

RAPIDTRANSIT
PROJECT 2000

PROJECT MANAGEMENT OVERSIGHT
Report No. 3

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I – INTRODUCTION

1. OBJECTIVES OF REPORT NO. 3

Quarterly Report No. 3 provides an independent view of the Millennium Skytrain Line Project status as of June 30, 2000. The primary focus is on overall Project budget and schedule. The team also examined the current management approach in areas important to the continued success of the Project. Attention this period was particularly focused on ensuring that key decision-makers continue to receive appropriate and accurate information on Project status.

2. APPROACH FOR REPORT NO. 3

The steps of this review included:

- Information gathering and document review
- Analysis of RTP 2000 reports
- Examination of Project schedule and budget status
- Follow-up on previously identified concerns
- Identification of areas for follow-up in future reviews.

The Project Management Oversight (PMO) team worked with materials provided by Project staff and consultants. The PMO team conducted high-level reviews of existing managerial reports and schedules rather than detailed audits or technical reviews. Budget and schedule were analyzed together with the reporting systems that provide management with information and trend analysis.

Project staff provided the PMO team with the following reports and supporting documents:

- Project Progress Reports (May-July 2000)
- June Construction Reports
- Bombardier June Progress Report
- Cost Detail Report (April -June 2000)
- Contract Value and Pending Change Reports for Major Contracts
- Project Level 2 Detailed Schedule Report
- Board Minutes (April 2000- June 2000).

After reviewing these documents, the PMO team conducted interviews with contract administrators and managers of key contracts, and met with Project staff and consultants to follow-up on issues identified in our last review.

The PMO team conducted independent analyses and evaluations of the following areas:

- Project Management Issues
 - Contract Reporting
 - Authorization for Expenditure and Contract Reserve Management
 - Budget and Commitment Controls
 - Changes and Claims
- Project Schedule
 - June 2000 status
 - Schedule Interfaces
- Project Budget
 - Major systems and civil contracts
 - Design, management and administration costs
 - Contingency
 - Identification of potential risks.

SUMMARY OF FINDINGS

The Project is in an important and challenging phase. The Project forecast at completion remains on budget at \$1,166,550,000. Project progress during the next few quarters will be critical to maintaining budget and schedule.

During the quarter ending June 30, RTP 2000 staff continued to take proactive steps to mitigate schedule concerns. Schedule milestones slipped four to six weeks this period. Management remains confident that as a result of planned workarounds the scheduled December 2001 opening to Braid Station will be achieved. Management strategies strive to promote cooperation among the various contractors, in particular the guideway and system contractors. Sustaining this partnering between contractors will be key to maintaining both schedule and budget.

RTP 2000 efforts to identify potential budget risks have been diligent and constant. The amount of contract reserves remaining on several contracts is limited. Over the next quarter, we would expect management to continue to concentrate on assessing the adequacy of contract reserves and approach the Board to approve increases when necessary.

The remaining available Project Contingency provides little cushion. Significant risks to the Contingency include: changes in the interest rates that effect interest during construction, delays to Project completion in excess of one month and, potential impact of any future claims. It is appropriate that RTP 2000 management plans to begin a review of the final forecast to complete.

II – MANAGEMENT

1. CONTRACT REPORTING

We observed the implementation of several reporting enhancements this quarter, including standardized change order summary reports for all major projects. Contract administrators continued to demonstrate a thorough understanding of contract status.

During the past quarter, there has been an increase in the number of contractors performing Program-wide activity. The scope of work for several major Project 2000 contracts covers multiple projects. As a result, contract status reporting has become more complex. At this point it would be appropriate to add Program-wide contract information to the Monthly Project Progress Reports. This would help to ensure that senior management has a clear understanding of current contract status for contracts that span multiple projects.

For each of the major contracts, we recommend that the Monthly Project Progress Report explicitly provide:

- Original Contract Value
- Board Approved Authorization for Expenditure
- Incurred Costs
- Approved Changes
- Pending Changes
- Remaining Contract Reserve
- Current Contract Value.

2. AUTHORIZATION FOR EXPENDITURE AND CONTRACT RESERVE MANAGEMENT

The RTP 2000 Board of Directors controls commitment levels through Authorization for Expenditure (AFE). This standard recommended industry practice ensures appropriate financial control while delegating RTP 2000 management prudent authority to respond efficiently to requests for changes. RTP 2000 staff properly sought Board approval for changes to the Authorization for Expenditure on three contracts this quarter to reflect both transfers in scope between contracts and increase in individual contract values beyond the original estimated contract reserve.

Reserve management will continue to require a keen and perhaps even more heightened focus over the next quarter. Our audit indicated that reserves on three out of the five major contracts analyzed in this report are below 10% of their original value. (The current status of individual Project Reserves is discussed in the Budget section.) Typically, at this stage of the Project managing contract reserve becomes more challenging. Contract reserves are expected to be tight as certain contracts are nearing completion and there is a high level of civil and systems activity. Management will need to consider approaching its Board to approve increases in AFE when contract reserves become too thin to accommodate anticipated request for changes.

To ensure that there is ample early notice of a need to request further Board Authorization for funds, RTP 2000 should consider establishing a formal contract reserve usage threshold level (say 10% remaining reserves) that would trigger automatic senior-level assessments of the adequacy of contract reserves. In addition, the RTP 2000 should consider requiring the Project Manager's approval for further usage of the reserve that is below the 10% threshold. Formal thresholds automatically flag that reserves are limited and raise to senior management attention that actions to either reduce scope or seek increased financial authorization may be required.

3. CHANGES AND CLAIMS

The table below provides June 30, 2000 change status on the Major civil and systems contracts (excluding utility relocation and roadwork cash allowance change orders).

Status of Changes June 30, 2000

Number of Approved Changes	88
Number of Pending Changes	102
Total Number of Changes	190

Total Net Value of Approved Changes	\$50,614,165*
Total Net Value of Pending Changes	\$32,562,009**
Total Net Value of Changes	\$83,176,174

(*includes \$43 million associated with exercising Brownfield Options under systems contract; **includes approximately \$7 million for Systems contractor sales tax)

The volume of pending changes has increased this quarter by 48 or 90%. There are six pending changes valued in excess of \$1 million. Given that there were new contracts awarded this period and that there was greater overall project activity the fluctuation in pending change volume is reasonable. Yet going forward, the volume and duration of pending changes should be monitored to ensure that resources are adequate to respond and resolve pending changes effectively without hindering day-to-day project activity.

4. BUDGET AND COMMITMENT CONTROLS

RTP 2000 appropriately controls costs both to budget and to authorized commitment levels. Staff should ensure that common procedures are applied to reconcile contract information monthly to both the budget task records (Oracle 203 Report) and the contract commitment records (Oracle 103 Report) in the financial system. To facilitate the reconciliation process, it is also recommended that RTP 2000 maintain an off-line spreadsheet to track credit changes that cannot be explicitly entered into to the Oracle system.

As a further step, the PMO recommends RTP 2000 create a direct electronic link between the contract commitment data maintained in the Oracle system (and reported in the Oracle 103 report) and the Contract Administrator Change Order Summary Reports (maintained in Excel). This step would close the loop between the two reports and provide a check of consistency between budget and commitment summary reports. This step would also complement the existing electronic link between the budget task records maintained in Oracle and reported in the Oracle 203 Report to the those costs that are in the Project Cost Report maintained in Excel.

3. FOLLOW-UP ACTIONS

Action No.	Action Item	Disposition
3-II-1	<p>The Monthly Project Progress Report should explicitly provide:</p> <ul style="list-style-type: none"> • Original Contract Value • Board Approved Authorized for Expenditure • Incurred Costs • Approved Changes • Pending Changes • Remaining Contract Reserve • Current Contract Value. 	<p><i>Agree. Reporting by Contract has been incorporated into the July month end reporting.</i></p>
3-II-2	<p>Consider establishing a formal contract reserve usage threshold level (for example, 10% remaining reserves) that would trigger automatic senior-level assessments of the adequacy of contract reserves and consider requiring Project Manager's approval for change requests that reduce contract reserve below a set threshold.</p>	<p><i>Staff has reviewed RTP's AFE policies and practices for monitoring and managing contract reserves and believe the current processes and controls in place are appropriate and sufficient. Staff do not believe the suggested added controls will add value.</i></p>
3-II-3	<p>Continue to monitor the volume and duration of pending changes to ensure that adequate resources are employed.</p>	<p><i>Agree. Monitoring of pending changes is an ongoing management and control procedure which will be continued on a regular basis.</i></p>
3-II-4	<p>Ensure that common procedures are applied to reconcile contract information monthly to budget task records (Oracle 203 Report) and contract commitment records (Oracle 103 Report) in the financial system.</p>	<p><i>Agree. The 103 and 203 reports generated from Oracle continue to be used effectively. In future, the reports will be reconciled to both the approved AFE amounts and to the Change Order Summary Reports.</i></p>
3-II-5	<p>Maintain an off-line spreadsheet to track credit changes applied to the Oracle system.</p>	<p><i>An off-line spreadsheet is being utilized to track changes. Credit Change Order items will be reconciled to the Oracle reference on the Contract Change Order Report Summary.</i></p>
3-II-6	<p>RTP 2000 create a direct electronic link between the contract commitment data maintained in the Oracle system and the Contract Administrator Change Order Summary Reports (maintained in Excel).</p>	<p><i>Staff have reviewed the need for an electronic link. While considered ideal, manual adjustments will continue to be required because of the inability of Oracle to track credit changes. Therefore, while less than ideal, the practice of manual reconciliation by the Project Controller must be continued. Staff are confident that this practice does provide accurate and reliable linkage.</i></p>

III – SCHEDULE

1. CURRENT SCHEDULE STATUS

The June 2000 status schedule indicates a four - six week slippage in the overall schedule. RTP 2000 managers have taken proactive steps to mitigate the delays. RTP 2000 has initiated actions to have the systems and civil contractors work together in a partnering process. As a result, the systems contractor will be provided early partial access to critical civil structures. In certain instances the civil contractors have been granted some relaxation of full turnover dates in return for allowing early partial access.

At this time, Staff is confident that the Braid Opening of December 2001 can be achieved through these and other workaround solutions. In order to successfully mitigate current delays and prevent future delays the partnering relationship will have to remain in effect. Both the systems and guideway contractor must achieve ample progress toward revised schedule targets during the next quarter to maintain schedule. Any unforeseen schedule impact could put the revenue operation day at risk.

Actual Project progress during the up-coming quarter should provide RTP 2000 with a better gauge of what can be achieved through the planned workarounds. These workarounds will require continued cooperation among the contractors.

RTP 2000 continues to be in the process of preparing a report outlining the full cost of the three separate openings. Estimates from the systems contractor are critical to this process.

2. SCHEDULE INTERFACE

Tracking Project progress against interface targets provides RTP 2000 with a critical measure of progress. The interface milestones for the quarter are highlighted in the table below.

Contract	Interface Milestone	Target	June Forecast	Actual
Elevated Gwy MS#1	Superstructure cmplt Sapperton S/S	14-Dec-99	14-Dec-99	14-Dec-99
Elevated Gwy MS#4	Common Pier ready for Structure 7	17-Feb-00	3-Feb-00	3-Feb-00
Elevated Gwy MS#5	Common Pier ready for Lghd Gwy Beams	17-Feb-00	2-Feb-00	2-Feb-00
Elevated Gwy MS#3	Superstructure cmplt Braid Stn	6-Mar-00	18-Feb-00	18-Feb-00
Elevated Gwy MS#3	Superstructure cmplt Braid S/S	6-Mar-00	24-Feb-00	24-Feb-00
Elevated Gwy MS#2	Substructure cmplt Sapperton Stn	14-Mar-00	28-Apr-00	28-Apr-00
Front Street Special Structure	Pier#3 complete for Elevated Gwy	15-Mar-00	5-May-00	5-May-00
Front Str Special Structure	Beam Seat available from I-01	7-Apr-00	17-May-00	17-May-00
Elevated Gwy MS#2	Superstructure complete Sapperton Station	18-Apr-00	25-May-00	17-May-00
Elevated Gwy MS#5	Superstructure complete Production Way Station	5-May-00	16-Sept-00	
Elevated Gwy MS#3	Superstructure complete Braid Station	23-May-00	5-Jul-00	
Elevated Gwy MS#1	Superstructure complete Sapperton S/S	24-May-00	30-Jun-00	
Elevated Gwy MS#3	Superstructure complete Braid S/S	25-May-00	13-Jun-00	
Elevated Gwy MS#2	Full Access for Track/Systems	6-Jun-00	3-Jul-00	

A review of interface targets revealed about a month slip in the activity schedule since the revised schedule was adopted. Two of the seven interface milestones targeted for completion during the quarter ending June 30, 2000 had been accomplished. On average there has been a 28-day slip in the June Forecast for interface milestones previously expected to be accomplished by June. For the Project as a whole (reported interfaces to August 2002) there are fewer days slippage. The average milestone variance from the target date to the June Forecast targets is 18 days

slippage. The systems contractor's status report sets out 42 contract-agreed access dates. The systems contractor reported that sixteen of the current schedule target milestones have slipped somewhat from the agreed contract dates.

3. FOLLOW-UP ACTIONS

Action No.	Action Item	Disposition
3-III-1	Continue to take proactive steps to mitigate delays in contract interfaces and foster cooperation among contractors	Agree. Staff is continuing with this practice. Formal changes to contract schedules are currently being finalized to recognize the concurrent and partial handovers.
3-III-2	Take further steps to obtain a cost estimate from the systems contractor for the three separate testing and commissioning cycles.	This recommendation is similar to 2-III-2 and will be concluded upon finalization of 3-III-1 above.

IV – BUDGET

1. CURRENT STATUS

Baseline Budget

The Project forecast remains on budget at \$1,166.6 million.

As of June 30, 2000 the forecast cost and expenditures compared to budget are:

Project Element	Budget	Expended	Forecast	Variance
Constuction and Systems	784,805,111	467,085,102	800,539,963	(15,734,852)
Property	48,850,000	24,458,251	43,850,000	5,000,000
Design, Mgmt and Admin	117,149,535	56,056,482	118,085,687	(936,152)
Other (includes interest)	122,931,287	43,764,924	148,279,803	(25,348,516)
Contingency	92,814,067	-	55,794,547	37,019,520
Total	1,166,550,000	591,364,759	1,166,550,000	-

Construction and Systems

The major-awarded construction and systems contracts examined this quarter are set out below:

STATUS JUNE 2000

Contract Awarded	AFE	Original Award	Current Value	Incurred	Pending Changes	Forecast
Elevated Guideway		208,753,524	214,737,629	149,164,474		
New Westminster Tunnel		24,048,145	25,339,298	19,167,675		
E& M Systems		204,990,129	255,604,814	226,007,725		
Front Street		5,145,000	5,001,951	3,705,765		
Lougheed Station Guideway		15,464,000	15,842,185	5,548,147		
Total		458,400,798	516,525,877	403,593,786		

(This table provides a program wide view of the major contracts and includes non-project 2000 costs. The Elevated Guideway figures also include utility and roadwork costs.)

In order to provide an indication of the adequacy of the current contract reserves the percentage of contract reserve used to date was compared to the percentage contract completion as reported in the July 2000 Project Progress Report.

Contract Reserve Analysis

	Original Contract Reserve	Available Contract Reserve	Percent of Reserve Used	Percent Complete
Elevated Guideway				
Contract Reserve				65%
Permanent Roadwork				N/A
Utility Allowance				N/A
New Westminster Tunnel				74%
Front Street Guideway				69%
Lougheed Station Guideway				29%
E&M Systems				20%

As illustrated above, the percent commitment of contract reserves exceeds the percent complete for each of the major contracts. Based on RTP 2000 reported assumptions for the value of pending changes, there was less than 10% reserve remaining for future changes on the New Westminster Tunnel, Front Street Guideway and Lougheed Station Guideway contracts.

At the time of our review, RTP 2000 staff was in the process of reassessing the reserve status. The Board of Directors authorization for the transfer of \$1,113,987 from contingency to the Utility Allowance and Roadwork Allowances (included under the Elevated Guideway contract) was pending. Further transfers from contingency may be necessary to maintain adequate reserves. In August, staff expects to ask the Board to transfer additional contingency to contract reserves. (Section II. -- describes related management recommendations.) Management of contract reserve will require heightened focus during the next quarter.

Property

Approximately 50% of the current property budget have been expended. At present, staff is confident that property will remain within the forecast cost. As reported previously, budget remains to cover the costs associated with potential construction impacts as well as other costs. As more Project specific experience in these areas is gained staff will reexamine forecast costs.

Design, Management and Administration

Overall soft cost expenditures this quarter, including Construction Management and other RTP 2000 direct costs; have been running within budget expectations. The major design, management and administration Project elements are set out below:

Project Element	Budget	Incurred	Forecast	Variance
Design	23,946,873	16,847,895	25,955,029	(2,008,156)
Design Management	12,326,316	6,257,511	12,159,935	166,381
Construction Management	17,964,259	2,260,163	14,831,953	3,132,306
Project Administration	62,912,087	30,690,893	65,138,770	(2,226,683)
Total	117,149,535	56,056,462	118,085,687	(936,152)

Design appears to be within forecast with 70% expended to date. (Based on comparing the percent-expended to-date against the percent complete. We understand station design to be 91% complete based on taking a weighted-average of the design status completions stated in the July 2000 Project Progress Report.)

Design management costs appear to be running within budget. Approximately 51% of the budget have been expended.

All Soft costs should also be reassessed as part of a more detailed review of the budget implications of the revised schedule. A one-month addition to the schedule would add approximately \$1.5 million to RTP management and administration costs.

Other

The other Project elements are set out below:

June 2000

Insurance	5,900,000	2,829,617	5,900,000	-
Interest	89,274,962	29,208,327	114,623,478	(25,348,516)
Provincial Sales Tax	416,374	376,587	416,374	-
Non-Recoverable GST	27,339,951	11,350,393	27,339,951	-
Total	122,931,287	43,764,924	148,279,803	(25,348,516)

Interest continues to be a significant concern. Each additional month beyond the current completion date would add approximately \$6 million to the interest during construction costs.

Contingency

The July 2000 Project Progress Report identifies the following contingency transfers.

30/09/99	Front Street Special Structure contract award above budget	\$ 2,069,852
22/10/99	Scope change - Addition of Braid Station	\$ 8,240,000
30/11/99	Reduction to estimate at completion costs	\$ (600,000)
29/02/00	Contingency allocation for VCC alignment	\$ (12,400,000)
31/03/00	Budget allocation for VCC Alignment	\$ 12,400,000
29/02/00	Revised forecast to complete	\$ 17,555,168
13/03/00	Sapperton Station	\$ 443,765
23/06/00	Municipal Access Agreements	\$ 4,780,000
23/06/00	Grandview Cut	\$ 1,196,648
	Subtotal	\$ 35,705,533
30/06/00	Utilities-pending	\$ 1,113,987
30/06/00	Roadworks-pending	\$ 200,000
	Subtotal Pending	\$ 1,313,987
	Total	37,019,520

The transfers from contingency to June 30, 2000 are \$35,705,533. The total expected transfer including the pending items was \$37,019,520.

During the quarter \$5,976,648 was transferred from contingency. The largest transfer was the approximately \$4.8 million to fund the costs associated with the Municipal Access Agreement.

POTENTIAL CONTINGENCY PRESSURE ITEMS				
	Amount	Probability		
	\$M	High	Medium	Low
Total Potential Contingency Items				
Probability %				
Expected Contingency Transfer				

3. FOLLOW-UP ACTIONS

Action No.	Action Item	RTP 2000 Reported Disposition
3-IV-1	Assess adequacy of contract reserves.	<i>Agree. As per disposition on 2-IV-2, this is an ongoing process and will continue to be monitored weekly at internal review sessions.</i>
3-IV-2	Support RTP 2000 planned effort to consider forecast final costs.	<i>The forecast project cost at completion is discussed at Board meetings. Further deliberation on the impacts of major pressures on contingency, including Interest During Construction and GST status, is expected in the next quarter.</i>
3-IV-3	Soft costs should also be reassessed as part of a more detailed review of the budget implications of the revised schedule.	<i>Agree. Soft costs are a major component of the overall budget and are reassessed monthly. As well, the project-staffing plan is reviewed in detail on a regular basis. Upon finalization of the schedule assessment noted in 3-III-1, a detailed review of all soft costs will be undertaken.</i>

Follow up Items From Previous Quarters

Action No.	Action Item	Disposition
1-II-1	Continued focus on Project Management by Contract. Up date and refine management reports to ensure that they continue to provide clear contract-by-contract views of Project progress and status of major contracts.	<p><i>Price water house Coopers confirmed that all 31 recommendations put forward in their May 1999 report have been implemented, either as proposed or appropriately modified or improved. This confirmation is set out in a letter dated December 1, 1999.</i></p> <p><i>The current management of the Project is very much focused in a contract basis. Construction management teams are in place and discrete progress reports provide the status of each contract on a monthly basis.</i></p>
2-II-1	Continued focus on ensuring that contract status reports are standardized; effectively linked to the financial system and provide accurate simple summary level information about contract status.	<p><i>Agree. Staff continues to ensure all reports comply with project procedures and also that potential changes are valued and committed in the Oracle System. RTP 2000 Quality Management group will also perform an internal audit to identify any anomalies and address any non-conformance to assist in ensuring continuing compliance.</i></p>
2-II-2	Reexamine Oracle system limitations in applying credit changes and develop consistent mitigation measures including credit change tracking.	<p><i>Oracle's inability to permit entry of credit change orders has been recognized since commencement of the project. Staff has developed effective work-arounds to this issue and is satisfied these procedures are an effective and efficient means of applying credit changes. RTP 2000 is a member of the Oracle User Group which ensures that RTP 2000 is both current with Oracle's software improvements, and that RTP 2000 experiences are incorporated into these ongoing improvements.</i></p>

2-II-4	The Board should be formally notified of all changes to Contract AFE levels even if the change results from a scope transfer between authorized contracts.	<i>Staff recognizes the importance of tracking transfers of scope between contracts and has been monitoring them individually. Requests for change in the AFE have been, to date, on a periodic basis rather than on an event basis. The Board will be (and has Been) requested to authorize adjustment to the affected AFE's prior to commitment of project costs beyond approved levels.</i>
2-II-5	RTP 2000 should review the claims management.	<i>A comprehensive claim review program has been established and has been successfully utilized.</i>
2-II-6	Changes to budget line items should be reflected in the forecast column leaving the actual line items within the budget unchanged.	<i>The Project budget has been frozen with the exception of scope changes. The budget will continue to be adjusted within the total approved amount of \$1.1665 billion when scope changes so warrant (such as future award of station contracts). Previously established and approved project procedures are being followed.</i>
1-III-1	Revised Master Schedule Detail PMO concurs with staff's intent to incorporate the system contractor's new schedule into a revised detail master schedule. The PMO will review this schedule with respect to assessing critical path items, the amount of float on non-critical items, interface milestones and impact on revenue operating dates.	<i>The Project schedule has been updated to include all impacts of the later than anticipated receipt of environmental approvals, access to railway property and municipal agreements. This incorporates re-sequencing of Elevated Guideway contract work and revised interfaces with all major contracts including systems. Gannett Fleming will review this revised schedule, together with up-to-date financials as part of its review of fourth quarter (to March 31, 2000)</i>
2-III-1	The detail schedule must be kept current.	<i>Agree. Staff will continue to ensure the detailed project schedule is kept current. This process is part of the comprehensive month end reviews and forms integral input into the management's weekly schedule review meetings.</i>
2-III-2	Staff should obtain a cost estimate from the systems contractor for the three separate testing and commission cycles in the revised schedule.	<i>Agree. Discussions are underway with the contractor to finalize the testing and commissioning schedule. If possible (from both cost and schedule perspectives) Phase II and Phase III may be combined.</i>

2-III-3	Staff should report monthly on progress against interface schedule milestones,	<i>Agree. Staff considers reviewing, monitoring and managing interface milestones as an effective schedule control process. Staff will continue to report internally on interface milestones and roll this information up into its general schedule commentary and reporting to the Board. Unless requested by the Board, detailed interface reporting will not be incorporated as part of staff's monthly reporting to the Board.</i>
1-IV-1	Review Contract Reserves New Westminster Tunnel %usage ahead of %completion Elevated Guideways %usage ahead of %completion E&M Systems allow for revised access dates workplan	<i>Potential changes are entered into the contract reserve log as soon as contract administrators become aware of a potential issue. Contract reserves are tracked and monitored on a weekly basis for every contract.</i>
1-IV-2	Innovative Financing Pursue alternative financing strategies to mitigate rising interest rates	<i>Debt management is the responsibility of RTP 2000's fiscal agent, the Provincial Treasury. RTP 2000's CFO is currently discussing strategies to mitigate interest rate fluctuations with the provincial government.</i>
1-IV-3	Potential Contingency Item E&M Systems Revised Workplan Incorporate costs of revised workplan into potential contingency risk matrix, if the costs are beyond those planned to be handled by the contract reserve	<i>The potential for drawdown of the Electrical and Mechanical reserve relates more to schedule and guideway access than to design modifications. A six-month window exists within which access can be delayed without cost. The updated master schedule will aim to maintain completion within this six-month window.</i>
1-IV-4	Recognize in determining the VCC alignment that the ability of the Project contingency to absorb significant scope changes is limited	<i>The Commercial to VCC alignment has now been approved with a positive impact upon the Project contingency fund.</i>
2-IV-1	Review budget transfer policy and implementation practices.	<i>Staff has reviewed RTP 2000's budget transfer policy and implementation practices. In addition, the budget transfer policy has been subject to previous audits and review (PwC) and staff is satisfied that the current practices comply with best practices and ensure effective controls and performance management are in place. As noted in 2-II-6 above, budget transfers will continue to be made within the total approved project budget until all major contracts (and particularly, stations) have been awarded.</i>

2-IV-2	Continue to monitor contract reserve usage on the major contracts.	<i>Agree. This is an ongoing process and will continue to be monitored weekly at all contractor co-ordination meetings and internal review sessions.</i>
2-IV-3	Positive steps should be taken to hold the line on the Project budget. Staff should continue to identify potential cost saving measures.	<i>Agree. There is no room for upward scope changes. Ongoing value engineering of major uncommitted costs (stations) are underway and all cost centers, both direct and indirect, continue to be assessed for identification of potential cost savings. For example, staffing plans have been independently reviewed to ensure their appropriateness for the management of this project.</i>