

2008/09–2010/11
SERVICE PLAN

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Message from the Chair

I am pleased to present the Service Plan for Partnerships British Columbia Inc. (Partnerships BC) for the period April 1, 2008 to March 31, 2011. This plan outlines the company's goals and plans for the next three fiscal years.

After five years of operation, Partnerships BC has firmly established itself as a leader both nationally and internationally in evaluating, structuring and implementing public private partnership projects which serve the public interest. More than 20 partnership projects have been, or are scheduled to be, delivered on time and on budget in communities all across British Columbia. These innovative projects are expected to generate significant savings for taxpayers over the life of each agreement. Of these projects, four have reached the operational stage and each project was completed either on or ahead of schedule and within budget. Of the projects that are currently under construction, all are on or ahead of schedule and on budget. Together, these projects make up a total investment of approximately \$7.5 billion, \$5 billion of which comes from private capital.

During 2007, the Sea-to-Sky Highway Improvement Project passed the 50 per cent completion mark; the new Park Bridge opened ahead of schedule, marking a significant milestone in the Kicking Horse Canyon Phase 2 Project; and the new Charles Jago Northern Sport Centre opened to serve athletes and students in the northern B.C. Construction of the Abbotsford Regional Hospital and Cancer Centre is nearing completion and to date the project remains on time and on budget, which is a significant achievement for a health care project of this size and complexity. Public private partnerships are delivering much needed infrastructure for British Columbians and achieving value for taxpayers' dollars in an extremely competitive construction market.

Public private partnership projects in British Columbia continue to receive national and international acclaim. To date, these projects have received a total of 17 provincial, national and international awards of recognition for innovation and excellence.

In addition to the projects that are operational or under construction, four new public private partnership projects entered the market in 2007 in the health and transportation sectors. The Surrey Outpatient Facility, the Royal Jubilee Hospital Patient Care Centre in Victoria, and the Kelowna and Vernon Hospitals Project together represent a significant investment by the Province in modern, state-of-the-art facilities designed to deliver safe, high quality patient care. The Port Mann/Highway 1 Project, part of the Gateway Program, is a critical component of the Province's investment in transportation infrastructure and will reduce congestion, improve safety and reliability for motorists and facilitate reliable transit service for commuters.

The Province has announced an aggressive climate action plan to cut greenhouse gas emissions and reduce our ecological footprint. The public private partnership delivery model is one mechanism that can be used to help the Province achieve its environmental goals. For example, for the three health care projects currently in the market, the private sector is required to describe how the design of each facility meets the principles of environmental sustainability, including the requirement to achieve Leadership in Energy and Environmental Design (LEED) Gold certification. The competitive selection process undertaken in a partnership project will encourage the

market to offer the most cost-effective solution to attaining the required environmental criteria for a project.

For 2008/09, Partnerships BC will continue to explore a range of partnership models to assist clients in the delivery of infrastructure projects. Since its inception, the company has successfully diversified its product line to include a range of partnership models such as design-build-finance-operate-maintain; design-build-finance-maintain; and, design-build procurement delivery models. The company has also expanded its client base to include sectors such as education, energy and wastewater. These trends are expected to continue going forward and, in addition, the company intends to expand its service model to offer post-financial close services to clients. Finally, Partnerships BC will continue to assist its clients in implementing the Province's capital standard policy. The company has developed procurement assessment criteria to help identify partnership opportunities for clients and to focus business planning services.

While creating new partnership opportunities is a focus for Partnerships BC, the benefits to the public and the quality of each partnership is of paramount importance. The company places priority upon developing and maintaining high standards of client service and public disclosure; fostering the growth of the public private partnership market; the recruitment and retention of an experienced core of professionals; and, the implementation of sound operational systems to meet governance and financial accountability requirements. In addition, Partnerships BC will continue to develop and refine its approach to quality assurance throughout its entire product development and client relations process, and will continue to increase efficiency and productivity.

The 2008/09 Service Plan continues to be focused on delivering both qualitative and quantitative benefits for British Columbians by:

- Ensuring timely and cost-effective delivery of major capital projects.
- Ensuring competition and innovation in procuring major capital assets.
- Transferring appropriate risks to the private sector.
- Maintaining fair, open and transparent procurement processes.
- Expanding the use of performance standards in government and serving the public interest by maintaining these standards on an ongoing basis.
- Attracting international expertise and capital to British Columbia.

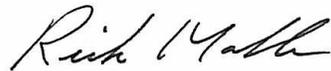
In 2008/09, Partnerships BC will continue to work with agencies in other provinces and with the Government of Canada to create an attractive and effective pan-Canadian market environment. Memoranda of Understanding with the Government of Alberta, Infrastructure Ontario, Partenariats public-privé Québec and Public Works and Government Services Canada will ensure the continuous transfer of knowledge related to best practices. Considerable information sharing has also occurred between the Province of British Columbia and the State of California, as the Office of the Governor looks for solutions to meet the infrastructure demand in that state.

Partnerships BC continues to demonstrate positive results on a sustainable basis, recognizing that with even more experience there remains considerable potential for greater achievement. The company's success to date is the result of a team of skilled professionals, with oversight by our diverse and experienced Board of Directors. I would like to acknowledge the retirement of two of the founding Directors who reached their term of appointment: Barry Lapointe and Ellen Morfitt. I would like to recognize their

dedication to public service and their very significant contribution to establishing the foundation on which the company will continue to build. I would also like to welcome the appointment of three new Directors: Ed Andersen, Gordon Steele and Sharon White.

Partnerships BC's 2008/09–2010/11 Service Plan was prepared under the direction of the Board of Directors in accordance with the *Budget Transparency and Accountability Act*. The Board approves performance measures and targets and holds management accountable for the contents of the plan, the achievement of performance measures and targets, and for ensuring that Partnerships BC achieves its specific objectives identified in the plan. The plan is consistent with the Province's strategic priorities and overall service plan. All significant assumptions, policy decisions, and identified risks as of February 2008 have been considered in preparing the plan.

Sincerely,

A handwritten signature in cursive script that reads "Rick Mahler".

Rick Mahler
Chair

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Organizational Overview

Partnerships BC was created in May 2002 to support the Province's commitment to sound fiscal management in the delivery of affordable infrastructure projects that meet the needs of British Columbians. Partnerships BC is a company owned by the Province of British Columbia and governed by a Board of Directors reporting to its sole shareholder: the Minister of Finance. The company is incorporated under the *British Columbia Business Corporations Act*; therefore, it does not require enabling legislation.

Partnerships BC's vision is to be the Province's centre of expertise for evaluating, structuring and implementing public private partnerships which serve the public interest. The company is committed to commercial viability, transparent operations and achieving wide recognition for its innovation, leadership and expertise in public procurement.

Partnerships BC is responsible for bringing together the public and private sectors to develop and implement partnership projects. The company's clients are public sector agencies, including ministries, Crown corporations, health authorities, advanced education institutions, boards of education and local governments.

Based on a solid track record for delivering capital projects on time and on budget, in October 2006, the Province announced a capital standard policy regarding project funding. For capital projects where the Province contributes \$20 million or more, the public private partnership model is considered the base case unless there is a compelling reason to do otherwise.

One of the objectives of the capital standard is to impose a discipline for good business planning to deliver best value for British Columbia taxpayers. Partnerships BC will continue to work with the Province and public sector clients to raise the level of expertise and understanding on the full range of procurement options and the potential benefits of the partnership model.

Partnerships BC's products and services are critical to the Province's ability to undertake the planning and procurement of complex capital projects, specifically those involving the utilization of private sector expertise, services and capital. Partnerships BC provides a full spectrum of services ranging from business case and procurement advisory services to comprehensive turnkey project and post-financial close contract management. This flexible approach enables clients to focus on their core businesses and accountabilities while Partnerships BC focuses on the administrative and contractual requirements of managing partnership projects.

Specific service offerings are described in the table on the following page.

Partnerships BC's Services		
<p>Business Planning</p> <ul style="list-style-type: none"> ▪ Concept Plans and Feasibility Analysis ▪ Procurement Options Assessment ▪ Business Case <ul style="list-style-type: none"> ▪ Quantitative Analysis ▪ Risk Analysis ▪ Multiple Criteria Analysis (MCA) ▪ Procurement Options Analysis ▪ Strategic Communications ▪ Stakeholder Management 	<p>Procurement Process</p> <ul style="list-style-type: none"> ▪ Procurement Process Management ▪ Market Sounding ▪ Best Practices and Procurement Documentation ▪ Evaluation Management ▪ Service Integration <ul style="list-style-type: none"> ▪ Consultant Management ▪ Strategic Communications ▪ Stakeholder Management 	<p>Implementation</p> <ul style="list-style-type: none"> ▪ Post-Financial Close Advice and Management ▪ Contract Documentation ▪ Value for Money Reporting ▪ Project Management ▪ Strategic Communications ▪ Stakeholder Management

Partnerships BC provides services directly through its own expertise and also by utilizing external consultants where specialized advice is required. To strengthen the partnership market, Partnerships BC continues to build relationships with private sector partners such as developers, investors, the advisory and financial services sector, and providers of construction, engineering and facilities management services.

The company's organization, staffing and governance reflect and support this blend of the public and private sector to best serve the public interest. Partnerships BC's Board of Directors and staff have a mix of skills and expertise from both sectors. The company has offices in Vancouver and Victoria to serve both sectors effectively.

Partnerships BC's budget provides for 45 full-time equivalent positions, including contractors. To respond to business needs, Partnerships BC is structured into strategic service units that support the company's project focus and operational requirements: Partnerships Development and Delivery, Partnerships Services and a Finance and Administration unit. These business units, and their primary functions, are described in the table on the following page.

SENIOR MANAGEMENT TEAM		
Larry Blain PRESIDENT & CEO		
Sarah Clark Vice President Partnership Development and Delivery	Grant Main Vice President Partnerships Services	Chan-Seng Lee Assistant Vice President Finance and Administration
<u>Areas of Responsibility</u>	<u>Areas of Responsibility</u>	<u>Areas of Responsibility</u>
<ul style="list-style-type: none"> ▪ Business Development ▪ Project Governance and Delivery ▪ Corporate Relations ▪ Market Development ▪ Senior Project Advisor 	<ul style="list-style-type: none"> ▪ Policy and Practices ▪ Communications ▪ Government Relations ▪ Legal Services ▪ Procurement Services ▪ Knowledge Management and Research ▪ Senior Project Advisor 	<ul style="list-style-type: none"> ▪ Finance and Accounting ▪ Human Resources ▪ Administration ▪ Facilities ▪ Information Technology ▪ Contract Management ▪ Corporate Governance

Over the last few years, policies and procedures have been developed and formalized into a human resources strategy. The central tenants of this strategy are based on recruitment and retention, leadership development, training, and performance planning and management.

Partnerships BC has implemented corporate and individual performance goals that support the objectives of each of the service areas. All employee performance plans are tied directly to corporate performance. Certain corporate performance measures are benchmarked against comparable professional services firms in both the private sector and public sector agencies. As part of their performance plans, employees are responsible for project deliverables and assisting with partnership development and the development and retention of best practices.

The company regularly updates its website to provide new information on current and completed projects, value for money reports and best practice guidance documents. For more information, visit: www.partnershipsbc.ca

Corporate Governance

Partnerships BC is governed by a Board of Directors that reports to the shareholder on the operations of the company. The Board of Directors was appointed July 15, 2003 and the composition of the Board reflects the unique mandate of the company, with Directors drawn from both the public and private sectors. The Board has two key functions: to provide governance and oversight for the company, and to review and recommend potential partnership opportunities.

The Board follows governance principles as set out in the *Best Practices Guidelines* published by the Board Resourcing and Development Office of the Ministry of Labour and Citizens' Services. The activities of the Board are governed by disclosure guidelines set by the Province. Details on Partnerships BC's governance practices can be found at: www.partnershipsbc.ca/files/governance-practices.html

The Board consists of the following Directors:

Rick Mahler (Chair)
Ed Andersen
Harold Calla
Susan Conner
Celia Courchene
Colin AC Dobell
Dan Doyle
Charles Jago
Gordon Steele
Sharon White

The Board is supported by two subcommittees. The Audit and Risk Management Committee

provides oversight of key financial information. This includes audited financial statements, quarterly financial statements, the annual report and any quarterly reports, the service plan, annual business plan, operating and capital budgets and any budget

Shareholder's Expectations	
Letter of Expectations	2008/09–2010/11 Service Plan Goals
<ul style="list-style-type: none"> ▪ Provide expert services to the Province and its agencies in the procurement of partnership projects ▪ Ensure the public interest is served ▪ Demonstrate fair, transparent and competitive processes ▪ Support the Province in tackling the challenges of global warming and promote environmentally sensitive infrastructure through public private partnerships 	Goal 1: Structure and implement public private partnership solutions which serve the public interest
<ul style="list-style-type: none"> ▪ Build a centre of expertise and excellence that will be recognized for innovation and performance ▪ Grow the public private partnership market in B.C. 	Goal 2: Encourage development of the partnership market in British Columbia
<ul style="list-style-type: none"> ▪ Improve efficiency and quality of delivery of partnership transactions ▪ Remain commercially viable on an ongoing basis and increase productivity by ensuring that revenues meet or exceed expenses 	Goal 3: Remain commercially viable and increase productivity
<ul style="list-style-type: none"> ▪ Assist the Province in the application of the new capital standard announced in October 2006 	Goal 4: Ensure that public private partnership projects with provincial funding exceeding \$20 million, where Partnerships British Columbia provides a review and oversight role, are structured and implemented utilizing best practices

presentations to government. The committee also reviews the company's risk management, internal controls and information systems. The committee members are: Harold Calla (Chair), Susan Conner, Dan Doyle and Sharon White. The Board Chair and the Chair of the Human Resources and Governance Committee also attend meetings of the Audit and Risk Management Committee.

The Human Resources and Governance Committee assists the Board with human resource issues, compensation matters and the establishment of a plan of continuity and development for senior management. The committee also provides a focus on corporate governance to enhance the performance of the company. The committee members are: Celia Courchene (Chair), Ed Andersen, Colin AC Dobell, Charles Jago and Gordon Steele. The Board Chair and the Chair of the Audit and Risk Management Committee also attend meetings of the Human Resources and Governance Committee.

Strategic and Planning Context

One of the most significant factors to change the strategic context in which Partnerships BC operates was the introduction of the capital standard policy in October 2006. Since that time, Partnerships BC has worked with the Province, public sector clients, stakeholders and the partnership market to raise the level of awareness and understanding of this new policy direction and to support its implementation.

There are other factors that will impact the strategic context in which Partnerships BC will be operating and planning in the coming years. The Canadian partnership market is expanding rapidly: public private partnership agencies are fully operational in Ontario and Quebec, and the Government of Alberta has established a public private partnership program. As well, the Government of Nova Scotia has indicated its commitment to the use of public private partnerships and will make it mandatory that significant government infrastructure investments pass through a public private partnership filter. The Government of New Brunswick is also exploring the use of public private partnerships in infrastructure. The Government of Canada has established a new public private partnership office to guide the implementation of its public private partnership initiative, and in addition, will now require that public private partnerships be considered for major infrastructure projects to which the Government of Canada is to contribute at least \$50 million. The expansion of the Canadian partnership market is mirrored by the number of new private sector market participants expanding and locating across the country.

Other significant factors impacting Partnerships BC's strategic environment relate directly to the fiscal situation and infrastructure requirements of the majority of its clients. The Province's planned infrastructure growth in health care, education, advanced education, municipal infrastructure, transportation and energy provide numerous opportunities for Partnerships BC to assist clients and add value to projects while serving the public interest. Partnerships BC will explore a range of partnership models, from design-build to design-build-finance-operate-maintain, to assist clients in meeting infrastructure needs, and will focus upon expanding its client base to include new sectors like education, energy and wastewater. The Province's climate change agenda also presents new opportunities for public private partnerships to harness the innovation of the private sector in finding new ways to build sustainable infrastructure.

The procurement experience and expertise gained by Partnerships BC since its inception positions the company to offer new services to public sector clients in the post-financial close phase of partnership projects. The company is well positioned to leverage its expertise across a wide range of clients and sectors, and facilitate the development of best practices that can be incorporated into the procurement and operations of future projects. Therefore, the company will expand its service model to include post-financial close engagements with public sector clients to help ensure the long-term success of partnership projects.

Risk Management

As part of its internal risk management process, Partnerships BC applies the Enterprise-Wide Risk Management (ERM) methodology as developed by the Risk Management

Branch of the British Columbia Ministry of Finance, which includes a calendared risk schedule so that risk management is conducted systematically throughout the year.

The risk profile faced by Partnerships BC is similar to previous years, although inflationary pressures and capacity in the construction industry remain significant concerns. In addition, increased competition for market participants in other jurisdictions presents both a risk and opportunity for the company.

Partnerships BC has identified a number of potential risks, both internal and external, that could compromise the company's ability to realize its goals in the coming years. Key risks and their corresponding mitigation strategies are outlined in the table below.

Risk Category	Description	Mitigation Strategies
Scope of Business Focus and Client Base <i>Applies to all goals</i>	Partnerships BC's client market and service offering is a relatively narrow business focus. If the partnership market weakened or the policy environment were to change, this could limit the ability of the company to meet its financial targets and goals.	<ul style="list-style-type: none"> ▪ Expand potential client market to include other levels of government and other jurisdictions. ▪ Consult with government agencies to understand their infrastructure needs and identify project opportunities. ▪ Work with central agencies to streamline approval processes. ▪ Diversify the range of partnership procurement models to better meet client needs.
Public Private Partnership Policy Environment <i>Applies to all goals</i>	Public private partnerships are relatively new; therefore, policy issues are still evolving including the application of the capital standard policy and consideration of the Province's climate change agenda.	<ul style="list-style-type: none"> ▪ Work with the Province to ensure the policy environment is compatible with public private partnerships. ▪ Work with clients to ensure partnership projects are compatible with the Province's policy objectives.
Project Risks <i>Applies to goals 1, 2 and 3</i>	Partnerships BC may face increased risks due to problems or changes in client public private partnerships projects in the procurement, contract management or operations phase of a public private partnership project.	<ul style="list-style-type: none"> ▪ Participate on Steering Committees for public private partnership projects. ▪ Develop and apply best practices in post-financial close: <ul style="list-style-type: none"> ▪ Provide advisory services during design and construction. ▪ Provide advisory services during operations.

Risk Category	Description	Mitigation Strategies
<p>Public Private Partnership Market Size and Capacity</p> <p><i>Applies to goals 1, 2 and 3</i></p>	<p>Public private partnership markets are continuing to grow, both internationally and within B.C. The company may face challenges related to:</p> <ul style="list-style-type: none"> ▪ Growth of public private partnership markets in competing jurisdictions. ▪ General private sector interest in public private partnerships worldwide. ▪ Development of public private partnership capacity within B.C. ▪ Capacity and inflationary pressures in the construction sector in B.C. ▪ Population growth and demographic shifts that impact both the need for infrastructure and the ability to deliver. 	<ul style="list-style-type: none"> ▪ Continue to develop relationships with public private partnership stakeholders and business partners. ▪ Develop standardized and consistent approaches to procurement to reduce transaction and bid costs to make B.C. a more attractive public private partnership market. ▪ Engage in information sharing with other provincial jurisdictions to broaden the Canadian public private partnership market and attract private sector participants. ▪ Communicate with international public private partnership organizations to build on their experience. ▪ Ensure rigorous project budgeting to address project risks such as construction cost escalation. ▪ Assess market interest in advance of project implementation to ensure the presence of a viable market. ▪ Involve the academic community to analyze the B.C. project experience to further develop best practices.
<p>Reputation Risk</p> <p><i>Applies to goals 1, 2 and 3</i></p>	<p>Reputation is compromised when an organization's performance, ethics or experience with stakeholders suffers. Partnerships BC's ability to provide quality service to its clients and the wider public private partnership market is directly tied to the reputation of the company and the demonstrable success of its projects.</p>	<ul style="list-style-type: none"> ▪ Ensure a high level of disclosure and transparency. ▪ Develop and implement communications strategies for partnership projects. ▪ Develop and implement a proactive corporate stakeholder relations strategy. ▪ Apply best practices to all phases of projects. ▪ Expand service model to include post-financial close engagements.

Risk Category	Description	Mitigation Strategies
<p>Internal Experience and Capacity</p> <p><i>Applies to all goals</i></p>	<p>Partnerships BC faces the challenge of balancing service demand with its corporate capacity to ensure successful performance at both the project and organizational levels.</p>	<ul style="list-style-type: none"> ▪ Continue implementation of a human resources strategy that ensures professional staff develop the right mix of skills and expertise for the expected project flow and corporate responsibilities, and draw expertise from the public and private sectors. ▪ Support continuous learning and improvement, and targeted and relevant training. ▪ Focus on the use and optimization of the knowledge management system. ▪ Optimize staff retention and work to minimize personnel turnover. ▪ Conduct external executive and staff compensation reviews every two years to benchmark against comparable public and private sector organizations. ▪ Benchmark human resource strategies against comparable public and private sector organizations.
<p>Management and Operational Risks</p> <p><i>Applies to all goals</i></p>	<p>Partnerships BC's ability to serve its clients is dependent upon its ability to harness and direct knowledge; therefore, the company faces business risks related to information management.</p>	<ul style="list-style-type: none"> ▪ Update and improve management and financial information systems and related processes. ▪ Address business disruption issues with the effective deployment of business continuity plans. ▪ Work to improve server performance and the implementation and management of back-up systems. ▪ Address information systems related risks.

Goals, Strategies, Performance Measures and Targets

Partnerships BC continues to refine and reassess its corporate goals to reflect the evolving vision of the company and its Board of Directors, the growth of the public private partnership market in British Columbia and the emerging policy needs of its shareholder.

In the early years of operation the company was primarily focused on developing the partnership market in British Columbia and securing an active pipeline of projects. As the public private partnership market has matured, so has Partnerships BC. Therefore, the company has shifted its focus to evaluating, structuring and implementing public private partnerships and to ensuring the successful delivery of projects. Now, with the number of partnership projects that are either in the market or under construction, there is an opportunity for Partnerships BC to expand its service model once again. Going forward, the company will pursue post-financial close engagements with ministries, agencies and Crowns in recognition of the importance of transferring lessons learned to future partnership projects.

Partnerships BC continues to hold a unique place in the market, acting both as advisor to government and as the gateway to partnership opportunities for the business sector. Qualitative measures, such as those related to transparency and fairness, reflect the need to serve the public interest. Quantitative measures, such as standard measures of commercial viability, reflect the need to remain effective and efficient in operations. Performance measures and targets have been selected to reflect the nature of the advisory services business model under which Partnerships BC operates, and also to reflect the maturity of the public private partnership market.

Partnerships BC tracks data from a number of sources, including:

- The financial plan presented to the Board of Directors, which is benchmarked against comparable corporations.
- Tracking of project milestones and comparison of milestones achieved based on project plans.
- Implementation of a knowledge management strategy to track and catalogue best practices, project precedents and other key indicators.
- Information from client and employee satisfaction review processes, including surveys and interviews.

The company provides quality assurance in the implementation of all aspects of the Service Plan, and continues to improve the internal mechanisms that promote and enable excellence in product quality. The company monitors the performance of the measures in the Service Plan and introduces corrective actions as necessary to ensure goals are met. Measures and targets may be refined in the years ahead as Partnerships BC continues to evolve.

The company's four corporate goals, along with the strategies, performance measures and targets for achieving those goals, are described on the following pages. In addition, the relative weight of each goal towards measuring overall corporate performance is identified.

Goal 1: Structure and implement public private partnership solutions which serve the public interest (50 per cent).

Partnerships BC's mandate is to structure and implement public private partnership solutions which serve the public interest. The company's success is measured by its ability to meet project milestones and the number and type of new projects it initiates.

Partnerships BC shares with its public sector clients a commitment to managing projects such that the public interest is served. Given that public private partnerships often involve large, high profile, complex projects, it is essential that all stakeholders have a degree of comfort with the process involved in bringing a public private partnership project to fruition. To achieve this, and to protect the public interest, the company is committed to ensuring that its operations and projects are delivered in the most transparent manner possible, demonstrating fairness, integrity and value for taxpayers' dollars. The company is also committed to protecting confidential information and commercial interest.

Partnerships BC is committed to ensuring that public sector clients are provided with the highest standard of service available and that they are satisfied with the quality of services provided.

The company will focus on the following strategies to achieve its goal:

Strategies

- Continue to build and improve upon relationships with public sector client agencies and undertake business development beyond core provincial government client agencies.
- Ensure that a wide client group is aware of the potential benefits of public private partnerships.
- Continually seek out business opportunities with new, potential and existing clients.
- Develop business plans that incorporate rigorous financial analysis, risk assessment and management tools to provide a solid foundation for decision making, based on an assessment of a full range of quantitative and qualitative factors.
- Publish documents that communicate the value for taxpayer dollars expected to be achieved for projects, and, as appropriate and utilized by the client, a Report of the Fairness Advisor following financial close of each project, and disclose all documentation not deemed to be commercially sensitive.
- Continually assess and appraise the quality of services provided by Partnerships BC with clients, external stakeholders such as public private partnership service providers (e.g. advisors), project participants and private partners. Strategies include conducting client surveys and conducting market consultations.

Goal 1: Structure and implement public private partnership solutions which serve the public interest					
Performance Measures	Targets				
	2006/07 Actual	2007/08 Forecast	2008/09	2009/10	2010/11
Public Private Partnership Development Agreements with the Province and/or other agencies	Positive assessment achieved	Positive assessment by Board of Directors of engagements achieved	Positive assessment by Board of Directors of engagements achieved	Positive assessment by Board of Directors of engagements achieved	Positive assessment by Board of Directors of engagements achieved
Revenue growth	Revenue growth below target	13%	17%	1%	3%
Client survey results indicate Partnerships BC performance meets or exceeds client expectations	Target met	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery
Project milestones achieved	Positive assessment achieved	Positive assessment by Board of Directors on project milestones achieved	Positive assessment by Board of Directors on project milestones achieved	Positive assessment by Board of Directors on project milestones achieved	Positive assessment by Board of Directors on project milestones achieved
Publish value for money report or communications on all projects after financial close has been reached	All reports published	100% documents published	100% documents published	100% documents published	100% documents published
Publish fairness and probity opinions on projects where size and scope warrants fairness review	All reports published	100% documents published	100% documents published	100% documents published	100% documents published

Goal 2: Encourage development of the public private partnership market in British Columbia (15 per cent).

The benefits of public private partnerships can only be fully realized on a broad scale when there is a strong client base and project flow, and sufficient number and quality of market participants to bid on those projects. Market participants must have collectively not only the technical skill and financial resources to competitively bid on projects, but must be able to identify innovative and creative solutions. British Columbia is already realizing the benefits of market development in the public private partnership arena; however, continued growth and development will be necessary to ensure a vibrant, competitive long term market to address infrastructure requirements across the province.

One of Partnerships BC's broad objectives is to create a world class centre of expertise for public private partnerships in British Columbia. The company endeavours to ensure that best practices are identified and transferred from one project to the next, and that British Columbia becomes recognized as an attractive market for public private partnerships.

The company will focus on the following strategies to achieve its goal:

Strategies

- Implement a stakeholder outreach program to increase visibility and appreciation of Partnerships BC in the broader international market.
- Participate within and outside British Columbia at conferences and workshops.
- Host client outreach workshops and forums.
- Enter into Public Private Partnership Development Agreements with clients in strategic sectors.
- Develop a presence in the business community to ensure Partnerships BC is recognized as a catalyst for success in public private partnership projects.
- Identify and apply best practices from project to project to help ensure continuous improvement and consult regularly with clients and the market in best practice development.
- Focus on the use and optimization of the knowledge management system to capture and incorporate best practices.
- Support the development of a strong pan-Canadian partnership market.

Goal 2: Encourage development of the public private partnership market in British Columbia					
Performance Measures	Targets				
	2006/07 Actual	2007/08 Forecast	2008/09	2009/10	2010/11
New market participants in British Columbia	Numerous market participants located in B.C.	Number of new market participants			
Annual examples of best practices established, acknowledged and adopted within the Provincial government and by other governments	Best practices shared with other jurisdictions	Examples of projects utilizing best practices Examples of Partnerships BC engagements with other governments	Examples of projects utilizing best practices Examples of Partnerships BC engagements with other governments	Examples of projects utilizing best practices Examples of Partnerships BC engagements with other governments	Examples of projects utilizing best practices Examples of Partnerships BC engagements with other governments
Annual examples of synergies and process cost reductions	Project templates developed	Project examples where synergies achieved Data collection for empirical benchmarking	Project examples where synergies achieved Data collection for empirical benchmarking	Project examples where synergies achieved Data collection for empirical benchmarking	Benchmarks established
External validation (e.g. awards, informed media coverage)	Nine awards for partnership projects; positive validation for Partnerships BC achieved	Project awards received, significant media coverage	Examples from 3 rd party validators	Examples from 3 rd party validators	Examples from 3 rd party validators

Goal 3: Remain commercially viable and increase productivity (25 per cent).

Partnerships BC is committed to ensuring it remains commercially viable on an ongoing basis. Commercial viability requires that revenues meet or exceed expenses, whether or not the Government Services Agreement with the Province is continued. The current Government Services Agreement extends to March 31, 2008. Under the current Agreement, Partnerships BC provides a range of services such as: helping agencies identify and assess public private partnership opportunities; developing provincial public private partnership policy and best practices; and providing other advisory and consulting services directly to the Province and/or clients on an ongoing basis, where costs are not attributable to a specific project.

Partnerships BC is committed to meeting a minimum 15 per cent net income margin (pre-variable compensation). This target ensures that efficiencies gained through Partnerships BC's experience and best practices are returned to the shareholder.

Partnerships BC's ability to meet its goals depends on its ability to attract and retain high quality staff. Partnerships BC also recognizes that its ability to remain profitable depends on the efficiency of its employees. In addition to harnessing the corporate learning embodied within the suite of best practices, targeted employee training and professional development have been identified as means to both improve employee productivity and contribute to employee satisfaction.

The company will focus on the following strategies to achieve its goal:

Strategies

- Ensure that Partnerships BC's resources and cost structure are appropriate for the expected workload.
- Prudently manage general and administrative (non-recoverable) expenses.
- Monitor human resource issues relative to the human resource strategy and adjust as required.
- Develop internal performance measures for Partnerships BC and its staff which tie individual and collective success to the achievement of milestone events.

Goal 3: Remain commercially viable and increase productivity

Performance Measures	Targets				
	2006/07 Actual	2007/08 Forecast	2008/09	2009/10	2010/11
Meet budget (minimum 15% net income margin pre-variable compensation)	Net Income Margin below 21% target but achieved a 14.8% Net Income Margin (approximately the shareholder's minimum requirement for a 15% Net Income Margin)	Meet budget (minimum 15% net income margin pre-variable compensation)	Meet budget (minimum 15% net income margin pre-variable compensation)	Meet budget (minimum 15% net income margin pre-variable compensation)	Meet budget (minimum 15% net income margin pre-variable compensation)
Minimize charge-out rates to clients	No increase in charge-out rates	No change in charge-out rates	Minor changes in rates to reflect change in organization – no net increase	Subject to annual review	Subject to annual review
Employee satisfaction	Target met	Positive assessment by Board of Directors of survey results achieved	Meet or exceed industry standards, with minimum 85% employee satisfaction	Meet or exceed industry standards, with minimum 85% employee satisfaction	Meet or exceed industry standards, with minimum 85% employee satisfaction
Targeted and relevant training	Target met	Positive assessment by Board of Directors	5% of compensation costs	5% of compensation costs	5% of compensation costs

Goal 4: Ensure that public private partnership projects with provincial funding exceeding \$20 million, where Partnerships British Columbia provides a review and oversight role, are structured and implemented utilizing best practices (10 per cent).

In recognition of the success to date of the partnership program and the delivery of projects on time and on budget, the Province announced a capital standard policy regarding project funding. For capital projects where the Province contributes \$20 million or more, the public private partnership model is considered the base case unless there is a compelling reason to do otherwise.

One of the objectives of the capital standard is to impose a discipline for good business planning to deliver best value for taxpayers' dollars. Partnerships BC will continue to work with the Province and public sector clients to raise the level of expertise and understanding on the full range of procurement options and the potential benefits of the partnership model. Partnerships BC is required to review the procurement options analysis for capital projects with more than \$20 million in provincial funding. In addition, Partnerships BC is to be included on the Steering Committee for partnership projects to leverage best practices province-wide and support sound governance and project management. This goal specifically applies to projects in which Partnerships BC is not directly engaged in an advisory and procurement management capacity as defined in Goal 1.

The company will focus on the following strategies to achieve its goal:

Strategies

- Continue to work with ministries and provincial agencies to raise the level of expertise and understanding on the full range of procurement options.
- Continue to develop and enhance business assessment tools to assist in efficient and effective analysis.
- Provide timely and effective advice to agencies in reviewing projects to which the Province's capital standard policy applies.

Goal 4: Ensure that public private partnership projects with provincial funding exceeding \$20 million, where Partnerships British Columbia provides a review and oversight role, are structured and implemented utilizing best practices

Performance Measures	Targets				
	2006/07 Actual	2007/08 Forecast	2008/09	2009/10	2010/11
Client Satisfaction survey	N/A	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery
Examples of best practices applied and costs reduced on oversight projects	N/A	Examples published	Examples published	Examples published	Examples published

Resource Summary

Partnerships British Columbia Inc.
 Financial Statements for Service Plan
 For the Years Ended March 31, 2008 to 2011

Partnerships British Columbia Inc.
Fiscal 2007/08 Reforecast and Fiscal 2008/09 to 2010/11 Budget

	2006/07 Actual	2007/08 Reforecast	2008/09 Budget	2009/10 Budget	2010/11 Budget
REVENUE					
Fees for Service	\$ 6,087,822	\$ 7,077,114	\$ 8,571,360	\$ 8,624,524	\$ 8,984,931
Provincial Government Revenue	1,800,000	1,909,000	1,966,000	2,025,000	2,025,000
Other Revenue	294,915	272,318	262,000	269,860	277,956
Project Recoveries	3,383,535	4,836,176	4,924,400	5,000,000	5,500,000
TOTAL REVENUE	11,566,272	14,094,608	15,723,760	15,919,384	16,787,887
EXPENDITURES					
Salaries and Benefits	5,600,855	5,894,606	7,152,133	7,427,884	7,484,562
Professional Services	420,179	503,362	463,800	477,714	492,045
Administration	1,303,334	1,293,003	1,337,419	1,352,619	1,418,400
Corporate Relations	24,502	77,085	86,500	89,095	91,768
Amortization	227,935	258,337	234,693	241,734	332,415
TOTAL EXPENDITURES	7,576,805	8,026,393	9,274,545	9,589,046	9,819,191
Project Recoverable Expenses	3,383,535	4,836,176	4,924,400	5,000,000	5,500,000
NET INCOME	\$ 605,932	\$ 1,232,038	\$ 1,524,815	\$ 1,330,338	\$ 1,468,696
NET INCOME (PRE-VARIABLE COMPENSATION)	\$ 1,211,932	\$ 1,931,970	\$ 2,169,480	\$ 2,019,505	\$ 2,165,100
Number of Employees and Contractors	40	43	45	45	45
Capital Expenditures	\$ 195,764	\$ 229,188	\$ 240,087	\$ 280,680	\$ 246,490

Key Forecast Assumptions

In preparing its financial statements, Partnerships BC has based its calculations on the following assumptions:

- Revenue and expenditures are estimates based on a forecast of project activity using the best information available to Partnerships BC.
- Project expenditures will fluctuate slightly from year to year.
- The majority of expenditures will be reimbursable from third parties during the fiscal year in which they occur and will not materially affect the bottom line.

Risks and Sensitivities

Risks, in general, have been discussed within the planning context of this document; however, risks and sensitivities pertaining specifically to Partnerships BC's financial outlook are as follows:

- Interest rates—Partnerships BC does not forecast significant interest income and therefore the fluctuation of interest rates is not expected to have a significant impact on earnings. However, it may affect the ability of third parties to cover costs if they are primarily using debt financing.
- Performance of the economy—the overall performance of the British Columbian, Canadian and North American economies may have some impact on demand for construction and debt.
- Inflation—inflation in some sectors may or may not impact Partnerships BC's work flow and project revenue.

Appendix 1: Other Operating Segments

Partnerships BC incorporated the Abbotsford Regional Hospital and Cancer Centre Inc. as a subsidiary corporation in 2003/04. Given the number of public sector agencies involved in the Abbotsford Regional Hospital and Cancer Centre Project, it was determined that it would be beneficial to create a single public sector entity to contract with the private sector. The mandate of the entity is to ensure that the project is completed on time, on budget and within scope.

Abbotsford Regional Hospital and Cancer Centre Inc. concluded the competitive selection process for the project on December 7, 2004, when it reached financial close on a project agreement with the private sector partner Access Health Abbotsford. Partnerships BC will continue to retain responsibility for the project and hold the shares of the company until the new facility is built and commissioned at substantial completion. At that point, the shares will be transferred to the Fraser Health Authority and Provincial Health Services Authority for the 30-year operating phase of the project.

Construction of the Abbotsford Regional Hospital and Cancer Centre started in December 2004, with design and development being completed in November 2005. The current focus is directed towards equipment procurement and planning for the operationalization of all facility management services. The capital and equipment cost is \$355 million, and the project remains on time, on budget and within scope and is expected to reach substantial completion in May 2008. After that time, the health authorities will begin an extensive training and orientation process for staff to ensure the facility will be ready to receive patients by the end of summer 2008.



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