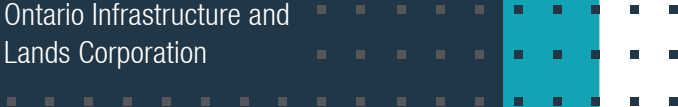


Annual Report

2023-2024

Ontario Infrastructure and
Lands Corporation



**Infrastructure
Ontario**

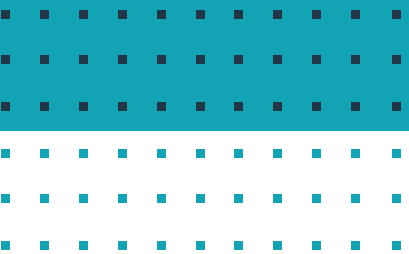


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Land Acknowledgement

Infrastructure Ontario's headquarters is in what is now known as the city of Toronto, which is home to many diverse nations.

We acknowledge the gifts of this land and our ancestors who have walked it before us. We acknowledge our headquarters is in Treaty 13 territory held by the Mississauga of the Credit First Nation and strive to honour our obligations as guests on this land. Moreover, our headquarters is situated in the traditional territory of the Haudenosaunee, Wendat and the Anishinabek.

The land connects us all.

Message from the Chair of the Board of Directors

I am pleased to present the annual report of Infrastructure Ontario (IO), which highlights the agency's accomplishments during the 2023-24 fiscal year.

As the government continues to commit historic levels of funding toward future infrastructure development, IO remains equally committed to improving its management and delivery of services on behalf of the Ministry of Infrastructure. Over the past year, IO's responsibilities have continued to expand — as has the size and complexity of the projects assigned to the agency — reflecting the government's confidence in IO to provide innovative and effective solutions to achieve its goals. In its most recent market update, IO delivers on the government's commitment to renew and expand public infrastructure, listing an estimated \$35 billion in projects in procurement and pre-procurement.

We have evolved our approaches in response to inflation, supply chain, and other marketplace challenges. Effective management of project risk is integral to our success, particularly as the construction industry has become more risk averse. Collaborating continuously with industry, we have refined our risk management framework and procurement processes to ensure that we will consistently deliver results and provide value to the government.

IO's ongoing strategic management of the government's real estate portfolio is enhancing the value of these public assets, while IO's Development team is supporting the transformation of unique assets into impactful and sustainable developments that will provide commercial benefits. Our lending program, meanwhile, is further supporting the renewal of public sector infrastructure across the province through dozens of affordable long-term loans to eligible public-sector clients. We are continuing to

manage, finance, build, and operate assets and to procure contracts to promote long-term economic and environmental sustainability, creating resilient and lasting assets that maximize benefits to their communities.

I wish to express my appreciation to John McDonald, whose term as a director concluded during the past year. Joining the Board this year are Victoria Turnbull, Anne Marie Stetler, and Alex Pizzimenti, who have brought extensive infrastructure finance and risk management expertise to our deliberations.

I also extend my thanks to Michael Lindsay, IO's President and Chief Executive Officer, and to the agency's staff, which demonstrates a commitment to excellence in all that it undertakes. The Board is confident that the agency is well positioned to meet its future obligations, delivering quality projects and advisory services that will benefit all Ontarians. We look forward to building on our accomplishments on behalf of the government and the province.

David Lindsay

Chair, Board of Directors

Message from the President and Chief Executive Officer

Infrastructure Ontario has advanced remarkably complex projects and initiatives during the past year in collaboration with our public and private sector partners. We are proud of the very tangible role we play in creating a modern, connected and competitive Ontario.

Executing transactions

Building new health care facilities and updating existing ones has been an integral part of IO's work since the agency's inception. IO has continued to support growth in the capacity of the province's health care system during the past year, bringing one hospital project to completion and awarding contracts for four additional health care projects. Currently, IO is overseeing the construction of 10 hospitals across the province.

Our agency also remains focused on expansion of the province's transit and transportation networks, particularly within the Greater Toronto Area where two major light rail transit projects are nearing completion. Working with our partner at Metrolinx, we have now contracted every component element of the Ontario Line subway project, employing a variety of procurement approaches and contractual models to promote competitive bids and accelerate construction.

IO now has consolidated responsibility for all transit-oriented communities that will be developed adjacent to significant transit projects. This program will eventually create more than 100,000 housing units once transit projects are complete – with a significant portion delivered in the next three to five years. An important part of this work involves engagement with the communities themselves and we continue to work collaboratively with Toronto and other municipalities to ensure that these communities are well planned.

Managing assets

IO completed the transition to a new Project Management Service Provider that will provide project and program management services for the General Real Estate Portfolio. In negotiating this contract, the agency achieved nearly \$80 million in savings for the government over the next eight years. Our service provider will manage capital repair and ministry-funded projects valued at up to \$20 million while providing technical services for thousands of buildings across the province.

Additionally, \$769 million was committed towards operation and maintenance of the government portfolio and \$389 million to capital repairs and leasehold improvements to enhance the value of public sector real estate assets.

The agency also continued to effectively manage day-to-day operations and maintenance at thousands of government buildings across the province, ensuring that Ontarians have access to critical government services and that government employees have safe and modern facilities in which to work.

Developing commercial solutions

Since its first contracts were awarded in 2022, IO's Accelerated High Speed Internet Program (AHSIP) is bringing high-speed Internet access to rural and remote communities across the province by the end of 2025. Construction will be underway for 190,000 homes (87% of the total) by the end of 2024. To close the gaps in coverage not covered by AHSIP, we have invited two qualified Satellite Internet Service Providers to respond to a Request for Proposal (RFP) to deliver satellite Internet service to 43,000 homes and businesses in the province's most remote communities.

Message from the President and Chief Executive Officer

Consistent with government direction, IO has continued to advance the redevelopment of Ontario Place. In the past year, we began the hard work of updating the extremely aged infrastructure that services the site and beginning the work which will enable Ontario Place to remain one of the largest naturalized urban parks in the continent. We are also moving forward with planning for the relocation of the Ontario Science Centre, issuing a Request for Qualification (RFQ) for parties interested in building a new and vibrant site for this important facility.

IO played an important role in preparations for the construction of the Electric Vehicle Battery Cell Plant in St. Thomas. In a few short months, IO's Government Services team mobilized to help secure a land parcel and award contracts to ready the site for the new plant, which will significantly boost Ontario's economy and help to meet Canadian demand for electric vehicles.

Our agency has also partnered with Canadian and British organizations to draw upon their expertise in the use of digital twinning technology: virtual modelling that can improve capital project delivery by simulating performance issues and proposed improvements. Leveraging existing infrastructure data more effectively prior to project implementation will enable us to reduce costs, better manage risks, and mitigate against potential schedule delays.

IO further supported infrastructure investment across the province through the agency's Loan Program, which approved \$790 million in loans to a variety of sectors, an increase of almost 60% over the past two years. Of this, IO approved \$290 million in loans last year to five not-for-profit and municipal long-term care homes representing more than 700 beds.

Affirming equity and sustainability

The agency finalized the design of its Environmental, Social and Governance (ESG) function based on industry best practices and identified opportunities to advance its impact in four initial areas of focus: energy management, climate resilience, accessibility, and community inclusion and relationships.

IO also received important recognition of its efforts to promote inclusion when it was named the winner of the P3 Culture and Diversity Award at the 2023 P3 Awards. In their citation, the award judges praised the breadth of IO's Equity, Diversity, and Inclusion strategy and activities, describing them as setting "a benchmark for other public sector bodies to aspire to." This award is a tribute to the commitment demonstrated by employees across the agency to sustain and increase the sense of belonging for all employees and partners.

IO's staff members have continued to demonstrate exceptional ingenuity and versatility in developing and managing the government's assets and I thank them for their professionalism and dedication. We look forward to building upon our accomplishments during the coming year.

Michael Lindsay

President and Chief Executive Officer

Vision, Mission, and Values

Infrastructure Ontario (IO/agency) is a Crown agency of the Government of Ontario that partners with both the public and private sectors to create a more connected, modern, and competitive infrastructure landscape in the province.

The agency is uniquely positioned to align public sector policy with private sector delivery and innovation. Through partnerships with the private sector, IO aims to achieve better outcomes for the Province including higher quality assets delivered quickly and at best value to the taxpayer.

IO works to understand the needs of public sector clients to provide solutions that meet desired outcomes in an efficient and cost-effective manner. IO’s ability to protect the public interest, maximize value to taxpayers, and lead innovative delivery models is dependent upon strong relationships with partners and clients that are rooted in trust and reliability.

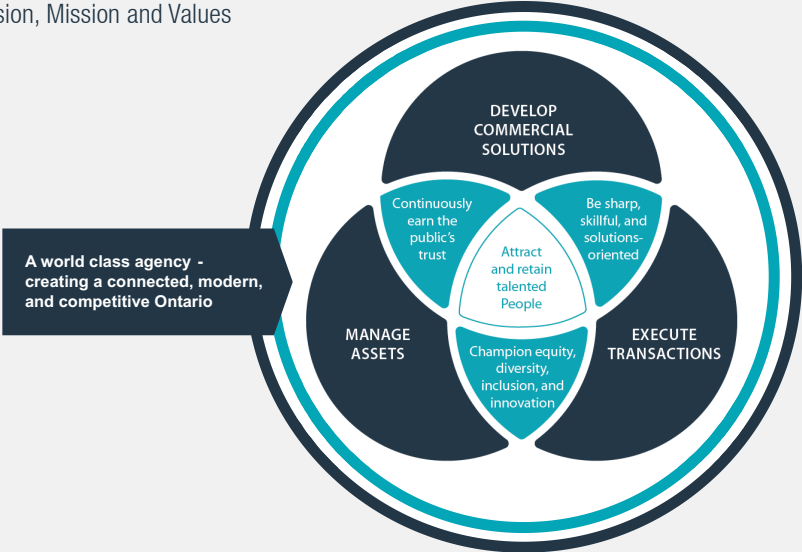
IO’s experience and capabilities in infrastructure projects, real estate, lending, development, and commercial advisory enables the agency to bring a variety of solutions to bear. When a “whole-of-IO” approach is activated for clients, ministries, partners, and government, the agency can provide its best advice in support of developing solutions, executing transactions, and managing assets. We are well positioned to continue to support government in achieving its mandated commitments and priorities.

VISION

IO has been entrusted by the government, through the Ministry of Infrastructure (MOI), with an important mandate that involves supporting the design, execution, and delivery of public infrastructure assets, the procurement of commercial solutions, and the provision of lending and realty services. Everything that IO does is undertaken to create value for taxpayers, uphold the government’s dedication to public infrastructure, and elevate the worth of public assets.

IO’s vision is to be “A world class agency - creating a connected, modern, and competitive Ontario”

❖ Figure 1: IO’s Vision, Mission and Values



Vision, Mission, and Values

This vision guides IO in its support of specific government priorities, such as promoting a connected Ontario through broadband and transit networks, enhancing the resiliency and capacity of health and long-term care facilities, developing innovative commercial solutions for initiatives to modernize services, supporting development and prioritization of the government's capital plan, and creating a more competitive Ontario by optimizing the government real estate portfolio.

MISSION

IO's mission builds on its vision, defining "what we do." Specifically, it outlines IO's value proposition to deliver and execute solutions in support of government's top priorities while supporting the planning and development of strategic government properties. There are three interconnected components to this mission:

Develop commercial solutions: Work with government to identify opportunities to implement economical approaches to the delivery of public assets and services.

Execute transactions: Develop new and novel forms of public-private partnerships across new delivery classes and sectors, while continuing to ensure timely delivery within approved budgets.

Manage assets: Maximize opportunities for asset optimization and development through the expansion of its role in the management of government assets to all Provincial ministries, agencies, and broader public sector entities.

VALUES

IO's values are embedded across the organization and upheld to the highest standards in the agency's interactions with clients and the market. These core values that guide IO are:

- Continuously earn the public's trust
- Be sharp, skillful, and solutions oriented
- Champion equity, diversity, inclusion, and innovation
- Attract and retain talented people

IO has developed strategic priorities that build upon the guiding principles of the vision, mission, and values. This plan centres around the agency's value proposition, placing a significant focus on addressing client needs and aligning with government priorities. The strategic priorities provide the agency with a three-year roadmap to invest in its people, strive for greater efficiencies in the execution of its mandate, and ultimately grow its impact in a meaningful and structured way.

This Annual Report will recap significant events from the 2023-24 fiscal year and provide a summary of the strategic priorities and the measures by which we evaluate the agency's performance. It will also outline IO's key risks and the operational budget for the 2024-25 fiscal year.

Governance

IO applies a high standard of corporate governance to ensure accountability and operational efficiency. IO is governed by a Board of Directors and Chief Executive Officer appointed by the Lieutenant Governor in Council. IO is mindful of its obligations to exercise due diligence, ensure accountability, provide transparency, and demonstrate results to provide real value to the government in support of achieving its mandated commitments and priorities.

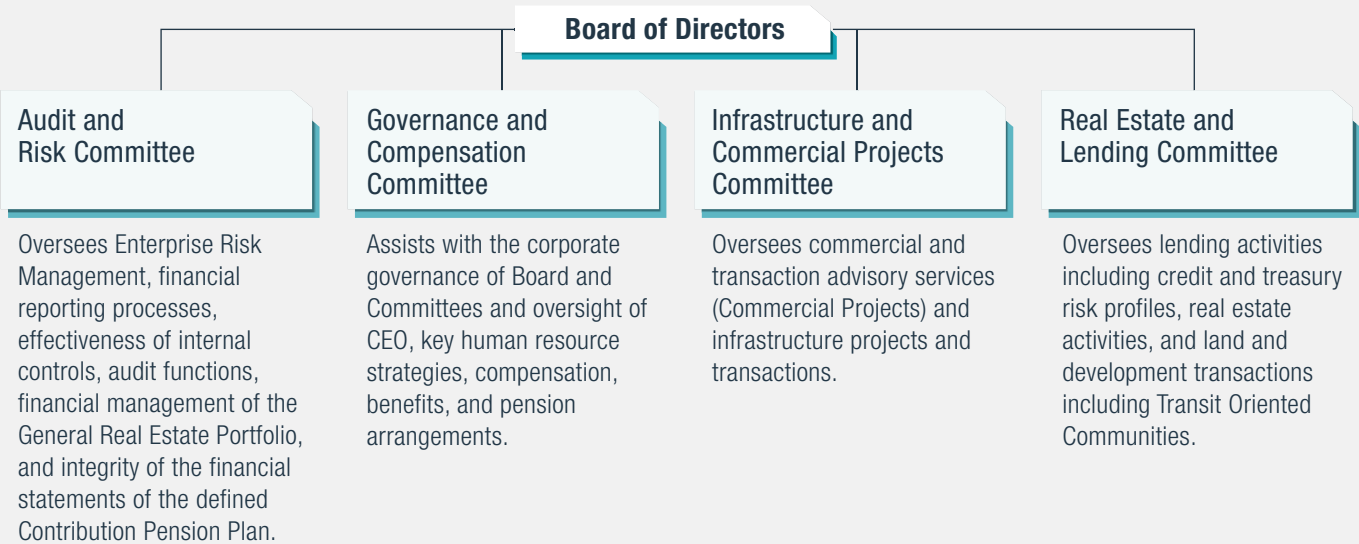
The agency is accountable to the Ontario Legislature through the Minister of Infrastructure and reports to the Minister through the Chair of the Board. A Memorandum of Understanding between IO and the Minister defines IO's roles and responsibilities, as well as the accountability framework between the ministry and the agency.

The business plan and annual report submitted to the Minister are prepared in accordance with applicable legislation and the government's Agencies and Appointments Directive. Decision-making thresholds of IO's management committees and individual staff members are governed by a Delegation of Authority, which is approved by the Board of Directors.

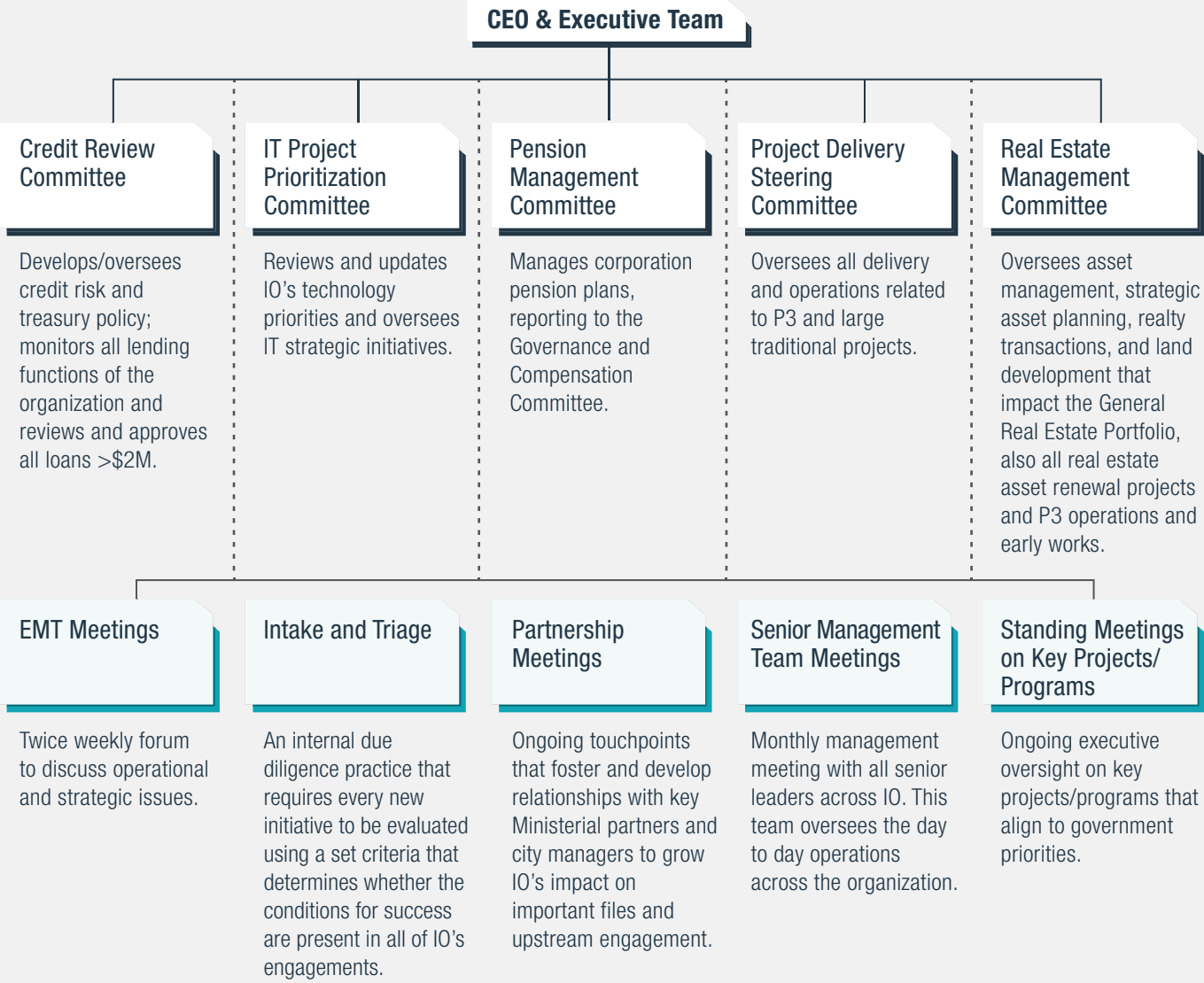
The Code of Conduct is one of IO's internal governing documents designed to provide guidance, principles, and standards for expected ethical behaviour. It applies to the Board of Directors, executive and senior management, and all employees. Board members and all employees annually confirm their commitment to comply with the code.

Several oversight committees monitor financial and operational performance, risk management, and accountability as illustrated in the following chart:

❖ Figure 2: IO's Board and Management Committee Structure

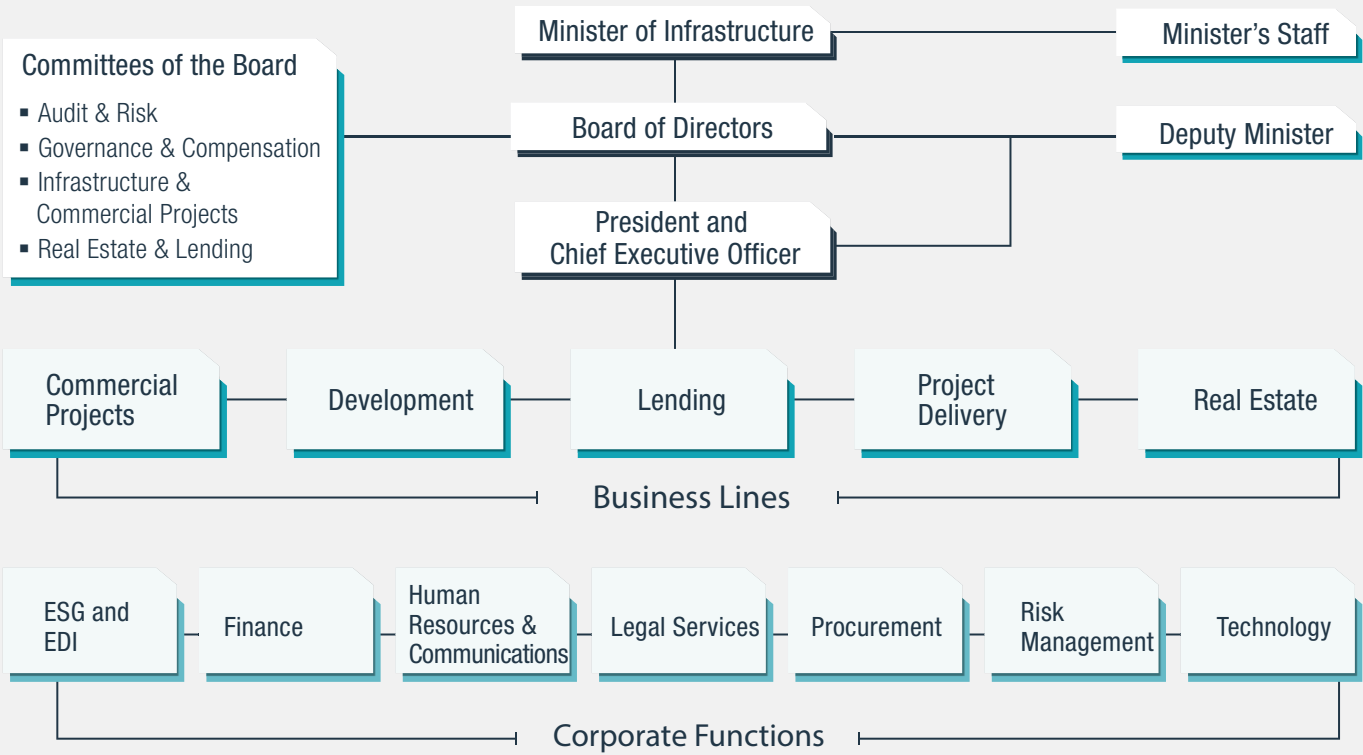


Governance



Corporate Structure

❖ Figure 3: IO's Corporate Structure



BOARD OF DIRECTORS

IO's independent Board of Directors is responsible for the agency's oversight and strategic direction. The board approves enterprise strategic priorities, ensures good governance, monitors financial performance, and ensures that risks are identified and managed.

As of March 31, 2024, IO's Board of Directors is made up of 12 experienced external members, plus the agency's CEO. The directors have a wide breadth of expertise and private sector knowledge, as well as business, industry, financial, and other relevant experience to carry out their fiduciary duties and uphold the interests of IO.

During this fiscal year, the tenure of John McDonald ended. The table below provides an overview of IO's Board members, their period of service, and annual remuneration.

Corporate Structure

Director	Current Term	Annual Remuneration
David Lindsay, Chair	June 10, 2021 – June 9, 2024	\$48,500.00
Bashar Alrehany, Vice Chair	August 31, 2023 – February 16, 2026	\$21,750.00
Carmine Francella	July 8, 2021 – July 7, 2024	\$14,500.00
Gadi Mayman	January 24, 2024 – January 23, 2027	No board remuneration
John McDonald	June 26, 2022 – June 25, 2023	\$7,445.05
Amit Monga	March 4, 2024 – March 3, 2026	\$17,000.00
Carol Pennycook	July 8, 2021 – July 7, 2024	\$15,500.00
Alex Pizzimenti	July 27, 2023 – July 26, 2024	\$8,146.74
Mark Romoff	June 24, 2021 – June 23, 2024	\$14,000.00
David Shiner	November 21, 2021 – November 20, 2024	\$20,000.00
Anne Marie Stetler	July 27, 2023 – July 26, 2024	\$9,146.74
Victoria Turnbull	November 16, 2023 – November 15, 2024	\$3,125.00
Jeff Wesley	March 21, 2022 – March 20, 2025	\$19,000.00
Michael Lindsay, President and CEO	November 1, 2023 – October 31, 2026	No board remuneration

2023-24 Operating Performance

IO has five lines of business delivering results to public sector clients.

Commercial Projects leverages private sector relationships and investments for revenue generation, liability/cost reduction, and efficiency in government services and investments. The business line provides advice and negotiation support to the government and public sector partners regarding commercial transactions.

Development is responsible for executing strategic land development opportunities that include the delivery of Transit-Oriented Communities (TOC), the use of surplus lands for social purpose outcomes (e.g., attainable housing, health care and long-term care) and the planning and delivery of landmark projects like the redevelopment of Ontario Place.

Lending administers IO's infrastructure loan program with \$6.2 billion in current loans outstanding. This program provides Ontario municipalities and eligible public sector and not-for-profit organizations with access to affordable credit to build and renew public infrastructure.

Project Delivery manages large, complex public infrastructure projects using a variety of contracting models, notably the public-private partnership (P3) approach to procurement and delivery. The P3 model leverages private sector financing and expertise in building public infrastructure with the objective of delivering projects on schedule and within approved budgets. The current project pipeline is valued at more than \$35 billion in estimated design and construction costs.

Real Estate Services provides comprehensive property management services for government owned and leased properties, offering end-to-end real estate accommodation options to client ministries to ensure safe and secure operations through asset management, capital planning, and project management solutions. It also provides strategic asset planning services to MOI to maximize the value of government assets through portfolio planning and rationalization. IO currently oversees the management of the Greater Real Estate Portfolio¹ (GREP) comprised of more than 42 million rentable square feet of space on behalf of the Province.

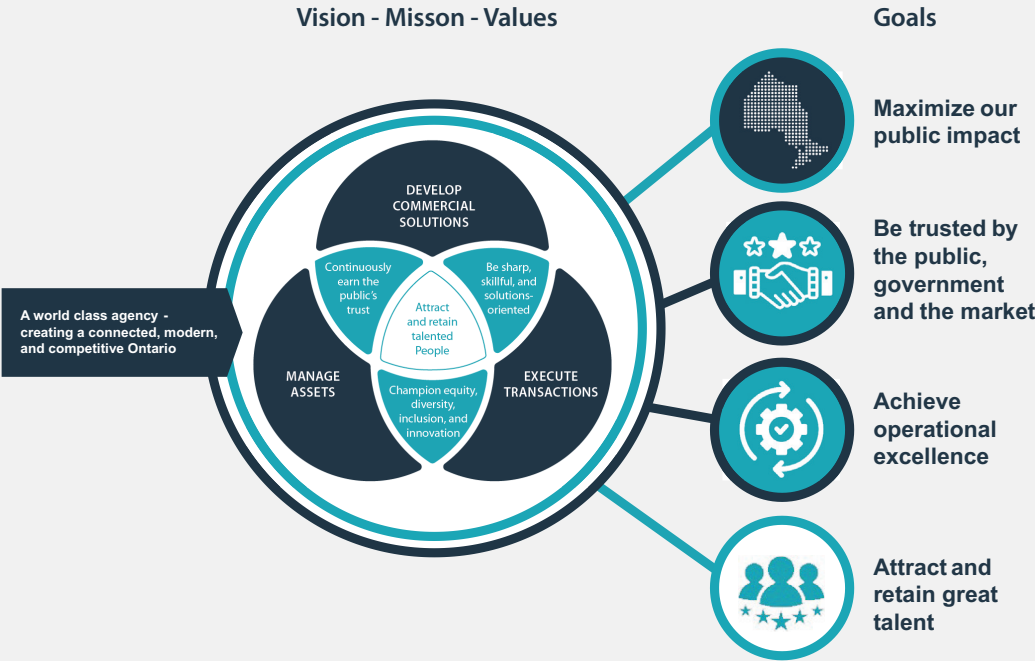
IO's business lines are supported by professional staff in IO's corporate functions (e.g., Finance, Human Resources, Legal Services, Procurement, Information Technology, etc.).

IO's four strategic goals are the drivers for the agency to achieve its vision of "a world class agency – creating a connected, modern, and competitive Ontario."

¹ IO manages Ontario's billion-dollar portfolio of government land and buildings that house the public sector programs, services and people that keep our province running. IO oversees the day-to-day operation and long-term maintenance of these facilities through partnerships with private sector service providers

2023-24 Operating Performance

❖ Figure 4: IO's Strategic Planning Framework



2023-24 Operating Performance

How we measure and report on our performance against this goal ¹	2023-2024 Performance	Target
Revenue Realized measured as a percentage of revenue identified at time of budget by end of fiscal year.	103%	65 – 70%
Cost-Savings Realized measured as a percentage of cost savings identified at time of budget by end of fiscal year.	85%	45 – 50%

¹ Revenue and Cost-savings realized is calculated using core and emerging programs. Core includes programs such as Asset Management and Lending while emerging represents programs such as Development.

Notable achievements include:

- Achieved key project and program milestones including completion of six major public infrastructure projects (Trillium Health Partners Long Term Care, GO Expansion-Stouffville Corridor, Highway 401 Expansion, West Park Healthcare Centre, Brampton Courthouse & Toronto Region Bail Centre and GO Expansion-Davenport Diamond) and eight procurements (Ontario Place Site Servicing, Highway 3, Project Connect-Site Preparation, Justice Video Network Program, Children’s Hospital of Eastern Ontario Integrated Treatment Centre Project, Eglinton Crosstown West Extension-Advance Tunnel and Centre for Addiction and Mental Health-Phase 1D Redevelopment).
- Delivered against ambitious timelines to support the government’s agreement with Volkswagen Group and its subsidiary Power Co to build an electric vehicle battery cell manufacturing facility. IO’s role includes site preparation and the construction of a training facility and an Ontario Provincial Police detachment.
- Advanced the Accelerated High-Speed Internet Program, with the goal of bringing high-speed internet access to every Ontario community by the end of 2025, through deployment of Technical Assistance Team (TAT) that assessed and identified risks and careful oversight and engagement with Internet Service Providers (ISPs) resulting in greater streamlining and refinement of design and construction schedule.
- Continued to achieve development outcomes for key public projects such as the Ontario Place Redevelopment, advanced through due diligence, design, public engagements and site servicing work towards the upgrade of existing infrastructure. Advanced construction work for the relocation of Ontario Science Centre, where the relocation will save Ontario taxpayers when compared to the cost of remaining at the current site.
- Successfully transitioned-in IO’s next generation Transaction Management Services contract for an integrated approach to portfolio strategy and associated services and in addition onboarded IO’s new Project Management Service Provider (PMSP) to manage a variety of capital repair and ministry-funded projects with a value up to \$20M across the Province’s real estate portfolio.
- Increased Loan volume from the previous fiscal year by approximately \$35M with the total finalized \$790M in new loan approvals. Approved new loans amounting to \$290M will support the redevelopment of another 556 beds in five long-term care (LTC) homes. With this, IO has financed the redevelopment of almost 2,200 LTC beds through \$845M in project financing loans to date.

2023-24 Operating Performance

2. **Be trusted by the public, government, and the market** to deliver a breadth of work across a defined set of asset classes and public sector owners.

This measure echoes IO’s commitment to strengthening relationships with all stakeholders and industry partners. Every year, IO conducts a client assessment survey that measures client sentiment across five key categories. IO’s 2023 and 2024 results are summarized in the following table:

Assessment Category ³	Positive Responses ¹	
	2023	2024
Effective delivery partner	73%	74%
Effectively solves problems	N/A ²	73%
Effectively collaborates	74%	71%
Rigour in daily interactions	72%	73%
Value add services	71%	73%
Easy to work with	74%	71%

¹The responses were weighted based on the established revenue between each Client and IO to better reflect the distribution of activity and resources. ² New category added in the 2024 assessment. ³ Client assessments are conducted by a third-party independent of IO.

The overall satisfaction of our clients is used to measure IO’s performance against this goal.

How we measure and report on our performance against this goal	2023-2024 Performance	Target
Overall client satisfaction measured through our annual Client Assessment Survey	74%	65 – 70%

Notable achievements include:

- Entrusted to support the multi-year capital planning and approval process leading to the Budget; provided risk reporting to government related to budget, schedule and market capacity; and guidance on its capital plan and sequencing.
- Trusted by government to onboard GO Heavy Rail and Light Rail Transit (LRT) into the Government’s Transit-Oriented Communities (TOC) Program, including authorizing a negotiating mandate for IO to engage in preliminary negotiations with potential TOC building.
- Announced new TOC sites in Toronto in partnership with MOI, primarily on the Ontario Line North segment and one on the Scarborough Subway Extension. Preliminary development proposals submitted to the City of Toronto for review projects approximately 6,000 new residential units near six future transit stations, accommodating office space for 1,900 jobs.
- Advanced the provincial Attainable Housing Program, working with the Ministry of Municipal Affairs and Housing and MOI to make housing attainable for more people in Ontario. IO identified five surplus provincial demonstration sites for which business cases have been drafted.

2023-24 Operating Performance

- Received a mandate to support Region of Durham on its affordable rental housing redevelopment projects as a non-Crown agent, creating over 600 units between two sites with an estimated construction value of \$188M.
 - Participated in panel sessions at the annual Canadian Council for Public-Private Partnerships Conference and won three National Awards for Innovation and Excellence: Ontario Line Rolling Stock, Systems, Operations and Maintenance project – Gold Award for P3 Transaction; Ontario Line Southern Civil, Stations and Tunnel project – Silver Award for P3 Transaction; Forensic Services and Coroner’s Complex project – Silver Award for Environmental, Social and Governance.
 - Successfully partnered with MOI to move forward a multi-year Claims Modernization plan for the Ministry of Health (MOH) to upgrade its business processes and IT infrastructure that manages claims for Ontario’s health plans.
- 3. Achieve operational excellence** by ensuring our processes are sustainable, transparent, continuously improved, and consistent with the highest standards of professionalism.

This measure focuses on IO’s financial and resource efficiency, as well as progress and results against enterprise-level initiatives.

How we measure and report on our performance against this goal	2023-2024 Performance	Target
Financial Resiliency measured as surplus/deficit based on annual budget.	\$26.6M	\$20.8M
Operational Effectiveness measured in Basis Points (BPS) for expenses as a percentage of our volume of work (total capital IO managed and delivered in this fiscal year).	17.5 BPS	20 – 23 BPS

Notable achievements include:

- Operated within budget, achieved IO’s surplus target and demonstrated efficient and effective operations as measured by operating expenses as a percentage of capital under management and delivery.
- Advanced efforts to build organizational IT capability through prioritized strategic and risk-based investments: focused on the renewal of key and antiquated systems including implementation of a new General Ledger system; development of a prioritized implementation plan for re-platforming end-of-life systems at IO; and onboarding a Cyber Managed Security Services provider (MSSP).
- Developed a standard process and best practice framework to maximize benefits to government from land development and ensure the highest value to the people of Ontario. The process is rooted in providing increased transparency and accountability, effective and timely delivery of projects, mitigating commercial risks and improving overall program outcomes.
- Regular reporting of the risk appetite metrics as outlined in IO’s Risk Appetite Framework. The metrics that are in breach of the established tolerance ranges are appropriately escalated and identified to the Board and Executive Management Team (EMT).
- Advanced IO’s goal to institutionalize knowledge management through the ongoing delivery of curated content and training programs leveraging the agency’s Knowledge Centre. Launched onboarding syllabus and learning modules for the Capital Program in 2023-24.

2023-24 Operating Performance

4. **Attract and retain great talent** through the articulation and delivery of an employee value proposition grounded in empowerment, development, teamwork, diversity, inclusion and impact.

IO conducts an annual employee survey that evaluates various elements of the employee experience, including but not limited to the effectiveness of IO’s coaching and development programs; the level of diversity, inclusion, and safety in the work environment; and the degree to which innovation is encouraged and rewarded.

The results of the last two employee surveys are summarized in the table below.

Employee Survey Question	Strongly Agree / Agree Responses	
	2022	2023
I would recommend IO as a place to work	89%	90%
I feel proud to work for the organization	89%	89%
I make a change when I see the opportunity for improvement	88%	87%
IO encourages and supports the implementation of new ideas and suggestions for change	76%	73%
Mistakes are viewed as an opportunity to learn and adapt	77%	76%
IO’s mission, vision and values are clear and well understood	75%	79%
I believe IO’s goals are the right ones for IO at this time	73%	74%
My job provides me the opportunity to do challenging and interesting work	84%	85%
My manager coaches me in my career development	72%	75%
I am able to achieve my career objectives at IO ¹	N/A	68%
I am comfortable asking my manager for feedback	89%	89%
IO offers the flexibility I need ²	87%	94%
IO fosters teamwork within and between departments	66%	68%
IO is committed to providing a healthy and respectful workplace	90%	91%
I feel valued, respected, and safe to be my authentic self at IO	83%	86%
Senior leaders are open and honest in communication with me	77%	78%
Senior leaders inspire to create the impact we want to have at IO ²	73%	72%

¹ New question added to the 2023 Employee survey.
² Modified questions for the 2023 Employee survey to better align with and help measure how IO, as an organization is delivering on its refreshed Employee Value Proposition.

2023-24 Operating Performance

The results of the employee survey are used to calculate the Employee Engagement Index, which is used to measure IO’s performance against this goal.

How we measure and report on our performance against this goal	2023-2024 Performance ¹	Target
Employee Engagement measured on a point scale (out of 5) based on employee survey responses. ¹	4.3	3.75 – 4.0 / 5

¹ The employee engagement index is calculated using 2023 employee survey responses from the following: ‘I would recommend IO as a place to work’, ‘I feel proud to work for the organization’, ‘I make changes when I see the opportunity for improvement’, ‘My manager coaches me in my career development’ and employee survey participate rate.

Notable achievements include:

- Implemented a revised Employee Value Proposition (EVP) to ensure it continues to resonate with employees, highlighting key reasons why people join and stay with the organization. Overall employee experience ratings in 2023 saw year-over-year improvement in 10 out of 17 elements of the survey. Key measures of overall engagement remain high.
- Continued focus on values around equity, diversity, and inclusion (EDI), including the implementation of an Indigenous Engagement strategy and engagement with all identified partners across IO’s portfolio of work. Throughout 2023-24, IO recognized dates of observance and commemoration, as well as cultural and religious dates, through informative posts and events hosted by our Employee Resource Groups (ERGs). IO was named the winner of the P3 Culture and Diversity Award at the 2023 P3 Awards.
- Implemented a renewed total rewards philosophy resulting in program enhancements to employee retirement savings plans, health care spending/lifestyle spending account credits, pregnancy and parental leave benefits, short-term disability benefit and vacation entitlement.

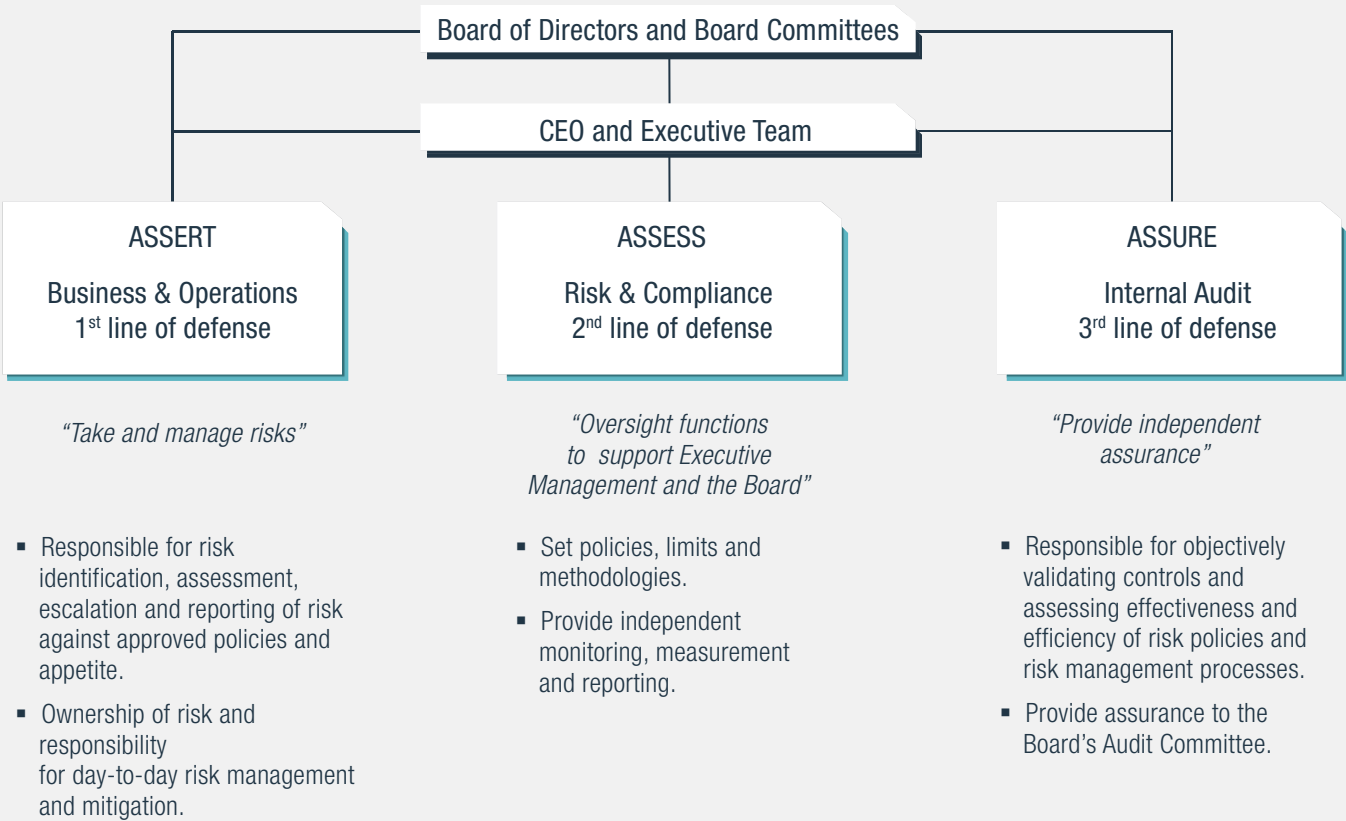
Enterprise Risk Management Framework

IO has an Enterprise Risk Management (ERM) framework that helps guide the organization’s risk management activities. It establishes a governance structure that encourages a risk-aware culture where risk management is an integral part of IO’s strategic and operational decision-making processes. It helps ensure risks and opportunities facing IO are identified and facilitates understanding, discussion, evaluation, and management of risks at all levels of the organization.

IO continues to mature its ERM framework in line with leading practices and compliance with the new government ERM Directive. The agency’s enterprise Risk Register is updated quarterly with emphasis placed on top risks, emerging risks, and improvements to risk management reporting. As part of IO’s ERM maturity plan, IO has developed formal risk appetite statements and risk tolerance levels to inform strategic decision-making and planning processes, and to further embed risk awareness and alignment across the organization.

IO utilizes a “three lines of defense” model to clarify and delineate roles and responsibilities across the different risk management activities, as outlined below:

❖ Figure 5: Three Lines of Defense Model



Enterprise Risk Management Framework

ERM POLICY

The ERM policy outlines a framework for risk management, including an overall approach to identify, assess, and manage organizational risk. The policy describes the key elements of the ERM program including the governance structure, reporting, and monitoring requirements, and the roles and responsibilities of key stakeholders.

Risks are identified into the following categories:

- Strategic risks generally pertain to IO’s mandate and business environment risks.
- Reputational risks pertain to risks that can impact the IO brand, image, or reputation as the result of the actions of the agency; indirectly due to the actions of an employee or employees; or tangentially through the actions of others, such as partners or suppliers.
- Operational risks include risks associated with people, processes, technology, security, compliance, and mandate execution, which can affect IO’s ability to achieve its corporate objectives.
- Financial risks pertain to risks that can impact IO’s cash position and financial results and reporting.

IO maintains a robust and integrated internal control framework and policy suite to mitigate risks. Controls are supported by an active management team ensuring IO’s processes are efficient and effective. Mitigations are assessed as part of a cyclical process to determine whether the residual risk levels are tolerable, whether new mitigation/treatment plans are needed, and whether the existing plans are effective. IO’s mitigation plans are subject to regular independent reviews by IO’s Risk Management and Internal Audit teams, as well as the Ontario Internal Audit Division and the Office of the Auditor General of Ontario.

KEY RISKS

As part of IO’s risk management framework, key enterprise risks are monitored and reported quarterly to the Board of Directors and the Ministry of Infrastructure.

❖ Figure 6: Key Risks

Risk	Mitigation Actions
Strategic	
Declining Market Participation Market participation has been affected by construction industry consolidation, growing project complexity, and an evolving tolerance for risk transfer; there exists a risk of higher bid prices, costs of services, and project cancellations or delays.	▶ Scheduled communications of project pipeline information and facilitated market soundings with vendors and associations on upcoming projects as a part of a new market engagement strategy. ▶ Perform ongoing reviews of risk transfer in IO contracts to ensure efficient risk allocation is achieved. ▶ Continue to assess procurement and contracting and delivery model approaches to maximize competitiveness.

Enterprise Risk Management Framework

Risk	Mitigation Actions
Decreased Market Capacity Decreased capacity within the marketplace to perform work resulting in inability to deliver projects and services due to increased cost of service and project cancellations or delays.	IO collaborates with client ministries to ensure that there is staging of procurements and transactions, where possible, to minimize scenarios where the anticipated implementation of transactions does not overlap and cause pressures in the supply of limited consultants or key sub-trades.
Alignment of Objectives, Roles, and Responsibilities Objectives, roles, and responsibilities related to project management and governance between IO and its key partners and stakeholders may be misaligned resulting in underperforming projects.	- IO has in place robust governance documents and processes to maintain clarity on project mandates with partners. - Continue to evolve delivery model decision-making through an iterative process of interaction with government decision-makers and seeking clarity where potential objectives compete.
Business Transformation Changes The volume of simultaneous transformational changes may negatively impact IO's delivery results, culture, and people.	- IO develops detailed implementation plans for all enterprise initiatives and oversees and leverages an integrated view of all initiatives to continuously monitor progress and risks. - IO has in place a robust forecasting process, intended to identify resourcing requirements in an integrated manner.
Reputational	
Claims and Litigation Increases in the frequency and magnitude of claims against IO and its projects may adversely impact the resources of both IO and the government and could impact IO's reputation.	A specialized claims department within IO's legal team to manage claims centrally, train project staff on claims management processes and standardize processes for future claims.
Performance Government expectations are not met due to the inability to appropriately manage performance as a result of project delays, cost overruns, service delivery lapses, or loan-related issues.	- IO continues to monitor key stages of transactions with communication to government stakeholders through regular senior management and executive committees to oversee transactions from procurement to implementation. - Ongoing monitoring and assessment of construction labour needs and market trends and early involvement in budget planning to ensure trends are reflected in project budgets. - IO is modernizing and investing in centralized project controls expertise, with an emphasis on cost estimates, schedule management, capital project risk management, and cost management.

Enterprise Risk Management Framework

Risk	Mitigation Actions
Operational	
Attract and Retain Talent IO may experience challenges attracting and retaining high-performing, experienced staff which may occur because of ongoing fiscal restraint and market competition.	- IO has enhanced its benefits package to align with the Employee Value Proposition to articulate what brings and keeps employees at IO and to ensure competitive compensation. - IO has developed succession plans for all executives. The plans are intended to provide continuity in operations.
Underfunding for Aged Real Estate Portfolio Inability to maintain and/or enhance and satisfy requirements for the current property portfolio due to funding restrictions.	- Asset life cycle programs are in place to ensure that minimal available asset management funding is prioritized and targeted at the highest risk needs. - Continually assessing and improving the agreements with service providers to define the provisions and contractual requirements to optimize available funding.
Cyber Security and Privacy Increases in the frequency and evolving nature of cyberattacks may result in inappropriate access to confidential and commercially sensitive information.	- IO continues to invest in its cyber-defense framework and evolve its cyber-risk awareness and training. - In addition, IO has implemented tools to monitor cyber activity through email security filtering, identification, and removal of known and targeted threats.
Financial	
Interest Rate and Loan Portfolio Management Changes in interest rates have an impact on surplus targets and valuation of swap agreements associated with unhedged loans and previously issued debt, which are intended to reduce exposure to interest rate fluctuations and market volatility.	- IO measures its interest rate risk regularly and closely monitors the results of interest rate change scenarios against prescribed limits. - Ongoing monitoring, individual loan reviews at regular intervals, and frequent communication with borrowers help ensure IO's lending program continues to support infrastructure growth across the province.

Financial Results

FOR THE YEAR ENDED MARCH 31, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS PAGE 25

FINANCIAL STATEMENTS PAGE 35



Ontario Infrastructure and
Lands Corporation

Management's Discussion and Analysis

OVERVIEW

Infrastructure Ontario (IO) is a Crown corporation reporting to the Minister of Infrastructure (Minister) and is classified as a board-governed agency. IO is governed by a Board of Directors pursuant to a memorandum of understanding with the Minister that sets out IO's accountability framework.

IO has five lines of business delivering results to public sector clients.

Project Delivery manages large, complex public infrastructure projects using a variety of contracting models, including and most notably the public-private partnership (P3) approach to procurement and delivery, which leverages private sector financing and expertise to improve the quality in building public infrastructure with the objective of delivering on schedule and on budget.

Real Estate provides comprehensive property management services for government owned and leased properties, which includes providing end to end real estate accommodation options to client ministries to ensure safe and secure operations through asset management, capital planning and project management solutions. It also provides strategic asset planning services to MOI, to maximize the value of government assets through portfolio planning and rationalization.

Lending administers IO's infrastructure loan program and provides Ontario municipalities and eligible public sector and not-for-profit organizations with access to affordable loans to build and renew public infrastructure.

Development is responsible for Transit Oriented Communities (TOC) which delivers higher density, mixed-use development that is connected, next to, or within a short walk of transit stations, and will catalyze new transit-centric communities. The TOC program is charged with the redevelopment of transit station and construction lands across all four of the priority subway transit projects with the aim of creating value for the Province that can be redeployed to offset transit infrastructure costs or fund other government priorities. The business line provides advice and negotiation support to the government and public sector partners regarding major land developments.

Commercial Projects leverages private sector relationships and investments for revenue generation, liability/cost reduction and efficiency in government services and investments. The business line provides advice and negotiation support to the government and public sector partners regarding commercial transactions.

IO's business lines are supported by professional staff in finance, treasury, human resources, communications, legal services, procurement, transaction finance, risk management, and information technology.

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) is intended to provide an overview of IO's financial activities for the year ended March 31, 2024 and should be read in conjunction with the financial statements for the year ended March 31, 2024 and related notes.

IO earned a surplus of \$26.6 million for the year, \$5.8 million higher than budget primarily due to higher income in our Lending business, including higher net interest margin (NIM) \$3.8 million resulting from the net impact of higher interest rates and treasury management initiatives, a one-time reduction to the loan valuation allowance \$1.9 million and an early loan repayment fee \$0.8 million, slightly offset by higher net operating costs \$0.7 million. Included within these results, Development had a surplus of \$0.9 million driven by high employee utilization on certain projects, while Commercial Projects had an offsetting deficit of \$0.9 million, due to unexpected delays in funding and execution on certain projects, which resulted in lower employee utilization and revenues on these projects.

OPERATING RESULTS

The MD&A discusses revenues and expenses for the five lines of business (refer to Note 20 of the financial statements) compared to budget, in accordance with how performance is measured.

PROJECT DELIVERY

Project Delivery provides professional services for P3 and other large infrastructure projects under either fixed price or cost recovery-based contracts. Revenue is recognized on fixed price contracts prior to reaching financial close when an arrangement is in place, costs are incurred, and collectability is reasonably assured. After financial close, revenue is recognized using the percentage of completion method. Percentage of completion is calculated based on a ratio of costs incurred to total estimated costs. At final completion, any remaining margin on the fixed price contract is recognized. Revenue is recognized on cost recovery-based contracts when an arrangement is in place, costs are incurred, and collectability is reasonably assured.

YEAR-ENDED MARCH 31, 2024 VS. BUDGET

Project Delivery reported a surplus of \$nil for the year, consistent with budget.

Revenues

- Project delivery fees were \$76.4 million for the year, \$1.5 million below budget. As the majority of projects are cost recovery, the lower revenue is the result of lower operating costs (general and administration) incurred during the year, providing an offsetting favourable expense variance as explained below.
- Project transaction and recoverable costs revenues were \$103.7 million for the year, \$26.9 million above budget. Higher revenues reflect the recovery of higher project transaction and recoverable costs as explained below, with no net impact to surplus.

Management's Discussion and Analysis

Expenses

- Salary and benefit expenses were \$58.7 million for the year, \$2.4 million above budget due to timing of headcount growth and higher average salaries and benefits.
- General and administration expenses were \$17.7 million for the year, \$3.9 million below budget. The favourable variance was primarily due to lower corporate expenses including consulting and information technology.
- Project transaction and recoverable costs were \$103.7 million for the year, \$26.9 million above budget, primarily due to higher spending on projects including Ontario Place.

Project transaction costs are costs related to external advisors that are incurred to support the procurement of the construction consortium for P3 projects. Other recoverable costs are comprised of external advisor costs incurred to support a project and the development of an asset; these costs can vary depending on the nature and stage of the project. Neither transaction nor other recoverable costs are paid to Project Co.

YEAR-ENDED MARCH 31, 2024 VS. MARCH 31, 2023

Project Delivery reported a surplus of \$nil for the year, consistent with prior year.

Revenues

- Project delivery fees were \$76.4 million for the year, \$8.4 million above prior year. As the majority of projects are cost recovery, the higher revenue is the result of higher operating costs (general and administration) incurred during the year, providing an offsetting unfavourable expense variance as explained below.
- Project transaction and recoverable costs revenues were \$103.7 million for the year, \$40.0 million above prior year. Higher revenues reflect the recovery of higher project transaction and recoverable costs as explained below, with no net impact to surplus.

Expenses

- Salary and benefit expenses were \$58.7 million for the year, \$6.3 million above prior year due to increased headcount to support program growth and higher average salaries and benefits.
- General and administration expenses were \$17.7 million for the year, \$2.1 million above prior year, primarily due to higher corporate expenses for information technology.
- Project transaction and recoverable costs were \$103.7 million for the year, \$40.0 million above prior year, primarily due to a higher number of projects and higher spending on larger projects including Ontario Place.

REAL ESTATE

Real Estate revenues are comprised of management fees, project transaction and recoverable costs revenue and other income. Management fees are earned to recover IO's costs to provide asset management services, facility management oversight and other realty services, including real estate options analysis, leasehold asset management planning (LAMP) services, and management of the hydro corridor program to both the General Real Estate Portfolio (GREP) and corporate realty clients. IO recovers external

Management's Discussion and Analysis

costs incurred to provide these other realty services to corporate realty clients through project transaction and recoverable costs revenue.

YEAR-ENDED MARCH 31, 2024 VS. BUDGET

Real Estate reported a surplus of \$nil for the year, consistent with budget.

Revenues

- Management fees were \$65.9 million for the year, \$0.6 million below budget, primarily due to higher other income which reduces the management fees required to recover costs.
- Project transaction and recoverable costs revenues were \$16.4 million for the year, \$11.3 million below budget. Project transaction and recoverable costs revenue relates to third party project advisor costs. Lower revenues reflect the recovery of lower expenses as explained below, with no net impact to surplus.
- Other income was \$2.4 million for the year, \$1.9 million above budget and consists of lease commission rebates from CB Richard Ellis (CBRE) reflecting an agreed upon percentage of the total brokerage commission earned in executing third party lease agreements at IO's direction to accommodate government tenants. The higher rebates are due to closing more transactions than anticipated, including 777 Bay Street.

Expenses

- Salary and benefit expenses were \$45.2 million for the year, \$2.5 million above budget due to timing of headcount growth and higher average salaries and benefits.
- General and administration expenses were \$13.0 million for the year, \$1.7 million below budget due to lower corporate expenses for consulting and information technology.
- Project transaction and recoverable costs were \$16.4 million for the year, \$11.3 million below budget, primarily due to lower spend on Corporate Realty projects, including St. Lawrence Parks Commission.
- Sub-contracting fees are paid to CBRE to provide operational facility management services to GREP. Sub-contracting fees were \$10.1 million for the year, \$0.5 million above budget.

YEAR-ENDED MARCH 31, 2024 VS. MARCH 31, 2023

Real Estate reported a surplus of \$nil for the year, consistent with prior year.

Revenues

- Management fees were \$65.9 million for the year, \$5.4 million above prior year, primarily due to the recovery of higher operating expenses of \$7.2 million.
- Other income was \$2.4 million for the year, \$1.9 million above prior year primarily due to higher lease commission rebates resulting from more large transactions completed during the year.
- Project transaction and recoverable costs revenues were \$16.4 million for the year, \$5.8 million below prior year. Lower revenues reflect the recovery of lower expenses as explained below, with no net impact to surplus.

Management's Discussion and Analysis

Expenses

- Salary and benefit expenses were \$45.2 million for the year, \$5.4 million above prior year primarily due to increased headcount and higher average salaries and benefits.
- General and administration expenses were \$13.0 million for the year, \$1.8 million above prior year primarily due to higher corporate expenses for information technology.
- Sub-contracting fees paid to CBRE were \$10.1 million for the year, \$0.1 million above prior year.
- Project transaction and recoverable costs were \$16.4 million for the year, \$5.8 million below prior year, primarily due to a decrease in external advisors required to support Workplace Safety and Insurance Board and Ontario Financing Authority projects.

LENDING

YEAR-ENDED MARCH 31, 2024 VS. BUDGET

Lending reported a surplus of \$26.6 million for the year, \$6.2 million above budget.

Net interest margin for the year was \$32.8 million, \$3.8 million above budget, primarily due to lower interest expense from the net impact of higher interest rates \$2.5 million, which resulted in lower swap costs and increased yields on cash balances, and \$2.2 million, mainly due to treasury management activities, partially offset by the impact of lower cash and loan volumes \$0.9 million.

(\$ millions)	Actual	Budget	Variance
Interest revenue	\$ 266.8	256.0	10.8
Interest expense	(234.0)	(227.0)	(7.0)
NIM	\$ 32.8	29.0	3.8

Other income for the year was \$1.5 million, \$0.2 million below budget.

Expenses

- Salary and benefit expenses were \$7.1 million for the year, \$0.6 million above budget due to timing of headcount growth and higher average salaries and benefits.
- General and administration expenses were \$2.5 million for the year, \$1.3 million below budget primarily due to lower corporate expenses including consulting and information technology.
- The loan valuation allowance was reduced by \$1.9 million, primarily due to an early loan repayment on a non-municipal tier three loan and reduction in the outstanding balance of Watchlist loans, due to annual principal repayments.

YEAR-ENDED MARCH 31, 2024 VS. MARCH 31, 2023

Lending reported a surplus of \$26.6 million for the year, \$3.1 million above prior year.

Net interest margin for the year was \$32.8 million, \$4.1 million above prior year primarily due to impact of higher cash and loan volumes \$3.1 million and the net impact of higher interest rates \$1.0 million, which resulted in lower swap costs and increased yields on cash balances.

Management's Discussion and Analysis

(\$ millions)	March 31, 2024	March 31, 2023	Variance
Interest revenue	\$ 266.8	241.8	25.0
Interest expense	(234.0)	(213.1)	(20.9)
NIM	\$ 32.8	28.7	4.1

Other income for the year was \$1.5 million, \$1.2 million below prior year, due to higher make-whole payments associated with five borrowers in the prior year.

Expenses

- Salary and benefit expenses were \$7.1 million for the year, \$1.1 million above prior year primarily due to increased headcount and higher average salaries and benefits.
- General and administration expenses were \$2.5 million for the year, \$0.6 million above prior year, primarily due to higher corporate expenses for information technology.
- The loan valuation allowance was reduced by \$1.9 million compared to prior year, primarily due to an early loan repayment on a non-municipal tier three loan and reduction in the outstanding balance of Watchlist loans.

DEVELOPMENT

Development provides professional services on a cost recovery basis. Revenues for project delivery fees, and project transaction and recoverable costs, are recorded when an arrangement is in place, costs are incurred, and collectability is reasonably assured.

YEAR-ENDED MARCH 31, 2024 VS. BUDGET

Development reported a surplus of \$0.9 million for the year, \$0.9 million above budget.

Revenues

- Project delivery fees were \$18.5 million for the year, \$2.1 million above budget, primarily due to high employee utilization on the GO/LRT and Ontario Place projects, and the recovery of higher operating expenses which were \$1.2 million higher than budget as explained below.
- Project transaction and recoverable costs revenues were \$16.0 million for the year, \$21.6 million below budget. Project transaction and recoverable costs revenues relate to third party advisor costs. Lower revenues reflect the recovery of lower expenses as explained below, with no net impact to surplus.

Expenses

- Salary and benefit expenses were \$15.0 million for the year, \$1.8 million above budget due to timing of headcount growth and higher average salaries and benefits.
- General and administration expenses were \$2.6 million for the year, \$0.6 million below budget due to lower corporate expenses including consulting and information technology.
- Project transaction and recoverable costs were \$16.0 million for the year, \$21.6 million below budget, primarily due to lower spend on two projects: Ontario Place Development and Ontario Line.

Management's Discussion and Analysis

YEAR-ENDED MARCH 31, 2024 VS. MARCH 31, 2023

Development reported a surplus of \$0.9 million for the year, \$0.7 million above prior year.

Revenues

- Project delivery fees were \$18.5 million for the year, \$6.5 million above prior year, primarily due to recovery of higher operating expenses which were \$5.8 million higher than prior year as explained below.
- Project transaction and recoverable costs revenues were \$16.0 million for the year, \$4.8 million above prior year. Higher revenues reflect the recovery of higher expenses as explained below, with no net impact to surplus.

Expenses

- Salary and benefit expenses were \$15.0 million for the year, \$4.7 million above prior year primarily due to increased headcount to support program growth and higher average salaries and benefits.
- General and administration expenses were \$2.6 million for the year, \$1.1 million above prior year primarily due to higher corporate expenses for information technology.
- Project transaction and recoverable costs were \$16.0 million for the year, \$4.8 million above prior year, primarily due to external advisors required to support the Ontario Place Development and Ontario Line projects.

COMMERCIAL PROJECTS

Commercial Projects provides professional services on a cost recovery basis. Revenues for project delivery fees, and project transaction and recoverable costs, are recorded when an arrangement is in place, costs are incurred, and collectability is reasonably assured.

YEAR-ENDED MARCH 31, 2024 VS. BUDGET

Commercial Projects reported a deficit of \$0.9 million for the year, \$1.3 million below budget.

Revenues

- Project delivery fees were \$12.6 million for the year, \$1.1 million below budget, primarily due to lower revenues due to delays in funding and execution on Digital Twin and projects being put on hold, which resulted in lower employee utilization on these projects.
- Project transaction and recoverable costs revenues were \$30.8 million for the year, \$0.5 million above budget. Project transaction and recoverable costs revenues relate to third party advisor costs. Higher revenues reflect the recovery of higher expenses as explained below, with no net impact to surplus.

Expenses

- Salary and benefit expenses were \$11.1 million for the year, \$0.7 million above budget due to timing of headcount growth and higher average salaries and benefits.
- General and administration expenses were \$2.4 million for the year, \$0.5 million below budget, primarily due to lower corporate expenses including consulting and information technology.

Management's Discussion and Analysis

- Project transaction and recoverable costs were \$30.8 million for the year, \$0.5 million above budget.

YEAR-ENDED MARCH 31, 2024 VS. MARCH 31, 2023

Commercial Projects reported a deficit of \$0.9 million for the year, \$0.5 million below prior year.

Revenues

- Project delivery fees were \$12.6 million for the year, \$2.9 million above prior year, primarily due to recovery of higher operating expenses which were \$3.4 million higher than prior year as explained below.
- Project transaction and recoverable costs revenues were \$30.8 million for the year, \$10.9 million above prior year. Higher revenues reflect the recovery of higher expenses as explained below, with no net impact to surplus.

Expenses

- Salary and benefit expenses were \$11.1 million for the year, \$2.5 million above prior year primarily due to increased headcount to support program growth and higher average salaries and benefits.
- General and administration expenses were \$2.4 million for the year, \$0.9 million above prior year, primarily due to higher corporate expenses for information technology.
- Project transaction and recoverable costs were \$30.8 million for the year, \$10.9 million above prior year, primarily due to external advisors required to support the Provincial Broadband and Ministry of Health Claims Transformation projects.

STATEMENT OF FINANCIAL POSITION

Cash

At March 31, 2024, the cash balance was \$410.8 million, a decrease of \$4.3 million from the March 31, 2023 balance of \$415.1 million. The decrease was primarily due to investments in GICs for \$95.0 million, higher working capital of \$43.7 million, and net loan issuance of \$7.5 million; partially offset by the maturity of \$62.2 million in bond investment in September, debt borrowed from the Province of \$50.0 million, representing additional capital to support future loan growth, and net debt issuance of \$29.7 million.

Restricted Cash and Liabilities Held in Trust

At March 31, 2024, restricted cash and liabilities held in trust was \$111.6 million, an increase of \$3.6 million from the March 31, 2023 balance of \$108.0 million. The increase was primarily due to net funding received for P3 projects of \$31.0 million, offset by net payments for the MacDonald Block Reconstruction project of \$26.9 million.

Accounts Receivable

At March 31, 2024, accounts receivable was \$100.6 million, an increase of \$33.8 million from the March 31, 2023 balance of \$66.8 million. Accounts receivable over 90 days totaled \$18.9 million, including \$14.4 million from the Ministry of Infrastructure and \$2.9 million from Metrolinx. As of April 30, 2024, \$12.4 million (or 66%) of the \$18.9 million has been collected.

Management's Discussion and Analysis

Short-term Investments

At March 31, 2024, short-term investments were \$135.0 million, an increase of \$95.0 million from the March 31, 2023 balance of \$40.0 million. Following the maturity of a \$40.0 million GIC in June 2023, IO purchased a \$45.0 million GIC that matured in January 2024 and was re-invested in a new GIC that matures in July 2024. In October 2023, IO purchased two new GICs for a total of \$90.0 million that matures in July 2024. The GICs are highly liquid instruments.

Loans Receivable and Debt – Loan Program

At March 31, 2024, loans receivable was \$6,196.2 million, an increase of \$11.9 million from \$6,184.3 million at March 31, 2023 due to loan advances slightly exceeding loan repayments in the year.

During the year, IO executed the following transactions to fund new loans and repay existing debt:

- Borrowed \$770.5 million on the long-term non-revolving credit facility with the Province to fund back-to-back loans.
- Repaid \$566.7 million of long-term non-revolving debt to the Province.
- Repaid \$245.0 million of Ontario Infrastructure and Lands Corporation bonds to the Province.
- Borrowed \$71.0 million on the short-term revolving credit facility with the Province.
- Borrowed \$50.0 million as capital from the Province to support future loan growth.

Loan Valuation Allowance

The loan valuation allowance is comprised of general and specific valuation provisions.

The general valuation allowance is a provision for losses on the existing loan portfolio which are considered to be likely in the future but are not yet known and cannot be determined for any specific loan. The total general loan allowance was \$24.7 million as at March 31, 2024, a decrease of \$1.9 million from the balance at March 31, 2023. The decrease is primarily due to an early loan repayment on a non-municipal tier three loan and reduction in the outstanding balance of Watchlist loans.

The specific valuation allowance is a provision of probable identifiable losses on existing loans. The total specific loan valuation allowance was \$4.5 million as at March 31, 2024, consistent with the balance at March 31, 2023.

Derivatives

IO, being a borrower and a lender, uses derivatives to minimize the Agency's interest rate risk exposure related to its loan receivables and debt obligations. IO is hedged through interest rate swaps in which certain of its fixed rate loans receivable and fixed rate debt portfolio are swapped into floating rate instruments. All interest rate swap agreements are with the Province.

Derivatives are recorded at fair value and presented on a net basis on the Statement of Financial Position. At March 31, 2024, the net derivative asset was \$78.5 million, a \$8.7 million increase in the fair value from the \$69.8 million reported at March 31, 2023. This increase is primarily due to the impact of higher interest rates in the year.

Management's Discussion and Analysis

Projects Receivable

At March 31, 2024, projects receivable was \$119.6 million, an increase of \$34.6 million compared to \$85.0 million at March 31, 2023. The balance is made up of revenues earned which have not yet been invoiced to clients and includes project delivery fees, and project transaction and recoverable costs revenues.

Accrued Liabilities

At March 31, 2024, accrued liabilities were \$43.6 million, an increase of \$3.4 million from the March 31, 2023 balance of \$40.2 million. The balance includes \$24.6 million for project related advisory costs and \$19.0 million for operating expenses including salaries/benefits, accrued vacation, and other expenses.

Deferred Revenue

Based on agreements with certain clients, IO invoices and recovers project costs based on periodic payment schedules. The amounts are reported as deferred revenue until the work is performed, at which time they are recognized into revenue based on IO's revenue recognition policy. At March 31, 2024, deferred revenue was \$38.7 million, a decrease of \$1.4 million from the March 31, 2023 balance of \$40.1 million due to the timing of invoicing on certain projects relative to revenues earned to date. The majority of the deferred revenue is related to P3 projects.

Capital – Loan Program and Liquidity Reserve

IO has a \$450.0 million liquidity reserve funded by its capital loan program, comprised of \$280.0 million subordinated 50-year loan from the Province of Ontario (Province), a \$120.0 million subordinated 10-year loan from the Ontario Clean Water Agency and a \$50.0 million subordinated 5-year loan borrowed from the Province (refer to Note 10 of the financial statements). These funds are held in cash (\$313.2 million) and long-term investments (\$136.8 million) and provide credit protection to holders of senior debt such as Infrastructure Renewal Bonds, and a liquidity backstop for Infrastructure Ontario's financing needs.

Financial Statements

FOR THE YEAR ENDED MARCH 31, 2024

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Independent Auditor's Report

To the Directors of Ontario Infrastructure and Lands Corporation

Opinion

We have audited the financial statements of Ontario Infrastructure and Lands Corporation (the "Organization") which comprise the statement of financial position as at March 31, 2024, and the statement of operations and accumulated surplus, the statement of remeasurement gains and losses, the statement of 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2024 and its results of operations, its measurement gains and losses, its changes in net debt, and its 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 our 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 obtained prior to the date of the auditor's report comprises the Management's Discussion and Analysis.

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 identified above 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 on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Other Matter

The financial statements of the Organization for the year ended March 31, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 23, 2023.

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

Management is responsible for the preparation of these 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, Licensed Public Accountants
Oakville, Ontario
June 21, 2024

Responsibility for Financial Reporting

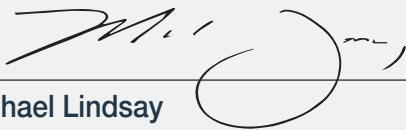
The accompanying financial statements of Ontario Infrastructure and Lands Corporation have been prepared in accordance with accounting principles for governments recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and, where applicable, the recommendations of the Accounting Standards Board of the Chartered Professional Accountants of Canada and are the responsibility of management.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors oversees management's responsibilities for financial reporting through the Audit and Risk Committee. The Audit and Risk Committee reviews the financial statements and recommends them to the Board for approval.

The financial statements have been audited by BDO Canada LLP. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's report outlines the scope of the Auditor's examination and opinion.

On behalf of management,



Michael Lindsay

President and Chief Executive Officer



Priyal Thakrar

Chief Financial Officer and Executive Vice
President, Lending and Technology

Statement of Financial Position

As at March 31 (in thousands of dollars)

	March 31 2024	March 31 2023
Financial assets		
Cash	\$ 410,758	\$ 415,081
Restricted cash (Note 2 & 19)	111,630	107,999
Accounts receivable (Note 3)	100,553	66,838
Interest receivable	45,798	44,160
Investment income receivable	5,150	3,024
Short-term investments (Note 4)	135,000	40,000
Loans receivable (Note 5)	6,196,152	6,184,305
Derivatives (Note 6)	78,509	69,776
Projects receivable (Note 7)	119,564	85,040
Long-term investments (Note 8)	136,791	200,298
	7,339,905	7,216,521
Liabilities		
Accounts payable	11,942	13,834
Accrued liabilities	43,605	40,197
Liabilities held in trust (Note 2 & 19)	111,630	107,999
Interest payable	45,928	41,163
Deferred revenue	38,709	40,060
Debt - loan program (Note 10)	6,252,172	6,222,185
Capital - loan program (Note 10)	449,681	399,681
	6,953,667	6,865,119
Net financial assets	386,238	351,402
Non-financial assets		
Prepaid expenses	3,083	3,815
Tangible capital assets (Note 11)	19,117	17,835
	408,438	373,052
Accumulated surplus	329,929	303,276
Accumulated remeasurement gains (Note 6)	78,509	69,776
	\$ 408,438	\$ 373,052

Contingencies (Note 17)

Commitments (Note 18)

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

Approved



Board Chair



Director, Chair Audit & Risk Committee

Statement of Operations and Accumulated Surplus

For the year ended March 31 (in thousands of dollars)

	2024 Budget	2024	2023
Revenues			
Interest revenue (Note 12)	\$ 256,000	\$ 266,744	\$ 241,821
Project delivery fees (Note 14)	107,962	107,459	89,707
Management fees - GREP (Note 14)	61,316	60,138	55,079
Management fees - Corporate Realty (Note 14)	5,159	5,797	5,404
Project transaction and recoverable costs (Note 14)	172,411	166,962	117,030
Other income	2,252	3,940	3,299
	605,100	611,040	512,340
Expenses			
Salaries and benefits	129,068	137,070	117,064
General and administration (Note 13)	46,218	38,234	31,675
Interest expense (Note 12)	227,000	233,968	213,163
Project transaction and recoverable costs	172,411	166,962	117,030
Sub-contracting fees	9,560	10,081	10,015
Loan valuation allowance	-	(1,928)	-
	584,257	584,387	488,947
Surplus	20,843	26,653	23,393
Accumulated surplus, beginning of year	303,276	303,276	279,883
Accumulated surplus, end of year	\$ 324,119	\$ 329,929	\$ 303,276

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

Statement of Remeasurement Gains and Losses

For the year ended March 31 (in thousands of dollars)

	2024	2023
Accumulated remeasurement gains, beginning of year	\$ 69,776	\$ 47,641
Realized gains - reclassified to the Statement of Operations	(25,866)	(3,229)
Remeasurement gains	34,599	25,364
Net remeasurement gains in the year	8,733	22,135
Accumulated remeasurement gains, end of year	\$ 78,509	\$ 69,776

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

Statement of Changes in Net Financial Assets

For the year ended March 31 (in thousands of dollars)

	2024	2023
Surplus	\$ 26,653	\$ 23,393
Change in prepaid expenses	732	(1,562)
Acquisition of tangible capital assets	(5,229)	(9,516)
Amortization of tangible capital assets	3,947	2,412
Net remeasurement gains in the year	8,733	22,135
Net change in net financial assets	34,836	36,862
Net financial assets at beginning of year	351,402	314,540
Net financial assets at end of year	\$ 386,238	\$ 351,402

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

Statement of Cash Flows

For the year ended March 31 (in thousands of dollars)

	2024	2023
Operating activities		
Surplus	\$ 26,653	\$ 23,393
Items not requiring a current cash outlay:		
Loan valuation allowance	(1,928)	-
Amortization of loan concession costs	(2,410)	(2,963)
Amortization of tangible capital assets	3,947	2,412
Amortization of debt issue cost	244	358
Amortization of investment bond premium	1,286	1,281
	27,792	24,481
Changes in working capital items:		
Increase in restricted cash	(3,631)	(23,399)
Increase in accounts receivable	(33,715)	(29,072)
Increase in interest receivable	(1,638)	(1,392)
Increase in investment income receivable	(2,126)	(915)
Increase in short-term investments	(95,000)	(40,000)
Increase in projects receivable	(34,524)	(12,655)
Decrease/(increase) in prepaid expenses	732	(1,562)
(Decrease)/increase in accounts payable	(1,892)	5,605
Increase in accrued liabilities	3,408	2,305
Increase in liabilities held in trust	3,631	23,399
Increase in interest payable	4,765	1,456
Decrease in deferred revenue	(1,351)	(1,945)
Cash used in operating activities	(133,549)	(53,694)
Capital activities		
Acquisition of tangible capital assets	(5,229)	(9,516)
Cash used in capital activities	(5,229)	(9,516)
Investing activities		
Issuance of loans receivable	(485,895)	(503,310)
Proceeds from loan repayments	478,386	495,177
Proceeds from maturity of investments	62,221	-
Cash provided by/(cash used in) investing activities	54,712	(8,133)
Financing activities		
Increase/(decrease) in short term revolving credit facility	71,000	(40,000)
Proceeds from debt	820,459	640,228
Debt repayments	(811,716)	(769,466)
Cash provided by/(used in) financing activities	79,743	(169,238)
Net decrease in cash	(4,323)	(240,581)
Cash, beginning of year	415,081	655,662
Cash, end of year	\$ 410,758	\$ 415,081

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

Cash interest paid and received (Note 12)

Notes to the Financial Statements

For the year ended March 31, 2024

NATURE OF THE CORPORATION

Ontario Infrastructure and Lands Corporation (Infrastructure Ontario, Agency, Corporation) is a Crown corporation reporting to the Minister of Infrastructure (Minister) and is classified by the Government of the Province of Ontario (Province, Government) as a board-governed agency.

The mandate of Infrastructure Ontario includes the following:

- Provide advice and services on financial, strategic, or other matters involving the government;
- Carry out powers, duties and functions delegated by the Minister under the Ministry of Infrastructure Act, 2011, the Building Broadband Faster Act, 2021 and the Rebuilding Ontario Place Act, 2023;
- Implement or assist in the implementation of transactions involving the government;
- Provide advice and services, including project management and contract management, related to infrastructure projects in Ontario that are not government property;
- Provide advice and services related to government property, including project management, contract management and development;
- Provide financial management for government property held by the Ministry of Infrastructure (MOI) or by a Crown agency for which the Minister of Infrastructure is responsible;
- Provide advice and services related to real property to prescribed public sector organizations;
- Provide advice and services to non-Ontario entities related to development of public infrastructure loan programs; real property; financial strategic or other matters; and the implementation of transactions;
- Provide financing for infrastructure purposes to municipalities and to other eligible public organizations.

As a Crown corporation, Infrastructure Ontario is exempt from federal and provincial income taxes under paragraph 149(1) (d) of the Income Tax Act of Canada. Infrastructure Ontario is subject to Harmonized Sales Tax (HST).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements are prepared in accordance with Canadian Public Sector Accounting standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

Management estimates

The preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

Notes to the Financial Statements

For the year ended March 31, 2024

Key areas where management has made estimates are in the percentage of completion for the determination of revenue from project delivery fees, the loan portfolio valuation allowance and the fair value of derivatives. Actual results could differ from those and other estimates, the impact of which would be recorded in future periods.

Financial instruments

Infrastructure Ontario's financial assets include cash, restricted cash, accounts receivable, interest receivable, investment income receivable, short-term investments, loans receivable, derivatives, projects receivable, and long-term investments.

Infrastructure Ontario's financial liabilities include accounts payable, accrued liabilities, liabilities held in trust, interest payable, deferred revenue and the debt supporting the loan program.

Initial recognition and measurement

Financial instruments are classified at initial recognition as either (i) cost or amortized cost or (ii) fair value. In these financial statements, all financial instruments, other than derivatives are classified at cost or amortized cost. Derivatives are presented on a net basis as permitted by our agreement with our counterparty on the Statement of Financial Position as either financial assets or liabilities depending if the net balance is either in a receivable or liability position. Fair value is the amount of the consideration that would be agreed on in an arm's length transaction between knowledgeable willing parties, who are under no compulsion to act.

The amortized cost of the 2003-04 program loans (see Note 5) issued by Infrastructure Ontario, which were considered to have concessionary terms, was determined as the present value of the future cash flows of the loan, and discounted using Infrastructure Ontario's cost of borrowing at the time of issuance. The difference between the face value of the loan and its present value is, in substance, a grant. The grant portion is recognized as a concession cost at the date of issuance of the loan and amortized to match the underlying interest subsidy, over the term of the loan.

Transaction costs for financial instruments measured at cost or amortized cost are added to or netted against the carrying value of the financial asset or financial liability, respectively.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

i. Financial instruments at fair value

Financial instruments at fair value are remeasured at their fair value at the end of each reporting period. Any unrealized gains and losses are recognized in the Statement of Remeasurement Gains and Losses and are subsequently reclassified to the Statement of Operations upon disposal or settlement and remain a component of net financial assets on the Statement of Financial Position.

Infrastructure Ontario uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Notes to the Financial Statements

For the year ended March 31, 2024

- ▶ Level 2: valuation techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
- ▶ Level 3: valuation techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The fair value of financial instruments not traded in an active market is determined by appropriate valuation techniques, including forward pricing and swap models, using present value calculations. The models incorporate various inputs including forward interest rate curves.

ii. Financial instruments at cost or amortized cost

Financial instruments not measured at fair value are measured at cost or amortized cost.

For financial assets and financial liabilities measured at amortized cost, interest is recorded using the effective interest rate (EIR) method. The EIR is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, where appropriate, a shorter period.

Impairment

i. Loss in value of an investment

A write-down is recognized in the Statement of Operations and Accumulated Surplus when there has been a loss in the value of the investment considered as an 'other than temporary' loss. A loss is considered 'other than temporary' when the carrying value of the investment exceeds its anticipated value for a prolonged period of time. If the anticipated value of the portfolio investment subsequently increases, the write-down to the statement of operations is not reversed.

ii. Loans receivable impairment

A loan valuation allowance is established against the loan portfolio after management's review of existing economic, industry and portfolio conditions across the different loan segments. The general valuation allowance is underpinned by a model in which risk ratings are assigned at the time of loan origination, monitored on an ongoing basis, and adjusted to reflect changes in underlying credit risk. A specific valuation allowance is also established in instances of known borrower credit deterioration on the expected non-recoverable portion of the loan receivable.

Funds held in Trust

The Agency is required to maintain trust funds for collection of property taxes and reserve funds as part of the CMHC certificate of insurance. In addition, certain borrowers set up trust funds as a requirement of the loan agreement. The Agency also maintains a project trust general ledger account for funds received from various ministries for purpose of payments to project construction consortiums and contract change orders. All of these amounts held in trust are recognized as restricted cash on the statement of financial position.

The Agency also maintains several operating bank accounts which it administers on behalf of MOI and related to the operations of MOI's general real estate portfolio. The Agency is the financial manager pursuant to the Ontario Infrastructure and Lands Corporation Act, 2011 and these funds are therefore not recorded in these financial statements.

Notes to the Financial Statements

For the year ended March 31, 2024

Short-term investments

Short-term investments include highly liquid instruments with a term to maturity exceeding three months but less than a year at the time of purchase.

Derivative financial instruments

Infrastructure Ontario uses derivative financial instruments, specifically interest rate swaps, to manage its interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered and subsequently remeasured to fair value at each reporting date. Derivatives are carried as financial assets when the fair value is in a receivable position and as financial liabilities when the fair value is in a payable position.

Any unrealized gains or losses arising from changes in the fair value of derivatives are recorded in the Statement of Remeasurement Gains and Losses and are subsequently re-classified to interest income or interest expense as appropriate on the Statement of Operations and Accumulated Surplus upon disposal or settlement.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful lives of the assets beginning in the fiscal year of acquisition, with a half-year provision in the year of acquisition and a half-year in the year of disposal. The estimated useful lives of the assets are as follows:

Computer equipment	3 years
Software	5 years
Furniture, fixtures and office equipment	10 years
Leasehold improvements	10 years

Impairment of tangible capital assets

The Agency reviews the carrying value of tangible capital assets for potential impairment when there is evidence that events or changes in circumstances exist, that indicate a tangible capital asset no longer contributes to the Government's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value. In these circumstances, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value. No such impairment losses have been incurred to date.

Revenue recognition

Interest revenue

Interest on investments and loans receivable are recognized using the effective interest rate method.

Notes to the Financial Statements

For the year ended March 31, 2024

Project delivery fees, management fees, and project transaction and recoverable costs

Project delivery fees and management fees represent the recovery of Infrastructure Ontario's staff salaries and benefits, general and administration costs, and sub-contracting fees in delivering services. Project transaction and recoverable costs include the recovery of external advisor costs and project cost contingencies.

Infrastructure Ontario provides professional services under either cost based or fixed price contracts. For cost based contracts, revenue is recorded when an arrangement is in place, costs are incurred, and collectibility is reasonably assured. For fixed price contracts before financial close, revenue is recorded when an arrangement is in place, costs are incurred, and collectibility is reasonably assured. After financial close, revenue is recorded using the percentage of completion method. Percentage of completion is calculated based on a ratio of cost incurred to total estimated costs. At final completion, any remaining margin on the fixed price contract is recognized. Losses, if any, on fixed price contracts are recognized during the period they are identified. Deferred revenue is set up when amounts billed on a project exceed the revenue recognized to date under both cost based and fixed price contracts.

Employee Benefits

The Agency provides a defined contribution pension plan for certain full-time employees and also contributes to the Public Service Pension Plan, a multi-employer plan established by the Province of Ontario, for pension benefits for certain full-time employees. The Agency's obligation to the Public Service Pension Plan is based on formulas set by the Ontario Pension Board. The contributions made by the Agency to the defined contribution pension plan and multi-employer plans are expensed in the Statement of Operations on an accrual basis. The cost of post-retirement, non-pension employee benefits to employees for the multi-employer plan is paid by the Ministry of Public and Business Service Delivery (MPBSD) and is not included in the financial statements.

2. RESTRICTED CASH

Restricted cash includes funds held in trust for Infrastructure Ontario's lending clients of \$16.0 million (2023 - \$9.3 million) and project construction consortiums of \$95.6 million (2023 - \$98.7 million), detailed further in Note 19.

3. ACCOUNTS RECEIVABLE

(\$ thousands)

Net trade accounts receivable
HST receivable

	2024		2023
\$	95,005	\$	62,870
	5,548		3,968
\$	100,553	\$	66,838

4. SHORT-TERM INVESTMENTS

Short-term investments consist of highly liquid investments carried at amortized cost. As at March 31, 2024, the interest rates on the investments ranged from 5.61% to 5.87% with maturity in July 2024.

Notes to the Financial Statements

For the year ended March 31, 2024

5. LOANS RECEIVABLE

(\$ thousands)	2024		2023	
Construction advances		Interest %		Interest %
Infrastructure renewal loan program	\$ 404,966	5.54-5.94	\$ 331,036	4.99-5.39
Debentures receivable				
Concessionary loan program				
Remaining terms to maturity:				
1 to 5 years	65,033	2.36-2.95	50,174	2.36-2.95
6 to 10 years	16,249	2.52-2.73	55,274	2.52-2.87
11 to 15 years	15,522	2.52-2.80	16,944	2.52-2.73
16 to 20 years	-	-	2,042	2.80-2.80
Greater than 20 years	9,258	2.63-3.05	9,559	2.63-3.05
	<u>106,062</u>		<u>133,993</u>	
Infrastructure renewal loan program				
Remaining terms to maturity:				
1 to 5 years	302,223	1.00-5.89	420,279	1.00-5.30
6 to 10 years	888,160	1.37-5.38	831,180	1.37-5.89
11 to 15 years	894,832	1.76-5.91	877,669	1.76-5.44
16 to 20 years	1,500,167	1.94-5.31	1,416,866	1.94-5.91
Greater than 20 years	2,136,765	1.97-5.60	2,214,643	1.97-5.60
	<u>5,722,147</u>		<u>5,760,637</u>	
Total	<u>6,233,175</u>		<u>6,225,666</u>	
Deferred costs on concessionary loans				
Deferred costs, beginning of year	(10,188)		(13,151)	
Amortization of concession costs	2,410		2,963	
Deferred costs, end of year	<u>(7,778)</u>		<u>(10,188)</u>	
Loan valuation allowance	(29,245)		(31,173)	
Loans receivable	<u>\$ 6,196,152</u>		<u>\$ 6,184,305</u>	

Construction advances are loans due from municipalities, other public sector bodies and not for profit entities. The interest rate on these construction loans is based on the Ontario three month treasury bill plus a fixed spread in basis points depending on the risk categorization of the counterparty. These loans are of a shorter term than the debentures (usually less than five years), and are repaid when construction is complete.

Debentures receivable are due from municipalities, other public sector clients and not for profit entities, with loan maturity terms ranging from five to forty years since inception.

Infrastructure Ontario manages its credit risk with the current loan portfolio through various provisions in the loan agreements. The Agency has an intercept mechanism with the Province, which allows for funds owing to a borrower from the Province to be redirected to Infrastructure Ontario. Loans to non-government borrowers are subject to restrictive covenants on assets and the borrower is required to provide security and in some cases, provide loan insurance.

Notes to the Financial Statements

For the year ended March 31, 2024

The loan valuation allowance is based on an assessment of existing economic, industry and portfolio conditions which may indicate that a loan is impaired or losses will be incurred. At March 31, 2024, Infrastructure Ontario has a loan valuation allowance of \$29.2 million (2023 - \$31.2 million).

6. DERIVATIVES

Infrastructure Ontario operates within strict risk limits to ensure exposure to interest rate risk is managed in a prudent and cost effective manner. A variety of strategies are used to manage this risk, including the use of interest rate derivatives. Infrastructure Ontario does not use derivatives for speculative purposes, and no new derivative contracts have been entered into with respect to back to back loans since it was initiated with the Province in April 2015.

Derivatives are financial contracts, the value of which is derived from underlying instruments. Infrastructure Ontario, which is a borrower and lender, uses derivatives to create hedges for instruments with differing maturity dates. The interest rate variability risk is managed through interest rate swaps, which are legal contracts under which Infrastructure Ontario agrees with another party to exchange cash flows based on one or more notional amounts using stipulated reference interest rates for a specified period. Interest rate swaps allow Infrastructure Ontario to more closely match its existing loans receivable and debt obligations and thereby effectively convert them into instruments with terms that minimize the Agency's interest rate risk exposure. Infrastructure Ontario has swapped certain of its fixed rate loans receivable and fixed rate debt portfolio into floating rate instruments.

The table below presents a maturity schedule of Infrastructure Ontario's derivatives, outstanding as at March 31, 2024, based on the notional amounts of the contracts. The notional amounts of interest rate swaps represent the amount to which the fixed and floating rates are applied in order to calculate the exchange of cash flows. The notional amounts are not recorded in the Statement of Financial Position. They represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows of such instruments.

	Maturity					Total Notional Value
	Within 1 year	Within 2 to 5 years	Within 6 to 10 years	Within 11 to 15 years	Over 15 years	
(\$ thousands)						
Asset swap	\$ 218,252	673,277	520,724	357,581	272,266	\$ 2,042,100
Liability swap	\$ 41,500	-	-	336,611	516,246	\$ 894,357

Derivatives are recorded at fair value as at March 31, 2024 resulting in net derivative assets of \$78.5 million and accumulated unrealized gains on the Statement of Remeasurement Gains and Losses of \$78.5 million (2023 – net derivative assets of \$69.8 million on the Statement of Financial Position and accumulated unrealized gains on the Statement of Remeasurement Gains and Losses of \$69.8 million). Fair values were determined using level 2 basis of valuation as defined in Note 1.

The fair values of these derivatives were determined using pricing models, with market observable inputs which take into account current market and contractual prices of the underlying instruments, as well as the time value and yield curve underlying the positions. The determination of the fair value of derivatives includes consideration of credit risk and ongoing direct costs over the life of the instruments.

Notes to the Financial Statements

For the year ended March 31, 2024

As at March 31, 2024, all interest rate swap agreements are with the Province.

7. PROJECTS RECEIVABLE

Projects receivable are amounts which have been recognized as revenue either on a percentage of completion basis or when the recoverable expenses were incurred, but have not yet been invoiced. Certain projects receivable, will not be invoiced until the completion of the project. Projects receivable are due from various Provincial ministries, agencies and other public sector organizations.

8. LONG-TERM INVESTMENTS

Long-term investments consist of bonds carried at amortized cost. As at March 31, 2024, the interest rates on these investments ranged from 2.30% to 3.50% (2023 – 2.30% to 3.50%) with maturities from June 2024 to September 2024.

9. ONTARIO FINANCING AUTHORITY (OFA) CREDIT FACILITY

Infrastructure Ontario has a 5 year subordinated revolving credit facility of up to \$100.0 million with the OFA, an agency of the Province, to provide working capital for the Project Delivery program. Advances are to be repaid within 3 months of the borrowing date, unless an extension is requested. The revolving credit facility expires March 27, 2028. As at March 31, 2024, the full balance of the facility remains undrawn.

10. DEBT AND CAPITAL – LOAN PROGRAM

All facilities are available exclusively for the lending program.

(\$ thousands)	2024		2023	
a) Debt - loan program	Interest %		Interest %	
Senior debt				
Infrastructure Renewal Bonds	\$ 300,000	4.70	\$ 300,000	4.70
Subordinate debt				
Short-term revolving credit facility	406,000	5.05-5.18	335,000	4.54-4.66
OIPC/OILC bonds	810,000	3.07-4.96	1,055,000	3.07-4.96
Long-term non-revolving credit facility				
Fixed	3,749,792	0.90-5.31	3,610,049	0.90-4.87
Floating Rate Notes (FRN)	989,000	5.05-5.75	925,000	4.86-5.48
	6,254,792		6,225,049	
Debt issue costs	(2,620)		(2,864)	
	\$ 6,252,172		\$ 6,222,185	
b) Capital - loan program				
Province of Ontario loan	\$ 279,681	5.10	\$ 279,681	4.46
Province of Ontario loan - FRN	50,000	5.61	-	-
Ontario Clean Water Agency loan	120,000	4.99	120,000	4.58
	\$ 449,681		\$ 399,681	

Notes to the Financial Statements

For the year ended March 31, 2024

All capital funding and subordinated debt is subordinate to the senior debt and rank pari passu amongst each other.

The following table illustrates the debt principal and estimated interest payments for the next five years and thereafter:

(\$ thousands)

Fiscal year	Amount
2024-2025	\$ 1,518,559
2025-2026	856,953
2026-2027	381,622
2027-2028	362,891
2028-2029	397,745
Thereafter	5,734,857
	<u>\$ 9,252,627</u>

Infrastructure Renewal Bonds

On April 19, 2007, Infrastructure Ontario issued \$300 million of Infrastructure Renewal Bonds. The bonds bear interest at 4.70% per annum and mature on June 1, 2037.

Short-term Revolving Credit Facility

In May 2014, Infrastructure Ontario began issuing short term notes under a short term revolving credit facility to fund its short term construction loans. The revolving credit facility with the Province is authorized to issue a maximum of \$1.1 billion for terms ranging from three months to one year, with an expiry date of April 7, 2027. As at March 31, 2024, maturities ranged from April 2024 to June 2024, while interest on the notes ranged from 5.05% to 5.18% (2023 – 4.54% to 4.66%).

OIPC / OILC Bonds

Infrastructure Ontario issued Ontario Infrastructure Projects Corporation (OIPC) and Ontario Infrastructure and Lands Corporation (OILC) bonds to the Province for the purpose of funding its loan program. The bonds are subordinated obligations of Infrastructure Ontario and rank behind all other existing and future senior obligations of Infrastructure Ontario.

As at March 31, 2024, interest on fixed rate bonds ranged from 3.07% to 4.96% (2023 – 3.07% to 4.96%) per annum and maturities ranged from June 2024 to June 2045. Interest is paid semi-annually on these bonds until maturity.

Notes to the Financial Statements

For the year ended March 31, 2024

Long-term Non-Revolving Credit Facility

In April 2015, Infrastructure Ontario began funding long term loans on a back to back basis directly with the Province through a long term non-revolving credit facility. The new debt structures mirror the underlying loans receivable they fund and have similar terms including maturity, payment frequency and type of amortization. This funding structure creates a match between the assets and liabilities and eliminates the need to use derivatives to hedge interest rate risks. Infrastructure Ontario was approved to borrow \$4.0 billion from the Province for the purposes of funding the loan program with an expiry date of May 14, 2025. As at March 31, 2024, \$2.6 billion of the facility is available and undrawn.

As at March 31, 2024, interest with fixed rates on the back to back loans ranged from 0.90% to 5.31% (2023 – 0.90% to 4.87%) and maturities ranged from April 2024 to February 2054. The FRNs bear interest from three month CDOR less 25 basis points to three month CDOR plus 45 basis points and the maturity of the notes ranged from June 2024 to June 2025. Interest is reset and paid quarterly until the maturity of the FRNs.

Province of Ontario Loan

The Province provided Infrastructure Ontario with a 50 year subordinated loan of approximately \$280 million in exchange for a promissory note that matures on March 31, 2053. The interest on the note is reset quarterly at the Province's three month Treasury bill rate and payable quarterly. On March 31, 2024, interest on the note was reset at 5.10% (2023 – 4.46%).

Province of Ontario Loan - FRN

On June 1, 2023, the Province provided Infrastructure Ontario with a 5 year subordinated loan of \$50 million that matures on June 1, 2028. The interest on the note is reset quarterly at the Province's three month Treasury bill rate plus 48 basis points and payable quarterly. On March 31, 2024, interest on the note was 5.61%.

Ontario Clean Water Agency Loan

The Ontario Clean Water Agency (OCWA), an agency of the Province, provided a 10 year subordinated loan of \$120 million to Infrastructure Ontario secured by a promissory note due on March 1, 2033. The interest on the note is reset quarterly at the Province's three month Treasury bill rate and payable quarterly. On March 1, 2024, interest on the note was 4.99% (2023 – 4.58%).

Together, the Province and OCWA loans provide Infrastructure Ontario with long term subordinate funding which provides: (i) credit protection to holders of senior debt such as Infrastructure Renewal Bonds; and (ii) a liquidity backstop for Infrastructure Ontario's financing needs.

Notes to the Financial Statements

For the year ended March 31, 2024

11. TANGIBLE CAPITAL ASSETS

(\$ thousands)	For the year ended March 31, 2024				
	Computer Equipment	Software	Furniture, Fixtures and Office Equipment	Leasehold Improvements	Total
Cost					
Balance, April 1, 2023	\$ 22,414	\$ 18,488	\$ 2,630	\$ 17,615	\$ 61,147
Additions	1,934	3,295	-	-	5,229
Balance, March 31, 2024	24,348	21,783	2,630	17,615	66,376
Accumulated amortization					
Balance, April 1, 2023	21,281	6,827	2,317	12,887	43,312
Additions	919	2,184	65	779	3,947
Balance, March 31, 2024	22,200	9,011	2,382	13,666	47,259
Net book value - March 31, 2024	\$ 2,148	\$ 12,772	\$ 248	\$ 3,949	\$ 19,117
(\$ thousands)	For the year ended March 31, 2023				
	Computer Equipment	Software	Furniture, Fixtures and Office Equipment	Leasehold Improvements	Total
Cost					
Balance, April 1, 2022	\$ 21,493	\$ 9,893	\$ 2,630	\$ 17,615	\$ 51,631
Additions	921	8,595	-	-	9,516
Balance, March 31, 2023	22,414	18,488	2,630	17,615	61,147
Accumulated amortization					
Balance, April 1, 2022	20,589	5,951	2,252	12,108	40,900
Additions	692	876	65	779	2,412
Balance, March 31, 2023	21,281	6,827	2,317	12,887	43,312
Net book value - March 31, 2023	\$ 1,133	\$ 11,661	\$ 313	\$ 4,728	\$ 17,835

Notes to the Financial Statements

For the year ended March 31, 2024

12. INTEREST INCOME (EXPENSE)

(\$ thousands)

	2024	2023
Interest revenue	\$ 266,744	\$ 241,821
Interest expense	(233,968)	(213,163)
Net interest margin	\$ 32,776	\$ 28,658

The breakdown of interest expense on debt is as follows:

Program funding

Infrastructure Renewal Bonds	\$ (14,062)	\$ (14,100)
Short-term revolving credit facility	(19,276)	(9,041)
OIPC/OILC Bonds	(35,352)	(43,692)
Long-term non-revolving credit facility	(167,619)	(136,168)
	(236,309)	(203,001)
Interest rate swap costs	25,866	3,229
Debt issue cost amortization	(244)	(358)
Investment bond premium amortization	(1,286)	(1,281)
	(211,973)	(201,411)

Capital funding

Province of Ontario loan	(13,815)	(7,848)
Province of Ontario loan - FRN	(2,277)	-
Ontario Clean Water Agency loan	(5,903)	(3,904)
	(21,995)	(11,752)

Total interest expense

	\$ (233,968)	\$ (213,163)
--	---------------------	---------------------

The reconciliation of cash interest received and paid to net interest margin is as follows:

Cash interest received	\$ 264,473	\$ 240,737
Cash interest paid	(227,672)	(210,070)
	36,801	30,667
Non-cash interest		
Amortization of loan concession costs (Note 5)	2,410	2,963
Other non-cash interest	(6,435)	(4,972)
Net interest margin	\$ 32,776	\$ 28,658

Other non-cash interest includes net interest accrued (revenue and expense), and the amortization of debt issue costs and bond premiums.

Notes to the Financial Statements

For the year ended March 31, 2024

13. GENERAL AND ADMINISTRATION EXPENSES

(\$ thousands)	2024 Budget	2024	2023
Information technology	\$ 19,073	\$ 18,254	\$ 14,095
Professional and consulting	16,030	9,831	9,258
Premises	4,815	4,135	4,100
Office and administration	2,080	1,995	1,756
Communications	156	72	54
Amortization	4,064	3,947	2,412
	\$ 46,218	\$ 38,234	\$ 31,675

14. RELATED PARTY TRANSACTIONS

The Agency is economically dependent on the Province as a significant portion of its revenue is received from the Province for the provision of services to various Ontario Crown Agencies and Ministries, including the Ministry of Health, the Ministry of the Attorney General, MOI, the Ministry of the Solicitor General and the Ministry of Transportation.

Infrastructure Ontario's prime sources of revenue from the Province are:

1. Project delivery fees and project transaction and recoverable costs:

Fees based on a percentage of project costs or on a cost recovery basis charged for services, including project and contract management, provided to various Ontario Crown Agencies and Ministries. Project transaction and recoverable costs include external advisor services and project cost contingencies.

2. Management fees:

Fees charged for services, including property and project management, provided to MOI's General Real Estate Portfolio (GREP) and the corporate realty portfolio.

Infrastructure Ontario has interest bearing investments (Note 8) and loans from the Province and OCWA (Note 10) and a line of credit with the OFA (Note 9).

15. FUTURE EMPLOYEE BENEFITS

The Agency provides a defined contribution pension plan for certain full-time employees. The Agency's contribution to this plan for the year ended March 31, 2024 was \$7.6 million (2023 – \$6.0 million).

The Agency provides pension benefits to certain of its full-time employees through participation in the Public Service Pension Plan, which is a multi-employer defined benefit plan established by the Province. The contribution to the pension plan of \$0.2 million for the year ended March 31, 2024 (2023 – \$0.3 million) is based on formulas set by the Ontario Pension Board and has been expensed. The cost of post-retirement, non-pension employee benefits for these employees is paid by MPBSD and is not included in the financial statements.

Notes to the Financial Statements

For the year ended March 31, 2024

16. RISK MANAGEMENT

The principal risks that Infrastructure Ontario is exposed to as a result of holding financial instruments are credit, market, liquidity and interest rate risks. The Real Estate and Lending Committee of the Board of Directors reviews policies for managing each of these risks, which are summarized below.

Credit risk

Credit risk is the risk of loss arising from a counterparty's inability to fulfill its financial contractual obligations to Infrastructure Ontario. The Agency is exposed to credit risk on cash accounts, investments and receivables, but primarily on loans receivable. The Agency manages credit risk through the implementation of policies and review processes.

Credit risk – loans receivable

Oversight of the credit risk of the lending program is monitored by the Real Estate and Lending Committee of the Board of Directors.

The credit risk policy ensures loan amounts are commensurate with both the borrower's ability to service debt and Infrastructure Ontario's own risk tolerance. The credit risk policy establishes principles for evaluating credit risk for each sector based on an established set of risk factors. Separate underwriting and credit functions exist to ensure an independent review and challenge through the adjudication process. Due diligence is conducted and a final scoring and recommendation for each applicant is presented to the Real Estate and Lending Committee and to the Board of Directors for approval, if necessary, based on Infrastructure Ontario's delegation of authority.

Infrastructure Ontario has a risk based loan review process that covers all lending sectors and provides early identification of possible changes in the credit worthiness of counterparties. The objectives of the loan review are to: assess the status of funded projects in construction; ensure payment and covenant compliance over the term of the loan; initiate timely corrective action to minimize any potential credit loss; and escalate potential loan repayment issues to the Real Estate and Lending Committee and the Board of Directors.

Infrastructure Ontario's maximum exposure to credit risk on loans receivable, without taking into account any collateral held or other credit enhancements, as at March 31, 2024 was \$6,196.2 million (2023 - \$6,184.3 million).

Infrastructure Ontario classifies and manages its loans by tiers. Tier 1 borrowers have a tax base and/or receive provincial transfers which provide a strong source of debt repayment. Tier 2 borrowers are in sectors that are either regulated or entitled to government based revenue contracts and therefore have a stable source of debt repayment. Tier 3 borrowers are organizations dependent on self generated revenues either by market-set prices or donations and fund raising. The profile of the loans receivable at March 31, 2024 is as follows:

Notes to the Financial Statements

For the year ended March 31, 2024

(\$ thousands)	Outstanding	Loan Valuation Allowance ⁽²⁾	2024	2023
Tier 1				
Municipalities	\$ 4,137,712			
City of Toronto (as guarantor)	956,556			
Universities	125,000			
Local service boards	59			
Social housing (with municipal guarantee)	165,707			
Affordable housing (insured by CMHC) ⁽¹⁾	108,000			
Long term care (with municipal guarantee)	34,711			
Affordable housing (with municipal guarantee)	1,006			
Community health & social service hubs (with municipal guarantee)	5,562			
Sports & Recreation (with municipal guarantee)	63,232			
	5,597,545	(36)	5,597,509	5,557,868
Tier 2				
Local distribution corporations	176,700			
Long term care	115,136			
Affordable housing (not insured by CMHC) ⁽¹⁾	119,354			
Social housing	85,364			
Aboriginal health access centres	271			
Community health & social service hubs	15,999			
	512,824	(6,243)	506,581	503,357
Tier 3				
Power generators	40,279			
Beneficial entities (arts training, etc.)	72,882			
Sports and recreation	9,645			
	122,806	(22,966)	99,840	133,268
Deferred costs on concessionary loans				
Deferred costs, beginning of year	(10,188)			
Amortization of concession costs	2,410			
Deferred costs, end of year	(7,778)	-	(7,778)	(10,188)
Loans receivable	\$ 6,225,397	\$ (29,245)	\$ 6,196,152	\$ 6,184,305

⁽¹⁾ CMHC is defined as Canada Mortgage and Housing Corporation.

⁽²⁾ Consists of \$24.7 million for general loan valuation allowance and \$4.5 million for specific loan valuation allowance.

Notes to the Financial Statements

For the year ended March 31, 2024

Collateral – loans receivable

Infrastructure Ontario lends on the strength of the applicants' ability to service loan payments over time. The Agency does not lend on a residual asset value basis and does not factor in possession or control of an asset in the evaluation of debt service coverage. It lends on the basis of a strong assurance of permanent sources of cash flow, namely the unique position of many borrowers to generate tax revenue or receive funding from the Province. Infrastructure Ontario mitigates its credit risk from the loan portfolio through various mitigation control provisions. The Agency has an intercept mechanism with the Province which allows for funds owing to certain borrowers (including municipalities) that receive funding from the Province, to be redirected to Infrastructure Ontario. Clients that do not receive provincial funding are required to provide adequate security such as: guarantees, first ranking mortgage/charge, general security agreement, assignment of rents and leases and assignment of accounts, agreements and collateral.

Impairment – loans receivable

The loan valuation allowance is established against the loan portfolio after management's review of existing economic, industry and portfolio conditions across the different loan segments. The general valuation allowance is underpinned by a model in which risk ratings are assigned at the time of loan origination, monitored on an ongoing basis, and adjusted to reflect changes in underlying credit risk. A specific valuation allowance is also established in instances of known borrower credit deterioration on the expected non-recoverable portion of the loan receivable.

Credit risk – cash, receivable, short-term investments, derivatives and long-term investments

The maximum exposure to credit risk on the cash, restricted cash, receivables, short-term investments, derivatives and long-term investments, without taking into account any collateral held or other credit enhancements, as at March 31, 2024 was:

(\$ thousands)	2024		Past Due >90 days	
Cash	\$	410,758	\$	-
Restricted cash		111,630		-
Accounts receivable		100,553		18,852
Interest receivable		45,798		-
Investment income receivable		5,150		-
Short-term investments		135,000		-
Derivatives		78,509		-
Projects receivable		119,564		-
Long-term investments		136,791		-
	\$	1,143,753	\$	18,852

Notes to the Financial Statements

For the year ended March 31, 2024

Market risk

Market risk is the risk that the fair value or future cash flows for a financial instrument will fluctuate due to changes in market prices. Infrastructure Ontario only invests in authorized liquid assets prescribed by the approved Treasury policies and guidelines, which can be easily liquidated.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows for a financial instrument will fluctuate because of changes in market interest rates. This could occur when the re-pricing of assets is not aligned with the re-pricing of liabilities. As a result of entering into back to back loan arrangements with the OFA, this re-pricing mismatch has been eliminated on all loans issued after April 1, 2015.

Management also manages interest rate risk through the use of interest rate swap derivatives as well as through the alignment of asset and liability risk structures and maturities.

Sensitivity to variations in interest rates

A +/- 100 basis point change in the interest rate for the year ended March 31, 2024 would have had a \$1.4 million / (\$1.4 million) impact on the surplus, and a \$13.9 million / (\$11.3 million) impact on the accumulated remeasurement gains (losses).

Liquidity risk

Liquidity risk is the risk Infrastructure Ontario will not be able to meet its financial obligations as they come due. This risk is managed through capital funding, which is funded by long-term subordinated loans provided by the Province and the OCWA. The capital funding is partially invested in long term liquid instruments that can be converted into cash in the event of any foreseeable liquidity crisis.

Infrastructure Ontario's borrowing by-laws are approved by the Board of Directors, the Minister of Infrastructure and the Minister of Finance. All borrowing is made with prudent consideration of interest rate and liquidity risks and complies with the treasury policy. Infrastructure Ontario borrows directly from the Province for its long-term funding needs through the OFA.

The following illustrates the maturities of contracted obligations as at March 31, 2024:

(\$ thousands)	Within 1 year		2 to 5 years		Over 5 years		Total
Accounts payable	\$	11,942	\$	-	\$	-	\$ 11,942
Accrued liabilities		43,605		-		-	43,605
Liabilities held in trust		111,630		-		-	111,630
Interest payable		45,928		-		-	45,928
Debt and capital – principal and interest		1,518,559		1,999,211		5,734,857	9,252,627
Total financial liabilities	\$	1,731,664	\$	1,999,211	\$	5,734,857	\$ 9,465,732

Notes to the Financial Statements

For the year ended March 31, 2024

17. CONTINGENCIES

The Agency is involved in various disputes and litigation. In the opinion of management, the resolution of disputes against the Agency, will not result in a material effect on the financial position of the Agency.

18. COMMITMENTS

Minimum base rent annual payments under operating leases for the Agency's office space for the next five years are:

(\$ thousands)

Fiscal year	Amount
2024-2025	\$ 4,010
2025-2026	4,080
2026-2027	4,151
2027-2028	4,225
2028-2029	4,346
	\$ 20,812

Infrastructure Ontario has \$985.6 million of unadvanced loan commitments as at March 31, 2024.

19. FUNDS HELD IN TRUST

Infrastructure Ontario is required by the CMHC to collect property taxes and reserve funds as a condition of providing certain affordable housing loans. As part of the CMHC certificate of insurance, the funds need to be set up in a trust account and administered by Infrastructure Ontario. In addition, certain borrowers set up reserve funds in the trust account as a requirement of the loan agreement. As at March 31, 2024, the funds under administration were \$16.0 million (2023 – \$9.3 million).

Infrastructure Ontario has a process to record funds received from various ministries and payable to project construction consortiums related to project substantial completion payments, interim payments, as well as payments received for variations, furniture, fixtures and equipment. Variations are changes to scope agreed to after the initial contract has been executed – also called contract change orders. All the above payments are paid directly by the sponsoring ministries, but flow through Infrastructure Ontario. As at March 31, 2024, Infrastructure Ontario held \$95.6 million (2023 – \$98.7 million) in its project trust general ledger account.

Infrastructure Ontario maintains several operating bank accounts which it holds in trust and administers on behalf of MOI. These accounts relate directly to the operations of MOI's general real estate portfolio, for which the Agency is the financial manager pursuant to the Ontario Infrastructure and Lands Corporation Act, 2011. The funds held in trust for MOI as at March 31, 2024 were \$93.2 million (2023 – \$188.7 million) and are not recorded in these financial statements.

Notes to the Financial Statements

For the year ended March 31, 2024

20. SEGMENTED INFORMATION

Infrastructure Ontario's reporting structure reflects how the business is managed. Infrastructure Ontario manages its operations to enable delivery and accountability on priorities such as those set by the Minister as well as corporate objectives determined by the Board. Infrastructure Ontario also assesses and anticipates future assignments and works to align its resources accordingly. As a result, Infrastructure Ontario is able to effectively allocate its resources and responsibilities by operating divisions in order to ensure efficiency and sustainability of operations over the period of the business plan.

The table below is a summary of financial information by segment:

(\$ thousands)	For the year ended March 31, 2024					
	Project Delivery	Real Estate	Lending	Development ⁽¹⁾	Commercial Projects	Total
Revenues						
Interest revenue	\$ -	\$ -	\$ 266,744	\$ -	\$ -	\$ 266,744
Project delivery fees	76,378	-	-	18,511	12,570	107,459
Management fees - GREP	-	60,138	-	-	-	60,138
Management fees - Corporate Realty	-	5,797	-	-	-	5,797
Project transaction and recoverable costs	103,717	16,422	-	16,054	30,769	166,962
Other income	-	2,402	1,538	-	-	3,940
	180,095	84,759	268,282	34,565	43,339	611,040
Expenses						
Salaries and benefits	58,644	45,248	7,086	15,008	11,084	137,070
General and administration	17,734	13,008	2,534	2,597	2,361	38,234
Interest expense	-	-	233,968	-	-	233,968
Project transaction and recoverable costs	103,717	16,422	-	16,054	30,769	166,962
Sub-contracting fees	-	10,081	-	-	-	10,081
Loan valuation allowance	-	-	(1,928)	-	-	(1,928)
	180,095	84,759	241,660	33,659	44,214	584,387
Surplus/(deficit)	\$ -	\$ -	\$ 26,622	\$ 906	\$ (875)	\$ 26,653

⁽¹⁾ Development includes Transit-oriented Communities.

Notes to the Financial Statements

For the year ended March 31, 2024

(\$ thousands)	For the year ended March 31, 2024 - Budget					
	Project Delivery	Real Estate	Lending	Development	Commercial Projects	Total
Revenues						
Interest revenue	\$ -	\$ -	\$ 256,000	\$ -	\$ -	\$ 256,000
Project delivery fees	77,937	-	-	16,338	13,687	107,962
Management fees - GREP	-	61,316	-	-	-	61,316
Management fees - Corporate Realty	-	5,159	-	-	-	5,159
Project transaction and recoverable costs	76,816	27,723	-	37,612	30,260	172,411
Other income	-	500	1,752	-	-	2,252
	154,753	94,698	257,752	53,950	43,947	605,100
Expenses						
Salaries and benefits	56,332	42,691	6,534	13,158	10,353	129,068
General and administration	21,605	14,724	3,754	3,246	2,889	46,218
Interest expense	-	-	227,000	-	-	227,000
Project transaction and recoverable costs	76,816	27,723	-	37,612	30,260	172,411
Sub-contracting fees	-	9,560	-	-	-	9,560
Loan valuation allowance	-	-	-	-	-	-
	154,753	94,698	237,288	54,016	43,502	584,257
Surplus/(deficit)	\$ -	\$ -	\$ 20,464	\$ (66)	\$ 445	\$ 20,843

Notes to the Financial Statements

For the year ended March 31, 2024

(\$ thousands)	For the year ended March 31, 2023					
	Project Delivery	Real Estate	Lending	Development	Commercial Projects	Total
Revenues						
Interest revenue	\$ -	\$ -	\$ 241,821	\$ -	\$ -	\$ 241,821
Project delivery fees	67,991	-	-	11,980	9,736	89,707
Management fees - GREP	-	55,079	-	-	-	55,079
Management fees - Corporate Realty	-	5,404	-	-	-	5,404
Project transaction and recoverable costs	63,696	22,243	-	11,164	19,927	117,030
Other income	-	534	2,765	-	-	3,299
	131,687	83,260	244,586	23,144	29,663	512,340
Expenses						
Salaries and benefits	52,427	39,759	5,989	10,290	8,599	117,064
General and administration	15,564	11,243	1,896	1,490	1,482	31,675
Interest expense	-	-	213,163	-	-	213,163
Project transaction and recoverable costs	63,696	22,243	-	11,164	19,927	117,030
Sub-contracting fees	-	10,015	-	-	-	10,015
	131,687	83,260	221,048	22,944	30,008	488,947
Surplus/(deficit)	\$ -	\$ -	\$ 23,538	\$ 200	\$ (345)	\$ 23,393

Appendix

LEGISLATIVE MANDATE

Infrastructure Ontario is an agency of the Province of Ontario with a Board of Directors. The agency's mandate is set out in legislation, under the *Ontario Infrastructure and Lands Corporation Act, 2011* and includes:

- providing advice and services on financial, strategic, or other matters involving the government;
- carrying out powers, duties, and functions delegated by the Minister of Infrastructure under the Ministry of Infrastructure Act, 2011, the Building Broadband Faster Act, 2021 and the Rebuilding Ontario Place Act, 2023;
- implementing or assisting in the implementation of transactions involving the government;
- providing advice and services, including project management and contract management, related to infrastructure projects in Ontario that are not government property;
- providing advice and services related to government property, including project management, contract management, and development;
- providing financial management for government property for which the Minister is responsible;
- providing advice and services related to real property to prescribed public sector organizations;
- providing advice and services to non-Ontario entities related to: development of public infrastructure loan programs; real property; financial, strategic, or other matters; and the implementation of transactions;
- providing financing for infrastructure purposes to municipalities and to other eligible public organizations.

Appendix

COMMUNITY INVOLVEMENT – IO GIVES BACK

IO and its employees care about the vitality of the communities in which they live and work. IO Gives Back is an employee-led committee focused on providing staff with opportunities to give back to the community, engage in physical activity, and participate in social activities.

In 2023-24, IO employees participated in a wide range of initiatives to give back to the community and support a variety of community programming efforts, which raised over \$31,000.

In the fall of 2023, the annual United Way workplace campaign was launched, which is the cornerstone of the IO Gives Back fundraising efforts. Employees raised money through a Halloween pumpkin carving contest, CN Tower stair climb, and payroll donations.

Also in the fall, colleagues came together to fundraise and participate in the annual Terry Fox Run event.

Throughout the remainder of the year, employees participated in a number of charitable causes led by IO's many Employee Resource Groups (ERG).

- The Indigenous ERG organized an orange t-shirt sale in support of the National Day for Truth and Reconciliation, with funds benefitting Lac Seul First Nation.
- The South Asian ERG hosted a Diwali Mela fundraiser benefitting the United Way.
- The Rainbow Alliance (2SLGBTQIA+) ERG hosted a fundraiser in support of World Aids Day and volunteered to support programming at Casey House Hospice. They also organized a pink shirt fundraiser in support of International Day of Pink.
- The Afro/Black ERG hosted a Black History Month fundraiser in support of Roots Community Services Inc.

The year culminated with an incredible display of generosity as IO employees came together to support Holland Bloorview Kids Rehabilitation Hospital's annual fundraising drive, Capes for Kids.

Appendix

2023-24 AWARDS

Forensic Services and Coroner's Complex

Silver Award - Environmental, Social and Governance

National Awards for Innovation and Excellence in Public-Private Partnership
Canadian Council for Public-Private Partnerships

Forensic Services and Coroner's Complex

Universal Facility

Boma Best Awards
Boma Toronto

Infrastructure Ontario

Culture and Diversity Award

P3 Awards
P3 Bulletin

Lakeridge Gardens

Innovation and Excellence Capital Project Award

AdvantAge Ontario

Ontario Line - Rolling Stock, Systems, Operations and Maintenance

Gold Award - P3 Transaction

National Awards for Innovation and Excellence in Public-Private Partnership
Canadian Council for Public-Private Partnerships

Ontario Line - Southern Civil, Stations and Tunnel

Silver Award - P3 Transaction

National Awards for Innovation and Excellence in Public-Private Partnership
Canadian Council for Public-Private Partnerships

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