

Infrastructure BC Inc.

2022/23

Annual Service Plan Report

August 2023



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Board Chair's Accountability Statement



The Infrastructure BC Inc. (Infrastructure BC) 2022/23 Annual Service Plan Report compares the organization's actual results to the expected results identified in the 2022/23 – 2024/25 Service Plan published in 2022. I am accountable for those results as reported.

Signed on behalf of the Board by:

A handwritten signature in black ink, appearing to read "Dana Hayden", written over a light blue rectangular background.

Dana Hayden
Board Chair
August 10, 2023

Table of Contents

Board Chair's Accountability Statement.....	3
Letter from the Board Chair & CEO	5
Purpose of the Annual Service Plan Report	7
Strategic Direction.....	7
Purpose of the Organization	7
Operating Environment.....	8
Economic Statement	8
Report on Performance: Goals, Objectives, and Results	10
Financial Report.....	20
Appendix A: Progress on Mandate Letter Priorities	31
Appendix B: Auditor's Report and Audited Financial Statements.....	32

Letter from the Board Chair & CEO

Please find enclosed our Annual Service Plan Report for the fiscal year 2022/23, which summarizes Infrastructure BC Inc.'s (Infrastructure BC) performance in the context of the Mandate Letter provided to us by our Shareholder, the Minister of Finance.

Infrastructure BC supported the Government of B.C.'s five priorities as outlined in our 2021/22 Mandate Letter:

- Putting people first;
- Lasting and meaningful reconciliation;
- Equity and anti-racism;
- A better future through fighting Climate Change; and
- A strong, sustainable economy that works for everyone.

Infrastructure BC brings its procurement expertise and knowledge of infrastructure development to each project, ensuring that projects meet citizens' and clients' needs. Infrastructure BC works in concert with the Ministry of Finance to ensure that its priorities align with the Government of B.C.'s infrastructure development priorities. Infrastructure BC also provides services to public sector project owners elsewhere in Canada. Infrastructure BC assists the Government of B.C. to implement its [Environmental, Social and Governance \(ESG\) Framework](#) priorities for Capital, CleanBC, Mass Timber, Childcare, and the hiring of underrepresented workers such as Indigenous peoples, women, and people with disabilities through planning and procurement of major infrastructure projects.

In 2022/23, Infrastructure BC managed a significant number of projects, from schools to hospitals and transit to highways. Infrastructure BC completed the first Progressive Design-Build procurement and the first Alliance procurement on a vertical infrastructure project in British Columbia during 2022/2023.

Infrastructure BC worked closely with the Ministry of Transportation and Infrastructure and Transportation Investment Corporation, managing the procurement of projects, including the Royal BC Museum (RBCM) Collections and Research Building and the Steveston Interchange. Additionally, Infrastructure BC worked throughout 2022/23, managing the planning of the Fraser River Tunnel Project.

Infrastructure BC also managed the planning and/or procurement of projects undertaken by several health authorities and the B.C. Ministry of Health. These projects include Mills Memorial Hospital Redevelopment, Cowichan District Hospital Replacement, Cariboo Memorial Hospital Redevelopment, Dawson Creek and District Hospital Redevelopment, Stuart Lake Hospital Redevelopment, New Surrey Hospital and BC Cancer Centre, and Burnaby Hospital Phase 2 Redevelopment.

During the year, Infrastructure BC also provided advisory services during design, construction, and operations on the following projects: Royal Columbian Hospital Redevelopment Phase 2 and 3, Stuart Lake Hospital Redevelopment, and Cowichan District Hospital Replacement.

During 2022/23, the board term of Steve Lornie ended. We thank Steve and wish him well. In 2022/23, the Infrastructure BC Board welcomed Chief Justin Napoleon as a new Director.

Throughout 2022/23, the COVID-19 pandemic continued to affect infrastructure BC and its clients' operations. The Board of Directors and the executive team would like to acknowledge all employees and contractors whose talent and commitment have allowed Infrastructure BC to survive the challenges of the ongoing global pandemic and to continue delivering uninterrupted valuable services to clients.

On behalf of the Board of Directors and executive team, we would like to thank everyone at Infrastructure BC for their continued hard work and dedication.



Dana Hayden
Infrastructure BC Board Chair
August 10, 2023



Mark Liedemann
Infrastructure BC President and CEO
August 10, 2023

Purpose of the Annual Service Plan Report

This annual service plan report has been developed to meet the requirements of the Budget Transparency and Accountability Act (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, a Minister Responsible for a government organization is required to make public a report on the actual results of that organization's performance related to the forecasted targets stated in the service plan for the reported year.

Strategic Direction

The strategic direction set by Government in 2020 and expanded upon in the Board Chair's [2021/22 Mandate Letter](#) from the Minister Responsible shaped the goals, objectives, performance measures and financial plan outlined in the Infrastructure BC Inc. [2022/23 – 2024/25 Service Plan](#) and the actual results reported on in this annual report.

Purpose of the Organization

Infrastructure BC (the Organization) is owned by the Province of British Columbia and is governed by a Board of Directors reporting to its sole Shareholder, the Minister of Finance. It is incorporated under the Business Corporations Act.

Infrastructure BC advises public sector clients on how best to plan, procure, and deliver capital projects to foster innovation and quality, address key service needs, and manage projects on time and budget using various procurement models. These models engage the private sector and efficiently allocate or manage risk to provide the best value and outcome for all Infrastructure BC's clients' projects. The public sector owns the infrastructure and maintains complete oversight of the projects in all cases.

Since its inception in 2002, Infrastructure BC has provided planning and procurement services to owners of 74 projects with a cumulative capital investment of approximately \$25 billion. Of these, 12 projects with a total capital investment of \$4 billion were undertaken for governments in Canada other than the Government of B.C. Infrastructure BC undertakes work outside B.C. when capacity permits and clients seek its services.

Operating Environment

In fiscal 2022/23, Infrastructure BC managed the procurement of twelve projects, with four reaching contract execution. All projects were in B.C.

Throughout the COVID-19 pandemic, Infrastructure BC provided support to its clients while implementing procedures to support the health and well-being of its staff. During the year, most staff worked within a hybrid schedule, with sixty percent of time on average spent within the organization's offices. Infrastructure BC hired additional resources to fulfill obligations to clients due to a high volume of work and a particularly large number of procurements.

As part of the Provincial and Federal Governments' continued focus on economic recovery through infrastructure, the outlook for complex capital projects remains strong. There is, therefore, the potential for significant project work for Infrastructure BC in the coming years.

While the flow of projects remained strong, B.C. continued to experience relatively few bidders per project, and those that submitted bids were more risk averse. Infrastructure BC continued to examine and implement innovative procurement models, such as Progressive Design-Build, Alliance, and Target Price Contract to deal with the challenge of fewer bidders and related market dynamics.

To encourage construction firms to invest time and resources to pursue B.C. projects, Infrastructure BC coordinated, on behalf of the Province, a publication of major infrastructure projects in planning and procurement to better communicate the depth and breadth of construction opportunities in the construction industry. This brochure is published each spring and fall and features project details from B.C. Ministries (Transportation and Infrastructure, Education and Child Care, Health, Post-Secondary Education and Future Skills, Citizens' Services), BC Hydro as well as Metro Vancouver, TransLink, Vancouver Fraser Port Authority, and Capital Regional District. The market reaction to this biannual brochure continued to be positive and strong throughout 2022/23.

Infrastructure BC's mandate to be a self-sustaining organization remained unchanged. The team continued to increase the number of projects it works on, properly resourcing each project and delivering added value to clients.

Economic Statement

After rebounding rapidly in 2021, British Columbia's economy saw slower yet strong growth in 2022. B.C.'s real GDP growth of 3.6 per cent last year was the fourth highest among provinces (tied with Ontario) and grew at the same pace as the national average, following growth of 6.2 per cent in 2021. Growth in B.C.'s real GDP was mostly supported by service-producing industries such as transportation and warehousing, accommodation and food services, and professional, scientific and technical services. Goods-producing industries also experienced growth led by construction.

While B.C.'s recovery broadened in 2022, it remained uneven as sectors such as transportation and warehousing; accommodation and food services; and arts, entertainment and recreation have yet to fully recover to pre-pandemic levels. B.C.'s labour market continued to grow in 2022, with employment growth of 3.2 per cent and an average unemployment rate of 4.6 per cent, while wages and salaries increased by 10.8 per cent. Consumer spending on goods grew slowly after a rapid expansion at the beginning of the recovery and nominal retail sales posted overall growth of 3.1 per cent. Last year, prices rose dramatically as strong demand for goods and services was met with lingering supply-chain challenges and high prices for global commodities following Russia's invasion of Ukraine.

In 2022, B.C.'s inflation rate averaged 6.9 per cent, the fastest annual rate since 1982, and up from 2.8 per cent in 2021. B.C. housing starts totaled 46,721 units in 2022, down 1.9 per cent compared to the previous year. Despite the decline, housing starts in 2022 were the second highest on record. Home sales fell sharply in 2022 as they adjusted to higher mortgage rates not seen since 2008. B.C. MLS home sales decreased by 35.2 per cent in 2022 compared to 2021. Meanwhile the MLS average home sale price rose by 7.4 per cent in 2022 because of strength early in the year, despite monthly declines in 9 of the last 10 months of the year.

On the external front, B.C.'s international merchandise exports grew by 20.4 per cent, boosted by strong commodity prices in the first half of 2022.

Report on Performance: Goals, Objectives, and Results

Goal 1: Effective planning and procurement associated with complex infrastructure projects support governments' priorities

Objective 1.1: Achieve agreed-upon project procurement schedules

Key results

- Used effective processes and contractual requirements to meet project procurement schedules under various design-segregated contract models. (e.g., Alliance, Progressive Design-Build, Target Price Contract).
- Used appropriate governance models throughout the project procurement process.

Summary of progress made in 2022/23

Infrastructure BC completed the first Progressive Design Build procurement and the first Alliance procurement on a vertical infrastructure project in British Columbia during 2022/2023.

Performance measure and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
1.1 Each project is delivered based on the agreed-upon procurement schedule ¹ .	Nine of nine projects met the agreed-upon procurement schedule	Expect to Achieve	Two of two projects met the agreed-upon procurement schedule

Data source: Infrastructure BC internal tracking

¹This performance measure was not carried forward in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

In the last year, all (two in total) procurements that Infrastructure BC was involved with were completed within the agreed-upon procurement schedule. These projects were the B.C. Highway Reinstatement Program - Highway 1 and Highway 5.

Objective 1.2: Meet capital and affordability ceilings

Key results

- Infrastructure BC continued to promote robust market competition for project procurements under various design-integrated contract models, such as Progressive Design-Build.
- Infrastructure BC developed a risk-based cost analysis for projects at the Business Case stage and updated it as necessary prior to releasing the Request for Qualifications (RFQ) and/or Request for Proposals (RFP).
- Infrastructure BC implemented procurement processes to deliver projects within established capital and affordability ceilings.

Summary of progress made in 2022/23

Infrastructure BC developed a library of "lessons learned" with respect to planning, procurement, design development, construction, commissioning, and operations. Components of lessons learned were used for client and market presentations throughout 2022/23.

Performance measure and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
1.2 Each project that reaches financial close is within capital and affordability ceilings. ¹	Two of five projects met the target ²	Expect to Achieve	Zero of four projects met the target

Data source: Infrastructure BC internal tracking

¹This performance measure was not carried forward in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

²The Steveston Interchange Design-Build contract was not executed prior to fiscal year end; however, the procurement was completed within the affordability ceiling.

Contract execution was reached for four projects during the fiscal year. These projects included: Cariboo Memorial Redevelopment, Cowichan District Hospital Replacement, RBCM Collections and Research Building, and Stuart Lake Hospital Redevelopment.

Numerous factors resulted in the Cowichan District Hospital not reaching the affordability threshold. Prime among them is the price. At the time of financial submission, several large acute care hospitals were in procurement or under construction across the province, and the limited availability of specialized subcontractors has resulted in upward pressure on prices. Moreover, global supply chain challenges and the hospital's location further contributed to escalating costs. As the first Competitive Alliance vertical infrastructure project in the province and the first time the Community Benefits Agreement was utilized for a vertical infrastructure project, an extended market introduction to allow the market to fully comprehend the processes involved. This, in turn, intensified the impacts of the already steep cost escalation. Although the project may have exceeded the established affordability threshold, the

competitive environment fostered by the Alliance procurement process resulted in the two proponents presenting pricing proposals with less than one percent difference. This indicates the price to construct the Cowichan District Hospital represented an accurate market price.

Significant affordability challenges were faced during procurement of the RBCM Collections and Research Building primarily due to cost escalation in the Vancouver Island region, supply chain issues, and owner's requirements related to specialized collections cabinets. While the contract was executed at a higher-than-expected cost (i.e., \$204.8 million vs. \$169.4 million), the owner and Infrastructure BC worked collaboratively with the proponents through an extended RFP process to identify opportunities to keep the project as close as possible to the approved budget.

The Stuart Lake Hospital Redevelopment Project, located in Fort St James, and Cariboo Memorial Hospital Redevelopment Project, located in Williams Lake, did not meet the established budget due to price escalation and the remote locations of these projects. Upward pressure on prices was a result of several acute care hospitals simultaneously being constructed in B.C., all of which require the services of a limited pool of specialty subcontractors. Due to market conditions, these projects were procured using a Progressive Design Build model. The Design-Builders for these projects provided significant transparency regarding the build-up of their price, and it was determined that, given market conditions, the prices for each project were reasonable and provided value to the project owners and B.C. taxpayers.

Objective 1.3: Maintain fairness and transparency in project procurement processes

Key results

- During 2022/23 advisor reports confirmed the integrity of procurement process, fairness, and transparency.
- Infrastructure BC initiated innovative procurement processes and contracts and worked with clients and the market to achieve procurement objectives.

Summary of progress made in 2022/23

Infrastructure BC published fairness advisor reports that assessed the fairness of the procurement process. Fairness advisor reports are on the respective project page on Infrastructure BC's website. To ensure integrity, fairness, and transparency within the procurement process, Fairness Advisors were retained on all Infrastructure BC procurements that were active in 2022/23.

Performance measure and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
1.3 Clean Fairness Advisor report where size and scope warrant fairness review. ¹	Achieved	Expect to Achieve	Achieved

Data source: Reports available within each individual project page located on Infrastructure BC website

¹PM 1.3 targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as Expect to Achieve and Expect to Achieve, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

Fairness Advisor reports were issued at the end of the Request for Qualifications (RFQ) and Request for Proposals (RFP) phases. Clean Fairness Advisor reports were received for the RBCM Collections and Research Building RFP, BC Highway Reinstatement Program RFQ and RFP, New Surrey Hospital and BC Cancer Centre RFQ, Surrey Langley SkyTrain Guideway Contract RFQ, Surrey Langley SkyTrain Stations RFQ, and the Surrey Langley SkyTrain Systems and Trackwork RFQ.

Objective 1.4: Support government priorities

Key results

- Infrastructure BC helped clients to achieve labour objectives on major infrastructure projects and assisted the Province of B.C. in developing a broader ESG Framework for Capital.
- Infrastructure BC sought opportunities to include Indigenous Peoples and businesses throughout the procurement process, including the development of Enhanced Inclusion Development Agreement (EIDA) for use on New Surrey Hospital and BC Cancer Centre project.
- Infrastructure BC worked with the Ministry of Finance to develop an understanding of Gender-Based Analysis Plus (GBA+) and assisted clients in incorporating it into the planning process, where appropriate.
- Infrastructure BC undertook staff education and training related to equity, diversity, and inclusion (ED&I); and subsequently updated internal practices and policies.
- Infrastructure BC continued its inclusion of Wood First Act including the development of a Mass Timber Suitability Tool to be included in government's ESG Framework for Capital.
- Infrastructure BC has commenced support to the Ministry of Education and Child Care to develop options and costing for childcare design standards and modular design.

Summary of progress made in 2022/23

Infrastructure BC worked with the Ministry of Finance on joint business case guidance and implementing the guidance policy. Within the business case planning phase, Infrastructure BC assisted clients in meeting the CleanBC objectives by analyzing energy efficiency and/or low carbon options and included in procurement requirements. Within the business case planning phase, Infrastructure BC assisted clients to assess the feasibility of including childcare spaces in capital projects that were approved by government to be included in applicable project procurement requirements. Infrastructure BC continued to support the development of procurement and contract terms that encouraged the inclusion of apprentices, Indigenous, and other underreported groups in the construction of major infrastructure projects and supported opportunities for local and Indigenous businesses to benefit from infrastructure investment in their region.

Goal 2: Deliver value to clients and engage stakeholders

Objective 2.1: Promote strong market participation

Key results

- Infrastructure BC consistently engaged with market participants, holding over 20 market consultations throughout 2022/23. These consultations involved all sectors (transportation, healthcare, and vertical infrastructure).
- During 2022/23, Infrastructure BC participated in 25 industry and market presentations. Keynote topics included Collaborative Contracts, Procurement Models and Risks, Alliance Contract Model, Single Target Outturn Cost (ToC) Alliance, and Strategic Responses to Current Conditions.
- In response to inadequate market capacity, Infrastructure BC introduced Single ToC Alliance and Target Price Contract procurement models to spur competition within the market.

Summary of progress made in 2022/23

In the spring and fall of 2022, Infrastructure BC published the BC Major Infrastructure Projects Brochure on behalf of the Province of B.C. The brochure grew to include projects owned by capital ministries as well as Vancouver Fraser Port Authority, Capital Regional District, Metro Vancouver, TransLink, and BC Hydro. The Major Projects Brochure has grown to feature over 90 projects, \$50 million and above.

Infrastructure BC participated in four province-wide virtual webinars featuring procurement model updates, BC Major Infrastructure Projects Brochure release, and market conditions. These information sessions were open to members of all British Columbia Construction Associations (Vancouver Regional Construction Association, Vancouver Island Construction Association, Southern Interior Construction Association, and Northern Regional Construction

Association). Over 400 provincial construction association members registered to participate in the combined sessions.

Performance measure and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
2.1 Competitive procurements with at least four qualified respondents at RFQ stage ¹	At least four qualified respondents were identified at RFQ stage for three of four procurements	At least four qualified respondents at RFQ stage	At least four qualified respondents were identified at RFQ stage for one of five procurements

Data source: Infrastructure BC internal tracking

¹This performance measure was revised in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

At least four qualified respondents were identified at the RFQ stage on 1 of 5 procurements. Many factors affect the ability to successfully achieve procurement competition targets, including the time at which clients take a project to market, external economic environment, market capacity, and stakeholder engagement.

Despite significant efforts to engage potential bidders, two responses were received at the RFQ stage for the New Surrey Hospital and BC Cancer Centre project. The Surrey Langley SkyTrain Project, divided into three contracts to promote competition, saw the first two contracts (Guideway and Stations) receive two responses. There are a limited number of contractors with the experience to successfully undertake major capital projects in the healthcare sector. There also continue to be many competing projects in the private sector with more attractive risk profiles and margins.

Objective 2.2: Maintain client satisfaction

Key results

- Infrastructure BC organized two virtual Business-to-Business Networking sessions during 2022/23 to support interest in clients' projects. These sessions collectively saw over 150 contractors from areas throughout the province register to learn more and potentially participate in projects.

Summary of progress made in 2022/23

The most recent biennial client satisfaction survey was conducted in Q4 2021/22 to measure client satisfaction with Infrastructure BC’s services. Survey results directly informed client engagement for the coming year.

Performance measure and related discussion

Performance Measure	2019/20 Baseline	2021/22 Actual	2022/23 Target	2022/23 Actual
2.2 Client satisfaction of 80% or above. ^{1,2}	Achieved (80%)	Achieved (85%)	N/A	N/A

Data source: Biennial Client and Stakeholder Satisfaction Survey

¹This performance measure was revised in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

² The next survey will be held in Q4 of 2023/24 and biennially thereafter.

A cross-section of current clients from all sectors is invited to participate in biennial client surveys so that Infrastructure BC can measure its clients’ satisfaction with its services.

The 2021/22 survey results, the most recent given the biennial survey schedule, indicated that 85 percent of clients were satisfied with Infrastructure BC's services. They identified Infrastructure BC staff's expertise, knowledge, experience, and consultation/communications styles as key factors contributing to their satisfaction.

Objective 2.3: Maintain stakeholder satisfaction

Key results

- During 2022/23, Infrastructure BC management and staff participated as keynote speakers in nine stakeholder-held events.

Summary of progress made in 2022/23

Stakeholder engagement is an ongoing priority. Infrastructure BC's management team and staff participate in regular stakeholder group roundtable discussions, updates, and presentations in addition to undertaking work for clients.

The most recent biennial client satisfaction survey was conducted in Q4 2021/22 to measure stakeholder satisfaction with its services. Survey results directly informed stakeholder engagement for fiscal 2022/23.

Performance measure and related discussion

Performance Measure	2019/20 Baseline	2021/22 Actual	2022/23 Target	2022/23 Actual
2.3 Stakeholder satisfaction of 80% or above. ^{1,2}	Achieved (80%)	Achieved (85%)	N/A	N/A

Data source: Client and Stakeholder Satisfaction Survey

¹This performance measure was revised in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

² The next survey will be held in Q4 of 2023/24 and biennially thereafter.

Stakeholder surveys are conducted biennially to measure satisfaction with Infrastructure BC's services. Infrastructure BC stakeholders include construction associations, engineering associations, construction industry participants, and other industry-related agencies.

A cross-section of current stakeholders from all sectors were invited to participate in the 2021/22 survey. Infrastructure BC received an overall score of 85 percent, with qualitative results showing that Infrastructure BC is perceived positively by stakeholders.

Goal 3: Maintain a responsive and resilient organization

Objective 3.1: Remain financially self-sufficient

Key results

- Infrastructure BC actively assessed revenue-generating opportunities by developing and applying Infrastructure BC's business development plan.
- Infrastructure BC created an effective project work/revenue flow with appropriate accountability, resourcing, and effective delegation across the Organization.

Summary of progress made in 2022/23

Infrastructure BC diversified revenue sources throughout the three main sectors: Transportation and Utilities, Health Care, and Vertical Infrastructure. During 2022/23, Infrastructure BC expanded its support to Government managing design and construction contracts for complex infrastructure projects and other government priorities.

Performance measures and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
3.1a Self Sufficiency ^{1,3}	IBC had an operating surplus of \$0.14M and therefore, did not achieve budgeted operating surplus of \$0.42M.	Expect to Achieve Operating Surplus of \$0.61M	Achieved Operating Surplus of \$0.94M
3.1b Revenues from design and construction services (by 2023/24) ²	N/A	N/A	N/A

Data source: Infrastructure BC internal tracking

¹This performance measure was not carried forward in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

²This performance measure was revised in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

³The forecast and targets have been revised from the previous year as part of the budget process, which occurs on an annual basis with differing assumptions each year.

3.1a For the year ended March 31, 2023, Infrastructure BC achieved an operating surplus of \$0.94M compared to a budgeted operating surplus of \$0.61M due largely to an increase in interest income that was greater than budgeted.

3.1b Infrastructure BC is increasingly focusing on design and construction services. A target of 10 percent has been set and will be reported for 2023/24 to allow sufficient time to develop this line of business.

Objective 3.2: Provide a workplace that promotes employee engagement and satisfaction

Key results

- Infrastructure BC promoted strong teamwork and open communication among staff members.
- Infrastructure BC introduced flexible work arrangements that allowed staff to balance work and home life with the ability to work remotely up to eight days per month.
- With the implementation of the new human resource policies, Infrastructure BC continued to focus on one of its core values of putting people first.

Summary of progress made in 2022/23

During 2022/23, Infrastructure BC implemented several key human resources initiatives, including introducing a manager operating model, a balanced scorecard, and a coaching development program. New policies introduced during fiscal 2022/23 will ensure that orienting, integrating and supporting newer employees, while further developing and mentoring experienced employees, will be an integral part of Infrastructure BC's corporate culture. Infrastructure BC's balanced scorecard focuses on people and culture, financial, project/work management, and stakeholders/clients. In Q4 2022/23, all Infrastructure BC team members began an 18-month coaching development program that gave each staff member the tools to build a customer-centric organization and a service culture built on accountability.

Performance measure and related discussion

Performance Measure	2019/20 Baseline	2021/22 Actual	2022/23 Target	2022/23 Actual
3.2 Employee satisfaction survey, achieve 80% or higher rating ^{1,2}	Achieved (80%)	71%	N/A	N/A

Data source: Infrastructure BC Employee Engagement Survey

¹This performance measure was revised in the latest service plan. For more details on forward-looking planning information, including the performance measure and current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

² The next survey will be held in Q4 of 2023/24 and biennially thereafter.

Infrastructure BC conducted a biennial employee survey during Q4 of 2021/22, the most recent within the Organization's survey schedule. Infrastructure BC developed an action plan to address issues raised from the survey results.

Financial Report

For the auditor's report and audited financial statements, see [Appendix B](#). These documents can also be found on the Infrastructure BC website.

Discussion of Results

This Discussion of Results of Infrastructure BC Inc. (Infrastructure BC or the 'Organization'), is intended to be read in conjunction with the audited financial statements and accompanying notes. The results reported are prepared in accordance with Canadian Public Sector Accounting Standards using guidelines developed by the Public Sector Accounting (PSA) Board of the Chartered Professional Accountants of Canada.

This Discussion of Results presents an analysis of Infrastructure BC's 2022/23 financial performance in comparison to the previous fiscal year and 2022/23 budget. Some totals may not be precise due to rounding.

Overview of 2022/23

The completion of another fiscal year brings an end to the continued turbulence directly related to the COVID-19 pandemic. However, there were new challenges brought on by the pandemic as organizations, including Infrastructure BC, were faced with a combination of high inflation, rising interest rates, continuing supply chain issues, slowing economic growth and the probability of a recession. These challenges will continue to dominate the landscape as we transition into fiscal 2023/24. Amidst these challenges, Infrastructure BC still found new ways to help its clients deliver on their capital mandates.

Some of the highlights from fiscal 2022/23:

1. Completed the first Progressive Design Build procurement in British Columbia;
2. Completed the first Alliance procurement of a vertical infrastructure project in British Columbia;
3. Recruited, hired, orientated, and integrated eight (8) new employees, representing approximately 23% of the staffing complement, across the organization;
4. Expanded the Organization's management team;
5. Established the Organization's design and construction services line of business;
6. Engaged and contracted with several first-time clients;
7. Developed and implemented several new human resource policies to better support and develop staff; and
8. Commenced the implementation of a new financial accounting and project management software application with the goal of improving efficiency and reducing the number of manual processes.

During the year, the Organization continued to maintain a very strong safety protocol to ensure the physical and mental wellness and safety of employees working in the office. With the implementation of the new human resource policies, the Organization continued to focus on one of its core values of being people first. The new policies will ensure that orienting,

integrating, and supporting newer employees while further developing and mentoring experienced employees would be an integral part of Infrastructure BC's corporate culture. While this pandemic will never truly be behind us, the vaccination of all employees has allowed the Organization to partially re-establish its pre-pandemic corporate culture of having impromptu hallway discussions, face-to-face meetings and all staff education events to expand our continuous improvement initiative.

Financial Summary

(\$m)	2021/22 Actual	2022/23 Budget	2022/23 Actual	2022/23 Variance
Revenues				
Consulting fees	8.02	10.30	9.19	(1.11)
Investment Income	0.18	0.16	0.68	0.52
Project Recoveries	2.08	1.89	2.60	0.71
Total Revenue	10.28	12.35	12.47	0.12
Expenses				
Human Resource Costs	6.45	7.77	7.18	0.59
Administration	0.98	1.17	1.25	(0.08)
Professional Services	0.45	0.75	0.34	0.41
Amortization	0.18	0.16	0.16	0.00
Project Recoverable Expenses	2.08	1.89	2.60	(0.71)
Total Expenses	10.14	11.74	11.53	0.21
Net Income	0.14	0.61	0.94	0.33
Total Liabilities	1.18	1.01	1.25	(0.24)
Capital Expenditures	0.01	0.05	0.10	(0.05)
Accumulated Surplus	19.43	20.04	20.37	0.33

¹ The above financial information was prepared based on current Generally Accepted Accounting Principles.

Comparison of 2022/23 and 2021/22 Financial Performances

Infrastructure BC generated consulting fees of \$9,189,731 in fiscal 2022/23 compared to \$8,016,024 in 2021/22, resulting in an increase of \$1,173,707 or 14.6%. The increase in consulting fees was largely due to the number of projects in procurement that had to be procured utilizing new procurement models brought on by the lack of market capacity to deliver all the public sector infrastructure projects. These new procurement models (Modified Design Build, Progressive Design Build and Alliance) required additional time to reach a final project agreement to ensure that there was value for money for the project owners and Province.

The Organization reached final project agreements on the following projects in fiscal 2022/23:

- B.C. Highway Reinstatement Emergency Program;
- Cariboo Memorial Hospital;
- Cowichan District Hospital;
- Royal BC Museum Collections and Research Building;
- Steveston Interchange; and
- Stuart Lake Hospital.

Concurrently, there were several other projects in procurement and pre-procurement in fiscal 2022/23:

- Dawson Creek District Hospital;
- Fraser River Tunnel Replacement;
- George Pringle Secondary School;
- Jumping Creek and MacDonald;
- New Surrey Hospital and BC Cancer Centre;
- Surrey Langley SkyTrain – Guideways;
- Surrey Langley SkyTrain – Stations; and
- Surrey Langley SkyTrain – Systems and Trackwork

In 2022/23, the majority of Infrastructure BC's consulting fees were generated from the following projects:

Project	Delivery Model	Business Case	Procurement
B.C. Highway Reinstatement Emergency Program	Alliance	No business case was developed for this project ¹	In procurement
Cariboo Memorial Hospital	Progressive DB	A final project agreement was reached in fiscal 2022/23	
Cowichan District Hospital Replacement	Alliance	A final project agreement was reached in fiscal 2022/23	
Dawson Creek District Hospital	Progressive DB	Business case was completed in 2020/21	In procurement
George Pringle Secondary School	DB	No business case was developed by Infrastructure BC for this project ²	In procurement
New Surrey Hospital and BC Cancer Centre	DB	Business case was completed in fiscal 2021/22	In procurement
Royal BC Museum Collections and Research Building	DB	A final project agreement was reached in fiscal 2022/23	
Steveston Interchange	DB	A final project agreement was reached in fiscal 2022/23	
Surrey Langley Skytrain - Guideways	DBF	Business case was completed in fiscal 2021/22	In procurement
Surrey Langley SkyTrain - Stations	DB	Business case was completed in fiscal 2021/22	In procurement
Surrey Langley SkyTrain - Systems and Trackwork	Target Price	Business case was completed in fiscal 2021/22	In procurement
Stuart Lake Hospital Redevelopment	Progressive DB	A final project agreement was reached in fiscal 2022/23	

¹ Due to the immediate and unplanned response required due to extreme weather events during November 2021, Infrastructure BC assisted the Province with directly issuing two BC Highway Reinstatement Program RFQs.

² Ministry of Education projects (high and elementary school) require project definition reports as opposed to business plans. One was completed for George Pringle Secondary School, but Infrastructure BC was not involved.

During the year, Infrastructure BC also supported the development and or completion of business cases for the following projects:

- 264th Street to Whatcom Road;
- Belleville Terminal;
- Burnaby Hospital Redevelopment Phase 2;

- Long-term care facilities for various health authorities;
- TransLink Operations and Maintenance Center 5;
- Plant and Animal Health Centre;
- Taylor Bridge;
- University Hospital Northern BC; and
- Urban Indigenous Youth and Education Centre.

During the year, Infrastructure BC also provided advisory services during design and construction on the following projects:

- Mills Memorial Hospital;
- Royal Columbian Hospital Redevelopment Phase 2 and 3;
- Stuart Lake Hospital Redevelopment; and
- Yukon Hospital Corporation.

Variance and Trend Analysis

The table below provides details of the Organization's actual and budgeted revenues for 2022/23.

	2023 Actual	2023 Budget	Change	%
Consulting fees	\$ 9,189,731	\$ 10,295,320	\$ (1,105,589)	(10.7%)
Interest income	675,163	168,000	507,163	301.9%
	\$ 9,864,894	\$ 10,463,320	\$ (598,426)	(5.7%)

For the year ended March 31, 2023, total revenues consisting of consulting fees and interest income were 5.7 percent below budget.

Infrastructure BC's budget was developed based on assumptions such as the number of projects in the procurement, business case, implementation, and advisory phases, and the number of staff required to deliver on those projects. Based on the assumed number of projects and resources required to successfully deliver on those projects, Infrastructure BC budgeted for 43 Full Time Equivalent (FTE) staff in 2022/23. However, during the year, the Organization had an average of 39 FTEs to meet all the projects in procurement, business case and implementation.

The difference between actual and budgeted consulting fees was also attributable to the Organization's decision to support the Province of B.C. on several value-added initiatives, such as participation on project boards, attendance at capital project meetings, and policy development on a no fee basis. In addition, when the Organization developed and implemented the new human resource policies, it required senior and experienced staff to support the development, orientation, and integration of new employees.

Interest income increased significantly in fiscal 2022/23 due to higher interest rates. The Organization continued to place its excess cash with the Ministry of Finance Central Deposit Program (the 'Program'). The Program pays an interest rate equal to the prime lending rate of the principal banker to the Province of B.C. less 1.5%. Going forward, interest rates are expected to remain steady at least through the first two quarters of fiscal 2023/24 but are expected to ease in the second half of fiscal 2023/24.

Expenses

The table below provides details of the Organization's operating expenses for 2022/23 and 2021/22.

	2023	2022	Change	%
Human resources	\$ 7,179,090	\$ 6,453,671	\$ 725,419	11.2%
Administration	274,653	181,360	93,293	51.4%
Building occupancy	530,677	506,050	24,627	4.9%
Information systems	297,073	264,614	31,459	11.8%
Professional fees and administration	344,331	453,497	(109,166)	(24.1%)
Travel	138,410	15,097	123,313	816.8%
Amortization	164,601	175,646	(11,045)	(6.3%)
Total General and Administration Expenses	1,749,745	1,597,264	152,481	9.5%
Total Operating Expenses	\$ 8,928,835	\$ 8,050,935	\$ 877,900	10.9%
% of expenses to revenues	90.5%	98.2%		
% of general and administrative expenses to revenues	17.7%	19.5%		

For the year ended March 31, 2023, there was an increase in operating expenses of \$877,900 or 10.9 percent compared to last year. The overall increase was primarily attributable to the increase in professional staff to support current projects and the partial resumption of pre-pandemic operations.

The increase in administration expenses was largely attributable to staff returning to in-office work as part of the flexible work arrangement. This policy was introduced for all staff to reconnect and orient and integrate new staff into the organization. In addition, administration expenses have always been a function of the number of staff and given the increase in staffing complement from 36 FTEs and 44 FTEs at year-end, the Organization expected to see an increase in administration expenses. In comparison to fiscal 2021-22, there was also a resumption of pre-pandemic operations where there was a return to in-person corporate, governance, and project meetings. While there continues to be virtual meetings, the intangible benefits and values associated with certain in-person meetings and collaborations cannot be understated. Lastly, the increase in inflation also impacted the Organization's cost structure as there were increases in all administrative cost categories.

As reported last year, the Organization engaged a consulting firm to conduct a review of the Organization's current finance and accounting platform. The review concluded that the Organization's current system is ineffective and insufficient to meet the growing demands of the organization and did not provide the real time data required to support project

management. As a result, the Organization executed on the recommendation to implement a Professional Services Automation (PSA) solution by Deltek VantagePoint ("Deltek"), to replace its aging finance and accounting platform. The increase in information technology was largely due to the implementation of the Organization's PSA solution and amortization of the Deltek's licenses. The expected go live date for this implementation will be Q2 or Q3 of fiscal 2023/24.

The decrease in professional fees expenses was attributable to certain one-time initiatives in fiscal 2021/22. The Organization conducted its biennial employee satisfaction survey, and client and stakeholder engagement survey in fiscal 2021/22.

There was an increase in travel expenses as the Organization resumed its pre-pandemic operations that resulted in more in-person meetings. This arrangement is expected to continue into fiscal 2023/24 and beyond.

Overall, for the year ended March 31, 2023, total expenses as a percentage of revenues were 90.5 percent compared to 98.2 percent for the year ended March 31, 2022. The decrease was largely attributable to the increase in gross revenues during the year compared to fiscal 2021/22.

Total general and administrative expenses, as a percentage of revenues, were 17.7 percent compared to 19.5 percent year ended March 31, 2022. Again, this was attributable to the increase in gross revenues during the year compared to fiscal 2021/22.

Comparison to Budget

The table below provides details of the Organization's actual and budgeted expenses for 2022/23.

	2023 Actual	2023 Budget	Change	%
Human resources	\$ 7,179,090	\$ 7,769,770	\$ (590,680)	(7.6%)
Administration	274,653	243,400	31,253	12.8%
Building occupancy	530,677	525,052	5,625	1.1%
Information systems	297,073	275,500	21,573	7.8%
Professional fees and administration	344,331	751,000	(406,669)	(54.2%)
Travel	138,410	125,000	13,410	10.7%
Amortization	164,601	159,977	4,624	2.9%
Total General and Administration Expenses	1,749,745	2,079,929	(330,184)	(15.9%)
Total Operating Expenses	\$ 8,928,835	\$ 9,849,699	\$ (920,864)	(9.3%)
% of expenses to revenues	90.5%	94.1%		
% of general and administrative expenses to revenues	17.7%	19.9%		

The development of the fiscal 2022/23 budget was based on the assumption that the Organization and its employees would be able to return to pre-pandemic operations. The resumption of pre-pandemic operations provided the Organization with the opportunity for all staff to reconnect and orientate and integrate new employees into the organization. It also allowed the resumption of in-person corporate, governance, and project meetings.

For the year ended March 31, 2023, human resources expenses were \$7,179,090 compared to budget of \$7,769,770, resulting in a positive variance of \$590,680 or 7.6 percent. The Organization had budgeted for 43 FTEs but averaged 39 FTEs during the year. The variance was due to the timing of hiring of new employees to support current and new projects. As at March 31, 2023, the Organization had 44 FTEs and the number of FTEs is expected to increase in Q1 of fiscal 2023/24 as the Organization continues to meet the increasing clients' demands in procurement, business case, advisory and implementation.

For the year ended March 31, 2023, total general and administrative expenses were \$1,749,745 compared to budget of \$2,079,929, resulting in a positive variance of \$330,184 or 15.9 percent. This was largely attributable to the professional fees being underbudget by \$406,669.

Professional fees were underbudget by \$406,669 because the Organization had contemplated the engagement of an advisory firm to support the review of lessons learned from an operating project. This initiative did not materialize as the Organization's resources were solely focused on the successful delivery of active infrastructure projects.

Total expenses for the year ended March 31, 2023, as a percentage of revenues were 90.5 percent which was below budget of 94.1 percent. General and administrative expenses for the year ended March 31, 2023, as a percentage of revenues, were 17.7 percent which was also below budget of 19.9 percent.

Statement of Financial Position

The table below presents a comparison of selected financial position items of the current fiscal year with those of the previous fiscal year.

	2023	2022	Change	%
Financial Assets				
Cash	\$ 18,573,005	\$ 17,420,010	\$ 1,152,995	6.6%
Accounts receivable	2,713,996	2,842,515	(128,519)	(4.5%)
Total Financial Assets	21,287,001	20,262,525	1,024,476	5.1%
Liabilities				
Accounts payable and accrued liabilities	1,146,608	1,088,326	58,282	5.4%
Deferred revenues	50,320	-	50,320	-
Deferred lease inducement	51,900	94,406	(42,506)	(45.0%)
Total Liabilities	1,248,828	1,182,732	66,096	5.6%
Net Financial Assets	\$ 20,038,173	\$ 19,079,793	\$ 958,380	5.0%
Non-Financial Assets	\$ 328,847	\$ 351,168	\$ (22,321)	(6.4%)
Accumulated Surplus	\$ 20,367,020	\$ 19,430,961	\$ 936,059	4.8%

Explanation of significant changes in the Statement of Financial Position are provided below.

Cash increased by \$1,152,995 from \$17,420,010 as at March 31, 2022 to \$18,573,005. The increase in cash was due to changes in working capital together with the current year's operating surplus.

Accounts receivable, which consists of consulting fees, project recoverable expenses and accruals at year-end, decreased by \$128,519 from \$2,842,515 as at March 31, 2022 to \$2,713,996 as at March 31, 2023. Current accounts receivable represented approximately 86 percent of the balance at year-end. All the accounts receivable are receivables from the Province of B.C. and related agencies. As a result, the Organization did not provide for any doubtful accounts for the years ended March 31, 2023, and 2022.

Non-financial assets consisting of prepaid expenses and tangible capital assets decreased by \$22,321. This was primarily due to amortization of capital asset, net of capital asset additions during the year.

Liabilities and accumulated surplus

Accounts payable and accrued liabilities increased by \$66,096 from \$1,182,732 as at March 31, 2022 to \$1,248,828 as at March 31, 2023. The increase was largely due to the accounting for deferred revenues from a client who prepaid for Infrastructure BC's services to complete the project in Q1 of fiscal 2023/24.

The deferred lease inducement of \$51,900 consists of the unamortized reimbursement of leasehold improvement costs from the lessor. The total inducement of \$251,496 was deferred and recognized as a reduction of building occupancy expense on a straight-line basis over the term of the lease.

The increase in accumulated surplus was attributable to an annual operating surplus of \$936,059.

Statement of Cash Flows

Liquidity and capital resources

The table below presents a comparison of the Organization's working capital position for the current fiscal year with that of the previous fiscal year.

	2023	2022	Change
Cash, beginning of year	\$ 17,420,010	\$ 18,246,121	\$ (826,111)
Cash provided by (used by):			
Operating transactions	1,251,741	(811,466)	2,063,207
Capital transactions	(98,746)	(14,645)	(84,101)
Cash, end of year	\$ 18,573,005	\$ 17,420,010	\$ 1,152,995

As at March 31, 2023, the Organization's principal sources of liquidity included cash of \$18,573,005 and accounts receivable of \$2,713,996. The Organization has \$1,146,608 in accounts payable and accrued liabilities due next year. As a result, the Organization's net working capital improved by \$1,152,995 to \$18,573,005 as at March 31, 2023.

Risks and Uncertainties

The risks and uncertainties facing Infrastructure BC going forward are macroeconomic factors, including inflation, interest rates, and the corresponding fiscal policies required to help ease inflation, potential recession, the impact of output on supply chain challenges, and gross domestic product. In addition, Infrastructure BC continues to experience resource challenges while supporting the integration and development of new and current employees. These risks

and uncertainties are reviewed with the Infrastructure BC Audit and Risk Management Committee, together with a discussion of the mitigation factors.

Appendix A: Progress on Mandate Letter Priorities

The following is a summary of progress made on priorities as stated in the 2021/22 Mandate Letter from the Minister Responsible.

2021/22 Mandate Letter Priority	Status as of March 31, 2023
<p>Continue to provide strategic advice to the Province and support to the public sector clients for Government priorities as they relate to capital projects including, but not limited to, use of mass timber, Community Benefits Agreements, inclusion of childcare spaces and assisting the Province in meeting CleanBC targets.</p>	<ul style="list-style-type: none"> • Infrastructure BC continues to provide strategic advice regarding child care design standards, mass timber assessment tool, mass timber in procurements such as CRB, CleanBC targets in all vertical procurements, procuring projects with Community Benefit Agreements (CBA) (example: Surrey Langley SkyTrain Project), as well as assisting in the management of projects with CBAs (example: Cowichan District Hospital Replacement). • Ongoing
<p>Continue to work with the Ministry of Finance to implement the recommendations of the Infrastructure BC mandate review, including but not limited to, publishing an inventory of Provincial capital projects over \$50 million in the advanced planning and procurement stages every six months to increase market interest.</p>	<ul style="list-style-type: none"> • BC Major Infrastructure Projects Brochure published each spring and fall
<p>Continue to enhance the understanding of project owners in the Provincial government and other stakeholders of best practices in capital planning, procurement and contract management to improve communication and better understand project outcomes and stakeholders' needs.</p>	<ul style="list-style-type: none"> • Infrastructure BC provided eight education and information sessions to public sector private owners during fiscal 2022/23. • Ongoing

Appendix B: Auditor's Report and Audited Financial Statements

Statement of Management Responsibility

The financial statements of Infrastructure BC Inc. for the year ended March 31, 2023, have been prepared by management in accordance with Canadian Public Sector Accounting Standards. These financial statements present fairly the financial position of Infrastructure BC Inc. as at March 31, 2023.

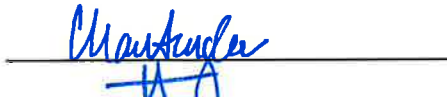
Management is responsible for the preparation of the financial statements and has established a system for internal controls to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records provide reliable information for the preparation of the financial statements.

The Board of Directors carries out its responsibility for the review of financial statements. The Board meets with management and the external auditor to discuss the results of audit examinations and financial reporting matters. The external auditor has full access to the Board.

BDO Canada LLP has performed an independent audit of the financial statements of Infrastructure BC Inc. The Independent Auditor's Report outlines the scope of their examination and expresses an opinion on statements of Infrastructure BC Inc.



Mark Liedemann
President and Chief Executive Officer
Infrastructure BC Inc.



Chan-Seng Lee, CPA, CA
Vice President, Finance and Administration
Infrastructure BC Inc.



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Independent Auditor's Report

To the Board of Directors and Shareholder of Infrastructure BC Inc.

Opinion

We have audited the financial statements of Infrastructure BC Inc. (the "Organization") which comprise the Statement of Financial Position as of March 31, 2023 and the Statements of Operations, Changes in Net Financial Assets, and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the Organization's financial statements present fairly, in all material respects, the financial position of the Organization as of March 31, 2023 and its results of operations, changes in net financial assets, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally-accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally-accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally-accepted auditing standards we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. But not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 5, 2023

Infrastructure BC Inc.
Statement of Financial Position
As at March 31, 2023 and 2022

	March 31, 2023	March 31, 2022
Financial assets		
Cash and cash equivalents	\$ 18,573,005	\$ 17,420,010
Accounts receivable (Note 3)	2,713,996	2,842,515
Total Financial Assets	<u>21,287,001</u>	<u>20,262,525</u>
Liabilities		
Accounts payable & accrued liabilities (Note 4)	1,146,608	1,088,326
Deferred revenue	50,320	-
Deferred lease inducement	51,900	94,406
Total Liabilities	<u>1,248,828</u>	<u>1,182,732</u>
Net financial assets	<u>20,038,173</u>	<u>19,079,793</u>
Non-financial assets		
Prepaid expenses	109,202	65,668
Tangible capital assets (Note 6)	219,645	285,500
Total Non-financial Assets	<u>328,847</u>	<u>351,168</u>
Accumulated surplus	<u>\$ 20,367,020</u>	<u>\$ 19,430,961</u>
Accumulated surplus is comprised of:		
Accumulated surplus	\$ 20,367,018	\$ 19,430,959
Share capital (Note 7)	2	2
	<u>\$ 20,367,020</u>	<u>\$ 19,430,961</u>

The accompanying notes are an integral part of these financial statements.

APPROVED ON BEHALF OF THE BOARD


D. Hayden, Chair


S. Dujmovic, Director

Infrastructure BC Inc.
Statement of Operations
For the Years Ended March 31, 2023 and 2022

	Budget	March 31,	March 31,
	(Note 11)	2023	2022
Revenue			
Consulting fees	\$ 10,295,320	\$ 9,189,731	\$ 8,016,024
Interest income	168,000	675,163	179,625
Total Revenues	10,463,320	9,864,894	8,195,649
Expenses			
Administration	243,400	274,653	181,360
Amortization of tangible capital assets	159,977	164,601	175,646
Building occupancy	525,052	530,677	506,050
Human resources	7,769,770	7,179,090	6,453,671
Information systems	275,500	297,073	265,614
Professional services	751,000	344,331	453,497
Travel	125,000	138,410	15,097
Total Expenses	9,849,699	8,928,835	8,050,935
Reimbursable costs			
Project recoveries	1,890,000	2,601,310	2,078,526
Less: Project expenses	(1,890,000)	(2,601,310)	(2,078,526)
Net reimbursable costs	-	-	-
Annual surplus	613,621	936,059	144,714
Accumulated surplus, beginning of year	19,430,959	19,430,959	19,286,245
Accumulated surplus, end of year	\$ 20,044,580	\$ 20,367,018	\$ 19,430,959

The accompanying notes are an integral part of these financial statements.

Infrastructure BC Inc.
Statement of Changes in Net Financial Assets
For the Years Ended March 31, 2023 and 2022

	Budget	March 31,	March 31,
	(Note 11)	2023	2022
Annual surplus	\$ 613,621	\$ 936,059	\$ 144,714
Acquisition of tangible capital assets	(52,000)	(98,746)	(14,645)
Amortization of tangible capital assets	159,977	164,601	175,646
	<u>107,977</u>	<u>65,855</u>	<u>161,001</u>
Additions to prepaid expenses	-	(167,309)	(80,152)
Use of prepaid expenses	-	123,775	89,367
	<u>-</u>	<u>(43,534)</u>	<u>9,215</u>
Increase in net financial assets for the year	721,598	958,380	314,930
Net financial assets, beginning of year	19,079,793	19,079,793	18,764,863
Net financial assets, end of year	\$ 19,801,391	\$20,038,173	\$ 19,079,793

The accompanying notes are an integral part of these financial statements.

Infrastructure BC Inc.
Statement of Cash Flows
For the Years Ended March 31, 2023 and 2022

	March 31, 2023	March 31, 2022
Operating transactions		
Annual surplus	\$ 936,059	\$ 144,714
Non-cash item included in surplus:		
Amortization of tangible capital assets	164,601	175,646
Amortization of deferred lease inducement	(42,506)	(29,571)
	<u>1,058,154</u>	<u>290,789</u>
Changes in non-cash operating balances		
Accounts receivable	128,519	(1,028,249)
Prepaid expenses	(43,534)	9,215
Deferred revenue	50,320	-
Accounts payable and accrued liabilities	58,282	(83,221)
	<u>193,587</u>	<u>(1,102,255)</u>
Cash provided by (used in) operations	<u>1,251,741</u>	<u>(811,466)</u>
Capital transactions		
Purchase of tangible capital assets	(98,746)	(14,645)
	<u>(98,746)</u>	<u>(14,645)</u>
Net increase (decrease) in cash for the year	1,152,995	(826,111)
Cash and cash equivalents, beginning of year	<u>17,420,010</u>	<u>18,246,121</u>
Cash and cash equivalents, end of year	<u>\$ 18,573,005</u>	<u>\$ 17,420,010</u>

The accompanying notes are an integral part of these financial statements.

Infrastructure BC Inc.
Notes to Financial Statements
For the Years Ended March 31, 2023 and 2022

1. Nature of Operations

Infrastructure BC Inc. (“Infrastructure BC” or the “Organization”) is a company owned by the Province of British Columbia (the “Province”) and is governed by a Board of Directors reporting to its sole Shareholder; the Minister of Finance. The Organization was incorporated under the British Columbia Business Corporations Act in May 2002 as Partnerships British Columbia Inc. and changed its corporate name to Infrastructure BC in August 2020. It has two issued shares, both of which are held by the Minister of Finance.

The Organization’s vision is to improve people’s lives and communities through infrastructure with a mandate to work with owners to deliver complex public infrastructure in an evolving world. Infrastructure BC provides a variety of consulting services to public sector agencies wishing to explore innovative options for building and managing public infrastructure such as highways, bridges, hospitals, public transit and accommodations facilities.

The Organization’s core business is to:

- Provide specialized services in the procurement of major public projects, ranging from advice to business cases, procurement management, and implementation.
- Provide advice on partnership project management, deal structure, risk management, procurement, and the selection and engagement of consultants.
- Foster a positive business and policy environment for successful projects and related activities by continually expanding British Columbia’s and other jurisdictions’ base of knowledge, understanding and expertise in these areas.
- Manage an efficient and leading edge organization that meets or exceeds performance expectations.

The Organization’s clients are public sector agencies, including ministries, Crown corporations, local and statutory authorities in British Columbia and other Provinces, and local governments. To serve these clients effectively, Infrastructure BC is also working to build strong relationships with private sector partners such as businesses operating in the infrastructure sector, and legal, financial and other advisors.

Infrastructure BC is exempt from income taxes under the *Income Tax Act*.

Infrastructure BC Inc.
Notes to Financial Statements
For the Years Ended March 31, 2023 and 2022

2. Summary of Significant Accounting Policies

a. Basis of accounting

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards ("PSAS") using guidelines developed by the Public Sector Accounting Board.

b. Cash and cash equivalents

Cash equivalents include deposits held in the Ministry of Finance's Central Deposit Program which are recorded at cost plus accrued interest. These deposits earn interest at the prime lending rate of the principal banker to the Province of BC minus 1.5%.

c. Employee future benefits

The employees of Infrastructure BC belong to the Public Service Pension Plan (the "Plan"), which is a multi-employer joint trustee plan. This Plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service, and highest earnings averaged over five years. Inflation adjustments and the provision of post-retirement health benefits are contingent upon available funding.

The joint Board of Trustees of the Plan determines the required Plan contributions every three years.

The contributions made by Infrastructure BC to the Plan are recorded as an expense for the year.

d. Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition.

The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Infrastructure BC Inc.
Notes to Financial Statements
For the Years Ended March 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

d. Tangible capital assets (continued)

- Computer software 2 years
- Computer hardware 3 years
- Furniture and equipment 5 years
- Leasehold improvements Lease term

Tangible capital assets are written down when conditions indicate that they no longer contribute to Infrastructure BC's ability to provide services.

e. Prepaid expenses

Prepaid expenses, which are primarily comprised of annual insurance premiums, deposits and future travel costs, are recognized as expenses over the periods in which the goods are consumed or the services are received.

f. Deferred lease inducement

Deferred lease inducement consists of reimbursement of leasehold improvement costs from the lessor. This inducement is deferred and recognized as a reduction to building occupancy expense on a straight-line basis over the term of the lease.

g. Revenue recognition

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues. Revenues are recognized as the consulting services are provided and collection is reasonably assured. Project recoveries are recognized when services are performed or when costs are incurred and collection is reasonably assured.

Payments received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or the service performed.

Infrastructure BC Inc.
Notes to Financial Statements
For the Years Ended March 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

h. Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

Reimbursable project expenses are expensed when services are performed or when costs are incurred.

i. Measurement uncertainty

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of tangible capital assets, estimated employee benefits, collection of accounts receivable and the impairment of tangible capital assets.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

j. Related party transactions

A related party disclosure is presented when the following criteria are met:

- A related party exists,
- A transaction occurs between related parties,
- The transaction occurred at a value different from that which would have been arrived at if the parties were unrelated, and
- The transaction has a material financial effect.

Infrastructure BC is related through common ownership to the Province of British Columbia's government ministries, agencies, and Crown corporations (the "Provincial Government"), and these organizations represent the majority of Infrastructure BC's clients. All transactions with Provincial Government entities take place on regular commercial terms.

Infrastructure BC Inc.
Notes to Financial Statements
For the Years Ended March 31, 2023 and 2022

3. Accounts Receivable

	March 31, 2023	March 31, 2022
Revenues receivable	\$ 2,702,658	\$ 2,840,798
Accrued interest	11,338	1,717
	\$ 2,713,996	\$ 2,842,515

There was no provision for doubtful accounts required as at March 31, 2023 and 2022.

The revenues receivable are primarily due from the Provincial Government and entities controlled by the Provincial Government.

4. Accounts Payable and Accrued Liabilities

	March 31, 2023	March 31, 2022
Accounts payables and accrued liabilities	\$ 746,558	\$ 704,638
Salaries and benefits	150,960	162,465
Accrued vacation	249,090	221,223
	\$ 1,146,608	\$ 1,088,326

Infrastructure BC Inc.
Notes to Financial Statements
For the Years Ended March 31, 2023 and 2022

5. Employee Future Benefits

Infrastructure BC and its employees contribute to the Plan in accordance with the Public Sector Pension Plan Act. BC Pension Corporation administers the Plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer, defined benefit plan. As such, no pension liability for this type of plan is included in the financial statements.

The Plan provides defined pension benefits to employees based on their length of service and salary. The maximum contribution rate for eligible employees was 8.35% (2022: 8.35%). During the year ended March 31, 2023, Infrastructure BC contributed \$564,849 (2022: \$509,927) to the Plan. These contributions are the Organization's pension expense which is included under human resources expense.

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The latest valuation as at March 31, 2020 showed that the Plan had a surplus of \$2.7 billion and is 109.6 percent funded as it had assets of \$30.5 billion and liabilities of \$27.8 billion. The next valuation will be as at March 31, 2023 with results available by the end of 2023.

Infrastructure BC Inc.
Notes to Financial Statements
For the Years Ended March 31, 2023 and 2022

6. Tangible Capital Assets

	Computer software	Computer hardware	Furniture and equipment	Leasehold improvements	2023 Total
Cost					
Opening Balance	\$ 87,177	\$ 629,074	\$ 291,728	\$ 893,434	\$ 1,901,413
Additions	-	72,239	26,507	-	98,746
Closing Balance	87,177	701,313	318,235	893,434	2,000,159
Accumulated Amortization					
Opening Balance	87,177	563,030	223,227	742,479	1,615,913
Amortization	-	49,657	30,632	84,312	164,601
Closing Balance	87,177	612,687	253,859	826,791	1,780,514
Net book value	\$ -	\$ 88,626	\$ 64,376	\$ 66,643	\$ 219,645

	Computer software	Computer hardware	Furniture and equipment	Leasehold improvements	2022 Total
Cost					
Opening Balance	\$ 87,177	\$ 629,074	\$ 277,083	\$ 893,434	\$ 1,886,768
Additions	-	-	14,645	-	14,645
Closing Balance	87,177	629,074	291,728	893,434	1,901,413
Accumulated Amortization					
Opening Balance	87,177	499,737	195,186	658,167	1,440,267
Amortization	-	63,293	28,041	84,312	175,646
Closing Balance	87,177	563,030	223,227	742,479	1,615,913
Net book value	\$ -	\$ 66,044	\$ 68,501	\$ 150,955	\$ 285,500

7. Share Capital

The authorized share capital is 5,000,000 common shares at no par value. There are two issued shares that are held by the Minister of Finance.

Infrastructure BC Inc.
Notes to Financial Statements
For the Years Ended March 31, 2023 and 2022

8. Expenses by Object

The entity is a sole purpose organization and therefore does not report by function and does not provide segmented information.

9. Contractual Obligations

The Organization is committed to payments under operating leases for premises through 2026/27 as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 551,359
2025	234,176
2026	243,405
2027	104,774
	<u>\$ 1,133,714</u>

The Organization's Vancouver and Victoria office leases are scheduled to expire on February 28, 2024 and August 31, 2023, respectively. Subsequent to year-end, the Victoria office lease has been renewed for an additional 3-year term.

10. Risk Management

a. Fair value of financial instruments

The fair value of a financial instrument is the estimated amount that the Organization would receive or pay to settle a financial asset or financial liability as at the reporting date.

The fair values of accounts receivable, and accounts payable approximate their costs given their short-term maturities.

b. Financial management risk objectives and policies

In the normal course of business, the Organization is exposed to financial risks that have the potential to negatively impact its financial performance. These risks may include credit risk, liquidity risk, interest rate risk, and other price risk. The Organization's exposure to market and fair value risks has been minimized by keeping its investments in the Ministry of Finance's Central Deposit Program, which

Infrastructure BC Inc.
Notes to Financial Statements
For the Years Ended March 31, 2023 and 2022

10. Risk Management (continued)

b. Financial management risk objectives and policies (continued)

has an equivalent risk profile to deposits at commercial banks and does not fluctuate in value based on market factors. It therefore does not expose the Organization to any market or value risk. There have been no changes to the risks the Organization is exposed to from the prior year.

c. General objectives, policies and processes

The Audit and Risk Management Committee has overall responsibility for the determination of the Organization's risk management objectives and policies.

The Audit and Risk Management Committee has delegated the authority to ensure effective implementation of the objectives and policies of the Organization to the Chief Executive Officer (CEO) and Senior Management Team. The Audit and Risk Management Committee and Board of Directors receives quarterly reporting from the CEO and Senior Management to ensure all processes and policies put in place are effectively meeting the objectives of the Organization.

There have been no changes in the objectives, policies and processes for managing risk from the prior year.

d. Credit risk

Credit risk is the risk that the Organization's counterparties will fail to meet their financial obligations to the Organization, causing a financial loss.

Accounts receivable arise primarily as a result of consulting work to governments, ministries, agencies and Crown corporations, therefore, collection risk is low. The Organization does not consider its exposure to credit risk to be material.

Infrastructure BC Inc.
Notes to Financial Statements
For the Years Ended March 31, 2023 and 2022

10. Risk Management (continued)

e. **Liquidity risk**

Liquidity risk is the risk that the Organization may be unable to generate or obtain sufficient cash in a timely and cost-effective manner to meet its commitments as they come due.

The Organization has in place a planning, budgeting and forecasting process to help determine the funds required to support the Organization's normal operating requirements. The Organization's annual Service Plan and budget are approved by the Board of Directors. The Organization also provides a quarterly revenue forecast to the Audit and Risk Management Committee.

11. Budgeted Figures

Budgeted figures have been provided for comparison purposes and have been derived from the budget approved by the Board of Directors on January 20, 2022. These budgeted figures were included in the Organization's 2022/23 – 2024/25 Service Plan.

