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ITEM: H.S.1.1 C2021-0652

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C2021-0652

Attach 3

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Item # 11.4.3

**Green Line Report to
Green Line Committee
2020 July 13**

**ISC: UNRESTRICTED
GC2020-0772**

Green Line Board

EXECUTIVE SUMMARY

Ensuring that the optimal governance structure is in place to secure successful delivery of the Green Line Program has been identified as essential by Council, the City Auditor and the Green Line Technical and Risk Committee (TRC). The members of the TRC are external industry project specialists who were retained by the General Manager, Green Line to assist him and the Program's Executive Steering Committee (ESC) in undertaking due diligence, identifying risks and developing effective risk mitigation strategies and engaging in preventative risk management activities to ensure the successful execution of the Green Line Program.

On 2019 July 29, Council directed Administration to have the members of the TRC conduct an independent peer review of various matters including the suitability and adequacy of the governance of the Green Line Program. On 2019 December 17, the Green Line Committee heard a verbal presentation titled, "Green Line Committee Technical and Risk Committee Verbal Report" (GC2019-1594) that summarized recommended improvements to the current governance framework and outlined exploration of alternative governance structures. This verbal report was received for the corporate record by Green Line Committee. The review of alternate governance structures is now complete and the TRC's findings, as outlined in Attachment 2 to this report, have been shared with the General Manager, Green Line and the ESC.

This report outlines the findings of the TRC's governance review that provide support for Administration's recommendation that Council establish a new Council Committee to oversee delivery of the Green Line Program as approved by Council. The new Council Committee will be formally named the Green Line Board (the "Board"), and will govern and oversee the successful execution of the Green Line Program.

Administration also recommends that Council appoint the City Manager to the Board and recruit individuals with a range of expertise in areas such as governance, leadership, procurement, engineering design, construction, project management, urban design, and P3 transactions in respect of projects comparable to the Green Line Program. Attachment 3 to this report contains the proposed text of a Bylaw that includes a Terms of Reference for the Green Line Board, the passage of which would result in the creation of a Board with a clearly defined mandate, powers, duties, functions, and accountabilities.

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ADMINISTRATION RECOMMENDATION:

Administration recommends that the Green Line Committee:

1. File report GC2020-0582 Green Line Program Governance and the attachments to it as a result of Committee referring it back to Administration for additional consultations and review.

Administration recommends that the Green Line Committee recommends that Council:

1. Give three readings to the proposed Bylaw, the Green Line Board Bylaw and Terms of Reference, to establish the Green Line Board (the "Board") as a Committee of Council responsible for governing and overseeing the successful delivery of the Green Line Program;
2. Appoint the City Manager to serve as a member of the Board;
3. Direct Administration to retain an external search firm and work with the Inaugural Chair to identify candidates for appointment to the Green Line Board, and present appointment recommendations to the Priorities and Finance Committee for its consideration no later than 2020 November 15.

RECOMMENDATION OF THE GREEN LINE COMMITTEE, 2020 JULY 13:

That the Administration Recommendations contained in Report GC2020-0772 be adopted.

PREVIOUS COUNCIL DIRECTION / POLICY

Previous Council direction in regard to Green Line governance is included in Attachment 1.

BACKGROUND

The Green Line Stage 1 Program (the "Program") approved by Council on 2020 June 16 will be the largest infrastructure investment ever made by The City of Calgary. It is critical to ensure that the appropriate governance framework is in place to enable delivery of the Program in accordance with Council's vision on time and on budget.

The ESC is the Administrative committee currently providing oversight to the Program and is chaired by the City Manager. The ESC members are the General Manager, Green Line, the Acting General Manager, Transportation, the Chief Financial Officer, the City Solicitor and General Counsel, the Acting Director of Calgary Transit, and the Director of Supply Management.

As requested by Council on 2019 July 29, the TRC conducted an assessment of the existing Green Line governance structure as well as those utilized in various mega projects around the world. On 2019 December 17, the Green Line Committee heard a verbal presentation titled "Green Line Committee Technical and Risk Committee Verbal Report" (GC2019-1594) that summarized recommended improvements to the current governance framework and outlined

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exploration of alternative governance structures. This verbal report was received for the corporate record by the Green Line Committee.

On 2020 February 21, the TRC further advised the Green Line Committee (Green Line Project – Project Readiness Report – GC2020 – 0246) that it was both essential and an optimal time to enhance the Program's current governance structure given that the Program was moving from planning to design development, procurement and construction. Consideration of the results of the TRC's review has resulted in Administration recommending that while Council retains responsibility for approving the overall scope, schedule and budget for the Program, Council should also:

- establish the Green Line Board, mandated to govern and oversee the successful delivery of the Program;
- appoint to the Board, through an executive recruitment process, individuals with a range of expertise in governance, leadership, procurement, engineering design, construction, project management, urban design, and P3 transactions in respect of projects comparable to the Program; and
- include the City Manager as a Board member to ensure alignment with corporate financial and other matters and encourage collaboration between the Board, the Program team and the Administrative Leadership Team (ALT).

Administration is recommending that the TRC report to the Board rather than to the Green Line Committee to allow the TRC to support the Board in its oversight activities. The General Manager, Green Line will continue to manage the work of the TRC. Administration is recommending that the new Board provide quarterly reports on the Program to the Priorities and Finance Committee.

The text for a proposed Bylaw and related Terms of Reference clearly outlining the Board's mandate, roles, responsibilities, and accountabilities is attached to this report as Attachment 3.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Ensuring that the optimal governance structure is in place to secure successful delivery of the Program has been identified as essential by Council, the City Auditor and the Green Line Technical and Risk Committee (TRC). Council in July 2019 provided direction that the TRC undertake an independent review of the Green Line governance framework. The City Auditor also conducted a governance audit earlier in 2019. The following sections provide a summary of the work undertaken.

Governance Audit – City Auditor

The objective of the City Auditor's 2019 audit of Program governance was to assess the effectiveness of the Program governance framework in place at that time (Report AC2019-0353 "Green Line Project Governance Audit"). The report identified that the ESC was the key body

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within the Green Line governance structure responsible for providing strategic direction and oversight and that the Green Line Department was responsible for the delivery of the Program.

The audit identified concerns with a lack of clarity around roles, responsibilities and associated accountabilities, decision making, and risk identification. Due to the historical changes in the composition of the Program team, along with the transition of the Program from planning and design to procurement and delivery, there has been a blurring of roles and responsibilities and the decision-making structure was not well defined.

As a result of the audit, Administration determined that clear lines of decision-making authority are needed throughout the entire Program team from the governing body and senior leadership across to the engineers and supporting services to enable efficient and effective decisions to be made by the appropriate person at the appropriate time. For a Program of this magnitude and complexity, decisions must be made in an expedited manner by experienced personnel to avoid unnecessary delays that can increase the risk and ultimately the total cost of the Program.

Governance Review – Technical and Risk Committee

TRC's Assignment

Administration was directed by Council on 2019 July 29 to request that the TRC assess the "suitability and adequacy of the governance and resourcing of the Project." The TRC's assessment of governance focused on two questions:

- Are there opportunities to improve the existing governance structure?
- What are the alternatives to the existing governance structure?

On 2019 December 17, in accordance with Recommendations 4 and 6 adopted by Council on 2019 July 29, Chair Fairbairn provided a verbal report to the members of the Green Line Committee outlining the TRC's analysis of enhancements required to Green Line project governance (GC2019-1594 titled "Technical and Risk Committee (TRC) Governance Review (Verbal)"). The Committee received his presentation for the Corporate Record. The 2019 December 17 report was further supported in the 2020 February 21 report (GC2020-0246 Green Line – Project Readiness Report) and that report noted that "enhancements to project governance are required. Discussions with the City Manager and ESC continue to assess the best governance model for this project."

Observations and Conclusions

In its deliverability report, the TRC noted that it defined "successful delivery" as "a program that meets or surpasses the program objectives including safety, budget, schedule, and quality" and concluded that immediate action on several matters (including governance) was required to ensure project success.

Overall, the TRC observed that the Green Line Program Team has been and continues to be confronted with many concurrent challenges including:

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- preparing complex contract documentation coupled with technical engineering design to enable the commencement of the procurements for the first two major contracts (Segment 1 and Light Rail Vehicles);
- identifying and assessing interface risks between the multiple contracts, and developing mitigation strategies;
- managing active construction of enabling works projects including complex utility relocations and projects involving both Canadian National and Canadian Pacific Railways;
- securing the professional expertise, project management processes and systems required to execute the multifaceted tasks of managing the procurement and delivery of a mega project; and,
- managing relationships and formal funding commitments with Federal and Provincial funding partners.

In addition to the challenges noted above, the following complexities arose subsequent to the deliverability review and should also be considered:

- managing Segment 2A and 2B planning involving the analysis of various alignment options and frequent engagement with stakeholders including members of the public, businesses and Council members;
- preparing and validating iterative cost estimates for the various planning options being considered; and,
- requiring further design development work on Segments 2A and 2B and development of a contracting strategy to reduce risk.

The TRC's view is that it is appropriate and necessary to review mega project governance from time to time and move to new governance structures at various project stages. Given the concurrent challenges noted above, it is an optimal time, to enhance the governance of the Program.

The TRC's analysis and recommendations are outlined in Attachment 3 to this report.

Currently, the ESC is responsible for oversight of the Program. As noted earlier in this report, the ESC is comprised of some of The City's most senior leaders, all of whom have deep experience in the delivery of public service in addition to their individual professional and technical expertise. However, these leaders have a myriad of responsibilities and accountabilities and are required to manage the most important and complex initiatives and issues facing The City.

The TRC believes that in order for the Green Line governance model to be successful, those persons accountable for governing and overseeing the successful delivery of the Program must have both sufficient time and comparable professional expertise to provide this oversight. ESC members are now also having to deal with the significant implications of the COVID-19 pandemic and its impact on the corporation and Calgarians. The TRC believes that it would be

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an optimal time for Council to establish a Board singularly focused on ensuring the successful delivery of the Program and having strong ties, through the City Manager, to all ALT members.

From a governance perspective, the TRC's recommendation is that having the City Manager serve as a member of the proposed Board is crucial in ensuring a positive and collaborative relationship between Council, the Board, the Program team, and the members of The City's ALT. The City Manager will be able to assess when the Program team needs to adhere to corporate policies, procedures and processes that govern the provision of all City services, and when alternate policies, procedures, and processes are required to capitalize on the opportunities presented by, and manage the risks associated with, the Program.

The TRC's view is that the following are the attributes of effective governance required by the Program:

Accountability (Focus)	Accountability must be unambiguous and ensure there is absolute focus around managing Project risk and meeting Project objectives.
Authority (Autonomy)	Authority must be delegated to the Project leadership and they must have reasonable autonomy from public sector operating environment to make decisions.
Alignment (Culture & Policies)	Alignment of the culture and policies must be around the Project and not the operating environment. These needs will change through the Project lifecycle.
Disclosure (Transparent)	Disclosure of information must be transparent to meet the needs of the public whilst protecting the commercial confidentiality required to manage risk. And the Project leadership must proactively and frequently disclose changes in major project risks.

* UK Department of Transport – Lessons from transport for the sponsorship of major Programs

In consideration of the above attributes, and following an analysis of governance structures used for comparable programs, the TRC assessed the applicability of three frameworks to govern and oversee the Program:

- implementing additional enhancements to the current governance framework;
- creating a City wholly owned subsidiary with an independent Board to govern and oversee the Program; and
- establishing a new Green Line Board as a committee of Council, to govern and oversee the Program.

Enhancing the Current Governance Framework

The TRC concluded that taking steps to further enhance the current Program governance framework may result in marginal improvements to overall governance but given all the responsibilities that ESC members have, will not likely be sufficient to deal with the complex challenges and demanding timelines of the Delivery Phase.

Creating a Wholly-owned Subsidiary

Approval(s): Michael Thompson concurs with this report. Author: Sheryl McMullen
City Clerks: J. Palaschuk

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A wholly-owned subsidiary would be an effective governance framework. Given the volume and complexity of work involved in the delivery of the Program, TRC and Administration concluded that there is insufficient time to implement a wholly-owned subsidiary without creating significant distraction for the Program team. The Green Line Board Framework as described below should deliver equivalent benefits.

Establishing a Green Line Board

Other jurisdictions, including British Columbia, mitigate risks of complex programs by creating governance boards with directors who are independent qualified professionals with governance and program delivery expertise. Specifically, the Capital Regional District (CRD) delegated through a bylaw the authority and accountability for delivering a complex \$775 million wastewater treatment program to a non-corporate Commission of the CRD. A dedicated Project Board is accountable for the delivery of that program.

As further described below, similar to the CRD Commission, the proposed Board would operate with a Council-approved mandate defined in a bylaw that would clearly outline the authorities and accountabilities delegated to the Board. The individuals serving on the Board would be appointed by Council based upon an assessment of their competency, capacity and commitment to serve on the Board.

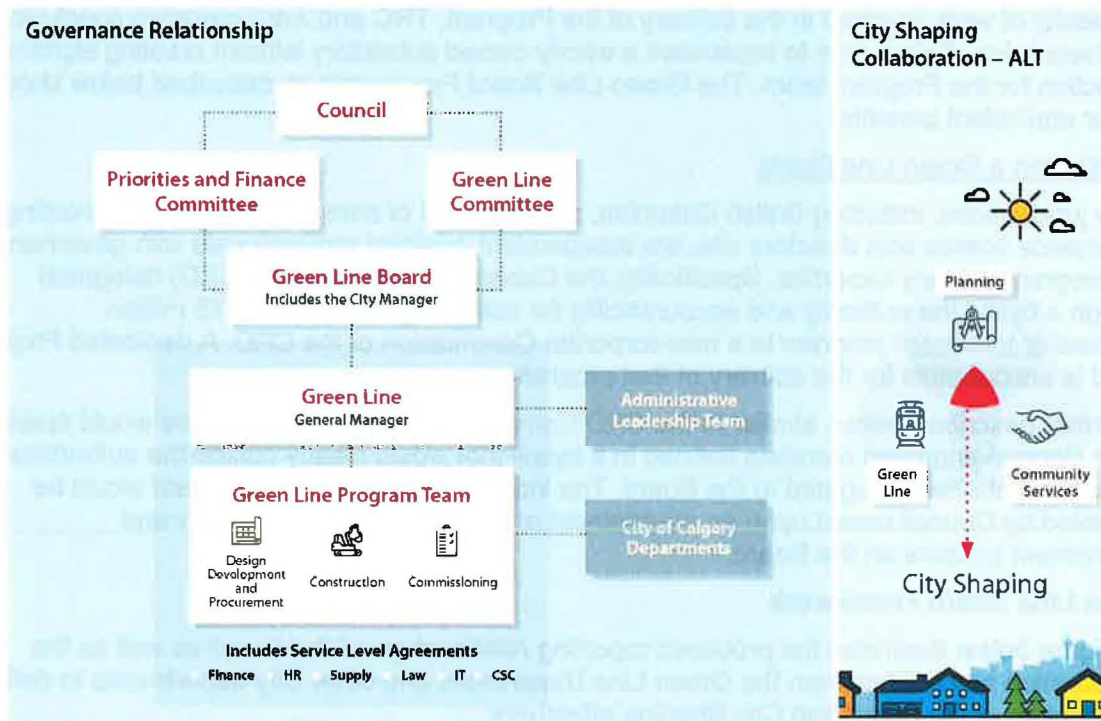
Green Line Board Framework

The figure below illustrates the proposed reporting relationships of the Board as well as the collaboration needed between the Green Line Department and other City departments to deliver the mandate of the Board and City Shaping effectively:

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Note: Dotted line denotes communication/collaboration as required.

Bylaw and Terms of Reference to Create the Green Line Board

The proposed bylaw text attached to this Report creates the Green Line Board. It defines the respective responsibilities of Council and Committees of Council, the Board, and Administration and prescribes the Board's mandate to govern and oversee the successful delivery of the Program. Given that the Program will be The City's largest capital investment, it is proposed that the Board report to the Priorities and Finance Committee on a quarterly basis going forward.

Council and Committees of Council

Council continues to retain decision making authority over:

- Scope: alignment, station locations, and guiding principles (as identified in the Green Line Committee Terms of Reference);
- Budget: overall capital and operating budgets for the Program and financing;
- Schedule; and
- Real-estate matters.

Council will continue to receive audit and land reports through the Audit Committee and the SPC on Utilities and Corporate Services respectively.

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The Priorities and Finance Committee will receive quarterly reports from the Board and the Green Line Committee will continue to consider elements of Segments 2A and 2B planning design development and make recommendations to Council accordingly as outlined in the 2020 June 16 Council direction. In order to assist the Board with its due diligence and risk management responsibilities, the TRC will report to the Board. The mandate of the Green Line Committee will need to be updated to reflect the shift of the Green Line Committee to focus on planning for Stage 2 of the Green Line, as per the Council direction from 2020 June 16.

It is important to note that this approach is not a change to Council's typical role in procurement and delivery of capital projects. Council has always delegated responsibility to Administration to finalize design development, prepare procurement documents, conduct and manage procurement processes and award contracts. The Board will govern the work of the Program team to achieve the Council approved Program goals, budget, schedule, program scope and alignment.

It is recommended that Council direct Administration to immediately engage an executive search firm to recruit Board members. A draft Skills Criteria – Green Line Board, included as Attachment 4, will assist in recruitment of qualified Board members. Recruitment activities will begin after the Bylaw and Terms of Reference are passed.

The City Manager will be a permanent member of the Board and the only member of Administration on the Board. Members of Council will not be members of the Board.

Delegation of Authority to the Board

Authority is delegated to the Board to ensure that Council's Program vision is achieved on time and on budget. The mandate of the Board is to oversee and ensure best practices are implemented by the Program team. The key responsibilities of the Board in achieving its mandate include oversight of the following:

- delivery of the Program in a manner consistent with estimates, budgets, and plans approved by Council;
- development of procurement documents and protection of the integrity of procurement processes in accordance with applicable law and trade agreements to ensure fair, open, and transparent procurement processes and evaluations, including the receipt and review of reports from an independent fairness monitor;
- management and execution of obligations arising under contracts associated with the Program including management of contractual interfaces and assessment of whether substantial completion of the work under the contracts has been achieved;
- management of project schedules and any scope changes to the Program;
- management of communications and public relations (including as required by the funding agreements)
- the reporting relationship between the Program team and ALT; and
- the acquisition and disposition of land required for the Program.

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In order to achieve the above mandate, the Board will be delegated the authority to allocate Program funds made available under the Program budget approved by Council, oversee the implementation of information technology, project management and document management systems compatible with City systems, and approve the final project agreements and recommend them for execution to the City Manager and City Clerk. The Board will also be provided authority to review and approve the recruitment, hiring, compensation and management of the Program's senior executive and the structure and composition of the Program team, including establishing a compensation structure, evaluation criteria, and recruitment process to recruit and/or retain skilled staff for the Program in a manner that may vary from City policies.

The Board will continually monitor the affordability of the Program and advise Council if material changes to scope, schedule, or budget are required. The Board will be obligated to comply with all Council policies and will hold regular meetings which will be open to the public except for those portions of the meetings dealing with confidential or commercially sensitive matters.

The Role of the Administrative Leadership Team

The ESC was largely comprised of a subset of ALT members. The ALT will take over ESC's responsibilities in respect of efficient decision making on corporate wide matters, such as corporate wide financial impacts, City shaping and corporate cross-operational impacts. For the purposes of considering Program matters, the Director, Supply Management and the Director, Calgary Transit will attend ALT. The City Manager, as a permanent member of the Board, will exercise discretion in the application and interpretation of Administration Policies if there is a question in regard to whether an Administration Policy (or portions of it) applies to the Program.

The objectives of the Bylaw are to enable Council, the Board, and Administration to work collaboratively to enable successful execution of the Program for all Calgarians.

Stakeholder Engagement, Research and Communication

Calgarians have emphasized the need to carefully manage risk throughout the planning, design, procurement, and delivery of the Program. Council, the City Auditor, the City Manager, and the General Manager, Green Line have all recognized the need to ensure an optimal governance structure to oversee the successful delivery of the Program on time and on budget and in accordance with the Council-approved Program vision, to achieve optimal outcomes for Calgarians and align with the guiding principles outlined in the Green Line Committee's terms of reference.

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Strategic Alignment

The Program team is executing on Council's desire to advance the Council-approved RouteAhead transit program and deliver the Program.

Social, Environmental, Economic (External)

Improved governance will support the successful delivery of the Program and ensure the benefits contemplated by the Program overall.

Financial Capacity

Current and Future Operating Budget:

The recommendations in this report do not impact the current and future operating budget for the Program.

Current and Future Capital Budget:

This report has no impact on the \$4.903 billion capital budget for the Program.

Risk Assessment

The risks associated with not implementing an optimal governance framework are significant. The Administration and TRC are of the view that a change in the current governance framework is required to ensure that the Program will be successfully delivered.

There are some risks associated with implementing the proposed Board. These risks are identified and addressed in Attachment 2 (Green Line Board Risk Slide, page 28), and mitigation measures have been considered. This governance framework requires a high degree of collaboration between the Board, the Program team and ALT. The Bylaw and terms of reference have been drafted with this in mind and the City Manager's membership on the Board will help ensure that the right balance is struck between The City's corporate needs and Program needs.

REASON(S) FOR RECOMMENDATION(S):

Council directed Administration to request that the TRC, among other matters, carry out an independent peer review of the "suitability and adequacy of the governance and resourcing of the project". For the reasons outlined in this report the TRC has recommended that this is the optimal time for Council to adopt the recommendations included in this report and establish the Board, and assign to it accountability for the governance and oversight of the successful delivery of the Program.

ATTACHMENT(S)

1. Attachment 1 – Previous Council Direction
2. Attachment 2 – Options Analysis and Recommended Option
3. Attachment 3 – Draft Green Line Board Bylaw and TOR Text

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4. Attachment 4 – Skills Criteria – Green Line Board