



An agency of the Province of Ontario



Annual Report 2022 – 2023

Forty-Eighth Annual Report 2022 – 2023



TO HER HONOUR

*The Lieutenant
Governor of the
Province of Ontario*

MAY IT PLEASE YOUR HONOUR

The undersigned begs respectfully to present to Your Honour the Annual Report of the Algonquin Forestry Authority for the year beginning April 1, 2022, and ending March 31, 2023.

*The Honourable Graydon Smith
Minister*



THE HONOURABLE GRAYDON SMITH
Minister of Natural Resources and Forestry

HONOURABLE SIR:

I have the honour to submit to you the Annual Report of the Algonquin Forestry Authority for the year beginning April 1, 2022, and ending March 31, 2023.

*Gordon Clark
Chair*

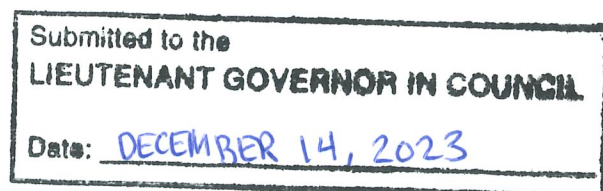


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ROLE AND MANDATE

The Algonquin Forestry Authority (the Authority, AFA) operates under the Algonquin Forestry Authority Act, R.S.O. 1990. The Authority is a self-financing, operational enterprise, Ontario Crown agency. The Minister of Natural Resources and Forestry (Minister, Ministry) is responsible for the administration of the Algonquin Forestry Authority Act. This legislation sets out the management, objectives, and powers of the AFA within Algonquin Provincial Park.

- *Ensuring the sustainable management of Algonquin's forests*
- *Planning of all forestry operations; harvest, access, renewal and tending*
- *Harvesting and distribution of wood products to mills*
- *Monitoring and reporting on forestry operations.*

The September 29, 2021, mandate letter issued by the Minister to the AFA Board Chair sets out expectations and direction for AFA in 2022-23. AFA's governance structure, Strategic Plan and implementation tools, business planning and budgetary process, including in-year checkpoints ensures the objectives set by the mandate letter are kept in the forefront. Those objectives and a brief description of how AFA has administered these priorities follows.

Government-wide priorities:

- Competitiveness, Sustainability and Expenditure Management
 - The AFA's legislated mandate as a self-financing operational enterprise demands constant attention to these priorities. The Authority has been focussed on developing markets and increasing harvest volume to achieve sustainable forest management objectives for socio-economic and environmental benefits. Development and modernization of internal systems for efficiencies, effectiveness and cyber security are underway. Use of Supply Chain Ontario and alternatives to AFA's fleet management system are also being investigated.
- Transparency and Accountability
 - The Authority's responsibility to report to the public is referenced in the financial audit report. Submission timelines for the business plan, interim summary report and agency annual report have been met as well as the posting requirements for these documents. The mandate letter and results of audits also appear on the AFA's public facing website.
- Risk Management
 - The Authority has adopted the OPS standard Enterprise Risk Management framework that utilizes a risk identification, assessment and mitigation of risk system and reviews risk on a continual basis. Detailed quarterly risk reports are produced and shared with MNRF.
- Workforce Management
 - The Authority provides the best possible service delivery with a workforce that is both functional during peak workloads and nimble enough to adapt to changing environments. Succession and performance management are key elements of successfully managing the changing workforce.
- Data Collection
 - Using data that is collected during normal business operations, AFA is growing the

information systems and human resource capacity to use, interpret and analyze data for improved decision making at both the operational and management levels.

- Digital Delivery and Customer Service
 - The AFA is leveraging digital information technologies both internally, as well as with clients and stakeholders to ensure digital services are provided to achieve an accurate, efficient, and secure service delivery experience.
- Diversity and Inclusion
 - Efforts in this area include demonstrating leadership of an inclusive environment free of harassment, promoting a diverse workplace, and implementing inclusive engagement processes designed to ensure that all voices are heard to inform policies and decision-making. Compliance with the Accessibility for Ontarians with Disabilities Act is being achieved.
- COVID-19 Recovery
 - Remote work arrangements have minimized the spread of the virus and maintained business continuity. The AFA is well positioned to ensure the critical supply of forest products for economic growth and jobs, thus supporting recovery efforts.

The second part of the Minister's Mandate Letter sets out specific areas of focus for the Authority. The AFA's efforts to achieve these are described below.

- Reducing the number of board members to reduce cost.
 - Membership will fluctuate as appointments expire, but the maximum complement of twelve directors will be intentionally avoided. The AFA anticipates having between seven and ten directors for the foreseeable future.
- Implementing and updating the Strategic Plan and ensuring alignment with the Government's Forest Sector Strategy.
 - A Board approved Implementation Plan is in place, administered by the AFA Governance Committee and General Manager, and is reviewed at least quarterly and adjusted as required. Reviews include, documenting progress, discussing relevance of strategic initiatives, and setting targets. Performance targets for the AFA Board, management, and staff flow from the Strategic Plan's Implementation Plan.
- Ensuring methods of meeting are modernized by incorporating more digital meetings and reducing the number of in-person meetings.
 - This is current practice since it became a health & safety requirement during the pandemic but will be maintained to save unnecessary travel and accommodation costs. In-person meetings will have specific objectives that are better met with face-to-face contact, such as field tours, onboarding new directors, or meeting with stakeholders.
- Exploring opportunities to further engage Indigenous communities in the governance of the AFA as well as in any economic development initiatives available.
 - Engagement opportunities have been examined and initiated. A director of Algonquin descent has been appointed.
- Supporting my ministry's efforts to achieve greater inclusivity and diversity across the Board of Directors when recruiting and undertaking succession planning.
 - The AFA Board has worked closely with MNRF and the Public Appointments Secretariat to suggest appointments that work toward achieving this goal.

The final item in the list was to continue to focus on the purposes for which the corporation was established to which the Description of Activities and Financial Results sections of this report are dedicated.

The Memorandum of Understanding, 2021 (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 and the Agency and Appointments Directive (AAD).

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 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.*

All forestry activities are carried out under the direction of a Ministry approved Forest Management Plan (FMP), subject to the Crown Forests Sustainability Act, 1994. These activities are subject to an Independent Forest Audit (IFA) every seven to ten years and the audit results are tabled in the Ontario Legislature and made available to the public. The most recent IFA audit on this forest was conducted in 2017.

The Algonquin Park Forest is now certified to the Sustainable Forestry Initiative (SFI) 2022 Sustainable Forest Management (SFM) standard. Registration to this SFM standard was achieved on January 1, 2023. This certification demonstrates the Authority's commitment to sustainable forest management and provides the public access to results from annual independent audits to defined standards.

A key component of AFA's SFM certification is our environmental and sustainable forest management system (ESFMS). Key objectives of the ESFMS are prevention of pollution, sustainable forestry, continual improvement and compliance with applicable laws and guidelines. AFA receives management direction from several different plans and legislation, but its SFM Policy guides its day-to-day activities. AFA's commitment to SFM can be found in its Vision Statement.

The Authority applies the principles of SFM to balance the public's concern for protecting Park values. Protection of Indigenous, recreation, fisheries, wildlife habitat and natural and cultural heritage values is of utmost importance while creating economic

opportunities and maintaining a supply of forest products to mills dependent on Park timber.

Harvesting is carefully regulated to minimize impacts on other forest values while being a significant economic generator for the region. The Authority contracts out both harvesting and forest management work to companies from communities in the region. The timber harvested regularly supports 12 mills in communities such as Huntsville, Whitney, Madawaska, Pembroke, Killaloe and Eganville. Another ten to fifteen mills in the region receive periodic supplies.

CHAIR'S MESSAGE

The AFA Board of Directors is pleased to present this Annual Report outlining Algonquin Forestry Authority (AFA) operations for the fiscal year 2022-2023. In its 48th year of operation the AFA has continued its mandate of sustainable forest management in Algonquin Provincial Park. The Authority is committed to this mandate on behalf of Ontarians with the economic, social, and environmental benefits that the Algonquin Park Forest provides.

The AFA has faced challenges over the past fiscal year coming out of three years of Covid impact, mainly related to reduced harvest volumes and fewer harvesting contractors and truckers. In addition, the lack of economical markets for low grade material which traditionally was sold to pulp mills is virtually non-existent. This not only reduces revenue to fund operations and provide jobs but importantly the harvesting in areas to enhance our silvicultural activities. We continue to explore new sales opportunities and develop harvesting and silviculture contractors to better achieve sustainable forest management objectives.

Meeting activity at the board level and the Governance, Finance and Human Resources Committees on strategic initiatives has been managed in face-to-face and virtual format. The Board is pleased to report successful compliance with Auditor General and Integrity Commissioner audits and public reporting requirements for this year.

Changes to the Board this fiscal, involved appointments of Sarah Bros as Vice Chair and me as Chair. Incumbent AFA Director appointments and terms are listed on page 24 of this report.

We foresee certain significant changes in staff and Board over the next few years. During the past year, Tim Doyle, Secretary-Treasurer, retired after 34 years with the AFA. Competition for this job resulted in two more recruitment opportunities leading to the recruitment of Jessica Condon as Secretary-Treasurer, and Jennifer Turney as Financial Officer. Also, changes within the Huntsville Operations team resulted in the appointment of Tracey Bradley as Area Manager, Andrew Schafer as Area Forester, Jim Turney as Woodlands Supervisor and Alex Bergstrom as Forest Technician. Guidance from the Ministry of Natural Resources and Forestry and the Minister's office resulted in a Board remuneration adjustment. Currently the Board is pursuing updating staff compensation programs.

In the 3rd quarter of 2023-24 Jeff Leavey will be retiring from the AFA following 15 years with the

AFA, the last 9 as General Manager. Recruitment is currently ongoing for a new General Manager.

The Board bid fond farewell to Dave Lemkay who served on the Board since 2012, most recently as Board Chair for the past three years. Dave's leadership, professionalism and dedication to the AFA will be missed.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gord Clark'. The signature is fluid and cursive, with the first name 'Gord' and last name 'Clark' clearly distinguishable.

Gord Clark, Chair,
AFA Board of Director

DESCRIPTION OF ACTIVITIES

The next two sections; harvesting and forest management, describe forestry activities, operational performance, and target achievement for 2022-23. Outcome-based targets discussed herein were set out in the Authority's 2022 to 2025 Business Plan and are compared to the previous year's operations.

The business plan identified a trend to lower harvest volumes and higher costs, strategies to rebuild the organization's harvest capacity, deal with a lack of economical options for pulpwood utilization and return to profitability.

Performance measures are established during the business planning process three to four months before the results of the previous year's operations are known, therefore actual results are subject to sometimes very significant in-year adjustments.

Fluctuating markets for forest products, extreme weather conditions, recreational and biological timing limitations on operating within Algonquin Provincial Park, and the availability of human and physical resources can have negative effects on planned outcomes. The most impactful limiting factor in this year has been affordability and the reduction of harvest capacity to produce timber for market. The Authority faces the same labour shortages and inflationary effects as most other businesses in Ontario.

Typically, most of the harvesting and transportation of timber to market is conducted between September and March, while forest management activities begin in April and are generally concluded by December. This requires significant expenditures to occur early in the year that are eventually funded by revenue generated from the sale of timber. Forest management projects are planned separately and often only projects that occur in the latter part of the year, such as tree marking and stand improvement, can be adjusted.

The AFA plans all operations on a cost-recovery basis and as such sets volume and value targets to fund operations within the sustainability limits prescribed in the approved forest management plan (FMP). Achievement of business targets is tracked and compared to the annual budget and quarterly performance from the previous year on an on-going basis.

The approved FMP sets targets to which performance is also measured but reported in separate public reporting documents required by the Crown Forest Sustainability Act, 1994 (CFSA).

Harvesting

The Authority operated in 2022-23 under the approved 2021-2031 Forest Management Plan for the Algonquin Park Forest. The approved forest management plan states that a sustainable annual harvest of 710,622 cubic metres (m3) is available

from the forest. The Authority's operations have produced an annual average of 380,000 m3 over the previous five years.

The 2022-2025 AFA Agency Business Plan set out a volume target of 500,000 m3 for the 2022-23 budget based on the desire to grow the business to better achieve objectives. Achievements are compared to this benchmark which has been the same target to strive for since 2010. Achieving the financial target in the 2022-23 budget required more volume to be harvested than the previous year, and acquiring pricing for our products that covered our costs.

The 2022-23 harvest from the forest was 333,085 tonnes, or 347,407 m3 (source: AFA Sales System), which is well within the sustainable level that the Algonquin forest can provide but is less than the previous year's harvest of 348,205 tonnes.

Harvest levels are tracked in-year by the sales unit of measure, mostly green metric tonnes (tonnes), which is the unit of measure most used by clients for payments. This year, sales were also made in board-foot-measure (fbm), Ontario log rule and net cubic metres. Mathematical conversions from tonnes and fbm to net cubic metres (m3) are made at year-end (March 31) for consistent reporting of yearly sales volume. This will often differ from the volume harvested and reported in MNRF's TREES wood measurement system that reports net cubic metres by the year in which it is cut.

Quarterly Sales Volume

The 2022-23 fiscal year began in April with deliveries from year-end inventories which was mostly wood harvested in the previous month. Sales were good for all products in February and March 2022, resulting in a lower volume of wood available from inventories than in the previous year. Like 2021-22, contractor start-ups after the spring break-up period were delayed by uncertain markets and rising costs of labour, insurance, fuel, and equipment. The Authority's plan to attract more and grow existing logging contractors was complicated by uncertain demand and challenges acquiring adequate pricing. The loss of a major producer last year, and the slow start for others is most notable in Q1 through Q2 sales volume performance. First quarter (Q1) deliveries were 83% of planned compared to 102% of planned in the previous year.

Demand for white and red pine sawlogs exceeded the AFA's ability to produce and rising costs seemed out of control for everyone. Clients representing 12 area sawmills were gathered to work with AFA on logging contractor capacity and distribution of available white and red pine from the Algonquin Park Forest. The group has collaborated to provide planned and forecasted available volume and open communication on issues facing the industry and AFA. There is unanimous agreement that increasing the volume harvested is in the best interests of the industry, AFA, and the people of Ontario. Seven of the mills represented have logging contractors of their own and are willing to apply them to AFA's harvest capacity and improve access to this important wood supply under Third-Party, Standing Timber contract arrangements.

Demand from Ontario mills for sawlogs of all species remained steady and most were willing to incur the higher costs of logging and hauling. Summer weather was uneventful and amenable to the relatively lower harvest levels and sales than the previous year. Pulpwood utilization issues described in the business plan were somewhat alleviated by Louisiana-Pacific in Quebec purchasing poplar pulpwood which helped with summer harvest volumes, and TKL in Timiskaming, Quebec purchased poplar and hardwood pulpwood for most of the year. Where possible, clients agreed to purchase timber in tree length form to help utilize pulpwood and access sawlogs. This had a negative effect on producing hardwood veneer because sawlog recovery for sawmills was the primary objective of most clients.

By the second quarter of this operating year, the Authority was engaging as many contractors (see next page) as last year, but production was lower and annual sales to local mills was less due to slower starts. Transportation cycle times to local mills improved with the shorter haul distances and typically facilitates small increases to harvest levels, but not enough to make up for lost production time earlier in the year. Second quarter (Q2) sales achievement of 60% of planned, compares to last year's 80%.

Relatively good weather conditions prevailed into the Fall, but no additional harvest capacity could be added. Early winter was milder than usual, and access was constrained to gravel roads until the end of the third quarter. Sales volume in Q3 dropped to 52% of planned, compared to 65% in the previous year.

Snowfall accumulation was heavier in the fourth quarter than last year, but fewer freezing rain events occurred which allowed steady production and deliveries (sales) throughout the winter. Q4 performance of 79% of the planned harvest sales volume compares to 61% in the previous year and reflects a shift to pine harvests with active purchasing by all client's intent on having enough volume to mill through the April/May break-up period. This is the time of year that most of the higher value pine sawlog volume is normally harvested and sold.

Overall sales volume performance for the 2022-23 year was 67% of the 500,000 m3 planned sales volume and 89% of the budgeted sales volume target (390,000 m3) required to achieve financial targets. Unfortunately, costs continued to rise, and pricing was insufficient to provide enough revenue to offset additional costs.

Approximately 31,000 tonnes of timber were inventoried to be sold at market as soon as road conditions would allow in April and May of the next fiscal year. Most of this volume is attributed to third-party inventories being held until resources could be moved from forest operations to yards for merchandising.

Contractor (Productive) Capacity

AFA's objective to grow the business to better achieve its mandate requires implementation of key operational strategies to increase contractor capacity and produce timber for sale. Strategies include lengthening the operating season (with early-starts, building inventories for inclement weather and the spring break-up period), advanced planning, advanced road building, tree marking, merchandizing yards, and developing new/additional road building and logging contractors. These strategies represent significant investment of human and financial capital and are at various stages of development in any given year. Rebuilding after the loss of three logging contractors has been challenging. Demographics and the pandemic-caused supply chain disruptions and inflationary effects have exacerbated efforts to attract growth in this sector.

The Authority's contractor workforce represents significant employment and economic value to the area. Combined with workers in silviculture, the woods workforce totals just under 285 jobs over the course of a year (Feb 2021 AFA Employment Survey).

The Authority engaged nine contractors in this operating year, which is an increase of one contractor over last year. However, one of the new contractors engaged last year has left the business and one of the new contractors hired this year has left for work in Quebec. Commitments were received from a new Third-Party operator and a new logging contractor from Quebec was hired to operate in 2023-24. The contractor from Quebec began harvesting in March, but deliveries from this operation will be reported in the next fiscal year.

The Authority retains a professional and responsible work force to achieve its objectives and as such actively promotes safe and effective work practices. Mieske Forestry Inc., of Bancroft, Ontario was awarded the annual Safety Award for the 2022-23 operating year.

In addition to the safety award, AFA and its contractors administer an "Environmental and Safety Award System" that recognizes positive work practices. Based on a monthly score card for logging contractor operations, including road building and hauling sectors, the top performing contractors and their workers are formally recognized. All operations show a trend of continual improvement.

Product Sales

The volume sold in 2022-23 was much less than planned (67%), and less than achieved in the previous year (70%). Sales revenue during the year was projected to be sufficient to sustain forecasted program costs, however in-year adjustments to compensate for rising costs had to be made. With less harvest activity and therefore sales from the eastern pine portion of the Forest, western operations, that are dominated by hardwood forests, were proportionally more than in previous years.

Pine sawlogs and poles generate more operating margin because they command a better price at market and approximately 80% of the tree generates sawlog and better material. A hardwood tree typically contains fewer sawlogs (20-30%) and generates narrower margins because of the higher proportion of lower value wood (pulpwood, firewood) in the tree. Generally, margins have tightened with the rising cost of operating. A shift of markets and species mix, and product proportions for sale can have a significant impact on revenues.

Species and product mixes are compared in the chart below to the previous two years that concluded with a positive financial position on March 31, 2021, and a small loss on March 31, 2022. This year's species/product mix shifted to more hardwood and fewer higher value products such as conifer logs, utility poles and veneer. The lower overall sales volume and fewer higher value products contributed to lower revenues. This is discussed in the Financial Results section beginning on page 16.

Comparison of Annual Sales Volume (m3) by Species and Product Groupings

Species/Product	2020-21 Sales Volume	% of Cut	2021-22 Sales Volume	% of Cut	2022-23 Sales Volume	% of Cut
Conifer Sawlogs (pine, spruce, hemlock, cedar)	145,951	35%	117,800	32%	108,428	31%
Hardwood Sawlogs (maple, beech, oak, poplar, birch)	67,081	16%	67,207	18%	64,405	19%
Conifer Pulpwood	24,744	6%	16,262	4%	20,853	6%
Hardwood Pulpwood	161,964	39%	144,952	40%	141,763	41%
Red Pine Poles	16,188	4%	18,465	5%	11,900	3%
Veneer	1,280	0.3%	166	0.04%	58	0%
Total	417,208		364,852		347,407	

Forest Management

The approved 2021-2031 Forest Management Plan (FMP) for the Algonquin Park Forest details the goals, objectives, and strategies for the ten-year period and operations in 2022-23 were conducted under the 2022-23 Annual Work Schedule. Forest management activities in the Algonquin Park Forest must follow FMP

prescriptions and within the FMP framework. Targets set out in the FMP are further refined in the Agency Business Plan (see the following table) as required to reflect actual harvest levels in the previous years.

The switch from CSA Z809 SFM certification to the SFI 2022 SFM standard was completed on January 1, 2023, following a registration audit conducted by KPMG in November 2022. Two minor non-conformances and four good practices were identified in this initial registration audit.

Forest management also includes forest renewal (silviculture) activities conducted on areas that have been harvested. The only exception is tree marking that is a pre-harvest treatment. Target setting and budgeting, therefore, are based on the forests needs or post-harvest stages of development. The following section briefly outlines forest management performance targets and achievements.

AFA Harvest & Forest Management Programs – 2022-23 Budget versus Actual

Program	2022-23 Budget	2022-23 Actual	% of Target
Harvest (m3)	390,000	347,407	89%
Silvicultural Activities			
Silvicultural Effectiveness Monitoring Surveys (ha)	3,000	1,526	51%
Scarification (ha)	50	3	1%
Site preparation (ha)	690	592	86%
Stand Improvement (ha)	4,300	1,065	25%
Tending (ha)	550	1,161	211%
Tree marking (ha)	7,200	6,117	85%
Tree planting (# trees '000s)	420	502	120%
Tree planting stock ('000s)	330	800	242%
Tree seed collection (hl)	75	6	8%

Silvicultural Effectiveness Monitoring (SEM)

Regeneration assessments were conducted on 1,526 hectares to ensure that regeneration treatments are progressing as planned. Results of 'Free to Grow' assessments are reported in the Management Unit Annual Report to MNR in November each year and available to the public. All selection management areas receive tree marking audits to ensure appropriate results to predetermined standards but are not included in the reported monitoring figures. Regardless of the prescribed harvest systems, the actual annual monitoring is reflective of harvest progress and

scheduling of treatments. Annual targets are usually a refinement of FMP targets based on additional information and a better understanding of actual harvest depletions, stage of management and survey timing. Labour challenges contributed to this year's achievement seeing 51% of planned area being completed and subsequently survey area being carried forward to the 2023-24 SEM season.

Site Preparation, Tree Planting and Scarification

A total of 501,785 tree seedlings were planted on 374 hectares in 2022-23 representing a target achievement of 120%. Average density for the 2022-23 tree plant was approximately 1,340 trees per hectare which is slightly higher than traditional. The tree planting program and stock purchases for future years were increased in-year because of higher planned densities and more site preparation on pine shelterwood areas to be completed in 2022-23 and 2023-24.

Forest management reporting conventions differentiate between site preparation for artificial regeneration (planting) and scarification for natural regeneration. Both treatments employ the same equipment to expose mineral soil for seeding or to create plantable spots. Site prepared areas may be deferred from planting if they demonstrate high potential to regenerate naturally during good seed years. Five hundred and ninety-two (592) hectares were site prepared for planting in future years, representing 86% of planned levels, with 3 hectares of scarification completed as part of a Forestry Futures project attempting to aid Eastern Hemlock regeneration. Area scheduled for site preparation is guided by post-cut needs and stock ordered for the upcoming season to ensure site prepared areas are planted expeditiously post treatment.

Private nurseries are growing approximately 800,000 seedlings under contract with AFA for planting in upcoming years. Trees planted in Algonquin Park are grown from seed sources appropriate for planting within the park. Approximately 6 hl of White Pine seed was collected during 2022-23 as there were few opportunities due to a second consecutive unusually poor cone year. A review of stored seed inventories reveals sufficient volume of seed for our near-term growing stock needs.

Tree Marking

To implement forest management systems in Algonquin Park it is first necessary to designate which trees are to be harvested and which ones are to be retained, while protecting and enhancing other resource values. This is completed by trained and certified tree markers who follow the prescriptions prepared by Registered Professional Foresters. Tree marking is directly related to annual harvest levels and with reduced contractor and labour capacity during the 2022-23 year the needs were lower than anticipated. Tree marking was carried out on 6,117 hectares in 2022-23 representing 85% of business planned levels and was sufficient to provide for the actual area harvested and getting a head start on marking for the next operating year.

Tending and Stand Improvement

Manual tending/cleaning was performed on 516 hectares to release established white pine and red pine regeneration from competing vegetation. A further 645 hectares of even-aged understory improvement work was completed to improve light conditions for regeneration establishment. This represents 211% of the annual planned tending area.

Stand improvement was completed on 1,065 hectares to assist growth of residual trees and natural regeneration in areas managed under the selection system. This represents 25% of business planned levels. Stand improvement may be carried out concurrently with harvest operations, without the need for renewal account funding, such as when firewood and pulpwood markets are strong. Only funded stand improvement is budgeted and reported.

The Authority is satisfied with its operational and forest management performance relative to 2022-23 harvest levels when considering the various complications through the past three years, ultimately resulting in lost contractor capacity and reduced harvest levels. Development and revision of targets to ensure achievement of FMP targets are completed annually within the business planning, work planning and budgetary processes.

FINANCIAL RESULTS

AFA Financial Performance – 2022-2023 Budget versus Actual

	2022/23 Budget General Fund \$ (000s)	2022/23 Budget Renewal Fund \$ (000s)	2022/23 Budget Total \$ (000s)	2022/23 Actual General Fund \$ (000s)	2022/23 Actual Renewal Fund \$ (000s)	2022/23 Actual Total \$ (000s)
Revenue	23,323	2,572	25,895	18,837	1,620	20,457
Expense	21,345	2,510	23,855	17,523	1,908	19,431
Excess of Revenues Over Expenses Before Items Below	1,978	62	2,040	1,314	(288)	1,026
Administrative & Other	1,913	625	2,538	1,666	311	1,977
Net Income <Loss>	65	(563)	(498)	(352)	(599)	(951)

Harvesting and the Statement of Operations

The following commentary references financial information in the Authority's Audited Financial Statements summarized in the table above to compare with budgeted financial targets. This years' objective was to generate enough revenue to manage a loss of \$498,000 while spending down retained revenue in the forest renewal

account. A discussion with wood supply beneficiaries determined that raising forest renewal stumpage rates was not appropriate during tough economic times and while revenue in the account was available to help.

The 2022-23 annual budget is based on values from the previous year's margins, species and product mixes. The year over year vagaries of markets and weather weigh on expectations of results achievable on March 31. The Authority manages year over year profit/losses while achieving the objective of financial self-sufficiency over the longer term. This year's loss of \$951,516 combines with previous year's profits/losses resulting in a negative balance of \$1,115,708 over the past five years (AFA Annual Reports 2018-2019 to 2021-2022). Return to profitability is envisioned in Year 3 (2024-25) of the 2022-2025 Business Plan.

General Fund revenues for the year were \$18,837,313 which represents a decrease of \$2,899,894 (\$21,737,207- \$18,837,313) or 13.3% compared to 2021-22 and over \$4.48 million less than budgeted.

Softening demand, decreases in outlets for low quality forest products, and a reduced supply of contractor capacity resulted in a 4.8% reduction to volume produced over 2021-22, thus reducing product sales revenues. Additionally, decreases in the residual value stumpage rates over the 2022-23 season contributed to a reduction in total stumpage revenues. Revenue from standing timber sales continued to increase this year, with \$1,017,672 in sales, an increase of \$570,075 over 2021-22. Standing timber sales continues to make up an increasingly larger portion of total revenue, 5.4% in 2022-23, compared with 1.9% in 2021-22. The result is a decrease to total revenue as standing timber is sold at lower net price than traditional contractor cut timber.

"Other revenue" of \$2,078,752 as compared to \$2,228,807 in 2021-22 has been itemized in Note 8 of the Audited Financial Statements. Reductions in interest charged to client mills is offset by increasing interest rates on cash in the bank and investments. Most of the reduction can be attributed to a decrease in forestry futures revenues over 2021-22.

Total expenses for 2022-23 were down \$2,400,629 over 2021/22, representing a 12.1% decrease. The decrease is attributed to reduced harvest volumes. Direct costs for labour and contracted production have increased on a per unit basis, however. Decreases in supply of skilled labour, increasing fuel costs, and rising inflation has put upward pressure on input costs. Additionally, residual value stumpage rates have come down over 2021-22, resulting in a \$1,124,189 decrease to crown stumpage charges. Spending on public access roads maintenance has increased marginally due to fluctuations in available funding. The resulting excess of revenues over expenses before administrative and other expenses in 2022-23 was \$1,314,205, a reduction of \$391,887 over 2021-22.

Administration costs for the year were \$1,666,333 which represents a decrease of \$196,894 or 10.6% compared to 2021-22. The decrease is primarily related to the retirement of some long-term employees and the reduced cost of new employees at the lower end of the approved pay grids. A return to in-person activities post-pandemic resulted in increases to some administrative costs over 2021-22.

Forest Renewal Fund

The method of accounting for Crown Stumpage reflects the requirements of the Crown Forest Sustainability Act. The forest renewal portion of the Crown Stumpage Matrix is retained by the Authority, in trust for the Crown, and is to be used to fund eligible forest renewal work on a cost recovery basis. The forest renewal revenue of \$1,362,134 (\$1,566,771 in 2021-22) from stumpage represents amounts charged by the Ministry to customers during the year exclusively for forest renewal purposes. Lower sales volumes of about 13.3% resulted in a corresponding reduction to renewal revenue (-13.1%). There were no changes made to the species unit renewal rates in the year.

Forest renewal expenses incurred during the year amounted to \$1,908,478 as compared to \$1,660,049 in 2021-22. Unlike forest renewal revenues, forest renewal (silviculture) expenses are not tied to harvest levels in the current fiscal year. Instead, they reflect the needed cost to renew the forest from previous seasons. Increases to renewal fund administrative costs reflect increased staff time on renewal programs.

Total revenue in the renewal fund of \$1,620,207 was not sufficient to cover the costs of renewal operations and administration in this period, however the resulting loss was intentional to utilize available restricted funds and avoid rate increases. A loss of \$599,388 was incurred and was used to draw down the Forest Renewal Fund.

Financial Position- Balance Sheet

The Statement of Financial Position disclosure reflects disclosure requirements affecting government not-for-profit organizations, such as the Authority, recommended by the Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations. Amounts once referred to, in a single disclosure component, as "Retained Income" have been disclosed as three separate components of 'Net Assets'. This disclosure clarifies the restricted/unrestricted nature of our net asset position.

At March 31, 2023, cash was \$4,988,635, a decrease of \$1,300,460 over 2021-22. The reduction to cash levels is mainly attributed to the operating loss in 2022-23 and reduced levels of accrued liabilities over 2021-22. Accounts Receivable on March 31, 2023, were \$5,257,996, a reduction of \$507,963 over 2021-22. This change resulted from a combination of improved customer payment patterns and reduced sales volumes at year end.

March 31 payables and accruals show a decrease of \$569,209 compared to 2021-

22. Amounts in 2021-22 were inflated due to one contractor who delivered all their inventory just prior to the year end and these monies were owed and included in the accounts payable. Additionally, lower stumpage rates and harvest levels accounted for a decrease in the amount due to the province on March 31. Funds received for public access road maintenance in advance of the planned expenditure are disclosed as "Deferred Contributions". Funds were not available in 2021-22, therefore the deferred contributions show an increase in 2022-23 of \$71,314.

The Forest Renewal Fund balance of \$3,015,594 (\$3,614,982 in 2021) remains well above the minimum required balance of \$1,500,000.

Audited Financial Statements

The Auditor General of Ontario is the auditor of record for the Authority. The auditor's report and accompanying financial statements for the 2022-23 fiscal year can be found at [Annual Reports | Algonquin Forestry Authority](#)

ACHIEVEMENT OF STRATEGIC OBJECTIVES

This Annual Report is the third report summarizing achievement of strategic objectives from the Authority's 2020-2030 Strategic Plan and follows through on the commitment to report progress toward achieving the Strategic Plan's five key measures.

Operational Excellence

- **Forest Management Results** – achieve FMP/business plan targets with rationale.
 - Achieved only 67% of the business-planned harvest level of 500,000 m3. Productive capacity and lack of pulpwood markets are the core limiting factors. Seeking harvest capacity additions and creating opportunities for growth is on-going.
 - A larger forest renewal program than last year has been achieved. Good progress was made to increase silvicultural contractors, specifically mechanical site preparation and brush saw tending capacity. The tree plant program was increased to catch up on previously harvested white and pine areas, and a tornado damaged area with less spending on stand improvement (hardwood) programs.
- **Positive Financial Results** – demonstrate Agency financial self-sufficiency.
 - Intentionally drew down Forest Renewal Account surplus and did not recommend raising renewal rates.
 - Achieved 89% of 390,000 m3 operational target, but with a negative bottom line that was intentional and still manageable given the Authority's overall financial position.
 - Improved accounts receivable.

- **Environmental and Sustainable Forest Management System** - performance including results of audits.
 - The management system procedure for the internal audit was rewritten to improve field delivery and readiness for the more formal surveillance and registration audits.
 - The first SFI SFM standard registration audit completed by a Registrar KPMG had two (2) findings of minor non-conformance, two (2) Opportunities for Improvement and four (4) good practices identified. The minor non-conformances required an action plan to address these findings.
 - At year-end there were no unresolved forest compliance issues. Operational issues and remedies were fewer. Continual improvement continues to be demonstrated.
 - The Authority's ESFMS has been maintained and used to support SFM certification to the Sustainable Forestry Initiative (SFI) forest management standard.

Advancing Innovative Practice

- **Savings or gains through investment** – research and innovation.
 - Loaded new LiDAR attribute information onto AFA servers to support operational planning and treatment layout.
 - Continued utilization of secure remote access and cloud solutions which support people working from home and remote field locations. Meetings held virtually. Savings of travel and accommodation costs.
 - Utilized GPS trackers for graders. Realized gain in productivity.
 - Avenza mapping and navigation tool is being used on cell phone – AFA staff and contractors.
 - Investigating the use of drones for remote imaging and operational planning and reconnaissance.
 - Migrating to virtualized on-premises servers which reduces hardware and maintenance costs while improving reliability.
 - Leveraging open-source software and operating systems which reduces licensing costs.
 - Maturing the organizational cyber-security program to mitigate cyber risks.
- **Partnerships developed to support research and innovation.**
 - Working with MNRF, neighbouring Southern Region sustainable forest license companies, Remsoft and others to investigate effective spatial modeling tools.
 - Contributed to FMPM Revision project and FMP Advisory Group, Forest Information and Data Advisory Group, Scaling Manual Advisory Group, and the Provincial Forest Inventory Advisory Committee.
 - Supported a variety of research projects through membership in the Central Canada SFI Implementation Committee.

- **Research and innovation projects initiated.**
 - Support for KTTD projects (tech development and transfer projects) provided to accelerate the delivery of a LiDAR enhanced Algonquin Park FRI and build forest structure models from ground sourced and LiDAR data.
 - Parkside Gully single-tree selection project has been reinitiated with AFA support and participation in field activities. This is a study begun in the 1960's to measure stand growth and lumber recovery after a single-tree selection harvest in tolerant hardwoods.
 - Use of UAV for low level aerial reconnaissance.
 - Manual tending operations to promote regeneration of other species in beech bark disease infested areas has been initiated with support funding from Forestry Futures Trust and help from the Ontario Forest Research Institute.
 - Participation and support for the Adaptive Silviculture for Climate Change research at the Petawawa Research Forest.

Developing and Supporting Our People

- **Worker engagement.**
 - The proceedings of monthly Staff Meetings were communicated to all staff.
 - Environmental and safety incentive awards for contractors were implemented during the year. The 2022-23 results were shared with contractors and operations staff who attended the Contractor Meeting in May 2023.
 - An all-staff wellness day was held in October 2022 to provide program updates, training and wellness messages, and outdoor team building activities.
 - The Volunteer Health and Safety Committee was active this year; successfully recruiting new members, helping management with policy updates, incident reviews and implementation of the Safe Driving Program.
- **Worker attraction and retention.**
 - Contract staff positions were maintained, acting assignments successful, and some hiring from within resulted from advertised recruitment initiatives.
 - Supported staff working from home and transitioned back to office environments.
 - Active succession planning and management in progress. Several leadership development strategies have been implemented.
- **Job security and competitive compensation.**
 - Salary administration was current up to 2022. A project was initiated to assess the effects of inflation, salary constraint measures and negotiations with employee bargaining agents. A competitive salary business case is being developed with submission to government anticipated in the summer of 2023.
 - Longer term contract and seasonal contract positions were maintained for

career development, fluctuating workloads, and protection of the core organizational structure.

- **Participation in training and recognition.**
 - Tree marking certification training is back on track after the pandemic caused hiatus – several AFA attended Level 2 and refresher courses.
 - New AFA Safe Driving Program rolled out to staff and written into AFA policy.
 - Staff engagement survey conducted and used to develop Wellness Day programme.
 - Electronic ESFMS training matrix and records reviewed, updated and system revised to improve utility. Plans to expand the system to other aspects of AFA staff training have been initiated.
 - Qualified Logging Professional training was delivered to AFA and contractor supervisors as required for SFI certification.
 - New SFM Policy brochure published for distribution.

Indigenous Partnership

- **Indigenous Community Engagement.**
 - AWS, FMP and FMP Planning Team engagement have been conducted and/or underway.
 - Hunt/Logging Activity map prepared and communicated. Explanation provided to Algonquin Hunt Monitors.
- **Indigenous people attending training facilitated by AFA.**
 - AFA representative attended 2021 Hunt Monitor session to review AFA forest activities and hunt signage. Seven monitors and five ANR attended.
 - Beech bark disease tending project and use of herbicide was presented as information and opportunity for work.
- **Staff and Board members receiving Indigenous cultural awareness training,**
 - Cultural awareness is recognized as part of ongoing interaction between AFA and Indigenous communities.
 - Formal training options have been communicated with staff and AFA Board of Directors.
 - A presentation was attended by AFA Board. SFI links provided to cultural awareness training.
- **Projects involving Indigenous communities in the local forestry sector.**
 - Supported start-up of two Indigenous tending contractors. Both indicate they will return for another season.
 - Continued developing one logging contractor new to AFA in 2018.
 - Birch bark collection facilitated by AFA tree markers resulted in cultural

benefit and training opportunities.

Supporting Local Industry

- **Wood using mills, logging operators, silviculture and other contractors engaged.**
 - Demand from Ontario mills and under-production has limited use of the full roster of wood using mills developed over the last three years.
 - No net increase of logging contractors over last year, third-party standing timber operations have increased activity.
 - New entries and expansion opportunities are being examined.
- **Annual utilization of prescribed sustainable annual harvest level (710,622 m3).**
 - Year over year improvement is the goal.
 - 347,407 m3 is less than last year's 364,852 m3. The pandemic-caused supply chain and labour issues, pulpwood markets and AFA's overall productive capacity were factors limiting improvement.
- **New jobs in wood mills and logging operations as a result of business with AFA.**
 - Client reported labour shortages are still present, but mostly in the haulage and equipment operator sectors. Clients anticipate a small recession into 2024 and are not expecting to increase operations until then.
 - A jobs survey was completed in February 2021. According to the survey, there are 285 people employed in Algonquin wood's activities and over 4,000 people employed in the mills receiving wood from the Algonquin Park Forest and tree nurseries that provide seedlings for renewal.
 - This represents a loss of jobs in the woods of about 15, likely a result of mechanization. We continue to see this trend as skilled woods workers retire and are replaced by machinery. Cut to length processing and mechanical forwarding is a good example.

PUBLIC APPOINTMENTS – BOARD of DIRECTORS

	<u>DATE OF FIRST APPOINTMENT</u>	<u>CURRENT TERM'S EXPIRATION</u>
CHAIR: Gordon Clark Coldwater, ON	June 30, 2016	March 30, 2026
VICE CHAIR: Sarah Bros North Bay, ON	February 1, 2013	May 31, 2025
Robert Craftchick Whitney, ON	February 17, 2022	February 16, 2025
Leo Hall Renfrew, ON	March 10, 2022	March 9, 2025
Robert Howe Barry's Bay, ON	October 25, 2019	November 2, 2025
Damion Ketchum Toronto, ON	August 4, 2016	November 2, 2025
Charles Lauer Peterborough, ON	January 5, 2015	February 4, 2024

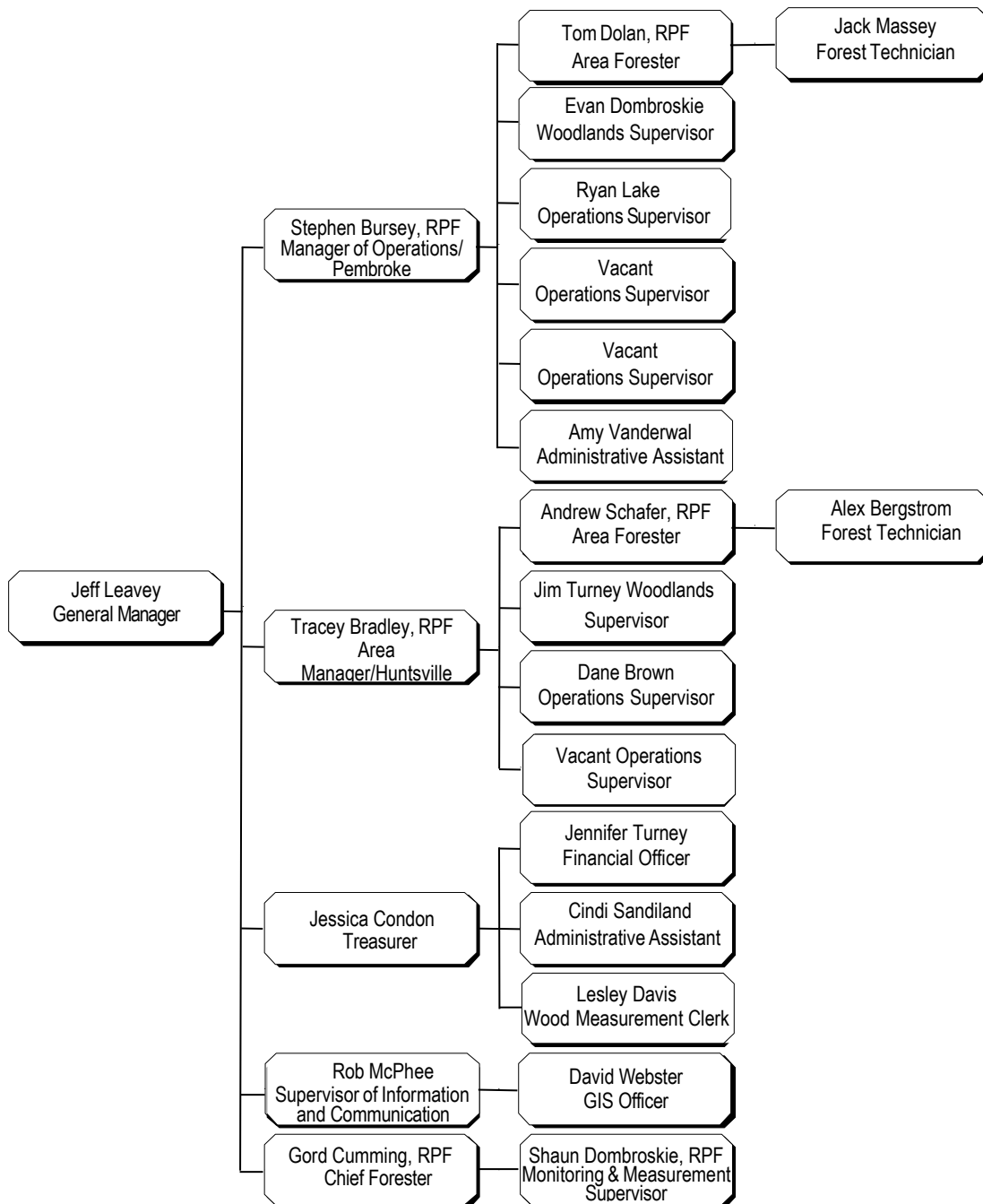
The total remuneration paid to Directors for this fiscal period is \$41,891.

<u>OFFICERS:</u>	Jeffrey W. Leavey General Manager	Jessica Condon Secretary-Treasurer
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2022-2023 GENERAL MEETINGS:

April 1 & 2, 2022 Mattawa, ON	May 5 & 6, 2022 Madawaska, ON	September 1 & 2, 2022 Algonquin Park, ON
October 27 & 28, 2022 Golden Lake, ON	December 1 & 2, 2022 Port Sydney, ON	February 3 & 4, 2023 Huntsville, ON
February 21, 2023 Video Conference	March 31, 2023 Video Conference	

ORGANIZATION CHART (Full-Time, Regular Staff as of March 31, 2023)



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Sur demande, vous pouvez obtenir la version française de ce rapport annuel.