



2016–19 Business Plan Highlights

Table of Contents

EXECUTIVE SUMMARY	3
OVERVIEW OF 2015–16 RESULTS (TO DATE)	4
2016–19 OBJECTIVES.....	8
Total Revenues and Expenditures.....	8
MANDATE AND GOVERNING LEGISLATION.....	9
OVERVIEW OF CURRENT AND FUTURE PROGRAM AND ACTIVITIES AND IMPLEMENTATION PLAN: 2016–19	10
1. Execute the Province’s borrowing program	10
2. Manage the Province’s debt, investments, Ontario Nuclear Funds Agreement and financial risk, and contribute to the development of the Province’s fiscal plan and outlook.....	10
3. Manage key financial relationships.....	11
4. Provide services related to cash management, banking, settlement, payment and financial and reporting.....	11
5. Advise on and implement corporate and electricity finance projects and policies	12
6. Ensure the successful activation of OFA’s decentralized Business Continuity Plan (BCP).	14_Toc444519892
ENVIRONMENTAL SCAN	15
Economic Conditions	15
Financial Markets.....	15
Government Initiatives	16
Regulatory Compliance.....	16
INITIATIVES INVOLVING THIRD PARTIES	17
IMPLEMENTATION PLAN	17
COMMUNICATION PLAN	17
Business Plan	17
Other Communications	17
ORGANIZATIONAL CHART	18

EXECUTIVE SUMMARY

The Ontario Financing Authority (OFA) is a Provincial Crown agency established by the Capital Investment Plan Act, 1993 (CIPA). The initiatives in the OFA's *2016–19 Business Plan* will focus on achieving the objectives set out in CIPA over a three year planning horizon, as well as reporting on results of the previous year's Business Plan. Initiatives for the 2016–19 Plan include:

1. Executing the Province's borrowing program through development and implementation of the annual Financing, Debt & Electricity Management Plan. The Plan will provide critical details on the borrowing program, including term structure and diversification objectives, as well as investor relations, liquidity, floating rate, foreign exchange and credit risk strategies, and also outline major risks and risk mitigation strategies.
2. Managing the Province's debt, investments, Ontario Nuclear Funds Agreement and financial risk, and contributing to the development of the Province's fiscal plan and outlook by working to generate savings from debt management and liquid reserve investment activities within prudent risk exposure limits, as well as centralized/segregated investment funds for various public bodies. This also involves managing Ontario Nuclear Funds Agreement (ONFA)-related investments working together with Ontario Power Generation (OPG), to ensure interest rate, foreign exchange and credit exposures are within approved policy limits, as well as contributing to the Province's annual Budget, Fall Statement and quarterly finances.
3. Managing key financial relationships by building and maintaining connections with investors in both existing and new markets, as well as relationships with banks, financial service providers and investment dealers. This includes providing Investor Relations information products and updates on the OFA website. Maintaining close relationships and ongoing dialogue with credit rating agencies to keep them informed of the Province's financial status, priorities, and initiatives, and complete regulatory filings with the U.S. Securities & Exchange Commission (SEC) and any other applicable securities regulators will also be undertaken.
4. Providing cash management and banking services on a centralized basis to all ministries and settlement, payment, financial and reporting, information technology and client services to the Treasury Program by implementing effective treasury solutions for the Province and client agencies. Ensuring that the Province has sufficient cash available at all times to meet its financial obligations, and continuing to work with the other ministries to advise on banking and cash management components of government initiatives as well as on changes to accounting standards and their impact on the Province's debt and interest on debt.
5. Advising on and implementing corporate and electricity finance projects and policies by providing analysis and advice on cost-effective borrowing, investing and risk management by public bodies and other financing proposals, and on business cases for business supports. This includes providing advice on transactions that may affect the indebtedness or contingent liabilities of Ontario, including provincial guarantees. In addition, undertaking policy and financial analysis, modelling support and implementation, as required, for electricity financings, policies and initiatives, including ONFA that could have fiscal, financial and/or economic implications for the Province and/or OEFC.
6. Ensuring the successful activation of OFA's decentralized Business Continuity Plan (BCP) by reviewing and updating the Corporate BCP Framework and Business Unit plans, as well as conducting corporate-wide BCP test exercises.

OVERVIEW OF 2015–16 RESULTS (TO DATE)

The Ontario Financing Authority (OFA) accomplished the following in support of the overall strategic directions outlined in the 2015–18 Business Plan¹:

1. *Execute the Province's borrowing program*

- As of January 29, 2016, the OFA had completed \$28.4 billion (94 per cent) of its \$30.1 billion long-term borrowing requirement for 2015–16. Approximately 78 per cent of long-term borrowing was completed in the Canadian dollar market.
- The 2015–16 Ontario Savings Bond (OSB) campaign raised \$66.5 million.
- The objectives set out in the 2015–16 Financing, Debt & Electricity Management Plan, approved by the OFA Board, are on track and expected to be successfully completed by fiscal year end.
- Sufficient liquidity has been available over the fiscal year to ensure the Province has been able to meet all of its financial commitments and payment obligations, largely reflecting the long-term borrowing program being consistently ahead of pace.
- Successfully priced Ontario's second green bond on January 22, 2016. The seven year bond was issued for \$750, and will help fund eight green infrastructure projects, with an emphasis on clean transportation and energy efficiency and conservation. Ontario added three new investors and expanded its Canadian dollar investor base by seven names.
- Provided expertise in accounting for Green Bonds, and set up financial accounting and reporting for these investment vehicles that met the requirements outlined by the investor community. Developed a green bond newsletter updating investors on the inaugural green bond's use of proceeds, project selection process as well as providing a project update on the Eglinton Crosstown LRT.

2. *Manage the Province's debt, investments, Ontario Nuclear Funds Agreement and financial risk, and contribute to the development of the Province's fiscal plan and outlook*

- The interest-on-debt (IOD) expense for 2015–16 is currently forecast at \$11, 200 million, \$200 million lower than forecast in the *2015 Budget*, primarily as a result of lower than forecast interest rates.
- Funds were managed on behalf of the Pension Benefits Guarantee Fund, Deposit Insurance Corporation of Ontario, Ontario Trillium Foundation, Infrastructure Ontario, Ontario Immigrant Investor Corporation and Northern Ontario Heritage Fund, and a commitment fund for the Ontario Capital Growth Corporation.
- With Ontario Power Generation (OPG), the Used Fuel and Decommissioning Segregated Funds' investments were managed under the Ontario Nuclear Funds Agreement (ONFA). The Funds have grown from \$15 billion at January 1, 2014 to about \$17.9 billion at November 30, 2015.
- Contributed to the Province's annual Budget and quarterly finances, including the electricity sector outlook and assets; advised on the potential implications of initiatives on interest on debt, borrowing objectives, credit ratings and financial markets' reactions.
- As part of the Pooled Asset Management Working Group, provided technical investment management expertise on the modelling, design and implementation of a pooled asset management entity for institutions in Ontario's broader public sector.

3. *Manage key financial relationships*

- Held road shows, investor meetings and conference calls to meet with investors in Canada, the United States and Asia, and hosted meetings at the OFA offices. Provided keynote speakers and panelists at industry conferences in Toronto and New York City. Promoted Toronto as a global financial centre.
- Undertook significant redesign of OFA website to improve functionality, add additional information for investors and provide full mobile accessibility.

¹ The OFA's fiscal year end is March 31, 2015, but quantitative performance results are as of December 31, 2015, unless otherwise noted.

- Maintained close relationships and held ongoing discussions with credit rating agencies and the banks which underwrite and distribute the Province's bonds in Canada and around the world to keep them apprised of government priorities and initiatives, the *2015 Budget*, the 2014-2015 Public Accounts, the *2015 Ontario Economic Outlook and Fiscal Review (Fall Statement)*, the initial public offering of Hydro One upon its public announcement and other quarterly finance releases.
 - Managed increasingly more rigorous regulatory and disclosure requirements, and maintained close relationships with the regulatory bodies in the global capital markets.
 - Monitored credit exposures to banks with which we have relationships.
4. *Provide cash management and banking services as well as settlement, payment services and financial and reporting services and client services.*
- Provided centralized banking services to the Province by strategically managing banking relationships, as well as providing efficient centralized cash management services to the Province, minimizing interest on debt.
 - Continued to provide cash management services to five client agencies and crown corporations, including the Pension Benefits Guarantee Fund, Ontario Capital Growth Corporation and the Deposit Insurance Corporation of Ontario.
 - Managed the complex cash flows and settlement requirements associated with the Initial Public Offering of Hydro One ensuring that these very large and time sensitive transactions were completed on a timely and accurate basis.
 - Continued to advise ministries on the application of the Cash Management Directive with regard to Government priorities including the proposed cap and trade mechanism for Ontario.
 - Continued strategic participation and advice to the cross-ministry Working Group, Executive Steering Committee and Payment Card Industry (PCI) Enterprise Coordination.
 - Managed the complex transition of ministries to the new supplier for credit and debit card acquiring services for the Province in a timely and effective manner. Successful completion involved coordinating ministries, internal and external service providers and central agencies across the OPS, and over two thousand pieces of equipment and over thirty websites. The OFA transition team won a Stella Award for partnership for their role in the successful transition.
 - Continued working with the Ministry of Community and Social Services to begin replacing social benefits payments made by cheque with a reloadable prepaid card product for unbanked individuals providing both cost efficiencies, and improved services to Ontarians.
 - Provided input into the Canadian Payments Association initiative to modernize Canada's clearing and settlement systems as well as the Receiver General's modernization consultation with provinces.
 - Continued to provide timely and efficient settlement and payment services in managing the Provincial and OEFC debt portfolios and Non-Utility Generator (NUG) power purchase contracts.
 - The OFA, on behalf of the borrowing communities of most provinces, continued to apply pressure on the Public Sector Accounting Board (PSAB) with regard to its new standard on Financial Instruments. Ontario's concerns echoed by the other provinces resulted in PSAB postponing the implementation of this standard to April 1, 2019 and committing to developing options that address the concerns of the provinces.
 - Provided agency financial statements, as well as reported provincial debt, derivatives and investments. As in past years, the OFA's 2014-15 Financial Statements received an unqualified opinion from the Office of the Auditor General. The Auditor General's annual review of the OFA's financial reporting of the Province's debt and interest on debt continued to be free of material issues.
5. *Advise on and implement corporate and electricity finance projects and policies*
- Advised on capital projects and financing options for ministries and public sector entities.
 - Continued the review of business cases for OFA borrowing requests from public bodies including a number of Ontario colleges, school boards and corporations, expected to result in a total of \$372 million in new long-term loans. Loan program annual savings are estimated at \$30 million per year for a total of approximately \$180 million in cumulative savings to date.

- Continued to provide advice on municipal debt issuance and investment activities, including the expansion of the City of Toronto investment powers and their adoption of the Prudent Investor standard.
- Provided financial analysis and support in structuring a proposed provincial loan facility to help establish and fund the set-up costs of the new Ontario Retirement Pension Plan. Provided analysis and advice on making the Ontario Student Loan Program more efficient, transparent and accountable, which led to the dissolution of the Ontario Student Loan Trust, the transfer of student loans to the Ministry of Training, Colleges and Universities, and the implementation of a streamlined process whereby the ministry responsible for the program would seek an appropriation and issue new loans directly to students, instead of through the Trust.
- Monitored terms and conditions of loans and loan guarantees and reviewed proposals and provided advice to the Deputy Minister and the Minister on proposed options to amend the loan guarantees and associated loan and contracts.
- Provided analysis and advice on the Province's investment in the Ontario Venture Capital Fund (OVCF), the North leaf Venture Catalyst Fund (NVCF), and Ontario Emerging Technologies Fund (OETF). The CEO serves on the Board of Directors, and is a Vice-Chair of, the Ontario Capital Growth Corporation (OCGC), which manages the Province's interests in these three funds.
- Advised on and reviewed proposed contingent liabilities and indemnity agreements put forward by ministries and public bodies that would increase the indebtedness of the Province, including contingent liabilities and indemnities for major infrastructure projects, accommodation leases or broader public sector borrowing.
- Providing analysis and advice on potential changes to the application under certain conditions of Section 28 of the *Financial Administration Act* for contracts entered into by public entities that would increase the indebtedness or contingent liabilities of the Province.
- Provided advice to ministries and Crown agencies on loan restructuring strategies.
- Provided analysis and advice to the government, and supported the implementation of the Premier's Advisory Council on Government Assets' recommendations to broaden ownership of Hydro One and sell/merge Hydro One Brampton with other distributors. Staff work contributed to the development, management and execution of the successful pre-IPO transactions and the initial public offering of Hydro One shares on November 5, 2015, as well as associated share sales.
- Through a working group, working with Infrastructure Ontario and other areas of government, provided analysis and advice in support of unlocking the value of the Province's real estate assets, including moving forward the sale process for the LCBO's head office lands and OPG headquarters.
- Provided policy analysis and advice on the implementation of the Trillium Trust, and proposed amendments to the *Trillium Trust Act, 2014*, in support of the government's asset optimization and public infrastructure investment commitments.
- CEO served on the Assistant Deputy Ministers' (ADMs) review committee of the Jobs and Prosperity Fund (JPF).
- Provided analysis, advice, and the fiscal impact of the electricity sector and asset optimization initiatives for the Province's annual Budget, Fall Statement, Public Accounts and quarterly finances.
- Supported electricity policies and initiatives, focusing on potential fiscal, financial, and economic impacts on the Province and Ontario Electricity Financial Corporation (OEFC), including analysis and advice to support implementation and expansion of the Industrial Electricity Incentive (IEI); ongoing implementation of the Northern Industrial Electricity Rate (NIER) program and its current review process, the Ontario Clean Energy Benefit (OCEB), and the Ontario Electricity Support Program; and providing analysis and advice to the Minister of Finance on the estimation and reporting of residual stranded debt of the electricity sector, in addition to providing analysis and advice on the implementation of removing the Debt Retirement Charge (DRC) cost from residential users' electricity bills after December 31, 2015, and on the *Electricity Act, 1998*, (the "*Electricity Act*") amendments to remove the DRC for non-residential consumers as of April 1, 2018.
- Provided analysis and advice on proposed new loans facilities and continued to implement existing loan agreements between OEFC and OPG related to supply projects and refinancing debt maturities.

- Continued to implement a credit facility between OFA and the Independent Electricity System Operator (IESO) for liquidity purposes and also provided analysis and advice to ensure financial oversight / governance of these credit facilities following the merger of the OPA and IESO.
 - Continued to implement the Aboriginal Loan Guarantee Program (ALGP) to facilitate Aboriginal equity participation in renewable energy and transmission projects. As of December 31, 2015, seven guarantees totalling over \$200 million had been approved under the ALGP. All applications are reviewed in conjunction with one or more third party due diligence providers.
 - Continued to implement the Ontario Nuclear Funds Agreement (ONFA), including monitoring the segregated fund values, monitoring and reviewing OPG's development of its expected ONFA Reference Plan submission in 2016, reviewing for approval OPG's ONFA Annual Budget submissions and disbursement eligibility and requests, and monitoring the provincial guarantee provided under ONFA to the Canadian Nuclear Safety Commission (CNSC) as part of OPG's financial guarantee requirement to the CNSC.
 - Provided analysis and advice on electricity supply initiatives, including nuclear refurbishments.
 - Provided continuous support on discussions related to developing infrastructure and projects in the Ring of Fire.
 - Provided analysis and advice on policies to support the consolidation of Ontario's electricity Local Distribution Company (LDC) sector.
6. *Ensure the successful execution of the OFA's decentralized Business Continuity Plan (BCP)*
- Reviewed and updated the Corporate BCP Framework.
 - Business Units conducted monthly tests, ensuring their respective plans are reviewed and updated.
 - Carried out two corporate-wide BCP test exercises, and implemented improvements to the Plan based on the results of these tests.
 - Reviewed corporate BCP Command and Support Team membership.

2016–19 OBJECTIVES

Key objectives for 2016–19 include:

1. Execute the Province's borrowing program
2. Manage the Province's debt, investments, Ontario Nuclear Funds Agreement and financial risk, and contribute to the development of the Province's fiscal plan and outlook
3. Manage key financial relationships
4. Provide services related to cash management, banking, settlement, payment, financial and reporting, and client services
5. Advise on and implement corporate and electricity finance projects and policies
6. Ensure the successful execution of OFA's decentralized Business Continuity Plan

Total Revenues and Expenditures

<i>(in thousands of dollars)</i>	2015-16	
	Budgeted	Interim Forecast
Total Revenue	29,594	29,536
Total Expenditure	26,527	26,469
Net Income	3,067	3,067

MANDATE AND GOVERNING LEGISLATION

The Ontario Financing Authority (OFA) is a Provincial Crown agency established by the *Capital Investment Plan Act, 1993* (CIPA). CIPA sets out the objectives of the OFA. The OFA:

- conducts borrowing and investment for the Province of Ontario and manages the Provincial debt;
- provides cash management and other financial services for the Province;
- advises ministries, Crown agencies, and other public bodies on financial matters; and
- assists Crown agencies and other public bodies to borrow and invest money through external sources or through the OFA.

The OFA also provides a broad range of financial services to Ontario Electricity Financial Corporation (OEFC) and Ontario Infrastructure and Lands Corporation (Infrastructure Ontario).

The FAA also sets out certain financial powers which OFA employees exercise on behalf of the Minister of Finance to carry out the Province's borrowing, manage the Province's debt and invest its liquid reserves.

OVERVIEW OF CURRENT AND FUTURE PROGRAM AND ACTIVITIES AND IMPLEMENTATION PLAN: 2016–19

Activities will focus on supporting the following strategic directions:

1. *Execute the Province's borrowing program*

Overview

The OFA endeavours to ensure that borrowing by the Province and OEFC is cost-effective. Total long-term public borrowing is forecast at \$30.1 billion in 2016–17 and \$24.4 billion in 2017–18. This year's objectives may be challenging to implement due to the state of the global economy/market and the resource constraints within which the OFA is operating. Furthermore, borrowing blackouts can limit the amount of time in which the OFA can access the market. This may require borrowing in excess of \$3 billion per month when these blackouts are not in effect in order to complete the annual borrowing requirement. Other challenges include:

- continued high amount of borrowing required for the Province, including the amount that will have to be undertaken outside Canada;
- competition in the markets from other large domestic and international borrowers;
- evolving regulatory requirements such as Basel III and Dodd-Frank that continue to make hedging of foreign debt more expensive and a challenge to execute in the size required by the Province;
- potential challenges for Ontario's credit rating. A downgrade may result in borrowing costs increasing; and
- management of downgrading or failure of counterparties, and continued implementation of collateralized swaps to mitigate credit risk.

Implementation Plan

- Develop the annual Financing, Debt & Electricity Management Plans for OFA Board approval and transmission to the Minister..
- Meet the Province's funding requirements in a cost-effective and prudent manner.
- Manage the Ontario Savings Bond campaign.
- Continue to monitor the green bond market to identify future issuance opportunities under its Green Bond Program.

2. *Manage the Province's debt, investments, Ontario Nuclear Funds Agreement and financial risk, and contribute to the development of the Province's fiscal plan and outlook*

Overview

The OFA manages the debt and liquid reserve portfolios, as well as investment funds, for various public bodies, and jointly manages the Ontario Nuclear Funds with OPG. Financial risks associated with capital market activities are mitigated by adhering to prudent risk management policies which minimize financial risk by ensuring exposures and losses remain within approved limits. Risk management policies and program exposure limits are approved by the OFA Board of Directors. The OFA also contributes interest on debt, borrowing and debt management objectives, and electricity sector fiscal impact projections to the Budget, Fall Statement and other quarterly financial updates.

Implementation Plan

- Generate savings from debt management and liquid reserve investment activities within prudent risk exposure limits, as well as centralized/segregated investment funds for various public bodies. Manage ONFA-related investments working together with OPG.
- Ensure interest rate, foreign exchange and credit exposures are within approved policy limits.
- Contribute to the Province's annual Budget, Fall Statement and quarterly finances, including the electricity sector outlook; advise on the potential impact of initiatives on interest on debt, borrowing objectives, credit ratings and financial markets' reactions. Continue playing an important role in the development of the Province's annual Budget and quarterly statements through the provision of timely and accurate financial information, and preparation of the Borrowing and Debt Management chapter of the Budget and Fall Statement.
- Continue to implement applicable changes as per financial and regulatory reform requirements including evolving effects from Basel III and Dodd-Frank.

3. *Manage key financial relationships*

Overview

The OFA ensures investors and the financial community in Canada and abroad receive financial updates on a timely basis to make informed decisions about Province of Ontario debt securities. Investor Relations activities support borrowing program objectives by maintaining and broadening the Province's investor base. The OFA also ensures credit rating agencies understand government policies, budget, and fiscal performance, properly reflecting these factors in their reports and rating decisions.

The OFA manages the government's relationships with financial institutions, primarily the major Canadian and global banks, their investment dealer subsidiaries, and custodial and fiscal agents. This involves the acquisition and oversight of cost-effective products and services for the Province and certain Crown corporations.

Implementation Plan

- Support the Province's borrowing program by building and maintaining relationships with investors in existing and new markets. Provide Investor Relations information products, including updates to the OFA website, on a timely basis.
- Maintain close relationships and ongoing dialogue with credit rating agencies to keep them informed of the Province's financial status, priorities, and initiatives.
- Manage Ontario's relationships with banks, financial service providers and investment dealers.
- Complete regulatory filings with the U.S. Securities & Exchange Commission (SEC), United Kingdom Listing Authority (UKLA), Luxembourg Stock Exchange (LuxSE), Australian Securities Exchange (ASX) and any other applicable securities regulator. Conduct due diligence conference calls, as required, with the dealers and underwriters of the Province's debt securities offerings and their legal counsel.
- Implement and maintain collateralized swap agreements with bank counterparties to limit potential financial losses as a result of a credit event.
- Manage changes in financial and regulatory reform, liaising with regulators and legal counsel, as required.

4. *Provide services related to cash management, banking, settlement, payment and financial and reporting*

Overview

The OFA provides centralized banking and cash management services to the Province. The effective provision of these services allows for the efficient delivery of provincial services and contributes towards minimizing interest on debt expenditures. The OFA is responsible for settlements, payments and accounting/reporting functions associated with the Province's and OEFC's debt management programs, as well as agency financial reporting.

Implementation Plan

- Identify and implement effective treasury solutions for the Province and client agencies.
- Ensure that the Province has sufficient cash available at all times to meet its financial obligations.
- While compliance with Payment Card Industry (PCI) Data Security Standards is now in its sustainment phase, the OFA will continue to work with the other OPS stakeholders and the new credit/debit card acquirer to ensure that the mandatory external compliance reviews continue to be positive.
- Now that transition is complete continue to work with the new credit/debit card acquirer in leveraging efficiencies in the payment and settlement processes.
- Continue to work with the Ministry of Community and Social Services (MCSS) and the social services cluster on the introduction of a reloadable payment card for benefit recipient under the Ontario Disability Support Program (ODSP).
- Continue to advise ministries and agencies on the banking and cash management components of government initiatives and suitable banking options.
- Continue to collaborate with industry associations and provincial and federal jurisdictions on modernization initiatives. Continue the delivery of timely and accurate settlement/payment services for the Province and Ontario Electricity Financial Corporation, including OEFC power supply contract settlements.
- Work on the replacement of the Public Bodies Financing System with a new, internally developed/externally sourced system capable of handling the various loan types that the Province makes to Infrastructure Ontario.
- Continue to provide timely and accurate financial reporting for the Province on debt, derivatives and investments. Continue to provide timely and accurate agency financial statements that pass scrutiny of the OFA Board and the Office of the Auditor General.
- Continue to work with the Office of the Provincial Controller on providing value-added feedback on Chapter 2 of the Annual Report of the Auditor General of Ontario that deals with Ontario's Public Accounts.
- Continue to monitor and assess any new accounting developments of the International Accounting Standards Board, the Financial Accounting Standards Board in the U.S., the Accounting Standards Board and the Public Sector Accounting Board of the Chartered Professional Accountants of Canada (CPA) that affect reporting for the Province and its agencies.
- Continue to collaborate with other provinces to actively participate in PSAB's review of the new standard on Financial Instruments including the development of options that address the provinces' concerns. Continue to liaise with the Office of the Provincial Controller and, where required, the Office of the Auditor General of Ontario in communicating with PSAB.

5. *Advise on and implement corporate and electricity finance projects and policies*

Overview

The OFA provides financial modelling, analysis and advice to the Ministry of Finance, other ministries, OEFC, Crown agencies, and other public bodies, on financial policies and projects, electricity sector policies and initiatives, and borrowing from capital markets. The OFA also provides assistance in structuring and completing financial transactions, and securing and using private sector financial advisers. The OFA will lead implementation of the Trillium Trust and will also continue to work with the Ministry of Finance, Infrastructure Ontario, and other ministries on on-going asset optimization initiatives, including certain real estate assets. The OFA to provide analysis and support as the Province moves forward to sell down its share of Hydro One in a prudent and staged manner.

The OFA will also continue to support and facilitate the implementation of a number of other government initiatives, including the Ontario Retirement Pension Plan and the Cap and Trade Program.

Implementation Plan

- Provide analysis and advice on business cases and other financing proposals. Develop the structure and negotiate the detailed terms and conditions of transactions to minimize costs and best meet market expectations.
- Provide advice on cost-effective borrowing, investing and risk management by public bodies.
- Provide advice on transactions requiring a provincial guarantee or those that may otherwise increase the indebtedness or contingent liabilities of Ontario.
- Develop interest rate and other borrowing, investing and risk management policies, and advise ministries, agencies and public bodies on interest rates and other financing issues.
- Support initiatives for Ontario's forestry sector.
- Provide continued support for the government initiative on OFA loans to public bodies.
- Provide support to the government on Ministry of Finance loans and loan guarantees as required.
- Continue to provide advice to ministries and Crown agencies on financing and loan restructuring strategies.
- Provide advice as required on evaluating the Province's assets, including investments in its business enterprises, and analysis and advice on asset optimization to enhance efficiency and maximize value.
- Provide policy and financial analysis, and modelling support, as required, for electricity policies and initiatives that could have fiscal, financial and/or economic implications for the Province and/or OEFC, including the following:
 - Ongoing implementation of the Industrial Electricity Incentive (IEI) program.
 - Ongoing implementation and review of the Northern Industrial Electricity Rate (NIER) program and contributing to a review of the efficiency and effectiveness of the program, and options for a sustainable electricity support program for large northern industrials.
 - Electricity supply and conservation initiatives.
- Provide financial due diligence and advice to the Minister of Finance on applications received under the Aboriginal Loan Guarantee Program (ALGP).
- Monitor and provide electricity sector fiscal and financial projections for the Province and OEFC, including analysis and advice to the Minister of Finance on the stranded debt, as well as continued reporting on OEFC's revenue sources (e.g. the DRC for non-residential users, now legislated to end on April 1, 2018, and payments in lieu of taxes) and expenses (e.g. interest on debt).
- Provide analysis and advice to support the effective administration of ONFA and other initiatives related to nuclear liabilities, including monitoring and reviewing OPG's development of its expected ONFA Reference Plan submission in 2016, approval of yearly ONFA budgets including investment related expenses and monitoring the Provincial guarantee to the Canadian Nuclear Safety Commission (CNSC).

- Provide analysis and advice on nuclear supply, financing and cost recovery issues, including for nuclear refurbishments.
- Continue to monitor, review and support policy discussions on developing the Ring-of-Fire.
- Continue to work closely with staff at the Ministry of Economic Development, Employment and Infrastructure, and the Ontario Capital Growth Corporation (OCGC) on approaches for managing the Province's investment in the Ontario venture capital sector. Support the CEO's role as Vice Chair of the OCGC Board.
- Provide analysis and due diligence related to Jobs and Prosperity Fund applications and relevant EODF and SWODF applications.
- Continue to support the government's asset optimisation initiative, including broadening of ownership of Hydro One and the sale/merger of Hydro One Brampton, providing financial analysis and advice, and dedication of net revenue impacts to the Trillium Trust to support investments in infrastructure.
- Provide coordination and oversight of certain real estate asset optimization initiatives, such as, the divestment of LCBO head office lands and OPG headquarter properties.
- Lead implementation of the Trillium Trust to help support investments in transit, transportation and other priority infrastructure.

6. *Ensure the successful activation of OFA's decentralized Business Continuity Plan (BCP).*

Overview

The Business Continuity Plan (BCP) remains in place and is updated as required to be successfully activated so staff can complete critical time-sensitive tasks in the event of a business disruption.

Implementation Plan

- Review and update the Corporate BCP Framework.
- Review and update Business Unit plans.
- Plan and conduct corporate-wide BCP test exercises.
- Review corporate BCP Command and Support Team membership.

Implementation of the above strategic directions will require regulatory compliance and reliable information technology.

ENVIRONMENTAL SCAN

Economic Conditions

The economic outlook for Ontario as described below is based on the average private sector view as of December, 2015. As with all projections, there are positive and negative risks to the outlook. For business planning purposes, the OFA recognizes that it may confront increased demands to provide financing and other services.

Ontario's economy continues to grow in an increasingly competitive global economic environment. Ontario real GDP increased 2.7 per cent in 2014. Private-sector forecasters, on average, estimate Ontario real GDP will grow by 2.1 per cent in 2015, 2.4 per cent in 2016, 2.4 per cent in 2017 and 2.1 per cent in 2018. The economic outlook is influenced by external factors, such as U.S. economic growth, oil prices and the Canadian dollar exchange rate. Uneven and uncertain global growth has exacerbated volatility in interest rates, stock markets, currencies and commodity prices. Despite the unsettled global environment, lower oil prices, more favourable financial-market conditions, including a more competitive Canadian dollar, and a robust U.S. economy are projected to lead to a broadening of economic growth in Ontario as exporters invest to meet demand.

The United States is Ontario's largest trading partner, accounting for almost 80 per cent of the Province's international merchandise exports in 2014. Economic growth in the U.S. strengthened to 2.4 per cent in 2014 after rising by 1.5 per cent in 2013. According to the Blue Chip consensus outlook, the U.S. economy is expected to grow by 2.5 per cent annually over the 2015 to 2017 period and grow by 2.4 per cent in 2018.

The price of West Texas Intermediate (WTI) oil has declined sharply from \$108 US per barrel in June 2014 to just over \$35 US per barrel in mid-December 2015. Energy prices have been under pressure due to strong production in North America and Organization of the Petroleum Exporting Countries (OPEC) oil fields, as well as concerns about slower global economic growth, notably in China. With global oil production expected to remain strong, oil prices are projected to stay well below their post-recession average.

The Canadian dollar has depreciated from a high of around 94 cents US in mid-2014 to under 72 cents US in December 2015. On average, private-sector forecasters expect the Canadian dollar will average 78 cents US in 2015, before declining to an average of 75 cents US in 2016.

Financial Markets

Soft inflation and slowing growth led the Bank of Canada to cut the target overnight rate by 50 basis points in 2015. For the most part, private-sector economists do not expect the Bank of Canada to raise rates until at least the end of 2016. In fact, some believe the Bank may lower rates again by mid-2016.

In the United States, the Federal Reserve raised rates for the first time since 2006 at its December meeting, citing a solid labour market and expectations for inflation to rise, in the medium-term, towards its 2 per cent target as reasons for the hike. It is expected that the Fed will continue to raise rates, though at a gradual pace. On the other hand, the European Central Bank announced additional stimulus measures in December as it struggles to combat low inflation.

According to private-sector forecasters, the Canadian three-month Treasury bill rate is expected to decline from an average of 0.9 per cent in 2014 to 0.5 per cent in 2015, and then increase to 0.6 per cent in 2016. According to the Blue Chip consensus outlook, the three-month U.S. Treasury bill rate is expected to average 0.1 per cent in 2015, before rising to 0.8 per cent in 2016.

Long-term interest rates have been held down in many advanced countries as low oil price and inflation expectations, along with weak global growth prospects, are driving investors to the relative safety of sovereign debt markets. According to private-sector forecasters, the 10-year Government of Canada bond rate is projected to average 1.5 per cent in 2015, down from 2.2 per cent in 2014, before rising to 2.0 per cent in 2016. According to the Blue Chip consensus outlook, the yield on 10-year U.S. government notes is expected to average 2.2 per cent in 2015, down from 2.5 per cent in 2014, before rising to 2.7 per cent in 2016.

Government Initiatives

Government policy developments and financial performance in Ontario's electricity sector, including Ontario Power Generation (OPG), Hydro One and municipal electricity utilities, may affect borrowing requirements through the cash flows to OEFC. In particular, the Province's ongoing effort to broaden ownership of Hydro One will result in large cashflow impacts for OEFC.

The OFA will continue to monitor the green bond market to identify future issuance opportunities under its Green Bond Program. The OFA will lead the implementation of the Trillium Trust, for dedicated net revenue gains from qualifying asset sales to help fund infrastructure investments across Ontario. The OFA will also provide financial support to the Ministry of Environment and Climate Change in respect of the government's Cap and Trade program, as well as in the establishment of a Greenhouse Gas Reduction Account.

The OFA will furthermore provide financial support and facilitate a provincial loan to finance costs of the new Ontario Retirement Pension Plan.

The OFA will also provide financial analysis and advice in support of the Province's commitment to unlock the value of designated assets, and will continue to work with Infrastructure Ontario and other areas of government on optimizing certain holdings in the Province's real estate portfolio, in particular, the sale of the LCBO head office lands and OPG headquarter properties, as well as Seaton and Lakeview lands.

Regulatory Compliance

The OFA will ensure that information required to be disclosed by the Province in its debt securities offerings related documents, periodic published reports (including the Ontario Budget, the quarterly finances, the Public Accounts of the Province of Ontario and the annual fall Economic Outlook and Fiscal Review) and other disclosure filed or submitted under applicable securities legislation, rules and regulations in the United States, the United Kingdom, Luxembourg, Australia, Switzerland and Singapore is filed on time and otherwise in accordance with those requirements. Regulatory requirements will be monitored continually to ensure the Province has ongoing access to these markets.

INITIATIVES INVOLVING THIRD PARTIES

There are no third parties, other than the provincial government, with which the OFA is partnering or with which it has a funding relationship for the purpose of delivering OFA programs. Moreover, the OFA does not provide transfer payments (grants, subsidies, assistance to persons; the business sector; non-commercial institutions; and other government bodies) to third parties.

IMPLEMENTATION PLAN

For 2016–19, the OFA intends to implement its business plan using existing resources and allocations.

COMMUNICATION PLAN

Business Plan

The OFA Business Plan serves as an internal tool for management and staff in the development of program plans and, through the regular reporting of the status of initiatives to the Board of Directors, it serves as a performance measurement tool. The plan also communicates the OFA's business objectives to the Minister of Finance and the Ministry.

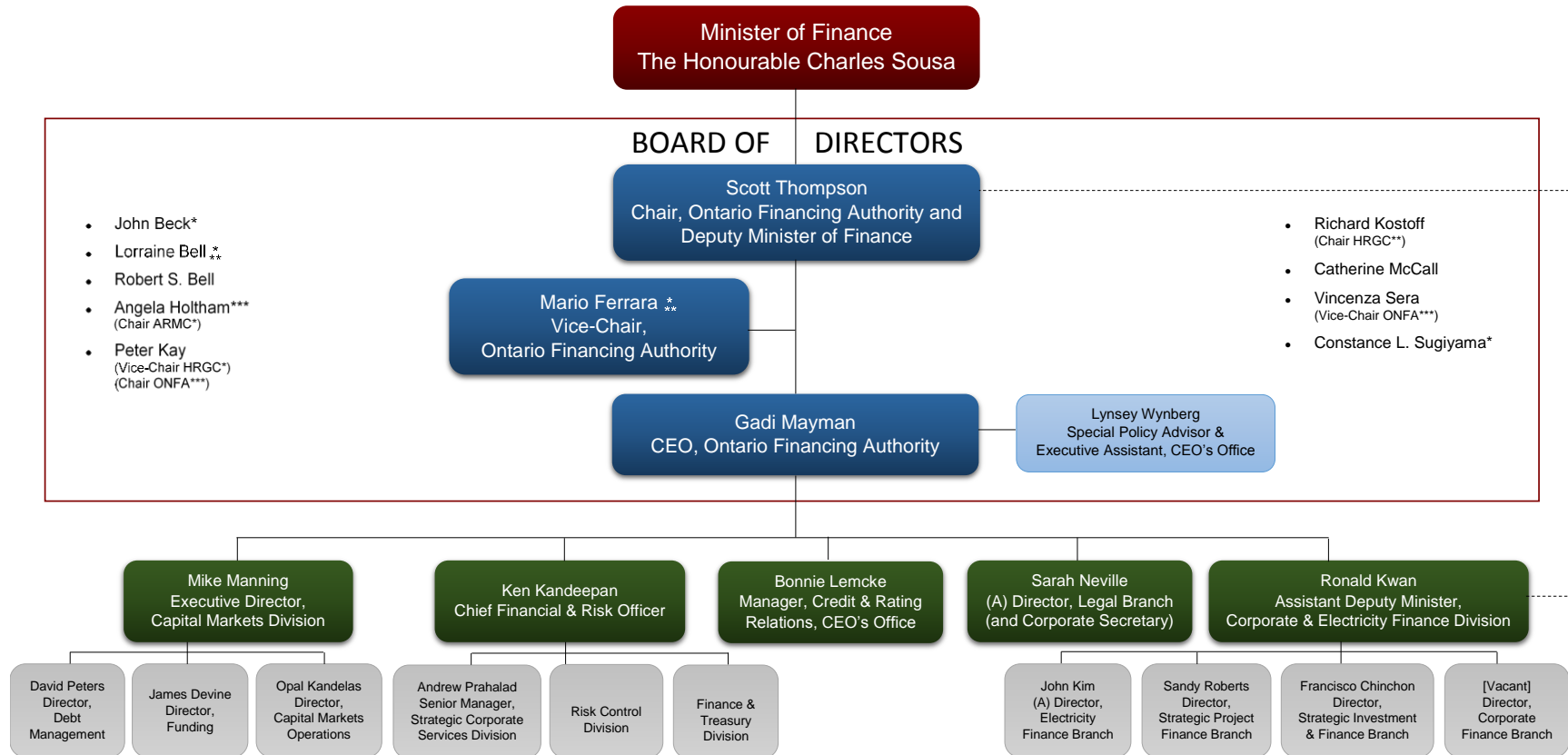
Other Communications

The OFA has a number of external stakeholders, including institutional and retail investors, investment dealers, banks, and credit rating agencies. In 2016–19, the OFA will communicate with stakeholders using various methods including:

1. Websites (including expense information): www.ofina.on.ca; www.ontariosavingsbonds.com; www.ofina.on.ca/algp;
2. Budget and quarterly updates: develop borrowing and debt management components;
3. Quarterly bulletins and fact sheets, investor relations presentations, and other investor material (available on the website);
4. Annual Report (as required by the *Capital Investment Plan Act, 1993*);
5. Regulatory filings;
6. Business Plan; and
7. Memorandum of Understanding (MOU).

Other methods of communication to be used throughout the year are investor relations meetings and regular discussions with credit rating agencies. In addition, the OFA is responsible for the development of communications vehicles for OEFC and will continue to maintain the OEFC website, www.oefc.on.ca, and to produce the OEFC annual report.

ORGANIZATIONAL CHART



* ARMC = Audit & Risk Management Committee
 ** HRGC = Human Resources & Governance Committee
 *** ONFA Investment Committee