

	Project Management Office	
Policy Title:	TPMS Procedure – New Project Process	Agreed to Recommend:
Council:	Admin. Policy 14-01 EN-03	Dated: 12/16/14

Policy Purpose

To describe how to create a new project proposal and the steps from conception through either project approval or rejection.

Other Related Policies

This Policy is supplemented by the following:

- **(TPMS Policy) Tulare Project Management System Program Policies – Overriding policies regarding the TPMS.**
- **TPMS Procedure No. 2 – Change Project Process.**

Definitions:

“Adopted Budget” means the approved Governmental Budgets, Utilities Budgets, and Project Budget approved by the Authorizing Body with the power to approve such budget.

“Authorizing Bodies” means the City of Tulare City Council and the BPU.

“Biennial Budget Process” means the Project Budgeting process that takes place once every two years to produce a comprehensive updated Project Budget.

“BPU” means the City of Tulare Board of Public Utilities created pursuant to the City of Tulare Charter, which is the body that approves Utility Enterprise Project Budgets.

“CIP” means the City’s Capital Improvement Program and only includes projects that create projects suitable for capitalization under Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board.

“EDEN System” means the computer software and equipment used to operate the City’s computerized financial system which is presently the EDEN system.

“Department Head” means the following positions: City Manager, Deputy City Manager, Community Development Director, Public Works Director, Police Chief, Fire Chief, and Finance Director.

“DIF” means Development Impact Fees as defined in the California Mitigation Fee Act.

“EPAP” means “Eden:Project Accounting:Projects.” When followed by a “-“or series of “----“the hyphens are references to the EPAP tab name.

“Forward-Looking” means any assumptions or amounts that can be referred to as a “plan,” “expectation,” “projection,” or similar words denoting a lack of certainty and dependence on the fulfillment of assumptions about future events or conditions. Forward-Looking budgets are almost certain to not transpire exactly as presented, but are financial planning tools that acknowledge that future changed circumstances will require management adaptation to achieve the bottom line results planned.

“Project Budget” means the budget for all officially sanctioned City projects and includes the CIP.

“Project Cost Accounting System (PCAS)” means the EDEN project cost accounting system and the procedures used to account for projects.

“Project Files” means the subdirectory where TPMS files are stored, as follows: T:\Project Management\0000.Working Files\{(additional subdirectories specifically indicated below).”

“Project Form” means the Excel based worksheet form on which a new project is proposed and which is used for routing.

“Project Intake Analyst (PIA)” means the Deputy City Clerk/Budgets Coordinator or other person designated by the City Manager to receive new project requests and administer the City Manager Office’s functions related to the TPMS. The PIA is in the City Manager’s Office.

“PM” means the Project Manager for a project as defined in the TPMS Policy.

“Project Management Team” means the various teams comprised of the PM, PIA, and Finance Staff assembled to work on project management issues for a particular project. There will typically be more than one Project Management Team depending on active project categories.

“TPMS” means the Tulare Project Management System which is an organized approach to managing any activity having a start and end which is designed to produce a specific outcome.

“TST” means the Tulare Success Team comprised of senior City managers.

1. Project Conception and Proposal.

All projects start as an idea or concept. Before significant staff work happens on such ideas and concepts either City Manager (solely for Conceptual Projects) or Authorizing Body (all projects) approval is required. The first TPMS step is to describe the project using the **Project Form**.

A Project Form that is approved by the responsible Department Head can be submitted at any time to the Project Intake Analyst (PIA); however, typically Project Forms will be submitted upon a call for projects during the Biennial Projects Budget Process. Project Forms are ultimately provided to the Authorizing Bodies so care should be taken in completing them. Incomplete forms or carelessly completed forms will be returned without processing by the City Manager’s office. The first tab of the Project Form spreadsheet will contain the following information:

- A. Project Title – the short reference title to the project.
- B. Project Manager – the Project Manager (PM) responsible for the project (See TPMS Policy).
- C. Project Description and Purpose – complete project scope and project details.
- D. Key Points – justification for doing the project and supporting cost-benefit analysis.
- E. Project Status – status comments include: “complex” or “simple” (See TPMS Policy --if simple, state reasons for designation), “conceptual only” or “fully scoped,” special funding such as grants, DIFs, etc..., “urgent project” with the reasons for the urgency, explanations of special circumstances warranting action outside of the Biennial Project Budget Process.
- F. Projected Start Date –expected project work start date (first date on project schedule).
- G. Projected End Date – expected project completion date (last date on project schedule).
- H. Future M&O – estimate of future changes to maintenance and operation (M&O) costs (by division) once the project is complete (though unknowns exist an estimate is required).
- I. Criteria – from approved Criteria list (see TPMS Policy) and explain how criteria fits project.
- J. Project Cost Budget – total project budget broken down by PCAS top level string (Conceptual, Preliminary Design/Feasibility, Environmental, Final Design/Ready to Construct, Construct/Implement, Project Close Out). A projected staff costs budget may be included.
- K. Funding Sources – the project funding sources. Every Project Form must show that an analysis was made of DIF contribution eligibility to the project funding sources. Projects must be fully funded to move beyond the final design phases. “Funding TBD” may be used for a placeholder funding source for Construct/Implement costs through a project’s Environmental phase.

Additional Project Form spreadsheet tabs may be used to: (a) compute project cost budgets and estimates, (b) define the tasks to be performed and the project schedule, (c) PM project notes, and (d) any other information that the PM wants to keep together in the original Project Form worksheet.

2. Project Budget Process.

The Biennial Project Budget Process tests proposed projects for financial and technical feasibility, ranks them based on adopted criteria and their likelihood of success and available financing, and presents the complete Project Budget for adoption by the Authorizing Bodies. Not every project can be done when requested because of limited personnel and financial resources. A “batching” approach is used to promote a competitive project selection process.

3. Project Submittal and Processing.

Project Forms for proposed projects can be submitted at any time for eventual inclusion in the Biennial Project Budget Process, but they will only be processed to completion after the project submittal deadline. The project submittal deadline will be set and announced by the City Manager’s Office. After the date set by the City Manager no further project requests will be accepted for the upcoming Biennial Project Budget Process. Project Forms will be processed as follows:

- a. Intake. PM submits completed Project Form for proposed project electronically to Project Intake Analyst (PIA).

- b. Form Review. PIA determines Project Form completeness. If complete, processing continues; else the Project Form is returned to the PM.
- c. Request Saved. PIA saves the complete Project Form to the Project Files “200.Project Requests Pending” subdirectory changing the file name to reflect: (a) file is a request, (b) department initials submitting the request, (c) fiscal year request received, (d) project description. For example, the following reflects a complete request file name: R-FD-FY14-15.Radio Replacement.”
- d. Preliminary Funds Check. PIA emails the Finance Director and Assistant Finance Director requesting a preliminary check of proposed funding sources availability. The email subject line shows the expected reply date from Finance (no more than two business days from the date sent) and whether the answer is needed on a “rush” basis (specifying when reply needed). PMs will be copied on these email strings by both the PIA and Finance.
- e. Save Funds Check. PIA copies Finance’s reply to a new Project Form tab entitled, “Prelim \$ Check.” If Finance determines that funds are unavailable, the PIA emails the PM and approving Department Head that no further processing of the project request will occur without available funds or City Manager waiver of the requirement.
- f. Conceptual Projects only. For **Conceptual Projects only**, the City Manager approves, conditionally approves, or tentatively denies (requested project may be included in later Project Budget process) Conceptual Project requests. If approved:
 1. The City Manager approves a specific expenditure budget and sources of funds, and enters any conditions or changes into the Project Form.
 2. The PIA and Finance will create the new project using the **Approved Project Files** section below.
 3. PIA notifies PM, Department Head, and Finance of new project number and its availability for use.
 4. PIA places agenda item on tentative agenda per TPMS policy.
 5. PIA updates reporting summaries to include the new project.
- g. Proposed Project Summaries. PIA enters the requested project onto the proposed new project summaries (which maintained separately from the previously approved projects summaries).
- h. Property Check. Projects using City-owned property or requiring property acquisition will be referred to the City Property Manager for conflict checks, restrictions, and other property management related issue review.
- i. Ranking Process. TST ranks projects competitively based on adopted City criteria, available funding, feasibility and any other factors they deem pertinent and submits the TST-recommended Project Budget to the City Manager. After making any changes the City Manager deems proper, the City Manager advises the PIA that the City Manager’s Recommended Project Budget is ready for final funding check and presentation to the Authorizing Bodies.
- j. Final Funding Check. Finance confirms that all proposed funding sources are available taking into account all projects on the City Manager’s Recommended Project Budget. Any funding source failures that cannot be remedied may cause the project to be pulled from the Projects Budget.

- k. Authorizing Body Action. The Project Manager in cooperation with the PIA prepares agenda items, reports and summaries to present the City Manager’s recommended Project Budget to the Authorizing Bodies according to normal Authorizing Bodies meeting procedures. The Authorizing Bodies adopt their respective approved Project Budgets.
- l. Grant Funded Projects. For any project with grant funding having compliance requirements the PM and the PIA will put together a grant compliance file. For projects with grant funding in excess of \$1,000,000.00, the PM and finance will secure the services of outside auditors with experience in monitoring grant compliance to monitor and assure grant compliance throughout the project.
- m. Rejected Projects Saved. PIA moves Project Forms for rejected projects (rejected projects are subject to revival in later cycles) to the Project Files “900.Denied and Cancelled Project Requests” subdirectory changing the file name to reflect: (a) file was denied or cancelled, (b) department initials submitting the request, (c) fiscal year request received, (d) project description, (e) date denied, (f) source of denial. For example, the following reflects a complete denied project file name: D-FD-FY14-15.Radio Replacement.09162014.CC.”
- n. Approved Project Files. After Project Budgets approval:
 1. PIA enters new project information onto EPAP–Main, and EPAP-Description/Justification forms.
 2. PIA moves Project Form from Project Files, “200.Project Requests Pending” to “100.Active Projects” subdirectory changing the file name to reflect: (a) EPAP number associated with Project, (b) project description, (c) date approved, (d) approval source. For example, the following reflects a complete approved project file name: EN0001.Bardsley Grade Sep.06042012.CC.
 3. Finance creates necessary linkages between EPAP system and general ledger and sends an email to PIA and PM for each project as the linkages are completed.
 4. PIA enters EPAP top-string level and resources budgets from approved Project Forms and notifies Finance when entry complete.
 5. Finance audits PIA budget entry and notifies PIA of any corrections required within two business days of notice from PIA so that the project is ready for use.
 6. PIA makes corrections within two business days of notice from Finance and notifies PM and Finance that the project is ready for use.
 7. Finance identifies CIP projects for tracking and compliance with GAAP.
- o. Detailed Budgeting. The Project Management Teams design and enter detailed project level accounting funding sources and disbursements strings that are unique to their projects.
- p. Reporting Summaries Updated. PIA updates working and reporting summaries to reflect all approved projects.

In all cases above where files are renamed and moved, the file in the original file will be deleted so that there will only exist one instance of a Project Form for each project in the Project Files.

4. Transportation Projects.

Transportation project “Project Forms” are first approved by the TMT before being submitted to the PIA in the Project Submittal and Processing procedure above. The Project Form must indicate that the project was approved by TMT in the “Project Status” section of the Project Form. Proposed Transportation System projects will be consistent with the City’s Transportation System Planning Policy. Transportation projects then go through the Project Submittal and Processing procedure above after Intake by the PIA.

5. Mid-Budget Cycle Projects.

The preference is for all proposed projects to be processed through the competitive Biennial Project Budget Process. Occasionally, projects need processing before the next cycle because of grant and other special funding opportunities, savings or return opportunities, and other unique circumstances that and can’t wait. Unless a good reason is stated, however, projects will be held for the biennial process and mid-cycle project submittals are discouraged.

Mid-Budget Cycle Project requests will be processed through the Project Submittal and Processing steps above applicable to Conceptual Projects, with the following exceptions:

- a. The City Manager will make no approvals or appropriations.
- b. If a grant or outside funding source requires a local “match” the Project Form must show the source of the City’s matching funds
- c. Complete Project Forms must accompany agenda items presented to the Authorizing Bodies.
- d. The PIA will enter the date (and resolution if appropriate) of the Authorizing Body action into the Project Form Status section. The PIA and Finance will conclude budget adjustments and files set-up before the next regular meeting of the approving Authorizing Body.

6. Project Changes.

Changes to Project Forms related to scope, budget (particularly with regard to budget changes due to changes orders), and schedule must be approved through the City’s project changes procedures (See TPMS Procedure No. 2 – Project Change Procedures).

7. General Provisions.

It is very important that new projects accounts become ready for use quickly after project approvals; Finance and City Manager staff and PMs will cooperate to achieve this result. There will be “back-up” personnel assigned in the City Manager’s Office and in Finance so that the project-support functions can continue when primary support staff are absent or otherwise busy. The City Manager may correct process timeline failures by temporarily or permanently changing functional assignments above to assure expeditious processing.

Tulare Project Management System (TPMS) Program Policies

Overview

The Tulare Project Management System Program is intended help the City do projects approved by the City Council and Board of Public Utilities (respective, Authorizing Bodies) successfully. Successful project completion typically means that the City gets what was intended when the project was approved at reasonable price. These objectives are achieved by Project Managers responsible for each project managing the project elements of: budget, schedule, and approved scope.

The Tulare Project Management System (TPMS) is adopted as the structure for taking each project from an idea (concept) to determining feasibility (financial and technical) to a successful conclusion. Within the TPMS there are policies regarding project management tools: the Projects Budget (which includes the Capital Improvement Plan (CIP) budget), the Project Management Office Concept, Project Cost Accounting and reporting, project selection, and authorizations to spend money and commit staff resources.

The TPMS overview diagram (Exhibit A) shows many typical steps for each project from concept through project close-out.

The TPMS Tools

The **Project Budget** matches resources (both financial and human) to projects that are defined to state clearly what the City is trying to accomplish by doing the project. Once all project ideas are worked up by staff and ranked using the approved selection criteria below, the projects are included in the Project Budget document for consideration by the respective Authorizing Body who will review them. Projects by definition are discrete activities with start and expected end dates. Once approved, the Project Budget contains the list of projects City staff may work on, appropriates funds thereby allowing staff to spend money to do the projects, and sets up the reporting structure to report intermediate and final results.

A comprehensive Project Budget will be presented to the applicable Authorizing Body once every two years. However, Project Budget can be changed by Authorizing Body action (including the appropriation of funds) between comprehensive presentations at any meeting of the Authorizing Bodies. Where possible, the preference will be to consider individual projects in the larger context of the comprehensive Project Budget process so that potential projects can be ranked as to priority and need by the Authorizing Bodies. The City Manager may also approve limited changes to the Project Budget as described below under the section on Authorizations.

Included within the Project Budget is the City's Capital Improvement Plan (CIP) budget. The CIP only includes projects that involve "capital assets" as defined under generally accepted accounting principles (GAAP). "Projects" may include studies, large expenditure maintenance of capital assets (such as streets, utility assets, etc...), and other discrete efforts, but CIP projects are projects that will create assets that must be capitalized under GAAP. The CIP budget component appropriates development impact fees as required by Government Code section 66007(b)(1). No change to existing City processes or procedures with regard to Mitigation Fee Act (Government Code sections 66000 et seq.) compliance are made by this policy or program.

The comprehensive Project Budget review only occurs once every two years. Unless there is a clear reason, approved by both the TST and the City Manager, why a project must be

processed mid-cycle, projects will be held for the two year planning cycle. This is to give perspective on available finances and project priorities and allow multiple project comparisons.

The **Project Management Office (PMO) Concept** standardizes procedures to be used by Project Manager and strives for effective and adequate internal administrative and financial controls over City projects. The City adopts the *A Guide to the Project Management Body of Knowledge (PMBOK Guide), Fifth Edition*, published and copyrighted by the Project Management Institute, as its standards for project management. The PMO will also include project start-up checklists and forms to help Project Managers manage projects.

The **Project Cost Accounting (PCA)** software tracks costs using the TPMS top-level structure to aid project monitoring and results reporting. The PCA system integrates with the general ledger accounting system for maintenance overall accounting system integrity. The key to project financial management is constantly matching available resources to expected project disbursements to assure project financial integrity. The system can provide information used in the project selection process, and provides information for financial reporting compliance related to grants and other third party funding sources.

Authorizations and Spending Authority

Once approved by the City Manager (subject to conceptual project rules below) or the Authorizing Bodies (as to all projects) staff may work on projects and may spend funds, execute contracts, and spend funds subject to the City's adopted Purchasing Policies. Project approval constitutes the appropriation of funds and authorization to spend consistent with the Purchasing Policies.

In order to develop ideas for eventual presentation to the Authorizing Bodies, the City Manager is authorized to approve up to \$15,000 for staff time and up to \$15,000 for professional services. Funds for these purposes can come from: (a) budgeted divisional salaries for staff hours, (b) budgeted divisional professional services, (c) net available resources in the related project fund's equity accounts, (d) closed project savings. Conceptual project approvals by the City Manager will be brought before the appropriate Authorizing Body within six months of such approval for review and action.

All other project approvals must be given by either the City Council (as to general governmental projects) or by the Board of Public Utilities (BPU) (as to utility enterprise fund projects) either as part of approving the bi-annual Projects budget or as separate agenda items. Once a project's budget is approved the funds are appropriated and may be expended to accomplish the project without further action by the Authorizing Body, subject to the City's adopted Purchasing Policies.

Employee salary related project costs may be accounted for in the project account, but appropriated and paid in the budgeted divisional budgets. Where possible, each project will bear a budget for estimated project staff costs. Employees will charge their time through the payroll system, as worked, to their working projects. Staff is authorized to increase project budgets and transfer funds from operating funds to project funds for such employee compensation costs, and to recognize the reimbursed salaries as reimbursement revenues in the operating funds. The effect will be to reduce operating funds employee compensation costs when staff works on

projects. This policy allows simultaneous transfer of the related budget appropriations creation of estimated revenues to reflect these internal charges.

Project Selection Criteria

Staff will use the following criteria, in the order listed with regard to project prioritization, to develop proposed projects for inclusion in the Proposed Project Budgets.

1. Project corrects immediate and urgent public health or public safety issue.
2. City is legally or contractually obligated to undertake the project at a specified time.
3. Project addresses regulatory, safety, or environmental requirements that more likely than not threatens in whole or in part the City's ability to operate a core program or function within the next fiscal year if not replaced or repaired.
4. Project replaces a capital asset that will more likely than not reduce or eliminate the City's ability to operate a core program within the next fiscal year if not replaced or repaired.
5. Project represents an investment that will return real cash savings over an identifiable investment horizon and the rate of return exceeds the City's cost of capital, which equals weighted average interest rate on City debt issues and capital leases.
6. Project extends an existing City program or function to meet the Council's vision and explicit direction.
7. Project creates a new City program or function to meet the Council's vision and explicit direction.
8. Project addresses regulatory, safety, or environmental requirements that could threaten in whole or in part the City's ability to operate a core program or function at some future time if not replaced or repaired.
9. Project replaces a capital asset that could reduce or eliminate the City's ability to operate a core program at some future time if it is not replaced or repaired
10. Projects will be evaluated using reasonable projections of real marginal (difference between cash inflows and cash outflows) cash flows (not accrual-based expenditures or expenses) and will be compared to the cash flows from not doing the project at all. Projects in category 5 above are to be ranked within their category according to the highest net present value return. .
11. Project rankings will be consistent with Authorizing Body plans for maximally optimizing per capital income and real property values within the City of Tulare.

"Core programs," as used above, are programs that Authorizing Bodies designate as crucial to their operating plans for the next one-year and five-year (intermediate) periods. If the City is actively currently operating a program staff will assume it is "core" unless changed or eliminated by the Authorizing Body.

Project Implementation Strategies

In addition to the above project selection criteria, staff will follow the following implementation strategies:

- A. Only approved and active projects will be the focus of serious effort by staff.
- B. Each project will have a responsible Project Manager from concept through completion. The Project Manager is responsible for articulating project scope, budget

- formulation, schedule development, project risk management and being the expert with regard to the project funding requirements.
- C. The City will maintain a modest inventory of “designed” capital infrastructure projects to be able to take advantage of state or federal funds on short notice. This may include acquiring property rights and doing environmental review work so the projects are ready for immediate construction.
 - D. Work plans will take into account proposed projects and project feasibility will consider whether sufficient human resources exist to successfully complete the project within the proposed schedule and budget.
 - E. The Authorizing Body is responsible for approving projects and for identifying projects to keep in the “ready” inventory, except as delegated to the City Manager in the context of project concept development.
 - F. Operating transfers designated for funding projects by the respective Authorizing Body will be booked in the City accounts expeditiously after project sources and uses approval.
 - G. The City Manager or designee will create internal processes and procedures to assure the efficient and effective operation of the TPMS, Project budget process, and project management office concept.
 - H. All Information Technology components of capital projects will be evaluated and reviewed by the Information Technology Division on the basis of their integration with existing city systems and processes. Projects containing Information Technology components will be reviewed early in the project lifecycle.
 - I. All grants requiring project administration and accounting will be managed using the project cost accounting system. All matching funds for such grants will be identified by the Project Manager and Finance before the project is presented for approval to the Authorizing Body.

Project Fund Administration

Projects are accounted for in project funds to eliminate the large and irregular swings in operating budgets, and to get the most from the Project Cost Accounting system. Project resource funds are to be shown as received (both internally through transfers and externally billed) promptly upon receipt by the project fund. Accounting is to be maintained currently so as to be able to give a regular financial report. Final total projects will be estimated on reports to demonstrate outcomes expected by the Project Managers. The City Manager’s Office and Finance Department will alert the Authorizing Bodies to any projections they know to be misleading or overly optimistic. Outside funding sources will be billed at least quarterly by the Project Manager and time awaiting reimbursements will be minimized. The Project Manager is responsible for generating billings and the Finance Department is responsible for internal audit to alert the City Manager or Authorizing Body as to billing issues promptly. Finance will assist Project Managers with billing and will receive copies of all billings.

The Project Cost Accounting system will be used to constantly show the sources and uses of project funds and staff will track fund balances available for new projects. Upon close-out of a

project, the City Manager may approve allocating savings from closed projects to projects that have exceeded budget subject to semi-annual reporting of such transfers to the respective Authorizing Body. Closed projects with savings that are not immediately subject to re-appropriation into another open project will be retained in the project fund's equity (fund balance) account subject to further appropriation according to this policy. Budgeted transfers for projects will not be returned to the operating funds unless the Authorizing Body expressly directs that such action be taken.

For each contract or City obligation which may reasonably be encumbered against each project's budget, a purchase order will be obtained by the project manager. On large projects, cash flow projections on at least a quarterly basis will be prepared to assure project liquidity, and project costs will be estimated so that a reasonable projection of the final project cost is available on a relatively constant basis.

For each project, the following roles are assigned:

Department Heads: Department Heads must approve submitting proposed projects related to their department and must propose a Project Manager.

Finance Department: Finance, in consultation with the City Manager's Office, is responsible accounting and financial controls pertinent to the Project Cost Accounting system, for providing accounting support to Project Managers, and for cash handling and accounting record-keeping. Finance will: (a) record all accounting financial transactions except those project budgetary-only entries which may also be performed by either the Project Manager or the City Manager's Office, (b) be responsible for certifying that funds are available for proposed projects upon request from the City Manager's Office, (c) expeditiously make operating transfers needed to fund approved projects, (d) handle employee compensation accounting entries, (e) reconcile and balance general ledger balances, (f) maintain an accurate account about the status of each project fund's free equity (fund balance or net assets) available for programming to potential projects, and (g) assist in making project reports to the Authorizing Bodies.

City Manager's Office: The City Manager's Office (CMO) serves in a coordination and approval role. The CMO is also responsible for administration of the Project Management Office concept and for continually checking the status and condition of each project being administered in an oversight capacity. The CMO will review new and changed project requests to determine whether they are presented to the Authorizing Bodies. The CMO may suspend or cancel projects that are no longer relevant or viable, subject to later Authorizing Body ratification. The CMO or designee may also create projects purely for time tracking where no budgetary transfers will be made, but time spent on specific purposes will be tracked using the project costs accounting system.

Project Management Office (PMO): The City's Project Manager will apply the PMO concept in implementing the TPMS. The Project Manager may also directly manage specific projects (typically complex projects) and may train and assist departmental project managers.

Authorizing Bodies: In addition to their project approval roles, the City Council and Board of Public Utilities serve in an oversight capacity with regard to City projects. Staff will provide regular project summaries and progress reports to the Authorizing Bodies.

Support Departments: City technical departments and divisions such as Engineering, Development services, Public Works, and Finance may provide technical support services as requested. Requests for specific assistance in addition to the Finance role in the PMO concept

will be clearly requested and specified in the project scoping process and Finance and the CMO will decide on whether to approve the request.

Complex and Simple Projects

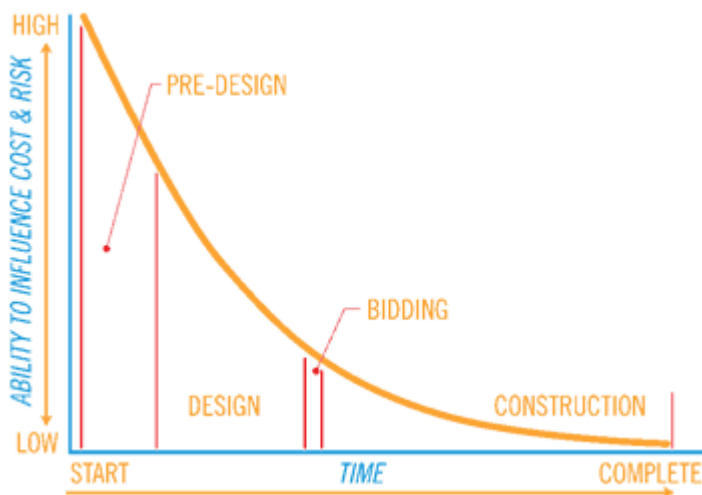
Certain projects are complex requiring multiple departments, involving large budgets, and many task steps to complete the project. Such projects often last more than one budget year and may involve the full TPMS scope. Other projects are simpler requiring only a few steps and little or no inter-departmental coordination. The PMO Concept Office is authorized to develop “simple project” procedures and processes to relieve costs and control hindrances that outweigh the benefits to be achieved in managing simple projects.

Project Contingency Management

When estimating the cost for a project, there is always some level of uncertainty as to how the work will be performed and what conditions will be like when the project is executed. These uncertainties are risks to the project. These risks can be classified as “known-unknowns” because they are costs that will probably occur based on past experience, but due to each project’s unique scope and environment, there is a level of unknown regarding the amount.

Project Managers are to evaluate such risks and seek to mitigate them. To protect project budget integrity it is frequently useful to allocate “contingency budget items.” Such contingency amounts can be allocated to particular line items without increasing the overall project budget. In complicated construction projects it is common to have component contingencies (“softcost” and “hardcost” amounts) as well as an overall project contingency. Similarly, particular contracts for particular work may involve their own contingencies. During the purchasing process the contingencies not requiring further authorizations are to be specified (likely 5% to 10% of contract value). These “contract contingencies” are to be created by reallocating the overall project or component contingencies discussed above.

As the project progresses through each stage, the level of unknowns, and therefore level of risk, goes down. As this occurs, the budgeted contingency can do the same. The following diagram shows the relation how risk and the needed contingency can reduce during project life.



Typically, a project contingency of between 5% - 10% will be included in each project budget at the initial approval stage which can be allocated to project overruns without further approval by the CMO through the City's internal change order process. Project Managers must be able to explain the basis for whatever contingency amount they request.

Contingency proposals must be approved by the Authorizing Body to be available. Any increase in the overall project budget over total budget (including the approved contingencies) must be expressly approved by the Authorizing Body. With the exception of unit-price basis projects (such as street and roadway projects), change orders must be approved by the Authorizing Body prior to approval of the scope or schedule change exceeding the project contingency approved at time of project approval.

Because materials-based projects (such as street and roadway projects) involve engineering estimates of conditions in the ground that can vary substantially once work is performed, and because the costs of contractor mobilization/demobilization can easily exceed the benefits of delaying the project to receive Authorizing Body approvals, the Project Manager with the City Manager's approval may approve such overruns if funding is available as certified by Finance to cover such overruns. Any such change order approvals that cause the project budget, including approved contingencies, to be exceeded will be presented to the Authorizing Body at the next available regular meeting.

Change orders will be processed according to the provisions of the City's Purchasing Policy.