



AGENCY BUSINESS PLAN

**For the Three Years
April 1, 2017 to March 31, 2020**

May 2, 2017

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EXECUTIVE SUMMARY

This Algonquin Forestry Authority (AFA) agency business plan has been prepared for the three-year period beginning April 1, 2017 to March 31, 2020 under the Agencies & Appointments Directive, February 2015.

The Algonquin Forestry Authority, established by the *Algonquin Forestry Authority Act*, R.S.O. 1990 is a self-financing operational enterprise Crown agency responsible for sustainable forest management conducted within Algonquin Provincial Park and subject to the *Crown Forest Sustainability Act*, 1994 to supply timber to facilities and provide jobs within the region. The AFA supplies approximately 45% of the industrial wood supply from Crown land in the portion of Ontario that is south of North Bay. In addition, AFA operations are important on the provincial level for the supply of over 30% of the white pine and 20% of the sugar maple forest products utilized from Crown land in Ontario. According to a survey conducted by the AFA in February of 2015, there are over 300 people employed annually in Algonquin woods activities and over 3,000 people employed in area mills that receive timber from AFA operations.

The Authority is on track to achieving 450,000 m³ of sales with total revenues of \$26,000,000 and \$25,600,000 of expenditures for an estimated total net gain of \$400,000 in the current year (2016-2017). Strategies to increase productive capacity and lengthen the operating season for contractors to match increasing demand for logs resulted in better sales volumes than in the previous year. Spring inventories were good and production over the summer months surpassed targets. A later and warmer winter and delivery curtailment by a major pulp mill client has slowed progress. The Authority is forecasting year-end sales volume at 90% of budgeted targets with a corresponding positive financial position, compared to the previous year's achievement of 85% of budgeted volume and similar financial gain.

Total revenues of \$29,500,000 are planned in 2017-2018 associated with a planned harvest level of 500,000 m³. The Authority is forecasting slow growth for the next two years of operations in this business plan based on a trend of steady demand for forest products and reflective of the relatively slow economic growth provincially. The Authority envisions approximately 5% growth in volume and 1% growth of revenue, offset by equivalent increase in program costs for each year of the planning horizon. Investments in capital and human resources are evident at area mills, within the contractor workforce and AFA.

An economic analysis indicates that an annual harvest of 500,000 net cubic metres from the Algonquin Park Forest will contribute approximately \$145,250,000 to Ontario's economy in terms of value added (estimated from an *Assessment of the Status and Future Opportunities of Ontario's Solid Wood Value-Added Sector*, Living Legacy Trust, 2001).

The strategic focus during this term will be continuous improvement; to build on past successes and progress made. The Authority will continue to develop and add productive capacity to match demand. Operational efficiencies will be sought through preplanning, advanced staging of field operations and investing in the workforce.

The production of forest products at competitive market prices, while meeting mandatory provincial requirements continues to be the highest priority.

AGENCY BUSINESS PLAN for 2017/18 to 2019/20

1.0 Agency Mandate and Objectives

The Algonquin Forestry Authority Act, R.S.O., 1990, the Authority's primary constituting instrument, entrusts the Algonquin Forestry Authority (AFA) with harvesting Crown timber from the Algonquin Park Forest, subject to the *Crown Forests Sustainability Act, R.S.O. 1994* (CFSA), and produce logs therefrom and to sort, sell, supply and deliver logs; to perform, undertake and carry out such forestry and land management and other programs and projects as the Minister may authorize and to advise the Minister on forestry and land management programs and projects of general advantage to Ontario. The Minister of Natural Resources and Forestry is responsible for the administration of the *Algonquin Forestry Authority Act*.

After forty-two years of operations the Algonquin Forestry Authority's mandate and objectives continue to be relevant to the public interest. The Authority's objectives complement the Ministry of Natural Resources and Forestry's (MNR) objective to protect Ontario's biodiversity while promoting economic opportunities in the resource sector and outdoor recreation. The Premier of Ontario's September 2014 mandate letter to MNR Minister Mauro, ([link below](#)) assumed by appointment of Minister McGarry in 2016, also identifies social and environmental objectives that the Authority helps to achieve through its operations. <http://www.ontario.ca/government/2014-mandate-letter-natural-resources-and-forestry> .

The Memorandum of Understanding, 2015 (MOU) between the Minister of Natural Resources and Forestry and the Chair of the AFA Board of Directors further clarifies the roles and operating relationships between senior Ministry staff and the Authority's governing Board of Directors and Officers, consistent with the *Algonquin Forestry Authority Act*. The MOU describes the mandate of the Authority: "*to ensure the long-term health of Algonquin Park forests while producing a sustainable supply of forest products for the forest industry of the region in accordance with the CFSA*".

The Algonquin Park Forestry Agreement, made pursuant to the *Algonquin Forestry Authority Act* and *Provincial Parks and Conservation Reserves Act*, subject to the CFSA, sets out obligations for the Authority's forest management activities. These include forest management planning, silviculture (forest renewal and tending), forest access, monitoring and reporting.

AFA's Sustainable Forest Management (SFM) Policy, within the context of the CFSA, the AFA Act and the approved Forest Management Plan, guides its overall management practices in Algonquin Provincial Park. AFA's Vision and Mission Statements are contained within its SFM policy.

Vision Statement: To achieve the highest standards of sustainable forest management practices in order to maintain Park values for future generations.

Mission Statement: To ensure the long-term health of Algonquin's forests while producing a sustainable supply of forest products for the forest industry of the region.

AFA's sustainable forest management policy and underlying strategies are registered to CSA Z-809, Canada's national sustainable forest management standard. Strategies implemented through AFA's sustainable forest management plan and environmental management system demonstrate commitment to sustainable forest management, compliance with laws, Indigenous people's rights and participation,

health and safety, and continual improvement.

The business planning process is led by senior AFA staff under the direction of the AFA's governing board of directors. The Authority is a self-financing Crown agency. The Authority does not require funds from Ontario's Consolidated Revenue Fund. The achievement of AFA's statutory and forest management objectives relies on the harvesting and sales of forest products from Algonquin Provincial Park which are public resources. Principles of modern controllership and public accountability are the cornerstone of AFA's fiscal responsibilities.

2.0 Environmental Scan: Assessment of Issues Facing the Agency

Issues and trends that may influence Algonquin Forestry Authority's achievement of objectives are described in this section.

External

➤ Global Economy

The International Monetary Fund's (IMF) World Economic Outlook has revised last year's forecasts downward as a result of the slow pace of growth and uncertainty created by the change of U.S. administration. IMF predicts world economies will improve gradually this year over last year (2016 3.1%; 2017 3.4%; 2018 3.6%).

➤ American and Canadian Economic Indicators

Steady but slow improvement has been experienced in both the Canadian and American economies in 2016 and anticipated to continue through the next three years. Employment levels have improved on both sides of the border, even with the losses experienced in the Canadian oil sector. Energy costs are still concerning, but appear to be manageable. Equipment and transportation costs are concerning. Housing starts have slowed, but consumer price indexes indicate positive outlooks in general.

Inflation expressed by consumer price index on all items (CPI) in Canada during 2016 was 1.4%. CPI is expected to increase to 2.1% in 2017 and 2.0% in 2018, a result of increasing energy costs. During 2016, U.S. inflation was 1.3 % and is expected to increase to 2.8% in 2017 and 2.4% in 2018. (BMO Capital Markets Economics, February 17, 2017 (BMO)). Fiscal stimulus may counteract inflationary factors. Low (below 2%) or stable rates of inflation are positive indicators of the ability to buy goods and propel consumer confidence. Our central bank is expected to keep interest rates where they are for the year, unless they need to raise them to control inflation. A slight hike following the US Federal Reserve's actions is anticipated. Interest rates typically affect housing starts, but not as much as having a job or not.

Jobless rates on both sides of the border also indicate improvement in the economy. Canadian unemployment rates have remained relatively stable at 6.9 to 7.0% from 2014 to 2016 with growth in manufacturing jobs offsetting those lost in the oil patch. At time of writing, BMO reports the Canadian unemployment rate at 7.0% and forecasts 6.8% into 2017 and 6.7% in 2018. BMO reports that U.S. unemployment in 2015 and 2016 averaged 5.3% and 4.9%, respectively. At time of writing, BMO forecasts the U.S. jobless rate improving even more to 4.4% in 2017 and 4.2% in 2018.

BMO Capital Markets Economics forecasted Canadian new housing starts at 180,000 units for 2016. The actual level achieved was higher at 198,000 units. BMO forecasts Canadian new housing starts to

soften in 2017 and 2018, at 190,000 and 180,000 units, respectively. New U.S. housing starts were forecasted 1.3 million units for 2015 and 2016. Actual housing starts reported are 1.1 and 1.2 million units, respectively. Forecasts for 2017 and 2018 indicate a growing economy at 1.33 and 1.36 million units, respectively. About 80 % of Canada's lumber exports go to U.S. markets, primarily associated with new housing.

➤ Canadian Dollar

BMO Capital Markets Economics forecasted the loonie to continue its current weakness over the next few years as the American economy strengthened. Since 2015, the Canadian dollar has hovered around \$0.78 cents American with an average rate of \$0.755 in 2016. Forecasts for 2017 and 2018 are \$0.74 and \$0.75, respectively. A lower dollar gives Canadian producers an advantage over U.S. producers both in the U.S. and Canadian markets. Clients anticipate the weaker Canadian dollar will discourage large volumes of competing U.S. lumber from entering Ontario as it has in recent past.

➤ Canada-U.S. Softwood Lumber Agreement

The agreement signed in 2006, was renewed until 2015. Without an agreement in place, U.S. countervailing and anti-dumping duty orders may once again be applied as the low dollar improves Canadian lumber's advantage within U.S. markets. Imposition of trade tariffs will affect forest products trade and competitiveness. Consensus opinion from our clients suggests countervailing duties will come in at around 25%, but several clients are buffered by a large proportion of off-shore markets for their products. Speculation has contributed to recent lumber pricing fluctuations.

➤ Lumber Supply and Demand

The outlook for global lumber markets hinge on the supply side as well as demand forces in the key consuming regions of the world. The lumber market outlook for 2015 (and beyond) has been assessed in great detail in WOOD MARKETS 2015 – The Solid Wood Products Outlook: 2015 to 2019 produced by industry analysts with the International WOOD MARKETS Group Inc. Rising lumber demand coupled with tighter log supplies in North America should allow for record U.S. prices in 2017. We are beginning to see pricing increases due to better construction demand and supply chain vagaries. Supply issues are characterised as diminishing softwood lumber supply from beetle-killed stands in western Canada and a dramatic decline in the allowable timber harvest in Quebec. As a result, Canada's supply of lumber will reach its height in the next few years with few prospects to significantly increase total supplies.

➤ Substitutes

Substitutes for wood products entering the market will depend on cost structures of other commodities, people's tastes and the important factor of exchange rates. A big change AFA has noticed is the markets for white pine and hardwood lumber in the selects and better grades. Traditional markets for white pine lumber are being impacted by medium density fibreboard (MDF); finger jointed lumber and other species such as poplar and basswood. Technologies for drying alternative species have made them more affordable. Traditional markets for Ontario hardwood lumber are being replaced, to some degree, by engineered wood (hardwood flooring) and melamine coated fibre board (cupboards). Engineered wood for structural components is gaining in approval and popularity.

➤ Cost of Fuel

A key concern to the forestry sector continues to be the cost of fuel for the harvesting and delivery of wood products. There were significant increases in the past and pricing fluctuations more recently,

causing uncertainty and concern. A welcomed decline in fuel price trends, although more significantly for gasoline, was enjoyed by the industry in 2015. The cost of diesel as of March 9, 2015 was \$1.234 /litre. In February 6, 2016, the price had decreased 27% to \$0.896. As of February 8, 2017 the cost of one litre of diesel fuel was \$1.08, representing a year over year increase of 20%, but still less than the year before that.

(Source of data is the Ontario Ministry of Energy website – Fuel Prices, diesel, Ottawa referenced).

➤ Capital Investment, Liquidity & Interest Rates

Banks and creditors continue to limit access to capital for those in the forest industry. Although economic indicators point to a recovering industry, shareholders and financial institutions see the forest industry as high risk. As a result, cost of capital is high. As the economy improves, financing for capital improvements and working capital will need to increase. Interest rates are currently low and are expected to stay the same in 2017 unless the Bank of Canada raises its rate to control inflation or respond to US Federal Reserve rate hikes.

AFA is working with some clients who have cash flow issues and are charging them interest on overdue accounts. Tightening cash flow constrains opportunities. These financial challenges also apply to AFA contractors who need to invest in and maintain logging equipment.

➤ Regional Supply and Demand

Industrial demand for forest products from the Algonquin Park Forest has trended positively since 2013. Most clients foresee growth, but are still only cautiously optimistic. Large capital investments in equipment and facilities have been observed at a few local facilities. The cost of electricity is still of concern. The cost of transportation and availability of trucks are also commonly expressed concerns. The increased cost of freight has affected the cost of heavy equipment and machinery.

Algonquin Park supplies approximately 45% of the industrial wood supply from Crown land in that portion of Ontario that is south of North Bay. In addition, the Park is important on the provincial level for the supply of just over 30% of the white pine and 20% of the sugar maple forest products utilized from Crown land in the province. Reliance on AFA wood supply has been constant even during the economic downturn.

The white pine lumber market, which is responsible for most of AFA's operating margin, is anticipated to increase only slightly in upcoming years. Pine lumber has been relegated predominantly to the renovation and remodeling sector. Recent strong demand for poplar and red pine saw logs are expected to remain steady. Poplar has become a substitute for white pine in trim, window and door markets and red pine demand is directly linked to the demands for pressure-treated wood for outdoor decks and fences. Red pine poles are still a highly sought after commodity. Demand for hardwood (maple, birch, oak) saw logs has also steadily improved. Demand is anticipated to remain strong into the next three years, but pricing will likely continue to fluctuate with hardwood lumber inventories.

Demand for poplar and hardwood pulpwood is in steady demand, but supply has also come on line in Quebec. Improved lumber markets result in more chips and sawdust from sawmill residues. We are beginning to see the limits of demand for pulpwood round wood in the region. During 2015 dense hardwood residue prices increased slightly as demand surpassed production. The price of hardwood firewood has also been increasing due to demand and less capacity regionally to produce the wood, which has also contributed to competition with the pulpwood sector. Softwood and poplar pulp

utilization is problematic as supply exceeds demand and receiving mills are almost beyond economical haul distance.

➤ AFA Clients

Timber from Algonquin Park is mandated to support local mills and benefits the region with direct and indirect employment. Clients adjacent to the Park are within the communities of Huntsville, Whitney, Madawaska, Killaloe, Pembroke, Petawawa, Eganville and Palmer Rapids. There are 9 mills receiving part or most of their supply from AFA on a regular basis while another 5 to 10 mills receive periodic supplies in any given year. Eight mills are the beneficiaries of wood supply commitments issued by the Minister and implemented by the Authority. To provide a continuous and predictable supply of timber, the AFA requires a large sustainable workforce of qualified and experienced producers and staff to plan, train and supervise operators. According to the 2015 AFA survey, there are over 300 people employed in Algonquin woods activities and over 3,000 people employed in area mills.

The over supply of low end material is problematic for AFA and its clients. There are limited markets for pulpwood and sawmill residues in this part of the province that challenges AFA efforts to increase harvest levels. Pulp companies are expected to take traditional volumes but we still see pricing pressures and haul distances that reduce truck availability and our ability to produce. Hardwood and softwood lumber demand is expected to increase slightly in the next three years due to the steady housing rebound in the U.S. and a weaker Canadian dollar. Pembroke MDF Inc. (formerly ATC panels) became fully operational in August 2014, stimulating the local economy with the creation of over 100 new jobs and improving demand for softwood and poplar saw mill residues. Trebio Inc., a wood pellet manufacturer at Portage du Fort, Quebec has closed indefinitely. Lavern Heideman & Sons Ltd., operating a saw mill in Eganville has recently acquired the inactive Commonwealth Plywood Co. Ltd. sawmill and associated wood supply from Algonquin Park. This will have a positive impact by increasing utilization of AFA wood supply and provide additional jobs in the region. The Authority is also working with Ben Hokum & Son Ltd. to improve utilization levels through developing ongoing business arrangements. Columbia Forest Products (an American company) reopened their Rutherglen, Ontario veneer facility in April 2016, creating some competition for Quebec mills and potentially improving pricing for AFA and regional suppliers.

➤ Algonquin Land Claim Negotiations

The Algonquins of Ontario First Nations and the governments of Ontario and Canada are negotiating a comprehensive Algonquin land claim. A Preliminary Draft - Agreement in Principle (AIP) was made public in 2012 and a successful ratification vote by members occurred in March 2016. Significant elements of a treaty remain to be worked out, including separate forestry and parks chapters of the AIP. The parks chapter describes a consultation framework, whereas forestry recognizes the importance of the forest industry and to increase Algonquin participation and benefits. AFA is engaged in the land claim process through the Committee of External Advisors and sub-groups; External Forestry Working Group and Algonquin Park Working Group. AFA also works closely with the Algonquins of Ontario (AOO) representatives participating in the forest management planning process and on AFA's Forest Certification Advisory Group. Settlement lands are exclusive to Crown lands outside of Algonquin Provincial Park.

➤ Green Energy

Governments and the forest industry are promoting the use of wood as an alternative to fossil fuels. Barriers to entry into producing electricity using wood include the poor rate of return on the capital

needed to be invested, the low provincial feed-in-tariff or “FIT” rate, and lack of infrastructure (hydro lines) that can support new capacity. Cogeneration has not been a viable option in this region, although some clients say they are still in the investigative stages.

➤ **Tenure Modernization**

Changes to Ontario’s forest tenure are underway with the inception of the Ontario Forest Tenure Modernization Act, 2011 and amendments to the Crown Forest Sustainability Act, 1994. There is little change expected for AFA, although we have been receiving requests from elsewhere in the province for information that we are happy to provide, based on our long history as an operational enterprise agency. AFA was involved in a review of tenure models in Ontario in 2016, the report and recommendations will be made available in 2017.

➤ **Maintenance of Roads Outside of Algonquin Park**

Municipalities surrounding Algonquin Park have sought out provincial assistance with the maintenance cost of public roads used by the logging industry. The Major Lake Road is an example of this whereby the local township (Township of South Algonquin) has decided to stop maintenance on a section of the public road. AFA and Ontario Parks have had to pay as needed to maintain that section of road to suit our purposes.

➤ **Species at Risk**

Mitigating risk to the species and habitat can impact the timing and configuration of access, renewal and harvest operations. This ultimately requires additional cost in terms of resources to plan, delay and/or adjust operations, seek authorizations and where appropriate to install physical mitigation measures. The ESA regulatory provision, which currently provides certainty for forest operations conducted under the CFSA (O Reg. 176/13 S 22.1), expires in 2018. AFA is engaged with government and the forest industry on the ESA/CFSA harmonization project to be implemented in 2018 with approval of a revised forest management planning manual.

➤ **Climate Change**

The effects of climate change on the forest are generally unpredictable weather and weather extremes that limit accessibility and availability of timber and forest management activities. Cap and Trade, or carbon tax policies are not likely to negatively affect the forest industry given the positive role that sustainable forest management and use of wood products plays in carbon management.

➤ **Environmental Lobbying Against Logging in Algonquin Park**

Over the years organized environmental groups have lobbied to eliminate forest management from Algonquin Park. This has normally intensified during the public consultation phases of park management planning, forest management planning and third-party forest certification processes. Some campaigns are longer-lived, coordinated efforts to negatively influence public perception of sustainable forest management in Algonquin Park and denounce provincial forest policy. Responses are handled by AFA staff, Board of Directors and MNR, but AFA is limited by resources and status as a Crown agency.

Internal

➤ **Human Resources**

AFA has 23 permanent staff positions. There have been a total of eight retirements since 2010 (or 33%

of staff). Sixty-one percent of incumbent staff are either eligible or will be eligible for retirement within ten years. AFA's succession management plan is reviewed annually by AFA's Board of Directors and Officers. This exercise ensures business continuity. AFA's success in achieving its objectives can be attributed to the recruitment and retention of qualified and motivated employees and contractors.

➤ Information and Information Technology

Demands are increasing for forest-based information to assist with the management of this valuable resource. Data management, technologies and security requirements are advancing quickly and becoming more complex. Automation and analyses of AFA data and data management systems has been ongoing to provide modern controllership and efficiencies. AFA will continue to invest in technologies that assist the organization in meeting its mandate, including systems that facilitate efficiencies and reduce cost. The Authority maintains a public website and a social media account as communication tools. Information on AFA's mandate, governance documents and forest management activities are posted to the website and updated as required.

➤ Productive Capacity – Harvest and Access

During the economic downturn, the Authority took action to ensure it was able to maintain a core group of qualified harvest and road construction contractors. Uncertainty prevailed for several years causing the loss of some operating capacity. Highly skilled operators that were more mobile than others left to find work in western Canada. Others chose new lines of work that kept them closer to home while others downsized their operations. Demographics have also played a part in availability of experienced woods workers with some leaving the workforce permanently. We are only just beginning to see young people taking renewed interest in the forest sector at professional, technical and operator levels.

➤ Employment of Indigenous Contractors

The Authority continues to work with Algonquins of Ontario (AOO) communities to provide opportunities within AFA silviculture and harvesting operations. The Authority's ESFM Plan includes a target to maintain/increase the total volume harvested by Algonquin communities per year (from a benchmark of 12.2% set in 2006/2007). There has been a relative decrease over the past three years as other contractors and the overall volume harvested have increased. Employment in forest management projects (silviculture) is provided as well. Two Algonquin associated contractors in 2016-17 will be provided similar opportunities in the future. AFA is working to establish these and other businesses so that they are able to expand.

3.0 Strategic Direction

The Authority's vision and mission statements guide its operations.

- *To achieve the highest standards of sustainable forest management practices in order to maintain Park values for future generations.*
- *To ensure the long-term health of Algonquin's forests while producing a sustainable supply of forest products for the forest industry of the region.*

Strategic business planning is conducted by the AFA Board of Directors, and senior managers within the context of AFA's statutory obligations and sustainable forest management objectives contained in the CSA certified Sustainable Forest Management Plan and the approved 2010-2020 Forest Management Plan for the Algonquin Park Forest.

Achieving the highest standard of sustainable forest management (SFM) and financial self-sufficiency requires excellence in strategic business, FMP/SFM and operational planning and day-to-day, on-the-ground implementation by trained and competent employees and contract woods workers. The Authority ensures that high-quality services and products are delivered to satisfied clients by a skilled and responsive workforce. The Authority's Customer / Client Service Plan outlines the vision of quality service and identifies procedures for responding to 'service' requests to facilitate continuous improvement in quality service.

The Authority is strategically positioned to be more successful in achieving its objectives by increasing annual utilization of the prescribed sustainable annual harvest level of just over 760,000 m³ per year. Increasing production will require improved demand for pulpwood and better pricing for wood in more distant geographic areas of the management unit. The Authority would also need to increase contractor and supervisory capacity to reach further afield. During the term of this Business Plan, AFA will remain diligent to its strategic direction while implementing programs and providing the financial and human resources necessary to continually improve.

4.0 Overview of Current and Future Programs and Activities

Harvesting: The total volume produced for sale by AFA in 2016-2017 is estimated at time of writing to be 450,000 m³ or about 90% of business planned volume levels with corresponding financials estimated at \$ 400,000 (more than two times budget). Strategies to increase productive capacity to take advantage of improving market conditions have been successful. However some productivity gains have been offset by weather related constraints on deliveries. Pricing and proportion of high value to low value products has been better than anticipated and renewal program costs were lower due to lower realized needs, resulting in the positive financial results.

Based on experience over the past few years, the Authority will set volume production targets from harvesting activities to 500,000 m³ for 2017-2018, then upward by 25,000 m³ for each of the next two years. This represents a less aggressive approach than previous plans. Market demand for products is improving, but only modestly. Unpredictable weather extremes have been constraining factors in two out of the past three operating years. Table 1 outlines planned and forecasted harvesting levels and forest management activities.

Table 3 outlines proposed capital expenditures. The Authority budgets for all operating and capital expenditures within forecasted revenues to be achieved from the sale of forest products. The forest renewal program is funded by the renewal portion set out in the Ontario Crown stumpage matrix, also derived from the sale of forest products.

Advanced operational planning and staging of operations, specifically road and water crossing construction, prescription setting and tree marking will be conducted to invest in efficient and effective contractor start-ups. This will also help to avoid issues and cost associated with last-minute changes required to adjust to changing markets and/or weather conditions.

The Authority has entered into an agreement with MNRF – Ontario Parks, subject to funds being allocated by the legislature, for the maintenance of certain public roads to recreation access

points within Algonquin Park. The revenue received from Ontario Parks appears under General – Interest and Other with corresponding costs included under General – Public access road maintenance.

Forest Management:

Forest management targets in the business plan (See Table 1) are predicated on actual harvest levels. Therefore, these targets are planned and forecasted at levels lower than FMP targets. Increased harvest activity does not necessarily equate to corresponding renewal work, due to the large proportion of natural regeneration achieved.

The main emphasis of the Authority's renewal program is the marking of trees to be cut or retained by highly trained tree markers. The level of marking in an individual year approximates the planned harvest area with some additional area in advance of subsequent year's operations. In some cases, site preparation/scarification, tree planting, spacing and releasing trees from competition is also required to ensure successful regeneration and growth (forest health).

Significant staff resources are expended to complete required planning, monitoring and reporting phases of the FMP and SFM planning process. During the term of this business plan, AFA will implement years 3 through 5 of Phase 2 operations of the approved 2010-2020 FMP. AFA staff will begin preparations for a new FMP starting with updating the Forest Resources Inventory. The Independent Forest Audit that occurs every five years is scheduled for 2017.

Annual CSA certification surveillance audits will take place in 2017 and 2019 with a re-registration audit in 2018. AFA is also actively involved with the CSA SFM technical committee that has just completed revisions to the Z809 2016 SFM national standard. AFA professional foresters will be engaged with CSA SFM plan re-write to comply with the new standard in 2017. CSA Z809 forest certification involves the identification of values, objectives, indicators and targets (VOITs) and the participation of stakeholders and Aboriginal communities on an advisory group. The operation of AFA's Environmental and Sustainable Forest Management System (ESFMS) involves identifying potential environmental risks associated with the organization's activities and their impact on the environment. Environmental impacts have been identified, programs designed to mitigate significant impacts and then monitoring, reviewing and adapting practices as required are implemented on an on-going basis. Key components of the EMS, are the prevention of pollution, compliance with applicable laws, regulations, standards and policies, and continual improvement of the organization's operations.

The Board of Directors and senior management are actively involved in reviewing performance and setting direction for the Authority's operations. A few examples include; in 2016-2017 the Board proposed a shift of responsibilities and job title from Roads Supervisor to Woodlands Supervisor – Pembroke that was subsequently approved by the Deputy Minister for implementation in that year; in 2015-2016, a review and revision of AFA's policies and procedures included revision of the communication strategy to use social media to market and support sustainable forest management. Additional outreach and education activities are described in Section 9.0 Initiatives Involving Third Parties.

There are no significant changes planned during the term of this business plan that would affect the Authority's business or organizational structure.

5.0 Resources Needed to Meet Goals and Objectives

AFA commercial operations fund all resources and activities required to achieve its objectives with one exception. Since 2005, the provincial road construction and maintenance fund has been providing funding for main roads accessing and within Crown forests that provide benefits to the people of Ontario. Without the program, the entire cost of constructing and maintaining the AFA forestry road network would be transferred directly to the purchasers of wood from the Algonquin Park Forest.

Human and financial resources forecasted in this business plan are sufficient to support delivery of AFA's mandate. Knowledge transfer from retiring staff to new staff will require some overlap of tenure, therefore an investment in additional staff resources is reflected in financial requirements. Four two-year contract opportunities have been created within the seasonal workforce to complement the Authority's succession management strategies.

Procurement of logging contractors requires continual development (training, supervision, communication) over many years to build a reliable workforce that ensures value for money and achieves agency wood supply and social employment objectives. Some contractors have provided their services on a continual basis since the inception of AFA in 1975. Annual contract negotiations recognize and place significant value on past performance and cost, business plans and determine capacity for each of the contractors engaged. Growing existing contractors and attracting new entries are on-going initiatives for the term of this plan.

Forest renewal funds generated by the renewal portion of stumpage are sufficient to maintain the required minimum balance for the term of this business plan (AFA/MNRF determined January 2017). The forest renewal minimum balance of \$1,500,000 is defined in the Algonquin Park Forestry Agreement. At the March 2009 Board of Directors meeting, a resolution was passed to top up the Renewal Account at year-end to \$2,500,000 from retained earnings. AFA has done this every year since 2009, even during the economic downturn.

AFA employs staff directly to supervise and monitor all forestry operations in the Park to ensure compliance with legislation, AFA policies, plans and systems, ultimately ensuring that human, resources, goods and services are sufficient to deliver programs effectively. Salaries and supporting funds are reviewed, budgeted and committed to as part of the work and business planning process and are approved by the Board on an annual basis.

6.0 Risk Assessment and Management

The Authority conducts risk evaluations annually and reviews risk at many levels. At the corporate level, risk evaluation is part of annual strategic business planning exercises involving the Board of Directors, senior managers and staff with program responsibilities.

Risk at the operational level is evaluated within AFA's environmental and sustainable management system (ESFM) and mitigated by a suite of management system procedures and operational controls, including, but not limited to monitoring and on site supervision by competent AFA employees and contractor supervisors. Effectiveness of AFA's ESFM system is formally

evaluated annually by its implementation team, by third-party auditors and on an on-going basis by staff as part of continual improvement.

Evaluation of Business Risks

This section summarizes the Authority's annual corporate risk evaluation exercise.

➤ Business Growth:

Increasing the volume of harvested forest products and revenue to fund forest management activities improves the agency's ability to achieve all of its objectives. The AFA is subject to a number of external market forces. Conditions in the markets for dissolving pulp, panel boards, lumber and other timber products largely determine the demand, and therefore pricing. In addition to factors specific to individual products, general changes in macroeconomic conditions such as interest rates, employment and exchange rates, and energy costs can have implications for Ontario producers. Local factors that limit the production of forest products include available human and equipment resources, inclement weather, constraints to ensure positive recreational experiences, and constraints to avoid potential negative impacts on biological features such as species at risk.

Since the expiry of the softwood lumber agreement (Oct 12/2016) the U.S. Department of Commerce has been conducting a countervailing duty (CVD) investigation of softwood lumber from Canada. We anticipate that the CVD could be applied by April 30/2017 and antidumping duty (AD) applied by June 30/2017. The federal government is forecasting that the combined DVD and AD rate could be 45% or more, which would be detrimental to many Ontario softwood lumber producers. Lumber prices have started to see strong increases in 2017 and in general, about half of the duties will likely be passed on to the consumer. In 2018, increases in demand are expected to exceed increases in lumber production which should cause prices to remain high. Lumber exports from Ontario to the U.S. continue to rise and are driven by two factors. The expiry of the softwood lumber agreement (Oct 12/2016) and the robust U.S. home construction activity.

The potential risks to the Authority's business, positive and negative, are unplanned changes in the marketplace or ability to produce marketable products that generates more/less revenue than business planned. Mitigation is built into the business plan by setting targets for increased volume and value, investing in more capacity to produce and reviewing progress monthly and quarterly to examine and forecast financial and operational performance, identify pressures and opportunities and adjust accordingly. Reduced volume will be met with corresponding reduction of expenditures unless sales margins are sufficient to offset. This requires constant review and analyses by managers.

Additionally, our client's abilities to pay for delivered wood affects cash flow and is sometimes cause for concern when overdue accounts reach inordinate amounts. This (accounts receivable) risk element requires constant review and analyses by managers, communication and action by the parties to mitigate.

➤ Alignment of Government Objectives:

Proposed new government direction could change agency administration and operations, or those of our clients affecting purchasing of our products. Examples include the Ontario

Retirement Pension Plan, and Broader Public Service Executive Compensation Act, 2016. The risk of additional administrative workload and cost of payroll may need to be transferred to the cost of forest products. On the forest operations side, new legislation such as the Invasive Species Act may constrain operations demanding costly operational adjustments, communication/training and/or additional resources to mitigate. Uncertainties with the newly received Algonquin Forest Resource Inventory and proposed draft revisions to provincial forest management planning manuals also pose a risk to future wood supply to be determined by the upcoming 2020 FMP. Risk mitigation includes ensuring timely communication with proponents of the new direction, contractors and clients; ensuring awareness, contingency planning and appropriate response.

Changing direction, operational efficiencies, business practices, work environments and managing human resources require that the Authority's policies and procedures be developed and maintained to ensure compliant delivery, relevancy and currency. Risk mitigation involves constant review of emerging requirements and current practices at Board and managerial levels.

➤ **Public Image:**

The Authority's operations within Algonquin Provincial Park are sensitive to people with a protectionist view of how provincial parks should function. Campaigns against logging in Algonquin Park adversely affect the Authority's reputation, client's expectations, create economic uncertainties and negatively affect employee and contractor morale. To mitigate the risk, AFA will maintain education and outreach programs, self-marketing and continue to respond as effectively as possible. AFA will work with external organizations (i.e., forestry professional associations) and industry partners to guard against inaccurate statements and promote sustainable forestry. The Authority's communication strategy is to engage the general public to create awareness of science based provincial forest policy and understanding the services and benefits the AFA provides through delivery of its mandate.

➤ **Algonquin Land Claim:**

The risks are speculative at this time. The outcomes could be at risk of changing the agency's achievement of assigned objectives. For example, the principles outlined in the parks chapter of the Agreement-In-Principle requires level 3 consultation, potentially increasing administrative workloads and timeframes. Economic development principles within the forestry chapter provide positive opportunities for AFA and Algonquins alike. Communication and engagement is the key mitigation strategy. Underlying strategies include improving business relationships, providing capacity building opportunities and building upon existing business to business successes.

➤ **Climate Change:**

The effects of climate change on AFA's business range from unpredictable and disruptive climate events to impending carbon credit policies (i.e., Cap & Trade), tree species migration and invasive species. Risk to the authority can be summarized as additional time (cost) to understand and determine the best course of action that would optimize achievement of objectives. Adjusting to challenging weather and salvaging damaged timber will be conducted, as required to mitigate the effects of wildfire, wind, insect or disease.

➤ **Salary Administration:**

Public service wage constraints have affected AFA staff since 2009. Skilled and experienced

employees are critical to business continuity and delivery of required programs and support functions. The risk is not being able to attract and retain qualified and motivated employees, leading to performance issues, business and service continuity risk.

➤ **Demographics:**

The reality facing today’s businesses is that many skilled workers are nearing retirement. Replacing the knowledge base will be difficult and certainly not timely. Business and service continuity is at risk. Disruptions to service levels and uncertain delivery are costly. The Authority will implement strategies to support recruitment and training of employees within the forest management and harvesting contractor workforces. The Authority will complete public consultation and implement an executive compensation plan in 2017 as required by the Broader Public Service Executive Compensation Act, 2016.

Figure 1 is a Risk Analysis Chart that relates AFA objectives to public service risk categories.

Figure 1 – Risk Analysis Chart

AFA Objectives (AFA Act, MOU with MNR, Forestry Agreement, FMP, SFM)	Sustainable Forest Management (FMP, Forest Renewal, Social Licence)	Production / Delivery of Forest Products (Mandate, Governance, Commitments)	Financial (Cost Structures, Revenue Generation, Return on Capital)	Social Employment Objectives
A) Strategic/Policy/Performance Risk	Low	Medium	Medium	Low
B) Political Commitment/Stakeholder/Public Perception Risk	Medium	Medium	Low	Medium
C) Governance/Accountability/Organizational Risk	Low	Medium	Low	Low
D) Legal/Contractual Compliance Risk	Low	Medium	Medium	Low
E) Controllership/Accounting Risk	Low	Low	Low	Low
F) Program Caseload/Utilization Risk	Low	Low	Low	Low
G) Service/Operational Risk	Medium	Medium	Medium	Low
H) OPS Workforce Compensation / Pensions Risk	Medium	Medium	Medium	Low
I) OPS Workforce/Skill Shortage Risk	Medium	Medium	Low	Low
J) Broader Public Sector (BPS) Compensation Risk	-	-	-	-
K) BPS Workforce Risk	Low	Low	Low	Low
L) Information & Information Technology Risk	Low	Low	Low	Low
M) Capital Project Delays	-	Low	Low	Low

7.0 Human Resources

The Chair and the Board of Directors are accountable to the Minister for the Authority’s statutory mandate. AFA’s General Manager is responsible and accountable to the Board of Directors for

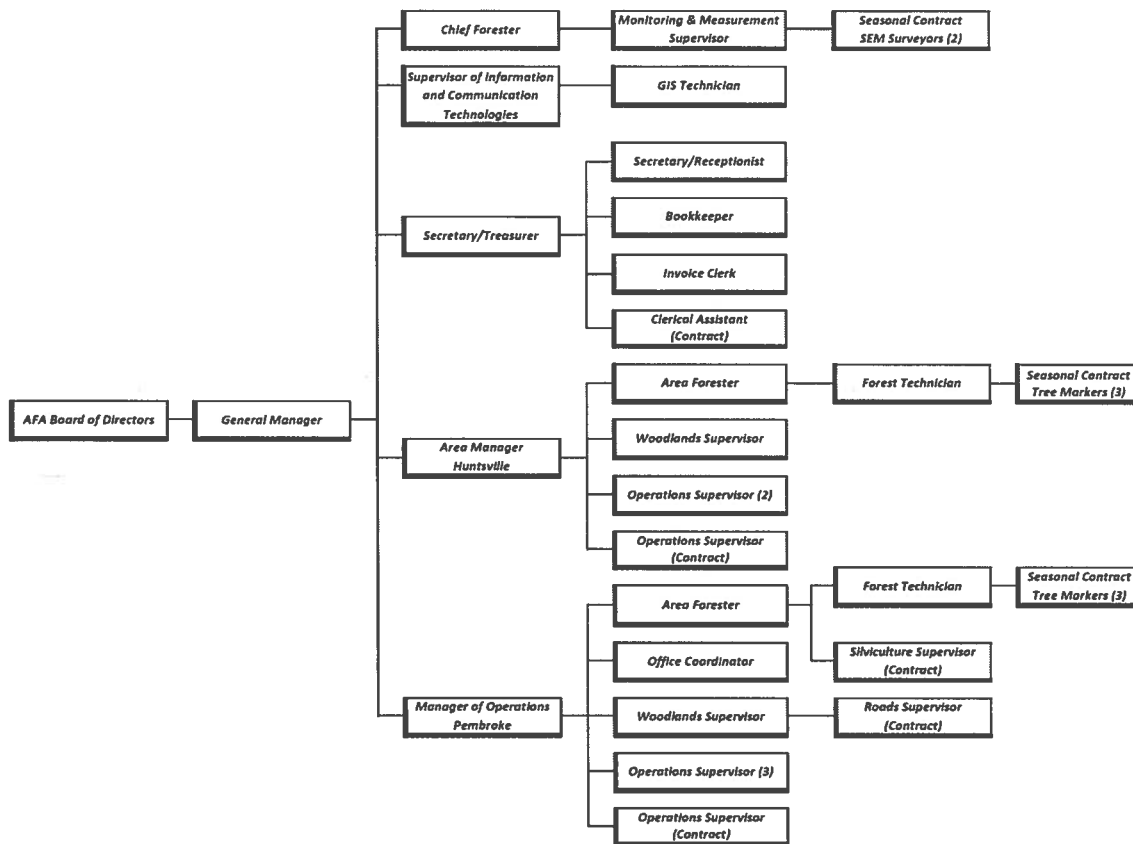
the day-to-day management of the Authority's operations, including its human resources. The Authority has an approved regular staff complement of 23 and hires approximately 10-20 seasonal employees on contract. Figure 2 displays the AFA's organizational chart including seasonal contract job functions required for the term of this business plan.

AFA's unique mandate requires specialized administrative functions including a forest products business-focused financial department and systems support. AFA maintains a small IT/IM department with GIS specialization to support finance, administration, forest and wood measurement data, management planning and reporting activities.

AFA managers oversee staff and programs in finance and administration, forest management planning and forest operations. Forest operations activities include operational planning, commercial logging and sales of forest products, forest access construction and maintenance, renewal and tending, monitoring, training, supervision, and reporting. Forest operations activities are planned and implemented by AFA foresters, forest technicians and contract woods workers. Operations Supervisors monitor the work of logging and road building contractors and interact on a day-to-day basis with contractor supervisors. AFA supervisors and contractor supervisors have different responsibilities, such as those required by the Occupational Health & Safety Act. All harvesting and operations requiring the use of heavy equipment are contracted out to local companies.

AFA seasonal (contract) employees are usually hired from April to December to set up and supervise tree planting, site preparation and tending programs, deliver part of the tree marking program and conduct silvicultural effectiveness monitoring. Seasonal staff positions are generally entry level positions that factor into AFA's succession management plan. Training and development, including job shadowing, coaching and mentoring are succession management strategies. AFA seasonal contract opportunities also support the local contracting work force through AFA investment of training and exposure to a variety of forestry work experiences.

Figure 2 – Algonquin Forestry Authority Organizational Chart



8.0 Information Technology

AFA’s IT department supports forest management planning, data management and maintains operational and administrative systems required to fulfill its statutory mandate. Capital expenditures are planned to update servers and personal computing devices with field applications. The largest single component of the organization’s IT costs relate to computer software (i.e. annual fee for geographic information systems and technical support).

AFA IT/IM employees are modernizing several IT applications. Parallel testing of a new payroll and timber sales system is underway and expected to be concluded in 2017. Objectives include developing systems within commonly used and recognized software, with a queryable database for ease of use by staff with controllership responsibilities. AFA will invest in technologies that assist the organization in meeting its mandate, including systems that facilitate efficiencies and reduce cost.

9.0 Initiatives Involving Third Parties

This business plan includes commitments to third parties for research, bursaries, cultural activities and educational programs. The activities and organizations supported also support the

achievement of AFA objectives. Many of these opportunities are good news stories representing a dynamic and collaborative approach to providing social, economic and environmental benefits.

Research: The budget includes financial and in-kind support to do research on the design/build and use of engineered wood product bridges. The Authority will also provide funding and staff support for ESFM environmental programs; protection of advanced regeneration, winter sand storage and gravel screening, and the use of fungi to break down small petroleum spills.

Bursaries: Financial support is designated for high school and post-secondary school bursaries to assist graduating and mature students from the region who enter the forestry/natural science disciplines at college or university level. The eligibility for this program includes priority for the support of families employed in the region's forestry sector.

Education & Outreach: Financial contributions are made to assist with training teachers who participate in the Canadian Institute of Forestry (CIF) - Eastern Canadian Teacher's Tour. The purpose of this tour is to develop teachers' knowledge and competence in forestry. AFA staff also support CIF's participation in Sir Sandford Fleming College's fall camp work experience as well as assist with field tours for the University of Toronto's Masters of Conservation program. Prince of Wales Leadership Award: AFA will be a host employer to a forestry exchange student selected by the Duchy of Cornwall and CIF. The program is sponsored by His Royal Highness, Prince Charles, TD Bank and CIF. AFA will provide meaningful forestry work and learning experience to one exchange student for one month in the summer of 2017. AFA will provide staff and support for Ontario Park's ecological enhancement of red pine plantations along the highway 60 corridor through commercial thinning operations and associated public relations opportunities.

Friends of Algonquin Park: The annual Logger's Day event is held each year at the Logging Museum in Algonquin Park on the last Saturday of July. The Authority is a co-sponsor with the Friends of Algonquin Park and Ontario Parks. Events focus on the history of logging in the Park, current forest management practices and the importance of logging to individuals and surrounding communities. In 2017-20 AFA will support the Friends to update and maintain interpretive signs and displays at the Logging Museum. AFA staff will also participate in the Friends highly successful Meet the Researcher Day to expose park visitors to the science of forestry and legacy of forest management in Algonquin Park.

TimberSport Events, Logger's Days, Forestry Festivals: AFA annually contributes financial support for area community events that celebrate forestry's contribution to the rural way of life. Some of these long running events include Bancroft Logger's Day, Timberfest and Wood Art festival in Barry's Bay, and the Forestry Festival in Huntsville.

Envirothon: Financial contributions are budgeted to support area school teams representing a school board adjacent to Algonquin Park to attend the final challenge event.

Forests Ontario: Financial support and participation by AFA foresters is provided for the annual conference. In-kind participation and logistical support is provided to Forestry Connects for school group tours of forest management in Algonquin Park and It Takes A Forest forestry communications campaign. AFA is committed to supporting provincial tree marking with its

partners, Forests Ontario, CIF and MNRF.

Ontario Professional Forester's Association: Financial support for Annual General Meeting and Conference as well as display booth and encouraging participation of AFA staff who are members of the association.

Canada 150th celebrations: Staff and the AFA Board will contribute to two film products. One to celebrate our parks, including Algonquin, and the other celebrating a long history of forest stewardship in Eastern Ontario.

In addition to the above activities, AFA conducts tours and provides presentations to interested groups. Other initiatives that arise throughout the year are brought forward to the Board for discussion.

10.0 Implementation and Communication Plan

Implementation of the guidance provided by this business plan is entrusted with the Board and staff of the Algonquin Forestry Authority through the conduct of their respective roles and responsibilities for oversight, accountability and program delivery.

Target Audience

This Business Plan has been prepared for approval by the AFA Board of Directors, the Minister of Natural Resources and Forestry and Management Board of Cabinet, and for the benefit of the people of Ontario.

Strategic Message

Business Plans are a key requirement for accountability, under the Agencies and Appointments Directive, 2015. This Business Plan guides the Authority's achievement of objectives and commitment to undertake sustainable forest management practices in Algonquin Park for the three year term covering 2017-18 to 2019-20 fiscal years.

Anticipated Reaction from Stakeholders

No negative reactions are expected. Stakeholders (clients, contractors, Local Citizen's Committee, CSA Certification Advisory Group, Algonquins of Ontario) have continued to show support for the important economic contribution made by the Authority to regional communities.

Key Message

The Algonquin Forestry Authority is a self-financing Ontario Crown Agency responsible for sustainable forest management in Algonquin Provincial Park. This Business Plan is prepared to ensure the organization meets its mandate as detailed in the *Algonquin Forestry Authority Act, 1990*, and objectives for sustainable forest management set out in the approved 2010-2020 Forest Management Plan for the Algonquin Park Forest and AFA's Sustainable Forest Management Plan certified to CSA standards.

Communication of Business Plan

Copies of the Business Plan are provided to the Authority's Board of Directors and the Ministry of Natural Resources and Forestry. The Authority's Business Plan is also available to the general

public by visiting the AFA website at www.algonquinforestry.on.ca AFA will facilitate the review of the Business Plan by MNR and Ontario Parks staff prior to approval by the Minister.

AFA Communication Policy and Communication Plan

AFA's corporate directive guides communication activities, including protection of privacy, customer service standard and describes roles and responsibilities. AFA's communication plan covers internal/external communication, public relations, media relations, requests for information, and complaint resolution. The Board of Directors monitors AFA's communication policy and plans in light of a fast moving social media environment.

The Authority's public website houses general information, governance documents and up to date information on the activities and services provided. AFA will continue to market our services in the region to enhance sales opportunities, recruitment and retention of a viable workforce, as well as to enhance general public opinion and Park user understanding of the benefits of sustainable forest management in Algonquin Provincial Park.

11.0 Financial Resources

Table 2 summarizes AFA's 'Statement of Operations' as it relates to program targets set out in Table 1. As previously stated, the Authority does not require funding from the Consolidated Revenue Fund to carry out its mandate. Financial resources are derived from the sale of forest products. This business plan forecasts continued financial viability based on the Authority's ability to produce and to generate sales that suitably fund delivery and investment in its programs. Forest management (silviculture) targets are funded by revenues generated from the renewal rate portion of stumpage. Renewal rates are reviewed annually to ensure that the minimum balance in the Algonquin Park renewal fund is maintained and sufficient to fund the required silviculture program.

Estimated year-end revenues will be less than budgeted (\$25,900,00 vs. \$27,975,000) due to fewer units produced and sold than budgeted. However, operating income of \$2,560,000 and net income of \$400,000 are estimated to exceed budget. This is both typical and desired from a conservative approach to budgeting, and balancing in-year spending with revenue generation and achieving objectives. A positive bottom-line supports activities planned in the next fiscal year.

Total revenues of \$ 29,484,000 are planned in 2017-2018 associated with a planned harvest level of 500,000m³. Revenues from 2017/18 logging operations (general account) are budgeted at \$ 27,089,300 with expenditures of \$ 26,699,300. A net gain in the "General" account of \$ 390,000 is planned for the fiscal year ending March 31, 2018. In 2017/18 the Algonquin Park Forest will produce approximately \$ 3,571,200 in Crown stumpage of which \$ 1,388,300 is directed to Consolidated Revenue and the Forestry Futures Trust Fund. Note that financial forecasts show a 1% increase per year of revenues based on economic recovery and forecasted to be offset by increased program costs and investments required to further objectives.

Silviculture expenditures are budgeted at \$ 2,385,100 for 2017/18 with estimated revenues of \$ 2,395,100. A small net gain of \$ 10,000 is forecast in the "Renewal" account. The CFSA required minimum balance is projected to be met for all periods of this business plan. These

funds are dedicated to renewal of the forest and are not considered part of the province's contingent liability or providing funds for consolidating into provincial forecasts of financials.

Capital Expenditures

Capital expenditures included within the operating expenditures line item in Table 2 are separated out for presentation in Table 3. Capital expenditures represent the purchase of vehicles, (trucks, ATVs), trailers, computer equipment and bridges, required over the term of this business plan. Most of the increase from previous years is attributed to infrastructure required for remote logging/silviculture camps and bridges. Several old portable bridge structures were required to be replaced in 2016-17 resulting in more capital recorded than planned.

12.0 Performance Measures

The Authority's core business and primary performance measures consist of harvest volume and area based forest management programs (also referred to as forest renewal or silviculture) and financial results. Harvesting is described as total volume in cubic metres of forest products sold in the term while performance measures for forest management programs are hectares of treatment or quantities (i.e., thousands of tree seedlings, hectoliters of seed). Table 1 displays targets associated with the AFA's harvesting and forest management programs for the term of this plan.

The financial targets (\$CDN) are displayed in the "General" (harvest) and "Renewal" (forest management) columns in Table 2. Projected revenues and expenditures are also displayed for the term of this plan. These are AFA's financial performance measures. This business plan establishes targets for harvest levels of 500,000 m³ for 2017-18 and then increased to 525,000 m³ in 2018-19, and 550,000 m³ in the third year. Variance from the target is anticipated and tolerated with careful consideration of impacts to programs. Financial results, although tied to harvest levels, are subject to actual sales values (prices) achieved.

Forest management treatment targets are established initially during the FMP process to correspond with planned harvest areas and anticipated needs. Then targets are modified to match annual harvest plans and actual project areas, usually with area carried over from previous years and added to some of the current-year's harvested areas. AFA's silviculture effectiveness monitoring program collects information on treatment success to be used in the FMP process, as well as to determine renewal and tending treatment needs. Achievement of targets can also be limited by weather, but more often as determined by on-the-ground reconnaissance and prescription setting.

Performance measurement of forest management activities is described in the forest operations compliance planning, monitoring and reporting routines in the approved forest management plan and annual work schedules. The Authority reports results of its forest operations monitoring program to the MNR, and to the public through third-party certification requirements. The Ministry's Algonquin Park (Ontario Parks) staff has an audit function on the Authority's legislatively controlled activities. The Independent Forest Audit (IFA) required by the CFSA and Algonquin Park Forestry Agreement will be conducted in 2017 and provide a comprehensive third-party assessment of the Authority's and MNR's performance related to CFSA and FMP objective achievement.

Reporting

Quarterly financial results and forecasts are rolled up into the provincial budget reporting and forecasting process. Interim in-year progress is reported to MNR in November of each year (six month progress and forecasting for the remainder of the year). Final annual results of target achievement for programs and financials are summarized in the Agency Annual Report tabled each year in the Ontario Legislature. In addition, AFA annually provides a public report of achievements toward its forest certification commitments under the CSA Z809 standard as well as the CFSA required Annual Report (AR) of forest management objective achievement to MNR and on its public website. www.algonquinforestry.on.ca The FMP and AWS are also posted on MNR's eFMP site with links on AFA's public website. The results of the IFA will also be made public in the same manner.

Table 1 Harvest and Forest Management Targets

Program	Annual Targets					
	Audited 2015/16	Budget 2016/17	Estimated Final 2016/17	2017/18	2018/19	2019/20
Harvest (m3)	423,641	500,000	450,000	500,000	525,000	550,000
Silvicultural Activities						
Silvicultural Effectiveness Monitoring Surveys (ha)	3,400	4,900	3,260	2,100	3,000	3,000
Scarification (ha)	0	55	0	55	60	65
Site preparation (ha)	622	390	226	540	500	500
Stand Improvement (ha)	1,617	3,520	2,800	4,000	4,000	4,000
Tending (ha)	1,296	525	337	795	600	600
Tree marking (ha)	7,109	7,500	7,500	7,500	8,000	8,500
Tree planting (# trees'000s)	568	615	615	715	450	450
Tree planting stock ('000s)	615	425	425	799	450	450
Tree seed collection (hl)	12	58	40	58	30	30

Table 2 **Forecast Financial Statement of Operations**
Algonquin Forestry Authority

	2015/16 Audited General \$ (000s)	2015/16 Audited Renewal \$ (000s)	2015/16 Audited Total \$ (000s)	2016/17 Budget General \$ (000s)	2016/17 Budget Renewal \$ (000s)	2016/17 Budget Total \$ (000s)	2016/17 Estimated General \$ (000s)	2016/17 Estimated Renewal \$ (000s)	2016/17 Estimated Total \$ (000s)
Revenue	23,635	2,124	25,759	25,659	2,316	27,975	23,800	2,100	25,900
Expense	21,337	1,564	22,901	23,856	1,823	25,679	21,700	1,600	23,300
Operating Income	2,298	560	2,858	1,803	493	2,296	2,090	470	2,560
Administrative & Other	1,603	293	1,896	1,747	409	2,156	1,750	410	2,160
Net Income <Loss>	694	268	962	56	84	140	340	60	400
	2017/18 General \$ (000s)	2017/18 Renewal \$ (000s)	2017/18 Total \$ (000s)	2018/19 General \$ (000s)	2018/19 Renewal \$ (000s)	2018/19 Total \$ (000s)	2019/20 General \$ (000s)	2019/20 Renewal \$ (000s)	2019/20 Total \$ (000s)
Revenue	27,089	2,395	29,484	27,500	2,500	30,000	27,800	2,600	30,400
Expense	24,915	1,919	26,834	25,250	2,000	27,250	25,550	2,100	27,650
Operating Income	2,174	476	2,650	2,250	500	2,750	2,250	500	2,750
Administrative & Other	1,784	466	2,250	1,850	490	2,340	1,850	490	2,340
Net Income <Loss>	390	10	400	400	10	410	400	10	410


Notes to the above:

- 1) The "General" column in Table 1 refers to costs/revenues associated with harvesting operations. The "Renewal" column details costs/revenues associated with eligible silvicultural expenses, as determined from the Algonquin Park Forestry Agreement.
- 2) The 2016/17 estimated year-end above is from the (11+1) forecast (February, 2017). There are many factors that will influence the final outcome, including billing and payment time lags.

Table 3

Capital Expenditures
Algonquin Forestry Authority

CAPITAL ITEM	\$ (000s)					
	2015/16 Audited	2016/17 Budget	2016/17 Estimated	2017/18 Budget	2018/19 Forecast	2019/20 Forecast
Roads & Bridges	0	122	277-	122	100	100
Office Equipment	0-	-	-	-	-	-
Computer Equipment	14-	-	-	-	-	-
Vehicles/ Equipment	114	193	149	216	110	110
TOTAL	129	315	426	315	200	200

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May 6, 2017
Date

Approved by: 
David Stewart
Chair

May 6/2017
Date

Approved by: 
David Lemkay
Vice Chair

May 6/17
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