



Cost Containment through Co-operation

1997
Annual
Report

British
Columbia
Buildings
Corporation

C o n t e n t s

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British Columbia Buildings Corporation (BCBC) is a Crown corporation established in 1977 to provide accommodation and real estate services to the provincial government.

BCBC seeks best-value solutions to the accommodation needs of its clients - the ministries of government and other publicly funded organizations.

BCBC provides accountability by establishing market-based rents, payable by its clients to the Corporation. The Corporation, in turn, pays dividends to the provincial government from income earned through its operations.

BCBC is a highly decentralized corporation with a province-wide network of operating locations and with over two-thirds of its employees strategically located throughout the province.



Minister of Employment and Investment,
and Minister responsible for BCBC,
Dan Miller

His Honour,

The Honourable Garde B. Gardom
Lieutenant-Governor of the Province of British Columbia

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May It Please Your Honour,

The undersigned has the honour to present the Annual Report
of the British Columbia Buildings Corporation for the year ended
March 31, 1997.

A handwritten signature in red ink, appearing to read "D. Miller". The signature is fluid and cursive.

Dan Miller
Minister of Employment and Investment

Board of Directors

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L - R:

Bernie Kish
(Prince George)

Steve Orcherton
(Victoria)

Stephanie Green
(West Vancouver)

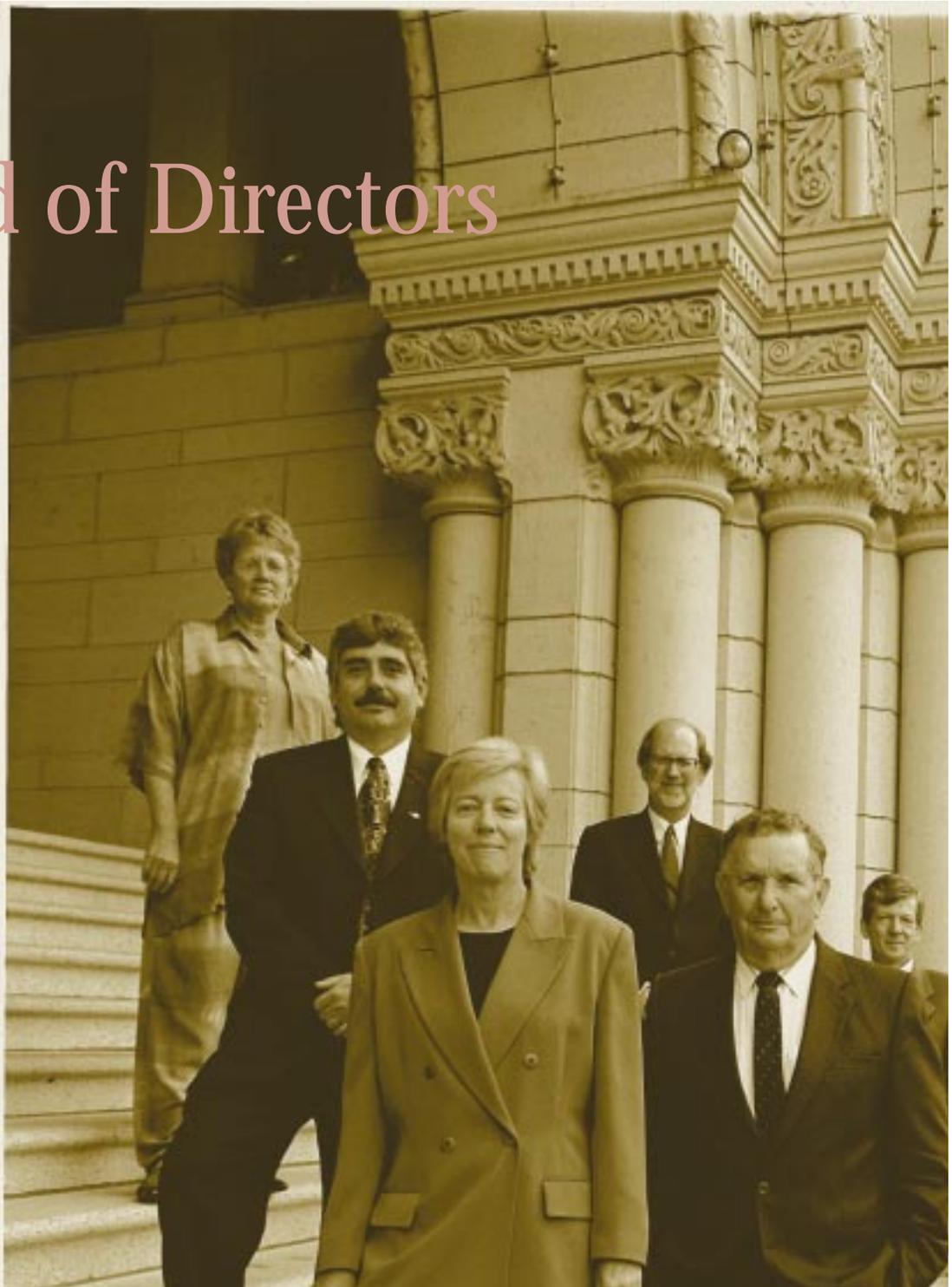
Michael Geller
(Vancouver)

Chair **William (Bill) Clark**
(Surrey)

Gerry Stoney
(Port Coquitlam)

Robert Hobson
(Kelowna)

Bruce Ferguson
(Surrey)



*Photographed at the
Legislative Buildings, Victoria.*



Management Committee

L - R: **Brian Kennedy** (Vice President, Property Management); **Sharon Halkett** (Vice President, Human Resources and Corporate Services); **John Bidlake** (Vice President, Client and Accommodation Services); **Dennis Truss** (President and Chief Executive Officer); **Jim Gugin** (Vice President, Real Estate Development); **Lak Parmar** (Vice President, Finance and Chief Financial Officer).

Special Note: As of May 1, 1997, John Bidlake undertook a special Vice Presidential assignment prior to his planned retirement from BCBC, effective August 31, 1997. Sharon Halkett was appointed Vice President, Client and Accommodation Services, effective May 1, 1997. The executive complement was restructured from a total of five Vice Presidents to four.

Photographed at BCBC head office in Victoria.

Facing the future with



Dennis Truss,
President and
Chief Executive Officer

Cost containment through co-operation is the theme of our annual report this year. This theme is a natural extension of the cost-minimization theme of our 1996-99 Strategic Plan. It is also a reflection of government's future direction —

both for government as a whole, and for BCBC as a Crown corporation and government's real estate and accommodation arm.

Our external environment continues to be challenging. The Province's current fiscal priorities translate into reduced funds for accommodation now and into the future. This will require the Corporation to work co-operatively with its clients to meet our common challenges.

In June 1996, the government announced a freeze and complete review of capital spending. Seven months later,

in January 1997, the Capital Review Final Report was released, containing over 100 cost-containment strategies for capital investment.

The Capital Review Report directed BCBC to undertake some 11 BCBC-specific cost-containment strategies, and to contribute its expertise to another 27 government-wide strategies. For example, BCBC and the Ministry for Children and Families were directed to undertake a pilot project in which BCBC would provide all facilities management services for the new Ministry for a one-year period.

I am pleased to say that the Corporation is well positioned to take on these significant challenges from government.

This past year constituted the first year of implementation of our 1996-99 Corporate Strategic Plan, through which we had already built a strong foundation for the undertaking of these challenges.

confidence

As part of this first-year implementation process, we completed a comprehensive review of our organizational structure and made the necessary realignments to improve the effective delivery of our services. In May 1996, we implemented a head office reorganization which enhanced our service delivery and reduced administrative processes and associated costs.

Our field reorganization was initiated in the fall of 1996 and essentially converted our Property Management Group to a new District Office model. We streamlined our existing 14 Property Management Units and three regional offices to eight District Offices, with an expanded number of service centres. This new field organization has enabled the Corporation to become more community-focused and to develop the required resources to support our growing base of regional customers. This has been a particularly significant advantage in the implementation of the Ministry for Children and Families facilities management pilot project.

The 1996/97 fiscal year has been a challenging yet successful year for the Corporation in other ways as well. The Strategic Plan aggressively targeted cost savings of \$10.9 million for this first year of implementation. During the year, in addition to these already demanding financial and operational targets included in our annual plan, the Corporation was requested to accelerate projected cost savings and reduce expenditures by an additional \$10 million.

I am pleased to report that, through aggressive cost-cutting in all parts of our business, strategic actions such as the early retirement program, working effectively and creatively with our customers – and most importantly, the dedication and commitment of all employees – savings for the fiscal year exceeded our \$20.9 million target – a truly outstanding achievement.

Facing the future with confidence

In addition, I am pleased to report that we were able to achieve a net income of \$39.4 million, which was \$9 million higher than our budget. This represents a significant accomplishment in view of the fiscal challenges we face.

The following *Review of Operations and Corporate Business Priorities* highlights the major initiatives we undertook during the year and the accomplishments related to each. I believe the Corporation's focus on reducing accommodation costs rightly remains our first priority as we move forward into a challenging future with confidence.

On behalf of the BCBC executive, I would like to take this opportunity to thank Mr. William Clark, Chair, and the other members of our Board of Directors for their support and assistance throughout the year.

I would also like to thank our Minister responsible, the Honourable Dan Miller, for his support during the year.

Last, but far from least, the Vice Presidents join me in extending our most sincere thanks to our employees, without whose dedication and commitment the significant results achieved by the Corporation would not have been possible.

We extend special thanks to those employees who left the Corporation during the past year under our early retirement program for their contribution over many years.



Dennis Truss
President and
Chief Executive Officer



Review of Operations and Corporate Business Priorities

*Choir loft railing in
historic 1858 Chapel,
St. Ann's Academy
restoration, Victoria.*

Review of Operations and Corporate Business Priorities

1996/97 – The First Year of Implementation of our Strategic Plan 1996-99

The fiscal year 1996/97 was the first year of the implementation of our new Corporate Strategic Plan 1996-99. The principle of cost minimization is embedded in the four objectives of our new Strategic Plan:

- I** Reduce the cost of government accommodation
- II** Improve the efficiency and effectiveness of the BCBC model
- III** Improve the satisfaction of all four customer dimensions
- IV** Expand our services to the public sector where cost-beneficial to the taxpayer.

A number of specific strategies have been developed to achieve these four objectives. Our significant achievements in cost minimization and actual cost reduction through the implementation of these strategies are highlighted in the following review of the year.

Objective I: REDUCE THE COST OF
GOVERNMENT ACCOMMODATION

Reduce the Cost of Government Accommodation

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Les Paterson, Accounting Services

Strategy: Proactively work with each customer to reduce the demand for, and cost of, accommodation

We achieved a \$21.7 million saving to government over the 1995/96 base year in the following areas:

	Target (MILLIONS \$)	Actual 1996/97 Results (MILLIONS \$)
Reduce client requests/tenant improvements	5.0	6.2
Reduce minor client requests	1.0	1.5
Reduce Operations & Maintenance (O & M) service levels	.5	1.4
Zero inflation (O & M in owned buildings)	1.2	1.4
Reduce landlord maintenance	.3	3.3
Reduce lease costs	.6	2.0
Reduce infrastructure costs	1.8	3.1
Integrated Workplace Strategies	.2	.3
Reduce space/technical standards	.3	0
Other cost avoidance (annualized)		1.3
Short-term financing		1.2
Total Savings	10.9	21.7

Details of Cost Savings Initiatives

Our annual plan for the 1996/97 fiscal year contained a number of action items and priorities to facilitate the achievement of our cost-savings targets. Our strategic plan had a target for cost savings in accommodation of \$30 million, to be achieved over three years; the target for 1996/97 was \$10.9 million.

In September 1996, a directive was received from government requesting an additional \$10 million in expenditure reductions. This request essentially meant that BCBC would need to accelerate the achievement of savings from future years' targets into 1996/97. While the capital and tenant improvement freeze in government has helped the Corporation to achieve these revised targets, continuing efforts to increase efficiency and effectiveness in all parts of the Corporation's operations, combined with greater use of short-term financing, have ensured that the desired results were achieved.

Cost-reduction initiatives related to client requests and tenant improvements were completed in co-operation with our clients through the Account Management process. Reporting tools were developed and implemented, and planning and other specific initiatives set forward by the Corporation have ensured a very favourable outcome.

A review process was completed with clients throughout the province to reduce Minor Client Requests and Operations & Maintenance (O & M) service levels. Reductions have been achieved at a building-by-building level, resulting in a credit of \$2 million being returned to ministries for the 1996/97 fiscal year.

Zero inflation has been achieved with respect to Operations & Maintenance (O & M) in our owned and managed buildings for the third consecutive year. The absorption of inflation is significant as these savings were achieved on contracted items only. The cumulative savings to date total \$4.7 million, which includes a saving of \$1.4 million in this 1996/97 fiscal year and represents a significant achievement for this initiative.

Reviews of long-term building plans have resulted in deferral/avoidance of landlord maintenance projects and contributed to the achievement of our savings.

However, continued tight capital budgets in future years will put much more pressure on our maintenance spending.

Lease costs savings are being achieved through a plan to more aggressively manage the lease portfolio – by working more closely with our customers in terms of obtaining longer lead times, managing expectations, and developing strategic lease renewal plans for Vancouver and Victoria.

A broad-spectrum program of Integrated Workplace Strategies (IWS) is now part of the BCBC education and training program for employees in that it represents a new way of doing business. Presentations to create awareness about IWS with clients have been made to most of our larger ministry clients, as well as to some non-ministry clients.

IWS is being actively applied to new and renewal projects, and our targeted savings have been achieved. Significant IWS planning has been initiated with the Ministry of Transportation and Highways; the Ministry of Environment, Lands and Parks; and the Ministry for Children and Families.

In addition to the savings directly associated with specific initiatives, we undertook other project-specific activities which resulted in the avoidance of over \$5.3 million in capital costs.

Innovations such as the “briefcase moves” at the Ministry of Transportation and Highways and the decision to change from concrete to steel structure at the Selkirk building have contributed to these overall savings.

It is estimated that the ongoing benefit of employing innovative strategies exceeds \$1.3 million to date in avoided annual occupancy costs.

We initiated the process of reducing standards to 20m² per person (on average) for new and renovated government office accommodation with the Treasury Board Secretariat and our ministry clients

A new set of principles was developed that supports the reduction of overall government space standards. BCBC has put in place, with the support of the Client Panel, guidelines for all new projects which effectively reduce

office space by 15%. Formal space reduction guidelines will be submitted to Treasury Board for approval by December 1997.

We completed a joint review and value analysis of the proposed Port Coquitlam Pre-trial Services Centre project with the Ministry of Attorney General

This joint review resulted in an estimated total project cost saving of about \$10 million; and an increase in design capacity from 232 to 300 inmates. The review also resulted in a reduction in the “per diem” (total cost

of incarcerating one person for one day) from \$226 to \$152, which yields an estimated total operating cost saving of \$2.5 million per year.

We actively communicated and promoted Integrated Workplace Strategies (IWS) for field and head office facilities throughout the fiscal year

We initiated education and training about Integrated Workplace Strategies (IWS) both within BCBC and with our customers. The non-proprietary workspace concept has been effectively deployed at head office in our Technical Value department.

Telecommuting as an IWS option was introduced for BCBC employees satisfying certain criteria, and a formalized program of education and training was initiated. An IWS Research & Development project for the Corporation's mobile workers was also approved for implementation at the Fraser District Office.

We revised our technical standards through the application of Value Analysis

We conducted a Value Analysis (VA) of our technical standards which entailed consultation with 10 subcommittees, including members from BCBC technical staff, client facilities managers, suppliers and outside consultants. All decisions were made objectively – generally using a net present value (NPV) analysis – and were documented to allow any interested

party to easily understand the logic of the decisions. Our Request for Proposal (RFP) document has also been revised to incorporate our new Technical Standards. The Capital Expenditure Review Committee has recommended that this review process and type of value analysis should be applied by all government jurisdictions.

We contributed to the achievement of our cost-reduction targets through the development and implementation of specific cost-reduction initiatives within the BCBC administrative infrastructure

We aggressively managed infrastructure costs through staffing efficiencies, consolidations of our Property Management Units into District Offices, and other reductions of corporate General & Administrative expenses. It is noteworthy that the Corporation has reduced gross General & Administrative expenses by \$5.1 million (or 12.5%) per annum when compared against the 1995/96 budget.

Our early retirement program resulted in annual savings of \$2.4 million: \$1.4 million in Operations & Maintenance,

and \$1.0 million in General & Administrative expenses. The reorganization of head office in May 1996, followed by our field reorganization in the fall of 1996, also contributed to the achievement of our targeted savings for the year.

The outsourcing of some of our key information systems requirements enabled the Corporation to minimize its exposure to higher operational costs. These benefits will continue to be reflected in future years as we move out of the development phase and into regular production for our information systems.

Strategy: Make more efficient use of the portfolio

We initiated a revision of the Victoria and Lower Mainland regional space plans by using the Accommodation Policy and Planning Framework

We formed a team to revisit both these regional space plans and incorporate Integrated Accommodation Planning (IAP) principles into the process. The intent is to develop an Accommodation Policy and Planning Framework along with a process for Treasury Board approval. It is expected that BCBC will undertake a pilot project using the

Accommodation Policy and Planning framework in 1997/98. This process, once approved, will enable the Corporation to become the catalyst for bringing together community, ministry and other public sector agency interests in the planning process.

Recognizing that Integrated Workplace Strategies (IWS) will be a key initiative for the Corporation over the coming years, we undertook a comprehensive analysis of alternate workplace options and devised a strategy for implementation

Essentially, IWS is a strategic approach to enhancing organizational effectiveness through the integration of technology, work processes and procedures, human resources policies and the workplace.

A critical factor in the successful application of IWS is the linkage to the client's business plan. BCBC's selection strategy encompasses the following key criteria:

- ◆ readiness level of client
- ◆ organizational change
- ◆ consolidation projects
- ◆ collocation
- ◆ high occupancy charges
- ◆ high churn factor (relocations within the same facility).

Objective II: IMPROVE THE EFFICIENCY AND EFFECTIVENESS OF THE BCBC MODEL

Improve Efficiency & Effectiveness

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Strategy: Align our resources to meet the needs of our changing business

With the objective of eliminating non-value added activities, we developed a business process review model which will be applied to other core business processes in subsequent years

We initiated the development of a Corporate Improvement Methodology model, along with a mechanism for determining key processes and their relative priority for upcoming reviews.

A business process improvement project was also undertaken on the Requests, Agreements and Projects (RAP) phase of our Information Systems Alignment Project (ISAP) to assist in the confirmation and development of business processes resulting from the new agreements-based system.

We developed a Human Resources strategy which addressed staffing, hiring practices, diversity and training to support the achievement of our Strategic Plan

A long-term Human Resources Strategic Plan was completed which focuses on the following key elements:

- ◆ staff resourcing
- ◆ performance and recognition management
- ◆ diversity
- ◆ human resources delivery systems
- ◆ organizational effectiveness.

BCBC employee representatives from key departments have been seconded to the final phase of the Information Systems Alignment Project (ISAP) to form a team of expert users who will serve as senior trainers of all employees in the new system.

*L-R: **Sheryl Heartwell**
(Client Services);*

***Les Paterson** (Accounting Services);*

***Joanne Lawrence**
(Project Management).*

Objective II:

IMPROVE THE EFFICIENCY
AND EFFECTIVENESS OF
THE BCBC MODEL

We developed a corporate performance measurement system to monitor and report on our progress in achieving our goals and objectives

We developed a corporate performance measurement system and utilized it to monitor and respond on our progress in the 1996/97 fiscal year. The system is currently being refined to clarify the linkages to the Auditor General's Accountability Framework and the Crown Corporations Secretariat's reporting requirements. A comprehensive

model has been developed which links strategic planning and operations via performance reporting. The measurement and reporting of our performance against our stated goals and objectives have contributed significantly to the results we have achieved.

We achieved an operating margin of 20.9% for the 1996/97 fiscal year, which compares very favourably with the operating margin of 18.8% achieved in 1995/96

We completed a high-level review of our organizational structure and made the necessary realignments to support the effective delivery of our products and services

The organizational review of the Corporation was completed in two segments. The head office review, implemented in May 1996, achieved the following efficiencies:

- ◆ improving the alignment of responsibility and accountability
- ◆ eliminating duplication of effort
- ◆ reducing cycle time to provide accommodation solutions
- ◆ reducing administrative costs.

- ◆ stronger community orientation and responsiveness
- ◆ centralization of all finance and human resources functions
- ◆ reduction of one level of management through the elimination of regional offices
- ◆ more effective span of control
- ◆ reduced infrastructure and administration costs.

The field reorganization initiated in the fall of 1996 effectively streamlined the Property Management Group from 14 Property Management Units and three regional offices to eight districts, resulting in the following benefits:

We will continue to work in the upcoming year to achieve further efficiencies in the newly created districts, while continuing to improve cost-effective service delivery at the local level.

We made significant progress on the final Requests, Agreements and Projects (RAP) phase of our Information Systems Alignment Project (ISAP)

The final phase of ISAP, the Requests, Agreements and Projects (RAP) phase, is on schedule for completion by the end of September 1997. The completion date was extended to alleviate the load on already constrained resources and to provide time in the schedule to accomplish required business process changes. Detailed plans have been developed for conversion, testing and training,

and communication throughout the Corporation has been stepped up to ensure successful implementation. The business functions within RAP will be implemented in three releases which will be phased throughout the Corporation to ensure successful completion of this very ambitious project.

Strategy: Define the roles and responsibilities of BCBC vis-à-vis the central agencies

We worked with the Treasury Board Secretariat to review the existing protocol agreement in order to clarify our mutual roles and responsibilities, particularly in terms of least-cost solutions, capital projects/capital spending and dispute resolution

A Memorandum of Agreement which refines the existing protocol agreement between BCBC, our ministry clients and central agencies will be finalized by September 1997, and was approved-in-principle by the Treasury Board Secretariat. Central agencies are defined in this document as the Treasury Board Secretariat, the Ministry of Finance

and Corporate Relations' Capital Coordination Branch, and the Crown Corporations Secretariat. Finalization of the Memorandum of Agreement will occur through the Client Panel to ensure that thorough understanding is achieved. Once ministry approval is received, final approval will be requested from the Secretary to Treasury Board.

Strategy: Establish a defined investment strategy outlining options for alternate delivery and external equity participation

We maximized the use of our available capital by establishing non-government sources of funding and initiating two projects utilizing alternate financing/delivery options

A Public-Private Partnership (P3) Team was established to develop a BCBC P3 business model. The team identified various alternatives for structuring projects as public-private partnerships and delineated a process that could be utilized to assess and develop these projects while adhering to the provincial government guidelines.

A significant P3 project undertaken this year was the Selkirk Waterfront Project: a 180,000-square-foot office building agreement between the developer, Axor Engineering Construction Group Inc., and BC Buildings Corporation. BCBC had owned the land and had completed the building design when capital constraints halted further development. A Request for Proposal was completed in which the developer would purchase the land and building design, construct the building and, under an operating

lease, the building would be leased back to BCBC. In the agreement with Axor, the Corporation has an option to purchase the land and building at the end of the 20-year lease term, or to extend the lease term.

Another innovative example of a P3 project in which BCBC participated this year was the successful negotiation for the construction of a large-format theatre at the Royal British Columbia Museum (RBCM) in Victoria. The Corporation negotiated a 30-year land lease with Destination Cinema Inc. (DCI) which, in turn, agreed to build a large-format theatre. DCI agreed to partner with the RBCM in joint marketing and ticketing programs and to share a portion of the operating revenue from the theatre. At the end of the 30-year lease period, the theatre will be the property of BCBC.

Objective III: IMPROVE THE
SATISFACTION OF ALL FOUR
CUSTOMER DIMENSIONS

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Improve Customer Satisfaction

Jane Dunkerley, Corporate Reception

Strategy: Customize our products and services to reflect the needs of the clients and the communities that we serve

We worked with our headquarters and end-user clients to develop and begin implementation of an action plan to improve overall client satisfaction

The account management framework continues to be the most effective means of customizing our services to meet the business needs of our clients and the communities we serve. Each account team has developed customized strategies to strengthen client relationships. All corporate groups are contributing to the implementation of these strategies and to the achievement of action items in the

Client Survey Action Plan, which was developed in partnership with our clients following the last survey. Work is underway in our Property Management group to develop strategic alliances with key field clients in the community in order to further strengthen client relationships and better understand their business needs.

Strategy: Achieve a balance between service and cost-effectiveness

We restructured and redirected our customer account teams in order to promote customer acceptance of the least-cost solutions

Account teams have been restructured and redirected in order to promote client acceptance of the least-cost accommodation solution. In addition, these teams have identified and are following up on the outstanding items from the Client Survey Action Plan.

Communications guidelines for interaction with customers have been incorporated into customer account plans. Additionally, pricing training has been provided to ensure our employees have the necessary information to enable them to more effectively discuss pricing issues with customers.

We ensured that the Client Panel is supportive of our strategic objectives, strategies and goals, and that these are reflected in all ministry account plans

The Client Panel was provided with a presentation on BCBC strategic objectives and participated on an individual basis

in the incorporation of these objectives into ministry account plans.

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We reviewed integrated workplace options with our clients and implemented the options wherever possible, particularly in conjunction with the program reviews of the Ministry of Attorney General and the new Ministry for Children and Families

The IWS initiative continued to gain momentum through ongoing presentations to various client groups and work continued to improve client satisfaction, while helping to

reduce accommodation costs. Each accommodation request coming to BCBC is being looked upon as a potential opportunity for integrated workplace strategy implementation.

Strategy: Increase our communication with each customer dimension

We developed comprehensive communication plans for each of our four customer dimensions

A comprehensive communications plan was developed for each of our four customer dimensions:

- ◆ headquarters
- ◆ end-user
- ◆ shareholder
- ◆ taxpayer.

Communications strategies on specific issues are regularly being introduced which not only complement the overall plan but also focus on evolving government directions and priorities.

Strategy: Provide integrated public sector community-based accommodations planning

We worked with the Treasury Board Secretariat to develop the Accommodation Policy and Planning Framework

The Accommodation Policy and Planning Framework paper contains four policies, with the integrated planning policy most affecting BCBC. The paper was reviewed by the Treasury Board Secretariat, the Crown Corporations Secretariat and the Ministry of Finance and Corporate

Relations' Capital Coordination Branch, and has gained the support of each of these agencies. A pilot project incorporating this Accommodation Policy and Planning Framework has been requested by the Capital Expenditure Review Committee.

We initiated a community-based accommodations planning process which will ensure that we are well positioned to deliver both planning and implementation solutions

We initiated a formalized community-based accommodation planning process, incorporating participation from all publicly funded agencies in the community. Potentially, all levels of government would

participate in and derive benefits from this type of comprehensive planning, resulting in significant benefits being achieved on behalf of the taxpayer.

Strategy: Be recognized as socially and environmentally responsible in our business operations

We incorporated environmental thinking into our corporate plans and policies by implementing the action items contained in the Environmental Integration Strategy throughout the fiscal year

Environmental integration continues within the Corporation through the incorporation of our Environmental Vision and Strategy into all employee development manuals and training programs. An environmental checklist has also been implemented, and we have incorporated

environmental management criteria into our value management documents and processes, consultant selection criteria, requests for proposal, and construction procurement documents.

We completed 20% of our pollution prevention program for high-priority Highways Yards, Forests Yards and Corrections Camps

The target to complete 20% of our pollution prevention program for high-priority Highways Yards, Forests Yards and

Corrections Camps is well ahead of schedule and is being very well accepted by all affected parties.

We increased the percentage of solid waste recycled in urban centres to 65%

The "No Waste" program has been so successful at BCBC head office (88%) that several of our ministry clients have requested that they be next to implement the "No Waste" program.

The payback for the program is approximately one year, and results to date indicate that the materials recycled in a building increase to 85% upon implementation of the program.

Objective IV: EXPAND OUR SERVICES TO THE BROADER PUBLIC SECTOR WHERE COST-BENEFICIAL TO THE TAXPAYER

Expand Services

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Strategy: Become market competitive in our core products and services

We completed a pricing study of all corporate products and services

We undertook a comprehensive review of our accommodations pricing policy which included the participation of our clients, as well as the Crown Corporations Secretariat, the Treasury Board Secretariat and the Office of the Comptroller General. Essentially, five alternative methodologies were analyzed: market competitive, market comparable, cost pass through, status quo, and free good. Market comparable pricing was the option chosen.

Several recommendations were made regarding pricing of institutions, courthouses, leases, project management and consulting services. The Corporation is currently analyzing the financial implications of these recommendations and identifying possible implementation plans. It is envisioned that the changes, if approved, will align our pricing policy with private sector practices and facilitate easier benchmarking in the future.

Strategy: Increase the sale of corporate products and services to selected public sector markets

We generated \$4.3 million in additional revenue over the 1995/96 base year from the sale of products and services to the broader public sector marketplace

The Corporation achieved this additional revenue through the following: work with ICBC and the transfer of the Motor Vehicles Branch to ICBC head office; ongoing work with other Crown corporations; and significant growth in

the work being undertaken with the federal government, including the Department of National Defence, RCMP and Public Works and Government Services Canada.

Marie Robertson,

Regional Accommodation

Services Team,

Vancouver Island

Major Project Developments

The Province's fiscal priorities have resulted in reduced funds for capital projects. However, the Corporation did complete several major, multi-year capital projects during the past year.

When the Corporation undertakes major capital projects, it looks upon each as an opportunity to add significant value while providing optimal accommodation solutions. An emphasis on up-front planning, the development of a series of cost-effective alternatives, and an aggressive value management review are part of the project management process followed for every major capital project.

Since its inception, BCBC has completed close to \$1 billion in capital projects which, on average, were 6% below budget. In 1996/97, BCBC completed a total of \$114 million in major capital projects which, on average, were 2.4% below budget.

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During the 1996/97 fiscal year, the Corporation completed or made substantial progress on the following multi-year capital projects:

Law Courts Building, Prince George

This new 10-courtroom facility consolidates two Ministry of Attorney General operations previously in two locations in Prince George. This project was integrally tied to the Central Business District redevelopment plans of the City of

Prince George. The City provided the subject site at no charge in order to facilitate demolition of some buildings and to use the new Courts facility as a nucleus for redevelopment in the area. The City has also undertaken a major portion of the landscaping. Construction began in 1995, and the Law Courts Building was completed and officially opened in March 1997.

Completed Forensic Psychiatric Institute.



Forensic Psychiatric Institute, Coquitlam

Located on the Colony Farm site in Coquitlam, this 186,000-square-foot facility is a replacement of the previous, outdated Forensic Psychiatric Institute. The new complex will serve as a secure hospital for some 180 patients. Actual construction began in May 1995, and the Forensic Psychiatric Institute was completed and officially opened in March 1997.

Royal BC Museum Building Upgrade, Victoria

The Royal BC Museum facility was almost 30 years old and required a building upgrade to accommodate its current and future public traffic demands. This upgrade included a new entrance lobby and new exterior exit stairs, as well as new escalators and elevators. Construction began in April 1995, and the new entrance lobby was officially opened in May 1996, with the remaining areas completed by the summer of 1996.



*New entrance
lobby of the
**Royal BC
Museum.***

BC Centre for Disease Control, Vancouver

The BC Centre for Disease Control has been operating from a facility on the Vancouver General Hospital site which is too small and ill-suited for high-technology testing and laboratory work. Seven implementation options for a new facility were originally examined; the approved option involved an exchange of properties between Vancouver General Hospital and the Corporation. Construction started in the fall of 1995, and completion is scheduled for the summer of 1997.

The construction cost of the new BC Centre for Disease Control was originally estimated at \$37 million, but the final construction tender was only \$27 million. The \$10-million saving is directly attributable to the value management process that BCBC used during the design/development stage.

***BC Centre for
Disease Control under
construction.***



*Final phase of the
restoration of
St. Ann's Academy.*

St. Ann's Academy Restoration, Victoria

This project entails the renovation of St. Ann's Academy for offices and the restoration of the chapel and interpretive centre for public access, as well as a public open space extension to Beacon Hill Park through the Academy grounds. The project was officially announced in June 1995. Actual construction began in mid-October 1995, and the completion and official opening of St. Ann's Academy is scheduled for the summer of 1997. ■

Five-Year Highlights

Year Ended March 31	\$ THOUSANDS				
	1997	1996	1995	1994	1993
FINANCIAL					
Gross Revenue	423,975	416,489	389,999	363,250	347,238
Operating Income	94,653	90,368	84,114	78,914	74,871
Interest	55,234	57,116	55,550	49,686	47,506
Net Income	39,419	33,252	28,564	29,228	27,365
Cash Flow	84,348	91,699	71,495	83,971	78,576
Total Assets (net)	1,197,747	1,194,284	1,137,041	1,034,407	955,678
PER CENT					
Operating Income Margin*	20.9	18.8	19.1	20.3	21.1
Return on Investment	9.9	10.2	10.3	10.3	10.2
Return on Equity	19.1	18.2	17.0	19.0	19.7
SQUARE METRES					
PROPERTIES					
Owned	1,362,168	1,370,078	1,340,637	1,344,301	1,328,933
Leased	711,107	697,753	660,822	623,214	598,199
Maintained	237,645	185,241	238,782	235,598	248,851
	2,310,920	2,253,072	2,240,241	2,203,113	2,175,983
STAFF					
Total Permanent Complement	790	850	880	880	861

* Operating income margin has been restated to exclude gain on sale of properties from calculation.

Our Vision

We will be recognized by our customers, shareholder and the taxpayer as being the best at planning and delivering cost-effective real estate and accommodation solutions.

Core Values

These values represent our corporate and individual behaviours and define how we will treat our customers, suppliers and each other.

We treat all individuals with fairness, dignity and respect.

We are open and honest and demonstrate integrity in everything we do.

Our Vision, Mission & Values

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Our Mission

We are a Crown corporation resident throughout the communities of British Columbia which efficiently plans, provides and manages accommodation and real estate for governments, communities and publicly funded organizations, to support effective delivery of their services.

We work to know our customers and treat them as partners.

We make and keep our commitments - get the job done!

We are flexible, innovative and proactive.

We work with our customers to bring value to our shareholder and the taxpayer.

We support one another to achieve corporate goals.

We measure and monitor our performance to established targets.

We support and develop our people to achieve our corporate and individual potential.

We are socially and environmentally responsible in our business operations.





Corporate Information

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British Columbia Buildings Corporation (BCBC) is a Crown corporation established in 1977 to provide accommodation and real estate services to the provincial government.

The primary goal of the Corporation is to develop and manage the government's real estate portfolio in a manner consistent with the principles of public sector leadership — providing value for money and cost-effective solutions to the accommodation needs of its clients: the ministries of government and other publicly funded organizations.

SCOPE OF OPERATIONS

BCBC's diverse portfolio ranges from the Vancouver Law Courts and Robson Square complex to heritage buildings dating from the 1860s, to office buildings, residential institutions, courthouses, forestry complexes, fish hatcheries, ambulance stations, correctional centres and isolated highways facilities.

BCBC manages over 3,500 buildings comprising more than 24 million square feet of space.

L-R: BCBC Vancouver District staff, Louie Schmidthauer, Kirsty Spencer, and Don Strutt, reviewing plans for the installation of fixed laboratory equipment in the General Bacteriology Laboratory at the BC Centre for Disease Control, Vancouver.

Corporate Information (continued)



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L-R: Leasing staff, Greg Sikora, Dave Wilson, Linda Low, and York Stewart, discussing the implications of strategic lease renewal plans for Victoria.

ORGANIZATIONAL STRUCTURE

BCBC is a highly decentralized corporation with a province-wide network of employees strategically located in eight districts, which include over 70 Service Centres and remote offices. About two-thirds of BCBC employees are strategically located throughout the province.

The Corporation retains only sufficient permanent employees to ensure that public sector accommodation services are delivered at best value for the taxpayer. The Corporation strongly believes that the *management* of the delivery of accommodation, real estate, operations, maintenance, design and construction services is best provided through in-house expertise; but that the *actual delivery* of most of these services is best accomplished through the private sector. Accordingly, BCBC is essentially an accommodation and real estate management corporation, having privatized most of its day-to-day operations.

COMMUNITY PRESENCE

BCBC's portfolio of leased, owned and maintained properties extends throughout almost 300 communities across the province. This strong community presence is supported by a province-wide network of corporate representatives strategically located in eight districts, which include over 70 Service Centres and remote offices.

This comprehensive community presence enables BCBC to respond promptly to local customer needs, while, at the same time, providing opportunities for more than 5,000 local community suppliers of space, materials and services throughout the province.

FINANCING

BCBC is structured similarly to a private sector enterprise. The Corporation uses private sector management and accounting methods and is totally revenue-dependent.

BCBC provides accountability by charging rents according to market principles and ensures that its underlying policies are fully market-defensible. This approach has enabled BCBC to earn market-comparable financial returns on both individual projects and on total operations, as well as to pay annual dividends to its shareholder — the Province. ■

BRITISH COLUMBIA BUILDINGS CORPORATION
3350 Douglas Street, Victoria, BC V8Z 3L1

BCBC is a highly decentralized corporation with a province-wide network of employees strategically located in eight districts, which include over 70 Service Centres and remote offices.

B C B C D i s t r i c t s

Victoria District: downtown Victoria, Legislative Precinct, Government House.

Vancouver Island/North District: suburban Victoria, Vancouver Island, Powell River, Gulf Islands.

Vancouver District: City of Vancouver, North Vancouver, West Vancouver, Pemberton, Sunshine Coast, Squamish, Whistler.

Burnaby/New West/Tri-Cities District: Coquitlam, Port Coquitlam, Port Moody, New Westminster, Burnaby.

Fraser District: Abbotsford, Maple Ridge, Chilliwack, Upper Fraser Valley, Hope, Delta, Surrey, White Rock, Langley, Richmond, Cloverdale, Aldergrove, Pitt Meadows.

Thompson/Okanagan/Cariboo District: Kamloops, Vernon, Kelowna, Penticton, Salmon Arm, Merritt, Lillooet, Blue River, Osoyoos, Quesnel, Williams Lake, 100 Mile House, Bella Coola, Horsefly, Alexis Creek, Clearwater, Princeton, Sicamous, Oliver.

Kootenay/Columbia/Boundary District: Nelson, Cranbrook, Golden, Revelstoke, Castlegar, Grand Forks, Invermere, Fernie.

Skeena/Central Interior/Peace District:
Prince George, Fort St. John, Dawson Creek, Fort Nelson, MacKenzie, McBride, Valemount, Vanderhoof, Fort St. John, Terrace, Smithers, Prince Rupert, Burns Lake, Stewart, Dease Lake, Atlin, Kitimat, Queen Charlotte Islands.

For further information about the British Columbia Buildings Corporation, please contact our head office by mail or telephone (250) 952-8328 or by fax (250) 952-8282 or by e-mail at vkempkes@bcbc.bc.ca

A u d i t o r s

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