

Conservation by Design

CONFIDENTIAL MEMORANDUM

April 10, 2015

To: CVWMA Interpretive Centre Committee
From: David Hillary
Re: CVWMA Interpretive Centre - Option Analysis
Prepared by: Conservation by Design Inc. April 2015

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Introduction

The primary purpose of this report is to compare and contrast four (4) options for continued management and operation of the Creston Valley Wildlife Interpretive Centre as outlined in the minutes of the February 11th CVWMA Interpretive Centre Committee meeting. These options include (1) renovating the existing Wildlife Interpretive Centre, (2) building a new centre inside the CVWMA, (3) building a new centre outside the CVWMA and (4) Status Quo.

The secondary purpose of the report is to further explore (1) cost recovery via environmental education programs, (2) proposed changes and programming, (3) governance models, (4) transition planning and timelines, and (5) pre-design planning.

This report does not present the findings of full feasibility studies for all options being considered, nor does it present full business plans for any of the options. Furthermore, many of the findings are based on preliminary research and un-tested assumptions, especially relating to the cost of land, services, infrastructure, and buildings.

We recommend considering this report as a companion document to the CVWMA Future Options Report (August 15, 2014) and the CVWMA Feasibility Study Report (October 15, 2014) previously submitted to the CVWMA Interpretive Centre Committee. These reports include additional background information and specific recommendations.

Cost Recovery via Environmental Education Programs

Full cost recovery of operating expenses via environmental education programs is not realistic or feasible at the CVWMA Wildlife Interpretive Centre, even with significant diversification and enhancement of existing programs.

For greater clarity, only two of twelve comparable centres explored during the course of this assignment were recovering close to 50% of their operating expenses via program revenues. The remaining ten centres were recovering between 10% and 35%.

It is important to note that the highest return of investment was achieved at centres that were either fully, or partially, subsidized by some level of government or in one case, a single foundation. Hence, in a not-for-profit organization, and with an estimated and proposed \$350,000 annual operating budget, \$87,500 (based on 25%) in revenue could be expected to come from programs with the remaining \$262,500 in revenue needing to come from other sources.

A variety of revenue models exist for environmental education programs and wetland education centres. They differ greatly from centre to centre and location by location. Many centres receive significant financial support from local, provincial, and federal governments. Some operate strictly as not-for-profit charities and receive funding from admission and program revenues, grants, and charitable gifts. A few centres are fully funded by foundations and/or patrons.

Regardless of the revenue model, the key issue for any wetland education centre is to ensure that the business model is viable and that long-term financial sustainability can be achieved. This requires a clear understanding of market conditions, capital budgets, operational finances, and fundraising.

Diversifying environmental education programs and activities to extend the reach of the CVWMA Wildlife Interpretive Centre is the primary way to achieve financial sustainability. This approach allows management to be entrepreneurial while still maintaining the integrity of core programs and the wetland itself.

Proposed Changes and Programming

Wetland education and conservation should remain the focus of the centre although expanded and diversified programming is required.

It is not recommended that year-round programming or services be offered at the centre. That being said, it is recommended that programming and services (both on-site and off-site) be extended beyond the current 5-month operation. This expanded season should be accomplished through (1) development and delivery of extension/outreach services to schools and events throughout the Columbia Basin and beyond, (2) development and delivery of an off-site Seminar/Workshop Series focused on adult learners, community members, and visitors, and (3) development and delivery of two premier 'events' each year – a bird festival in the spring and a gala fundraiser in late fall/early winter.

Current programming at the centre is too limited by theme, seasonality, and audience. It is recommended that expansion and diversification of educational programming and exhibits/displays be developed and implemented. These will be essential to the long-term viability of the Centre. Expansion should include a thematic approach that includes (1) wetlands, (2) freshwater ecology, (3) water governance and management in the Columbia Basin, (4) First Nation People, and (5) agriculture.

It is recommended that a physical presence (store-front) be established in Creston in partnership with the Chamber of Commerce and/or other highly visible locations.

It is also recommended that a comprehensive communications and marketing strategy be developed and implemented. This communications and marketing strategy should

include (1) goals, (2) target market(s) identification, (3) key message development, (4) activities, and (6) effectiveness monitoring.

Governance

Not-For-Profit Incorporation

A not-for-profit organization registered under the provincial or federal Societies Act is similar to a for-profit or business corporation as it is considered to be a legal entity with an independent existence separate and distinct from its members.

As such, a society is entitled to acquire property, borrow money and otherwise deal with its property as an individual would deal with their property. Generally, the individual members, or officers, of the incorporated society are not liable for the debts or obligations of the society. The main difference between a for-profit and a not-for-profit organization is the ability to distribute profits. In a not-for-profit, any profit must be retained within the organization and cannot be distributed to its members during the legal existence of the society.

A not-for-profit organization can choose to incorporate under either a federal or provincial society regulation. A federally incorporated organization has the constitutional right to operate anywhere in Canada. A provincial organization has the right to carry on business anywhere within the province under its registered name.

Societies are not required by law to incorporate, however, there are benefits to incorporation. When a society is incorporated, it acquires all of the powers of an individual, as well as an independent existence, separate and distinct from its members—and with an unlimited life expectancy.

A not-for-profit or charity most likely will be registered under one of the Society Act or the Companies Act if under a provincial act, or under Part II of the Canada Corporations Act, if federally incorporated. Once the organization is registered, it needs to maintain its status.

The first step is to ensure the proposed name of your society is available. This should be done before you submit any incorporation documents. (Fee of \$30 - done through the provincial Corporate Registry) You will not be able to incorporate a society with a name that is similar to the name of an existing society or company. This is so the public is not confused or misled by similar corporate names.

Incorporation involves the granting of a charter, letters patent, or a memorandum of association by government legislation. Incorporation gives the organization a legal existence, which is separate from that of individual members. This means that the

organization can enter into contracts with other corporate bodies or individuals and can sue or be sued in the courts. An organization with substantial financial and professional responsibilities and which employs staff should seek incorporation as it also offers protection for the public, the membership, the officers and its staff.

To incorporate under the Society Act you must submit:

- Constitution and By-laws of your organization;
- Notice of Address of Society (a post office box is not acceptable);
- List of first board of directors with occupations, home addresses.

Fee of \$100.00 made payable to the Minister of Finance (no GST).

Increasingly enterprising not-for-profit organizations are blending business operations with social outcomes in social enterprises. These enterprises require a particular set of governance and management skills not common in the traditional separation of for-profit business skills and non-profit service skills. This emerging business model presents a challenge to the non-for-profit sector as it ventures into the business arena and to experienced business managers as they integrate social values in everyday operations. While some see this new trend the way of the future, others suggest that this is simply a for-profit enterprise that loses money. The question then becomes how much is the organization willing to lose and how is this loss subsidized via other revenue sources such as grants and gifts.

For-Profit Incorporation

A for-profit organization registered under the provincial or federal Companies Act is similar to a not-for-profit as it is considered to be a legal entity with an independent existence separate and distinct from its members.

As such, a 'company' is entitled to acquire property, borrow money and otherwise deal with its property as an individual would deal with their property. Generally, the individual officers of the company are not liable for the debts or obligations of the company. The main difference between a for-profit and a not-for-profit organization is the ability to distribute profits. In a for-profit company, profit doesn't need to be retained within the organization and can be distributed to its officers during the legal existence of the company.

For-profit organizations are not required by law to incorporate, however, there are many benefits for doing so, especially relating to limiting liability and tax purposes. Many companies operate a sole proprietorship; where company and individual are one in the same. When a company is incorporated, it acquires all of the powers of an individual, as well as an independent existence, separate and distinct from its officers - and with an unlimited life expectancy.

State-owned Enterprise

A state-owned enterprise (SOE) otherwise known as a state-owned company, state-owned entity, state enterprise, publicly owned corporation, government business enterprise, government-owned corporation, commercial government agency, or public sector undertaking is a legal entity that undertakes commercial activities on behalf of a government. The defining characteristics of SOEs are that they have a distinct legal form and they are established to operate in commercial affairs. While they may also have public policy objectives, SOEs should be differentiated from other forms of government agencies or state entities established to pursue purely non-financial objectives.

SOEs can be fully owned or partially owned by government. Government-owned or state-run enterprises are often the result of corporatization, a process in which government agencies and departments are re-organized as semi-autonomous corporate entities. In Canada, SOE's occur at both the federal and provincial level and are sometimes referred to as "Crown Corporations". Examples include the Columbia Basin Trust (CBT), Parks Canada Agency, and BC Hydro.

At the level of local government, authorities may set up similar enterprises that are sometimes referred to as "Local Authority Trading Enterprises" (LATEs). Many local authorities establish services such as water supply as separate corporations or as a business unit of the authority.

Examples of SOEs that carry on environmental education programming include the Palisades Stewardship Education Centre in Jasper, Alberta (Federal Government), Greenwing Legacy Interpretive Centre in Shubenacadie, Nova Scotia (Provincial Government) and the Helen Schuler Nature Centre in Lethbridge, Alberta (Local Government).

Charitable Status

If an organization becomes registered as a "charitable organization" with the Canadian Revenue Agency (CRA) it will be permitted to issue charitable tax receipts and will not pay tax on income. Not all not-for-profit organizations are able to gain charitable status since this privilege is granted only to organizations that pursue the defined charitable causes of "relief of poverty, advancing education, advancing religion, and activities beneficial to the community as a whole."

Any organization that fails to benefit the community as a whole or has as their main purpose the promotion of a particular viewpoint could be denied charitable status. Registered charities are automatically eligible for a refund of 50% of most GST paid.

Additionally, if an organization is interested in using gambling or gaming for fundraising it may be advantageous to obtain registered charitable status in order to access bingo and other revenue sources. Non-charitable organizations will find it difficult to become registered charities solely to obtain resources from gambling.

Legal costs will be incurred during the process and there is no guarantee that Revenue Canada's approval will be obtained. If the application is successful, it can take up to 24-months to receive confirmation from CRA.

Once an organization obtains charitable status, it can also be lost if it fails to continue meeting the requirements for charitable status. For example, if an organization begins earning profits and spending less than 80% of this on advancing the objectives of the organization or if the organization becomes too political and begins primarily advancing a particular viewpoint, its charitable status can be revoked.

CRA requires that charitable organizations file a detailed questionnaire on a yearly basis in order to determine if the organization continues to qualify as a charitable organization. The CRA provides information about registration of a charity at its website which is listed in the Resource Section.

Transition Planning and Timelines

The cost and complexity of transitioning from a singularly unique provincial body to another organization cannot be overstated.

We are lucky enough to have two relatively recent examples of similar transitions that help guide us in this regard - the Habitat Conservation Trust Foundation (HCTF) and the Freshwaters Fisheries Society of BC. In general the following activities and tasks are required:

- Evaluate the current transfer of funds flow and process;
- Asset valuations and transfer;
- Assess new charges previously paid by the CVWMA/Province. Telecommunications, information technology, insurance, mail, etc.;
- Review independent banking alternatives for Society;
- Evaluate options for implementing a stand-alone financial accounting system;
- Evaluate options for implementing a stand-alone fundraising and Prospect Management Database (PMD);
- Analyze payroll, employee benefits, leave liability, and pension transfer issues;
- Provide income tax and GST research and advice services in preparation for the new society's initial tax filing year;
- Review the umbrella contractor agreements currently in place with CVWMA and explore transfer of responsibility;

- Develop and evaluate options for implementing a variety of new and revised administrative, information, technology and financial related processes using a business case approach;
- Provide financial and accounting services and advice to support uninterrupted services;
- Develop policies and procedures;
- Form not-for-profit society;
- Seek out charitable status through CRA;
- Recruit, train, and retain an initial Board of Directors;
- Hire an Executive Director;
- Hire contractors and staff to facilitate transition plan.

The confirmed cost of the HCTF transition was \$111,000 in addition to approximately 1 FTE position split between the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) over the 24-month transition period. It should be noted that there was already a highly functioning Board and Directors and professional staff in place at HCTF to help affect this change. It should also be noted that all costs associated with the transition were borne by the Province of BC.

It is anticipated that total cost of the transition from the Province of BC/CVWMA could be up to **\$150,000** (staff time included) over a 24-month transition period. This estimate is approximately 40% less than the HCTF example given above to reflect much simpler processes, accounting, and financial systems at the CVWMA.

Pre-Design Planning

In general terms building projects arise in a somewhat linear series of phases as follows:

- Idea conception;
- Pre-design investigation (project definition);
- Schematic/detailed design;
- Construction drawings/specifications;
- Construction; and
- Occupancy.

Currently the CVWMA Wildlife Interpretive Centre analysis has identified four (4) options for further review and consideration by the CVWMA Interpretive Centre Committee. Confirmation of a preferred option to move forward with is the idea conception phase.

The next phase of work involves defining the project and project parameters. The activities of this phase all precede the actual design work so the phase is typically called 'pre-design'. Activities include:

- Site analysis and selection;
- Examine existing building, environmental audits or issues, and deconstruction;
- Site drawings;
- Analysis of needs;
- Functional programming - define space needs and functional relationships;
- 'Test-fit' functional programming on site;
- Develop master plans to describe future growth;
- Refining organizational and strategic plans that impact facility needs;
- Investigate zoning, land use and building code issues;
- Investigate site servicing (utilities);
- Prepare project schedules; and
- Prepare preliminary estimates of probable cost.

Pre-Design planning will be required once a decision is made to proceed with one of the options and/or a site is selected. Many of the unanswered questions in relation to the capital budget, building size, exact location, and visualization will be answered through this process.

Compare and Contrast Prioritized Options

Option #1: Renovate Existing Wildlife Interpretive Centre

Executive Summary: This option involves extending the lifecycle of the existing CVWMA Wildlife Interpretive Centre and making very substantive improvements to compensate for deferred maintenance issues and to allow for year-round operations.

Total Capital Project Cost: \$1,540,001 - \$1,771,001 (with 15% contingency reserve)

Land - \$1

Services

- Water Well - \$8,000 (upgrades and treatment system required)
- Septic System - \$35,000 (upgrades and emergency pump system required)
- Power - \$0
- Site Preparation - \$0
- Parking Lot - \$0

Other

- Signage - \$0
- Landscaping - \$0
- Boardwalks - \$0
- Observation Towers - \$0
- Bridge - \$0

Building - \$1,497,000
Contingency @ 15%

Total Annual Operating Costs: \$350,000

Program Management (Wages and Benefits Full and Part Time Staff) - \$220,640

- Executive Director (1.0 FTE) - \$77,000
- Program Coordinator (1.0 FTE) - \$55,000
- Outreach Coordinator (.50 FTE) - \$30,000
- Administrative Assistant/Bookkeeper (.50 FTE) - \$17,500
- Maintenance/Janitorial (Contract) - \$17,500

Program Management (Wages and Benefits Seasonal Staff) - \$45,000

- 4 Interpreters (May to September)
- 4 First Nation Interpreters (May to September)

Program Management (Travel, Meals, Accommodations) - \$12,000

Exhibits, Equipment, Displays - \$10,000

Signage - \$2,000

Accounting Services - \$7,000

Advertising and Communications - \$15,000

Bank Charges and Interest - \$1,000

Insurance - \$10,000

Office Supplies - \$5,000

Building Maintenance - \$15,000

Utilities - \$6,000

Volunteer/Donor Recognition - \$700

Events - \$660

Pros:

- Makes use of existing siting, building, services and infrastructure;
- Existing location is excellent;
- Eliminates need for deconstruction, pile removal, disposal and remediation of existing building;
- Ownership of the asset can be transferred from the Province of BC to a new organization/entity;
- Minimizes the need for a comprehensive Masterplanning process;
- Renovations to existing building and infrastructure could be done in the off-season resulting in minimal impact to existing and future programs.

Cons:

- Capital Cost - anticipated capital cost to update and renew facilities life cycle exceeds 65% of cost of replacement (goes against suggested industry guidelines);
- Environmental impact of building - life cycle renewal (as noted above) will not deal with current adverse health, and/or environmental impacts;
- Functionality - the building size, layout and site cannot easily be adapted to meet current code requirements and program needs;

- Maintenance Cost - monthly and annual maintenance costs are high given the size of the building, siting over water, and limitations on renewal options;
- Life cycle renewal - assumes a 40-year life cycle. The foundation (creosote impregnated pilings) may not have the same life cycle;
- A new entity may not want to accept the liabilities associated with the asset transfer from the Province of BC;
- Ownership of the asset (building) needs to be determined.

Option #2: Build New Wildlife Interpretive Centre (outside CVWMA)

Executive Summary: This option involves securing land, installing services, installing infrastructure, and building a new CVWMA Wildlife Interpretive Centre outside of the CVWMA.

Total Capital Project Cost: \$1,255,878 - \$1,444,259 (with 15% contingency reserve)

Land - \$245,928 (based on 10-acres, recent comparable sales, and 7 current listings)

Services

- Water Well - \$23,450 (based on 100 ft. well @ \$43.00/ft.)
- Septic System - \$55,000
- Power - \$10,000
- Site Preparation - \$6,000
- Parking Lot - \$40,500

Other

- Signage - \$15,000
- Landscaping - \$20,000
- Boardwalks - \$50,000
- Observation Towers - \$30,000
- Bridge - \$40,000

Building - \$720,000 (2400 sq. ft. @ \$300.00)

Contingency @ 15%

Total Annual Operating Costs: \$350,000

Program Management (Wages and Benefits Full and Part Time Staff) - \$220,640

- Executive Director (1.0 FTE) - \$77,000
- Program Coordinator (1.0 FTE) - \$55,000
- Outreach Coordinator (.50 FTE) - \$30,000
- Administrative Assistant/Bookkeeper (.50 FTE) - \$17,500
- Maintenance/Janitorial (Contract) - \$17,500

Program Management (Wages and Benefits Seasonal Staff) - \$45,000

- 4 Interpreters (May to September)
- 4 First Nation Interpreters (May to September)

Program Management (Travel, Meals, Accommodations) - \$12,000

Exhibits, Equipment, Displays - \$10,000
Signage - \$2,000
Accounting Services - \$7,000
Advertising and Communications - \$15,000
Bank Charges and Interest - \$1,000
Insurance - \$10,000
Office Supplies - \$5,000
Building Maintenance - \$15,000
Utilities - \$6,000
Volunteer/Donor Recognition - \$700
Events - \$660

Pros:

- Reduces the need to partner with the Province of BC /CVWMA;
- Allows new organization to operate somewhat autonomously from the Province of BC/CVWMA.

Cons:

- Adds considerable capital and annual costs to purchase land, provide services, provide infrastructure;
- Locating land proximate to the CVWMA and available for purchase might be challenging;
- Purchasing and servicing land will extend the realistic timeframe for project implementation and completion considerably;
- Agricultural Land Reserve (ALR) and/or zoning issues might prevent the feasibility of this option. Even if feasible, removing lands from agricultural production and/or the process required to re-zone a property may alienate support for the project in the local community;
- Adds to the built environment (commercial intensification) in an ecologically important area;
- Duplicates services and infrastructure;
- Land securement may delay transition/implementation by up to 18 months.
- Still requires tenure from the Province of BC to make use of land within the CVWMA.

Option #3: Build New Wildlife Interpretive Centre (inside CVWMA)

Executive Summary: This option involves using existing land, services, infrastructure, and building a new CVWMA Wildlife Interpretive Centre within the CVWMA immediately adjacent to the existing centre.

Total Capital Project Cost: \$763,001 - \$877,451 (with 15% contingency reserve)

Land - \$1

Services

- Water Well - \$8,000 (upgrades and treatment system required)
- Septic System - \$35,000 (upgrades and emergency pump system required)
- Power - \$0
- Site Preparation - \$0
- Parking Lot - \$0

Other

- Signage - \$0
- Landscaping - \$0
- Boardwalks - \$0
- Observation Towers - \$0
- Bridge - \$0

Building - \$720,000 (2400 sq. ft. @ \$300.00)

Contingency @ 15%

Total Annual Operating Cost: \$350,000

Program Management (Wages and Benefits Full and Part Time Staff) - \$220,640

- Executive Director (1.0 FTE) - \$77,000
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Program Management (Wages and Benefits Seasonal Staff) - \$45,000

- 4 Interpreters (May to September)
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Program Management (Travel, Meals, Accommodations) - \$12,000

Exhibits, Equipment, Displays - \$10,000

Signage - \$2,000

Accounting Services - \$7,000

Advertising and Communications - \$15,000

Bank Charges and Interest - \$1,000

Insurance - \$10,000

Office Supplies - \$5,000

Building Maintenance - \$15,000

Utilities - \$6,000

Volunteer/Donor Recognition - \$700

Events - \$660

Pros:

- Lowest capital cost of three options;
- Clearly established 40-year life cycle renewal;
- Size, layout and design can be custom fit to enhanced programming;
- Monthly and yearly maintenance costs can be reduced with a reduction in the size of the new building and green building technologies applied;

- Asset could be owned by new entity and sited on Crown land;
- No cost for land;
- Low cost for services and infrastructure upgrades;
- Eliminates duplication (redundancy) of services and infrastructure;
- Reduces direct and indirect environmental impacts. LEED, Green Building, creosote in freshwater environment issue resolved, septic failure mitigated;
- Makes use of existing siting, services and infrastructure;
- Existing location is excellent;
- Demonstrates public-private partnership which will assist in fundraising efforts;
- Demonstrates a firm commitment from the Province of BC to financially support continued operations of the centre. This will also assist in fundraising efforts and the in-kind contribution of land and infrastructure can be valued.

Cons:

- Capital Cost - requires deconstruction, pile removal, disposal and remediation of existing building;
- Limited building footprint available.

Option #4: Status Quo

Executive Summary: This option would leave ownership, management, operations, and funding of the Wildlife Interpretive Centre with the Province of BC/CVWMA. It is quite likely that this option would result in the winding up of operations, and/or continued operations that are financially unsustainable.

Total Project Cost: **NA**

Annual Operating Costs: **\$150,000**

Pros:

- Any liabilities relating to the building, services, infrastructure, and program delivery would remain vested with the Province of BC/CVWMA;
- All costs associated with on-going operations and maintenance would remain vested with the Province of BC/CVWMA;
- No change to governance structure is required.

Cons:

- May result in the permanent closure of the Wildlife Interpretive Centre;
- May result in current employees losing their jobs;
- May result in other direct and/or indirect loss of employment in the Creston Valley;
- May result in lost opportunities for high quality environmental education;
- May result in strong community 'backlash' for the Province of BC/CVWMA and Ducks Unlimited;
- May result in the loss of charitable status for the CVWMA;
- May result in the loss of funds held in trust by the Vancouver Foundation.

Conclusions

We are at a critical juncture in the evolution of this project. We have listened to the community, we have identified possible governance structures, we have identified four (4) options based on expert, stakeholder, and Committee input, we have identified a variety of costs that collectively make up the Total Project Cost (Capital and Annual Operating) for these options, we have identified a number of key assumptions that need to be tested, and we have identified a wide variety of questions that need to be answered.