

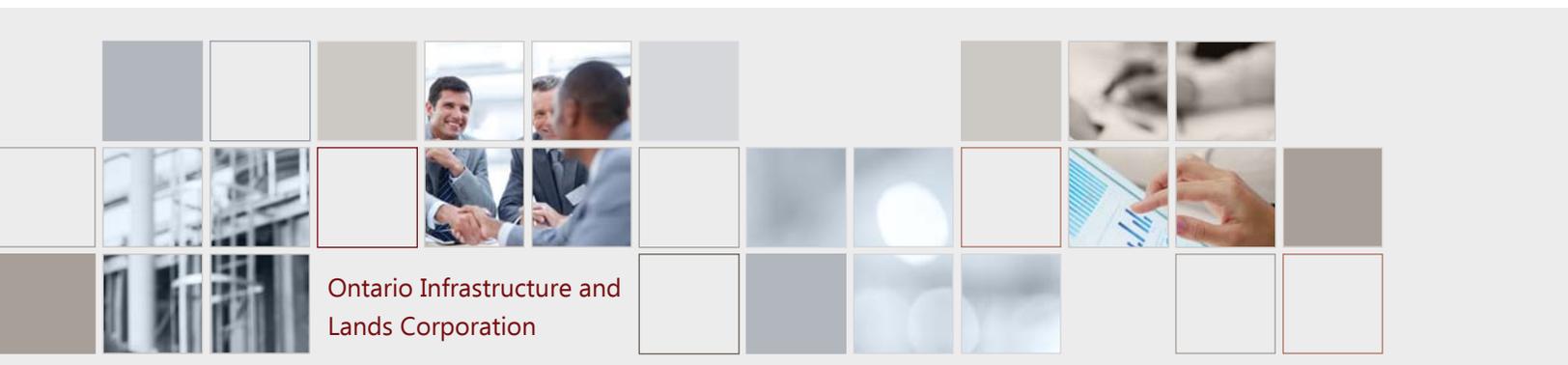
2017 | 2020 Business Plan



Ontario Infrastructure and Lands Corporation



Table of Contents



Ontario Infrastructure and
Lands Corporation

PART ONE: MANDATE OVERVIEW	3	PART FOUR: FINANCIAL FORECAST AND PROJECTIONS	17
▶ 1.1 Mandate Overview	3	▶ 4.1 Budget Approach	17
PART TWO: STRATEGIC DIRECTIONS	4	▶ 4.2 Statement of Operations	17
▶ 2.1 Strategic Outlook	4	▶ 4.3 Summary of Staff	17
▶ 2.2 2017-18 Corporate Objectives	5	PART FIVE: HUMAN RESOURCES	18
▶ 2.3 Overview of Current and Future Programs and Activities	7	▶ 5.1 Employee Demographics	18
▼ 2.3.1 Major Projects	7	▶ 5.2 Human Resource Strategy and Initiatives	18
▼ 2.3.2 Real Estate	9	PART SIX: INFORMATION TECHNOLOGY PLAN	19
▼ 2.3.3 Lending	12	▶ 6.1 Information Technology Plan	
▼ 2.3.4 Commercial Projects	12	PART SEVEN: COMMUNICATIONS PLAN	20
▼ 2.3.5 Commercial Services	12	▶ 7.1 Communications Plan	
▼ 2.3.6 Corporate Services	13	PART EIGHT: INITIATIVES INVOLVING THIRD PARTIES	21
PART THREE: RISK MANAGEMENT	14	▶ 8.1 Initiatives Involving Third Parties	
▶ 3.1 Risk Management Framework	14	PART NINE: IMPLEMENTATION	22
▼ 3.1.1 Risk Management Policies, Processes and Standards	14	▶ 9.1 Implementation	
▶ 3.2 Key Risks	15		
▼ 3.2.1 Strategic	15		
▼ 3.2.2 Operational	15		

Part One: Mandate Overview

▣ 1.1 MANDATE OVERVIEW

Infrastructure Ontario (IO/Agency) is a Crown Agency, owned by the Province of Ontario, and classified as a Board-Governed Agency. It was established 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 managed by the Ministry of Infrastructure (MOI) or by a Crown Agency for which the Minister of Infrastructure (Minister) is responsible;
- ▶ provide advice and services related to real property to public sector organizations when directed to do so in writing by the Minister;
- ▶ provide advice and services on financial, strategic or other matters involving the government, when directed to do so in writing by the Minister;
- ▶ implement or assist in the implementation of transactions involving the government, when directed to do so in writing by the Minister; and
- ▶ provide advice and services, including project management and contract management, related to infrastructure projects in Ontario that are not government property, when directed to do so in writing by the Minister.

IO reports to the Minister and is governed by a Board of Directors (Board) pursuant to a Memorandum of Understanding (MOU) with the Minister that sets out IO's accountability framework.

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.

IO's Board anticipates receiving the first mandate letter from the Minister in fall 2017 as required by the Treasury Board of Cabinet's Agencies and Appointments Directive. The Minister's mandate letter will inform IO's priorities.

IO works closely with the Minister as well as MOI to implement its mandate, and to ensure that IO has the capacity and capability to do so successfully.

Part Two: Strategic Directions

▣ 2.1 STRATEGIC OUTLOOK

Looking ahead, we see strong growth across all of IO's lines of business: Projects – continuing to deliver on the pipeline of social projects with a focus on transit projects; Real Estate – expanding reach within the Broader Public Sector; and Lending – expanding to include delivery of a grant program on behalf of government. Additionally, Commercial Projects will continue providing advice to government on a number of new, high profile mandates.

To deliver on the growth of IO's business lines, the corporate objectives for 2017-18 will focus on developing its people by establishing a renewed approach to employee engagement in order to attract, develop and retain the talented people required to fulfill IO's mandate. IO's primary focus will be creating a productive, safe and healthy work environment for its employees. IO will continue as a centralized hub for real estate and infrastructure and aim to grow our impact with clear roles and responsibilities on current and future assignments. IO will achieve operational effectiveness by demonstrating transparency to the Board, government shareholders and the public, as well as organize resources to efficiently fulfill IO's roles and responsibilities. IO's commitment to continuous improvement such as evolving our delivery models, partnerships and systems, will further build a culture of innovation.

IO's priorities are informed by a number of decisions set by the Province including the provincial budget, the Speech from the Throne, the Ontario Economic Outlook and Fiscal Review, government mandate letters to Ministers and directives related to infrastructure and real estate. The 2017 provincial budget confirms Ontario's commitment to invest more than \$190 billion in public infrastructure over 13 years, starting in 2014-15.

IO is also guided by provincial capital plans that build on the Province's *Building a Better Tomorrow* framework (2004), *Renew Ontario* (2005),

Building Together (2011), the *Framework for the Development and Delivery of Alternative Financing Projects* (2016) and the most recent update to the long-term infrastructure plan released by MOI. Ontario's next long-term infrastructure plan will be released in 2017. The plan will lay out the Province's infrastructure vision for the next decade, while demonstrating how strategic capital investments can positively impact productivity, growth and service delivery across Ontario.

Transit and transportation projects remain a priority for both IO and government with the influx of projects such as Regional Express Rail (RER) and Light Rail Transit (LRT). IO is well positioned to work with partners such as the Ministry of Transportation and Metrolinx on these projects across the Province. IO will also continue to implement social infrastructure projects, including working with ministries toward approvals for potential Alternative Finance and Procurement (AFP) projects identified in the provincial budget.

The Ontario Government, through MOI, holds the largest provincial real estate portfolio, the vast majority of which is the responsibility of MOI. Funding for the real estate portfolio continues to be a challenge. Managing the integrity and asset value of this portfolio requires immediate and ongoing attention in order to maintain buildings in a state of good repair and to rationalize the portfolio in a manner that best supports government programs. IO works to maximize the benefits and results from the resources available.

The government has approved the Macdonald Block Reconstruction Project, which will transform the real estate portfolio and dramatically reduce the government's office footprint. In addition, consistent with many best practices and trends in real estate, IO will work with third-party service providers to manage real estate capital projects and ministry projects. New real estate capital repair initiatives across the Province will result in approximately 600 new projects being delivered by

Part Two: Strategic Directions

qualified vendors throughout Ontario. In addition, Direct Delivery projects will also contribute to the improvement of the real estate portfolio that is in program use.

IO will execute land development transactions that will generate revenues through sales for government reinvestment in infrastructure. Unlocking the value of provincial assets such as the Seaton Lands in Durham Region and the Ontario Power Generation headquarters in Toronto is a priority. In addition, collaboration will continue with the City of Mississauga towards realizing their vision on the former Lakeview generating station site. Furthermore, IO is a partner in determining how government assets can contribute to priorities such as community hubs and affordable housing.

Another way IO supports infrastructure renewal is through its infrastructure lending program. IO continues to provide long-term financing, particularly to municipalities and others in the broader public sector, consistent with IO's credit policies and guidelines.

Through these activities, there is strong alignment between IO's mandate and corporate objectives, and government priorities for the renewal of infrastructure, real estate and public services.

▣ 2.2 2017-18 CORPORATE OBJECTIVES

IO developed its 2017-18 corporate objectives consistent with the organization's purpose and values. These objectives articulate how the Agency intends to modernize and optimize real estate and infrastructure for the Province of Ontario.

People are at the centre of IO's corporate objectives. Attracting and retaining talented people is critical to IO's ability to fulfill its mandate. IO operates in a competitive market for top talent including those with private sector expertise in real estate and infrastructure, and across specializations such as finance, infrastructure, law, engineering, project management, procurement, contract oversight, client relationship management,

communications and more. IO has established a well-respected reputation within and beyond Ontario, and continuing to develop its employees as leaders is important for the long-term sustainability of the Agency. IO's value proposition includes attracting and retaining people with private sector expertise to serve the public interest. IO will also strive to create a modern, inclusive and safe workplace, and engage employees in meaningful ways. The *Public Sector Salary Disclosure Act* and the *Broader Public Sector Executive Compensation Act* are also important references for IO.

IO has a significant mandate that is central to the modernization of infrastructure and real estate, and transformation of public services in Ontario. IO has had a strong and positive influence as a result of working with the private sector and applying commercial best practices in order to achieve results that are in the public interest. As we deliver on our current mandates in real estate, infrastructure lending and commercial initiatives, we will continue to grow our impact in these areas. In order to implement new mandates that are assigned by the Minister, IO is committed to confirming clearly defined roles and responsibilities so that IO and its partners are set up for success.

It is in the public interest for IO to operate effectively and to be transparent and accountable. IO prides itself on being diligent in our approach and disciplined in our focus on results. In order for IO to operate effectively we must mobilize our resources in an efficient way to achieve results that demonstrate value. As we pursue priorities with our partners, we must continue to operationalize our high standards for health and safety, both within our own workplace and on our real estate and infrastructure project job sites.

While IO must remain focused on delivering real-time results, a commitment to innovation and continuous improvement must be part of IO's culture. The challenges facing the public sector are complex and there is an ever increasing requirement for solutions that involve the private sector and serve the public interest. IO must

Part Two: Strategic Directions

continue to be flexible, adaptable and resilient in order to pursue solutions, and our delivery models and partnerships must continue to evolve. As well, in order to become a more modern and innovative organization, we must pursue new approaches internally that allow us to tap into knowledge, data, information technology and analytics that inform business decisions.

Together, our commitment to attract and retain talented people, grow our impact, operate effectively and build a culture of innovation will serve IO well in 2017-18 and set IO up to sustain its success in the longer term.

PRIORITIES & THEMES	CORPORATE OBJECTIVES
Attract and Retain Talented People	1. Create a modern, inclusive and safe workplace environment that empowers employees to act as leaders.
	2. Ensure the approach to compensation, performance management and career development is clear, transparent, equitable and competitive.
	3. Renew employee engagement through various activities and approaches to create an organizational environment employees are proud to be a part of.
	4. Elevate the safety culture and practices for our employees and across the industry.
Grow Our Impact	5. Deliver on IO's current mandates in real estate, infrastructure, lending and commercial initiatives.
	6. Ensure clearly defined roles and responsibilities on all new mandates with partners and MOI.
	7. Strengthen IO's position as the centre of expertise for major public infrastructure projects and centralized leader of corporate real estate.
Operate Effectively	8. Achieve the corporate budget.
	9. Demonstrate transparency and accountability to the Board, government shareholder and public.
	10. Organize resources to efficiently fulfill IO's roles and responsibilities, and achieve results that demonstrate value.

Part Two: Strategic Directions

PRIORITIES & THEMES	CORPORATE OBJECTIVES
Build a Culture of Innovation	11. Advance continuous improvement initiatives to evolve business practices and innovate the way we work.
	12. Align corporate services solutions to serve business units' requirements for modern information technology systems and data analytics capacities.

2.3 OVERVIEW OF CURRENT AND FUTURE PROGRAMS AND ACTIVITIES

2.3.1 Major Projects - Alternative Financing and Procurement Infrastructure Projects

Major Projects manages the delivery of large, complex public infrastructure using the AFP model. The AFP model and program is guided by a government policy framework issued by the Minister of Infrastructure. The AFP model utilizes private expertise and financing to strategically build vital infrastructure, while ensuring appropriate public control and ownership. The AFP model helps protect the public interest by integrating different components that can include the design, construction, financing, and maintenance 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 AFP project pipeline, released in November 2016, includes projects with a total capital value estimated at \$11.8 billion. This outlook builds on the \$19.2 billion worth of projects completed to date and the \$15.6 billion worth of projects currently in construction (as of March 31, 2017). Additional AFP projects that are in the due diligence process will add to the future IO pipeline. IO will update its pipeline of projects in fall 2017.

With a pipeline of projects including highways, hospitals, courthouses, transit 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.

As indicated in the 2017 provincial budget, transit and transportation projects remain a priority for the government and IO is well positioned to assist partners like the Ministry of Transportation and Metrolinx to deliver major projects.

For example, construction has begun on the expansion of Highway 427 and procurements will proceed for the Hurontario and Hamilton LRT projects. The Request for Qualifications (RFQ) for Highway 401 Expansion Project has been issued and IO looks forward to collaborating with the Ministry of Transportation on a number of future road projects.

IO has already begun procurements for the first package of Metrolinx's RER program, which is valued at approximately \$3 billion. These projects include track work, redeveloping Metrolinx transit stations, improving rail crossings and building required systems for electrification.

IO will continue to work closely with Metrolinx to analyze and move forward on the second phase of projects in the RER program, which includes off-corridor works such as building new stations and the redevelopment of existing stations including platforms and parking structures. The

Part Two: Strategic Directions

third package of work includes complex in-corridor 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.

The government's investments with municipalities could be an opportunity for IO to deliver large and complex infrastructure projects. For example, IO continues to work as an advisor with the City of Ottawa and Region of Waterloo on their LRT projects.

IO will continue to deliver social infrastructure projects including procurement of Phase 2 of the OPP Modernization project. As well, Milton District Hospital achieved substantial completion in spring 2017 and construction for Groves Memorial Hospital will be this summer. IO will continue to implement social infrastructure projects, including working with the Ministry of Health and Long-Term Care and Ministry of the Attorney General toward approvals for potential AFP projects identified in the provincial budget.

Continuous improvement is essential to how we do business and respond to the needs of the industry while also protecting the public interest. One example of this is IO's vendor performance regime for contractors involved in its major projects program. It was implemented in early 2017 and is the first of its kind for AFP projects.

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 Request for Proposals (RFP) process. In July 2017, IO will implement an electronic bid platform for the AFP program for bid submissions and evaluations, which will modernize IO's current approach while

further providing value to bidders. The goal being that both initiatives will shorten procurement timelines and reduce costs.

IO is increasingly recognizing the need to find a right balance between being prescriptive in what it asks for versus being output orientated. Finding that balance creates room for innovation. For example, looking at project preparatory works, IO is refreshing its due diligence guidelines and standards for geo technical, environmental and building sciences to ensure that we are doing enough before a project is launched.

IO is taking steps around market capacity in order to monitor and understand the ability of the market-place to bid on and build projects.

Furthermore, in an attempt to respond to the growing technology needs in hospitals, IO is engaged to better understand the implications of developing a template approach to technology, compatibility with newly specified systems and the degree of integration required of business systems.

Health and safety on construction sites is always a priority and IO continues to take steps to enhance performance requirements on all of its AFP projects. This includes working with the civil infrastructure team, Metrolinx and the Infrastructure Health and Safety Association (IHSA) to develop a consistent approach to health and safety standards across the civil portfolio.

In 2016, 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, to ensure that all information is current.

Part Two: Strategic Directions

IO has developed a best practices approach to field inspections by creating a best-in-industry field inspection form that requires completion by an independent IHSA certified inspector. IO will also begin looking at how to incorporate quality control through field validation.

■ 2.3.2 Real Estate

The Ontario Government, through MOI, holds the largest provincial real estate portfolio, the vast majority of which is the responsibility of MOI. Other government real estate assets are under the responsibility of ministries such as the Ministry of Transportation and the Ministry of Natural Resources and Forestry. The overall responsibility for government real estate is not fully centralized.

On behalf of MOI, IO's Real Estate division provides professional services to government in support of the management of the General Real Estate Portfolio (GREP) and the Provincial Secondary Land Use Program for hydro corridor lands. IO also offers realty advice to select agencies and other government entities when mandated by the Minister. MOI and IO will work together to assess how further real estate services can be effectively offered to ministries and the Broader Public Sector.

Like many public sector realty assets, the government real estate portfolio is large, old, valuable, expensive and diverse. The average age of the GREP portfolio is approximately 51 years, with the largest contingent of buildings constructed in the 1960s and 1970s. Properties range from offices to courts, prisons to laboratories, heritage buildings to land banks, and reflect a wide range of functions the government supports.

IO's ability to deliver on the government's objectives and ensure the integrity and value of the GREP portfolio is dependent on adequate funding. Adding to the reinvestment challenge with the real estate portfolio is the financial commitment needed to meet various initiatives such as accessibility, heritage, greening and energy efficiency requirements.

For the GREP assets that are the responsibility of MOI, IO works to maximize the value of assets and maintain the portfolio in a state of good repair, right-size the portfolio and ensure service delivery is effective and efficient to best support public service program needs.

IO has established itself as a hub for real estate knowledge, capacity and expertise. IO's staff keeps up to date on current trends and best practices in the industry, which reveal increased levels of full-service asset management and facilities providers allowing greater capacity for organizations to focus on their core strategic service offerings and improve overall value for services. This trend supports IO's initiatives with strategically outsourced contracts to 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.

IO has also developed innovative approaches to partnering with the private sector to manage the real estate portfolio. IO's real estate group manages and oversees the activities of the Property and Land Management Services (PLMS) and Project Management Service Providers (PMSP). Through the PMSP contract, IO's service providers will oversee an estimated 600 new capital repair projects this year worth an estimated \$130 million as well as the estimated \$134 million of ministry funded projects that IO will procure. Hundreds of small-and medium-sized Ontario businesses on the vendor of record will deliver on the real estate capital repair needs of the Ontario Government.

The Real Estate division will strategically implement the government's three-point plan to transform its approach to realty management by focusing on the following objectives:

- ▶ ensure safe and sustainable buildings by maintaining the building portfolio in a state of good repair;
- ▶ right-size and rationalize the portfolio in a manner that best supports government program needs; and

Part Two: Strategic Directions

- ▶ provide the government with an efficient and effective service delivery model.

IO has completed an analysis of the portfolio and will advance strategies through the Targeted Real Estate Investment Plan (TRIP), maximizing the use of the existing funding and using the realty expertise within the Agency.

Over the next year, IO will further execute the specific strategies to right-size and modernize the GREP portfolio using the following operating principles:

- ▶ tie office space requirements to actual program needs supported by transparent data analytics;
- ▶ ensure provincial real estate tenants conform to asset performance benchmarks;
- ▶ meet program needs through lowest cost accommodation by integrating enterprise real estate, HR and IT requirements;
- ▶ maintain space to a pre-defined, acceptable standard; and
- ▶ prioritize capital repair and accommodation investments across ministry spends with positive medium-term business cases.

The TRIP will operate within IO's existing asset management system. IO optimizes its capital repair reinvestment program by prioritizing its needs in order to operate the portfolio in a safe and efficient manner, given its current funding constraints. IO considers the full life cycle costs of each of its assets, 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. These categories inform business and budget decisions and recommendations to government.

The Province is making more efficient use of its real estate and has committed to shrinking its office footprint by 1.3 million square feet by 2022. To date, this initiative has seen a reduction of 753,000 square feet of office space in Toronto and a total reduction of over one million square feet of office

space across the Province.

IO will continue preparations for the reconstruction of Macdonald Block, which is well underway. The project will reduce the cost of government operations and result in a modern, efficient and environmentally responsible workplace. The reconstruction will be delivered using the AFP model. Work includes the extensive facility planning and due diligence required to inform the bid teams that will be competing to deliver a reconstructed facility that meets employees accessibility and accommodation requirements. Planning and engagement activities required to support the relocation of staff to temporary office locations are also proceeding. IO will work with MOI to review the due diligence requirements for properties in order to identify potential efficiencies.

The government will continue to drive further administrative efficiencies and maximize revenues by selling properties and demolishing buildings that are no longer required and have ongoing costs and liabilities. Since 2007, 598 buildings have been sold or demolished and 12,484 acres of land have been sold. However, further opportunity exists to reduce the portfolio. IO is in year two of its three year sales plan and is confident in achieving the assigned net revenue sales target of \$20 million.

IO is committed to working with its partners in government to develop strategies to dispose of low-value properties in a manner that is safe, transparent and cost effective. In the coming year, IO will work with MOI to review the due diligence requirements for properties in order to identify potential efficiencies. In some cases, due diligence costs may be greater than the revenue potential of low value assets. By altering requirements on low-risk properties, the government will be able to maximize net revenue from low-value properties and reduce long-term operating cost liabilities.

IO is increasingly the central place of expertise, knowledge and capacity derived from our responsibility with the GREP portfolio and AFP projects within the GREP portfolio.

Part Two: Strategic Directions

In 2017, IO began working with the Ministry of Health and Long-Term Care to provide advisory, leasing, project management and property management services to all the ministry's agencies that currently have realty authority. IO will also look to grow its impact with hospitals utilizing its in-house expertise in cooperation with asset management to help with the operations phase for the AFP projects in the GREP portfolio.

In response to MOI's 2015 report, *Community Hubs in Ontario: A Strategic Framework & Action Plan*, IO was engaged to develop a systematic approach to support provincial policy decisions related to investments in public works and real property. As a result, the Province has a new tool that assesses surplus public properties as candidates for a community hub use while also identifying potential public benefit based on economic, social and strategic measures. There could be opportunities for community hub initiatives to reinforce the government's commitment to affordable housing.

In 2016, the government released the *Climate Change Mitigation and Low-Carbon Economy Act*, identifying the reduction of energy consumption and emissions in government buildings as an important action area. Since 2002, IO has been working to reduce the energy consumption of the GREP and mitigate the impact of rising energy costs. IO, working with its PLMS provider and regional energy committees, is continually implementing strategies to achieve energy performance targets. These strategies include:

- ▶ creating design and commissioning guidelines;
- ▶ implementing energy-saving capital projects;
- ▶ optimizing building operations; and
- ▶ enhancing building monitoring and control systems.

IO's capital planning and energy teams are moving ahead to develop projects to achieve the new target for greenhouse gas reduction and lower energy costs in response to MOI and the

Ministry of Environment and Climate Change's (MOECC) mandate.

As an example, IO conducted a geo-thermal pilot project at 361 University Avenue and Osgoode Hall in Toronto. Using this type of heating system is anticipated to reduce utility costs and greenhouse gas emissions at this property by 50-90%, meeting the requirements to reduce emissions from heritage buildings as set out in MOECC climate change action plan and prolonging the life of a key heritage asset.

IO's real estate expertise enables it to manage some Direct Delivery projects using traditional methods. IO anticipates bringing to market an estimated eight Direct Delivery projects in the 2017-2018 fiscal year. All of these projects are opportunities for companies of various sizes from across the Province to partner with IO.

The Ontario Place Urban Park and Waterfront Trail, which was completed on behalf of the Ministry of Tourism, Culture and Sport and MOI, opened to the public in June 2017 ahead of the Canada 150 celebration. This Direct Delivery project converts 7.5 acres of land into green space and the waterfront trail will connect to the existing 780-kilometre waterfront trail system accommodating a range of uses further enhancing Toronto's vibrant waterfront experience for Ontarians.

IO has expanded the use of COR certification to Direct Delivery projects with a construction cost over \$10 million. Effective spring 2017, companies are to have applied for COR certification to bid on IO's Direct Delivery projects. As of spring 2018, COR will become a requirement in order to respond to Request for Proposals for these projects.

IO is dedicated to the creation and protection of value in the GREP portfolio and will continue to extend real estate service offerings (Real Estate Options Analysis, Leasing Services, Capital Advisory Services, Environmental Services, Energy Management Services, Change

Part Two: Strategic Directions

Management, Space Planning and Project Delivery) to ministries and their agencies. IO will also leverage the Ontario GeoPortal Services (an integrated web portal providing geospatial information and associated geographic services) providing services to other ministries and levels of government.

■ 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 2017-18, the loan program is expected to provide more than \$550 million in approved loans to eligible public sector borrowers. 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 advanced over \$8.3 billion in affordable long-term financing to 381 public sector clients throughout Ontario, supporting 2,351 infrastructure renewal projects with a total project value of more than \$13.6 billion (as of March 31, 2017). 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.

Most recently, IO's lending group has been directed to administer the Natural Gas Grant program for MOI.

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 Commercial Projects

The Commercial Projects team provides government with strategic advice and support on complex projects with the aim of maximizing value for taxpayers. The team accomplishes this by identifying and developing strategic partnerships with ministries and the private sector, providing commercial advice and analysis, overseeing complex land divestments, and leading business negotiations in support of government priorities.

■ 2.3.5 Commercial Services

The Agency's business lines are supported by a professional group of commercial experts:

IO's **Legal Services** team includes lawyers specializing in AFP transactions, commercial transactions, real estate and leasing, lending, governance, privacy, government affairs, litigation, construction and contract management and records management. This team oversees the management and co-ordination of Board activities, advises the IO executive on ethical business practices including conflict of interest matters, and houses the Freedom of Information Office, which responds to all *Freedom of Information and Protection of Privacy Act* requests.

Transaction Finance performs financial structuring, due diligence and evaluation in executing IO's transactions. It is also responsible for undertaking financial business case and value-for-money assessments, providing sound financial analysis.

Part Two: Strategic Directions

Procurement executes and provides leadership in the procurement process for all IO AFP, real estate and corporate services procurements, achieving process efficiencies, cost savings, transparency, and assuring fair procurement practices including protections against unethical bidding practices and conflicts of interest.

The **Records and Knowledge Management** group ensures compliance with the *Ontario Archives and Record Keeping Act, 2006* by applying document retention protocols and coordinating off-site archival, storage and retrieval of hard copy records.

The **Business Strategy and Communications** team is responsible for IO's strategic and business planning activities, improving communications with partners, the media, and the public, and developing relationships with government, community, and industry leaders.

■ 2.3.6 Corporate Services

The Agency's business lines are supported by a range of specialized and skilled experts in corporate services:

Finance and Treasury supports the organization by ensuring the integrity of financial information and treasury management for the Lending operations. The team establishes budgets, monitors results by division and department, and issues quarterly reports and financial statements.

Risk Management is responsible for ensuring appropriate Enterprise Risk Management (ERM) policies and systems are in place to identify, monitor and mitigate significant risk. Internal Audit provides independent, objective assurance on the design and operating effectiveness of internal controls within the organization.

Corporate Reporting and Performance Measurement is responsible for developing and implementing frameworks and methodologies to measure results and outcomes against corporate and divisional objectives.

Information Technology provides the necessary tools and architecture to enable information to flow across the organization in support of integrated business processes.

IO's **Human Resources** team provides support to all IO employees focusing on enablement and increasing employee engagement.

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 has matured its ERM framework in line with leading practices and updated its risk register in 2017, placing greater emphasis on emerging risks and continued 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, the Audit Committee and management committees; and
- ▶ *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 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 and/or Executive Committee reviews and approves all Major 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 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 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 Office of the Auditor General of Ontario.

Part Three: Risk Management

▣ 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 incident and mandated targets not reached (i.e. 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 and a significant risk.

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 skilled trade availability or a decline in viable competitors bidding on IO projects may lead to schedule delays as a result of labour shortages and higher bid prices and/or limited competitiveness in a reduced bidder playing field. A market capacity study is underway, reviewing large-scale civil, social and industrial projects within Ontario, Canada and the United States to understand market capacity and review with respect to labour, professional services and materials. A separate study on market competitiveness is also underway. The competitiveness study is looking to determine factors within the AFP Program that may cause barriers and decrease bidder submissions, and the potential solutions to ensure ongoing competitiveness in market participation.

■ 3.2.2 Operational

INFORMATION TECHNOLOGY, STRATEGY AND BUDGETING

Some of IO's information technology (IT) systems are not fully integrated 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 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 – quality, on-time and on-budget. IO has established a variety of HR programs designed to enhance the employee

Part Three: Risk Management

experience at IO and enhance retention efforts (i.e. 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.

IO is also taking steps to enhance and ensure strong safety standards on all our Major Projects and Direct Delivery projects by introducing new requirements for Certificate of Recognition (COR) certification.

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 Minister 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.

IO, through its business units, charges fees for services on a cost recovery basis which are a prudent use of public funds. 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.

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)	2017-18 Budget	2018-19 Estimate	2019-20 Estimate
Revenues			
Interest revenue	\$ 231,818	\$ 237,298	\$ 245,128
Project delivery fees	36,800	37,726	38,185
Management fees	57,779	58,076	58,737
Project transaction fees	14,855	15,152	15,455
	341,252	348,252	357,505
Expenses			
Salaries and benefits	69,773	71,168	72,592
General and administration	21,781	22,217	22,661
Program Expenses			
Interest expense	209,795	214,964	221,794
Sub-contracting fees	10,088	9,762	9,957
Project transaction costs	14,855	15,152	15,455
Loan valuation allowance	1,500	500	500
Total program expenses	236,238	240,378	247,706
	327,792	333,763	342,959
Surplus	\$ 13,460	\$ 14,489	\$ 14,546

4.3 SUMMARY OF STAFF

At March 31, 2017, IO's average staff complement was 502. The need for resources is evaluated on a case-by-case basis relative to IO's resources and responsibilities.

Part Five: Human Resources

5.1 EMPLOYEE DEMOGRAPHICS

Professional and highly educated staff with private sector experience:

- ▶ Three-quarters of IO employees come to IO from the private sector, including over half who have worked in consulting and/or professional services firms.
- ▶ 80% of IO employees have a university degree and one-third have a master's degree.
- ▶ Almost 70% of IO's workforce is comprised of professionals and at least one-third of IO employees hold a professional designation or license.

Dynamic workforce:

- ▶ IO's workforce is increasingly gender-balanced. Women comprise half of IO's total workforce and are well-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.

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 experiential learning through special projects and developmental assignments;
- ▶ Building leadership bench strength at all levels of the organization; and
- ▶ Aligning all IO HR programs and practices in a manner consistent with government policy and best practices. The *Public Sector Salary Disclosure Act* and the *Broader Public Sector Executive Compensation Act* are also important references for IO.

IO is dedicated to ensuring the health and safety of its employees in everything we do, and take an approach that involves continuous improvement, information sharing and training. IO has begun to implement internal on the job site safety training for employees to enable them to better identify hazards on a project site. All Major Projects staff are required to take the working at heights safety training course offered through the government.

While health and safety initiatives minimize business risk, more importantly they demonstrate how IO puts people at the centre of successful delivery of infrastructure and real estate projects.

Part Six: Information Technology Plan

▣ 6.1 INFORMATION TECHNOLOGY PLAN

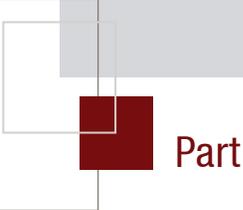
IT has developed a four-year strategy focused on several areas that will allow it to meet or exceed the expectations of business units:

- ▶ 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.

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

The primary initiatives in 2017-18 for the Information Technology team include:

- ▶ increased collaboration using a unified messaging system for phone, video, and web conferencing;
- ▶ replacing the older telephone system with a voice over IP (VOIP) solution;
- ▶ Wide Area Network upgrades;
- ▶ Windows 10 rollout;
- ▶ development of a data strategy and implementation of 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.



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 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.

IO has extensive policies, processes and audit controls to protect the organization against unethical conduct. IO requires Officer Certificates regarding irregular bidding practices on AFP 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 AFP 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.

More recently, IO issued new Vendor of Record (VOR) procurements in four service categories: general contractors, architectural services, engineering/technical services and interior design services. The new VORs use a Province-wide approach to ensure the list will more fairly distribute work among firms across the Province, making the administration of the VOR simpler, more streamlined and efficient.

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

IO also engages with the public and private sector for continuous improvement, lessons learned and dialogue on priorities. Examples of this would be the AFP and Real Estate industry tables where IO meets with industry associations and market soundings.

Part Nine: Implementation

▣ 9.1 IMPLEMENTATION

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

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



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