



AGENCY BUSINESS PLAN

**For the Three Years
April 1, 2021 to March 31, 2024**

February 12, 2021

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EXECUTIVE SUMMARY

This agency business plan for the Algonquin Forestry Authority (“AFA”, or “the Authority”) is for the three-year period from April 1, 2021 to March 31, 2024 and has been prepared under the Agencies & Appointments Directive (AAD), April 2020.

The Algonquin Forestry Authority, established in 1975 by the *Algonquin Forestry Authority Act*, 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 mandated to supply timber to forest resources processing facilities and to provide employment within the region.

The AFA’s 2020-2030 Strategic Plan provides high level direction to guide operations through this decade. The Strategic Plan should be read in conjunction with this Business Plan as it provides the foundation for strategies outlined within.

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 derived from Crown land in that portion of Ontario lying south of North Bay. 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 2021, approximately 290 people are employed annually in Algonquin Park forest activities and over 4,400 people are employed in mills that receive timber from AFA operations.

The effects of the Novel Coronavirus (COVID-19) global pandemic on economies and the mitigation undertaken by governments are unprecedented. The Authority’s operations and its clients wood processing are essential to the global supply chain, but uncertainty and lockdowns have affected business. This business plan has a particular focus on ensuring business continuity with slightly reduced performance measures as AFA responds to pandemic related challenges. The Authority’s role of supporting the region’s forest industry with timber and commitment to achieving objectives by maximizing the harvest of available sustainable supply in Algonquin Provincial Park will not waiver.

Timber volumes produced and sold correlate with the Authority’s achievement of its objectives. Volume sold thus far in the current fiscal year is behind last year’s, but forecasted revenues of \$24 million and expenditures of \$24 million are consistent with budgeted outcomes. The loss of a major pulpwood client continues to challenge the forest industry in Eastern Ontario. The lack of economical pulpwood markets constrains operations by limiting contractor production and adding cost.

The Authority has adapted and forecasts achieving 400,000 cubic metres (m³) of sales with total revenues of \$26 million to be matched by equivalent expenditures for a balanced bottom-line, or break-even position in the current fiscal year (2020-2021). The Authority is forecasting year-end sales volume at 90% of budget with no net profit or loss, compared to the previous year’s achievement of 98% of budgeted volume and net financial gain of \$965,145.

The Authority is forecasting slow growth for the next three years of operations based on a trend of steady demand for forest products offset by the lack of pulpwood markets and static economic recovery in Year One. Costs of production to meet demand will also increase, but the difference (margins) are forecasted to remain the same. Total revenues of just over \$28,000,000 are planned in 2021-2022 associated with a budgeted harvest level of 410,000 m³. The Authority envisions growth in volume of 5% per year over the next three years and 2% growth in revenue in years two and three as the economy rebounds and alternative markets develop.

An estimated annual harvest of 400,000 cubic metres from the Algonquin Park Forest will contribute approximately \$340 million to Ontario's economy in terms of value added calculated using factors from Natural Resources Canada State of Canada's Forest Report, 2015.

The strategic focus during this term will be the production of forest products which can be sold at competitive market prices, while meeting mandatory provincial requirements.

AGENCY BUSINESS PLAN for 2021/22 to 2023/24

1.0 Agency Mandate and Objectives

The Algonquin Forestry Authority Act, R.S.O., 1990, (the "Act") the Authority's primary constituting instrument, entrusts the Algonquin Forestry Authority (AFA) with the responsibility to harvest 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-six 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 in the forestry sector 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.

The October 1, 2020 mandate letter from Minister John Yakabuski (see Appendix 1) sets out expectations and direction for AFA in 2021-2022. The first part of the mandate letter identifies objectives applicable to all Ontario Crown Agencies under the headings listed below.

This business plan outlines how the Authority is positioned and plans to achieve these objectives throughout, however a brief commentary or referenced sections are provided below. AFA's governance structure, Strategic Plan and its strategic planning and implementation tools, business planning and budgetary process, including in-year checkpoints ensures these objectives are identified and achieved.

- Competitiveness, Sustainability and Expenditure Management
 - The AFA's legislated mandate as a self-financing operational enterprise demands constant attention to these important objectives.
- Transparency and Accountability
 - This business plan describes various public reporting, consultation, and communication requirements, which includes but is not limited to the public posting of business plans and mandate letters that helps to achieve this objective.
- Risk Management
 - see Section 6.0 Risk Assessment and Management.
- Workforce Management
 - see Section 7.0 Human Resources

- Data Collection
 - see Section 8.0 Information Technology
- Digital Delivery and Customer Service
 - see Section 10.0 Implementation and Communication Plan.

The second half of the October 2020 Mandate Letter sets out specific areas of focus for the Authority. The AFA's efforts to achieve these are briefly described below. More detail can be found in Section 4.0 Overview of Current and Future Programs and Activities with some corresponding targets established in Section 12.0 Performance Measures.

- Reducing the number of board members to reduce cost;
 - Presently being held at ten out of twelve directors with one seat available for an Indigenous community representative.
- Implementing and updating the strategic plan and ensuring alignment with the forest sector strategy;
 - A Board approved implementation plan is in place that is reviewed at least twice a year and adjusted as required.
- Ensuring methods of meeting are modernized by incorporating more digital meetings and reducing the number of in-person meetings;
 - This is current practice since becoming a health & safety requirement during the pandemic, but will be maintained to save unnecessary travel and accommodation costs.
- Contributing \$0.2 million in additional non-tax revenue annually from operational proceeds to the Government of Ontario to offset costs incurred by government to support forestry within Algonquin Park;
 - The details have not yet been worked out with MNRF.
- Exploring opportunities to further engage Indigenous communities in the governance of the AFA as well as in any economic development initiatives available;
 - This overlaps with a Strategic Plan focus area with associated strategies for implementation during the term of this business plan.
- Supporting my ministry's efforts to achieve greater inclusivity and diversity across the Board of Directors when recruiting and undertaking succession planning; and
 - This also overlaps with a Strategic Plan focus area with associated strategies for implementation during the term of this business plan.

The final item in the list was continuing to focus on the purposes for which the corporation was established to which this business plan is dedicated.

The Memorandum of Understanding, 2015 (MOU) between the MNRF and the AFA further clarifies the roles and operating relationships between senior Ministry staff and the Authority's Board of Directors and its Officers, consistent with the 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 MOU is being reviewed and revised to bring it up to date with AAD requirements. The revised MOU is expected for implementation in the 2021-2022 fiscal year.

The Algonquin Park Forestry Agreement, made pursuant to the Act and the *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 Mission and Vision Statements are contained within its Strategic Plan (see Section 3.0 on page 9) and within AFA's Sustainable Forest Management (SFM) policy.

Mission Statement: *To ensure the long-term health of Algonquin Park's forests and to produce a sustainable supply of forest products for the local economy.*

Vision Statement: *To be a leader in sustainable forest management that maintains Park values for future generations.*

AFA's SFM Policy, within the context of the CFSA, the Act and the approved Forest Management Plan, guides its overall management practices in Algonquin Provincial Park. AFA's SFM 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 Board of Directors. The achievement of AFA's statutory and forest management objectives relies on the harvesting and sales of forest products which are public resources from Algonquin Provincial Park.

Principles of modern controllership and public accountability are the cornerstone of AFA's fiscal responsibilities. Governance and fiscal oversight provided by the 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. The impacts of the Novel Coronavirus are only partially understood and constantly evolving.

External

➤ Global Economy

The International Monetary Fund's (IMF) World Economic Outlook Update in October 2020 indicated the global economy was climbing out from the depths to which it had plummeted during the Great Lockdown in April, but with the COVID-19 pandemic continuing to spread, many countries have slowed reopening with some reinstating partial lockdowns to protect susceptible populations. Economy recovery was described as slow but imminent. In January 2021 the IMF reported that the promise of vaccinations raised hopes of a turnaround for later in 2021. Renewed waves of infections and new variants of the virus pose concerns for their economic outlook. Government policies that support vaccine development and inoculations and policies directed at economic recovery will inevitably contribute to economic growth. Amid exceptional uncertainty, the IMF projects the global economy to grow 5.5% in 2021 and 4.2% in 2022.

➤ American and Canadian Economic Indicators

The usual economic indicators are not reliable in terms of forecasting economic growth. Last year (2020) has been unusual in many respects and return to normal is uncertain, but recovery from lockdowns should result in growth. The jobless rate is at historic highs on both sides of the US/Can border and housing starts have been negatively affected. Government stimulus packages may shore up some of the losses, but not enough to get the economy back to pre-pandemic levels in 2021. Governments all over the globe are amassing significant debt to keep their people safe and economies from tanking. Some of the stimulus packages are directed at construction, some in western US where fires ravaged communities and wood supply. New housing starts may actually improve in 2021 and demand from Canadian producers should also increase.

About 80 % of Canada's lumber exports go to U.S. markets, primarily associated with new housing. AFA's lumber producing clients rely more on domestic markets, particularly in the renovation and remodeling sector that has been growing steadily. BMO Economics predicts new housing starts in Ontario will drop from 81.3 thousand units in 2020 to 76.0 units in 2021 and 71.0 thousand units in 2022. This is despite the Canadian housing market's resilience to the effects of the pandemic. BMO Economics reports that higher prices and construction activity in Canada's housing market was counter intuitive. With people at home during the pandemic, more demand for DIY renovation and remodeling project supplies has occurred. Inventories were drawn down and retail prices increased, especially for panel boards and pressure-treated lumber (personal communication).

➤ Canadian Dollar

During the pandemic the loonie will likely continue its current weakness compared to the American dollar because our economies are tied so tightly. The weaker Canadian dollar (CAD) gives Canadian producers an advantage over U.S. producers in both the U.S. and Canadian markets. Clients anticipate that the weaker Canadian dollar will also discourage large volumes of U.S. lumber from entering Ontario, as happened when the dollar was at parity. The National Bank of Canada (NBC) – Financial Markets reports that the CAD hit a three-year best in January 2021, but will weaken slightly before rallying in mid-2021. The NBC estimates the CAD will gain in strength compared to the U.S. dollar from its current \$0.78 to \$0.83 by the end of 2021.

➤ 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 filed challenges under NAFTA and with the World Trade Organization. As a result, rates have been lowered creating a better trade environment between the two countries.

➤ Lumber Supply and Demand

Canadian Forest Industries Wood Business lumber markets outlook for 2020, written by FEA-Canada's Russ Taylor reports world lumber markets peaked in mid-2018 and global markets were oversupplied throughout 2019. He cited concerns from producers that lumber inventories would not move while economies stop to slow the spread of COVID-19. The oversupply in the early stages of the pandemic meant lower pricing and challenges for higher-cost producers to compete but inventories were drawn down quicker than anticipated.

Slowdowns and low inventories experienced in lumber markets across Canada were the product of lockdown orders, new safety protocols, a spike in home remodeling and a massive wildfire season. The U.S. West is the most affected.

Harvest volumes in Ontario peaked at 22 million cubic metres in 2002. Average harvest levels during 2009-2013 of 13 million cubic meters per year is approximately half of those in 2004-2008. The reduction in harvest levels reflects reduced demand for wood fibre as a result of economic and market conditions, including exchange rates, production costs, and market demand for traditional forest products. 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. The Ontario government is working with industry to improve access (cost competitiveness) to timber that will increase the benefits of sustainable forest management for the people of Ontario.

➤ 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. The COVID-19 outbreak and significant reduction of crude oil consumption is creating an

overabundance of oil that is also affecting prices and causing storage issues. Over the years, there have been significant pricing fluctuations causing uncertainty and concern over managing fluctuations within product pricing. The cost of diesel as of February 1, 2021, was \$1.124, compared to March 9, 2020, at \$1.147, representing some stability compared to recent years and a year-over-year decrease of 2%. Gasoline prices dropped dramatically in March 2020, dipping to below \$0.70 per litre in some locations. There was an 18% increase in the cost of diesel from 2017 to 2018 that is ingrained in memories of contractors and clients. (Source of data is the Ontario Ministry of Energy website – Fuel Prices, diesel, southern Ontario referenced). Contractors and clients are affected by changes in fuel costs. Uncertainty of fuel costs creates some risk with pricing of timber and determining fair contractor rates.

➤ **Capital Investment, Liquidity & Interest Rates**

Contracted growth and unstable economies are not conducive to investing. Government stimuli including low interest loans help. Two clients have been successful in acquiring capital through Ontario's Jobs and Prosperity Fund – Forestry Growth Fund in 2017/2018 to support sawmill upgrades, jobs and economic prosperity. Two more clients plan to 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, but charges 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's determination to provide as much certainty as possible to support contractors 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. Reduced demand for our products and uncertainty may result in the loss of contractors.

➤ **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 global economies and fears of recession in North America. Their insights into the effects of the global pandemic and lockdowns are not clear. Most have operated continuously since the first lockdown in April of 2020. Some of their customers have reduced purchases and payments. Regardless, costs for freight, equipment, and electricity continue to be on their minds. The Ontario government has provided electricity rate reductions that will have a positive impact, but not likely enough to make up for the loss of markets. The unavailability of haulage trucks seems to have corrected itself. The increased cost of freight is affected by the increased cost of equipment, labour, 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 economic downturns. The uncertainty of wood supply from neighbouring jurisdictions has increased the demand for supply from the Park. Adjacent sustainable forest 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 contributes to most of AFA's operating margin, is anticipated to increase slowly in upcoming years, once we recover from the effects of the COVID-19 outbreak. Pine lumber has been relegated predominantly to the renovation and remodeling sector which has been steady and is forecasted to grow. Recent strong demand for poplar and red pine saw logs is 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 commodity. Demand for hardwood (maple, birch, oak) saw logs has also steadily improved, matched by pricing increases in the better grades, but has had its seasonal (probably inventory-related) downturns as well. Pre-pandemic, demand was anticipated to remain strong into the next three years, but pricing will likely continue to fluctuate with lumber inventories and seasonality.

During 2017 and 2018, dense hardwood residue prices increased slightly as demand surpassed production. The closure of the large pulp mill in Thurso, Quebec has changed the pulpwood demand/supply situation in Eastern Ontario. Competition for limited outlets will likely drive log prices down and limit harvest of marginally economic areas. The price of hardwood firewood has also been increasing due to demand and less capacity regionally to produce the wood, which had also contributed to competition with the pulpwood sector. There will likely be an imbalance of available supply and viable markets in the near future. Softwood and poplar pulpwood utilization is problematic as supply exceeds demand and receiving mills with some demand for our pulpwood are beyond economical haul distance.

➤ AFA Clients

Timber from Algonquin Provincial 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 (excluding firewood producers) grew from 24 facilities in 2017/18 to 32 facilities in 2019/20. 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. More recently, AFA has offered saw logs for sale into Quebec because Ontario mills slowed or curtailed their purchases. This has included summer-cut white pine and oak in tree length form and is considered temporary as clients adjust to markets.

The over-supply of low-end material is problematic for AFA and its clients. Demand for pulp quality timber improved in 2018, but then the Fortress Specialty Cellulose Inc. mill in Thurso, Quebec closed its doors indefinitely in October 2019. This facility utilized 12% of AFA's total harvest, but more critically was a viable outlet for 30% of the pulpwood produced by AFA, most of which was poplar pulpwood. Demand from the pulpwood sector is anticipated to remain steady due to the demand for paper and packaging products that are a big part of the supply chain for the medical field. Domtar, one of AFA's clients has indicated this in a letter to suppliers to ensure a steady supply of pulpwood to its facility in Espanola, Ontario.

Hardwood and softwood lumber demand was expected to increase slightly in the next three years due to the steady housing rebound in the U.S. and in Ontario, combined with a weak Canadian dollar. White pine, red pine, spruce, hard maple, poplar, birch and oak saw logs are anticipated to be in good 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.

Two AFA clients have advised that large volumes of hardwood lumber have not been able to reach ports or manufacturing facilities in China due to coronavirus related work stoppages. The effects of closed borders to protect the health of citizen's is felt across the globe. This will have negative effects on our client's abilities to sell lumber overseas and the ripple effect will undoubtedly negatively affect local demand, cash flows and inventories carried by our clients.

➤ 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-Principle (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 seeks to increase Algonquin participation and benefits. During the term of this business plan, AFA will work with MNRF 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 negotiation 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. The tall building, mass timber movement is catching, such as with projects announced for Toronto's waterfront and a glulam plant under construction in South-western Ontario.

➤ Ontario's Forest Sector Strategy

On December 4th, 2019, the Hon. John Yakabuski, Minister of Natural Resources and Forestry, announced the draft Forest Sector Strategy in the provincial legislature. A copy of the draft strategy entitled: *A Blueprint for Success: Ontario's Forest Sector Strategy DRAFT* was posted on the Environmental Registry of Ontario in December 2019 and adopted in July 2020. The strategy emphasizes four pillars, including; access to wood supply, cost competitiveness, fostering innovation and promoting sustainability. The roundtable discussions and implementation of the strategy have had positive effects on the industry and government partnership that are working through the challenges and opportunities for the forest sector. Revisions to CFSA regulated manuals were the first step toward red tape reduction and streamlining initiatives. The Authority's Strategic Plan is consistent with and helps the AFA to achieve key objectives supported by the Forest Sector Strategies' four pillars.

➤ Species at Risk

The Endangered Species Act's (ESA) regulatory provision, which currently provides certainty for forest operations conducted under the CFSA (O Reg. 176/13 S 22.1), expired in 2020. The Ministry of Environment, Conservation and Parks undertook a 10-year review of the ESA, receiving input early in 2019. On December 20, 2019 MNRF posted proposed changes to the CFSA on the Environmental Registry to provide a "long term approach that would no longer require duplicative authorizations or a regulatory exemption under the ESA for forest operations conducted in Crown forests in accordance with an approved forest management plan under the CFSA." The proposed changes to legislation were made in July, 2020.

➤ Climate Change

The damaging effects of climate change on the forest and our business are the unpredictable and more extreme weather events. Operations often slow or shut down during extended drought periods and extreme fire weather conditions as well as during winter thaws and freezing rain events which have increased in

unpredictability and frequency. 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. Opportunity to elevate anti-logging campaigns to the public has been created by the forest management planning public consultation process for the development of the 2021-2031 FMP. Responses to FMP comments are provided by MNRF and AFA staff (the FMP Planning Team). Responses to comments and concerns received outside of the FMP process are usually 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 5 retirements in the past 5 years with 8 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. The first two years of this Business Plan will involve recruitment processes for approximately 7 regular staff positions and many more contract and seasonal positions.

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. Maintenance of the salary administration process and succession planning are key to ensuring business continuity.

Working from home during the pandemic has been effective for those whose jobs permit it. Most employees report remaining productive while missing the interactions and synergies that office environments facilitate. Back-to-normal is anticipated during the term of this Business Plan.

➤ **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 more easily 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 February 2021 AFA survey, there are approximately 290 people employed in Algonquin woods activities and just over 4,400 people employed in area mills. In 2019/20, AFA increased productive capacity from 6 large producers (contractors hired to produce >3,000 m³/year) and 5 small producers, for a total of 11 in 2017/18 to 8 large and 6 small producers in 2019/20. 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. Comparative figures for the current fiscal year (20/21) are 8 large producers and 4 small producers. The loss of two contractors has been unavoidable. Contingencies have been built into plans and forecasts.

➤ 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

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 (2021-22) and undertaking development of a new plan requires significant staff resources and ongoing collaboration with MNRF, Indigenous communities and stakeholder groups. AFA will utilize a short-term plan extension and short-term contingency plan to bridge the gap until a new plan is approved in the fall of 2021. This means getting about 11 and 1/2 years from the current ten-year plan and presents significant challenges for operational planning and budgeting, but capitalizes on previous investments made in plan development.

➤ 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 AFA's IT/IM Development Plan addresses challenges with current systems and guides development and migration strategies for IT systems and infrastructure.

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 and data compatibilities are areas of change for the Authority.

3.0 Strategic Direction

High level strategic direction is provided in AFA's 2020-2030 Strategic Plan. The plan was developed by the Board of Directors and Senior Management Team to guide AFA over the next ten years. In developing it, we considered our internal and external operating environment by examining items such as our organization's strengths, opportunities for improvement, our assets and resources, population shifts in the province, changes in technology and government regulations, and best practices that we can leverage and learn from.

The 2020-2030 Strategic Plan was developed with the input of AFA staff and external stakeholders representing industry customers, government partners, and Indigenous communities through a variety of media including interviews and focus groups.

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

- *To ensure the long-term health of Algonquin Park's forests and to provide a sustainable supply of forest products for the local economy.*
- *To be a leader in sustainable forest management that maintains Park values for future generations.*

The Strategic Plan will also guide our annual business planning process. This process includes annually assessing AFA's environment to understand and ensure alignment with the strategic plan and set annual performance targets.

To fulfill our Mission and achieve our Vision, AFA will focus on five key strategic focus areas that are a combination of foundational enablers that build and reinforce our organization's core capabilities and strategic goals that will drive us towards our vision. The five key strategic themes are:

Operational Excellence: The AFA's structure as a self-financing operational enterprise with a mandate to carry out forestry operations in Algonquin Provincial Park necessitates an ongoing focus on achieving operational excellence. We are committed to meeting the highest quality standards and operating in an efficient manner that achieves value for money.

Developing and Supporting Our People: Having a highly engaged, competent and skilled workforce is one of the most critical components in achieving the vision and mission for the AFA. We are committed to developing and supporting our people, including our leaders, staff, and contractors, to ensure they have clarity in their roles, and the right competencies, skills and support to do their jobs efficiently and effectively with confidence.

Advancing Innovative Practice: The need for innovation encompasses all Strategic Focus Areas in this plan. It is important for the organization to adapt to economic and environmental challenges that affect markets, operations and sustainable management. Rising costs, labour shortages, low demand for pulp quality products, market swings, environmental pressures from climate change and other issues require creative solutions driven by innovation.

Indigenous Partnership: AFA has an important responsibility to engage Indigenous communities who have been an integral part of the rich and diverse history of the land we are on. We are committed to respecting and valuing the rights, values, and participation of Indigenous communities. While there has been progress made in engaging Indigenous communities in the past, we recognize that there is still more we should do to support and promote their prosperity and achieve shared goals.

Supporting Local Industry: Our local industry includes the wood utilizing mills and logging operators, as well as the surrounding local communities that support them. Supporting our local industry to stimulate economic growth through sustainable forestry operations and forest management continues to be a key objective and area of focus for the AFA.

For more detail, please refer to the Algonquin Forestry Authority's 2020-2030 Strategic Plan that can be found on the AFA internet site www.algonquinforestry.on.ca.

An Implementation Plan has been developed by AFA's senior staff and directors to provide more detail on forward-looking strategies to guide the achievement of goals and objectives. Performance measures are outlined in Section 12.0 on page 20.

During the term of this Business Plan, AFA will remain faithful 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 2020-2021 is estimated, at time of writing, to be 400,000 m³ or about 85% of the business planned volume target of 500,000 m³ and 90% of the budgeted volume. This is a decline of about 10% from last year's harvest volume results.

Progress toward achieving a target volume of 500,000m³ has been slow, due to pandemic-related uncertainty and loss of a major pulpwood client. There have been fewer lost days due to climate extremes, but shifting

markets has added cost in terms of lost production time required to adjust operations and higher road and transportation costs. The increased demand from clients who have invested in their production facilities has not been enough to overcome the effects of losing the pulpwood market, but indications are good that demand will continue to increase.

Based on the modest progress toward achieving volume targets, the Authority will maintain volume production targets from harvesting activities to build toward the 500,000 m³ target, but only to 450,000m³ in three years of this Business Plan. Budgets will continue to be built on achieving 80-85% of the annual target volume, with more focus on forecasting species and product mixes and achievable revenues to cover costs. Much of this will be based on the previous year's performance. Adjustments will be made to react to markets. Nimbleness will be required to react to uncertain demand and corresponding production needs.

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, depending on demand for forest products. This will also help to avoid issues and costs 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 and cash-flow season for our contractors. Cost/benefits are recognized.

The Authority has entered into an agreement with Ontario Parks, subject to funds being allocated by the Government, for the maintenance of certain public roads leading to Park facilities within Algonquin Provincial 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 that reflect sustainable harvest levels. Increased harvest activity does not necessarily equate to corresponding renewal work due to the large proportion of natural regeneration achieved, but does generally follow previous year's activity levels.

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 include, site preparation/scarification, tree planting, spacing and releasing trees from competition 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 the 2021-2022 short-term extension from April to the end of June and a short-term contingency plan from July to October. Year 1 of a new FMP for 2021-2031 will begin as soon as the FMP is approved. Resourcing development, consultation and approval of the FMP is high priority for the Authority.

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.

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. Ontario's Premier Ford announced continuation of the program in 2020, with \$54 million to be provided annually by the government to industry for Crown land access that benefits the people of Ontario.

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. The AFA also needs staff to handle more contractors or expanded operations as it develops. Six one and two-year contract opportunities have been created within the seasonal workforce to complement the Authority's succession management strategies and increasing operations workloads. Investment in additional staff resources is reflected in financial requirements. This is especially evident in the renewal fund where additional staff and infrastructure are required to perform tree marking, due to a lack of available contractors.

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, safety records, 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 its meeting, the Board of Directors passed a resolution 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. These rates will be reviewed in the context of a new forest management plan and potentially adjusted to reflect changes in available harvest, species and product mixes and the cost of performing silviculture.

AFA employs staff 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.

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.

With the exception of the new strategic plan to guide operations, a new forest management plan for 2021 and human resources recruitment (replacing retirees), there are no significant changes planned during the term of this business plan that would affect the Authority's business or organizational structure. The dynamics of dealing with the COVID-19 pandemic requires constant attention to ensure the Authority functions as planned and supports the forest industry of the region.

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. The 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 risk reporting purposes. The AFA provides risk reporting to government on a quarterly basis.

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, timing restrictions to ensure positive recreational experiences, and to avoid potential negative impacts on biological features such as species at risk. The slowing economy and response to COVID-19 may delay operations. Demand is expected to slowly recover as immunization programs facilitate the recovery of economies

Mitigation is built into the business plan by setting targets and reviewing progress monthly to identify pressures, and opportunities and adjust accordingly. AFA will focus on client driven demand before establishing contractor harvest plans and start-ups. Growing existing contractors and developing new entrants to match increasing demand is not anticipated until later in 2021/22. AFA will use more analytics to support decision-making. 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 and reviewing with the AFA Board of Directors at each meeting.

➤ Meeting New Requirements

New government direction could change AFA's administration and operations, or those of our clients affecting their purchasing of our products. Examples include measures to support the forest industry (deemed "essential business" by Ontario order) by maintaining business continuity during the COVID-19 outbreak, or the implementation of new forest management planning direction. The risk of additional administrative workload and cost of payroll related to "physical distancing" could translate into increased cost of forest products and constrained demand. Risk mitigation includes timely communication and training with change proponents,

staff, contractors and clients; ensuring awareness, contingency planning and appropriate response to balance cost/benefit. Ontario's implementation of red tape reduction measures, including those contemplated by the Forest Sector Strategy and revisions to the Crown Forests Sustainability Act and Forest Management Planning Manual should reduce administrative costs, in particular the cost of preparing forest management plans. Changing government direction may also require the Authority's policies and procedures be revised 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.

Political Commitment/Stakeholder/Public Perception

➤ Indigenous Engagement

Ontario's economic development principles provide positive opportunities for AFA and Indigenous communities alike. Communication and engagement are the keys to mitigating 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. AFA's strategic direction includes Indigenous partnership as a key focus area. Indigenous cultural awareness training for all staff and directors will be a key first step in the process.

➤ 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, its client's expectations, create economic uncertainties and negatively affect employee and contractor morale. To mitigate this risk, AFA will maintain education and outreach programs, self-market 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 and counter against inaccurate statements and promote sustainable forestry.

The Authority's communication strategy is to engage the public to create awareness of science based provincial forest policy and appreciation of the services and benefits the AFA provides through delivery of its mandate. The development of the 2021-2031 FMP involves significant public consultation that provides opportunities for people to express their concerns. In this case, responses are provided by the FMP Planning Team comprised of AFA, MNRF and community representatives. The FMP Stage 3 public consultation of proposed operations resulted in over 9,000 submissions. There is risk that some concerns cannot be resolved to the satisfaction of the proponent and may need to go through the issue resolution process. There is potential of delays in the process as time and care are required to appropriately respond to and resolve issues.

Governance/Accountability/Organizational

➤ Strategic Planning:

The Authority's high-level strategic direction is contained in the Board's recently approved 2020-2030 Strategic Plan. Strategic direction is reviewed annually as part of the business planning process and refined as required. Performance measures are set out in the business plan. The Plan effectively eliminates the risk of not having high level strategic direction to guide the Authority through the next decade. An annual implementation plan is developed, reviewed and updated to ensure effective delivery of strategies. Performance measures are included in Section 12 of this plan.

Controllership/Accounting

➤ Accounts Receivable

Timing of our clients' 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 with delinquent clients and cooperative action to mitigate. Interest is being charged on overdue accounts as a disincentive and thresholds established for accounts to become subject to closer review and for consideration by the Board of Directors.

Program Caseload/Utilization, 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. Loss of staff resources due to illness also needs to be considered, particularly for the duration of the pandemic. Core activities will be maintained.

Service/Operational

➤ Pulpwood Markets

Pulpwood quality timber comprises a large portion of the available volume. Therefore, accessible pulpwood markets are required to pay for a good portion of the harvesting and renewal effort. Risk is mitigated by diversifying sales to as many different 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 buying pulpwood while ensuring their supply of saw logs.

Broader Public Service (BPS) 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 rates. Constraints on salary increases prevent AFA from adjusting the salary grid to account for inflation or to match increases on comparable positions in the public sector. These are the effects of having all staff within the OPS management/excluded employment category.

BPS Workforce/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 continuity. Budgetary support for succession strategies is built into this business plan.

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 **Figure 1 – Risk Rating Chart**.

Risk Element	Risk Rating
A. Strategic/Policy/Performance Risk Growing the Business Meeting New Requirement	Medium Medium
B. Political Commitment/Stakeholder/Public Perception Risk Indigenous Engagement Maintaining Social Licence	Medium Medium
C. Governance/Accountability/Organizational Risk Strategic Planning	n/a
D. Legal/Contractual Compliance Risk	n/a
E. Controllership/Accounting Risk Accounts Receivable	Medium
F. Program Caseload/Utilization Risk Human Resources	Low
G. Service/Operational Risk Pulpwood Markets	High
H. OPS Workforce Compensation / Pensions Risk	n/a
I. OPS Workforce/Skill Shortage Risk	n/a
J. Broader Public Sector (BPS) Compensation Risk AFA Salaries	Medium
K. BPS Workforce Risk Succession Management	Medium-High
L. Information & Information Technology Risk Business Disruption	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 contracts required for the term of this business plan.

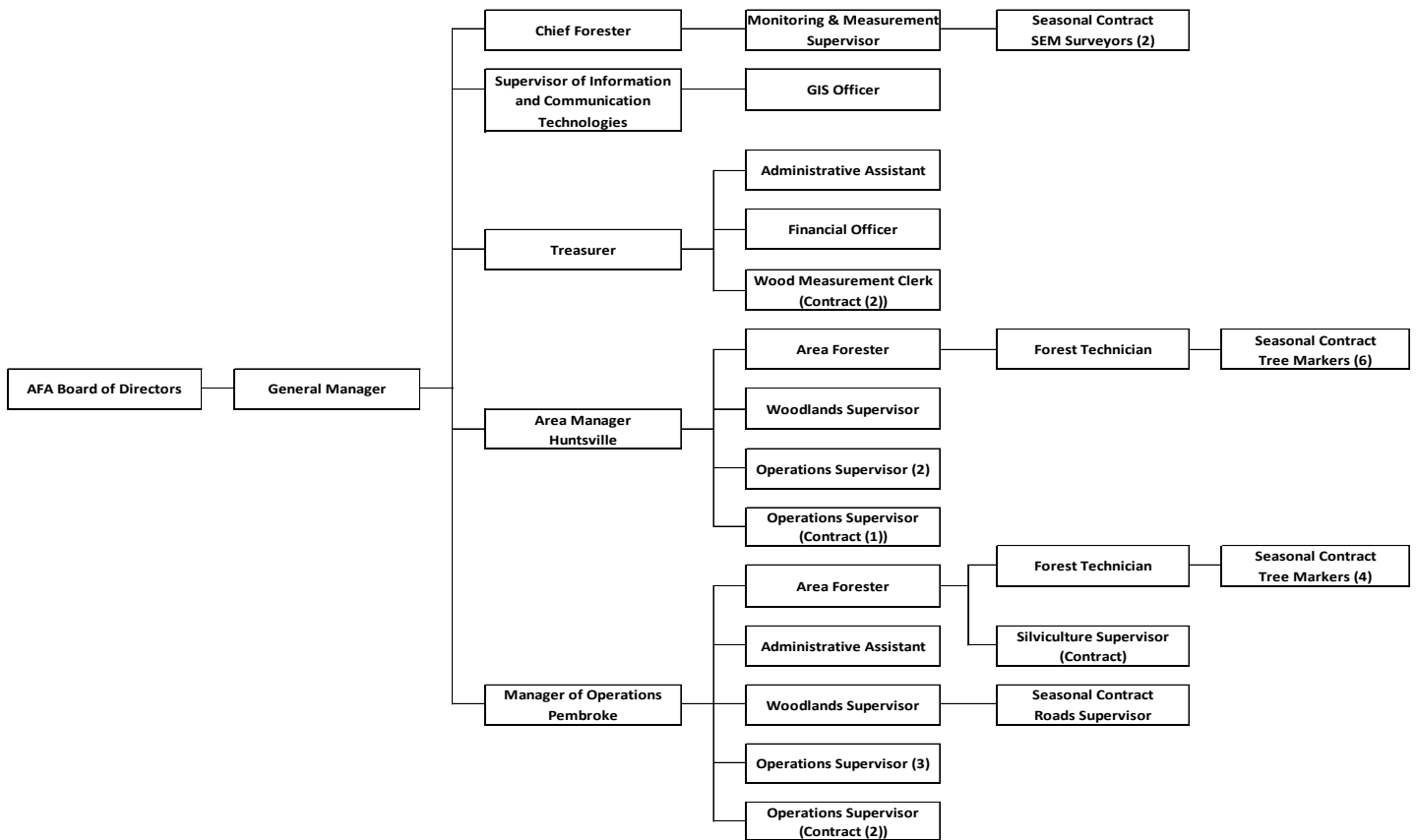
The MNRF Deputy Minister approved an adjustment to AFA’s salary grid, effective April 1, 2017. This was based on a business case containing a market review of similar positions in the Ontario Public Service (OPS) and an AFA job rating system that maintained position relativities within the organization. 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.

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 and skilled operators 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 is related to computer software (i.e. annual fee for geographic information systems and technical support).

AFA IT/IM employees are modernizing several IT applications, including provisions for staff to work remotely. Parallel testing of a new payroll and timber sales system is underway and expected to be concluded in 2021. 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. The IT Development Plan is utilized to schedule priority infrastructure and data technology projects. Digital means to accomplish communication and efficiency objectives are also incorporated within the IT Development Plan.

9.0 Initiatives Involving Third Parties

This Business Plan includes commitments of financial aid and in-kind contributions to third parties for research, bursaries, cultural activities, education and outreach programs and opportunities to self-market. The activities and organizations supported in turn 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, spring work experience.
- Algonquin Forestry Authority Education and Science Bursaries
- Canadian Institute of Forestry: support staff membership and participation in local events, Eastern Ontario Teacher's Tour.
- 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: local support and self-marketing.
- Ontario Parks: logistical and communication 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
- Outland Youth Employment Program – support of Indigenous learning opportunities.

In addition to the above activities, AFA conducts tours and provides presentations to interested groups. Other initiatives that arise during 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 to the Board and staff through the conduct of their respective roles and responsibilities for oversight, accountability, and program delivery. An implementation plan has been created and will be maintained by the Board to schedule deliverables and track progress of strategies contained in the Strategic Plan and this Business Plan.

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, 2020. This Business Plan guides the Authority's achievement of objectives and commitment to undertake sustainable forest management practices in Algonquin Provincial Park for the three-year term covering the 2021-22 to 2023-24 fiscal years and is consistent with direction set out in the AFA's 2020-2030 Strategic Plan.

Anticipated Reaction from Stakeholders

No negative reactions are anticipated. 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. These stakeholders also made important contributions to the development of AFA's 2020-2030 Strategic Plan.

Key Message

The 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 this Business Plan are provided to the Authority's Board of Directors and the MNRF. 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 staff prior to submission to 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 includes 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 the program targets 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 adequately fund delivery and investment in its programs. Forest management (silviculture) targets are funded by revenues generated from the renewal portion of stumpage. Renewal rates are reviewed annually to ensure that the minimum balance in

the Algonquin Park renewal fund is maintained at a level sufficient to fund the planned silviculture program.

Estimated revenues for the current year (2020-2021) will be less than budgeted (\$26,700,000 vs. \$29,300,000) due to fewer units produced and sold. Expenditures are also less than budgeted (\$23,900,000 vs. \$26,700,000) because amounts paid to contractors to cut and deliver fewer units has also been less. The estimated net income of \$56,000 at year-end compares to a budgeted profit of \$86,000.

Total revenues of \$ 28,100,000 are budgeted in 2021-2022 from a planned harvest level of 410,000m³. Revenues from 2021/22 logging operations (general account) are budgeted at \$25,550,000 with expenditures of \$23,200,000. A net gain in the “General” account of \$70,000 is budgeted for the fiscal year ending March 31, 2022. In 2021/22 the Algonquin Park Forest will produce approximately \$3,670,800 in Crown stumpage of which \$1,609,000 is directed to the province’s Consolidated Revenue account and the Forestry Futures Trust Fund. Note that financial forecasts for fiscal years 2022/23 and 2023/24 show 2% per year increase of revenues based on a slow 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 \$1,950,000 for 2021/22 with estimated revenues of \$2,550,000. A gain of \$90,000 is the net result of budgeted revenue and forest renewal expenditures in the “Renewal” account. The minimum balance required by the CFSA 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 and are not included in provincial financial forecasts.

Capital expenditures included within the operating expenditures line item in Table 2 are separated out for presentation in Table 3. Capital expenditures are for the purchase of vehicles, (trucks, ATVs, snowmobiles), trailers, computer equipment and bridges, required over the term of this Business Plan.

12.0 Performance Measures

AFA’s Strategic Plan identifies specific success factors (the five strategic focus areas) and associated key measures.

Success Factor	Key Measures
Operational excellence	<ul style="list-style-type: none"> ▪ Annual forest management treatment area or quantities (as defined in the Forest Management Plan) ▪ Financial results show the Agency is financially self-sufficient ▪ Environmental and Sustainable Forest Management System performance ▪ Results of third party independent and internal audits
Advancing innovative practice	<ul style="list-style-type: none"> ▪ Cost savings and/or value gained from research and innovation investments ▪ Partnerships established to support research and innovation ▪ Research and development projects initiated
Developing and supporting our people	<ul style="list-style-type: none"> ▪ Worker engagement, i.e., satisfaction surveys ▪ Worker attraction and retention (turnover and tenure) ▪ Job security and competitive remuneration

	<ul style="list-style-type: none"> Participation in training and recognition
Indigenous partnership	<ul style="list-style-type: none"> Indigenous community engagement Indigenous people attending training facilitated by AFA Staff and Board members receiving Indigenous cultural awareness training Projects involving Indigenous communities in the local forestry sector
Supporting local industry	<ul style="list-style-type: none"> Wood using mills, logging operators, silviculture and other contractors engaged Annual utilization of prescribed sustainable annual harvest level New jobs in wood mills and logging operators as a result of business with the AFA

Table 1 – Harvest and Forest Management Targets displays performance measures for the term of this Business Plan and compares achievements from the previous two years. The harvesting target represents 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).

Financial targets (\$CDN) are displayed in the “General” (harvest) and “Renewal” (forest management) columns in Table 2 Forecast Financials – Statement of Operations. Projected revenues and expenditures are 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 planned 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, and have been calculated on an achievable harvest level of 410,000 m³ in 2021-2022. This is lower than the previous year, the net effect on sales of losing a major pulpwood client. Reaching 450,000 m³ per year is the target for the Authority to strive for over the term of this Business Plan, while improving utilization of the full sustainable harvest level is the longer term objective.

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 post-harvest 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 targets are 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 assigned to AFA have been completed. The IFA report has not yet been tabled and therefore is not yet available to the public.

Table 1 - Harvest and Forest Management Targets

Program	Annual Targets					
	Audited 2019/20	Budget 2020/21	Estimated Final 2020/21	2021/22	2022/23	2023/24
Harvest (m3)	443,210	460,000	400,000	410,000	430,000	450,000
Silvicultural Activities						
Silvicultural Effectiveness Monitoring Surveys* (ha)	2,302	3,000	2,420	2,000	2,800	2,800
Scarification (ha)	0	55	20	50	50	50
Site preparation (ha)	370	445	245	700	400	450
Stand Improvement (ha)	2,190	4,800	3,000	3,000	4,800	4,800
Tending (ha)	1,327	590	1,400	1,500	590	590
Tree marking (ha)	7,204	8,000	7,000	8,000	8,500	8,500
Tree planting (# trees'000s)	543	450	450	420	650	400
Tree planting stock ('000s)	430	425	425	330	650	400
Tree seed collection (hl)	4	45	55	45	45	45

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

Reporting

The AFA's annual reports will provide information and commentary on progress toward achieving performance measures described in section 12.0 Performance Measures for strategic initiatives in addition to the measures outlined in Table 1.

Financial results and forecasts are provided quarterly for roll-up into the provincial budget reporting and forecasting process. Additionally, interim in-year progress is reported to MNRF in November of each year (six month progress and forecasting for the remainder of the year). AFA three reports annually. Annual results of business-planned target achievement is made available to the public and summarized in the Agency Annual Report tabled each year in the Ontario Legislature. AFA also provides an annual 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 made public in the same manner, but not until tabled by the Minister in the Legislature.

Table 2

Forecast Financials - Statement of Operations
 Algonquin Forestry Authority

	2019/20 Audited General \$ (000s)	2019/20 Audited Renewal \$ (000s)	2019/20 Audited Total \$ (000s)	2020/21 Budget General \$ (000s)	2020/21 Budget Renewal \$ (000s)	2020/21 Budget Total \$ (000s)	2020/21 Estimated General \$ (000s)	2020/21 Estimated Renewal \$ (000s)	2020/21 Estimated Total \$ (000s)
Revenue	30,135	2,195	32,330	26,509	2,786	29,295	24,332	2,431	26,703
Expense	27,099	1,585	28,684	24,299	2,225	26,524	22,108	1,813	23,921
Operating Income	3,036	610	3,646	2,210	561	2,771	2,224	558	2,782
Administrative & Other	2,296	394	2,690	2,180	505	2,685	2,229	497	2,726
Net Income <Loss>	740	216	956	30	56	86	(5)	61	56
	2021/22 General \$ (000s)	2021/22 Renewal \$ (000s)	2021/22 Total \$ (000s)	2022/23 General \$ (000s)	2022/23 Renewal \$ (000s)	2022/23 Total \$ (000s)	2023/24 General \$ (000s)	2023/24 Renewal \$ (000s)	2023/24 Total \$ (000s)
Revenue	25,550	2,550	28,100	27,300	2,680	29,980	29,200	2,810	32,010
Expense	23,200	1,950	25,150	24,800	2,100	26,900	26,500	2,250	28,750
Operating Income	2,350	600	2,950	2,500	580	3,080	2,700	560	3,260
Administrative & Other	2,280	510	2,790	2,330	520	2,850	2,380	530	2,910
Net Income <Loss>	70	90	160	170	60	230	320	30	350

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 2020/21 estimated year-end above is from the (9+3) forecast (January, 2021). 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)					
	2019/20 Audited	2020/21 Budget	2020/21 Estimated	2021/22 Budget	2022/23 Forecast	2023/24 Forecast
Roads & Bridges	0	0	0	120	120	120
Office Equipment	0	-	-	-	-	-
Computer Equipment	62	40	50	50	50	50
Vehicles/ Equipment	169	160	120	100	100	100
TOTAL	231	200	170	270	270	270

Prepared by: original signed by
Jeff Leavey
General Manager

February 12, 2021
Date

Approved by: original signed by
Dave Lemkay
Chair

February 12, 2021
Date