



**Policy Title: Policy to Alleviate Funding Shortfalls for Community Capital Projects Managed by The City of Calgary With Total Costs of 100,000 and Over**

**Policy Number: CSPS020**

**Report Number: CSPS2004-34**

**Approved by: City Council**

**Effective Date: 2004 May 17**

**Business Unit: Calgary Neighbourhoods**

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## **BACKGROUND**

Capital projects for community organizations where The City has directly taken on the project management and financial management for the project have occasionally resulted in less funds being raised by the community organization than what was targeted. Even though expenditures were kept within target by The City, the fundraising shortfall within the community has put pressure upon The City to cover the shortfall.

## **PURPOSE**

This policy was developed to alleviate such shortfalls and to provide guidance for project managers as they assess and manage projects. The policy is aimed only at projects with total costs of \$100,000 and over.

## **POLICY**

The measures outlined below are to be instituted for community capital projects managed by The City with a total cost of \$100,000 and over:

1. Allowance for doubtful pledges set by the project manager.
2. Contingency for cost escalation set by the project manager.
3. Begin the project when 90% of the project costs are either on hand or firmly committed.
4. Detailed financial review by The City.
5. Use of a standard template for project revenues and expenses.



**CSPS2004-34  
ATTACHEMNT 1**

**CATEGORIES OF ORGANIZATIONS/SITUATIONS AND RELATED POLICY**

<b>Type of Organization</b>	<b>Examples</b>	<b>Managed By</b>	<b>Related Policy/*Practice</b>
<b>Community Associations and Social/Recreation Organizations</b>	All Community Associations e.g. Calgary Soccer Association	Community	1992 Policy on Project Management
<b>Other Community Organizations</b>	Calgary Humane Society; Calgary Centre for the Visual Arts; Calgary Science Centre	Community	Interim Capital Project Request Criteria
<b>Other Community Organizations</b>	Playgrounds and Small Parks e.g. Shaw Millennium Park	The City of Calgary	Internal Project Management Practices and Capital Budget Control

\*The 1992 policy refers to the Council approved Policy on Project Management of Capital Projects of Community Associations and Social/Recreation Organizations CS92-01 and CS92-23.

The Interim Capital Project Request Criteria were approved by Council in 2003 and relate to the assessment of the viability of community organizations (other than Community Associations and Social/Recreation Organizations) capital projects managed by the community.

Internal Project Management Practices and Capital Budget control refer to standard City practices.



**PROCEDURES & RESPONSIBILITIES**

1. Project Manager is assigned to the project by the applicable Director.
2. Project Manager:
  - Determines the allowance for doubtful pledges based on an analysis of the type and nature of the pledges as well as the timeframe within which the pledges will be received and the level of assuredness that the pledges will be forthcoming;
  - Sets the contingency for cost escalation based on an assessment of the overall risk;
  - Provides a standard template for project revenues and expenses as well as the amounts outlined above to the community organization (see below for standard template);
  - Arranges with Finance the timing and frequency of financial reviews. The depth of the reviews would depend upon the degree of sophistication and jurisdiction of the community organization and would assess the adequacy of the organization's system of financial controls for the project; and
  - Ensures 90% of the project costs are either on hand or firmly committed before the project begins.



**TEMPLATE FOR PROJECT REVENUES AND EXPENSES**

**REVENUES**

- Donations
- Contributions from Reserves
- Fundraising
- Grants
- Government
- Corporate
- In-Kind (must match the in-kind expenditures)
- Investment/Interest Income
- Other (please list)

**= TOTAL REVENUES**

**EXPENDITURES**

- Construction Costs
- Administration
- Licenses/Permits
- Material and Supplies
- Transportation/Shipping Costs
- Consulting Fees
- Equipment Purchases
- In-Kind (must match the in-kind revenue)
- Personnel Costs
- Other (please list)

**=TOTAL EXPENDITURES**

**TOTAL COST=TOTAL REVENUES LESS TOTAL EXPENDITURES**



**OPTIONS TO ALLEVIATE FUNDING SHORTFALLS FOR COMMUNITY CAPITAL PROJECTS MANAGED BY THE CITY WITH A TOTAL COST OF \$100,000 AND OVER**

<b>Shortfall Cause</b>	<b>Options to Alleviate</b>	<b>Rationale</b>
<b>Pledges not honored</b>	<p>Institute an allowance for doubtful pledges. The allowance would be dependent upon an analysis of the type and nature of the pledges as well as the timeframe within which the pledges will be received and the level of assuredness that the pledges will be forthcoming. The percentage(s) used would be at the discretion of the project manager.</p> <p>Establish a contingency for cost escalation. The contingency would be based on a risk assessment, set at an amount which appropriately reflects the overall risk and would be at the discretion of the project manager.</p> <p>Add as a requirement to begin the project when a minimum of 90% of project costs are either on hand or firmly committed.</p> <p>Detailed financial review by The City depending on the degree of sophistication and jurisdiction of the community organization. The project manager and City finance resource would assess the adequacy of the organization's system of financial controls for the project.</p>	<p>Fundraising campaigns often do not realize all the amounts pledged. A review of articles on the internet, and discussion with the Calgary United Way suggest that an allowance for doubtful pledges is not only prudent but should range between a low of 3% to a high of 20%.</p> <p>Depending upon the timing of the capital project, the contingency varies as the project proceeds. The project manager is best suited to determine the amount of the contingency.</p> <p>Projects are less likely to have funding shortfalls when the majority of funds are in place prior to starting.</p> <p>A detailed review by The City at various stages of the project would increase the likelihood that fundraising and calculation errors will be found. Revenues and expenditures and in kind donations would be carefully reviewed.</p>



<b>Shortfall Course</b>	<b>Options to Alleviate</b>	<b>Rationale</b>
<b>Double counting of government grants</b>	Detailed financial review by The City of Calgary.	Same as above.
<b>In kind donations added to funding sources but not deleted from costs</b>	Use a standard template for project costing purposes which has a category of both revenue and expense as well as in kind donations.  Detailed financial review by The City of Calgary	This will highlight in kind donations once added to revenue need to be deleted from costs.  Same as above.

### **AMENDMENTS**

Effective 2016 February 01, Community & Neighbourhood Services became Calgary Neighbourhoods.