

## Corporate Policy

**Policy No.** 05-06-02

**Effective Date:**

07/03/2005

**SECTION:**  
**DEPARTMENT/DIVISION**  
**SUBJECT:**

FINANCE & ACCOUNTING  
FINANCE / ACCOUNTING  
COMMUNITY PARTNERSHIP

### **POLICY STATEMENT:**

It is the policy of the City of Thunder Bay to have a framework to govern the establishment of partnerships for major capital projects between community groups and the City of Thunder Bay.

### **PURPOSE:**

To provide direction with respect to the development of community partnerships for major capital projects between community groups and the City of Thunder Bay.

### **APPLICATION**

The policy applies to all partnerships between community groups and the City of Thunder Bay for major capital projects. Major capital projects are projects of an unusual or extraordinary nature, with a total projected capital cost of at least \$100,000.

### **OBJECTIVES**

The development of community partnerships for capital projects should include one of the following objectives:

1. The development of capital projects that respond to priority needs as identified through the City's capital planning process.
2. The support of community initiatives for the development and improvement of facilities which serve the City of Thunder Bay.
3. The development of cost-effective capital projects which minimize the City's contributions and leverage funding from other sources.

### **PRINCIPLES**

Partnerships entered into by the City should support the following principles:

1. The goals of the Community Group and the City of Thunder Bay should be aligned with the City's New Foundation, a Living Strategic Plan and should be in the public interest.
2. All facilities developed under such partnerships must be open and accessible to all residents of the City of Thunder Bay.

3. Partnerships should be considered in the planning process for all major capital projects.
4. All partnership funding arrangements are subject to the availability of funding.
5. Capital partnerships will only be considered where they can be supported by a business plan that indicates that the completed project is sustainable over the long term.

## ***ELIGIBILITY***

The following conditions for eligibility apply:

1. The community group must be a duly constituted non-profit community organization, in good public standing. The group must demonstrate that it has the human resources and expertise to carry out the proposed project in partnership with the City.
2. Proposals may relate to an asset that is owned by the City, built on City owned land, is a Municipal Capital Facility or to an asset that is operated by a community partner who delivers service on behalf of the City.
3. Proposals must be major capital projects for new facilities, major renovations, expansions or redevelopment. The facility must be within the City of Thunder Bay. (Note that proposals for operating funds would be covered under other City programs, such as FARG).
4. Proposals must not duplicate existing facilities at the same site or within the same service area.
5. A detailed business plan must be submitted with the proposal. The total projected cost of the project must be determined by a professional architect or professional engineer (independent from the Community Group) and provided in writing to the City. The City reserves the right to require an additional review of the cost estimate, either by an independent consultant or by the City Engineering Department. The impact on the City's contribution to future operating costs must be included in the plan

## ***CRITERIA FOR ASSESSMENT***

At a minimum, the following criteria will be considered in assessing the desirability of entering into a proposed community partnership with an eligible community group for an eligible capital project:

1. The extent to which the proposal provides the opportunity for increased community participation.
2. The extent to which the proposal leverages the amount of funding contributed through other sources.
3. The existence of other potential partners and their involvement and contributions to the project.
4. An assessment of the status of the planning and funding for the project, including the prospect and timing of additional funding support from other agencies.
5. The appropriateness of the scale of the proposed project and the financial or other input being requested from the City.
6. The equity and fairness of proceeding with the project in regards to the distribution of expenditures within the City.
7. The track record of the community group, demonstrating an ability to undertake and complete the project.

8. The extent of community support for the project and the degree to which there will be positive benefits to the community.

### ***CITY CONTRIBUTION***

The City contribution towards capital projects for City-owned assets will be a maximum of 50% of the eligible capital cost of the project. For projects involving community owned assets, the maximum contribution will be 25% of the eligible capital cost of the project.

The contribution from the City may be provided in one or more of the following ways:

1. A cash grant payment
2. Provision of land by way of gift or long-term lease
3. Services provided in kind
4. Waiver of municipal fees (if eligible within existing policies)

Approval in principle may be provided for eligible capital projects prior to other funding sources being secured. This may be necessary in order that the organization can apply for funding from other sources. In these cases, the approval will include conditions that must be met prior to the release of any City funds, such as evidence of approval of the application for funding from other sources.

The business plan for each proposed partnership will be analyzed and evaluated by the staff in the relevant Department (e.g. if the proposed partnership project involves City parkland, then the staff in Community Services - Parks division would be responsible for this analysis). The results of this analysis, together with recommendations, will be reviewed by the Finance Department. All Corporate policies and regulations must be followed.

### ***ELIGIBLE CAPITAL COSTS***

The following costs are eligible for cost-sharing under a community partnership:

1. Concept and design costs
2. Construction costs
3. Site development costs
4. Fixed equipment

The following costs are not eligible:

1. Financing costs
2. Fund raising costs
3. Non fixed furniture and equipment costs
4. Computers and IT costs
5. Ongoing repairs, maintenance or renovations in the normal course of operations.

### ***SUBMISSION OF PROPOSALS***

Council will establish a Reserve Fund for Future Community Partnership Opportunities, which

will be funded as part of the annual budget.

Interested parties will contact the Finance Department and a copy of the Community Partnerships Policy will be provided to them. Requests will be evaluated in accordance with this Policy. Each application must include an estimate of the total project costs, an estimate of on-going operating costs and proposed funding sources. The proposal must define the program elements, target users and timelines for the completion of the project.

Administration will bring forward a report to Council with recommendations with respect to requests under this Policy. Council will decide whether or not to accept Administration's recommendations for the City to enter into specific community partnerships.

### **ACCOUNTABILITY AND MONITORING**

In order to protect the City from unplanned liabilities and/or costs, a formal partnership agreement must be entered into by the City and the Community Group. The City Solicitor will review and approve the partnership agreement. Administration will monitor the terms of the agreement. The partnership agreement will address, at a minimum, the following points:

1. Clauses stating the intentions of each party, shared objectives and outcomes and detailed description of the capital project.
2. The governance structure and the appropriate level of City involvement. Generally, it is desirable to have a representative from City Administration attend all Board meetings of the Community Group for the duration of the Project.
3. Conditions that allow the City to appoint a project manager or to appoint a project development advisor to the governing body for the duration of the project.
4. City approval for the various stages of the project development, including final design and cost estimate, construction tender, tender acceptance, and variations to contract.
5. A requirement that the Partnership abide by the City's purchasing policies, and all applicable Federal, Provincial and/or Municipal Statutes, Regulations and By-laws for all work on the Project.
6. Clauses to specify the responsibility for appropriate public liability and property damage insurance.
7. The manner in which funding payments are to be provided, including an appropriate review and approval process.
8. The financial controls and financial management procedures to be put into place for the duration of the project.
9. Conditions for safeguarding the City's investment in the capital project should the community group cease to operate or exist during the life of the project.
10. Agreed upon timelines for completion of the capital project.
11. For community owned facilities, clarification that the City assumes no liability for ongoing operational or maintenance funding, unless already being provided by the City.
12. Dispute resolution process.

### **FINANCIAL REPORTING AND CONTROL**

As indicated in the previous section, the legal agreement will specifically address the financial controls and financial management of the Project. All reports, monitoring and projections referred to in this section on Financial Reporting and Control are the responsibility of the General Manager of the City Department in which the project resides. These reports must also be provided to the General Manager - Finance for review to ensure that all financial policies and procedures are being followed.

For additional clarification, there are certain key points that are necessary for adequate financial reporting and control:

1. The original business plan must provide precise estimates for all aspects of work to be performed, to allow for appropriate monitoring of the progress of the project. It should include cash flow projections by month for all anticipated expenditures and revenues. All estimates should be supported by appropriate documentation and submitted in writing by a professional architect or professional engineer.
2. The original business plan must be monitored by Administration on a monthly basis to ensure that the plan is still appropriate. Any changes to the plan must be approved by Administration prior to implementation. The financial impact of these changes must be clearly identified and a revised plan submitted.
3. A financial report must be prepared and/or reviewed monthly by Administration to compare budgeted expenditures and revenues to actual. Any variances should be clearly explained, together with a plan to bring the project back into line with an appropriate timetable, given the variance. For example, this may involve changes in the scope of the work to be carried out.
4. Monthly cash flow projections must be prepared for the project to ensure that funds are available as needed to perform the work.
5. If the City agrees to provide administrative support for the Project, all transactions related to the Project must be processed through the City's accounting system, with the exception of direct payments to employees of the Community Group. Where payments are required to such employees, the City will make payment to the Community Group and it will be the responsibility of the Community Group to make those payments to employees.
6. If the Community Group handles the accounting and administration of the Project, payments would be made to reimburse for eligible expenditures upon appropriate evidence of payment.
7. Whether the accounting for the Project is handled by the City or the Community Group, full accrual accounting should be used to ensure that all expenditures are captured appropriately. In addition, all commitments should be tracked and reported on a monthly basis. Commitments and expenditures should be reconciled monthly to the original business plan and contracts.
8. City Administration must appoint a project manager to oversee the Project. Monthly reporting should be provided as to the progress of the capital works pursuant to site visits, review of purchase orders and other documentation. An assessment of the progress in relation to the original plan should be included in the monthly reporting, together with recommendations for revisions, where problems are indicated.

### ***DISPUTE RESOLUTION***

It is desirable to resolve disputes so as to avoid the judicial process. The actual process for resolving disputes should be outlined in the Partnership Agreement.

As such, wherever possible, the General Manager of the relevant City Department and the Community Organization's representative for the Project should work to resolve any dispute. If such efforts are unsuccessful, the Chair of the Board of the Community Organization and the CAO of the City of Thunder Bay will make every attempt to negotiate a reasonable settlement within the original cost estimates of the Project. If a reasonable settlement cannot be made within the original cost estimate, and a potential settlement requires additional City funds, the proposed settlement must be approved by Council. In all cases, the General Manager and CAO should consult with the City Solicitor prior to any proposal to resolve the dispute.

**COMMUNICATION**

Communication requirements must be taken into account when developing, negotiating, or implementing community partner arrangements. When informing the public or publishing information about community partnerships, the contributions of all participants must be fairly acknowledged and recognized. See the Corporation's Communications Policy (Policy No. 07-01-07). Departments and partners must use the City of Thunder Bay corporate logo when identifying the City's participation in a community partner initiative, as required under the Corporation's Visual Identity Program. Departments must ensure that the partners involved acknowledge the Corporation's contribution in their own communications with the public.

**REFERENCE:**

Corporate Report No.2005.016 (Accounting)

**Approved By:**

**Date:**

**Replacing/Amending:**

**Originating**Finance  
**Department:**

**Contact:**Manager, Accounting

**Departmental**N/A  
**Procedures Manual:**

**Affected Departments:**Finance

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