



Partnerships British Columbia  
Final Minister-Approved

# Annual Report

2013/2014



#### ANNOUNCED/IN PROCUREMENT

- Capital Regional District: McLoughlin Point Wastewater Treatment Plant Project
- Emily Carr University of Art + Design Campus Redevelopment Project
- North Island Hospitals Project
- Site C Clean Energy Project Worker Accommodation
- City of Surrey Biofuel Processing Facility Project
- Vernon Jubilee Hospital Inpatient Bed Project

#### CONSTRUCTION

- BC Children's and BC Women's Hospital Redevelopment Project
- Evergreen Line Rapid Transit Project
- Interior Heart and Surgical Centre Project
- John Hart Generating Station Replacement Project
- Kitsilano Secondary School Renewal Project
- Lakes District Hospital and Health Centre Replacement Project

- Oak Bay High School Replacement Project
- Okanagan Correctional Centre Project
- Queen Charlotte/ Haida Gwaii Hospital Replacement Project
- Royal Inland Hospital Clinical Services Building Project
- SRO Renewal Initiative
- Surrey Memorial Hospital Redevelopment and Expansion: Emergency Department and Critical Care Tower
- Wood Innovation and Design Centre Project

#### OPERATIONAL/COMPLETE

- Abbotsford Regional Hospital and Cancer Centre
- BC Cancer Agency's Centre for the North Project
- Britannia Mine Water Treatment Plant
- Canada Line
- Charles Jago Northern Sport Centre
- Fort St. John Hospital Project

- Golden Ears Bridge
- Gordon and Leslie Diamond Health Care Centre
- Jim Pattison Outpatient Care and Surgery Centre
- Kelowna and Vernon Hospitals Project
- Kicking Horse Canyon (Phase 2)
- Modular Classroom Project
- Pitt River Bridge & Mary Hill Interchange
- Port Mann/Highway 1 Improvement Project
- Royal Jubilee Hospital Patient Care Centre
- Sea-to-Sky Highway
- Sierra Yoyo Desan Road
- Smart Metering Program
- South Fraser Perimeter Road Project
- Surrey Pretrial Services Centre Expansion Project
- Vancouver Island Health Authority (VIHA) Residential Care & Assisted Living Capacity Initiative
- William R. Bennett Bridge

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Artist rendering of the Nunavut Iqaluit International Airport exterior, airside (top) and interior terminal, landside.



# 1 Message from the Board

It is our pleasure to present the 2013/14 Annual Report for Partnerships British Columbia Inc. (Partnerships BC or the Organization).

In 2013/14, Partnerships BC achieved, and in many cases surpassed, its goals, including its financial plan target. Services continue to be in demand, and client satisfaction surveys and market soundings demonstrate that Partnerships BC is viewed as providing value to both public and private sector partners.

As a mature organization with a track record of supporting successful project delivery, the Organization's reputation and experience have also resulted in requests to provide advisory services and planning support on a number of projects for a variety of jurisdictions. In 2013/14, Partnerships BC earned nearly 40 per cent of its target revenue from organizations outside of the Province's reporting entity, demonstrating B.C.'s leadership in the innovative delivery of public infrastructure.

Partnerships BC continues to successfully deliver on project milestones and across new sectors. In 2013/14, final project agreements were reached on nine projects and 17 projects were in the market in B.C. Market involvement also increased with new participants, representing the full spectrum of companies from equity contributors to sub-contractors. Participation from B.C. companies remains high.

As a knowledge-driven company in a niche market, Partnerships BC has employees with skills and experience that are highly sought after, both in B.C. and around the globe. As such, employee satisfaction and retention is critical to ongoing success.

Going forward, Partnerships BC will build on its 12 years of experience in planning and structuring partnership delivery solutions for public infrastructure and will strive to provide leadership and added value in procurement practices and market development to an increasingly diverse client base.

The Board would like to thank Larry Blain for his tenure as both Partnerships BC's inaugural President and Chief Executive Officer and as its Chair. We thank both he and Susan Conner for their service and contribution during their time on the Board. The Board would also like to acknowledge the professionalism and dedication of the entire team at Partnerships BC.

The 2013/14 Partnerships BC Annual Report was prepared under the Board's direction in accordance with the Budget Transparency and Accountability Act. The Board sets performance measures and holds management accountable for the contents of the report and achievement against performance measures. The information presented reflects the actual performance of the Organization for the 12 months ended March 31, 2014. All significant decisions, events and identified risks as of March 31, 2014 have been considered in preparing the report.

The information presented is prepared in accordance with the B.C. Reporting Principles and represents a comprehensive picture of the Organization's actual performance in relation to the Service Plan.



Gordon Steele, Lead Director

## YEAR IN REVIEW

## 2013

## APRIL

- Ground broken for new Lakes District hospital and Health Centre
- Business-to-business networking session for Lakes District Hospital and Health Centre

## MAY

- Surrey Moves Forward on Organics Biofuel Facility
- Business-to-business networking session for North Island Hospitals Project

## JUNE

- Queen Charlotte/Haida Gwaii Hospital project moves ahead
- Greater Victoria School District announces preferred proponent for Oak Bay High School
- Design of new Queen Charlotte/Haida Gwaii Hospital unveiled
- Polson Tower project moves to next stage at Vernon Jubilee Hospital
- Capital Regional District announces shortlist for McLoughlin Point Wastewater Treatment Plant Project

## 2 Organizational Overview

Partnerships BC is owned by the Province of British Columbia and governed by a Board of Directors reporting to its sole Shareholder, the Minister of Finance. It is incorporated under the British Columbia Business Corporations Act.

### 2.1 Mandate

Partnerships BC's mandate is to:

- Plan and structure partnership delivery solutions for public infrastructure that are expected to achieve value for money;
- Successfully implement partnership delivery solutions for public infrastructure through leadership in procurement, practices and market development; and
- Maintain a self-sustaining organization and provide added value to an increasingly diverse client base.

### 2.2 Vision

Partnerships BC's vision is to be a recognized leader in evaluating, structuring and implementing partnership delivery solutions for public infrastructure which achieve value for taxpayer dollars. The Organization is focused on delivering consistent value to its clients.

### 2.3 Core Business Areas

Partnerships BC provides a spectrum of services including business planning support, procurement management, and advisory services during the design, construction and operations phases. Partnerships BC's specific service offerings are described in the table below.

BUSINESS PLANNING SUPPORT	PROCUREMENT PROCESS	POST-CONTRACT CLOSE
<ul style="list-style-type: none"> <li>• Early Project Screening</li> <li>• Concept Plans</li> <li>• Procurement Options Assessment</li> <li>• Business Case               <ul style="list-style-type: none"> <li>- Market Sounding</li> <li>- Quantitative Analysis</li> <li>- Risk Analysis</li> <li>- Multiple Criteria Analysis</li> <li>- Procurement Options Analysis</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Competitive Selection Management</li> <li>• Evaluation Management</li> <li>• Contract Negotiations</li> <li>• Service Integration               <ul style="list-style-type: none"> <li>- Consultant Reporting</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Project Reporting</li> <li>• Design and construction phase support and advice</li> <li>• Operations phase advice</li> </ul>
KNOWLEDGE MANAGEMENT • GUIDANCE DOCUMENTS AND TEMPLATES STRATEGIC COMMUNICATIONS • STAKEHOLDER RELATIONS • PROJECT GOVERNANCE SUPPORT		

## 2.4 How Partnerships BC Serves British Columbians

Partnerships BC serves British Columbians through the planning, delivery and oversight of major infrastructure projects. Partnerships BC's services are valuable to the Province's ability to undertake the planning and procurement of complex projects, specifically those involving the use of private sector expertise, services and capital.

Since its inception in 2002, Partnerships BC has participated in more than 40 projects with an investment value of more than \$17 billion, of which approximately \$7 billion is private sector capital. These projects – which are either operational, under construction or currently in the competitive selection process – are or will be delivering the following benefits to British Columbians.

- Five emergency departments,
- Two regional cancer centres that will improve access to treatment,
- More than 1,000 acute care hospital beds,
- More than 1,100 residential care beds and assisted living units,
- Capacity to accommodate more than 1,000,000 annual outpatient visits,
- Renewal and restoration of 13 single room occupancy hotels to provide housing for more than 900 residents,
- Three secondary schools that will facilitate 21st century learning,
- 133 modular classrooms to reduce crowding in schools,
- One new university campus,
- Worker accommodation for up to 1,700 workers,
- Six bridges that will improve the movement of goods and services,
- 390 kilometres of new highway enhancing driver safety,
- 30 kilometres of rapid transit,
- Two correctional facilities with security enhancements and improved capacity,
- Treatment of up to 500,000 cubic metres of contaminated water annually, and
- Treatment of wastewater, biosolids, and organic biofuel processing capacity.

## 2.5 Principal Partners, Clients and Stakeholders

Partnerships BC provides project structuring services from the business planning stage through the competitive selection process and into design, construction and operations. Key clients include public sector agencies such as ministries, Crown corporations, health authorities, advanced education institutions, municipal governments, the federal government, and other provincial governments. To strengthen the market in British Columbia, Partnerships BC builds relationships with the business community, including private sector developers, investors, the advisory and financial services sector, as well as providers of construction, engineering and facilities management services.

## 2.6 How Partnerships BC Delivers Services

Partnerships BC's service model is a consulting model that is based on a fee-for-service structure. The Organization provides services directly through its own expertise and also by engaging external consultants where specialized advice is required.

## 2.7 Location of Operations

Partnerships BC has offices in the following locations:

2320 – 1111 West Georgia Street, Vancouver, BC V6E 4M3

300 – 707 Fort Street, Victoria, BC V8W 3G3

## YEAR IN REVIEW

### 2013

#### JULY

- Emily Carr University announces shortlist for their new campus at Great Northern Way
- Construction starts on Oak Bay High replacement
- SMH emergency department opens for sneak preview
- Request for Proposals Released for Capital Regional District McLoughlin Point Wastewater Treatment Plant Project
- B.C. sows seeds of new wood engineering master degrees at UNBC
- Queen Charlotte/Haida Gwaii Hospital Replacement Project breaks ground
- Business-to-business networking session for Queen Charlotte/Haida Gwaii Hospital Replacement Project

## YEAR IN REVIEW

## 2013

## AUGUST

- Royal Inland Hospital redevelopment RFQ shortlist announced
- Conference Board of Canada releases report: "Delivering value through public private partnerships at home and abroad"
- Interior Health issues Invitation to Tender for Clinical Services Building site preparation
- VSB's Kitsilano Secondary Renewal Project Selects Design Build team

## SEPTEMBER

- Site preparation for RIH Clinical Services Building underway
- Iqaluit International Airport Improvement Project moves forward with signing of contract in Nunavut

## 3 Corporate Governance

### 3.1 Board of Directors

Partnerships BC is governed by a Board of Directors that ensures the operations of the organization reflect the interests of the Shareholder. The initial Board of Directors was appointed July 15, 2003. Today, the composition of the Board reflects Partnerships BC's unique mandate, with Directors drawn from both the public and private sectors. The Board oversees the conduct of business and provides direction to the senior management team, which is responsible for the day-to-day conduct of the business. The Board Chair and the President and Chief Executive Officer meet with the Shareholder on key matters relating to Partnerships BC.

The Board follows governance principles as set out in the Best Practice Guidelines (Governance and Disclosure Guidelines for Governing Boards of BC Public Sector Organizations), published by the Board Resourcing and Development Office of the Ministry of Labour, Citizens' Services and Open Government. Details on Partnerships BC's governance practices, as well as Terms of Reference for the Board, its committees and Directors, can be found at <http://www.partnershipsbcc.ca/files-4/governance-practices.php>.

The Board is supported by two committees. The Audit and Risk Management Committee provides oversight of key financial information. This includes audited financial statements, quarterly financial statements, the Annual Report and any quarterly reports, the Service Plan, annual business plan, operating and capital budgets, and any budget presentations to government. The committee also reviews Partnerships BC's risk management, internal controls and information systems.

The Human Resources and Governance Committee assists the Board with human resource issues, compensation matters, the establishment of a plan of continuity, and development of senior management. The committee focuses on corporate governance to enhance the performance of the Organization.

DIRECTORS	RESPONSIBILITIES
Gordon Steele	Lead Director and Human Resources & Governance Committee
Brian Bentz	Director and Chair, Human Resources & Governance Committee
Frank Blasetti	Director and Human Resources & Governance Committee
Peter Kappel	Director and Chair, Audit & Risk Management Committee
Jill Leversage	Director and Audit & Risk Management Committee



## 3.2 Senior Management Team

### SENIOR MANAGEMENT TEAM

**Sarah Clark, P.Eng.**

President and Chief Executive Officer

<p><b>Doug Ewing</b> Vice President Projects</p> <p><b>AREAS OF RESPONSIBILITY</b></p> <ul style="list-style-type: none"> <li>• Business and Market Development</li> <li>• Project Governance and Delivery</li> <li>• Senior Project Advice</li> <li>• Corporate Relations</li> </ul>	<p><b>Susan Tinker</b> Vice President Partnerships Services</p> <p><b>AREAS OF RESPONSIBILITY</b></p> <ul style="list-style-type: none"> <li>• Business Development</li> <li>• Policy and Practices</li> <li>• Procurement Services</li> <li>• Knowledge Management</li> <li>• Shareholder Relations</li> <li>• Communications</li> <li>• Legal Services</li> </ul>	<p><b>Chan-Seng Lee, CA</b> Vice President Finance and Administration</p> <p><b>AREAS OF RESPONSIBILITY</b></p> <ul style="list-style-type: none"> <li>• Finance and Accounting</li> <li>• Human Resources</li> <li>• Administration</li> <li>• Facilities</li> <li>• Information Technology</li> <li>• Contract Management</li> <li>• Corporate Governance</li> </ul>
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*"The Okanagan Correctional Centre project will bring well-needed work and employment opportunities to the region. We are very pleased to have the opportunity to work with Partnerships BC and the South Okanagan Chamber of Commerce to provide an opportunity for our construction company members to participate in the upcoming information exchange with Plenary Justice. This demonstrates one of the ways that the Southern Interior Construction Association can help our members be successful in their businesses."*

- Bill Everett, SICA, 2014

### YEAR IN REVIEW

2013

#### OCTOBER

- Surrey Memorial Hospital Emergency Department opens
- Local workers well represented on Lakes District Hospital and Health Centre construction project
- Business-to-business networking session for Royal Inland Hospital

#### NOVEMBER

- BC Cancer Agency Centre for the North celebrates first anniversary
- 16th Annual Canadian Council for PPP Awards Celebrate Exceptional Innovation and Excellence from Sea to Sea to Sea
- BC Housing SRO Renewal Initiative Wins Silver Award for Social Housing Innovation
- John Hart project announces preferred contractor
- Local contractors and businesses connect with McLoughlin Point Treatment Plant bidding proponents at business-to-business networking session

## YEAR IN REVIEW

## 2013

## DECEMBER

- RFP released for Emily Carr University Redevelopment Project
- South Fraser Perimeter Road, B.C.'s newest highway, opens
- Business-to-business networking session for Saskatchewan's Swift Current Long Term Care Centre Project

## 2014

## JANUARY

- Okanagan Correctional Centre nears construction
- BC Children's and BC Women's Hospital Redevelopment Project moves ahead

## FEBRUARY

- B.C.'s largest corrections centre locks up safety gains
- Teams short listed for the City of Surrey Organics Biofuel Processing Facility
- Business-to-business networking session for the City of Surrey Organics Biofuel Processing Facility
- John Hart project business-to-business event announced
- BC Hydro signs major contract for John Hart project

## 4 Report on Performance

Partnerships BC had a successful year in 2013/14 with nine projects reaching financial or contract close; 17 projects in active procurement; and a number of projects in the business planning stage. There was growth in post-financial close advisory services business and in the work revenues generated from business with other jurisdictions.

In 2013/14, Partnerships BC continued its efforts to support a strong, coordinated Canadian market. The Organization worked with other Canadian jurisdictions to promote consistency in the development and application of best practices to ensure both the B.C. and broader Canadian markets remained attractive to market participants. Ongoing efforts are producing results with high levels of participation from B.C. companies, and market participants across the full spectrum of British Columbian, Canadian and international companies from equity participants to sub-contractors.

### 4.1 Performance Results

Building on the platform of success established over 12 years of operation and reflecting both the vision of the Board of Directors and the needs of the Shareholder, the Organization focused on three corporate goals for the 2013/14 fiscal year:

1. Plan and structure partnership delivery solutions for public infrastructure projects which are expected to achieve value for money.
2. Successfully implement partnership delivery solutions for public infrastructure through leadership in procurement practices and market development.
3. Maintain a self-sustaining organization and provide added value to an increasingly diverse client base.

The Organization's three corporate goals, along with the strategies, measures and targets for achieving those goals, were selected to reflect the nature of the advisory services business model under which Partnerships BC operates and the maturity of the market.

The senior management team presented Partnerships BC's performance results to the Board of Directors at the end of 2013/14 and the Board determined that the Organization achieved, and in most cases surpassed, its corporate goals.

### 4.2 Goals, Objectives, Key Strategies, Performance Measures and Targets

The goals, strategies, measures and targets are critical to Partnerships BC as they form the base from which key priorities relating to the corporate mandate are evaluated. Since 2002, the Organization has been guided by the annual Government's Letter of Expectations. From this document, the Board of Directors has developed Partnerships BC's vision, corporate goals, performance measures and service model.

The Board developed new measures and targets in fiscal 2013/14 with an assumption that the targets would remain relevant for the subsequent three years. The targets for each goal represent the Board's expectation that the management and staff will achieve a very high level of performance.

The Board reviews the targets annually and may revise them if warranted. Partnerships BC will employ a number of strategies to achieve its goals and performance measures/targets, including:

- Maintain focus on providing core services from planning through operations phases;
- Continue applying expertise to large and/or complex projects;
- Diversify business with new clients and new sectors;
- Support clients in the area of capital program planning and project governance; and
- Engage with key stakeholders in the business community and market to generate awareness, support and understanding for major project benefits and delivery methods.

**GOAL 1: PLAN AND STRUCTURE PARTNERSHIP DELIVERY SOLUTIONS FOR PUBLIC INFRASTRUCTURE WHICH ARE EXPECTED TO ACHIEVE VALUE FOR MONEY.**

Partnerships BC shares with its clients a commitment to planning and structuring the optimal delivery solution for public infrastructure projects that provide value to British Columbians. Partnerships BC adds value to projects through business case analysis that determines the best procurement method to meet project objectives. Each project requires careful consideration and evaluation of project risks and how best to manage those risks to protect taxpayers' dollars.

The demand for infrastructure in the health, transportation, accommodation, and energy sectors continues. Partnerships BC is focused on opportunities in these and other sectors. Partnerships BC supports clients in analyzing the best procurement model for complex projects.

**STRATEGIES TO ACHIEVE GOAL 1:**

- Implement ongoing assessments of current and completed projects and use the feedback in subsequent projects.
- Work closely with the Ministry of Finance and clients throughout the planning process to ensure procurement model recommendations are aligned with government priorities.

<b>GOAL 1 PERFORMANCE MEASURES</b>	<b>2013/14 TARGET</b>	<b>2013/14 RESULTS</b>	<b>2014/15 TARGET</b>	<b>2015/16 TARGET</b>	<b>2016/17 TARGET</b>
Procurement options analysis and recommendation aligns with government objectives	Expect 100 per cent of projects aligned with government objectives	100 per cent of projects aligned with government objectives	100 per cent of projects aligned with government objectives	100 per cent of projects aligned with government objectives	100 per cent of projects aligned with government objectives
Projects achieve value for money at financial close	Expected value for money at financial close confirmed for 100 per cent of projects	Achieved value for money at financial close for 100 per cent of projects	Expected value for money at financial close confirmed for 100 per cent of projects	Expected value for money at financial close confirmed for 100 per cent of projects	Expected value for money at financial close confirmed for 100 per cent of projects

**GOAL 2: SUCCESSFULLY IMPLEMENT PARTNERSHIP DELIVERY SOLUTIONS FOR PUBLIC INFRASTRUCTURE THROUGH LEADERSHIP IN PROCUREMENT, PRACTICES AND MARKET DEVELOPMENT.**

A continued focus for Partnerships BC is designing and implementing competitive selection processes that are efficient, fair and transparent. As one measure of efficiency, the Organization established a procurement benchmark for partnership projects of 18 months from the date the Request for Qualifications (RFQ) is issued to financial close. Efficient competitive selection processes help to save time and money for both the public and private sectors. Partnerships BC remains committed to maintaining a high level of public disclosure related to procurements, consistent with government policy.

Project success starts with creating an attractive market for project participants. Creating a strong and competitive market for projects encourages innovation and increases value for clients and taxpayers. In turn, international companies will invest in B.C. and partner with local firms to take advantage of their expertise.

As the partnership program has matured and more projects have entered the construction and operations phase, Partnerships BC is well-positioned to provide support based on its knowledge of how project agreements are structured, and the allocation of roles and responsibilities between the public and private sector partners. There was concerted effort to review projects in the operations stage to gather real-time feedback and lessons to be applied to subsequent projects.



Artist rendering of the Evergreen Line Coquitlam station.

**STRATEGIES TO ACHIEVE GOAL 2:**

- Implement ongoing assessments of current and completed projects and use feedback in future projects.
- Reinforce B.C.'s reputation as an attractive market for major infrastructure projects and promote individual projects to ensure strong bidder response.
- Manage fair, transparent and consistent competitive selection processes.
- Engage with local companies and organizations to share information, discuss concerns and identify opportunities.

<b>GOAL 2 PERFORMANCE MEASURES</b>	<b>2013/14 TARGET</b>	<b>2013/14 RESULTS</b>	<b>2014/15 TARGET</b>	<b>2015/16 TARGET</b>	<b>2016/17 TARGET</b>
Total competitive selection process time from RFQ to Financial Close	Expect to achieve 18 months for Design-Build-Finance-Maintain/ Operate projects and 12 months for Design-Build projects	Achieved with two exceptions	Expect to achieve 18 months for Design-Build-Finance-Maintain/ Operate projects and 12 months for Design-Build projects	Expect to achieve 18 months for Design-Build-Finance-Maintain/ Operate projects and 12 months for Design-Build projects	Expect to achieve 18 months for Design-Build-Finance-Maintain/ Operate projects and 12 months for Design-Build projects
Level of competition and ongoing market development	Expect to achieve a minimum of four qualified respondents at the RFQ stage of every competitive selection process, with the expectation of short listing three respondents	Exceeded target	Expect to achieve a minimum of four qualified respondents at the RFQ stage of every competitive selection process, with the expectation of short listing three respondents	Expect to achieve a minimum of four qualified respondents at the RFQ stage of every competitive selection process, with the expectation of short listing three respondents	Expect to achieve a minimum of four qualified respondents at the RFQ stage of every competitive selection process, with the expectation of short listing three respondents
Level of client satisfaction with competitive selection process and implementation phase work	Expect to achieve 85 per cent customer service satisfaction rating	Client survey not conducted 2013-14; received positive anecdotal feedback from clients and Shareholder	Expect to achieve 85 per cent customer service satisfaction rating	Expect to achieve 85 per cent customer service satisfaction rating	Expect to achieve 85 per cent customer service satisfaction rating
Involvement in post-financial close engagements	Expect to achieve a minimum of five per cent annual revenue target from post-financial close engagements	Exceeded target	Expect to achieve a minimum of five per cent annual revenue target from post-financial close engagements	Expect to achieve a minimum of five per cent annual revenue target from post-financial close engagements	Expect to achieve a minimum of five per cent annual revenue target from post-financial close engagements
Number of active competitive selection processes	Expect to participate in three to five competitive selection processes per year	Exceeded target	Expect to participate in three to five competitive selection processes per year	Expect to participate in three to five competitive selection processes per year	Expect to participate in three to five competitive selection processes per year



**GOAL 3: MAINTAIN A SELF-SUSTAINING ORGANIZATION AND PROVIDE ADDED VALUE TO AN INCREASINGLY DIVERSE CLIENT BASE.**

Partnerships BC is committed to the principles of fiscal responsibility and financial independence. The Board establishes net income targets. Partnerships BC's net income targets and budgeted expenses for 2014/15, 2015/16 and 2016/17 reflect direction from the Province.

As a fee-for-service organization, Partnerships BC must demonstrate its value to clients to ensure repeat business. Over the years, there has been considerable depth of knowledge and expertise developed at Partnerships BC, as well as a comprehensive library of guidance documents, templates and project examples to support clients with new projects in new sectors. Knowledge management and transfer are key components of demonstrating value to clients.

Partnerships BC continues to diversify with new clients and new sectors where its expertise can add value. The Organization continues its outreach activities to help develop and maintain a positive reputation among key stakeholders, decision makers and influencers to help secure current and prospective clients. In addition to providing services within B.C., Partnerships BC offers value to clients in other jurisdictions. This creates opportunities for B.C. companies to participate in other markets, in alignment with the Province's job creation and investment goals.

Partnerships BC strives to create a positive corporate culture for its employees. The ability to attract and retain high-performing staff is critical to achieving corporate goals. A key component of the recruitment and retention strategy is an effective compensation philosophy that includes the need to maintain a meaningful degree of competitiveness with the relevant external labour market. Training and development programs are offered to employees as a means of developing and preparing staff for career advancement. The results of the annual employee satisfaction survey are compared to industry standards and are an indication of the Organization's performance.

**STRATEGIES TO ACHIEVE GOAL 3:**

- Respond to client needs and focus on providing value-added services.
- Diversify expertise as required to support all aspects of clients' needs.
- Implement business development activities to grow business outside of the provincial entity.

<b>GOAL 3 PERFORMANCE MEASURES</b>	<b>2013/14 TARGET</b>	<b>2013/14 RESULTS</b>	<b>2014/15 TARGET</b>	<b>2015/16 TARGET</b>	<b>2016/17 TARGET</b>
Annual financial performance meets Board-approved net income target	Expect to meet approved net income target	Exceeded target	Expect to meet approved net income target*	Expect to meet approved net income target*	Expect to meet approved net income target*
An appropriate balance between work with Province and work with other jurisdictions	Expect to achieve a minimum of 15 per cent (of revenue target) of work with other jurisdictions	Exceeded target	Expect to achieve a minimum of 15 per cent (of revenue target) of work with other jurisdictions	Expect to achieve a minimum of 15 per cent (of revenue target) of work with other jurisdictions	Expect to achieve a minimum of 15 per cent (of revenue target) of work with other jurisdictions
Positive employee survey results	Expect to achieve a minimum four out of five rating in annual employee satisfaction survey	Met target	Expect to achieve a minimum four out of five rating in annual employee satisfaction survey	Expect to achieve a minimum four out of five rating in annual employee satisfaction survey	Expect to achieve a minimum four out of five rating in annual employee satisfaction survey

\*adjusted annually

### 4.3 Performance Management and Reporting

On an annual basis, the Board reviews the performance measures and provides recommendations for change, if necessary.

There are no other known agencies either nationally or internationally that are structured with the same service delivery model as Partnerships BC. Therefore, there are typically limited data from which to draw comparisons. Where possible, the Organization uses available information to benchmark performance (e.g. employee satisfaction survey results are compared against other public and private sector survey respondents). Other benchmarks, such as the goal of an 18-month procurement window, have been adopted by other agencies both nationally and internationally. Partnerships BC is confident that the performance measures used are reliable, accurate and valid. The Organization tracks data from a number of sources, including:

- The financial plan presented to the Board of Directors, which is benchmarked against comparable corporations;
- Project milestones and comparison of milestones achieved based on project plans;
- A knowledge management strategy is used to track and catalogue guidance documents, best practices and project precedents; and
- Information from client and employee satisfaction review processes.

The management team presents an operations report to the Board each quarter, tracks progress against the Service Plan, and takes corrective action as necessary to ensure the Organization remains on-track to achieve its goals.

*"Partnerships BC's leadership and understanding of procurement and implementation processes are exceptional. Their diligence in managing the upfront planning process, budget and schedule has resulted in better decision making and in keeping projects on track. It is a pleasure to work with such a knowledgeable and hard-working team that achieves great results."*

- Tedd Howard, Ministry of Justice, 2014

#### YEAR IN REVIEW

##### 2014

##### MARCH

- BC Hydro releases RFQ for Site C Worker Accommodation
- Design builder named for completion of VJH tower
- Canadian Council for PPP releases report: "10-Year Economic Impact Assessment of public-private partnerships in Canada (2003-2012)" that shows public-private partnerships generate over \$51 billion for Canadian economy
- Design builder named for RIH's Clinical Services Building
- New perinatal unit added to Interior Heart and Surgical Centre

##### APRIL

- Preferred proponent identified for North Island Hospitals Project
- National and Community Surveys conducted by Canadian Council for PPP show Canadians strongly support P3 projects
- OCC construction on schedule, hiring underway
- PHSA and Affinity Partnerships complete financial close for BC Children's and BC Women's Hospital Redevelopment Project

## 4.4 Risk and Opportunities

Partnerships BC has identified the following risks to its performance and developed an action plan to ensure the Organization remains on-track to meet client needs and achieve corporate goals.

RISK AND OPPORTUNITIES	POTENTIAL IMPACTS	ACTIONS
<b>SERVICE OFFERINGS</b>		
<p><b>Risk:</b> Scope of business and client base may be too small for long-term sustainability.</p> <p><b>Opportunity:</b> Growing recognition within and outside of British Columbia of Partnerships BC as a centre of expertise in planning and analysis around delivery of major infrastructure projects provides the basis for a broader clientele.</p>	<p>There is a moderate risk that maintaining long term financial sustainability may be difficult.</p>	<p>Partnerships BC continued to consult with government agencies to understand infrastructure needs, identify project opportunities, and offered a diverse range of project delivery services, including program and policy development.</p> <p>Partnerships BC continued to optimize business approach and refine operations.</p> <p>Partnerships BC continued to respond to requests from other jurisdictions for advisory services.</p>
<b>SUCCESSFUL IMPLEMENTATION OF PROJECTS</b>		
<p><b>Risk:</b> Project delivery may not be successful in the construction phase or operations and maintenance phases.</p> <p><b>Opportunity:</b> Clients request ongoing assistance or support to ensure adequate budget and governance frameworks for projects are in place.</p>	<p>There is a moderate risk that projects may experience problems or changes during the various project phases if the appropriate budget and governance frameworks are not in place.</p>	<p>Partnerships BC employed best practices during the planning and competitive selection processes (including costing, affordability, evaluation and governance) and provided as requested advisory services during design, construction and operations stages. Partnerships BC has implemented a program of following up with clients at regular intervals on projects that are in operations. Best practices and experience were communicated across projects to assist in successful implementation.</p>
<b>MARKET SIZE AND CAPACITY</b>		
<p><b>Risk:</b> The Province may face challenges relating to market growth in competing jurisdictions.</p> <p><b>Opportunity:</b> Partnerships BC's market outreach and consistent approach can continue to play an important role in ensuring British Columbia is seen as an attractive market.</p>	<p>There is a low risk that market participation may be diluted and competition diminished.</p>	<p>Partnerships BC continued to develop and maintain relationships with market participants. The Organization continued to apply consistent approaches to planning and implementing projects to maintain an attractive market in B.C. and worked with clients to ensure they have the tools to implement contracts successfully.</p>

RISK AND OPPORTUNITIES	POTENTIAL IMPACTS	ACTIONS
<b>PROJECT COSTS</b>		
<p><b>Risk:</b> Availability of private capital for infrastructure projects, cost of capital, as well as construction cost variables during the proposal evaluation and negotiation phase may reduce or negate value for money proposition estimated in the business case phase.</p> <p><b>Opportunity:</b> B.C. is in an excellent position to optimize, rather than maximize private financing for major infrastructure projects.</p>	<p>In current economic conditions, there is a low to moderate risk that expected value for money may not be achieved at financial close if markets change.</p>	<p>Partnerships BC remained highly informed on financial market conditions and optimized the use of private and public debt to achieve risk transfer.</p>
<b>INTERNAL EXPERIENCE AND CAPACITY</b>		
<p><b>Risk:</b> Difficulty retaining and attracting individuals with the right expertise to deliver high-quality services. Employees are actively recruited by the private sector.</p>	<p>There is a moderate risk that client needs will not be adequately served over time if highly qualified individuals choose to leave the Organization.</p>	<p>Partnerships BC worked with government to carefully monitor the situation and find solutions, as necessary. The Organization continued to conduct external compensation reviews and human resource strategies to benchmark against comparable public and private sector organizations.</p> <p>Partnerships BC adhered to Shareholder direction with respect to compensation measures and recruiting.</p>
<b>TECHNOLOGICAL CAPACITY</b>		
<p><b>Risk:</b> Partnerships BC maintains a library of core documents and manages a large volume of essential information on behalf of clients.</p>	<p>There is a low risk of permanent information loss due to corruption or loss of electronic data.</p>	<p>Partnerships BC maintained redundant IT systems with frequent and regular data back-ups. The system is reviewed annually and updated as required.</p>

## 5 Government's Letter of Expectations

The Government's Letter of Expectations between the Shareholder (the Government of British Columbia) and Partnerships BC provides the Government's annual direction to the Crown agency and is an agreement on the parties' respective accountabilities, roles and responsibilities. The Letter confirms Partnerships BC's mandate and priority actions, articulates the key performance expectations and forms the basis for the development of the Service Plan and Annual Service Plan Report. The Government's Letter of Expectations is reviewed and updated annually or as otherwise required.

Specific Partnerships BC accountabilities:

GOVERNMENT'S DIRECTION	PARTNERSHIPS BC RESPONSE
Provide a quarterly update to the Deputy Minister of Finance on PBC's capacity to maintain a self-sustaining organization. PBC should continue to pursue opportunities to showcase partnership procurement models outside of the provincial government. The quarterly update will include a summary of PBC's financial results achieved against its forecast targets, as well as emerging issues and planned mitigation strategies.	<ul style="list-style-type: none"> <li>Regular meetings were scheduled with the Deputy Minister of Finance to provide the quarterly update.</li> <li>Partnerships BC continued to leverage opportunities to showcase the British Columbia model for partnership procurement.</li> </ul>
Continue to work with the Ministry of Finance to ensure that the P3 affordability best practices and project finance strategies are aligned with the principles of the provincial Capital Asset Management Framework (CAMF) and provide ongoing advice to the Ministry of Finance on other areas of capital asset management.	<ul style="list-style-type: none"> <li>Remained highly informed on financial market conditions and worked with Ministry of Finance to develop deal structure innovations to respond to changing market conditions.</li> <li>Consulted with Ministry of Finance staff regarding affordability best practices and project finance strategies</li> <li>Responded to requests from the Ministry of Finance for specific advice and support.</li> </ul>
Continue to engage early and work closely with the line ministries / agencies, TBS and other relevant central agencies to ensure that the key service issues, costs, benefits, and risks related to the PPP projects are clearly identified and updated in a timely manner throughout the project review and approval process. To provide opportunities for further collaboration on PPP projects and support timely engagement, PBC and client ministries should provide regular updates to TBS and other central agencies on specific emerging and current PPP projects. PBC should also facilitate ongoing dialogue with TBS and other central agencies on the PPP model and market.	<ul style="list-style-type: none"> <li>Encouraged open dialogue between the client and approval entities, especially in the early stages of project development and approval.</li> <li>Expanded level of stakeholder outreach to key clients / government agencies through workshops.</li> <li>Provided Treasury Board Staff with status updates on projects and the partnership market.</li> </ul>
Continue to improve key stakeholders' understanding regarding the PPP methodology and projects through strategies to further educate key stakeholders about its quantitative methodology and the partnership procurement model for major capital projects.	<ul style="list-style-type: none"> <li>Partnerships BC continued its stakeholder outreach program.</li> <li>Partnerships BC continued to advise clients of the benefits of proactive disclosure of procurement documents, guidance documents and templates.</li> </ul>



GOVERNMENT'S DIRECTION	PARTNERSHIPS BC RESPONSE
Actively seek opportunities to make available its valued expert assistance to ministries in the planning and procurement of capital assets with a focus on achieving best value for the province.	<ul style="list-style-type: none"> <li>Continued to meet with ministries to discuss capital plans and identify opportunities where Partnerships BC can assist in achieving best value for the province.</li> </ul>
Continue to be cognisant of its supporting and complementary role on project delivery where private sector alternatives are available.	<ul style="list-style-type: none"> <li>As an agent of the Crown, Partnerships BC, when requested by public agencies, assisted project owners and supported/complemented private advisors to achieve successful project delivery.</li> </ul>
Comply with Government's requirements to be carbon neutral under the Greenhouse Gas Reduction Targets Act, including: accurately defining, measuring, reporting on and verifying the greenhouse gas emissions and reporting on those reduction measures and reduction plans; and offsetting any remaining emissions through investments in the Pacific Carbon Trust, which will invest in greenhouse gas reduction projects outside of the Corporation's scope of operations.	<ul style="list-style-type: none"> <li>Partnerships BC continued to support the Province's climate action plan to reduce greenhouse gas emissions and improve energy efficiency in public sector buildings. The Organization continued to focus on helping clients meet their project energy efficiency targets.</li> </ul>

*"The Surrey Pretrial Services Centre expansion reflects what we can achieve for communities and taxpayers through a fixed-price, performance-based, public-private partnership. This was the first ...in B.C. for a corrections project and I would like to thank all the partners involved, namely: Shared Services BC, BC Corrections, Brookfield Infrastructure Partnerships Surrey and Partnerships BC for delivering this project on time and within budget."*

- Minister Andrew Wilkinson, 2013

## 6 Management Discussion and Analysis

### 6.1 Overview

Partnerships British Columbia is an entity that is owned by the Province of British Columbia (the Province) and is governed by a Board of Directors reporting to its Shareholder, represented by the Minister of Finance. The Organization's vision is to be a recognized leader in evaluating, structuring, and implementing partnership delivery solutions for public infrastructure which achieve value for money. The Organization is focused on delivering consistent value to its clients and is committed to its long-term viability. Partnerships BC provides a variety of planning services to public sector agencies wishing to explore innovative options for building and managing public infrastructure like highways, bridges, hospitals, public transit and educational facilities.

This Management's Discussion and Analysis (MD&A) of Partnerships BC is intended to be read in conjunction with the audited financial statements and accompanying notes. The results reported are prepared in accordance with Canadian Public Sector Accounting Standards using guidelines developed by the Public Sector Accounting (PSA) Board of the Chartered Professional Accountants of Canada and are presented in Canadian dollars.

This MD&A contains forward-looking statements, including statements regarding business and anticipated financial performance of the Organization. Forward-looking statements are subject to a number of risks and uncertainties that may cause actual results or performance to differ materially from forecasted results expressed or implied.

### 6.2 Highlights in 2013/14

#### Projects which reached financial or contract close

During the year, the following projects reached a final project agreement:

- Iqaluit International Airport Improvement Project
- John Hart Generating Station Replacement Project
- Okanagan Correctional Centre Project
- Lakes District Hospital and Health Centre Project
- Oak Bay High School Project
- Kitsilano Secondary School Renewal Project

- Haida Gwaii/Queen Charlotte Hospital Replacement Project
- Vernon Jubilee Hospital Polson Tower Project
- Royal Inland Hospital Clinical Services Building Project

#### Projects in the market

During the year, the following projects were in the market:

- Iqaluit International Airport Improvement Project
- John Hart Generating Station Replacement Project
- Okanagan Correctional Centre Project
- Lakes District Hospital and Health Centre Project
- Oak Bay High School Project
- Kitsilano Secondary School Renewal Project
- Haida Gwaii/Queen Charlotte Hospital Replacement Project
- Vernon Jubilee Hospital Polson Tower Project
- Royal Inland Hospital Clinical Services Building Project
- BC Children's and BC Women's Hospital Redevelopment Project
- North Island Hospitals Project
- Emily Carr University of Art + Design Campus Redevelopment Project
- Capital Regional District (CRD) McLoughlin Point Wastewater Treatment Plant Project
- CRD Resource Recovery Centre Project
- City of Surrey Organics Biofuel Processing Facility Project
- Swift Current Long-Term Care Facility Project
- BC Hydro Site C Clean Energy Project Worker Accommodation

#### Highest amount of Post-Financial Close and Out-of-Entity Work Fees

Partnerships BC generated 13 per cent and 39 per cent of its work fees from post-financial close engagements and out-of-entity clients respectively.

#### New clients and sectors

Partnerships BC worked with the following new clients and sectors:

- Municipal – City of Surrey Organics Biofuel Processing Facility
- Advanced Education – Emily Carr University of Art + Design Campus Redevelopment

- Worker Accommodation – BC Hydro Site C Clean Energy Project
- Wastewater Treatment Plant – CRD McLoughlin Point Wastewater Treatment Plant Project
- Biosolids – CRD Resource Recovery Centre Project
- Other Provinces – SaskBuilds and Government of Saskatchewan – Swift Current Long-Term Care Facility and North Battleford Hospital – Integrated Correctional Facility Project
- U.S. State Government – Oregon State/ Multnomah County Courthouse Project

### **Exceeded financial plan target**

Partnerships BC's annual operating surplus and re-measurement gains were \$599,169 for the year ended March 31, 2014.

### **Strong financial position**

Partnerships BC's cash and portfolio investments increased to \$14,353,459 in 2013/14 from \$13,220,821 in 2012/13.

### **Achievements and awards**

The Single Room Occupancy Initiative Project for BC Housing Commission received a Silver Award for Social Housing Innovation at the annual Canadian Council for Public Private Partnerships for its high quality, innovative approach to a complex web of social, architectural and urban planning issues.

## **6.3 Annual Financial Performance**

### **Overview**

Fiscal 2013/14 was a continuation of a successful 2012/13 for Partnerships British Columbia. The strong business development initiatives from 2012/13 created the foundation of a significant pipeline of work which allowed Partnerships BC to exceed its net income target in 2013/14. In addition, the Organization continued to deliver projects on time and on budget, generated value for money, and provided value add to project teams. These core values were fundamental to the success of the organization and we will continue to observe them going forward.

The success of the organization is also a function of the Organization's strong risk management culture, fiscal responsibility and responsible governance. Our Board of Directors, working together with the Shareholder, the Minister of Finance, continues

to focus on long-term goals such as strategy and succession planning. The governance function also requires the Board to review and approve all projects which outlines the Organization's commitment and alignment to positively contribute to the Province of B.C.'s strong credit rating.

### **Comparison of 2013/14 and 2012/13 Financial Performances**

The Organization reached final project agreements on nine projects and presently has nine projects in the market. Work fee revenues from eighteen projects which were either in procurement, business case or reached a final project agreement contributed to the Organization's revenues in 2013/14. The Organization had revenues of \$8,434,270 in 2013/14 compared to \$9,503,615 in 2012/13, a decrease of \$1,069,345 or 11.3 per cent. The decrease was due to the number of procurements which were active in 2012/13 but reached financial close in the first quarter of 2013/14.

In 2013/14, the majority of work fee revenue was generated from the following projects which either reached a final project agreement or were in the procurement phase:

- Iqaluit International Airport Improvement Project
- John Hart Generating Station Replacement Project
- Okanagan Correctional Centre Project
- Lakes District Hospital and Health Centre Project
- Oak Bay High School Project
- Kitsilano Secondary School Renewal Project
- Haida Gwaii/Queen Charlotte Hospital Replacement Project
- Vernon Jubilee Hospital Polson Tower Project
- Royal Inland Hospital Clinical Services Building Project
- BC Children's and BC Women's Hospital Redevelopment Project
- North Island Hospitals Project
- Emily Carr University of Art + Design Campus Redevelopment Project
- CRD McLoughlin Point Wastewater Treatment Plant Project
- CRD Resource Recovery Centre Project
- City of Surrey Organics Biofuel Processing Facility Project
- Swift Current Long-Term Care Facility Project
- BC Hydro Site C Worker Accommodations Project

In addition, Partnerships BC provided advisory services during design and construction on the Surrey Pre-Trial Services Centre Expansion Project, Evergreen Line Rapid Transit Project, Wood Innovation and Design Centre Project and Iqaluit International Airport Improvement Project.

The table below presents a comparison of selected statement of operations of the current fiscal year with those of the previous fiscal year.

			(% of revenues)	
	2014	2013	2014	2013
Revenues	\$ 8,588,029	\$ 9,636,402	100.0%	100.0%
Project recoveries	2,729,922	5,647,149	31.8%	58.6%
Project expenses	(2,729,922)	(5,647,149)	(31.8%)	(58.6%)
Salaries and benefits	6,165,440	6,274,671	71.8%	65.1%
General and administrative expenses	1,721,582	1,882,963	20.0%	19.6%
Amortization	101,838	145,195	1.2%	1.5%
	\$ 599,169	\$ 1,333,573	7.0%	13.8%

### Revenues

The table below provides details of the Organization's revenues by category.

			(% of revenues)	
	2014	2013	2014	2013
Work fees	\$ 8,434,270	\$ 9,503,615	98.2%	98.6%
Other revenue	153,759	132,787	1.8%	1.4%
	\$ 8,588,029	\$ 9,636,402	100.0%	100.0%

Gross revenues for the year ended March 31, 2014 were \$8,588,029 of which \$8,434,270 was from work fees and \$153,759 was from other revenue. In comparison, gross revenues for the year ended March 31, 2013 were \$9,636,402 of which \$9,503,615 were from work fees and \$132,787 were from other revenue.

Partnerships BC's work fees are based on the amount of project work available and the required number of professional staff to complete them. During the year, Partnerships BC had 38.3 Full Time Equivalents (FTEs) compared to budget of 41.8 FTEs for 2013/14 and 38.9 FTEs for 2012/13. Partnerships BC's business model requires the Organization to resource its projects to ensure that it is meeting its deliverables and providing value for its services and on project teams.

Going forward, Partnerships BC's 2014/15 Service Plan anticipates that the Organization will meet its estimated revenue target of \$6 million while employing approximately 33 FTEs without any increase in hourly charge-out rates. The estimated revenue target was based entirely on work fees for known provincial capital projects and includes an emphasis to diversify the Organization's client base outside of the provincial government where our expertise can add value. This strategy aligns with the Government of B.C.'s goal to provide opportunities for job creation and investment for local and other Canadian companies.

The table below provides changes to the Organization's revenues by category.

	2014	2013	Change	%
Work fees	\$ 8,434,270	\$ 9,503,615	\$(1,069,345)	-11.3%
Other revenue	153,759	132,787	20,972	15.8%
	<u>\$ 8,588,029</u>	<u>\$ 9,636,402</u>	<u>\$(1,048,373)</u>	<u>-10.9%</u>

### Work Fees

Work fees typically reflect the cost of providing services and are not directly related to milestone events or performance.

Work fees were recognized from a number of provincial government ministries, Crown corporations and non-ministry sources. In 2013/14, Partnerships BC's clients included:

- Ministry of Health and Provincial Health Authorities,
- Ministry of Transportation and Infrastructure,
- Ministry of Jobs, Tourism and Skills Training (responsible for Labour),
- Ministry of Education,
- Ministry of Advanced Education,
- British Columbia Crown Corporations,
- British Columbia Universities,
- Local School Districts and Boards,
- Other Provincial Governments,
- Municipalities and Regional (Capital Regional District),
- Government of Canada, and
- US State Governments.

### Provincial Government Services

The services provided to the Province under the government services contract include development of policy and practices, communications strategy and the partnership market. Other services are completed under separate negotiated contracts.

Under the provisions of the current agreement, the Organization continues to provide the services described above at no cost to the Province and the term will be automatically renewed for successive periods of one year.

### Project Recoveries

Project recoveries represent reimbursable project expenses such as legal, financial, consulting and other fees that are normally recovered directly from the project. For the year ended March 31, 2014, project recoveries were \$2,729,922 compared to \$5,647,149 for the year ended March 31, 2013. The decrease in project recoveries can be directly attributable to the number of projects that were active procurements in 2012/13 and reached financial close in the first quarter of 2013/14.

### Other Revenue

Other revenue consists of investment income earned on surplus cash. For the year ended March 31, 2014, other revenue was \$153,759 compared to \$132,787 for the year ended March 31, 2013. The increase in investment income was attributable to the increase in interest rates and increase in cash and portfolio investments compared to last year.



### Comparison to Budget

The table below provides details of the Organization's actual and budgeted revenues for 2013/14.

	2014 Actual	2014 Budget	Change	%
Work fees	\$ 8,434,270	\$ 9,530,200	\$ (1,095,930)	-11.5%
Other revenue	153,759	105,500	48,259	45.7%
	<u>\$ 8,588,029</u>	<u>\$ 9,635,700</u>	<u>\$ (1,047,671)</u>	<u>-10.9%</u>

For the year ended March 31, 2014, gross revenues were 10.9 per cent below budget. Work fee revenue is a function of the number of professional staff and their corresponding utilization rates. For the year ended March 31, 2014, the Organization had 38.3 FTEs compared to budget of 41.8 FTEs. Actual utilization rate on projects was 66 per cent which was slightly below the Organization's budgeted utilization rate of 68 per cent. Given the number of active engagements, the Organization was able to meet its fiscal 2013/14 financial plan (net income) target with fewer FTEs.

The reduction in the number of FTEs also contributed to a decrease in Partnerships BC's total expenditures compared to budget. Total operating expenditures (consisting of compensation and administration costs) were thirteen per cent below budget. More detailed explanations are provided below.

### Expenses

The table below provides details of the Organization's operating expenses for 2013/14 and 2012/13.

	2014	2013	Change	%
Salaries and benefits	\$ 6,165,440	\$ 6,274,671	\$ (109,231)	-1.7%
Administration	322,920	317,605	5,315	1.7%
Building occupancy	631,999	625,346	6,653	1.1%
Corporate relations	5,596	54,185	(48,589)	-89.7%
Information systems	356,001	296,754	59,247	20.0%
Professional fees	270,452	426,499	(156,047)	-36.6%
Travel	134,614	162,574	(27,960)	-17.2%
Amortization	101,838	145,195	(43,357)	-29.9%
	<u>1,823,420</u>	<u>2,028,158</u>	<u>(204,738)</u>	<u>-10.1%</u>
Total Operating Expenses	<u>\$ 7,988,860</u>	<u>\$ 8,302,829</u>	<u>\$ (313,969)</u>	<u>-3.8%</u>
% of expenses to revenues	<u>93.0%</u>	<u>86.2%</u>		
% of general and administrative expenses to revenues	<u>21.2%</u>	<u>21.0%</u>		

For the year ended March 31, 2014, there was a decrease in operating expenses of \$313,969 or 3.8 per cent compared to last year. The decrease was primarily attributable to the following:

- Salaries and benefits,
- Corporate relations,
- Professional fees,
- Travel, and
- Amortization.

The decrease in salaries and benefits for the year ended March 31, 2014 was largely attributable to the decrease in FTEs compared to the year ended March 31, 2013. FTE information was as at fiscal year-end, and is subject to change if there are revenue changes going forward. This staffing complement allowed Partnerships BC to maintain its core competencies and will also provide the Government of B.C. with sufficient expertise to focus on its current and future capital projects. Partnerships BC continued to work with the Government of B.C. to mitigate any restructuring costs and to seek other opportunities going forward.

There is presently an Executive Compensation Mandate (Mandate) which Partnerships BC is in compliance with, which called for salary freezes for executives and management at Crown corporations in 2012/13 and continued to be in place in 2013/14 and 2014/15. This Mandate also called for the elimination of short-term incentive plans for Crown corporations. Partnerships BC has implemented a plan to eliminate its short-term incentive plan effective April 1, 2014. Partnerships BC did not request any exceptions to the Mandate, guidelines or framework which would require approval from the government organization responsible for overseeing compensation for provincial government ministries, Crown corporations and other provincial organizations.

The decrease in corporate relations expenditures by \$48,589 was due to the hiring of a communications employee to supplement the organization's in-house capabilities and reduce the use of contractors for stakeholder, government and corporate relations initiatives.

The decrease in professional fees of \$156,047 was largely due to the completion of the Organization's SharePoint and Knowledge Management system and leadership development program. In addition, under the current economic climate and to support the government's goal to balance its 2013-14 budget, the Organization was conscious of the number of initiatives to continue or initiate during the year.

Travel costs were \$134,614 in 2013/14 compared to \$162,574 in 2012/13, resulting in a decrease of \$27,960. During the year, the Organization reduced its non-recoverable travel by holding more video conference or teleconference meetings. It also held some Board and subcommittee meetings via teleconferences in comparison to in-person meetings in previous years. In addition, the Organization continued to enforce its travel policy which requires all travel to be either for business development or recoverable from projects or conferences or, failing that, to be pre-approved by senior management. In addition, attendance at conferences where the organizer does not pay for Partnerships BC's representative to attend is only approved where there are significant professional development benefits. Going forward, the Organization will continue to enforce these policies in 2014/15.

The increase in building occupancy costs was attributable to the increase in base rent for the Victoria office, increase in operating costs for both the Vancouver and Victoria offices and the rental of additional office space in Vancouver for project evaluations in the first quarter of 2013/14.

The increase in information technology expenditures of \$59,247 was due to the implementation of a SharePoint support program, costs for network upgrade and implementation of the Organization's capital hardware evergreen initiative. The above mentioned initiatives were included in the Organization's 2013/14 budget. The successful transition to the new SharePoint platform required a strategy to integrate it as the Organization's main IT platform. The capital hardware evergreen initiative replaced network, laptops and desktops which were inefficient or were no longer under manufacturer's warranties.

Overall, for the year ended March 31, 2014, total general and administrative expenses as a percentage of revenues was 21.2 per cent compared to 21.0 per cent for the year ended March 31, 2013.

**Comparison to Budget**

The table below provides details of the Organization's actual and budgeted expenses for 2013/14.

	2014 Actual	2014 Budget	Change	%
Salaries and benefits	\$ 6,165,440	\$ 7,107,295	\$ (941,855)	-13.3%
Administration	322,920	363,399	(40,479)	-11.1%
Building occupancy	631,999	623,087	8,912	1.4%
Corporate relations	5,596	90,150	(84,554)	-93.8%
Information systems	356,001	347,240	8,761	2.5%
Professional fees	270,452	410,000	(139,548)	-34.0%
Travel	134,614	201,000	(66,386)	-33.0%
Amortization	101,838	126,664	(24,826)	-19.6%
	1,823,420	2,161,540	(338,120)	-15.6%
Total Operating Expenses	\$ 7,988,860	\$ 9,268,835	\$ (1,279,975)	-13.8%
% of expenses to revenues	93.0%	96.2%		
% of general and administrative expenses to revenues	21.2%	22.4%		

Salaries and benefits for the year ended March 31, 2014 were under budget by \$941,855 or 13.3 per cent. The Organization had budgeted for a full complement of employees and consultants, which included new hires for vacant positions and timely replacement of employees who resigned during the year. Although the budget was for 41.8 FTEs, Partnerships BC had 38.3 FTEs for the year ended March 31, 2014. The Organization did not replace all its departed employees and instead relied upon existing resources to meet deliverables under current engagements.

Total general and administration costs for the year ended March 31, 2014 were under budget by \$338,120. This was largely due to the decrease in administrative expenses, corporate relations, professional fees, and travel expenses, net of increases in building occupancy costs and information technology expenses.

Administration expenses for the year ended March 31, 2014 were under budget by \$40,479 as the Organization reduced its office supplies expenses, non-recoverable meeting costs, and subscriptions and publications. In addition, the reduction in the size of the Organization's Board contributed to a decrease in Board related expenses.

Corporate relations expenses for the year ended March 31, 2014 were under budget by \$84,554 as the Organization hired a communications employee to increase its in-house capacity thus reducing the need to contract with third parties to provide advice on stakeholder, and government and corporate relations initiatives.

Professional fees for the year ended March 31, 2014 were under budget by \$139,548 as the Organization did not initiate a client satisfaction survey as the Organization had participated in a Shareholder review which included feedback from a significant number of the Organization's clients and stakeholders. In addition, the Organization did not continue with its leadership development and executive coaching program when the current program was completed in the second quarter of 2013/14.

Travel expenses for the year ended March 31, 2014 were under budget by \$66,386. This was due to the significant number of projects either in procurement or reaching a final project agreement where the majority of the travel costs incurred by the Organization's staff were recoverable from their respective projects. In addition, the Organization continued to implement its travel policy which requires all travel to be either for business development or recoverable from projects or conferences or, failing that, to be pre-approved by senior management. Furthermore, attendance at conferences where the organizer does not pay for Partnerships BC's representative to attend is only approved where there are significant professional development benefits.

There were no significant variances to building occupancy costs and information technology expenses for the year ended March 31, 2014. They were \$8,912 (1.4 per cent) and \$8,761 (2.5 per cent) over budget respectively.

Total expenses for the year ended March 31, 2014 as a percentage of revenues were 93.0 per cent compared to budget of 96.2 per cent. General and administrative expenses for the year ended March 31, 2014, as a percentage of revenues were 21.2 per cent versus 22.4 per cent. Even though the Organization has complied with a Provincial directive regarding expenditure management initiatives in 2013/14, it will be difficult for the Organization to meet the targets for fiscal years 2014/15 and 2015/16 due to a likely reduction in the number of infrastructure procurements. Please refer to Outlook for 2014/15 below for additional information.

### Statement of Financial Position

The table below presents a comparison of selected financial position items of the current fiscal year with those of the previous fiscal year.

	2014	2013	Change	%
<b>Financial Assets</b>				
Cash	\$ 10,157,552	\$ 9,074,599	\$ 1,082,953	11.9%
Accounts receivable	2,030,614	3,038,998	(1,008,384)	-33.2%
Portfolio investments	4,195,907	4,146,222	49,685	1.2%
<b>Total Financial Assets</b>	16,384,073	16,259,819	124,254	0.8%
<b>Liabilities</b>				
Accounts payable and accrued liabilities	1,600,007	2,109,945	(509,938)	-24.2%
<b>Total Liabilities</b>	1,600,007	2,109,945	(509,938)	-24.2%
<b>Net Financial Assets</b>	\$ 14,784,066	\$ 14,149,874	\$ 634,192	4.5%
<b>Non-Financial Assets</b>	\$ 193,765	\$ 229,380	\$ (35,615)	-15.5%
<b>Accumulated Surplus</b>	\$ 14,977,831	\$ 14,379,254	\$ 598,577	4.2%

Cash increased by \$1,082,953 from \$9,074,599 as at March 31, 2013 to \$10,157,552 as at March 31, 2014. The increase in cash was mainly due to the increase in operating activities during the year. Portfolio investments increased \$49,685 from \$4,146,222 as at March 31, 2013 to \$4,195,907. The Organization's portfolio investments are invested and managed in accordance with the Organization's Board-approved statement of investment policies and procedures.

Accounts receivable, which consists of work fees, project recoverable expenses and accruals at year-end decreased by \$1,008,384 from \$3,038,998 as at March 31, 2013 to \$2,030,614 as at March 31, 2014. Current accounts receivable represented 87 per cent of the balance at year-end reflecting strong collection of outstanding receivables. The decrease in accounts receivable also reflects a reduction in year-end accruals for project recoveries. There was no provision for doubtful accounts as at March 31, 2014.

Furthermore, the weighted average number of days outstanding was 16 days in 2013/14. This was better than the Organization's internal benchmark of 40 days for the weighted average number of days outstanding.

There were no significant changes to other current assets.

Amortization expense was \$101,838, net of \$83,888 in capital asset additions, which was under budget in comparison to the Organization's approved 2013/14 capital expenditures budget.

### **Liabilities and accumulated surplus**

Accounts payable and accrued liabilities decreased by \$509,938 from \$2,109,945 as at March 31, 2013 to \$1,600,007 as at March 31, 2014. The decrease in accounts payable and accrued liabilities directly corresponds to the decrease in accounts receivable where there was a decrease in year-end accruals for project recoveries.

The increase in accumulated surplus was attributable to an annual operating surplus of \$599,169, net of a re-measurement loss of \$592.

### **Statement of Cash Flows**

#### **Liquidity and capital resources**

The table below presents a comparison of the Organization's cash for the current fiscal year with that of the previous fiscal year.

	2014	2013	Change
Cash, beginning of year	\$ 9,074,599	\$ 7,896,412	\$ 1,178,187
Cash provided by (used by):			
Operating transactions	1,217,118	1,253,690	(36,572)
Capital transactions	(83,888)	(30,892)	(52,996)
Investing transactions	(50,277)	(44,611)	(5,666)
Cash, end of year	\$ 10,157,552	\$ 9,074,599	\$ 1,082,953

#### **Cash flow from operating transactions**

Cash flow from operating activities was \$1,217,118 in 2013/14 compared to \$1,253,690 in 2012/13 resulting in a decrease of \$36,572. The decrease was primarily attributable to the decrease in operating surplus from \$1,337,394 in 2012/13 to \$599,169, net of changes to working capital items which included changes in accounts receivable, other current assets and accounts payable and accrued liabilities.

#### **Cash flow from capital transactions**

Cash used in capital transactions was \$83,888 in 2013/14 compared to \$30,892 in 2012/13 resulting in a change of \$52,996. The Organization implemented its capital hardware evergreen initiative by replacing certain network equipment, laptops and desktops which were inefficient or no longer under manufacturers' warranties.

#### **Cash flow from investing transactions**

Cash used in investing transactions was \$50,277 in 2013/14 compared to \$44,611 in 2012/13 resulting in a change of \$5,666.



The table below presents a comparison of the Organization's working capital position for the current fiscal year with that of the previous fiscal year.

	2014	2013	Change
Cash	\$ 10,157,552	\$ 9,074,599	\$ 1,082,953
Accounts receivable	2,030,614	3,038,998	(1,008,384)
Portfolio investments	4,195,907	4,146,222	49,685
Other current assets	53,367	71,032	(17,665)
	16,437,440	16,330,851	106,589
Accounts payable and accrued liabilities	1,600,007	2,109,945	(509,938)
Net working capital	\$ 14,837,433	\$ 14,220,906	\$ 616,527

As at March 31, 2014, the Organization's principal sources of liquidity include cash of \$10,157,552, accounts receivable of \$2,030,614 and portfolio investments of \$4,195,907. The Organization has \$1,600,007 in accounts payable and accrued liabilities due next year. As a result, the Organization's net working capital improved by \$616,527 to \$14,837,433 as at March 31, 2014.

### Commitments

The Organization is committed to payments under operating leases for premises through fiscal 2017/18 as follows:

2015	429,668
2016	192,801
2017	195,040
2018	81,267
	<u>\$ 898,776</u>

The Organization's Vancouver and Victoria office leases are scheduled to expire on October 31, 2014 and August 31, 2017 respectively.

The restructuring program undertaken by the Organization as at March 31, 2014, has resulted in fewer FTEs at the beginning of fiscal 2014/15. As a result, the Organization has made provisions to reduce its Vancouver office space requirements which should reduce its building occupancy costs in 2014/15 and beyond.

During the year, Partnerships BC did not enter into any contractual obligations or off-balance sheet arrangements. In addition, the Organization did not have any pending litigation or contingencies as at March 31, 2014.

### Selected Annual Information

The following table presents selected financial information for the years ended March 31, 2014, 2013, 2012, 2011, and 2010.

	2014	2013	2012	2011	2010
Total revenues	\$ 8,588,029	\$ 9,636,402	\$ 8,469,672	\$ 8,532,161	\$ 7,973,268
Total operating expenses	\$ 7,988,860	\$ 8,302,829	\$ 7,921,699	\$ 8,313,550	\$ 7,936,446
Annual operating surplus	\$ 599,169	\$ 1,333,573	\$ 547,973	\$ 218,611	\$ 36,822
Total current assets	\$ 16,437,440	\$ 16,330,851	\$ 14,714,884	\$ 14,632,751	\$ 13,791,700
Total assets	\$ 16,577,838	\$ 16,489,199	\$ 14,987,535	\$ 14,957,286	\$ 14,049,709
Total current liabilities	\$ 1,600,007	\$ 2,109,945	\$ 1,945,675	\$ 2,464,688	\$ 1,778,575
Total liabilities	\$ 1,600,007	\$ 2,109,945	\$ 1,945,675	\$ 2,463,688	\$ 1,778,575

**Outlook for Fiscal 2014-15**

Partnerships BC undertakes the planning and procurement of complex capital projects, specifically those involving the utilization of private sector expertise, services and capital. Looking forward to 2014/15, Partnerships BC will continue to evaluate, structure and implement partnership delivery solutions for public infrastructure which achieve value for money. In addition, the Organization will continue outreach activities with its current and potential clients, its Shareholder and other stakeholders.

While there will be projects which are expected to enter the market in the energy, health, education and accommodation sectors, together with new and existing clients which may include other provincial governments and the Government of Canada, the number of procurements and projects which would reach financial close will be lower compared to 2012/13 and 2013/14. Given the anticipated pipeline of projects, Partnerships BC is forecasting revenues of \$6 million which is significantly lower than the revenues generated in previous years which ranged from \$8 million to \$9.6 million from 2009/10 to 2013/14. As a result, the Organization has budgeted a deficit of \$1.8 million in 2014/15, \$0.7 million in 2015/16 but returning to a break even position by 2016/17. Even though the Organization has budgeted for operating deficits in 2014/15 and 2015/16, we remain committed to a business development strategy to generate opportunities outside of the Province of B.C., fiscal responsibility and most importantly, continue to add value to our clients' projects.

Information relating to Partnerships BC's budget is included in its 2014/15 Service Plan which can be found on the Organization's website at [www.partnershipsbcc.ca](http://www.partnershipsbcc.ca).

**Budgets for Fiscal 2014/15 to 2016/17**

The following table presents the budgets for fiscal years 2014/15 to 2016/17 as outlined in Partnerships BC's current Service Plan.

	2015	2016	2017
	(in millions of dollars)		
<b>Revenue</b>			
Work fees	\$ 6.00	\$ 6.20	\$ 7.20
Other revenue	0.14	0.14	0.14
Total Revenue	6.14	6.34	7.34
<b>Expenditures</b>			
Salaries and benefits	6.25	5.64	5.78
Professional services	0.27	0.15	0.15
Administration	1.32	1.20	1.23
Corporate relations	0.07	—	—
Amortization	0.06	0.07	0.08
Total Expenditures	7.97	7.06	7.24
Project recoveries	2.25	2.32	2.88
Project recoverable expenses	2.25	2.32	2.88
	—	—	—
<b>Annual Operating Surplus (Loss)</b>	\$ (1.83)	\$ (0.72)	\$ 0.10

## 7 Statement of Management Responsibility

The financial statements of Partnerships British Columbia Inc. for the year ended March 31, 2014, have been prepared by management in accordance with Canadian Public Sector Accounting Standards. These financial statements present fairly the financial position of Partnerships British Columbia Inc. as at March 31, 2014.

Management is responsible for the preparation of the financial statements and has established a system of internal controls to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records provide reliable information for the preparation of the financial statements.

The Board of Directors carries out its responsibility for the review of the financial statements. The Board meets with management and the external auditor to discuss the results of audit examinations and financial reporting matters. The external auditor has full access to the Board.

BDO Canada LLP has performed an independent audit of the financial statements of Partnerships British Columbia Inc. The Independent Auditor's Report outlines the scope of their examination and expresses an opinion on the statements of Partnerships British Columbia Inc.



Sarah Clark  
President and Chief Executive Officer  
Partnerships British Columbia Inc.



Chan-Seng Lee, CA  
Vice President, Finance and Administration  
Partnerships British Columbia Inc.

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## INDEPENDENT AUDITOR'S REPORT

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**To the Board of Directors and Shareholder of Partnerships British Columbia Inc.**

We have audited the accompanying financial statements of Partnerships British Columbia Inc., which comprise the Statement of Financial Position as at March 31, 2014 and the Statements of Operations, Remeasurement Gains and Losses, Change in Net Financial Assets, and Cash Flows for the year ended March 31, 2014, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Partnerships British Columbia Inc. as at March 31, 2014 and the results of its operations and its cash flows for the year ended March 31, 2014, in accordance with Canadian public sector accounting standards.



Chartered Accountants

Vancouver, British Columbia  
May 30, 2014

PARTNERSHIPS BRITISH COLUMBIA INC.

**Statement of Financial Position**

AS AT MARCH 31, 2014 WITH COMPARATIVES FOR MARCH 31, 2013

	March 31, 2014	March 31, 2013
<b>Financial assets</b>		
Cash	\$ 10,157,552	\$ 9,074,599
Accounts receivable (Note 3)	2,030,614	3,038,998
Portfolio investments (Note 4)	4,195,907	4,146,222
Total Financial Assets	16,384,073	16,259,819
<b>Liabilities</b>		
Accounts payable & accrued liabilities (Note 5)	1,600,007	2,109,945
Total Liabilities	1,600,007	2,109,945
<b>Net financial assets</b>	14,784,066	14,149,874
<b>Non-financial assets</b>		
Prepaid expenses	53,367	71,032
Tangible capital assets (Note 7)	140,398	158,348
Total Non-financial Assets	193,765	229,380
<b>Accumulated surplus (Note 8)</b>	\$ 14,977,831	\$ 14,379,254
Accumulated surplus is comprised of:		
Accumulated operating surplus	\$ 14,969,627	\$ 14,370,458
Accumulated remeasurement gains	8,202	8,794
Share capital	2	2
	\$ 14,977,831	\$ 14,379,254

The accompanying notes and supplementary schedules are an integral part of these financial statements.

**APPROVED ON BEHALF OF THE BOARD**


G. Steele, Lead Director



P. Kappel, Director

PARTNERSHIPS BRITISH COLUMBIA INC.

**Statement of Operations**

FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	Budget (Note 13)	March 31, 2014	March 31, 2013
<b>Revenue</b>			
Work fees	\$ 9,530,200	\$ 8,434,270	\$ 9,503,615
Other revenue	105,500	153,759	132,787
Total Revenues	9,635,700	8,588,029	9,636,402
<b>Expenses</b>			
Administration	363,399	322,920	317,605
Amortization	126,664	101,838	145,195
Building occupancy	623,087	631,999	625,346
Corporate relations	90,150	5,596	54,185
Information systems	347,240	356,001	296,754
Professional services	410,000	270,452	426,499
Salaries and benefits	7,107,295	6,165,440	6,274,671
Travel	201,000	134,614	162,574
Total Expenses	9,268,835	7,988,860	8,302,829
<b>Reimbursable costs</b>			
Project recoveries	4,212,000	2,729,922	5,647,149
Less: Project expenses	(4,212,000)	(2,729,922)	(5,647,149)
Net reimbursable costs	—	—	—
<b>Annual operating surplus</b>	366,865	599,169	1,333,573
<b>Accumulated operating surplus, beginning of year</b>	14,370,458	14,370,458	13,036,885
<b>Accumulated operating surplus, end of year</b>	\$ 14,737,323	\$ 14,969,627	\$ 14,370,458

The accompanying notes and supplementary schedules are an integral part of these financial statements.



PARTNERSHIPS BRITISH COLUMBIA INC.

**Statement of Remeasurement Gains and Losses**

FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	March 31, 2014	March 31, 2013
<b>Accumulated remeasurement gains, beginning of year</b>	\$ 8,794	\$ 4,973
Plus: Unrealized gains attributable to:		
Portfolio investments	49,991	48,824
Less: Amounts reclassified to the statement of operations:		
Portfolio investments	(50,583)	(45,003)
Net remeasurement gains (loss) for the year	(592)	3,821
<b>Accumulated remeasurement gains, end of year</b>	<b>\$ 8,202</b>	<b>\$ 8,794</b>

The accompanying notes and supplementary schedules are an integral part of these financial statements.

PARTNERSHIPS BRITISH COLUMBIA INC.

**Statement of Changes in Net Financial Assets**

FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	Budget (Note 13)	March 31, 2014	March 31, 2013
Annual operating surplus	\$ 366,865	\$ 599,169	\$ 1,333,573
Acquisition of tangible capital assets	(87,000)	(83,888)	(30,892)
Amortization of tangible capital assets	126,664	101,838	145,195
	39,664	17,950	114,303
Acquisition of prepaid expenses	–	(180,480)	(215,340)
Use of prepaid expenses	6,426	198,145	195,836
	6,426	17,665	(19,504)
Effect of remeasurement gains (loss) for the year	–	(592)	3,821
<b>Increase in net financial assets for the year</b>	<b>412,955</b>	<b>634,192</b>	<b>1,432,193</b>
<b>Net financial assets, beginning of year</b>	<b>14,149,874</b>	<b>14,149,874</b>	<b>12,717,681</b>
<b>Net financial assets, end of year</b>	<b>\$ 14,562,829</b>	<b>\$ 14,784,066</b>	<b>\$ 14,149,874</b>

The accompanying notes and supplementary schedules are an integral part of these financial statements.

PARTNERSHIPS BRITISH COLUMBIA INC.

**Statement of Cash Flows**

FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	March 31, 2014	March 31, 2013
<b>Operating transactions</b>		
Annual operating surplus	\$ 599,169	\$ 1,333,573
Non-cash item included in surplus:		
Amortization of tangible capital assets	101,838	145,195
	701,007	1,478,768
<b>Changes in operating accounts</b>		
Accounts receivable	1,008,384	(369,844)
Prepaid expenses	17,665	(19,504)
Accounts payable and accrued liabilities	(509,938)	164,270
	516,111	(225,078)
<b>Total operating transactions</b>	1,217,118	1,253,690
<b>Capital transactions</b>		
Purchase of tangible capital assets, net	(83,888)	(30,892)
	(83,888)	(30,892)
<b>Investing transactions</b>		
Increase in portfolio investments	(50,277)	(44,611)
	(50,277)	(44,611)
<b>Net increase in cash</b>	1,082,953	1,178,187
<b>Cash, beginning of year</b>	9,074,599	7,896,412
<b>Cash, end of year</b>	\$ 10,157,552	\$ 9,074,599

*The accompanying notes and supplementary schedules are an integral part of these financial statements.*

PARTNERSHIPS BRITISH COLUMBIA INC.

## Notes to Financial Statements

FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

### 1. Nature of Operations

Partnerships British Columbia Inc. (Partnerships BC or the Organization) is a company owned by the Province of British Columbia and is governed by a Board of Directors reporting to its sole Shareholder, the Minister of Finance. The Organization was incorporated under the British Columbia Business Corporations Act in May 2002. It has two issued shares which are held by the Minister of Finance.

The Organization's vision is to be a recognized leader in evaluating, structuring and implementing partnership delivery solutions for public infrastructure which achieve value for money. The Organization is focused on delivering consistent value to its clients. Partnerships BC provides a variety of planning services to public sector agencies wishing to explore innovative options for building and managing public infrastructure like highways, bridges, hospitals, public transit and accommodations facilities.

The Organization's core business is to:

- Provide specialized services to the Province and its agencies in the procurement of major public projects, ranging from advice to business transactions, procurement management, and implementation.
- Provide advice to the Province and its agencies on partnership project management, deal structure, risk management, procurement, and the selection and engagement of consultants.
- Foster a positive business and policy environment for successful projects and related activities by continually expanding British Columbia's base of knowledge, understanding and expertise in these areas.
- Manage an efficient and leading edge organization that meets or exceeds performance expectations.

The Organization's clients are public sector agencies, including ministries, Crown corporations and local authorities such as regional health authorities. To serve these clients effectively, Partnerships BC is also working to build strong relationships with private sector partners such as businesses, investors and the financial services sector.

Partnerships BC is exempt from income taxes under the *Income Tax Act*.

### 2. Summary of Significant Accounting Policies

#### a. Basis of accounting

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards using guidelines developed by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

#### b. Portfolio investments

Partnerships BC invests in government and corporate debt securities through pooled fund products managed by the British Columbia Investment Management Corporation (bcIMC), a corporation established under the Public Sector Pension Plans Act.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

## 2. Summary of Significant Accounting Policies (continued)

### c. Employee future benefits

The employees of Partnerships BC belong to the Public Service Pension Plan (the Plan), which is a multi-employer joint trustee plan. This Plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding.

The joint board of trustees of the Plan determines the required Plan contributions annually.

The contribution of Partnerships BC to the Plan is recorded as an expense for the year.

### d. Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the tangible capital asset.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

- Computer software 2 years
- Computer hardware 3 years
- Furniture and equipment 5 years
- Leasehold improvements 5 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to Partnerships BC's ability to provide goods and services.

### e. Prepaid expenses

Prepaid expenses include software licences, insurance premiums and travel costs and are charged to expense over the periods expected to benefit from it.

### f. Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

### g. Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

### h. Measurement uncertainty

The preparation of financial statements in conformity with PSA standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of tangible capital assets, estimated employee benefits, rates for amortization and the impairment of tangible capital assets.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

### 3. Accounts Receivable

	March 31, 2014	March 31, 2013
Revenues receivable	\$ 2,021,919	\$ 3,031,248
Accrued interest	8,695	7,750
	<u>\$ 2,030,614</u>	<u>\$ 3,038,998</u>

There was no provision for doubtful accounts required as at March 31, 2014 and 2013.

Included in accounts receivable are the following amounts receivable from government and other government organizations.

	March 31, 2014	March 31, 2013
Provincial governments	\$ 1,710,855	\$ 2,664,152
Federal government	–	57,123
Other government organizations	302,512	208,365
	<u>\$ 2,013,367</u>	<u>\$ 2,929,640</u>

### 4. Portfolio Investments

	March 31, 2014	March 31, 2013
Fair market value	\$ 4,195,907	\$ 4,146,222
Less: Original cost	(4,187,705)	(4,137,428)
Unrealized gain	<u>\$ 8,202</u>	<u>\$ 8,794</u>

Portfolio investments consist of investments in the Canadian Money Market Fund ST2 managed by bclMC. The fund invests in government and corporate debt securities, including commercial paper. For the calendar year ending December 31, 2013, the fund had an annualized return of 1.2 percent compared to an annualized return of 1.1 percent for the prior year.

### 5. Accounts Payable and Accrued Liabilities

	March 31, 2014	March 31, 2013
Accounts payables and accrued liabilities	\$ 716,275	\$ 1,231,015
Salaries and benefits payable	739,499	735,612
Accrued vacation pay	144,233	143,318
	<u>\$ 1,600,007</u>	<u>\$ 2,109,945</u>

### 6. Employee Future Benefits

Partnerships BC and its employees contribute to the Public Service Pension Plan (the Plan) in accordance with the Public Sector Pension Plan Act. BC Pension Corporation administers the Plan, including payment of pension benefits to employees to whom the Act applies. The Public Service Pension Plan is a multi-employer, defined benefit plan.

Information about obligations for retirement benefits and other employee future benefits is as follows:

#### a. Retirement benefits

##### Pension plan

Partnerships BC and its employees contribute to the Plan in accordance with the Public Sector Pension Plan Act. The Plan provides defined pension benefits to employees based on their length of service and rates of pay. The maximum contribution rate for eligible employees was 9.43 per cent (2013: 9.43 per cent). Partnerships BC's contributions exceed the employee contributions to the plan.

## 6. Employee Future Benefits (continued)

During the year ended March 31, 2014, Partnerships BC contributed \$422,175 (2013: \$397,273) to the Plan. These contributions are the Organization's pension benefit expense. No pension liability for this type of plan is included in the financial statements.

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The latest valuation as at March 31, 2011 showed that the Plan had a deficit of \$275.401 million and is 98 percent funded as it had assets of \$17.77 billion and liabilities of \$18.04 billion. The actuary does not attribute portions of the unfunded liability to individual employers. The next valuation will be as at March 31, 2014 with results available mid-2014.

### b. Other employee future benefits

#### Workplace safety and insurance board obligations

Partnerships BC is an employer under the *Workers Compensation Act* Part 3 ("Act") and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. Partnerships BC does not fund these obligations in advance of payments made under the Act. The benefit costs and liabilities related to this plan are included in the financial statements.

## 7. Tangible Capital Assets

	Computer software	Computer hardware	Furniture and equipment	Leasehold improvements	2014 Total
<b>Cost</b>					
Opening Balance	\$ 119,432	\$ 449,640	\$ 144,188	\$ 392,174	\$ 1,105,434
Additions	–	65,377	18,511	–	83,888
Disposals	–	107,747	–	–	107,747
Closing Balance	119,432	407,270	162,699	392,174	1,081,575
<b>Accumulated Amortization</b>					
Opening Balance	119,150	339,751	102,515	385,670	947,086
Amortization	282	85,922	13,822	1,812	101,838
Disposals	–	107,747	–	–	107,747
Closing Balance	119,432	317,926	116,337	387,482	941,177
<b>Net book value</b>	\$ –	\$ 89,344	\$ 46,362	\$ 4,692	\$ 140,398
	Computer software	Computer hardware	Furniture and equipment	Leasehold improvements	2013 Total
<b>Cost</b>					
Opening Balance	\$ 377,823	\$ 587,503	\$ 205,023	\$ 392,174	\$ 1,562,523
Additions	–	26,351	5,167	–	31,518
Disposals	258,391	164,214	66,002	–	488,607
Closing Balance	119,432	449,640	144,188	392,174	1,105,434
<b>Accumulated Amortization</b>					
Opening Balance	376,868	409,125	147,295	356,584	1,289,872
Amortization	673	94,214	21,222	29,086	145,195
Disposals	258,391	163,588	66,002	–	487,981
Closing Balance	119,150	339,751	102,515	385,670	947,086
<b>Net book value</b>	\$ 282	\$ 109,889	\$ 41,673	\$ 6,504	\$ 158,348



## 8. Accumulated Surplus

The accumulated surplus is made up as follows:

	March 31, 2014	March 31, 2013
Accumulated operating surplus	\$ 14,969,627	\$ 14,370,458
Accumulated remeasurement gains	8,202	8,794
	14,977,829	14,379,252
Share capital	2	2
	\$ 14,977,831	\$ 14,379,254

The authorized share capital is 5,000,000 common shares at no par value.

## 9. Expenses by Object

The entity is a sole purpose organization and therefore does not report by function and does not provide segmented information.

## 10. Related Party Transactions

Partnerships BC is related through common ownership to all provincial government ministries, agencies and Crown corporations. The majority of the Organization's clients are also provincial government ministries, agencies and Crown corporations.

Transactions with these entities, considered to be in the normal course of operations, are recorded at the exchange amounts. Transfers of assets are recorded at fair value.

In the normal course of operations, Partnerships BC entered into transactions with the Province and certain Crown corporations, at prevailing market prices and credit terms.

The statement of operations includes the following transactions with related parties:

	March 31, 2014	March 31, 2013
Fees for services	\$ 5,184,583	\$ 7,311,470
Other revenue	150,125	127,095
	\$ 5,334,708	\$ 7,438,565
Operating expenses:		
Professional services	\$ 16,360	\$ 6,020
Administration	50,100	50,675
	\$ 66,460	\$ 56,695
Project recoveries	\$ 2,362,193	\$ 4,861,095

Financial assets and liabilities with related parties as at March 31, 2014 and 2013 were:

	March 31, 2014	March 31, 2013
Accounts receivable	\$ 1,275,054	\$ 2,399,055
Accounts payable and accrued liabilities	39,810	41,509

## 11. Commitments

The Organization is committed to payments under operating leases for premises through 2017/18 as follows:

Year	Amount
2015	\$ 429,668
2016	192,801
2017	195,040
2018	81,267
	<u>\$ 898,776</u>

The Organization's Vancouver and Victoria office leases are scheduled to expire on October 31, 2014 and August 31, 2017 respectively.

## 12. Risk Management

### a. Fair value of financial instruments

The fair value of a financial instrument is the estimated amount that the Organization would receive or pay to settle a financial asset or financial liability as at the reporting date.

The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying values given their short-term maturities.

The fair value of the portfolio investments are determined by reference to published bid price quotations in an active market at year-end.

### b. Financial management risk objectives and policies

In the normal course of business, the Organization is exposed to financial risks that have the potential to negatively impact its financial performance. These risks may include credit risk, liquidity risk and interest rate risk.

### c. General objectives, policies and processes

The Audit and Risk Management Committee has overall responsibility for the determination of the Organization's risk management objectives and policies.

The Audit and Risk Management Committee has delegated the authority to ensure effective implementation of the objectives and policies of the Organization to the President and Chief Executive Officer (CEO) and senior management team. The Audit and Risk Management Committee and Board of Directors receives quarterly reporting from the President and CEO and senior management to ensure all processes and policies put in place are effectively meeting the objectives of the Organization.

### d. Credit risk

Credit risk is the risk that the Organization's counterparties will fail to meet their financial obligations to the Organization, causing a financial loss.

Accounts receivable arise primarily as a result of consulting work to governments, ministries, agencies and Crown corporations, therefore, collection risk is low. The Organization does not consider its exposure to credit risk to be material.

## 12. Risk Management (continued)

### e. Liquidity risk

Liquidity risk is the risk that the Organization may be unable to generate or obtain sufficient cash or its equivalent in a timely and cost effective manner to meet its commitments as they come due.

The Organization has in place a planning, budgeting and forecasting process to help determine the funds required to support the Organization's normal operating requirements. The Organization's Annual Service Plan and budget are approved by the Board of Directors. The Organization also provides a quarterly forecast to the Audit and Risk Management Committee.

### f. Market risk

The Organization is exposed to market risk through the fluctuation of financial instrument fair values due to changes in market prices. The significant market risks to which the Organization is exposed are interest rate and other price risks.

#### i. Interest rate risk

The interest rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market interest rates. Portfolio investments entered into by the Organization may bear interest at a fixed rate, thus exposing it to the risk of changes in fair value arising from interest rate fluctuations. These portfolio investments are invested in high grade, highly liquid instruments, and as such, the Organization manages its exposure to potential interest rate fluctuations in the short-term. The Organization has no interest bearing debt.

#### ii. Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk). The Organization is exposed to price risk through its portfolio investments.

As at March 31, 2014, the Organization's total exposure to market risk is \$4,195,907. The Organization's best estimate of the effect on net assets as at March 31, 2014, due to a five per cent increase or decrease in the market value of the investment portfolio, with all other variables held constant, would approximately amount to an increase or decrease of \$209,795 respectively. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

### g. Sensitivity analysis

The sensitivity analysis included in this note should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivities are calculated with reference to year-end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analysis, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

## 13. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors. These budgeted figures were included in the Organization's 2013/14 Service Plan.

