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COLUMBIA

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Honourable Richard Neufeld
Minister of Energy, Mines and Petroleum Resources
Room 134 Parliament Buildings
Victoria BC V8V 1X4

Dear Colleague:

Re: New Capital Standard

At his address to the Union of BC Municipalities on October 27, 2006 the Premier announced that public private partnerships (P3s) would be the "base case" for provincially funded capital projects over \$20 million.

Effective immediately, this policy applies to all ministries, Crown agencies and other agencies within the government reporting entity. The new standard also applies to local government projects where the province is contributing more than \$20 million to the capital cost of a project.

The focus of this policy is to ensure that there is a rigorous examination of options in the planning stage, to ensure that provincial capital investments provide the best value for money for taxpayers.

This letter outlines how this policy will be implemented across all agencies within the government reporting entity.

To which projects does the new capital standard apply?

- A public private partnership will be considered the base case for procurement in a business case where the province would be contributing more than \$20 million to the capital cost of a project, including information management/information technology (IM/IT) projects.
- For the purposes of this policy, the provincial contribution to a project includes all financing assumed from the following sources:
 - Funding provided directly by provincial ministries toward the capital cost;
 - Cash balances which arise from funding provided by provincial ministries;
 - All borrowings that are consolidated in the province's summary financial statements.
- Funding from sources outside the government reporting entity are explicitly excluded e.g. federal funding, external foundations, donations.

How does this new standard fit in the planning and approval process?

The following principles will form the basis for the review and approval of capital projects and associated business cases to which the new standard applies:

- A public private partnership/alternative service delivery arrangement will be considered the base case for procurement in a business case where the province would be contributing more than \$20 million to the capital cost of a project.
- Ministries, agencies or local government are not required to use Partnerships BC or the Alternative Services Delivery Secretariat (ASD Secretariat) in the Ministry of Labour and Citizens' Services, to prepare business cases; other firms and organizations may be used to assist in the preparation of business cases. Partnerships BC and the ASD Secretariat are the agencies that Treasury Board relies upon to review and comment on business cases for projects, in particular the recommended procurement option.
- Other procurement options may still be supported based on a value for money analysis of options against the base case. (e.g. consideration of risk, scope for competition, and quantitative and qualitative analysis)
- Where there is previous experience with similar capital projects within the province, this experience should be incorporated into the procurement analysis with the primary focus on unique project specific issues.
- The procurement options analysis is to be neutral with respect to the source of capital; business cases should assume that the Province will provide an equivalent financial contribution for partnership structures in order to ensure that the comparative analysis is neutral with respect to funding or accounting.
- The recommended procurement option is to be supported by the value for money analysis.
- For infrastructure projects, Partnerships BC will review the options analysis in each business case and make recommendations to Treasury Board.
- For IM/IT projects, the ASD Secretariat will review the options analysis in each business case and make recommendations to Treasury Board.
- Treasury Board approval of project business cases is required prior to an agency proceeding to procurement for the capital project.
- Partnerships BC will be included on the Steering Committee for all projects that are procured using a public private partnership model, to facilitate sound governance and application of best practices.
- The ASD Secretariat will be included on the Steering Committee for all IM/IT projects that are procured using an alternative service delivery model, to facilitate sound governance and application of best practices.

Additional guidance on complying with this policy

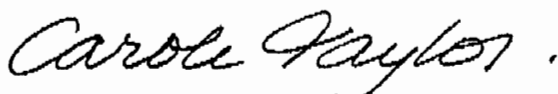
The Ministry of Finance is working with Partnerships BC and the ASD Secretariat to develop detailed business case guidance that will assist agencies in planning capital projects in accordance with this policy. It is expected that this guidance will be available within the coming weeks.

If your staff has questions regarding this policy in general, they should contact your Treasury Board analyst. Questions regarding the review work to be completed by Partnerships BC and the ASD Secretariat should be directed to those respective agencies.

Please ensure that this letter is communicated to all agencies for which you have responsibility.

Thank you for your attention to this important matter.

Sincerely,



Carole Taylor
Minister

pc: Honourable Gordon Campbell
Premier

Greg Reimer
Deputy Minister

Doug Callbeck
EFO

Lori Wanamaker
Deputy Minister
Ministry of Labour and Citizens' Services

John Bethel
Assistant Deputy Minister
Ministry of Labour and Citizens' Services

Larry Blain
President
Partnerships BC