

2007/08 – 2009/10
SERVICE PLAN

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Message from the Chair

We are pleased to present the service plan for Partnerships British Columbia Inc. (Partnerships BC) for the period April 1, 2007 to March 31, 2010. The plan outlines the company's goals and plans for the next three fiscal years.

After its fourth full year of operation, the company has established itself as a North American leader in structuring and implementing public private partnerships. There are currently 23 partnership projects either in operation or under construction in British Columbia. These projects have a total capital value of \$4.7 billion, of which \$3 billion is private capital. Each of these projects is on schedule and on budget and is expected to realize significant value for taxpayer dollars. Each of these projects has achieved success in an extremely active construction market environment in British Columbia. In addition, Partnerships British Columbia has another 20 projects in the planning stage.

In January 2006, the Britannia Mine Water Treatment Plant became operational, and in August 2006, the new Gordon and Leslie Diamond Health Care Centre was open to receive patients. Moreover, this fiscal year, a wide range of new projects reached agreements and entered the construction phase including: the Kicking Horse Canyon (Phase Two), the William R. Bennett Bridge, the Sea-to-Sky Highway Improvement Project, the Charles Jago Northern Sport Centre; the Vancouver Island Health Authority and Northern Health Authority residential care and assisted living projects; the Pitt River Bridge and the Vancouver Coastal Health Authority strategic partnership to deliver Primary Care Access Centres. Many of these projects have received national and international acclaim – British Columbia projects have now received nine national and international awards of recognition for excellence.

The diversity, innovation, risk transfer and cost-effectiveness of these projects are providing concrete evidence of the benefits of the public private partnership approach and of the success of the Partnerships BC delivery model. The accumulated expertise now resident in British Columbia – within Partnerships BC, government, and the business sector, together with the development of best practices in procurement – has led to the building of a platform of experience in our province. The government has responded to this success by creating a new capital standard. The application of the new capital standard will further lever expertise and the use of best practices across the British Columbia public sector – in transportation, health care, advanced education, local government, K-12 education and other sectors that will assist in providing much needed infrastructure in our fast-growing province.

While creating new partnership opportunities is a focus of Partnerships BC, the benefits to the public and quality of each partnership is of paramount importance. The company places priority in developing and maintaining high standards of client service and public disclosure; upon developing the public private partnership market; upon the recruitment and retention of an experienced core of professionals; and upon 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 to increase efficiency and productivity.

The 2007/08 Service Plan continues to be focused on achieving value for money for the public 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 2007/08, Partnerships BC will continue to work with agencies in other provinces and with the Federal government to create an attractive and effective pan-Canadian market environment. The development of this market has been very significant over the past year as Canadian agencies have realized the benefits of cooperative action and information exchange.

Partnerships BC is demonstrating positive results on a sustainable basis; recognizing that with even more experience there remains considerable potential for greater achievement. Our success to date is the result of our team of skilled professionals with oversight by our diverse and experienced Board of Directors. I would like to acknowledge the retirement of two of our Directors who have reached their term of appointment, Carol Stephenson and Jim Dinning, and I would like to recognize their very significant contributions and service.

Partnerships BC's 2007/08 – 2009/10 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 Government's strategic priorities and overall service plan. All significant assumptions, policy decisions, and identified risks as of February 2007 have been considered in preparing the plan.

Sincerely,

Rick Mahler
Chair

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Introduction

Public private partnerships are a procurement alternative within the Provincial government's strategy for delivering capital assets. They can provide an opportunity to improve and modernize public services infrastructure while delivering benefits, both financial and qualitative, to British Columbians.

Partnerships are contractual arrangements between government agencies and business partners, combining the best of both partners' experience and expertise, and allocating project risks to the partner best able to manage them.

The overriding objective in pursuing a partnership is value for money. Research has shown that partnerships deliver projects on time and on budget, at optimal lifecycle costs, and serve the public interest. The Provincial government achieves more effective procurement, service enhancements and innovation, cost savings and risk transfer, while retaining responsibility for public service delivery and the public interest.

The Province of British Columbia's Capital Asset Management Framework (CAMF) requires public sector agencies to consider all potential ways to meet their service delivery goals, and to choose the method that meets those goals most effectively. Along with traditional methods, agencies are required to consider creative approaches such as leveraging assets, making better use of existing facilities, seeking more efficient ways of delivering public services, and pursuing options such as public private partnerships. Public agencies need to make investment and procurement decisions which provide the best value for taxpayer dollars.

Building on the successes of partnership projects and the platform of experience in British Columbia to date, the Province introduced a new capital standard for projects in late 2006. Under this new capital standard, where the Province contributes more than \$20 million to a project a partnership approach will be considered the base case for procurement in a business case, and becomes the preferred option unless there is a compelling reason to do otherwise.

The new capital standard will continue to impose a discipline for good business planning to deliver best value for British Columbia's taxpayers on capital projects. Partnerships BC has a central role in supporting the Province and Partnership BC's clients in applying the new capital standard. It is an opportunity for the company to lever its expertise and apply best practices in business planning and procurement – building on the platform of success developed over the last four years. Partnerships BC has assessed the implications of the new capital standard in developing its 2007/08–2009/10 Service Plan.

British Columbia continues to be on the leading edge of the development of partnership projects. A growing economy, a strong policy foundation, and the advantage of learning from the public private partnership experience in other jurisdictions positions British Columbia favourably to enable optimal investment in public capital projects. Moreover, the need for many different forms of public infrastructure has resulted in the application of a number of partnership models, including service contracts and lease arrangements.

Organizational Overview

Partnerships BC was created in May 2002 to support the Provincial government's strategic plan to deliver public services effectively and affordably. The company's vision is to be the Province's centre of expertise for evaluating, structuring and implementing public private partnerships which serve the public interest. Partnerships BC is committed to commercial viability, transparent operations, and achieving excellence through innovation, leadership and expertise in public procurement.

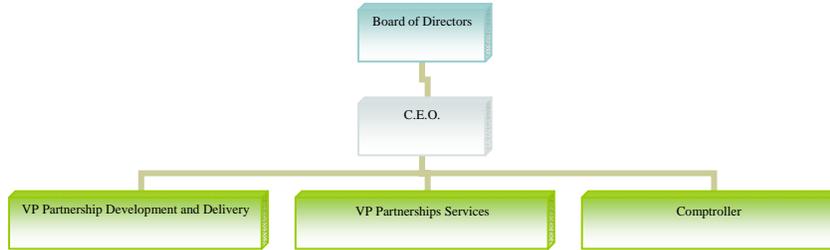
Partnerships BC is a company owned by the Province of British Columbia (the Province) and governed by a Board of Directors reporting to its shareholder, the Province, as represented by the Minister of Finance. The company is incorporated under the *British Columbia Business Corporations Act* and its core business is to:

- Provide expert services to the Provincial government and its agencies in the procurement of major public projects, ranging from advice to business transaction and procurement management, to overall project management.
- Identify and evaluate new opportunities to enhance the effectiveness of major capital asset procurement through public private partnerships.
- Foster a business and policy environment for successful public private partnerships by offering a centralized source of knowledge and best practices, understanding, expertise and practical experience in partnership projects.
- Manage an efficient and leading edge organization that meets or exceeds performance expectations.

The company's primary clients are public sector agencies, including ministries, crown corporations, health authorities, advanced education institutions, and local governments. 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 strong 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 union of public and private sector interests to best serve public needs. For example, Partnerships BC's Board of Directors and staff have a mix of skills and expertise from both sectors. The company has offices in both Vancouver and Victoria to serve both sectors effectively as well.

The company's high level organizational structure is as follows:



Partnerships BC's budget provides for 38 full time equivalent staff and utilizes in-sourced contractors as required. To respond to business needs, Partnerships BC is structured into strategic service units that support the company's project focus and operational requirements: Partnership Development and Delivery, Partnership Services, and a Finance and Administration unit under the direction of the Comptroller. These business units, and their primary functions, are described in the table below.

SENIOR MANAGEMENT TEAM		
Larry Blain PRESIDENT & CEO		
Mike Marasco VP – Partnership Development and Delivery	Grant Main VP – Partnerships Services	Chan-Seng Lee Comptroller
<u>Areas of Responsibility</u>	<u>Areas of Responsibility</u>	<u>Areas of Responsibility</u>
Business Development Project Governance and Delivery Corporate Relations Market Development Senior Project Advisor	Policy and Practices Communications Government Relations Legal Services Procurement Services Marketing & Research Senior Project Advisor	Finance and Accounting Human Resources Administration Facilities Information Technology Contract Management Corporate Governance

A performance-based human resource strategy has been developed and implemented, such that all employee individual performance plans are tied directly to corporate performance. In addition, certain corporate performance measures are benchmarked against comparable professional services firms in the private sector.

Partnerships BC has implemented corporate and individual performance goals that support the objectives of each of the service areas. In addition to their responsibilities for

specific projects, employees are responsible for assisting with partnership development and the development and retention of best practices, as part of their performance plans.

The organization frequently updates its web site to provide new information on current and completed projects, Value for Money reports, and best practice guidance documents.

Board and Board Committees

The mandate of the Board is to provide guidance to the management of Partnerships BC, make strategic decisions, and report to its shareholder on the operations of the company. The Board consists of the following directors:

Rick Mahler (Chair)
Harold Calla
Celia Courchene
Susan Conner
Colin Dobell
Dan Doyle
Charles Jago
Barry Lapointe
Ellen Morfitt

The Board of Directors 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 annual 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 Harold Calla (Chair), Colin Dobell, Ellen Morfitt and Dan Doyle.

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 corporate performance. The committee members are Celia Courchene (Chair), Charles Jago, Susan Conner and Barry Lapointe.

Products and Services

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 was created to develop and centralize public private partnerships expertise, documentation, processes and experience for the benefit of its clients and ultimately British Columbia taxpayers.

As a government-owned entity, with an experienced and highly qualified Board of Directors drawn from both the public and private sectors, Partnerships BC has a high degree of understanding and insight into both sectors, thereby providing a strong capability to validate partnerships from a public interest and commercial perspective.

To achieve this goal, Partnerships BC provides a full spectrum of services ranging from business case and procurement advisory services to comprehensive turnkey project and 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 arrangements.

Specific service offerings include:

- Partnership feasibility assessments.
- Business case development, review and evaluation.
- Procurement management.
- Best practices documentation, procedures and experience.
- Development of new partnership structures.
- Partner identification and market sounding.
- Project management.
- Advice on a range of issues such as contract negotiations, government approval processes, communications, business case review, and managing partnership contracts post financial close.

Strategic and Planning Context

Vision

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. It works with public sector agencies and private sector partners to create agreements that combine the best aspects of private sector expertise and public sector stewardship by:

- Evaluating opportunities for projects to be delivered through a partnership approach.
- Selecting partners through a competitive, fair and transparent process that delivers the best product or service at the best price.
- Ensuring the transfer of appropriate risk.
- Instilling a pay-for-performance system based on the private sector's ability to meet standards set by government.
- Facilitating the application of best-practices on partnership projects.
- Attracting international expertise and capital investment to British Columbia.

The following corporate values guide Partnerships BC's approach to leadership and its service offerings:

Values	Corresponding Leadership Philosophy
Obtaining Value for Money	<ul style="list-style-type: none">• Explore and encourage innovation, new ideas and partnerships for infrastructure solutions that result in best value for taxpayer dollars.• Explore opportunities to increase social, economic, environmental, or other benefits derived from infrastructure investments.• Continue to improve efficiency, productivity and quality, targeting industry benchmarks.
Serving the Public Interest	<ul style="list-style-type: none">• Ensure that public interest issues such as transparency, safety, and privacy are assessed and protected in developing solutions to infrastructure challenges.• Provide public agencies with tools and support to identify, evaluate, allocate and manage risk effectively.
Competition and Transparency	<ul style="list-style-type: none">• Improve the appeal of the British Columbia market so as to maximize the number of qualified bidders for partnership opportunities.• Ensure that all activities engaged in by Partnerships BC and its staff maintain the highest levels of fairness and openness.

- | | |
|--------------------------|--|
| Strong
Accountability | <ul style="list-style-type: none"> • Measure and report on performance at all levels. • Develop best practices from lessons learned and recognize achievement. |
| Respect and
Integrity | <ul style="list-style-type: none"> • Focus on clients, provide leadership, encourage teamwork and value diversity and differences of opinion. • Protect confidentiality of commercial information. |

General Planning Context

A number of factors have changed the strategic context in which Partnerships BC will be operating and planning in the coming years. The Canadian partnership market is still expanding and developing with: public delivery institutions now operational in both Ontario and Quebec; a federal commitment to establish a Canadian partnerships agency and deliver projects through a partnership approach; many new projects announced in other jurisdictions; new market participants expanding and locating across the country; and a continuing heated construction market in the Lower Mainland and British Columbia generally. In British Columbia, public private partnerships continue to achieve high value for money propositions.

Other significant factors impacting Partnerships BC's strategic environment relate directly to the fiscal situation and infrastructure requirements of the majority of its clients. For example, the Province of British Columbia's planned infrastructure growth in health, transportation, education, advanced education and municipal infrastructure provide numerous opportunities for Partnerships BC to assist clients and add value to projects while serving the public interest. Moreover, provincial policy requirements and fiscal conditions are resulting in the consideration of alternative financing mechanisms as higher value for money solutions.

The Province of British Columbia has recently committed that for capital projects where the Province contributes \$20 million or more, a public private partnership approach is to be considered the base case unless there is a compelling reason that an alternative approach will provide a higher value for British Columbia's taxpayers. The Province continues to expect rigorous analysis of project delivery options prior to the provincial funding commitment. Partnerships BC has been asked to support the Province in evaluating project business cases – partnership solutions will only be approved by the Province if they demonstrate value. While this new capital standard has the potential to involve Partnerships BC in more projects, the company's business and project delivery model remains fundamentally the same.

Risk Management

A number of factors will affect Partnerships BC's ability to realize its objectives in the coming years, presenting both risks and opportunities. As described below, the company has developed strategies for managing risks while pursuing opportunities.

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 an opportunity for the company.

Both internal and external business risks remain, with the most important risks requiring a structured and considered response.

Key risks and their corresponding mitigation measures, as identified through Partnerships BC's ongoing approach to risk management, are as follows:

Scope of Business, Focus and Client Base

Partnerships BC was created as part of the Provincial government's strategic plan to deliver public services more efficiently. While Partnerships BC delivers a range of services, its primary focus is on capital infrastructure, and the company only provides services to public sector clients. Despite the significant market potential for public infrastructure development in British Columbia and beyond, the specialized product offering and client base of Partnerships BC does create certain business risks. For example, lags in project flow pose challenges from a revenue and resource planning perspective in both the short and long term. Actions to manage risk and optimize opportunities related to business scope include:

- Focusing on providing quality outcomes to existing clients to increase confidence and encourage future engagements.
- Consulting regularly with government agencies to continually understand their needs and identify project opportunities.
- Working to expand Partnerships BC's potential client market to include other levels of government and other jurisdictions.

Evolving Policy and Public Administration Environment

As partnerships are still a relatively new infrastructure delivery model, a range of public administration and policy issues – such as accounting treatment and existing funding mechanisms – are still evolving to accommodate new partnership structures. Accordingly, Partnerships BC is working with central agencies and other stakeholder groups such as professional practice bodies to ensure appropriate policy approaches for all projects are considered.

Operational Contract Management Risks

A range of partnership projects in British Columbia are now under construction or in the operating phase. These projects represent a new approach to the delivery of

public infrastructure and management of new contract structures. To enable effective ongoing project management, Partnership BC is developing best practices in contract management and discussing lessons learned with other jurisdictions. The combined result will be a coordinated, consistent approach to ensure risks are anticipated and addressed throughout the construction and operating phases of partnership projects.

Public Private Partnership Market and Capacity

The Canadian public private partnership market is still in the relatively early stages of development. Internationally, the market is mature in countries such as the United Kingdom, Australia, France and Spain and it continues to emerge in several American States, Southeast Asia, South America and South Africa. As a result, capacity in British Columbia is growing, and in some situations, competes with other jurisdictions for market participants. In addition, strong growth in construction activity in British Columbia, and nationally and internationally, means Partnerships BC must continue to work to attract private companies to the market to encourage a robust competitive market.

External factors will therefore play a significant part in Partnerships BC's success and the company may face challenges related to:

- Growth of public private partnership markets in competing jurisdictions.
- General private sector interest in public private partnerships worldwide.
- Development of private sector public private partnership capacity within British Columbia.
- Capacity and inflationary pressures in the construction sector within British Columbia.
- Population growth and demographic shifts that impact both the need for infrastructure and the capacity to deliver.

To meet these challenges, Partnerships BC continues to develop relationships with stakeholders and business partners and is standardizing practices to support market development. On an ongoing basis, the company works to stay abreast of developments in the international market and broaden the Canadian market through the following research and outreach activities:

- Developing relationships and consulting with other public private partnership stakeholders to ensure the continuous transfer of knowledge related to best practices, and developing standardized and consistent approaches to reduce transaction and bid costs in order to make British Columbia a more attractive market for both clients and bidders.
- Holding discussions with other provincial governments to broaden the Canadian public private partnership market and enhance the expansion of best practices to make a broader Canadian market more attractive to bidders.
- Communicating with public private partnership organizations and stakeholders around the world such as the United Kingdom and Australia to build on their experiences in a mature market.

- Ensure rigorous project budgeting to address project specific risks such as construction cost escalation.
- Encourage business-to-business partnering opportunities within and outside British Columbia through education and awareness.
- Conduct research and assess market interest in advance of project implementation as a key step in business case analysis to ensure the presence of a viable market.
- Involve the academic community to analyse the British Columbia project experience in order to further develop best practices.

Internal Experience and Capacity

In addition to the external market capacity risks described, Partnerships BC is continually building the experience and skill sets it needs to be a leader in providing public private partnership products and services. At the same time, Partnerships BC faces the challenge of balancing service demand with its corporate capacity to ensure successful performance at both the project and organizational levels. To meet these challenges, the company has developed a human resources approach that:

- Ensures Partnerships BC's professionals develop the right mix of skills and expertise for the expected project flow and corporate responsibilities, and draw expertise from both the public and private sectors.
- Supports continuous learning and improvement and includes the development of a corporate knowledge management system that makes best practices readily available to all staff so they have the tools to be successful.
- Optimizes staff retention and works to minimize personnel turnover.
- Conducts external executive and staff compensation reviews every two years to benchmark against comparable positions with public and private sector organizations.
- Includes targeted and relevant training for staff.
- Benchmarks human resource management strategies against comparable public and private sector organizations.

Reputation Risk

Reputation is compromised when an organization's performance, ethics or experience with stakeholders suffers. The ability of Partnerships BC to provide quality service and foster market growth is directly tied to the reputation of the company and the demonstrable success of its projects. A strong reputation will attract more clients, improve relationships, and generally assist with the growth of the market in British Columbia and Canada.

Partnerships BC employs the following risk mitigation strategies to address reputation risk:

- Partnerships BC is functionally organized to focus upon the use of best practices in all of its activities to help ensure quality of service and successful projects.
- Partnerships BC places a high priority upon disclosure and transparency.
- Partnerships BC regularly seeks feedback from all market participants and clients and ensures that concerns and criticisms of its operations are addressed, and that corporate strategies are aligned with stakeholder expectations.
- Partnerships BC has in place strong operational and internal controls.
- Partnerships BC will continue to ensure that its Board and staff operate at the highest levels of integrity.

Management and Operational Risks

As a knowledge-based professional services company, Partnerships BC's ability to serve its clients is dependant entirely upon its ability to harness and direct that knowledge. As a result, Partnerships BC faces business risks relating to information management. Furthermore, Partnerships BC manages a significant volume of contracts on behalf of its clients. Systems must be robust, and continuity plans must be in place in the event that there are disruptions to service.

Partnerships BC employs the following risk mitigation strategies to address management and operational risk:

- Updating and improving its management and financial information systems and related processes.
- Addressing business disruption issues with the effective deployment of business continuity plans.
- Working to improve server performance and the implementation and management of back-up systems.
- Addressing information systems related risks.
- Implementing improved contract management processes and establishing best practices in contract management.

Objectives, Strategies and Performance Measures

As Partnerships BC has matured, it has adjusted its corporate goals as an organization to reflect the evolving vision of the company and its Board of Directors. For example, in the 2004/2005 Service Plan, Partnerships BC refined its goals to reflect the stage of growth at which the company was operating – focusing on revenue generation and market growth. In the 2006/2007 Service Plan, the company's goals were restructured and simplified to ensure they were completely consistent with the objectives of the shareholder and focused on government priorities, such as minimizing project costs.

For the 2007/2008 to 2009/2010 planning period, Partnerships BC reassessed its goals and strategies in light of the Province's new capital standard for projects and the company's expanded role. Partnerships BC remains committed to providing partnership solutions that serve the public interest, grow the partnership market in British Columbia and, as a corporate entity, Partnerships BC is committed to remaining commercially viable. Accordingly, the company will continue to focus on the three goals outlined in the 2006/07 Service Plan. To reflect the company's role in the new capital standard, a fourth goal has been added for the new planning period. The four corporate goals are as follows:

1. Structure and implement partnership solutions which serve the public interest (50 per cent*).
2. Encourage development of the public private partnership market in British Columbia (15 per cent).
3. Remain commercially viable and increase productivity (25 per cent).
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).

* The accompanying percentages have been set by the Board of Directors for the purposes of performance management and have been adjusted for this planning period to reflect the addition of Goal 4.

These goals are described below, along with the company's strategies for achieving them. Performance measures and targets for each goal are listed in the chart on page 23.

Performance measures are both qualitative (e.g. those related to market development) and quantitative (e.g. industry derived measures of financial performance and productivity). This balance reflects the company's commitments to meeting the objectives of its annual Financial Plan together with meeting broader public interest and longer term objectives. 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 relative maturity of the public private partnership market.

Partnerships BC collects and utilizes data from reliable independent and government sources in its development of targets for the performance measures in the Service Plan. 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 that it achieves its goals set out in the Service Plan. Measures and targets may be refined and further improvements will be made in the years ahead as Partnerships BC becomes a more mature organization.

Goal 1 – To structure and implement public private partnership solutions which serve the public interest

Partnerships BC's primary mandate is to enable and facilitate public private partnerships that benefit British Columbians, both economically and in terms of protecting the public interest. Partnerships BC's success in structuring and implementing public private partnerships 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 its projects such that the public interest is served. Given that public private partnerships often involve large, high profile, complex projects, it is essential that the public interest is not only served, but seen to be served. All stakeholders must have a degree of comfort with the process involved in bringing a public private partnership project to fruition. To achieve this, 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 money – while protecting confidential information and commercial interests.

These are not simple objectives, given the commercial complexity that often accompanies a public private partnership project. However, Partnerships BC is committed to ensuring that its operations and projects meet these objectives.

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. To ensure that this is happening, the company will focus on the following objectives and strategies:

Objectives

- Meet milestones in existing client engagements, or as amended by the client.
- Develop new business and enter into new engagements (i.e. contracts with clients).
- Grow revenue.
- Meet or exceed client expectations.
- Demonstrate value for money in all projects.
- Ensure all processes are transparent, fair and competitive.

Strategies

- Continue to build and improve upon relationships with public sector client agencies.
- Through business development efforts, 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.
- Undertake business development for Partnerships BC's services beyond core provincial government client agencies.
- Develop business plans that provide a solid foundation for decision making, based on assessment of a full range of quantitative and qualitative factors.
- Ensure that business plans incorporate rigorous financial analysis, risk assessment and management tools to properly identify and appropriately allocate and manage project risks.
- Publish documents that communicate the value for money expected to be achieved for projects, and, as appropriate and requested by the client, a Report of the Fairness Auditor following the financial closing 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.

Performance Measures

- Public private partnership development agreement engagements with the Province and/or other agencies.
- Revenue growth.
- Client Survey results indicate Partnerships BC's performance meets or exceeds client expectations.
- Project milestones achieved.
- Publish Value for Money Reports or Value for Money communications on all projects after financial close has been reached.
- Publish fairness and probity opinions on projects where size and scope warrants fairness review.

Goal 2 – Encourage development of the public private partnership market in British Columbia.

The benefits of public private partnership solutions 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 excellence and 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.

Objectives

- Increase the number of qualified bidders in the British Columbia partnership market.
- Demonstrate the benefits of a centre of excellence and expertise.
- Broaden and strengthen our client base.
- Receive validation from third parties.

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.
- Implement a knowledge management system to capture and incorporate best practices.
- Support the development of a strong pan-Canadian partnership market.

Performance Measures

- New market participants in British Columbia.
- Annual examples of best practices established, acknowledged and adopted within the Provincial government and by other governments.
- Annual examples of synergies and process cost reductions.
- External validation (e.g. awards, informed media coverage).

Goal 3 – To remain commercially viable and increase productivity

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, and may or may not be continued. 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 – along with the goal of maintaining current charge-out rates – ensures that efficiencies gained through Partnerships BC's experience and best practices are returned to the shareholder.

The ability of Partnerships BC 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.

Objectives

- Continue to be commercially viable.
- Increase productivity.
- Implement a restructured multi-year Government Services Contract.
- Improve professional competencies and attract and retain high quality people.
- Continue to refine Partnership BC's Human Resource Strategy.

Strategies

- Ensure that engagement agreements require the payment of fees commensurate with the cost of services provided.
- Ensure that Partnerships BC's resources and cost structure are appropriate for the expected workload.
- Prudently manage expenses and internal costs.
- Structure contracts with milestone payments to develop a stable cash flow.
- 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.

Performance Measures

- Meet budget (minimum 15 per cent net income margin pre-variable compensation).
- Minimize charge-out rates for clients.
- Employee satisfaction.
- Targeted and relevant training – learning budget set at five per cent 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.

In October of 2006, the Province introduced a new capital standard regarding project funding. For capital projects where the Province contributes \$20 million or more, a public private partnership approach is to be considered the base case unless there is a compelling reason that an alternative approach will provide a better value for British Columbia's taxpayers. Furthermore, the new standard requires that Partnerships BC reviews business cases for all such projects. This goal applies to projects in which Partnerships BC is not directly engaged in an advisory and procurement management capacity as defined in Goal 1.

Objectives

- Ensure rigorous and thorough analysis of all capital expenditure business cases.
- Ensure that the recommended procurement option best suits the public interest.

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.

Performance Measures

- Client (ministries) Satisfaction survey and milestones met.
- Examples of best practices applied and costs being reduced on oversight projects.

Summary Table – Performance Measurements, Targets and Benchmarks

	06/07 Forecast	07/08 Targets	08/09 Targets	09/10 Targets
Goal 1 – Structure and implement public private partnership solutions which serve the public interest				
<ul style="list-style-type: none"> Public Private Partnership Development Agreement engagements with Province and/or other agencies 	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
<ul style="list-style-type: none"> Revenue Growth 	Revenue growth below target	17%	10% ¹	2%
<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Project milestones achieved 	All controllable project milestones met	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)
<ul style="list-style-type: none"> Publish Value for Money report or communications on all projects after financial close has been reached 	100% documents published	100% documents published	100% documents published	100% documents published
<ul style="list-style-type: none"> Publish fairness and probity opinions on projects where size and scope warrants fairness review 	100% reports published	100% reports published	100% reports published	100% reports published
Goal 2 – Encourage development of the public private partnership market in British Columbia				
<ul style="list-style-type: none"> New market participants in British Columbia 	Number of new market participants	Number of new market participants	Number of new market participants	Number of new market participants
<ul style="list-style-type: none"> Annual examples of best practices established, acknowledged and adopted within the Provincial government and by other governments 	Examples published/Revenue from non-B.C. sources	Examples published/Revenue from non-B.C. sources	Examples published/Revenue from non-B.C. sources	Examples published/Revenue from non-B.C. sources
<ul style="list-style-type: none"> Annual examples of synergies and process cost reductions 	N/A	Benchmark strategy to be developed	TBD	TBD

¹ Reflects completion fee for Abbotsford Regional Hospital and Cancer Centre project in 2008/09.

	06/07 Forecast	07/08 Targets	08/09 Targets	09/10 Targets
<ul style="list-style-type: none"> External validation (i.e. awards, informed media coverage etc.) 	Award applications, significant informed 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				
<ul style="list-style-type: none"> Meet budget (minimum 15% net income margin pre-variable compensation) Minimize charge-out rates to clients 	Met 15% net income margin Charge out rates unchanged from 2005-2006	Meet budget (minimum 15% net income margin pre-variable compensation) Charge-out rates unchanged from 2006/07	Meet budget (minimum 15% net income margin pre-variable compensation) Charge-out rates review	Meet budget (minimum 15% net income margin pre-variable compensation) Charge-out rates review
<ul style="list-style-type: none"> Employee satisfaction 	Target met Survey scheduled for April 2007	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
<ul style="list-style-type: none"> Targeted and relevant training 	Target met	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				
<ul style="list-style-type: none"> Client (Ministries) Satisfaction survey and milestones met Examples of best practices applied and costs reduced on oversight projects 	N/A	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery Examples published	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery Examples published	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery Examples published

Linkages to Government Strategic Priorities

The Government outlined five goals in the February 2005 Throne Speech, focusing on education and literacy, health and physical fitness, support for persons with disabilities, special needs, children at risk and seniors, sustainable environmental management, and job creation, detailed as follows:

Goal 1: To make British Columbia the best educated, most literate jurisdiction on the continent.

Goal 2: To lead the way in North America in healthy living and physical fitness.

Goal 3: To build the best system of support in Canada for persons with disabilities, special needs, children at risk and seniors.

Goal 4: To lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.

Goal 5: To create more jobs per capita than anywhere else in Canada.

Public private partnerships provide a foundation for all of these goals by delivering major capital projects that meet public needs at minimum lifecycle cost and with an optimum sharing of risks between the public and private sectors.

More specifically, Partnerships BC supports goals one through four by providing necessary infrastructure to British Columbia as quickly and efficiently as possible. Meeting provincial infrastructure needs in general is essential to a strong provincial economy and a high quality of life. For example, providing community-based options for people requiring health-related assistance minimizes disruption to families and enables a more caring approach. Assisted Living and Residential Care projects in Northern British Columbia and on Vancouver Island are helping British Columbians receive the care they need where they need it – close to home.

Partnerships BC projects directly support goal five by supporting economic growth in British Columbia and encouraging and facilitating private sector involvement in the delivery of critical public sector infrastructure and services. In addition, Partnerships BC projects support the creation of direct and indirect employment, attracting foreign capital and investment, and transferring appropriate risk to the private sector. Several firms providing advisory, construction and financing services to the public private partnership market have opened offices based in British Columbia since the establishment of Partnerships BC.

Resource Summary

Summary Financial Outlook

Partnerships British Columbia Inc.
Financial Statements for Service Plan
For the Years Ended March 31, 2007 to 2010

Partnerships British Columbia Inc.
Fiscal 2006/07 Reforecast and Fiscal 2007/08 to 2009/10 Budget

	2005/06 Actual	2006/07 Reforecast	2007/08 Budget	2008/09 Budget	2009/10 Budget
REVENUE					
Fees for Service	\$ 6,612,671	\$ 6,232,788	\$ 7,686,400	\$ 9,639,136	\$ 8,819,816
Provincial Government Revenue	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Other Revenue	302,132	258,908	231,000	237,930	245,068
Project Recoveries	3,393,607	3,370,777	4,131,400	5,000,000	6,000,000
TOTAL REVENUE	12,108,410	11,662,473	13,848,800	16,677,066	16,864,884
EXPENDITURES					
Salaries and Benefits	5,236,971	5,667,047	6,030,168	6,359,527	6,507,874
Professional Services	538,531	485,867	514,300	529,729	545,621
Administration	1,235,099	1,294,790	1,355,634	1,402,696	1,486,777
Corporate Relations	83,508	126,767	127,500	131,325	135,265
Amortization	158,308	249,153	308,169	316,188	271,487
TOTAL EXPENDITURES	7,252,417	7,823,624	8,335,770	8,739,464	8,947,024
Project Recoverable Expenses	3,393,607	3,370,786	4,131,400	5,000,000	6,000,000
NET INCOME	\$ 1,462,386	\$ 468,063	\$ 1,381,630	\$ 2,937,602	\$ 1,917,860
NET INCOME (PRE-VARIABLE COMPENSATION)	\$ 2,152,495	\$ 1,216,915	\$ 2,034,095	\$ 3,612,914	\$ 2,617,352
Number of Employees and Contractors	36	40	43	43	43
Capital Expenditures	\$ 166,808	\$ 335,600	\$ 229,188	\$ 225,427	\$ 270,398

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 significantly 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: Changes to Goals and Measures

* Bold text indicates changes from previous years.

2006-2007 Service Plan	Comments
Goal 1 : Structure and Implement public private partnership solutions which serve the public interest	
Measures: <ul style="list-style-type: none"> • Public private partnership development agreement engagements with Province and/or agencies • Revenue Growth • Positive assessment by Board of Directors (on project milestones achieved) • Client Survey results indicate Partnerships BC performance meets or exceeds targets • Publish Value for Money report or communications on all projects after financial close has been reached • Publish fairness and probity opinions on projects where size and scope warrants review 	Partnerships BC is committed to communicating the value and expected benefits achieved for each partnership project. A range of communications vehicles will be used to achieve this, depending on the size, scope and complexity of individual projects
Goal 2: Encourage development of the partnerships market in British Columbia	
Measures: <ul style="list-style-type: none"> • New market participants in British Columbia • Annual examples of best practices established, acknowledged and adopted within the Provincial government and by other governments • Annual examples of synergies and process cost reductions • External validation (e.g. awards, informed media coverage) 	No changes
Goal 3: Remain commercially viable and increase productivity	
<ul style="list-style-type: none"> • Meet financial plan targets in 2005/06 (minimum 15 per cent net income margin pre-variable compensation, net income margin) • Positive employee satisfaction survey results (85 per cent) • Targeted and relevant training programs developed – five per cent of compensation costs 	No changes
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	New goal to reflect and measure Partnerships BC's role in applying the Province's new capital standard.

Appendix 2: 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 and on budget.

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 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 of 2005. Current focus is directed towards equipment procurement and planning for the operationalization of all facility management services. The project is on schedule and the facility is expected to be open and operational in 2008.

Partnerships BC may in future create subsidiary corporations in its normal course of business as part of structuring optimal arrangements between public sector clients and private investors.



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