

ONTARIO REALTY CORPORATION



ANNUAL REPORT 2003 / 2004





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# Overview

## Delivering Value, Service and Innovative Solutions

Over the past year the Ontario Realty Corporation (ORC) continued its transition from a traditional, public sector owner/operator of capital assets to a more innovative, service-oriented and customer-focused organization. The ORC employs the best business practices from the public and private sectors.

### Mandate

On behalf of Management Board Secretariat, the ORC is the strategic manager of the government's real property. We strive to optimize value through the rationalization of the portfolio; promoting high professional standards while enhancing customer service, and ensuring real estate decisions reflect the government's public policy objectives.



Central East Correctional Centre

### ORC Vision

The ORC, a hybrid company with both private and public sector influences, will be a benchmark in public sector real estate management, acting as the primary provider of realty services, including strategic real estate advice, to the Ontario government.

### Value Statement

The ORC will operate using the best private and public sector business practices in a transparent and accountable manner, building partnerships through an exceptional team of professional and customer service-driven employees.

### Corporate Profile

#### Open, Accountable and Professional

The ORC is governed by the *Capital Investment Plan Act, 1993*. Pursuant to Subsection 58 of the Act, the objects of the Corporation include the provision of services and financing related to real property and to improvements in real property to the Ontario government and its programs.

On behalf of the government, the ORC manages one of Canada's largest real estate portfolios, with more than 6,000 buildings comprising 50 million square feet of space and 90,000 acres of land. The ORC's activities reach deeply into communities across the province. Currently, the ORC manages real estate assets in approximately 130 communities.

On behalf of the provincial government, the ORC provides a broad range of real estate services, including construction project management, facilities management, portfolio management and asset rationalization. In delivering these services, the ORC operates within the framework of the government agenda, the real estate industry and market conditions.

The ORC is led by an experienced team of senior executives with extensive public and private sector real estate experience, working to ensure that the ORC's mandate is met in a way that is open, accountable and professional. Working within clear lines of accountability, the ORC's President and Chief Executive Officer is responsible to the Board of Directors, which, in turn, is accountable to the Chair of Management Board of Cabinet.

### Hydro One Corridor Lands

On December 31, 2002, the Government of Ontario assumed ownership of approximately 20,000 hectares (50,000 acres) of Hydro One Networks transmission corridor lands. The purpose of this transfer is to protect corridor land so that it remains available for uses that benefit the public, while recognizing the primacy of transmission and distribution uses. While electricity transmission and distribution remain the first priority, the government believes that there are opportunities for continued secondary land uses.

The ORC is the agency responsible for administering all secondary land use agreements, including: leases, licences and easements. The ORC will also manage the corridor lands not currently bound by secondary land use agreements. The ORC is responsible for working with municipalities on secondary land use planning. In addition, the ORC will manage the sale of surplus corridor lands.

## Message from the Chair



As the Acting Chair of the Board for the Ontario Realty Corporation (ORC), I am pleased to take an active role in leading the corporation's activities and overseeing a Board of Directors which draws on a wealth of knowledge and experience in both the public and private sectors.

The ORC set ambitious goals for its outreach activities in 2003/2004. Based on feedback from our stakeholders, we made improving communications at the client ministry level a primary focus for the year. We undertook a multifaceted approach to rebuilding and maintaining key relationships, recognizing the need to earn confidence and trust through a range of communications and outreach activities.

Understanding the importance of partnerships, we reached out to municipal stakeholders across the province through an enhanced contact program. We attended a range of municipal conferences involving such organizations as the Association of Municipalities of Ontario and the Rural Ontario Municipal Association/Ontario Good Roads Association to hear direct feedback and to promote how the ORC's core services can help meet the needs of its customers.

The ORC is committed to customer satisfaction. We understand the importance of listening and responding to: our client ministries, the priorities of local municipalities and to the interests of the real estate industry. We are proud to have a strong team comprised of individuals with valuable private and public sector experience, which enables the ORC to focus on delivering customer service and applying the best business practices for effective management.

The ORC embraces the opportunity to conduct its business in an open, transparent and accountable manner. Over the past year we have worked hard to establish guidelines and procedures that meet or exceed industry standards, thereby ensuring a corporate-wide commitment to high standards of professionalism and transparency.

As a result of its excellent work, the ORC has once again received top industry honours. Through our partnership with ProFac, we received an award this year from the Building Owners and Managers Association (BOMA) for building management excellence at the province's Lincoln M. Alexander Building in Orillia. The ORC was also recognized by BOMA for environmental consciousness and energy management at the Garden City Tower in St. Catharines.

Over the past year the ORC continued to set the standard in public sector real estate management, providing strategic solutions and sound advice to its key stakeholders. We remain committed to reaching out to our customers and using their feedback to enhance the real estate services we provide.

I also want to recognize ORC Board members whose terms recently concluded. Scott White (Chair), David Lindsay and Stephen Lim each brought valuable knowledge and experience to the Board and the ORC as a whole. The time and effort each contributed was important and is appreciated.

*W. Michael Fenn  
Acting Chair and Vice-Chair*

## Report from the President



The past year has seen the ORC continue to build on its strengths and make changes to better serve the Government of Ontario. We are always striving to improve.

Key corporate objectives for the year were strengthening our foundation, enhancing customer and owner satisfaction, and ensuring that the value of the province's real estate assets is optimized.

Above all, we understand the importance of being responsive to the needs of our clients. As a service-driven organization, the ORC has strengthened its foundation to better position itself to deliver services. We retooled our corporate structure to better align it with the government's objectives, and ministry feedback. We put in place a Strategic Planning and Policy Group, together with a Key Account Team structure, to provide better customer service and enhance the organization's ability to provide timely, accurate and strategic information and advice on the government's realty and accommodation policies. This model was developed in response to the expressed needs of our client ministries.

The ORC understands that keeping its clients informed and maintaining a strong dialogue are key components of effective customer relations. Our stakeholders expressed an interest in hearing more from the ORC and receiving regular communications. In response, ORC launched a quarterly building bulletin initiative in the North and East regions to enhance customer awareness, provide a better understanding of the corporation, and provide information relevant to each of the targeted buildings. In addition, the ORC reached out to building occupants by holding Meet-and-Greets at a number of Ontario government facilities across the province. This allowed the building occupants to talk directly with ORC staff members.

The Corporation had another successful year managing the Ontario Government's real estate portfolio within the funds allocated by Management Board Secretariat. Broadening its capability, the Corporation entered into an agreement to manage a major office complex on behalf of the City of Greater Sudbury in that community. In addition, the Corporation initiated discussions with the construction/design sector to find better ways to ensure that the Ontario Government receives the highest quality of service for its projects.

Sales targets for the Fiscal year were met and costs for managing the Hydro Corridor lands on behalf of Management Board Secretariat came in on budget. Efficient real estate management combined with outreach efforts to our stakeholders made Fiscal 2003/2004 a very successful year.

I am proud to be working with a professional and dedicated staff in providing strategic solutions and sound advice. I would like to thank them for their hard work in a year of continuing transition. I would also like to express appreciation to our Board of Directors for their leadership over the past year.

The ORC remains committed to adding value by taking a leadership role to effectively and efficiently manage the province's real estate portfolio. We will continue to focus on customer service and continue to develop flexible, cost-effective and creative solutions to meet our clients' needs.

*Tony Miele*  
*President and Chief Executive Officer*

## 2003/2004 Highlights

### Service Excellence Initiative

The ORC continually strives to improve the way it operates.

The “Service Excellence Initiative” was a proactive plan to sustain the areas in which the ORC is currently performing well and to make improvements in others. It was developed following a series of interviews with a broad spectrum of key decision makers within government. Those interviewed provided the Corporation with their expectations of service and suggestions for improvement.



Camelot St. Courthouse, Thunder Bay

The plan addressed four major themes:

- Improved Customer Service
- Proactive Communication
- Strategic Policy Advice
- Internal Collaboration

A critical component to implementing the “Service Excellence Initiative” was to ensure each theme was captured in business unit initiatives within the ORC.

### Strengthening our Foundation

The ORC is moving forward to enhance both owner and customer satisfaction through a corporate realignment. The expressed needs of the provincial ministries and a shift in government priorities are providing the guideposts for the ORC to follow. The goal is to provide improved customer service along with enhanced strategic planning and policy recommendations.

The process has seen the introduction of a dedicated Strategic Planning and Policy Group, aimed at increasing the ORC’s capacity to develop real estate and accommodations strategies.

The Corporation also began to phase-in a Key Account Team approach, aimed at establishing one-window contact to respond to the unique program needs of our client ministries. Initially, Key Account Teams have been established to work with two clusters of ministries. The teams’ responsibilities include:

- Providing proactive real estate advice to ministries
- Ensuring the delivery of value-added facilities services
- Building relationships with key accommodations contacts
- Assisting clients with understanding and justifying their real estate needs
- Partnering with ministries to develop capital plans and Management Board submissions

The Strategic Planning and Policy Group interacts with the Key Account Teams to develop strategic real estate advice.

In addition, the realignment structure allows operational staff to focus more on the tasks directly related to managing government buildings. Ministries continue to call their current ORC contacts for:

- Building operations and services
- Building maintenance and repairs
- Tenant services
- Lease administration
- Project management

Keeping our building occupants satisfied across the province is vital if the realignment is to succeed. The views and comments collected from building occupants by ORC operational staff are shared with members of the Key Account Teams and the Strategic Planning and Policy Group. This important information will assist the ORC when it provides portfolio strategy and policy recommendations to our owner and client ministries.



## Energy Conservation

The ORC invested in a number of initiatives to reduce energy costs and consumption in provincially-owned buildings across Ontario. These initiatives resulted in significant energy savings, while reducing greenhouse gas emissions. Specific conservation



Chiller Control Unit, Queen's Park Complex

measures undertaken in Fiscal 2003/2004 included bulk energy purchasing, upgrading to energy-efficient heating, ventilation and air-conditioning equipment, retrofitting with new windows and energy efficient lighting, and installing automated systems to help control energy consumption in provincially-owned buildings. The ORC is playing a key role in assisting the government to reach its goal of a 10 percent reduction in energy consumption by 2007.

## Winning Recognition

The public and private sectors can team up to provide excellent facility management services as demonstrated by the ORC in conjunction with SNC-Lavalin ProFac Inc. Recognition again came from the Toronto Chapter of the Building Owners and Managers Association (BOMA) with two awards.

The ORC and SNC-Lavalin ProFac received a *Certificate of Excellence Award* for the management of the province's Lincoln M. Alexander Building (OPP General Headquarters) in Orillia.

The two were also awarded BOMA's *Earth Award* in recognition of environmental consciousness and energy management at the Garden City Tower in St. Catharines. Home primarily to the Ontario Ministry of Transportation, the complex also houses other provincial, municipal and private sector clients. To be eligible for this award, the Garden City Tower was evaluated under the following categories: environmental management, water/energy efficiency, emissions/environmental impact, and outdoor environment.

The ORC and ProFac have now jointly received three BOMA awards, following last year's *Certificate of Building Excellence* for the province's Stone Road Complex in Guelph.

## Building Relations

A new spirit of cooperation is emerging between the provincial government's real estate services provider and the construction/design sector. The ORC, the Ontario Association of Architects, the Ontario General Contractors Association and the Consulting Engineers of Ontario initiated discussions to determine better ways to work together to deliver design and construction services to the provincial government.

The ORC and those in the construction/design sector are determined to develop solid working relationships in an effort to network, share ideas and identify opportunities.

Since Fiscal 1999/2000, the ORC has overseen almost \$600-million worth of capital and construction projects.



OPP Headquarters, Orillia

# Management Discussion and Review of Operations

The ORC provides a broad range of real estate services, including facilities management, construction project management, portfolio management and asset rationalization on behalf of Management Board Secretariat (MBS) and its client ministries and agencies.

## Facilities Management

This covers building maintenance, repair and operational services. It also includes lease negotiations and administration with third party private sector landlords and tenants, and the subletting of space, asset management and accommodation planning. The Corporation had a corporate objective to achieve a vacancy rate of 2-3%. This objective was exceeded, with a resulting vacancy rate of 1.2%.

Total rental income of the provincial realty portfolio in 2003/2004 was \$501.1 million, offset by \$379.5 million in expenditures related to ongoing management of its properties. The provincial realty portfolio's net operating income of \$109.1 million in this area was used over the year to manage repairs and portfolio restructuring projects in provincially-owned buildings.

In the Greater Toronto Area (GTA) and the Southwest region, SNC-Lavalin ProFac Inc. provides comprehensive facility management. In the Northern and Eastern regions, these services are managed by the ORC and are outsourced to various contractors. The land portfolio is overseen by DEL Management Solutions Inc.

## Construction Project Management

This area oversees major construction, repair and alteration projects funded by individual provincial ministries and agencies. This division manages approximately \$145 million annually in construction projects, and in doing so helps to create jobs across Ontario and provide a stimulus for economic development in local communities.

On behalf of its clients, in 2003/2004 the ORC spent \$53 million on new capital construction, including \$24 million spent on small-scale capital projects for various ministries, while a further \$31 million was spent on tenant improvement projects on behalf of ministries and agencies, and \$61 million on repairs.



St. Lawrence Valley Treatment Centre, Brockville

The bulk of capital construction activity—some \$28.2 million—was spent on the construction of new courthouses and correctional facilities. For example, this Fiscal saw the completion of Phase 1 for the St. Lawrence Valley Treatment Centre, Brockville's new state-of-the-art facility. The building houses a provincial jail that has also been designated a psychiatric hospital, a first for Canada.

In 2003/2004, the ORC managed the following projects:

### **Court Projects:**

- Construction or renovation of courthouses in Owen Sound, Chatham and Brockville
- Extensive renovations and building upgrades at Osgoode Hall
- Exterior envelope upgrades for the courthouse at 361 University Avenue in Toronto
- Design of a new courthouse in Pembroke

### **Police & Correctional Facilities Projects:**

- Construction of correctional facilities in Ottawa Carleton
- Design of a GTA Youth Centre
- Design of Trilcor Industry Building on the site of the Lindsay Correctional Facility, Building #13
- Design of the North Bay OPP Communications Centre
- Construction of the Red Lake OPP Detachment
- Expansion of the Ontario Police College in Aylmer, together with the design of an onsite cogeneration project
- Police Services Relocation

### **Other Projects:**

- Construction of W. Ross Macdonald Junior School in Brantford
- Expansion of Ministry of Health and Long Term Care facilities at 81 Resources Road, Toronto
- Design of Rural Development Centre at Ridgetown College in Guelph
- Ontario Fire College, Gravenhurst
- Repairs at Hepburn Block, Toronto
- Restoration of the Whitney Block, Toronto

## Portfolio Strategy and Asset Management (formerly Real Estate and Sales Division)

The Real Estate Services and Sales Division was renamed Portfolio Strategy and Asset Management in Fiscal 2003/2004. As part of the new structure, a Strategic Planning and Policy Group was created with responsibility for developing real estate and accommodations strategies, as well as providing policy recommendations to the government.



Garden City Tower, MTO, St. Catharines

The Strategic Planning and Policy Group provides portfolio strategy and policy recommendations to our owner and client ministries. In addition, this group will develop the framework for corporate long-term business planning and interact with the Key Account Teams to develop strategic real estate advice. The Key Account Team approach is being phased-in to provide ministries with one-window contact when dealing with the ORC.

Each year the ORC sells properties on behalf of MBS and other ministries. Gross property sales were \$29.5 million in 2003/2004. The Corporation met its objective of attaining 95% of the appraised value for property disposition. As a result of implementing clear strategies focused on real property sales and asset rationalization throughout the year, the ORC met its overall sales target for 2003/2004.

### *Items of note:*

#### **Princess Margaret Hospital**

The ORC completed the sale of the former Princess Margaret Hospital and the proceeds were directed toward homelessness in Toronto. The provincial government announced in January 2004 that the City of Toronto was receiving \$3.5 million to help reduce homelessness and provide more affordable housing.

#### **Rouge Park**

The negotiated transfer was completed in late Fiscal 2003/2004 by the ORC in consultation with Ministry of Natural Resources and Management Board Secretariat staff, with input from the Toronto Region Conservation Authority and the Rouge Park Alliance. The total commitment of the provincial land dedication to the Rouge Park is more than 1,400 hectares.



A. Grenville & William Davis Courthouse, Brampton

## Responsibility for Financial Reporting

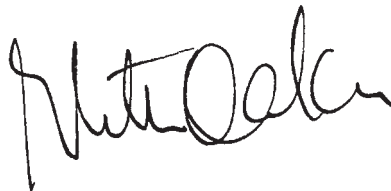
The accompanying financial statements of the Ontario Realty Corporation have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 14, 2004.

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. An internal audit function independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board of Directors reviews and approves the financial statements.

The financial statements have been audited by the Assistant Provincial Auditor. The Assistant Provincial 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, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of Management:



*Peter Oakes*  
*Chief Financial Officer & Treasurer*  
*June 14, 2004*

# Auditor's Report

To the Ontario Realty Corporation,  
Chair of the Management Board of Cabinet,  
and to the Minister of Finance

I have audited the balance sheet of the Ontario Realty Corporation as at March 31, 2004 and the statements of operations and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Toronto, Ontario  
June 14, 2004*



*Gary R. Peall, CA  
Acting Assistant Provincial Auditor*



**Ontario Realty Corporation**

(A Crown Corporation of the Province of Ontario)

For the year ended March 31, 2004

# Balance Sheet

## Ontario Realty Corporation

(A Crown Corporation of the Province of Ontario)

(in thousands of dollars)

As at March 31	2004	2003
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 33,600	\$ 15,409
Prepaid expenses	301	443
Accounts receivable (note 6)	2,703	13,711
Future recoveries from Management Board Secretariat (note 2)	770	2,000
	37,374	31,563
<b>Capital assets (note 3)</b>	4,349	1,967
	<b>\$ 41,723</b>	<b>\$ 33,530</b>

## Liabilities and Retained Earnings

### Current Liabilities

Accounts payable and accrued liabilities	\$ 9,222	\$ 9,390
Provision for severance costs (note 2)	3,202	2,000
Current portion of capital lease obligations (note 4b)	533	461
	12,957	11,851

<b>Capital lease obligations (note 4b)</b>	254	430
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<b>Retained Earnings</b>	28,512	21,249
	<b>\$ 41,723</b>	<b>\$ 33,530</b>

Contingencies (note 5)

See Notes to Financial Statements

On behalf of the Board:



Michael Fenn  
Acting Chair of Board



Malcolm Heins  
Chair of Audit Sub-committee

# Statement of Operations and Retained Earnings

## Ontario Realty Corporation

(A Crown Corporation of the Province of Ontario)

(in thousands of dollars)

Year Ended March 31	2004	2003
<b>Revenues</b>		
Management fees <i>(note 6)</i>	\$ 31,482	\$ 30,431
Expense reimbursement – in lieu of fees <i>(note 6)</i>	13,938	12,938
Direct recoverable costs <i>(note 6)</i>	7,315	5,508
Bank interest and other income	692	414
	<b>\$ 53,427</b>	<b>\$ 49,291</b>
<b>Expenses</b>		
Salaries and benefits <i>(note 2)</i>	\$ 29,914	\$ 26,773
Direct operating expenses	14,236	15,708
Depreciation	1,964	1,352
Interest on capital lease obligations	50	34
Administrative expenses <i>(note 6)</i>	–	1,042
Loss on disposal of capital assets	–	3
	<b>\$ 46,164</b>	<b>\$ 44,912</b>
<b>Excess of revenues over expenses before severance costs</b>	<b>7,263</b>	<b>4,379</b>
Provision for severance costs <i>(note 2)</i>	930	(900)
Future recoveries from Management Board Secretariat <i>(note 2)</i>	(930)	900
	<b>\$ 7,263</b>	<b>\$ 4,379</b>
<b>Retained earnings, beginning of year</b>	<b>21,249</b>	<b>16,870</b>
<b>Retained earnings, end of year</b>	<b>\$ 28,512</b>	<b>\$ 21,249</b>

See Notes to Financial Statements



# Statement of Cash Flows

## Ontario Realty Corporation

(A Crown Corporation of the Province of Ontario)

(in thousands of dollars)

Year Ended March 31	2004	2003
<b>Cash Flows from Operating Activities:</b>		
Excess of revenues over expenses	\$ 7,263	\$ 4,379
Adjustments for:		
Depreciation	1,964	1,352
Loss on disposal of capital assets	—	3
Provision for severance costs (note 2)	1,502	(900)
Future recoveries from Management Board Secretariat (note 2)	930	900
	<b>11,659</b>	<b>5,734</b>
<b>Changes in non cash working capital</b>		
Decrease (increase) in accounts receivable	11,008	(5,118)
Decrease in prepaid expenses	142	247
Increase (decrease) in accounts payable and accrued liabilities	(168)	3,405
	<b>22,641</b>	<b>4,268</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of capital assets (note 3)	(3,868)	(1,423)
<b>Cash Flows from Financing Activities:</b>		
Severance payments made during year (note 2)	(300)	(1,400)
Severance recoveries from Management Board Secretariat during year (note 2)	300	1,400
Repayment of capital lease obligations	(582)	(537)
	<b>(582)</b>	<b>(537)</b>
Net increase in cash and cash equivalents	18,191	2,308
Cash and cash equivalents, beginning of year	15,409	13,101
<b>Cash and cash equivalents, end of year</b>	<b>\$ 33,600</b>	<b>\$ 15,409</b>

See Notes to Financial Statements

# Notes to Financial Statements

## Ontario Realty Corporation

(A Crown Corporation of the Province of Ontario)

Year ended March 31, 2004

(in thousands of dollars)

### Nature of the Corporation

The Ontario Realty Corporation (the Corporation) was established under the *Capital Investment Plan Act 1993* as a Crown Corporation of the Province of Ontario (the Province). As a Crown Corporation and service organization of the Province the Corporation is exempt from income taxes.

The Corporation provides project management, real estate and property management services to ministries and agencies of the Ontario government that directly own assets or require the Corporation's real estate services. The Corporation manages 51.9 million rentable square feet: 43.7 million owned by the Province and 8.2 million leased from the private sector, as well as 90 thousand acres of land owned by the Province.

The *Act* requires that any surplus funds shall, upon the instructions of the Minister of Finance, be paid to the Consolidated Revenue Fund of the Province of Ontario. In determining the amount payable, if any, the Minister of Finance shall ensure that the payment will not impair the Corporation's ability to pay its liabilities, to meet its obligations as they become due or to fulfill its contractual commitments.

### 1. Summary of Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies followed in preparation of these financial statements are:

#### **a) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, current bank accounts, and short-term investments, if any, with terms to maturity of less than 90 days.

#### **b) Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions relating to revenues and expenses which affect the reported amounts of assets, liabilities and related disclosures as of the date of the financial statements. Actual amounts could differ from these estimates.

### ***c) Capital Assets***

Capital assets costing more than one thousand dollars with a future useful life beyond the current year are capitalized at cost. They are depreciated over their estimated useful lives on a straight-line basis as follows:

Computer hardware and software	3 years
Custom software	5 years
Furniture and fixtures	3 years
Leasehold improvements	Over term of lease

### ***d) Employee Pension Plans***

Until November 29, 2001, the Corporation provided pension benefits to its classified full time employees through participation in the Public Service Pension Fund and the Ontario Public Service Employees' Pension Fund, which are multi-employer defined benefit pension plans.

Effective November 30, 2001, amendments to the Capital Investment Plan Act 1993 stipulated that the Corporation's employees were no longer part of the Ontario Public Service. Employees who had participated in the Public Service Pension Fund or the Ontario Public Service Employees' Pension Fund continued, from November 30, 2001, as participants in the Public Service Pension Fund. This plan is accounted for as a defined contribution plan as the Corporation has insufficient information to apply defined benefit plan accounting.

Regular full-time employees hired after November 29, 2001 participate in a mandatory defined contribution pension and savings plan administered by a third-party administrator. The Corporation matches employees' contributions.

The pension expense represents the Corporation's contributions to the plans during the year.

## **2. Severance Costs**

### ***Recoverable Severance***

The recoverable severance provision relates to staff severance costs associated with the Corporation's re-organization in 1999 and the contracting out of its facilities and land management services, which resulted from Management Board Secretariat ("MBS") approving a new governance structure for the Corporation. These severance costs are recovered from MBS. The severance provision remaining at March 31, 2004 relates to employees on long-term disability.

# Notes to Financial Statements

## Ontario Realty Corporation

(A Crown Corporation of the Province of Ontario)

(in thousands of dollars)

### Corporate Realignment

During the fiscal year, the Corporation approved a new organizational structure for its portfolio management activities in order to improve services to its clients. This realignment is expected to be completed in the 2005 fiscal year. In accordance with Canadian generally accepted accounting principles, the total estimated severance costs of \$2,766 have been included in current year salaries and benefits expenses. The unpaid portion of these severance costs was \$2,432 at March 31, 2004, and is included in the provision for severance costs.

The changes in the provision for severance costs are as follows:

March 31	2004	2003
<b>Revenues</b>		
Recoverable severance provision, beginning of year	\$ 2,000	\$ 2,500
Increase (decrease) of provision	(930)	900
Severance payments	(300)	(1,400)
Recoverable severance provision, end of year	770	2,000
Corporate Realignment severance provision, end of year	2,432	–
<b>Total provision for severance, end of year</b>	<b>\$ 3,202</b>	<b>\$ 2,000</b>

### 3. Capital Assets

Capital assets consist of the following:

March 31	2004		2003	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Computer hardware and software	\$ 2,028	\$ 1,793	\$ 235	\$ 321
Computer hardware and software under capital lease	1,932	1,243	689	853
Custom software	4,367	1,039	3,328	666
Furniture and fixtures	66	39	27	33
Leasehold improvements	856	786	70	94
	<b>\$ 9,249</b>	<b>\$ 4,900</b>	<b>\$ 4,349</b>	<b>\$ 1,967</b>

During the year ended March 31, 2004, capital assets were acquired at an aggregate cost of \$4,346 (2003 – \$2,566) of which \$3,868 (2003 – \$1,423) were purchased directly and \$478 (2003 – \$1,143) were acquired by means of capital leases.

Certain capital assets are not reflected in the financial statements as they are provided at no charge to the Corporation by MBS.

## 4. Lease Commitments

### a) Operating

Operating leases are expensed in accordance with terms of the lease agreements. Under the terms of operating leases for the Corporation's office space, vehicles, and office equipment, the Corporation is committed to future rental payments as follows:

For the year ending March 31

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2005	\$	1,400
2006		59
2007		46
2008		30
2009		8
	\$	<u>1,543</u>

### b) Capital

The Corporation leases some of its computer hardware and software. Leases that in effect represent the acquisition of an asset and incurrence of a liability are recorded as the purchase of an asset and the related liability is included under "Capital lease obligations".

The following is a schedule of future minimum lease payments under the capital leases expiring March 31, 2007 together with the balance of the capital lease obligations.

For the year ending March 31

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2005	\$	533
2006		308
2007		<u>21</u>
Total minimum lease payments		862
Less: amount representing interest at 6.13%		<u>75</u>
Balance of obligation		787
Less: current portion		<u>533</u>
Long-term portion	\$	<u>254</u>

## 5. Contingencies

The Corporation is acting as an agent of the Ontario Government. As such, the Corporation is entitled to be indemnified against all liabilities properly incurred in the course of exercising its actual authority on behalf of the Ontario Government.

# Notes to Financial Statements

## Ontario Realty Corporation

(A Crown Corporation of the Province of Ontario)

(in thousands of dollars)

## 6. Related Party Transactions

In addition to the cash and cash equivalents reflected on the balance sheet, the Corporation maintains several other operating bank accounts and one short-term investment account. Funds in these accounts are held "in trust", administered on behalf of MBS and relate directly to the operation of MBS owned and leased properties or services provided to other ministries or agencies of the Ontario government. As of March 31, 2004 the aggregated cash balances of the operating accounts and short-term investment account were \$43,140 (2003 – \$84,496) and \$91,158 (2003 – \$62,700) respectively.

The accounts receivable include \$2,589 (2003 – \$13,626) from MBS and other Ministries.

The Corporation is economically dependant on the Province as all of the revenues received from the Province for the provision of services are under the control of the Minister/Chair of Management Board of Cabinet.

The Corporation's prime sources of revenue are:

### **a) Management Fees**

Market-based fees are charged for services provided for Facility and Asset Management, and Project Management related to MBS owned assets.

### **b) Expense Reimbursement – In Lieu of Fees**

Pending the implementation of a full fee structure, corporate costs incurred by the Corporation (third party leases, negotiation services, financial services, legal, corporate relations/communications and human resource services) are funded by MBS as an annual allocation along with the administration costs associated with the sale and acquisition of properties on behalf of the ministries.

### **c) Direct Recoverable Costs**

In the North and East regions the Corporation staff co-ordinate and provide direct building operating and maintenance services in support of the portfolio. These costs are directly recoverable from MBS and funded from the operating and maintenance rental payments under accommodation agreements. In addition, out of pocket expenses associated with special projects undertaken on behalf of MBS were also recovered.

Administrative expenses include: human resources, information and data processing, and financial consulting purchased from MBS. No such services were purchased from MBS during the 2004 fiscal year.

Only classified full-time employees hired prior to November 30<sup>th</sup>, 2001, who have more than ten years pensionable service upon retirement, are entitled to post-retirement non-pension benefits. The cost of these post-retirement non-pension employee benefits is paid by MBS and is not included in the Statement of Operations and Retained Earnings.

## **7. Pension Plans**

The Corporation's required contributions to the pension plans (see note 1c) for the year ended March 31, 2004 were \$1,307 (2003 – \$951) and are included in salaries and benefits in the Statement of Operations and Retained Earnings.

## **8. Fair Value of Financial Instruments**

The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these instruments.

# Notes to Financial Statements

## Ontario Realty Corporation

(A Crown Corporation of the Province of Ontario)

### 9. Salary Disclosure

The Public Sector Salary Disclosure Act, 1996 requires disclosure of Ontario public sector employees paid an annual salary in excess of \$100,000. For the Corporation, this disclosure for the 2003 calendar year is as follows:

Name	Position	Salary Paid	Taxable Benefits
Adari, Andreea	Solicitor	\$ 105,906	\$ 266
Amos, Ian	Senior Business Analyst	107,080	263
Brown, Douglas J.	Regional Vice President, East	145,843	515
Budd, Robert	Regional Vice President, Sales	155,136	363
Carrozzi, Pasquale	Senior Project Manager	108,986	263
Contestabile, John C.	Vice President, Leasing	153,615	368
Cursio, John G. P.	Vice President, Project Management	124,557	301
Dadd, Gregory	Senior VP, Strategic Planning & Policy	143,902	371
Farrugia, Marylee	Executive VP/ General Counsel	244,381	15,585
Foster, Kerry	Senior Project Manager	112,999	273
Gerrard, William	GM, Environmental & Heritage	109,921	263
Grace, Patrick	General Manager, Hydro Project	104,266	552
Gregory, Linda	Vice President/ Controller	156,286	675
Hankinson, James	VP, Special Projects Marketing	110,609	0
Hard, William G. T.	Vice President, Financial Planning	131,751	317
Johnson, Peter	Vice President/ Assistant Treasurer	105,734	274
Krapez, Mark	Senior Project Manager	108,986	263
Krishnamurthy, V. S.	Corporate Controller	100,062	311
Labelle, Hubert	Regional Vice President, North	153,089	368
Lambie, Tobin	Senior VP, Corp. Relations	184,611	15,258
Leroux, Peter	Exec. VP, Facility Services	249,809	17,645
Lin, Joseph	General Manager, GIS & Surveys	102,417	254
Martin, Graham	General Manager, Acquisitions	101,618	254
Massiah, Erwin	Executive VP, Facility Services	158,597	382
Mazzotta, Angela	Vice President, Facility Support Svcs	155,068	608
McCreery, William	Senior Project Manager	126,512	604
Miele, Tony	President & CEO	368,402	31,219
Miles, John	Director, HR & Employee Relations	112,110	278
Munaretto, Domenic	Senior Business Analyst	107,080	263
Neally, Robert	Senior Project Manager	126,013	304
Noel, Richard	Senior Project Manager, Team Lead	126,318	295
Oakes, G. Peter	Chief Financial Officer/ Treasurer	219,913	21,714
Plamondon, Daniel	Vice President, Project Management	152,664	368
Robinson, Lori	VP, Strategic Asset Management	153,565	368
Salerno, Paul	General Manager, Marketing	108,739	255
Searchfield, Bradley	Exec. VP, Portfolio Strat & Asset Mgmt	258,140	16,245
Segreto, Anthony	Project Manager	106,000	0
Speck, Robert	Chief Administrative Officer	126,519	11,667
St. Pierre, Viateur	Senior Project Manager, Team Lead	123,963	291
Storozuk, James P.	Chief Information Officer	154,818	372
Van Vliet, John	Regional Vice President, SouthWest	153,340	368
Walford, Robert	Vice President, Leasing	143,747	367
Watkins, Reg	Senior Project Manager	125,995	304
Wilson, Peter	Vice President, Real Estate Marketing	146,787	368
Zala, Gregory	General Manager, Portfolio Strategy	101,306	256



# Corporate Directory

## Board of Directors

ORC's government-appointed Board of Directors comprises individuals who bring to the organization a depth of private and public sector expertise in all areas of real estate. It is their vision for the future, together with the strong leadership of ORC's senior management team, that has helped ORC to implement successful partnerships with the private sector through formal, public Request for Proposal processes and to institute recognized private sector business practices into its operations. The aggregate remuneration for members of the Board of Directors for Fiscal 2003/2004 was \$65,700.

- W. Michael Fenn  
(Acting Chair and Vice-Chair)  
*June 21, 2003 – June 20, 2006*
- Geoff Hare  
*March 24, 2004 – March 23, 2007*
- Michael A. Barker  
*February 16, 2003 – February 15, 2006*
- John J. Fogolin  
*December 20, 2001 – December 19, 2004*
- Malcolm L. Heins  
*September 26, 2001 – September 25, 2004*
- Richard H. Ling  
*September 26, 2001 – September 25, 2004*
- R.G. (Ron) McNeill  
*December 4, 2002 – December 3, 2005*

## Senior Management

- Tony Miele  
*President and Chief Executive Officer*
- Kathy Bull  
*Senior Vice-President,  
Human Resources*
- Greg Dadd  
*Senior Vice-President,  
Strategic Planning and Policy*
- MaryLee Farrugia  
*Executive Vice-President,  
General Counsel & Corporate Secretary*
- Tobin Lambie  
*Senior Vice-President,  
Corporate Relations*
- Erwin Massiah  
*Senior Vice-President,  
Property Management and Client Service (A)*
- Peter Oakes  
*Chief Financial Officer and Treasurer*
- Brad Searchfield  
*Executive Vice-President,  
Portfolio Strategy and Asset Management*

## Inquiries

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