

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, June 1, 2017 at 9:00 a.m., local time.

PRESENT: David Johnson, Chair
Susie Henderson
Denzil Minnan-Wong
Helen Burstyn

ABSENT: Julie Di Lorenzo

The following additional persons were in attendance, unless otherwise noted, throughout the meeting or only for particular items as noted in these Minutes: William Fleissig, President and Chief Executive Officer; Lisa Taylor, Chief Financial Officer; David Kusturin, Chief Project Officer; Ian Beverley, General Counsel; Sampada Chandane, Corporate Controller; Sonya Pead, Associate Legal Counsel; Andrew Hilton, Director, Communications and Public Engagement; Pina Mallozzi, Director, Design; Simon Karam, Senior Project Manager; Mira Shenker, Project Communications Manager; and Mary Anne Santos, Finance and Internal Controls Manager.

Also in attendance was Jeff Barratt, Rob Clause and Hanna Freeland of BDO Canada LLP (“BDO”).

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 Susie Henderson, seconded by Denzil Minnan-Wong and carried, it was **RESOLVED** that the Meeting Agenda be approved.

2. Declaration of Conflicts of Interest

There were no conflicts declared.

3. Minutes – March 9, 2017

ON MOTION duly made by Susie Henderson, seconded by David Johnson and carried, it was **RESOLVED** that the Minutes of the March 9, 2017 meeting of the Finance, Audit and Risk Management (“FARM”) Committee were approved.

4. Year-End Financial Statements – March 31, 2017

Sampada Chandane tabled the audited Financial Statements for the period ended March 31, 2017. She advised that Waterfront Toronto invested a total of \$32 million of which \$17.7 million was spent on projects that were capitalized and \$14.3 million was spent on projects that were not capitalized. She provided an overview of the statement of financial position, including capital assets and net assets; and the statement of financial activities, including revenues and excess of revenues over expenses. She further noted other significant components of the statements including restricted cash and investments and referred to Note 19 which provides the details regarding the financial position of The Bentway Trust administered by Waterfront Toronto.

Ms. Chandane then responded to questions from the Committee and advised that a motion to approve the audited Financial Statements will be tabled after the External Auditor's Report is provided.

5. 2016/17 External Auditor's Report

Jeff Barratt of BDO advised that the audit went very smoothly and management was very helpful in providing materials and back-up documents. He then provided an overview of the Audit Report, highlighting the following:

- Engagement Summary;
- Letter of Independence;
- Materiality;
- Audit Findings;
- Fraud Discussion;
- Internal Control Matters;
- Other Required Communication;
- Draft Independent Auditor's Report;
- Representation Letter;
- Independence Letter; and
- Summary of Unadjusted Difference

Mr. Barratt then responded to questions from the Committee.

The CEO questioned whether the audit process will change if and when the Corporation moves to more private sector funding. Mr. Barratt advised that future audits will be tailored in accordance with where the revenues come from, public or private sector.

Further discussion was not required and **ON MOTION**, duly made by Susie Henderson, seconded by Denzil Minnan-Wong and carried, be it **RESOLVED** that the Finance, Audit and Risk Management Committee hereby approves the audited Financial Statements for the year ended March 31, 2017, for recommendation to the Board.

6. 2016/17 Annual Report

Lisa Taylor tabled the draft 2016/17 Annual Report advising that it was the Corporation's formal report on the previous year's Corporate Plan (2016/17). She advised that the Report has been refreshed to provide the same look and feel and readability/transparency as the Corporation's 2017/18 Corporate Plan, which was approved by the Board in December 2017. She noted that the Corporation's Annual Report is a companion document to year-end financial statements, and both must be approved by the Board on/before June 30, 2017.

She provided an overview of each section of the report, highlighting the following:

- Section 1 includes messages from the Corporation's CEO, Will Fleissig, and Chair of the Board, Helen Burnstyn, together with the composition of the Corporation's Management team.
- Section 2 includes key milestones achieved in 2016/17 for Waterfront Toronto's three transformational projects - Jack Layton Ferry Terminal, Quayside, and Port Lands Flood Protection.
- Section 3 speaks to key projects with approximately two thirds of the key project and corporate level deliverables achieved (12 of 18), with the remainder to be achieved within the next two years.
- Section 4 speaks to key financial results with 49% of planned investments and 121% of planned revenues achieved. The section also outlines the Corporation's changing funding risk profile, risk management initiatives and integrated reporting framework.

The Committee asked that Management provide more clarity around The Bentway funding vis-à-vis indicating that funding was provided through a philanthropic donation.

Ms. Taylor responded to questions from the Committee and **ON MOTION** duly made by David Johnson, seconded by Susie Henderson and carried, be it **RESOLVED** that the Finance, Audit and Risk Management Committee recommends the 2016/17 Annual Report, with minor revisions as noted, for approval by the Board of Directors.

7. Corporate Reporting (4th Quarter)

2016/17 Corporate Plan Performance Reports

Ms. Taylor tabled the 2016/17 Corporate Plan Performance Reports which include results associated with key deliverables, budget and revenues. Ms. Taylor provided a brief overview of the reports and responded to questions from the Committee advising that the reports were tabled for information purposes only.

Quarterly Cash Flow Reporting/Borrowing Update

Sampada Chandane tabled a report and advised that as Waterfront Toronto continues to rely more on revenues rather than government funding, the timing for realizing revenues is expected to result in the Corporation borrowing for a period of time, approximately 12 to 15 months starting in the fourth quarter of 2017/18. She advised that the Cash Flow Forecast covers a period of 36 months to March 2020 to reflect the period when the Corporation would have realized sufficient revenues to repay the borrowed funds, currently expected in the third quarter of 2019/20. She advised that the borrowing requirement is projected to be approximately \$1.3 million with additional borrowing of up to \$23.5 million required in fiscal 2018/19 with full repayment anticipated by December, 2019. She advised that revenues for fiscal years 2017/18 to 2019/20 aggregate a total of \$255 million and the cash flow forecast assumes spending 100% of the planned expenditures per the approved 2017/18 Annual Corporate Plan totaling \$260 million for fiscal years 2017/18 to 2019/20.

8. Project Reporting (4th Quarter – January 31, 2017)

David Kusturin tabled the Quarterly Financial Variance Report and Work Package Risk/Status Report, as at the close of January 31, 2017. 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.

The Committee asked if the Foundation funding The Bentway Project is providing additional funds for operational maintenance or is the project being designed to ensure that operating costs are within what the City can afford? The CEO advised that Management meets with Foundation representatives monthly to ensure the budget is spent on the capital project, not programming.

Mr. Kusturin advised that the report was for information purposes only.

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

David Kusturin advised that this item was tabled to review a new funding risk identified subsequent to the original FARM Committee Supplementary Capital Approval that was granted on April 20, 2017. He provided a brief overview of the project and the April 20, 2017 request for additional capital investments of \$19.64 million for the East Bayfront and West Donlands Stormwater and East Bayfront Sanitary Servicing Infrastructure.

He advised that as reported at the April 20th FARM Committee meeting, the City of Toronto approved the allocation of EBF Local Infrastructure Charges (Section 37) to fund EBF implementation projects in the 2017 Capital Budget with additional funding, sufficient to complete the project as originally contemplated, has been identified and included in the Waterfront Toronto 2017/2018 Corporate Plan.

He advised that the potential issue was the timing of receipt of the Section 37 funds because the City only receives payment once the developer actually develops the site. He further advised that there was also the issue of quantum if any of the developer buildings are not constructed to approved zoning.

He reminded the FARM Committee that without completing this work:

- a) Quayside cannot be occupied;
- b) The overall cost of the project will increase further 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.
- c) Waterfront Toronto could not continue to develop Bayside without a permanent sanitary system.

Management suggested that if the Section 37 funding did not materialize in time to fund the project, Waterfront Toronto's \$25 million Capital Reserve or funding currently allocated to the Boardwalks, could be utilized in the interim.

Further discussion was not required and **ON MOTION** duly made by David Johnson, seconded by Susie Henderson, and carried, be it **RESOLVED** that the Finance, Audit and Risk Management 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 should the City not receive the Section 37 charges from developers in time to fund the project, funds allocated to the Boardwalks would be utilized first, with the \$25 million Capital Reserve to be used only as a last resort.

10. Cherry Street Stormwater and Lakefilling Project

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

He further reminded the Committee of the Board of Directors approval on October 25, 2016 to commence the project but to limit investment on the project to \$2 million pending execution of the funding agreement between Waterfront Toronto and the City.

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

He advised that Waterfront Toronto's policies and procedures provide for Capital Approvals to be obtained after design has reached 20% completion in accordance with standard industry practice. He advised that cost estimates for the project based on the 20% design submission issued by the engineering and design consultants, have been completed by the consulting team estimator as well as by an independent estimator.

He provided an overview of the capital budget, sources of funding and project risks, and responded to questions from the Committee.

He advised that in coordination with the City and Ports Toronto, Management is currently negotiating access to, and acquisition of, the Ports Toronto owned water lots which will become land area as a result of this project. He advised that three appraisals are also underway to determine the value of the land concurrent with negotiations.

Further discussion was not required and **ON MOTION** duly made by Susie Henderson, seconded by Denzil Minnan-Wong, and carried, be it **RESOLVED** that the FARM Committee hereby approves, for recommendation to the Board of Directors, a capital expenditure of \$65 million to complete the Cherry Street Stormwater and Lakefilling Project.

11. Jack Layton Ferry Terminal – Phase 1A

Pina Mallozzi advised that an International Design Competition was held in 2014/2015 and "Harbour Landing" Design by KPMB, Greenberg Consultants and West 8 was selected as the winner. She advised that the Master Plan, which is based on the winning design and which applies to the entire project site, was completed in early 2016 and includes changes based on feedback from the Design Competition Jury, the Stakeholder Advisory Committee, City and Agency Representatives and the Design Review Panel.

She advised that the Corporation has been working collaboratively with Parks, Recreation and Forestry and Deputy Mayor Pam McConnell, and has secured funding for a Phase 1A "quick start" of the Master Plan, a new entrance landscape from the intersection of Queens Quay and Bay. She further advised that the design is underway and it is anticipated that construction of Phase 1A will commence in September 2017 and be completed by May 2018.

She highlighted the goals of the Jack Layton Ferry Terminal Master Plan Vision which include:

- Creating an iconic ferry terminal that is a gateway to the Toronto Islands and a civic destination;
- Creating a signature waterfront park that complements its proximity to the water's edge and offers spectacular views of the lake; and

- Supporting the large number of visitors and enabling operational efficiency during peak times.

She advised that Waterfront Toronto commenced working on the design of Phase 1A of the Jack Layton Ferry Terminal Project in September 2016, with funding remaining from the competition/master plan phase of the project. In December 2016, a Delivery Agreement for capital funding (\$1.81 million total) between Waterfront Toronto and City of Toronto (Parks, Forestry and Recreation) was completed.

She advised that in April 2017, an additional \$1 million of funding from the City was approved by City Council and the scope of the project was increased to reflect this and an amendment to the Delivery Agreement is underway. She advised that cost estimates for the project have been completed by the consulting team estimator as well as by the independent estimator retained directly by Waterfront Toronto, based on the 30% design submission issued by the design consultants. She advised that cost estimates on the 60% design drawings are targeted to be completed by June 7, 2017.

She advised that Waterfront Toronto's policies and procedures provide for Capital Approvals to be obtained after design has reached 20% completion, in accordance with standard industry practice.

Ms. Mallozzi responded to questions from the Committee and **ON MOTION** duly made by David Johnson, seconded by Susie Henderson and carried, be it **RESOLVED** that the Finance, Audit and Risk Management Committee approves, for recommendation to the Board of Directors, a capital expenditure of \$2.81 Million to complete the Jack Layton Ferry Terminal Phase 1A Project.

12. 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.

13. 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.

Chair

Secretary of the Meeting