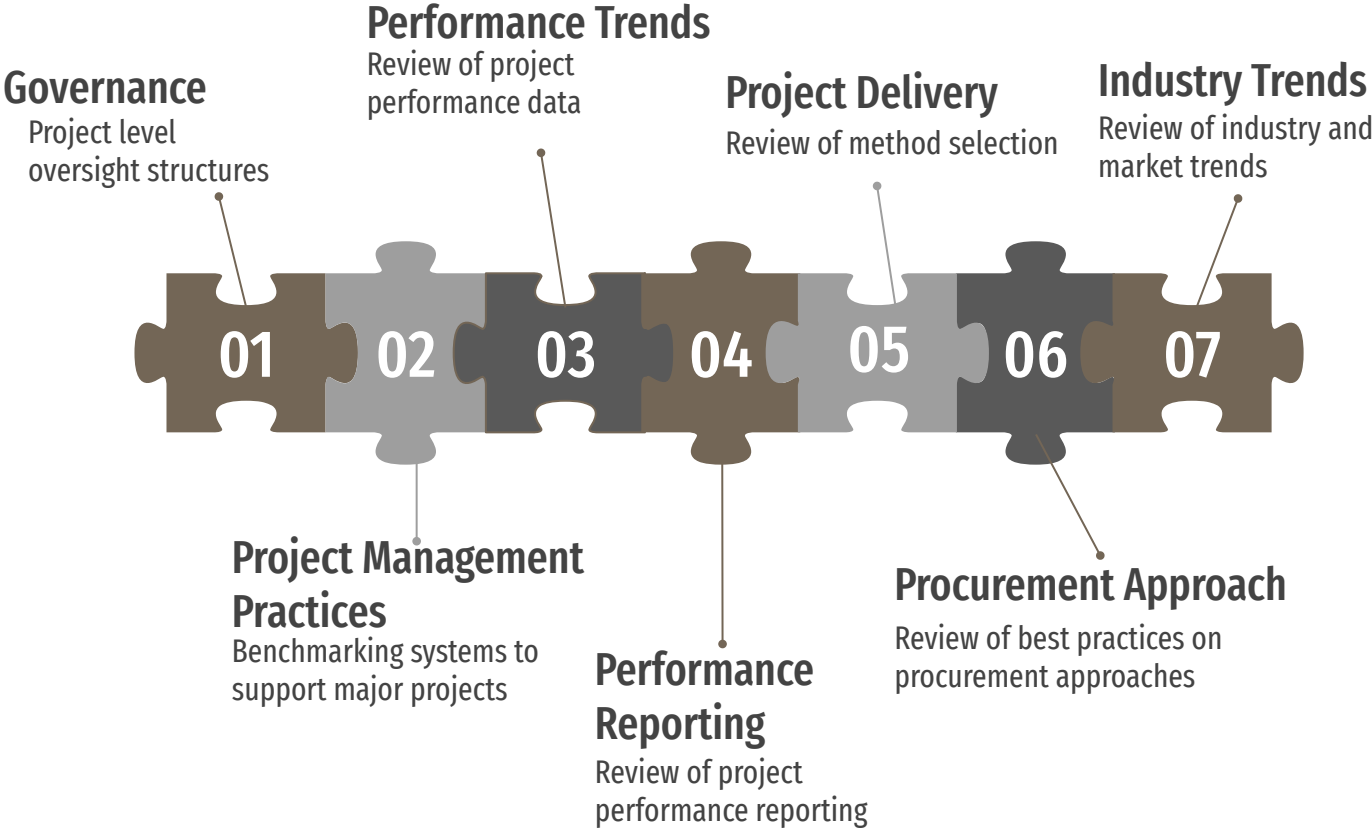
1. Following discussions related to challenges experienced by a major P3 capital project, a commitment was made to conduct a review of major capital projects to ensure appropriate levels of oversight are in place.
2. Administration also set forth business principles for how the Integrated Infrastructure Services department will operate, including driving maturity in project practices and continuous improvement in project execution.

What is a Major Capital Project?

Major capital infrastructure projects are defined as capital profiles that have:

- combined expenditures of at least \$20 million within a budget cycle; or
- profiles that are highly strategic, complex, include many stakeholders, have major constraints and/or include a high level of risk.

Major Capital Projects - Scope Of Work



Major Capital Projects - Approach

The logo for the University of Alberta, featuring the name in a white rounded rectangle on a dark brown background.

University of Alberta

Academic and research focused review

The logo for Stantec, featuring the name in a white rounded rectangle on a grey background.

Stantec

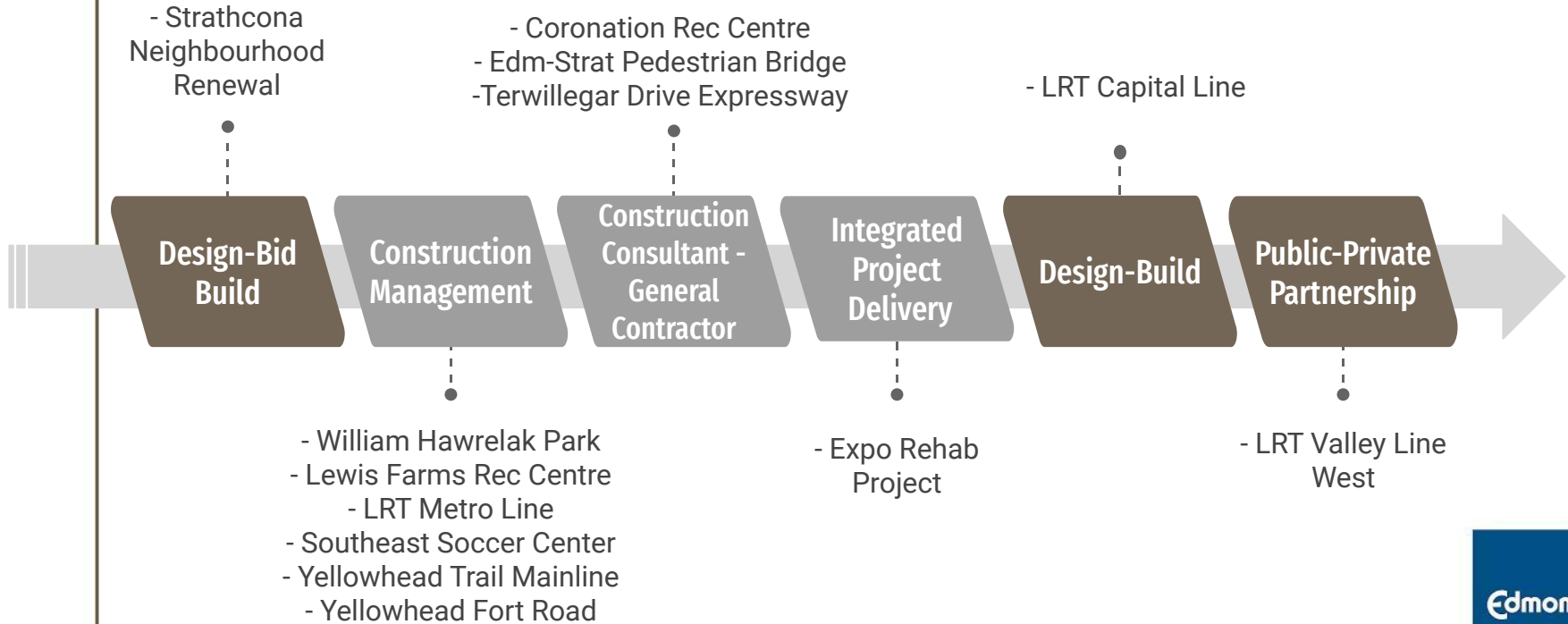
Local and global industry perspectives

The logo for IIS, featuring the letters in a white rounded rectangle on a dark grey background.


IIS

Internal review of construction services journey and project performance

Major Capital Projects - Projects



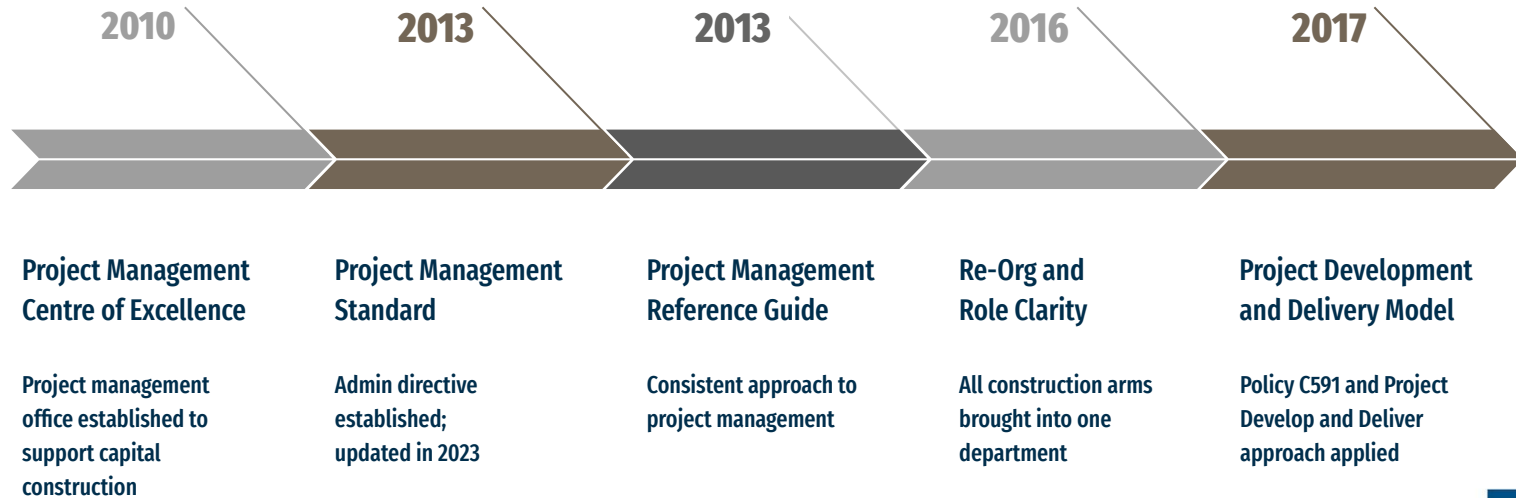
 = Early Contractor Involvement with Advisory Services

 = Increased Risk Transfer

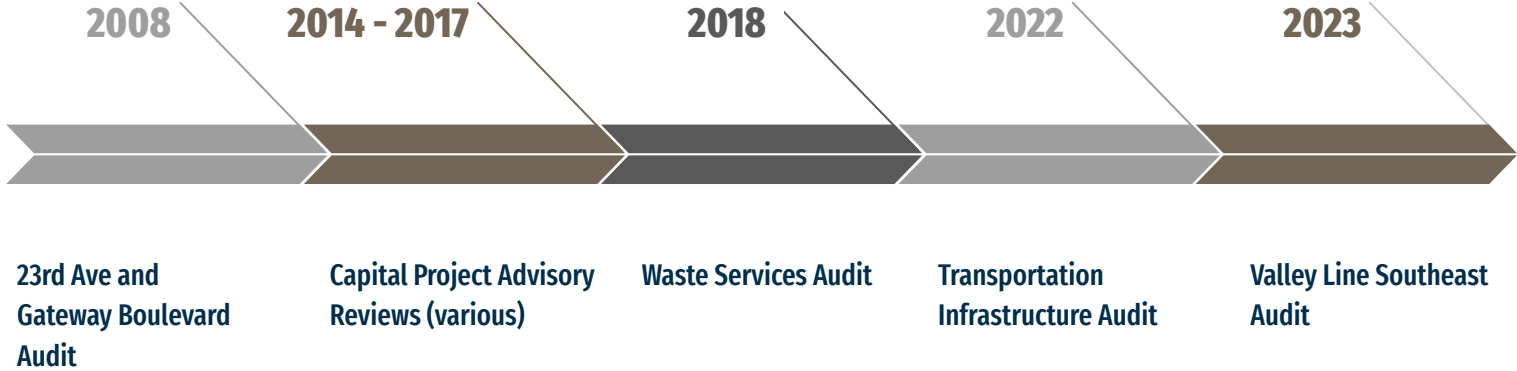


IIS Journey

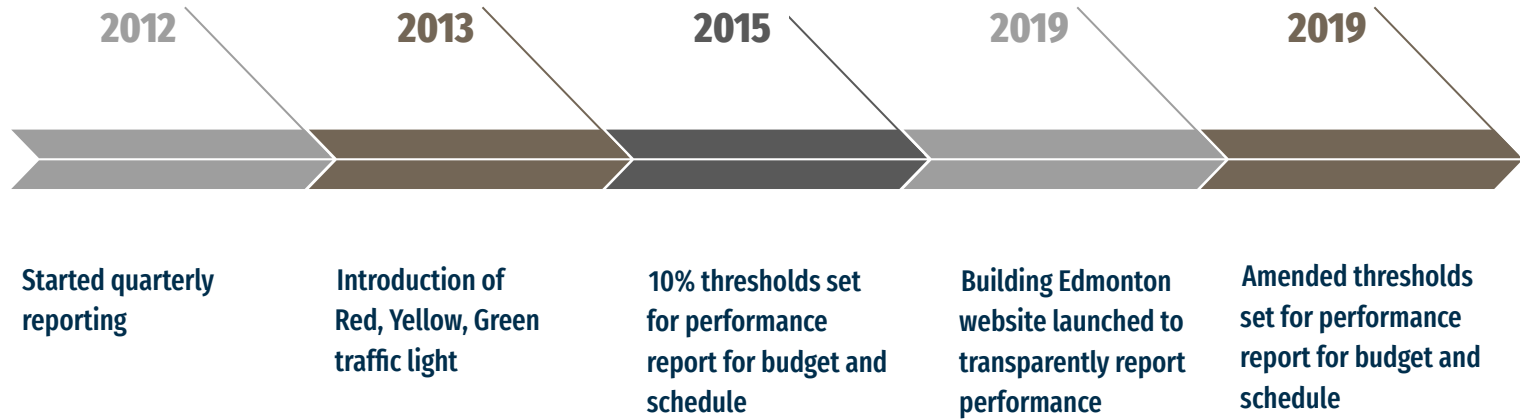
Project Management Practices



Office of City Auditor - Project practice related findings

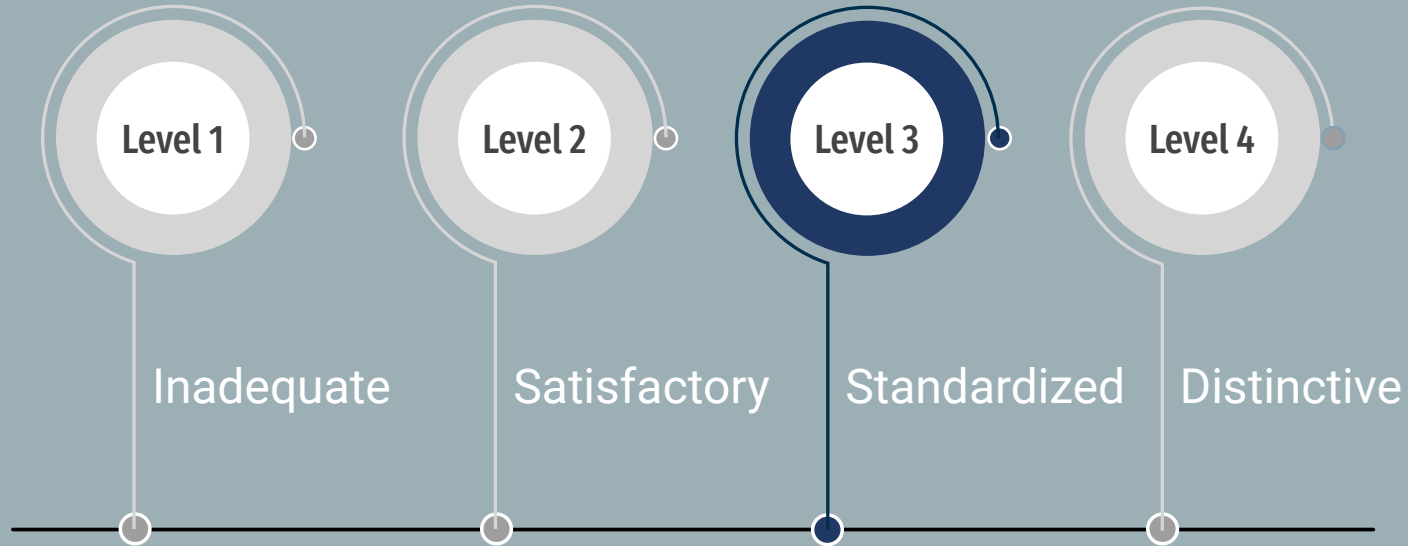


Project Performance Reporting



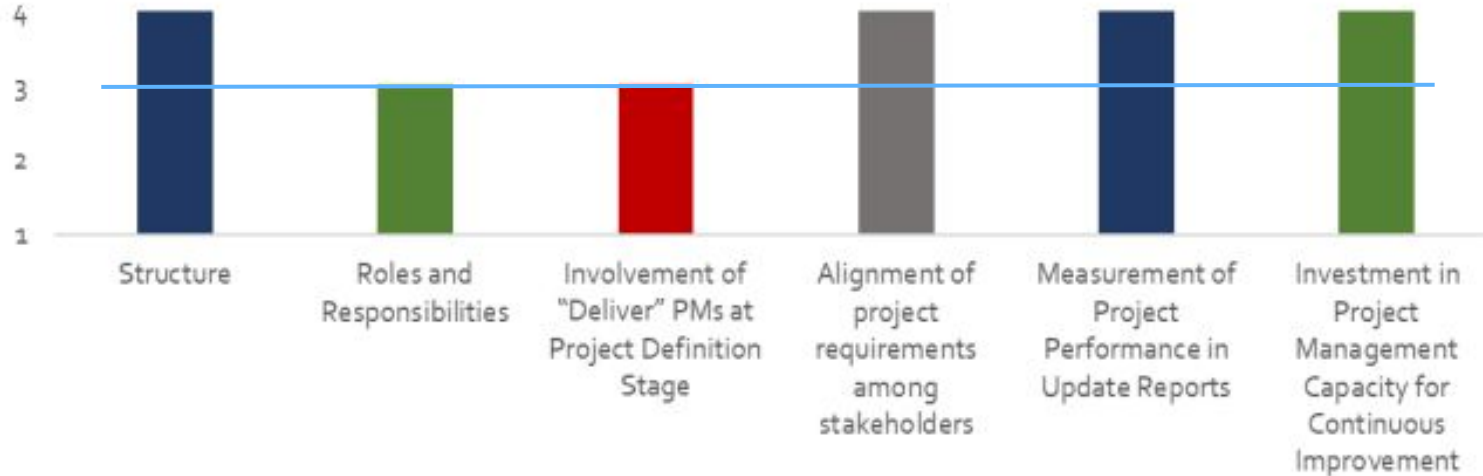
Findings - Validation of Project Practices

Assessment Scale

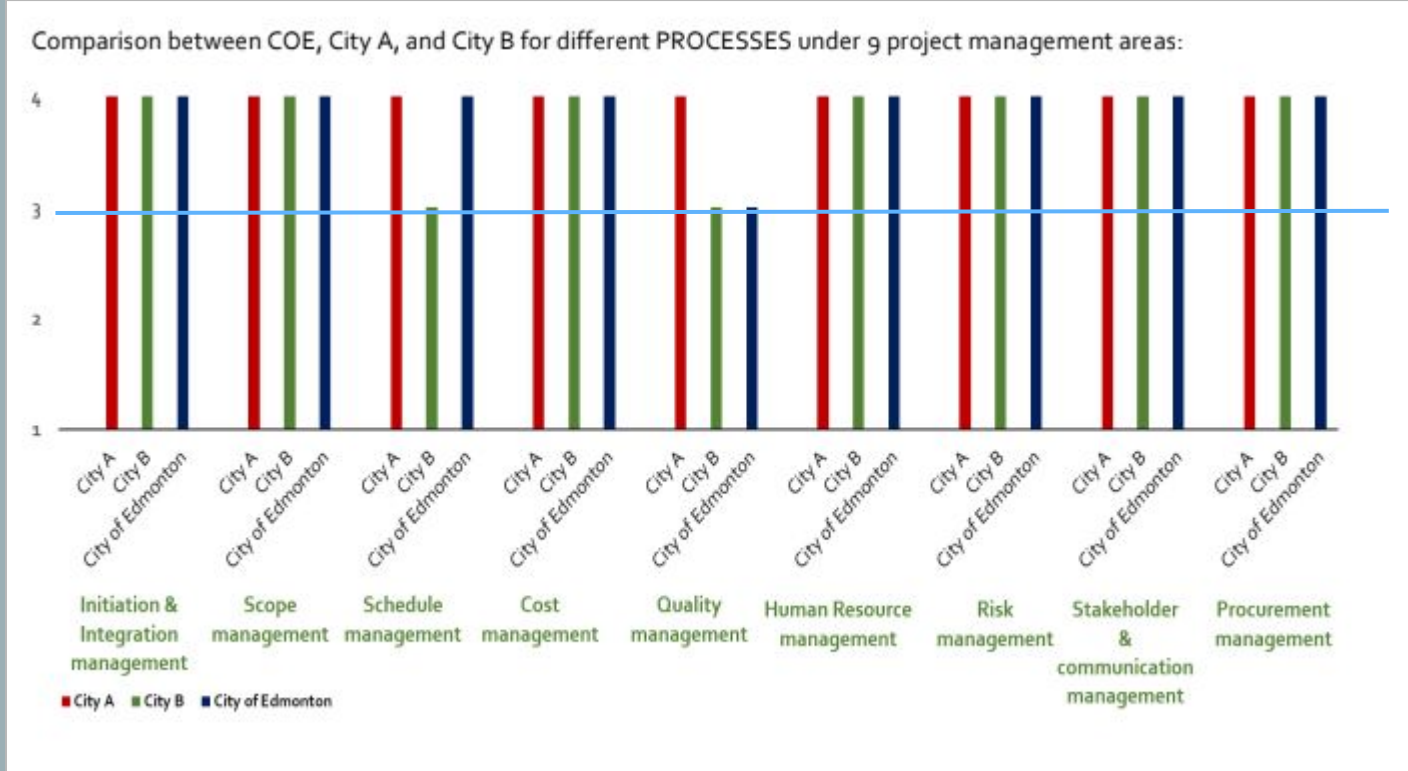


Project Governance

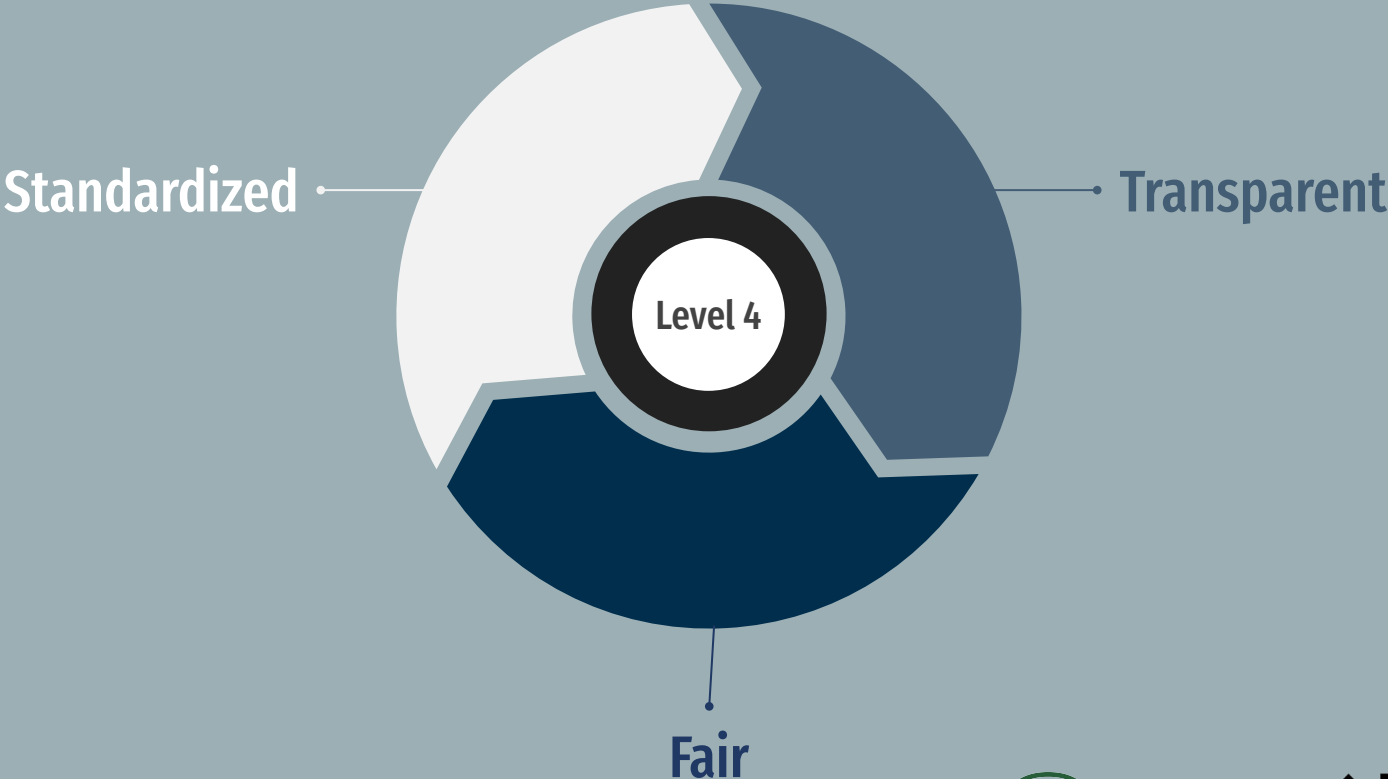
The ranked levels for each of the governance areas are summarized in the following chart.



Project Management Practices



Procurement





Project Delivery Process Review

1

PDDM framework is not prescriptive and therefore allows for flexibility based on project-specific considerations and relevant market conditions

2

PDDM is centralized process creating better opportunities for consistent and coordinated approach for all capital projects

Project Delivery

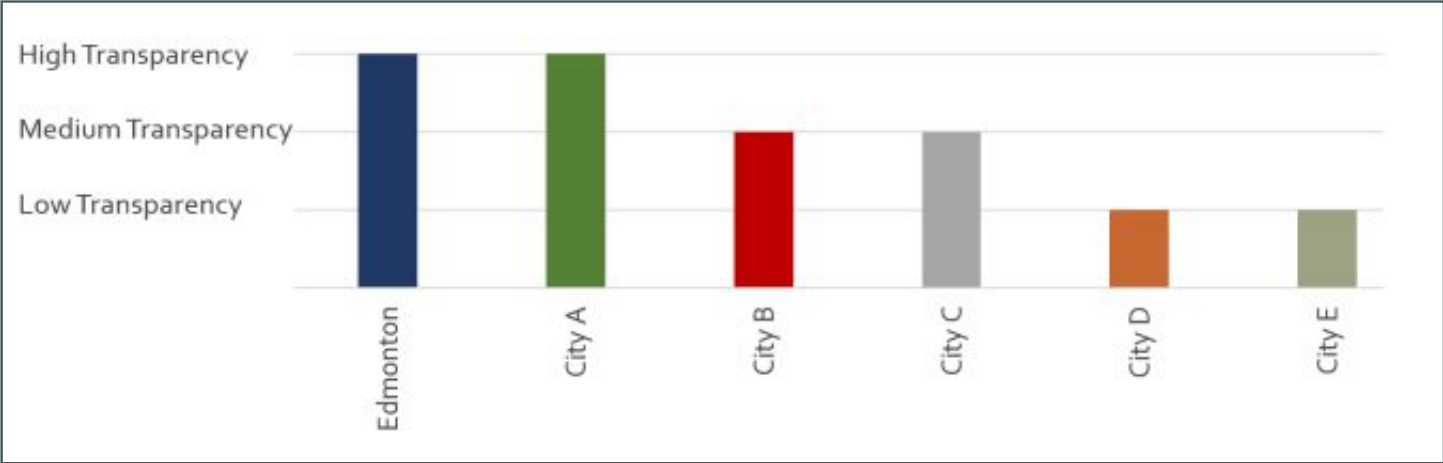


“Our assessment is that the City’s approach to project delivery method selection is **consistent with current industry practices**, in particular, the principle that there is no “one-size-fits-all” model that was endorsed by generally all participants in our market research.”

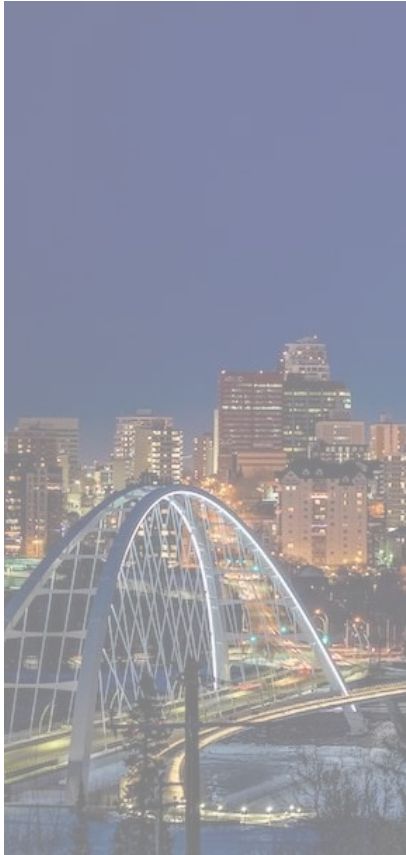
-Stantec report

Findings - Transparency

Transparency



Transparency

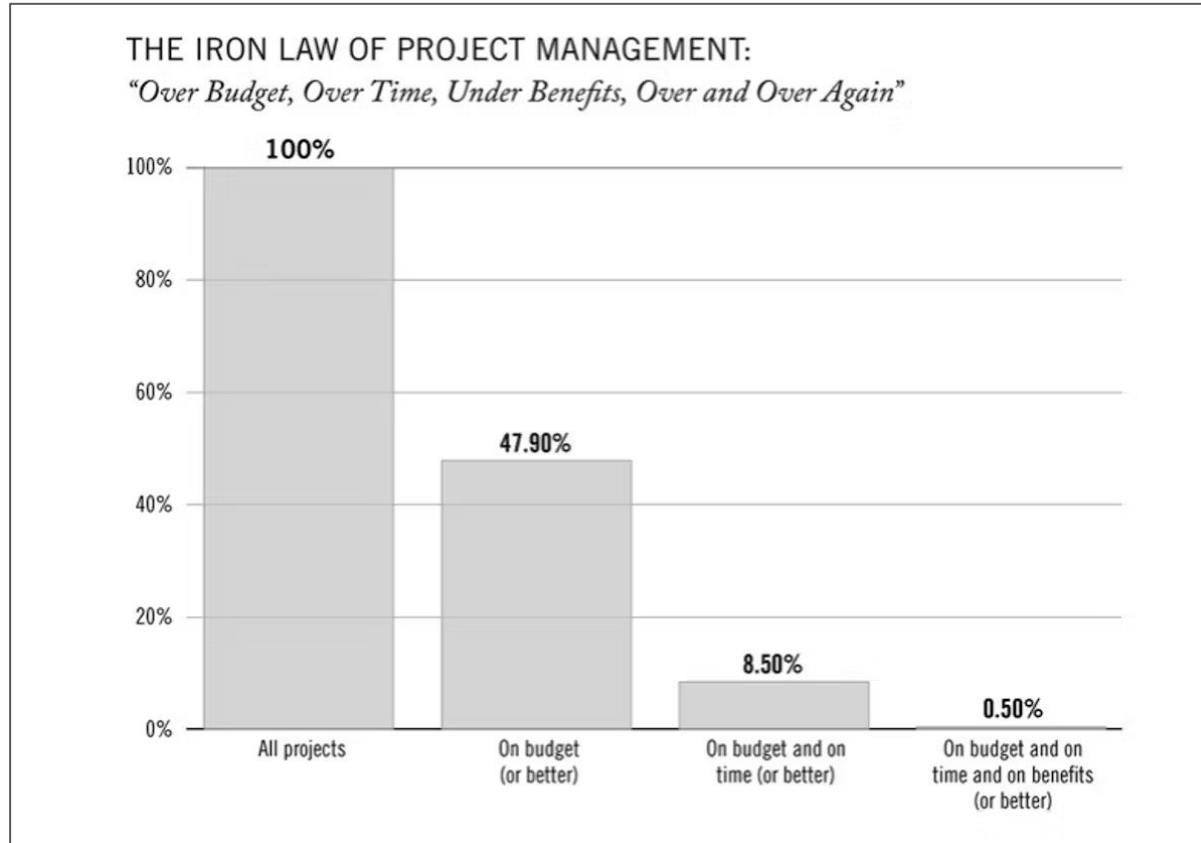


*“When compared to other major Cities, IIS and COE have evidently achieved the most transparent, exhaustive, timely, interactive, and easily accessible reporting approaches of project updates to the public, which **sets the standard for other Cities to follow suit.**”*

- U of A report

Findings - Performance

Iron Law



Major Project Performance

“Most significant capital projects, by approved budget weight, fall within acceptable tolerances for budget (99.6%) and schedule (82.0%).”

As per the Financial and Corporate Services report of September 12, 2023 (FCS01997 - Capital Financial Update - June 30, 2023)

Project Development and Delivery Model Performance



Research

Plan and learn
before delivering at
full scale



PDDM Policy

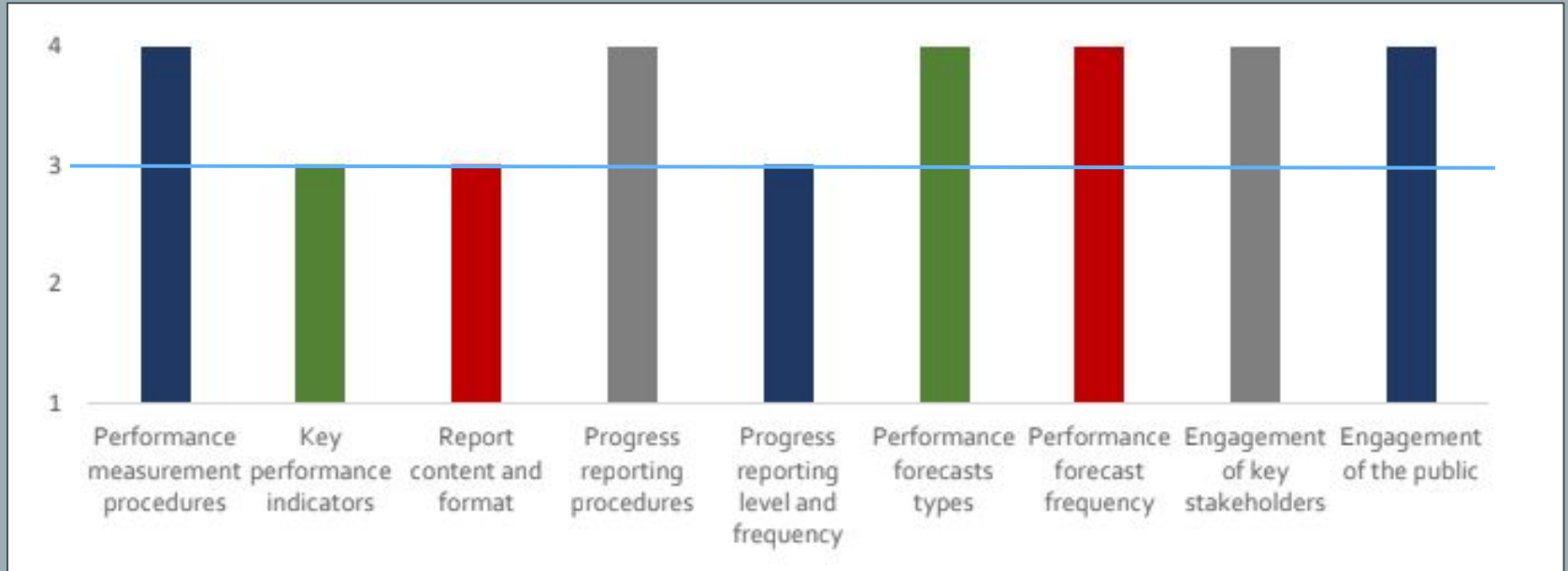
Appropriate level of
development prior
to delivery



Performing

Cycle times indicate
IIS is meeting the
intent

Project Performance Processes



Observations - Insights from Industry



Trending Project Delivery Model Principles



Early Contract Involvement (ECI)
and Collaborative Models

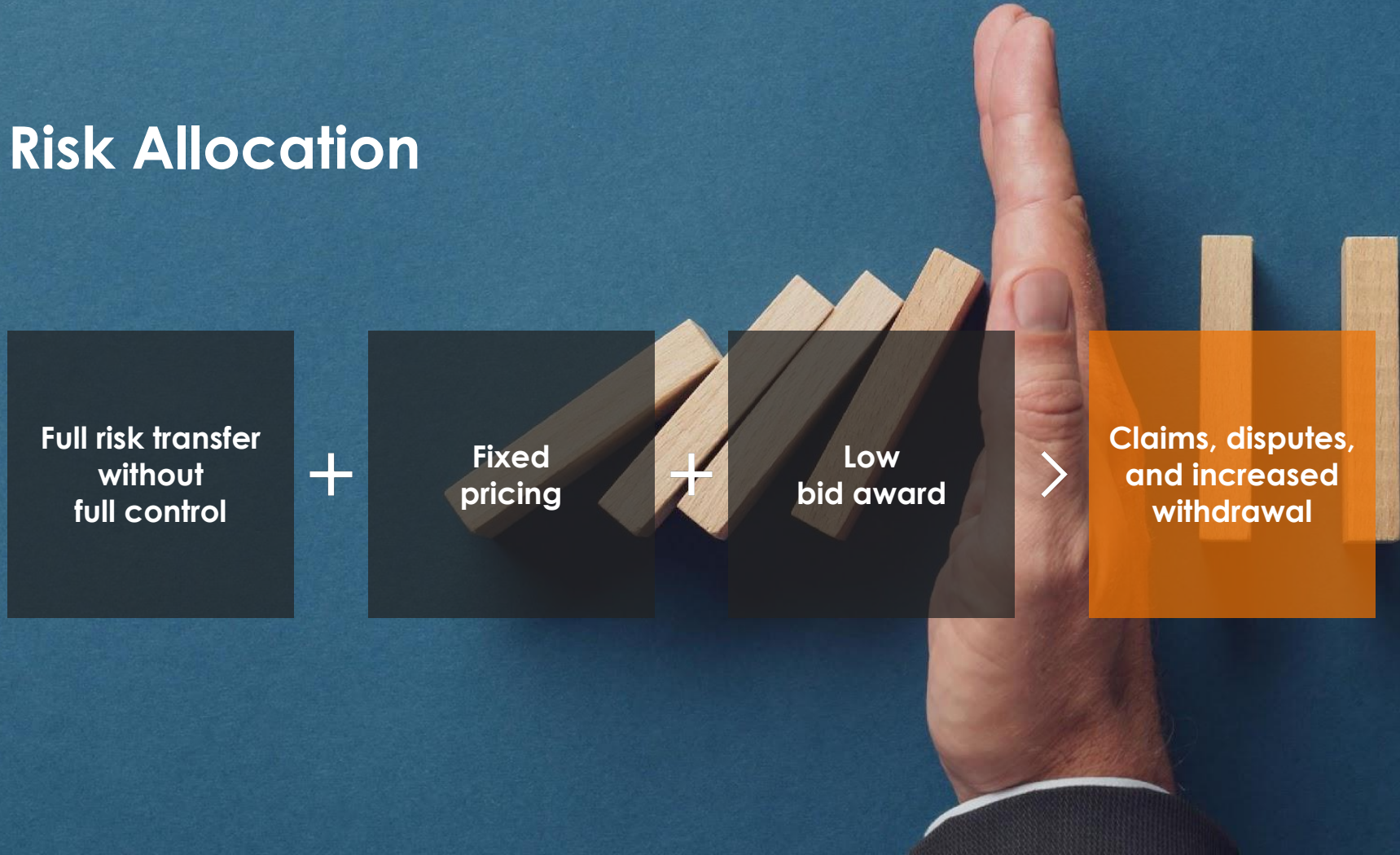


Collaborative Relationships

- Regardless of Project Delivery Method chosen, it comes down to the people and working together as a “partnership”
- Owner’s role is more than “contract administrator”
- Adopt flexible and reasonable approach based on circumstances – not just strict contract enforcement



Risk Allocation





Owner's Budget & Affordability Caps

- Owner's budget often set too early in project lifecycle and not updated
- Public sector owners encouraged to establish budgets after (or near) design completion



Low Bid vs. Fair Bid

Design and construction industry needs to be profitable

Low bids can lead to unintended consequences

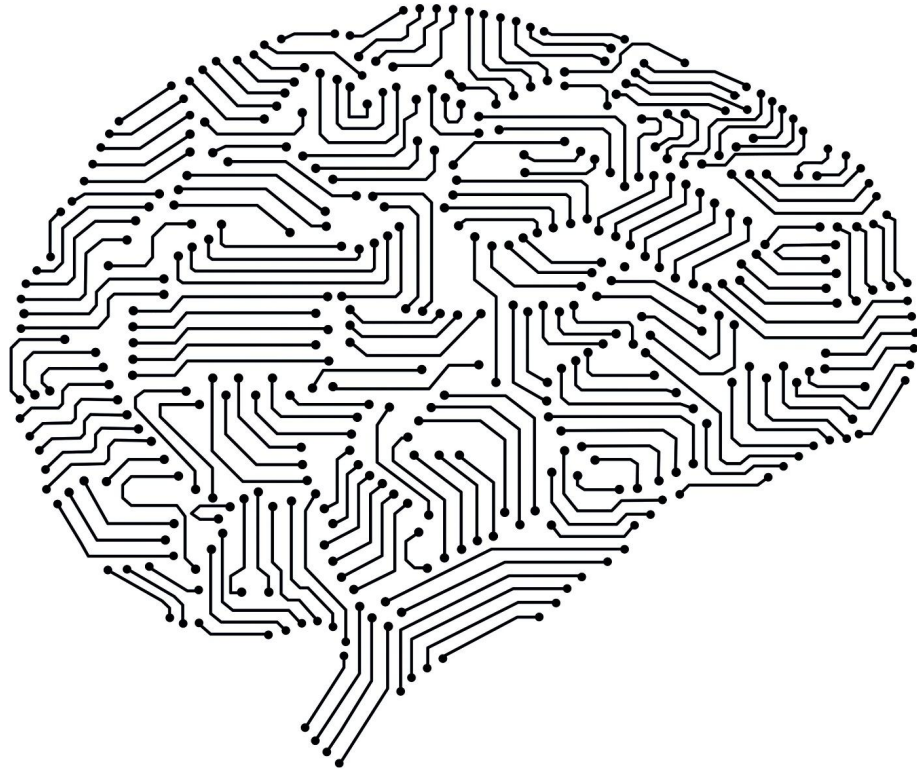
Regardless of Project Delivery Method, public sector owners encouraged to adopt best value procurement where non-cost factors are considered (recent trend with collaborative behavioral assessments)



Project Size

Mega-sized projects can severely limit competition

Owners are splitting up mega-sized projects into multiple smaller projects, with Owner managing interface



Owner Resources

1

Owners must have right resources to plan for and manage projects

2

Right skillset and mindset are both critical

Opportunities for Improvement

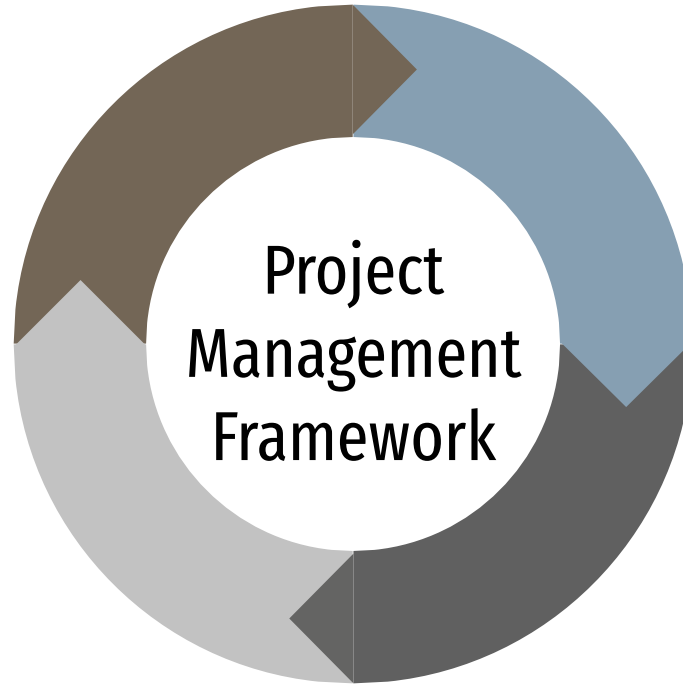
Major Capital Projects - Highlight

*“Another notable observation of IIS’s environment is a **culture of continuous improvement** which entails recording and implementing lessons acquired from finished projects to future projects enhancing project management practices and ongoing improvement.”*

- U of A report



Process Improvement Recommendations



Project Cost Thresholds

<p>Consider increasing the threshold for major capital projects definition from \$20M to \$100M</p>	<p>For sake of continued transparency keep 20M threshold.</p> <ul style="list-style-type: none"> • the total number of projects that need to be reported based on being >\$20M has not changed that much over the years. • If Number of projects increases, evaluation could be undertaken
<p>Review policy C555 (P3 Policy) threshold for initial P3 screening from \$30M to \$500M</p>	<p>Review of this policy should be undertaken.</p> <ul style="list-style-type: none"> • This policy was created back in 2010 and has not been reviewed or updated since. • Due to market and inflationary conditions the threshold for this policy is low.
<p>Streamline administrative reporting and approval processes: this would include assessing the \$2M and \$5M thresholds for growth and renewal standalone profiles.</p>	<p>This approach is being taken for a specific program in the spring 2024 SCBA.</p>

Thank you.

Questions?

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