

INNOVATION IN MANAGING COSTS

BRITISH COLUMBIA

BUILDINGS CORPORATION

1998 ANNUAL REPORT



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

In 1997, provincial legislation was passed to expand BCBC's mandate to enable the Corporation to provide its services to the broader public sector.

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.

CONTENTS

1	Letter of Transmittal
3	Innovation in Managing Costs
20	BCBC Board of Directors
21	BCBC Management Committee
22	President's Message
25	Review of Operations and Corporate Business Priorities
27	Objective I: <i>Reduce the cost of government accommodation</i>
31	Objective II: <i>Improve the efficiency and effectiveness of the BCBC model</i>
34	Objective III: <i>Improve the satisfaction of all four customer dimensions</i>
36	Objective IV: <i>Expand our services to the broader public sector where cost-beneficial to the taxpayer</i>
38	Capital Expenditure Review Initiatives
41	Major Project Developments
44	Five-Year Highlights
45	Financial Statements
58	Corporate Information



Minister of Advanced Education, Training and Technology
and Minister of Intergovernmental Relations,
and Minister responsible for BCBC

Andrew Petter

His Honour,

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

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, 1998.

A handwritten signature in black ink, appearing to read "Andrew Petter". The signature is written in a cursive style with a large initial "A".

Andrew Petter

Minister of Advanced Education, Training and Technology
and Minister of Intergovernmental Relations

Board of Directors

L-R:

Bernie Blackburn
(Prince George)

Steve Orcheron
(Victoria)

Stephanie Green
(West Vancouver)

Michael Geller
(Vancouver)

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

Gerry Stoney
(Port Coquitlam)

Robert Hobson
(Kelowna)

Bruce Ferguson
(Surrey)



Photographed on the steps of the Legislative Buildings, Victoria.

Management Committee



L- R:

Sharon Halkett

Vice President, Client and
Accommodation Services

Jim Gugin

Vice President, Real Estate
Development

Dennis Truss

President and
Chief Executive Officer

Lak Parmar

Vice President, Finance and
Chief Financial Officer

Brian Kennedy

Vice President, Property
Management

Photographed on the steps of St. Ann's Academy, Victoria.

President's Message

Building our future on the solid foundation of our past



Dennis Truss

President and
Chief Executive Officer

Innovation in managing costs is the theme of our annual report this year. This is a fitting theme for several reasons.

First of all, I am very proud to report that, this year, BC Buildings Corporation is celebrating an outstanding achievement in cost savings for the government and taxpayers of British Columbia. Over our 20 years of operation as a provincial Crown corporation, BCBC has saved over \$100 million in energy costs.

BCBC has achieved this saving through its pioneering leadership in the field of energy management, for which it has won numerous awards of recognition, including a prestigious international award for leadership in corporate energy management.

Innovation in managing costs is also a timely focus for the Corporation because of the world in which it now operates. In today's high-tech world, innovation has become a necessity of doing business. Organizations in both the private and public sectors must constantly strive to demonstrate value and provide creative solutions in their respective industries.

Innovation cannot take place in a vacuum. It requires a solid foundation of knowledge and expertise on which to build. Accordingly, the innovative approaches which BCBC is applying to the Capital Expenditure Review initiatives, particularly the pilot projects, are based on the Corporation's broad expertise in facilities management, in portfolio management and in construction project management.

I am very pleased to report that the scope of the Corporation's expertise was accorded formal recognition this past year. Legislation was passed to expand BCBC's mandate to enable the Corporation to provide its services to the broader public sector. In 1997/98, we, in fact, exceeded our target for generating revenue from the non-ministry sector.

The official expansion of our mandate supports an important element of our Corporate Strategic Plan, namely, the fourth strategic objective — to expand our services to the broader public sector where cost-beneficial to the taxpayer. During this past fiscal year, which marked the second year of implementation of the Strategic Plan, we extended the term of the Plan to the fiscal year 1999/2000. Our Strategic Plan's objectives continue to set our corporate direction and are aligned with key government priorities. The additional year will allow the Corporation to achieve an even better level of fulfilment of the Plan's multi-year initiatives.

BC Buildings Corporation is celebrating an outstanding achievement in cost savings for the government and taxpayers of British Columbia — a saving of over \$100 million in energy costs.

I am very proud to report that, after only two years of implementation, we have already exceeded our Strategic Plan's three-year cost-savings target.

I am very proud to report that, after only two years of implementation, we have already exceeded the three-year cost-savings target of our Strategic Plan's first objective — to reduce the cost of government accommodation. In 1997/98, through a combination of cost-reduction and cost-avoidance initiatives, we achieved a cost-savings total of \$13.7 million. This total, coupled with the cost-savings total of \$21.7 million for 1996/97, has resulted in the Corporation's achievement of cumulative cost savings of \$35.4 million, which exceeds our three-year target of \$30 million by \$5.4 million.

The following Review of Operations and Corporate Business Priorities highlights the individual major initiatives we undertook during the year and the accomplishments related to each. I believe it demonstrates the Corporation's solid foundation of competence, as well as its ability to innovate in order to improve its efficiency and effectiveness in delivering real estate and accommodation solutions — particularly at a time when its clients' programs are under increasing financial pressure.

In August 1997, one of our Vice Presidents, John Bidlake, retired from BC Buildings Corporation. John had served as Vice President, Client and Accommodation Services, since joining BCBC in 1990. During his tenure, John led client services and marketing initiatives which strategically positioned the Corporation to pursue today's opportunities. He made a number of effective changes which demonstrated a high level of commitment and service to our ministry clients, while also promoting overall benefits to government and the taxpayer.

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 former Minister responsible, the Honourable Dan Miller, for his support during the year. On behalf of BCBC, I extend a warm welcome to our new Minister, the Honourable Andrew Petter, who assumed responsibility for the Corporation in February 1998.

Last, but far from least, the Vice Presidents join me in extending our most sincere thanks to our employees. Their dedication, commitment and creativity have enabled the Corporation to achieve some outstanding results and to implement some significant innovations over the past year.



Dennis Truss
President and
Chief Executive Officer

Review of Operations and Corporate Business Priorities

REVIEW OF OPERATIONS AND CORPORATE BUSINESS PRIORITIES

1997/98 — THE SECOND YEAR OF IMPLEMENTATION OF OUR STRATEGIC PLAN 1996–2000

The fiscal year 1997/98 was the second year of the implementation of our Corporate Strategic Plan 1996–99. During the year, the Strategic Plan was extended to the fiscal year 1999/2000, for some key reasons: the Plan's objectives remain valid and are closely aligned to government priorities; and the additional year would allow the Corporation to achieve an even better level of fulfilment for the Plan's multi-year objectives, as well as meet a number of additional new challenges.

The cost-minimization theme of the Strategic Plan continues to be a primary focus of the Corporation and an important priority of government.

The principle of cost minimization is embedded in the four objectives of our 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 multi-year strategies have been developed to achieve each of these four objectives. The ways in which we implemented these strategies in 1997/98 are outlined in the following review.

Also outlined in this review of the year is the Corporation's implementation of the recommendations of government's Capital Expenditure Review.

The cost-minimization theme of the Strategic Plan continues to be a primary focus of the Corporation and an important priority of government.

REDUCE THE COST OF GOVERNMENT ACCOMMODATION

OBJECTIVE

STRATEGY

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

We achieved a \$35.4 million saving to government over the 1995/96 base year in the following areas. This two-year total (\$21.7 million in 1996/97 and \$13.7 million in 1997/98) exceeds our Strategic Plan three-year goal of \$30 million by \$5.4 million.

	Actual 1996/97 Results (\$ Millions)	Target 1997/98 Results (\$ Millions)	Actual 1997/98 Results (\$ Millions)
Reduce client requests/tenant improvements	6.2	0.8	(1.1)
Reduce minor client requests	1.5	0	0.1
Reduce Operations & Maintenance (O & M) service levels	1.4	0	0
Zero inflation (O & M in owned buildings)	1.4	1.5	1.5
Reduce landlord maintenance	3.3	0	1.4
Reduce lease costs	2.0	2.9	5.3
Consolidate field offices	0	0.2	0.2
Reduce infrastructure costs	3.1	0.3	(1.0)
Integrated Workplace Strategies	0.3	0.7	2.8
Reduce space/technical standards	0	0.5	0
Other cost avoidance (annualized)	1.3	1.2	4.5
Short-term financing	1.2	0	0
Total Savings	21.7	8.1	13.7

DETAILS OF COST-SAVINGS INITIATIVES

- **Cost-reduction initiatives** related to client requests and tenant improvements were very effective in 1996/97, resulting in a savings of \$6.2 million. However, with government downsizing and program changes, tenant improvements and other client request expenditures became necessary to facilitate these changes. Consequently, the 1997/98 reduction target was not achieved. The Corporation continues to scrutinize all client requests and deliver maximum value for money in this area, but does not believe a further reduction in this category is attainable or advisable.
- **Zero inflation** has been achieved for Operations & Maintenance (O & M) in our owned or managed buildings for the fourth consecutive year. The achievement of zero inflation is significant as these savings were achieved on contractual items only. The cumulative savings to date total \$6.0 million, of which \$1.5 million was achieved in fiscal year 1997/98.
- **Staffing efficiencies** achieved in 1997/98 total \$0.7 million in both operational and administrative costs.
- **Lease-costs savings** of \$3.9 million were achieved in project reductions from the client budget. These savings were further augmented by savings achieved through aggressive management of the lease portfolio in terms of obtaining longer lead times for managing client expectations and the development of strategic lease renewal plans for Victoria. Lease-costs savings for 1997/98 totalled \$5.3 million.
- **The application of Integrated Workplace Strategies (IWS)** has resulted in significant savings in government accommodation costs this year. New projects using IWS (such as the St. Ann's Academy project and the Selkirk Waterfront project) have resulted in savings of close to \$2.1 million in the current year. (These IWS savings also include savings attributable to an overall space reduction of 15% under revised Government Office Space Standards.) Numerous other smaller projects have contributed \$0.7 million, for a total savings of \$2.8 million this year. More significant, however, is the fact that these savings will be ongoing, and the outcomes are being accepted by our clients.
- **The Technical Standards value analysis**, which was completed in 1996/97, will reduce the cost of accommodations and, at the same time, increase client satisfaction. Although a number of projects were completed during this fiscal year, they did not benefit directly from the revised standards because they were already well into final design and construction prior to the analysis. All projects initiated during this fiscal year have followed the revised standards, but savings in this category are measurable only upon completion of a project.

- **BCBC has continued to manage infrastructure costs aggressively** through staffing efficiencies, consolidation of its field offices, and reduction of corporate general and administrative expenses. However, the Corporation's commitment to new government initiatives has required an increase in our infrastructure costs such that the target for 1997/98 was not met. The increase can be directly linked to key initiatives such as the Premier's Youth Program and the Capital Expenditure Review projects, such as the Ministry for Children and Families facilities management pilot project. A portion of this increase is also associated with government regionalization initiatives.
- **Other cost-avoidance measures** that the Corporation has undertaken over the last year have been significant. This initiative captures unique actions taken by BCBC employees or teams to maximize the value for money on services provided to our customers.

An outstanding example of such a measure is the value analysis conducted for the 222 Main Street project in Vancouver. This project involved the conversion of lock-up facilities at Vancouver Provincial Courts, 222 Main Street, from day courthouse use to full-time use. The value analysis resulted in the adjustment of the design to delete one entire storey. This adjustment, along with replanned and revised miscellaneous building elements, amounted to a total cost avoidance of over \$600,000.

Also included are creative, non-traditional accommodation solutions developed and implemented during the year. Savings captured in this category for 1997/98 total \$3.8 million, well in excess of the target of \$0.7 million.

We completed the process of reducing space standards to 20 m² per person, on average, for all new space requests.

All new space requests were subject to an overall space reduction of 15%. The Government Office Space Standards (GOSS), which fully incorporated the reduced standards, were completed, pending formal approval by the Client Panel.

Work is currently in progress to move from the system of space standards based on position classification to a system based on functions performed. This should be completed in early 1998/99.

We initiated cost-savings accommodation reviews with ministry clients involving integrated workplace strategies, space/technical standards and collocation/consolidation opportunities.

Formal accommodation reviews were conducted with the following ministries: Ministry for Children and Families; Ministry of Transportation and Highways; Ministry of Environment, Lands and Parks; and the (former) Ministry of Education, Skills and Training. The occupancy savings resulting from these reviews have been included in the Integrated Workplace Strategies and Other Cost Avoidance cost-savings initiatives.

We worked with the Ministry of Attorney General and the Ministry for Children and Families to reduce the overall cost of housing inmates by reviewing all capital and operating costs for new correctional facilities.

The current correctional facility project is the proposed North Fraser Pretrial Services Centre. The joint Ministry of Attorney General and BCBC project team has undertaken a number of innovative steps and has established a total facilities operating cost target of \$150/inmate/day, which represents a reduction of 33% from the original estimate.

We developed a cost model to confirm that all new market-comparable facilities can be designed to pre-terminated construction cost targets which are 10% lower than 1995/96 baseline costs of \$1,450 per m².

Our market-comparable facilities were analyzed on an elemental cost basis and a target cost derived for base building, soft costs and tenant improvements. Our cost model confirmed that office buildings can be constructed for \$1,300 per m² which exceeds our 10% reduction target. While we did not actually construct any market-comparable buildings in the fiscal year 1997/98, we will be using these revised targets in future construction projects.

STRATEGY

Make more efficient
use of the portfolio

We implemented revisions to the Victoria and Lower Mainland regional strategic accommodation plans to incorporate opportunities for Integrated Workplace Strategies (IWS), collocation and the re-use/redevelopment of existing facilities, as well as broader public sector and community participation.

In conjunction with the Client Panel, we reviewed our Integrated Workplace Strategies (IWS) implementation process and introduced refinements which resulted in accommodation cost savings of \$2.8 million.

We exceeded our targeted savings of \$0.7 million by \$2.1 million, and ministry clients began to see the value of this service in their long-term accommodation plans.

IMPROVE THE EFFICIENCY AND EFFECTIVENESS OF THE BCBC MODEL

OBJECTIVE
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We initiated a performance management and strategic recognition and rewards program, in accordance with our Human Resources Strategic Plan.

Performance management and strategic recognition and rewards are paramount to the Corporation's success. Accordingly, we embarked on an ambitious project in 1997/98 to ensure that staff performance is developed to full potential.

The Corporation started this process with an examination of companies having best practices in the area of human performance development. This provided a significant base from which to build in terms of revamping our human resource performance development system at BCBC. The system will focus on competency-based development, with linkages to employee recognition. The goal is to deliver this revitalized performance management and strategic recognition and reward program in the 1998/99 fiscal year.

We utilized employee focus groups to obtain input into possible improvement opportunities for the 1998/99 fiscal year.

Several focus groups were held this year, primarily within the Property Management Group. Additional focus groups planned for 1997/98 will be replaced by a full employee survey, to be completed during 1998/99. This will provide valuable information on which to base future Human Resource-related directions and priorities.

STRATEGY

Align our resources to meet the needs of our changing business

We monitored our progress in achieving our corporate business priorities and reported our performance quarterly to our Board of Directors and to the Crown Corporations Secretariat.

Quarterly performance reports were produced on both our Strategic Plan and Capital Expenditure Review initiatives. We worked with the Crown Corporations Secretariat to revise its performance indicators for all Crown Corporations. In addition to traditional financial indicators, we reported on our operations and productivity, on customer service and satisfaction, on our progress in environmental initiatives, and on our contribution to government social and economic initiatives, such as youth employment initiatives. All these measures provide a balanced account of the Corporation over the first two years of implementation of our Corporate Strategic Plan. As well, these indicators continue to evolve and improve the quality of our reporting process, and serve as a basis for further improving our performance.

We developed a surplus property policy which clearly defines how we manage our surplus declaration process and disposal of real property.

The surplus property policy and aggressive marketing have assisted us in exceeding our 1997/98 target for gains-on-sale-of-properties by \$2.0 million, for a total of \$11.8 million.

We reduced the impact of vacant space related to government downsizing and cost-cutting initiatives by proactively implementing the Office Accommodation Reduction Initiative (OARI) for ministries and, wherever possible, other public-sector agencies.

The Office Accommodation Reduction Initiative (OARI) was implemented in the Victoria region in September 1997, which will enable BCBC to succeed in reducing 268,000 sq. ft. of leased space from our portfolio by mid-1998. This space reduction will produce occupancy cost savings for our clients—and savings for government—of approximately \$6.0 million per year.

We achieved an operating margin of 20.6% for the 1997/98 fiscal year.

Our operating margin was impacted by several major cost factors, including shareholder-requested initiatives (\$2.5 million) and sale/leasebacks (\$1.0 million). Additionally, infrastructure costs increased because of an increase in client interfaces associated with government's regionalization initiatives. Consequently, our operating margin is less than our target of 21.4%.

We completed the final phase, Requests, Agreements and Projects (RAP), of our Information Systems Alignment Project (ISAP).

In September 1997, the Information Systems Alignment Project was officially completed and the Corporation's new Integrated Corporate Operations Network (ICON) was implemented. This ambitious, multi-year project, designed to replace all of the Corporation's aging departmental systems, has delivered a modern, technologically-rich environment that will provide ongoing benefits for both BCBC and its clients. As a spin-off benefit of ISAP, BCBC will be fully prepared for the Year 2000 — the global systems date change necessary to operate in the new millennium.

We worked with our ministry clients to develop a Memorandum of Agreement which further defined our respective roles and responsibilities, as well as those of the central agencies.

The Memorandum of Agreement was approved by the Client Panel. The Memorandum has been reviewed by each respective Deputy Minister, and approvals have already been received from most Deputy Ministers. Once full ministry approval has been received, final approval will be requested from the Secretary to Treasury Board.

STRATEGY

Define the rules and responsibilities of BCBC vis-à-vis the central agencies

We completed two projects utilizing alternate financing/delivery options, which were initiated in 1996/97.

A significant project utilizing a public/private partnership (P3) concept completed 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, pending alternative arrangements. A Request for Proposal was completed wherein 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 public/private partnership project in which BCBC participated, and which was completed 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.

STRATEGY

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

OBJECTIVE



IMPROVE THE SATISFACTION
OF ALL FOUR CUSTOMER DIMENSIONS

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 an 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, and all corporate groups are contributing to the implementation of these strategies. The account management framework will be reviewed in 1998/99 to identify opportunities for improvement.

Property Management continues 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

We worked closely with our clients to gain their support and acceptance of least-cost solutions for public-sector accommodation.

We completed business-case analyses on the majority of client projects and identified and recommended the least-cost alternative. On 90% of these projects, the clients have agreed with and accepted our recommendations. Work will continue in this area with plans for more formal presentations to Assistant Deputy Ministers, Deputy Ministers and Treasury Board analysts in the upcoming year. The results of this approach with several ministries have been very successful, as described in some detail elsewhere in this annual report.

Achieve a balance between service and cost-effectiveness

STRATEGY

We developed an Integrated Accommodation Planning (IAP) process, based on portions of the Accommodation Policy and Planning Framework, and initiated a pilot of this process in Nanaimo in December 1997.

The Integrated Accommodation Planning process we developed to facilitate joint use and space sharing among provincially-funded agencies was approved for a pilot project by Treasury Board in November 1997. The process included definition of roles and responsibilities, resourcing, training/skills requirements, processes, procedures, deliverables, and cost implications. Nanaimo was selected as the pilot community, and this selection was approved by the Chair of Treasury Board in December 1997.

Provide integrated public-sector community-based accommodation planning

We worked with selected public-sector organizations to market vacant, publicly-funded space throughout the province in order to reduce costs to the taxpayer.

We negotiated an agreement with the federal agency Public Works and Government Services Canada (PWGSC) to share information on vacant space in order to minimize publicly-funded vacant space. Work is currently underway on the development of an intranet solution to facilitate access to and sharing of this information.

The first test of this initiative will be the Nanaimo pilot of the Integrated Accommodation Planning (IAP) process. As part of this pilot, all participating publicly-funded agencies' inventory information will be captured and placed on-line.

STRATEGY

We completed 64% of our pollution prevention program for high-priority Highways Yards, Forests Yards and Correction Camps, which exceeded our 1997/98 target by 4%.

We increased the percentage of solid waste recycled in the Greater Victoria region to 71%.

Our recycling program has exceeded our target set for last year, and annual audits are in process to ensure continued progress in this area.

Be recognized as socially and environmentally responsible in our business operations

OBJECTIVE
IV

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

STRATEGY

Become market-
competitive in our core
products and services

We completed an impact analysis of our proposed new market-comparable pricing policy which indicated a neutral financial impact across government.

Our proposed new pricing policy has been approved by our Board of Directors, and is awaiting Treasury Board approval for implementation. We expect to complete implementation of the policy in the 1999/2000 fiscal year.

(In May 1998, our new pricing policy received Treasury Board approval, and implementation will take place in the 1999/2000 fiscal year.)

We established a monitoring/benchmarking process to ensure that the pricing of our products and services is consistent with the marketplace as set out in the proposed new corporate pricing policy.

A benchmarking approach was established with the pricing policy steering committee in the summer of 1997. This committee includes representatives from central agencies, ministry clients and the Corporation. The commissioning of independent benchmark studies is planned for 1998/99.

STRATEGY

We reviewed our new business development strategy and focused our efforts in those areas that are the most advantageous for the Corporation and the taxpayer.

An interim New Business Development Strategy was developed with the intent of focusing our efforts to maximize value to the taxpayer and to successfully achieve our strategic goals and objectives.

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

We generated additional non-ministry revenue of \$32.4 million, which significantly exceeded our 1997/98 target of \$8.0 million.

The cumulative total of generated non-ministry revenue was \$77.1 million. This \$77.1 million revenue total can be attributed to several sources, which are detailed below:

1996/97 Actuals \$44.7 million

Transfers from ministry business to non-ministry business accounted for 86% of this increase, and consisted of:

Regionalization of Ministry of Health programs to Regional Health Boards and Community Health Services Societies \$22.7 million

Transfer of the Motor Vehicle Branch from the Ministry of Transportation and Highways to ICBC \$5.1 million

The remaining 14%, or \$4.6 million, resulted from new business development with federal agencies and other public-sector organizations. \$4.6 million

This final amount is directly linked to our expanded mandate, which allows us to do business with the broader public sector. Our expanded mandate was legislated in 1997/98.

CAPITAL EXPENDITURE

REVIEW INITIATIVES

The government's Capital Expenditure Review, completed in January 1997, proposed a variety of government-wide and BCBC-specific cost-containment strategies and recommendations.

A number of these recommendations entailed BCBC playing a lead role through the development and application of delivery models for pilot projects.

Other recommendations entailed BCBC playing a lead role in the development of government policies relevant to real estate and accommodation, such as the finalization of BCBC's current review of Government Office Space Standards to incorporate a 15% space reduction, as well as the application of Integrated Workplace Strategies.

A four-person BCBC team was established to focus exclusively on managing the Corporation's completion of, and contribution to, the Capital Expenditure Review recommendations. The team was led by the Managing Director, Capital Expenditure Review Team, a new and unique corporate appointment reporting directly to BCBC's President and CEO.

In June 1997, our Corporate Business Priorities were revised in order to integrate both the BCBC-specific and the related government-wide Capital Expenditure Review initiatives.

During 1997/98, the Corporation achieved substantial progress in the implementation of these multi-year initiatives.

PILOT PROJECTS FOR THE MINISTRY OF EDUCATION — SCHOOL CONSTRUCTION

BCBC initiated a design-build project with School District #46 in Sechelt. There were 20 responses to our Request for Qualification (RFQ). All responses were evaluated based on criteria stipulated in the RFQ. Four proponents have been selected. BCBC proposes to award the design-build contract in early May, with a project completion date of July 1999.

Design-build procurement is commonly used in industry to build capital projects, and its application in school construction may reduce project capital costs and project schedules.

The design-build method of delivering new schools has captured the interest of BC's construction industry and prompted a feature article in the *Journal of Commerce*.

BCBC also started working with School District #69 in Qualicum Beach and Errington on a standardized design/stock plan pilot project. This school pilot project is currently in the final design stage, with a project completion date of summer 1999.

The use of standardized design stock plans in school construction may reduce project capital costs and decrease the time required to plan and build schools.

BCBC has also been working with the Ministry of Education to identify a third school pilot project to evaluate other cost-containment strategies.

INTEGRATED ACCOMMODATION PLANNING PILOT PROJECT

A major recommendation of government's Capital Expenditure Review was BCBC's development of an integrated accommodation planning process to facilitate joint use and space sharing and the application of this process in a specific community or region of the province as a pilot project.

Nanaimo was identified and selected as the pilot community primarily because of the strong demand for space by governments, a strong desire by the municipality to participate in the process, and the opportunities to integrate with planned provincial and other projects. Nanaimo had also completed a regional growth strategy with which the Integrated Accommodation Planning process could be linked.

BCBC received official approval from the Secretary to Treasury Board to proceed with the Integrated Accommodation Planning pilot project in October 1997, and in December 1997, the selection of Nanaimo as the IAP pilot project community received official approval from the Chair of Treasury Board.

The implementation of the Nanaimo Integrated Accommodation Planning pilot project is well underway, and all participants have expressed strong support for this initiative.

In support of this pilot, all participants have also identified representatives for the Community Advisory Planning Team, and the inaugural meeting of these representatives was held in Nanaimo on March 10, 1998. The Community Advisory Planning Team will meet to share information, program requirements and existing inventory, and to identify opportunities for joint use and space sharing.

MINISTRY FOR CHILDREN AND FAMILIES FACILITIES MANAGEMENT PILOT PROJECT

The government's Capital Expenditure Review directed BCBC and the Ministry for Children and Families to undertake a pilot project in which BCBC would provide all facilities management services for the Ministry.

The objective of the pilot project was to identify opportunities to minimize potential duplication within BCBC and client ministries through the efficient use and co-ordination of human resources related to facilities and project management. The pilot project began in April 1997 and was completed in March 1998.

During the pilot project, a number of duplications in procedures and systems were identified, and processes for elimination are currently being developed and implemented.

Approximately \$1.5 million savings in annualized Building Occupancy Charges (BOCs) were identified.

Because of the positive results of this pilot project, the Ministry for Children and Families' executive and BCBC have negotiated a long-term facilities management agreement with BCBC to take effect April 1, 1998.

OTHER CAPITAL EXPENDITURE REVIEW INITIATIVES

BCBC began working with the Ministry of Health to identify pilot project opportunities for BCBC project management which represent best value for government.

As part of BCBC's commitment to reduce the cost of government accommodation, it is addressing opportunities to renovate and re-use existing space before adding new government space. BCBC is currently working on the development of guidelines for the recycling of existing buildings.

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 project as an opportunity to add significant value while providing optimal accommodation solutions for its customers. An emphasis on up-front planning, including the development of a series of cost-effective alternatives; an aggressive value management process on all major projects; and the economic delivery of the final solution are part of the project management process followed for every major capital project.

During the 1997/98 fiscal year, the Corporation completed the following multi-year capital projects:

BC Centre for Disease Control, Vancouver

The Centre for Disease Control had been operating from a facility on the Vancouver General Hospital site which was 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 was completed in September 1997.

The Honourable Joy MacPhail, then Minister of Health, officially opened the BC Centre for Disease Control on October 21, 1997. This new facility was specially designed to contain modern technology which can be utilized to prevent and control disease. The Centre has been designed to be flexible and adaptable for future needs, as well as to provide the infrastructure to support current procedures.





Selkirk Waterfront Project, Victoria

A significant project utilizing a public/private partnership (P3) concept completed this year was the Selkirk Waterfront Project, an 180,000-square-foot office building agreement between the developer, Axor Engineering Construction Group Inc., and BC Buildings Corporation. 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. The two-building Selkirk facility was completed and occupied in several phases during the late summer of 1997.

St. Ann's Academy Restoration, Victoria

Restoration of the former St. Ann's Academy commenced for BCBC in 1991 with the establishment of a formal public consultation process. This process resulted in development of a restoration plan which specified saving the entire structure, portions of which would be carefully restored to how the building looked in 1910. The remainder of the building would be renovated as income-generating commercial office space.

The restoration plan included the following specific components:

- renovating St. Ann's Academy (including the 1910 Hooper Wing) to create approximately 53,500 sq. ft. of rentable space for commercial offices, as well as the auditorium for tenant and community use;
- restoring the building exterior and the chapel, and creating an interpretive centre (these areas to be open to the public);
- creating a two-hectare (five-acre) public open-space extension to Beacon Hill Park; and,
- retaining the heritage characteristics of the grounds of St. Ann's.

Reconstruction of St. Ann's commenced in November 1995 and was completed with occupancy by the Ministry of Education in September 1997.



FIVE-YEAR HIGHLIGHTS

	Year Ended March 31	1998	1997	1996	1995	1994
FINANCIAL	\$ THOUSANDS					
Gross Revenue		440,320	423,975	416,489	389,999	363,250
Operating Income		99,990	94,653	90,368	84,114	78,914
Interest		60,677	55,234	57,116	55,550	49,686
Net Income		39,313	39,419	33,252	28,564	29,228
Cash Flow		96,719	84,348	91,699	71,495	83,971
Total Assets (net)		1,073,676	1,056,921	1,009,018	961,629	866,882
	PER CENT					
Operating Income Margin*		20.6	20.9	18.8	19.1	20.3
Return on Investment		9.8	9.9	10.2	10.3	10.3
Return on Equity		17.1	19.1	18.2	17.0	19.0
PROPERTIES	SQUARE METRES					
Owned		1,327,687	1,362,168	1,370,078	1,340,637	1,344,301
Leased		726,064	711,107	697,753	660,822	623,214
Maintained		261,569	237,645	185,241	238,782	235,598
		2,315,320	2,310,920	2,253,072	2,240,241	2,203,113
STAFF						
Total Permanent Complement		774	790	850	880	880

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

CORPORATE INFORMATION

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.

In 1997, provincial legislation was passed to expand BCBC's mandate to enable the Corporation to provide its services to the broader public sector.

BCBC is a highly-decentralized corporation with a network of employees strategically located throughout the province.

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.

Organizational Structure

BCBC is a highly-decentralized corporation with a province-wide network of employees strategically located in eight districts which include over 60 Service Centres and Satellite 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 60 Service Centres and Satellite 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.

BCBC District Management

L- R:

FRONT ROW:

Hans Wenger

Director
Fraser District

Brian Kennedy

Vice President
Property Management

Wray White

Director
Skeena/Central Interior/Peace District

MIDDLE ROW:

Jim Harrison

Director
Vancouver Island/North District

Bill Duckworth

Director
Vancouver District

Doug Pletsch

Director
Victoria District

BACK ROW:

Barry Atchison

Director
Operations Support

George Forrest

Director
Kootenay/Columbia/Boundary District

Randy Nowicki

Director
Thompson/Okanagan/Cariboo District

Bill Young

Director
Burnaby/New West/Tri-Cities District



Photographed at Royal Roads University, Vancouver Island.

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 60 Service Centres and Satellite Offices.

BCBC DISTRICTS

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, Terrace, Smithers, Prince Rupert, Burns Lake, Stewart, Dease Lake, Atlin, Kitimat, Queen Charlotte Islands.

AUDITORS

The Auditor General of British Columbia

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1998 ANNUAL REPORT

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