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## REPORT TO CORE AREA WASTEWATER TREATMENT PROJECT BOARD MEETING OF TUESDAY, FEBRUARY 7, 2017

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**SUBJECT**     Project Management Office (“PMO”) Budget

**ISSUE**

To report on the approval for the Core Area Water Treatment Project (“CAWTP”) Project Management Office (“PMO”) budget.

**BACKGROUND**

Further to the rise and report of its January 10, 2017 closed meeting, the Project Board approved the PMO budget of \$75.8 million, inclusive of a contingency of \$4.8 million.

This report provides a summary of the PMO budget, including the process by which it was developed.

On May 25, 2016 the Regional Board of the CRD:

- i) Adopted by resolution the Core Area Wastewater Treatment Project Board Terms of Reference (Project Board Terms of Reference) for the purposes of establishing principles governing the Core Area Wastewater Treatment Project (CAWTP);
- ii) Established the Core Area Wastewater Treatment Project Board (Project Board) under Bylaw 4109 (the CRD Core Area Wastewater Treatment Board Bylaw No. 1, 2016) for the purposes of administering the Core Area Wastewater Treatment Project; and
- iii) Delegated certain of its powers, duties and functions to the Project Board under Bylaw 4110 (the CRD Core Area Wastewater Treatment Project Board Delegation Bylaw No. 1, 2016).

On September 14, 2016 the Regional Board of the CRD:

- i) Received the final report of the Project Board with respect to its recommendation for the CAWTP, dated September 7, 2016 (the Final Report); and
- ii) Approved the business case attached as Appendix 1 (the Business Case) to the Final Report.

The Business Case established the CAWTP control budget (the Control Budget) of \$765 million.

Following the CRD Board’s approval of the Business Case, work has been undertaken to understand the needs of the PMO in order to ensure the successful delivery of all components of the overall Project.

The project management office has been established in Victoria with a satellite office supporting activities in Vancouver. The organizational structure (Appendix A) has been defined and identification of key functions, roles and associated responsibilities has been completed. A number of the identified functions and roles have now been resourced or are in the process of being resourced. Recruitment of both senior and support positions continues at this time.

Following the completion of the PMO needs assessment and consultation with key advisors and the Capital Regional District, the Project Leadership Team, with the assistance of KPMG, developed a bottom-up budget that will allow for an owner’s led approach to the management of

the project and its successful delivery. For information and reference the PMO budget has been attached as Appendix B.

**BUDGET IMPLICATIONS**

The PMO budget is within the Control Budget of \$765 million. KPMG carried out an exercise to review and benchmark the PMO budget against industry standards. Their findings are attached as Appendix C. In summary, KPMG found that the PMO budget is within industry standards.

**CONCLUSION**

The Project Management Office budget has been developed from a bottom-up estimate of the resourcing needs to deliver the Core Area Wastewater Treatment Project. The PMO budget is within the Control Budget of \$765 million, and at approximately 10% of the overall Control Budget is in line with industry standards.

**RECOMMENDATION**

That the Project Board receive this report for information.



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Elizabeth Scott, Deputy Project Director  
Core Area Wastewater Treatment Project  
Capital Regional District



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Dave Clancy, Project Director  
Core Area Wastewater Treatment Project

CONCURRENCE

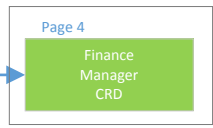
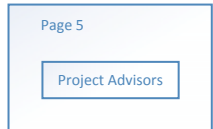
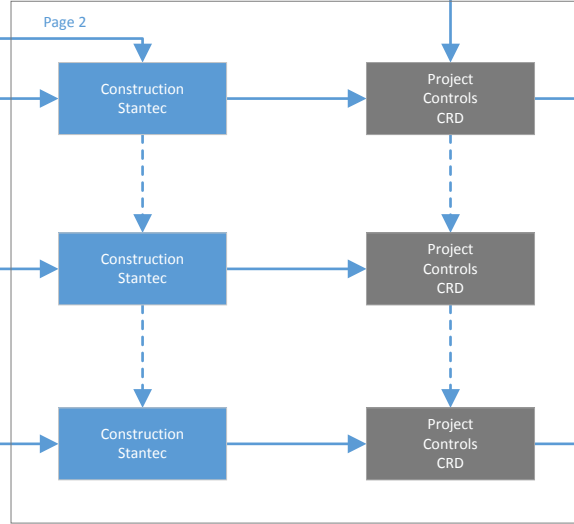
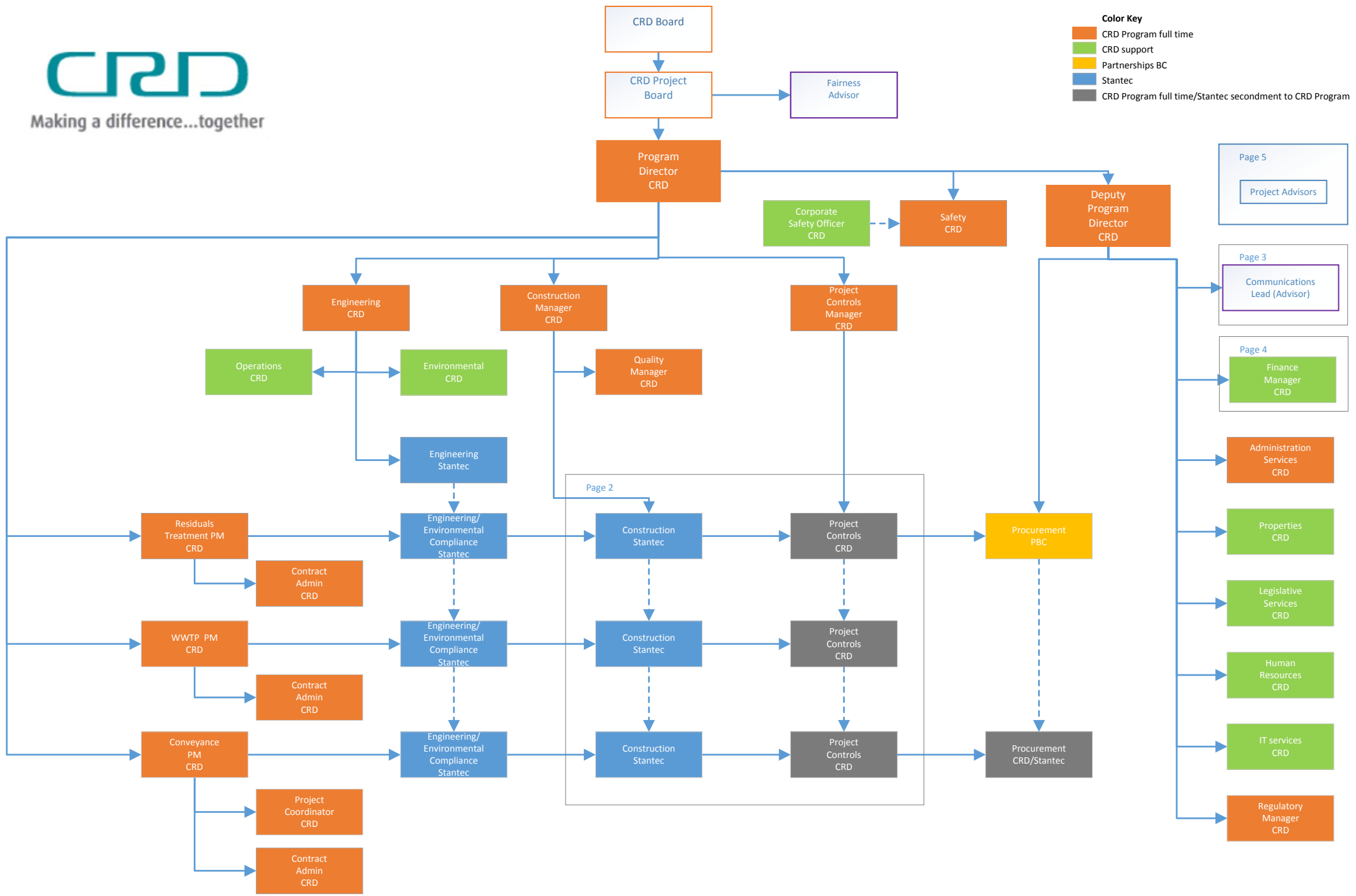
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Attachments: Appendix A: PMO Organizational Structure  
Appendix B: PMO Budget  
Appendix C: Correspondence from KPMG Dated February 1, 2017



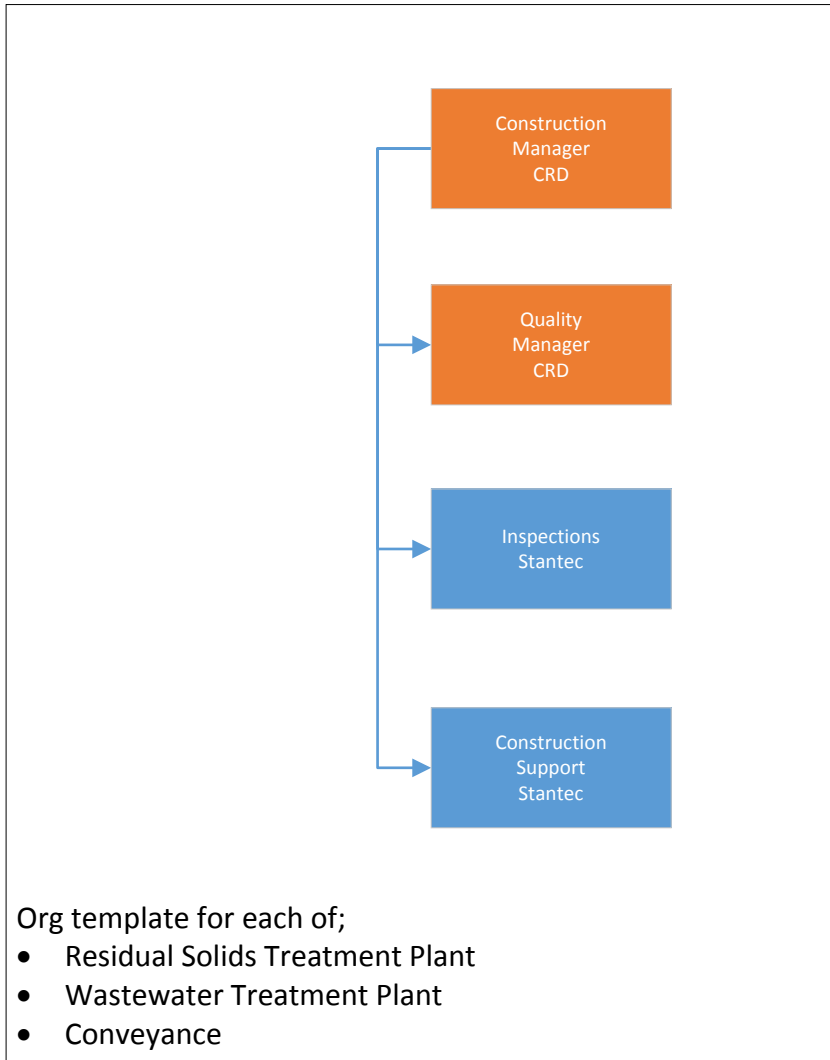
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- Color Key**
- CRD Program full time
  - CRD support
  - Partnerships BC
  - Stantec
  - CRD Program full time/Stantec secondment to CRD Program



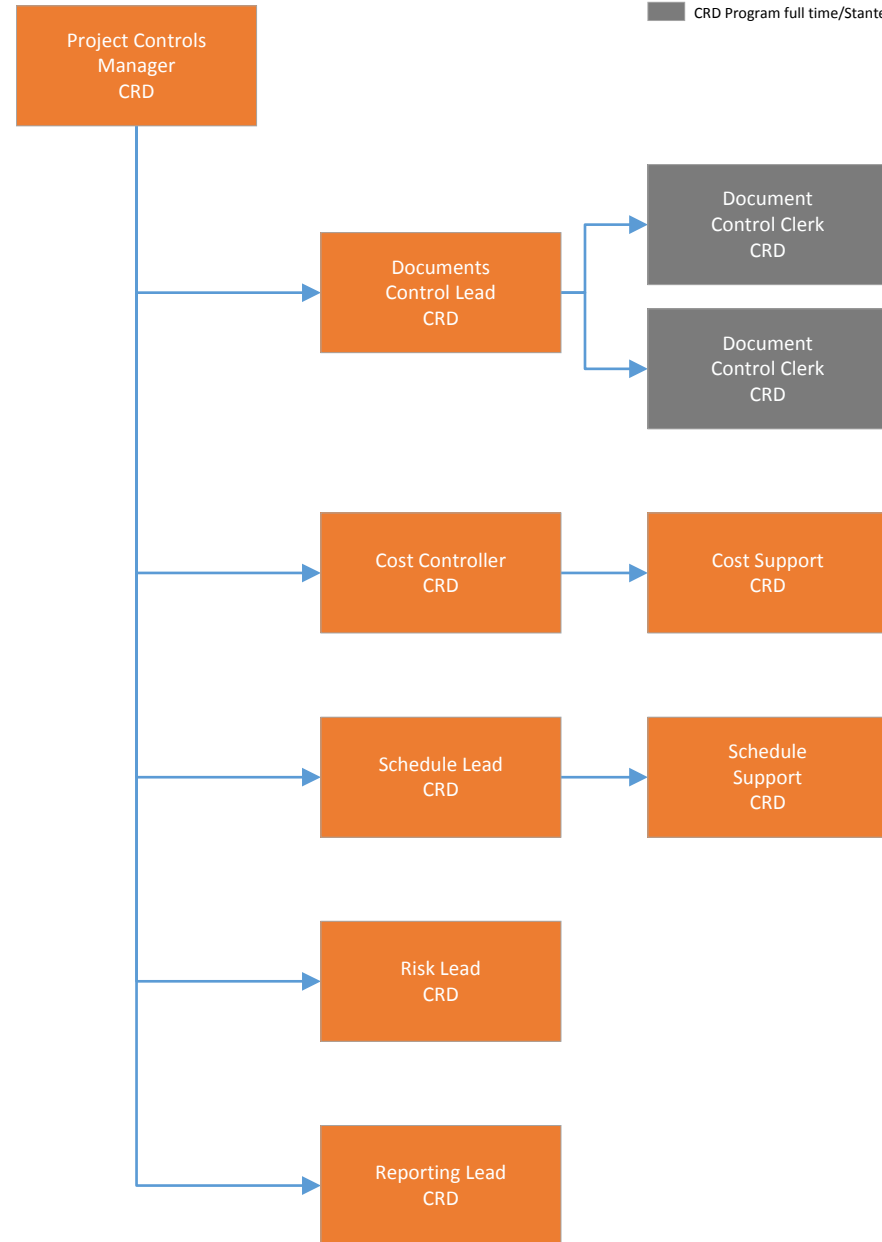


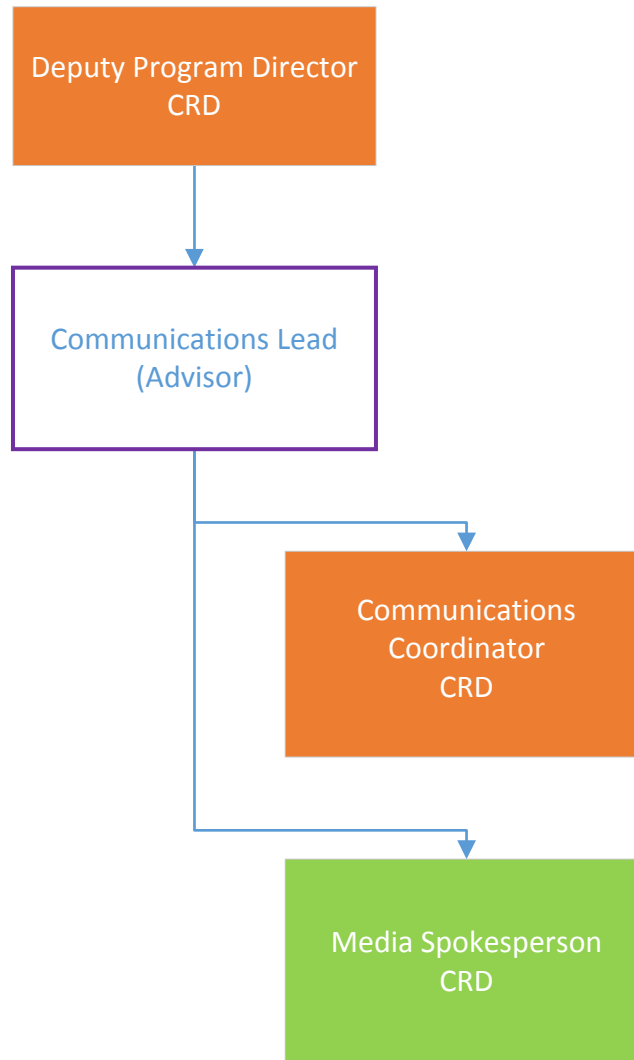
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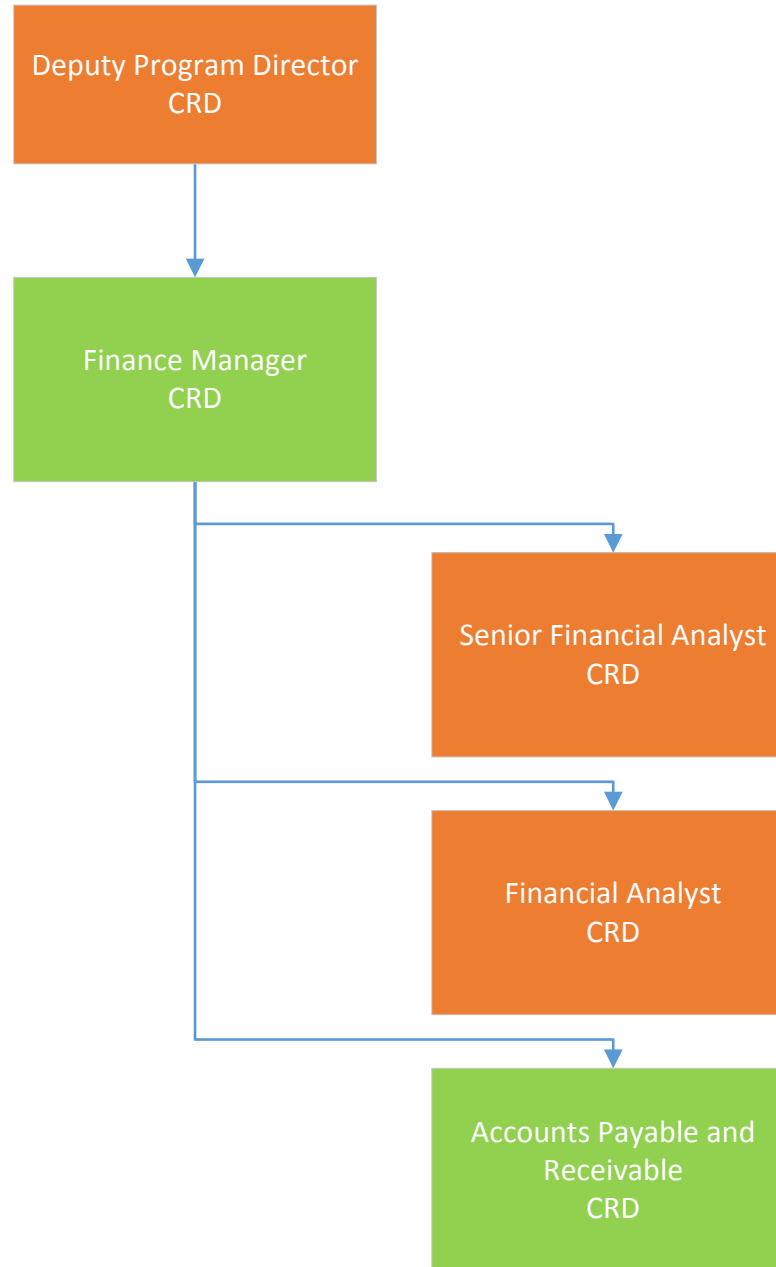






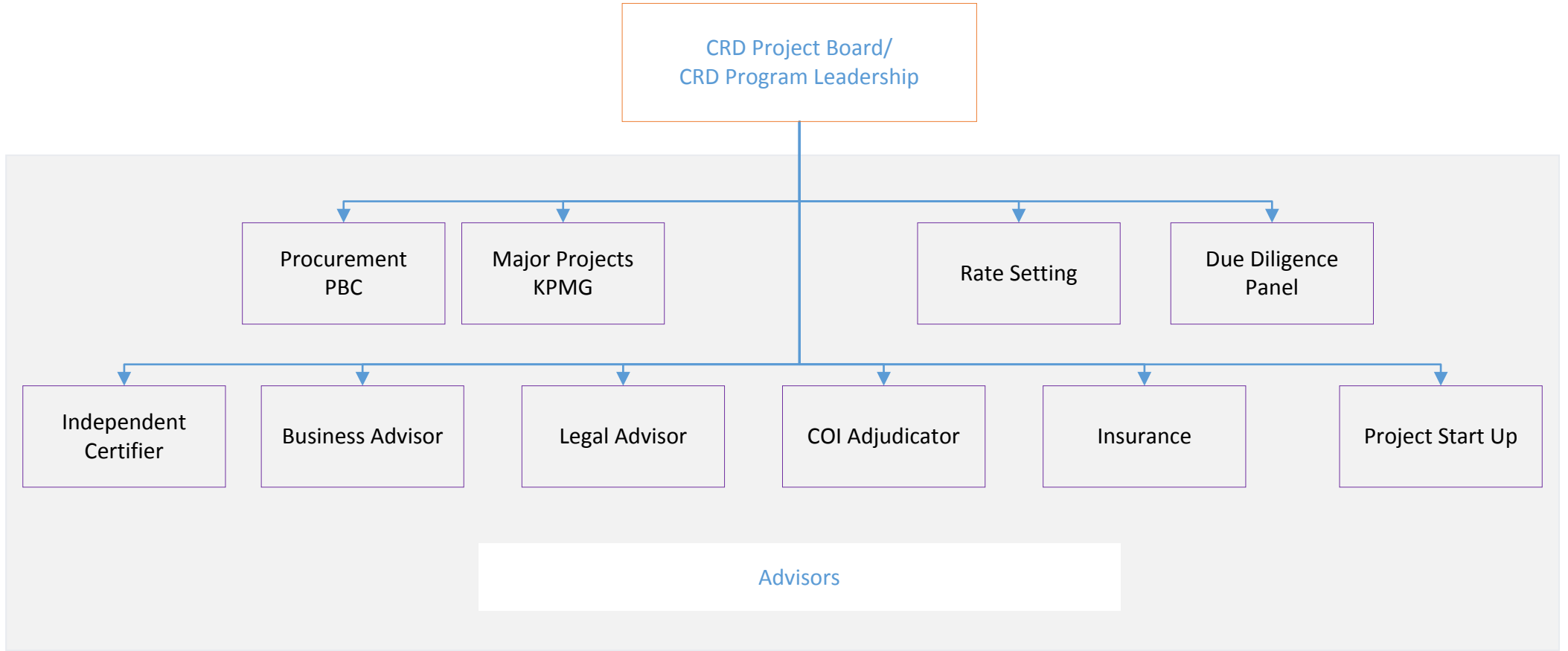
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## Appendix B - CAWTP PMO BUDGET

	Project name:	CRD Core Area Wastewater Treatment Program ("CAWTP")
	Effective Dates:	August 1, 2016 to June 30, 2021
	Budget prepared by:	KPMG
	Prepared date:	01/18/2017
<b>Program Management Office ("PMO") Budget</b>		
Item No.	Items	CAN\$
1	<b>Professional Services</b>	<b>\$ 28,163,244</b>
1.1	<i>Engineering (Includes Engineering, Owners Engineering, and Construction Services)</i>	<b>\$ 22,189,094</b>
1.2	<i>Consultants</i>	<b>\$ 5,974,150</b>
2	<b>CRD Project Team</b>	<b>36,209,011.32</b>
2.1	<i>Project Board</i>	<b>\$ 2,220,000</b>
2.2	<i>Program Leadership Team</i>	<b>\$ 14,755,183</b>
2.3	<i>Program Support - Team</i>	<b>\$ 15,983,754</b>
2.4	<i>CRD Allocation - Functional Support -</i>	<b>\$ 3,250,074</b>
3	<b>PMO Miscellaneous Cost</b>	<b>\$ 4,942,975</b>
4	<b>PMO Total Costs (From January 1, 2017 to June 30, 2021)</b>	<b>\$ 69,315,230</b>
5	<b>PMO Accrued Cost (From August 1, 2016 to December 31, 2016)</b>	<b>\$ 1,735,000</b>
6	<b>Total PMO Budget (From August 1, 2016 to June 30, 2021), excl. contingency</b>	<b>\$ 71,050,230</b>
7	<b>PMO Contingency</b>	<b>\$ 4,788,336</b>
8	<b>Total PMO Budget</b>	<b>\$ 75,838,566</b>





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February 1, 2017  
Attention: Elizabeth Scott  
Capital Regional District  
625 Fisgard Street  
Victoria, BC, V8W 1R7

**Subject: CRD Core Area Wastewater Treatment Project (CAWTP) Project Management Budget**

Dear Ms. Scott,

KPMG has carried out an exercise to review and benchmark the Project Management (PMO) Budget of the CRD CAWTP against industry standards. KPMG has been involved with a significant number of projects similar to CAWTP and has used these projects and other high profile projects to carry out the exercise.

The complexity of the CAWTP has been taken into account in the review, this ensures that a fair comparison is made. The CAWTP involves complex procurement with a number of different contracts including Design-Bid-Build (DBB), Design-Build-Finance (DBF) and Design-Build-Finance-Operate-Maintain (DBFOM). The integration and commissioning of the three components of the CAWTP, Conveyance, Wastewater Treatment Plant and Residual Treatment Facility, increases the complexity of the project, as does the number of both internal and external Stakeholders.

Industry standards shows that the PMO budget of a project should make up between 5 and 13 percent of the total project cost. This wide range accounts for the varying sectors within the industry, for example a civil project would likely have a PMO budget range between 5 and 8 percent, whereas an industrial project would range between 8 and 13 percent. The varying complexity of projects within the industry also contributes to the differences in PMO budget.

The CAWTP PMO Budget totals approximately \$75 million, \$4 million of which is contingency with \$22 million allocated to Engineering and \$49 million allocated to Professional Services, Project Leadership Team, Project Support Team, Functional Support and Incidentals. Given that the Engineering costs would not typically be included in the PMO budget benchmarks identified above, KPMG have benchmarked the PMO budget exclusive of engineering but inclusive of contingency (a total of \$53 million) against industry standards. The PMO Budget exclusive of engineering (for the rationale stated above) represents 7% of the total project cost of \$765 for the CAWTP. Given the complexity of the CAWTP, the PMO Budget is well within industry standards. If the Engineering costs, developed by Stantec using a bottom up approach, were to be included in the PMO budget, the budget would represent 10% of the total project cost, this also remains in line with industry standards.

Yours truly,

Doug Ewing

Partner, KPMG LLP