

**REPORT TO CORE AREA LIQUID WASTE MANAGEMENT COMMITTEE
MEETING OF WEDNESDAY 14 JULY 2010**

SUBJECT **PROJECT GOVERNANCE MODEL – CORE AREA WASTEWATER TREATMENT PROGRAM**

ISSUE

As a condition of funding, the provincial government requires the Capital Regional District (CRD) to address the governance of the Core Area Wastewater Treatment Project (the project) for the procurement (design, construction and commissioning) phase of the project.

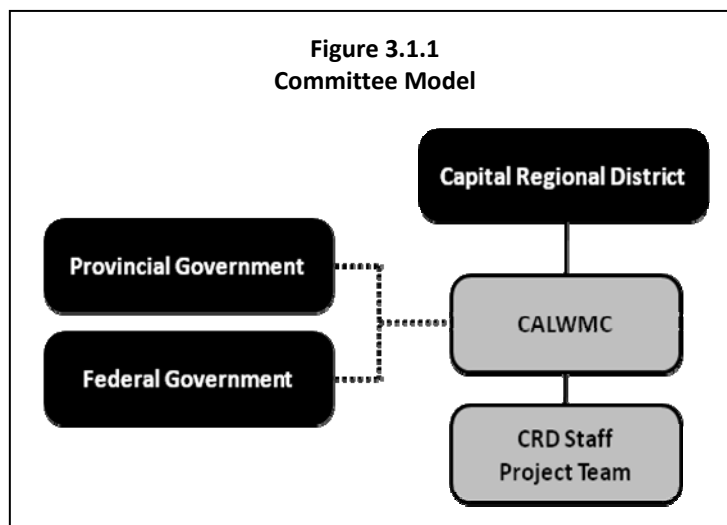
BACKGROUND

During the planning phase of the project the Core Area Liquid Waste Management Committee (CALWMC) reporting to the CRD Board has been responsible for the governance of the project. As part of its funding application the CRD is required to address the governance of the project for the procurement stage of the project.

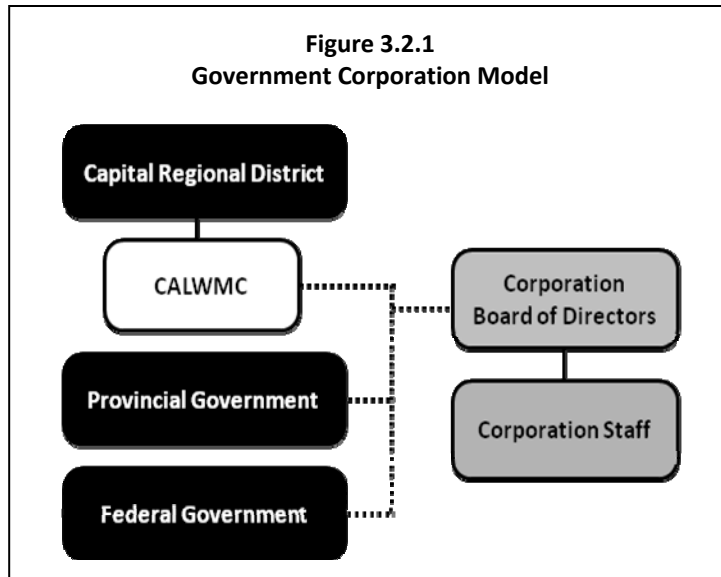
The Province indicated it will require provincial appointees as voting members of any governance model as a condition of funding. This necessitated a review of governance options.

Neilson-Welsh Consulting Inc. (NWCi) was retained to identify possible governance models for the project. NWCi consulted with various stakeholders and facilitated a workshop with the CALWMC to present various governance models and to hear the views of committee members. In the final report (Appendix A) NWCi presented three potential governance models, illustrated below.

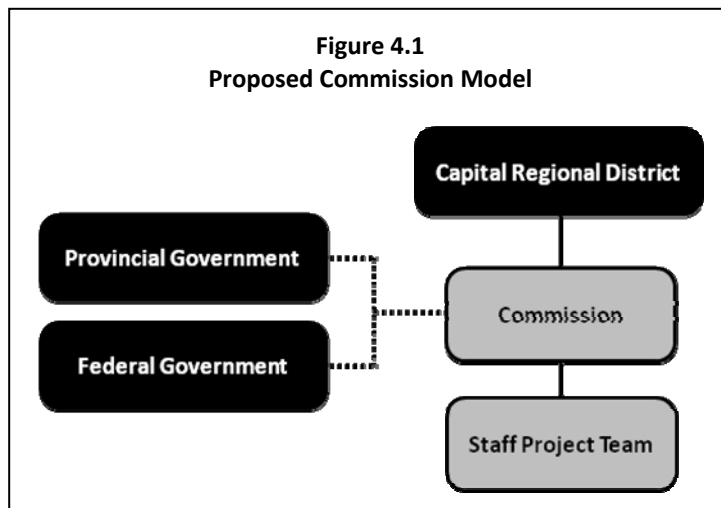
The Committee Model



The Government Corporation Model



The Commission Model



The report outlines the advantages and disadvantages of each model. The selected model will have to meet the requirements of the provincial government, likely as a condition of funding.

ALTERNATIVES

Alternative 1

That the CALWMC approve the committee model of project governance for the procurement phase of the project.

Alternative 2

That the CALWMC approve the government corporation model of project governance for the procurement phase of the project.

Alternative 3

That the CALWMC approve the commission model of project governance for the procurement phase of the project.

IMPLICATIONS

A detailed evaluation of each model is presented in the NWCI report. The committee model would not meet the provincial requirement of an arm's length governance body. The government corporation model and the commission model would meet provincial requirements. The latter two models are described in pages 6 – 8 and 12 -16 respectively of the report.

Under the government corporation model the CRD Board would establish a not-for-profit corporation which would be a separate legal entity with its own Board of Directors. The three funding partners would nominate Board members in proportion to their financial contribution to the project. Members would be nominated based on their expertise and relevant experience.

Under the commission model the CRD Board would establish by bylaw a Core Area Wastewater Treatment Project Commission with the sole purpose of delivering the project in accordance with the identified scope, budget and schedule. The Commission would not be a separate legal entity. As with the government corporation model, the membership of the Board would be non elected officials nominated for their expertise and relevant experience. The CRD Board already has many Commission bylaws in place and is familiar with the Commission model. If the Commission model is approved, staff will draft a commission bylaw for consideration by the CALWMC.

Under either the government corporation or commission models, it is proposed that the commission consist of nine members: five nominated by the CRD Board, and two each by the provincial and federal governments. Should the federal government choose not to nominate any members then a seven member Board is proposed, four from the CRD and three from the Province.

In order to attract suitably qualified individuals, members of the government corporation or the commission would be remunerated for serving on the Board. As noted in the report, Board members with the Vancouver Convention Centre Expansion Project Ltd received \$22,500 per year while the Chair received \$29,000. Further research will be undertaken and a recommendation brought to the CALWMC at a later date.

CONCLUSION

The commission model provides the arms length governance model expected by the Province while retaining its identity as a CRD responsibility.

As the NWCI report concludes, the commission would:

1. Operate with considerable decision-making authority and with a high degree of autonomy from the CRD Board and the other funders.
2. Be headed by commissioners who would be appointed for their expertise and experience in developing large, complex capital projects.
3. Make decisions within the established scope and budget for the project, but would also keep the Board and the other funders apprised of progress and events throughout procurement phase, and would seek Board and funder approval on pre-determined items, and on any other matter that might affect the project's scope, budget or schedule.
4. Develop a public information capacity to keep the community well informed.

RECOMMENDATION

That the Core Area Liquid Waste Management Committee approve the commission model of project governance for the procurement phase of the Core Area Liquid Waste Management Project.

J.A. (Jack) Hull, MBA, PEng
General Manager, Integrated Water Services

Kelly Daniels
CAO Concurrence

COMMENTS

JH:jta
Attachment: 1

MEMORANDUM

TO: Jack Hull, General Manager (Integrated Water Services)
Capital Regional District

CC: Kelly Daniels, CAO
Capital Regional District

FROM: Allan Neilson-Welch
Neilson-Welch Consulting Inc.

DATE: June 25, 2010

SUBJECT: *Core Area Wastewater Treatment Project
Proposed Project Governance Model*

1. INTRODUCTION

The Capital Regional District (CRD) is nearing the end of the planning phase for its *Core Area Wastewater Treatment Project*. Before this phase can be completed, the organization must identify a preferred governance model to oversee the procurement, design, construction and commissioning — i.e., the procurement phase — of the *Project*.¹ Neilson-Welch Consulting Inc. (NWCI) has been asked to assist the CRD with this task.

NWCI began the assignment in late April, 2010 by meeting with the CRD's Project Director for the *Wastewater Treatment Project* to better understand the organization's needs. Following that meeting, NWCI reviewed some preliminary work that the CRD had done on governance for the *Project*. NWCI also identified and researched a select number of large, primarily local government capital projects in Canada and the United States to learn about the project governance models used in those cases. A background memorandum was provided to the CRD in mid-May, 2010 to identify and discuss key issues to consider in building a governance model, and to report key findings from the comparative research.

In late May, 2010 NWCI spoke with representatives of the provincial government — the CRD's key funding partner on the *Project* — to better understand the Province's views on project governance. NWCI also spoke with Jane Bird, the former CEO of Canada Line Rapid

¹ "Procurement phase", used here, includes procurement, design, construction and commissioning. It is distinct from the "operation phase" which begins once the project has been commissioned, and from the "planning phase" which precedes procurement.

Transit Inc. (CLCO), and Mark Ferguson, Division Manager at Metro Vancouver, to learn about their organizations' respective approaches to project governance. On June 16, 2010 NWCI facilitated a workshop with the CRD's Core Area Liquid Waste Management Committee (CALWMC), the committee of the CRD Board that has overseen the *Project* to date. The workshop, which included presentations by Ms. Bird and Mr. Ferguson, helped Committee members better understand how different governance models work in practice. The workshop also helped NWCI and CRD staff better understand the interests, issues and concerns of the Committee members with respect to governance for the *Core Area Wastewater Treatment Project*. NWCI provided a second background memorandum before the workshop to outline the project governance models that would be discussed, and to identify key discussion points.

Following the workshop, NWCI was asked to outline a proposed project governance model, based on the discussion at the workshop and on the background work undertaken to date. This memorandum presents NWCI's proposal.

2. PROJECT GOVERNANCE

Throughout the assignment — and in the workshop in particular — an effort has been made to define project governance, and to distinguish it from other related terms. Project governance, it has been explained, is the structure within which, and the processes through which, a set of individuals makes the decisions necessary to move a capital project through procurement to commissioning. More simply, it deals with how decisions are made on a project, and by whom.

2.1 Project Governance vs. Service Governance

Local government elected officials and staff are familiar with the concept of governance, but are less familiar with governance as it relates specifically to projects. Most discussions on governance in local government deal with *service* governance — that is, the structure and processes that are used to make decisions for a local government service. Service governance is an ongoing exercise that involves a number of continuing responsibilities, including the development of service levels and service policies, the setting of user fees and tax rates, long-term capital and operational planning, and the development of annual and multi-year financial plans. In the CRD, the Board of Directors is the ultimate governing body that oversees and directs all of the regional district's services. Various standing committees and commissions established by the Board assist the Board in fulfilling its service governance duties.

Project governance is a time-limited function, not an ongoing exercise. It is focused on providing the direction and making the decisions that are necessary to bring a specific capital project to fruition. It is distinct from service governance.

2.2 Project Governance vs. Procurement

The CRD needs to identify a preferred governance model to oversee the procurement phase of the *Core Area Wastewater Treatment Project*. As a separate matter, the CRD also needs to select its preferred procurement method — or combination of methods — for the *Project*.

Procurement is the process through which private engineers, companies and contractors are selected and engaged to work on a capital project. How these groups are selected and engaged, and what they are engaged to do, will differ depending on the procurement method that is chosen. The traditional method is called design-build-bid — or DBB. In this method, the local government contracts an engineering company to design the project, then contracts (separately) a construction firm to build the project. The alternative to DBB is some form of design-build arrangement — or DB. In a typical DB approach, one private company (or consortium) is contracted by the local government to both design and construct the project. In certain cases DB will involve some form of long-term operating agreement with the private company (DBO), and/or will make use of private sector financing (DBFO).

The procurement method, or set of methods, that is chosen will determine the number and types of companies that are required, and the selection tools that are used (e.g., RFQs, RFPs, tenders).² The procurement method will also determine the roles and responsibilities of the local government's project managers and the private sector companies involved. The procurement method will not, however, determine the model of project governance that is used during the procurement phase. A project that is developed under a traditional DBB method may be governed by a local government committee of elected officials, a separate legal entity, or by some other body. The same can be said for a project that is developed through a form of DB.

In all, project governance steers a project through its procurement phase, but is distinct from the procurement method, or set of methods, that is used to design and construct the project. Each of these concepts needs to be explored and addressed by the CRD, but each can (and should) be addressed separately.³ One is not dependent on the other.

² It is likely that the *Project* will be divided into separate procurement contracts for different components of the work (e.g., treatment plant, biosolids processing, pump stations, pipelines, tunnels), and that, in all, a range of procurement methods will be used, including DB, DBO and DBB.

³ The CALWMC has had some initial discussions on procurement and procurement methods. It will be holding a workshop in September to explore procurement methods further.

3. PROJECT GOVERNANCE MODELS

For the past several years, the CALWMC has overseen and directed the planning phase of the *Core Area Wastewater Treatment Project*. During this phase the CALWMC has served as the project's governing body. It has worked with CRD staff and advisors to:

- identify and assess the various liquid waste management (and resource recovery) options
- review and approve the proposed business case
- interact with other funding bodies
- consult with member municipalities, local communities and the broader core area community
- review possible procurement methods

The CALWMC's reviews, assessments, discussions and consultations over the last several years have helped to shape the CRD's expectations for the *Project*. In the near future, the CALWMC will be able to firm-up its expectations and bring the planning phase to a close. At that point, the *Project* will be able to move into its procurement phase.

During the procurement phase, the assigned governing body for the *Project* will be responsible for ensuring that the *Project* is delivered in accordance with the expectations of the CRD, as well as those of the other funding bodies. The governing body's full role will require it to:

- bring together the expectations of the different funding bodies and, through discussion with the funders, finalize the project scope and budget
- oversee the various selection processes (e.g., RFQ, RFP) that will need to be undertaken to engage contractors and companies⁴
- negotiate — and amend as required — contracts and agreements with the funding bodies, contractors and companies
- provide direction and make key decisions at pre-arranged milestones, and in response to situations or crises that arise
- consult with key stakeholder bodies, including member municipalities, community groups and the public
- provide approval at key stages in the procurement phase
- monitor progress and report progress (along with issues) to funding bodies and other major stakeholders
- hold project managers and partners accountable for adherence to scope, budgets, schedules and contracts, and for achieving deliverables

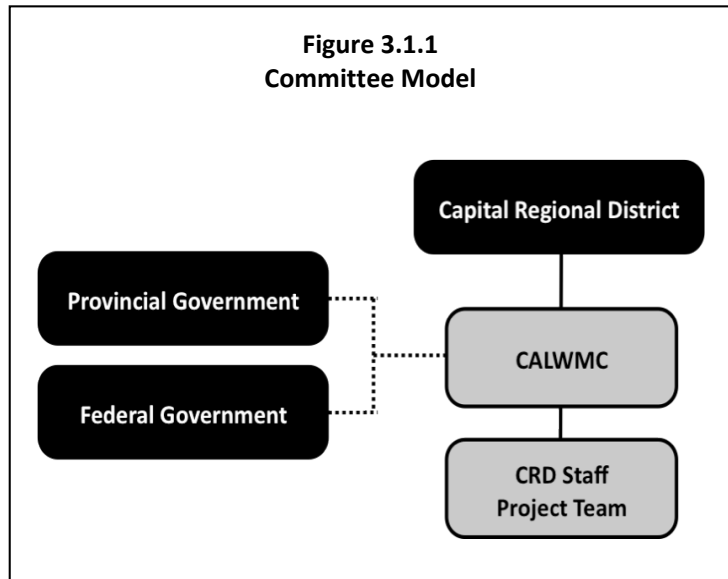
Under any project governance model that may be chosen for the procurement phase, the appointed governing body will have these responsibilities — in that respect, the different governance models are the same. What makes the models distinct from one another is the governing body that is appointed.

⁴ The exact processes required will be determined by the procurement method(s) that the funding bodies select.

At the workshop on June 16, the CALWMC members reviewed two different project governance models: the committee model and the government corporation model.⁵ Mark Ferguson spoke with the CALWMC about Metro Vancouver's experience with the committee model. Jane Bird spoke with the CALWMC about the Canada Line experience with the government corporation model.

3.1 Committee Model

The committee model places project governance in the hands of a local government committee that is comprised of elected officials. Figure 3.1.1 presents a simplified diagram of the committee model as it would apply to the *Core Area Wastewater Treatment Project*. The following points describe the key features of the model:



- The CALWMC would remain in place as the committee responsible for governing the *Project*. As at present, the CALWMC would be a standing committee of the CRD Board, made up entirely of the 14 Directors (i.e., elected officials) from the participating CRD member municipalities.
- As a standing committee of the Board, the CALWMC would be an advisory body with limited decision-making authority of its own.⁶ Key decisions on scope and budget for the *Project* would be made by the full Board, as would be decisions to enter into contracts, give approval at key milestones, and spend monies.
- The CALWMC would be accountable to the CRD Board, but would be expected to liaise with the provincial and federal governments — i.e., the

⁵ At the workshop, the government corporation model was referred to simply as the corporation model. The full term (i.e., government corporation) is used here because it emphasizes the fact that the corporation in the model is a government-created and -owned, not-for-profit corporation. It is not a private sector, for-profit corporation.

⁶ The Board could choose to delegate greater decision-making authority to the CALWMC.

other funding bodies — to understand their expectations for the *Project* and their conditions attached to funding, and to develop the scope and budget for the *Project*. The scope and budget would ultimately need to be approved by all funding bodies, including the CRD. The CRD's approval would come from the Board in response to a recommendation from the CALWMC.

- The senior governments would not appoint (or nominate) individuals to the CALWMC. All CALWMC members would be Municipal Directors of the CRD, appointed to the committee by the CRD Board Chair.
- Over the course of the procurement phase, the CALWMC Chair (with assistance from staff) would regularly brief the CRD Board, as well as representatives of the senior government funding bodies.
- A project team of CRD staff would work under the CALWMC to manage the *Project*. The project team would be headed by a Project Director. The team would provide regular project updates to the CALWMC throughout the procurement phase, and would, as required, advise the CALWMC on key decisions. The CALWMC would provide direction to the project team through the CRD's Chief Administrative Officer (CAO).
- CRD Directors are remunerated for serving on the Board. Directors receive no additional remuneration, however, for serving on committees of the Board, including the CALWMC. Under this model, therefore, the CALWMC members would not be remunerated, over and above their pay as CRD Directors, for governing the *Project*.

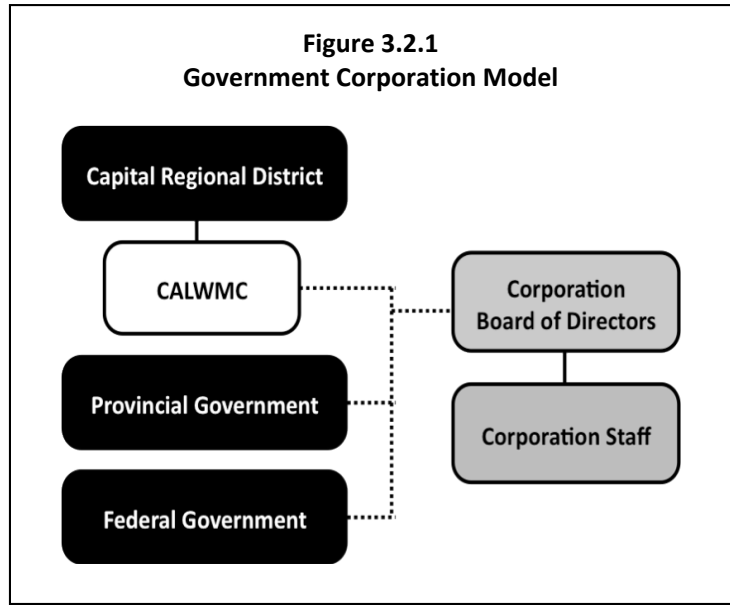
The committee model would, in essence, extend the governance role of the CALWMC beyond the planning phase into the procurement phase of the *Project*. The CALWMC would be responsible for delivering the completed *Project* in accordance with the expectations and conditions of the funding partners.

3.2 Government Corporation Model

The government corporation model places project governance in the hands of an autonomous, local government not-for-profit corporation that is established specifically, and solely, to take a project through its procurement phase to delivery. Figure 3.2.1 on the following page presents a simplified diagram of the model as it would apply to the *Core Area Wastewater Treatment Project*. The following points describe the key features:

- The CRD Board of Directors would establish a not-for-profit corporation to steer the *Project* through its procurement phase, and to ultimately deliver the completed *Project* to the CRD.

The corporation would be a separate legal entity with its own board of directors. Members of the board would be appointed by the CRD, but would be nominated by the funding partners (including the CRD) in proportion to their levels of financial



contribution. All members of the corporation's board would be non-elected officials. Most members would be selected for their expertise and experience in working on large, complex local government capital projects. Efforts would be made to select individuals who, collectively, possess skills and have experience in:

- wastewater engineering
- resource recovery
- contract law
- alternative procurement methods
- project management
- project finance

A few members of the corporation's board might be chosen to provide a direct link to the funding organizations. For example, the CRD Board might choose to appoint the CRD's Chief Administrative Officer or General Manager of Integrated Water Services to the board to ensure a strong link to the CRD organization (which would take delivery of the *Project* upon completion).

The government corporation would liaise with the three funding bodies to fully understand their expectations for the *Project* and their conditions for funding. Contribution agreements with all funding bodies (including the CRD) would be established to set out the *Project* scope and budget. Within scope and budget parameters, the government corporation would enjoy full decision-making authority. Decisions from the CRD Board of Directors and the other funding bodies would be required only to approve any changes to

scope and budget.⁷

- Liaison with the funding bodies (including the CRD) would continue beyond discussions on scope and budget, full decision-making authority notwithstanding. As part of its governance responsibilities, the government corporation would regularly brief the funding bodies on progress, and keep them apprised of all developments. Liaison with the CRD would be through the CALWMC, which would presumably remain in place as a standing committee of the CRD Board, but would have no direct role in project governance during the procurement phase.
- Reporting to the government corporation's board of directors would be the corporation's staff project team. The team would be small in number and independent of the CRD administration.⁸ The administrative needs of the corporation (e.g., payroll, HR, financial services, meeting administration, legal, etc.) could be handled by the corporation itself using its own staff — a decision that would result in the need to hire additional staffing resources. Alternatively, the corporation could purchase corporate administration services from the CRD.
- The members of the corporation's board of directors would be remunerated for serving on the Board. The amount of remuneration would need to be determined.⁹

The government corporation model would effectively remove the *Project* from the CRD organization for the duration of the procurement phase. The CRD, through its CALWMC, would be kept informed of progress and all issues that arose; the CALWMC would not, however, be in a position to exercise control over the *Project*, or to make changes to the *Project's* scope or budget. The government corporation would take responsibility for the *Project*. The corporation's board of directors would be responsible for delivering the completed *Project* in accordance with the expectations and conditions of the funding partners.

3.3 Choosing a Model

Which of the two models — the committee model or the government corporation model — represents the best model for the *Core Area Wastewater Treatment*

⁷ Through its contribution agreement, the CRD Board of Directors (or one of the other funding bodies) could withhold decision-making authority on certain key matters. In the Canada Line case, for example, Translink retained authority to approve project tenders.

⁸ Staff could be seconded from the CRD administration. For the period of secondment, however, they would be employees of the government corporation, and would report to the corporation's board of directors, not the CRD's Chief Administrative Officer.

⁹ By way of comparison, members of the Vancouver Convention Centre Expansion Project Ltd. received \$22,500 per year (the Chair received \$29,000 per year).

Project? The findings from the comparative research into major public capital projects in Canada and the United States was of little help in answering this question.¹⁰ Research and discussion on the two models, however, succeeded in highlighting certain advantages that are typically associated with one approach or another. The research and discussion also highlighted some disadvantages with the models. These points, most of which arose in workshop discussion with the CALWMC members, are presented in Figures 3.3.1 and 3.3.2.

Figure 3.3.1
Advantages & Disadvantages of the
Committee Model

Advantages	Disadvantages
<ul style="list-style-type: none"> – Local governments (including the CRD) are familiar with the model. – Comparative research showed that the model is popular for large water and wastewater projects. – Allows local government elected officials to maintain day-to-day control over projects — projects for which the local government has ultimate responsibility, regardless of governance model or procurement method chosen. – Understood by the public. Supported by portion of community that wants close elected official control over public project. 	<ul style="list-style-type: none"> – Allows for political interference in governance and management of projects during procurement phase. Political interference can result in changes to scope ("scope creep") and budget ("budget creep"). Can also result in delays to projects. Finally, introduces a level of political risk that can either discourage private companies from becoming involved in projects, or cause private bidders to capitalize risk in their pricing (i.e., raise their prices). – Funding partners are not represented on committee, and have no ability to nominate members. May feel that committee focused only on interests of the local government. – Committee members are elected officials, not experts with experience in governing / managing large, complex projects. – In the case of the <i>Core Area Wastewater Treatment Project</i>, committee model is not supported by the Province (a key funding body).

¹⁰ The research was not exhaustive and was undertaken within tight time constraints. See the May 14, 2010 background memorandum from NWCI to the CRD.

**Figure 3.3.2
Advantages & Disadvantages of the
Government Corporation Model**

Advantages	Disadvantages
<ul style="list-style-type: none"> – Corporations run by experts with single purpose: to deliver projects in accordance with scopes and budgets set by funders. – Once elected officials set expectations for the projects and sign-off on scope and budget, elected officials are able to entrust the projects to the corporations' boards (subject to pre-arranged reporting-back points). This "firewall" between elected officials and projects reduces potential for scope and budget creep, for delays, and for private sector concerns. – Funding partners are able to nominate individuals to boards. Assures funders that no one funding body gets preferential treatment over others. Boards' fiduciary duties to projects bolsters this assurance. – Because corporations are autonomous bodies with decision-making authority, the corporations' boards do not have to turn to their host local governments for decisions or for approval (in most cases). Delays in getting important decisions made, therefore, are minimized under the model. 	<ul style="list-style-type: none"> – Not a model with which local governments appear to have much experience. Not used in any major water or wastewater projects reviewed by NWCI. – Viewed by some as overly complex (Canada Line as example) — an observation that has possible implications for the cost of establishing and running model. – Easily misunderstood as private sector corporations governing public project. – Promoted (mistakenly) by proponents as panacea to problems that typically arise in large projects. Ability to avoid scope and budget creep, and to keep projects on schedule is not exclusive to, or inherent in, the model. The model did not keep the Vancouver Convention Centre expansion on scope or within budget. – Does not relieve local governments of need to respond to, and communicate with, the public.

3.4 The Governance Workshop

An understanding of the typical advantages and disadvantages associated with the models helps to inform decision-makers' views and address their concerns. It is these views and concerns that will ultimately determine the preferred model for the CRD's *Project*.

At the CALWMC's workshop on governance, members reviewed the committee and government corporation models. The following points emerged from the discussions:

- *Separation* — There is recognized value in having the *Project* governed during the procurement phase by a body that is at arm's length to the CRD's

elected officials and the funders. It is critical that the elected officials set the scope for the *Project* and the budget; but day-to-day control within these parameters may be best left to a separate body.

- *Expertise* — There is recognized value in having the *Project* governed by a group of individuals who have experience and expertise in developing large, complex capital projects. The *Core Area Wastewater Treatment Project* is considerably larger than any project undertaken to date by the CRD.
- *CRD Ultimately Responsible* — The elected officials at the CRD are ultimately responsible for the *Project*, and will be held accountable by their municipal councils (and, by extension, their local electors) regardless of the project governance model chosen. Elected officials will also be expected under all models to deal with community concerns that arise.

The Province and Canada are key stakeholders in the project, but they are not the ones that will be held to account by taxpayers, nor are they the ones who will be expected to deal with concerns raised by the community. An arm's-length project governance body — even a separate legal entity — would also not be held to account by the community, or be the "go-to" body for the public. The government corporation model might serve to remove day-to-day control over the *Project* from the elected officials at the CRD. The model would not, however, succeed in removing ultimate responsibility for the *Project* from the Regional District. In practice, there is no such thing as an impermeable "firewall".

- *Check-back Points* — The CALWMC members recognize that the input from the CRD Board is most important in setting the scope and budget for the *Project*. In view of the earlier point on responsibility, however, the CALWMC members also recognize that it will be important for the Board to be regularly briefed on progress, and to be consulted at key milestones during the procurement phase. In addition, the CALWMC members note that it will be critical for the CRD Board to make decisions (in consultation with the other funders) on matters that may affect the *Project's* scope, budget or schedule.
- *Community Liaison* — Notwithstanding the reality that members of the public would bring concerns to the elected officials under all governance models, it will be important for the *Project's* governing body to develop a public information capacity to keep the community well informed throughout the procurement phase. Open houses, a citizens' committee, newsletters, a website and other information tools will be important to help residents get the information they require, and to allow them to provide feedback.

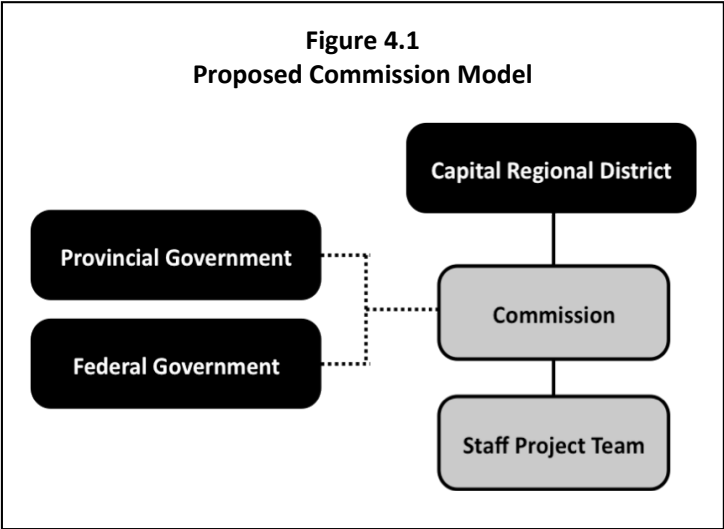
Taken together, these points suggest an approach to project governance that

incorporates some, but not all, of the features of the government corporation model. The points suggest the need to develop a customized approach that provides for independent experts with delegated authority to oversee and deliver the *Project*, but that also recognizes that the *Project* is an undertaking of the CRD that cannot be removed entirely from the organization.

This customized approach is presented in detail as the Commission Model in the next section of the memorandum.

4. COMMISSION MODEL

Figure 4.1 presents a schematic of the proposed commission project governance model that is proposed for the *Core Area Wastewater Treatment Project*. Figure 4.2 describes the model's key elements.



**Figure 4.2
Key Elements of Proposed Commission Model**

Element	Detail
Project Governing Body	The CRD Board of Directors would establish, by bylaw (s. 176 <i>Local Government Act</i>), a Core Area Wastewater Treatment Project Commission. The Commission's sole purpose, as identified in its bylaw, would be to deliver the <i>Project</i> in accordance with the scope, budget and schedule set by the funding partners. The Commission would not be a separate legal entity.
Commission Responsibilities	The Commission's responsibilities over the course of the procurement phase were identified earlier in section 3 of the memorandum as responsibilities that would apply to the appointed governing body in any project governance model. In all, the Commission would be expected to: <ul style="list-style-type: none"> bring together the expectations of the different funding bodies and,

Element	Detail
	<p>through discussion with the funders, finalize the scope and budget</p> <ul style="list-style-type: none"> · oversee the various selection processes that will need to be undertaken to engage contractors and companies · negotiate contracts and agreements with the funding bodies, contractors and companies · provide direction and make key decisions at pre-arranged milestones, and in response to situations or crises that arise · consult with key stakeholder bodies, including member municipalities, community groups and the public · provide approval at key stages in the procurement phase · monitor progress and report progress (along with issues) to funding bodies and other major stakeholders · hold project managers and partners accountable for adherence to scope, budgets, schedules and contracts, and for achieving deliverables
Commission Membership	<p>The Commission would be comprised entirely of non-elected individuals. Most members, it is expected, would be chosen for their expertise and experience with large, complex public sector infrastructure projects. Ideally, members would collectively bring the following types of skills and experience to the governing body:</p> <ul style="list-style-type: none"> · wastewater engineering · resource recovery · contract law · alternative procurement methods · project management · project finance <p>In building the Commission's membership, it would be important to include a senior manager from the CRD — for example, the CAO. As a member of the Commission, the manager would be expected to remain focused on the Commission's mandate. The manager would also be able to ensure, however, that the Commission remained aware of key CRD administrative and political needs for the <i>Project</i>. The two senior government funding bodies might also wish to appoint one senior manager each to the Commission. The remaining Commissioners, it is expected, would be independent of the funding bodies.</p> <p>All members would be appointed to the Commission by the CRD Board. Members would be nominated for appointment, however, by the funding parties. The number of appointees for each funding body would reflect each party's level of financial contribution. In total, it is proposed that the Commission would consist of nine (9) members: five (5) nominated by the CRD, two (2) by the Province, and two (2) by the federal government. The federal government may choose to not nominate any members to the</p>

Element	Detail
	<p>Commission. In that case, it is proposed that the Commission would consist of seven (7) members: four (4) nominated by the CRD, and three (3) nominated by the Province. Under either scenario, the Commission members themselves would elect a Chair and Vice Chair.</p>
<p>Delegated Authority</p>	<p>The intention in the commission model would be for the CRD Board to delegate as much authority as practicable to the Commission — significant delegation would be important in order to allow the Commission to run the <i>Project</i> without fear of political interference. The CRD Board, however, would need to sign-off on certain larger contracts (e.g., ones involving private sector operation). It would be necessary, too, for the Board to sign the contribution agreements negotiated by the Commission with the senior governments. These agreements would commit the Board to certain deliverables, and to certain arrangements (for example, the commission model of project governance). The CRD and the other funding parties would need to approve all proposed changes to scope, budget and schedule.</p> <p>The details on the extent of delegation to the Commission would be itemized and outlined in the Commission's bylaw. In general terms, however, the Commission would receive day-to-day control over the <i>Project</i>. Within the <i>Project's</i> approved budget and scope the Commission would have the authority to:</p> <ul style="list-style-type: none"> · spend monies · direct project team staff (see later) · give approval at key project milestones · enter into certain contracts on behalf of the CRD <p>The Commission would also have the authority to establish its own internal committees to assist in fulfilling its duties. These internal committees would be advisory only; the Commission could not delegate any of its decision-making authority to its committees.</p>
<p>Commission Meetings</p>	<p>The Commission would meet as often as required, but at least once every month during the procurement phase. The meetings would be handled in accordance with the CRD's <i>Procedure Bylaw</i>. The meetings would also be governed by the provisions of the <i>Local Government Act</i>, including those provisions that determine when the Commission may (and must) move <i>in camera</i>. Commission meetings would be open to the public; time at each meeting would be provided for delegations to appear.</p>
<p>Remuneration for Members</p>	<p>Commission members who are independent of the funding bodies (i.e., Commission members excluding the CRD manager and any senior government staff nominees) would be remunerated for their service. Annual compensation of \$21,000 per member is suggested. It is further</p>

Element	Detail
	<p>suggested that the Chair receive an additional \$7,000, and the Vice Chair an additional \$3,000.</p> <p>These suggested rates are intended to recognize that individuals from the private sector who serve on the Commission would be individuals who, because of their considerable expertise and experience, are in high demand. These individuals would incur very real opportunity costs for their time and energy spent on Commission matters. The suggested remuneration may not completely eliminate such costs in every case. In most instances, however, the suggested remuneration would at least minimize opportunity costs and be sufficient to attract the best people to this important community project.</p>
Community Liaison	<p>The Commission would be expected to develop a community liaison capacity. Using various tools, the Commission would keep the community informed of progress and developments, and would provide opportunities for issues and concerns to be brought forward.</p>
Reporting to Funders	<p>The Commission would be expected to keep the CRD and the other funding bodies informed of progress and developments at key points in the procurement phase. The exact level of reporting to the funders would need to be determined with each funding body, and would need to be formalized (e.g., in a schedule to the Commission's bylaw).</p>
Project Staff Team	<p>The Commission would be the governing body for the <i>Project</i> in this model of project governance. Working below the Commission and reporting to it would be a staff project team. Details on the project team — e.g., its size, composition, required skill sets, etc. — would need to be determined at a later date, if the proposed governance model were accepted by the CRD and the other funding parties. At the present time it is possible, however, to make the following points:</p> <ul style="list-style-type: none"> · The team would be headed by a Project Director who would be chosen based on his or her experience in managing large, complex capital projects. Experience with different procurement methods would be an important consideration in selecting a Director. The Director would be assigned full-time to the <i>Project</i> and would, in general terms, be responsible for: <ul style="list-style-type: none"> – managing the project team staff – monitoring and reporting to the Commission on the progress of staff, companies and contractors engaged in the <i>Project</i> – providing regular budget and schedule updates to the Commission, and helping the Commission Chair provide the same briefings to the funding bodies

Element	Detail
	<ul style="list-style-type: none"> – advising the Commission on decisions to make at key, pre-defined points in the process · Staff on the project team would report to the Project Director. The Project Director would report to the Commission. The Commission would be empowered (in its delegation bylaw) to suspend and/or terminate the employment of the Director. · In legal terms, the Director and all team members would be employees of the CRD — the Commission would not be a separate legal entity, and therefore could not serve as an employer. The Commission's delegation bylaw, however, would effectively remove the project team from the CRD's administrative structure for the duration of the Commission's existence (i.e., the duration of the procurement phase). The Project Director would not, therefore, report or receive direction through the CRD's CAO. · The team would be small in number. It would receive financial and administrative support from the CRD administration (the cost of which would be billed to the <i>Project</i>).

4.1 Further Comments

It should be clarified that the Commission would be independent of the CALWMC and would report directly to the CRD Board of Directors. At certain points during the procurement phase, it would be expected that key Board decisions — decisions that were not delegated to the Commission — would need to be made quickly in order to keep the *Project* on time and on budget. Having the Commission report directly to the Board, rather than through the Committee, would remove one layer and minimize decision-making delays.¹¹

The commission model would not provide the same degree of legal separation from the CRD organization as the government corporation model would. The commission model would, however, place the *Project* at arm's length to the CRD Board for the duration of the procurement phase.

It is worth noting, finally, that the CRD has had much success in using commissions to operate and administer key regional district services. The commissions that exist today include many non-elected officials and receive delegated decision-making authority to run their services within the parameters set by the CRD Board. Past success has enabled the Board and the CRD administration to become quite comfortable with the commission governance model (as it applies to ongoing services).

¹¹ It is worth remembering, too, that all members of the CALWMC are Directors of the Board, and as such would receive briefings from the Commission during its regular presentations to the Board.

5. CONCLUSION

This memorandum has addressed the need for effective project governance during the procurement phase of the *Core Area Wastewater Treatment Project*. The memorandum has reviewed a committee model of project governance and a government corporation model, and has outlined and proposed a commission model. Under the commission model, day-to-day control over the *Project* during its procurement phase would be delegated to a separate, single-purpose body that would:

- operate with considerable decision-making authority, and with a high degree of autonomy from the CRD Board and the other funders
- be headed by commissioners who would be appointed for their expertise and experience in developing large, complex capital projects
- make decisions within the established scope and budget for the *Project*, but would also keep the Board and the other funders apprised of progress and events throughout procurement phase, and would seek Board and funder approval on pre-determined items, and on any other matter that might affect the *Project's* scope, budget or schedule
- develop a public information capacity to keep the community well informed

The commission model recognizes the value of delegating authority to a body of independent experts to oversee and deliver the *Project*, but also recognizes the reality that the *Project* is an undertaking of the CRD, and that ultimate responsibility for it rests with the CRD Board.