

2009/10–2011/12  
SERVICE PLAN UPDATE

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## Message from the Chair

I am pleased to present the Service Plan for Partnerships British Columbia Inc. (Partnerships BC or the Company) for the period September 1, 2009 to March 31, 2012. This plan outlines the Company's goals and plans for the next three fiscal years.

Partnerships BC has established itself as a centre of expertise recognized internationally for innovation in the procurement of performance-based infrastructure. The Company continues to build a foundation of experience and has participated in more than 30 partnership projects. These innovative projects are expected to generate significant benefits for taxpayers throughout the term of each agreement. Eight projects, delivered using the design build finance maintain (DBFM) delivery model, are now operational: each project was completed either on or ahead of schedule and within budget. Of the remaining DBFM projects that are currently under construction, all are on or ahead of schedule and on budget. In addition, Partnerships BC has participated in a number of projects that are being delivered using the design build (DB) delivery model. Together, these projects make up a total investment of almost \$10 billion, of which \$4 billion comes from private capital.

During 2008-09, several projects reached key milestones. Four projects entered the operational stage: the William R. Bennett Bridge, which opened 108 days ahead of schedule and within budget; the Abbotsford Regional Hospital and Cancer Centre, which opened for patients after being completed on time, on budget and within scope; the Golden Ears Bridge, which opened two weeks ahead of schedule and within budget; and the Canada Line, which opened three-and-a-half months ahead of schedule and within budget. Construction is underway on Duchess Park Secondary School in Prince George, a DB project. Four projects in the health sector have reached the final agreement stage and are now under construction in communities across the province, including: the Kelowna and Vernon Hospitals Project, the Royal Jubilee Hospital Patient Care Tower in Victoria; the Surrey Outpatient Hospital; and the Fort St. John Hospital and Residential Care project. The BC Cancer Agency Centre for the North and South Fraser Perimeter Road are currently at the request for proposals stage and the Surrey Memorial Hospital Redevelopment and Expansion: Emergency Department and Critical Care Tower is at the request for qualifications stage.

Construction on the Port Mann/Highway 1 Project is underway and progressing ahead of schedule. Originally planned as a DBFM, Partnerships BC recommended it proceed without private financing using the DB delivery model after a cost-effective agreement with the preferred proponent could not be reached. The procurement retains many of the key benefits of the partnership model, including: an innovative design solution; a fixed-price contract; and an accelerated construction schedule.

Global financial markets experienced significant challenges in 2008-09, including the availability and cost of capital for infrastructure projects; despite signs of improvement, markets are expected to remain unstable and this may have an impact on the PPP market going forward. Partnerships BC is responding to these challenges by exploring a variety of temporary credit measures to help manage those impacts and ensure projects remain affordable. For every PPP project, a thorough analysis is done to determine the right mix of public and private funding to ensure best value for taxpayers dollars. By using a flexible approach to financing, the project benefits will be delivered within the project budget.

Since the introduction of the capital standard policy in 2006, Partnerships BC has been reviewing all capital projects that have \$20 million or more in provincial funding. To date, all projects recommended to be a PPP have been over \$100 million with the exception of one; therefore, the Province announced a revision to the policy. For projects with \$50 million or more of provincial funding, a PPP will be considered the base case unless there is a compelling reason to do otherwise. For projects with \$20 million to \$50 million in provincial funding, a preliminary project screening will be undertaken to determine if the project has any characteristics that would make it suitable to be delivered as a PPP. This will assist to streamline and accelerate the planning process for smaller capital projects.

The Province is implementing an aggressive climate action plan to cut greenhouse gas emissions. This plan extends to capital projects in the health care, education, accommodation and cultural sectors, whereby such projects are expected to be designed and built to achieve Leadership in Energy and Environmental Design (LEED) Gold certification. Through competition and innovation, the PPP delivery model provides a strong mechanism that is being used to help the Province achieve these environmental goals.

In 2008-09, Partnerships BC expanded its service model to include project implementation advisory services during the design and construction phase of PPP projects. Based upon the experience to date in the procurement of major projects, the Partnerships BC Board determined that there could be significant benefits from the implementation of best practices on a cross-project basis in the design and construction phase. In 2008-09, the Company entered into engagements to provide project implementation advisory services to clients in the health and transportation sectors.

Partnerships BC continues to place a high priority on the development of best practices in procurement. In 2008-09, the Board of Directors endorsed comprehensive best practices in the areas of costing, affordability, evaluation and governance.

For 2009-10, Partnerships BC will continue to explore a range of partnership models to assist clients in the delivery of infrastructure projects in the health, transportation, wastewater and accommodation sectors. Since its inception, the Company has successfully diversified its product line to include a range of partnership models such as design-build-finance-maintain; design-build-finance-rehabilitate; and, design-build procurement delivery models.

Over the next year, the Company will continue to engage in stakeholder outreach activities to maintain and generate support for the partnership delivery model and its associated benefits. Partnerships BC will work to increase awareness among clients of new best practices in the costing, affordability, evaluation and governance of PPP projects and assist with the implementation of the Province's capital standard policy.

While creating new partnership opportunities is a focus for Partnerships BC, the benefits to the public and the quality of each PPP project 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 PPP 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 focus on efficiency and productivity.

The 2009/10–2011/12 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.

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, Government of Saskatchewan, Infrastructure Ontario, Partenariats public-privé Québec, Government of Nova Scotia, Government of Prince Edward Island, Public Works and Government Services Canada and PPP Canada Inc. will ensure the continuous transfer of knowledge related to best practices. Information sharing has occurred with the Government of New Brunswick, Russia and state governments in Arizona, California, New York, Colorado and Texas as those jurisdictions look for solutions that meet infrastructure needs.

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 one of the founding Directors who reached his term of appointment: Dr. Charles Jago. I would like to recognize his dedication to public service and very significant contribution to establishing the foundation on which the Company will continue to build. I would also like to welcome the appointment of two new Directors: Dan George and Kirsten Tisdale.

Partnerships BC's 2009/10–2011/12 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 fiscal plan. All significant assumptions, policy decisions and identified risks as of August 2009 have been considered in preparing the plan.

Sincerely,

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*.

Partnerships BC's vision is to be the Province's centre of expertise for evaluating, structuring and implementing public private partnerships (PPPs) 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 partnership delivery models.

Partnerships BC is responsible for bringing together the public and private sectors to develop and implement PPP 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, the Province introduced a capital standard policy regarding project funding in 2006. As originally announced, any project with \$20 million or more of provincial funding would be considered a PPP unless there was a compelling reason to do otherwise. Since the introduction of that policy, Partnerships BC has been reviewing procurement options analyses for all capital projects that have \$20 million or more in provincial funding and all projects recommended to be a PPP have been over \$100 million with the exception of one. Therefore, in November 2008 the Province announced a revision to the capital standard policy. For projects with \$50 million or more of provincial funding, a PPP will be considered the base case unless there is a compelling reason to do otherwise. For projects with \$20 million to \$50 million of provincial funding, a preliminary project screening will be undertaken to determine if the project has any characteristics that would make it suitable to be delivered as a PPP.

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 improve the quality and scope of procurement options analyses for major capital projects, and to increase the level of understanding of the full range of procurement options and expected benefits.

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 planning and procurement management to project implementation advisory services. This flexible approach enables clients to focus on their core businesses and accountabilities while Partnerships BC focuses on the business and contractual requirements of evaluating, structuring and implementing PPP projects.

Specific service offerings are described in the table below.

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

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 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.

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.

<b>SENIOR MANAGEMENT TEAM</b>		
Larry Blain <b>PRESIDENT &amp; CEO</b>		
Sarah Clark Vice President Partnerships Development and Delivery	Susan Tinker Vice President Partnerships Services	Chan-Seng Lee 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"> <li>▪ Business Development</li> <li>▪ Project Governance and Delivery</li> <li>▪ Corporate Relations</li> <li>▪ Market Development</li> <li>▪ Senior Project Advisor</li> </ul>	<ul style="list-style-type: none"> <li>▪ Policy and Practices</li> <li>▪ Communications</li> <li>▪ Legal Services</li> <li>▪ Procurement Services</li> <li>▪ Knowledge Management and Research</li> <li>▪ Senior Project Advisor</li> </ul>	<ul style="list-style-type: none"> <li>▪ Finance and Accounting</li> <li>▪ Human Resources</li> <li>▪ Administration</li> <li>▪ Facilities</li> <li>▪ Information Technology</li> <li>▪ Contract Management</li> <li>▪ Corporate Governance</li> </ul>

Over the last few years, policies and procedures have been developed and formalized into a human resources strategy. The central tenets 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 the private sector and, where appropriate, comparable public sector agencies. As part of their performance plans, employees are responsible for project deliverables and assisting with partnership development and the development and implementation of best practices.

The Company regularly updates its website to provide new information on current and completed projects, project reports and best practice guidance documents. For more information, visit: [www.partnershipsbc.ca](http://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 Finance. 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: <http://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 Dobell  
Dan Doyle  
Dan George  
Gordon Steele  
Kirsten Tisdale  
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

Shareholder's Expectations	
Letter of Expectations	2009/10–2011/12 Service Plan Goals
<ul style="list-style-type: none"> <li>▪ Assist the Province in meeting its infrastructure needs by providing innovation, leadership and expertise in public procurement</li> <li>▪ Provide expert services to the Province and its agencies in the procurement of PPP projects</li> <li>▪ Pursue PPPs that advance the public interest and will meet specific public policy objectives, improve services, achieve environmental quality, energy efficiency and sustainability objectives and achieve value for money</li> <li>▪ Continue to demonstrate transparent and competitive processes</li> <li>▪ Support the Province in tackling the challenges of global warming and promote environmentally sensitive infrastructure through PPPs</li> <li>▪ Provide policy advice to the shareholder on alternative procurement, PPPs and capital asset management when required</li> <li>▪ Assist the Province in the application of the \$50 million capital standard policy</li> </ul>	<p>Goal 1: Structure and implement public private partnership solutions which serve the public interest</p>
<ul style="list-style-type: none"> <li>▪ Grow the PPP market in B.C., building a centre of expertise and excellence that will be recognized for innovation and performance</li> </ul>	<p>Goal 2: Encourage development of the partnership market in British Columbia</p>
<ul style="list-style-type: none"> <li>▪ Continue to improve the efficiency and quality of delivery of PPP transactions</li> <li>▪ Remain commercially viable on an ongoing basis by ensuring revenues meet or exceed expenses and achieve annual net income margin targets of 12 per cent (pre-variable compensation)</li> <li>▪ Identify examples of productivity measures and targets, where appropriate, for inclusion in the annual report and service plan</li> </ul>	<p>Goal 3: Remain commercially viable and increase productivity</p>

and any quarterly reports, the service plan, annual business plan, operating and capital budgets and any budget presentations to government. The committee also reviews the Company's risk management, internal controls and information systems. The committee members are: Susan Conner (Chair), Harold Calla, Dan Doyle, Dan George 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: Kirsten Tisdale (Chair), Ed Andersen, Celia Courchene, Colin Dobell 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 Context

Since its inception in 2002, Partnerships BC has participated in more than 30 projects with a capital value approaching \$10 billion. As a centre of procurement expertise, Partnerships BC continually transfers knowledge and experience gained across projects to improve efficiency and quality, and to streamline and expedite the procurement process to save time and money for the public sector.

Since April 1, 2008, ten projects have either entered the market or achieved financial close. Based on this experience, a number of new Partnerships BC best practices have been identified in the following four categories: costing, affordability, evaluation and governance. The application of these best practices will maximize the opportunity for PPP projects to achieve procurement objectives, more accurate planning and project costing in the approval phase, greater control of project costs within approved affordability limits, motivate the proponent market and result in more aggressive proposals and provide effective project implementation oversight. Over the coming year, Partnerships BC will work with clients to increase their knowledge and understanding of how these best practices will be applied to partnership projects.

Other factors that will impact the strategic context in which Partnerships BC will be operating and planning in the coming years are related to the PPP market, both national and international. A strong, coordinated Canadian partnership market is starting to emerge and there has been a significant expansion of market participants. Public private partnership agencies or programs are fully operational in Ontario, Quebec and Alberta. Other jurisdictions such as Nova Scotia, New Brunswick, Saskatchewan and Prince Edward Island are exploring the use of PPPs to meet infrastructure needs. The federal government has established PPP Canada Inc., an office to guide the implementation of its public private partnership program. PPP Canada Inc. will administer the \$1.25 billion Public Private Partnerships Fund to support innovative projects. Partnerships BC continues to work with other Canadian jurisdictions to promote consistency in the development and application of best practices to ensure both the B.C. and broader Canadian market remain attractive to PPP market proponents.

Global financial markets experienced significant turmoil over the last year and this has had an impact on the PPP market. In response to the economic uncertainty, the Province announced 10 key measures to improve economic competitiveness and one of those measures could have an impact on the operations of the Company over the coming years; specifically, the intention to accelerate public investments in capital infrastructure. Partnerships BC continues to analyze financial market conditions and projects entering procurement to determine which procurement delivery model will provide the best value for taxpayers.

As financial markets stabilize, investors will be looking for secure and proven products to invest. British Columbia's PPP projects offer a stable return on investment. In these times of economic uncertainty, the Province is well positioned to continue delivering infrastructure that meets the needs of British Columbians.

Accelerated investments in capital infrastructure combined with the revised capital standard policy could result in numerous opportunities for Partnerships BC to assist clients and add value to projects while serving the public interest. Partnerships BC will continue to explore a range of partnership models, from design-build to design-build-

finance-maintain, to assist clients in meeting infrastructure needs. In addition, the Province's climate change agenda presents new opportunities for PPPs to harness the innovation of the private sector in finding new ways to build sustainable infrastructure.

As more PPP projects enter the construction and operations phases, Partnerships BC is well-positioned to offer clients project implementation advisory services and advice to ensure the continued long-term success of each project. To date, Partnerships BC has received project implementation engagements in both the health and transportation sectors.

### **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.

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 on the following page.

Risk Category	Description	Mitigation Strategies
Scope of Business Focus and Client Base	Partnerships BC's client market and service offering is a relatively narrow business focus. If the partnership market weakened this could limit the ability of the Company to meet its financial targets and goals.	<ul style="list-style-type: none"> <li>▪ Expand potential client market to include other levels of government and other jurisdictions.</li> <li>▪ Consult with government agencies to understand their infrastructure needs and identify project opportunities.</li> <li>▪ Work with central agencies to streamline approval processes.</li> <li>▪ Diversify the range of partnership procurement models to better meet client needs.</li> </ul>
Public Private Partnership Policy Environment	The policy environment for PPPs continues to evolve (e.g. capital standard).	<ul style="list-style-type: none"> <li>▪ Work with the Province to ensure the policy environment is compatible with PPPs.</li> <li>▪ Work with clients to ensure PPP projects are compatible with the Province's policy objectives.</li> </ul>
Project Risks	Partnerships BC may experience increased risks due to problems or changes in client PPP projects in the procurement, construction or operations phase of a PPP project.	<ul style="list-style-type: none"> <li>▪ Participate on Steering Committees for PPP projects.</li> <li>▪ Develop and apply best practices in procurement: <ul style="list-style-type: none"> <li>▪ Costing.</li> <li>▪ Affordability.</li> <li>▪ Evaluation.</li> <li>▪ Governance.</li> </ul> </li> <li>▪ Develop and apply best practices in the project implementation phase: <ul style="list-style-type: none"> <li>▪ Provide advisory services during design and construction.</li> <li>▪ Provide advisory services during operations.</li> </ul> </li> </ul>

Risk Category	Description	Mitigation Strategies
Public Private Partnership Market Size and Capacity	<p>PPP 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"> <li>▪ Growth of PPP markets in competing jurisdictions.</li> <li>▪ General private sector interest in PPPs worldwide.</li> <li>▪ Development of PPP capacity within B.C.</li> <li>▪ Capacity and inflationary pressures in the construction sector in B.C.</li> <li>▪ Population growth and demographic shifts that impact both the need for infrastructure and the ability to deliver.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continue to develop relationships with PPP stakeholders and business partners.</li> <li>▪ Develop consistent approaches to procurement to reduce transaction and bid costs to maintain an attractive PPP market in B.C.</li> <li>▪ Engage in information sharing with other provincial jurisdictions to broaden the Canadian PPP market and attract private sector participants.</li> <li>▪ Communicate with international PPP organizations to build on their experience.</li> <li>▪ Ensure rigorous project budgeting to address project risks such as construction cost escalation.</li> <li>▪ Assess market interest in advance of project implementation to ensure the presence of a viable market.</li> <li>▪ Involve the academic community to analyze the B.C. project experience to further develop best practices.</li> </ul>
High Interest Rates	<p>Interest rates for PPP projects are currently high by historical standards and projections are highly uncertain. The challenges include:</p> <ul style="list-style-type: none"> <li>▪ Availability of capital for infrastructure projects.</li> <li>▪ Cost of capital.</li> <li>▪ Fixed financial terms during the proposal evaluation and negotiation phase.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Remain highly informed on financial market conditions.</li> <li>▪ Take a flexible approach to structuring the financing for each project, designing the structure to match the prevailing financial market considerations to maximize project value for money.</li> <li>▪ Assessing risk transfer in the areas of refinancing timing and benefit sharing.</li> <li>▪ Optimize the use of private capital with public funding so as to achieve risk transfer at minimal financing cost.</li> </ul>
Reputation Risk	<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 PPP market is directly tied to the reputation of the Company and the demonstrable success of its projects.</p>	<ul style="list-style-type: none"> <li>▪ Ensure a high level of disclosure and transparency.</li> <li>▪ Develop and implement communications strategies for PPP projects.</li> <li>▪ Develop and implement a proactive corporate stakeholder relations and communications strategy.</li> <li>▪ Apply best practices to all phases of projects.</li> <li>▪ Expand service model to include project implementation engagements.</li> </ul>

Risk Category	Description	Mitigation Strategies
Internal Experience and Capacity	Partnerships BC needs to balance service demand with its corporate capacity to ensure successful performance at both the project and organizational levels.	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ Support continuous learning and improvement, and targeted and relevant training.</li> <li>▪ Focus on the use and optimization of the knowledge management system.</li> <li>▪ Optimize staff retention and work to minimize personnel turnover.</li> <li>▪ Conduct external executive and staff compensation reviews every two years to benchmark against comparable public and private sector organizations.</li> <li>▪ Benchmark human resource strategies against comparable public and private sector organizations.</li> </ul>
Management and Operational Risks	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.	<ul style="list-style-type: none"> <li>▪ Update and improve management and financial information systems and related processes.</li> <li>▪ Address business disruption issues with the effective deployment of business continuity plans.</li> <li>▪ Work to improve server performance and the implementation and management of back-up systems.</li> <li>▪ Address information systems related risks.</li> </ul>

## Goals, Strategies, 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 PPP 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 PPP market has matured, so has Partnerships BC. Therefore, the Company has shifted its focus to evaluating, structuring and implementing PPPs and ensuring the successful delivery of projects. With the number of partnership projects that are either in the market or under construction, Partnerships BC expanded its service model to include project implementation 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 PPP 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.
- Project milestones and comparison of milestones achieved based on project plans.
- 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 facilitate 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.

For 2009-10, Partnerships BC has revised its corporate goals. When the capital standard policy was introduced in 2006, a fourth corporate goal was added to the Company's Service Plan. The intent of that goal was to ensure that PPP projects were structured and implemented using best practices. Since the introduction of that policy, Partnerships BC has had meaningful involvement with PPP projects, in both a review and oversight role and to ensure best practices are applied. Consequently, goal four has been merged with goal one.

The Company's three corporate goals, along with the strategies, 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 (60 per cent).**

Partnerships BC's mandate is to evaluate, structure and implement PPP 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 PPPs 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 PPP 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 taxpayer 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 received.

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 PPPs.
- 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 expected benefits of 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 PPP service providers (e.g. advisors), project participants and private partners. Strategies include conducting client surveys and market consultations.

<b>Goal 1: Structure and implement public private partnership solutions which serve the public interest</b>						
<b>Performance Measures</b>	<b>Targets</b>					
	2007-08 Actual	2008-09 Actual		2009-10	2010-11	2011-12
Public Private Partnership Development Agreements with the Province and/or other agencies	Positive assessment achieved	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
Revenue growth	Revenue growth below target	15% <sup>1</sup>	2.3% <sup>2</sup>	3% <sup>3</sup>	3%	3%
Bi-annual client survey results indicate Partnerships BC performance meets or exceeds client expectations	Target achieved	Client survey not conducted in 2008-09  Positive feedback received from clients across multiple sectors  Positive feedback from the shareholder		Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery	N/A	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery
Project milestones achieved	Positive assessment 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
Publish project report or communications on all projects after financial close has been reached	100% 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	100% reports published and clean fairness opinions on four projects (RFQ process)	100% documents published		100% documents published	100% documents published	100% documents published

<sup>1</sup> Including completion fee for Abbotsford Regional Hospital and Cancer Centre project in 2008-09

<sup>2</sup> Excluding completion fee for Abbotsford Regional Hospital and Cancer Centre project in 2008-09

<sup>3</sup> Ibid

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

The benefits of PPPs 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 the technical skill and financial resources to competitively bid on projects, but must be able to identify innovative and creative solutions. British Columbia is realizing the benefits of a robust market in PPPs; 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 PPPs 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 is recognized as an attractive market for PPPs. Partnerships BC continually refines internal processes to develop best practices from its experience base, which is shared with clients to increase awareness of new best practices as they emerge.

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

### **Strategies**

- Maintain a stakeholder outreach program to increase visibility and appreciation of Partnerships BC in the broader international market.
- Develop new tools for keeping stakeholders informed about current projects and Partnerships BC programs.
- 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.
- Maintain a presence in the business community to ensure Partnerships BC is recognized as a catalyst for success in PPP projects.
- Continue to identify and apply best practices across projects to help ensure continuous improvement and consult regularly with clients and the market.
- 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.

<b>Goal 2: Encourage development of the public private partnership market in British Columbia</b>					
<b>Performance Measures</b>			<b>Targets</b>		
	2007-08 Actual	2008-09 Actual	2009-10	2010-11	2011-12
New market participants in British Columbia	Numerous market participants located in B.C.	Active market participation – 11 new market participants	Number of new market participants	Number of new market participants	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 internally and with other jurisdictions	All projects using standard procurement documents and sharing best practices internally  Developed and implemented comprehensive best practices: costing, affordability, evaluation and governance  Developed guidance and template for performance specifications for health projects	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	Use of procurement documents consistent across projects and sectors (e.g. health and transportation)	Evidences of reduced project costs; examples of efficiencies in procurement processes  Benchmarks will be established 2010-11	Project examples where synergies achieved  Data collection for empirical benchmarking	Benchmarks established	Target based on 2010-11 benchmark
External validation (e.g. awards, informed media coverage)	International recognition for Partnerships BC and PPP policy; two project awards	Positive media coverage; enhanced stakeholder outreach  Two project awards	Examples from 3 <sup>rd</sup> party validators	Examples from 3 <sup>rd</sup> party validators	Examples from 3 <sup>rd</sup> 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. Under the current Agreement, Partnerships BC provides a range of services such as: helping agencies identify and assess PPP opportunities; developing provincial PPP 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 12 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.

As a knowledge-based company, Partnerships BC tracks examples of productivity in specific areas of operations; however, overall productivity is deemed to be a required input to achieving the 12 per cent net income margin, within the context of Partnerships BC's operating environment. Starting in 2009-10, Partnerships BC will report on examples of productivity measures, including:

- Average annual utilization rate for professional staff, for projects, Government Services Contract work, and administration, as a measure of the balance amongst priorities that the Company seeks to maintain.
- Average revenue per professional staff, as a measure of the Company's ability to earn income.
- Annual administrative expense ratio, as a measure of managing administrative costs in relation to revenue.

Partnerships BC benchmarks these productivity measures against comparable corporations to develop the financial plan for the Company. These productivity measures contribute to achieving a key performance measure for the Company, which is to meet a minimum 12 per cent net income margin (pre-variable compensation).

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				
	2007-08 Actual	2008-09 Actual	2009-10	2010-11	2011-12
Meet budget	Net income target met	Net income target met  Exceeded 15% minimum shareholder target and 20% financial plan target with a net income margin of 25% (pre-variable compensation)	Meet budget (minimum 12% net income margin pre-variable compensation)	Meet budget (minimum 12% net income margin pre-variable compensation)	Meet budget (minimum 12% net income margin pre-variable compensation)
Minimize charge-out rates to clients	No change	No change in charge out rates	No change	Subject to annual review	Subject to annual review
Annual employee satisfaction survey	BC Public Service Agency <i>Work Environment Survey 2007</i> (overall score of 80)	BC Public Service Agency <i>Work Environment Survey 2007</i> (overall score of 85 compared to public service benchmark of 66)  BC Business Best Companies to Work for in BC survey (overall score of 4.06 out of 5)	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	Achieved training objectives within budget	Achieved training objectives within budget	5% of compensation costs	5% of compensation costs	5% of compensation costs

# Resource Summary

Partnerships British Columbia Inc.  
Financial Statements for Service Plan  
For the Years Ended March 31, 2009 to 2012

Partnerships British Columbia Inc.  
Fiscal 2008/09 Actual and Fiscal 2009/10 to 2011/12 Budget

	2007/08 Actual	2008/09 Actual	2009/10 Budget	2010/11 Budget	2011/12 Budget
<b>REVENUE</b>					
Fees for Service	\$ 6,944,578	\$ 7,956,812	\$ 8,067,600	\$ 8,470,980	\$ 8,725,109
Provincial Government Revenue	1,909,000	1,966,000	1,640,000	1,640,000	1,640,000
Other Revenue	323,003	230,029	161,000	165,830	170,805
Project Recoveries	5,205,644	6,685,642	5,200,000	5,200,000	5,400,000
<b>TOTAL REVENUE</b>	<b>14,382,225</b>	<b>16,838,483</b>	<b>15,068,600</b>	<b>15,476,810</b>	<b>15,935,914</b>
<b>EXPENDITURES</b>					
Salaries and Benefits	6,002,341	5,976,366	7,194,675	7,410,516	7,632,831
Professional Services	377,042	427,506	380,000	391,400	403,142
Administration	1,253,974	1,371,015	1,408,896	1,499,771	1,533,844
Corporate Relations	41,782	49,468	49,000	49,440	50,923
Amortization	225,239	251,902	230,576	225,655	226,753
<b>TOTAL EXPENDITURES</b>	<b>7,900,378</b>	<b>8,076,257</b>	<b>9,262,147</b>	<b>9,576,782</b>	<b>9,847,493</b>
Project Recoverable Expenses	5,205,644	6,685,642	5,200,000	5,200,000	5,400,000
<b>NET INCOME</b>	<b>\$ 1,276,203</b>	<b>\$ 2,076,584</b>	<b>\$ 606,453</b>	<b>\$ 700,028</b>	<b>\$ 688,421</b>
<b>NET INCOME (PRE-VARIABLE COMPENSATION)</b>	<b>\$ 1,982,640</b>	<b>\$ 2,563,637</b>	<b>\$ 1,155,309</b>	<b>\$ 1,265,351</b>	<b>\$ 1,270,703</b>
Capital Expenditures	\$ 323,121	\$ 221,118	\$ 276,441	\$ 135,441	\$ 140,388



**partnerships**  
British Columbia

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