

2010/11–2012/13
SERVICE PLAN

Message from the Chair

I am pleased to present the Service Plan for Partnerships British Columbia Inc. (Partnerships BC or the Company) for the period April 1, 2010 to March 31, 2013. This plan outlines the Company's goals and plans for achieving those goals over the next three fiscal years.

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

During 2009/10, several projects reached key milestones. Three projects entered the operational stage: the Golden Ears Bridge, which opened two weeks ahead of schedule and within budget; the Canada Line, which opened three and a half months ahead of schedule and within budget; and the Sea-to-Sky Highway Improvement Project, which opened on schedule and within budget. Construction of the new Duchess Park Secondary School in Prince George—a DB project—is nearing completion and will open for students in spring 2010. Construction continues on four health care projects in communities across the province, including: the Kelowna and Vernon Hospitals Project; the Royal Jubilee Hospital Patient Care Tower in Victoria; the Surrey Outpatient Care and Surgery Centre; and the Fort St. John Hospital and Residential Care Project. Construction on the Port Mann/Highway 1 Project continues, progressing slightly ahead of schedule. A final agreement has been reached for the BC Cancer Agency Centre for the North in Prince George, the sixth regional cancer centre in the province. Proposals for the South Fraser Perimeter Road have been received and evaluation is now underway. And finally, a short-list of teams has been announced for the Surrey Memorial Hospital Expansion and Redevelopment: Emergency Department and Critical Care Tower and the request for proposals (RFP) was issued in February.

Although financial markets have improved, Partnerships BC continues to monitor the availability and cost of capital for infrastructure projects. For every partnership project, a thorough analysis is done to determine the right mix of public and private funding to ensure taxpayers get the best value for every dollar. The goal is to optimize, not maximize, the amount of private finance. By using a flexible approach to financing, the project benefits will be delivered within the project budget.

Under the Shareholder's Letter of Expectations, Partnerships BC provides a range of services such as: helping agencies identify and assess public private partnership project opportunities; developing provincial public private partnership policy and best practices; and providing other advisory and consulting services directly to the Province and/or clients. In 2010/11, the Company's fees are being increased to ensure the continued delivery of these key services. This fee increase, the first since hourly fees were

introduced in 2004/05, will allow the agency to fully recover service delivery costs from its clients.

For 2010/11, the Company will continue to engage in stakeholder outreach activities to maintain and generate support for the partnership delivery model and its associated benefits. Partnerships BC will work to increase awareness among clients of best practices in project budgeting, affordability, evaluation and governance of partnership projects. The Company continues to provide policy advice to the Province on the procurement of major capital assets, as requested.

Over the years the Company has successfully diversified its product line to include a range of partnership delivery models such as design build finance maintain; design build finance rehabilitate; and, design build. Based upon the experience to-date in the planning for and procurement of major infrastructure projects, there is an opportunity to apply the commercial skills gained to an even greater range of projects and delivery models; therefore, over the next year, the Company will undertake a strategic review of the current service model as directed by the shareholder. Any recommended changes will be presented to government; if approved, the recommendations will be implemented and reflected in the 2011/12 Service Plan.

Partnerships BC supports the Province's climate action plan to reduce greenhouse gas emissions and improve energy efficiency in public sector buildings. Procurement documents have been revised and include a requirement for projects in the health care, education, accommodation and cultural sectors to be designed and built to achieve Leadership in Energy and Environmental Design (LEED) Gold certification. Through competition and innovation, the partnership delivery model provides a strong mechanism that is being used to help the Province achieve these environmental goals.

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

The 2010/11–2012/13 Service Plan is 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; and
- Attracting international expertise and capital to British Columbia.

Partnerships BC will continue working with agencies in other provinces and with the Government of Canada to create an attractive and effective pan-Canadian market

environment. Information sharing continues with governments across North America as jurisdictions look for solutions to meet infrastructure needs.

The Company's success to date is the result of a team of skilled professionals, with oversight by a diverse and experienced Board of Directors. As two of our founding Directors, Harold Calla and Celia Courchene, retire this year, I would like to acknowledge their dedication to public service and very significant contribution to establishing the foundation on which the Company will continue to build. Partnerships BC welcomes the appointment of two new Directors: Brian Bentz and Peter Kappel.

Partnerships BC's 2010/11–2012/13 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 2010 have been considered in preparing the plan.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rick Mahler', with a long horizontal flourish extending to the right.

Rick Mahler
Chair

Table of Contents

Message from the Chair	2
Organizational Overview	6
Corporate Governance	9
Strategic Context	10
Goals, Strategies, Measures and Targets	15
Resource Summary	25
Appendix: Shareholder's Letter of Expectations	26

Organizational Overview

Partnerships BC was created in May 2002 to support the Province's commitment to sound fiscal management in the delivery of affordable infrastructure projects that meet the needs of British Columbians. Partnerships BC is a company owned by the Province of British Columbia and governed by a Board of Directors reporting to its sole shareholder: the Minister of Finance. The Company is incorporated under the *British Columbia Business Corporations Act*.

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

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.

Capital planning in British Columbia is governed by the Capital Asset Management Framework (CAMF). Within CAMF, public sector agencies are guided by the capital standard policy which states for projects with \$50 million or more of provincial funding, a partnership delivery model will be considered the base case in procurement options analysis and will be the preferred option unless there is a compelling reason to select 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 for the partnership delivery model.

One of the objectives of the capital standard is to impose a discipline for good business planning to ensure taxpayers get the best value for every dollar. Partnerships BC will continue to work with the Province and public sector clients to improve the quality and scope of procurement options analyses for major capital projects, and to increase the level of understanding of the full range of procurement options and expected benefits.

Partnerships BC's products and services are critical to the Province's ability to undertake the planning and procurement of complex capital projects, specifically those involving the utilization of private sector expertise, services and capital. Partnerships BC provides a full spectrum of services ranging from business planning and procurement management to design and construction advisory services. This flexible approach enables clients to focus on their core business and accountabilities while Partnerships BC focuses on the business and contractual requirements of evaluating, structuring and implementing partnership projects.

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

Partnerships BC's Services		
<p>Business Planning</p> <ul style="list-style-type: none"> ▪ Early Project Screening ▪ Concept Plans ▪ 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 ▪ Project Governance 	<p>Procurement Process</p> <ul style="list-style-type: none"> ▪ Procurement Management ▪ Best Practices and Procurement Documentation ▪ Evaluation Management ▪ Contract Negotiations ▪ Service Integration <ul style="list-style-type: none"> ▪ Consultant Management ▪ Project Reporting ▪ Strategic Communications ▪ Stakeholder Management ▪ Project Governance 	<p>Design and Construction</p> <ul style="list-style-type: none"> ▪ Construction Oversight – Advice and Management ▪ Best Practices and Documentation ▪ Strategic Communications ▪ Stakeholder Management ▪ Project Governance
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 developers, investors, the advisory and financial services sector and providers of construction, engineering and facilities management services.

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

Partnerships BC is structured into strategic service units that support the Company's project focus and operational requirements: Partnerships Development and Delivery, Partnerships Services and Finance and Administration. These business units, and their primary functions, are described in the table on the following page.

SENIOR MANAGEMENT TEAM		
Larry Blain PRESIDENT & CEO		
Sarah Clark Vice President Partnerships Development and Delivery	Susan Tinker Vice President Partnerships Services	Chan-Seng Lee Vice President Finance and Administration
<u>Areas of Responsibility</u>	<u>Areas of Responsibility</u>	<u>Areas of Responsibility</u>
<ul style="list-style-type: none"> ▪ Business Development ▪ Project Governance and Delivery ▪ Corporate Relations ▪ Market Development ▪ Senior Project Adviser 	<ul style="list-style-type: none"> ▪ Policy and Practices ▪ Communications ▪ Legal Services ▪ Procurement Services ▪ Knowledge Management and Research ▪ Senior Project Adviser 	<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 tenets of this strategy are based on recruitment and retention, leadership development, training and performance planning and management.

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

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

Corporate Governance

Partnerships BC is governed by a Board of Directors that ensures the operations of the Company reflects the interests of the shareholder. The initial 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 key functions of the Board include: to provide governance and oversight for the Company, and to review and recommend potential partnership opportunities.

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

The Board consists of the following Directors: Rick Mahler (Chair), Ed Andersen, Brian Bentz, Susan Conner, Colin Dobell, Dan Doyle, Peter Kappel, Gordon Steele, Kirsten Tisdale and Sharon White.

The Board is supported by two subcommittees. The Audit and Risk Management Committee provides oversight of key financial information. This includes audited financial statements, quarterly financial statements, the annual report and any quarterly reports, the service plan, annual business plan, operating and capital budgets and any budget presentations to government. The committee also reviews the Company's risk management, internal controls and information systems. The committee members are: Susan Conner (Chair), Colin Dobell, Dan Doyle, Peter Kappel and Sharon White. The Board Chair and the Chair of the Human Resources and Governance Committee also attend meetings of the Audit and Risk Management Committee.

The Human Resources and Governance Committee assists the Board with human resource issues, compensation matters and the establishment of a plan of continuity and development for senior management. The committee also provides a focus on corporate governance to enhance the performance of the Company. The committee members are: Kirsten Tisdale (Chair), Ed Andersen, Brian Bentz and Gordon Steele. The Board Chair and the Chair of the Audit and Risk Management Committee also attend meetings of the Human Resources and Governance Committee.

Strategic Context

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

Partnerships BC continues to apply a number of core best practices in project budgeting, affordability, evaluation and governance to partnership projects. The application of these best practices will maximize the opportunity for partnership projects to achieve procurement objectives, more accurate planning and project costing in the approval phase, greater control of project costs within approved affordability limits, motivate the proponent market and result in more aggressive proposals and provide effective project oversight. In addition, templates for key procurement documents were reviewed and updated during this fiscal year. Over the coming year, Partnerships BC will continue to work with clients to increase their knowledge and understanding of how these core best practices will be applied to partnership projects.

Over the last year, the greatest impact to the PPP market—both nationally and internationally—has been the availability and cost of private capital for infrastructure projects. Around the world and across Canada, PPP agencies have responded to these challenges with new approaches and programs to optimize the sources of financing and ensure that projects remain affordable. In British Columbia, Partnerships BC has explored the use of temporary credit measures to reduce the overall cost of capital through leveraging the Province's Triple-A credit rating. These are temporary measures; ultimately, the goal is to return to an equity and senior debt structure for project financing. Going forward, Partnerships BC will continue to analyze financial market conditions and projects entering procurement to determine how best to optimize the use of private capital.

Other factors that will impact the strategic context in which Partnerships BC will be operating and planning in the coming years are related to the PPP market, both national and international. A strong, coordinated Canadian partnership market has emerged and the number of market participants is expanding. Partnerships BC continues to work with other Canadian jurisdictions to promote consistency in the development and application of best practices to ensure both the B.C. and broader Canadian market remain attractive to PPP market participants. The federal government established PPP Canada Inc., a Crown corporation, to work with the public and private sectors to support PPPs and encourage the further development of Canada's PPP market. The corporation administers the \$1.25 billion P3 Canada Fund to support public infrastructure projects procured via public private partnerships. Last fall, PPP Canada issued a call for project submissions to provinces, territories, municipalities and First Nations; additional calls for project submissions will be issued over the life of the P3 Canada Fund.

The capital standard policy continues to provide the greatest opportunity for Partnerships BC to assist clients and add value to projects while serving the public interest. Other policies that present new opportunities for partnership projects to harness the innovation of the private sector include the Province's climate change agenda and energy self-sufficiency goals, green buildings and the Wood First policy. Partnerships BC will continue to explore a range of partnership delivery models, from design-build to design-

build-finance-maintain, to assist clients in meeting infrastructure needs. In addition, there may be opportunities for Partnerships BC to share its knowledge and experience in the planning and procurement of major infrastructure projects that include partnership and other procurement delivery models.

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

Risk Management

As part of its internal risk management process, Partnerships BC applies the Enterprise-Wide Risk Management (ERM) methodology as developed by the Risk Management Branch of the British Columbia Ministry of Finance, which includes a calendared risk schedule so that risk management is conducted systematically throughout the year.

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

Risk Category	Description	Mitigation Strategies
Scope of Business Focus and Client Base	Partnerships BC's client market and service offering is a relatively narrow business focus. If the partnership market weakens, or if clients elect to use other procurement advisers, 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. ▪ Ensure that Partnerships BC's fee structure reflects a value for money proposition for clients.
Public Private Partnership Policy Environment	The policy environment for partnership projects 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 partnership projects. ▪ Work with clients to ensure partnership projects are compatible with the Province's policy objectives.
Public Private Partnership Market Size and Capacity	<p>PPP markets are continuing to grow internationally and within B.C. The Company may face challenges related to:</p> <ul style="list-style-type: none"> ▪ Growth of PPP markets in competing jurisdictions. ▪ General private sector interest in PPPs worldwide. ▪ Development of PPP 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 PPP stakeholders and business partners. ▪ Continue to apply consistent approaches to procurement to reduce transaction and bid costs to maintain an attractive PPP market in B.C. ▪ Engage in information sharing with other provincial jurisdictions to broaden the Canadian PPP market and attract private sector participants. ▪ Communicate with international PPP 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 procurement to ensure the presence of a viable market. ▪ Inform PPP market participants about upcoming projects. ▪ Involve the academic community to analyze the B.C. project experience to further develop best practices.

Risk Category	Description	Mitigation Strategies
Project Risks	Partnerships BC may experience risks due to problems or changes in client partnership projects in the procurement, construction or operations phase of a partnership project.	<ul style="list-style-type: none"> ▪ Participate on Project Boards for 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 design, construction and operations phases.
High Interest Rates	<p>Lending rates are currently high by historical standards 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 flexible approach to structuring the financing for each project, designing the structure to match the prevailing financial market considerations to maximize value for taxpayers' dollars. ▪ 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	Reputation is compromised when an organization's performance, ethics or experience with stakeholders suffers. Partnerships BC's ability to provide quality service to its clients and the wider PPP market is directly tied to the reputation of the Company and the demonstrable success of partnership projects.	<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 and communications strategy. ▪ Apply best practices to all phases of projects.

Risk Category	Description	Mitigation Strategies
Internal Experience and Capacity	<p>Partnerships BC needs to balance service demand with its corporate capacity to ensure successful performance at both the project and organizational levels.</p> <p>Insufficient preparedness to manage a pandemic event could lead to business disruption.</p>	<ul style="list-style-type: none"> ▪ Continue to implement 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. ▪ Develop a pandemic preparedness plan.
Management and Operational Risks	<p>Partnerships BC's ability to serve its clients depends upon its ability to harness and direct knowledge; therefore, the Company faces business risks related to information management.</p>	<ul style="list-style-type: none"> ▪ Update and improve management and financial information systems and related processes. ▪ Address business disruption issues with the effective deployment of business continuity plans. ▪ Work to improve server performance and the implementation and management of back-up systems. ▪ Address information systems related risks.

Goals, Strategies, Measures and Targets

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

In the early years of operation, the Company was primarily focused on developing the partnership market in British Columbia and securing an active pipeline of projects. As the PPP market matured and a steady pipeline of projects materialized, Partnerships BC shifted its focus to refining the evaluation, structure and implementation of PPPs to ensure the successful delivery of partnership projects. With the number of partnership projects that are either in the market or under construction, Partnerships BC provides design and construction advisory services engagements with ministries and agencies in recognition of the importance of transferring lessons learned to future partnership projects. After eight successful years of operation, there is an opportunity to apply the commercial skills gained to an even greater range of projects and delivery models; therefore, over the next year the Company will undertake a strategic review of the current service model as directed by the shareholder. Partnerships BC will present any recommended changes to government and if approved, the recommendations will be implemented. Any changes to the Company's vision, corporate objectives and performance measures will be reflected in the 2011/12 Service Plan.

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

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

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

The Company provides quality assurance in the implementation of all aspects of the Service Plan, and continues to improve the internal mechanisms that facilitate excellence in product quality. The Company monitors the performance of the measures in the Service Plan and introduces corrective actions as necessary to ensure goals are met.

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

Goal 1: Structure and implement public private partnership solutions which serve the public interest (60 per cent).

Partnerships BC's mandate is to evaluate, structure and implement 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 partnership projects often involve large, high profile and complex projects, it is essential that all stakeholders have a degree of comfort with the process involved in bringing a 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 best value for taxpayer dollars. The Company is also committed to protecting confidential information and commercial interest.

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

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

Strategies

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

Goal 1: Structure and implement public private partnership solutions which serve the public interest (60 per cent)

Performance Measure	Targets				
	2008/09 Actual	2009/10 Forecast	2010/11	2011/12	2012/13
Public Private Partnership Development Agreements with the Province and/or other agencies	25 new engagements Engaged new sectors: corrections, colleges New engagements with other jurisdictions: Saskatchewan, Prince Edward Island, PPP Canada Design and construction advisory services provided on health and transportation projects	21 new engagements Repeat engagements from a variety of clients Continued engagements and information sharing with other Provinces and the Government of Canada Design and construction advisory services provided on health and transportation projects	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	0% ¹	-6% ¹	2%	4%	4%
Bi-annual client survey results indicate Partnerships BC performance meets or exceeds client expectations	Client survey not conducted in 2008/09 Positive feedback received from clients across multiple sectors; shareholder	Client survey not conducted in 2009/10 Anecdotal feedback positive from clients across multiple sectors	Formal client feedback	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery	Anecdotal feedback
Project milestones achieved	All controllable project milestones achieved Positive assessment by Board achieved	All controllable project milestones achieved Positive assessment by Board 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

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

Goal 1: Structure and implement public private partnership solutions which serve the public interest (60 per cent)

Performance Measure			Targets		
	2008/09 Actual	2009/10 Forecast	2010/11	2011/12	2013/14
Publish project report or communications on all projects after financial close has been reached	100% reports published Clean fairness opinions on four projects (RFQ and RFP processes)	100% reports published Clean fairness opinions on three projects (RFQ and RFP processes)	100% documents published	100% documents published	100% documents published

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

Partnerships BC is focused on growing the PPP market by creating a world class centre of expertise wherein British Columbia is recognized as an attractive market for PPPs. A key measure in achieving this is the harnessing of best practices from one project and transferring the knowledge and experience to other projects, thereby improving efficiency and quality. The Company continually refines internal processes to develop best practices from its experience base, which is shared with clients to increase awareness and understanding of new best practices as they emerge.

In terms of demonstrating annual examples of synergies and process cost reductions, the Company will publicly report the total procurement time for projects against a benchmark of 18 months, set from the date of RFQ issuance to financial close. This benchmark of 18 months will help maintain consistency in the procurement process and it allows sufficient time for the private sector to develop quality proposals and enough time for due diligence in evaluation. Reporting procurement time is an appropriate measure because the length of procurement is a key driver of the costs incurred for both the public and private sectors.

The benefits of the partnership delivery model can only be fully realized on a broad scale when there is an informed public sector client base and steady project flow combined with a sufficient number and quality of market participants to bid on projects. Market participants must not only have the technical skills and financing resources to competitively bid on projects, but the ability to identify innovative and creative solutions to meet infrastructure requirements.

Although British Columbia is realizing the benefits of a robust and active PPP market, continued growth and development will be necessary to ensure a vibrant, competitive long-term market to address infrastructure needs across the province.

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.
- Utilize 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 partnership projects.
- Continue to identify and apply best practices across projects to help ensure continuous improvement and consult regularly with clients and the market.
- Focus on the use and optimization of the knowledge management system to capture and incorporate best practices.
- Support the development of a strong pan-Canadian partnership market.

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

Performance Measure	Targets				
	2008/09 Actual	2009/10 Forecast	2010/11	2011/12	2012/13
New or repeat market participants in British Columbia	Active market participation – 11 new market participants	Active market participation – six respondents on recent health project and two new market participants	Number of new or repeat market participants	Number of new or repeat market participants	Number of new or repeat market participants
Annual examples of best practices established, acknowledged and adopted within the Provincial government and by other governments	<p>All projects using standard procurement documents and sharing best practices internally</p> <p>Developed and implemented comprehensive best practices: costing, affordability, evaluation and governance</p> <p>Developed guidance and template for performance specifications for health projects</p>	<p>Developed guidance for temporary credit measures in response to global financial markets</p> <p>Draft Quantitative Analysis paper released for discussion</p> <p>Updated Project Agreement to incorporate new practices from recent procurements</p> <p>Best practices in costing, affordability, evaluation and governance utilized on Fort St. John Hospital and Residential Care Project and BC Cancer Agency Centre for the North</p>	<p>Examples of projects utilizing best practices</p> <p>Examples of Partnerships BC engagements with other governments</p>	<p>Examples of projects utilizing best practices</p> <p>Examples of Partnerships BC engagements with other governments</p>	<p>Examples of projects utilizing best practices</p> <p>Examples of Partnerships BC engagements with other governments</p>

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

Performance Measure	Targets				
	2008/09 Actual	2009/10 Forecast	2010/11	2011/12	2012/13
Annual examples of synergies and process cost reductions	Evidences of reduced project costs; examples of efficiencies in procurement processes Benchmarks will be established 2010/11	Procurement benchmark established: 18 months from date of RFQ issuance to financial close	Procurement benchmark 18 months from date of RFQ issuance to financial close	Procurement benchmark 18 months from date of RFQ issuance to financial close	Procurement benchmark 18 months from date of RFQ issuance to financial close
External validation (e.g. awards, informed media coverage)	Positive media coverage; enhanced stakeholder outreach Two project awards	Positive media coverage; enhanced stakeholder outreach Four project awards	Examples from third party validators	Examples from third party validators	Examples from third 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 either meet or exceed expenses, whether or not the Government Services Agreement with the Province is continued.

Under the Shareholder's Letter of Expectations, Partnerships BC provides a range of services such as: helping agencies identify and assess public private partnership project opportunities; developing provincial public private partnership policy and best practices; and providing other advisory and consulting services directly to the Province and/or clients. In 2010/11, the Company's fees are being increased to ensure the continued delivery of these key services. This fee increase, the first since hourly fees were introduced in 2004/05, will allow the agency to fully recover service delivery costs from its clients.

When the financial plan for the Company was first established, productivity measures were benchmarked against comparable corporations. These productivity measures enable the Company to achieve its key performance measures. As a knowledge-based company, Partnerships BC tracks examples of productivity in specific areas of operations. In the 2009/10 Annual Report, the Company will provide 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; and
- Annual administrative expense ratio, as a measure of managing administrative costs in relation to revenue.

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 commercially viable 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, and
- Continued focus on internal performance measures for Partnerships BC and its staff which tie individual and collective success to the achievement of corporate performance measures.

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

Performance Measure	Targets				
	2008/09 Actual	2009/10 Forecast	2010/11	2011/12	2012/13
Meet budget	Net income target met	Net income target met	Revenue either meets or exceeds expenses	Revenue either meets or exceeds expenses	Revenue either meets or exceeds expenses
Maintain competitive charge-out rates to clients	No change in charge out rates	No change in charge out rates	20%	No change in charge out rates	No change in charge out rates
Annual employee satisfaction survey	BC Business Best Companies to Work for in BC survey (overall score of 4.06 out of 5) BC Public Service Agency <i>Work Environment Survey 2007</i> (overall score of 85 compared to public service benchmark of 66)	BC Business Best Companies to Work for in BC survey (overall score of 4.18 out of 5) BC Public Service Agency <i>Work Environment Survey 2007</i> (overall score of 78 compared to public service benchmark of 66)	Meet or exceed industry standards, with minimum 85% employee satisfaction	Meet or exceed industry standards, with minimum 85% employee satisfaction	Meet or exceed industry standards, with minimum 85% employee satisfaction
Targeted and relevant training	Achieved training objectives within budget	Achieved training objectives within budget	5% of compensation costs	5% of compensation costs	5% of compensation costs

Resource Summary

Partnerships British Columbia Inc.
Financial Statements for Service Plan
For the Years Ended March 31, 2009 to 2013

Partnerships British Columbia Inc.
Fiscal 2009/10 Reforecast and Fiscal 2010/11 to 2012/13 Budget

	2008/09 Actual	2009/10 Reforecast	2010/11 Budget	2011/12 Budget	2012/13 Budget
REVENUE					
Fees for Service	\$ 7,956,812	\$ 6,886,502	\$ 8,654,532	\$ 8,917,931	\$ 9,256,586
Provincial Government Revenue	1,966,000	1,640,000	-	-	-
Other Revenue	230,029	73,438	71,000	161,030	165,861
Project Recoveries	6,685,642	4,727,605	4,882,000	5,200,000	5,400,000
TOTAL REVENUE	16,838,482	13,327,545	13,607,532	14,278,961	14,822,447
EXPENDITURES					
Salaries and Benefits	5,976,366	6,223,585	6,687,991	6,888,630	7,095,289
Professional Services	427,506	321,260	442,500	455,775	469,448
Administration	1,371,012	1,294,547	1,335,834	1,366,331	1,411,848
Corporate Relations	49,468	22,354	73,390	75,592	77,859
Amortization	251,902	200,022	185,178	209,155	217,097
TOTAL EXPENDITURES	8,076,254	8,061,768	8,724,892	8,995,483	9,271,541
Project Recoverable Expenses	6,685,642	4,727,605	4,882,000	5,200,000	5,400,000
NET INCOME (LOSS)	\$ 2,076,586	\$ 538,172	\$ 640	\$ 83,478	\$ 150,906
NET INCOME (PRE-VARIABLE COMPENSATION)	\$ 2,563,639	\$ 1,056,905	\$ 504,175	\$ 602,119	\$ 685,107
Capital Expenditures	\$ 221,118	\$ 66,878	\$ 225,941	\$ 135,441	\$ 140,388

The above financial information including the 2009/10 reforecast was prepared in accordance with current Canadian Generally Accepted Accounting Principles (GAAP).

Appendix: Shareholder’s Letter of Expectations

Highlights from the 2009 Shareholder’s Letter of Expectations	Partnerships BC Alignment
<ul style="list-style-type: none"> ▪ Assist the Province in meeting its infrastructure needs by providing innovation, leadership and expertise in public procurement ▪ Support the Province in tackling the challenges of global warming and promote environmentally sensitive infrastructure through public private partnerships ▪ Pursue PPPs that advance the public interest and where it can be demonstrated that such procurement arrangements will: meet specific public policy objectives; improve services; achieve environmental quality, energy efficiency and sustainability objectives; and achieve value for money ▪ Provide expert services to the Province and its agencies in the procurement of partnership projects ▪ Assist the Province in the application of the \$50 million capital standard policy ▪ Demonstrate fair, transparent and competitive processes 	<p>Goal 1: Structure and implement public private partnership solutions which serve the public interest</p>
<ul style="list-style-type: none"> ▪ Continue to improve the efficiency and quality of delivery of PPP transactions ▪ Grow the public private partnership market in B.C. ▪ Build a centre of expertise and excellence that will be recognized for innovation and performance ▪ Provide policy advice to the Shareholder on alternative procurement, PPPs and capital asset management when required 	<p>Goal 2: Encourage development of the partnership market in British Columbia</p>
<ul style="list-style-type: none"> ▪ Remain commercially viable on an ongoing basis ▪ Identify examples of productivity measures and targets, where appropriate, for inclusion in the Company’s service plan and annual report 	<p>Goal 3: Remain commercially viable and increase productivity</p>



partnerships
British Columbia

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