

SCHEDULE "A"

TERMS OF REFERENCE

COST STUDY UPDATE

1. Alberta Municipal Affairs (AMA) Introduction/Goal

The Regulated Assessment Policy Unit of the Assessment Services Branch (the Branch), Alberta Municipal Affairs, is responsible for the development and maintenance of property assessment procedures for regulated industrial property. Regulated industrial property is defined in the Municipal Government Act, Section 284 (1).

The assessment procedures for regulated industrial property are based on construction costs and the principles in the 2005 Alberta Construction Cost Reporting Guide. These procedures are included in the 2005 Minister's Guidelines for all regulated industrial property in Alberta.

The procedures are amended each year to include factors to reflect changes in construction costs for a given regulated industrial property. This factor is called the assessment year modifier (AYM).

A key component in the development of the AYM, for any given year, is the Construction Cost Change Study for a specified regulated industrial property. This study reflects the Construction Cost Change for a period July 1 to June 30 of the specified assessment year.

The goal of this project is to provide the Branch with appropriate information about Alberta construction costs changes to June 30, 2006 from professional firm's expert in the field of regulated industrial property.

2. Project Summary

This project has been initiated to engage industry experts to update the 2005 Construction Cost Change Study to reflect changes for the time period July 1/2005 to June 30/2006, for a specified *Regulated Property Type*.

3. Project Staff

This project will be carried out under contract with the contractor with a contact person.

Alberta Municipal Affairs will support the project by having its own staff, and contracted agents, available to the contractor for consultation and by providing any requested written material.

The Contract Manager for the AMA will be Mr. Larry Collins, Director - Regulated Assessment Policy.

4. Project Deliverables and Time Lines

1. Using the same methodology and information sources (to the degree possible) as in 2004 and 2005, develop and document the construction cost change for the regulated industrial property type "Oil and Gas Equipment", to reflect changes for the period July 1, 2005 to June 30, 2006. This documentation is to be provided to the Branch by July 7, 2006.
2. Extrapolate the information in deliverable #1 backward to reflect the change from July 1, 2005 to March 31, 2006. This documentation is to be provided to the Branch by July 7, 2006.
3. Provide documentation detailing the vendor's process to develop the construction cost changes including key assumptions. The documentation will be completed in phases. A high level overview/outline will be completed by July 14, 2006. The final documents will be provided by September 8, 2006.

Note: The following are examples of (but not limited to) the type of information required:

- *What are the steps taken, end to end, to develop the construction cost change result?*
 - *What are the inputs and outputs for each event? Things like information or data sources.*
 - *If you go to the suppliers for costs how many do you approach? Are they Canadian, Western Canadian, Off Shore and would they be described as global, large, small? (No names required)*
 - *What types of sources do you use for labor costs, internal/external?*
 - *Do you use commodity price indexes? If so how do you use them and using what assumptions?*
 - *Do you use CPI and if so, how?*
 - *Do you consider the purchasing power of the Canadian dollar? (i.e. exchange rate).*
 - *Costs are to be based on construction within 50 km of Edmonton (according to the CCRG). How have you met this objective when determining typical costs?*
 - *Costs are to be based on minimum construction standards (for example, building, safety, environmental and EUB codes). What codes are applicable and how have they been applied?*
 - *Costs are to be based on contract labour, material and equipment rates on June 30.*
4. Provide documentation, as warranted, on current construction practices that are substantially different than those specified in the Branch construction cost models. Documentation to be provided by July 14, 2006.
 5. Accommodate up to three (3) days for meetings with Branch staff and/or designates for feedback, review and clarification. These meetings will also develop material that contributes to the process documentation deliverables mentioned in item 3.

Note:

The following documents and directives are available to provide guidance in the development of the construction cost change studies.

- 2005 Municipal Government Act
http://www.qp.gov.ab.ca/documents/Acts/M26.cfm?frm_isbn=0779737822
- 2005 Ministers Guidelines
http://municipalaffairs.gov.ab.ca/as_minister_guidelines.htm
- 2005 Construction Cost Reporting Guidelines
http://municipalaffairs.gov.ab.ca/as_minister_guidelines.htm
- Costs based on construction within 50 km of the City of Edmonton Boundary.

5. Project Costs

Additional project related fees for third party costs incurred by the Contractor, not to exceed \$1000.

Any significant and reasonable project related costs for long-distance travel, communications, reproductions or other items would be addition to the hourly charges.

Payment will be made to the contractor upon acceptance of the deliverables by the Branch and submission of an invoice by the Contractor.

6. Project Assumptions

Staff and documents of Alberta Municipal Affairs will be available to the consultant as reasonable and necessary to complete the project on schedule.

Alberta Municipal Affairs will not dictate the place of work or the hours of work, just the delivery date for the final project.