

**MINISTRY OF ADVANCED EDUCATION**

**PROVINCE OF BRITISH COLUMBIA**

**“CAPITAL ASSET REFERENCE GUIDE”**

**Revised Edition, August 2005**

# INTRODUCTION

The Ministry originally developed this Guide in 1988 with assistance from a field-based committee. It was updated in 1995 and again in 2003, which incorporated the best practises guidelines of the 2002 *Capital Asset Management Framework (CAM framework)*, prepared by the Ministry of Finance. This update (2005) incorporates changes to the Ministry's Branch names and legislative changes that have been enacted since the last update.

The primary purpose of this Guide is to put into a post-secondary context the broad policies and practices outlined in the Provincial *CAM framework*. It is also intended to outline the processes involved when post-secondary institutions require approval under legislation to acquire and/or dispose of property, or borrow funds to acquire or make improvements to property.

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# 1.0 CAPITAL PLAN OVERVIEW

## THE PROVINCIAL CONTEXT

Since the 2002/03 fiscal year, ministries are required to develop 3-year Service Plans and update them annually. Three-year Service Plans are multi-year operating budgets that outline program, service and infrastructure expenditures within fiscal parameters set by government.

The new three-year Service Plan process not only allows for multi-year operating budget planning, but also requires that ministries pay for the associated debt service and amortization expenses within the operating budget. As a result, ministries and agencies are encouraged to move from a culture of dependency on government capital funding towards greater self-reliance. To assist in achieving this, the system has implemented capital cost containment strategies such as increased utilization of existing facilities (including moving towards accommodating 21% of program activity during the Summer term), development of joint-use facilities, and promotion of non-government sources of funding for capital projects.

### The Policy Framework

In 2002, the Ministry of Finance produced the Capital Asset Management Framework (CAM framework) to support agencies and institutions in finding the best possible solutions and to apply best practices in managing capital assets, from planning through to operation, maintenance, and renewal or disposal.

## THE MINISTRY OF ADVANCED EDUCATION (AVED) CONTEXT

AVED's Post Secondary Education Division manages overall operating funding and program coordination for the post-secondary education system. Within this Division, the Capital Planning and Project Management Branch (CPPM) is responsible for working with public post-secondary institutions to identify the system's overall capital requirements.

The overall capital planning process is outlined in Diagram 2 at the end of section 1.1 below.

## AVED EVALUATION OF CAPITAL PROJECT REQUESTS

In analyzing capital project requests AVED looks to ensure that proposals meet criteria such as:

- Supporting government priorities;
- Demonstrating the need for additional space on the basis of approved multi-year operating plans or defining space shortages based on inventory;
- Providing good value by:
  - Replacing existing space that is either leased or owned but no longer economical to operate;
  - Rehabilitating major building components of existing facilities.

Consideration for funding of capital projects starts with a comprehensive business case. See Section 1.2 (Capital Project Requests) below.

## **MULTI-YEAR OPERATING PLANS**

The Ministry worked with public post-secondary institutions in the 2003-04 fiscal year to develop a multi-year planning process, which will integrate institution operating plans and associated academic plans, with longer term program and capital planning.

Multi-year operating plans create a capital needs framework from which projects will be evaluated.

*Institutions are encouraged to contact the Ministry's Universities & Research, and Post Secondary & Industry Training Branches for further information on multi-year operating planning.*

## **SPACE NEEDS**

AVED maintains a Facilities Inventory System (FIS) with regularly updated information provided by each University College, College and Institute. Measurement of facility usage for these institutions is based on this FIS data and Annual Student Contact Hour (ASCH) reporting, as outlined in the

Space Guidelines for Colleges, University Colleges and Institutes, Section 3.2, page 88. B.C. University Space Guidelines provide the context and base-line measures to assess space needs in University settings.

# 1.1 CAPITAL PLANNING AND APPROVAL PROCESS

## INTRODUCTION

A Diagram found at the end of this Section outlines the typical planning cycle within government. (Section 1.4: Capital Project Development Flow Chart)

## PROVINCIAL CONTEXT

Chapter 5 of the CAM framework, describes the broad capital planning process within government, from development of individual ministry multi-year Plans, to Treasury Board approval of the government-wide Consolidated Capital Plan.

## POST-SECONDARY CONTEXT

AVED's multi-year Capital Asset Management Plan (formerly referred to as the *Long-Term Capital Plan*) is influenced by government strategic priorities, Ministry educational priorities, and requests from post-secondary institutions. The Plan is also strongly impacted by the funds available within the Ministry's three-year Service Plan for new capital spending, as ministries must accommodate the debt service and amortization cost of new capital within their base operating budgets.

Essentially, each post-secondary institution should develop its own Capital Asset Management Plan as an extension of their overall strategic and educational plans. In support of its strategic objectives, the institution creates a Master Facilities Plan to guide future development at each of its campuses. In general, multi-year operating plans will form the foundation of most capital requests.

Institutional Capital Asset Management Plans should have the following key elements:

- Facility Needs Assessment, e.g. capacity compared to current and projected demand.
- Options Analysis to address any projected shortfall of space, including strategies to reduce the need for government capital funding.
- A Business Case for specific project proposals to government. Greater detail on specific project proposals is in Section 1.2. (Capital Project Proposals)
- Ranking of proposed projects by priority.

## ADVANCED EDUCATION CAPITAL PLANNING CYCLE

The following outlines the typical annual capital planning cycle. *Please note: institutions may submit detailed capital requests at any time, once they have finalized the detailed project business case.*

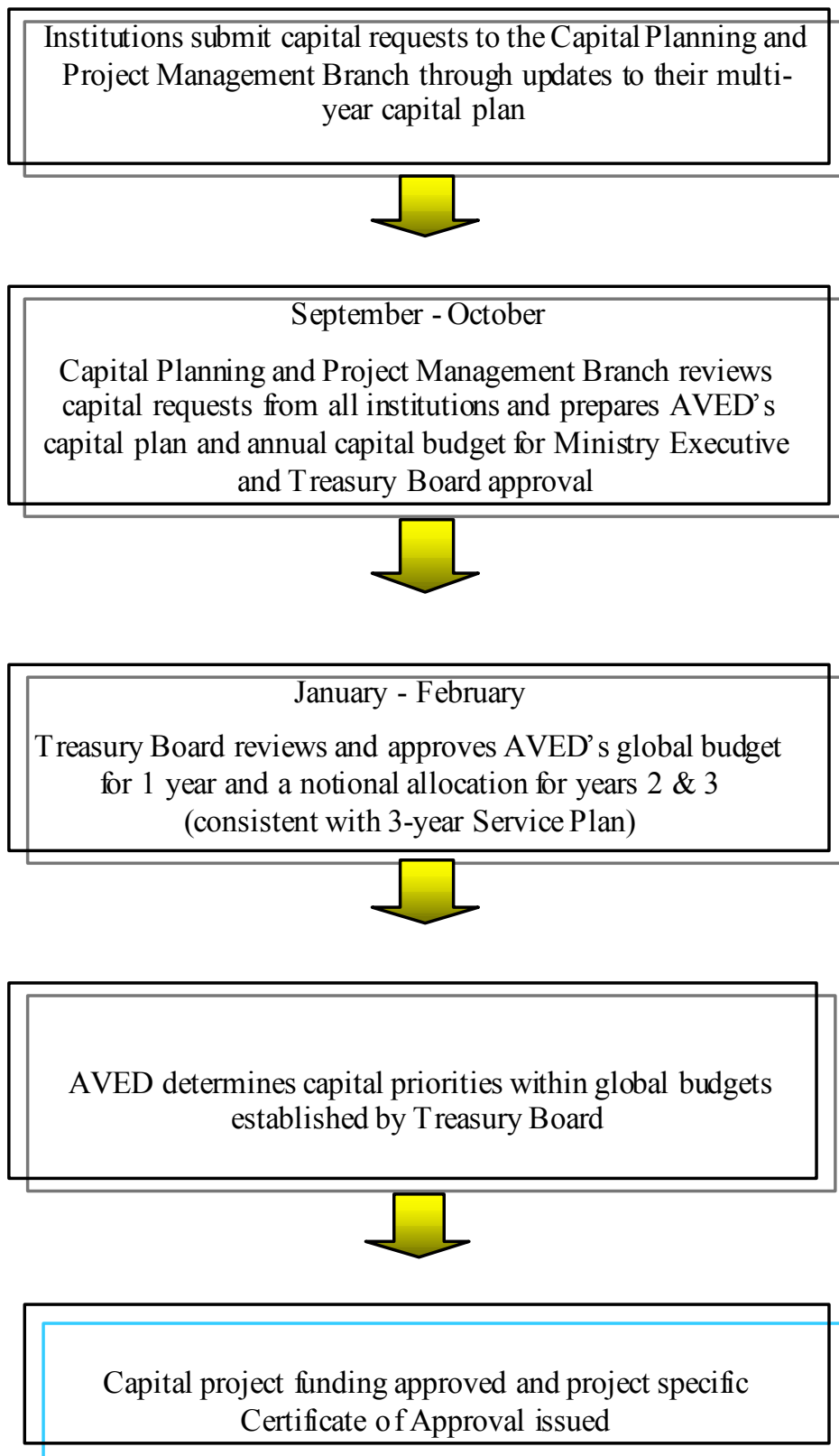
1. Prior to the start of each fiscal year, the Legislature approves AVED's three-year Service Plan and upcoming fiscal year operating budget. The operating budget must incorporate funds for debt payments and amortization costs of existing and new capital expenditures. The Ministry then advises individual institutions of specific new project approvals accommodated in the Service Plan.

Multi-year Capital Plan updates can be submitted at any time during the fiscal year, bearing in mind that the Ministry develops its three-year service Plan updates between September and December each year. The Ministry is better able to prepare its overall capital priorities when each institution ranks its own capital projects.

2. Once an institution submits an updated capital plan or specific capital project proposal, AVED's Capital Planning and Project Management Branch will typically undertake the following:
  - a. Confirm with AVED's Universities & Research, and Post Secondary & Industry Training Branches that the multi-year operating plan pertaining to each specific proposal has been approved;
  - b. Review each project proposal for key elements. (See Section 1.2 - Capital Projects Proposals for more detail.)
  - c. Prepare and recommend to AVED's Executive the consolidated multi-year Capital Plan and associated debt service and amortization costs for inclusion within the Ministry's revised three-year Service Plan.
3. Treasury Board approves the Ministry's operating budget for the upcoming fiscal year, subject to consent of the Legislature (see step #1).
4. Once funding has been approved, a capital project Certificate of Approval (COA) is prepared (Section 3 - Capital Project Certificate of Approval), and the institution is advised it may proceed with design, and in some instances, also construct and complete the project.

## DIAGRAM 2

### MINISTRY OF ADVANCED EDUCATION TYPICAL CAPITAL PLANNING CYCLE



## 1.2 CAPITAL PROJECT PROPOSALS

*AVED does not fund space for non-base funded activities, such as continuing education, contract training, international students or other types of full cost-recovery programs and services.*

### CONTEXT

In addition to this Guide, the *CAM framework* is available as a resource for general information regarding overall government strategies, suggested solutions, and best practices in managing the planning, design, construction, maintenance and renewal of capital assets. For example, planning for development of individual projects for an institution's Multi-Year Capital Asset Management Plan is discussed in the *CAM framework*, while project risk assessment is outlined in Chapter 3. (Links to Chapter 4, Section 4.3 to 4.5 and Chapter 3, Section 3.2 are in the Table of Contents of the *CAM framework*.)

### PROJECT PRE-PLANNING PHASE

Generally, pre-planning involves the following key elements, also outlined in Section 1.1 - Capital Planning:

- *Problems defined* through a facilities needs assessment, e.g. existing capacity compared to current and projected demand, facilities condition audit, etc.
- *Solutions identified* through an options analysis, including strategies to reduce the need for government capital funding or to avoid the need for capital, e.g. distance learning and increased utilization.

#### Needs Assessment

The determination of need begins with an analysis of the level of utilization or the available capacity of existing facilities. The foundation for this analysis is current facilities inventory, and instructional activity data.

Demand analysis then involves projecting space needs to the anticipated completion date of the proposed project (3-5 years into the future) based on factors such as presumed enrolment growth emerging from an approved multi-year operating plan, increase in faculty or administrative staff, and/or the notional allocation of space based on space standards for the relevant sector.

#### Options Analysis

As presented in Section 1.1, (Capital Planning) AVED encourages post-secondary institutions to be as capital self-reliant as possible, and therefore less dependent on government funding. This should be viewed as the overarching context for developing options to address space demands.

As a first step, institutions should explore avenues for increasing activity and/or improving utilization of existing facilities to avoid constructing new space. Secondly, alternatively funded projects should be considered. This includes self-financing, capital fund raising, donations of funds or equipment, or other forms of partnerships described in more detail in *CAM framework*.

#### Business Case

The Business Case verifies that the most efficient, effective option is being proposed. It is used to support the Capital Planning and Project Management Branch recommendations of the project for

funding. Costs associated with development of a project's Business Case may be funded from an institution's Annual Capital Allowance (ACA).

The level of detail required in a Business Case is dependent on a number of factors, including the total project cost, degree of financial risk, complexity of the project, and whether or not alternative financing is proposed. *It is recommended that the Capital Planning and Project Management Branch be contacted to discuss each specific project prior to proceeding with the Pre-Planning phase.*

The Business Case typically includes the following elements:

- An approved Multi-year operating plan (*It is recommended that the Universities and Research, and Post Secondary and Industry Training Branches be contacted for further detail on this element*);
- A functional space plan, also referred to as 'space program', based on the Space Standards for the relevant sector: University Colleges, Colleges and Institutes or Universities.
- Project cost estimates utilizing the budget model for the relevant sector: University Colleges, Colleges and Institutes or Universities. The detailed Budget Model estimate should be included even if used as a comparison to a project capital cost developed in some other manner. The Budget Model also provides net-to-gross area calculations, based on the net assignable spaces set out in the Functional Space Plan.  
and,
- A Project schedule.

Additional documentation should be provided in each of the following areas, as required:

➤ **Land Acquisition**

- Reasons for acquisition;
- Investigation of potential additional costs due to ground factors such as slope, rock, environmental and seismic considerations, etc.
- Total cost estimate of acquisition and consultant fees, including related taxes; and,
- Potential future development of land, including an estimate of total cost of development.

➤ **New Buildings/Major Renovations**

- Planned use(s) of the building, e.g. new, existing or combined programs or services;
- Details of building function;
- Impact on operating costs, including salaries;
- Impact on space inventory;
- Total project cost estimate including land acquisition, consultant fees, construction, site works, furnishings, etc.; and,
- AVED approval of the *multi-year operating plan* and/or FTE allocation, if relevant.

➤ **Technical Consultants Reports**

- Copies of technical reports such as Architectural, Engineering, Quantity Surveyor and other specialist consultants that were used to develop the Business Case.

➤ **Project Procurement**

- Government preference is to procure publicly funded projects through the Stipulated Sum Contract method. See Section 2.3 Tender Phase for more information. (Chapter 2 Capital Project Development)
- The Business Case should provide options for alternative procurement methods, when they are being contemplated.

➤ **Project Management**

- Consideration should be given to the requirement for professional project management, on a case-by-case basis. See Section 2.0 Project Development Summary for more information. (Section 2.0 Capital Project Development)

# **1.3 BRITISH COLUMBIA KNOWLEDGE DEVELOPMENT FUND (BCKDF) CAPITAL PROJECT REQUESTS**

## **INTRODUCTION**

It is recommended to involve AVED as early as possible in the planning of capital project requests, particularly the Capital Planning and Project Management Branch, the Universities and Research Branch and the Post Secondary and Industry Training Branch. It is also recommended that faculty and staff developing the research component of the proposal consult with the institution's Facilities and Research staff when developing the project's capital budget for construction and/or renovations.

## **OVERVIEW**

The British Columbia Knowledge Development Fund (BCKDF) provides capital funding for research infrastructure (both equipment and associated facilities) for public post-secondary institutions, teaching hospitals, and affiliated non-profit agencies.

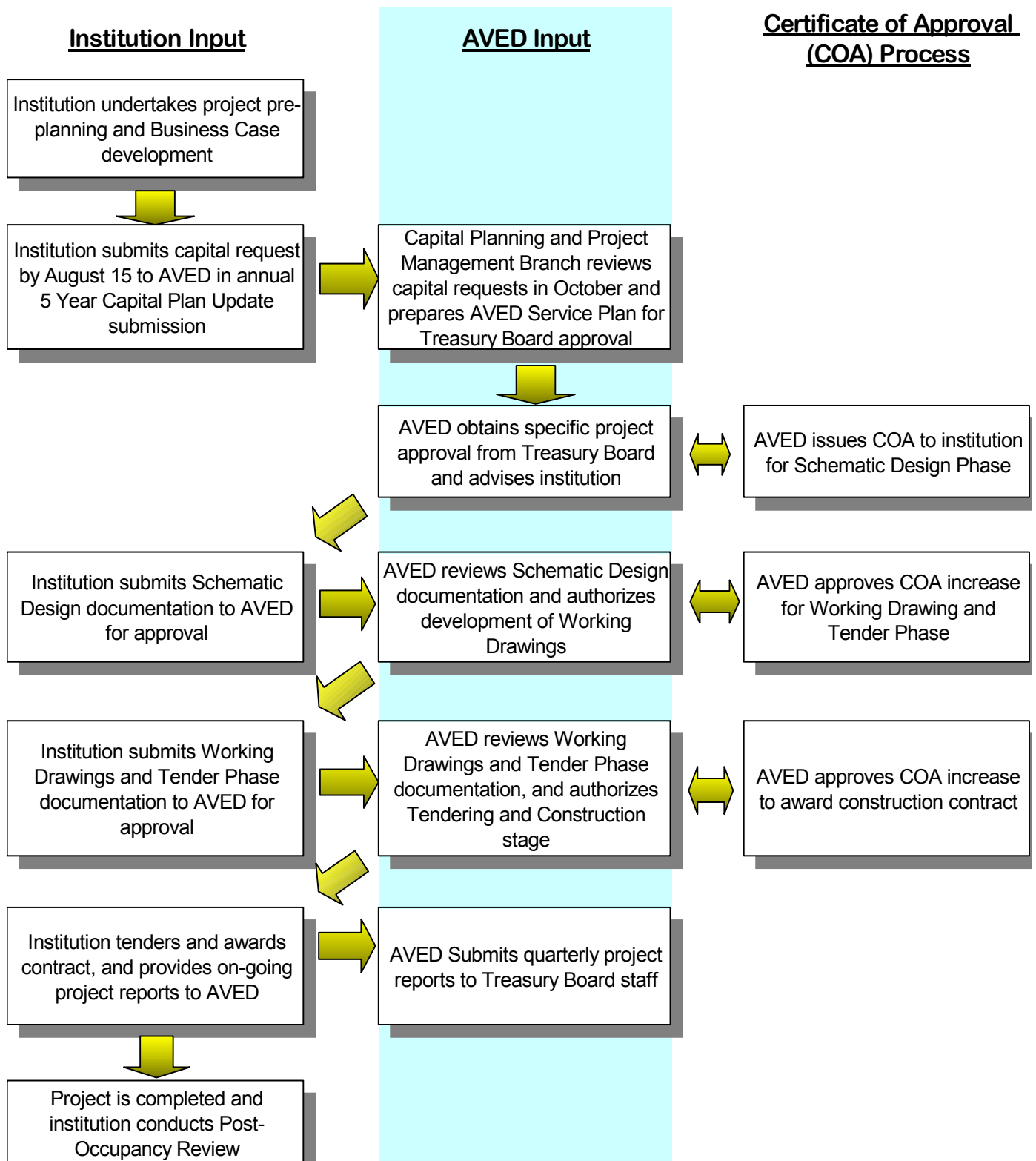
BCKDF is a matching program, partnering with the federal government's Canada Foundation for Innovation (CFI) and the private sector. Successful applicants receive BCKDF funding of up to 40 percent of total eligible project cost. Normally, CFI provides 40 percent, with other non-provincial government partners, such as those from business and industry, providing at least 20 percent. BCKDF funding is limited to the lesser of the approved share of the estimated or actual eligible costs. Meeting any cost overruns is the exclusive obligation of the proponent institution.

## **BCKDF REVIEW CRITERIA**

Proposals submitted for BCKDF are assessed against the following criteria:

- Maximize the economic and social benefits of investing in research infrastructure within British Columbia;
- Promote excellence in research and enhance research infrastructure within the province;
- Encourage increased collaboration among the province's post-secondary institutions, as well as between post-secondary institutions and industry;
- Improve British Columbia's ability to attract and retain high quality researchers and skilled technicians; and,
- Ensure British Columbia's post-secondary public institutions and teaching hospitals are able to compete successfully for private sector and federal funding.

# 1.4 DEBT-SERVICE CAPITAL PROJECT DEVELOPMENT



**FLOW CHART**

## 2.0 CAPITAL PROJECT DEVELOPMENT

Section 1.4 is a Capital Project Process Flow Chart illustrating the typical development process. (See Chapter 1- Capital Project Development).

### OVERVIEW

The Ministry of Advanced Education (AVED) approves and monitors project development with concurrence from Treasury Board (TB). TB approval requirements are discussed in the CAM framework. These requirements place responsibility on AVED to provide sufficient project monitoring and cash flow management throughout the life of a project.

### APPROVAL POINTS

AVED's primary role throughout project development is to provide advice and expertise to assist in the completion of projects within the approved scope and budget, and in a timely manner. This may involve review of data at specific milestones throughout the project to ensure funding can be made available for each project phase. The approval points are as follows:

- *End of schematic design phase*: from this point, institutions are to continue the project through design development, working drawings and tender documents;
- *End of working drawings and tender document phase*: from this point, institutions are to proceed to project tender; and,
- *Approval of the recommended award of tender*: from this point, institutions award the contract to the lowest qualified bidder, and proceed through construction and completion of the project.

### DATA SHARING

Institutions need to provide data at specific milestones to confirm projects are achieving the intended goals of scope, budget and schedule. Project-specific data sharing requirements, such as the frequency and detail of information on project schedule and cash flow, are typically outlined in the covering letter sent to the institution with the first Certificate of Approval (COA).

### PROJECT PERSONNEL

Successful planning and delivery of capital projects often requires a combination of in-house resources and expertise and outside consultant services. Section 7, of CAM framework provides additional information (a link to Section 7 is in the Table of Contents of the CAM framework).

## **VALUE ANALYSIS**

It is recommended that Value Analysis be used as an on-going cost management strategy throughout the planning and design process to optimize project value for design options, including life cycle costing.

## **METHOD OF PROCUREMENT**

Consistent with CAM framework, Section 9.2.3, with limited exceptions, capital projects should be procured through the Stipulated Sum contract method. (A link to Section 9.2.3 is in the Table of Contents of the CAM framework.) This approach minimizes financial risk during construction. If an alternative method is proposed, it would be approved on the basis that the institution assumes responsibility for all costs over and above the original approved budget from funds sourced outside of government. Alternative methods of procurement are discussed in CAM framework, Section 8.4, (a link to Section 8.4 is in the Table of Contents of the CAM framework).

## 2.1 SCHEMATIC DESIGN PHASE

### INTRODUCTION

Once a project has been approved for provincial capital funding, the Capital Planning and Project Management Branch issues a Capital Project Certificate of Approval (COA) (Chapter 3 - Certificate of Approval Process). See Section 3.1 to undertake the schematic design. Depending on the total project costs and/or complexity of the project, some COA's may be for total project costs. Schematic design is also discussed in the Framework, Chapter 8.5.3.1.2. (A link to Section 8.5.3.1.2 is in the Table of Contents of CAM framework.)

### DOCUMENTATION SUPPORTING THE REQUEST TO PROCEED WITH DESIGN

The Capital Planning and Project Management Branch is required to review the designed scope, cost estimate and project schedule at the end of schematic design, at which time the design may be approved and the COA increased.

The following documents are submitted to the Capital Planning and Project Management Branch at completion of schematic design:

- **Drawings/Report**
  - Site plan, elevation and architectural floor plan schematic drawings.
- **Scope Confirmation**
  - Summary of net assignable and gross areas (metric), based on the schematic line drawings, confirming the relationship to the approved space plan.
- **Budget Estimate**
  - A Quantity Surveyor estimate of all site and construction costs based on the schematic drawings and escalated to the anticipated date of tender demonstrating that the project meets the original parameters around project scope (metric net assignable and gross areas) and budget. Provide a separate estimate of total project costs including project soft costs, and equipment costs prepared by the institution or its project manager.
- **Schedule and Cash Flow**
  - To enable AVED to manage its overall capital spending and the associated debt costs charged to the operating budget, the Ministry needs year-by-year cash flow projections that coincide with the project schedule.

## 2.2 WORKING DRAWINGS AND TENDER DOCUMENT PHASE

### DOCUMENTATION SUPPORTING THE REQUEST TO PROCEED TO TENDER

When the development of a project has reached at least 95% of working drawings and specifications, the following documentation is submitted to the Ministry's Capital Planning and Project Management Branch:

#### ○ Drawings/Tender Documents

- Set of *finalized* site, elevation and architectural working, and verification that documents are complete for tender.
- Details of Separate and Alternative items for tendering to provide institutions with sufficient flexibility to stay within budget. Institutions are encouraged to include some Separate and Alternative prices in tender documents to either:
  1. Take advantage of market conditions if the bids are low; or
  2. Reduce the construction bid to come within budget by deleting items of work.

#### ○ Scope Confirmation

- Based on the working drawings, a summary of net assignable and gross areas (metric) prepared by the Quantity Surveyor and related to the approved space plan.

#### ○ Cost Estimate

- A Quantity Surveyor estimate of all site and construction costs based on the working drawings and escalated to the anticipated date of tender compared to the original approved scope and budget. Provide a separate estimate of total project costs including project soft costs prepared by the institution or its project manager.

#### ○ Schedule and Cash Flow

To enable AVED to manage its overall capital spending and the associated debt costs charged to the operating budget, updated cash flow projections that coincide with the project schedule are also needed.

## **2.3 TENDER PHASE**

### **INTRODUCTION**

Once AVED approves working drawings and tender specification documents, and a pre-tender estimate confirms the design is within the approved scope and budget, an institution may proceed to call tenders for the project. The Capital Asset Management Framework, Chapter 8, outlines the provincial perspective on procurement, including the calling and awarding of tenders. (A link to Chapter 8 is in the Table of Contents of CAM framework.)

### **DOCUMENTATION SUPPORTING THE REQUEST TO AWARD TENDER**

To award tender and obtain an increase in the project Certificate of Approval to complete the project, (Section 3.1, Chapter 3 - Certificate of Approval Process) institutions submit the following to the Capital Planning and Project Management Branch:

- Complete list of all qualified bids, in summary;
- Summary of all addenda to the tender documents issued since tender document approval; and,
- Project schedule and cash flow projections (monthly projections for the first fiscal year).

### **INSURANCE REQUIREMENTS**

Insurance related documents are required for all institutions covered by the government self-insurance program. At the tender document phase, insurance related documents are to be referenced, based on the requirements in the University, College and Institutes Protection Program Manual, and to AVED's loss prevention agency, with a copy of the covering letters forwarded to AVED.

## **2.4 CONSTRUCTION AND COMPLETION PHASE**

### **SCHEDULE and CASH FLOW**

Throughout construction, institutions submit updated schedules when there are substantial schedule changes and updated cash flow projections on a quarterly basis. Data sharing details are outlined in the cover letter issued with the initial Certificate of Approval (COA).

## **2.5 COMMUNICATIONS and ANNOUNCEMENTS**

### **INTRODUCTION**

The provincial role in capital project-related public announcements is coordinated through government's Public Affairs Bureau. The government-wide communications strategy is discussed in Chapter 6, of the CAM framework. (A link to Chapter 6 is in the Table of Contents of CAM framework.)

Communications staff from the Public Affairs Bureau will work directly with their counterparts at each institution to coordinate public announcements, media releases, etc.

### **INFORMATION REQUIRED**

- At the time of submitting the final working drawings to AVED (or sooner if an earlier announcement is planned), institutions will be requested to provide the following information to assist in the coordination of any potential public announcement, media event or media release for the project:
- Brief description of building functions and educational purpose; and,
- Quotes from the Board and/or the Chief Executive Officer on the benefits of the project.

A government-institution joint news release may be prepared and issued either at the time of tender call or for a groundbreaking event.

# 3.0 CERTIFICATES OF APPROVAL

## OVERVIEW

Provincial funding for debt-service capital projects is financed through the Certificates of Approval (COA) process. Chapter 13, Section 13.1.1 of the Capital Asset Management Framework discusses this process in greater detail (a link to Chapter 13, Section 13.1.1 is in the Table of Contents of the CAM framework).

## COA PROCESS AND MINISTRY RESPONSIBILITIES

A COA is issued under an identification number, and, if required, future releases of funds are provided under a revision to that original number. If there is an amendment to the approved project budget, the original COA is updated. Depending on the total project cost and project complexity, some projects may receive total funding with one COA. For all others the following is the typical COA process:

- The initial COA is issued for sufficient funds to complete the Schematic Design Phase.
- The COA is then revised to increase funds to prepare Working Drawings and complete construction tender documents.
- A final COA revision is made to provide funds to allow the awarding of the construction contract.
- The COA may be amended as a result of any approved change in budget. (See section 1.3, Emergent Capital Funding.)
- COA expiry dates are determined by the expected duration of the capital project, based on the project schedule proposed by the institution. COA expiry dates may be extended upon written request to the Capital Planning and Project Management Branch. An amended COA is issued to extend the COA.

Components of Section 2, Project Development, outline those documents to be submitted to the Capital Planning and Project Management Branch at each project phase to obtain funding through COA's. (Section 2.0 - Project Development).

For cost-shared projects, (e.g. BCKDF) COA's will not be issued until all other sources of funding have been committed and endorsed by the institution. Government does not 'seed' projects to leverage funding from other sources.

## DATA SHARING

The frequency of project status data sharing from institutions will be identified in the COA cover letter, and will depend on project size and complexity. Typically, project status data from institutions is required quarterly, with more frequent data submissions for high-risk or larger scope projects.

# **4.0 ALTERNATIVE FINANCING**

## **EXAMPLES OF ALTERNATIVE FINANCING**

### **Self-Financing**

Many post-secondary capital projects are self-financed by the institution. Legislative requirements must be met in order to proceed with a self-financing project. See Section 4.1 Self-Financed Projects for details. (Chapter 4 – Alternative Financing)

### **Private Public Partnerships (P3's)**

There may be opportunities for P3 Projects within the post-secondary system. Current examples include research related capital projects funded through the BC Knowledge Development Fund (BCKDF). See Section 4.2 (Chapter 4 – Alternative Financing)

### **Cost Sharing – Provincial And Institutional Funding**

The ratio of government-to-institution contribution for this type of project would be determined by criteria such as the size of the institution (numbers of FTE's, size of total inventory, etc.), geographical location, current assets (land availability, fund raising ability) and ability to fundraise (e.g. alumni base, size of the corporate sector in the community).

## 4.1 SELF-FINANCED PROJECTS

### CONSENT OF THE PROVINCE - LEGISLATION

The following Provincial Statutes govern the consents required for public post-secondary institutions to borrow funds (i.e. enter into a mortgage) to acquire and/or develop property:

*Universities (including Thompson Rivers University)*

Section 50 (2), *University Act*, RSBC 1996, Chapter 468

Section 58 (1), *University Act*, RSBC 1996, Chapter 468

*University Colleges and Institutes (including BCIT)*

Section 34 (1), *College and Institute Act*, RSBC 1996, Chapter 52

*Note: If the terms of a proposed mortgage identify specific property as collateral, the institution may also require approval to dispose of its interest in the property by mortgage. See Section 5 of this guide for disposal procedures.*

### DOCUMENTATION SUPPORTING A REQUEST TO SELF-FINANCE A PROJECT

#### A covering letter to include:

- A formal request under [cite the appropriate legislation], for consent of the Province of British Columbia to borrow funds for a capital project;
- A brief description of the proposed project;
- Estimated total development cost of the project;
- Total area (square metres (m<sup>2</sup>)) to be built; and
- The maximum amount of funds to be borrowed.

#### Board Motion:

The following is suggested wording for the Board motion required under legislation:

“That [*name of the post secondary institution*] moves to seek consent of the Minister of Advanced Education and the Minister of Finance in accordance with [*cite relevant legislation*], to borrow up to [*total amount of borrowing requested*] for the purpose of [*describe purpose of borrowing*]; and, to commit to fully fund from sources other than the Province of British Columbia all on-going costs, including principal and interest payments related to such borrowing.”

## **Business Case**

A business case demonstrating that the project can be self-funded is also required. It should contain the following elements:

### *Project Budget*

- Scope: Include a space program or method of calculating total area needed.
- Cost: Use the appropriate post-secondary Project Budget Model (University Budget Model) or (University-Colleges, Colleges and Institutes Budget Model) or an independent cost estimate to calculate a complete budget breakdown. If an independent cost consultant was used then complete and include the Project Budget Model as a cost comparator.
- Supplementary Documentation: Include a summary of consultant reports prepared during pre-planning or feasibility phase.

## **Project Schedule**

- Provide a proposed project schedule, to include anticipated start of construction and project completion dates.
- Identify any further regulatory required approvals (e.g. environment, zoning, etcetera).
- Identify any politically sensitive issues related to this project (e.g. land claims, expropriation, taxation, etcetera).

## **Cost of Borrowing and Repayment Schedule**

- Provide the total estimated project cost, less any one-time capital contributions to establish a total amount of borrowing required. Identify all sources of one-time funding, e.g. capital reserve, fundraising campaign, Foundation, etc.
- Identify interest rate(s), length of borrowing term (e.g. 5 years), and total amortization period (e.g. 20 years) that are available for this project.
- Identify if the proposed loan is likely to have rate increases for future terms or if it is fixed for the total amortization period of the mortgage.
- Provide an amortization or repayment schedule that identifies the amount of principal and interest payments per year, based on the interest rate(s), borrowing term at each interest rate, and the full amortization period. Incorporate all revenues and expenses associated with the facility into this schedule and identify the net difference between revenues and expenses.
- Revenues - Identify all sources of revenue and annual amount by source, and provide assumptions behind each annual amount (e.g. for Contract Training provide summary of historical contract revenue dedicated to facility costs, and future projected revenue; for student fees provide historical number of students per year and projected number of students per year, at \$XXX for facility costs per student per year; etcetera).
- Expenses – Identify all projected on-going facility costs associated with the proposed capital project, including principal and interest mortgage payments (from amortization/repayment schedule) and maintenance costs.

## **4.2 PUBLIC PRIVATE PARTNERSHIPS (P3's)**

### **PROVINCIAL CONTEXT**

A P3 is one of several 'alternative capital procurement' methods that could be employed to design, build, finance, and/or operate a public facility. Essentially, for a P3 to be successful the benefits and risks must be appropriately shared between the public and private partners. The CAM framework Chapter 4.4.1.2 has greater detail on this (a link to Section 4.4.1.2 is in the Table of Contents of CAM framework).

Partnerships British Columbia is a company owned by the Province, and is responsible for assisting public agencies in analyzing P3 proposals. (Partnerships BC)

### **THE MINISTRY OF ADVANCED EDUCATION (AVED) CONTEXT**

There may be opportunities for P3 projects in the public post-secondary system, but considerable planning is required to quantify and measure both the costs and benefits of a P3, as well as to fully develop a similar cost-benefit analysis of a traditionally funded and developed projects as a public comparator.

### **P3 SCREENING CRITERIA**

Chapter 4.4.1.2.2. of the Framework (a link to Section 4.4.1.2.2 is in the Table of Contents of CAM framework) identifies six basic criteria to assist in identifying the P3-ability of a proposed project.

## **4.3 ASSET LEVERAGING**

### **AVED CONTEXT**

All public post-secondary institutions own property (land and/or buildings, that include long term leases), with nearly all of these assets acquired with provincial funding. While some institutions are more property-endowed than others, not all property, particularly bare land, may be immediately required for educational purposes. In the spirit of reducing costs to taxpayers of new capital projects, AVED supports innovative initiatives to maximize the revenue potential of institution-owned property, as long as the revenue obtained is used for educational purposes, and more specifically to offset the cost of capital projects normally funded by government. This is referenced in the Capital Asset Management Framework, Section 4.4.1.3 as Asset Leveraging (a link to Section 4.4.1.3 is in the Table of Contents of the CAM framework).

### **THE PROCESS**

The declaration of assets as surplus to the long-term needs (e.g. 25 year) of an institution may result from strategic planning that links educational planning with facilities and asset management. If property is identified as surplus in this manner, revenue is typically generated through disposition via lease of the asset. For further information on disposal through lease see Section 5.2.

## **4.4 ENERGY EFFICIENCY**

### **PROVINCIAL CONTEXT**

Green Buildings BC provides mechanisms for institutions to participate in the provincial Retrofit Program. It has been adapted to AVED's process in Chapter 4, Section 4.1 to obtain approval to borrow, and is described below.

### **PLANNING PROCESS FOR EFFICIENCY RETROFITS**

Energy retrofit projects are required to be completely self-financing (i.e. the operating cost savings resulting from the capital project should pay the cost of the capital expenditure over a reasonable amount of time, typically 7-10 years).

Prior to undertaking an energy efficiency retrofit project, institutions should develop a Business Case, often referred to as a Feasibility Study, to confirm the type of energy systems in use, current utility usage and associated annual costs, the projected annual cost savings that can be achieved, and the capital cost to undertake the retrofit.

The Comprehensive Feasibility Study will more precisely define the self-financing retrofit measures that could be implemented in the institution's facilities, and can determine if an energy retrofit project can self-finance itself through the achieved savings. The cost to undertake the Study can be self-financed through borrowing as well.

The Retrofit Program's "How-to Guide" provides more information on developing a Business Case specific to energy retrofit projects.

# 5.0 ACQUIRE AND DISPOSE OF PROPERTY - OVERVIEW

## LEGISLATION

The following Provincial Statutes govern the acquisition and disposition of property by post-secondary institutions:

### *Disposition – Universities (including Thompson Rivers University)*

Section 50(2), *University Act*, RSBC 1996, Chapter 468: Requires consent of the Lieutenant Governor in Council for Universities to dispose of property (consent is not required to acquire property).

Section 4 (1), *Thompson Rivers University Act*, Bill 2 – 2005 – application of *University Act*.

### *Disposition and Acquisition – University Colleges, Colleges and Institutes (including BCIT)*

Section 50(2), *College and Institute Act*, RSBC 1996, Chapter 52: Requires University Colleges, Colleges and Institutes to obtain consent of the Minister of Advanced Education and the Minister of Finance to acquire or dispose.

### *Incidental Acts*

Section 29 of the *Interpretation Act*: clarifies the following definitions:

- **"acquire"** means to obtain by any method and includes accept, receive, purchase, be vested with, lease, take possession, control or occupation of, and agree to do any of those things, but does not include expropriate;
- **"dispose"** means to transfer by any method and includes assign, give, sell, grant, charge, convey, bequeath, devise, lease, divest, release and agree to do any of those things; and
- **"property"** includes any right, title, interest, estate or claim to or in property.

Section 20 of the *Land Title Act*: Exempts leases (a form of disposal) of less than 3 years from being registered on the title of property.

# 5.1 ACQUIRE OR DISPOSE OF PROPERTY

## INTRODUCTION

This Section describes the procedure for requesting approval to acquire or dispose of land and/or buildings, other than by leases or by joint-use agreements, which are covered in Section 5.2 (Leases).

*Prior to the commitment of substantial time and funds, it is recommended that institutions discuss with the Capital Planning and Project Management Branch any proposal to acquire or dispose of property.*

## PROCEDURE FOR ACQUISITION

Submit to the Capital Planning and Project Management Branch the request for approval to acquire, with the following information:

- A copy of the survey plan with the land and/or buildings outlined in red;
- Legal description of the property;
- Total cost of acquisition;
- Total cost of improvements if applicable;
- Future operating costs;
- Board resolution approving the acquisition request;
- A copy of the Certificate of Title and Certificate of Encumbrance that confirms ownership by the seller;
- Business Plan for loan payments, if applicable. For more information see Section 4.1, Self-Financed Projects (Chapter 4 Alternative Financing); and
- If the particular site has conditions that may cause significant supplemental site development and building costs for future construction, reports from appropriate consultants may be requested.

*If the terms of a mortgage needed to acquire the property in question identify the property as collateral, the institution may require approval to dispose of its interest in the property by mortgage. See Section 4.1 for further information on consent to borrow.*

## PROCEDURE FOR DISPOSAL EXCEPT BY LEASE

The institution submits its disposal request to the Capital Planning and Project Management Branch. The following documentation should accompany the request:

- A copy of the estimated value of the property as determined by one or more independent appraisals (Disposal is at fair market value unless exceptional circumstances are approved);
- A Board resolution to dispose of the property, including a statement that disposal of the property will not affect the future delivery of educational programs by that institution;
- A copy of the survey plan with the property outlined in red;
- A copy of the Certificate of Title verifying any specific public purpose limitations on the land established by a crown land grant; and
- Legal description of the property.

*Any outstanding provincial debt on property disposed of by an institution must be extinguished from the net proceeds of the sale. Also, under Section 50 (4) of the College and Institute Act, if a*

*University College, College or Institute disposes of property acquired or improved with provincial funding, use of the proceeds of the disposal require consent of the Minister.*

## **5.2 ACQUIRE AND DISPOSE OF PROPERTY THROUGH LEASE**

### **INTRODUCTION**

Universities do not require consent to acquire property, including through a lease. For information on relevant legislation see Section 5.0.

*Prior to the commitment of substantial time and funds, it is recommended that institutions discuss with the Capital Planning and Project Management Branch any proposal to acquire or dispose of property through lease.*

### **PROCEDURES FOR ACQUISITION BY LEASE**

Once University Colleges, Colleges and Institutes have determined, through consultation with the Capital Planning and Project Management Branch, the location, size, cost, and duration of the lease, formal requests are submitted to the Capital Planning and Project Management Branch with the following information:

- A copy of the proposed lease including a survey plan (or architectural floor plan) with that portion of the property or building to be leased outlined in red;
- Legal description of the property;
- Sketch plans of tenant improvements (if applicable) and cost estimates;
- Board resolution to request the lease approval; and
- Confirmation from the institution's legal advisor stating that the lease agreement has been vetted to ensure full protection of the institution's rights and interests.

As operating and maintenance costs for leases are paid out of the institution's operating budget, it is advisable to ensure that the landlord provides insurance on the building. The Goods and Services Tax (GST) will be charged as applicable on all AVED-funded leases. Institutions claim the maximum rebate available under legislation, and AVED funds net GST (at 2.31%) as part of the lease cost. Any income generated by the institution on the leased property must be applied toward the lease cost to reduce the funding required from government.

### **Registration of the Lease at Land Titles Office**

Pursuant to Section 20(1) of the *Land Title Act*, if the lease is to be in effect for a period of three or more years, the lease and option to renew may be registered at the Land Titles Office. If an institution does not register leases with durations greater than 3 years, the leaseholder risks the lease being terminated if the land is transferred. Although there is no legislative requirement to register the lease, it is in the lessee's interest to ensure that longer-term leases are registered as a charge against the property. For the purpose of registration, University-Colleges, Colleges and Institutes must provide the original signed Consent Form to the Land Titles Office.

### **Insurance**

Institutions covered through the provincial self-insured program should refer to the Protection Program Manual for insurance requirements relating to leases. Chapter 6.3 of this guide has additional information on insurance for post secondary institutions.

## **PROCEDURE FOR LEASE RENEWAL**

Additional approval is not required for a lease renewal if the original lease approval included the option to renew for the proposed full term. However, if the renewal option is exercised, the institution must notify the Capital Planning and Project Management Branch. For example, if the cost of the renewal is greater than the original lease cost, the Ministry must still approve the additional funding.

If a lease is about to expire, and all renewal options have been exercised, extending the lease requires approval as if it were a new lease.

## **PROCEDURES FOR DISPOSAL BY LEASE**

The following guidelines may assist the institution when considering the disposal of buildings and/or land through a lease, and the preparation of lease documents:

- For settlement of disputes related to the agreement it is suggested to include a reference to the *Commercial Arbitration Act*.
- Third party liability insurance is the responsibility of the tenant. As lessor, the institution is responsible for obtaining coverage from fire loss and other standard property risks. Related costs are to be included in the lease cost.
- Approved lease rates normally reflect current local market conditions. To ensure optimal revenue, the institution may invite bids and/or advertise locally.

The documentation required with the institution's request to the Capital Planning and Project Management Branch for approval to dispose through lease is the same as the documentation for acquisition described above.

# **6.0 SELF-INSURANCE PROGRAM**

## **INTRODUCTION**

This Program currently covers all institutions, excluding Simon Fraser University (SFU), the University of British Columbia (UBC), and the University of Victoria (UVIC).

## **PROVINCIAL CONTEXT**

The provincial government, on behalf of eligible public agencies, self-insures certain property, comprehensive general liability and crime risks. The Provincial Treasury Risk Management Branch (RMB) is responsible for the provincial Protection Program, which includes insurance coverage for post secondary institutions that choose to participate. A broker and engineering loss prevention consultant firm is contracted by RMB to provide claims management and administration of the Program.

For additional Program information contact RMB directly or go to their website at Ministry of Finance Provincial Treasury Risk Management Branch.

## **MINISTRY OF ADVANCED EDUCATION (AVED) ROLE**

Funds for payment of insurance claims are part of AVED's general operating budget. As a deductible, the institution contributes the first \$3,000 of each loss or damage to assets claim. The Ministry funds the remainder.

Optional insurance for non-owned property and personal accident is available through the Protection Program at the institution's cost, as is property insurance for buildings leased to others. Insurance for joint-use facilities is assessed on a case-by-case basis, and insurance is arranged as required.

A description of the coverage and requirements of the AVED's self-insurance program is contained in the Colleges and Institutes Protection/Insurance Program Reference Manual.

To obtain updated Program information contact the RMB directly.