

BEST
Solutions
for
BEST
Value

In Communities Throughout BC



About the Cover:

BCBC is a highly decentralized Crown corporation with a province-wide network of employees strategically located in eight districts which include over 60 service centres and satellite offices.

Legend:

 District Offices

 Service Centres

 Satellite Offices

A complete listing of BCBC offices appears on page four of this 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.

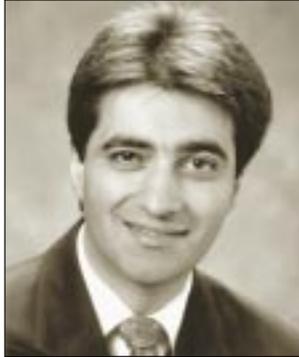
BCBC seeks best-value solutions to the accommodation needs of its clients — the ministries of government and other publicly funded organizations.

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 Crown corporation with a province-wide network of operating locations and with almost two-thirds of its employees strategically located throughout the province.

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Minister Responsible for the Public Service
and Minister Responsible for BCBC
Moe Sihota

His Honour,

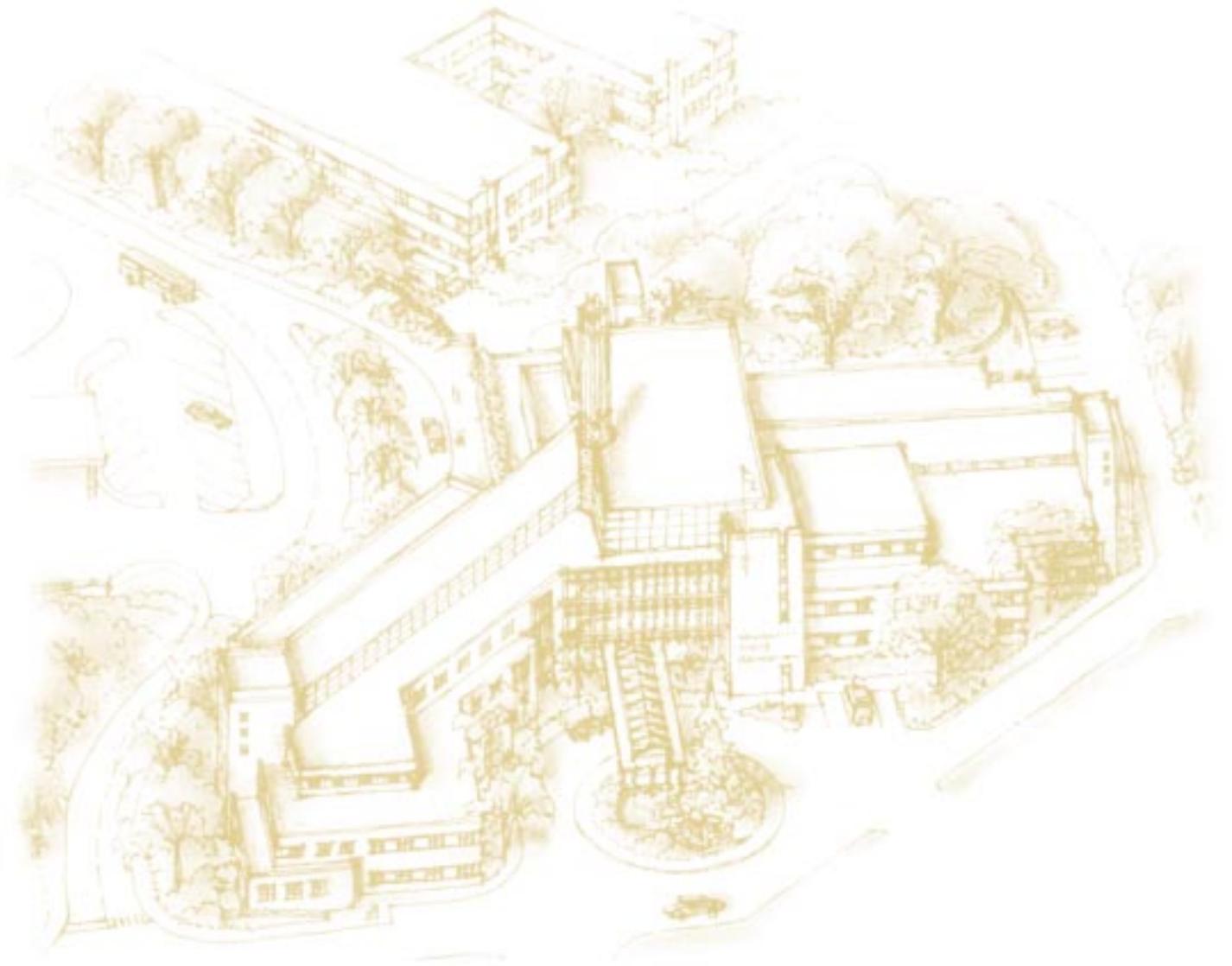
The Honourable Garde B. Gardom
Lieutenant-Governor of the Province of British Columbia

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, 1999.

A handwritten signature in black ink that reads "Moe Sihota". The signature is written in a cursive style with a long horizontal stroke extending from the top of the "a".

Moe Sihota
Minister Responsible for the Public Service
and Minister Responsible for BCBC



*Vancouver Island Cancer Centre, Victoria
Architect's Rendering
Architects: Paul Merrick Architects
Project Manager: BC Buildings Corporation*

BEST Solutions for BEST Value

In Communities Throughout BC

BC Buildings Corporation marks 22 years of operation in 1999. While much has changed over its 22-year history, the Corporation's overall purpose to provide best solutions for best value has endured. Best solutions entail the development and offering of contemporary real estate and accommodation products and services that best meet the requirements of our clients, the communities that they serve and the interests of government. Best value is determined from the perspective of the BC taxpayer.

Over the years, BCBC has continuously improved how it fulfils this enduring purpose in order to anticipate and respond to the changing needs of its customers and government as a whole. Our ongoing corporate commitment to this purpose and to continuous improvement has seen the development of a new, three-year business development plan in order to effectively respond to dramatic and ongoing changes in the public-sector environment.

One such change is the increasing trend among government ministries to decentralize and regionalize their decision-making. The Ministry of Health, for example, has almost totally regionalized its service delivery, and BCBC now deals primarily with regional and community-based health-care authorities on day-to-day business.

BCBC, itself, is highly decentralized with almost two-thirds of its employees located in eight districts which include 60 service centres and satellite offices strategically positioned throughout the entire province. (This province-wide network of locations is illustrated in the map of British Columbia on the cover of this report and described in detail on page four.)

In response to the increasing regionalization of the Corporation's customers, BCBC has undertaken to develop a community-based service delivery model which will further enhance its provision of services at the local community level. This model will be implemented in phases over the next one to two years in concert with the implementation of the new corporate business development plan.

These far-reaching corporate initiatives will enable BCBC to continue to provide value to its customers and to the BC taxpayer well into the new millennium. They will build on the Corporation's 22-year history of fulfilling this purpose in innovative and creative ways. Some prominent examples of how the Corporation is currently achieving this purpose in communities throughout the province are described in the following pages.

BCBC is highly decentralized with almost two-thirds of its employees located in eight districts which include 60 service centres and satellite offices strategically positioned throughout the entire province.

BCBC Head Office, 3350 Douglas St., Victoria

District Offices

BCBC is decentralized into eight strategically defined geographic districts throughout the province. Each district is managed by a district office and is further subdivided into service centres and satellite offices.

Fraser District Office 201 - 32555 Simon Ave. Abbotsford	Kootenay/Columbia/Boundary District Office 182 Baker St. Nelson	Skeena/Central Interior/Peace District Office 3732 Opie Crescent Prince George
Thompson/Okanagan/Cariboo District Office 238A St. Paul St. Kamloops	Burnaby/New West/Tri-Cities District Office 500 Lougheed Hwy. Port Coquitlam	Vancouver District Office 203 - 865 Hornby St. Vancouver
Vancouver Island/North District Office 3151 Barons Road Nanaimo		Victoria District Office 527 Michigan St. Victoria

Service Centres

A service centre is responsible for a group of buildings and/or customers within a district and can be located within the district office or elsewhere within the district's geographic jurisdiction.

East Service Centre Abbotsford 201 - 32555 Simon Ave. Abbotsford	Riverview Service Centre 500 Lougheed Hwy. Port Coquitlam	Vernon/Salmon Arm Service Centre 3001 - 27th St. Vernon
Burnaby Service Centre 103 - 4570 Canada Way Burnaby	Tri-Cities Service Centre 500 Lougheed Hwy. Port Coquitlam	Legislative Buildings Service Centre 501 Belleville St. Victoria
Peace River Service Centre PO Box 578, Alaska Hwy. Mile 52.5, Charlie Lake	Prince George Yellowhead Service Centre 3732 Opie Crescent Prince George	Museum/Douglas/St Ann's Service Centre 527 Michigan St. Victoria
Corrections Service Centre 441 Columbia St. Kamloops	Prince George North Service Centre Box 34, 1011 4th Ave. Prince George	Jack Davis Service Centre 1810 Blanshard St. Victoria
Kamloops Service Centre 1255 Dalhousie Place Kamloops	Correctional Service Centre 795 Hwy. 16 East Prince George	Richard Blanshard Service Centre 1515 Blanshard St. Victoria
Kelowna Service Centre 233 - 1420 Water St. Kelowna	Kitwanga/Burns Lake Service Centre Bag 5000, 4124 Railway Ave. Smithers	James Bay Service Centre 527 Michigan St. Victoria
North Service Centre Maple Ridge 22461 North Ave. Maple Ridge	West Service Centre Surrey 104, 10475 - 138th St. Surrey	Waddington Building Service Centre 940 Blanshard St. Victoria
Vancouver Island North/West Coast Service Centre 3151 Barons Road Nanaimo	South Service Centre Surrey 14340 - 57th Ave. Surrey	Glendale Service Centre 4464 Markham Road Victoria
Central Island Service Centre 3151 Barons Road Nanaimo	Kitimat/Terrace/Rupert/QCC Service Centre 101 - 2918 South Eby St. Terrace	Saanich/Victoria Service Centre 4000 Seymour Place Victoria
New Westminster Service Centre Woodlands, 9 Columbia East New Westminster	Highway 37 Service Centre 101 - 2918 South Eby St. Terrace	Law Courts Service Centre 527 Michigan St. Victoria
Penticton Service Centre 152 Main St. Penticton		Williams Lake Service Centre 150A - First Ave. Williams Lake

Satellite Offices

A satellite office reports to a service centre and is strategically positioned to provide highly localized corporate services.

Trout Hatchery, 34345 Vye Road Abbotsford	1201 - 103rd Ave. Dawson Creek	1229 Cemetery Road Queen Charlotte City
Room 303, Cliff St. Bella Coola	Telegraph Creek Road Dease Lake	350 Barlow Ave. Quesnel
Kootenay Hatchery, Hwy. #93 Bull River	Vancouver Island Trout Hatchery 1080 Wharnclyffe Road Duncan	20 Hudson Ave. Salmon Arm
3405 Willingdon Ave. Burnaby	West Trans Canada Hwy. Kamloops RCC	19th and Yukon St. Stewart
7900 Fraser Park Drive Burnaby	200 E 23rd St. North Vancouver	Operations Superintendent's Home Squamish
370 S. Dogwood Campbell River	4760 Roger St. Port Alberni	Robson Square, 800 Hornby St. Vancouver
45474 Luckakuck Way Chilliwack	2620 Mary Hill Road Port Coquitlam	222 Main St. Vancouver
Clearwater Hatchery Old North Thompson Hwy. Clearwater	70 Colony Farm Road Port Coquitlam	525 W 59th Ave. Vancouver
204 - 420 Cumberland Road Courtenay	100 Market Place Prince Rupert	655 W. 12th Ave. Vancouver
102 - 11th Ave. South Cranbrook		5 East 8th Ave. Vancouver

In 1995, the Ministry of Attorney General (MAG) identified the future need for a new adult male correctional facility in the Lower Mainland. BCBC and MAG identified and acquired a suitable site in Port Coquitlam and undertook an extensive community consultation process to gain municipal zoning approval.

However, in 1996, the provincial government suspended all capital projects in order to conduct its Capital Expenditure Review. During this capital freeze, MAG and BCBC collaborated in an intensive facility program review for the proposed North Fraser Pretrial Services Centre to identify opportunities to reduce capital and operating costs without compromising public and staff safety. Integral to this review was an evaluation of the *per diem* cost, the cost to MAG of housing an inmate in the facility per day.

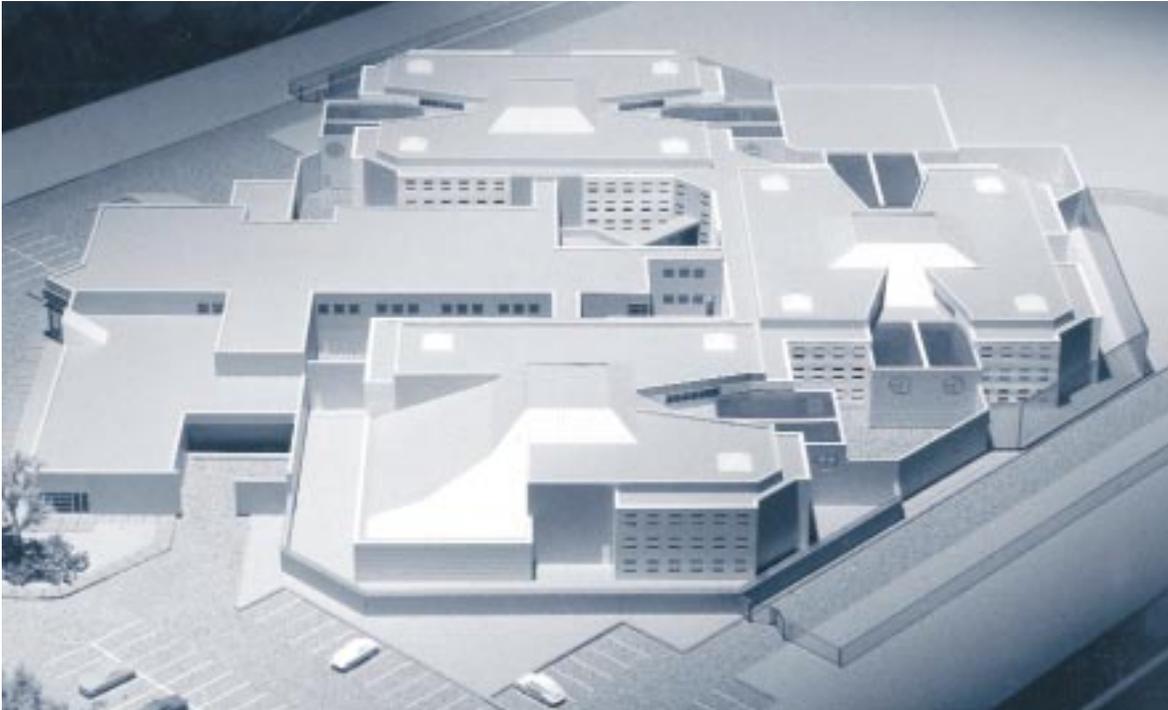
The intensive facility program review and value analysis conducted jointly by MAG and BCBC in the planning and design of the North Fraser Pretrial Services Centre have produced a new benchmark of cost-effectiveness for correctional facilities in BC. In the design being implemented, the *per diem* cost has been dramatically reduced to \$136, a reduction of almost 40% from the original estimate of \$225. In addition, the capital cost per bed of construction has been reduced by more than 40% — to \$163,000 from the original estimate of \$273,000.

Construction of the North Fraser Pretrial Services Centre began in early 1999, and the Centre is scheduled for completion in January 2001.

North Fraser Pretrial
Services Centre

(Port Coquitlam):

*a new cost-saving
benchmark is
established for the
delivery of correctional
services in BC*



*Model of the North Fraser Pretrial Services Centre, Port Coquitlam
Architects: Della-Lana Griffin Dowling Knapp Architects
and Zoltan S. Kiss Architecture*

**Kinnikinnick Elementary
School, Sechelt
(School District No. 46):**

*BCBC design-builds a
school ahead of schedule
and 17% under budget*

As a result of the provincial government’s Capital Expenditure Review, BCBC has been working on several school pilot projects intended to assess innovative approaches to the construction of schools in the province. The design-build procurement strategy is commonly used in the construction industry to build capital projects, and its application to school projects was considered to have the potential to reduce costs and timelines.

BCBC was requested to undertake this school pilot project because of its expertise in design-build procurement and because of its experience as a “knowledgeable owner” in public-sector projects.

In design-build procurement, the architects, engineers and contractors are contracted to design and build as a team, unlike the traditional approach in which they are contracted and work separately. The selected design-build proposal for the new Kinnikinnick Elementary School in Sechelt was 17% lower than the approved project budget. This has enabled School District No. 46 to get four more classrooms and ancillary space included in the project — all for less than the original project budget.

Kinnikinnick Elementary School is ahead of schedule and will be completed and ready for occupancy in July 1999.



*Kinnikinnick Elementary School, Sechelt
(School District No. 46)
Architect's Rendering
Architects: Killick, Metz, Bowen, Rose Architects Planners Inc.*

These school projects piloted the standardized design/stock plan approach to elementary school construction. Plans for the two schools are similar in design, except that one plan is the mirror image of the other.

The Corporation managed tendering of these school projects so as to maximize the cost benefit to the School District. On behalf of the School District, the two projects were tendered separately but offered potential bidders the option to submit a combined bid for both projects. This opportunity proved to be a “win-win” situation, and in November 1998, a single, stipulated-sum contract for both schools was awarded. This realized significant savings for School District No. 69.

As project manager, BCBC and its team of consultants also added significant value in the negotiations surrounding the respective sites for the two schools. In the case of the Little Mountain/Errington Elementary School site, BCBC negotiated with the Crown Lands Branch of the Ministry of Environment, Lands and Parks to define a five-acre site for the school from a 26-acre section of Crown lands. The BCBC team then organized the provision of services and the construction of an access road to the site.

The site of the Arrowview Elementary School was already owned by the School District, but was located outside the jurisdictional boundaries of Qualicum Beach. Nevertheless, the BCBC team successfully negotiated with the Town of Qualicum Beach, with the Regional District of Nanaimo and with the Ministry of Transportation and Highways about the provision of services and safe access to the site.

The construction costs for both schools are lower than budget: the Arrowview Elementary School project is anticipated to be 14% below the original approved budget, and the Little Mountain/Errington Elementary School project is anticipated to be 13% below its original approved budget.

The two schools are in the advanced stages of construction and will be completed on time for the September 1999 commencement of the school year.

As a result of its successful project management of the new Arrowview and Little Mountain/Errington Elementary Schools, BCBC has been invited by School District No. 69 to become involved in the project management of five additional school district projects. These five projects include one new school construction project and four projects involving additions and/or renovations to existing schools.



Arrowview Elementary School and Little Mountain/Errington Elementary School, Qualicum Beach and Errington (School District No. 69):

BCBC builds two schools using standardized design/stock plans on time and under budget



*Arrowview Elementary School, Qualicum Beach (School District No. 69)
Architects: CJP Architects*

Regional District of
Fraser-Fort George Office
Building (Prince George):

*BCBC project manages
the construction of
an energy-efficient
“winter city design”
facility to suit a
northern BC community
– on schedule and
within budget*

Utilizing its award-winning expertise in designing energy-efficient buildings, BCBC is creating a new “winter-friendly” office building for the Regional District of Fraser-Fort George in the city of Prince George.

In May 1998, the Regional District asked BCBC to undertake the project management of its new facility. The Corporation was able to respond to this request because of 1997 provincial legislation which expanded BCBC’s mandate to enable it to provide its services to the broader public sector.

In a northern BC city that has several months of winter, the Regional District considered it particularly important to incorporate a variety of principles of “winter city design” into the construction of the building. These principles include such energy-efficient features as a building

orientation that ensures the maximum amount of sunlight for offices, as well as energy-efficient windows, lighting and mechanical systems.

However, the Regional District also required that the \$3.9-million building enhance the character and economic vitality of the community. Accordingly, the facility will utilize local natural materials in its construction and landscaping and will support the revitalization of the Prince George downtown core.

Construction on the new Regional District building began in the spring of 1999 and is expected to be completed for “winter-friendly” use in December 1999 on schedule and within budget.



*Regional District of Fraser-Fort George Office Building, Prince George
Architect's Rendering
Architects: Stuart C. Ross Architects*

In October 1998, the provincial government assigned to BCBC the responsibility for the fast-track construction of the new Vancouver Island Cancer Centre on the Royal Jubilee Hospital site in Victoria.

Operated by the BC Cancer Agency, the existing Vancouver Island Cancer Centre has three radiation therapy treatment units, and the design capacity is for approximately 1,500 new patients per year. Current cancer care needs on Vancouver Island exceed this capacity by about 30%, and patients have to travel to the mainland for radiation therapy. The solution to this urgent situation for increasing numbers of the people of Vancouver Island and their families is the fast-track completion of the new Vancouver Island Cancer Centre by April 2001.

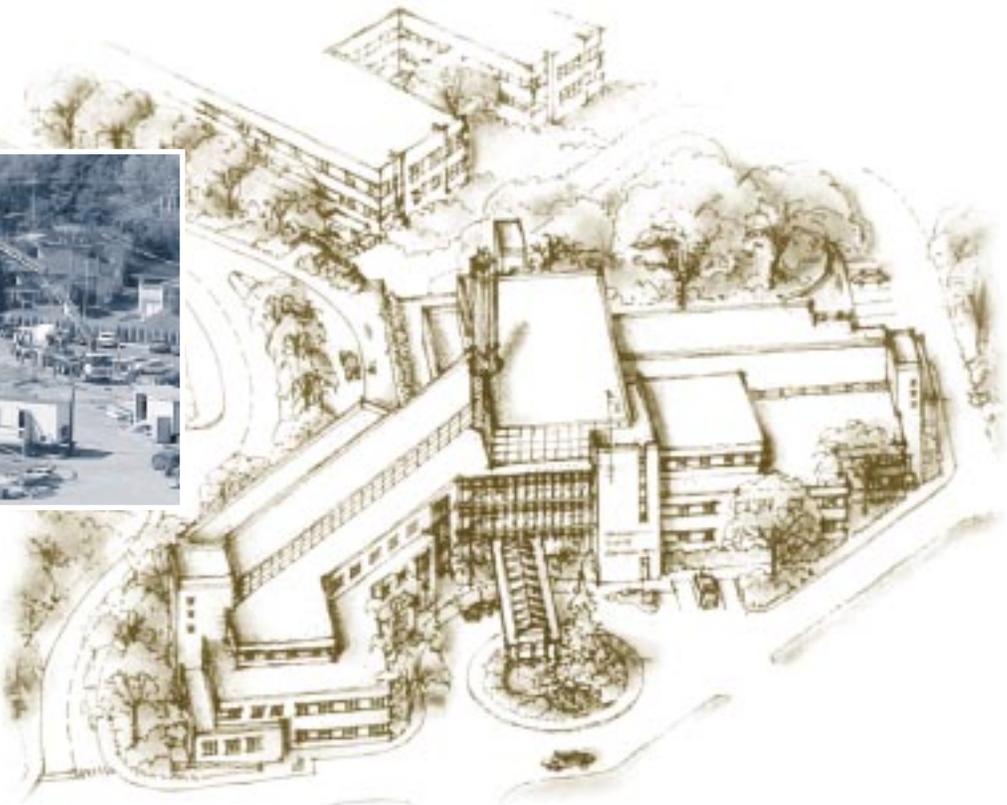
BCBC's fast-tracking of the new Cancer Centre required a start of construction by April 1, 1999. In co-operation with the BC Cancer Agency, the Capital Health Region and other key stakeholders, BCBC resolved a number of challenges to meeting this schedule. One major challenge was the development of a temporary plan for replacement parking for about 500 users of the Royal Jubilee Hospital parking lot which was designated as the site of the new Cancer Centre.

These challenges were successfully resolved, and BCBC began construction of the new Vancouver Island Cancer Centre slightly ahead of even the fast-track schedule — in late March 1999 — and within the original budget. An official ground-breaking ceremony was held on the site on April 15, 1999.

**Vancouver Island
Cancer Centre (Victoria):**
*BCBC project manages
this urgent priority for
the people of Vancouver
Island slightly ahead of
even the fast-track
schedule and within the
original budget*



**Vancouver Island Cancer
Centre construction site,
May 25, 1999**



**Vancouver Island Cancer Centre, Victoria
Architect's Rendering
Architects: Paul Merrick Architects**

BCBC's aggressive management of vacant government office space throughout the province results in an annual cost saving to government of \$2.5 million

In March 1998, the percentage of BCBC's entire office space which was vacant was 2.17%. By March 1999, this percentage had been reduced to 1.35%. Due to aggressive management of the impacts of government downsizing, province-wide vacant space has been reduced by about 117,000 square feet over the past year. This reduction equates to an annual cost saving to government of about \$2.5 million.

BCBC manages its vacant space aggressively through offering such property for other ministry needs, arranging strategic moves to corporate-owned or long-term leased space, subletting or selling properties, or terminating leases.

Most of BCBC's districts around the province demonstrated significant reductions in vacant office space over the year. The largest reduction was in Victoria, which reduced its vacant office space by over 63%. Over the past three years, since 1996/97, BCBC has implemented projects in the Greater Victoria area which have resulted in a total space reduction of over 268,000 square feet and a total annual cost saving to government of \$6 million.

Space efficiencies under the revised Government Office Space Standards result in cost savings to government and to ministries province-wide

An average 15% space reduction is now routinely applied to all space requests under the revised Government Office Space Standards (GOSS), which were developed by BCBC in consultation with the ministry Client Panel. In 1998/99, the application of this space reduction resulted in a total of \$0.7 million in cost savings.

This cost saving was a benefit to government and the taxpayer and also had a direct cost-savings impact upon the building occupancy charges (BOCs) of 15 of BCBC's client ministries. Furthermore, this cost benefit affected a total of 51 different ministry projects in some 24 communities throughout BC.

These accounts represent just a sampling of BCBC's efforts to fulfil its corporate purpose to provide best solutions for best value in communities throughout BC.

The Corporation's efforts will be dramatically enhanced in the months ahead by its new, three-year corporate business development plan, to be implemented in conjunction with a new community-based service delivery model. These initiatives have been specifically designed to respond to the dramatic changes occurring in the public-sector environment. Together, they will enable the Corporation to sustain its enduring purpose in the face of fundamental change. 🏡



William (Bill) Clark
Chair
(Surrey)



Bernie Blackburn
(Prince George)



Robert Hobson
(Kelowna)



Stephanie Green
(West Vancouver)



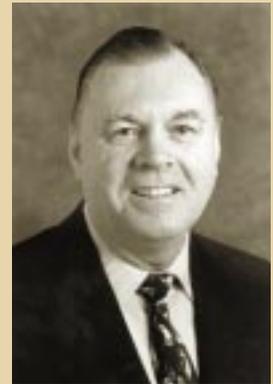
Jageero (Jag) Johl
(North Vancouver)



Steve Orcheron
(Victoria)



Carole Gillis
(Kamloops)



Bruce Ferguson
(Surrey)



In Memoriam

Gerry Stoney
(Hope)

Member, BCBC Board of Directors
November 1992 – May 1999



L-R

Brian Kennedy

Vice President, Property Management

Lak Parmar

Vice President, Finance and Chief Financial Officer

Dennis Truss

President and Chief Executive Officer

Sharon Halkett

Vice President, Client and Accommodation Services

Jim Gugin

Vice President, Real Estate Development

Fulfilling our corporate purpose

Best solutions for best value in communities throughout BC is the theme of our Annual Report this year. This expresses the fundamental and enduring purpose of BC Buildings Corporation, which is to deliver the best solutions in real estate and accommodation services to the BC public sector for the best value to its customers and to the BC taxpayer.

I am very proud to report that, in the past year, the Corporation has fulfilled this purpose in some outstanding ways.

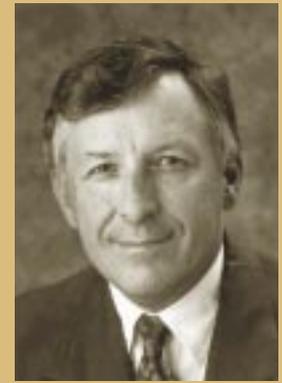
First of all, we have substantially exceeded the \$30-million cost-savings target that we set three years ago for our Strategic Plan's first objective — to reduce the cost of government accommodation. Over the past three years, 1996 – 1999, our cumulative cost savings have reached a total of \$39.9 million, which exceeds our three-year target by almost \$10 million.

Also, through a major co-operative effort with the Ministry of Attorney General and our consultants, we have succeeded in achieving a new standard for the cost-effective delivery of correctional services in British Columbia. The Corporation and the Ministry collaborated in an intensive facility program review when planning the North Fraser Pretrial Services Centre in Port Coquitlam. This joint review has achieved dramatically reduced operating and capital costs in correctional facilities and has established new, lower targets for the future.

I am also pleased to report that the Corporation's participation in, and contribution to, the government-directed Capital Expenditure Review initiatives has proven highly successful. The three school construction pilot projects undertaken by BCBC in Sechelt and in Qualicum Beach and Errington on Vancouver Island will all be completed between 13% to 17% below budget and on schedule. All schools will be ready by September 1999 for the beginning of the new school year.

The Integrated Accommodation Planning pilot project in Nanaimo represented a significant achievement in inter-agency consultative planning. After completion of a formal evaluation, the process and principles utilized may become government policy. Integrated accommodation planning is rapidly becoming the accepted process by which to integrate the needs and priorities of all levels of government when developing real estate and accommodation solutions, with the ultimate goal of providing savings to the single taxpayer.

Furthermore, following the successful completion of the Ministry for Children and Families facilities management pilot project, the Ministry and the Corporation have entered into a five-year agreement for ongoing facilities management services to be provided by BCBC.



Dennis Truss
President and
Chief Executive Officer

Our cost savings in government accommodation have reached a total of \$39.9 million, which exceeds our three-year target by almost \$10 million.



At the official ground-breaking ceremony for the new Vancouver Island Cancer Centre, held on April 15, 1999.

L-R

Haji Charania, *BCBC Director, Project Management*; Rick Steele, *BCBC Project Manager*; Dennis Truss, *BCBC President and CEO*; Fran Caruth, *Vice President, Planning, BC Cancer Agency*; Jim Gugjin, *BCBC Vice President, Real Estate Development*

In October 1998, the provincial government announced that the Corporation would be assigned immediate responsibility for the fast-track construction of the new Vancouver Island Cancer Centre, with completion expected by April 2001. Working closely with the BC Cancer Agency and other key stakeholders, the Corporation has ably risen to this challenge and has already begun construction on the Centre's site slightly ahead of the fast-track schedule.

The Corporation has also developed a comprehensive Year-2000 Management Plan to ensure no interruption and minimal cost to government as a result of Year-2000 computer issues related to buildings. We are working actively with our customers and our suppliers to implement this management plan well in advance of the year 2000.

The following *Review of Operations and Corporate Business Priorities* highlights the individual major initiatives that we undertook during the year and our related accomplishments. I believe it demonstrates the Corporation's consistent commitment to its enduring purpose of providing best solutions for best value.

On behalf of the BCBC executive, I would like to take this opportunity to thank William Clark, Chair, and the other members of our Board of Directors for their support and assistance throughout the year. I would particularly like to express our appreciation to Michael Geller, a six-year member, who stepped down from the Board in December 1998. Throughout his tenure, Michael Geller was instrumental in encouraging the Corporation to remain innovative in its approach to accommodation solutions and to explore alternative procurement methods. A warm welcome is extended to our two new Board members, appointed in January 1999: Carole Gillis of Kamloops and Jageero (Jag) Johl of North Vancouver.

It is with deep regret that I acknowledge the May 1999 passing of Gerry Stoney, a member of our Board of Directors since November 1992. Gerry Stoney was a strong supporter for the concept of using the Corporation's expertise in the broader public sector. He will be warmly remembered for his active participation and valued advice and support to the Corporation during his tenure.

I would like to take this opportunity to thank our Minister responsible, the Honourable Moe Sihota, for his support since assuming responsibility for the Corporation in October 1998. On behalf of BCBC, I also extend appreciation to our previous Minister responsible, the Honourable Andrew Petter, for his support during the period that he was Minister responsible for BCBC.

Finally, the Vice Presidents join me in extending our most sincere appreciation to our employees. Their dedication and creativity and their commitment to our Corporation's enduring purpose in the midst of changing circumstances have enabled BCBC to rise to every challenge and to achieve some outstanding results over the past year.

Dennis Truss
President and
Chief Executive Officer

1998/99 — The Third Year of Implementation of our Strategic Plan 1996 – 2000

The fiscal year 1998/99 was the third year of implementation of our Corporate Strategic Plan 1996 – 2000.

The cost-minimization theme of BCBC's 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 broader 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 1998/99 are outlined in the following review.

Also outlined in this review of the year is the Corporation's progress in the implementation of multi-year projects resulting from government's 1997 Capital Expenditure Review.

OBJECTIVE I

Strategy

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

Reduce the Cost of Government Accommodation

Our Strategic Plan's three-year goal of cost savings for government was \$30 million. By 1997/98, we had already surpassed this goal by \$5.4 million with a cumulative \$35.4-million saving to government over the 1995/96 base year (\$21.7 million was saved in 1996/97, and \$13.7 million in 1997/98).

In 1998/99, we contributed an additional \$4.5 million in cost savings, for a three-year total of \$39.9 million, which exceeds our original Strategic Plan goal by \$9.9 million.

	Actual Results 1996/97 (\$ millions)	Actual Results 1997/98 (\$ millions)	Actual Results 1998/99 (\$ millions)	Cumulative Savings 1996 – 1999 (\$ millions)
Reduce client requests/tenant improvements	6.2	(1.1)	1.4	6.5
Reduce minor client requests	1.5	0.1	–	1.6
Reduce Operations & Maintenance (O & M) service levels	1.4	–	–	1.4
Zero inflation (O & M in owned buildings)	1.4	1.5	–	2.9
Reduce landlord maintenance	3.3	1.4	–	4.7
Reduce lease costs	2.0	5.3	2.4	9.7
Consolidate field offices	–	0.2	–	0.2
Reduce infrastructure costs	3.1	(1.0)	(1.4)	0.7
Integrated Workplace Strategies	0.3	2.8	1.0	4.1
Other cost avoidance (annualized)	1.3	4.5	1.1	6.9
Short-term financing	1.2	–	–	1.2
Total Savings	21.7	13.7	4.5	39.9

Details of Cost-Savings Initiatives

Savings in lease costs totalling \$9.7 million over three years have been achieved through the aggressive management of the Corporation's leased space portfolio.

When the Corporation established this \$30-million target three years ago, it was following an almost-20-year tradition of assisting government to reduce public-sector spending by introducing innovative methods of managing real estate and delivering accommodation services.

Over the last three years, continuing efforts to enhance efficiency and effectiveness in all parts of the Corporation's operations, together with the active co-operation of our customers, have ensured the achievement of these results. The 1996/97 capital and tenant improvement freeze in government has also contributed to the Corporation's cost-savings results.

- Cost savings of \$6.5 million in client requests and tenant improvements have been achieved over the past three years. These savings were achieved despite the tenant improvements and other client-request expenditures implemented to facilitate government downsizing initiatives and ministry program changes. In 1998/99, the Corporation's scrutiny of all client requests for delivery of maximum value for money, together with the February/March 1999 government freeze on tenant improvements, resulted in cost savings of \$1.4 million.
- Savings in lease costs totalling \$9.7 million over three years have been achieved through the aggressive management of the Corporation's leased space portfolio in terms of obtaining longer lead times for negotiation and the development of strategic lease renewal plans for Victoria. The Greater Victoria Office Space Reduction Initiative enabled BCBC to reduce over 268,000 square feet from its leased portfolio over the period 1996/97 to 1998/99. This significant reduction in leased space, which helped to restore the Greater Victoria vacancy rate to more standard market levels, has also contributed to savings in lease costs through resulting decreases in rental rates. Savings in lease costs for 1998/99 totalled \$2.4 million.
- Through aggressive management, the Corporation has been able to contain infrastructure costs. In fact, the 1998/99 level is \$0.7 million below the 1995/96 baseline level. This has been achieved even with the implementation of government-regionalization initiatives and increased business with independent agencies such as Public Works and Government Services Canada, the Department of National Defence, the RCMP and regional health authorities. The 1998/99 increase in infrastructure costs reflects the increasing size and diversity of the Corporation's non-ministry customer base, as well as the decentralization of existing customers. It should be noted, however, that these additional costs have been more than offset by the revenue generated from the increased business with independent agencies throughout BC.
- The application of Integrated Workplace Strategies (IWS) has resulted in significant savings in government accommodation costs over the past three years. Substantial savings were realized in 1997/98 as a result of major ministry consolidation projects such as St. Ann's Academy and the Selkirk Waterfront project in Victoria. In 1998/99, cost savings of \$1.0 million were achieved through several smaller consolidation and space-rationalization projects.
- Other cost-avoidance measures, including special initiatives by BCBC employees to provide customers with best solutions for best value, have produced savings of \$6.9 million over the past three years. In 1998/99, \$0.7 million of the \$1.1 million total savings is attributable to the application of the 15% average space reduction under revised Government Office Space Standards.

We developed, in conjunction with Client Panel, new proposed Government Office Space Standards (GOSS) based on functions performed rather than position classification.

- ➔ The proposed Government Space Standards (GOSS) were developed over the past year by the GOSS Sub-Committee comprised of members of Client Panel and representatives of BCBC. The significant difference from previous GOSS is that the new space allocation is aligned by function as opposed to the previous approach of allocating space by position. In addition, the new standards introduce the concept of a space envelope which allows for the implementation of Integrated Workplace Strategies (IWS).

This new approach will not only reduce the overall government space utilization, but also will allow customers maximum flexibility in meeting their strategic objectives and program requirements.

We worked with the Ministry of Attorney General to create a new and dramatically reduced cost benchmark for the design and operation of BC correctional facilities through the planning for the North Fraser Pretrial Services Centre.

- ➔ Approved by Treasury Board in early 1998/99, the North Fraser Pretrial Services Centre project demonstrates dramatic savings in operating costs for correctional facilities in BC. The projected daily cost (*per diem*) of housing an inmate is \$136, which represents a reduction of almost 40% from the original *per diem* estimate of \$225.

Significant savings were also achieved in capital costs. The projected per-bed cost was reduced by more than 40% from the original cost estimate per bed.

These cost savings were achieved through a comprehensive value analysis performed by a team with representation from both the Corporation and the Ministry of Attorney General. The team examined the total cost of operating the facility and, based on program decisions made by the Ministry, developed a design methodology which emphasized staffing efficiencies.

Strategy

Make more efficient use of the portfolio.

We incorporated elements of the Integrated Accommodation Planning process into the Victoria and Lower Mainland regional strategic accommodation plans.

- ➔ We incorporated a series of Integrated Accommodation Planning opportunities and recommendations into the Victoria and Lower Mainland plans.

We continued to proactively manage the impact of government downsizing on the amount of vacant space in the Corporation's portfolio.

- ➔ Vacant office space declined by approximately 117,000 square feet throughout the year as a result of careful monitoring of supply and demand, judicious decisions about which leases to renew and our continued efforts to work with customers to optimize the use of existing space. Strategies such as negotiating lease surrenders, exercising lease space-reduction clauses and implementing integrated workplace strategies were pursued aggressively.

The new Government Office Space Standards will not only reduce the overall government space utilization, but also will allow customers maximum flexibility in meeting their strategic objectives and program requirements.

Improve the Efficiency and Effectiveness of the BCBC Model

We developed a new, three-year Corporate Business Development Plan in order to retain existing business in a changing marketplace and to extend our services throughout the entire public sector where cost-beneficial to government.

Strategy

Align our resources to meet the needs of our changing business.

We developed a new Corporate Operations Charter that defines the business of the Corporation and sets out the basic premises for its continued successful development.

- The Corporate Operations Charter defines the Corporation's mission, its enduring purpose and its core values. The Charter also describes the scope and principles of the Corporation's business and its relationships with its key stakeholders, including staff.

We developed a new, three-year Corporate Business Development Plan in order to retain existing business in a changing marketplace and to extend our services throughout the entire public sector where cost-beneficial to government.

We reviewed our corporate organizational structure with respect to community-based service delivery and developed a new community-based service delivery model in alignment with our Corporate Business Development Plan.

- The community-based service delivery model was developed in order to enhance our local service delivery in response to the increasing regionalization of customer decision-making. An integrated implementation plan for this model and the Corporate Business Development Plan will be developed in 1999/00.

We developed a performance development process and strategic recognition framework, in accordance with our 1996 - 2000 Human Resources Strategic Plan.

- Employee performance development and strategic recognition are paramount to the Corporation's success. Accordingly, in 1997/98, we embarked on a multi-year project to ensure that staff performance is developed to full potential and aligned with our strategic objectives and business priorities.

The Corporation started this process with an examination of companies having best practices in the area of human performance development. The program focuses on competency-based development, with critical linkages to employee recognition. In 1998/99, we developed the performance development process and strategic recognition framework. The goal is to implement this process and framework in a multi-phased approach, beginning in 1999/00 with an initial application to a small representative sample of employees to allow for early evaluation and refinement prior to full-scale implementation throughout the Corporation.

We initiated the development of a Human Resources Information System to enable the Corporation to maintain and provide comprehensive employee information.

- A major objective of the 1996 - 2000 Human Resources Strategic Plan was the integration of the human resources function with our business processes. An integrated and comprehensive database of employee information is necessary to fulfil this objective, as well as to comply with increasingly common internal and external reporting requirements. The Human Resources Information System will also be integrated with the corporate payroll system, resulting in a net annual cost saving of \$40,000. This new system is scheduled for completion in the fall of 1999.

- The Human Resources Information System will also support the Corporation's workplace diversity initiatives in that it will allow for the collection and compilation of voluntarily self-identified employee information relevant to the four designated groups: women, visible minorities, persons with disabilities and Aboriginal people.

We conducted a comprehensive employee survey to measure employee perceptions of corporate flexibility and innovation, as well as other key performance indicators.

- The results of the employee survey, which had an excellent response rate of 82%, were assessed, and an employee survey action plan was developed to address key issues raised in the survey.

We continued to assess our performance measurement system in order to streamline our reporting requirements, and continued to report our performance quarterly to our Board of Directors and to the Crown Corporations Secretariat.

- In addition to traditional financial indicators, we continued to report 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 course of implementing our 1996 - 2000 Strategic Plan.
- In 1998/99, the Corporation investigated the potential use of a balanced-scorecard approach in performance measurement, with a view to using this approach in concert with the development of our new Strategic Plan, which will be undertaken in 1999/00.

The balanced-scorecard approach would provide a comprehensive assessment of the Corporation on the basis of four primary perspectives: customer, innovation and learning, internal business and financial. As a Crown corporation, BCBC would also incorporate measures to demonstrate its contribution to the economic and social priorities of government.

We achieved an operating margin of 21.7% for the 1998/99 fiscal year which compares very favourably with the operating margin of 20.6% achieved in 1997/98.

Through an Information Systems Steering Committee, we ensured that group and departmental systems needs were fully addressed during the year by prioritizing all systems requirements within the 1998/99 Information Systems Plan.

- All items identified in the Information Systems Plan were reviewed and prioritized by the Information Systems Steering Committee. This ensured that the highest-priority projects were delivered in each quarter of 1998/99.

The most significant systems project was the automated pricing and client budget system required to produce the 1999/00 Client Budget, which reflected the Corporation's new pricing policy. Other information-systems projects accomplished in 1998/99 included an automated contract delivery system for field purchasers, a tax management system and a system for tracking gains on sales of property.

We conducted a comprehensive employee survey to measure employee perceptions of corporate flexibility and innovation, as well as other key performance indicators.

OBJECTIVE III

Improve the Satisfaction of All Four Customer Dimensions

Strategy

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

We initiated two potential projects utilizing public/private partnership (P3) options.

- A feasibility study has been initiated to explore opportunities to enhance the vitality and overall financial value of the Robson Square complex. We are working with a special team of BCBC personnel and external consultants, including Arthur Erickson, the architect of the complex, and have had discussions with the City of Vancouver and the Vancouver Art Gallery.
- The redevelopment of Glendale Lodge and associated lands (District of Saanich) into a research and technology centre continues to be a strong possibility. The feasibility of this use is being determined by BCBC and would entail the involvement of private-sector research/technology interests. Potential benefits would include job creation and training opportunities for students of Camosun College and the University of Victoria, which have both expressed support for this redevelopment.

We achieved improved occupancy and increased net cash flow by upgrading the base building at BC House in London, England using private-sector funding.

Strategy

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

We developed a customer research model which includes a methodology for ongoing monitoring of customer needs and satisfaction.

- Customer focus group research and targeted customer research were performed this year to provide input into the formulation of a customer research model. Comprehensive customer research using this model will be conducted in 1999/00.

Strategy

Be recognized as socially and environmentally responsible in our business operations.

We developed a new, comprehensive five-year 1999 – 2003 Environmental Management Plan for implementation beginning in 1999/00.

We completed 81% of our pollution prevention program, surpassing our target of 80%.

We increased the percentage of solid waste recycled in the Greater Victoria region from 69% to 73%.

- This is a considerable achievement in light of the fact that solid-waste recycling targets for both the Capital Regional District and the Greater Vancouver Regional District are 50%.

Strategy

Become market-competitive in our core products and services.

We obtained Treasury Board approval of the Corporation's new pricing policy.

- The Corporation's new pricing policy was developed through an inter-agency steering committee comprised of the Crown Corporations Secretariat, Treasury Board Staff, the Comptroller General, two client ministries and BCBC. The new pricing policy assures private-sector comparability and enhances accountability for both the Corporation and its ministry customers for the effective use of accommodation.

Strategy

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

We generated additional non-ministry revenue of \$12.4 million, which significantly exceeded our 1998/99 target of \$4.5 million.

Non-ministry revenue for the Corporation now totals \$89.5 million. The \$12.4 million in revenue generated in 1998/99 can be attributed to several sources, which are detailed below:

Regionalization of Ministry of Health programs to Regional Health Boards and Community Health Services Societies	\$ 2.5 million
Increase in volume of business with Public Works and Government Services Canada	\$ 2.5 million
New business development with other public-sector organizations, e.g., Crown corporations, school districts, societies.	\$ 7.4 million

Expand Our Services to the Broader Public Sector Where Cost-Beneficial to the Taxpayer

We generated additional non-ministry revenue of \$12.4 million. Non-ministry revenue for the Corporation now totals \$89.5 million.

Capital Expenditure Review Initiatives

The government's Capital Expenditure Review, completed in January 1997, proposed a variety of both government-wide and BCBC-specific cost-containment strategies and recommendations. Most of these strategies and recommendations were multi-year in scope.

As a result of its success in implementing various cost-reduction initiatives, the Corporation was well positioned to play a lead role in 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 application of Integrated Workplace Strategies.

In 1997/98, our Corporate Business Priorities were revised in order to integrate both the BCBC-specific and related government-wide Capital Expenditure Review initiatives.

During 1998/99, the Corporation continued to achieve substantial progress in the implementation of these multi-year initiatives.

Pilot Projects for the Ministry of Education — School Construction

Three pilot projects to construct schools were undertaken. The design-build procurement method was used in the design and construction of a school in Sechelt. Stock plans were used to design schools in Errington and Qualicum Beach. Construction has started on all three schools, and the projects are forecast to be 13% to 17% below budget and on schedule for completion for the 1999/00 school year. It should be noted that BCBC added significant value in preparing the design-build Request for Proposal (RFP) documents, managing the RFP and Request for Qualification processes for the Sechelt project, and in dealing with site issues for the Errington project.

Integrated Accommodation Planning Pilot Project

A major recommendation of government's Capital Expenditure Review was BCBC's development of an Integrated Accommodation Planning (IAP) process to facilitate joint use and space sharing, as well as the piloting of this process in a specific community or region of the province.

The city of Nanaimo was identified and selected as the pilot community primarily due to the demand for space by various levels of government, a strong desire by the municipality to participate in the process, and the integration opportunities associated with planned provincial and other projects. Nanaimo had also completed a regional growth strategy with which the IAP process could be linked.

The development of the IAP project's Community Advisory Planning Team marked a significant achievement in inter-agency communication and consultative planning. Virtually all levels of government were represented by over 20 team participants, including a broad spectrum of provincial Crown corporations and ministries with a regional presence, the local School District No. 68, the Regional District of Nanaimo, Malaspina University-College, and Public Works and Government Services Canada.

The development of the Integrated Accommodation Planning project's Community Advisory Planning Team marked a significant achievement in inter-agency communication and consultative planning.

In 1998/99, the Corporation presented the draft report on the IAP pilot to the Community Advisory Planning Team. The draft report recommended the following five projects:

- a community school and recreational facility serving the residents in the south sector of Nanaimo;
- a government administrative centre/precinct to meet demand for city and school board space in the short term, with a long-term potential for collocation of provincial and federal operations;
- a conference centre for use by all levels of government;
- collocation of government operations which have program linkages and serve similar customers; and,
- collocation of public works and highways maintenance yards.

Each Community Advisory Planning Team member will provide an evaluation of the draft report which will assist the Corporation and Treasury Board in evaluating the success of the IAP process as piloted in this project.

Ministry for Children and Families Facilities Management Pilot Project

The government's Capital Expenditure Review directed BCBC and the Ministry for Children and Families (MCF) to undertake a pilot project in which BCBC would provide all facilities management services for MCF. The pilot project began in April 1997 and was successfully completed in March 1998.

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.

An evaluation report on the pilot produced by Treasury Board Staff confirmed that the project generated equivalent or higher levels of satisfaction among MCF staff for the same or lower costs as associated with the traditional model employed in other ministries. As a result, other ministries are showing some interest in exploring opportunities for BCBC to provide them with facilities management services. In May 1998, MCF signed a five-year Memorandum of Understanding for BCBC to provide it with ongoing facilities management services.

An evaluation report on the MCF pilot produced by Treasury Board Staff confirmed that the project generated equivalent or higher levels of satisfaction among MCF staff for the same or lower costs as associated with the traditional model employed in other ministries.

Five-Year Highlights

	Year Ended March 31	1999	1998	1997	1996	1995
FINANCIAL	\$ THOUSANDS					
Gross Revenue		455,243	440,320	423,975	416,489	389,999
Operating Income		106,592	99,990	94,653	90,368	84,114
Interest		58,497	60,677	55,234	57,116	55,550
Net Income		48,095	39,313	39,419	33,252	28,564
Cash Flow		108,182	96,719	84,348	91,699	71,495
Total Assets (net)		1,084,216	1,073,676	1,056,921	1,009,018	961,629
	PER CENT					
Operating Income Margin*		21.7	20.6	20.9	18.8	19.1
Return on Investment		10.1	9.8	9.9	10.2	10.3
Return on Equity		18.3	17.1	19.1	18.2	17.0
PROPERTIES	SQUARE METRES					
Owned		1,330,816	1,327,687	1,362,168	1,370,078	1,340,637
Leased		714,185	726,064	711,107	697,753	660,822
Maintained		406,186	261,569	237,645	185,241	238,782
		2,451,187	2,315,320	2,310,920	2,253,072	2,240,241
STAFF						
Total Permanent Complement		808	774	790	850	880

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

The financial statements of the British Columbia Buildings Corporation have been prepared by management in accordance with generally accepted accounting principles which are considered appropriate in the circumstances. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in the notes to financial statements. The external auditors appointed by the Lieutenant-Governor-in-Council have examined the financial statements which have been approved by the Board of Directors on recommendation of the Audit Committee. Financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

The Audit Committee, comprised of non-management members of the Board of Directors, meets periodically with internal auditors, the external auditors and management to ensure that each group is discharging its obligations.

Management depends upon a system of internal accounting controls that provides reasonable assurance, on a cost-effective basis, that the financial information is reliable and accurate. This system is maintained through the performance of a comprehensive internal audit program.



Dennis Truss
President and
Chief Executive Officer



Lak Parmar
Vice President, Finance and
Chief Financial Officer

Report of
the Auditor
General of
British Columbia

*To the Lieutenant-Governor-in-Council,
Province of British Columbia*

I have audited the balance sheet of the *British Columbia Buildings Corporation* as at March 31, 1999 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *British Columbia Buildings Corporation* as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Victoria, British Columbia
May 7, 1999

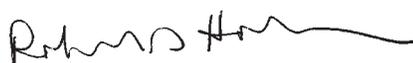
Balance Sheet

\$ THOUSANDS	March 31	
	1999	1998
ASSETS		
Real estate investments		
Income-producing properties (note 3)	901,620	938,681
Income-producing properties under construction (note 4)	20,403	15,398
Land held for sale or development (note 5)	24,221	23,574
	946,244	977,653
Corporate properties and equipment (note 6)	9,907	11,396
Unamortized debt discount and issue expenses	9,679	9,410
Other assets (note 7)	118,386	75,217
	1,084,216	1,073,676
LIABILITIES		
Long-term debt (note 8)	617,267	641,994
Short-term debt (note 9)	109,866	104,294
Other liabilities (note 10)	71,317	87,717
EQUITY		
Contributed surplus, contributions by the Province of British Columbia	52,832	52,832
Retained earnings	232,934	186,839
	1,084,216	1,073,676
Commitments (note 11)		

On Behalf of the Board:



Stephanie Green
Director



Robert Hobson
Director

Statement of Income and Retained Earnings

\$ THOUSANDS	Year Ended March 31	
	1999	1998
REVENUE		
Rentals	413,252	403,737
Other income	32,028	24,804
Gains on sale of properties	9,963	11,779
	455,243	440,320
EXPENSES		
Lease costs	132,085	138,584
Operations and maintenance	95,222	86,735
Amortization	49,671	47,927
Client-requested projects	27,589	24,035
Property taxes and grants	17,161	16,708
Energy	17,390	16,717
General and administrative	9,533	9,624
	348,651	340,330
INCOME BEFORE INTEREST	106,592	99,990
Interest (note 12)	58,497	60,677
NET INCOME	48,095	39,313
Retained earnings, beginning of year	186,839	167,526
Dividend	(2,000)	(20,000)
RETAINED EARNINGS, END OF YEAR	232,934	186,839

Statement of Cash Flows

\$ THOUSANDS	Year Ended March 31	
	1999	1998
OPERATING ACTIVITIES		
Net income	48,095	39,313
Non-cash items		
Amortization of capital assets and other amounts	49,971	48,625
Gains on sale of properties	(9,963)	(11,779)
Other assets and liabilities, net change	3,115	(2,129)
Proceeds from sale of properties	16,964	22,689
	108,182	96,719
INVESTING ACTIVITIES		
Real estate investments	(22,002)	(50,323)
Corporate properties and equipment	(1,771)	(2,741)
	(23,773)	(53,064)
FINANCING ACTIVITIES		
Long-term debt issued	50,012	75,000
Long-term debt repayments	(55,122)	(60,120)
Increase in sinking funds	(19,618)	(17,924)
Increase in short-term debt	5,572	1,793
	(19,156)	(1,251)
DIVIDENDS PAID		
Declared in prior year	–	(10,000)
Declared in current year	(2,000)	(20,000)
	(2,000)	(30,000)
CASH POSITION		
Net increase in cash during the year	63,253	12,404
Cash position, beginning of year	31,298	18,894
	94,551	31,298
CASH POSITION, END OF YEAR		
Cash position consists of cash and temporary investments less bank indebtedness		

Notes to Financial Statements

March 31, 1999

TABULAR AMOUNTS IN \$ 000s

1. STATEMENT OF PURPOSE

British Columbia Buildings Corporation, established in 1977 as a Crown corporation of the Province of British Columbia through the enactment of the *British Columbia Buildings Corporation Act*, has a mandate to serve as an agency of the Crown in providing accommodation and real estate services to the provincial government. Corporate and client accountability is achieved by establishing market-based rents, payable by the client to the Corporation. During the year, the Corporation received 78% (1998 – 80%) of its revenues from provincial government ministries, with the balance from other sources.

2. ACCOUNTING POLICIES

(a) Real Estate Investments and Corporate Properties and Equipment

Real estate investments and corporate properties and equipment are recorded at cost less accumulated amortization. In addition to land and direct costs, amounts capitalized to real estate investments during development and construction include property taxes and the applicable portion of both interest on general borrowings and general and administrative expenses. Capitalized costs do not exceed estimated future recoveries for income-producing properties and estimated realizable value for land held for development.

(b) Temporary Investments

Temporary investments represent short-term funds administered by the Province of British Columbia. These investments are recorded at cost which approximates market.

(c) Amortization

Real estate investments and corporate properties and equipment are amortized on an individual basis by the straight-line method over their estimated useful lives or lease terms. Amortization is prorated by month in the year of acquisition or disposal.

The estimated useful lives or lease terms of income-producing and corporate properties are from five to 40 years. The estimated useful lives of all other assets are from three to 10 years.

(d) Income Taxes

The Corporation is exempt from federal and provincial income taxes.

(e) Amortization of Debt Discount and Issue Expenses

Debt discount is amortized by the effective rate of interest method and issue expenses are amortized on a straight-line basis, both over the terms of the applicable debt.

March 31, 1999

TABULAR AMOUNTS IN \$ 000s

(f) Rentals Received in Advance

Rentals received in advance are amortized using the effective rate of interest method over the period to which they relate.

(g) Related Party Transactions

The Corporation is related through common ownership to all Province of British Columbia departments, agencies and Crown corporations. Transactions with these entities, as well as other transactions in which provincial government intervention is a component, are generally considered to be in the normal course of operations and are recorded at the exchange amount. Unless disclosed separately in these financial statements, this exchange amount approximates market.

(h) Environmental Expenditures and Liabilities

Under the standard accommodation agreement with tenants, responsibility for site cleanup rests with the tenant.

Environmental expenditures incurred as a result of the ongoing business activities of the Corporation are expensed or capitalized as appropriate. Environmental cleanup costs, which have been immaterial in amount, are recorded when a determination of liability is made and the related costs can be reasonably estimated.

3. INCOME-PRODUCING PROPERTIES

	1999	1998
Net book value:		
Cost	1,412,752	1,410,570
Accumulated amortization	(511,132)	(471,889)
	901,620	938,681
Activity:		
Net book value, beginning of year	938,681	896,673
Properties transferred from income-producing properties under construction	16,351	65,865
Acquisitions (disposals)	(7,000)	21,539
Amortization expense	(46,412)	(45,396)
Net book value, end of year	901,620	938,681

Notes to Financial Statements

March 31, 1999

TABULAR AMOUNTS IN \$ 000s

	1999	1998
4. INCOME-PRODUCING PROPERTIES UNDER CONSTRUCTION		
Balance, beginning of year	15,398	51,730
Direct development and construction costs	18,020	23,321
Capitalization of:		
Interest	1,237	2,263
General and administrative expenses	2,099	3,949
Cost of properties completed and transferred to income-producing properties	(16,351)	(65,865)
Balance, end of year	20,403	15,398
5. LAND HELD FOR SALE OR DEVELOPMENT		
Balance, beginning of year	23,574	34,936
Capitalization of interest and property tax	647	626
Disposals	–	(11,988)
Balance, end of year	24,221	23,574
6. CORPORATE PROPERTIES AND EQUIPMENT		
Cost:		
Office and data-processing equipment	19,520	19,259
Corporate properties and leasehold improvements	8,043	7,956
Maintenance equipment	3,263	3,270
Vehicles	4,986	5,347
	35,812	35,832
Accumulated amortization	(25,905)	(24,436)
	9,907	11,396
7. OTHER ASSETS		
Cash	2,051	–
Temporary investments	92,500	31,500
Accounts receivable:		
Province of British Columbia	8,900	24,748
Other	14,709	18,720
Prepaid expenses	226	249
	118,386	75,217

March 31, 1999

TABULAR AMOUNTS IN \$ 000s

8. LONG-TERM DEBT	1999	1998
Principal outstanding:		
Debentures payable to the Province of British Columbia		
Various issues at an average effective interest rate of 8.59% (1998 – 8.95%) maturing at various times to 2029 (1998 – 2026)	687,512	692,499
Debentures payable to the Minister of Finance for Canada to the credit of the Canada Pension Plan Investment Fund		
Various issues at an average effective interest rate of 14.26% (1998 – 14.26%) maturing at various times to 2003 (1998 – 2003)	106,655	106,655
Mortgage payable to the Bank of Montreal	1,468	1,590
	795,635	800,744
Sinking funds on deposit with the Province of British Columbia	(178,368)	(158,750)
	617,267	641,994

At March 31, 1999, the coupon rates on the long-term debt ranged from 5.40% to 15.69% (1998 – 5.40% to 15.69%).

The Province of British Columbia has unconditionally guaranteed the principal and interest of all debt payable to third parties. At the option of the Minister of Finance for Canada, debentures to the credit of the Canada Pension Plan Investment Fund may be called prior to maturity under certain conditions on six months written notice. These debentures mature between 2000 and 2003.

Principal payments, net of projected sinking fund balances at maturity, and sinking fund payments for each of the next five years:

1999/00	14,866
2000/01	51,131
2001/02	18,064
2002/03	12,552
2003/04	53,515

Notes to Financial Statements

March 31, 1999

TABULAR AMOUNTS IN \$ 000s

9. SHORT-TERM DEBT

The interest rates on short-term debt range from 4.23% to 5.63% (1998 – 4.23% to 4.83%), and result in an average effective interest rate of 4.89% (1998 – 4.66%) for the notes outstanding. These notes mature at varying dates to October 13, 1999 and are payable to the Province of British Columbia.

10. OTHER LIABILITIES

	1999	1998
Bank indebtedness, unsecured	–	202
Accounts payable and accrued liabilities	27,424	36,654
Holdbacks	3,488	2,109
Accrued interest payable:		
Province of British Columbia	12,345	13,393
Other	4,929	5,195
Deferred revenue	23,131	30,164
	<u>71,317</u>	<u>87,717</u>

11. COMMITMENTS

The Corporation estimates that the cost to complete projects under construction at year end will be \$95,982,000 of which \$2,380,000 has been committed.

The Corporation has entered into leases with third parties to provide space for its clients and its head office for varying periods up to the year 2017, at a total aggregate net rental of approximately \$432,828,000. Most leases are from five to 10 years and include renewal options.

Minimum lease payments which will be charged to operations in subsequent years for leases committed at March 31, 1999:

1999/00	100,640
2000/01	78,978
2001/02	63,125
2002/03	52,071
2003/04	37,241
Thereafter	100,773

The Corporation had outstanding letters of credit totalling \$717,000 at March 31, 1999 to guarantee performance on various projects.

The Corporation is committed to pay \$71,000,000 to the Province of British Columbia by April 8, 1999.

March 31, 1999

TABULAR AMOUNTS IN \$ 000s

12. INTEREST	1999	1998
Interest on long-term debt	70,243	72,894
Other interest	2,232	1,755
Amortization of debt discount and issue expenses	300	698
	<u>72,775</u>	<u>75,347</u>
Deduct:		
Sinking fund earnings	12,483	11,871
Interest capitalized	1,795	2,799
	<u>14,278</u>	<u>14,670</u>
	<u>58,497</u>	<u>60,677</u>

13. ACCOUNTING ESTIMATES

Financial statements, by their nature, contain estimates and are subject to measurement uncertainty. Accounts receivable are evaluated as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. The amounts recorded for amortization of capital assets and deferred charges are based on estimates of the useful life benefit of these assets. The effect on the financial statements of changes in such estimates in future periods is not anticipated to be significant.

14. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Corporation's ability to conduct normal business operations. Management has undertaken appropriate activities to minimize the potential impact of this issue; however, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of the customers, suppliers, or other third parties, will be fully resolved.

15. PENSION PLAN

The Corporation and its employees contribute to the Public Service Pension Plan in accordance with the *Pension (Public Service) Act*. The Superannuation Commission of the Province of British Columbia administers the Plan, including the payment of pension benefits on behalf of employers and employees to whom the Act applies. The Plan is a defined benefit pension plan. The financial position of the Plan is described in the financial statements of the Plan included in the Public Accounts of the Province. The Province of British Columbia has statutory responsibility for any unfunded liability. The most recent actuarial evaluation has determined that the Plan is in a surplus position.

Corporate Information

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.

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 3,600 buildings comprising almost 2.5 million square metres (26 million square feet) of space.

Organizational Structure

BCBC is a highly decentralized Crown corporation with a province-wide network of employees strategically located in eight districts which include over 60 service centres and satellite offices. Almost two-thirds of BCBC employees are 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.



British Columbia Buildings Corporation

3350 Douglas Street, Victoria, BC V8Z 3L1

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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

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 or on the internet at www.bcbc.bc.ca

This Annual Report is available on the BCBC web site: www.bcbc.bc.ca

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