



SUBJECT	Rewvisions by the President to Procedures of Board Policies
SUBMITTED TO	Finance Committee
MEETING DATE	June 1, 2020
SESSION	Recommended session criteria from Board Meetings Policy:
CLASSIFICATION	OPEN
REQUEST	For information only - No action requested
LEAD EXECUTIVE	Hubert Lai, Q.C., AVP Office of University Counsel
SUPPORTED BY	Lorena Vlad, Legal Counsel

PRIOR SUBMISSIONS

The subject matter of this submission has not previously been considered by the Finance Committee.

EXECUTIVE SUMMARY

The Office of the University Counsel (“OUC”) prepared this report pursuant to section 4.2 of the Regulatory Framework Policy (GA2) to provide a summary of changes made by the President to Procedures of Board Policies.

Section 4.2 of the Regulatory Framework Policy requires the President or the President’s delegate to report the exercise of the President’s authority to establish, amend, or repeal Procedures to the responsible Board committee at its next regularly scheduled meeting or as soon thereafter as practicable.

The President has approved amendments to section 1.2.2 of the Procedures of the [Retained Risk Policy \(FM10\)](#) to revert the composition of the RRF Committee for the UBC Okanagan Fund (as defined in the Retained Risk Policy) to the Vice-President Finance & Operations and the Deputy Vice-Chancellor and Principal (UBC Okanagan).

SUPPLEMENTAL MATERIALS (optional reading for Governors)

1. Blackline showing amendments made to the Procedures of the Retained Risk Policy

 <p>The University of British Columbia Board of Governors</p>	Policy No.: FM10
Long Title: Retained Risk Fund for Major Construction Projects	
Short Title: Retained Risk Policy	

Background & Purposes:

The University manages risk on major construction projects through a variety of strategies incorporated into its project planning, delivery and procurement processes. Risk management strategies include the avoidance, reduction and transference of risk away from the University, as appropriate. However, some types of risk cannot be fully or economically managed through these means and in those cases, it is prudent and cost efficient to retain and self-insure against such risks.

The purposes of this Policy are:

- 1) To protect the University against retained risk on major construction projects through a central retained risk fund.
- 2) To provide a mechanism to effectively, consistently and transparently manage unforeseen budget surpluses and deficits on major construction projects.

1. Definitions

- 1.1 “**Funds**” means collectively, the UBC Okanagan Fund and the UBC Vancouver Fund and “**Fund**” means either the UBC Okanagan Fund or the UBC Vancouver Fund, as the context requires.
- 1.2 “**Major Construction Project**” means an academic or other institutional construction project, at either the UBC Vancouver or UBC Okanagan campus, including other UBC sites (e.g. UBC Robson Square), that has an aggregate estimated value of \$2.5 million or more, and that has received the requisite capital project approval from the Board of Governors or the President’s Executive Committee (as the case may be).

2. Scope

- 2.1 This Policy applies to all Major Construction Projects.

3. Establishment of the Funds

- 3.1 The Responsible Executive will establish a retained risk fund for Major Construction Projects at the UBC Okanagan campus (the “**UBC Okanagan Fund**”) and a retained risk fund for Major Construction Projects at the UBC Vancouver campus and other UBC sites (e.g. UBC Robson Square) (the “**UBC Vancouver Fund**”).
- 3.2 The individual, administrative unit or entity responsible for the management of a particular Major Construction Project (the “**Project Manager**”) will take measures through its capital project planning, delivery and procurement processes to manage risk in a prudent and cost-efficient manner, including through the avoidance, reduction or transference of risk away from the University, as appropriate.
- 3.3 The purpose of the UBC Okanagan Fund and the UBC Vancouver Fund is to protect the University against risks arising from the construction of Major Construction Projects that cannot be prudently and efficiently managed by other means and result in cost overruns. The Funds are centralized funds in addition to the project-specific contingency allowance contained within each Major Construction Project’s budget.
- 3.4 The Funds will be maintained at a value that provides for reasonable protection against retained risk but does not unnecessarily withhold capital that could otherwise be put to higher use by the University.
- 3.5 Each Fund will be overseen by a committee (the “**RRF Committee**”) consisting of those individuals prescribed in the Procedures to this Policy.

4. Contributions to and Expenditures from the Funds

- 4.1 Each of the Funds will be financed in the following manner from Major Construction Projects on their respective campuses:
 - 4.1.1 through the collection of a retained risk fee (the “**Fee**”) paid from each Major Construction Project, in the amount of 1% of the project’s total value (before GST and construction period financing charges). The amount of the Fee will be reviewed annually by the Board of Governors; and
 - 4.1.2 through the transfer of surplus funds from the capital budget of each Major Construction Project, in the amount determined in accordance with the Procedures to this Policy.
- 4.2 Requests for expenditures from either Fund must be submitted by the Project Manager to the Managing Director, Infrastructure Development, in the form, manner and according to the timelines prescribed by the Managing Director, Infrastructure Development from time to time.
- 4.3 The Managing Director, Infrastructure Development will review each request for expenditure against the relevant Fund and make recommendations to the relevant RRF Committee. The

RRF Committees will make the final decision with respect to requests for expenditures from their respective Fund.



PROCEDURES ASSOCIATED WITH THE RETAINED RISK POLICY

Pursuant to the Regulatory Framework Policy, the President may approve Procedures or the amendment or repeal of Procedures. Such approvals must be reported at the next meeting of the UBC Board of Governors or as soon thereafter as practicable.

Capitalized terms used in these Procedures that are not otherwise defined herein shall have the meanings given to such terms in the accompanying Policy, being the Retained Risk Policy.

1. The RRF Committee

1.1 The RRF Committee for the UBC Vancouver Fund will be comprised of:

- 1.1.1 the Vice-President, Finance and Operations; and
- 1.1.2 the Provost and Vice-President, Academic (UBC Vancouver).

1.2 The RRF Committee for the UBC Okanagan Fund will be comprised of:

- 1.2.1 the Vice-President, Finance and Operations; and
- 1.2.2 the Provost and Deputy Vice-P~~resident, Academic~~ Chancellor and Principal (UBC Okanagan).

2. Contributions to the Funds

2.1 If a Major Construction Project is completed and there is a surplus in the capital budget for that Major Construction Project, then such surplus will be transferred to the relevant Fund; provided however, where funding for the Major Construction Project has been facilitated or otherwise generated by a faculty, ancillary unit or other unit, there will first be a disbursement from the surplus funds to that faculty, ancillary unit or other unit that is proportionate to that faculty, ancillary unit or other unit's actual contribution relative to the total capital budget.

3. Criteria for Appropriate Expenditures from the Funds

3.1 The Managing Director, Infrastructure Development and the relevant RRF Committee will consider applications for expenditures from a Fund toward the cost of the construction of a Major Construction Project on the basis that the application demonstrates:

- 3.1.1 the construction of the Major Construction Project has resulted in cost overruns;

3.1.2 the cost overruns were a result of extraordinary circumstances that:

- (a) could not have been reasonably foreseen; and
- (b) could not prudently or cost-effectively be managed using other available resources, changes or adjustments to the project scope, design, finishings or schedule, or any other appropriate means; and

3.1.3 the proposed expenditure is consistent with the purpose of the Funds.

3.2 For greater certainty, the Funds may not be used to pay for a shortfall in the amount of capital funding anticipated in a Major Construction Project's budget or costs resulting from user group initiated changes to project design or scope.

4. Requests for Expenditure

4.1 Requests for expenditures against each of the Funds are to be submitted by the Project Manager to the Managing Director, Infrastructure Development with a specific description of the expenditure requirement and the supporting rationale.

4.2 The Managing Director, Infrastructure Development will evaluate each request against the criteria outlined above and make a recommendation to the appropriate RRF Committee. The RRF Committee may decide to approve the request, with or without conditions, deny the request, or delay their decision pending receipt of additional information.

4.3 Approval by the RRF Committee, if granted, will be made in writing signed by at least one member of the RRF Committee.

5. Investment of Funds

5.1 Each Fund will be invested as part of the University's working capital and any interest and investments gains or losses attributable to the Fund will be credited to or debited from the value of the Fund.

5.2 In order to maintain each of the Funds at a value that provides for reasonable protection against retained risk but does not unnecessarily withhold capital that could otherwise be put to higher use by the University, each RRF Committee may seek the approval of the Board of Governors from time to time for transfers from its Fund to the general purpose operating fund for its campus. Without limiting the generality of the foregoing, an example of such a situation would be where the RRF Committee does not anticipate any significant Major Construction Projects for its campus in the near future.

6. Reporting Requirements

6.1 The Responsible Executive will present a report to the Board of Governors, annually, setting out:

- 6.1.1 the contributions to and the expenditures from the Funds; and

6.1.2 recommendations regarding the appropriate Fee for each campus on a going-forward basis in order to maintain the value of each Fund at a level sufficient to accomplish the objectives set out this Policy.

6.2 At least quarterly and as otherwise requested, the Managing Director, Infrastructure Development will present a report to the RRF Committee for each Fund setting out the following:

6.2.1 the value of the Fund and all expenditures from the Fund for the relevant reporting period;

6.2.2 the total value of Major Construction Projects underway at the relevant campus; and

6.2.3 the number of proposed Construction Major Projects on the relevant campus scheduled to seek the relevant institutional approvals in the following 5 year period.