

2009/10–2011/12 SERVICE PLAN

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Message from the Chair

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

After six years of operation, Partnerships BC has firmly established itself as a leader both nationally and internationally in evaluating, structuring and implementing public private partnership projects which serve the public interest. More than 25 partnership projects have been, or are scheduled to be, delivered on time and on budget in communities all across British Columbia. These innovative projects are expected to generate significant benefits for taxpayers over the life of each agreement. Of these projects, seven have reached the operational stage and each project was completed either on or ahead of schedule and within budget. Of the projects that are currently under construction, all are on or ahead of schedule and on budget. Together, these projects make up a total investment of approximately \$10 billion, \$5 billion of which comes from private capital.

During 2008, the William R. Bennett Bridge opened 108 days ahead of schedule. The bridge is a key transportation link between Kelowna and Westbank, built to improve safety, stimulate economic growth and reduce congestion in the region. In addition, the Abbotsford Regional Hospital and Cancer Centre opened for patients after being completed on time, on budget and within scope – a significant achievement for a health care project of this size and complexity. It is the first new regional hospital to be opened in British Columbia in 30 years and will help ensure patients receive quality care closer to home.

In addition to the projects that are operational or under construction there has been a significant level of procurement activity over the last year. The Surrey Outpatient Hospital, the Royal Jubilee Hospital Patient Care Centre in Victoria and the Kelowna and Vernon Hospitals Project all achieved financial close in summer 2008. Financing terms remained favourable despite volatility in financial markets. The Port Mann/Highway 1 Project reached the preferred proponent stage in summer 2008 and a final agreement is expected in 2009. In addition, three projects in the health sector and one in the transportation sector entered the market in 2008: Fort St. John Hospital and Residential Care Project; BC Cancer Agency Centre for the North; Prince George Gateway Residential Care Facility; and, the South Fraser Perimeter Road.

Going forward, it will be important for Partnerships BC to continue to carefully monitor financial markets and to adjust financing approaches as financial markets change.

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 public private partnership have been over \$100 million with the exception of one. Therefore, the Province announced a revision to the policy whereby for projects with \$50 million or more of provincial funding, a public private partnership 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 public private partnership. 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 public private partnership delivery model provides a strong mechanism that is being used to help the Province achieve these environmental goals.

In 2008, Partnerships BC expanded its service model to include advisory services during the construction period of public private partnership projects. Based upon the experience to date in the procurement phase of major projects, the Board determined that there could be significant benefits from the implementation of best practices on a cross-project basis in the construction phase. In 2008, the company entered into engagements to provide construction oversight 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, 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 associated benefits. Partnerships BC will work to increase awareness among clients of new best practices in the costing, affordability, evaluation and governance of public private partnership 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 partnership is of paramount importance. The company places priority upon developing and maintaining high standards of client service and public disclosure; fostering the growth of the public private partnership market; the recruitment and retention of an experienced core of professionals; and, the implementation of sound operational systems to meet governance and financial accountability requirements. In addition, Partnerships BC will continue to develop and refine its approach to quality assurance throughout its entire product development and client relations process, and will continue to 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, Infrastructure Ontario, Government of Nova Scotia, PPP Canada, Partenariats public-privé Québec, Government of Prince Edward Island, Public Works and Government Services Canada and the Government of Saskatchewan, will ensure the continuous transfer of knowledge related to best practices. Information sharing has occurred with the Government of New Brunswick and state governments in Arizona, California, Colorado and Texas as those jurisdictions look for solutions the 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: 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 February 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*; and therefore, it did not require enabling legislation.

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

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

Based on a solid track record for delivering capital projects on time and on budget, the Province introduced a capital standard policy regarding project funding. As originally announced, any project with \$20 million or more of provincial funding would be considered a public private partnership unless there was a compelling reason to do otherwise. Since the introduction of that policy in 2006, 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 public private partnership 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 public private partnership 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 public private partnership.

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 comprehensiveness of procurement options analyses for major capital projects, and to increase the level of understanding of the full range of procurement options and the associated potential 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 and advisory services to project implementation and construction oversight 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 managing partnership projects.

Specific service offerings are described in the table below.

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

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

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

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

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

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

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

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

Corporate Governance

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

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

The Board consists of the following Directors:

Rick Mahler (Chair)
Ed Andersen
Harold Calla
Susan Conner
Celia Courchene
Colin Dobell
Dan Doyle
Dan George
Gordon Steele
Kirsten Tisdale
Sharon White

Shareholder's Expectations	
Letter of Expectations	2009/10–2011/12 Service Plan Goals
<ul style="list-style-type: none"> Provide expert services to the Province and its agencies in the procurement of partnership projects Ensure the public interest is served Demonstrate fair, transparent and competitive processes Support the Province in tackling the challenges of global warming and promote environmentally sensitive infrastructure through public private partnerships Assist the Province in the application of the \$50 million capital standard policy 	Goal 1: Structure and implement public private partnership solutions which serve the public interest
<ul style="list-style-type: none"> Build a centre of expertise and excellence that will be recognized for innovation and performance Grow the public private partnership market in B.C. 	Goal 2: Encourage development of the partnership market in British Columbia
<ul style="list-style-type: none"> Improve efficiency and quality of delivery of partnership transactions Remain commercially viable on an ongoing basis 	Goal 3: Remain commercially viable and increase productivity

The Board is supported by two subcommittees. The Audit and Risk Management Committee provides oversight of key financial information. This includes audited financial statements, quarterly financial statements, the annual report and any quarterly reports, the service plan, annual business plan, operating and capital budgets and any budget presentations to government. The committee also reviews the company's risk management, internal controls and information systems. The committee members are:

Harold Calla (Chair), Susan Conner, Dan Doyle, 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: Celia Courchene (Chair), Ed Andersen, Colin Dobell, Gordon Steele and Kirsten Tisdale. 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 been involved in over 25 major public private partnerships with capital value approaching \$10 billion. As a centre of procurement expertise, Partnerships BC continually transfers knowledge and experience gained from past projects to others, to improve efficiency and quality, and to streamline and expedite the procurement process to save time and money for the public sector.

Over the last year, eight projects in the health and transportation sectors 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 public private partnership projects to achieve procurement objectives; accurate planning and project costing in the approval phase; 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 public private partnership 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 public private partnerships to meet infrastructure needs. The federal government has established PPP Canada, an office to guide the implementation of its public private partnership program, and in addition, will now require that public private partnerships be considered for major infrastructure projects where the federal government contributes at least \$50 million. 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 public private partnership market proponents.

Global financial markets are expected to remain unstable for 2009 and this will potentially have an impact on the public private partnership 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 – the intention to accelerate public investments in capital infrastructure. Partnerships BC continues to analyze market conditions and projects entering procurement to determine which procurement delivery model—traditional or partnership—will provide the best value for taxpayers. Where it makes sense, the partnership model will be recommended to government.

As financial markets stabilize, investors will be looking for secure and proven products to invest in. British Columbia's public private partnership projects offer a stable return on investment. Attracting investors to B.C. is critical to ensuring a robust and competitive process to generate the best value for taxpayers.

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 public private partnerships to harness the innovation of the private sector in finding new ways to build sustainable infrastructure.

As more public private partnership projects enter the construction and operations phases, Partnerships BC is well-positioned to offer clients project implementation 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.

The risk profile faced by Partnerships BC is similar to previous years. 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"> ▪ Expand potential client market to include other levels of government and other jurisdictions. ▪ Consult with government agencies to understand their infrastructure needs and identify project opportunities. ▪ Work with central agencies to streamline approval processes. ▪ Diversify the range of partnership procurement models to better meet client needs.
Public Private Partnership Policy Environment	The policy environment for public private partnerships continues to evolve (e.g. capital standard).	<ul style="list-style-type: none"> ▪ Work with the Province to ensure the policy environment is compatible with public private partnerships. ▪ Work with clients to ensure partnership projects are compatible with the Province's policy objectives.
Project Risks	Partnerships BC may face increased risks due to problems or changes in client public private partnerships projects in the procurement, construction or operations phase of a public private partnership project.	<ul style="list-style-type: none"> ▪ Participate on Steering Committees for public private partnership projects. ▪ Develop and apply best practices in procurement: <ul style="list-style-type: none"> ▪ Costing. ▪ Affordability. ▪ Evaluation. ▪ Governance. ▪ Develop and apply best practices in the project implementation phase: <ul style="list-style-type: none"> ▪ Provide advisory services during design and construction. ▪ Provide advisory services during operations.

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

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

Goals, Strategies, Measures and Targets

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

In the early years of operation the company was primarily focused on developing the partnership market in British Columbia and securing an active pipeline of projects. As the public private partnership market has matured, so has Partnerships BC. Therefore, the company has shifted its focus to evaluating, structuring and implementing public private partnerships and 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 public private partnership market.

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

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

The company provides quality assurance in the implementation of all aspects of the service plan, and continues to improve the internal mechanisms that promote and enable excellence in product quality. The company monitors the performance of the measures in the service plan and introduces corrective actions as necessary to ensure goals are met.

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 public private partnership projects were structured and implemented using best practices. Since the introduction of that policy, Partnerships BC has had meaningful involvement with public private partnership 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 structure and implement public private partnership solutions which serve the public interest. The company's success is measured by its ability to meet project milestones and the number and type of new projects it initiates.

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

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

Strategies

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

Goal 1: Structure and implement public private partnership solutions which serve the public interest					
Performance Measures			Targets		
	2007/08 Actual	2008/09 Forecast	2009/10	2010/11	2011/12
Public Private Partnership Development Agreements with the Province and/or other agencies	Positive assessment achieved	Positive assessment by Board of Directors of engagements achieved	Positive assessment by Board of Directors of engagements achieved	Positive assessment by Board of Directors of engagements achieved	Positive assessment by Board of Directors of engagements achieved
Revenue growth	Revenue growth below target	16% ¹ 5% ²	3% ³	3%	3%
Bi-annual client survey results indicate Partnerships BC performance meets or exceeds client expectations	Target achieved	N/A	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 by Board of Directors on project milestones achieved	Positive assessment by Board of Directors on project milestones achieved	Positive assessment by Board of Directors on project milestones achieved	Positive assessment by Board of Directors on project milestones achieved
Publish value for money report or communications on all projects after financial close has been reached	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

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

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

³ Ibid

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

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

One of Partnerships BC's broad objectives is to create a world class centre of expertise for public private partnerships in British Columbia. The company endeavours to ensure that best practices are identified and transferred from one project to the next, and that British Columbia becomes recognized as an attractive market for public private partnerships. Partnerships BC continually refines internal processes to develop best practices from its experience base, and then shares that knowledge and experience 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 public private partnership projects.
- Continue to identify and apply best practices from project to project to help ensure continuous improvement and consult regularly with clients and the market in best practice development.
- Focus on the use and optimization of the knowledge management system to capture and incorporate best practices.
- Support the development of a strong pan-Canadian partnership market.

Goal 2: Encourage development of the public private partnership market in British Columbia					
Performance Measures			Targets		
	2007/08 Actual	2008/09 Forecast	2009/10	2010/11	2011/12
New market participants in British Columbia	Numerous market participants located in B.C.	Number of 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	Examples of projects utilizing best practices Examples of Partnerships BC engagements with other governments	Examples of projects utilizing best practices Examples of Partnerships BC engagements with other governments	Examples of projects utilizing best practices Examples of Partnerships BC engagements with other governments	Examples of projects utilizing best practices Examples of Partnerships BC engagements with other governments
Annual examples of synergies and process cost reductions	Use of procurement documents consistent across projects and sectors (e.g. health and transportation)	Project examples where synergies achieved Data collection for empirical benchmarking	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 public private partnership policy; two project awards	Project awards received, significant media coverage	Examples from 3 rd party validators	Examples from 3 rd party validators	Examples from 3 rd party validators

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

Partnerships BC is committed to ensuring it remains commercially viable on an ongoing basis. Commercial viability requires that revenues meet or exceed expenses, whether or not the Government Services Agreement with the Province is continued. 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 11.7 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 11.7 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 11.7 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 Forecast	2009/10	2010/11	2011/12
Meet budget	Net income target met	Meet budget (minimum 15% net income margin pre-variable compensation)	Meet budget (minimum 11.7% net income margin pre-variable compensation)	Meet budget (minimum 11.7% net income margin pre-variable compensation)	Meet budget (minimum 11.7% net income margin pre-variable compensation)
Minimize charge-out rates to clients	No change	Minor changes in rates to reflect change in organization – no net increase	No change	Subject to annual review	Subject to annual review
Bi-annual employee satisfaction survey	N/A	Positive assessment by Board of Directors of survey results achieved	N/A	Meet or exceed industry standards, with minimum 85% employee satisfaction	N/A
Targeted and relevant training	Target met	5% of compensation costs	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 Reforecast and Fiscal 2009/10 to 2011/12 Budget

	2007/08 Actual	2008/09 Reforecast	2009/10 Budget	2010/11 Budget	2011/12 Budget
REVENUE					
Fees for Service	\$ 6,944,578	\$ 8,377,552	\$ 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	267,538	161,000	165,830	170,805
Project Recoveries	5,205,644	5,237,931	5,200,000	5,200,000	5,400,000
TOTAL REVENUE	14,382,225	15,849,021	15,068,600	15,476,810	15,935,914
EXPENDITURES					
Salaries and Benefits	6,002,341	6,704,420	7,194,675	7,410,516	7,632,831
Professional Services	377,042	445,203	380,000	391,400	403,142
Administration	1,253,974	1,353,734	1,408,896	1,499,771	1,533,844
Corporate Relations	41,782	43,050	48,000	49,440	50,923
Amortization	225,239	246,969	230,576	225,655	226,753
TOTAL EXPENDITURES	7,900,378	8,793,376	9,262,147	9,576,782	9,847,493
Project Recoverable Expenses	5,205,644	5,237,931	5,200,000	5,200,000	5,400,000
NET INCOME	\$ 1,276,203	\$ 1,817,714	\$ 606,453	\$ 700,028	\$ 688,421
NET INCOME (PRE-VARIABLE COMPENSATION)	\$ 1,982,640	\$ 2,436,479	\$ 1,155,309	\$ 1,265,351	\$ 1,270,703
Number of Employees and Contractors	43	43	45	45	45
Capital Expenditures	\$ 323,121	\$ 240,087	\$ 276,441	\$ 135,441	\$ 140,388



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