

Minutes of a Public meeting of the Finance, Audit and Risk Management Committee of the Toronto Waterfront Revitalization Corporation held at the offices of Toronto Waterfront Revitalization Corporation, 20 Bay Street, Suite 1310, Toronto, Ontario on Thursday, March 9, 2017 at 2:40 p.m., local time.

PRESENT: David Johnson  
Susie Henderson  
Julie Di Lorenzo – by teleconference

ABSENT: Denzil Minnan-Wong

The following additional persons were in attendance, unless otherwise noted, throughout the meeting or only for particular items as noted in these notes: William Fleissig, President and Chief Executive Officer; Lisa Taylor, Interim Chief Financial Officer; David Kusturin, Chief Operating Officer; Sampada Chandane, Corporate Controller; and Sonya Pead, Associate Legal Counsel.

The Chair, David Johnson, took the chair and with the consent of the Committee members present, appointed Ann Landry to act as secretary of the meeting.

The Chair declared that a quorum of the Committee Members was present and that notice of the meeting having been duly sent to all Committee Members in accordance with the Corporation's By-laws, the meeting was duly called and regularly constituted for the transaction of business.

**1. Motion to Approve Agenda**

**ON MOTION** duly made by Julie Di Lorenzo, seconded by Susie Henderson and carried, it was **RESOLVED** that the Meeting Agenda was approved.

**2. Declaration of Conflicts of Interest**

There were no conflicts declared.

**3. Minutes – August 24, 2016**

**ON MOTION** duly made by Susie Henderson, seconded by Julie Di Lorenzo and carried, it was **RESOLVED** that the Minutes of the November 30, 2016 meeting of the Finance, Audit and Risk Management ("FARM") Committee were approved.

#### 4. FARM Committee Work Plan 2017

Lisa Taylor tabled the 2017 FARM Committee Work Plan noting the Committee's oversight responsibilities with respect to the following elements:

- Financial Reporting;
- Internal Controls;
- External Auditors;
- Internal Auditors;
- Government Audits;
- Finance;
- Enterprise Risk Management; and
- Project Risk Management.

Ms. Taylor responded to questions from the Committee and **ON MOTION** duly made by Julie Di Lorenzo, seconded by Susie Henderson and carried, it was **RESOLVED** that the FARM Committee approves the 2017 FARM Committee Work Plan.

#### 5. External Audit Plan 2016/17

On behalf of Jeff Barrett, Lisa Taylor tabled the 2016/17 Audit Plan and provided an overview of the plan, highlighting the following:

- Terms of Reference;
- Independence;
- Audit Team;
- Responsibilities;
- Audit Strategy;
- Materiality – adjusted from \$2 million to \$1 million given the lower expenditures in 2016/17;
- Risks and Planned Audit Responses;
- Fraud Discussion; and
- Audit Timing and Fees.

Ms. Taylor responded to questions from the Committee and **ON MOTION** duly made by David Johnson, seconded by Susie Henderson and carried, it was **RESOLVED** that the FARM Committee approves the 2016/17 External Audit Plan.

#### 6. Corporate Reporting (3<sup>rd</sup> Quarter)

##### *December 31, 2016 Interim Financial Statements*

Sampada Chandane tabled the December 31, 2016 Interim Financial Statements and provided an overview of the Statements highlighting the assets under development, deferred contributions, restricted cash and the administration of The Bentway trust. She also provided the Corporation's statement of financial position and statement of financial activities.

Management responded to questions from the Committee and discussion ensued regarding “in kind” expenditures for The Bentway in terms of what is presently included in this category and what is appropriate going forward.

Further discussion was not required and **ON MOTION**, duly made by Julie Di Lorenzo, seconded by Susie Henderson and carried, it was **RESOLVED** that the FARM Committee hereby approves the December 31, 2016 unaudited interim financial statements, for recommendation to the Board of Directors.

#### *2016/17 Corporate Plan Performance Reports*

Lisa Taylor tabled the 2016/17 Corporate Plan Performance Reports advising that the 2016/17 Corporate Plan was approved by the Board in December, 2015 and in June of 2016, the FARM Committee asked that Management track the Corporation’s investments quarterly against the approved Corporate Plan. She advised that in the fall of 2016, Management developed performance reports tracking key deliverables and budgets, and a third report has now been developed tracking revenues.

Ms. Taylor then provided an overview of the reports and Management responded to questions from the Committee. She advised that the reports were tabled for information and discussion purposes only.

#### *Cash Flow Forecast*

Sampada Chandane tabled the Cash Flow Forecast report and provided an overview of the Corporation’s current borrowing position as well as the forecast of cash flows out for a period of 18 months. She advised that the next forecasted borrowing requirement is projected in October 2017 totaling approximately \$5.3 million and additional borrowing of up to \$17.1 million will be required to June, 2018. She noted the significant cash inflows in the forecast and advised that expenditures are expected to total \$122 million during the 2017/2018 fiscal year and at this rate of expenditure, cash outflows will outpace the Corporation’s inflows resulting in the need to borrow commencing in October, 2017.

Ms. Chandane responded to questions from the Committee and it was agreed that future reports would reflect a longer term time horizon in order to show the repayment period of the Corporation’s borrowing. It was also agreed that at the next FARM Committee meeting management would present details on the Corporation’s revenues including key assumptions, risk factors and cash flow impacts.

### **7. Project Reporting (3<sup>rd</sup> Quarter – December 31, 2016)**

David Kusturin tabled the Quarterly Financial Variance Report and Work Package Risk/Status Report, as at the close of December 31, 2016. He advised that the reports summarize the budget, commitment, current costs, forecast costs, budget variance and risk status of each active project at the close of each fiscal quarter.

He advised that all active projects are proceeding within acceptable risk parameters and project risks are being managed.

Mr. Kusturin provided detailed reports on Bayside Phase II, Bayside External Services, Port Lands Flood Protection and Enabling Infrastructure and The Bentway, Segment 1, and responded to questions from the Committee.

He further advised that the report was for information and discussion purposes only.

**8. Capital Approval - East Bayfront (“EBF”) and West Donlands (“WDL”) Stormwater and EBF Sanitary Servicing Infrastructure**

David Kusturin presented a request for capital approval for stormwater and sanitary servicing infrastructure for the EBF and WDL. The presentation, considered read, highlighted the following:

- Objectives;
- Background information on the original capital approval request dated June 25, 2014, as well as changes to the original project scope, schedule and funding;
- The current status of the stormwater and sanitary servicing infrastructure;
- The supplementary capital approval required and the rationale for the request;
- Current capital budget status;
- Proposed capital budget;
- Sources of funding; and
- Project risks, impact and mitigation strategy.

Mr. Kusturin provided an explanation of the need for additional capital required for stormwater distribution and treatment, and responded to questions from the Committee regarding funding and contingency.

He advised that Management is recommending approval of additional capital investments for the EBF Stormwater and Sanitary Servicing Infrastructure of \$19.64 million, bringing the total approved value of the project to \$66.54 million. He advised that the recommendation is based on the following:

- a) The City of Toronto has approved the allocation of EBF Local Infrastructure Charges (Section 37) to fund EBF implementation projects in the 2017 Capital Budget;
- b) Additional funding, sufficient to complete the project as originally contemplated, has been identified and included in the Waterfront Toronto 2017/2018 Corporate Plan;
- c) Quayside cannot be occupied without the completion of this work; and

- d) The overall cost of the project will increase further if the work is not completed in an expeditious manner due to:
- Construction and operations & maintenance costs annual escalation (2.5% to 3% pa);
  - Additional contractor mobilization and demobilization costs;
  - Additional consultant contract administration due to extended schedule;
  - Additional Waterfront Toronto project management costs due to extended schedule; and
  - Extended operating and maintenance costs incurred until handover to the City.

Further discussion was not required and **ON MOTION** duly made by Julie Di Lorenzo, seconded by Susie Henderson, and carried, it was **RESOLVED** that the Committee approves, for recommendation to the Board of Directors, an additional capital expenditure of \$19.64 million, for a total capital expenditure of \$66.54 million, to complete the implementation of the EBF Stormwater and Sanitary Servicing Infrastructure.

Be it further **RESOLVED** that approval is contingent upon Management receiving written agreement from the City of Toronto that the supplementary City funding in the amount of \$17.04 is allocated to Waterfront Toronto.

## 9. Cherry Street Stormwater and Lakefilling Contracting Strategy

David Kusturin reminded the Committee of the tri-government announcement of \$65 million in funding for the implementation of the Cherry Street Stormwater & Lakefilling (“CSLF”) Project. He advised that the project is part of the broader Port Lands Flood Protection Project and must be completed by March 31, 2019 pursuant to the Clean Water and Wastewater funding (“CWWF”) program criteria.

He advised that the project must be fast-tracked to ensure completion on schedule and that a higher contingency is maintained in the event that drawings need to be updated in order to do so.

He provided background information on the project and the key considerations associated with the procurement decision, including:

- CWWF funding timeline criteria dictates that the project be fast-tracked;
- Early contractor involvement required to source fill material, assess constructability, schedule, and estimate the work;
- Critical approvals that can impact design will be ongoing as design progresses and nears scheduled completion. Enable flexibility to accommodate such fast-tracking;
- Approach needs to align with the essential design services that are already retained (Architect, Ecological Habitat, and Sewer Diversion design);

- Waterfront Toronto must retain some control over design aspects of the shoreline as it directly impacts the programming and design of the future Promontory Park North (currently not in Port Lands Flood Protection scope); and
- More transparent open book process supports timely decision making and easier government audits.

Mr. Kusturin provided an overview of the contracting analysis undertaken including the weighting of the individual elements associated with the project and the scores for each of the five contracting options. He advised that Construction Management scored the highest and achieves critical project requirements to the greatest extent: e.g. early contractor involvement, design/approvals flexibility, schedule constraints, and transparency. He advised that the option exists to negotiate a Guaranteed Maximum Price with the Construction Manager and both options are fully open book and transparent.

He advised that Management recommends the adoption of construction management for the Cherry Street Stormwater & Lakefilling project and that the Corporation proceed with the procurement of a Contract Manager upon approval by the Board. Management further recommends the conditions be monitored and consideration be given to the option of negotiating a Guaranteed Maximum Price with the Construction Manager prior to completion of construction drawings and sub-trade procurement.

Mr. Kusturin responded to questions and **ON MOTION** duly made by Julie Di Lorenzo, seconded by David Johnson, and carried, be it **RESOLVED** that the FARM Committee hereby approves the following recommendations be made to the Board of Directors:

- That Waterfront Toronto adopt Construction Management for the Cherry Street Stormwater & Lakefilling project and proceed with the procurement of a Construction Manager; and
- That Waterfront Toronto monitor conditions and consider the option to negotiate a Guaranteed Maximum Price with the Construction Manager prior to completion of construction drawings and sub-trade procurement.

## **10. Enterprise Risk/Audit Update**

Lisa Taylor provided a brief update on the Corporation's Enterprise Risk and Internal Audit Framework. She indicated that Management is currently in the process of updating the Corporation's enterprise risk matrix based on Waterfront Toronto's new strategic priorities, and this will be presented at the next FARM meeting.

**11. Termination of the Meeting**

There being no further business, **ON MOTION**, duly made, seconded and carried, it was **RESOLVED** that the meeting was terminated at 4:10 p.m. local time.

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**Chair**

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**Secretary of the Meeting**

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