

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 Wednesday, August 24, 2016 at 9:00 a.m., local time.

PRESENT: David Johnson
Susie Henderson
Mohamed Dhanani
Mark Wilson

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; Chad McCleave, Chief Financial Officer; David Kusturin, Chief Operating Officer; Meg Davis, Chief Development Officer; Sandra Tran, Director, Finance and Enterprise Risk Management; Sampada Chandane, Corporate Controller, Andrew Hilton, Director of Communications; and Ian Beverley, General 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 Susie Henderson, seconded by Mohamed Dhanani and carried, it was **RESOLVED** that the Meeting Agenda was approved.

2. Declaration of Conflicts of Interest

There were no conflicts declared.

3. Minutes – June 13, 2016

ON MOTION duly made by Mohamed Dhanani, seconded by Susie Henderson and carried, it was **RESOLVED** that the Minutes of the March 2, 2016 meeting of the Finance, Audit and Risk Management Committee were approved.

4. June 30, 2016 Interim Financial Statements

Chad McCleave tabled the interim Financial Statements for the period ended June 30, 2016. He provided an in-depth overview of the statement of financial position and the statement of financial activities and highlighted Note 18 regarding "Trust Under Administration" which has been expanded to provide further information regarding expenditures.

He noted that revenue decreased from \$22M in the first quarter of 2015/16 to \$2M in the first quarter of 2016/17 due to diminishing Government contributions. He further noted that the lack of government contributions has resulted in the Corporation utilizing its revenues.

The Chair noted that the Financial Statements show general expenses going up while investments were going down which is an issue if the pattern continues. Mr. McCleave advised that there was less project spending and more overhead spending due to the resources required to complete projects such as The Bentway (previously called Project: Under Gardiner) and the Jack Layton Ferry Terminal.

Mr. McCleave 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 unaudited financial statements for the period ended June 30, 2016 for recommendation to the Board of Directors.

5. Quarterly Cash Flow Reporting

Chad McCleave tabled a Cash Flow Forecast from July 2016 to June 2017 advising that as of August 24, 2016 the Corporation has not drawn on the Facility and the full \$40,000,000 remains available. He advised that the Cash Flow Forecast has been revised to reflect the updated 2016/17 Long Term Plan which includes potential land acquisitions that are anticipated to close within fiscal 2016/17.

He advised that the next forecasted borrowing requirement is projected in February 2017 totaling approximately \$3M and the borrowing is anticipated to be repaid in April 2017.

He responded to questions from the Committee and advised that the Cash Flow Forecast was tabled for information purposes only.

6. Quarterly FARM Reporting – June 30, 2016

David Kusturin tabled the Quarterly Financial Variance Report and Work Package Risk/Status Report, as at the close of June 30, 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 provided detailed reports on Bayside External Services, Port Lands Flood Protection and Enabling Infrastructure and The Bentway, Segment 1 (formerly known as Project: Under Gardiner), and responded to questions from the Committee.

Discussion ensued regarding the way in which information is reported to the FARM Committee and subsequently to the Board. Mr. Kusturin advised that Management continues to work towards the most effective way in which to provide the Committee/Board with the information required to fulfill their fiduciary responsibilities.

It was suggested that the reports be colour coded to differentiate between those projects that have capital approval for all or portions of the project and projects where there is no capital approval but expenses are being allocated to it.

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

7. Stormwater Treatment Facility – Additional Capital Approval

David Kusturin advised that at the City's request, previous designs were revised to consolidate Stormwater and Sanitary pumping and treatment facilities for the East Bayfront and West Don Lands precincts at 480 Lake Shore Boulevard East. He advised that additional capacity was incorporated to facilitate the development of the North Keating Precinct and Toronto City Council approved additional funding on July 26, 2013 for the consolidation strategy. A Project Delivery and Funding Agreement with the City was executed on March 24, 2014 and the Board approved a total Capital Investment in the amount of \$46.9 million for the combined Stormwater and Sanitary sewer infrastructure on June 25, 2014.

Mr. Kusturin provided a presentation which outlined the plan for stormwater and sanitary servicing infrastructure and provided a status update on the overall project. He advised that additional capital was needed to complete the construction of the infrastructure, and to address maintenance and operating costs of the various facilities until final assumption by the City (currently Waterfront Toronto pays the maintenance and operating costs).

The presentation also included the following information:

- a significant portion of the servicing infrastructure has been constructed over the last 2 years however certain components of the project have been deferred due to forecast costs exceeding the available budget and funding;
- schedule options;
- stormwater and sanitary servicing infrastructure operations;
- financial implications;
- proposed capital budget;
- sources of funding;
- project risks;
- Management's recommendation being:
 - proceed with procurement and construction of the Cherry Street Stormwater treatment facility in its entirety at the present time in order to:
 1. minimize the total operating and maintenance costs that are incurred by Waterfront Toronto (+/- \$0.72 million);

2. reduce the total capital cost of the facility resulting from escalation, extended schedule and inefficient delivery of the project;
3. reallocate funds and allocate revenues in the 2016/2017 LTFP sufficient to fund the total project cost; and
4. borrow against future revenues to fund capital and O & M costs as required to suit corporate cash flows.

The Committee questioned where the additional funds were coming from and Mr. Kusturin advised that Waterfront Toronto would fund the additional capital up front through the reallocation of funds, allocation of revenues and borrowing against future revenues. He advised that Waterfront Toronto anticipates receiving \$17 million from the City of Toronto in March, 2017, when City Council approves the budget. The Committee expressed concern that Waterfront Toronto risks funding the project up front but does not receive the \$17 million from the City of Toronto in March.

The Committee asked if the Corporation could wait until after City Council approves the budget to proceed with the procurement required for the construction of the Cherry Street Stormwater Treatment Facility. Mr. Kusturin advised that procurement could potentially be done in two phases, tendering immediately within the funds available in the current budget (Phase 1) and waiting until after the City Council meeting in March to commence Phase 2 when Waterfront Toronto receives the \$17 million from the City of Toronto.

It was agreed that Management will proceed with Phase 1 immediately but will wait until after the City Council meeting in March to commence Phase 2 if Waterfront Toronto receives the \$17 million from the City of Toronto.

Mr. Kusturin advised that if City funding does not materialize, the project would be deferred until funding is confirmed.

8. Internal Audits

Chad McCleave tabled a report regarding the internal audit on billing and collections conducted by MNP LLP (“MNP”) in March 2016. He advised that the audit was the last remaining audit in accordance with the FARM-approved Internal Audit Plan for 2015/16 and provided a brief overview of the results of the audit.

He further advised that the City of Toronto has retained Ernst & Young (“EY”) and will be leading the tri-government audit work to undertake an audit on Waterfront Toronto’s contribution agreement compliance. He advised that Management will report the findings to the FARM Committee as and when the internal audit report becomes available.

9. Quarterly Procurement Report

David Kusturin tabled the Quarterly Procurement Report advising that there were no exceptions to the Procurement Policy. He advised that the report was for information purposes only.

10. 2016/17 Annual Corporate Plan Amendments

Meg Davis provided a brief overview and rationale for the 2016/17 Annual Corporate Plan amendments highlighting the following:

- Waterfront Toronto's approach in the past has been to lead revitalization with public realm which has been accomplished in the West Don Lands and in the East Bayfront.
- In order to unlock future areas of the waterfront it is necessary to change Waterfront Toronto's approach and lead with transit and infrastructure which will require the acquisition of certain land parcels throughout the waterfront.
- The current real estate market is overheated and land values are escalating rapidly due to strong demand in the waterfront which could have a negative impact on lands the Corporation needs to acquire for infrastructure projects.

Ms. Davis advised that Management is seeking approval to initiate land acquisitions immediately in strategic locations in the waterfront and specific amendments to the 2016/17 Annual Corporate Plan will need to be made in order to facilitate said purchases.

11. Motion to go into Closed Session

ON MOTION duly made, seconded and carried, the Committee **RESOLVED** to go into a closed session in accordance with Section 190.2(c) of the City of Toronto Act ("COTA") and Section 6.1.1(c) of By-Law No. 2 of the Corporation (*A proposed or pending acquisition or disposition of land*).

The Chair indicated to members of the public present that it was in order for them to depart the meeting. Members of the public left the meeting at 10:20 a.m.

Closed Session
10:20 a.m

12. 2016/17 Annual Corporate Plan Amendments

Chad McCleave advised that Management is recommending two amendments to the 2016/17 Annual Corporate Plan in order to facilitate land acquisitions in strategic locations as reported during the public session of the meeting. He provided a confidential overview of the details of the proposed land acquisitions and associated amendments thereof. He provided the rationale for the land acquisitions and responded to questions from the Committee.

13. Motion to go into Open Session

In accordance with Section 190 of COTA and By-Law No. 2 of the Corporation, and the closed session discussion having been completed, **ON MOTION** duly made, seconded and carried, the Committee **RESOLVED** to go into Open Session. The Chair indicated that it was now in order for Management and members of the public to return to the meeting. Management and members of the public returned to the meeting at 10:30 a.m.

Open Session
10:45 a.m.

14. Resolutions Arising during the Closed Session

As a result of the closed session discussion, the following resolution was proposed and voted on in the open session:

ON MOTION duly made, seconded and carried, be it **RESOLVED** that the FARM Committee hereby approves the amendments to the 2016/17 Annual Corporate Plan.

15. 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 10:55 a.m. local time.

Chair

Secretary of the Meeting