



# University of Toronto

OFFICE OF THE VICE-PROVOST, SPACE AND FACILITIES PLANNING

## **FOR INFORMATION:**

TO: Planning and Budget Committee

SPONSOR: Ron Venter, Vice-Provost, Space and Facilities Planning  
CONTACT INFO: 416-978-5515; ron.venter@utoronto.ca

DATE: January 11<sup>th</sup>, 2005 for January 25<sup>th</sup>, 2004.

AGENDA ITEM: 5

## **ITEM IDENTIFICATION:**

Update and closure information on the Bahen Centre for Information Technology (BCIT)

## **JURISDICTIONAL INFORMATION:**

Under the Policy on Capital Planning and Capital Projects, the Planning & Budget Committee reviews updates of the Project Planning Committee Reports prepared for a capital project and recommends to the Academic Board approval in principle of the project, changes within the approved scope or cost increases that either exceed 10% of the approved project budget or requires additional expenditures in excess of \$2 million.

## **PREVIOUS ACTION TAKEN:**

On October 6<sup>th</sup>, 1999, the Planning & Budget Committee recommended to the Academic Board that the Bahen Centre for Information Technology Project Planning Committee Report [the Users' Report] be accepted in principle. The total cost of the project was estimated at \$88,136,578. Since that time, and noting that the project was delivered through *construction management*, the project has been revisited, and adjustments made to accommodate an enlarged lecture hall as well as a belated link-up to the Koffler Students Centre and the University of Toronto Textbook Store. These and other construction changes have increased the price of the project from the initial cost to the formally approved cost of \$108,811,000 in 2001/02.

The approved price of the project is therefore \$108, 811,000. Unfortunately, this was not to be the final price and as the project was nearing completion in 2003, it became clear that the costs were in excess of this approved upper limit. In early 2003, the V-P Business Affairs and the Provost elected, within the established policy guidelines, to increase the cost of the project by the maximum allowable amount, namely \$2 million. This action elevated the price to \$110,815,576 and it appeared that this would be sufficient to begin to draw all accounts to a close; the Provost and V-P Business Affairs agreed to share this additional cost from their respective portfolios, each committing an additional \$960,000 to the project.

The BCIT officially opened in the fall of 2002 and a year later, in September, 2003, the price had further increased to \$111,867,670. In hindsight, the management of the project was not as good as should be for a project of this size and complexity. The Capital Projects Department is reviewing some of their processes in response to this particular project.

Effective September of 2003, the anticipated cost of the project was officially recorded in the monthly data to Business Board at \$111,867,670 even though full approvals were to be sought once firm numbers could be established. For the past sixteen months Financial Services have diligently worked to provide a stable set of accounting numbers such that the project can now be concluded and officially closed. This information is provided below.

## HIGHLIGHTS:

### 1. The Final Cost of the Project

The confirmed financial summary for the BCIT, as of October 28, 2004, is tabulated below.

<b>REVENUES</b>	Approved Plans	Actual/Pledged Amounts	Favourable or (Unfavourable) Variance
Revenues Sep'03	\$111,867,670	\$111,781,757	\$ (85,913)
ATOP		446,766	446,766
Other items		2,547	2,547
<b>Revenues Oct '04</b>	<b>\$111,867,670</b>	<b>\$112,231,070</b>	<b>\$ 363,400</b>
<b>EXPENDITURES</b>	Approved Plans	Projected Expenditures	Favourable or (Unfavourable) Variance
Expenses Sep'03	\$111,867,670	\$112,251,621	\$ (383,951)
Expenses		(42,209)	42,209
Commitments		15,593	(15,593)
Adjustment: OSM-Furniture		(19,943)	19,943
<b>Expenses Oct' 04</b>	<b>\$111,867,670</b>	<b>\$112,205,062</b>	<b>\$ (337,392)</b>
<b>SURPLUS (DEFICITS)</b>			<b>\$ 26,008</b>

**Table 1: Final costs and revenues for the BCIT**

The approved plans have required \$111,867,670. The actual pledged revenues amount to \$112,231,70 which results in a favourable balance of \$363,400. It is to be noted that the pledged revenues include the mortgages being carried by the Faculty of Arts & Science and the Faculty of Applied Science and Engineering as well as the commitment from the both the Offices of the Provost and the V-P Business Affairs to each contribute \$960,000 to the project. On the debit side, the total cost of the project is now finalized at \$112,205,062; this is \$337,392 in excess of the approved price which reduces the favourable balance from \$363,400 to \$26,008.

At this point it is necessary, consistent with policy, to seek formal approval for the increased cost of the BCIT project from the P & B approved \$108,811,000 to the final value of \$112,205,062. This is an increase of \$3,394,062 and now exceeds the \$2,000,000 which had been previously approved by the V-P Business Affairs, again consistent with policy. In addition, the additional sources of funding are required to be identified and approved.

## **2. Commissioning of Services within the BCIT**

It is also important to report that there have been numerous commissioning difficulties with the building that are currently being clarified and rectified. The issues relate to air pressurization, substation ventilation etc. all of which results in a situation where the air temperatures within the building are not adequately balanced and controlled as required by the occupants. While these issues are related to the commissioning of the building and are on-going until a satisfactory performance is achieved, it is important to close the accounts for the capital project and to establish the full range of mortgages. [The mortgages for the Faculty of Arts and Science and the Faculty of Applied Engineering were established in early 2003 when the magnitude of the cost of the BCIT was fixed, from the perspective of the two Faculties, at \$108,811,000].

To avoid [minimize] the lengthy time to closure for a project, it is proposed that the BCIT capital project be closed immediately [once all approvals are in place] and that a second, significantly smaller project, i.e. the *BCIT Closure Project*, in the present case, be established and formally approved by the Accommodation & Facilities Directorate [AFD]. This will expedite the closure of this larger capital project, so that the relevant mortgages can be established and the important remnants handled with a smaller project through AFD approvals.

Accordingly, the small surplus as recorded in Table 1, adjusted for the outstanding revenue commitments will be transferred to the new AFD project account on the BCIT closure. For the record, Facilities and Services will formally request the AFD project, *BCIT Closure Project*, resulting from the closure of the larger Capital Project. This will become regular practice with all capital projects to facilitate formal closure of the larger projects as required. In the case of the BCIT Closure Project it is anticipated that the cost of the project will be approximately \$125,000 and these funds will be provided from AFD funds. In addition, the net of the surplus funds in the amount of \$26,008 and the sole outstanding commitment of \$15,593 will be transferred to the new BCIT Closure Project to provide a new opening balance of \$41,601, from which the \$15,593 will be paid. The BCIT project cost will therefore be finalized at \$112,189,469 [\$112,205,062 minus the \$15,593] with no further transactions.

### **FINANCIAL AND/OR PLANNING IMPLICATIONS:**

With reference to the data in Table 1, it is proposed to reduce the cost of the project to a final value of \$112,189,469 as clarified above; the outstanding revenue commitment of \$15,593 will be transferred to the new AFD project. This facilitates closure in that all BCIT project numbers are final. The increase in cost of the BCIT project is therefore \$3,378,469. The shortfall, once all the revenues are accounted for, would have required two additional mortgages to be established, each in the amount of \$960,000 to be paid by the offices of the V-P Business Affairs and the Provost respectively, as noted previously. At this time, the Provost's Office will provide their contribution in the amount of \$960,000 to this project as a cash contribution; the second \$960,000 contribution will require that a mortgage be established.

The impact of this adjustment on the borrowing capacity is minimal, but positive. As a result of the cash contribution by the Provost's Office in the amount of \$960,000, the overall borrowing for the capital projects has been reduced by the equivalent amount. Consequently, the borrowing available is increased by \$960,000 [actually \$940,000 as a result of rounding errors]. The overall total cost of the capital plan is increased by \$321,799; this is a minimal adjustment since most of the increased project cost had already been incorporated into the monthly capital plan data sheets.

**RECOMMENDATIONS:**

That the Planning and Budget Committee recommend to the Academic Board,

1. THAT the revised and final total project cost for the Bahen Centre for Information Technology [BCIT] which is required to be increased from \$108,811,00, the cost previously approved by the Governing Council, to \$112,189,469, be approved.
2. THAT full closure be brought to the BCIT capital project as a result of the earlier mortgages, established for the Faculty of Arts & Science and the Faculty of Applied Science and Engineering in 2003, plus the following mortgage and cash contribution to address all remaining costs associated with the project:
  - i) A mortgage in the amount of \$960,000 to be amortized over 20 years or less and to be repaid from the operating budget of the Office of the Vice-President Business Affairs
  - ii) A cash contribution in the amount of \$960,000 to be paid from the 2004/05 operating budget of the Office of the Vice-President and Provost.