

Establishment and Construction of UNBC:
The Municipal Interest and Role

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**Board of Examiners
Advanced Certificate in Municipal Management
Outline of the Final Report**

**"Establishment and Construction of UNBC:
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by George Paul, December 31, 1997

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Executive Summary of the Final Report**

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In 1990 the Provincial Government announced the establishment of a new University to serve northern British Columbia. This was the first new University in Canada in more than 25 years. It was to be organized, the main campus constructed, and degrees granted within 3.5 years.

The City of Prince George, Council, Administration and sometimes both, played a major role both in off-site construction, developing the philosophy of the institution, and participating in planning the campus.

City Council saw the establishment of this University as a coming of age for northern British Columbia. It represented an opportunity for Prince George to develop its service economy and move away from heavy reliance on its resource economy. It encouraged social change and allowed for the retention and education of the community's young people.

Through site selection, planning and development of the infrastructure, financing the projects, and developing relationships with people, organizations and institutions that were new to the City of Prince George, the challenges at times seemed overwhelming. Construction, budget, communication, and relationship problems were numerous, but so were the solutions.

Disappointments and frustrations occurred. Termination of contractual relationships and legal actions resulted. Cooperation, trust, and strong relationships with those that had the power to solve problems ensured the eventual success in establishing the University of Northern B.C.'s Prince George campus.

UNBC has been in existence for almost eight years and has become an integral part of the Prince George community. The physical construction challenges are long past. The challenges to City Council, City Administration and the University Administration in building a better community continue to this day and will be ongoing forever.

Establishment and Construction of the University of Northern British Columbia:

The Municipal Interest and Role An overview by George Paul

The purpose of this paper is to fulfill the written requirements for the Advanced Certificate in Municipal Administration issued by the Board of Examiners as constituted under the Municipal Act of British Columbia. The process involves outlining an actual case study, identifying the challenges that were faced by the CAO, and documenting the management lessons drawn from the case.

The case study selected involves the establishment and construction of the Prince George campus of the University of Northern British Columbia. The challenges to the CAO of the City of Prince George were numerous. They included:

- balancing the political needs of City Council with the administrative and technical advice of the City staff,
- coordinating the `community' interests with the `political' interests of Council members, Provincial officials, other empowered decision makers and the media,
- protecting the City's interests while not adversely impairing other interests,
- providing sound, timely advice to City Council, and City Departments, while knowing when to take such advice from a variety of sources.

Documentation of the management lessons drawn from the case appear in the conclusion to this case study.

The Case Study

In 1961, a block of 1,118 hectares of land on Cranbrook Hill, just west of Prince George was reserved for a Northern University. For twenty five years, nothing substantial followed until the formation in 1987 of a small community committee of dedicated residents to campaign for the long discussed Northern University. The campaign started in Prince George and eventually covered the entire northern half of the Province. It was a social movement that was to have a major impact on the region, and the Province as a whole.

Very early in this "grass roots" process, Prince George City Council became involved in, and supportive of the process. The objective of City Council, lead by Mayor John Backhouse, was not so much to establish a second PostSecondary Institution in Prince George, as it was a process of diversifying the local economy and changing the cultural and social fabric of the City, as well as that of the entire region. It was one of a number of projects, Provincial and Municipal, that were viewed as crucial in developing Prince George as "B.C.'s Northern Capital". These projects included a Correctional Centre, Courthouse, Civic Centre, Multiplex and Aquatic Centre, in addition to the University. In lobbying for the University, Mayor Backhouse rarely mentioned access to education. That was a given. He talked about economics, social change, retention of our young people. In talking to Premier Vander Zalm, the Mayor told him that we were tired of being treated like a colony. We'd had enough of exporting our natural resources, including our children, and getting little back in return.

The campaign for the establishment of the University is a story in itself, however, the City Administration had little to do with this portion of the process, and in any case, it was substantially concluded by the time I was engaged as City Manager in September of 1989. On January 9th, 1990, Bruce Strachan, Minister of Advanced Education announced the establishment of a northern University. Later that spring, the "University of Northern B.C. Act" was introduced and passed in the Provincial Legislature.

The challenge to the "Interim Governing Council" (IGC) of the new University and to both the City Council and the City Administration was rather overwhelming; to have a main campus for the new University selected, constructed and operational for the 1993-1994 academic year.

While City staff had been very supportive of the process, they obviously had not been involved in the lobbying process. Their involvement was to increase dramatically to support of City Council's role in the development, both physically and philosophically, of the new University. City Council wanted to ensure that their goals of diversifying the economy, changing the cultural and social fabric of the City, maximizing the locational benefits of the University and ensuring a major Provincial investment in the Prince George area, were achieved.

The first challenge was to select a site for the University. Notwithstanding the fact that a site on Cranbrook Hill had been designated in 1961, it was relatively

inaccessible at the top of an escarpment on the western side of the City. It was not served by roads or utilities.

The first action that was requested of City staff was to develop site selection criteria to allow the three City Councillors who were to be working on the University's Site Selection Committee to have some basis for analyzing and comparing the list of fifteen potential sites. This was completed, approved by City Council and conveyed to the IGC by the end of May 1990.

Eventually the fifteen sites were narrowed down to two sites comprised of Crown Lands. Neither location was seen as desirable by the planning staff, as the sites were not easily developed or serviced and were considered premature for development. They would require major infrastructure investment. This was occurring at a time when the IGC had only recently been constituted, the curriculum for the University not yet established, and capital budget funds were not yet available or even identified. It was necessary to assist the professional staff to understand that a political process was occurring in addition to the technical evaluation of the potential sites. If the Provincial Government was to invest millions of dollars in either land purchase or infrastructure development, the latter was of much greater benefit to the City. The Director of Development Services recommended "the Cranbrook hill site be supported in preference to the Harper Valley site" and further clarified that "This recommendation does not constitute a recommendation in favour of either site as a good site or the best site for the University." This allowed the professional staff to formally identify their concerns to City Council while allowing the political process to pursue its goals in an appropriate manner.

On October 17, 1990, the IGC resolved to acquire and develop the Cranbrook Hill Site for use as the Prince George campus. It is important to note that the preliminary estimates on the cost of servicing the selected site were more than double any of the other sites. This had many implications for the City. On one side, there was an expectation that the Province would finance infrastructure that would eventually benefit the western expansion of the City. On the other side, there was an equal expectation that the City would play a major role in the financing and construction of the services, as this campus clearly was a major benefit to the development of the Community.

The representatives of the IGC approached discussions with the City on the provision of off-site services exhibiting a particular lack of trust in the City Council's and City Administration's motivations. It was their view that City Council wanted to have the Province pay for the off-site services, thereby taking advantage of a 'windfall' benefit for Prince George, that City Administration wanted an opportunity to avoid spending any reserve funds on the necessary infrastructure construction, and that this situation provided an opportunity for the Administration to charge operating and overhead costs to the infrastructure projects. The IGC also had a philosophical aversion to having any work undertaken by City forces, regardless of how competitive the cost and quality of the work might be. This was the atmosphere in which City Administration was asked to develop a strategy for completing the off-site services and negotiating a contract with the IGC. The IGC realized that there was overwhelming political and community support for the establishment of the Prince George campus, an extremely tight time line for construction and a

City Council that had to avoid being seen as obstructionist or bureaucratic in their relationship with the IGC. The bottom line was that the IGC was in a strong bargaining position with respect to negotiating an agreement on off-site services.

As part of report to City Council in March of 1991, I recommended that the City's position on off-site service costs include the contribution of a maximum of \$4 million to the construction of the permanent road access, that the domestic water and sanitary sewer extensions be financed by UNBC and that special utility user charges be negotiated with UNBC to recover the incremental cost of servicing the campus. This countered UNBC's position that they would pay two thirds of the cost of the off-site services to a maximum of \$8 million. Their response suggested that a rather arbitrary cap of \$12 million be placed on the entire costs of the services. Design and detailed costing of the projects had not yet occurred. City Council made a policy decision that the City would agree to financing one-third of the cost of the offsite services and would further negotiate with the University when these costs were more clearly known.

The next step was to reach agreement on the type of infrastructure needs for this land use and the appropriate location of water, sanitary sewer and roads to service the University. This, like so many other issues surrounding the University, was not an easily achieved task. The City's technical staff recommended the shortest and most cost effective road access to the University. It had the advantage of more easily looping the road access and providing a more rational benefit to future development of Cranbrook Hill. This was entirely unacceptable to the IGC. They desired an access that would

result in more centralized community access and provide a 'ceremonial' entrance to the University. My position on this matter, as was City Council's, was to support the IGC's request. I explained to the technical staff that the IGC's preference for the main access would have to be built some day as it was part of the City's road network plan. It was clear we would never again get a financing deal like we were being offered by the University and the Ministry of Advanced Education. At the time I did not realize how prophetic that opinion was.

The design estimate for all agreed upon off-site services was \$14.1 million. This involved the construction of a 3.4 kilometre two lane permanent access road, a 3 kilometre construction access road, a 2.5 kilometre water line plus a new reservoir and a one kilometre sanitary sewer line. The City was able to reach agreement with the IGC to have the University finance \$9.5 million, and the City was to pay \$4.6 million. Because of the charged political atmosphere that existed through this process, and the volatile nature of the project, I recommended to City Council that the negotiating committee be comprised of the Mayor, two Councillors, the Director of Finance and the City Manager. The negotiations occurred on two levels, political with respect to the principles of the agreement and administrative in trying to ensure that the principles were interpreted in the City's best interests. One of the many examples of this concept was that all of the Provincial Government's \$9.5 million contribution was to be spent prior to the City making any financial contributions. The agreement took many months to negotiate while the actual projects under consideration changed as the design developed, budgets were further refined, (in the time honoured tradition of refining public project budgets, this meant

expanding the scope of the project if it was realized that surplus budgets existed) public input was received, and the practicality of what we were trying to accomplish in an almost impossible time frame became apparent.

The City was anticipating, but not budgeting for Revenue Sharing grants to assist in the City's 'share of the cost. In March of 1991, a letter was received from the Minister of Advanced Education indicating that "Both M.A.R.C. and the Ministry of Transportation and Highways have agreed that funds from their respective budgets will not be available for this project." After making appropriate inquiries to the Ministry of Transportation and Highways, I suggested to City Council that they ignore this letter as the City had a right to receive revenue sharing on the road project and should proceed with appropriate grant applications. Applications were made and Revenue Sharing grant approvals on this project over the years 1992-94 totaled more than \$3.3 million.

A much larger issue, that had been festering for some time then arose. The IGC had long taken a position that they did not wish to see their jurisdictional rights and responsibilities compromised by being seen to obtain approvals from the City of Prince George for land use and construction matters. It was the City's position that all other governmental bodies in similar positions consented to the role that the City must play in determining land use matters and undertaking the administrative responsibilities of determining appropriate land use regulations and issuing building permits for construction projects. It was my position that the University was no different. The Prince George campus was not zoned for educational use. However, the University was not

motivated to resolve the land use conflict as it met the University's objective of not allowing the City's jurisdiction to override the University's jurisdiction. Similarly, the University took the position that buildings should be constructed without the interference of the City in reviewing plans, and especially without the payment of building permit fees which would not only be seen as complying with City regulation, but would represent an unnecessary expenditure that would better be invested in books for the Library. The University advised that they would not apply for rezoning, but neither would they object if the City processed O.C.P. and Zoning amendment Bylaws. Similarly, the University took a position that they would submit the building plans to the City for information but not approval, nor would they pay the building permit fees. Because of the aforementioned pressure to ensure that the University construction stayed on schedule, I authorized the issuance of building permits without payment, much to the consternation of the Building Inspection division, the concern of the Finance Department and eventually the attention of the Auditors to a rather large account receivable. In early 1993, long after construction at UNBC had commenced, the University agreed to apply for building permits. I think the University realized that the goodwill of, and the relationship with the City was much more important than adhering to their principle of 'jurisdictional authority'. On December 20, 1993, shortly before this issue was to become a note to the City's 1993 Audited financial statements, the newly appointed vice-president of the University invited me to lunch. Without fanfare or covering letter, he presented me with a cheque in the amount of \$290,530 representing full payment of the outstanding building permits fees. In the interim, the physical progress of the University had not been compromised. Today, the established relationship between UNBC and

the City, with respect to construction, is similar to that which exists for most other post-secondary institutions in British Columbia.

In 1992, two very significant events occurred. Difficulties were encountered with the on-site development that delayed the University's opening to September of 1994, and a slope failure was experienced during construction of University Way that was to completely overwhelm all of the challenges that we had experienced to date. The first event bought the City the time needed to complete the off-site works, and the second resulted in a major financial crisis and subsequent legal actions that continue to date. Preliminary estimates placed the cost of correcting the problem at \$1.5 million. The final geotechnical solution suggested an additional cost of \$3.1 million. By late 1992, the water and sewer utility construction costs were under budget by \$500,000, but the University Way budget had increased to \$11.8 million from \$8.7 million. We had taken a conservative financial approach of not relying on the potential Revenue Sharing grants, given the previously mentioned letter from the Minister of Advanced Education. We were now in the position that our increased costs to the general fund could be held to \$365,000 if grants in the amount of \$1.2 million were received in 1993 and a grant of \$1.6 million was received in 1994. Anything less would have been very uncomfortable.

Unfortunately, a number of times in 1993, our consultants, McElhanney Engineering Services Ltd. advised that the financial cost of the solution had increased, first by a further \$300,000, then by another \$1,440,000 and then by an additional \$700,000. The cost of the road had now potentially risen from the original estimate of \$8.7 million to \$14.3 million. My first direction when told of the \$700,000 increase was to advise the consultants and our staff that

we would be reporting on a revised budget figure to City Council that would be adequate to construct the road, that this would be the last increase in the road construction budget, and that the final project costs would be under budget. This was done to ensure that the consultants and technical staff would not provide any further surprises, and that the City's credibility would not be further impaired by additional budget adjustments. McElhanney were unable to assure that costs would not continue to escalate. The only undertaking they were able to give was to communicate more effectively with our staff and to explain to City Council how this extremely unfortunate scenario had unfolded. At that point, a rather serious decision had to be made. Did we continue using the consultant that had worked on the project since its inception, or did we terminate a group of consultants that did not seem to be in control of the project and run the risk of having the City become project manager? It was a major decision, however with faith in our City staff, the need both politically and administratively for decisive action and a commitment to focus all possible resources on this project for the next ten months, I recommended to City Council that McElhanney's engineering services be terminated, that legal action be initiated against the firm for breach of contract and negligence, and that the City provide engineering services to the project through a combination of in-house resources and the use of engineering consultants as circumstances warranted.

The road budget was then adjusted to \$16 million with assurances from our staff that there would not be need for further adjustments. Options were presented to City Council for the possibility of reducing this commitment by not completing University Way. This was not really a viable alternative, as

stopping the slide had to be achieved because our new water line was being threatened to be "washed away" by progressively greater movement on Cranbrook Hill. After investing in slide stabilization, University Way became the cheapest access alternative. In addition, the only other viable road access at this point originated in the south-west sector of the City and would create accessibility problems for both the University and the Community that would be a constant reminder of the construction problems long after the project had been completed.

With the assistance of the Ministries of Transportation and Highways, and Municipal Affairs, substantial revenue sharing grants were obtained for the overall project in 1992, 1993, 1994 and some of the unexpended grants were approved for extension into 1996 when the City's cash flow allowed certain peripheral parts of the project to be completed. However, the action that rescued the project from financial disaster was the "Infrastructure Works" grant program. Mayor Backhouse recounts his meeting with Premier Harcourt to explain the tight situation the City found itself in; "Although supportive of the University he had concerns about the servicing costs. He listened carefully and sympathetically and then suggested that we simply finish Tyner Boulevard along the top of Cranbrook Hill and finish University Way when we had the money. (this was the option rejected by Council six months earlier) I told him that the RCMP would not allow the Queen to use this access as it was 3 kilometres of road fully treed on both sides - it could not be secured. The Premier turned to his staff and Minister and said, 'Have you ever seen anyone painted into a corner?' "

As late as a week before the announcement of the Infrastructure grant, the Federal Government strongly questioned whether this application qualified under the 'incrementality' provisions of the program. I immediately responded by letter stating, "I can assure you that ...I have advised City Council that we cannot proceed ... unless financial assistance is forthcoming from other orders of government. It is our opinion that this project does comply with the incrementality provisions of the program and should funding not be available, I will be recommending to City Council that the present project not proceed." I believe mentioning the Queen's visit, and our desire to not have to transport her to the University in a four wheel drive vehicle assisted the Federal officials in their deliberations! After much lobbying, discussion, and proceeding on faith and hope, a \$2.8 million Infrastructure Works grant, the first in British Columbia, was announced on May 18, 1994. The contract for construction was signed the next day, and the contractor was in a race against time to complete construction in time for the Queen's cavalcade less than three months later. The road was opened on time and under budget (at least under the City developed and managed budget!) and Queen Elizabeth II drove in a limousine up a four lane University Way, complete with median, sidewalks, and bicycle lanes.

However that was only the conclusion of construction. The legal processes have been drawn out over a much longer period of time and have consumed countless hours of staff and legal counsels' time. The original claim against McElhanney was in the multi-millions of dollars. City Council indicated that an amount of \$1.5 million (as an indication of responsibility) would satisfy the City's claim. Many legal maneuverings later, including mediation, resulted in

a settlement during 1996. McElhanney agreed to pay the City \$1,123,181 as an 'economic compromise of a disputed claim'. Subsequent settlements with sub-consultants to date have resulted in an additional \$275,000 being paid to the City. Legal action continues against one engineering sub-consultant and an arbitration is underway between the City and the buttress construction contractor, where the claims of both parties are in the millions of dollars. Numerous interesting and time consuming issues surrounded this process including land purchase negotiations, expropriations, a judgment dismissing a petition to quash the O.C.P. bylaw for uncertainty, joint use of facilities discussions with the University, Fire and Police protection issues, the withdrawal of the Construction Contractor's legal counsel in the middle of the ongoing arbitration, among others.

While the project was at times extremely frustrating and continues to be a drain on City staff resources, the result has more than met City Council's expectations. The University has become an integral part of our City's economic and social fabric, the City has taken major strides towards re-enforcing its movement from a forest based, to a service based economy, and some of the basic infrastructure is in place to allow for phased development of Cranbrook Hill. With respect to the financial issues, notwithstanding an overall increase exceeding \$6 million in the project budget, the Administration's goal continues to be one of limiting the City's financial contribution at the pre-construction level of \$4.6 million. There are still some challenges ahead in continuing legal actions, however this goal still remains practical.

Some of the management lessons learned in this intense, frustrating and ultimately extremely satisfying process can, in a light vein, be described as follows:

- If things appear to be going too well, they probably are!
- If you think everything is under control, you're wrong, dangerous, or both!

In a more serious vein, the management lessons I learned were:

- try to understand the perspective and needs of those you work with, those you work for, and those with whom you must relate. To understand their perspective and needs takes you at least half way to the solution to any mutual problems you may have.
- situations of exhilaration for some can be moments of sheer terror for others. Make sure you appreciate that your exhilaration may not be shared, and ensure that it does not end up in terror.
- find a way to respect all with whom you must deal.
- do not rely on consultants to share your responsibility for City operations or planning. They serve their clients for a fee. They may be professionals, but the CAO and City staff are professionals as well, and their responsibility is to canvass their minds and their hearts to ensure that decisions are made in the community's best interests.
- with mutual trust, respect and cooperation between City Council and Administration, no matter what adversity is thrown your way, you have the opportunity to succeed.