Partnerships British Columbia Inc.

2018/19
ANNUAL SERVICE PLAN REPORT

July 2019

For more information on Partnerships BC contact:

VANCOUVER
1220 – 800 West Pender Street
Vancouver, BC V6C 1J8
Phone: (604) 806-4168

VICTORIA
300 - 707 Fort Street
Victoria, BC V8W 3G3
Phone: (250) 475-4668

or visit our website at
www.partnershipsbc.ca

Board Chair's Accountability Statement

The Partnerships BC *2018/19 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2018/19 - 2020/21 Service Plan* created in February 2018. I am accountable for those results as reported.

Dana Hayden
Chair, Board of Directors

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Chair/CEO Report Letter

Please find enclosed our Annual Service Plan Report for fiscal year 2018/19 which summarizes Partnerships BC's performance in the context of the Mandate Letter provided to us by our Shareholder, the Minister of Finance.

Partnerships BC supported the Government of B.C.'s three priorities as outlined in our 2018/19 Mandate Letter:

- to make life more affordable;
- to deliver the services that people count on; and
- to build a strong, sustainable, innovative economy that works for everyone.

Partnerships BC brings its procurement expertise and knowledge of infrastructure development to each project ensuring that projects are meeting the needs of citizens and clients. Partnerships BC works in concert with the Ministry of Finance to ensure that our priorities align with the Government of B.C.'s infrastructure development priorities.

In 2018/19, Partnerships BC worked on projects in all sectors from schools to hospitals, transit to highways. The majority of our work in 2018/19 concentrated on transportation and health projects. Partnerships BC is working closely with the Ministry of Transportation and Infrastructure and TransLink on projects including the Pattullo Bridge Replacement project, the Broadway Subway project, and Highway 91/17 upgrades. Health projects with significant Partnerships BC involvement include: Royal Inland Hospital Patient Care Tower, Royal Columbian Hospital Redevelopment Phase 2 and 3, Mills Memorial Hospital Redevelopment, Cowichan Regional Hospital, Cariboo Memorial Hospital, and Burnaby Hospital Redevelopment. Accommodations sector projects include the Abbotsford Law Courts, Royal BC Museum, Nanaimo Correctional Centre and Eric Hamber Secondary School.

2018/19 also brought organizational changes to Partnerships BC. Amanda Farrell left her role in December 2018 as President and CEO to lead the Transportation Investment Corporation as it spearheads the delivery of major transportation projects for the Province. The Partnerships BC Board of Directors appointed Mark Liedemann, Vice-President of Projects, as President and CEO. The management team continues to provide high quality services to our clients.

Stakeholder engagement continued to be a priority for Partnerships BC in 2018/19. More than 140 people took part in our biannual practices sessions focusing on the design and construction phase of projects. As a regular part of their responsibilities, the executive management team attended events organized by Public Sector Employers' Council (PSEC) and the Crown Corporation's Employers Association (CCEA).

We would like to thank Amanda Farrell for her years of leadership and commitment at Partnerships BC. On behalf of the Board of Directors and executive team, we would like to thank everyone at Partnerships BC for their hard work and dedication.

Dana Hayden

Chair, Board of Directors
Partnerships BC

Mark Liedemann

President and CEO
Partnerships BC

Purpose of the Annual Service Plan Report

The Annual Service Plan Report (ASPR) is designed to meet the requirements of the *Budget Transparency and Accountability Act* (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown Corporation's Board is required to report on the actual results of the Crown's performance related to the forecasted targets documented in the previous years' Service Plan.

Purpose of the Organization

Partnerships BC (the Organization) 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 *Business Corporations Act*.

Partnerships BC's strategic direction and mandate have been set by its Shareholder in part outlined in the 2018/19 mandate letter. Partnerships BC's corporate goals reflect its mandate to ensure it is meeting Shareholder and client needs.

Partnerships BC advises public sector clients how best to plan, procure and deliver capital projects to foster innovation and quality, address key service needs and to manage projects to be on time and on budget, using a variety of procurement models. These models engage the private sector and efficiently allocate risk to provide the best value and outcome for all of Partnerships BC's public sector projects. In all cases, the public sector owns the infrastructure and maintains full oversight of the project

Vision

To be a recognized leader in evaluating, structuring and implementing delivery solutions for complex public infrastructure projects while consistently delivering value to our clients.

Mandate

Partnerships BC supports the public sector in meeting its infrastructure needs by providing leadership, expertise and consistency in the procurement of complex capital projects, by utilizing private sector innovation, services and capital to deliver measureable benefits for taxpayers.

Values

Partnerships BC's values are as follows:

Service: Partnerships BC is committed to value-added, cost effective, efficient client service.

Commitment: Partnerships BC is committed to delivering high quality work, to working together as a team, to collaborate and communicate in a timely way.

Accountability: Partnerships BC is committed to transparent management of its business, to reporting out on operations, and to ensuring compliance with public sector compensation guidelines.

Integrity: Partnerships BC is committed to making decisions and taking actions that are transparent, ethical and free from conflict of interest, and to adhering to its ethical code of conduct.

Respect: Partnerships BC is committed to engaging in equitable, compassionate, respectful and effective communications.

Strategic Direction

The strategic direction set by Government in 2017 and expanded upon in the Board Chair's 2018/19 Mandate Letter from the Minister Responsible shaped the 2018/19 Service Plan and the results reported in this ASPR.

The following table highlights the key goals, objectives or strategies that support the key priorities of Government identified in the 2018/19 Partnerships BC Service Plan:

Government Priorities	Partnerships BC Aligns with These Priorities By:
Making life more affordable	• Complex provincial infrastructure projects delivered on budget (i.e., within the projects' capital and affordability ceilings) and within the agreed upon procurement schedules. (Objective 1.1 and 1.3)
Delivering the services people count on	• Meet procurement objectives associated with complex infrastructure projects that provide much-needed services for the citizens of B.C. (Goal 1)
A strong, sustainable economy	• Provincial capital project procurements contribute to job creation and thereby support a strong and sustainable economy. (Goal 2)

Operating Environment

2018/19 was a busy year at Partnerships BC. The Organization continued to demonstrate leadership in capital project planning and procurement while supporting Government as it develops infrastructure to meet its education, health care, and transportation services goals.

The construction market is very busy in all parts of B.C. and in other provinces. In particular, housing-related construction is causing a shortage of skilled labour. This market condition has resulted in less robust competition and increased cost pressures for infrastructure projects.

In support of Government's priority to incorporate community benefits into major infrastructure projects, Partnerships BC started working closely with the Ministry of Transportation and Infrastructure and the BC Infrastructure Benefits Inc. (BCIB) on the first large project to include this approach – the Pattullo Bridge Replacement project.

There are increasing requests from clients for Partnerships BC to assist with the planning and procurement of their projects. Subsequent to the organizational changes noted above in the Chair/CEO letter, Partnerships BC has made career and professional development a top focus internally for its staff which is helping the Organization to meet these requests.

Report on Performance

Partnerships BC is executing on its Strategic Plan to meet its corporate goals, developing sustainable opportunities (i.e. sufficient revenue generation from projects to support operations), and focusing on the continued growth and development of new and existing employees.

Fiscal 2018/19 was a productive year at Partnerships BC with capital projects at all stages of development and construction. During the year, the procurement process was completed for Royal Inland Hospital Patient Care Tower (Design-Build-Partially Finance-Maintain) and the Abbotsford Law Courts (Design-Build-Partially Finance-Maintain). Both are now in construction. Partnerships BC supported clients with seven projects in procurement of which five are still active: Royal Columbian Hospital Redevelopment Phase 2 and 3 (RFQ in progress), Highway 91/17 Upgrades (RFP in progress), Pattullo Bridge Replacement (RFP in progress), Eric Hamber Secondary School (RFQ in progress), Broadway Subway (RFQ in progress). In 2018/19, Partnerships BC also worked on concept plans and business cases for potential future projects including large projects in transportation and health care. Two health care projects reached service commencements in 2018/19, namely Healing Spirit House in the former Riverview Lands, and the Penticton Hospital Patient Care Tower.

Partnerships BC also supported the Government of Nunavut on a new health care project.

Partnerships BC was recognized, along with its client, Interior Health, for its expertise. Royal Inland Hospital Patient Care Tower was the winner of the IJ Global 2018 award in the social infrastructure category.

Stakeholder engagement and business development continued to be a key focus for Partnerships BC. Large group presentations and one-on-one meetings helped to ensure that the Organization understood and addressed the needs of its stakeholders, clients and potential clients.

Partnerships BC’s mandate to be a self-sustaining organization remains unchanged. The team continued to increase the number of projects it works on, properly resourcing each project and delivering value add to our clients. Project work within B.C. and out-of-province was supported by an average of 31.2 full-time equivalent (FTEs) employees for the fiscal year.

Goals, Objectives, Measures and Targets

Goal 1: Meet procurement objectives associated with complex infrastructure projects

Objective 1.1: Achieve agreed-upon project procurement schedules

Objective 1.2: Maintain fairness and transparency in project procurement processes

Objective 1.3: Meet capital and affordability ceilings and achieve value for money for projects

Performance Measure(s)	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
1.1a Project is delivered based on the agreed upon procurement schedule	Projects that reached financial close were delivered based on the agreed upon procurement schedule	Projects that reached financial close were delivered based on the agreed upon procurement schedule	Each project is expected to be delivered within the agreed upon procurement schedule	Projects that reached financial close were delivered based on the agreed upon procurement schedule	Each project is expected to be delivered within the agreed upon procurement schedule	Each project is expected to be delivered within the agreed upon procurement schedule
1.2a Fairness advisor report where size and scope warrants fairness review	Projects that reached financial close received a positive fairness advisor report	Projects that reached financial close received a positive fairness advisor report	Fairness advisor reports conclude that procurement processes were fairly administered	Projects that reached financial close received a positive fairness advisor report	Fairness advisor reports conclude that procurement processes were fairly administered	Fairness advisor reports conclude that procurement processes were fairly administered
1.3a Financial proposals are within capital and affordability ceilings	Projects that reached financial close were within the capital and affordability ceiling	Projects that reached financial close were within the capital and affordability ceiling	Each project that reaches financial close is expected to be attained within the capital and affordability ceilings	Projects that reached financial close were within the capital and affordability ceiling	Each project that reaches financial close is expected to be attained within the capital and affordability ceilings	Each project that reaches financial close is expected to be attained within the capital and affordability ceilings

Performance Measure(s)	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
1.3b Achieve value for money* at financial close	Each project that reached financial close achieved value for money.	Each project that reached financial close achieved value for money.	Each project that reaches financial close is expected to achieve value for money	Each project that reached financial close achieved value for money.	Each project that reaches financial close is expected to achieve value for money	Each project that reaches financial close is expected to achieve value for money

* Value for money is assessed by comparing the risk-adjusted present value total costs of different procurement models. Not all benefits are captured in a value for money number. Examples of such benefits include early completion and delivery of associated services to the public or improved long-term service outcomes (e.g. better clinical outcomes in a hospital).

Discussion

Partnerships BC worked with client project teams to collect and publish Fairness Advisor and Value for Money reports.

Partnerships BC compares the project capital and affordability ceilings as outlined in the Request for Proposal to the estimated project costs in the Value for Money report to assess consistency.

Goal 2: Deliver value-add to our clients and engage stakeholders effectively

Objective 2.1: Maintain client satisfaction

Objective 2.2: Maintain stakeholder satisfaction

Objective 2.3: Promote strong market participation

Performance Measure(s)	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
2.1a Client satisfaction*	Achieved 92.8% client satisfaction rating	Next satisfaction survey to be conducted in fiscal year 2019/20	Achieve 85% or higher client satisfaction	The next client satisfaction survey to be conducted in fiscal 2019/20	Achieve 85% or higher client satisfaction	Achieve 85% or higher client satisfaction
2.2a Stakeholder satisfaction*	Achieved 83.3% stakeholder satisfaction rating	Next satisfaction survey to be conducted in fiscal year 2019/20	Maintain or improve upon previous year's performance	The next stakeholder engagement survey to be conducted in fiscal 2019/20	Maintain or improve upon previous year's performance	Maintain or improve upon previous year's performance
2.3a Competitive procurements	Achieved target of at least four qualified respondents at RFQ stage for all procurements that commenced in fiscal year 2016/17	Achieved target of at least four qualified respondents at RFQ stage for all procurements that commenced in fiscal year 2017/18	At least four qualified respondents at RFQ stage on every project.	**There were two procurements that did not receive at least four qualified respondents at RFQ stage	At least four qualified respondents at RFQ stage on every project.	At least four qualified respondents at RFQ stage on every project.

* The client and stakeholder satisfaction ratings have a standard error of +/- 8 per cent at the 95 per cent level of confidence. Partnerships BC has a limited number of clients and stakeholders, and as a result, the percentage satisfaction rating may fluctuate from year to year.
**Despite significant efforts to engage potential bidders, market pressures (as described above in the Operating Environment) led to challenges in getting four qualified bidders in the vertical infrastructure sector.

Goal 3: Maintain a responsive and resilient organization

Objective 3.1: Achieve annual financial self-sufficiency

Objective 3.2: Provide a workplace that promotes employee engagement and satisfaction

Performance Measure(s)	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
3.1a Self sufficiency	Achieved net income target.	Achieved net income target	Achieve net income target	Achieved net income target	Achieve net income target	Achieve net income target
3.2a Employee satisfaction	No employee satisfaction survey completed	Not achieved. 73% employee engagement rating.	Achieve 80% or higher rating in employee satisfaction survey	Workplace Engagement Survey or Employee Satisfaction Survey to be completed in fiscal 2019/20	Achieve 80% or higher rating in employee satisfaction survey	Achieve 80% or higher rating in employee satisfaction survey
3.2b Voluntary employee turnover	Not achieved. Voluntary employee turnover of 15.6%	Not achieved. Voluntary employee turnover of 9%	Lower than industry average (6% to 8%).	Achieved. Voluntary employee turnover of 3% (one employee)	*N/A	*N/A

* This measure has been discontinued.

Discussion

Partnerships BC secures fee-based project work within and outside the B.C. Government Reporting Entity to support its operations and thereby achieve financial self-sufficiency (i.e., Partnerships BC does not require any annual operating grants from Government).

Partnerships BC works in a knowledge management industry, and the Organization’s most important asset is its employees. Employee satisfaction provides continuity on projects and knowledge transfer to new employees. A well-managed organization supports employee development and provides growth and challenging opportunities. Partnerships BC measures employee satisfaction using a standardized survey used by other ministries and crown agencies. The survey measures outcomes in various areas including teamwork, professional development, and job suitability.

Work at Partnerships BC is specialized, and the Organization provides its employees with extensive training and support to strengthen employee engagement, increase their knowledge and minimize voluntary employee turnover. High employee turnover is a risk, as replacing the knowledge and expertise takes a long time.

Financial Report

Discussion of Results

This Discussion of Results of Partnerships British Columbia Inc. (Partnerships BC or the 'Organization') 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.

This Discussion of Results presents an analysis of Partnerships BC's 2018/19 financial performance in comparison to the previous fiscal year and 2018/19 budget.

Comparison of 2018/19 and 2017/18 Financial Performances

During the year, the Organization had work fee revenues of $7,155,667 compared to $7,046,566 in 2017/18, an increase of $109,101 or 1.5%. The increase in work fee revenues was largely due to the number of projects in procurement in 2018/19 – seven versus four in 2017/18. The Organization reached final project agreements on two projects, Abbotsford Law Courts and Royal Inland Hospital Patient Care Tower and has five projects in procurement, Pattullo Bridge Replacement, Broadway Subway, Highway 91/17 Upgrades, Royal Columbian Hospital Redevelopment Phase 2 and 3, and Eric Hamber Secondary School Replacement.

In 2018/19, the majority of Partnerships BC's work fee revenues were generated from the following projects. Delivery model definitions are available in Appendix B:

Project	Delivery Model	Business Case	Procurement
Abbotsford Law Courts	DBFM	Procurement commenced in fiscal 2017/18 and a final project agreement was reached in fiscal 2018/19	
Royal Inland Hospital Patient Care Tower	DBFM	Procurement commenced in fiscal 2017/18 and a final project agreement was reached in fiscal 2018/19	
Pattullo Bridge Replacement	DBF	Business case was completed in fiscal 2017/18.	In procurement
Broadway Subway	DBF	Business case was completed in fiscal 2018/19	In procurement
Highway 91/17 Upgrades	DB	Partnerships BC was not involved	In procurement
Royal Columbian Hospital Redevelopment Phase 2 and 3	DB/DBF	Revised business case was completed in fiscal 2018/19	In procurement

Project	Delivery Model	Business Case	Procurement
Eric Hamber Secondary School Replacement	DB	Partnerships BC was not involved	In procurement

During the year, Partnerships BC also supported the development and or completion of concept plans and/or business cases for the following projects:

- Burnaby Hospital Phase 1;
- Cariboo Memorial Hospital;
- Cowichan District Hospital;
- Dawson Creek Hospital;
- Mills Memorial Hospital;
- Nanaimo Correctional Centre;
- Royal BC Museum; and
- St. Paul's Hospital Redevelopment.

During the year, Partnerships BC also provided advisory services during design, construction and operations on the following projects:

- North Island Hospitals;
- Penticton Hospital Patient Care Tower; and
- Yukon Hospital Corporation.

The table below presents a comparison of selected Statements of Operations for fiscal 2018/19 with those of the previous fiscal year.

			% of revenues	
	2019	**2018**	**2019**	**2018**
Revenues	$ 7,518,903	$ 7,248,590	100.0%	100.0%
Human resources	5,273,179	5,340,093	70.1%	73.7%
General and administrative expenses	1,396,377	1,440,232	18.6%	19.9%
Amortization	131,127	127,851	1.7%	1.8%
Operating surplus	$ 718,220	$ 340,414	9.6%	4.7%

Revenues

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

			% of revenues	
	2019	2018	2019	2018
Work fees	$ 7,155,667	$ 7,046,566	95.2%	97.2%
Interest income	363,236	202,024	4.8%	2.8%
	$ 7,518,903	$ 7,248,590	100.0%	100.0%

Comparison to Budget

The table below provides details of the Organization's actual and budgeted revenues for 2018/19.

	2019 Actual	2019 Budget	Change	%
Work fees	$ 7,155,667	$ 7,742,360	$ (586,693)	-7.6%
Interest income	363,236	140,000	223,236	159.5%
	$ 7,518,903	$ 7,882,360	$ (363,457)	-4.6%

For the year ended March 31, 2019, work fee revenues were 7.6 per cent below budget

Partnerships BC's budget was developed based on the number of projects in the procurement, business case, implementation, and advisory phases, and the number of staff required to deliver on those projects. Partnerships BC budgeted for 35 Full Time Equivalent (FTE) staff in 2018/19 but averaged 31.2 FTEs during the year. As at March 31, 2019, the organization had 33.2 FTEs. The difference was due to the timing of hiring of new staff which also contributed to lower human resources expenses compared to budget in 2018/19.

The increase in interest income was due to the change in investment policy whereby the Organization redeemed its investment in British Columbia Investment Management Corporation's (BCI) short-term pooled funds and invested the funds with the Ministry of Finance Central Deposit Program (the 'Program').

Expenses

The table below provides details of the Organization's operating expenses for 2018/19 and 2017/18.

	2019	2018	Change	%
Human resources	$ 5,273,179	$ 5,340,093	$ (66,914)	-1.3%
Administration	251,407	267,376	(15,969)	-6.0%
Building occupancy	486,901	577,758	(90,857)	-15.7%
Corporate relations	625	8,189	(7,564)	-92.4%
Information systems	230,843	322,107	(91,264)	-28.3%
Professional fees	287,779	137,725	150,054	109.0%
Travel	138,822	127,077	11,745	9.2%
Amortization	131,127	127,851	3,276	2.6%
Total General and Administrative Expenses	1,527,504	1,568,083	(40,579)	-2.6%
Total Operating Expenses	$ 6,800,683	$ 6,908,176	$ (107,493)	-1.6%
% of expenses to revenues	90.4%	95.3%		
% of general and administration expenses to revenues	20.3%	21.6%		

For the year ended March 31, 2019, there was a decrease in operating expenses of $107,493 or 1.6 per cent compared to last year. The decrease was primarily attributable to the following:

- Human resources,
- Administration,
- Building occupancy, and
- Information systems.

Total general and administrative expenses were $40,579 lower in 2018/19 compared to 2017/18.

The Organization moved into new offices in Vancouver in November 2017. The decrease in its building occupancy costs was primarily due to the lower overall cost for the new premises that the Organization moved into in November 2017 compared to the sublease arrangement at the previous office location.

There was a decrease in information systems costs in 2018/19 largely due to a number of one-time initiatives in 2017/18 that included the technical support required to transition the Organization's information technology to the new premises. In addition, there was an upgrade to the Organization's network system and capacity as certain equipment were considered legacy hardware that were no longer supported by the vendors. Lastly, the Organization retired its file sharing platform and replaced it with a platform that better met the Organization's business requirements. In 2018/19, the Organization negotiated a more cost-effective solution for its bandwidth requirements and together with the retirement of the file sharing platform, it was able to reduce its third party information technology helpdesk support services.

The decrease in administration costs was largely attributable to the reduced number of FTEs in 2018/19 compared to 2017/18 and the Vancouver office move in 2017/18.

There was a decrease in corporate relations expenses in 2018/19 compared to 2017/18. The decrease was largely due to the Organization's decision to postpone any update on its website and development of new marketing materials until 2019/20.

The increase in professional fees of $150,054 in 2018/19 compared to 2017/18 was due to the support from an executive search firm to recruit three new employees; two Assistant Vice-Presidents and a Project Director. The Organization also commenced an internal education program to provide leadership development and support the growth of its employees. Lastly, the Organization undertook an upgrade of its accounting program because the existing system was no longer supported by the vendor.

The amount recorded as amortization expenses is comprised of the gross amortization expense. As part of the arrangement to move to the new Vancouver office, improvements to the leased premises were made. These improvements are recorded as tangible capital assets and amortized over the term of the lease, therefore, increasing amortization expense. These assets are offset by a deferred lease inducement liability representing the amount paid for by the landlord. The deferred lease inducement is amortized on a straight-line basis and credited against building occupancy costs.

The decrease in human resources expenses for the year ended March 31, 2019 was largely attributable to the lower number of FTEs during the year, 31.2 compared to 32 FTEs for the year ended March 31, 2018. However, as at March 31, 2019, the Organization has 33.2 FTEs with the hiring of two new Assistant Vice-Presidents to complement the existing management team. These new hires will add additional senior resource capacity to enable the Organization to better support the delivery of the significant number of procurements and business cases in 2019/20. These Assistant Vice-President positions were available due to the internal promotions of two Assistant Vice-Presidents to Vice-Presidents during the year. Going forward, the Organization anticipates an increase in human resources cost to reflect the increased number of employees

Overall, for the year ended March 31, 2019, total expenses as a percentage of revenues were 90.4 per cent compared to 95.3 per cent for the year ended March 31, 2018. Total general and administrative expenses, as a percentage of revenues, were 20.3 per cent compared to 21.6 per cent for the year ended March 31, 2018. As reported above, the decrease was attributable to the decrease in human resources, and general and administrative expenses.

Comparison to Budget

The table below provides details of the Organization's actual and budgeted expenses for 2018/19.

	2019 Actual	2019 Budget	Change	%
Human resouces	$ 5,273,179	$ 5,739,063	$ (465,884)	-8.1%
Administration	251,407	266,201	(14,794)	-5.6%
Building occupancy	486,901	477,412	9,489	2.0%
Corporate relations	625	40,000	(39,375)	-98.4%
Information systems	230,843	313,600	(82,757)	-26.4%
Professional fees	287,779	281,000	6,779	2.4%
Travel	138,822	168,000	(29,178)	-17.4%
Amortization	131,127	128,202	2,925	2.3%
Total General and Administrative Expenses	1,527,504	1,674,415	(146,911)	-8.8%
Total Operating Expenses	$ 6,800,683	$ 7,413,478	$ (612,795)	-8.3%
% of expenses to revenues	90.4%	94.1%		
% of general and administrative expenses to revenues	20.3%	21.2%		

For the year ended March 31, 2019, human resources expenses were $5,273,179 compared to budget of $5,739,063, resulting in a positive variance of $465,884 or 8.1 per cent. The Organization had budgeted for 35 FTEs but averaged 31.2 FTEs during the year. Going forward, the Organization budgeted for 37 FTEs with a corresponding increase to human resources expenses to reflect the increase in project resource requirements to deliver on the significant number of projects in procurement and business case phase.

For the year ended March 31, 2019, total general and administrative expenses were $1,527,504 compared to budget of $1,674,415, resulting in a positive variance of $146,911 or 8.8 per cent. The positive variance was attributable to lower than budgeted administration, corporate relations, information systems, and travel expenses.

Administration expenses were under budget by $14,794 because the expenses are directly related to number of FTEs. As discussed above, the Organization, had 31.2 FTEs during the year compared to budget of 35 FTEs.

Corporate relations expenses were under budget by $39,375 because the Organization decided to postpone any marketing initiatives including the redevelopment of the Organization's website until its mandate review is completed by the Ministry of Finance in 2019/20. In addition, the Organization did not utilize the budget for any communications consultants because the majority of all deliverables were met by the Director of Corporate Relations. Going forward, the Organization will use consultants and hire a Senior Communications Advisor to support the Organization's communications and stakeholder engagement initiatives.

Information technology expenses were under budget by $82,757 because the Organization negotiated a more cost effective solution with its bandwidth provider. In addition, the retirement of the Organization's file sharing platform reduced the number of active servers and thus reduced the Organization's helpdesk support costs. Lastly, the Organization undertook a review of its Microsoft enterprise and software licenses and was able to reduce its licensing requirements as a result of the retirement of its file sharing platform.

Travel expenses were under budget by $29,178. There was a reduction in travel for stakeholder engagement initiatives and out-of-province travel for business development initiatives while the Organization works with its Shareholder to confirm its future mandate and direction. In future, travel costs may increase if additional stakeholder engagement and consultation are directed by the Shareholder.

For the year ended March 31, 2019, building occupancy, professional fees, and amortization expenses were in line with budget with variances of under 2.5 per cent.

Total expenses for the year ended March 31, 2019 as a percentage of revenues were 90.4 per cent which was lower than budget of 94.1 per cent. General and administrative expenses for the year ended March 31, 2019, as a percentage of revenues, were 20.3 per cent which was lower than budget of 21.2 per cent.

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.

	2019	2018	Change	%
Financial Assets				
Cash	$17,341,977	$11,965,806	$ 5,376,171	44.9%
Accounts receivable	1,557,845	1,690,772	(132,927)	-7.9%
Portfolio investments	-	4,350,521	(4,350,521)	-100.0%
Total Financial Assets	18,899,822	18,007,099	892,723	5.0%
Liabilities				
Accounts payable and accrued liabilities	1,114,043	894,237	219,806	24.6%
Deferred lease inducement	208,989	251,496	(42,507)	-16.9%
Total Liabilities	1,323,032	1,145,733	177,299	15.5%
Net Financial Assets	$17,576,790	$16,861,366	$ 715,424	4.2%
Non-Financial Assets	$ 600,731	$ 606,383	$ (5,652)	-0.9%
Accummulated Surplus	$18,177,521	$17,467,749	$ 709,772	4.1%

Cash increased by $5,376,171 from $11,965,806 as at March 31, 2018 to $17,341,977 as at March 31, 2019. The increase in cash was due to the redemption of the portfolio investments that was previously invested in a short-term pooled fund and the positive operating activities during the year. The funds are now invested with the Ministry of Finance Central Deposit Program (the "Program"). This Program provided a higher rate of return for the Organization's excess cash in comparison to the short-term pooled fund managed by BCI.

Accounts receivable, which consists of work fees, project recoverable expenses and accruals at year-end, decreased by $132,927 from $1,690,772 as at March 31, 2018 to $1,557,845 as at March 31, 2019. Current accounts receivable represented 89 per cent of the balance at year-end. The Organization did not provide for any doubtful accounts for the years ended March 31, 2019 and 2018.

Non-financial assets consisting of prepaid expenses and tangible capital assets decreased by $5,652.

Liabilities and accumulated surplus

Accounts payable and accrued liabilities increased by $219,806 from $894,237 as at March 31, 2018 to $1,114,043 as at March 31, 2019. The increase in accounts payable and accrued liabilities was largely attributable to the increase in the vacation payable accrual, and year-end accruals for services and goods received but not invoiced.

The deferred lease inducement of $208,989 consists of the unamortized reimbursement of leasehold improvement costs from the lessor. The total inducement of $251,496 was deferred and recognized as a reduction of building occupancy expense on a straight-line basis over the term of the lease.

The increase in accumulated surplus was attributable to an annual operating surplus of $718,220.

Statement of Cash Flows

Liquidity and capital resources

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.

	2019	2018	Change
Cash	$ 17,341,977	$ 11,965,806	$ 5,376,171
Accounts receivable	1,557,845	1,690,772	(132,927)
Portfolio investments	-	4,350,521	(4,350,521)
Other current assets	78,378	87,542	(9,164)
	18,978,200	18,094,641	883,559
Accounts payable and accrued liabilities	1,114,043	894,237	219,806
Net working capital	$ 17,864,157	$ 17,200,404	$ 663,753

As at March 31, 2019, the Organization's principal sources of liquidity included cash of $17,341,977 and accounts receivable of $1,557,845. The Organization has $1,114,043 in accounts payable and accrued liabilities due next year. As a result, the Organization's net working capital improved by $663,753 to $17,864,157 as at March 31, 2019.

Commitments and Contractual Obligations

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, 2019.

Selected Annual Information

The following table presents selected financial information for the years ended March 31, 2019, 2018, 2017, 2016, and 2015.

	2019	2018	2017	2016	2015
Total revenues	$ 7,518,903	$ 7,248,590	$ 7,565,624	$ 6,639,559	$ 7,052,026
Total operating expenses	$ 6,800,683	$ 6,908,176	$ 6,197,153	$ 6,098,751	$ 6,512,047
Annual operating surplus	$ 718,220	$ 340,414	$ 1,068,471	$ 540,808	$ 539,979
Total current assets	$ 18,978,200	$ 18,094,641	$ 17,990,110	$ 16,596,719	$ 16,176,949
Total assets	$ 19,500,553	$ 18,613,482	$ 18,116,357	$ 16,741,492	$ 16,327,620
Total current liabilities	$ 1,114,043	$ 894,237	$ 988,220	$ 684,106	$ 809,547
Total liabilities	$ 1,323,032	$ 1,145,733	$ 988,220	$ 684,106	$ 809,547

Auditor's Report

BDO

Tel: 604 688 5421
Fax: 604 688 5132
vancouver@bdo.ca
www.bdo.ca

BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

Independent Auditor's Report

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

Opinion

We have audited the financial statements of Partnerships British Columbia Inc. which comprise the Statement of Financial Position as at March 31, 2019 and the Statements of Operations, Remeasurement Gains and Losses, Changes in Net Financial Assets, and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, Partnerships British Columbia Inc.'s financial statements present fairly, in all material respects, the financial position of Partnerships British Columbia Inc. as at March 31, 2019 and its results of operations, changes in net financial assets, remeasurement gains and losses, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally-accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are independent of Partnerships British Columbia Inc. in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing Partnerships British Columbia Inc.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Partnerships British Columbia Inc., or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Partnerships British Columbia Inc.'s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally-accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally-accepted auditing standards we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Partnerships British Columbia Inc.'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Partnerships British Columbia Inc.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause Partnerships British Columbia Inc. to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP
Chartered Professional Accountants

Vancouver, British Columbia
May 30, 2019

Audited Financial Statements

Partnerships British Columbia Inc.
Statement of Financial Position
As at March 31, 2019 and 2018

	March 31, 2019	March 31, 2018
Financial assets		
Cash and cash equivalents	$ 17,341,977	$ 11,965,806
Accounts receivable (Note 3)	1,557,845	1,690,772
Portfolio investments (Note 4)	-	4,350,521
Total Financial Assets	18,899,822	18,007,099
Liabilities		
Accounts payable & accrued liabilities (Note 5)	1,114,043	894,237
Deferred lease inducement	208,989	251,496
Total Liabilities	1,323,032	1,145,733
Net financial assets	17,576,790	16,861,366
Non-financial assets		
Prepaid expenses	78,378	87,542
Tangible capital assets (Note 7)	522,353	518,841
Total Non-financial Assets	600,731	606,383
Accumulated surplus	$18,177,521	$ 17,467,749
Accumulated surplus is comprised of:		
Accumulated operating surplus	$ 18,177,519	$ 17,459,299
Accumulated remeasurement gains (Note 4)	-	8,448
Share capital (Note 8)	2	2
	$ 18,177,521	$ 17,467,749

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

APPROVED ON BEHALF OF THE BOARD

D. Hayden, Chair

P. Kappel, Director

Partnerships British Columbia Inc.
Statement of Operations
For the Years Ended March 31, 2019 and 2018

	Budget	**March 31, 2019**	**March 31, 2018**
	(Note 12)		
Revenue			
Work fees	$ 7,742,360	$ 7,155,667	$ 7,046,566
Interest income	140,000	363,236	202,024
Total Revenues	7,882,360	7,518,903	7,248,590
Expenses			
Administration	266,201	251,407	267,376
Amortization	128,202	131,127	127,851
Building occupancy	477,412	486,901	577,758
Corporate relations	40,000	625	8,189
Human resources	5,739,063	5,273,179	5,340,093
Information systems	313,600	230,843	322,107
Professional services	281,000	287,779	137,725
Travel	168,000	138,822	127,077
Total Expenses	7,413,478	6,800,683	6,908,176
Reimbursable costs			
Project recoveries	1,850,000	2,090,479	2,075,015
Less: Project expenses	(1,850,000)	(2,090,479)	(2,075,015)
Net reimbursable costs	-	-	-
Annual operating surplus	468,882	718,220	340,414
Accumulated operating surplus, beginning of year	17,459,299	17,459,299	17,118,885
Accumulated operating surplus, end of year	$ 17,928,181	$ 18,177,519	$ 17,459,299

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

Partnerships British Columbia Inc.
Statement of Remeasurement Gains and Losses
For the Years Ended March 31, 2019 and 2018

	March 31, 2019	March 31, 2018
Accumulated remeasurement gains, beginning of year	$ 8,448	$ 9,250
Plus: Unrealized gains attributable to: Portfolio investments	30,894	45,349
Less: Amounts reclassified to the Statement of Operations: Portfolio investments	(39,342)	(46,151)
Net remeasurement gains (losses) for the year	(8,448)	802
Accumulated remeasurement gains, end of year	$ -	$ 8,448

The accompanying notes 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, 2019 and 2018

	Budget	March 31, 2019	March 31, 2018
	(Note 12)		
Annual operating surplus	$ 468,882	$ 718,220	$ 340,414
Acquisition of tangible capital assets	(50,000)	(134,639)	(526,669)
Amortization of tangible capital assets	128,202	131,127	127,851
Proceeds from dispositions of tangible capital assets	-	-	12,770
Gain on dispositions of tangible capital assets	-	-	(6,546)
	78,202	(3,512)	(392,594)
Additions to prepaid expenses	-	(106,981)	(561,144)
Use of prepaid expenses	(12,458)	116,145	586,593
	(12,458)	9,164	25,449
Effect of remeasurement losses for the year	-	(8,448)	(802)
Increase (decrease) in net financial assets for the year	534,626	715,424	(27,533)
Net financial assets, beginning of year	16,861,366	16,861,366	16,888,899
Net financial assets, end of year	$ 17,395,992	$17,576,790	$ 16,861,366

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

Partnerships British Columbia Inc.
Statement of Cash Flows
For the Years Ended March 31, 2019 and 2018

	March 31, 2019	March 31, 2018
Operating transactions		
Annual operating surplus	$ 718,220	$ 340,414
Non-cash item included in surplus:		
Amortization of tangible capital assets	131,127	127,851
Gain on dispositions of tangible capital assets	-	(6,546)
	849,347	461,719
Changes in operating accounts		
Accounts receivable	132,927	435,992
Prepaid expenses	9,164	25,449
Accounts payable and accrued liabilities	219,806	(93,983)
Deferred lease inducement	(42,507)	251,496
	319,390	618,954
Total operating transactions	1,168,737	1,080,673
Capital transactions		
Purchase of tangible capital assets	(134,639)	(526,669)
Proceeds from dispositions of tangible capital assets	-	12,770
	(134,639)	(513,899)
Investing transactions		
Increase (decrease) in portfolio investments, net	4,342,073	(46,040)
	4,342,073	(46,040)
Net increase in cash for the year	5,376,171	520,734
Cash and cash equivalents, beginning of year	11,965,806	11,445,072
Cash and cash equivalents, end of year	$ 17,341,977	$ 11,965,806

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

1. Nature of Operations

Partnerships British Columbia Inc. (“Partnerships BC” or the “Organization”) is a company owned by the Province of British Columbia (the “Province”) 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, both are held by the Minister of Finance.

The Organization’s vision is to be a recognized leader in evaluating, structuring, and implementing delivery solutions for complex public infrastructure while 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 in the procurement of major public projects, ranging from advice to business cases, procurement management, and implementation.
- Provide advice 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 and other jurisdictions’ 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, local and statutory authorities in British Columbia and other Provinces, and local governments. 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 (“PSAS”) using guidelines developed by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

b. **Cash and cash equivalents**

Cash equivalents include short term highly liquid investments with a term to maturity of 90 days or less at acquisition. Cash equivalents also include investments in the Ministry of Finance Central Deposit Program which are recorded at cost plus accrued interest.

c. **Portfolio investments**

Partnerships BC invested in government and corporate debt securities through pooled fund products managed by British Columbia Investment (BCI), 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 as 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 attributable to financial instruments is reported in the Statement of Operations.

d. **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 and the provision of post-retirement health benefits are contingent upon available funding.

The joint Board of Trustees of the Plan determines the required Plan contributions annually.

2. Summary of Significant Accounting Policies (continued)

d. **Employee Future Benefits (continued)**

The contributions made by Partnerships BC to the Plan are recorded as an expense for the year.

e. **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 Lease term

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

f. **Prepaid expenses**

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

g. **Deferred lease inducement**

Deferred lease inducement consists of reimbursement of leasehold improvement costs from the lessor. This inducement is deferred and recognized as a reduction to building occupancy expense on a straight-line basis over the term of the lease.

2. Summary of Significant Accounting Policies (continued)

h. **Revenue recognition**

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues. Work fees are recognized when services are delivered. Project recoveries are recognized when services are performed or when costs are incurred.

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.

i. **Expenses**

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

Reimbursable project expenses are expensed when services are performed or when costs are incurred.

j. **Measurement uncertainty**

The preparation of financial statements in conformity with PSAS 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, 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.

k. **Related party transactions**

Partnerships BC adopted the new Related Party Disclosures standard of PSAS effective April 1, 2017. This standard defines a related party and establishes disclosures required for related party transactions. A disclosure is presented when the following criteria are met:

2. Summary of Significant Accounting Policies (continued)

k. Related party transactions (continued)

- A related party exists,
- A transactions occurs between related parties,
- The transaction occurred at a value different from that which would have been arrived at if the parties were unrelated, and
- The transaction has a material financial effect.

Partnerships BC is related through common ownership to the Province of British Columbia's government ministries, agencies, and Crown corporations, and these organizations represent the majority of Partnerships BC's clients. All transactions with government entities take place on regular commercial terms.

3. Accounts Receivable

	March 31, 2019	**March 31, 2018**
Revenues receivable	$ 1,553,500	$ 1,681,272
Accrued interest	4,345	9,500
	$ 1,557,845	**$ 1,690,772**

There was no provision for doubtful accounts required as at March 31, 2019 and 2018.

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

	March 31, 2019	**March 31, 2018**
Provincial governments	$ 1,552,899	$ 896,798
Other government organizations	-	793,502
	$ 1,552,899	**$1,690,300**

4. Portfolio Investments

	March 31, 2019	March 31, 2018
Fair market value	$ -	$ 4,350,521
Less: Original cost	-	(4,342,073)
Unrealized gain	**$ -**	**$ 8,448**

Partnerships BC redeemed the portfolio investments during the year and invested it with the Ministry of Finance Central Deposit Program which are recorded as cash and cash equivalents.

5. Accounts Payable and Accrued Liabilities

	March 31, 2019	March 31, 2018
Accounts payables and accrued liabilities	$ 586,085	$ 451,046
Salaries and benefits	277,633	242,538
Accrued vacation	250,325	200,653
	$ 1,114,043	**$ 894,237**

6. Employee Future Benefits

Partnerships BC and its employees contribute to 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. As such, no pension liability for this type of plan is included in the financial statements.

The Plan provides defined pension benefits to employees based on their length of service and salary. The maximum contribution rate for eligible employees was 8.35% (2018: 9.43%). Partnerships BC's contributions exceed the employee contributions to the plan. During the year ended March 31, 2019, Partnerships BC contributed $408,507 (2018: $408,637) to the Plan. These contributions are the Organization's pension expense which is included under human resources expense.

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, 2017 showed that the Plan had a surplus of $1.9 billion and is 108 percent funded as it had assets of $24.7 billion and

6. Employee Future Benefits (continued)

liabilities of $22.8 billion. The next valuation will be as at March 31, 2020 with results available by the end of 2020.

7. Tangible Capital Assets

	Computer software	Computer hardware	Furniture and equipment	Leasehold improvements	2019 Total
Cost					
Opening Balance	$ 87,177	$ 552,268	$ 166,671	$ 802,374	$ 1,608,490
Additions	-	53,361	2,968	78,310	134,639
Closing Balance	87,177	605,629	169,639	880,684	1,743,129
Accumulated Amortization					
Opening Balance	87,177	435,024	138,276	429,172	1,089,649
Amortization	-	59,136	8,957	63,034	131,127
Closing Balance	87,177	494,160	147,233	492,206	1,220,776
Net book value	**$ -**	**$ 111,469**	**$ 22,406**	**$ 388,478**	**$ 522,353**

	Computer software	Computer hardware	Furniture and equipment	Leasehold improvements	2018 Total
Cost					
Opening Balance	$ 87,177	$ 454,732	$ 143,724	$ 408,408	$ 1,094,041
Additions	-	109,756	22,947	393,966	526,669
Dispositions	-	(12,220)	-	-	(12,220)
Closing Balance	87,177	552,268	166,671	802,374	1,608,490
Accumulated Amortization					
Opening Balance	87,177	391,601	131,956	357,060	967,794
Amortization	-	49,419	6,320	72,112	127,851
Dispositions	-	(5,996)	-	-	(5,996)
Closing Balance	87,177	435,024	138,276	429,172	1,089,649
Net book value	**$ -**	**$117,244**	**$ 28,395**	**$ 373,202**	**$ 518,841**

8. Share Capital

The authorized share capital is 5,000,000 common shares at no par value. There are two issued shares held by the Minister of Finance.

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. Commitments

The Organization is committed to payments under operating leases for premises through 2023/24 as follows:

Year	Amount
2020	$ 502,593
2021	517,690
2022	532,818
2023	541,544
2024	401,777
	$ 2,496,422

The Organization's Vancouver and Victoria office leases are scheduled to expire on February 28, 2024 and August 31, 2023 respectively.

11. 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

11. Risk Management (continued)

b. Financial management risk objectives and policies (continued)

include credit risk, liquidity risk, interest rate risk, and other price risk. There have been no changes to the risks the Organization is exposed to from the prior year.

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 Chief Executive Officer (CEO) and Senior Management Team. The Audit and Risk Management Committee and Board of Directors receives quarterly reporting from the CEO and Senior Management to ensure all processes and policies put in place are effectively meeting the objectives of the Organization.

There have been no changes in the objectives, policies and processes for managing risk from the prior year.

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.

e. Liquidity risk

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

11. Risk Management (continued)

e. Liquidity risk (continued)

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.

11. Risk Management (continued)

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.

12. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the budget approved by the Board of Directors on September 6, 2017. These budgeted figures were included in the Organization’s 2018/19 – 2020/21 Service Plan.

Appendix A – Additional Information

For further information on Partnerships BC, please visit our website at www.partnershipsbc.ca.

Corporate Governance

Partnerships BC is governed by a Board of Directors that is responsible to the Minister responsible for the implementation of government direction. The Board's direction is implemented by management, who carries out the day-to-day operations of the Corporation under the supervision of the President and Chief Executive Officer. For more information on Corporate Governance, please refer to our web page at www.partnershipsbc.ca

Contact Information

VICTORIA
300 - 707 Fort Street
Victoria, BC
V8W 3G3
Phone: Carolee Punnett
(250) 475-4668

VANCOUVER
1220 – 800 West
Pender Street
Vancouver, BC
V6C 1J8
Phone: Roseli Johnson
(604) 806-4168

Appendix B – Glossary of Terms

Business Case	Provides decision-makers sufficient information about a project to commit to implementation of the project. Expands on the contents of the concept plan, while focusing specifically on procurement options analysis and funding impact.
Concept Plan	Written before the business case, a concept plan provides a general overview of a project to obtain government direction and approval to move the planning process forward. Includes the need to address service demand pressures and a preliminary analysis of potential service delivery options.
Design-Bid-Build	Under this model, the owner enters into separate contracts with the designer and contractor. This is a traditional project delivery method.
Design-Build	Under this model, the owner enters into a single contract with the design-builder which is responsible for both the design and construction of the project. Risk is transferred to the design-builder.
Design-Build-Finance	Under this model, the owner enters into a single contract with Project Co which is responsible for the design, construction and financing of the project. Risk is transferred to Project Co.
Design-Build-Finance-Maintain	Under this model, the owner enters into a single contract with Project Co which is responsible for the design, construction, financing of the project and maintenance of the asset following completion for a set amount of years (typically 30). Risk is transferred to Project Co.
Fairness Advisor Report	A Fairness Advisor is an independent third-party whose role is to observe and/or monitor the procurement process and to report as to the fairness of the procurement process observed. A clean report attests to the fairness of the procurement process, enhances the integrity of the public procurement process by providing comfort to the proponents that the process was credible and provided equal opportunity for all to compete.
Project Co	Private sector concessionaire.

Request for Proposals (RFP)	Invites eligible Proponents from the RFQ stage to prepare and submit Proposals to design and build and potentially finance and maintain (depending on the model) the project under a long-term project agreement.
Request for Qualifications (RFQ)	Invites interested parties to submit responses indicating their interest and qualifications for a project. Based on responses, a shortlist of up to three Proponents are invited to participate in the next stage of the Competitive Selection Process, the Request for Proposals stage.
Value for Money (VFM)	The risk-adjusted difference in present value dollar terms between the partnership and traditional delivery models costs. Not all benefits are captured in a value for money number. Examples of such benefits include early completion and delivery of associated services to the public or improved long-term service outcomes (e.g. better clinical outcomes in a hospital).