



2019-2022 Business Plan

Ontario Infrastructure and Lands Corporation



**Infrastructure
Ontario**

Ministry of Infrastructure

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FEB 04 2020

Mr. Christopher Voutsinas
Board Chair
Ontario Infrastructure and Lands Corporation (Infrastructure Ontario)
1 Dundas Street West, 20th Floor
Toronto, Ontario
M5G 1Z3

Dear Mr. Voutsinas:

I would like to thank you and the members of the Board for your hard work and dedication. The work that Infrastructure Ontario is doing to modernize and add value to public infrastructure projects in Ontario is greatly appreciated.

I am pleased to approve the Infrastructure Ontario three-year business plan for fiscal years 2019-22. In keeping with Management Board of Cabinet's *Agencies and Appointments Directive*, IO is expected to publicly post the 2019-22 business plan to its website within 30 calendar days of this approval.

We will continue to be committed to providing continued support to IO's ongoing efforts to generate value through Ontario's public assets.

Sincerely,

A handwritten signature in black ink that reads "Laurie Scott". The signature is written in a cursive, flowing style.

Laurie Scott
Minister of Infrastructure

Enclosure: Infrastructure Ontario 2019-22 Business Plan

- c: Ehren Cory, President and Chief Executive Officer, Infrastructure Ontario
Chris Giannekos, Deputy Minister, Ministry of Infrastructure
Adam Redish, Assistant Deputy Minister, Infrastructure Policy, Ministry of Infrastructure
Wendy Ren, Director, Infrastructure Planning and Policy, Ministry of Infrastructure

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Part One: Executive Summary

Infrastructure Ontario (IO/Agency) is an agency of the Government of Ontario that exists to support the modernization of Ontario's public assets through partnerships with the public and private sector.

IO is uniquely positioned within government as the commercial interface between public sector policy and private sector delivery and innovation. The Agency's value to government is in its ability to provide a cross-functional team in the design, execution and management of programs, projects and transactions across a broad range of asset types. IO has built a reputation upon providing evidence-based commercial solutions, applying best practice in the execution of projects and transactions and effectively managing the realty portfolio and loans program, all with the goal of modernizing Ontario's public assets.

The Agency's renewed vision, mission and values builds on IO's historical mandate while also

recognizing that there is an opportunity to have a greater impact in support of government priorities.

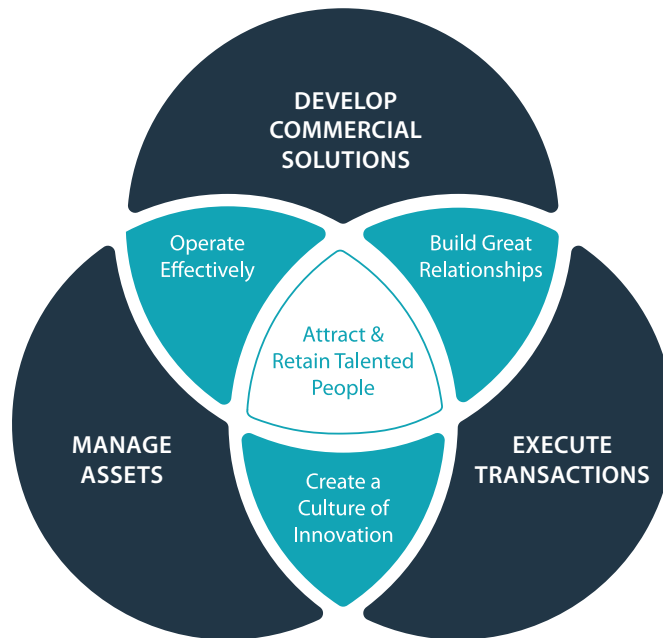
The Agency's capabilities are being leveraged across government to further expand IO's role in delivering commercial solutions, executing transactions and managing assets. IO has been entrusted to deliver on a number of key initiatives for government. IO's business priorities for this coming fiscal year are a reflection of these government priorities and include the following.

HIGHLIGHTS OF CURRENT BUSINESS ACTIVITIES

- ▶ **Metrolinx's GO Expansion program (formerly Regional Express Rail):** Five projects within the enabling works package are in construction with three others in procurement. The GO Expansion On-Corridor (OnCorr) project achieved RFP release in spring

Figure 1: IO's Vision, Mission and Values

Partnering to Modernize Ontario's Public Assets



Protecting Public Interest | Maximizing Value to Taxpayers |
Leading Innovative Delivery Models

Part One: Executive Summary

2019. This project includes complex work such as new signalling, electrification and train control systems, new and expanded track construction, vehicle procurement, and maintenance and operation of the entire Metrolinx transit fleet. IO worked extensively with Metrolinx to conduct analysis of market capacity and best practices for this project.

- ▶ **Transit (LRT):** With completion expected in 2021, the Eglinton Crosstown LRT project is the flagship of a broader transit program being undertaken in partnership with Metrolinx. The 19-kilometre Crosstown corridor will include a 10-kilometre underground portion between Keele Street and Laird Drive. It will have 25 stations and stops linking to 54 bus routes, three subway stations and various GO Transit lines. It is a signature transit project in the Toronto area that will offer new reliable transit to residents, integrate transit services, help manage congestion, connect people to jobs and improve the economy and residents' quality of life.
- ▶ **Real Estate Office optimization:** The objective of the Office Optimization Plan is to maximize the use of government-owned office space and minimize third-party leased space across the province. This year, IO will complete community-based office optimization plans for several municipalities, including Toronto.. Timing will align with the Queen's Park Reconstruction project. In addition, the completed office optimization plan for London includes office space for agencies and the broader public service in addition to the government real estate portfolio. Office optimization plans for Oshawa, Kingston, Sudbury and North Bay are progressing with completion planned for September 2019.
- ▶ **Ontario Place redevelopment:** IO, on behalf of the Ministry of Tourism, Culture and Sport (MTCS), has launched an international process to seek bold development concepts that will reinvent the Ontario Place site as

a world-class, all-season destination. IO is helping the Province to realize its vision for Ontario Place by designing and implementing a Call for Development process for the entire site (up to 155 acres of land and water). This opportunity is being marketed internationally through IO's advisors - KPMG and Colliers - utilizing an innovative promotional strategy that includes film, social media, print ads, digital promotion and a global network of industry leaders. Following the in-market period, IO will lead the assessment of submissions, due diligence review and support MTCS in commercial negotiations, transaction structuring and closing activities.

- ▶ **Loan Program:** The Loan Program helps fill an infrastructure financing gap facing municipalities and other eligible borrowers by providing cost effective fixed-rate financing at terms longer than typically available, thereby increasing capacity for capital renewal. This year, IO is expecting to advance approximately \$400 million in low risk target sectors, primarily to municipalities, municipal corporations and non-profit housing providers.

HIGHLIGHTS OF EMERGING ACTIVITIES AND STRATEGIC OPPORTUNITIES

As an Agency, IO abides by the principles of protecting the public interest, maximizing value to taxpayers and leading innovative delivery models. IO's ability to do this effectively is strengthened when the Agency is engaged early to support government in designing commercial solutions to complex challenges. By having IO involved earlier in solution design, the Agency can effectively leverage its experience across real estate, infrastructure, lending and commercial projects to bring a breadth of solutions to bear. The Agency is also well positioned to leverage its skills and capabilities to deliver projects and programs across a broader spectrum of delivery models and asset types as well as to expand its role in the management of government real estate. Some examples of these emerging and expanding roles in support of delivering on government's priorities is described below:

Part One: Executive Summary

- ▶ **Subways:** In the Spring of 2019, the Province announced plans to expand transit in Toronto through a subway program, and highlighted the first construction projects to be delivered, including the Ontario Line. In support of this priority initiative, IO is working closely with Metrolinx to review and develop project scope, budget, technical due diligence, project controls and commercial integration aspects of the program. Recommendations on how to proceed will be brought forward to government in the Fall of 2019.
- ▶ **Transit Oriented Development:** In collaboration with Metrolinx, IO will complete and deploy a commercial strategy (in progress) for the delivery of station infrastructure through Transit Oriented Development across existing GO networks and for newly announced subways and light rail transit (LRTs) in the GTA. The objective of this program is to leverage densification opportunities that transit offers to develop communities (residential, commercial, retail) in, around and integrated with transit network stations. This type of development could present financial benefits (direct offset to a portion of station development costs and ongoing revenue as part of the development), ridership benefits (encouraging live, work and play communities) and economic benefits (unlocking opportunities for adjacent development and growth).
- ▶ **Government Real Estate Optimization:** The Province has a significant real estate portfolio that is currently fragmented across a number of public sector owners. As the largest single asset manager in the province, IO is well positioned to leverage its skills, experience, tools and technology in support of developing and executing a true enterprise real estate strategy. As a first step, IO is working with the government to get a consolidated 'view' of the portfolio including identification of holdings and basic information with respect to program support, asset value and condition, etc. This will enable a strategic review of the

province's real estate holdings with a view to unlocking optimization opportunities.

- ▶ **Long-term Care Strategy:** Working with the Ministry of Health and the Ministry of Long-Term Care, IO is developing a strategy to accelerate delivery of long-term care bed supply in the province. This will include the design of innovative solutions to address market concerns while also protecting the public interest and relieving the significant pressures associated with existing wait lists.
- ▶ **Extra Provincial Advisory Services:** On May 29th, with the passage of the Provincial Budget Bill, the amendments to the Ontario Infrastructure and Lands Corporation Act now permit IO to provide services to non-Ontario entities ("extra provincial advisory services"). IO is only able to provide these services at the direction of the Minister of Infrastructure and it is expected that progress in the short term will only be by way of pilot phase assignments, intended to assist management in determining IO's resource requirements, financial model and billing structure, pipeline for sustainability and refinement of IO's advisory services value proposition.

OPERATIONAL PRIORITIES FOR THE COMING YEAR

Attracting and retaining talent is a key priority for management as the Agency focuses on ensuring it has the resources and skills required to deliver on its mandate today and into the future. IO's ability to operate effectively requires that it focus on reducing 'red tape' where it exists and establish the internal governance, business processes, tools and technology to support its business needs. Building great relationships means that the Agency is focused on removing 'silos' within the organization and is striving to understand the needs of its key stakeholders and bring a 'whole of IO' approach to solutions. As an organization that has been leading the delivery of innovative partnership models, IO has a responsibility to ensure that it continues to foster a culture of innovation in the organization and avoid complacency in its approach.

Part One: Executive Summary

IO's operational priorities for this fiscal year will focus on:

- ▶ Identifying, recruiting and developing talent to meet current and forecasted gaps;
- ▶ Renewing leadership focus around development, coaching and mentorship to increase employee engagement and retain key talent;
- ▶ Aligning the organization to reflect the nature and volume of work ahead;
- ▶ Engaging in a proactive way with IO's stakeholders to strengthen relationships, build IO's value proposition and manage risks;
- ▶ Streamlining governance and cost recovery frameworks to reflect how the Agency needs to work;

- ▶ Developing expertise and organizational capacity to design IO's processes and technology to drive efficiencies;
- ▶ Embedding enterprise risk management practices into IO's annual business planning process;
- ▶ Aligning internal data analytics capabilities to address specific business problems; and
- ▶ Creating an environment that rewards experimentation and innovation.

The 2019/2020 Corporate Objectives define specific goals in support of IO's mission and values that, working together, will enable the Agency to achieve its vision of 'partnering to modernize Ontario's public assets.' IO's success will be measured through tangible metrics (Key Performance Indicators) focused on defined outcomes.

Table 1 – Corporate Objectives

VALUE	CORPORATE OBJECTIVE 2019/20	CONSIDERATIONS IN DEFINING KPIs AND MEASURING PERFORMANCE
DEVELOP COMMERCIAL SOLUTIONS	<p>Identify and develop commercial solutions that, in partnership with the private sector, optimize the value of public assets, projects and programs.</p> <p>Leverage in-house expertise to implement market accepted solutions in support of government priorities.</p>	<p>IO wants to ensure its advice is turning into meaningful and marketable solutions for government. As such, IO's measurement of success will be relative to the Agency's ability to move advice 'upstream' in the solution design phase and the extent to which these solutions turn into marketable transactions that meet government's objectives. Solutions should also be designed to support market participation and drive value to taxpayers.</p>
EXECUTE TRANSACTIONS	<p>Meet or exceed industry best practices and performance in the delivery of government priorities, projects and transactions across a spectrum of delivery models.</p>	<p>IO's performance will be measured by the Agency's ability to execute transactions that achieve the best value for government assets with foremost consideration for safety, efficiency and effectiveness.</p>

Part One: Executive Summary

VALUE	CORPORATE OBJECTIVE 2019/20	CONSIDERATIONS IN DEFINING KPIs AND MEASURING PERFORMANCE
MANAGE ASSETS	<p>Optimize value of the portfolio through strategic investments, divestments, developments and partnerships.</p> <p>Effectively manage and mitigate asset and program risks.</p>	Measures will reflect IO's performance as managers to direct strategic investments, manage risk in the portfolio and develop mitigation strategies where assigned resources are not sufficient to deliver outcomes.
ATTRACT & RETAIN TALENTED PEOPLE	Use IO's Employee Value Proposition pillars (Real Impact, Empowered to Succeed, One Team, Grow Our People) to position talent to be ready to meet current and emerging mandates.	IO recognizes that having the right people in the right roles is critical to its success. The measures will ensure IO is meeting the Agency's commitments to grow its people, engage them in meaningful ways and maintain a safe environment.
OPERATE EFFECTIVELY	Undertake internal initiatives to ensure that IO's governance model, business processes, technology and resources are aligned and positioned to support current and emerging mandates.	Measuring operating performance will focus on metrics that assess IO's diligence in budgeting practices, resource forecasting and governance in order to ensure the Agency is evolving and improving the way business is conducted.
BUILD GREAT RELATIONSHIPS	Take a 'whole of IO' approach to building strong partnerships with government, industry and other key stakeholders around shared goals.	Measures and initiatives have been designed to ensure IO's key partners and stakeholders view the Agency as proactive and providing value in the services delivered. IO seeks to be recognized as thought leaders and innovative, when faced with an issue or challenge.
CREATE A CULTURE OF INNOVATION	Build a culture that empowers people to develop ideas that position IO to lead in a changing environment.	Measuring IO's success in creating a culture will be a reflection of the employee's experience (e.g. do they feel empowered to bring forward new ideas, take appropriate risks, and learn through failures).

Part Two: Introduction

The Corporate Objectives and Key Performance Indicators will serve as the accountability framework with the Board of Directors. Performance will be reported on a quarterly basis.

This Business Plan serves to provide a summary as to the Agency's business priorities for this coming fiscal year and operational areas of focus to continue to drive performance and professionalization of IO as an organization.

▣ 2.1 LEGISLATIVE MANDATE

Infrastructure Ontario is a Province of Ontario Crown Agency, and classified as a Board-Governed Agency. Its authority is provided by the Ontario Infrastructure and Lands Corporation Act 2011 (OILC Act). The legislative authority of IO, and the Agency's mandate, as defined in the OILC Act is to:

- ▶ provide advice and services on financial, strategic or other matters involving the government;
- ▶ implement or assist in the implementation of transactions involving the government;
- ▶ provide advice and services, including project management and contract management, related to infrastructure projects in Ontario that are not government property;
- ▶ provide advice and services related to government property, including project management, contract management and development;
- ▶ provide financial management for government property held by the Ministry of Government and Consumer Services (MGCS) or by a Crown agency for which the Minister of Government and Consumer Services is responsible;
- ▶ provide advice and services related to real property to prescribed public sector organizations;
- ▶ provide advice and services to non-Ontario entities related to development of public infrastructure loan programs; real property;

financial strategic or other matters; and the implementation of transactions; and

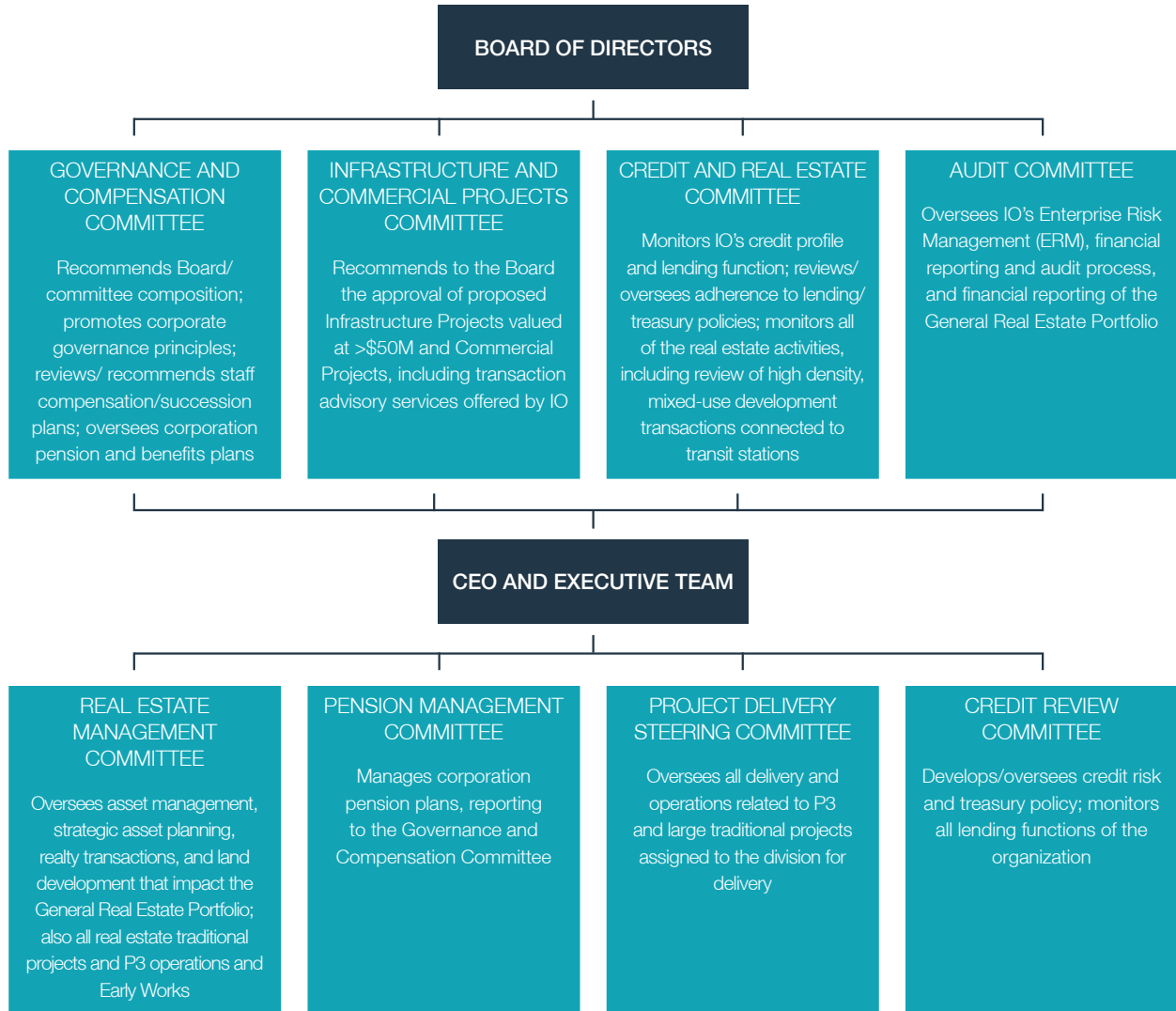
- ▶ provide financing for infrastructure purposes to municipalities and to other eligible public organizations.

▣ 2.2 GOVERNANCE

IO applies a high standard of corporate governance to ensure accountability and operational effectiveness. IO is governed by a Board of Directors and Chief Executive Officer appointed by the Lieutenant Governor in Council. The Agency is accountable to the Ontario Legislature through the Minister of Infrastructure and reports to the Minister through the Chair of the Board. A Memorandum of Understanding (MOU) from the Minister clarifies and delineates IO's roles and responsibilities, as well as the accountability framework between the ministry and the Agency. The business plan and annual report submitted to the Minister are prepared in accordance with applicable legislation and the government's Agencies and Appointments Directive. Decision-making thresholds of IO's management committees and individual staff members are governed by a Delegation of Authority, which is approved by the Agency's Board of Directors.

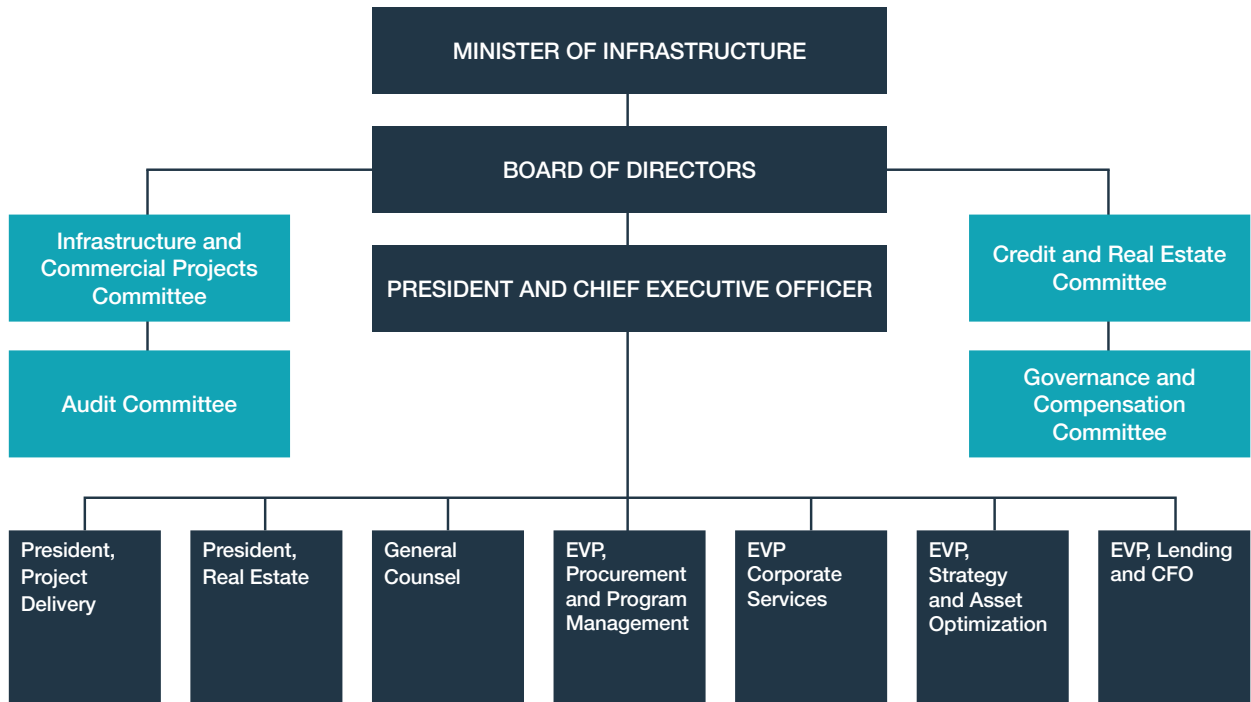
Part Two: Introduction

Figure 2: IO's Board and Management Committee Structure



Part Two: Introduction

Figure 3: IO's Corporate Structure



Part Three: Business Planning Process

IO's business planning process is grounded in the Agency's vision, mission and values. Each year, the Agency undertakes a process to:

- ▶ Review IO's external and internal environment and business context;
- ▶ Assess opportunities to leverage IO's core competencies and strengths to support the government in delivering on its priorities; and
- ▶ Identify areas to improve IO's business relative to the Agency's core values.

This process provides the framework for the establishment of IO's annual Corporate Objectives and Key Performance Indicators, which provide the accountability framework for its Board of Directors. It also supports the prioritization of IO's management activities and initiatives.

▣ 3.1 VISION, MISSION AND VALUES

Figure 4: IO's Vision, Mission and Values

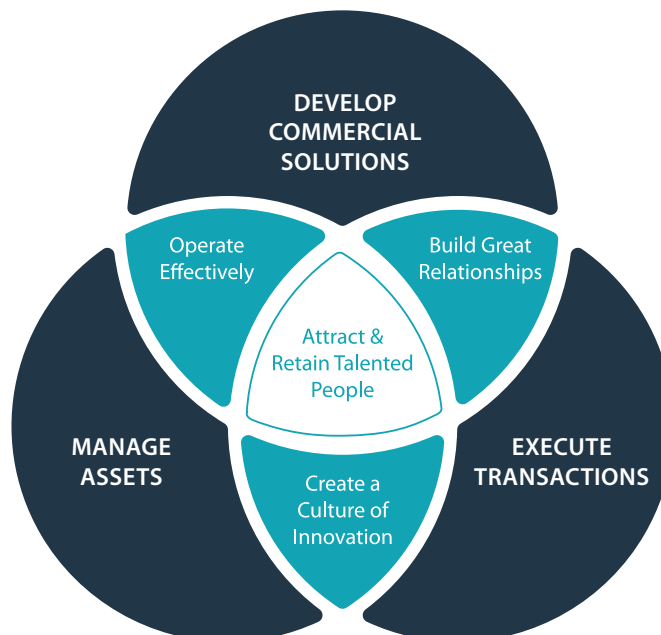
IO's vision statement articulates why the Agency exists. Working in **partnership** with the public and private sectors, IO serves to **modernize all Provincial public assets** – infrastructure, real estate, and public services/enterprises. Underlying this vision are core principles that are inherent in IO's business philosophy:

- ▶ **Protect the public interest;**
- ▶ To “**maximize value**” for the taxpayer; and
- ▶ To be a centre of excellence for “**innovative delivery.**”

IO's mission speaks to **what** they do and the outcomes they are responsible for achieving on behalf of the Province:

- ▶ **Developing Commercial Solutions** that optimize the value of public-sector assets through innovative solutions and transformative projects;

Partnering to Modernize Ontario's Public Assets



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Leading Innovative Delivery Models

Part Three: Business Planning Process

- ▶ **Executing Transactions** by using IO's strong track record in delivering infrastructure and real estate to follow through on the government's mandate; and
- ▶ **Managing Assets** by providing an enterprise-wide view to maintain public infrastructure and real estate effectively over their life cycle in partnership with the private sector.

IO's four "pillars of success," which are the Agency's values, are an integral part of how the Agency puts its mission into action:

- ▶ **Attracting and Retaining Talent.** People are at the centre of IO's values. Attracting and retaining talented people with the right expertise is fundamental to IO in order to effectively deliver on its mandate. IO must continually provide a modern, inclusive and safe organization for its employees.
- ▶ **Building Great Relationships.** A key to IO's success is in its deep relationships with both the public and private sector. IO continues to be able to form innovative solutions and deliver on its projects by leveraging its relationships across industry and within the public sector.
- ▶ **Creating a Culture of Innovation.** IO is committed to continuously improving and being leading edge in the design of commercial solutions, executing transactions and managing assets. This requires that the Agency fosters an environment where employees are encouraged to generate and test new ideas and approaches.
- ▶ **Operating Effectively.** IO is focused on providing value to taxpayers in delivering projects with public and private sectors efficiently and effectively. In order for this value to be realized, the Agency must ensure that the right governance, business processes, technology and tools are in place to support IO's success.

Part Four: Business Overview and Current Emerging Activities

▣ 4.1 ENVIRONMENTAL SCAN

As part of IO's annual business planning process, the Agency conducts an external scan of environmental factors that may influence IO's business (e.g. government's priorities and the industry landscape). IO's strong reputation as an effective execution agency, both inside and external to government, provides a platform upon which the Agency can grow its impact to government. IO's ability to build the right partnerships within government and the private sector ensure that the Agency is positioned to maximize outcomes and policy objectives for government.

GOVERNMENT PRIORITIES:

A number of priority initiatives present opportunities for IO to leverage its core competencies and strengths in support of government's objectives. In particular, the Agency is strongly aligned with three keys themes:

- ▶ **High debt levels and commitment to balancing books** necessitate (a) finding new ways to pay for infrastructure and/or lower the cost of delivery, and; (b) pursuing partnerships with the private sector to deliver services more efficiently and/or generate revenue.
- ▶ **Commitments around long-term care bed supply and general innovations to end hallway medicine** necessitate finding new ways to utilize existing assets and partner with the private sector to achieve goals.
- ▶ **Transit upload and subway investments** are signature initiatives – coupled with other priorities, delivery needs to be structured in ways that maximize private sector innovation and capabilities. Opportunities to broaden development in and around stations will create new revenue streams for government and drive community building.

INDUSTRY LANDSCAPE AND MARKET CONDITIONS:

While IO is positioned to support these government priorities, the Agency must also ensure it is responding to a changing industry landscape and market conditions that may impact IO's business.

- ▶ **Potential Decline in Market Participation:** The P3 market is dominated by a few large players. The Agency's ability to generate a competitive bidding environment on projects is critical to maximizing value to the taxpayer.
- ▶ **Market Capacity:** With a significant pipeline of projects on the horizon, the Agency must monitor the market's capacity to bid upon these projects – both in terms of being able to actually respond to the process requirements (when there is potential for competing projects in the marketplace) as well as the capacity to deliver (e.g., sufficient financing available, sufficient labour resources to deliver, etc.).
- ▶ **Increasing Complexity of Projects:** Infrastructure projects are becoming increasingly complex with technology playing a more dominant role in the delivery of traditionally bricks and mortar projects. New asset classes are presenting new forms of risk that are difficult to identify, assess and transfer.
- ▶ **Canadian Infrastructure Bank (CIB) presents** an opportunity to leverage federal tax base to lower delivery costs and unlock projects that would otherwise not happen (e.g., last mile broadband, urban LTC, etc.).

The environmental analysis is foundational to our annual business planning as it guides the Agency's focus on the activities required to achieve our mission and values.

▣ 4.2 DEVELOPING COMMERCIAL SOLUTIONS

As an Agency, IO abides by the principles of protecting the public interest, maximizing value to taxpayers and leading innovative delivery models. IO's ability to do this effectively is strengthened when the Agency is engaged early to support government in designing commercial solutions to complex challenges. IO's experience across real estate, infrastructure, lending and commercial projects enables the Agency to bring a breadth of solutions to bear.

At the onset of a project or program solution design, IO's services include:

Part Four: Business Overview and Current Emerging Activities

- ▶ Business case development to inform policy decisions – establishing clear, evidence-based and commercially sound business cases that support policy advice to decision makers;
- ▶ Jurisdictional scans and market studies – identifying relevant public sector comparators and market trends;
- ▶ Delivery model option assessment – optimize and structure modern project delivery models to support government policy objectives;
- ▶ Strategic advice – to support government priorities and assess potential investment, development, partnership and/or economic opportunities;
- ▶ Program support – assessment options to support delivery of program objectives / match program demand to supply;
- ▶ Process design – Customize transaction processes to achieve government objectives (e.g., procurements, divestments, service concessions, business process outsourcing, license auctions, design competitions, broker-led real estate dispositions with or without post-closing obligations, proposal calls, etc.).

Current and emerging project and program activities in the solution design phase include, but are not limited to:

- ▶ Ontario Place redevelopment: IO, on behalf of the Ministry of Tourism, Culture and Sport (MTCS), has launched an international process to seek bold development concepts that will reinvent the Ontario Place site as a world-class, all-season destination. IO is helping the Province to realize its vision for Ontario Place by designing and implementing a Call for Development process for the entire site (up to 155 acres of land and water). This opportunity is being marketed internationally through IO's advisors - KPMG and Colliers - utilizing an innovative promotional strategy that includes film, social media, print ads, digital promotion and a global network of industry leaders. Following the in-market period, IO will lead the assessment of submissions, due diligence review and support MTCS in commercial negotiations,

transaction structuring and closing activities.

- ▶ Transit Oriented Development: In collaboration with Metrolinx, IO will complete and deploy a commercial strategy (in progress) for the delivery of station infrastructure through Transit Oriented Development across existing GO networks and for newly announced subways and LRTs in the GTA. The objective of this program is to leverage densification opportunities that transit offers to develop communities (residential, commercial, retail) in, around and integrated with transit network stations. This type of development could present financial benefits (direct offset to a portion of station development costs), ridership benefits (encouraging live, work and play communities) and economic benefits (unlocking opportunities for adjacent development).
- ▶ Long-term Care Strategy: Working with the Ministry of Health and the Ministry of Long-Term Care, IO is developing a strategy to accelerate delivery of long-term care bed supply in the province. This will include the design of innovative solutions to address market concerns while also protecting the public interest and relieving the significant pressures associated with existing wait lists.
- ▶ Extra Provincial Advisory Services: On May 29th, with the passage of the Provincial Budget Bill, the amendments to the Ontario Infrastructure and Lands Corporation Act now permit IO to provide services to non-Ontario entities ("extra provincial advisory services"). IO is only able to provide these services at the direction of the Minister of Infrastructure and it is expected that progress in the short term will be by way of pilot phase assignments, intended to assist management in determining IO's resource requirements, financial model and billing structure, pipeline for sustainability and refinement of IO's advisory services value proposition.

Part Four: Business Overview and Current Emerging Activities

▣ 4.3 EXECUTING TRANSACTIONS

IO is a leader and centre of excellence within government for the execution of transactions across real estate and infrastructure projects. The Agency uses a variety of project delivery approaches to procure infrastructure projects of all sizes and complexities, including public-private partnerships (P3) and traditional project delivery (e.g. Construction Management, Design-Build.) IO is able to tailor the Agency's role and project models to meet the needs of projects and clients. Every delivery approach offers different benefits to the government and, by using different models, IO is able to be flexible when working with project sponsors to find the best solution for their needs.

IO currently has 13 P3 projects in pre-transaction phase (e.g., Ontario Line and Niagara Health System); 14 in transaction (e.g., Thunder Bay Correctional Complex and QEW Credit River Bridge); and 26 in construction (e.g., Highway 427 Expansion and OPP Modernization). These projects cover a range of sectors including health care, justice, transit and transportation. Highlights include:

- ▶ Work on Metrolinx's GO Expansion program (formerly Regional Express Rail) is well underway. Five projects within the enabling works package are in construction with three others in procurement. The GO Expansion On-Corridor (OnCorr) project achieved RFP release in spring 2019. This project includes complex work such as new signalling, electrification and train control systems, new and expanded track construction, vehicle procurement, and maintenance and operation of the entire Metrolinx transit fleet. IO worked extensively with Metrolinx to conduct analysis of market capacity and best practices for this project.
- ▶ The reconstruction of the Macdonald Block complex is set to begin in 2019 and will be delivered under a Design Build Finance Maintain (DBFM) model. The project is significant as the first major DBFM for a government accommodation facility and will reduce the cost of government operations, resulting in a modern, efficient and

environmentally responsible workplace. This project is expected to achieve Financial Close by summer 2019.

- ▶ With completion expected in 2021, the Eglinton Crosstown LRT project is the flagship of a broader transit program being undertaken in partnership with Metrolinx. The 19-kilometre Crosstown corridor will include a 10-kilometre underground portion between Keele Street and Laird Drive. It will have 25 stations and stops linking to 54 bus routes, three subway stations and various GO Transit lines. It is a signature transit project in the Toronto area that will offer new reliable transit to residents, integrate transit services, help manage congestion, connect people to jobs and improve the economy and residents' quality of life.
- ▶ In the Spring of 2019, the Province announced plans to expand transit in Toronto through a subway program. In support of this priority initiative, IO is working closely with Metrolinx to review and develop project scope, budget, technical due diligence, project controls and commercial integration aspects of the program. Recommendations on how to proceed will be brought forward to government in the Fall of 2019.

IO's direct delivery team has six Design Bid Build (DBB) projects currently under construction. Projects with a capital value of less than \$10 million are typically delivered in partnership with IO's service providers. More significant or complex projects are managed directly by IO and some highlights of these include the following.

- ▶ Construction is underway on the Centre for Excellence in Transportation Infrastructure (CETI) project for the Ministry of Transportation through traditional delivery under the direct delivery program.
- ▶ The construction of a new laboratory space will replace outdated facilities at MTO's current Downsview site. The new facilities will allow for the research, laboratory testing, technical evaluations and approval

Part Four: Business Overview and Current Emerging Activities

of materials to be used in the design, construction, maintenance and operation of the transportation system.

- ▶ The Queen's Park Primary Decant project reached substantial completion on March 31, priming the Macdonald Block project team for success in starting work on the MacDonal Block Reconstruction work. Four other traditional projects are in construction (Dryden MNRF Fire Management Centre, Brampton Courthouse Addition, London Laboratory Hub and OPP London Provincial Communications Centre.)

IO's real estate expertise provides a disciplined approach and rigour to executing and managing leasing, acquisition and divestment transactions to meet program needs.

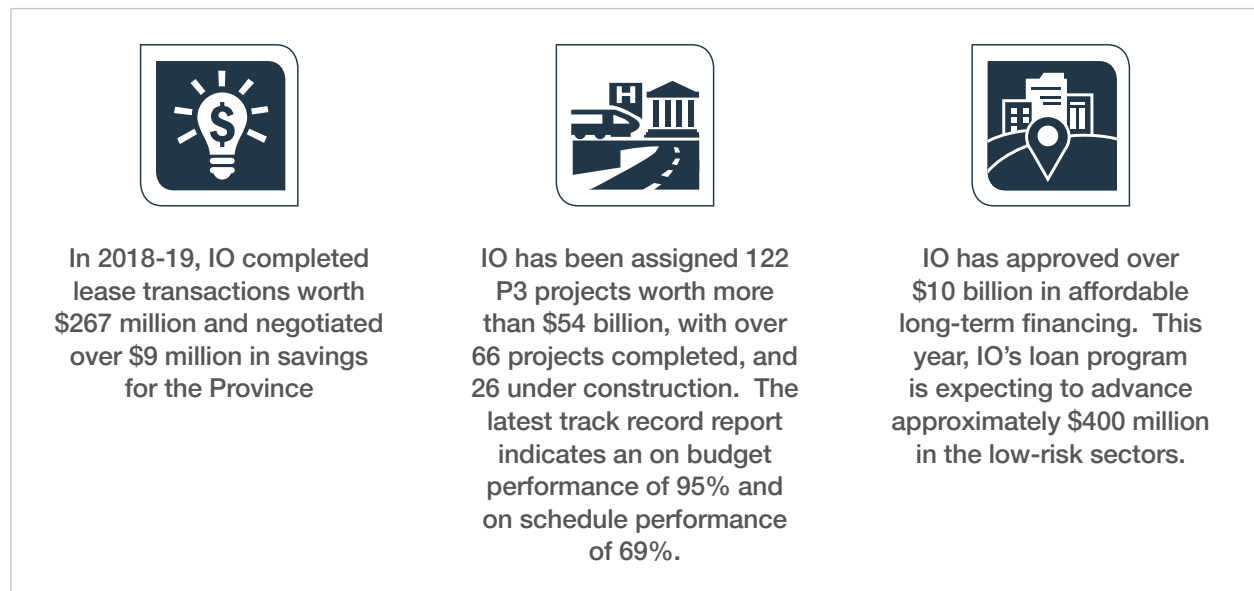
- ▶ IO leases approximately 10 million rentable square feet of space from the private sector on behalf of government. IO is committed to managing these properties to meet the needs of government while also minimizing portfolio leasing costs. IO's comprehensive leasing plans meet ministry accommodation needs, drawing upon: market knowledge to maximize leasing under advantageous market conditions; significant buying power; strong landlord relationships; and standardized lease templates. In 2018-19, IO completed lease transactions worth \$267 million and negotiated over \$9 million in savings.
- ▶ In response to government priorities and recommendations from the Auditor General, IO undertook a review of its 10-year divestment plan to identify opportunities to optimize the process in order to ensure surplus properties are released efficiently and effectively. Subsequently, IO developed a four-year Accelerated Divestment Plan of assets within the General Real Estate Portfolio (GREP) controlled by MGCS. A first wave of divestments was reviewed and approved by Treasury Board/Management Board and is underway with a goal of divesting 243 properties by 2022, generating between \$105 million and \$135 million in revenue, resulting

in annual cost reduction of ~\$10 million and returning approximately 14,600 acres to productive use. Since the development of the Accelerated Divestment Plan, IO has divested 30 properties, amounting to approximately 429 acres and 800,000 square feet, generating \$70.64 million in revenue, and \$2.09 million in annual cost reduction. Work is underway to identify properties for a second wave package.

IO's lending program is a catalyst for investment in the sector. The Agency provides long-term financing for public infrastructure, particularly to municipalities and other public sector organizations, consistent with IO's credit policies and guidelines. The Loan Program helps fill an infrastructure financing gap that municipalities and other eligible borrowers face and provides cost effective fixed-rate financing at terms longer than typically available in the market, increasing capacity for capital renewal. This year, IO is expecting to advance approximately \$400 million in the low-risk target sectors, primarily to municipalities, municipal corporations and non-profit housing providers.

Part Four: Business Overview and Current Emerging Activities

Figure 5 – Program Impacts (As of March 31, 2019)

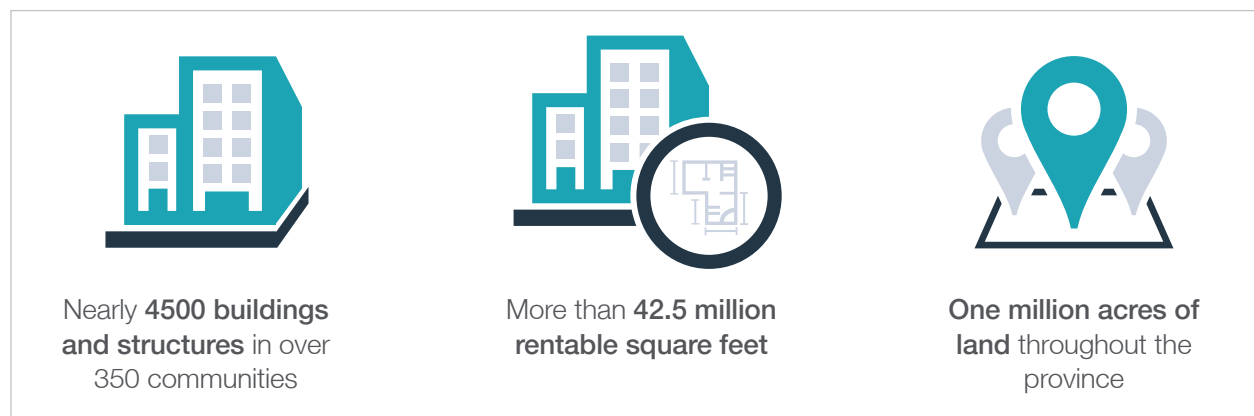


To ensure IO maintains a best-in-class reputation, the Agency holds itself accountable for continuous improvement of IO's program. As IO's programs have matured, the incorporation of lessons learned has been built into the organization's foundational structure from enterprise to project level.

4.4 MANAGING ASSETS

IO is the asset manager for the Provincial real estate holdings that are currently owned by the Ministry of Government and Consumer Services (MGCS). The General Real Estate Portfolio (GREP) represents approximately 40% of the total holdings that government funds¹. The provincial real estate portfolio is one of Canada's largest and most diverse.

Figure 6 – GREP Portfolio (As at March 31, 2019)



¹Ownership and realty authority of the remaining 60% is fragmented across more than 340 government agencies, ministries and broader public sector entities.

Part Four: Business Overview and Current Emerging Activities

As stewards of GREP, IO aims to:

- ▶ Deliver government program needs **with the least amount of real estate needed**, at the **lowest cost** and in an **appropriate and safe condition**;
- ▶ **Maximize the value** of surplus holdings – both in terms of proceeds / liability reduction and other objectives (e.g., long-term care, affordable housing, economic development); and,
- ▶ Create **new divestment and development opportunities** by challenging upstream delivery models and consolidating entire portfolios.

In support of the above objectives, IO's real estate team is focused on the following key activities:

- ▶ **Real Estate Office optimization:** The objective of the Office Optimization Plan is to maximize the use of government-owned office space and minimize third-party leased space across the province. This year, IO will complete community-based office optimization plans for several municipalities, including Toronto. Timing will align with the Queen's Park Reconstruction project. In addition, the completed office optimization plan for London includes office space for agencies and the broader public service in addition to the government real estate portfolio. Office optimization plans for Oshawa, Kingston, Sudbury and North Bay are progressing with completion planned for September 2019.
- ▶ **Lab consolidation:** The objectives of the Lab Services Sector Optimization Study are to: improve and modernize laboratory facility conditions; enhance the efficiency of the lab portfolio footprint and operations; and generate synergies and consolidation opportunities between ministries and agencies that utilize lab assets. To support this work, IO will conduct a comprehensive business case intended to identify opportunities for optimization of these assets.

- ▶ **Next Generation Outsourcing:** The next planned procurement for project management services and property and land management services will be in 2022. IO will be conducting analysis in advance of the next services procurement, and will develop a business case that considers the performance management framework, award evaluation criteria and procurement options. This will enable the Agency to continue to deliver on its commitment to open, fair and transparent procurement processes while maintaining competition.
- ▶ **Prioritized Investments:** The IO Real Estate group will complete proactive reinvestments in the General Real Estate Portfolio required for continued ministry program needs while also divesting and demolishing underutilized and vacant/surplus assets.
- ▶ **Safety Management:** Working with its industry partners, IO will further develop tracking and measuring of safety practices to enable continuous improvement of maintenance and construction methods impacting all stakeholders in the real estate portfolio.

IO also provides real estate services to other provincial asset owners through various partnership arrangements. This has expanded the Agency's 'view' into the Province's holdings and enables IO to identify broader enterprise opportunities for value optimization. Examples include:

- ▶ **Real Estate Optimization:** IO is well positioned to assist all levels of government in creating innovative solutions that optimize the deployment of public assets while serving the public interest. The Agency provides clients with customized strategies to maximize the value of publically-owned real estate. Based upon sound analysis, IO prepares site-specific business cases that seek to maximize attainable land value and leverage this value to support government objectives, such as provision of affordable housing or long-term care. From planning, due diligence and strategy development through to transaction design, management and negotiations, IO

Part Four: Business Overview and Current Emerging Activities

is adept at devising creative, market-viable strategies that optimize utilization, maximize value and improve services to Ontarians.

- ▶ **Geoportal:** IO's GeoPortal system is a single source of easily searchable GREP asset information. GeoPortal is used to securely view documents and mapping information, as well as to retrieve MPAC and Teranet data. Its mapping interface provides a simple way to view and analyze geospatial data. The portal is an award winning, highly secure solution that has already proved to be scalable to meet the needs of the broader public sector. This asset is leveraged to be the 'one window' solution for the government's real estate inventory initiatives, allowing school boards and other entities to coordinate, manage and access real estate circulation and infrastructure data with transparency and consistency. There are approximately 2051 Geoportal users in various ministries, agencies and broader public sector entities. IO has been working to develop a comprehensive view of all government properties (not just for surplus circulation), which could further the opportunities for additional consolidation, program consistency and usage.

The Province has a significant real estate portfolio that is currently fragmented across a number of public sector owners. As the largest single asset manager in the province, IO is well positioned to leverage its skills, experience, tools and technology in support of developing and executing on a true enterprise real estate strategy. As a first step, IO is working with government to get a consolidated 'view' of the portfolio including identification of holdings and basic information with respect to program support, asset value and condition, etc. This will enable a strategic review of the province's real estate holdings with a view to unlocking optimization opportunities.

Since the establishment of the loan program, IO has approved over \$10 billion in affordable long-term financing to 425 public sector clients throughout Ontario, supporting over 2,800 infrastructure renewal projects (as of March 31, 2019).

Municipalities and housing providers make up the bulk of the loan program clients with IO currently focused on growing the low-risk loans in these sectors. IO's loan book has a current value of \$6 billion. To support the due diligence of the lending program, the Credit Risk team reviews credit applications and supporting information and monitors management of the organization's lending activities including: lending and underwriting standards; asset quality; the amount, nature, characteristics, concentrations and quality of the organization's loan portfolio; and conditions that may materially impact the loan program.

Part Five: Operational Initiatives

IO's strong reputation as an effective execution agency, both internal and external to government, provides a platform upon which the Agency can grow its impact. IO has a recognized brand and continues to demonstrate the breadth of in-house skills and capabilities that can be leveraged in support of an expanded set of commercial solutions and models that address government's program and service needs.

At the same time, IO recognizes that there are a number of areas that require attention. Themes that emerged through discussion with leadership and through an assessment of the Agency's areas of weakness include:

- ▶ **Developing its people and improving the employee experience** – the work IO undertook to develop an employee value proposition is the foundation upon which the Agency will attract and retain talent in this organization. In an environment where market competition for talent is high, IO needs to continue to focus on the pillars of this value proposition to ensure that it resonates with staff at all levels.
- ▶ **Developing an enterprise-wide approach to resource planning, technology and business process design** – the organization exists today as an amalgamation of different functions within government (e.g., Ontario Realty Corporation). With that comes a fragmentation of approaches, technology and tools to support the business. Of immediate importance is the need to create a consistent approach to identifying and filling resource gaps across the organization. In the near term, IO also needs to focus efforts on developing an enterprise solution to technology needs and an associated data strategy so that systems are modern, can speak to each other and do not perpetuate silos in the organization.
- ▶ **Continue to execute on the stakeholder engagement strategy** – This past year, IO has implemented a new strategy for engaging its key stakeholders. At the core of this strategy is a recognition that when

the Agency can bring the 'whole of IO' to client ministries, partners and government, IO can provide its best advice in support of designing solutions, executing transactions and managing assets.

- ▶ **Empowering a culture of innovation and collaboration** – taking tangible action to create an environment that encourages employees to come forward with new and innovative ideas and approaches to ensure IO continues to be a centre of excellence in the delivery and stewardship of public assets. As an organization, IO needs to understand and define its risk tolerance so that innovation is enabled.

Focusing on how IO delivers is paramount in this period of growth. The Agency's business plan gives significant consideration to mapping management activities that focus on mitigating operational risks and positioning IO to succeed in achieving the strategic opportunities. These activities are priorities that are anchored in IO's core values, the four pillars of how the Agency strives to deliver work.

▣ 5.1 ATTRACT AND RETAIN TALENT

Attracting and retaining talent is paramount to meet IO's current and expanding mandate. The Agency's employee value proposition, which is based on the concepts of having real impact, feeling empowered to succeed, being one team and growing its people, will be a key foundation to how the organization will attract and retain talent.

IO is also striving to maintain a responsible and balanced approach to compensation, recognizing the constrained environment in which the Agency operates and the competitive labour market in which IO exists. IO participates in annual surveys with the Conference Board of Canada and RealPac, and has worked with Mercer Canada, a global consulting leader in talent, to establish pay bands that blend both private and public sector comparators in order to attract top talent.

Part Five: Operational Initiatives

For the fiscal year ending March 31, 2019, IO's average staff complement was 526.

The average employee age is 41 with approximately five years of service.

IO's operational priorities relative to the Agency's talent force will be focused on:

- A. Identifying, recruiting and developing talent to meet current and forecasted gaps.
- B. Renewing leadership focus around development, coaching and mentorship to increase employee engagement and retain key talent.

▣ 5.2 OPERATE EFFECTIVELY

IO is focused on providing value to taxpayers in delivering transactions and managing assets in partnership with the public and private sectors. In order for this value to be realized, IO must ensure its governance, business processes, technology and tools are effective and efficient.

GOVERNANCE

IO applies a high standard of corporate governance to ensure accountability and operational efficiency. In addition to IO's accountability to its Board of Directors, internally programs are governed by four management committees:

- ▶ Real Estate Management Committee: Oversees asset management, strategic asset planning, realty transactions and land developments that impact GREP, all real estate traditional projects, P3 operations and early works.
- ▶ Pension Management Committee: Manages corporation pension plans, reporting to the Governance and Compensation (Board) Committee.
- ▶ Project Delivery Steering Committee: Oversees all delivery and operations related to P3 and large traditional projects.
- ▶ Credit Review Committee: Develops/oversees credit risk and treasury policy and monitors all lending functions.

Program and project level governance must be structured to support successful delivery of expected outcomes. IO is undertaking a process to update Memorandums of Understanding (MOUs) with key government partners to reflect the nature of the work, define roles and responsibilities and facilitate decision-making in order to deliver desired outcomes.

BUSINESS PROCESSES, TECHNOLOGY AND TOOLS

Resource planning and business process mapping has traditionally been decentralized within IO, which has the risk of creating gaps and/or redundancies in programs, systems and tools. Having consistent tools in use across the entire organization for collaboration, workflow and process creation will create valuable efficiencies for all departments within IO. In support of the Agency's enterprise IT architecture, the Information Technology team has developed a four-year strategy focused on several areas that are intended to support basic business functions. Initiatives this year include:

- ▶ Increased collaboration using Skype for Business as a unified messaging system for phone, video, and web conferencing.
- ▶ Launch of digital transformation strategy designed to unlock the value of IO's data and leverage analytics to power its business model. Initiatives include modernizing digital collaboration, enabling actionable analytics utilizing existing data from programs, and developing an enterprise approach to data governance to ensure consistency and ease of access.

In order to build on its culture of continuous improvement, IO recognizes that the efficiency of its processes is critical to effective execution. Leading organizations are gaining competitive advantages by leveraging artificial intelligence and other technologies to improve business operations and drive efficiencies. In an environment where IO's mandate continues to expand, the Agency must seek to identify opportunities to leverage technology and AI capabilities.

IO's priorities relative to the Agency's effective operation will be focused on:

Part Five: Operational Initiatives

- A. Streamlining the organizational structure to reflect the nature and volume of work ahead, placing a greater emphasis on the Agency's role in real estate development and positioning IO as a full service and integrated infrastructure and real estate company.
- B. Streamlining governance and cost recovery frameworks to reflect how the Agency needs to work. Ensure funding sources reflect the nature of the work IO is doing.
- C. Developing expertise and organizational capacity to design IO's processes and technology to drive efficiencies.
- D. Embedding enterprise risk management practices into IO's annual business planning process.

▣ 5.3 BUILD GREAT RELATIONSHIPS

A key to IO's success is in the Agency's deep relationships with both the public and private sector. IO continues to be able to form innovative solutions and deliver on its projects by leveraging its relationships across industry and within the public sector.

As a trusted Agency of the Province, transparent communication with all of IO's partners is critical. As people and organizations become more diverse in how they gather information, IO is constantly directing its communications to the places people seek out their information. Communications continuously demonstrate the value of all IO's work using a variety of approaches, including the Agency website and project profiles, social media updates (twitter and LinkedIn), videos, photos and other digital tools.

GOVERNMENT AND MINISTRY PARTNERS

Because of the Agency's strong relationships across government, IO is able to work collaboratively with ministry partners to develop solutions and optimize value through opportunities that may otherwise go unidentified.

IO is actively working with its key partner ministries to align the Agency's competencies in support of their key priorities and ensure IO is contributing early on and bringing 'whole of IO' solutions to the table.

As a government agency, IO collaborates with the Ministry of Infrastructure and other partners to ensure the government is also equipped with information it needs to communicate IO's work as part of the Government's broader infrastructure agenda.

IO's proactive and responsive approaches to media relations helps to further promote its work, transparency and value to the people of Ontario.

INDUSTRY AND THE PUBLIC

IO works closely with its private sector partners to deliver projects and transactions successfully. Building relationships with industry, demonstrating IO's commitment to transparency and maintaining the public interest critical to IO's success. IO engages with the market in a number of ways: regular dialogues with industry leaders; seeking out industry feedback in an effort to continuously improve; speaking at industry events; and collaborating with partners on shared communications opportunities. IO runs a robust, open, fair and transparent procurement process to ensure prudent use of public funds.

IO has extensive policies, processes and audit controls for all that it does to protect the organization against unethical conduct. Transparent and ethical business practices are imperative to IO's reputation both publicly and in the marketplace.

In addition, IO understands that in order to continue to be leading edge it must be responsive to changing market conditions and perspectives. IO's stakeholder strategy reflects this commitment and strengthening its relationships with industry partners will be a key area of focus of this plan.

Part Five: Operational Initiatives

IO's operational priorities relative to the Agency's relationship building will be focused on:

- A. Continuing to break down silos internally;
- B. Engaging in a proactive way with IO's key stakeholders to strengthen relationships, build IO's value proposition, provide upstream solutions and manage risk.

▣ 5.4 CREATE A CULTURE OF INNOVATION

IO is committed to continuously improving and being leading edge in the design of commercial solutions, execution of transactions and management of assets. Innovation is more than just the generation of new ideas, it requires that the Agency foster an environment where employees are empowered and encouraged to generate and test new ideas, approaches, and tools that are aligned with IO's values and goals.

IO's operational priorities relative to the Agency's culture of innovation will be focused on:

- A. Aligning internal data analytics capabilities to address specific business problems (e.g., predictive analytics to reduce P3 claims, identifying/assessing credit risk);
- B. Creating an environment that rewards experimentation and innovation. Ensure competencies are included in leadership assessment criteria and are reflected as part of annual talent review discussions.

Part Six: Corporate Objectives and Key Performance Indicators

The 2019/2020 Corporate Objectives define specific goals in support of IO's mission and values that, working together, will strive to achieve its vision of Partnering to Modernize Ontario's Public Assets. IO's success in implementing its business plan will be measured through tangible metrics (Key Performance Indicators) focused on defined outcomes.

Table 2 – Corporate Objectives

VALUE	CORPORATE OBJECTIVE 2019/20	CONSIDERATIONS IN DEFINING KPIs AND MEASURING PERFORMANCE
DEVELOP COMMERCIAL SOLUTIONS	Identify and develop commercial solutions that, in partnership with the private sector, optimize the value of public assets, projects and programs. Leverage in-house expertise to implement market accepted solutions in support of government priorities.	IO wants to ensure its advice is turning into meaningful and marketable solutions for government. As such, IO's measurement of success will be relative to the Agency's ability to move advice 'upstream' in the solution design phase and the extent to which these solutions turn into marketable transactions that meet government's objectives. Solutions should also be designed to support market participation and drive value to taxpayers.
EXECUTE TRANSACTIONS	Meet or exceed industry best practices and performance in the delivery of government priorities, projects and transactions across a spectrum of delivery models.	IO's performance will be measured by the Agency's ability to execute transactions that achieve the best value for government assets with foremost consideration for safety, efficiency and effectiveness.
MANAGE ASSETS	Optimize value of the portfolio through strategic investments, divestments, developments and partnerships. Effectively manage and mitigate asset and program risks.	Measures will reflect IO's performance as managers to direct strategic investments, manage risk in the portfolio and develop mitigation strategies where assigned resources are not sufficient to deliver outcomes.

Part Six: Corporate Objectives and Key Performance Indicators

VALUE	CORPORATE OBJECTIVE 2019/20	CONSIDERATIONS IN DEFINING KPIs AND MEASURING PERFORMANCE
ATTRACT & RETAIN TALENTED PEOPLE	Use IO's Employee Value Proposition pillars (Real Impact, Empowered to Succeed, One Team, Grow Our People) to position talent to be ready to meet current and emerging mandates.	IO recognizes that having the right people in the right roles is critical to its success. The measures will ensure IO is meeting the Agency's commitments to grow its people, engage them in meaningful ways and maintain a safe environment.
OPERATE EFFECTIVELY	Undertake internal initiatives to ensure that IO's governance model, business processes, technology and resources are aligned and positioned to support current and emerging mandates.	Measuring operating performance will focus on metrics that assess IO's diligence in budgeting practices, resource forecasting and governance in order to ensure the Agency is evolving and improving the way business is conducted.
BUILD GREAT RELATIONSHIPS	Take a 'whole of IO' approach to building strong partnerships with government, industry and other key stakeholders around shared goals.	Measures and initiatives have been designed to ensure IO's key partners and stakeholders view the Agency as proactive and providing value in the services delivered. IO seeks to be recognized as thought leaders and innovative, when faced with an issue or challenge.
CREATE A CULTURE OF INNOVATION	Build a culture that empowers people to develop ideas that position IO to lead in a changing environment.	Measuring IO's success in creating a culture will be a reflection of the employee's experience (e.g. do they feel empowered to bring forward new ideas, take appropriate risks, and learn through failures).

The 2019/2020 Corporate Objectives define specific goals in support of IO's mission and values that, working together, will strive to achieve its vision of Partnering to Modernize Ontario's Public Assets. IO's success in implementing its business plan will be measured through tangible metrics (Key Performance Indicators) focused on defined outcomes.

Part Seven: Risk Management

RISK MANAGEMENT FRAMEWORK

IO has an Enterprise Risk Management (ERM) framework that helps to guide the organization in its risk management activities. This framework establishes a governance structure, specifies the approach towards risk and defines, assesses and categorizes the risks to which the organization is exposed. The ERM framework and governance structure encourages a risk-aware culture where risk management is an integral part of IO's strategic and operational decision-making. It helps ensure that risks and opportunities facing the Agency are identified and facilitates the understanding, discussion, evaluation and management of risks at all levels of the organization. IO continues to mature its ERM framework in line with leading practices and updated its risk register in 2019, placing continued emphasis on emerging risks and improvement in risk management reporting. Refer to Appendix 1 for a complete summary of IO's Risk Register.

7.1 RISK MANAGEMENT POLICIES, PROCESSES AND STANDARDS

The ERM policy outlines a framework for risk management, including an overall approach to identifying, assessing and managing organizational risk. The policy describes the key elements of the ERM program including the governance structure, reporting and monitoring requirements, and the roles and responsibilities of key stakeholders.

Risks are identified into categories:

- ▶ Strategic Risks generally pertain to IO's mandate and business environment risks. These risks are managed through the risk management governance process including the Board and relevant committees and internal management committees;
- ▶ Reputational Risks pertain to risks that can impact the IO brand, image or reputation as the result of the actions of the Agency; indirectly due to the actions of an employee or employees; or tangentially through the actions of other peripheral parties, such as partners or suppliers. These risks are

managed through good governance practices and transparency and monitored by the Board and relevant committees and internal management committees;

- ▶ Operational Risks include risks associated with people, process, technology, security, compliance and mandate execution, which can affect the ability of IO to achieve its corporate objectives. Operational risks are managed through the business units, internal management committees and appropriate Board committees; and
- ▶ Financial Risks pertain to risks that can impact IO's cash position and financial results and reporting. They are managed through various reporting, lending and investing policies and procedures as well as ongoing management governance through the Board and relevant committees and internal management committees.

IO has a structured process to ensure the quality and consistency of risk management activities that are reported to the Board:

- ▶ The Audit Committee and the Board review the ERM policy as required to ensure it continues to be appropriate and reflects best practices;
- ▶ The Board reviews and approves all P3 projects at milestone dates;
- ▶ The risk register is updated by the Risk Management and Internal Audit department with extensive participation from senior management across the Agency. The Risk Management and Internal Audit department facilitates the ongoing identification and monitoring of risk and the reporting and monitoring to senior management, the respective Board Committees, Audit Committee and the Board;
- ▶ An ERM and Internal Audit status update dashboard is provided quarterly to management and to the Audit Committee; and
- ▶ The risk register is utilized by Internal Audit to update the rolling three-year Internal Audit Plan. The Internal Audit Plan includes

Part Seven: Risk Management

quarterly reviews of operational controls to ensure compliance against set policies and procedures. It also incorporates a strategic risk-based approach to the internal audit role.

IO maintains a robust and integrated internal control framework and policy suite to mitigate risks. Controls are supported by an active management team ensuring IO's processes are efficient and effective. Mitigations are assessed as part of a cyclical process to determine whether the residual risk levels are tolerable, whether new mitigation/treatment plans are needed and whether the existing plans are effective. IO's mitigation plans are subject to regular independent reviews and audits by IO's Risk Management and Internal Audit department and other auditors, such as, the Ontario Internal Audit Division and the Office of the Auditor General of Ontario. However, IO recognizes that there is an opportunity to better integrate its risk management practices within the business planning process, and a priority for the coming fiscal year will be on ensuring top risks to the organization are part of the business planning discussion and guide prioritization of Operational Initiatives (e.g., for this fiscal year, the need for a market capacity study is driven by IO's view of potential market risk of delivering on the pipeline).

▣ 7.2 KEY RISKS

■ 7.2.1 Strategic

RAPID MANDATE EXPANSION

The Ontario Government may increase IO's mandate and scope of operations, resulting in a rapid expansion of the portfolio, resource base and operations. In addition to a rigorous framework for hiring staff and additional resources developed to match any changes in mandate/scope of work, the strategic direction of IO is governed and supported by Annual Letters of Direction from the Ministry of Infrastructure and Ministry of Government and Consumer Services, memoranda of understanding between various ministries IO serves, and regular ministerial briefings which help to better relationships with current government decision makers so IO is aware of any changes being contemplated for its' mandate and scope of operations.

DECLINING MARKET PARTICIPATION

Market participation has been affected by consolidation within the construction industry and the growing complexity of IOs' projects. Decreased participation on programs, facilities management and projects may lead to schedule delays as a result of labour shortages and higher bid prices and /or collusion in a reduced bidder playing field. Through market soundings, IO, and its' service providers, interact with potential project companies and industry associations in an effort to alert the market to upcoming projects and receive feedback on market status. IO has also put in place streamlining initiatives to improve navigation of the procurement process.

ALIGNMENT OF OBJECTIVES, ROLES AND RESPONSIBILITIES WITH PARTNERS

The objectives, roles and responsibilities between IO and its partners may be misaligned under project arrangements where IO does not exercise full control over project management and governance due to decision-making by partners. This could result in IO being negatively impacted by underperforming projects and/or suffering the reputational fallout. To avoid uncertainty amongst partners, IO develops robust governance documents and processes to maintain clarity on project mandates with partners.

LIMITED GOVERNMENT FUNDING FOR AGED REAL ESTATE PORTFOLIO

Government of Ontario funding devoted to real property asset management is currently inadequate to maintain and/or enhance the current property portfolio. Funding shortfalls could result in asset degradation, value deterioration, health and safety incidents and mandated targets not reached (e.g. greenhouse gas and accessibility). IO has developed a plan, which focuses on right-sizing the portfolio, ensuring it is safe and sustainable and delivered efficiently and effectively by IO. While IO maximizes existing funding and works to minimize funding shortfalls, inadequate funding remains a challenge.

Part Seven: Risk Management

BUSINESS TECHNOLOGY MISALIGNMENT

The alignment between a comprehensive enterprise technology strategy and the supporting business processes can improve organizational efficiency and effectiveness. The development of IT resources and systems in isolation may result in a misalignment with IO's business objectives, project management and service delivery requirements. As a result, IO has in place a robust executive-level governance, approval and budgeting structure focusing on IT holistically across the organization and the implementation of prioritized projects.

INFORMATION EFFECTIVENESS AND DATA MANAGEMENT

Decentralized operating and support services business units which are responsible for critical information management tasks may lead to an inconsistency of practice, reduced analytical rigor, and inconsistent/ incomplete application of information for commercial decision-making. IO has established Data & IT Management Committee and various working groups to ensure information management needs and concerns are identified and understood. A key initiative includes the implementation of a data governance strategy that will establish enterprise-wide roles and responsibilities for ownership and recording of information.

EFFECTIVE RESOURCE PLANNING

IO may be challenged with planning and delivering on an expanded mandate, without a comprehensive and integrated approach to assessing resource requirements. IO is working to define the current and future resource requirements of the organization, including reviewing and prioritizing needs against existing vacancies to determine priorities for IO's business needs.

■ 7.2.2 Reputational

CLAIMS AND LITIGATION

An increase in the frequency and magnitude of claims against IO and its projects may result in financial and resource strain to IO and the Government; and may result in damaging IO's reputation for future projects. For example, civil projects working within urban transit have a greater

risk profile and increased third-party dependencies affecting project budget/schedule. A specialized claims department within IO's legal team has been developed to manage claims centrally, and processes to manage claims are expected to be standardized for future claims. Efforts are being made to train project staff on claims management processes to retain information to support future claims. Management continuously reaffirms IO's core principles of project readiness and management to reduce risk of schedule/budget slippage to prevent claims being filed.

COST ESCALATION

The combination of aggressive risk transfer strategies, lower number of market participants, reductions in construction labour resources, and the increased cost of materials, are contributing factors to escalating market costs. The resulting impact may lead to inaccurate initial/ approved project budgets, project delays or cancellations while additional Treasury Board funding is sought, which may ultimately result in Central Agency and client expectations not being fulfilled. IO has in place core principles over project readiness and management, and the successful management of project staging places specific emphasis on the asset type, project profile, market capacity and resources required to execute multiple procurements in sequence or concurrently. IO actively works with clients and project sponsors to educate them on the ramifications project staging has on cost and scheduling. Budgeting of projects congruent to its risk profile is a critical planning aspect to help manage volatility, in addition to improved analytics to track cost estimates and to manage service providers.

■ 7.2.3 Operational

STAFF RETENTION

IO has experienced staff turnover and expects to continue to face challenges retaining high performing and experienced staff as a result of ongoing wage and salary fiscal restraint. This has potential to adversely impact service delivery. IO has established a variety of Human Resources (HR) programs designed to enhance the employee



Part Seven: Risk Management

experience at IO and enhance retention efforts (e.g. IO has promoted and pushed staff development opportunities as a key initiative/benefit to employees). IO has also implemented various retention strategies such as compensation and benefits benchmarking review, better articulation of IO's value proposition, better onboarding procedures and clearer job descriptions.

HEALTH AND SAFETY

IO is committed to the health and safety of its employees, partners, industry participants and the general public at all of its job sites and offices across Ontario. IO has put into practice health and safety measures to ensure the safety of its employees when on construction sites. This includes site access guidelines, personal protective equipment, and health and safety training and awareness. IO has developed a campaign to increase awareness, education and prevention of office related health and safety risks. This includes mandatory education sessions on workplace violence and harassment.

Part Eight: Financial Profile

8.1 BUDGET APPROACH

IO is financially self-sustaining and the budget reflects projects assigned to IO by the Ministers of MOI and MGCS in Letters of Direction and forecasted projects. In this business plan, IO focuses on budget planning for the immediate fiscal year and preliminary estimates as a reference point for future medium-term budget planning.

In delivering services, IO operates on a cost recovery basis. As part of IO's cost recovery model, standard rate schedules have been developed for staff directly assigned to projects. The rate schedules include the use of standard costs allocation methods and reflect IO's budgeted costs

of operations. The fees are agreed to at the on-set of a project and are charged to the client as work progresses and expenses are incurred, ensuring a prudent use of public funds.

IO manages its operations to enable delivery and accountability on priorities such as those set by the Minister, as well as corporate objectives determined by IO's Board. IO also assesses and anticipates future assignments and works to align its resources accordingly. As a result, IO is able to effectively allocate its resources and responsibilities in order to ensure efficiency and sustainability of operations over the period of the business plan.

8.2 STATEMENT OF OPERATIONS

(in thousands)	2019-20 Budget	2020-21 Estimate	2021-22 Estimate
Revenues			
Interest revenue	\$ 242,377	\$ 240,514	\$ 241,322
Project delivery fees	50,826	50,521	51,527
Management fees	57,582	58,645	59,803
Project transaction fees	21,025	21,446	21,874
	371,810	371,126	374,526
Expenses			
Salaries and benefits	78,382	79,950	81,549
General and administration	25,129	25,632	26,145
Interest expense	217,163	212,820	212,667
Sub-contracting fees	10,263	10,380	10,573
Project transaction costs	21,025	21,446	21,874
	351,962	350,228	352,808
Surplus	\$ 19,848	\$ 20,898	\$ 21,718

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