

Infrastructure Ontario

Leveraging the strengths of both the public and private sector to expand Ontario's public infrastructure

Infrastructure Ontario

- Crown agency of the Ontario Government
 - Focused on renewing and maintaining the province's infrastructure
- Five lines of business:
 - **Project Delivery:** Manages the planning, design and delivery of major public infrastructure projects
 - **Loan Program:** Provides affordable long-term financing to help develop and renew public infrastructure
 - **Real Estate Services:** Oversees a diverse real estate portfolio, offering full service real estate advisory, planning, development and management services
 - **Commercial Projects:** Supports government economic development opportunities by identifying and leveraging private sector partnerships
 - **Asset Optimization:** Partnering with Provincial Ministries to help identify issues and related opportunities to unlock value in government assets

Creating Infrastructure Ontario

- A decade ago, Ontario was nearing a crisis point in its infrastructure investment program
 - Large, traditionally delivered projects were plagued by poor planning, inadequate project management and unsophisticated commercial negotiating expertise
- In 2004, the Ontario Government sought an alternative to traditional methods of infrastructure project delivery
 - Examined the delivery methods that had been used by other jurisdictions to address infrastructure deficit
- Publically committed to the first ever long-term infrastructure plan
 - Signaled to the market development of a steady pipeline of infrastructure projects
- Formulated a made-in-Ontario approach to financing and managing large, complex infrastructure projects
 - In 2005, established a government structure - Infrastructure Ontario - to manage and deliver projects

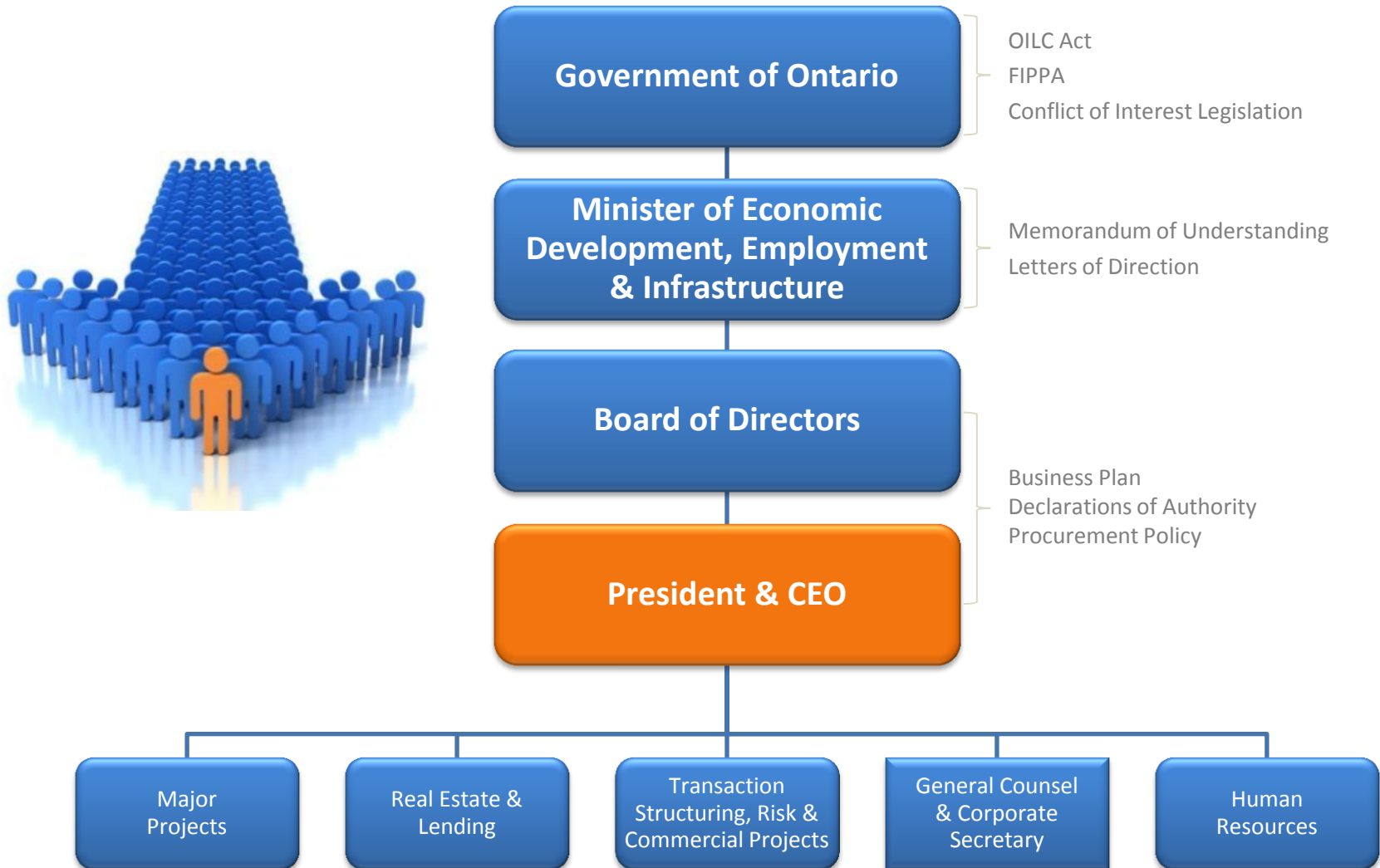


Ontario's Long-Term Infrastructure Plan

- In June 2011, Ontario's Ministry of Infrastructure released Building Together, a long-term infrastructure plan
- The plan includes an expanded role for Infrastructure Ontario to help deliver Ontario's infrastructure priorities
 - Increased use of the Alternative Financing and Procurement (AFP) model across a range of sectors (transit, municipal water and others where appropriate)
 - Use of a traditional procurement approach where appropriate
 - Providing procurement advice and assistance to organizations or municipalities receiving provincial infrastructure project grants of more than \$100 million
 - Procure information technology projects and support the Growth Plan for Northern Ontario



Infrastructure Ontario's Operating Framework



IO Governance: Board of Directors

- **Oversees the management** of the business and affairs of IO
- IO Board **members are appointed** by the Lieutenant Governor in Council, as are the Chair and Chief Executive Officer
- IO Board has **11 members** and **four committees**
 - Audit, Risk, Governance and Compensation, and Investment Committees
- The IO Board is responsible for:
 - Approving policies
 - Approving matters that are within its limits and otherwise defining the scope of management authority
 - Monitoring for legal compliance and internal control



Accountability to the Province

- Corporate governance structure is set out in the Ontario Infrastructure and Lands Corporation Act, 2011
- Annual Report prepared in accordance with Management Board of Cabinet directives
- Freedom of Information and Protection of Privacy Act (FIPPA) prevails with allowance for commercially sensitive information
- Regular audits from the Ministry of Finance and the Auditor General
 - Project budgets must be approved by Treasury Board
- Regular briefings for Ministers, MPPs, DMs and other government officials
- Committee appearances (Standing Committee on Government Agencies, Legislation and Regulations)



Project Delivery

Managing the planning, design and delivery of major public infrastructure projects across the province



Infrastructure Project Delivery

- Delivering projects through innovative and business-like approaches with the private sector
 - Maximizes public value-for-money through private expertise and financing
 - Cooperate with other jurisdictions, including PPP Canada
- Transactions
 - 90 projects valued at over \$41 billion in the market
 - Reputation for transparent and open process that leads to successful outcomes
- Budgets
 - Value-for-Money average over 11% per project and total savings worth billions
- Keys to success
 - Risk transfer to the private sector while ensuring projects are investment-grade and bankable
 - Financial oversight from lenders drives performance during asset lifetime



AFP - Project Delivery

- The **Alternative Financing and Procurement** (AFP) model is Ontario's public private partnership model
 - An alternative to the traditional project delivery model (Design-Bid-Build)
- Utilizes private expertise and financing to strategically rebuild vital infrastructure, on time and on budget, while ensuring appropriate public control and ownership
- Integrates key project components using output specifications, encouraging design excellence and minimizing scope changes
- Provides appropriate risk sharing through the Project Agreement
- Ensures on time and on budget project delivery
 - Payment only occurs only after construction is completed
- The AFP model ensures value for money



IO's Role

- An AFP transaction is quite different from a traditional approach
- IO can manage the process from procurement to final construction completion including:
 - Provides advice throughout the process
 - Pre-transaction analysis
 - Leads the procurement of the project by preparing and managing the RFQ and RFP process/documentation
 - Advises on negotiations with Preferred Proponent and awarding contract
 - Managing/Overseeing delivery of the projects (Varies based on client needs)
- Manages the advisor interaction



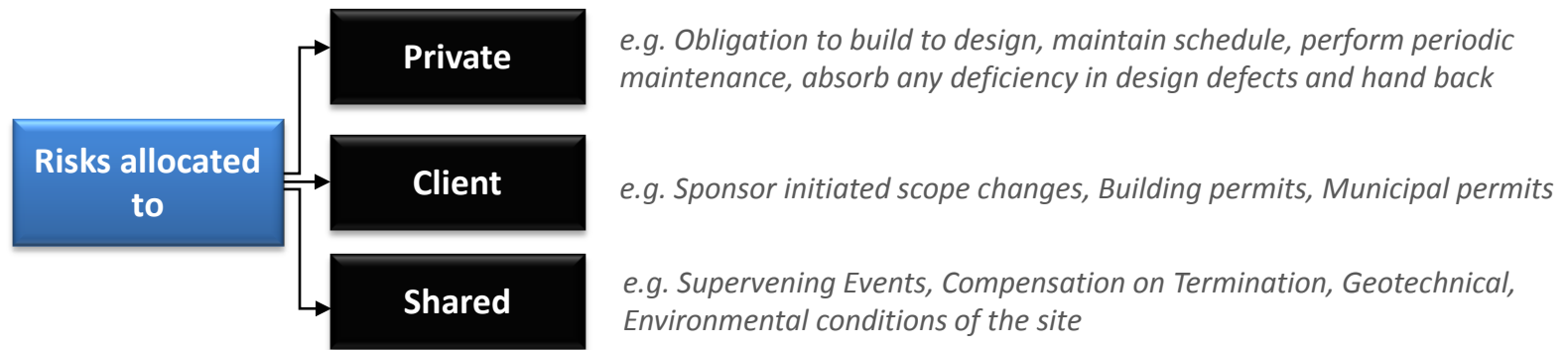
Projects Assigned to IO

- The Ministry of Infrastructure, in consultation with other government ministries, assesses, prioritizes and determines the overall infrastructure renewal budget; the ministry also identifies which projects will be assigned to IO or to a provincial ministry
 - Once projects are approved for assignment to IO by Cabinet, IO receives a Letter of Direction from the Minister of Infrastructure confirming the projects, including their year of construction start and total project budget
 - IO works in partnership with its client ministries in managing the project



Allocating Risk

- Risk is allocated to the party best able to manage and/or mitigate the risk



- The Risk Matrix primarily consists of commercial risks (not technical risks)
- All risk allocation between the Private Sector and Public Sector must be specified & captured in the Project Agreement and Schedules

Providence Care Hospital

Providence Care is southeastern Ontario's leading provider of specialized mental health care, physical medicine and rehabilitation, specialized geriatric services, complex continuing care, palliative care and long-term care.

Once completed, the new, 630,000+ square foot hospital will provide inpatient beds, programs and services. The new hospital will be made up of 120 specialized mental health, 100 complex continuing care and 50 rehabilitation beds.

Structure: Design Build Finance Maintain (DBFM)

Project Value: \$810 million

Features:

- 270 bed, 630,000 sq. ft. hospital
- Every unit will feature single patient rooms
- Each patient room will be equipped with a patient lift and be fully wheelchair accessible



Quinte Courthouse

The new Quinte Courthouse consolidates the Superior Court of Justice and the Ontario Court of Justice which was previously operating in four locations – three in Belleville and one in Trenton.

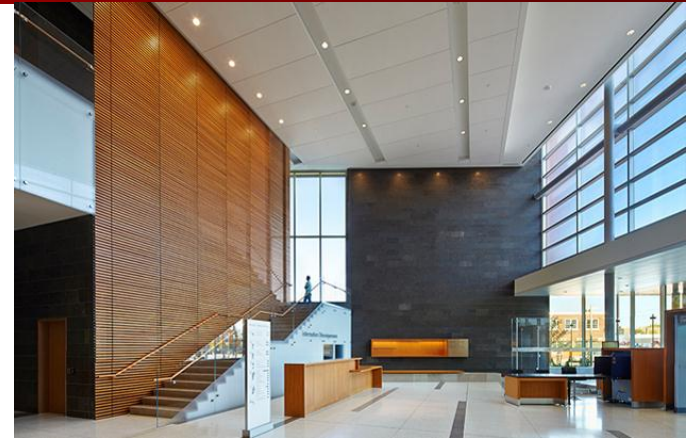
There is now space for the judiciary, court services, as well as, offices for the Crown attorneys, the Victim Witness Assistance Program and space for the Hastings County Law Association, Adult Probation and Parole, and in-custody accused.

Structure: Design Build Finance Maintain (DBFM)

Project Value: \$247.2 million

Features:

- 6-storey, 162,000 sq. ft. courthouse
- 11 courtrooms
- five conference settlement rooms



Commercial Projects and Asset Optimization

Supporting government economic development opportunities by identifying and leveraging private sector partnerships to unlock value in government assets



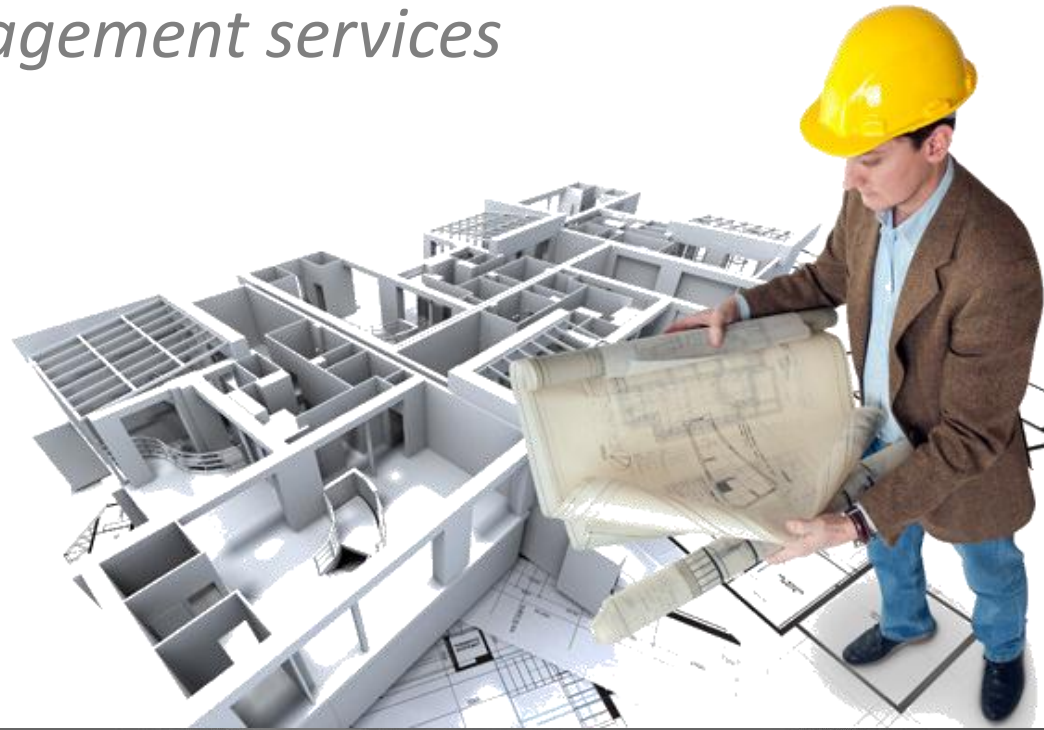
Commercial Projects & Asset Optimization

- Acting as an internal advisor to government, helping our clients (typically Provincial Ministries and Agencies) to:
 - Identify and size opportunities to unlock value in government owned assets and services. This is done contemporaneously with an “ease of execution” analysis.
 - Develop, evaluate and structure strategic partnerships, applying business case techniques and principles of value for money and risk transfer to government run businesses and public services
 - Advise on commercial issues supporting clients in achieving their objectives
 - Lead or support negotiations with private sector
 - Lead commercial transactions from start to finish leveraging IO’s proven market sounding process, open, fair and transparent procurement approaches and commercial expertise



Real Estate Services

Oversees a diverse real estate portfolio, offering full service real estate advisory, planning, development and management services



Real Estate Management

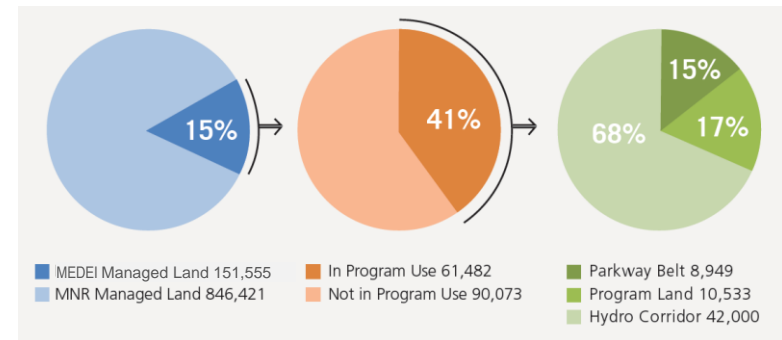
- IO acts as landlord for the Ontario public service managing over 6,000 assets and supporting 70,000 tenants
 - Private sector partnerships and innovative contracts are the backbone of the service
 - Project service contracts are delivered by private sector service providers
- IO also acts as a real estate agent and developer for provincially owned lands managing more than 980,000 acres of land
 - Land sales and land development expertise, along with Alternative Finance and Procurement models, are resulting in opportunities to optimize asset value
 - Traditional property sales are the norm
 - Evolving to more innovative approaches



Real Estate Portfolio

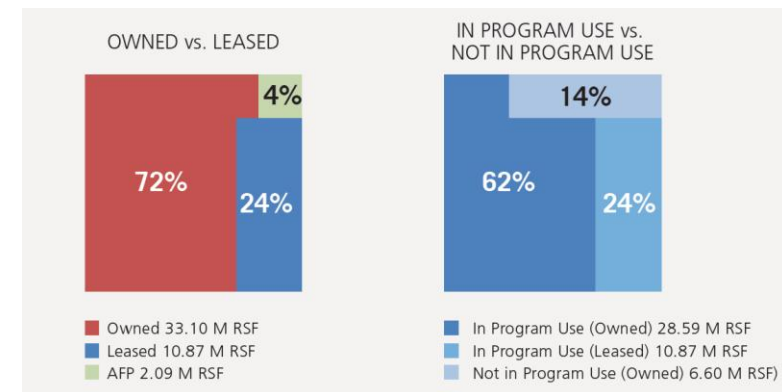
- Land Portfolio

- Total of almost 1M acres
- 85% managed by Ministry of Natural Resources (parks, nature reserves, etc.)
- IO manages other lands and buildings including hydro corridors and lands no longer in program use



- Building Portfolio

- Building footprint of 46M RSF
- Queens Park office complex is largest owned asset at 1.96M RSF
- Former Huronia Regional Centre is the largest special purpose asset with 712,510 RSF
- 777 Bay St (Toronto) is the largest leased asset with 641,403 RSF



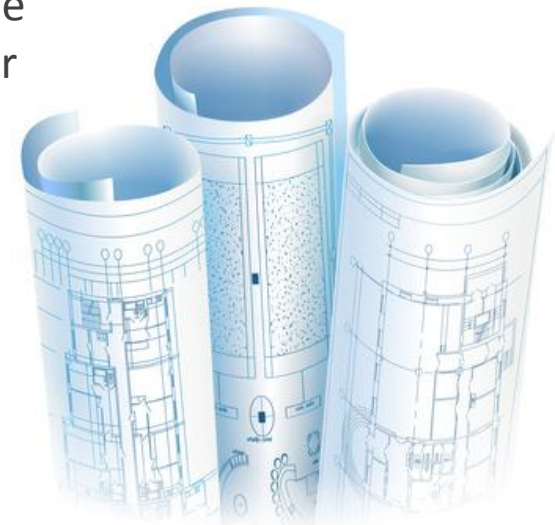
Planning Services

- Options Analysis
 - In-house expertise to develop financial models to evaluate real estate development and business plan scenarios.
- Accommodation Planning
 - IO can provide clients strategic real estate advice to ensure optimum utilization of assets.
- Stakeholder Engagement
 - IO is experienced at liaising with public sector organizations and has in-house experience with community engagement, identifying opportunities and partnerships, commercial market-soundings and private-sector engagements.



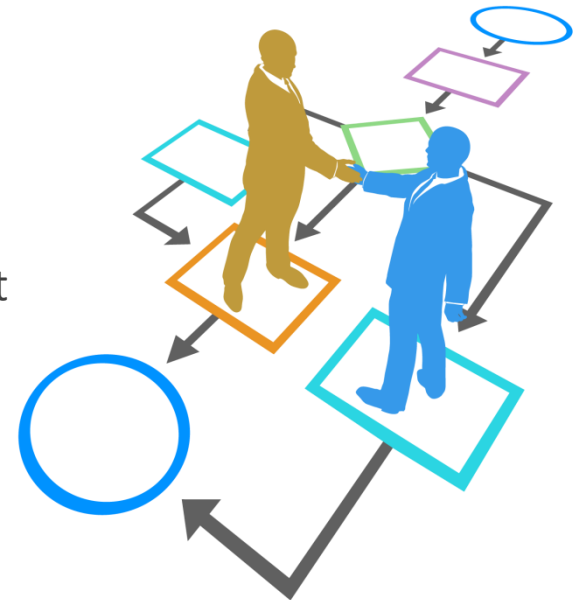
Delivery Services

- Land Use Planning
 - IO's in-house planning expertise can provide advice on the municipal and provincial approval processes, planning and zoning reviews, and Official Plan policy review.
- Technical Due-Diligence
 - Clients may be required to engage specialists such as engineers, surveyors, heritage specialists and archeologists. IO can assist clients with in-house expertise in these areas to provide technical review of due diligence materials. Our Vendor of Record system can streamline the hiring of these professionals.
- Project Management
 - With extensive expertise in delivering small projects and large works. IO can help oversee consultants, contractor budgets, schedules and reporting



Management Services

- **Portfolio Management**
 - Advise on strategic acquisitions and dispositions, provide portfolio reviews and propose rationalization and alternate use plans.
- **Capital Planning**
 - Provide a technical advisory role for clients in the evaluation and planning for asset reinvestment.
- **Regulatory Compliance**
 - The team has expertise to advise you on how to meet the requirements of applicable environmental and accessibility laws, policies and procedures. It is also able to assist with emergency management and security preparedness.



Real Estate Services – Project Management and Appraisals

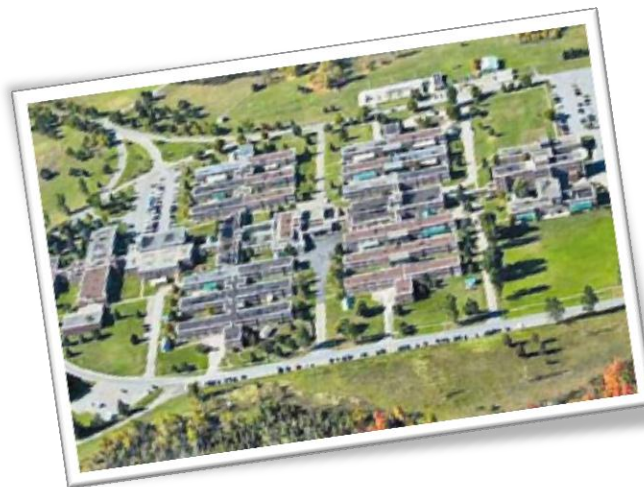
Client Profiles



Courthouse Rejuvenation, Renfrew County

The conversion of a 19th century courthouse into a modern court complex meeting heritage, security and barrier-free accessibility requirements

The project was awarded a Certificate of Merit from the American Institution of Architects Committee on Architecture for Justice



Appraisal Valuation, Rideau Regional Centre

Valuation of a 357 acre property which included former Rideau Regional Centre

Outcome: Clear articulation of appraised value for informed dispositions negotiations

Success Factors: Ability to leverage internal planning, survey and environmental data to support vendor efforts; ensured appraisal standards were met

The Loan Program

Affordable long-term financing solutions to help renew public infrastructure and deliver value to customers and residents across Ontario



The Loan Program

- Affordable long-term financing solutions to help renew public infrastructure and deliver value to customers and residents across Ontario
- Efficient access to the Capital markets
 - IO leverages the strength of the its good credit rating and passes savings along to its borrowers
 - No need to be rated
- Short-term construction loans and long-term take-out financing
 - Two kinds of long-term rates – Serial and Amortizer
- No additional fees and no need to renegotiate



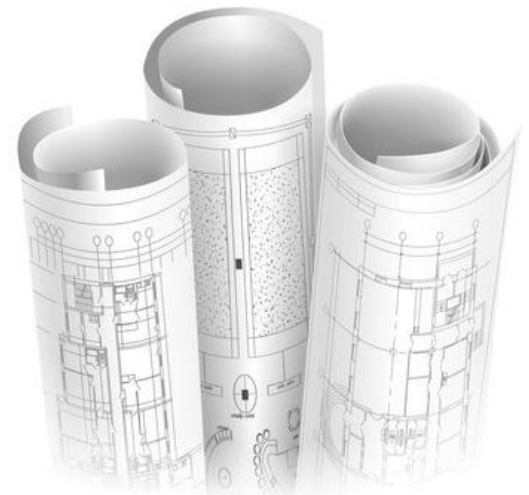
Eligible Applicants

- The following broader public sector organizations are eligible for Loan Program financing:
 - Municipalities and Local Services Boards
 - Municipal corporations (electricity distribution, power generation, transit)
 - Universities and their affiliated colleges
 - Housing providers (social, affordable, co-operative, supportive)
 - Long-term care homes (non-profit)
 - Other non-profits including; Aboriginal health access centres, Community health and social service hubs, Hospices, Professional arts training facilities and Sports and recreation organizations



Eligible Projects

- Most depreciable capital expenditures are eligible for affordable, long-term financing, including:
 - New construction, renovations and retrofits
 - Water, wastewater and waste management
 - Roads, bridges and public transportation
 - Municipal housing and long-term care projects
 - Ambulances, fire trucks, transit vehicles, snow ploughs, and other rolling stock
 - Accessibility and energy efficiency projects
 - Local police, fire, admin and recreation facilities
 - Equipment, systems and asset management tools
 - Land and facility acquisition
 - Municipal Local Improvement programs



Loan Program - Quick Facts

IO's Loan Program has more than

350 Clients



IO's Loan Program has helped finance projects valued at more than

\$11.3 billion

1,812 Projects



IO's has approved financing for over

\$7.3 billion



"The Infrastructure Ontario Loan Program has provided our Town with an affordable financing alternative method for the upgrading and renewal of our infrastructure. Rates are very competitive which result in substantial savings over the term of the loan."

Mark R. Sirr - Treasurer/Manager of Finance
Town of New Tecumseth





City of Ottawa - Bus Replacement Program

Purchase of 226 articulating buses

Loan Value: \$142 Million



City of Kingston - Road and bridge repairs

Projects Totaling: \$86 Million (2003-2011)

Loans Totaling: \$47.3 Million



Queen's University → Tindall Field

Redevelopment of Tindall Field to provide Athletics with additional capacity across varsity and recreational programming.

Loan Value: \$34.7 Million