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## Information Note Advice to Minister

Date: February 26, 2015

Cliff #: 99152

Issue: Continuation of U-PASS BC Program

### Conclusion / Next Steps:

- s.12,s.13
- Student Associations and public post-secondary institutions have all expressed their desire for the U-PASS Program to continue.

### Background / Facts:

- U-PASS was a Government platform commitment in 2009. It was announced by the former Premier in June 2010 and was officially launched in 2011.
- U-PASS is a universal program that provides highly discounted transit fares for public post-secondary students in Metro Vancouver.
- Students vote on whether to have the program at their institution, paying \$38 per month through student association fees.
- The full cost of the program ranges from \$91 for one zone to \$170 for three zones.
- All 11 public post-secondary institutions in Metro Vancouver participate.
- The program is funded jointly by MTI (approximately \$11 million per year), Translink and student association fees.
- In 2013, Treasury Board approved \$34.5 million for a three year renewal of the U-PASS BC Contribution Agreement with TransLink.

### Analysis:

- The current contribution agreement expires April 30, 2016.
- s.12,s.13
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- The possibility of increases to student fees has been discussed with students.
- The Ministry of Advanced Education does not provide any funding.

Contact: Claire Avison, Assistant Deputy Minister  
250-217-9059



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**Information Note  
Advice to Minister**

Date: February 17, 2015

Cliff #: 99159

**Issue: Proposed new *Society Act* - Public Post-Secondary Institutions and Student Societies concerns**

**Conclusion / Next Steps :**

- The proposed changes set out in the draft *Society Act* are meant to apply uniformly across all societies.
- Student societies and sector groups are advocating for changes to preserve status quo.
- Main concerns focus on potential impacts to collection of student fees through proposed changes that would allow members to resign from a society and the inability to create unalterable provisions under society constitutions.
- These proposed changes will potentially impact current and future student society funded capital projects, and universal programs (health, dental, transit passes) funded through student society fees.

**Background / Facts:**

- All student societies in BC are incorporated under the *Society Act*.
- In August 2014 the Ministry of Finance released a White Paper detailing proposed changes.
- Stakeholders were able to submit comments to Ministry of Finance in October 2015.
- The Alliance of BC Students, other student societies and the Research Universities Council of British Columbia made submissions.
- All identified issues with proposed changes that would allow members of a society to resign membership and the inability to create unalterable provisions under societies' constitutions.
- Concerns focused on the impact these changes could have on universal collection of student society fees – including impacts for current and future long term capital projects funded through student society fees.
- Other areas of concern identified by student societies include: individuals under 18 cannot be directors, ability for members of the public to make complaints through the Courts, the option to remove directors through a method other than special resolution of members (alternate method specified under bylaws), and the ability to have more non-voting members than voting members.
- The Ministry of Finance has indicated the proposed *Society Act* was drafted to apply uniformly to all societies.

s.13



- s.13

**Analysis:**

- s.12,s.13

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**Contact:** Claire Avison, Assistant Deputy Minister s.17

## Information Note Advice to Minister

**Date:** March 3, 2015

**Cliff #:** 99072

**Issue:** Post-Secondary Institution Endowment Management and use of Foundations

### Conclusion :

- Endowments consist of funds from external donors held into perpetuity and are usually restricted to provide financial support for a specific purpose (e.g., scholarships, bursaries, specific capital projects, new classroom equipment, etc.).
- As at March 31, 2014, the post-secondary sector held **S.17** in endowment principal (the original donation) (Attachment 1).
  - **S.17** ) controlled by post-secondary institutions (PSIs).
  - controlled by third-party Foundations.
- Generally, endowment principal is invested and held into perpetuity. Surplus earnings on endowments are treated and reported differently across the PSIs; however, many utilize a deferred revenue account that acts to stabilize investment market volatility against endowment spending.
- **S.17** of the sector's endowment principal balance is managed by a foundation (separate legal entity). At a minimum, foundations must provide financial outcomes to Canada Revenue Agency (CRA); and will provide additional financial information to interested parties, upon request.
- The financial results for the remaining **S.17** of endowment principal is included in PSIs' audited financial statements and attached notes.
- **S.13**

### Background / Facts:

- Total endowment assets consist of the endowment principal (Attachment 1) plus earnings on the invested principal, which are used as the main source of funding for donor-specified activities.
- PSIs communicate a targeted expenditure rate for endowed funds based on historical (and expected) investment returns. Many PSIs use a stabilization account to weather market fluctuations:
  - If investment earnings exceed the expenditure rate, the surplus funds are deferred and held in the stabilization account until needed.
  - Conversely, if investment earnings fall below the set expenditure rate, PSIs draw down the funds in the stabilization account in order to balance the income statement impact (match a revenue to the associated expense).



- s.17
- Disclosure of endowment funds is determined based on control, as defined by Public Sector Accounting Standards:

*Control is “the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization’s activities.”*
- The outcome of the control test determines if endowment funds are consolidated into the PSI’s financial statements or if they remain off the PSI’s books and are recorded in another legal entity’s results. There are three endowment classification outcomes of the control test:
  1. Self-Managed: PSI retains control of how funds are invested and managed. Financial results are included in PSI financial statements.
  2. Internal Foundation: PSI retains control over the foundation’s Board of Directors or the funds held within a foundation, but the foundation operates as a separate legal entity. Financial results are included in PSI financial statements.
  3. External (Third-Party) Foundation: PSIs do not have control over endowment management and the foundation operates as a separate legal entity. Financial results are not included in PSI financial statements; but, can be accessed through the foundations’ charitable tax return, filed with CRA.
- A list of foundations (both internally and externally managed), by PSI, is provided in Attachment 2.
- s.13,s.17
- Foundation financial statements are filed with CRA. While this is useful public disclosure, there are a few shortcomings of the charitable tax return:
  - Filed for different fiscal years than used by PSIs (making comparison to PSI audited financial statement data impossible).
  - Assets are grouped into one line, making it hard to distinguish the endowment principal from other asset classes (e.g., furniture at the foundation offices).
- In 2013, the Ministry directed PSI boards to ensure that investment management policies followed established best practices. S. 13

Attachments: s.17

Contact: Sandra Carroll, Deputy Minister  
(250) 356-5173

Kevin Brewster, Assistant Deputy Minister  
(250) 952-7410

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## Information Note Advice to Minister

**Date:** March 4, 2015

**Cliff #:** 98958

**Issue:** Government Business Enterprises (GBE) for Student Residences

### Background / Facts:

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- A GBE is a separate legal entity from a post-secondary institution that;
  - has the financial and operational authority to carry on a business;
  - sells goods and services to individuals or organizations outside the government reporting entity (GRE) as its principal activity; and
  - can, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources outside of the GRE.
- Generally, a GBE is not to result in any related debt being recorded on the post-secondary institution's financial statements.
  - While a GBE would be a consolidated entity within an institution's financial statements, the GBE's net results would impact a single line on the institution's balance sheet (investment in GBE) and net income (earnings from GBE).
- When the institution's results are consolidated into the GRE, any debt housed within the GBE would be extracted and shown as self-supported debt on the books of the Province.
  - In the 2013/14 Public Accounts, the public post-secondary sector's self-supporting debt totalled \$198 million, representing one percent of total self-supported debt in the Province.<sup>1</sup>
- s.13
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<sup>1</sup> The figures include self-supported debt at post-secondary institutions' subsidiaries such as the Great Northern Way Campus Trust, Heritage Realty Properties Ltd, SFU Community Trust, UBC Property Investments Ltd and Vancouver Island Technology Park.

## **Analysis:**

### Using GBEs for Student Housing

- A key barrier to increasing international student enrolment is the inability to house students when they arrive since demand for student housing in British Columbia currently outstrips supply. s.13  
s.13
- s.17
- s.13,s.17
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**Attachment:** *Sector Examples*

**Contact:** Kevin Brewster  
Assistant Deputy Minister  
(250-952-7410)



## Attachment 1

### Sector Examples

s.17

UBC Properties Trust is a separate entity that manages a significant portfolio of land and buildings on the UBC Endowment Lands at UBC in Vancouver.

*Great Northern Way Trust (GNW)* GNW is an equal partnership between UBC, Simon Fraser University (SFU), British Columbia Institute of Technology (BCIT) and the Emily Carr University of Art and Design (ECUAD). The GNW Trust owns the Great Northern Way site in Vancouver. The site is being subdivided to accommodate the new ECUAD facility as well as selling subdivided parcels for sale for developments complimentary to art and multi-media design.

*University of Victoria Property Investments (UVicPI)* UVicPI was incorporated in 2004 and oversees the:

Vancouver Island Technology Park (VITP) - functions as a separate business unit accountable to the University of Victoria Properties Investment Inc. on behalf of the Vancouver Island Technology Park Trust. VITP has an independent Board of Directors made up of industry and academia leaders who assist in the strategic direction of the Park. Located in Victoria, British Columbia, the Park is a major centre for technology activity, and is easily accessible from Vancouver, Seattle, Portland, San Francisco and other Pacific Rim locations. VITP concentrates on partnerships with organizations such as the IDC, VIATeC, NRC-IRAP, and universities and colleges to better assist the hi-tech community.

Marine Technology Centre - a 40,000 square foot facility located on approximately 17 acres in North Saanich on waterfront. The property is set amongst the federal government's Institute of Ocean Sciences (IOS) and its associated adjacent properties to the Marine Technology Centre, together offer an area of some 80 combined acres of opportunity to a focused technology marine environment.

Heritage Realty Properties - oversees the operations of Swans Hotel and Brewpub and other properties in the Victoria area gifted by the late Dr. Michael Williams.

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SFU Community Trust already operates a successful GBE structure overseeing their UniverCity development at the SFU Burnaby campus.

*Thompson Rivers University (TRU)* proposes developing a University Village, which would enhance the quality of campus life for students. s.13,s.17  
s.13,s.17

TRU has established a legal entity, Thompson Rivers University Community Corporation (TRUCC), to independently develop the land. TRU has retained Mr. Finlay Sinclair as Chief Executive Officer of TRUCC. TRU has closely modeled their proposed GBE after SFU's GBE for the SFU Burnaby campus.

Under the proposed TRUCC business model, TRU plans to dispose of their surplus property via long term ground leases to TRUCC. TRUCC would further sub-divide, service and develop individual parcels of property (one at a time) via long-term leases to developers. s.13,s.17  
s.13,s.17