



AGENCY BUSINESS PLAN

**For the Three Years
April 1, 2019 to March 31, 2022**

March 25, 2019

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EXECUTIVE SUMMARY

This agency business plan for the Algonquin Forestry Authority (AFA) has been prepared for the three-year period of April 1, 2019 to March 31, 2022 under the Agencies & Appointments Directive, January, 2019.

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 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 forest industry in the region relies heavily on timber from the Algonquin Park Forest. 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 27% 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 mills that receive timber from AFA operations.

More volume has been delivered this year than last, but the product mix has been weighted to lower value timber. The Authority is on track to achieving 410,000 cubic metres (m3) of sales with total revenues of \$26,665,000 and expenditures of \$27,125,000 for an estimated net loss of \$460,000 in the current year (2018-2019). Strategies that were implemented to increase and improve contractor production to match increasing demand for timber have required investing resources to support new and expanded harvesting contractors, forest access roads and tree marking. Revenue from some of these investments anticipated for the current year will not be realized until next year. High fire danger ratings and heavy snowfalls slowed production and increased costs to keep wood flowing and people working. A shift of species mix to lower value hardwoods also resulted in reduced revenue. The Authority is forecasting year-end sales volume at 82% of budgeted targets with a corresponding net loss of \$460,000, compared to the previous year's achievement of 81% of budgeted volume and net financial gain of \$426,000.

Total revenues of just over \$30,000,000 are planned in 2019-2020 associated with a budgeted harvest level of 460,000 m3, with targets to achieve 500,000 m3 per year. The Authority is maintaining a forecast of slow growth for the next two years of operations in this business plan based on a trend of steady demand for forest products and estimated costs of adding production to meet demand. The Authority envisions approximately 4% growth in actual volume and 1% growth of revenue, offset by equivalent increases in program spending for each year of the planning horizon.

An estimated annual harvest of 500,000 cubic metres from the Algonquin Park Forest will contribute approximately \$420 million to Ontario's economy in terms of value added. This is calculated with factors from Natural Resources Canada State of Canada's Forest Report, 2015.

The strategic focus during this term will be to 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 2018/19 to 2020/21

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 Forest 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-four years of operations the Algonquin Forestry Authority's mandate and objectives continue to be relevant to the public interest. The Authority is well positioned in Ontario's Open for Business environment. Contributions to economic growth through sustainable forest management, wood supply and jobs help to achieve prosperity objectives described by Premier Ford in a letter to Ontario Public Service staff; "Ontario is blessed with the greatest people, a skilled workforce and abundant natural resources; with your support we will turn these advantages into prosperity and opportunity that every Ontarian will share." The Authority's objectives complement the Ministry of Natural Resources and Forestry's (MNRF) responsibility to protect Ontario's biodiversity while promoting economic opportunities in the resource sector and outdoor recreation.

In 2017 the AFA participated in a mandate review commissioned by Treasury Board Secretariat/ Management Board of Cabinet to inform government on whether the agency's mandate continues to be relevant to the goals and priorities of the Government of Ontario; whether the agency is carrying out the activities and operations as required in its mandate; whether all or parts of the functions of the agency are best performed by a ministry, another agency or entity. The outcome of the review was positive for the AFA.

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 Mission and Vision Statements are contained within its SFM policy.

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.

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

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 objectives.

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. Governance and fiscal oversight provided by the AFA Board of Directors ensures these objectives are achieved; in alignment with government's desire for fiscal balance and restoring public confidence in our province's finances.

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 Update, January 2019 reports the cyclical upswing underway since mid-2016 has weakened, primarily due to weaker performance in European and Asian economies. The IMF predicts world economies will continue to grow at 3.5 percent in 2019 and 3.6 in 2020, a few points below last year's projections. Risk factors contributing to downward projections include trade tensions between US and China, the UK leaving the EU, and contracting economies in other countries such as Germany and Turkey.

➤ American and Canadian Economic Indicators

The IMF believes that U.S. tax policy changes, particularly reduced corporate income tax will stimulate economic activity through 2020 while Canada's steady growth will be just enough to absorb the impacts of Trump trade policies. Treasuries are concerned with inflation on both sides of the border. Both economies are predicted to grow, indicating a positive environment for the forest industry.

Inflation expressed by consumer price index on all items (CPI) in Canada during 2017 was 1.6% and 2.3% in 2018. CPI is expected to normalize; 1.6% in 2019 and 2.0% in 2020. During 2018, U.S. inflation was 2.4 % and is expected to drop to 1.7% in 2019 and 2.0% in 2020. (BMO Capital Markets Economics, March 1, 2019 (BMO)). Low (below 2%) or stable rates of inflation are positive indicators of the ability to buy goods and propel consumer confidence. Our central bank was poised, but has not

yet seen the need to raise interest rates to control inflation. Although inflation is not a worry, personal debt loads are. Both the Canadian central bank and US Federal Reserve have increased rates to control debt which has had a negative effect on housing starts.

Interest rates typically affect housing starts, but not as much as having a job. Jobless rates on both sides of the border indicate improvement in the economy, although people leaving the workforce through retirement may be part of this picture. Canadian unemployment rates have remained relatively stable at 7.0% from 2015 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 5.8% and forecasts 5.7% into 2019 and 5.6% in 2020. Consumer spending is up following the fastest job gains in 14 years. BMO reports that U.S. unemployment in 2017 and 2018 averaged 4.4% and 3.9%, respectively. At time of writing, BMO forecasts the U.S. jobless rate improving even more to 3.6% in 2019 and in 2020.

BMO Capital Markets Economics forecasted Canadian new housing starts to slow in 2018 and 2019; held back by higher interest rates and tougher mortgage rules. Actual 2018 results were better, but BMO predictions still show softening markets with 205,000 and 200,000 units forecasted for 2019 and 2020, respectively. New housing starts in the U.S. for 2018 were forecasted higher than actual results of 1.24 million units. BMO is not predicting any significant increases in new housing. Forecasts for 2019 and 2020 indicate a less optimistic forecast at 1.22 million units for each year. About 80 % of Canada's lumber exports go to U.S. markets, primarily associated with new housing.

Our lumber producing clients rely more on domestic markets, particularly in the renovation and remodeling sector that has been growing steadily. New housing starts in Ontario have been slowing from 80.1 thousand units in 2017 to 79.3 thousand units in 2018. Forecasts show this trend continuing in Ontario with 73 and 72 thousand new housing units for 2019 and 2020, respectively.

➤ Canadian Dollar

BMO Capital Markets Economics forecasted the loonie to continue its current weakness over the next few years as the American economy strengthens. Since 2015, the Canadian dollar has hovered around \$0.78 cents American with an average rate of \$0.771 in 2017 and \$0.772 in 2018. Forecasts for 2019 and 2020 are \$0.753 and \$0.763, respectively. The weaker Canadian 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 also discourage large volumes of competing U.S. lumber from entering Ontario as it did when the dollar was at parity.

➤ Canada-U.S. Softwood Lumber Agreement

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. On April 24, 2017 the U.S. Department of Commerce issued AD and CVD orders on softwood lumber imports from Canada of 20.23% effective December 28, 2017. Canada, Ontario and other provinces have filed challenges under NAFTA and with the World Trade Organization. Canada expects to prevail in this dispute however litigation could take several years.

The softwood lumber market continues to be healthy with strong demand and lumber prices that have recently reached 5 year highs. This trend has begun to soften. On the basis of the favourable U.S./CAD exchange rate, growing U.S. residential housing starts and higher prices the Ontario softwood lumber producers have been able to absorb the current duty and still be profitable. In

2019/20 we anticipate strong demand in lumber to continue given the loss of fibre from the wildfires in the Pacific Northwest.

➤ Lumber Supply and Demand

Harvest volumes in Ontario peaked at 22 million cubic metres in 2006. Harvest levels for the last few years have remained stable with 2017 volume at approximately 15.3 million cubic metres with conifer (softwood) accounting for 74% of the total volume harvested. Ontario continues to face longer-term timber supply issues as a result of legislated reductions in harvesting limits on government lands.

Unpredictable shifts in lumber supply, demand and pricing occurred throughout 2017. U.S. import duties caused significant volatility as Canadian producers pushed up pricing to cover the added costs imposed by duties. BMO Economic's outlook on lumber pricing shows flat line pricing for pulpwood while prices for lumber are forecasted to fall back to 2017 levels after experiencing significant pricing increases in Q4 2017 and Q1 2018.

Rising lumber demand coupled with tighter log supplies in North America should allow for better U.S. prices in 2019. This will be buffered by the relatively slow housing starts. Pricing increases due to better construction demand and supply chain vagaries will persist. 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 has likely reached its height with no prospects to significantly increase total supplies.

➤ Cost of Fuel

A key concern to the forestry sector continues to be the cost of fuel for the harvesting and transportation of wood products. There were significant increases in the past and pricing fluctuations more recently, causing uncertainty and concern. The cost of diesel as of March 5, 2018 was \$1.210, compared to March 4, 2019 at \$1.147, representing a year over year decrease of 5%. About \$0.04 reduction per litre (3% of the decrease) can be attributed to the removal of the Ontario carbon tax which has been replaced by the federal government on April 1, 2019. There was an 18% increase in the cost of diesel from 2017 to 2018. (Source of data is the Ontario Ministry of Energy website – Fuel Prices, diesel, southern Ontario referenced). Contractors and clients are affected.

➤ Capital Investment, Liquidity & Interest Rates

Although economic indicators point to a recovering industry, shareholders and financial institutions still see the forest industry as high risk. As a result, cost of capital is high. The improving economy seems to have boosted confidence and financing for capital improvements and working capital for sawmill upgrades. Two clients have been successful in acquiring capital through Ontario's Jobs and Prosperity Fund – Forestry Growth Fund in 2017/2018 to support saw mill upgrades, jobs and economic prosperity. Two more clients will also make major investments to improve their facilities during the term of this plan.

The 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.

The AFA is providing as much certainty as possible to support contractors. This has been a catalyst to their investment in equipment and human resources. New equipment and personnel are evident on

some jobs while others appear to be right-sizing or poised to get out of the business.

➤ 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 due to increases in cost for freight, equipment, and electricity. The cost of transportation and availability of haulage trucks are also commonly expressed concerns. The increased cost of freight is affected by the increased cost of equipment, fuel and labour as well as insurance and licensing fees.

The regional forest industry relies heavily on timber from the Algonquin Park Forest. 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 27% of the sugar maple (source: MNRF iTrees) forest products utilized from Crown land in the province. Reliance on AFA wood supply has been constant even during the economic downturn. Uncertain wood supply from neighbouring jurisdictions has increased the demand for supply from the Park. Adjacent sustainable forest management licensed (SFL) companies have expressed concern for tightening supply and the ability to operate in the summer, mostly as a result of Species At Risk timing constraints.

The white pine lumber market, which is responsible for most of AFA's operating margin, is anticipated to increase slowly in upcoming years. Pine lumber has been relegated predominantly to the renovation and remodeling sector which is forecasted to grow. Recent strong demand for poplar and red pine saw logs are expected to remain steady, but pricing remains static. 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, although the demand for the larger poles is slowing. Demand for hardwood (maple, birch, oak) saw logs has also steadily improved, matched by pricing increases in the better grades. Demand is anticipated to remain strong into the next three years, but pricing will likely continue to fluctuate with lumber inventories and seasonality.

Demand for poplar and hardwood pulpwood is steady, but supply has also come on line in Quebec. Improved lumber markets result in more available chips and sawdust from sawmilling. We are beginning to see the limits of demand for pulpwood round wood in the region with frequent disruptions in operations. During 2017 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 operations during the term of this business plan are within the final years of the approved forest management plan and extension period. This presents challenges for finding the right mix of species and products within economical distance from client facilities.

➤ AFA Clients

Timber from Algonquin Park is mandated to support local mills and benefit 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, on average 9

mills receiving most of their supply from AFA on a regular basis while another 15-20 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. The AFA's client list grew from 24 facilities in 2017/18, not including firewood producers, to 30 facilities in 2018/19. This was due, in part to efforts to extend operating seasons and market a broader suite of species and products, i.e., cedar for logs, posts, lath and shakes.

The over-supply of low end material is problematic for AFA and its clients. Demand for pulp quality timber has improved in 2018, but there are limited economical 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, sporadic delivery schedules, and haul distances that reduce truck availability.

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. White pine, red pine, spruce, hard maple, poplar, birch and oak saw logs are in good and steady demand from existing clients. Investments to upgrade facilities has resulted in some of the increasing demand. Demand is very good for specialty products such as maple and birch veneer and red pine poles.

The forest sector continues to experience challenges with trucking and harvesting shortages. Some primary producers have had to slow production as a result of raw material delays and they are experiencing rising freight costs due to the scarcity of truck drivers.

➤ *Algonquin Land Claim Negotiations*

The Algonquins of Ontario First Nations and the governments of Ontario and Canada are negotiating a comprehensive Algonquin land claim. An Agreement-in-Principal (AIP) was approved in October 2016. Significant elements of a treaty remain to be worked out, including the intentions written in separate forestry and parks chapters of the AIP. Chapter 7 Forestry recognizes the importance of the forest industry and to increase Algonquin participation and benefits. During the term of this business plan, AFA will work with MNR on training opportunities and provide notice of contracts and job opportunities. Chapter 9 Parks and Protected Spaces includes a provision for the Algonquins, AFA and Ontario to work together to develop Forest Management Plans that address the construction and decommissioning of forestry roads and water crossings in Algonquin Provincial Park. The process to develop a 2021-2031 forest management plan for the Algonquin Park Forest is underway.

AFA is engaged in the land claim process through the Committee of External Advisors and is regularly invited to share information with the Algonquins of Ontario (AOO) Parks and Forestry Working Group. AFA also works closely with the AOO representatives participating in the forest management planning process and on AFA's Forest Certification Advisory Group to further the above noted objectives.

➤ *Green Economy*

Recognition of the important contributions of sustainably managed forests to fighting climate change and Ontario's growing green economy is helping the forest industry's profile in the marketplace. Forestry associations are inspiring youth to explore career opportunities in forestry. A new era of wood design and construction is marked by more commercial projects and demand for innovative non-traditional timber and wood product building components.

➤ Species at Risk

Mitigating risk to the species and habitat can limit access, renewal and harvest operations. Ultimately mitigation strategies require additional cost in terms of resources to plan, delay and/or adjust operations, seek authorizations and where appropriate to install physical mitigation measures. The Endangered Species Act (ESA) regulatory provision, which currently provides certainty for forest operations conducted under the CFSA (O Reg. 176/13 S 22.1), expires in 2020. The Ministry of Environment, Conservation and Parks has undertaken a 10-year review of the ESA, receiving input early in 2019.

➤ 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. Operations slow down during extended drought periods and extreme fire weather conditions and winter thaws and freezing rain events. 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. That said, the April 2019 implementation of a federal carbon tax on fossil fuels will increase the cost of operating.

➤ 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 MNRF, but AFA is limited by resources and status as a Crown agency.

Internal

➤ Human Resources

AFA has 23 regular staff positions and expands its ranks to nearly 40 during the peak of active operations in the summer/fall. Refer to Figure 2, AFA's organization chart on page 16. There have been a total of 4 retirements in the past 5 years with 7 eligible to retire in the next 3 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. The Authority's executive compensation framework and modernization of AFA staff salary grids have improved compensation and helped to achieve recruitment and retention objectives.

➤ 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. Demographics have also played a part in availability of experienced woods workers with some leaving the workforce permanently. Gaps are usually filled when the economics are right.

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. In 2018/19, AFA increased productive capacity from 6 large (contractors hired to produce >3,000 m³/year) and 5 small producers in 2017/18 to 11 large and 3 small producers. We are beginning to see young people taking renewed interest in the forest sector at professional, technical and operator levels and contractors are investing in human resources and equipment.

➤ **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 Sustainable Forest Management (SFM) Plan includes a target to develop a strategic plan for Indigenous engagement with the help of the Forest Advisory Group that includes representatives from local Indigenous communities.

➤ **Forest Management Planning**

The AFA has requested the extension of the current 2010-2020 forest management plan to allow more time to deal with unforeseen planning challenges. An extension has been approved for one additional year. During the term of this business plan, AFA will develop and seek approval of a forest management plan for the 2021-2031 term. Planning operations for the extended year and undertaking development of a new plan requires significant staff resources and ongoing collaboration with MNRF, Indigenous communities and stakeholder groups.

➤ **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. 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. Government's open data policy is another area of change for the Authority.

3.0 Strategic Direction

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

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

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. During the term of this business plan, the AFA Board are committed to developing a modernized strategic plan, action plan and performance measures which will reflect emerging government priorities.

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 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 larger markets 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 and objectives 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 2018-2019 is estimated at time of writing to be 410,000 m³ or about 82% of business planned volume. Strategies to increase productive capacity to take advantage of improving market conditions have been successful, however investments and productivity gains have not generated the revenues required to offset costs as much as anticipated. More time will be required to realize the benefits of adding and expanding contractor harvest capacity.

Progress toward achieving a target volume of 500,000m³ has been slow. Annual volumes have not been trending positively. While this year's forecasted year-end volume appears to be better than last year's, it is only on par with the average of the previous five fiscal years. The negative effects of high fire danger and then heavy snowfalls have tempered results. Although demand for timber improved, taking advantage of this year's improved hardwood pulpwood markets came with the cost of shifting species mixes to harvesting lower value hardwoods. This had a negative impact of revenues on the general and renewal portions of AFA's budget, but a positive effect on achieving overall forest management plan objectives by balancing out the harvest to under-utilized forest types.

Based on the slow progress toward achieving volume targets, the Authority will set volume production targets from harvesting activities at 500,000 m³ for the term of this business plan. Budgets will be built on achieving 90-95% of the target volume, with more focus on forecasting species and product mixes, based on the previous year's performance.

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 the earliest possible contractor start-ups and contingency areas. This will also help to avoid issues and cost associated with last-minute changes required to adjust to changing markets and/or weather conditions. Concentration and merchandizing yards also help to smooth out haul schedules and extend the wood-flow season. Cost/benefits are recognized.

The Authority has entered into an agreement with Ontario Parks, subject to funds being allocated by the legislature, for the maintenance of certain public roads to Park facilities 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. Forest management targets set for the renewal program (Table 1) also includes, site preparation/scarification, tree planting, spacing and releasing trees from competition to ensure successful regeneration and growth (forest health).

Significant staff resources have been 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 9 and 10 of Phase 2 operations of the approved 2010-2020 FMP, plus one-year of a plan extension. Preparation of a new FMP for 2021-2031 is underway.

AFA received endorsement of its sustainable forest management plan re-written in 2018 to comply with the new CSA Z809-2016 standard. CSA Z809 forest certification involves the identification of values, objectives, indicators and targets (VOITs) and the participation of stakeholders and Indigenous 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 ESFMS, 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 updating governance practices. Committee structures and terms of reference are being implemented for Governance, Finance/Audit and Human Resources committees to assist the Board of Directors and management in setting direction and completing tasks.

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 provided funding for main roads 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. The strategic planning exercise referenced in section 3.0 Strategic Direction may suggest change is required. 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. The AFA also needs staff to

handle more contractors or expanded operations as it develops. Four two-year contract opportunities have been created within the seasonal workforce to complement the Authority's succession management strategies and increased operations workloads.

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.

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 the unrestricted general fund. The topped-up minimum balance has been maintained every year since 2009, even during the economic downturn. Renewal rates were adjusted upward slightly in April, 2018 to respond to increasing costs.

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 ESFM system 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.

The following summarizes the Authority's annual corporate risk evaluation exercise under the headings required by the Ontario government for quarterly risk reporting purposes. The AFA provides risk reporting to government on a quarterly basis. Risk elements discussed below are those that score medium to high.

Strategic/Policy/Performance:

➤ Business Climate - Growing the Business

Increasing the volume of harvested forest products and revenue to fund forest management activities improves the agency's ability to achieve its objectives. The risk of not being able to generate sufficient revenues to cover costs is reviewed frequently. Local factors that limit the production of forest products include available human and equipment resources (productive capacity), market demand and affordability, inclement weather, constraints to ensure positive recreational experiences, and constraints to avoid potential negative impacts on biological features such as species at risk.

Mitigation is built into the business plan by setting targets to invest in more capacity to produce and review progress monthly to identify pressures and opportunities and adjust accordingly. AFA will focus on growing

existing contractors and developing new entrants to match increasing demand. Reduced production will be met with corresponding reduction of expenditures unless sales margins are sufficient to offset. This requires frequent review and analyses by managers monthly and reviewing with the AFA Board of Directors at each meeting. Adjustments are difficult as year-end comes closer, but lessons learned are built into annual operations planning.

➤ Meeting New Requirements

New government direction could change agency administration and operations, or those of our clients affecting purchasing of our products. Examples include the implementation of new forest management planning direction, the ESA and CFSA regulation, and the effects of direction from a new provincial government in 2018. The risk of additional administrative workload and cost of payroll could translate to increased cost of forest products and constrain demand. Risk mitigation includes timely communication and training with change proponents, contractors and clients; ensuring awareness, contingency planning and appropriate response. Changing direction may also require the Authority's policies and procedures be developed and maintained to ensure compliant delivery, relevancy and currency. Risk mitigation involves review of emerging requirements and current practices at Board and managerial levels and adjusting policies and procedures to suit.

The Ontario government is committed to improving the business environment, including within the forest sector. The MNRF is undertaking a review of current practice and receiving input of ideas to reduce costs. Forest Sector Strategy sessions will conclude in early 2019. We anticipate some positive outcomes to reduce administrative and operating costs.

Political Commitment/Stakeholder/Public Perception

➤ Indigenous Engagement

Ontario's economic development principles provide positive opportunities for AFA and Indigenous communities alike. Communication and engagement is the key mitigation strategy to the risk of not fulfilling our Indigenous engagement obligations. Underlying strategies include improving relationships with representatives and their communities, providing capacity building opportunities and building upon existing business to business successes.

➤ Maintaining Social License

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 may 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. Certification to the CSA – Z809 forest management standard and meeting legal obligations are critical to maintaining social license in Algonquin Provincial Park. 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.

Governance/Accountability/Organizational

➤ Strategic Planning:

The Authority's strategic direction is reviewed annually as part of the business planning process, however it could benefit from a broader review. The AFA Board has undertaken the task of reviewing strategic planning documents with the intention of refreshing the strategic direction of the agency and ensuring focus on governance level oversight. The risk of uncertain direction and potential waste of resources is not high, but establishing Board autonomy to ensure effective governance is high priority. Strategic planning is also a key objective, therefore a high risk rating has been identified. A plan to mitigate this risk has begun with the

inception of the Governance Committee to lead strategic plan development. With assistance from the AFA Board and staff and MNRF they will develop a modern strategic plan to inform business planning and focus the Board on strategic issues facing the agency.

Legal/Contractual Compliance

➤ Insurance Coverage:

Demonstrating value for public funds is key to the operation of a Crown agency. The Authority has moved to Schedule 2 Workmen's Safety and Insurance Board (WSIB) self-funded insurance coverage and acquired Excess Worker's Insurance Coverage for claims that may exceed the WSIB self-funded coverage threshold.

Controllership/Accounting

➤ Accounts Receivable

Timing of our client's payments for delivered wood affects cash flow and can be cause for concern when overdue accounts reach inordinate amounts. This (accounts receivable) risk element requires frequent review and analyses by managers, communication and action by the parties to mitigate. Interest is being charged to overdue accounts as a disincentive and thresholds established for accounts to receive closer review and consideration by the AFA Board of Directors.

Program Caseload/Utilization

➤ Human Resources – same as described in the BPS Workforce section, below.

Service/Operational

➤ Pulpwood Markets

Pulpwood quality timber comprises a large portion of the available volume. Therefore, economic pulpwood markets are required to pay for a good portion of the harvesting and renewal effort. This risk is mitigated by diversifying sales to as many pulpwood clients as possible and entering into contractual commitments early in the operating year. A few clients that require saw logs recognize the challenge and have agreed to purchase timber in tree length form, thus taking pulpwood to ensure access to saw logs.

OPS Compensation/Pensions

➤ AFA Staff Salaries

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. Mitigation is through maintaining competitive compensation. The current freeze on salaries prevents AFA from adjusting the salary grid to account for inflation or increases granted comparable positions in the public sector. These are the effects of having all staff within the management/excluded employment category.

OPS Workforces/Skills Shortage

➤ Succession Management

The Authority is forecasting significant turnover of experienced staff in key positions over the next few years. The Board and managers will be working on succession management plans and implementing talent management and recruitment strategies to ensure business success and continuity. Budgetary support for succession strategies is built into this business plan.

BPS Compensation

➤ Executive Compensation

The Authority has received approval from the Minister to implement an executive compensation plan completed as required by the Broader Public Service (BPS) Executive Compensation Act, 2016. Implementation will effectively reduce the risk of not having competitive executive compensation. A freeze on

salaries implemented with the change of government effectively stalls any progress here.

BPS Workforce

➤ Human Resources

The risk of not having sufficient human resources to support core business is mitigated by planning for vacancies (retirements), investing in managing talent and resources (i.e., professional HR support) and being able to offer competitive salaries and benefits.

Information and Information Technology

➤ Business Disruption

The risk of business disruptions and additional cost due to computer failures or security breaches is identified. Mitigation is improvement and maintenance of cyber security measures, back-ups and replacement of unsupported software. Risk awareness is increasing, as is the availability and use of mitigation technologies. A separate IT development plan has been adopted as part of the business planning and budgetary process.

Capital Project Delays

There are no capital projects planned. Capital funds displayed in Table 3 are for capital acquisitions.

A risk summary is compiled and ratings displayed below in in Figure 1 – Risk Rating Chart.

Risk Element	Risk Rating
A) Strategic/Policy/Performance Risk	Medium
B) Political Commitment/Stakeholder/Public Perception Risk	Low
C) Governance/Accountability/Organizational Risk	Medium
D) Legal/Contractual Compliance Risk	Low
E) Controllership/Accounting Risk	Medium
F) Program Caseload/Utilization Risk	Medium
G) Service/Operational Risk	Medium
H) OPS Workforce Compensation / Pensions Risk	Low
I) OPS Workforce/Skill Shortage Risk	Low
J) Broader Public Sector (BPS) Compensation Risk	Low
K) BPS Workforce Risk	Low
L) Information & Information Technology Risk	Low
M) Capital Project Delays	n/a

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 contract required for the term of this business plan.

The MNRF Deputy Minister approved an adjustment to AFA's salary grid, effective April 1, 2017. This was based on a business case containing a market review of similar positions in the Ontario Public Service (OPS) and an AFA job rating system that maintained position relativities within the organization. This was a very important project to ensure AFA's staff compensation is competitive. Staff also receive benefits that are available to OPS employees in the management/excluded (non-bargaining) category. At time of writing, staff

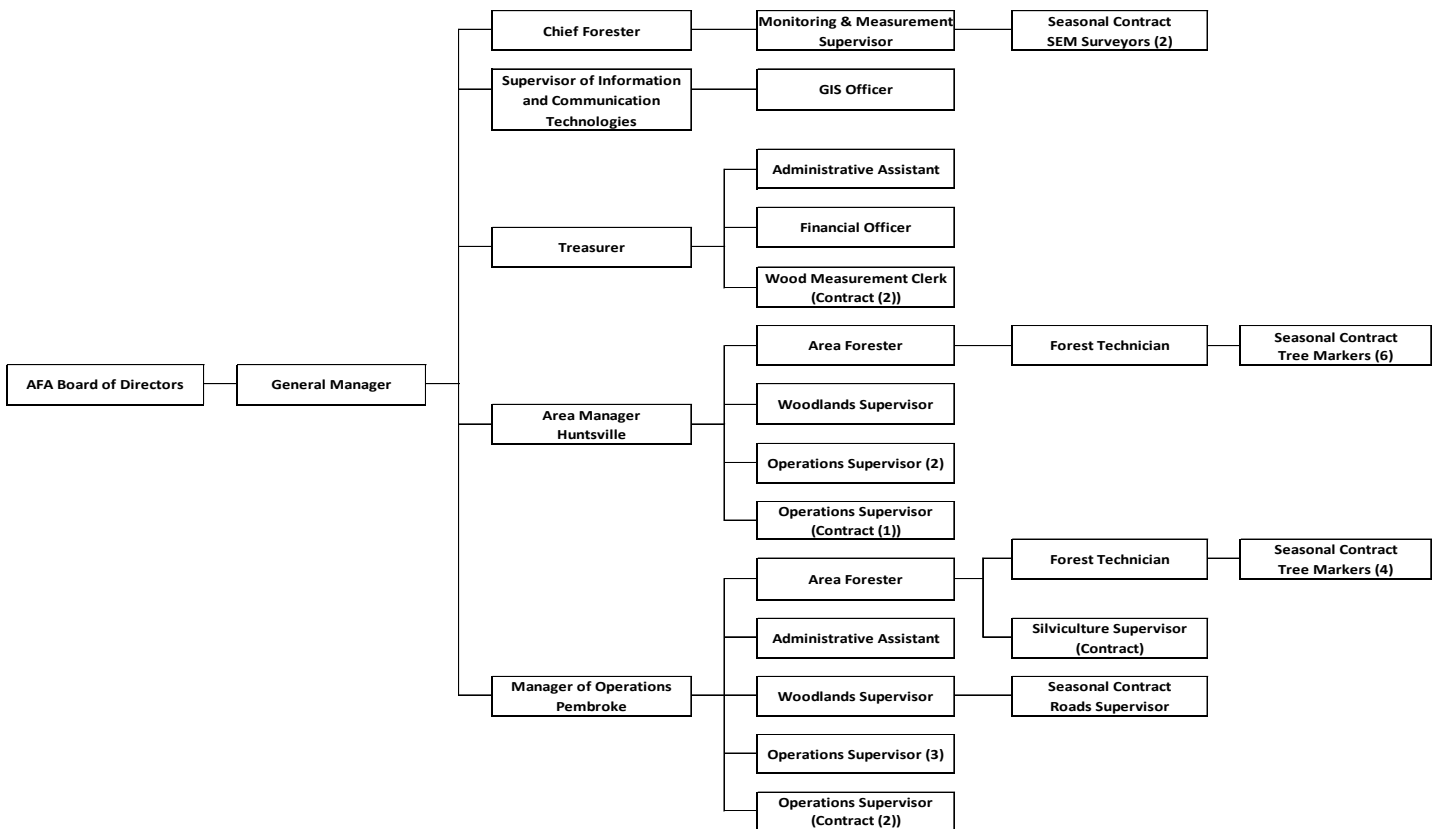
compensation is frozen as part of government's fiscal constraint measures.

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. Additional staff have been assigned to GIS and planning support for this term.

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. 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 the Authority's statutory mandate. Capital expenditures are planned to update servers and personal computing devices for 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 2020. Objectives include developing systems within commonly used and recognized software with a "live" database for 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, education and outreach programs and opportunities to self-market. The activities and organizations supported also support the achievement of AFA objectives representing collaborative approaches to providing social, economic and environmental benefits.

- Algonquin College: AFA staff on forestry advisory committee, speaking engagements and field tours
- Algonquin Forestry Authority Education and Science Bursaries
- Canadian Institute of Forestry: support staff membership and participation in local events, Eastern Ontario Teacher's Tour, Petawawa Research Forest 100th anniversary, Prince of Wales Forest Leadership Award winner summer exchange work experience.
- Fleming College: AFA staff on forestry advisory committee, speaking engagements and field tours, fall camp work experience.
- Forests Ontario: Envirothon, It Takes A Forest Campaign, AGM & Conference,
- FP Innovations: contractor workshops, contractor diagnostics, engineered wood bridges.
- The Friends of Algonquin Park: Logger's Day, Meet the Researcher Day, logging museum and exhibit improvements.
- Local Timber Sports, Logger's/Forestry Festivals, Community Events: self-marketing.
- Ontario Parks: Logistical support for ecological enhancement of red pine plantations along the Hwy 60 corridor.
- Ontario Professional Forester's Association: AGM & Conference
- University of Toronto – Masters of Conservation: field tour, speaking

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. For more information, please visit our website at www.algonquinforestry.on.ca

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, 2019. 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 2019-20 to 2021-22 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 MNRF 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 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 for the current year (2018-2019) will be less than budgeted (\$ 26,665,000 vs. \$ 29,577,000) due to fewer units produced and sold. Expenditures are also less than budgeted (\$ 24,900,000 vs. \$ 27,035,000) because amounts paid to contractors to cut and deliver fewer units has also been less. The estimated net loss of \$ 460,000 at year-end compares to a projected profit of \$ 70,000.

Total revenues of \$ 30,273,000 are budgeted in 2019-2020 from a planned harvest level of 460,000m³. Revenues from 2019/20 logging operations (general account) are budgeted at \$ 27,630,000 with expenditures of \$ 27,625,000. A net gain in the “General” account of \$ 5,000 is forecasted for the fiscal year ending March 31, 2020. In 2019/20 the Algonquin Park Forest will produce approximately \$ 3,891,000 in Crown stumpage of which \$ 1,701,000 is directed to the province’s consolidated revenue account and the Forestry Futures Trust Fund. Note that financial forecasts for fiscal years 2020/21 and 2021/22 show 2% per year increase of revenues based on economic recovery, but forecasted to be offset by increased program costs and investments required to further objectives. See Table 2 – Forecast Financials – State of Operations for current year estimates and forecasts for the term of this business plan.

Silviculture expenditures are budgeted at \$ 2,543,000 for 2019/20 with estimated revenues of \$ 2,643,000. A gain of \$ 100,000 is the net result of planned revenue and forest renewal expenditures 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 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, snow machines), trailers, computer equipment and bridges, required over the term of this business plan.

12.0 Performance Measures

The Authority’s core business and primary performance measures consist of harvest volume, forest management treatments (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 forest management programs based on a harvest level of 500,000 m³ for each year of the three-year term. Variance from the target is anticipated and tolerated with careful consideration of impacts. Financial results, although tied to harvest levels, are subject to actual sales values (prices) achieved, therefore calculated on more conservative harvest levels of 460,000 m³ in 2019-2020 and increasing 4%, or 20,000 m³ in each of year’s 2 and 3.

Forest management treatment targets are established initially during the FMP process and correspond to planned harvest areas and theoretical renewal and tending treatment needs. Targets are modified annually to match actual project 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 are more often adjusted as treatments are determined by on-the-ground reconnaissance.

Performance measurement of forest management activities is described in the forest operations compliance planning, monitoring and reporting routines in the approved FMP and annual work schedules. The Authority reports results of its forest operations monitoring program to the MNRF, and to the public, through third-party certification reports. The Ministry's Pembroke District 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 was conducted in 2017 and provided a comprehensive third-party assessment of the Authority's and MNRF's performance related to CFSA and FMP objective achievement. An action plan outlining the AFA and MNRF's responses to findings has been approved for implementation. A status report tracks progress. All items tasked AFA have been completed. The IFA report has not yet been tabled, therefore is not yet available to the public.

Reporting

Quarterly financial results and forecasts are available to be rolled up into the provincial budget reporting and forecasting process. Interim in-year progress is reported to MNRF 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 MNRF and posted on its public website. www.algonquinforestry.on.ca The FMP and AWS are also posted on MNRF's eFMP site with links on AFA's public website. The results of the IFA are also be made public in the same manner, but not until tabled by the Minister in the Legislature.

Table 1 - Harvest and Forest Management Targets

Program	Annual Targets					
	Audited 2017/18	Budget 2018/19	Estimated Final 2018/19	2019/20	2019/20	2020/21
Harvest (m3)	392,844	500,000	410,000	500,000	500,000	500,000
Silvicultural Activities						
Silvicultural Effectiveness Monitoring Surveys (ha)	1,737	2,200	2,303	3,000	2,800	2,000
Scarification (ha)	0	55	0	55	50	50
Site preparation (ha)	596	417	320**	445	400	450
Stand Improvement (ha)	1,530	4,830	4,200	4,800	4,800	4,800
Tending (ha)	1,525	565	490	590	590	590
Tree marking (ha)	6,703	7,500	7,000	8,000	8,500	8,500
Tree planting (# trees'000s)	734	595	543	450	450	450
Tree planting stock ('000s)	543	532	430	425	450	450
Tree seed collection (hl)	95	45	10	45	45	45

* Surveys include Free-To-Grow, survival and stocking. ** Site preparation and scarification hectares combined.

Table 2

Forecast Financials - Statement of Operations
 Algonquin Forestry Authority

	2017/18 Audited General \$ (000s)	2017/18 Audited Renewal \$ (000s)	2017/18 Audited Total \$ (000s)	2018/19 Budget General \$ (000s)	2018/19 Budget Renewal \$ (000s)	2018/19 Budget Total \$ (000s)	2018/19 Estimated General \$ (000s)	2018/19 Estimated Renewal \$ (000s)	2018/19 Estimated Total \$ (000s)
Revenue	25,090	2,256	27,345	27,097	2,480	29,577	24,690	1,975	26,665
Expense	23,015	1,541	24,556	25,102	1,933	27,035	23,500	1,400	24,900
Operating Income	2,074	715	2,789	1,995	547	2,542	1,190	575	1,765
Administrative & Other	1,890	473	2,363	1,950	522	2,472	1,700	525	2,225
Net Income <Loss>	185	242	426	45	25	70	(510)	50	(460)
	2019/20 General \$ (000s)	2019/20 Renewal \$ (000s)	2019/20 Total \$ (000s)	2020/21 General \$ (000s)	2020/21 Renewal \$ (000s)	2020/21 Total \$ (000s)	2021/22 General \$ (000s)	2021/22 Renewal \$ (000s)	2021/22 Total \$ (000s)
Revenue	27,680	2,643	30,323	28,234	2,696	30,929	28,798	2,750	31,548
Expense	25,557	1,988	27,545	26,068	2,028	28,096	26,590	2,068	28,658
Operating Income	2,123	655	2,778	2,165	668	2,834	2,209	681	2,890
Administrative & Other	2,118	555	2,673	2,160	566	2,726	2,204	577	2,781
Net Income <Loss>	5	100	105	5	102	107	5	104	109

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 2018/19 estimated year-end above is from the (11+1) forecast (February, 2019). 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)					
	2017/18 Audited	2018/19 Budget	2018/19 Estimated	2019/20 Budget	2020/21 Forecast	2021/22 Forecast
Roads & Bridges	-	120	0	178	120	120
Office Equipment	-	-	-	-	-	-
Computer Equipment	-	25	27	69	40	40
Vehicles/ Equipment		203	190	160	150	150
TOTAL		348	217	407	210	210

Prepared by: ORIGINAL SIGNED BY

March 29, 2019

Jeff Leavey
General Manager

Date

Approved by: ORIGINAL SIGNED BY

March 29, 2019

David Lemkay
Acting Chair

Date