

V.11. Société du Havre de Montréal (Bonaventure Project)



Vérificateur général
de la Ville de Montréal

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LIST OF ACRONYMS

| | | | |
|------|----------------------------------|------|---|
| BMPO | Bonaventure Mixed Project Office | SHM | Société du Havre de Montréal |
| CEO | chief executive officer | TCEP | three-year capital expenditures program |
| DTP | Direction des travaux publics | WRF | work request form |
| NPO | non-profit organizations | | |

V.11. SOCIÉTÉ DU HAVRE DE MONTRÉAL (BONAVENTURE PROJECT)

1. INTRODUCTION

In 2002, the Ville de Montréal (the city) mandated the Société du Havre de Montréal (SHM) to propose for the Harbourfront and surrounding spaces,¹ an outline of a coordinated action plan along with an implementation and funding strategy. After assessing the situation of Montréal's Harbourfront, the SHM submitted a document entitled *Montréal Harbourfront – Vision 2025* that revolved around three strategies:

- Reclaiming urban space
- Reclaiming the waterfront
- Sustainable urban development

Unveiled in 2004, *Vision 2025* generated a great deal of interest on the part of the city, the Board of Trade of Metropolitan Montréal, the Old Port of Montréal Corporation and the Parks Canada Agency. This led the three government partners (Ville de Montréal, the Government of Canada and the Government of Québec) to ask the SHM to examine the technical and financial feasibility of the major initiatives that were planned.

The SHM commissioned preliminary feasibility studies on the transformation of the Bonaventure Expressway, looking into several aspects such as infrastructure engineering, traffic management, the environment, urban planning and urban design. Other studies examined the technical feasibility of a tramway, the creation of a basin for aquatic activities and the enhancement of brownfield properties. In April 2006, based on the results of all these studies, the SHM presented a document entitled *The Montréal Harbourfront: Final Report and Recommendations*, which proposed an action plan featuring the following major elements:

¹ The area in question covers 10 km² and extends over 31 km of riverbank. It is bounded to the west by the Champlain Bridge and to the east by a line drawn just beyond the Jacques-Cartier Bridge. Its northern limit runs along rue Notre-Dame, then rue Viger, as far as the Saint-Gabriel Locks. To the south, the area borders on the river and takes in Sainte-Hélène and Notre-Dame islands.

- Bonaventure Expressway
- Harbourfront tramway
- Recreation, tourism and cultural activities
- Brownfield properties
- Blue and green spaces
- Soil management

From 2003 to 2006, a period characterized mainly by the completion of opportunity and feasibility studies, the SHM received financial support from the three levels of government totalling \$4,008,870, i.e., \$1,310,122 in funds and loans of services and staff from the city, \$1,418,748 from the Government of Canada and \$1,280,000 from the Government of Québec.

The reconfiguration of the Bonaventure Expressway is the cornerstone of the Montréal Harbourfront *Vision 2025*. This project, which consists of reclaiming the riverbanks and mending the urban fabric, is divided into three phases:

- Phase 1: Expansion of downtown, from rue Notre-Dame to rue Brennan
- Phase 2: Bonaventure Expressway relocation between the Victoria and Champlain bridges
- Phase 3: Bonaventure Expressway transformation between the Victoria Bridge and rue Brennan

This large-scale project will re-shape the Bonaventure Expressway over the next 20 years and involve several partners, both public and private. While Phases 2 and 3 are the responsibility of the Canadian government, Phase 1 is under the city's jurisdiction.

When the final report was submitted in 2006 and accepted by the city, the SHM was assigned several mandates under agreements reached with the city:

- 2007: An agreement worth \$7,173,156 (taxes included) to complete Phase 1 preliminary and detailed design of Bonaventure Expressway transformation from rue Saint-Jacques to rue Brennan.

- 2008: An agreement in the amount of \$5,643,750 (taxes included) to prepare final plans and specifications for Phase 1 of Bonaventure Expressway transformation between rue Saint-Jacques and rue Brennan.
- 2009: An agreement worth \$2,596,630 (taxes included) to prepare final plans and specifications for the restricted corridor to public transit along rue Dalhousie.

In June 2009, the SHM submitted the Phase 1 preliminary and detailed design report of Bonaventure Expressway transformation to the city. The Office de consultation publique de Montréal submitted its own report to the executive committee in April 2010 following public consultation of the design report. These consultations gave the SHM the opportunity to make changes by incorporating the concerns raised. The revised final report, entitled “Quartier Bonaventure,” was approved by a resolution of the executive committee on August 11, 2010. The SHM began work in 2009 to prepare the final plans and specifications for Phase 1 of Bonaventure Expressway transformation between rue Saint-Jacques and rue Brennan, including the Dalhousie corridor. Although work was halted during the consultations, it started up again in 2010.

The three-year capital expenditures program (TCEP) for 2012–2014 and subsequent years made provisions for an investment of \$159,165,000. Added to this would be an amount of \$16,888,000 that was allocated between 2007 and 2011 for the preliminary and detailed design and the production of final plans and specifications.

Up until 2010, the SHM acted as the city’s project manager within the framework of its mandates: it was responsible for all stages of the project, including the design, issuing call for tenders, awarding contracts, providing oversight and making sure work is completed. In 2011, the city chose to ensure the completion of Phase 1 of Bonaventure Expressway transformation itself and to be responsible for all stages, such as issuing the call for tenders, awarding contracts, validating plans and specifications, and completing the work in compliance with its *Cadre de gouvernance des projets et des programmes de gestion d’actifs municipaux* and its December 2010 contract management policy.

To ensure continuity in the completion of Phase 1 of Bonaventure Expressway transformation, and harmonization with subsequent phases, and benefit from the knowledge the SHM acquired about the overall project (the three phases), the city retained the professional services of the SHM in 2011 under a five-year agreement (2011–2015) totalling \$10,178,301 to:

- Set up a mixed project office jointly with the city.
- Finish preparing the final plans and specifications for the reconfiguration between rue Saint-Jacques and rue Brennan and those of the Dalhousie corridor.
- Provide various professional services to operate the mixed project office.
- Take concrete action and implement *Vision 2025* to develop the Montréal Harbourfront. This aspect of the agreement falls especially under to the SHM.

2. AUDIT SCOPE

The goal of our audit was to ensure that the funds allocated by the city to the Bonaventure Mixed Project Office (BMPO) in terms of the mandate conferred upon it were managed in an accountable and transparent manner, in accordance with the city's governance framework and contract policy, and that they helped achieve the results expected by the city.

Our audit consisted mainly of a detailed review of the documentation related to Phase 1 of Bonaventure Expressway transformation and BMPO operations.

To place Phase 1 of the project in its historical context, we examined a series of documents produced by the SHM, in particular the Montréal Harbourfront Final Report and Recommendations, the agreements reached between the SHM and the city to produce *Vision 2025*, the preliminary and detailed design report and the final plans and specifications for completion of Phase 1.

3. FINDINGS, RECOMMENDATIONS AND ACTION PLANS

3.1. SOCIÉTÉ DU HAVRE DE MONTRÉAL

Created in October 2002, the SHM is a non-profit organization (NPO) born in the wake of the 2002 Montréal Summit. Its mandate is to “*propose, for the harbourfront and its surrounding urban spaces, the main features of a coordinated action plan, along with an implementation and funding strategy.*” The SHM is autonomous and has a board of directors with city representation on an ever-present but fluctuating basis. The SHM has a small team of project managers and consultants who conduct research and analyses under the direction of a president and chief executive officer (CEO).

The motivation behind the creation of the SHM was to benefit from grants from the two governments (provincial and federal) to complete the first exploratory work. It did indeed receive financial support at the start from the three levels of government (the city, the Government of Québec and the Government of Canada), as shown in Table 1.

Table 1—Expenditures by the SHM between 2003 and 2011

| Period | Government of Canada | Government of Québec | Ville de Montréal | Total |
|--|----------------------------------|----------------------------------|-----------------------------------|---------------------|
| 2003–2006 Opportunity and Feasibility Studies | \$1,418,748 35% | \$1,280,000 32% | \$1,310,122 33% | \$4,008,870 |
| 2007–2010 Preliminary and detailed design – plans and specifications | \$257,090 3% | \$520,000 5% | \$9,402,795 92% | \$10,179,885 |
| 2011–2015 Completion of Phase 1: 2011 Contribution | – 0% | – 0% | \$2,065,498 100% | \$2,065,498 |
| Total contribution of partners | \$1,675,838 10% | \$1,800,000 11% | \$12,778,415 79% | \$16,254,253 |

Source: City decision-making summary and SHM financial statements.

City and government contributions vary in size depending on the SHM development period. From 2003 to 2006, the three levels of government shared an equal role in funding the SHM. The city’s contribution represented approximately 33% of the total funding of \$4,008,870, or \$1,310,122 in funds and staff loans. This period corresponded

to activities related to the Bonaventure Expressway opportunity and feasibility studies and was finalized by the completion of the studies, in particular *Montréal Harbourfront – Assessment of the Situation*, *Montréal Harbourfront – Vision 2025* and *Bonaventure Expressway – Vision 2025*. Subsequently, the city's contribution rose to 92%, or \$9,402,795 and, finally in 2011 when work on the Bonaventure Expressway transformation began, the city was the SHM's sole source of income.

From 2007 to 2010, the city, as the majority SHM partner, signed six agreements² totalling \$15,634,905. These included three major agreements related to the preliminary and detailed design study (\$7,173,156), the production of final plans and specifications for the area between rue Brennan and rue Saint-Jacques (\$5,643,750), and the production of plans and specifications for the Dalhousie corridor (\$2,596,630). This period corresponded to activities for the preliminary and detailed design studies of Phase 1 of Bonaventure Expressway transformation and the production of plans and specifications, and was finalized with the tabling of the preliminary and detailed design report and the start of production of plans and specifications.

In 2011, the city signed a five-year agreement with the SHM in the amount of \$10,178,302 for work on Phase 1 of Bonaventure Expressway transformation. The breakdown is as follows:

- \$4,303,688: professional services to run the BMPO from 2011 to 2015
- \$5,350,561: second and last instalment for the production of final plans and specifications of Bonaventure Expressway transformation between rue Brennan and rue Saint-Jacques
- \$500,000: study to update Vision 2025 for the development of Montréal Harbourfront
- \$24,053: QST adjustment

In all, the SHM reached agreements with the city totalling \$27,123,306 from 2003 to 2011. Details of these contributions are presented in Appendix 4.1.

² The agreements between the city and the SHM were signed in accordance with section 573.3, subsection 2.1 of the *Cities and Towns Act*, which allows a city to entrust professional services to an NPO without having to issue a call for tenders.

3.1.1. SOCIÉTÉ DU HAVRE DE MONTRÉAL CONTRACT AWARD PROCESS

3.1.1.A. Background and Findings

To examine the SHM's governance for awarding contracts, we used the information provided by them to analyze how they had awarded contracts from 2007 to 2011 and briefly examined the process's compliance with the SHM's contract award policy. We then compared this information to the city's contract award process.

Table 2 presents statistics on SHM methods used to award contracts from 2007 to 2011.

**Table 2—Methods of Awarding Contracts Used by the SHM
From 2007 to 2011**

| Year and headings | | Awarding method | | | | |
|--|----------------------|------------------|-------------|-------------------------|--------------------------------------|--------------|
| | | Private contract | Invitation | Public call for tenders | Information unavailable ¹ | Total |
| Mandates – Preliminary and detailed design | 2007 | | | | | |
| | Number of mandates | 10 | 1 | 0 | 4 | 15 |
| | Total budget | \$450,159 | \$584,371 | – | \$694,153 | \$1,728,683 |
| | Actual expenditures | \$445,269 | \$508,032 | – | \$683,131 | \$1,636,432 |
| | 2008 | | | | | |
| | Number of mandates | 25 | 8 | 2 | 1 | 36 |
| | Total budget | \$893,703 | \$465,013 | \$1,783,921 | \$49,000 | \$3,191,637 |
| | Actual expenditures | \$873,714 | \$465,013 | \$1,783,689 | \$48,980 | \$3,171,396 |
| | 2007 and 2008 | | | | | |
| Number of mandates | 35 | 9 | 2 | 5 | 51 | |
| Total budget | \$1,343,862 | \$1,049,384 | \$1,783,921 | \$743,153 | \$4,920,320 | |
| Actual expenditures | \$1,318,983 | \$973,045 | \$1,783,689 | \$732,111 | \$4,807,828 | |
| Mandates – plans and specifications | 2009 | | | | | |
| | Number of mandates | 10 | 0 | 3 | 1 | 14 |
| | Total budget | \$365,115 | – | \$9,651,847 | \$4,430 | \$10,021,392 |
| | Actual expenditures | \$95,796 | – | \$3,372,830 | \$4,430 | \$3,473,056 |
| | 2010 | | | | | |
| | Number of mandates | 7 | 6 | 0 | 6 | 19 |
| | Total budget | \$132,368 | \$294,622 | – | \$51,178 | \$478,168 |
| | Actual expenditures | \$104,561 | \$117,823 | – | \$51,178 | \$273,562 |
| | 2011 | | | | | |
| | Number of mandates | 1 | 5 | 0 | 8 | 14 |
| | Total budget | \$30,000 | \$98,734 | – | \$235,543 | \$364,277 |
| | Actual expenditures | \$12,000 | \$46,576 | – | \$46,123 | \$104,699 |
| 2009–2010–2011 | | | | | | |
| Number of mandates | 18 | 11 | 3 | 15 | 47 | |
| Total budget | \$527,483 | \$393,356 | \$9,651,847 | \$291,151 | \$10,863,837 | |
| Actual expenditures | \$212,357 | \$164,399 | \$3,372,830 | \$101,731 | \$3,851,317 | |
| Total 2007–2011 | Number of mandates | 53 | 20 | 5 | 20 | 98 |
| | % type of awarding | 54% | 20% | 5% | 20% | 100% |
| | Total budget | \$1,871,345 | \$1,442,740 | \$11,435,768 | \$1,034,304 | \$15,784,157 |
| | % total budget | 12% | 9% | 72% | 7% | 100% |
| | Actual expenditures | \$1,531,340 | \$1,137,444 | \$5,156,519 | \$833,842 | \$8,659,145 |

¹ The documentation supplied by the SHM did not indicate the method used for awarding these contracts.

Source: SHM.

According to our analysis of the information obtained on contracts awarded from 2007 to 2011, we note that the SHM awarded 98 contracts totalling \$15,784,157. These contracts were awarded on the basis of the following methods:

- **Private contract:** 53 of the 98 contracts (54%) for a total of \$1,871,345 (12% of the total value of the contracts).
- **Invitation:** 20 of the 98 contracts (20%) for a total of \$1,442,740 (9% of the total value of the contracts).
- **Public call for tenders:** 5 of the 98 contracts (5%) for a total of \$11,435,768 (72% of the total value of the contracts).
- **Information about the method of awarding unavailable:** 20 of the 98 contracts (20%) for a total of \$1,034,304 (7% of the total value of the contracts). Of these 20 contracts, three involved the city in the role of service provider, for a total of \$526 305 (51% of the total in this category). The 17 other contracts represented a value that varied from \$580 to \$49,000.

Tables 3 and 4 present the parameters for delegation of authority and the contract awarding policy at the SHM and at the city.

**Table 3—Comparison of the Delegation of Authority
at the City (Central Departments) and the SHM**

| Ville de Montréal | | | SHM | | |
|-------------------|-------------------|-----------------------|-------------------|-------------------|-----------------------|
| Position | Execution of work | Professional services | Position | Execution of work | Professional services |
| City manager | \$100,000 | \$50,000 | President and CEO | \$50,000 | \$50,000 |
| Level A officer | \$50,000 | \$25,000 | Project manager | \$15,000 | \$15,000 |
| Level B officer | \$25,000 | \$15,000 | | | |
| Level C officer | \$15,000 | \$5,000 | | | |
| Level D officer | \$10,000 | | | | |
| Level E officer | \$1,000 | | | | |

Table 4—Comparison of the Methods for Awarding Contracts at the City and SHM

| Ville de Montréal | | | SHM | | | |
|----------------------|--|-----------------------|----------------------|--|----------------------|---|
| Amount | Execution of work | Professional services | Amount | Execution of work | Amount | Professional services |
| ≤\$24,999 | Private contract | | ≤\$9,999 | Mutual agreement | ≤\$49,999 | Private contract with the approval of an administrator other than the president and CEO |
| | | | \$10,000 to \$24,999 | Written invitation to two or more suppliers | | |
| \$25,000 to \$99,999 | Call for tenders by invitation to a minimum of two suppliers The city favours an invitation to five firms | | \$25,000 to \$99,999 | Written invitation to three or more suppliers | \$50,000 to \$99,999 | Written invitation to three or more suppliers, or public call for tenders |
| ≥\$100,000 | Public call for tenders | | ≥\$100,000 | Written invitation to four or more suppliers, or public call for tenders | ≥\$100,000 | Written invitation to four or more suppliers, or public call for tenders |

Following this comparative analysis, we concluded that the authority delegated by the SHM to its president and CEO, in the case of execution of work, was the same spending limit (\$50,000) as the city allows a level A officer, i.e., the equivalent of an associate city manager or a senior manager. As for the spending limit (\$15,000) of the SHM’s project manager, it was the same as that of a level C officer at the city, i.e., a section head.

For professional services contracts, the SHM authorized the same signing limit (\$50,000) to its president and CEO as the city allows the city manager. For the SHM’s project manager, the signing limit (\$15,000) is the same as that allowed a level B officer at the city, i.e., a division head.

The method for awarding contracts applied at the SHM was as follows:

- For execution of work contracts, awarding methods varied based on four limit levels.
- For professional services contracts, awarding methods varied based on three limit levels.

The method for awarding contracts in effect at the city complies with the *Cities and Town Act* (section 573). In general, it revolves around three levels of limits and applies

to all contracts for the execution of work and for the supply of professional services in specific fields (architect, surveyor, certified accountant and engineer).

Based on the information provided by the SHM and our analysis of the methods for awarding contracts under SHM policy and the city's method, we concluded that the 98 contracts awarded, regardless of the method used, with the exception of 13 contracts, or 13%, were by written solicitation in compliance with the SHM's contract award policy.

As for contracts awarded by invitation or through public call for tenders, the SHM complied, in all cases, with its contract award policy in regard to the number of suppliers invited and the amount to be respected.

In the case of contracts awarded by invitation or through public call for tenders, with the exception of those for which the city was the intended service supplier, the SHM formed a selection committee that included city staff.

The SHM's method for awarding all contracts above \$100,000 is to go to a public call for tenders or to proceed by invitation requesting a minimum of four suppliers. This same choice exists for professional services contracts of \$50,000 or more, with the difference that fewer suppliers are solicited, i.e., three suppliers.

The method the city applies allows to negotiate private contracts if the amount is at or under \$24,999, regardless of their nature (execution of work or professional services). However it does not offer the possibility of choosing between a public call for tenders or proceeding by invitation for contracts above \$100,000, regardless of their nature.

To speed up the decision-making, the SHM's method is less restrictive than that of the city. In fact, it gives to the manager the option to proceed to a public call for tenders or not, something that the city does not allow. This flexibility increases the risk of eventually influencing the choice of firms versus a public call for tenders.

In the current context of scrutinizing the contract award process, the city has tightened its rules for awarding contracts and has implemented a transparent governance framework. As it is the SHM's only "client" or funder and has chosen to make the SHM a privileged partner for the subsequent phases listed in *Vision 2025*, it would be appropriate for the SHM to harmonize its method of awarding contracts with that of the city.

3.1.1.B. Recommendations

We recommend that the Société du Havre de Montréal, given the issues related to the governance of major projects and the current context of implementing the Quartier Bonaventure project, look into the possibility of harmonizing its policy for awarding contracts with that of the city in the spirit of a long-term mixed partnership.

3.1.1.C. Action Plan of the Relevant Business Unit

[TRANSLATION] "Submit an amendment to SHM's policy for awarding contracts at a future meeting of the SHM's Board of Directors with the goal of harmonizing to a greater extent this policy with that of the city." (Planned completion: September 2012)

3.1.2. FOLLOW-UP OF THE COMPLETION OF CONTRACTS AWARDED BY THE SOCIÉTÉ DU HAVRE DE MONTRÉAL

3.1.2.A. Background and Findings

Using the expectations defined in the agreements signed between the city and the SHM as our basis, we set out to determine whether the latter had fulfilled its obligations to provide the requested products and services as scheduled. To do this, we examined the status of expected results for contracts awarded by the SHM based on information obtained from the SHM along with its quarterly reports.

Table 5 presents all the contracts awarded by the SHM from 2007 to 2011, on the basis of their status as of December 19, 2011.

Table 5—Status of the Contracts Awarded by the SHM from 2007 to 2011

| Years and headings | Status of awarded contracts* | | | | |
|--|------------------------------|-----------|-----------|-------------|--------------|
| | Completed | TBD | On hold | Under way | Total |
| 2007–2008 | | | | | |
| Preliminary and detailed design | | | | | |
| Number of mandates | 51 | 0 | 0 | 0 | 51 |
| Total budget | \$4,920,320 | – | – | – | \$4,920,320 |
| Actual expenditure | \$4,807,828 | – | – | – | \$4,807,828 |
| 2009–2011 | | | | | |
| Final plans and specifications | | | | | |
| Number of mandates | 30 | 4 | 2 | 11 | 47 |
| Total budget | \$397,358 | \$449,243 | \$128,239 | \$9,888,997 | \$10,863,837 |
| Actual expenditure | \$373,774 | – | \$4,625 | \$3,472,918 | \$3,851,317 |
| Total from 2007 to 2011 | | | | | |
| Number of mandates | 81 | 4 | 2 | 11 | 98 |
| Total budget | \$5,317,678 | \$449,243 | \$128,239 | \$9,888,997 | \$15,784,157 |
| % total budget | 33.7% | 2.8% | 0.8% | 62.7% | 100.0% |
| Actual expenditure | \$5,181,602 | – | \$4,625 | \$3,472,918 | \$8,659,145 |
| Variance or remaining balance | \$136,076 | \$449,243 | \$123,614 | \$6,416,079 | \$7,125,012 |

* Definition of statuses:

- **Completed:** project finished
- **TBD (to be determined):** project relating mainly to contracts that are completed by the city's business units.
- **On hold:** project awaiting a decision to proceed.
- **Under way:** project on its way to completion.

Source: SHM.

Based on our analysis of the contracts awarded by SHM from 2007 to 2011 and the 2008 and 2009 follow-up reports, we were able to conclude that 81 contracts were completed for a total of \$5,181,602 and 11 contracts are on-going.

Among the contracts under way, three were major, totalling \$9,651,847, or 61.1% of the total budget. These contracts were specifically intended to prepare final plans and specifications, the reconfiguration work between rue Brennan and rue Saint-Jacques and the Dalhousie corridor and for technical assistance for project management and road engineering.

According to an earlier agreement, the respective delivery dates for the final plans and specifications were September 9, 2009, for rue Brennan and rue Saint-Jacques, and March 31, 2011 for the Dalhousie corridor. These documents were to comply with the

city's standards³ regarding presentation of drawings, plans and specifications. Their final production was delayed to include the results of public consultations on the preliminary and detailed design. Consequently, the SHM failed to deliver the final plans and specifications within the dates set out in the agreements.

As shown in Table 6, the production of plans and specifications in the 2011 agreement was spread out over 2011, 2012 and 2013.

Table 6—Planned Budget for the Production of Plans and Specifications

| | Total | Expenditure | Forecast | | |
|--|---------------------|--------------------|--------------------|--------------------|--------------------|
| | | 2008–2010 | 2011 | 2012 | 2013 |
| 2008 agreement and adjustment ¹ | \$10,994,311 | \$3,950,625 | \$3,189,900 | \$2,759,400 | \$1,094,386 |
| 2009 agreement | \$2,596,630 | \$553,797 | \$1,500,000 | \$542,833 | |
| Total | \$13,590,941 | \$4,504,422 | \$4,689,900 | \$3,302,233 | \$1,094,386 |
| | | | \$9,086,519 | | |

¹ Original agreement: \$5,000,000. Adjustment of \$4,651,847, for a total of \$9,651,847 (before taxes), i.e., \$10,994,311 with taxes.

We were unable to determine all the work completed by SHM for the amounts paid from 2008 to 2010 (\$4,504,422).

Considering the following elements:

- resumption of production of the final plans and specifications for the Dalhousie corridor and the reconfiguration work between rue Brennan and rue Saint-Jacques in 2011
- changes to the remaining amount for completing the preparation of these final plans and specifications
- payments received for work completed as part of the production of plans and specifications

it is important for the Direction générale to precisely inventory the work completed and what remains to be done to finish preparing the plans and specifications under the 2008 and 2009 agreements.

³ The city's standards required the production of specifications and standardized drawings that comply with the MicroStation computer system.

3.1.2.B. Recommendations

We recommend that the Direction générale formally establish an inventory, including the costs of work completed by the Société du Havre de Montréal under agreements signed in 2008 and 2009 covering the final plans and specifications of the reconfiguration work between rue Brennan and rue Saint-Jacques, and the Dalhousie corridor.

3.1.2.C. Action Plan of the Relevant Business Unit

[TRANSLATION] “Require that an inventory of work completed by the SHM under the agreements signed in 2008 and 2009 be integrated into the accountability report that is produced. This inventory should include a section on the costs of the work.” (**Planned completion: May 2012**)

3.2. BONAVENTURE MIXED PROJECT OFFICE

The city and the SHM will work through the BMPO to complete Phase 1 of Bonaventure Expressway transformation. The 2011 agreement provides for the city and the SHM to jointly set up this project office and for the SHM to oversee its operations in exchange for annual professional fees of \$750,000 for the duration of the five-year agreement. The agreement also sets out the following elements for the governance and management of Phase 1:

- formation of a management committee made up of two representatives designated by the city manager and one SHM representative
- co-supervision of the BMPO by a city administrative sponsor and an SHM administrative sponsor

Finally, the work planned for Phase 1 will be carried out according to the standards and practices that apply in the city, in compliance with the *Cities and Towns Act*, and the acts arising from it, and with the *Charter of Ville de Montréal* and the *Cadre de gouvernance des projets et des programmes de gestion d’actifs municipaux*.

3.2.1. ORGANIZATIONAL AND OPERATIONAL STRUCTURE

3.2.1.A. Background and Findings

The BMPO was established under the 2011 agreement. Its organizational chart appears in Appendix 4.2. As provided for under the agreement, this office consists of a management committee made up of a manager from the Direction générale and the manager of the Direction des travaux publics (DTP) acting on behalf of the city, and the president and CEO of SHM, acting on the latter's behalf. The BMPO is managed jointly by two joint managers, i.e., a DTP engineer and an SHM project manager.

The BMPO reports to the management committee, which in turn reports to the associate city manager in charge of the Service du développement et des opérations. The BMPO has set up a technical management committee, made up essentially of two members of the management committee, two joint managers and a professional from the SHM.

The BMPO determines what it needs overall for its activities and projects. It then draws on SHM resources within the budget allocated under the agreement (\$750,000 /year) and the resources of the DTP when its expertise is required, as well as on external firms to execute the work. The acquisition of other resources must be submitted to the city's decision-making and supply process.

The BMPO's operating budget comes mainly from transfers of funds for loans of city resources and from budgets provided under the agreement for the use of SHM resources. Infrastructure and other work executed by the DTP or external firms is funded by the city's TCEP.

While the responsibilities of the key people assigned to the BMPO to complete Phase 1 were described in Appendices B and C of the agreement, the BMPO has detailed and added descriptions of tasks for all the anticipated responsibilities and activities. A procedures manual is currently being prepared.

After examining this document, we concluded the two joint managers complement each other when sharing responsibilities and tasks in the BMPO, mainly in activities with internal and external partners and designated staff under their direction.

This complementarity is not limited. In fact, the co-supervisors can replace each other, with the exception of the following responsibilities that they assume on behalf of their original employer:

- City representative: responsibility for the project on behalf of the city, from the initial study stages up to complete delivery of the project and role of planning officer for the DTP.
- SHM representative: liaison between the BMPO and the SHM on matters under the responsibility of the SHM.

The procedures manual has not been approved by the management committee. Some elements of the manual, in particular the heading related to project management and the appendix describing roles and responsibilities, require significant modifications:

- Description of the governance of the BMPO, including the current decision-making process (Direction générale associée, management committee, project co-supervisors, and the technical management committee acting in a technical assistance capacity).
- Update of cost estimates for Phase 1 to keep track of modifications made to the preliminary and detailed design. The estimates cited in the manual date from the preliminary and detailed design report submitted in 2008.
- Update of project organizational charts.
- Determination that incumbents (joint managers) correspond to the job descriptions of the project team.
- Determination that incumbents (project managers, graphic artist, secretary, documentation manager) correspond to the job descriptions of the support team.

3.2.1.B. Recommendations

We recommend that the Direction générale associée – Service du développement et des opérations ensure that the Bonaventure Mixed Project Office makes the necessary changes to the procedures manual so that it accurately reflects the

current structure and operations, and that it submit this manual for approval to the management committee.

3.2.1.C. Action Plan of the Relevant Business Unit

[TRANSLATION] “Ask the joint managers of the BMPO to:

- *make the necessary changes to the procedures manual so that it accurately reflects the current structure and operations*
- *submit this manual for approval to the management committee.” (Planned completion: August 2012)*

3.2.2. PROJECT GOVERNANCE

3.2.2.A. Background and Findings

We noted that representation of the SHM and city on the management committee can be explained by the fact that this committee must oversee project management by taking into account the instructions and strategic orientations of the whole project as it relates to other projects under way and essentially to the subsequent phases of Vision 2025.

On the other hand, the dual nature of the project coordination raises questions. The fact is that we are faced with two entities that are “associated or in partnership” to complete Phase 1 but that have different statuses: the city is the client that ensures funding and the SHM executes a mandate.

Previous organizational charts, in which the SHM assumed completion of the mandates, did not represent this dual nature of co-supervision even if the city’s major resources were involved or used in a supporting role.

This leads us to ask the following questions:

- Since, according to the information obtained, the city’s representative assumes the role of joint manager with full responsibility for Phase 1,⁴ do we really need two joint managers?

⁴ This responsibility is clearly defined in the DTP’s initiatives following decision-making summary 1101009003.

- In the event of a conflict situation, might this model confuse the decision-making process, e.g., different understanding of mutual agreements, choice of operating procedures or management or support of resources under the SHM's responsibility?
- Does this model make it possible to evaluate the contribution of the SHM to BMPO operations, according to the expectations defined in the agreement with the city?

This project coordination model is generally found in cases where two entities share the project's risks within a partnership, which is not the case for the BMPO.

3.2.2.B. Recommendations

We recommend that the Direction générale associée – Service du développement et des opérations ensure that all coordination measures have been planned in order to mitigate any eventual conflicts that could compromise the smooth functioning of the BMPO.

3.2.2.C. Action Plan of the Relevant Business Unit

[TRANSLATION] "Continue to give the management committee (two-thirds of which is made up of city representatives) the power to make final decisions in the case of a diverging opinion between the city and the SHM." (Completed)

3.2.3. PLANNING, EXECUTION, MONITORING AND CONTROL

3.2.3.A. Background and Findings

Phase 1 work for transforming the Bonaventure Expressway is spread over five years. The BMPO has planned the work to be executed and completed in each year. All activities and projects have been grouped into work items to facilitate planning and scheduling. Schedules were prepared based on the level of action required:

- General five-year timeline
- More precise annual schedule that includes items to be completed every year
- A schedule for individual work items that corresponds to the schedule in the contractor's bid for the call for tenders to allow daily monitoring of the work

For information purposes, the number of work items per year for Phase 1 is:

- 2011: 3 items
- 2012: 7 items
- 2013: 9 items
- 2014: 11 items
- 2015: 10 items

Based on this plan, the BMPO chooses the appropriate contractor to execute the work items or entrusts them to the DTP. The BMPO calls on the services of the DTP to complete Phase 1 projects using work request forms (WRF), which describe in detail the services required. The DTP acts as an “engineering firm” for the BMPO, as it does for the other business units of the city that are, in fact, its “clients.” The DTP carries out the projects entrusted exclusively to it when the funding or budget accompanies them. The projects are thus funded from the same TCEP envelope specified for Phase 1.

At its weekly meeting, the BMPO technical management committee monitors various projects and work items, addresses the project’s technical questions, follows up on planning, schedules and costs and determines the progress of the project. The management committee then monitors progress, validates and approves requests for payment and provides direction for the work at its weekly meeting.

Monitoring the work carried out by the DTP is the responsibility of the business officer, who monitors the WRFs within the context of the service agreement reached with the BMPO. A report documents each WRF given to the DTP. Accountability for each of the WRFs under way is submitted by the DTP via a quarterly report showing the evolution of cost commitments and the progress of the WRFs.

Table 7 shows Phase 1 monitoring, based on the executing bodies and results set out in the 2011 agreement.

Table 7—Main Phase 1 Project Controls

| BMPO control bodies | Executing body | 2011 agreement component | Control process |
|---|--------------------|--|--|
| BMPO management committee Technical management committee (SHM and the city) | SHM | Plans and specifications for contracts prior to 2010 | <ul style="list-style-type: none"> • Billing by firms • Approval by the SHM • Payment by the SHM • SHM accountability based on the 2008 and 2009 agreements (\$5.6 M and \$2.6 M) |
| | | Plans and specifications as of March 2011 | <ul style="list-style-type: none"> • Billing by firms • Approval by the SHM • Technical approval by the DTP • Payment by the SHM • SHM accountability based on the 2011 agreement |
| | SHM | BMPO operations (\$750,000) | <ul style="list-style-type: none"> • Billing by the SHM • Approval by the city • Payment by the city • SHM accountability |
| | DTP | Mandates given as per WRFs (TCEP funding) | <ul style="list-style-type: none"> • Billing by firms • Approval by the DTP • DTP accountability report • Approval by the BMPO • Entry in the TCEP |
| | External suppliers | Work assigned by the BMPO (complementary studies and others) | <ul style="list-style-type: none"> • Billing by firms • Approval by the BMPO • Payment by the BMPO • BMPO accountability |

On the basis of information obtained during out meetings with staff from the BMPO and DTP, as well as a brief review of the processes and documentation supporting the completion of Phase 1, we concluded that the BMPO, which is in its first year of operation, is implementing control processes (see Table 7) to comply with those of the city, as well as interim reports to monitor the progress of projects and work items.

As part of the work that it carries out for the BMPO, the DTP provides validation and technical control of compliance with plans and specifications, as well as staff supervision and support to execute the work. The DTP is currently changing the control processes and documentation that will be used to monitor projects assigned by the BMPO.

The BMPO also produces a score card that was being prepared at the time of our audit. The score card shows the progress for each of the projects and work items, based on

the project stages. The example of the score card that we looked at indicated the stages that had been completed by adding a completion date to know where the project was in the decision-making and supply process (approval date for a call for tenders, date of receipt of the executive committee and municipal and borough council resolutions, issue date for the call for tenders, date for awarding the contract, and start date for the work).

The reports produced to date are at the preparation stage and focus on monitoring actual costs versus allocated budgets. These reports deserve improvement and the incorporation of indicators tied to schedules and compliance with standards and agreements (e.g., meeting schedules, flagging and explaining delays and proposing corrective actions).

3.2.3.B. Recommendations

We recommend that the Direction générale associée – Service du développement et des opérations ensure that the Bonaventure Mixed Project Office completes the design and implementation of project control and monitoring processes and prepare reports that incorporate efficiency indicators to support them.

We also recommend that the Direction des travaux publics complete the design and implementation of project control and monitoring processes and prepare reports that incorporate efficiency indicators to support them.

3.2.3.C. Action Plan of the Relevant Business Unit

- **DIRECTION GÉNÉRALE ASSOCIÉE – SERVICE DU DÉVELOPPEMENT ET DES OPÉRATIONS**

[TRANSLATION] “Ask the BMPO joint managers to:

- *finalize project control and monitoring processes as well as reports that incorporate efficiency indicators to support them*
- *submit for approval these processes and reports to the management committee.” (Planned completion: June 2012)*

- **DIRECTION DES TRAVAUX PUBLICS**

[TRANSLATION] “Updating and implementing project control and monitoring processes will be carried out, among other ways, by hiring business managers who

will be responsible for project planning and monitoring from the preliminary stage to the final completion of the work (accountability). (Planned completion: March 2013)

Updating the management reports is under way. These reports will provide indicators of actual dates versus targeted dates and allow for strict monitoring. (Planned completion: March 2013)

A management report is already in place; however, several more improvements, including performance indicators, will be integrated into the report during 2012 and 2013. This is an ongoing process.” (Planned completion: March 2013)

3.3. ACCOUNTABILITY

3.3.A. Background and Findings

Under the 2011 agreement, accountability for Phase 1 for transforming the Bonaventure Expressway would include:

- Application of accountability methods specified in prior approved agreements with the SHM for producing final plans and specifications between rue Brennan and rue Saint-Jacques and the Dalhousie corridor.
- Production of an annual report by the SHM, under its new expanded mandate,⁵ giving the status of work completed and the progress of projects initiated, as well as a copy of its audited financial statements. The first report will be submitted in March 2012.
- Completion of Phase 1 by the BMPO to comply with the city’s standards and practices and the *Cadre de gouvernance des projets et des programmes de gestion d’actifs municipaux*.

⁵ At the time of its creation, the SHM’s mandate was to propose the outline of a coordinated plan for the Harbourfront and surrounding urban spaces, along with an implementation and funding strategy. Since 2011, the contribution of the SHM to BMPO operations, updating Montréal Harbourfront’s Vision 2025, participation in defining the urban redevelopment concept for the extended Bonaventure sector, application of the urban project implementation strategy and promotion of investments in the “Quartier Bonaventure” have been added.

Including the SHM's prior and future obligations in the 2011 agreement allows the city to have control over Phase 1 projects and other actions planned as part of the SHM's expanded mandate.

We noted that the SHM is in the process of preparing an annual accountability report that will be submitted in March 2012, in accordance with the 2011 agreement.

In our opinion, this report should, at the very minimum:

- Review activity progress and results from previous years, especially for plans and specifications previously produced and those of the current year (2011).
- Report on the progress of activities completed during 2011 under the expanded mandate.
- Establish the progress of projects in relation to schedules and costs.
- Indicate the next steps and situate them in the overall planning of Phase 1.
- Indicate the major strategic decisions that the administration must take.

The BMPO must also produce an overall accountability report integrating information from the SHM report and the DTP accountability report for the work that it executes for the BMPO as well as information from the other business units that carry out projects for the BMPO (Service de l'eau, Commission des services électriques de Montréal, and others), if applicable.

3.3.B. Recommendations

We recommend that the Direction générale ensure that prior accountability obligations have been met:

- **Report quarterly on the progress of the mandates.**
- **Comply with city standards for presenting drawings, plans and specifications and all other required documents.**

We also recommend that the Direction générale ensure that the 2012 report meets the expectations expressed in the 2011 agreement:

- **Report on the status of work completed under the expanded mandate.**
- **Submit Société du Havre de Montréal audited financial reports.**

3.3.C. Action Plan of the Relevant Business Unit

[TRANSLATION] “Ask the BMPO joint managers to:

- *complete all accountability documents stipulated in the agreements reached between the city and SHM for the Bonaventure Expressway project*
- *submit for approval these documents to the management committee.” (Planned completion: May 2012)*

[TRANSLATION] “Require:

- *the SHM’s 2011 activity report (which will be submitted in 2012) to contain a status of the work completed under its expanded mandate*
- *the SHM to submit its audited financial statements for the 2011–2012 fiscal year to the city.” (Planned completion: September 2012)*

4. APPENDICES

4.1. AGREEMENTS REACHED BETWEEN THE CITY AND THE SOCIÉTÉ DU HAVRE DE MONTRÉAL SINCE 2003

**Table A—City Contributions
(In Thousands of Dollars)**

| Resolution No. | Subject | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2011 |
|--|---|----------------|-------------------|----------------|----------------|-------------------|------------------|------------------|---|
| CE03 0670 | Loan of staff and equipment purchase | \$256.1 | | | | | | | |
| CE04 1413 | Renewal of the loan of staff and financial contribution to complete the work | | \$219.7 \$40.3 | | | | | | |
| CE05 0277 | Loan of staff | | | \$70.0 | | | | | |
| CE05 0277 | Financial contribution for the study assessing economic benefits | | | \$125.0 | | | | | |
| CE06 1703 | Financial contribution for a study into the archaeological potential | | | | \$50.0 | | | | |
| CE06 1874 | Financial contribution for a study on aspects of real estate development, economic benefits and cost estimates | | | | \$150.0 | | | | |
| CE07 1145 | Financial contribution for a study – traffic component | | | | | \$50.0 | | | |
| CE07 1410 | Professional services to create the preliminary and detailed design of Phase 1 of Bonaventure Expressway transformation (rue Saint-Jacques and rue Brennan) | | | | | \$7,173.2 | | | |
| CE07 1411 | Promotion of Montréal Harbourfront development and its access plan | | | | | \$98.0 | | | |
| CE08 1025 | Preparation of final plans and specifications of Bonaventure Expressway transformation between rue Brennan and rue Saint-Jacques | | | | | | \$5,643.8 | | |
| CE08 1247 | Professional services – Incorporating the Griffintown project into traffic studies | | | | | | \$73.4 | | |
| CE09 1680 | Preparation of final plans and specifications – Dalhousie corridor reserve bus lane | | | | | | | \$2,596.6 | |
| CE11 0136 | 2011–2015 agreement on the SHM mandate: <ul style="list-style-type: none"> • Preparation of final plans and specifications of Bonaventure Expressway transformation between rue Brennan and rue Saint-Jacques (final stage) • Professional services for BMPO operations • Plans and specifications for the Dalhousie corridor (adjustment of QST) • Professional fees to update and implement Vision 2025 | | | | | | | | \$5,350.6 \$4,303.7 \$24.1 \$500.0 |
| Subtotal | | \$256.1 | \$260.0 | \$195.0 | \$200.0 | \$7,321.2 | \$5,717.1 | \$2,596.6 | \$10,178.3 |
| Other undocumented contributions | | | \$181.8 | | \$217.2 | | | | |
| Total city contributions (2003–2011 agreements) | | \$256.1 | \$441.8 | \$195.0 | \$417.2 | \$7,321.2 | \$5,717.1 | \$2,596.6 | \$10,178.3 |
| | | | | | | \$27,123.3 | | | |

Source: Agreements signed between the city and the SHM.

4.2. ORGANIZATIONAL STRUCTURE OF THE BONAVENTURE MIXED PROJECT OFFICE

