



# 2018-2021 Business Plan

Ontario Infrastructure and Lands Corporation



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# Part One: Mandate Overview

## ▣ 1.1 MANDATE OVERVIEW

Infrastructure Ontario (IO/Agency) is a Province of Ontario Crown Agency, and classified as a Board-Governed Agency. It was continued 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 financing for infrastructure purposes to municipalities and to other eligible public organizations;
- ▶ 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 on financial, strategic or other matters involving the government;
- ▶ implement or assist in the implementation of transactions involving the government; and
- ▶ provide advice and services, including project management and contract management, related to infrastructure projects in Ontario that are not government property.

IO reports to the Minister of Infrastructure (Minister) and is governed by a Board of Directors (Board). A Memorandum of Understanding (MOU) with the Minister of Infrastructure sets out IO's accountability framework. In March 2018, the Board Chair of IO signed a new MOU with the Minister of Infrastructure.

IO's Board has a wide breadth of expertise and private sector knowledge, as well as business, industry, and other relevant experience which is

instrumental to setting IO's strategic direction and delivering on IO's mandate.

The Ministry of Infrastructure (MOI) completed IO's agency mandate review in 2017. The review confirmed IO's mandate and its importance in delivering infrastructure and real estate priorities on behalf of the government.

Following the agency mandate review, IO's Board received the first mandate letter from the Minister of Infrastructure in the fall of 2017 as required by the Management Board of Cabinet's Agencies and Appointments Directive. The mandate letter outlines the government's key expectations for IO for the 2018-19 fiscal year and is available on IO's website.

IO works closely with the Minister as well as MOI to implement its mandate.

## Part Two: Strategic Directions

### 2.1 IO'S VISION, MISSION, VALUES

Infrastructure Ontario's vision is to partner to modernize Ontario's public assets while protecting the public interest, maximizing value to taxpayers' dollars and leading the development of innovative delivery models.

IO's expertise is centred on three key areas:

- ▶ Executing projects by using our strong track record in delivering infrastructure and real estate projects to fulfill the government's mandates;
- ▶ Managing assets by offering an enterprise-wide view to effectively maintain public infrastructure and real estate over their lifecycle in partnership with the private sector; and
- ▶ Developing commercial solutions that optimize the value of public-sector assets through innovative solutions and transformative projects.

IO's four "pillars of success" which represent our values, are an integral part of how we put our three areas of expertise into action and how we do our work. These values are:

- ▶ **Attracting and retaining talented people.** People are at the centre of IO's values. Attracting, retaining and developing talented people is a critical component in IO being able to deliver on its mandate with the required expertise and highlights an ongoing commitment to investing in our employees to create a modern, inclusive and safe organization;
- ▶ **Building great relationships.** A key to IO's success is in its deepened relationships with the public and private sector. IO continues to be able to formulate innovative solutions and deliver 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 strengthening its position as a centre of

excellence for public infrastructure and real estate. IO strives to be a change agent in the public sector by encouraging idea generation and the piloting and testing of new ideas, in partnership with the private sector; and

- ▶ **Operating effectively.** IO is focused on providing value to taxpayers' by delivering projects with public and private sectors efficiently and effectively.

The combination of IO's expertise and values create a future vision for IO: enabling IO to grow our impact, find opportunities to leverage our core skills in new sectors and new areas of government, while continuing to provide value to taxpayers. Continuing to deliver on this vision creates the path for IO's continued success in the coming years.

### IO'S VISION, MISSION, VALUES



## Part Two: Strategic Directions

### ▣ 2.2 2018-19 CORPORATE OBJECTIVES

IO developed its 2018-19 corporate objectives consistent with the organization's values. These objectives articulate how the Agency intends to execute projects, manage assets and develop commercial solutions for the Province of Ontario as well as focus on our values.

IO strategically sets its objectives on an annual basis and aligns its objectives with its core priority areas. IO's operational and principle based objective statements create a framework for the organization to deliver on its mandate while ensuring that its initiatives align with its values. IO prides itself on being diligent in its approach and disciplined in its focus on results.

IO'S 2018-2019 OBJECTIVES ARE AS FOLLOWS:

	OPERATIONAL OBJECTIVES
<b>Execute Projects</b>	1. Implement modern project delivery principles in order to meet or exceed industry performance trends for budget, schedule, safety and quality.
<b>Manage Assets</b>	2. Effectively steward assets and programs through their life cycle in order to maximize benefits from investments.
<b>Develop Commercial Solutions</b>	3. Leverage IO's commercial expertise to optimize and improve the value of government assets, projects and programs.
	PRINCIPLE BASED OBJECTIVES
<b>Attract &amp; Retain Talented People</b>	4. Create an inclusive and safe environment where people are focused on meaningful work, in order to continue to make IO a better place to work.
<b>Create a Culture of Innovation</b>	5. Be a change agent in the public sector by encouraging idea generation and piloting and testing new ideas, in partnership with the private sector.
<b>Build Great Relationships</b>	6. Cultivate relationships, partnership and client service through a systematic approach towards government, industry and community stakeholders.
<b>Operate Effectively</b>	7. Maintain good governance and accountability with our Board and with our Minister, while efficiently delivering on our mandate within budget.

\* Management has developed both quantitative and qualitative means of measuring each of these objectives.

## Part Two: Strategic Directions

### 2.3 OVERVIEW OF CURRENT AND FUTURE PROGRAMS AND ACTIVITIES

#### 2.3.1 Project Delivery

##### OVERVIEW

Project Delivery employs a variety of delivery methodologies to manage the delivery of large, complex public infrastructure using a public private partnerships (P3) approach as well as large projects delivered through traditional delivery models under the direct delivery program; this allows for consideration and use of all delivery approaches from across the spectrum of all projects.

The P3 approach is guided by a government policy framework issued by the Minister of Infrastructure and utilizes private expertise and financing to strategically build vital infrastructure, while ensuring appropriate public control and ownership. This model helps protect the public interest by integrating different components that can include the design, construction, financing, maintenance, and/or operations of a project, transferring appropriate risks and providing value for money while striving to deliver projects on-time, on-budget and to established specifications.

The P3 project pipeline, released in November 2017, includes projects with a total capital value estimated at \$15.8 billion. This pipeline builds on the \$20.5 billion worth of projects completed to date and the \$18.2 billion worth of projects currently in construction (as of June 30, 2018). Additional P3 projects that are in the due diligence process will add to the future IO pipeline.

With a pipeline of projects including highways, hospitals, courthouses, transit projects and provincial law enforcement facilities, IO has the expertise and specialization to monitor the planning, design, delivery, and long-term maintenance of these major projects. IO's responsibilities include managing procurement, negotiating contracts with private-sector consortia, and serving as commercial and procurement lead from procurement through to construction completion.

##### CIVIL INFRASTRUCTURE

IO's civil infrastructure team is responsible for over \$20 billion in capital works projects to be delivered over the next five to 10 years. This includes projects such as the Hurontario LRT which is currently scheduled to begin construction spring 2019. Construction has begun on Finch West LRT and the Highway 401 Expansion Projects is well under way with the Request for Proposal issued in spring 2018.

Work on Metrolinx's Regional Express Rail (RER) program is well underway. Four projects within the enabling works package are now in construction with several others now in procurement.

The in-corridor package 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 will continue to work with Metrolinx to conduct analysis of market capacity and best practices for this package of work in order to inform government decisions. Progress on the delivery of this transformative project is well underway with a Request for Qualifications issued in spring 2018.

IO is involved in a number of transportation projects. Both Phase 1 and Phase 2 of the Highway 407 East Project including Highways 412 and 418 which will be tolled and remain publicly owned and controlled. On January 2, 2018 a portion of Highway 407 Phase 2, from Harmony Road to Taunton/Highway 418 was opened, the remaining portion is scheduled to open by 2020. The entire Highway 407 East Project adds 64 kilometres of new highway to the Provincial Highway System. Once complete, the Highway 407 East Project will help relieve congestion and support the efficient movement of people and goods through the eastern Greater Toronto Area and beyond. IO also looks forward to collaborating with the Ministry of Transportation on a number of future road projects.

Construction is underway on the Centre for Excellence in Transportation Infrastructure (CETI)

## Part Two: Strategic Directions

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

### SOCIAL INFRASTRUCTURE

IO will continue to deliver social infrastructure projects. The new pipeline of social infrastructure projects increases the renewal and modernization of public services in hospitals, courts and detention facilities.

As part of the 2017 Budget, Ontario proposed to spend an additional \$9 billion to support the construction of new hospital projects across the province. IO in cooperation with the Ministry of Health and Long-Term Care will move forward with six new health care projects: Hamilton Health Sciences, Niagara Falls Hospital, Trillium Health Partners, Weeneebayko Area Health Authority, Kingston General Hospital and Windsor Regional Hospital.

The new P3 justice facilities include the Halton Consolidated Courthouse in cooperation with the Ministry of the Attorney General and the recent commencement of construction of the New Toronto Courthouse. Additionally, a RFQ has also been issued for a new correctional complex in Thunder Bay on behalf of the Ministry of Community Safety and Correctional Services. IO has also completed Phase 1 of the Ministry of Attorney General (MAG) Tribunal Consolidation, a multi-phase renovation, consolidation and co-location project to assist in modernizing the administration of justice. Once all phases are complete it will bring together employees from two MAG Clusters/Tribunals, currently at 11 separate locations.

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. Infrastructure Ontario issued the Request for Proposals (RFP) in February 2018.

IO also continues to work with the City of Toronto on its George Street Revitalization project, which will transform this Toronto neighbourhood. The new facility will include a long-term care home, emergency shelter program for men, a transitional living program for men and women as well as provide affordable housing. IO is also working with the Ministry of Environment, Conservation and Parks to deliver a new 230,000 square-foot facility, which will include laboratory space for the Ministry to replace the existing 125 Resources Road location.

### PROGRAM INITIATIVES

Continuous improvement is essential to how we do business and respond to the needs of the industry while also protecting the public interest. In 2017, IO initiated a vendor performance regime for contractors involved in its P3 program. This year, IO will be conducting a survey of its vendors to gain better insight into how the program is working.

In collaboration with MOI, IO and Treasury Board will continue to enhance the decision-making framework for delivery model selection for major public infrastructure projects. IO will also be working with MOI to identify ways in which IO can support asset owners to manage proper maintenance needs and standards on P3 projects.

As well, all five major construction projects forming the government's Community Benefits pilot program are being delivered by IO. IO will continue to work with MOI, the Ministry of Training, Colleges and Universities and relevant client ministries to complete the program.

IO is exploring how best to streamline its bidding process to maximize internal efficiency and reduce bidder effort and cost. IO has taken steps to simplify the RFQ process by asking only for information that is necessary to evaluate effectively. A similar exercise is being undertaken for the RFP process. In July 2017, IO implemented an



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electronic bid platform for P3 bid submissions and evaluations, which will shorten procurement timelines and reduce costs.

IO is increasingly recognizing the need to find the right balance between being prescriptive in what it asks for versus being output oriented. Finding that balance creates room for innovation. IO has spent significant effort to bring greater standardization to the form and content of our project specific output specifications (PSOS) for the social and civil asset classes. The impact of this effort will create efficiencies throughout the P3 program, improve contract management while decreasing contract disputes and enhance evaluation efficiency at the RFP stage, which will all contribute to better project outcomes. Related to this is an initiative to improve the process of how IO and its partners receive innovative ideas and provide feedback to bidders during the RFP open period.

IO continues to monitor market capacity in order to understand and anticipate the ability of the market-place to bid on and build projects, the conditions required for maximum competition and participation in IO's program, as well as the potential impacts of changes in trade policy.

### HEALTH & SAFETY

Health and safety on construction sites is always a priority and IO continues to take steps to enhance performance requirements on all of its P3 projects. This includes working with the Infrastructure Health and Safety Association (IHSA) to implement a consistent approach to health and safety standards across the civil and social portfolio and begin looking at how to incorporate quality control through field validation.

In 2016 (for P3) and 2018 (for non-P3 large capital projects in excess of \$10 million), the Certificate of Recognition (COR) accreditation program became a mandatory requirement for general contractors/constructors participating in the RFQ process. As part of the evaluation process for a RFQ, project companies are required to submit a Certificate of Recognition to supplement other key industry safety documents such as Workplace Injury Summary Reports (WSIB-WISR) and records of their performance related to management of

safety insurance claims (CAD7). As an additional safeguard, IO now requests a refresh of these documents at the end of the RFP process for P3 procurements to ensure that all information is current.

### ■ 2.3.2 Real Estate

#### OVERVIEW

IO's Real Estate division provides professional and strategic services to the Ministry of Government and Consumer Services in support of the management of the General Real Estate Portfolio (GREP), the Forfeited Corporate Property Program and the Provincial Secondary Land Use Program for hydro corridor lands. IO also provides realty services to a number of agencies and other government entities when mandated by the Minister.

IO has completed an analysis of the portfolio and has developed a 10-year integrated plan. The Targeted Real Estate Investment Plan (TRIP) is intended to address the challenges of overseeing a complex and varied portfolio and to prioritize existing funding using the realty expertise within the Agency.

TRIP is an IO plan that is implemented through existing programs. It guides IO's management activities through a continuous cycle of addressing needs, strategically choosing the best course of action, planning diligently and applying industry practices to the operation and maintenance of the core portfolio while operating within IO's existing asset management framework. IO optimizes its capital reinvestment program by prioritizing and targeting repairs to manage the portfolio in a safe and efficient manner, despite funding constraints. IO considers the full life cycle costs of each asset, categorizing land and buildings into: core assets identified for long-term use; transition assets that require additional review; and surplus assets identified for sale or demolition. The plan is continuously monitored for alignment with government priorities and amended accordingly.

#### ASSET MANAGEMENT

IO's real estate team manages and oversees the activities undertaken by the Property and



## Part Two: Strategic Directions

Land Management Services (PLMS) and Project Management Service Providers (PMSF) outsourced contracts. As a continuous improvement initiative, IO will now focus on the next generation re-procurement of these strategically outsourced contracts to enhance quality management, cost savings and innovate solutions.

Through the PMSF contract and CBRE's Small Works, IO will oversee an estimated 585 new capital repair projects this year worth an estimated \$148 million as well as the estimated \$248 million of ministry funded projects. Hundreds of small-and medium-sized Ontario businesses on IO's vendor of record lists will deliver the real estate capital repair needs of the Ontario Government.

### ACCOMMODATIONS

IO is aiming to optimize the office portfolio through securing approval of opportunities to reduce and right size the office portfolio by 50,000 rentable square feet (RSF) in order to progress space utilization target of 180 RFS per person.

As previously referenced, preparation for the reconstruction of the Macdonald Block Complex is progressing well. Planning, engagement and construction activities to support the relocation of staff from the Macdonald Block Complex to temporary office locations during the reconstruction is also proceeding as planned. The first staff move to temporary office locations began summer 2018. The complex must be vacated in 2019 to allow reconstruction to begin.

### LEASING AND TRANSACTIONS

IO has effectively managed the GREP portfolio, one of the largest public portfolios in Canada: comprised of over 4,500 buildings located in over 300 municipalities throughout the province and contains more than 43.3 million square feet of space and one million acres of land. Of this 43.3 million square feet, 10 million square feet is third-party leased space in which the province acts as tenant. Properties range from offices to courts, prisons to laboratories, heritage buildings to land banks, and reflect a wide range of functions the government supports.

The government will continue to drive further administrative efficiencies and maximize revenues by selling properties and demolishing buildings that are no longer required and that have ongoing costs and liabilities. In 2017-18, 144 buildings were sold or demolished and 53,837 acres of land sold or transferred. However, further opportunity exists to reduce the portfolio. IO has already met the three year operating savings target of \$750,000 and has met the three year sales target of \$60 million.

Most importantly, IO continues to seek and pursue all opportunities to optimize the transaction process and timelines required for the effective and efficient disposal of surplus properties. An example of how IO is leveraging the government's surplus land is through the creation of new affordable and market housing at three Toronto pilot sites, with over 2,000 new rental housing units proposed to be constructed at Grosvenor-Grenville and two West Don Lands sites.

### PROGRAM INITIATIVES

IO's value in providing real estate services to the prescribed entities continues to expand significantly. IO has provided a variety of real estate advice and services (e.g., workplace solutions, real estate options analysis, asset management, and leasing and construction project management) to more than 40 organizations. Recently, IO agreed to assist the Self-Directed Personal Support Services Ontario, an Agency under the Ministry of Health and Long-Term Care, for a five year term. This builds on the work IO is already doing to support Local Health Integration Networks. IO also looks to improve metrics for assessing the efficiency and effectiveness of the capital repair program to support the delivery of capital repair services across the Broader Public Sector.

IO will look to grow its impact utilizing its in-house expertise, subject to project-specific approvals, to effectively manage the operations phase of P3 projects in the GREP portfolio. Earlier this year, IO's oversight was extended through a new contract with Metrolinx on the East Rail Maintenance Facility to provide P3 Operations and transition support during the maintenance phase. IO is considering a service proposal to enhance the DBFM Hospital

## Part Two: Strategic Directions

contract management role during the operations phase; this role will likely be formalized in the coming months.

### ■ 2.3.3 Lending

IO provides long-term financing for public infrastructure, particularly to municipalities and other public sector organizations, consistent with IO's credit policies and guidelines. In 2018-19, the loan program is expected to provide more than \$500 million in approved loans to eligible public organizations defined in O. Reg. 210/11. The sectors served by IO's loan program are:

- ▶ municipalities and Local Service Boards;
- ▶ universities and affiliated colleges;
- ▶ municipal corporations;
- ▶ not-for-profit long-term care facilities;
- ▶ not-for-profit arts and training facilities;
- ▶ not-for-profit social and affordable housing;
- ▶ hospices;
- ▶ community and social services hubs;
- ▶ aboriginal health access centres; and
- ▶ sports and recreation centres.

Since the establishment of the loan program, IO has approved over \$10 billion in affordable long-term financing to 419 public sector clients throughout Ontario, supporting 2,744 infrastructure renewal projects (as of June 30, 2018). 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 is positioned to leverage its existing lending platform, client knowledge and expertise to administer grant programs on behalf of the Province. For example, through the Canada-Ontario Clean Water and Wastewater Fund, funding has been approved to 474 recipients (357 municipalities and 117 First Nations) for over 1,350 projects. As well, IO is administering grants for the Fire Sprinkler Retrofit Program, to enhance the safety of retirement home residents by providing funding for the installation of automatic fire sprinklers to comply with the Ontario Fire Code.

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.

### ■ 2.3.4 Strategy and Asset Optimization

The Strategy and Asset Optimization division houses IO's main "strategic" functions focused on identifying and developing opportunities to expand our reach and grow our impact.

This team provides government with strategic advice and support on complex projects with the aim of maximizing value for taxpayers and ensuring government objectives are realized in a way that protects the public interest. The team also supports the identification and evaluation of new opportunities across all lines of business. This will include project development for new infrastructure sectors, public sector real estate and government services.

The team accomplishes this by offering a full spectrum of services to government clients, including:

- ▶ **Business case development to inform policy decisions** – establishing clear, evidence-based and commercially sound business cases that support policy advice to decision makers;
- ▶ **Process design and transaction strategy** – identifying strategic partnerships between public and private sector to accomplish government objectives; leveraging or developing modern delivery models to accomplish government objectives;
- ▶ **Transaction management and execution** – providing commercial advice and analysis, overseeing complex transactions, and leading business negotiations in support of government priorities; and,

## Part Two: Strategic Directions

- ▶ **Strategic real estate opportunities –** identifying and execution of strategic real estate opportunities across the broader public sector.

The team supports projects which generate an impact to government in one of the following ways:

- ▶ Reduce burden on government debt to deliver infrastructure;
- ▶ Generate revenue through strategic asset sales or by looking at efficiencies in management of government business enterprises;
- ▶ Reduce cost of government service delivery through partnerships with the private sector;
- ▶ Deliver better outcomes to citizens and businesses (e.g. social or service); and/or
- ▶ Achieve a significant economic impact for the Province.

## Part Three: Risk Management

### ▣ 3.1 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 encourage 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 will be updating its risk register in 2019, placing continued emphasis on emerging risks and improvement in risk management reporting.

#### ■ 3.1.1 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, it's appropriate committees and 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,

it's appropriate committees and 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, 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, its appropriate committees and management committees.

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

- ▶ The Audit Committee and the Board review the ERM policy as required (typically every two years) 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 as required (typically every two years) 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 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 Three: 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.

### ▣ 3.2 KEY RISKS

#### ■ 3.2.1 Strategic

##### 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 TRIP, 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.

##### 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.

##### PROJECT STAGING

Failure by partners and IO to manage project staging could result in reputational damage, loss of bidding capacity and competitiveness, and increase project complexity and cost with lower rates of project procurement success. Through market soundings, IO interacts with potential market participants in an effort to alert the market to upcoming projects and receive feedback on market status. IO also works with partners to educate them on the ramifications project staging has on cost and scheduling and follows a robust RFQ/RFP process to ensure that IO is satisfied before releasing a project to the market.

##### MARKET FACTORS

Market factors such as recent trade protection measures, skilled trade availability or a decline in viable competitors bidding on IO projects may lead to schedule delays as a result of labour shortages, higher bid prices and limited competitiveness in a reduced bidder playing field. IO has engaged the services of a third-party expert to provide insight to the potential implications of the recent protectionist trade legislation. This will be used to inform IO's capital project budgeting process as well as projects that have yet to enter construction.

## Part Three: Risk Management

### ■ 3.2.2 Operational

#### INFORMATION TECHNOLOGY, STRATEGY AND BUDGETING

IO's information technology (IT) governance, strategy and budgeting systems may not fully integrate or be consistent with the business needs or priorities of the Agency. This may result in IT resources and systems that are not aligned with IO's business objectives, project management and service delivery requirements. IT has developed various divisional and overarching steering committees to review and prioritize the information technology needs of the Agency.

#### STAFF RETENTION

IO has experienced staff turnover but 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 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.

#### SERVICE PROVIDER PROCUREMENT

Outsourced service providers are required to adhere to IO's procurement policies and practices that might otherwise result in increased costs and improper or unauthorized purchases.

IO manages the performance and compliance of service providers through PMSP vendor of record arrangements, annual reports on controls and a quarterly service provider procurement review program to: ensure service providers compliance with IO's procurement policy and procedures; communicate expectations; and provide timely identification and resolution of procurement risks and issues.

## Part Four: Financial Forecast and Projections

### 4.1 BUDGET APPROACH

IO is 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.

### 4.2 STATEMENT OF OPERATIONS

(in thousands)	2018-19 Budget	2019-20 Estimate	2020-21 Estimate
<b>Revenues</b>			
Interest revenue	\$ 243,071	\$ 251,114	\$ 259,429
Project delivery fees	42,362	43,754	42,951
Management fees	57,898	59,055	59,600
Project transaction fees	18,677	19,051	19,432
	<b>362,008</b>	<b>372,974</b>	<b>381,412</b>
<b>Expenses</b>			
Salaries and benefits	73,744	75,219	76,723
General and administration	22,618	23,070	23,532
Interest expense	218,498	227,496	232,856
Sub-contracting fees	10,360	10,551	10,747
Project transaction costs	18,434	19,051	19,432
Loan valuation allowance	1,500	500	500
	<b>345,154</b>	<b>355,887</b>	<b>363,790</b>
<b>Surplus</b>	<b>\$ 16,854</b>	<b>\$ 17,087</b>	<b>\$ 17,622</b>

### 4.3 SUMMARY OF STAFF

For the fiscal year ending March 31, 2018, IO's average staff complement was 516. Consistent with the Province's mandate on expenditure reduction, IO continues to review resourcing needs when vacancies occur. The process includes a business case and a workforce assessment prior to recruiting for any position, which must be approved by the accountable Senior Executive.



## Part Five: Human Resources

### ▣ 5.1 EMPLOYEE DEMOGRAPHICS

IO's workforce is comprised of professional and highly educated staff. The majority of employees have private sector experience including experience within consulting and/or professional services firms. Most hold a university degree with many at the master's level. A significant number of employees are professionals, with many holding a professional designation or license.

IO's workforce has become increasingly gender-balanced. Women comprise half of IO's total workforce and are represented at senior levels, comprising approximately a quarter IO's senior management team.

IO's workforce is young, dynamic and mobile. The average employee age is 41 with approximately five years of service.

experiential learning through special projects and developmental assignments;

- ▶ Building leadership capability at all levels of the organization; and
- ▶ Aligning all IO HR programs and practices in a manner consistent with government policy and best practices.

IO is dedicated to ensuring employees are both physically and psychologically safe in the work place – the health and safety of its employees is at the centre in everything it does. IO's approach to health and safety that involves continuous improvement, information sharing and professional development. IO will continue to build a culture of awareness making room for employees to raise concerns with the knowledge that they will be taken seriously.

### ▣ 5.2 HUMAN RESOURCE STRATEGY AND INITIATIVES

IO continues to manage people resources effectively and efficiently to achieve project and corporate goals.

#### HUMAN RESOURCE PLAN

IO's HR vision is to attract, retain, engage and develop talented professionals with the expertise and experience required to fulfill IO's mandate. To achieve this strategy, IO is committed to developing and implementing the people programs required to effectively build, manage, finance, and enhance the value of Ontario's public assets. Key priority areas over the next three years include:

- ▶ Continuing to develop a culture of engagement, transparency, inclusion, client-focus, execution excellence, innovation, and diligence;
- ▶ Bringing people with the right skills and value-based behaviours onto IO's team quickly and effectively as needs emerge;
- ▶ Providing effective learning and growth opportunities for IO staff, particularly

## Part Six: Information Technology Plan

### ▣ 6.1 INFORMATION TECHNOLOGY PLAN

IT has developed a four-year strategy focused on several areas that will allow it to meet or exceed the expectations of business units:

- ▶ Business Continuity Plan – implement infrastructure, applications and processes essential to secure, effective and efficient operations;
  - ▶ Information management and applications – retire, enhance, merge, and acquire applications that will provide efficient access to information and enhance collaboration and productivity;
  - ▶ Knowledgeable team – enhance internal resource skills via outsourced agreements to ensure that IT professional and technical skills align with business processes and meet business unit requirements;
  - ▶ Good governance – the IT Steering Committee continues to develop processes and standards to ensure the reliable delivery of IT solutions through internal budget controls, project reporting, and reduced total cost of ownership;
  - ▶ Cybersecurity – IT uses multiple layers of security defense. This includes technical layers such as vulnerability assessments, access controls, security monitoring and data protection. Non-technical layers include physical security and awareness training. IT continually tests these measures to ensure their effectiveness as the threat landscape evolves.
- ▶ migration of IO's email systems to Office 365 cloud solution;
  - ▶ replacing the older telephone system with a voice over IP (VOIP) solution;
  - ▶ Wide Area Network upgrades;
  - ▶ completion of the Windows 10 rollout;
  - ▶ enhancement and upgrade of the records management system;
  - ▶ implementation of data strategy initiatives and business intelligence tools;
  - ▶ short-term enhancements coupled with a longer-term strategy for project management systems; and
  - ▶ various workflow implementations to increase efficiency in business processes.

Having consistent tools in use across the entire organization for collaboration, workflow and process creation will create valuable efficiencies for all departments within IO.

The primary initiatives in 2018-19 for the Information Technology team include:

- ▶ increased collaboration using Skype for Business as a unified messaging system for phone, video, and web conferencing;



## Part Seven: Communications Plan

### ▣ 7.1 COMMUNICATIONS PLAN

IO continues to modernize its approach to communications with the government, partners and members of the community to support transparency and awareness of IO's mandate, objectives and results.

IO is committed to building relationships with media, participating in stakeholder and industry events and engaging the public using social media tools.

Internal communications to support engagement with IO staff is an ongoing priority.

IO collaborates with MOI, Cabinet Office and other partners.

## Part Eight: Initiatives Involving Third Parties

### ▣ 8.1 INITIATIVES INVOLVING THIRD PARTIES

IO works closely with its partners to deliver projects successfully in conjunction with the private sector. This includes a range of private sector participants from fairness monitors through to construction companies. IO runs a robust, open, fair and transparent procurement process to ensure prudent use of public funds. In addition to the rigour of dialogue as part of the procurement process, IO frequently engages with key market participants to assist in the continual improvement of IO's Project Delivery and Real Estate operating lines of business.

IO has extensive policies, processes and audit controls to protect the organization against unethical conduct. IO requires bidding companies to submit officer certificates to preclude irregular bidding practices on P3 projects, enforces disbarment provisions for failing to disclose conflicts of interest, bidder disqualification and contract termination rights, and has vendor performance standards that vendors are measured against. As part of P3 procurements, IO requires construction contractors to provide letters from independent accounting and audit firms confirming the adequacy of each bidder's conflict of interest policies.

IO's real estate group manages and oversees the activities of PLMS and PMSPs. These strategically outsourced contracts manage tactical real estate service delivery functions. In doing so, IO is able to consistently provide high quality real estate services in a cost effective manner.

Over the next year, IO is preparing for the next generation of outsourced service delivery contracts and is examining the appropriate scope of services required. IO continues to strategically evolve its outsourced facility and project delivery contracts to align performance objectives and focus on continuous improvement.

Transparent and ethical business practices are imperative to IO's reputation both publicly and in the market place.

## Part Nine: Implementation

### ▣ 9.1 IMPLEMENTATION

The business plan reflects the mandates as assigned to IO by the Minister of Infrastructure.

The business plan is reviewed by the Senior Management Team and with MOI and MGCS. It is approved by the Board, after which it is submitted to the Minister of Infrastructure for review and approval.

The business plan was prepared in consultation with senior management and will be communicated to the IO employees and made publically available on IO's website after Board and ministerial approval.

#### ALIGNING SERVICES TO PLAN GOALS

Each business unit has aligned its opportunities and activities to the corporate objectives and implementation will be monitored at the senior management level.

#### MONITORING PROGRESS

The Executive Team and the Board monitor IO's performance through a quarterly reporting package consisting of several divisional dashboards, financial results and an executive summary. The quarterly reporting package highlights key accomplishments for the quarter, progress against strategic objectives, risks and mitigation overview, and continuous improvement activities. In addition to the quarterly review, the IO Executive Team also meet monthly to report and monitor the status of strategic objectives

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