

2005
ALBERTA
CONSTRUCTION COST
REPORTING GUIDE

Government of Alberta ■
Municipal Affairs



MINISTERIAL ORDER NO. L:228/11

I, Doug Griffiths, Minister of Municipal Affairs, pursuant to sections 322 and 322.1 of the *Municipal Government Act* and the applicable regulations, make the following order:

- The 2011 Alberta Farm Land Assessment Minister's Guidelines,
- The 2011 Alberta Linear Property Assessment Minister's Guidelines,
- The 2011 Alberta Machinery and Equipment Assessment Minister's Guidelines,
- The 2011 Alberta Railway Property Assessment Minister's Guidelines, and
- The 2005 Alberta Construction Cost Reporting Guide

as set out in the attached document, are established and become effective for the 2011 assessment year for taxation in 2012 and subsequent years.

This Ministerial Order rescinds Ministerial Order No. L:268/10 as of December 31, 2011.

Dated at Edmonton, Alberta, this 6th day of DECEMBER, 2011.



Doug Griffiths
Minister of Municipal Affairs





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1.000 COSTS TO BE INCLUDED IN DETERMINING ASSESSABLE COSTS

The costs of construction reported by the company to the assessor are the actual expenditures made in constructing the facility as referenced in the agreement with the contractor or as incurred directly by the company.

Construction costs include both direct and indirect costs.

1.100 DIRECT COSTS VERSUS INDIRECT COSTS

Direct costs are costs for labour, materials, and installation costs which can be directly related to the construction of a specific facility.

Indirect costs are costs incurred away from the site or are costs allocated to the project. Indirect costs are also incurred by a company that uses in-house resources to construct a facility.

The assessor should review the company submission to determine whether in-house staff have been involved in any construction activities. When such activities are identified allowances for indirect costs are to be included.

Direct costs include but are not limited to:

- staff, including labour, supervision, inspection, janitorial, and security,
- materials used for construction,
- consulting fees,
- engineering, design, and surveys,
- construction equipment: including scaffolding, pumps, tools, and consumable supplies,
- monitoring and control of construction,
- handling and storage of materials and equipment,
- equipment maintenance, repairs, and winterization,
- temporary facilities,
- clean-up costs and removal of rubbish, and
- security, including yard lighting and fire protection.

Indirect costs include but are not limited to:

- general contractor and subcontractor profit,
- contractors' overhead, including administration costs and head office allocations,
- staff recruitment,
- permits: building, electrical, etc.,
- insurance: fire, liability, property, etc., and
- cost to obtain a performance bond.

2.000 COSTS TO BE EXCLUDED IN DETERMINING ASSESSABLE COSTS

The following costs are to be excluded when determining assessable cost. This listing is not intended to be exhaustive.

Not all construction costs associated with a project are included in determining assessable cost. A project cost may be excluded from assessable cost for one or more of the following reasons:

- it is the cost of a pre-construction activity,
- it is the cost of a post-construction activity,
- it is associated with a component of the project which is not defined as property in the Act, and/or
- it is associated with property which is made exempt from assessment in the Act.

It may be necessary for the assessor to meet with the company representative to determine the status of specific costs and to understand accepted industrial policies and practices.

2.100 PRE-CONSTRUCTION ACTIVITIES

2.100.100 FEASIBILITY STUDIES

The costs associated with studies evaluating the viability of a proposed project are excluded. The costs of feasibility studies must be reported separately from the costs of developing working models that facilitate construction or staff training, which are included as project costs.

2.100.200 CANCELLATION CHARGES

Payments made to a contractor for cancellation of a project before any construction is performed are excluded.

2.200 POST-CONSTRUCTION ACTIVITIES

2.200.100 COMMISSIONING, PRE-PRODUCTION RUNS, AND START UP

The costs associated with the following activities occur after the physical completion of construction and are excluded:

Commissioning: the analysis and verification of operational processing or manufacturing systems.

Pre-production run: pre-operational run of the process allowing for adjustments, revisions, etc., that produce product to specification.

Start up: a run that produces on-specification product at design quantities within warranty provisions.

Note: The costs of equipment installed during, or as a result of, commissioning, pre-production, and start up runs are included.

2.200.200 CONSUMABLE MATERIALS

The costs for chemicals and catalysts consumed as part of an industrial process and during commissioning, pre-production, and start up are excluded.

2.300 PROPERTY THAT CANNOT BE ASSESSED

The cost of “property”, “improvements”, “structures”, or “machinery and equipment” that do not meet the legislated definitions are excluded.

2.300.100 ROYALTIES, LICENSES, AND PATENT FEES

The payments made for the right to use particular processes are excluded.

2.300.200 MOBILE EQUIPMENT

The costs for mobile equipment are excluded.

2.300.300 SPARE EQUIPMENT

Spare machinery and equipment stored on site, but not designated as standby equipment, is excluded.

2.300.400 DESIGN CHANGES, ALTERATIONS, AND MODIFICATIONS

Alteration costs incurred during construction that improve the operational efficiency of the original plant design, are excluded. Likewise, the costs of “de-bottlenecking” or modifying an operating process are excluded if there are no changes to the equipment inventory.

Note: The cost of equipment installed to improve operational efficiency is included.

2.300.500 INTERFERENCE COSTS

Additional costs incurred for reasons of safety while working in close proximity to existing facilities, such as the cost of pilings to ensure the structural integrity of existing buildings or the rerouting of piping, electrical lines, or telecommunications lines, are all excluded.

2.300.600 GOODS AND SERVICES TAX (GST)

The GST paid on construction materials and services is excluded.

2.300.700 IMPORT DUTY AND BROKER FEES

The duty and fees levied on an imported component that increase its cost above the cost of a comparable component made in Canada, are excluded.

2.300.800 BONUS OR PENALTY

Bonuses such as those paid to a contractor for completion of the project prior to a stipulated deadline, are excluded. Similarly, a financial penalty imposed for failure to meet a condition in the contract is not deductible.

2.300.900 COMPUTER COSTS

Hardware and software computer costs that are not used, or intended to be used, as part of or in connection with the property being assessed, but are necessary to support the business activities carried on at the facility, such as accounting and personnel, are excluded.

2.400 PROPERTY EXEMPT FROM ASSESSMENT

Costs for property excluded from the assessment in accordance with section 298(1) of the Act are excluded.

2.500 ABNORMAL COSTS OF CONSTRUCTION

In order to reduce uncertainty and improve assessment consistency among regulated properties the following assumptions are made to describe normal conditions for the construction of regulated property:

- an adequate labour force is readily available at the worksite,
- raw materials and pre-fabricated component parts are readily available,
- projects are financed from operations or from shareholder equity and companies make no provision for interest during construction, and
- premium payments are not made for overtime worked.

The determination of what constitutes “typical” or “normal” is difficult; it is subjective and it may vary over time, from one location to another and among industries. If the actual costs of an industrial facility are greater than typical construction costs, the excess construction costs of the facility are considered abnormal and are excluded.

Abnormal costs can result from delays in construction caused by natural disasters or inclement weather or they may occur when the construction workforce is on site but a lack of supplies or a work slowdown reduces or stops actual construction. Additional costs incurred because of unproductive labour are excluded.

Two additional examples of abnormal costs are:

- a cost that would typically not be incurred in a balanced market, and/or
- a cost that is excluded to maintain consistency among regulated properties.

Specific documentation is required to substantiate claims for abnormal costs.

2.500.100 TRAVEL COSTS

The costs of paying staff for time spent travelling to and from the worksite or any costs to supply transportation for the workforce to and from the site are excluded.

2.500.200 TRANSPORTATION COSTS

The costs of transporting raw material and components from the Edmonton area to the work site are excluded. However, if the actual transportation costs from the point of origin to the plant site are equal to or less than the cost to the Edmonton area, the entire transportation costs are included.

Note: The cost of loading and unloading the raw materials and components is included.

2.500.300 INTEREST DURING CONSTRUCTION

The interest to finance the construction of a regulated property is excluded.

2.500.400 OVERTIME

The premium portion of wages and fringe benefits paid for overtime is excluded. For example, if time and a half is paid, the regular time portion is included but the extra half portion is excluded.

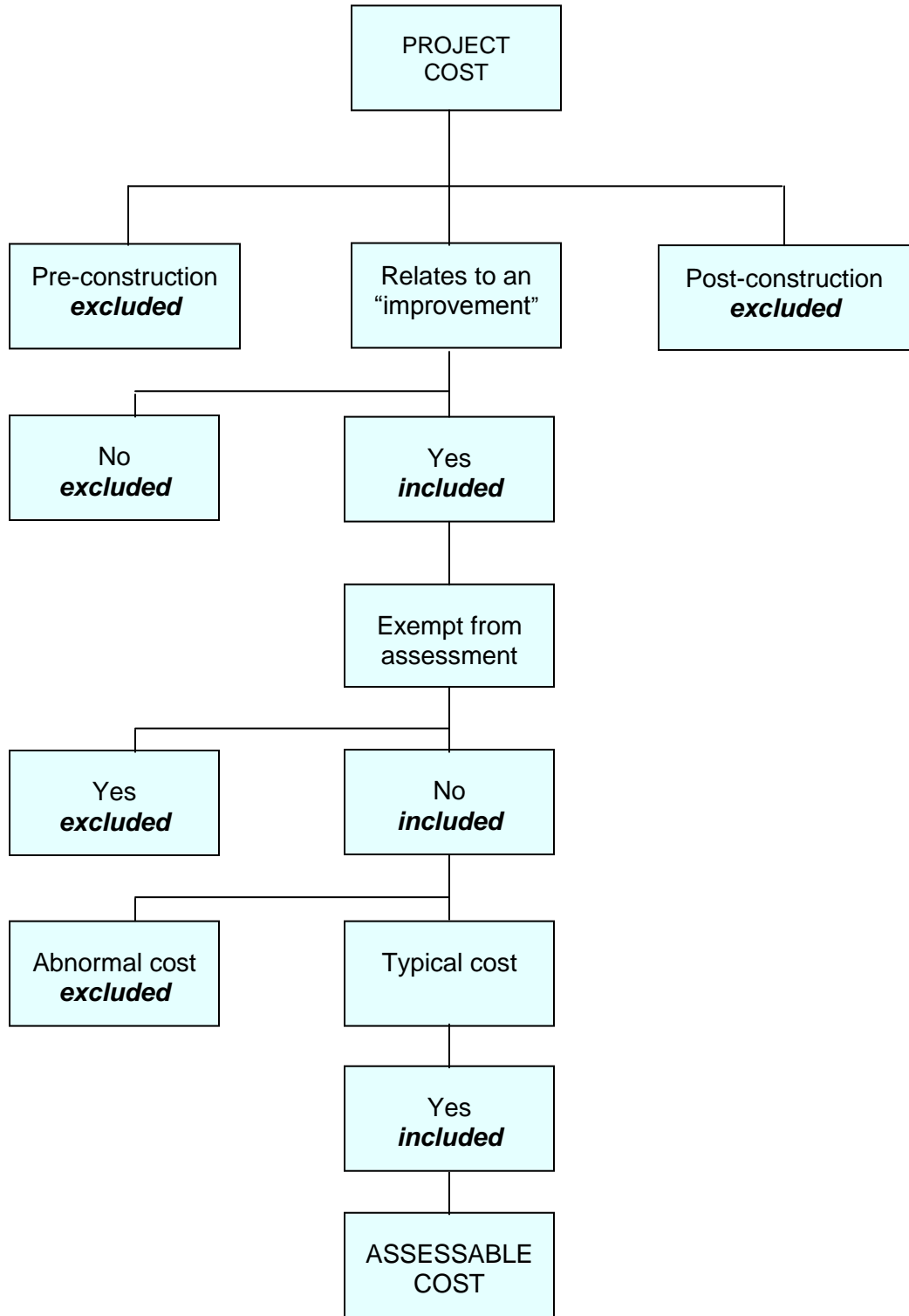
2.500.500 PROPERTY TAXES

The property and business taxes paid on a facility are excluded.

GLOSSARY

Act	The <i>Municipal Government Act</i> , RSA 2000 Ch. M-26
Company	The assessed person as described in section 304 of the <i>Municipal Government Act</i> .
Company Representative	A person authorized by the company in writing to provide information that will be used for the purposes of preparing an assessment.
Contractor	The person or firm designated by contract as responsible for the overall construction of the facility.
Edmonton area	The City of Edmonton and the surrounding area within 50 kilometres of the City limits.

FIGURE 1 FROM PROJECT COST TO ASSESSABLE COST



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