



Finance, Audit & Risk Management Committee Meeting

Agenda and Meeting Book

THURSDAY, FEBRUARY 23, 2023 FROM 9:00 AM TO 11:30 AM

MICROSOFT TEAMS MEETING



Meeting Book - Finance, Audit & Risk Management Committee Meeting

Agenda - Thursday, February 23, 2023

9:00 a.m.	1. Land Acknowledgement	Information	K. Sullivan
9:05 a.m.	2. Motion to Approve Meeting Agenda	Approval	K. Sullivan
9:05 a.m.	3. Declaration of Conflicts of Interest	Declaration	K. Sullivan
9:10 a.m.	4. Consent Agenda		
	a) Highlights of Key Messages - 5	Information	All
	b) 2023 FARM Committee Workplan and Annual Mandate Review	Approval	L. Taylor / I. Ness
	Coversheet - 7		
	2023 FARM Committee Workplan - 8		
	2023 FARM Committee Meeting Schedule and Workplan Summary - 13		
	c) DRAFT Minutes of the Open Session FARM November 24, 2022 Meeting - 15	Approval	All
	d) Q3 2022/23 Macro Dashboard (Corporate & Project Reporting):	Information	L. Taylor
	Coversheet - 19		
	Macro Dashboard - 20		
	i. Finance & Administration Dashboards:		
	a) Corporate Plan Performance Dashboard - 21	Information	L. Taylor
	b) Enterprise Risk Management	Information	L. Taylor / M. Santos
	ERM Dashboard - 23		
	c) Audit Dashboard	Information	L. Taylor / M. Santos
	Audit Dashboard - 24		
	d) Liquidity and Cash Flow Forecast - 27	Information	L. Taylor
	e) Q3 Interim Financial Statements December 31, 2022	Information	L. Taylor / S. Chandane
	Coversheet - 29		
	FS and Notes - 30		

	e) Quarterly Procurement Report - 43	Information	M. Boboc
	f) Procurement Policy Update	Information	M. Boboc
	Coversheet - 44		
	Updated Policy (blacklined-version) - 45		
	g) Regulatory and Operational Compliance Report - 61	Information	L. Taylor/J. Gombos/I. Ness
	h) Fundraising Dashboard - 65	Information	I. McMullan
	i) Environmental Social Governance (ESG) Update - 66	Information	L. Taylor
9:40 a.m.	5. 2022/23 External Audit Plan	Approval	BDO Canada LLP
	Coversheet - 68		
	Presentation - 69		
9:50 a.m.	6. March 31, 2023 Financial Statements – Change in Accounting Policy	Approval	L. Taylor / S. Chandane
	Report - 101		
10:00 a.m.	7. PLFP Project Update	Information	J. Gombos
	Presentation - 103		
10:10 a.m.	8. Broadview Eastern Flood Protection Update – Construction Procurement Options & Recommendation	Approval	J. Gombos
	Coversheet - 124		
	Presentation - 126		
10:20 a.m.	9. Internal Audit Update	Information	V. Bila / MNP LLP
	Coversheet - 146		
	Appendix 1 MNP - WT Internal Audit Plan Status Update - DRAFT - 147		
	Appendix 2 WT Planning Memo - ERP Procurement Review - 150		
10:30 a.m.	10. Motion to go into Closed Session	Approval	All
	Closed Session Agenda The Committee will discuss items 11 (a), (b), (c) & (d), 12 through 17 being consideration of the draft minutes of the Closed Session of the November 24, 2022 FARM meeting, Annual Review – Risk Appetite Statement, Capital Projects: Lake Shore Boulevard East Dashboard & Port Lands Flood Protection (PLFP) Dashboard, Interim Strategy Update, Cybersecurity Risk Profile, Fundraising Strategy Review, Port Lands Flood Protection (PLFP) Scope Revisions & Incremental Funding, Report of the Capital Monitor, Amendments to the Rolling Five Year Strategic Plan and the Directors Only Discussion, respectively, in a Closed Session as permitted by By-Law No.2 of the Corporation. The exception relied upon for the discussion for item 11(a) is provided in the minutes of the Open Session November 24, 2022 FARM Committee meeting under item 4(c) of this agenda, for item 11(b) & 12 is Section 6.1.1(a), for items 11(c), 14 & 15 is Section 6.1.1(l), for items 11 (d), 13 & 16 is Section 6.1.1(k), and for item 17 is Section 6.1.1(b) of By-Law No. 2. The Committee will continue in Open Session at the end of the Closed Session to vote on any resolutions pertaining to the Closed Session.		
	Closed Session - 158		
11:25 a.m.	18. Motion to go into Open Session	Approval	All
	Public Session Agenda		

11:25 a.m.	19. Resolution(s) Arising from the Closed Session Form - 159	Approval	All
11:30 a.m.	20. Motion to Terminate the Meeting	Approval	All
FYI	Next Meeting: Thursday, May 25, 2023	Information	All
FYI	Upcoming Board & Committee Meeting Schedule - 160	Information	All

Finance, Audit and Risk Management Committee – February 23, 2023

Item 4 (a) Meeting Materials - Highlights of Key Messages

Agenda Item	Key Message
4 b) FARM Committee Workplan & Mandate Review For Approval	2023 Finance, Audit and Risk Management (FARM) Committee Workplan outlines the key items of the FARM Committee mandate and how these are addressed for review and approval at each of the quarterly Committee meetings, as well as annual review of FARM Committee mandate.
4 d) Macro Dashboard (FI)	Macro dashboard provides the Q3 2022/23 status summary of three core areas of FARM Committee mandate, namely Corporate Plan Performance, Finance and Administration (including enterprise risk, audit, financial statements and liquidity) and capital projects, all of which are supported by individual dashboards under Items 4 d) and 11 c).
4 d i a) 2022/23 Corporate Plan Performance (FI)	<p>As of this report WT is on track to achieve the following for 2022/23:</p> <ul style="list-style-type: none"> 84% (Q2: 86%) of annual capital investment plan (\$337M of \$400M) 72% (Q2: 71%) of annual revenues (\$333M of \$465M) 50% (Q2: 50%) of key deliverables (18.5 out of 37) 79% (Q2: 79%) of performance measure KPI targets (15 out of 19) <p>Approx. 14.5 (Q2 – 11.5) key deliverables are deferred to a future year, five due to construction re-sequencing for the Port Lands Flood Protection (PLFP) project and 9.5 due to changes in project requirements/ schedules and/or funding revisions. A further four other deliverables may not be met this year due to external influence and/or project funding revisions/concerns.</p>
4 d i b) Enterprise Risk Management (ERM) (FI)	WTs enterprise risk portfolio remains consistent with last quarter with three residual risk areas rated as high (PLFP project due to cost escalations, ERP system risk, as well as Project Delivery for non-Port Lands projects due to current macro-economic conditions). Other risk areas with inherent risk rated high and residual risk rated medium due to mitigations include cyber security, financial self-sustainability, climate risk, and recruitment and retention of employees.
4 d i c) Audit Environment (FI)	PLFP contribution agreement compliance audit by Infrastructure Canada and Ontario Auditor General (OAG) follow up audits all completed December 2022. PLFP final report is pending; OAG reports published Dec 2022 and indicate WT fully implemented 100% of the recommendations of the Standing Committee on Public Accounts and that two action items remain in process of being implemented from the 2018 value for money audit.
4 d i d) Liquidity / Cash Flow Forecast (FI)	Positive cash and short-term investment balance > \$50M with no requirement to drawdown line of credit forecast until late 2024/25. Continued requirement for notional external borrowing from unspent project funds for certain projects (expected to be reversed March 2023). Increase in line of credit to \$90M in place subject to some security conditions precedent.
4 d i e) Dec 31, 2022 Unaudited Financial Statements (FI)	The financial activities for the nine months ended December 31, 2022 are up 27% from the same period last year for investment levels (\$251.9M compared to \$198.6M), with revenues lower by 43% (\$130.9M compared to \$231.4M), largely due to the PLFP project and availability of unspent funding from the prior year.
4 e) Quarterly Procurement Report (FI)	One exception to the Procurement Policy for a single source professional services contract totaling \$323,000 related to use of landlord's base building architect for design services of WT new office space (rationale for cost, schedule and technical knowledge advantages/ efficiencies). There were no construction contracts over \$5 million awarded this quarter.
4 f) Procurement Policy Update (FI)	Disclosure of recent non-material changes made to WTs procurement policy and to formally add new sections related to Social and Sustainable Procurement.

Finance, Audit and Risk Management Committee – February 23, 2023
Item 4 (a) Meeting Materials - Highlights of Key Messages

4 g) Regulatory and Operational Compliance Report (FI)	All required actions by the Corporation for regulatory compliance obligations have been performed as of December 31, 2022.
4 h) Fundraising Action Plan Dashboard (FI)	Status dashboard regarding implementation of WTs approved (Dec 2021) Fundraising Action Plan, as it relates to the Rolling Five-Year Strategic Plan 2022/23-2026/27.
4 i) ESG Update (FI)	Quarterly report on Environmental, Social & Governance (ESG) and Waterfront Toronto's current initiatives in these areas.
5) 2022/23 External Audit Plan For Approval	Planning Report from WTs external auditors, BDO LLP, regarding the audit of the Corporation's year end March 31, 2023 financial statements. Audit materiality of \$4.5 million (\$4.0 million last year).
6) Change in Accounting Policy For Approval	Management is proposing a change in accounting policy be adopted in the March 31, 2023 financial statements related to the disposal of capitalized development costs to ensure more in line with recognition of related revenues.
7) PLFP Update (FI)	Visual Progress Report from SVP, Project Delivery regarding the PLFP project.
8) Broadview Eastern Flood Protection – Construction Procurement For Approval	Recommendation by management that the project be tendered using the Construction Manager method with an option to negotiate Guaranteed Maximum Price to enable early contractor involvement and design flexibility, better management of schedule constraints and transparency.
9) Internal Audit Plan Update (FI)	MNP LLP will provide an update on the status of the Corporation's Internal Audit Plan, including the Procurement Process review currently underway.
11 b) Risk Appetite Statement (FI)	Management is proposing no material change to the Corporation's risk appetite statement as previously adopted by the FARM Committee and Board.
11 c) Capital Projects (FI)	Waterfront Toronto projects are proceeding in accordance with the Board Approved Rolling Five Year Strategic Plan (2022/23– 2026/27) except as otherwise noted. Several schedule and budget risks are being managed for both PLFP and Lake Shore Blvd East – Bridge & Public Realm project.
11 d) Interim Use & Events Strategy Update (FI)	Update report from management regarding the planned interim use and events for 2023 and beyond to activate the waterfront.
12) Cybersecurity Risk Profile (FI)	Update of the Corporation's cybersecurity program, current risk profile and mitigation strategies.
13) Fundraising Strategy Review (FI)	WTs CEO and Executive Director, Philanthropy will provide a review of progress and performance to date as well as outline the 2023 workplan for the Corporation's Fundraising Strategy.
14) PLFP Scope Revisions & Incremental Funding (FI)	Management provides an update regarding the project scope, Estimate at Completion, and incremental funding for the PLFP project.
15) PLFP Independent Capital Monitor Report (FI)	Report #18 of the Independent Capital Monitor (BTY) comments on the impact of global supply issues, escalation and inflation on the approved project budget. BTY did not complete a review of project schedule this quarter due to pending baseline schedule updates.
16) Amendments to the Rolling Five Year Strategic Plan For Approval	Management outlines recommended amendments to the Rolling Five Year Strategic Plan (2023/24 – 2027/28) to address certain immediate priorities.

Purpose	For Committee Approval
Areas of note/ Key issues	<p>The 2023 Finance, Audit and Risk Management (FARM) Committee Workplan outlines the key items of the FARM Committee mandate and how these are addressed for review and approval at each of the following quarterly FARM Committee meetings:</p> <ul style="list-style-type: none"> • February 23, 2023 • May 25, 2023 • September 21, 2023, and • November 23, 2023. <p>The core responsibilities of the FARM Committee mandate include financial reporting, internal controls, external and internal auditor appointments, government audits, financial planning, enterprise risk management, project risk management, fundraising, Environmental, Social and Governance (ESG) and other duties and obligations.</p> <p>In line with good governance, the mandate of the FARM Committee is to be reviewed annually. As such, attached is the current mandate for review by the Committee.</p>
Resolution/ Next Steps	<p>ON MOTION duly made, seconded, and carried, be it RESOLVED that the Finance, Audit and Risk Management Committee approves the 2023 FARM Committee Workplan.</p> <p>The next review of the FARM Committee mandate and annual workplan is anticipated to take place in February 2024.</p>

WATERFRONT TORONTO
Finance, Audit and Risk Management Committee Workplan - 2023

Duties and Responsibilities

The Finance, Audit and Risk Management Committee (the “Committee”), will review and make recommendations to the Board of Directors (the “Board”) with respect to, or approve as indicated, the following matters, consistent with the Committee mandate:

Quarterly Meeting Schedule:	Feb 23/2023	May 25/2023	Sep 22/2023	Nov 23/2023	As required
(a) General Responsibilities. The Committee will:					
(i) Approve an Annual Committee Workplan	2023 Workplan				
(ii) Review and assess mandate annually	X				
(iii) Review and report to the Board of Directors periodically on compliance by the Corporation with the matters provided for in this Mandate, including without limitation, matters relating to Environmental, Social and Governance (ESG) considerations.	X ESG dashboard	X Integrated Annual Report	X ESG dashboard	X Rolling Five Year Strategic Plan	
(b) Financial Reporting. The Committee will:					
(i) Review with management the Corporation’s annual and quarterly financial statements of the Corporation;	Q3 Interim Financial Statements Dec 31, 2022	Year-End Financial Statements Mar 31, 2023	Q1 Interim Financial Statements June 30, 2023	Q2 Interim Financial Statements Sept 30, 2023	
(ii) Review reports from the external auditors concerning the annual financial statements and any other matters, and management’s response to such reports, if appropriate;		2022/23 External Audit Results Report			
(iii) Recommend to the Board the approval of the audited annual financial statements ;	Receive	Approval	Receive	Receive	
(iv) Review reports on any litigation, claim or other contingency that could have a material effect on the financial statements of the Corporation;					X
(v) Review any public disclosures containing audited or unaudited financial information; and		2022/23 Integrated Annual Report			
(vi) Review with the external auditors and the Board of Directors any material issues that arise with respect to the quality or integrity of the Corporation’s financial statements and the Corporation’s compliance with the legal and regulatory requirements related thereto.					X

WATERFRONT TORONTO
Finance, Audit and Risk Management Committee Workplan – 2023

	Feb 23/2023	May 25/2023	Sep 22/2023	Nov 23/2023	As required
(c) Internal Controls The Committee will periodically review, with assistance from the external auditor or internal auditor of the Corporation if requested by the Committee, the adequacy of financial internal controls and provide reports or recommendations to the Board of Directors on such adequacy.					X
(d) External Auditors. The Committee will:					X
(i) Recommend external auditors for appointment by the Board of Directors, including their compensation for all services; such external auditors shall report directly to the Committee and be independent of the Corporation;					
(ii) Review the performance of the external auditors at least annually and meet with the external auditor on such basis as the Committee may determine;		X			
(iii) If appropriate, recommend the removal of external auditors and their replacement;					X
(iv) Pre-approve all services (audit and non-audit services) to be provided to the Corporation by the external auditors; and					X
(v) Review and approve the scope of the external audit plans at least annually.	2022/23 External Audit Plan Approval				
(e) Internal Auditor. The Committee may:					X
(i) Approve the appointment of internal auditors, including their compensation; if so appointed, such internal auditors shall report directly to the Committee and be independent of the Corporation;					
(ii) Review and approve the overall scope of the internal audit plan and ensure the coordination of the internal auditors with the external auditors;					X
(iii) Review reports issued by internal auditors and management's response to the reports, meet with the internal auditors as the Committee may determine, and monitor actions taken in respect of the reports; and	X (as applicable)	X (as applicable)	X (as applicable)	X (as applicable)	X
(iv) Review the performance of the internal auditors at least annually.					X

WATERFRONT TORONTO
Finance, Audit and Risk Management Committee Workplan – 2023

	Feb 23/2023	May 25/2023	Sep 22/2023	Nov 23/2023	As required
(f) Government Audits. The Committee will:					
(i) Review the reports issued by a government auditor and management's response to these reports, and monitor actions taken in respect of the reports;					X
(ii) Meet, if necessary, with government auditors after the completion of their audits, or have the Committee Chair do so, and provide a report on such report and meeting to the Committee; and					X
(iii) Ensure the coordination of government auditors' involvement with the work of the external and internal auditors of the Corporation.					X
(g) Financial Planning The Committee will regularly review significant matters involving the financial status of the Corporation and make recommendations to the Board of Directors with respect to various material financial matters affecting the Corporation, such as:					
(i) The financial aspects of annual and longer-term budgets and any significant variances thereon;	2022/23 Corporate Plan Performance Report (Q3)	2022/23 Integrated Annual Report Approval	2023/24 Corporate Plan Performance Report (Q1)	2023/24 Corporate Plan Performance Report (Q2)	
(ii) The annual corporate plan and five-year strategic plan, periodic forecasts, long term financial plans and revisions thereto; and key performance indicators adopted by, or applicable to, the Corporation;				Rolling Five Year Strategic Plan Approval	
(iii) Consideration of capital approval requests that require approval of the Board of Directors;					X
(iv) The adequacy of financial resources and cash flow of the Corporation; and	Liquidity Forecast	Liquidity Forecast	Liquidity Forecast	Liquidity Forecast	
(v) Review reports from management on various financial measures and reports requested by the Board of Directors.					X

WATERFRONT TORONTO
Finance, Audit and Risk Management Committee Workplan – 2023

	Feb 23/2023	May 25/2023	Sep 22/2023	Nov 23/2023	As required
<p>(h) Enterprise Risk Management. The Committee will:</p> <p>(i) Provide oversight of the enterprise risk management program of the Corporation, which shall include cybersecurity risk management, including overseeing the identification, measurement, monitoring and controlling of enterprise risks and ensuring that implementation and function of appropriate risk management systems are consistent with the determined risk appetite of the Corporation; and</p> <p>(ii) Without limiting the generality of the foregoing, review and consider annually the insurance coverage to be procured and maintained, approve insurance policies recommended by management to appropriately and effectively protect the interests of the Corporation and its Directors.</p>	<p>Enterprise Risk Dashboard</p> <p>Cyber Security Risk Profile</p> <p>Risk Appetite Statement</p> <p>Regulatory & Operational Compliance and Procurement Reports</p>	<p>Enterprise Risk Dashboard</p> <p>Annual Cyber Penetration Testing Results</p> <p>Regulatory & Operational Compliance and Procurement Reports</p> <p>Insurance Program Review</p>	<p>Enterprise Risk Dashboard</p> <p>Cyber Security Risk Profile</p> <p>Regulatory & Operational Compliance and Procurement Reports</p>	<p>Enterprise Risk Dashboard</p> <p>Regulatory & Operational Compliance and Procurement Reports</p>	
<p>(i) Project Risk Management</p> <p>The Committee will review and make recommendations to the Board of Directors, in accordance with the policies and procedures approved by the Board of Directors in respect of:</p> <p>(i) projects (including capital projects) of the Corporation and whether the Committee should monitor the projects; and</p> <p>(ii) requests to approve the budget, scope, or schedule of projects (including capital projects) and material changes to the same.</p> <p>The Committee will consider the following criteria when determining whether it should monitor any projects:</p> <ul style="list-style-type: none"> • a budget in excess of \$50 million; • high complexity and potential for numerous unknown risks. • compressed timeline or work schedule; • self-insurance; • multiple stakeholders; and • high public profile or visibility. <p>The Committee will coordinate its activities with similar ones being undertaken by the Investment and Real Estate Committee.</p>	<p>Independent Project Capital Monitor Report – Port Lands Flood Protection</p> <p>Q3 2022/23 Project Reporting</p>	<p>Independent Project Capital Monitor Report - Port Lands Flood Protection</p> <p>Q4 2022/23 Project Reporting</p>	<p>Independent Project Capital Monitor Report - Port Lands Flood Protection</p> <p>Q1 2023/24 Project Reporting</p>	<p>Independent Project Capital Monitor Report - Port Lands Flood Protection</p> <p>Q2 2023/24 Project Reporting</p>	X

WATERFRONT TORONTO
Finance, Audit and Risk Management Committee Workplan – 2023

	Feb 23/2023	May 25/2023	Sep 22/2023	Nov 23/2023	As required
(j) Fundraising. The committee will:					
(i) Review and make recommendations to the Board of Directors, in coordination, as appropriate, with the Human Resources, Governance and Stakeholder Relations Committee of the Board, regarding fundraising (including strategy) of the Corporation, in accordance with the policies and procedures approved by the Board of Directors. Fundraising by the Corporation may include donations, sponsorship, and government grants; and					X
(ii) Monitor the implementation by the Corporation of the approved fundraising strategies, including in respect of project status, expenditures, deliverables, and risks.	X Fundraising Dashboard	X Fundraising Dashboard	X Fundraising Dashboard	X Fundraising Dashboard	
(k) Procurement. The Committee will receive for information any amendments made to the Procurement Policy of the Corporation and all audit reports pertaining to procurement practices and procedures of the Corporation.					X
(l) Other Duties and Obligations. The committee will undertake such other duties and obligations, and have such other powers, as may be assigned to it by the Board of Directors from time to time.					X

2023 FARM COMMITTEE MEETING SCHEDULE

Abbreviations:

“**Board**” means Board of Directors

“**FARM**” means Finance, Audit & Risk Management Committee

“**IREC**” means Investment and Real Estate Committee

“**HRGSR**” means Human Resources, Governance and Stakeholder Relations Committee

Committee Composition	FARM	HRGSR	IREC
	1. Kevin Sullivan (Chair) 2. Jeanhy Shim 3. Drew Fagan 4. Laurie Payne	1. Wende Cartwright (Chair) 2. Rahul Bhardwaj 3. Paul Khawaja 4. Councillor Ausma Malik	1. Jack Winberg (Chair) 2. Stephen Diamond 3. Andrew MacLeod 4. Leslie Woo 5. Alysha Valenti

Statutory & Public Holidays in 2023

New Year – Sunday, January 1 (Monday, January 2 in lieu)
 Family Day- Monday, February 20
 Good Friday - April 7
 Easter- Monday April 10
 Victoria Day- Monday, May 22
 Canada Day- Saturday, July 1 (Monday, July 3 in lieu)
 Civic Holiday- Monday, August 7
 Labour Day- Monday, September 4
 Thanksgiving- Monday, October 9
 Remembrance Day- Saturday, November 11 (Monday, November 13 in lieu)
 Christmas & Boxing Day- Monday & Tuesday Dec 25 & 26

Other Holidays and Events

TDSB March Break- March 13-17
 Ramadan – March 22 – April 20
 Passover – April 5 – April 13
 Eid al-Fitr – April 20-21
 Eid al-Adha – June 28- Jul 2
 Rosh Hashanah – Sept 15 - 17
 Yom Kippur – Sept 24-25
 National Day for Truth & Reconciliation – Saturday, Sept 30

*Note: Unless otherwise agreed:

- Committee meetings are from: **9:00 a.m. – 11:30 a.m.**

S/N	Date	Board/Committee	Key Agenda Item(s) include:
1.	Thursday, Feb 23, 2023	FARM	<ul style="list-style-type: none"> • 2023 FARM Committee workplan and mandate review • Q3 2022/23 Corporate Reporting (including liquidity forecast and Corporate Plan Performance) • Q3 2022/23 Project Reporting • Receive Q3 Interim Financial Statements Dec 31, 2022 • Approve 2022/23 External Audit Plan • Internal Audit Update (including HR Capacity Planning Report) • Independent Capital Monitor report • Enterprise Risk Management (to include Risk Appetite Statement) • Quarterly Reports (Procurement, Fundraising & Regulatory Compliance) • Review Cybersecurity Risk Profile • ESG Dashboard
2.	Thursday, May 25, 2023	FARM	<ul style="list-style-type: none"> • Q4 2022/23 Corporate Reporting (including liquidity forecast) • Q4 2022/23 Project Reporting • Approve 2022/23 Integrated Annual Report • Approve 2022/23 Audited Year-End Financial statements • 2022/23 External Audit Results Report • External Audit performance review • Annual Insurance Program Review • Internal Audit Update • Independent Capital Monitor report • Enterprise Risk Management • Quarterly Reports (Procurement, Fundraising & Regulatory Compliance) • Annual Cyber Penetration Testing Results
3.	Thursday, Sept 21, 2023	FARM	<ul style="list-style-type: none"> • Q1 2023/24 Corporate Reporting (including liquidity forecast and Corporate Plan Performance) • Q1 2023/24 Project Reporting • Receive Q1 Interim Financial Statements June 30, 2023 • Internal Audit Update • Independent Capital Monitor report • Enterprise Risk Management • Quarterly Reports (Procurement, Fundraising & Regulatory Compliance) • Review Cybersecurity Risk Profile • ESG Dashboard
4.	Thursday, Nov 23, 2023	FARM	<ul style="list-style-type: none"> • Q2 2023/24 Corporate Reporting (including liquidity forecast and Corporate Plan Performance) • Q2 2023/24 Project Reporting • Receive Q2 Interim Financial Statements Sept 30, 2023 • Approve Rolling Five Year Strategic Plan (2024/25 – 2028/29) • Internal Audit Update • Independent Capital Monitor report • Enterprise Risk Management • Quarterly Reports (Procurement, Fundraiser & Regulatory Compliance)

**MINUTES of the Open Session of the
Finance Audit and Risk Management Committee Meeting of the
Toronto Waterfront Revitalization Corporation
Via Microsoft Teams Teleconference
Thursday, November 24, 2022 at 9:00 a.m.**

PRESENT: Kevin Sullivan (Chair)
Drew Fagan
Laurie Payne
Jeanhy Shim

REGRETS:

ATTENDANCE: WATERFRONT TORONTO
George Zegarac (Chief Executive Officer)
Ian Ness (General Counsel)
David Kusturin (Chief Project Officer)
Lisa Taylor (Chief Financial Officer)
Pina Mallozzi (SVP, Design)
Kristina Verner (SVP, Strategic Policy & Innovation)
Rose Desrochers (VP, Human Resources and Administration)
Iain McMullan (Executive Director, Philanthropy)
Ed Chalupka (Director, Government Relations)
Marciana Boboc (Director, Procurement)
Sampada Chandane (Director, Financial Management)
Alma Pjetra (Director, Program & Cost Management)
Mary Anne Santos (Director, Financial Planning)
Rina Patel (Accounting Manager)
Parmit Chhasiya (Program Reporting Analyst)
Sarah Askett (Communications & Public Engagement Manager)
Liv Bautista (Legal Counsel)
Charmaine Miller (Executive Assistant to the CEO & Board Admin)

Also, in attendance for part or all of the meeting were:

- Leslie Woo, Director, Waterfront Toronto
- Kathryn McCauley, Director, Vania Georgieva, Sr Program Analyst, Iswariya Tirunagaru, Analyst, Sarah Khan, Analyst, Jasmine Haghighi, Program Analyst, Investment, Partnerships and Innovation Branch, Infrastructure Canada,
- Chris Monahan, Director, Anna Golovkin, Senior Policy Lead, Hannah Verrips, Policy Advisor, Bill Raymond, Senior Policy Advisor, Cory MacDonald, Senior Policy Advisor, Jonathon Vita, A/Manager, Agency Governance and Accountability Unit, Ontario Ministry of Infrastructure,
- Jay Paleja, Project Manager, Waterfront Secretariat, City of Toronto
- Louis Castillo, BTY Consulting

- Veronica Bila, Partner, Enterprise Risk Services, Wendy Gnenz, Thomas Luedersdorf, MNP LLP

Ian Ness acted as secretary of the meeting. The Chair welcomed everyone to the meeting of the Finance Audit and Risk Management (FARM) Committee (the “Committee”) of the Toronto Waterfront Revitalization Corporation (“Waterfront Toronto” or the “Corporation”).

With notice of the meeting having been sent to all members of the Committee in accordance with the Corporation’s By-laws and a quorum being present, the Chair called the meeting to order at 9:05 a.m. and declared the meeting was duly constituted for the transaction of business.

1. Land Acknowledgement

Kevin Sullivan acknowledged Indigenous Peoples’ presence and connections to lands under revitalization by Waterfront Toronto.

2. Meeting Agenda

ON MOTION duly made by Drew Fagan, seconded by Laurie Payne, and carried, it was **RESOLVED** that the Meeting Agenda be approved as presented.

3. Declaration of Conflicts of Interest

There were no conflicts declared.

4. Consent Agenda:

Highlights of the Key Messages were taken as read.

Draft Minutes of Open Session September 22, 2022 FARM Committee Meeting

ON MOTION duly made by Jeanhy Shim, seconded by Drew Fagan and carried, it was **RESOLVED** that the Minutes of the September 22, 2022 FARM Committee meeting be approved as presented.

The Committee reviewed a number of dashboards and reports with management, covering key areas such as 2022/23 corporate plan performance, enterprise risk (three red/high risk areas related to PLFP, non-PLFP project delivery and ERP system), audit, liquidity, capital projects, procurement, regulatory compliance, fundraising, environmental social governance (ESG) as well as the Corporation’s September 30, 2022 interim financial statements.

The Committee requested management review the format and presentation of the Fundraising Dashboard to provide greater clarity regarding fundraising targets and revenues generated compared to WT investments being made.

5. Infrastructure Canada (INFC) Port Lands Flood Protection (PLFP) Evaluation Report

Management shared the results of the recent Infrastructure Canada (INFC) Program Evaluation of the PLFP project. The purpose of the evaluation was to assess the relevance and effectiveness of INFCs grants and contributions program as it pertains to the PLFP project. The overall evaluation findings were positive and there were no recommendations for improvement nor response required on behalf of Waterfront Toronto or the Federal Government Infrastructure Ministry. Based on feedback from the Committee, management will ensure this report, together with other relevant third-party reports, are made available on WT's website.

6. Port Lands Flood Protection (PLFP) Project Update

Waterfront Toronto's Chief Project Officer provided a visual progress report for the PLFP project.

7. Internal Audit Update

Veronica Bila, Assurance Partner, MNP LLP (MNP) together with her colleagues presented the results of the MNPs Lessons Learned Review of WT's Enterprise Resource Planning system implementation, highlighting the trends and benefits of digitization, together with strengths of WT's implementation as well as lessons learned for future IT projects.

8. Motion to go into Closed Session

In accordance with By-Law No. 2 of the Corporation and **ON MOTION** duly made by Jeanhy Shim, seconded by Drew Fagan and carried, the Committee **RESOLVED** to go into Closed Session to discuss items 9(a), (b), 10, 11, 12, 13, and 14 of the agenda. The exception relied upon for the discussion for item 9(a) is provided in the minutes of the Open Session September 22, 2022 FARM Committee meeting under item 4(b) of this agenda, for item 10 is Section 6.1.1(k), for items 9(b), 11, 12 & 13 is Section 6.1.1(l), and for item 14 is Section 6.1.1(b) of By-Law No. 2. The Committee will continue in Open Session at the end of the Closed Session to vote on any resolutions pertaining to the Closed Session.

The meeting continued in closed session.

9. Consent Agenda

- a) **Draft Minutes of the Closed Session – September 22, 2022 FARM Committee Meeting**
- b) **Capital Projects continued: PLFP Dashboard**

10. Draft Rolling Five-Year Strategic Plan (2023/24 – 2027/28 (including 2023/24 Corporate Plan))

11. PLFP Q3 2022/2023 Semi Annual Cost Estimate Update

12. PLFP Budget, Funding & Scope Options

13. Report of the Capital Monitor

14. Directors Only Discussion

15. Motion to go into Open Session

ON MOTION duly made by Drew Fagan and seconded by Jeanhy Shim and carried, the committee **RESOLVED** to go into Open Session.

The meeting continued in Open Session.

16. Resolution(s) Arising from the Closed Session

Item 9(a) Draft Minutes of the Closed Session – September 22, 2022 FARM Committee Meeting

ON MOTION duly made by Jeanhy Shim and seconded by Laurie Payne and carried, it was **RESOLVED** that the Minutes of the Closed Session of the Finance, Audit and Risk Management Committee held on September 22, 2022 be approved as tabled.

Item 10 Draft Rolling Five-Year Strategic Plan (2023/24 – 2027/28 (including 2023/24 Corporate Plan))

ON MOTION duly made by Laurie Payne and seconded by Drew Fagan and carried, it was **RESOLVED** that the FARM Committee recommends that the Board of Directors approve the Rolling Five-Year Strategic Plan (2023/24-2027/28), substantially in the form presented, with such changes thereto as the Board may approve.

17. Termination of the Meeting

There being no further business, **ON MOTION** duly made by Laurie Payne, seconded by Jeanhy Shim and carried, it was **RESOLVED** that the meeting be terminated at 11:38 a.m. local time.

Committee Chair

Secretary

Purpose	For Committee Information.
Areas of note/ Key issues	<p>The following three areas are reported on in the attached Macro dashboard which is supported by several attached streamlined reports:</p> <ol style="list-style-type: none"> 1. <u>2022/23 Corporate Plan Performance</u> (caution area noted (forecast performance between 50% - 69% of plan) for key deliverables largely driven by changes in schedule into FY 2023/24 together with funding and/or budget uncertainties) 2. <u>Finance & Administration</u>: <ul style="list-style-type: none"> o <i>Enterprise Risk Management</i>: caution due to continued three high residual risks in WT's risk portfolio (i.e. Port Lands Flood Protection project delivery, ERP system and Project Delivery: Non-Port Lands projects). Refer Item 12 for Cybersecurity risk profile update. o <i>Internal audit</i> (no significant concerns; Procurement Process Review underway, for May 2023 FARM reporting). o <i>Liquidity/ Cash Flow Management</i> (no concerns, continued internal borrowing requirement from unspent project funds in short term; increase in WT line of credit facility (to \$90M and May 2028) formally secured (subject to conditions precedent with security). o <i>Financial reporting compliance</i> (no concerns, in line with plan) 3. <u>Capital Projects</u> (concern areas noted primarily for PLFP related to budget and schedule. Refer agenda items 7 and 14 for further details. Individual project dashboards attached.
Resolution or Next Steps	The next macro level dashboard will be provided at the next FARM Committee meeting in May 2023.

2022/23 Corporate Plan Performance



As of Q3 2022/23 on track to achieve the following for 2022/23:

- 84% (Q2: 86%) of annual capital investment plan (\$337M of \$400M)
- 72% (Q2: 71%) of annual revenues (\$333M of \$465M)
- 50% (Q2: 50%) of key deliverables (18.5 out of 37)
- 79% (Q2: 79%) of performance measure KPI targets (15 out of 19)

Caution area relates to 18.5 of WTs 37 planned key deliverables, 14.5 of which will not be met this fiscal year (refer pg. 2 of Corporate Plan Performance Dashboard): five due to construction re-sequencing for the Port Lands Flood Protection project and 9.5 due to changes in project requirements/schedules and/or funding revisions. Four other deliverables may not be met mainly due to external factors and project funding revisions/concerns.

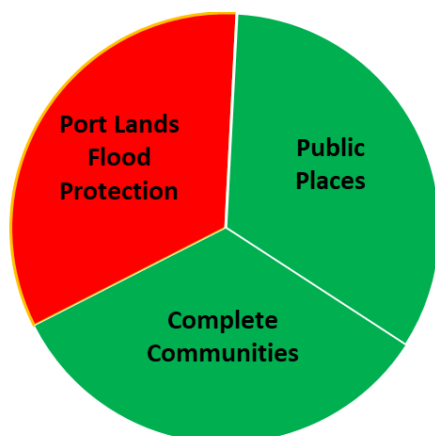
None of these deferrals place the Corporation at risk of non-compliance with key contracts.

Finance & Administration



- Positive cash & ST investment balance > \$50M; internal cash flow management being utilized for some projects. Amended line of credit facility agreement for \$90M executed November 2022 subject to conditions precedent for security.
- ERM: **Caution** due to continued three high residual risks in risk portfolio (Port Lands project delivery, ERP system, Project Delivery: Non-Port Lands projects). Refer Item 12 for Cybersecurity risk profile update.
- Internal Audit: No concerns. No action item due/implemented this quarter. Procurement Process Review underway, for May 2023 FARM reporting.
- Government Audit: 100% implementation rate of 2021 action items from Standing Committee on Public Accounts- subject to OAGO audit report (Dec/22).

Capital Projects



- Currently tracking to deliver all projects in the capital portfolio in accordance with contractual budget/ schedule obligations however **concern** regarding PLFP project budget pressure– refer Items 7 and 14.
- **Concern** relates to the Port Lands Flood Protection project due to realized budget and schedule risks (including utility approvals and installations) that are beyond WTs control, which have deferred substantial completion of project from March 2024 to Dec 2024 and placed budget pressures beyond available contingency. Refer Items 7 and 14 for further details.

Refer to the Program Portfolio Dashboards.

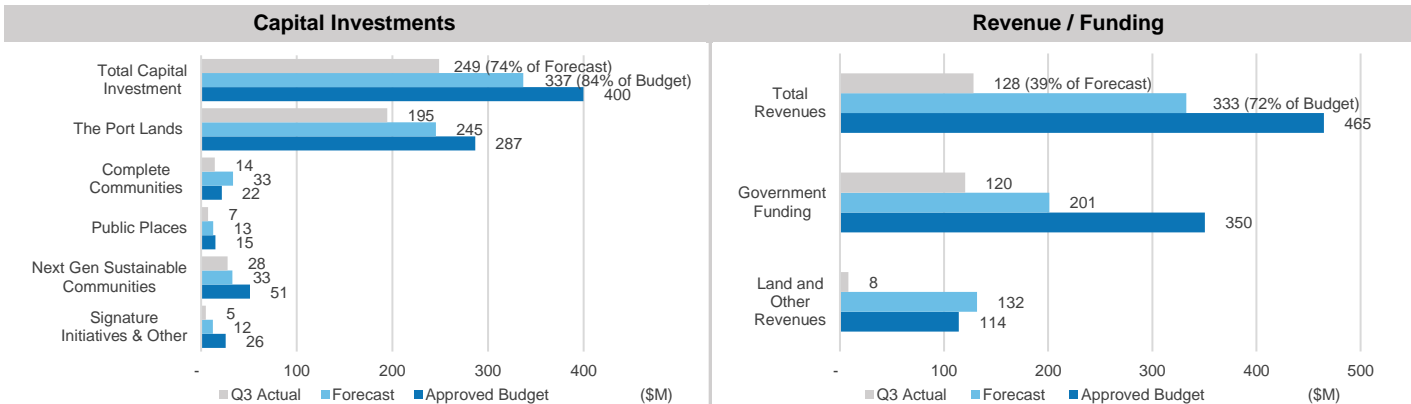
Legend: ● No concerns: greater than or equal to 70% of plan ● Caution: some areas of plan may not be met (between 50% and 69% of plan) ● Concern: some aspects (<50%) of plan will be not met.

Corporate Plan Performance Dashboard as of Dec 31, 2022 (Q3 2022/23)

Issued as of: February 23, 2023

Overall 2022/23 Corporate Plan Status: ● Capital Investment Plan ● Revenues ● Key Deliverables ● KPIs/ Targets

● No material concerns, in line with plan; forecast performance greater than or equal to 70% of plan; ● Caution - some areas of plan may not be met; forecast performance between 50% - 69% of plan; ● Concern - some areas of plan will not be met; forecast performance less than 50% of plan



Overall investment is forecast at \$337M, \$63M (16%) lower than Plan mainly due to:

- Decrease in overall Port Lands Flood Protection expenditures due to construction re-sequencing and delays, pushing planned expenditures to FY 2023/24 (partially offset by higher than estimated costs to construct roads and services in the current fiscal year);
- Decrease in Quayside infrastructure expenditures due to the delay in design contract award pushing design and construction expenditures to FY 2023/24; partially offset by
- Increase in stormwater infrastructure (in-water pipes project) expenditures due to construction delays in FY 2021/22 pushing costs to the current fiscal year; and
- Addition of the Broadview Eastern Flood Protection Project (\$4.7M forecasted for FY 2023/24).

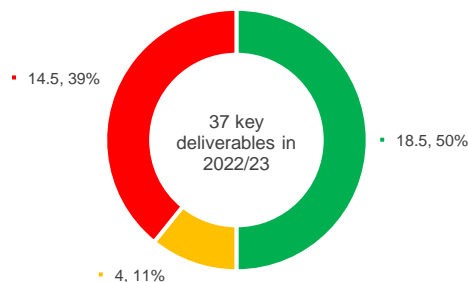
Overall revenues are anticipated to be \$333M, \$132M (28%) lower than Plan mainly due to deferral of City funding for the Port Lands Flood Protection project to align with expenditures and overall working capital levels.

The first tranche of land sale revenues associated with the Quayside development are expected March 2023.

2022/23 Key Deliverables

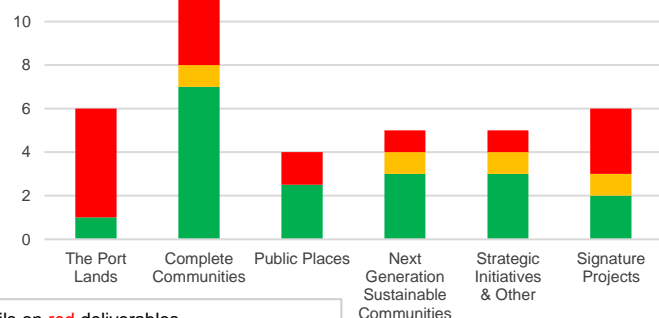
● Achieved/ forecasted to be achieved by March 31, 2023; ● May not be achieved by March 31, 2023; ● Will not be achieved by March 31, 2023

Overall Status of Key Deliverables:

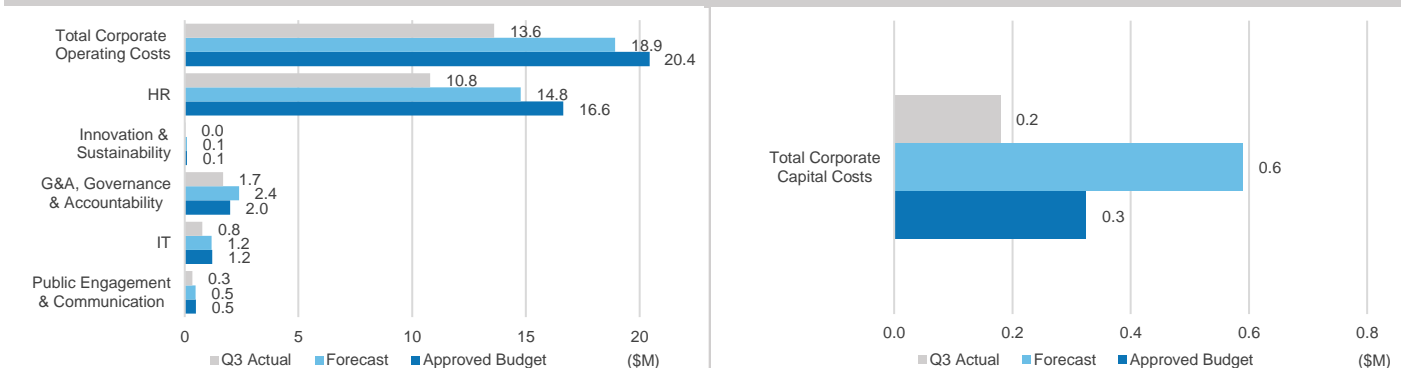


See Appendix A for details on red deliverables.

Key Deliverables by Priority Initiative:



2022/23 Corporate Operating and Capital Costs (excl. Amortization)

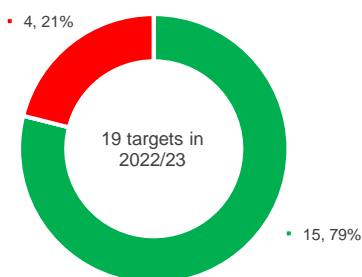


Corporate operating costs are forecast to be lower than approved budget by approx. \$1.5M. The major contributor to the anticipated savings is Human Resources due to conscious delays/ deferrals in hiring some positions. This is partially offset by unbudgeted consulting services such as for Indigenous engagement and commodity tax. Corporate capital investments are forecast to be higher than approved budget by \$0.3M mainly due to the Financial Planning & Analysis (FP&A) and SharePoint migration project implementations being deferred from prior years (to be funded from unspent prior years budgets).

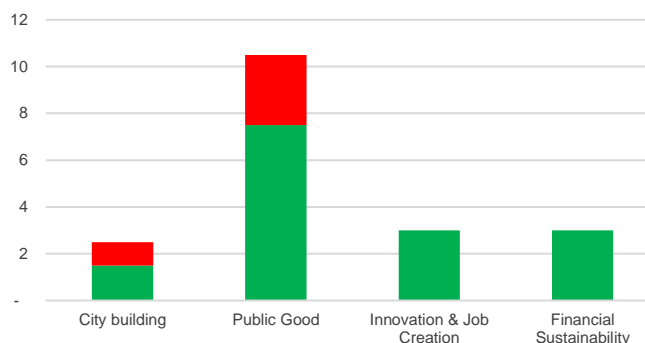
2022/23 Key Performance Indicators (KPIs)/ Targets

● No material concerns, in line with plan; ● Caution - some areas of plan may not be met; ● Concern - some areas of plan will not be met

Overall Status of KPIs:



KPIs by Strategic Priority:



Out of 19 KPIs with targets this year, 15 (79%) are on track to achieve their targets. The 4 KPIs (21%) anticipated not to be met this year include:

- Total project costs compared to original budget ($\leq 105\%$) and project completion time compared to original schedule (≤ 6 months) [2 KPIs]: Largely due to the in-water pipe project, which has encountered challenges including unforeseen site conditions, supply chain issues, and extreme winter weather, leading to additional costs and delay in schedule of one year.
- Square metres of new permeable surfaces created [1 KPI]: permeable streetscape completion delayed to July 2023 due to construction re-sequencing to prioritize other delayed deliverables.
- Hectares of new parks and public spaces created [1 KPI]: Love Park opening delayed to Q1 2023/24 to allow for planting to establish and water features to be commissioned.

Appendix A

Details of Deferred Deliverables for 2022/23:

Reason	Priority	Deferred Deliverable	Comments
External Influence	The Port Lands	Complete construction of Cherry Street North Vehicular Bridge.	Partially complete deliverable. The bridge has been delivered to site and installed. Completion delayed due to construction re-sequencing as a result of supply chain issues. Full completion is now scheduled for June 2023.
		Complete installation of revetment in the Keating Channel.	Revetment (stone structure) cannot be completed this fiscal year as Keating Channel dredging by Ports Toronto, TRCA and the City of Toronto has been delayed. Completion is now scheduled for December 2023.
		Complete and open New Cherry Street.	Partially complete deliverable. Cherry St North bridge opened in October 2022. Full street opening delayed due to construction re-sequencing to prioritize other delayed deliverables. Opening of Cherry Street between Lake Shore Boulevard and Commissioners Street is now scheduled for June 2023.
		Complete and open Commissioners Street.	Delayed due to utility coordination and subsequent required redesign. Commissioners Street is now scheduled to be opened July 2023.
		Complete Lake Shore Bridge watermain relocation.	Delayed due to construction re-sequencing as a result of bridge design revisions based on partner requirements. Completion is now scheduled for October 2023.
		Complete Lake Shore Bridge eastbound superstructure (bridge structure between the bridge piers and abutments).	Delayed due to construction re-sequencing as a result of bridge design revisions based on partner requirements, site conditions, and labour disruptions. Completion is now scheduled for July 2023.
	Complete Communities	Commence development approvals for Villiers Island Precinct.	Due to the expected completion and City Council approval of the Business Implementation Plan in FY 2023/24, the first development approvals for Villiers Island are not expected to be prepared until FY 2024/25.
		Substantial completion of T3 Bayside commercial building.	Delayed to Q2 2023/24 as per development partner's revised construction schedule.
		Complete approximately 150 metres of wooden boardwalk on top of in-water pipe structure in East Bayfront.	This deliverable is dependent on the completion of the in-water pipes project, which has been delayed due to supply chain challenges and productivity losses from winter conditions. Subject to funding, construction of the wooden boardwalk may be completed next fiscal year (2023/24).
	Quayside	Procure and commence construction for Parliament Slip.	Delayed due to additional time required to review stakeholder feedback. Construction on the lakefill scope will begin in 2023/24.
Budget Mitigation	Other Initiatives	Deliver 60% design for Waterfront East LRT Extension, subject to funding from City. [Q3 NEW]	60% design is not yet funded at this time. 30% design is on track to be completed for the revised scope in Villiers Island by March 31, 2023.
	Public Places	Complete construction and opening of York Street Park (Love Park).	Partially complete deliverable. Park will be open in Spring 2023 to allow for planting to establish and water features to be commissioned.
		Finalize design, initiate tender and begin construction of Rees Street Park.	Delayed due to forthcoming project budget adjustments. 100% design will be completed by December 2023.
	Signature Projects	Initiate a phasing and scalability assessment for the Waterfront Walk.	Project on hold until March 2023 pending resolution of project funding.
		Establish Campaign Leadership Group. [Q3 NEW] Engage 25 prospective donors and execute agreement for first \$5M donation. [Q3 NEW]	Not achieved. WT is currently revisiting its Fundraising Strategy to assess whether these remain realistic deliverables or if these should be revised.

Enterprise Risk Management Dashboard – Q3 2022/23

Summary:

- Overall slight improvement in WT's risk portfolio.
- Same three areas in the red (high) residual risk zone (same as last quarter) on:
 - Port Lands Project Delivery – due to budget and schedule risks beyond WT's control,
 - Enterprise Resource Planning (ERP) System Risk – due to ongoing ERP issues, and
 - Project Delivery: Non-Port Lands Projects – due to global macro-economic conditions.
- Management's specific mitigation strategies to address these risks are outlined in the attached Enterprise Risk Register (Appendix 1 – Confidential Attachment). Confidential attachment on heat map (Appendix 2).

Risk Area	Q3 2022/23 (Current)		Q2 2022/23 (Previous)	
	Inherent Risk Score	Residual Risk Score	Inherent Risk Score	Residual Risk Score
1. Port Lands Project Delivery	20	20	20	20
2. Enterprise Resource Planning System Risk	16	16	16	16
3. Project Delivery: Non-Port Lands Projects	15	15	15	15
4. Cyber Security	16	12	16	12
5. Financial Self-Sustainability	16	12	16	12
6. Climate Risk	16	12	16	12
7. Government Risk	12	12	12	12
8. Procurement Process Risk	12	12	12	12
9. Recruitment & Retention of Employees	16	9	16	9
10. Strategic Plan Performance Risk	12	9	12	9

Note: Refer to attached Appendix 1 on the Detailed Risk Register (Confidential Attachment).

Total Risk Score (Impact x Likelihood)	
Low (1 - 6)	
Medium (>6 - 14.9)	
High (15 - 25)	

Impact	Likelihood
1 - Immaterial	1 - Extremely remote chance of occurring (<10%)
2 - Low	2 - Remote chance of occurring (10%-19%)
3 - Medium	3 - Possible (20%-49%)
4 - Critical	4 - Likely to happen (50%-99%)
5 - Catastrophic	5 - Will occur (100%)

Audit Dashboard– Q3 2022/23

Audit	2021/22 (Previous Year)	2022/23 (Current Year)	2023/24 (Next Year)
Internal Audits	HR Resource & Succession Planning <i>(Completed Q4)</i>	ERP System Implementation Lessons Learned Review <i>(Completed Q3)</i>	Cyber Security Audit
		Procurement Workflow <i>(Underway)</i>	Accessibility
		Robotic Process Automation	
	Independent Capital Monitor (Port Lands), <i>Quarterly</i>	Independent Capital Monitor (Port Lands), <i>Quarterly</i>	Independent Capital Monitor (Port Lands), <i>Quarterly</i>
External Audits	March 31 2022 Financial Statements <i>(Completed)</i>	March 31 2023 Financial Statements <i>(Underway)</i>	March 31 2024 Financial Statements
Government Audits	Contribution Agreement Compliance - Port Lands Flood Protection (PLFP) <i>(Initiated)</i>	Contribution Agreement Compliance - PLFP <i>(Completed Q3 – report pending)</i>	<i>PLFP Outcomes and/or Reconciliation/ Financial audit (to be confirmed)</i>
	Federal Toronto Waterfront Revitalization Initiative (TWRI) Program Evaluation	Federal TWRI Program Evaluation <i>(Completed Q1)</i>	
	OAGO Value-for-Money Follow-Up <i>(Complete – report issued Dec 2021)</i>	OAGO Value-for-Money and Standing Committee on Public Accounts Follow-Up Audits <i>(Completed Q3)</i>	
Total	6 audits	8 audits	5 audits

Status of Open Audit Action Items December 31, 2022:

Overall:

- Fully implemented all six action items from 2021 Standing Committee on Public Accounts (summary in Appendix).
- 91% of 2020 Provincial Value-for-Money Follow-Up** items implemented (no change); two remaining action items planned for completion 2023 - 2024 (summary in Appendix).
- 50% of 2022 Resource and Succession Planning review** action items implemented.
- Refer to Confidential Attachment for an aging analysis and details of all outstanding audit action items (incl. Cybersecurity follow-up items).

Note: The number of audits from 2003 to December 31, 2022 totals 80 (31 internal; 20 external and 29 government), average of 3.8 p.a.

Appendix: Recommendation Status of OAGO Value for Money Follow-Up Audit (Dec 2020)



The following six recommendations (containing 22 action items) were directed towards **Waterfront Toronto** (WT), of which **20 action items** have been **fully implemented** resulting in **91% implementation rate**.

Rec. #	Recommendation Area	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented	WT Notes
2	Project budget, schedule and scope management	3	3	-	
3	Project information systems, procedures and reporting	7	7	-	
4	Oversight of organizations receiving funding from WT	7	7	-	
5	Development and implementation of a financial sustainability plan	1	-	1	WT developed a fundraising action plan in Dec 2019 and is expected to substantially implement this recommendation in 2022/23.
7	Best practices and lessons learned	1	1	-	
9	Port Lands Flood Protection Project budget management	3	2	1	Remaining action item relates to the effectiveness of WT's work in reducing the impact of construction risks on final cost. This will be assessed at the end of the project (i.e. 2024).
Total		22	20	2	
%		100%	91%	9%	

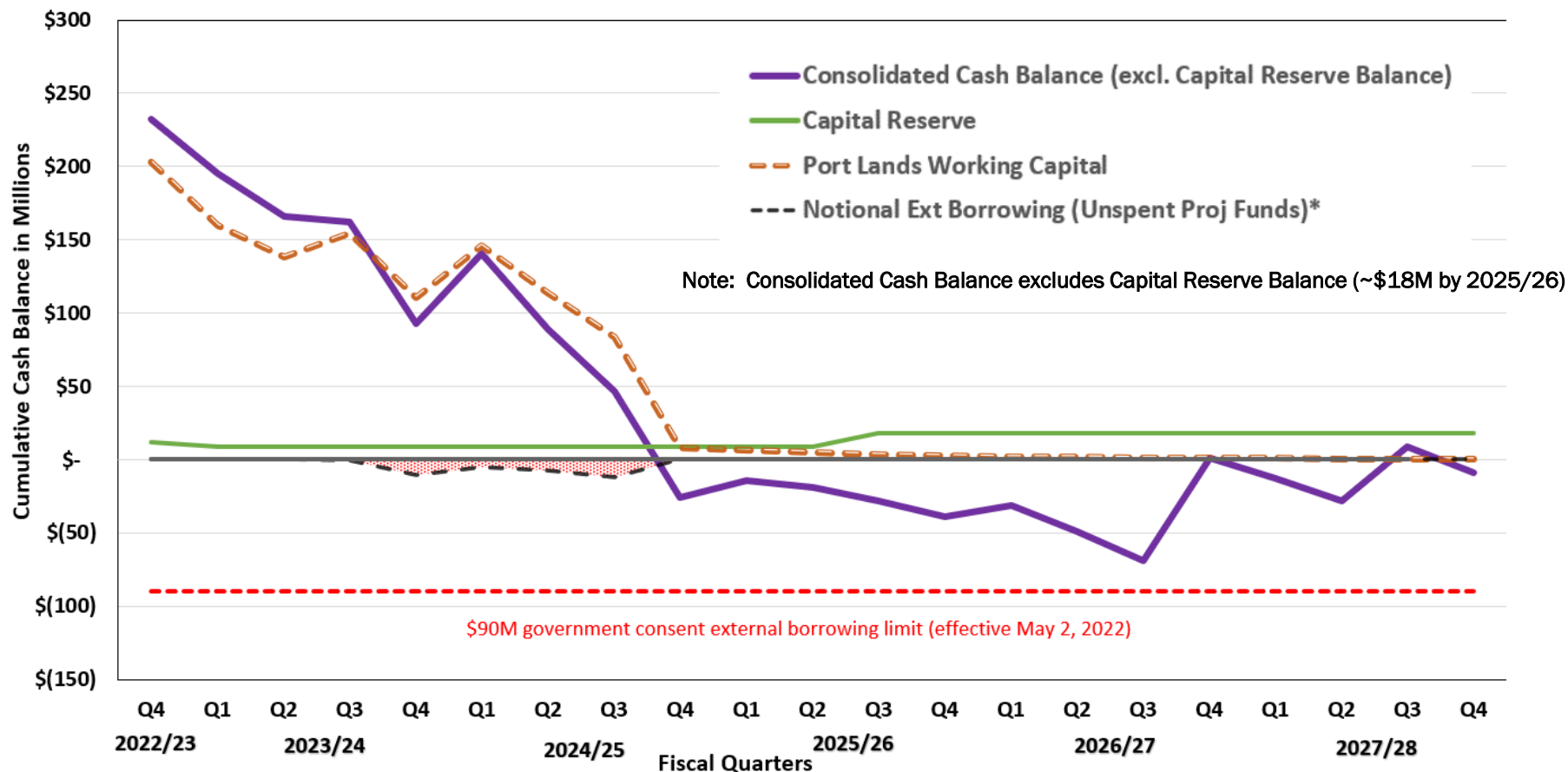
Appendix: Recommendation Status of Standing Committee on Public Accounts (Apr 2021)

- The following three recommendations (containing six action items) were directed towards **Waterfront Toronto** (WT).
- These action items were audited by OAGO and concluded upon in the Dec 2022 OAGO report as all being fully implemented.

Rec. #	Recommendation Area	# of Actions Recommended	Fully Implemented	In the Process of Being Implemented
2	Development and implementation of a financial sustainability plan (fundraising)	3	3	-
3	Consultation with Intergovernmental Steering Committee and the Board of Directors prior to signing official agreements or making public announcements	1	1	-
4	Port Lands Flood Protection Project reporting (e.g., project cost and process, risk assessments)	2	2	-
Total		6	6	-
%		100%	100%	-

Liquidity / Cash Flow Forecast (Feb 2023)

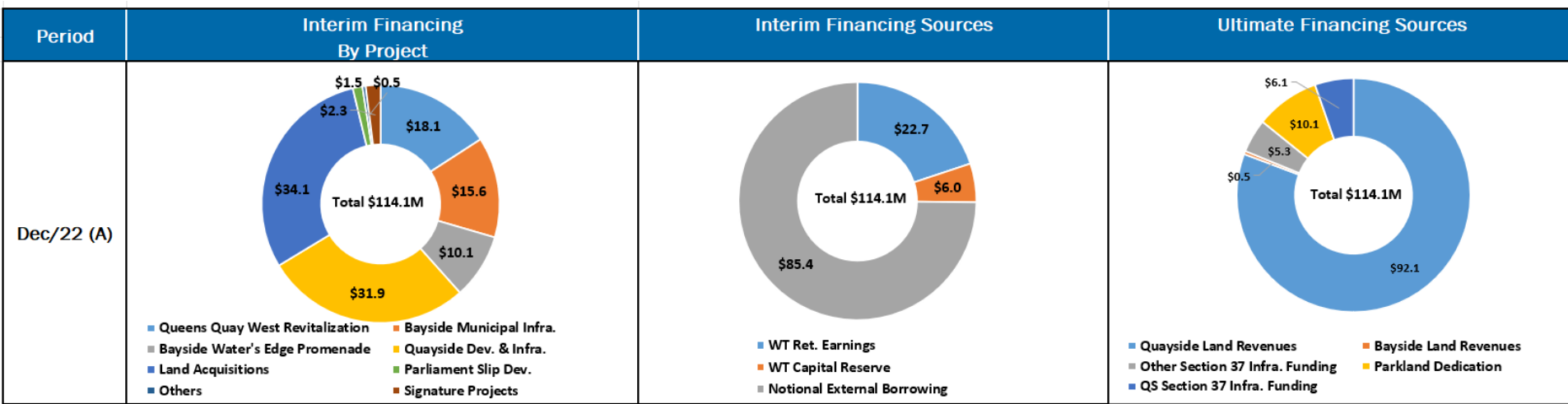
Cash Flow Forecast January 2023 to December 2027



External Borrowing is not anticipated to be required by Waterfront Toronto until Q4 2024/25 (accelerated versus last quarter Q3 2025/26, due to anticipated earlier spending timeline for certain WT initiatives) and is forecast for approximately two years mainly for Quayside municipal infrastructure related works (peak forecast borrowing in Q3 2026/27 of ~\$60M), anticipated to be repaid with land sale and other revenues. WTs Corporate Capital Reserve is planned to increase to \$18M by 2025/26 (net of \$5M to be spent in 2022/23 for In-water Pipe project per Jun/22 Board supplementary capital approval).

Interim Financing Dashboard

- Use of unspent cash resources intended for one project towards another project on a temporary basis
- Arises due to cash flow timing differences on certain projects.
- Minimizes external borrowing costs.
- **Rigorous internal controls and monitoring in place** that identify:
 - Projects and amounts requiring internal borrowing
 - Interim sources of funding
 - Ultimate sources of funding
- Current amount of government deferred contributions towards internal borrowing amounts to ~\$78M in Q3 2022/23 largely due to Quayside project and property acquisitions (targeted to be repaid from land sales by Q4 2022/23).



It is anticipated that approx. 81% of the \$114.1M interim financing requirement above will be replaced/eliminated by realization of the ultimate revenues in Q4 2022/23.

Purpose	<p>For information</p> <p>The purpose of the unaudited interim financial statements is to provide information about the results of the operations, financial position, and cash flows of the Corporation.</p>
Areas of note/ Key issues	<p>With respect to financial activities for the nine months ended December 31, 2022, the Corporation has:</p> <ul style="list-style-type: none"> • Spent approx. \$251.9 million (up 27% from last year's \$198.6 million) of which \$218.2 million was capitalized as Assets Under Development, primarily for the Port Lands Flood Protection (\$194 million), \$20 million was capitalized for property purchase (Parliament Slip), \$12.1 million was expensed primarily for Queens Quay West Optimization (\$1.5 million), Villiers Island planning (\$1.4 million), Eastern waterfront transit design (\$2.2 million), Bayside Childcare center (\$1.7 million), Bentway Phase 1B (\$0.5 million) and interim property related expenses (\$2.5 million). • Recognized revenues of \$130.9 million (down from \$231.4 million for the same period last year) which is primarily made up of government contributions for Port Lands Flood Protection project including Lakeshore Bridge (\$109.7 million), cost sharing revenues for Port Lands and Lakeshore bridge project (\$8.2 million), public art contributions (\$2.8 million), York Street Park (\$1.1M), and parking/ rental and interest revenues (\$6.55 million). The decrease from prior year is largely due to government contributions for Port Lands Flood Protection project driven by timing of expenditures. • Slightly lower cash and short-term investments balance of \$64.2 million (down from \$90.4 million as of March 31, 2022) due to outstanding receivable of \$14 million from City of Toronto for Lakeshore Bridge Phase 2 project and utilization of working capital for Port Lands Flood Protection. • Reported a higher net operating income as a result of increased revenues from Waterfront Toronto's interim property operations and higher interest income due to higher interest rates. <p>Other item of note during the period include:</p> <ul style="list-style-type: none"> • Transfer of various municipal infrastructure assets (West Don Lands Phase 1) and land with historical costs of \$49 million and \$0.9 million, respectively, to City of Toronto. • Unrestricted net assets (Note 12) is in a deficit position of \$86.7 million (increased from \$47 million as of March 31, 2022) representing a timing difference between realization of unrestricted revenues (such as Quayside land sale revenues) and corresponding expenditures funded out of the same (also related to internal borrowing). The deficit position is expected to continue until realization of further land sale proceeds in Q4 2022/23. • Note 23 has been added to disclose the execution of the Project Agreement between the Corporation and Quayside Impact Limited Partnership and its potential financial statement impacts on future financial statements.
Key Takeaways/ Next Steps	<p>The Finance, Audit and Risk Management Committee acknowledges receipt of the unaudited interim financial statements for submission to the Board of Directors on March 27, 2023.</p> <p>The interim financial statements will be received by the Board of Directors on March 27, 2023.</p>

Interim Financial Statements of

Toronto Waterfront Revitalization Corporation
(c.o.b. as Waterfront Toronto)

December 31, 2022

Toronto Waterfront Revitalization Corporation

December 31, 2022

Interim Financial Statements

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Statement of changes in net assets	3
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Toronto Waterfront Revitalization Corporation

Statement of financial position

as at December 31, 2022

	December 31, 2022	March 31, 2022
	\$	\$
Assets		
Current assets		
Cash	14,219,842	90,435,454
Short-term investments	50,000,000	-
Receivables (Note 3)	25,595,650	100,033,195
Deposits and prepaid expenses and other assets (Note 4)	3,184,190	3,955,048
	92,999,682	194,423,697
Restricted cash (Note 5)	59,538,129	46,808,576
Assets under development (Note 6)	1,368,247,817	1,200,520,378
Capital assets (Note 7)	121,527,055	103,097,524
	1,642,312,683	1,544,850,175
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	115,908,653	84,948,044
Deferred contributions (Note 10)	119,282,786	200,666,459
Other liabilities and settlements (Note 11)	1,071,172	1,204,514
	236,262,611	286,819,017
Other liabilities and settlements (Note 11)	2,477,471	1,892,916
Environmental and contaminated sites liability (Note 16)	2,075,900	2,075,900
	240,815,982	290,787,833
Net assets (Note 12)	1,401,496,701	1,254,062,342
	1,642,312,683	1,544,850,175

The accompanying notes are an integral part of the financial statements.

Toronto Waterfront Revitalization Corporation

Statement of financial activities

Nine months ended December 31, 2022

	Nine months ended December 31, 2022	Nine months ended December 31, 2021
	\$	\$
Restricted Revenues:		
Government of Canada	81,365,475	50,439,840
City of Toronto	34,373,021	85,385,148
Province of Ontario	-	86,592,868
Other restricted contributions	8,639,120	4,683,195
	124,377,616	227,101,051
Less: Government contributions for assets under development	(202,343,597)	(170,127,707)
Decrease (Increase) in deferred contributions for continuing operations related to future periods	81,383,672	(51,248,659)
	3,417,691	5,724,685
Expenses (Note 13)		
Complete Communities	5,755,112	2,745,279
Eastern Waterfront Transit	2,256,897	5,622,594
Strategic Initiatives	1,433,340	648,521
Signature Projects	1,319,192	1,211,008
Public Places	1,296,206	1,168,562
	12,060,747	11,395,964
Deficiency of revenue over expenses before other items	(8,643,056)	(5,671,279)
Net other operating income (Note 17)	4,033,300	1,659,389
Excess of expenses over revenues	(4,609,756)	(4,011,890)

The accompanying notes are an integral part of the financial statements.

Toronto Waterfront Revitalization Corporation

Statement of remeasurement gains and losses

Nine months ended December 31 2022

	Nine months ended December 31, 2022	Nine months ended December 31, 2021
	\$	\$
Accumulated remeasurement loss, beginning of the year	(194,125)	(517,100)
Unrealized gain (loss) attributable to foreign currency transactions	4,452	(12,361)
Unrealized gain attributable to forward exchange contracts (Note 19)	144,866	304,923
Net remeasurement gain for the period	149,318	292,562
Accumulated remeasurement loss, end of the period	(44,807)	(224,538)

Statement of changes in net assets

Nine months ended December 31, 2022

	Nine months ended December 31, 2022	Nine months ended December 31, 2021
	\$	\$
Net assets, beginning of the year	1,254,062,342	1,016,885,600
Add: Excess of expenses over revenues	(4,609,756)	(4,011,890)
Add: Net remeasurement gain	149,318	292,562
Add: Government contributions for assets under development	202,343,597	170,127,707
Less: Transfer of assets to Government (Note 6)	(49,508,030)	-
Less: Transfer of land to Government (Note 7)	(940,769)	-
Net assets, end of the period	1,401,496,701	1,183,293,979

The accompanying notes are an integral part of the financial statements.

Toronto Waterfront Revitalization Corporation

Statement of cash flows

Nine months ended December 31, 2022

	Nine months ended December 31, 2022	Nine months ended December 31, 2021
	\$	\$
Cash flows from operating activities		
Excess of expenses over revenues	(4,609,756)	(4,011,890)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Amortization of capital assets	804,976	674,907
Unrealized gain (loss) attributable to foreign currency transactions	4,452	(12,361)
Unrealized gain attributable to forward exchange contracts	144,866	304,923
Changes in non-cash working capital balances		
Net decrease (increase) in deferred contributions	(81,383,672)	51,248,659
Current assets (Receivables, Deposits and prepaid expenses)	75,208,402	(66,753,179)
Current liabilities (Payables, Other liabilities and settlements)	31,411,822	5,917,029
Net cash received (paid) from operating activities	21,581,090	(12,631,912)
Cash flows from capital activities		
Cash received from government contributions for assets under development	202,343,597	170,127,707
Cash used to acquire assets under development	(218,176,239)	(184,513,080)
Cash used to acquire capital assets	(19,234,508)	(255,781)
Net cash paid from capital activities	(35,067,150)	(14,641,154)
Cash flows from investing activity		
(Invested in) received from restricted cash and investments	(12,729,552)	1,259,730
Cash invested in short-term investments	(50,000,000)	-
Net cash (paid) received from investment activity	(62,729,552)	1,259,730
Decrease in cash	(76,215,612)	(26,013,336)
Cash, beginning of the period	90,435,454	104,592,114
Cash, end of the period	14,219,842	78,578,778

The accompanying notes are an integral part of the financial statements.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2022

1. Interim financial statements

The unaudited interim financial statements of the Toronto Waterfront Revitalization Corporation (the "Corporation" or "TWRC") have been prepared by management in accordance with Canadian generally accepted accounting principles applicable to interim financial statements and follow the same accounting policies and methods in their applications as the most recent annual financial statements. All disclosure required for annual financial statements has not been included in these financial statements. These financial statements should therefore be read in conjunction with the March 31, 2022 audited financial statements.

2. Description of Corporation

The Toronto Waterfront Revitalization Corporation was initially incorporated on November 1, 2001 under the Ontario Business Corporations Act with the Province of Ontario being its sole shareholder.

Pursuant to the Toronto Waterfront Revitalization Corporation Act, 2002 (the "Act"), the Corporation was continued as a corporation without share capital on May 15, 2003. The Corporation is deemed not to be a Crown Agency within the meaning of the Crown Agency Act.

Under the Act, the Corporation's objects are to:

- (a) implement a plan that enhances the economic, social and cultural value of the land in the designated waterfront area and create an accessible and active waterfront for living, working and recreation and to do so in a fiscally and environmentally responsible manner;
- (b) ensure that ongoing development in the designated waterfront area can continue in a financially self-sustaining manner;
- (c) promote and encourage involvement of the private sector in the development of the designated waterfront area;
- (d) encourage public input into the development of the designated waterfront area; and
- (e) engage in such other activities as may be prescribed by regulation.

3. Receivables

	December 31, 2022	March 31, 2022
	\$	\$
City of Toronto	17,470,401	2,810,810
HST receivable	4,298,119	10,564,582
Rent and other receivables	3,827,130	17,690,871
Province of Ontario	-	68,966,932
	25,595,650	100,033,195

4. Deposits and prepaid expenses

	December 31, 2022	March 31, 2022
	\$	\$
Construction deposits	2,181,199	2,181,199
Prepaid expenses	1,002,991	1,773,849
	3,184,190	3,955,048

The Corporation has provided the City of Toronto (the "City") with certain construction deposits to guarantee satisfactory performance, completion of work, and related obligations required for construction of municipal infrastructure by the Corporation. The construction deposits will be released to Waterfront Toronto at the expiration of certain performance and guarantee periods. The construction deposits paid to the City of \$2,181,199 (March 31, 2022 - \$2,181,199) are non-interest bearing.

5. Restricted cash

The Corporation has received deposits that are subject to restrictions that prevent its use for operating purposes, as outlined below:

	December 31, 2022	March 31, 2022
	\$	\$
Holdbacks payable	45,967,470	35,291,636
Developer contributions - East Bayfront public art	9,527,384	8,089,143
Developer Deposits - Broadband services	2,193,415	1,615,015
Developer Deposit - East Bayfront child care facility	1,583,660	1,551,918
Other	266,200	260,864
	59,538,129	46,808,576

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2022

6. Assets under development

The following table details assets under development by category:

	December 31, 2022	March 31, 2022
	\$	\$
Roads, Bridges, Services, Structures	653,805,911	581,331,585
Flood Protection Features	550,181,013	471,563,516
Land under development	97,585,821	91,401,055
Parks and Public Realm	66,675,072	56,224,222
	1,368,247,817	1,200,520,378

The following table details assets under development by Priority Initiatives:

	The Port Lands	Complete Communities	Quayside	Public Places	Total
	\$	\$	\$	\$	\$
Opening balance, April 1, 2022	772,527,019	377,146,425	36,101,349	14,745,585	1,200,520,378
Capital additions	189,045,612	8,199,092	4,534,388	5,710,944	207,490,036
Direct project management - Note 13	4,201,841	816,385	2,741,246	362,499	8,121,971
General and support expenses - Note 13	846,341	157,151	549,624	70,346	1,623,462
Transfer of completed assets to City of Toronto		(49,508,030)			(49,508,030)
Closing balance, December 31, 2022	966,620,813	336,811,023	43,926,607	20,889,374	1,368,247,817

During the period, various municipal infrastructure assets (West Don Lands Phase 1) costing \$49,508,030 (March 31, 2022 - Jack Layton Ferry Terminal Phase 1A - \$3,173,209) were formally transferred to the City of Toronto. The transfer has been recorded as a reduction to assets under development and a distribution of net assets in the statement of changes in net assets.

7. Capital assets

	December 31, 2022		March 31, 2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Land	119,994,147	-	100,812,146	-
Computer hardware and software	4,678,830	3,474,180	4,499,284	2,829,477
Leasehold improvements	1,598,176	1,338,546	1,582,601	1,058,181
Furniture and fixtures	539,371	470,743	539,371	448,220
Office equipment	145,563	145,563	145,563	145,563
	126,956,087	5,429,032	107,578,965	4,481,441
Cost less accumulated amortization		121,527,055		103,097,524

Land is recorded at cost in accordance with the significant accounting policy 2(h). Certain land, known as Quayside, has approximately 2,700,000 square feet zoned for development.

The Corporation owns land containing environmental contamination. As of December 31, 2022, the Corporation has made a provision of \$Nil (March 31, 2022 - \$Nil) for remediation cost of contaminated site (Note 16).

The Corporation owns buildings on a number of its properties. As none of the buildings are intended for use other than on a temporary rental basis and all will ultimately be demolished, they have been recorded at a carrying value of \$Nil (March 31, 2022 - \$Nil).

During the year, land with a historical cost of \$940,769 (March 31, 2022 - \$Nil) was transferred to the City of Toronto and was recorded as a reduction in capital assets and a distribution of net assets in the statement of changes in net assets.

8. Credit facility

In 2015 the Corporation secured a revolving credit facility of \$40 million with a Canadian commercial bank which was amended in October 2022 to further increase the limit to \$90 million. The facility bears interest at the Canadian Prime Lending Rate less 1.0%. The Corporation's interest rate was 5.45% at December 31, 2022 (March 31, 2022 - 2.20%). The facility is secured by a first lien interest over one of the Corporation's real property in the City of Toronto and a General Security Agreement creating a first priority interest over property of the Corporation not obtained through a contribution agreement, including accounts receivable. At December 31, 2022 the available borrowing limit is \$89.9 million.

Under the current financing agreement, the Corporation is subject to a financial covenant. The revolving credit facility stipulates that the Corporation must ensure that the most recent appraised value of the property which secures the facility at all times provide a minimum of 150% coverage for the outstanding amount of credit. As at December 31, 2022, the Corporation is in compliance with this covenant and expects to be in compliance for the next 12 months.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2022

9. Accounts payable and accrued liabilities

	December 31, 2022	March 31, 2022
	\$	\$
Accrued liabilities	63,931,558	48,642,647
Holdbacks payable	46,675,098	35,057,157
Accounts payable	5,301,997	1,248,240
	115,908,653	84,948,044

10. Deferred contributions

Deferred contributions represent project specific contributions from Governments which have not been applied to eligible costs at December 31, 2022, as well as contributions received for the acquisition of capital assets which have yet to be amortized.

	December 31, 2022	March 31, 2022
	\$	\$
Expenditures of future periods		
Balance, beginning of year	200,666,459	140,660,162
(Utilization of) additional contributions	(78,770,958)	67,193,722
Less: amounts recognized as revenue	(2,612,715)	(7,187,425)
Balance, end of period	119,282,786	200,666,459
Capital contributions		
Balance, beginning of year	-	-
Add: contributions for acquisition of capital assets and assets under development	203,148,573	245,989,724
Less: direct contribution to net assets	(202,343,597)	(245,034,699)
Less: amount amortized to revenue	(804,976)	(955,025)
Balance, end of period	119,282,786	200,666,459

11. Other liabilities and settlements

Other liabilities and settlements largely represent security and developer deposits.

	December 31, 2022	March 31, 2022
	\$	\$
Deposit - broadband services	2,193,416	1,615,016
Deposits - rent and other	1,071,172	1,204,514
Deposit - Bayside project agreement	284,055	277,900
Total other liabilities	3,548,643	3,097,430
Less: current portion	(1,071,172)	(1,204,514)
	2,477,471	1,892,916

12. Net assets

a) Net assets recorded on the Statement of Financial Position are comprised of the following:

	December 31, 2022	March 31, 2022
	\$	\$
Invested in non-amortisable capital assets	119,994,147	100,812,146
Invested in assets under development	1,368,247,817	1,200,520,378
Unrestricted deficit (Note 12b)	(86,700,456)	(47,076,057)
Accumulated re-measurement loss	(44,807)	(194,125)
	1,401,496,701	1,254,062,342

b) Unrestricted deficit

	December 31, 2022	March 31, 2022
	\$	\$
Unrestricted deficit, opening balance	(47,076,057)	(24,915,512)
(Deficit) excess of revenues over expenses	(4,609,756)	8,207,451
Investment in assets under development	(14,891,873)	(16,861,415)
Investment in land	(20,122,770)	(13,506,581)
Unrestricted deficit, closing balance	(86,700,456)	(47,076,057)

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December, 2022

13. Expenses by Priority Initiative and Function

	Complete Communities	Eastern Waterfront Transit	Strategic Initiatives	Signature Projects	Public Places	Quayside	The Port Lands	Total December 31, 2022
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Direct project costs:</i>								
Project planning and implementation costs	4,136,324	1,805,682	85,029	326,895	968,226	-	-	7,322,157
Salaries, fees and benefits	1,898,513	330,451	987,448	726,718	557,197	2,410,099	3,697,083	10,607,509
Less salaries, fees and benefits related to assets under development (Note 6)	(816,385)	-	-	-	(362,499)	(2,741,246)	(4,201,841)	(8,121,971)
	5,218,452	2,136,133	1,072,477	1,053,613	1,162,924	(331,147)	(504,758)	9,807,695
<i>General and support expenses:</i>								
General and office administration	338,879	58,985	176,257	129,717	99,458	430,196	659,919	1,893,410
Amortization	158,136	27,525	82,249	60,532	46,412	200,749	307,948	883,551
Information technology	137,530	23,938	71,532	52,644	40,364	174,589	267,820	768,416
Communications and public engagement	59,266	10,316	30,825	22,686	17,394	75,237	115,413	331,137
	693,811	120,764	360,863	265,579	203,628	880,771	1,351,099	3,876,514
Less general & support costs allocated to assets under development (Note 6)	(157,151)	-	-	-	(70,346)	(549,624)	(846,341)	(1,623,462)
	5,755,112	2,256,897	1,433,340	1,319,192	1,296,206	-	-	12,060,747

All salaries, fees and benefits have been charged to projects based on timesheet information. General and support expenses for the period ending December 31, 2022 have been allocated to priority initiatives using an overhead burden rate of 0.37 (2021 - 0.31) for every \$1 of direct labour (project management - salaries and benefits). Total salaries, fees and benefits for the Corporation were \$10,607,509 for the period ending December 31, 2022 (2021 - \$9,922,310).

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December, 2022

13. Expenses by Priority Initiative and Function (Cont.)

	Complete Communities	Eastern Waterfront Transit	Strategic Initiatives	Signature Projects	Public Places	Quayside	The Port Lands	Total December 31, 2021
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Direct project costs:</i>								
Project planning and implementation costs	1,127,951	4,955,205	83,783	472,080	957,474	-	-	7,596,492
Project management - salaries, fees and benefits	1,834,228	511,130	432,513	565,919	414,962	2,541,101	3,622,458	9,922,310
Less project management - salaries, fees and benefits related to assets under development (Note 6)	(688,239)	-	-	-	(292,085)	(2,916,950)	(4,158,248)	(8,055,522)
	2,273,940	5,466,335	516,296	1,037,999	1,080,351	(375,849)	(535,790)	9,463,280
<i>General and support expenses:</i>								
General and office administration	289,290	80,614	68,215	89,256	65,447	400,776	571,325	1,564,922
Information technology	116,426	32,443	27,453	35,921	26,339	161,294	229,932	629,809
Amortization	124,763	34,767	29,419	38,493	28,225	172,844	246,397	674,908
Communications, marketing and government relations	30,270	8,435	7,138	9,339	6,848	41,936	59,782	163,749
	560,749	156,259	132,225	173,009	126,859	776,850	1,107,436	3,033,388
Less general & support costs allocated to assets under development (Note 6)	(89,409)	-	-	-	(38,648)	(401,001)	(571,646)	(1,100,704)
	2,745,279	5,622,594	648,521	1,211,008	1,168,562	-	-	11,395,964

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2022

14. Commitments

On December 15, 2022, the Corporation executed a lease for office space effective April 01, 2024 for ten years. The Corporation has lease commitments of \$10,709,602 until March 31, 2034.

15. Risk disclosures

(i) Credit risk:

Credit risk arises from cash, restricted cash and investments held with banks and credit exposure to governments and other debtors, including accounts receivable. The maximum exposure to credit risk is equal to the carrying value (net of allowances) of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Corporation assesses the credit quality of funding partners and debtors, taking into account their financial position, past experience and other factors.

(ii) Liquidity risk:

Liquidity risk is the risk the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's objective in managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its commitments when due, without incurring unacceptable losses or risking damage to the Corporation's reputation. The Corporation manages exposure to liquidity risk by closely monitoring supplier and other liabilities; by focusing on debtor collection; and by requesting government funding in advance.

(iii) Currency risk: The Corporation has cash denominated in U.S. dollars and is exposed to currency risk. Included in the statement of financial position is \$1,037,830 (March 31, 2022 - \$339,786) of cash and \$13,362 (March 31, 2022 - \$662,420) of payables which has been translated from its U.S. denominated amount.

16. Environmental and contaminated sites liability

The Corporation assesses all of its owned properties on an ongoing basis to determine if contamination, as defined under the standard and regulatory requirements, is present on any of its lands. In March 2021, the Corporation had made a provision for liability of contaminated sites of \$2,075,000 representing one Waterfront Toronto owned property zoned for parkland and not intended for development. As of December 31, 2022, there has been no change to management's estimates of the liabilities and remediation costs anticipated to be incurred.

17. Net other operating income

	December 31, 2022	December 31, 2021
	\$	\$
Rental, parking and other income	3,336,309	3,597,551
Less: operating expenses	(2,518,359)	(2,663,916)
	817,950	933,635
Interest	3,036,993	720,156
Realized (loss) gain on foreign currency transactions	30,392	(138,524)
Other Income	147,965	144,122
Net other operating income	4,033,300	1,659,389

18. Forward Exchange Contracts

The Corporation uses forward exchange contracts to reduce its exposure to fluctuations in exchange rates that result from certain transactions in foreign currencies. The Corporation does not enter into forward exchange contracts for trading or speculative purposes. The Corporation recognizes any unrealized gains/losses related to unsettled future transactions in the Statement of Remeasurement Gains and Losses. Any realized gains/losses related to foreign exchange transactions are recorded in the Statement of Financial Activities. The unrealized gain on forward contracts included in the Statement of Remeasurement Gains and Losses for the period ended December 31, 2022 is \$144,866 (2021 - \$304,923). As at December 31, 2022, the Corporation has notional swing forward exchange contracts of US\$990,000 outstanding with settlements occurring monthly until March 2023.

19. Related Party Transactions

By virtue of the TWRC Act, the Governments of Canada and Ontario, the City of Toronto and Waterfront Toronto are related parties. The Corporation receives funding and renders services to these entities in the normal course of carrying out its business. The transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

20. Qualified Donee Status

In 2017, TWRC was registered with the Canada Revenue Agency as a qualified donee and is now eligible to issue official donation receipts and receive gifts from registered charities. The status is effective June 24, 2016.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements

December 31, 2022

21. Contingent Liabilities

- (a) Under the terms and conditions of the Contribution Agreements, the Corporation provides an indemnity to the City, Province of Ontario and Government of Canada and their respective officers, employees and agents, from and against all claims, losses, damages, costs, expenses, actions and other proceedings related to any injury to or death of a person or damage to or loss of property, infringement of rights or any other loss or damages whatsoever arising directly or indirectly from any willful or negligent act, omission or delay on the part of the Corporation, the Corporation's directors, officers, employees, contractors, agents or Third Party Contractors, in carrying out a project or as a result of the project, except to the extent that the injury, loss or damage has been caused by the City, Province of Ontario and/or Government of Canada or their respective officers, employees or agents.

The Corporation requires all Eligible Recipients to indemnify the Corporation from and against liability on the same basis outlined above.

The Corporation requires most third party contractors to indemnify each level of government and the Corporation, its officers, employees and agents against all claims, liabilities and demands with respect to any injury to persons (including death), damage to, loss or destruction of property or infringement of rights caused by or arising directly from:

- (i) the breach of any term or condition of the contract by the third party contractor or its officers, employees or agents; or
 - (ii) any omission or any willful or negligent act of the third party contractor or its officers, employees or agents in relation to the applicable project.
- (b) Under the Delivery Agreement with each Eligible Recipient respectively, the Corporation provides an indemnity to the Eligible Recipient and its respective officers, employees and agents, from and against any claims with respect to direct loss arising from:
- (i) any breach by the Corporation of the Delivery Agreement or documents or certificates given pursuant to the Agreement, or
 - (ii) any negligent or willful acts or omissions of the Corporation, its officers, directors, employees or agents, in relation to the project.

Management attempts to limit the Corporation's exposure under these indemnifications through the purchase of directors and officers insurance, the allocation of risk to Eligible Recipients and contractors (outlined above) and through enforcing the Corporation's and Eligible Recipients' policies and procedures, as well as intense oversight where appropriate.

- (c) The Corporation has entered into a number of Development Agreements with third party builders with respect to lands located in the West Don Lands and East Bayfront. Under these agreements, the Corporation has provided the builders certain milestone representations based on specific Corporation development obligations. The representations primarily relate to schedule delays. The maximum potential future liability related to these representations is \$7.5 million under one development agreement with one builder and although under the other development agreements the amounts are not determinable, they are limited to the amount up to the respective builder's carrying costs and/or out of pocket expenses incurred on the development. No amount for these representations has been accrued in these financial statements. Management attempts to limit the Corporation's potential exposure under these guarantees through appropriate schedule, cost and scope management practices.
- (d) The Corporation received a claim from a development partner for the recovery of additional costs related to environmental risk management. An amount based on management's assessment of the liability has been accrued in the March 31, 2022 financial statements. Resolution of the claim is expected by March 31, 2023.

22. Comparatives

Certain comparative amounts have been reclassified to conform with the current year's method of presentation.

23. Quayside Project Agreement

On December 9, 2022, the Corporation executed a Project Agreement with a third party ("Quayside Impact Limited Partnership") to develop a 12 acre (4.9 hectare) site at Parliament and Queens Quay (known as "Quayside") into an all-electric, zero-carbon master planned community. As a result of executing this agreement, the Corporation has certain development and servicing obligations which will be recognized in the Corporation's financial statements over the next 12 years beginning March 31, 2023.

24. Impact of Climate Risk

The impact of physical climate-related events (severe weather events and other natural conditions) and the transition to a lower carbon economy were considered in preparing the financial statements. The Corporation assesses governance, strategy, risk management, and metrics and targets associated with climate risk. The items subject to material impact arising from climate risk are the valuation of assets under development, impairment of capital assets, and accrued liabilities. As of financial statement date, there has been no material impact on financial position and/or results of operations.

1. S. 11 of the Procurement Policies requires reporting to the FARM committee of (a) exceptions to the Procurement Policies; and (b) contracts awarded in excess of \$5 million.

Since the last Quarterly Procurement Report there were the following items:

(a) Exceptions to the Procurement Policies as follows:

- *Non-Competitive Procurement - Goods & Services (including Professional Services) for contract value above \$25,000, the following does not meet the permitted exceptions under Section 6 (3):*

- *WZMH Architects - Design Services for New Waterfront Toronto Office. **Contract value: \$343,000***

- Waterfront Toronto (WT) is moving premises, from 20 Bay Street, Suite 1310 to T3 Bayside located at 261 Queens Quay East. WT requires an architect to provide office fit-out services which include but are not limited to: programming, interior design, architectural, structural, mechanical, and electrical engineering design, building code review consultancy and acoustical consultancy; preparation of concept, design development plans for WT's sign off, construction contract administration, etc.

WZMH Architect is named the base building architect at T3 Bayside by the Landlord (Hines). WT engaged WZMH to leverage various advantages including:

- Technical - WZMH has a strong understanding of the unique building conditions of T3 Bayside and associated standards,
- Cost-effectiveness – Using the landlords base building architect eliminates additional costs associated with the review of existing building conditions and the requirement of peer review by the Landlord's architect should a different architect be selected,
- Schedule – WZMH has the ability to expedite the work schedule due to their familiarity with the space, and
- Past experience – WZMH has relevant past experience in interior design work at other locations in downtown Toronto (i.e. National Bank, CIBC, Scotiabank, Liberty Village, etc.).

(b) Contracts awarded in excess of \$5 million as follows:

- *None.*

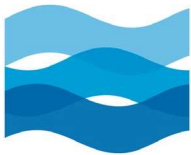
1. The Procurement Policy was amended, effective February 7, 2023. A blackline copy is attached.

(a) Changes made to the Procurement Policy

The revision includes minor non-material changes (i.e., removal of items that are addressed in the specific RFx documentation or are part of the project management requirements, etc.), cleaning up items that affected all sections of the policy, as well as including new sections related to Social and Sustainable Procurement.

The sections listed below were revised with updates of more material in nature:

- Section 1 - Policy Objectives
- Section 3 - Administrative Procedures
- Section 4 - Conflict of interest
- Section 7 - Non-competitive Procurements – Goods and Services
- Section 9 - Extension / Renewals
- Section 10 - Change Orders
- Section 11 - Reporting
- Section 12 - Social Procurement
- Section 13 - Sustainable Procurement



WATERFRONTToronto

Procurement: Procurement Policy
Effective Date: February 7, 2023
Approved by: George Zegarac

Objective

To update and revise the Procurement Policy.

PROCUREMENT POLICY

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Procurement: Procurement Policy

Effective Date: February 7, 2023

Approved by: George Zegarac

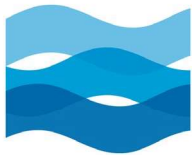
SECTION 1 - POLICY OBJECTIVES

- (1) The Government of Canada, the Province of Ontario and the City of Toronto (collectively "Government Partners" established the Toronto Waterfront Revitalization Corporation ("Corporation" or "Waterfront Toronto") in 2001 to lead and oversee the renewal of Toronto's waterfront. Given the importance of its mandate, and the fact that it is publicly funded, the conduct of the Corporation's procurement activities must meet the highest standards of reasonability, be economically achievable and support the Corporation's overall objectives of fairness, openness, and transparency. The Corporation's procurement activities are intended to both achieve maximum value for the Corporation and its stakeholders, and advance the Corporation's strategic objectives.
- (2) Waterfront Toronto conducts its affairs in accordance with the Broader Public Service Procurement Directive (the "Directive"). This Procurement Policy is intended to complement the Directive and provide supplementary guidance to Waterfront Toronto and suppliers.
- (3) The objectives of the Corporation's Procurement Policy are to ensure that:
 - (a) all goods and services are acquired in accordance with approved procurement processes;
 - (b) all goods and services are acquired within authorized budgets;
 - (c) all goods and services are acquired in accordance with applicable funding agreements, philanthropic donations, charitable grants, and sponsorships or other sources of revenue ~~Contribution Agreements or revenue source~~;
 - (d) the Corporation receives value for money, by obtaining goods and services through a fair and competitive procurement process involving reputable suppliers;
 - (e) evaluation criteria are applied fairly to assess the merits of competitive bids, proposals, quotes and submissions;
 - (f) those seeking contracts for goods and services are required to disclose potential conflicts of interest;
 - (g) procurements take into consideration the Corporation's sustainability principles and Diversity, Equity, and Inclusion (DE&I) values;
 - ~~(g)~~(h) senior management and the Board of Directors are appropriately accountable for all material procurement;
 - ~~(h)~~(i) the entire competitive procurement process is fair, open and transparent.

SECTION 2 - GENERAL PROVISIONS

In all cases, the following applies:

- (1) Departmental Vice-Presidents ("VP/SVP"), and Chief Officers (C-level), Financial Officer ("CFO"), ~~Chief Project Officer (CPO), Chief Operating Officer ("COO"), Chief Strategy Officer ("CSO") or~~



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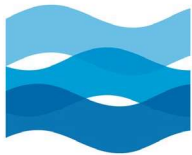
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~~Chief Development Officer (“CDO”)~~, collectively the “Executive”, shall provide overall ~~S~~supervision throughout the procurement process;

- (2) A ~~standard~~ contract outlining the terms and conditions must be executed prior to the commencement of work.
- (3) Subject to the allocation of responsibilities within the Corporation, the ~~Chief Project Officer (CPO)~~ and the Director, Procurement shall be responsible for ensuring that these policies and procedures are followed, and that ~~purchasing-procurement~~ practices meet the objectives of Section 1.
- (4) Waterfront Toronto is committed to managing all procurements in a non-discriminatory manner in accordance with the Directive and ~~the Discriminatory Business Practices Act, R.S.O. 1990, c. D.12~~ which has been established to prevent discrimination in Ontario on the ground of race, creed, colour, nationality, ancestry, place of origin, sex, or geographical location of persons employed or engaging in business. ~~Therefore, granting preference to local suppliers to supply goods and services to the Corporation cannot be undertaken.~~
- (5) ~~The Director, Procurement may place a supplier’s name on~~ Waterfront Toronto maintains a list of ~~vendors disqualified – suppliers for a period of two years~~ on the basis of documented poor performance, non-performance, not adhering to the Procurement Policy or conflict of interest. This information may be accumulated from within the Corporation or through reference checks. A written notice of the decision will be provided to the vendor by the Procurement Department. Removal of names from the list will be at the sole discretion of the Corporation.
- (6) All vendors under contract with Waterfront Toronto shall abide by the Waterfront Toronto Procurement Code of Ethics, which can be read on Waterfront Toronto’s website, www.waterfronttoronto.ca, under the “Opportunities” tab and “Procurement” sub-tab.
- (7) The Director, Procurement may authorize an open procurement process or sending invitations to potential bidders for Requests for Tenders, ~~Requests for~~ Proposals, ~~Requests for~~ Quotes, Pre-qualification ~~Requests~~ and Expressions of Interest (~~RFx~~)~~to potential bidders~~, even if a Vendor of Record has been established, to ensure the best possible response.
- (8) Vendors or potential vendors shall not be requested to expend time, money or effort on design or in developing specifications or otherwise to help define a requirement beyond the normal level of service expected from vendors. When such services are required:
 - (a) Procurement must be advised;
 - (b) the vendor will be considered a consultant or professional service provider and will not be allowed to make an offer for the supply of the respective goods and services;
 - (c) a fee shall be paid; and
 - (d) the detailed specification shall become the property of the Corporation and can be used in obtaining competitive bids.



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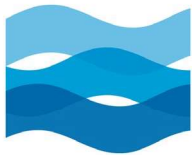
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- (9) Where the Corporation is pursuing a claim against a vendor in contract, tort, or negligence or where a vendor is pursuing a similar claim against the Corporation, the vendor shall not be eligible to respond to any quotation, unless any member of the Executive determines that it is in the best interests of the Corporation to permit the vendor to respond.

SECTION 3 - ADMINISTRATIVE PROCEDURES

- (1) The ~~signing approval requirements thresholds~~ for the competitive and non-competitive procurement of goods and services are set out in the "Delegations of Authority Signing Threshold Policy."
- (2) No ~~project contract~~ shall be artificially divided into smaller ~~project contracts~~ for the sole purpose of avoiding the thresholds as defined in the "Delegations of Authority Signing Threshold Policy."
- (2) The Director, Procurement or delegate shall have the authority to execute and issue all contracts for goods and services, Professional Services, non-standard items, Consulting Services and construction services provided that proper authorization has been obtained as approved in the "Signing Threshold Policy Delegations of Authority".
- (3) It will be the responsibility of all employees of the Corporation to ensure that all requirements of this policy are complied with.
- (4) The CEO shall have the authority to approve revisions additional procedures to this policy, including forms and Procurement Department templates.
- (4)(5) The CPO and Director, Procurement shall have the authority to approve procurement department templates and agreements.
- (5)(6) No employee of the Corporation, or Member of the Board, past employee or past member of the Board (within one year of departure from the Corporation) or immediate family member or private business associates of such persons, may be named as a party to provide services under, or be involved in the preparation of a response to a procurement or bid on the Corporation's proposed purchase of goods and services unless authorized by the CEO.
- (6)(7) No personal purchases shall be made by the corporation for Members of the Board or employees of the Corporation unless authorized by the Executive and CEO.
- (7)(8) No employee or Member of the Board shall purchase or offer to purchase, on behalf of the Corporation, any goods or services except in accordance with this policy.
- (8)(9) Except in the case of an emergency, the requisitioning department should complete and obtain all necessary approvals of a Procurement Requisition and approval of the Electronic Financial System in accordance with the Delegations of Authority prior to committing the Corporation.
- (9)(10) The Evaluation Committee assigned to a procurement process must evaluate All responses received for the RFx Requests for Qualifications, Proposals and Tenders and select the



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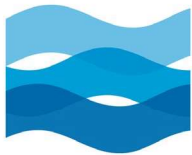
~~preferred or successful proponent must be evaluated using the criteria stated in the respective procurement documentation standard evaluation template as modified to meet the specific requirements of the Request for Qualifications, Proposals or Tender process. The Evaluation Committee's decision will be documented and retained in the procurement files assigned to a procurement process must document the conclusions of the evaluation process.~~

- ~~(10) The selection of a preferred or successful proponent must be based upon the evaluation criteria set out in the Prequalification Documents, the Request for Proposal or the Tender documents.~~
- (11) In determining whether a bid or proposal is compliant with the requirements and considered for evaluation of the quotation documents, the Corporation shall consider the terms and conditions of the respective RFX Tender and the Request for Proposal documents.
- (12) In all cases, and irrespective of the type of procurement process that is carried out, care must be taken to ensure that the overall procurement objectives of the Corporation are met, that the transaction is documented in accordance with this policy, and that where appropriate the selected proponent accepts the Terms and Conditions as denoted in the Corporation's contract.
- (13) To ensure the Corporation's procurement process is fair, open and transparent to all proponents, there shall be no communication between Corporation and the proponents with the exception of the official representative(s) noted in the RFX quotation document. This blackout is for the period of time immediately following the release of the quotation until the final award of the bid contract. All questions asked by proponents during the course of procurement must be submitted using the means indicated in the RFX document. in writing to the official representative and the The questions and responses must be circulated to all proponents, unless the questions and subsequent answers are considered confidential in nature and do not alter the procurement document or process and the RFX document permits a direct response. Lobbying during the procurement process will not be permitted and may result in the disqualification of the proponent.
- (14) The Corporation is not required to accept the lowest bid and may base its evaluation on both quality and price (as appropriate to the goods or services being purchased) and may adopt a "best value" approach to the evaluation of price.
- (15) Procurement and contract documents should include, where applicable, provisions that permit the re-scoping of a project in the event that prices submitted exceed amounts budgeted for the contract.

SECTION 4 – CONFLICT OF INTEREST

Suppliers must declare and fully disclose any actual or potential conflict of interest or unfair advantage related to the preparation of their bid or where the supplier foresees an actual or potential conflict of interest in the performance of the contract.

The Corporation at its own discretion and through the care of the procurement department, must evaluate and determine whether any situation or circumstance in relation to a procurement process



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constitutes a conflict of interest and, if applicable, determine appropriate mitigation action, which could include disqualification of prospective suppliers from a procurement process.

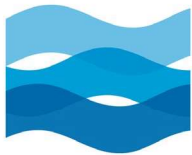
A conflict of interest refers to situations or circumstances that could give a supplier an unfair advantage during the procurement process or could compromise the ability of a supplier to perform its obligations under the agreement resulting from the procurement process, such as:

- (1) in relation to the RFX process, a proponent would have, or appear to have, an unfair advantage or engage in conduct, directly or indirectly, that may give it an unfair advantage, including but not limited to (i) having, or having access to, confidential information of Waterfront Toronto in the preparation of its proposal that is not available to other proponents, (ii) communicating with any person with a view to influencing preferred treatment in the RFX process (including but not limited to the lobbying of decision-makers involved in the RFX process), or (iii) engaging in conduct that compromises, or could be seen to compromise, the integrity of the open and competitive RFX process or render that process non-competitive or unfair. A vendor retained by Waterfront Toronto to develop the competitive procurement documents is precluded from participating in the competition for the respective services.
- (2) in relation to the performance of the contractual obligations resulting from an RFX process, a supplier would be or could be seen as being in a conflict of interest situation due to their current commitments, relationships, or financial interests which (i) could, or could be seen to, exercise an improper influence over the objective, unbiased and impartial exercise of its independent judgment, or (ii) could, or could be seen to, compromise, impair or be incompatible with the effective performance of its contractual obligations.

Additionally, a conflict of interest situation may exist that involves Waterfront Toronto employees involved in the procurement process. Personal or private interests/considerations may affect an employee's judgment in acting in the best interest of Waterfront Toronto. Employees have an ongoing obligation to disclose any actual, foreseeable, or perceivable conflicts of interest as part of the Corporation's continued commitment to a fair procurement process. The individuals involved in the procurement process must meet the conditions outlined in this Policy.

SECTION 54 - STANDARD DOCUMENTATION

All procurement activities carried out by the Corporation, including procurement activities carried out by other contracted parties ~~Eligible Recipients or (i.e. Construction Managers)~~ on behalf of the Corporation, shall be carried out using existing standard procurement documents adopted by the Corporation. It is acceptable for the contracted party ~~If an Eligible Recipient or Construction Manager has to use~~ its own procurement documents if they that ~~meet the requirements of this Procurement Policy, then the Director, Procurement may approve the use of these documents.~~



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SECTION 56 - PROCEDURES AND PROCUREMENT METHODOLOGIES

56.1 Choice of Procedure

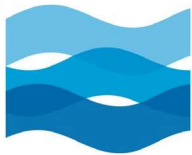
Before any procurement takes place, the requesting ~~issuing~~ department must:

- (1) identify the goods or services to be acquired~~;~~
- (2) evaluate the value of the goods or services as defined by the scope of work. For the purposes of estimating, the value means the estimated total financial commitment including the value of renewal options~~;~~
- (3) determine if the project is properly funded. Projects that do not have sufficient funds must be authorized by a member of the executive and CEO prior to proceeding with the procurement process.

6.2 Procurement Methodologies

For ease of reference, the most common procurement methodologies that the Corporation should use and the appropriate circumstances for use are as follows:

- (1) *Tender* – Used in circumstances where the Corporation has determined a clearly defined scope of the goods or services and the only remaining matter to be resolved is establishing a competitive price. Successful proponents are normally (but not exclusively) chosen based on the price submitted. The evaluation of price can include an evaluation of “best value” rather than simply the lowest price.
- (2) *Request for Proposals (RFP)* – Typically used when the Corporation wishes to carry out a quality assessment of a service provider or the product or service they provide. In most cases, price is a “weighted” factor but not the determining factor. Request for Proposals are also used where it is not practical to prepare precise specifications, or where alternatives to detailed specifications will be considered, which may be subject to further negotiation. This process allows vendors to propose solutions to arrive at the end product or desired result and allows for evaluation based on predetermined criteria in addition to price. The term “Request for Proposal” also includes the flexible RFP also known as the Best and Final Offer (BAFO) RFP.
- (3) *Request for Quotation* – A formal or informal inquiry to determine the price of a specific good or service. Successful proponents are normally (but not exclusively) chosen based on the price submitted, although the evaluation can also allow for other predetermined criteria in addition to price. ~~The proponent's response should be submitted in writing.~~
- (4) *Prequalification Request* – Similar to a ~~formal~~ Request for Proposal but without factoring price. Its purpose is to develop a short list of qualified suppliers/service providers that will subsequently be invited to submit a proposal or tender at the next stage of the procurement process.



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- (5) *Request for Expressions of Interest, Research and Market Sounding* – All market sounding (which may be referred to as a Request for Expression of Interest or RFEI) required to determine market interest and develop scope will be conducted through the Procurement department to ensure an equitable process.

Research and market sounding will not be used to:

- (a) pre-qualify potential suppliers;
- (b) provide an unfair advantage for any proponent;
- (c) and influence the chances of a vendor's success or failure in future procurement opportunities.

Research and market sounding does not constitute the initiation of a procurement process, therefore, no conflict of interest is created between vendors participating in the market sounding and vendors participating in future procurement opportunities.

- (6) *Advanced Contract Award Notice ("ACAN")* – A federally accepted competition process to award a contract to a pre-identified vendor. A notice of the proposed purchase is publicly posted ~~on MERX~~ for a period of 15 calendar days. If no acceptable response is received, the Corporation is permitted to award a ~~sole-source contract~~, which is considered competitively procured to the identified vendor ~~after receipt of the appropriate management approvals~~.
- (7) Procurements with an estimated value over \$100,000 must be procured through an open, competitive process.
- (8) Construction procurements estimated to be over \$5,000,000 require that the Director, Procurement and the ~~CPO~~ determine ~~the~~ delivery and contracting methodology and fee structure. This procurement strategy will be reviewed with the Finance, Audit and Risk Management Committee (FARM) and form part of the Capital Approval request package issued to the Board for approval.

In determining the methodology, consideration will be given to; health and safety, liabilities to Waterfront Toronto, risk transfer and the premiums associated with the transfer of risk. The following project delivery methods will be considered; general contracting, construction management, design-build and public-private-partnership. Furthermore, the following contract types and fee structures will be evaluated; unit cost, lump sum, percentage fee and guaranteed maximum price, or other possible incentive arrangements.

~~The preceding analysis will be documented and put on file.~~



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6.3 Vendor of Record (“VOR”)

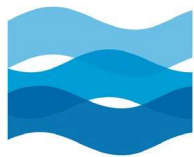
- (1) The purpose of a VOR is to provide the Corporation with a readily available list of qualified firms. VORs are established through a publicly issued Prequalification Request or Request for Proposals which defines the general parameters of the scope and the length of time the list will be valid. Where applicable, pricing may be requested as part of the prequalification process. The list will generally (but not always) result in standing offers being established with the chosen vendors.
- (2) ~~The VOR is not a replacement for a competitive quote; therefore, w~~Where possible, quotations for goods or services should be sent to multiple vendors within the list of qualified firms. The proposal with the best value to the Corporation will be issued a ~~R~~Release to their standing offer detailing the scope and price.
- (3) The Corporation may either establish its own VOR for a particular good or service or rely on VOR lists established by any of its Government Partners, ~~or~~ their agencies or other sourcing partners following the Directive.

6.4 Evaluation Process

All procurements where price is not the single deciding factor must have the criteria (and sub-criteria if necessary) identified in the RFX document, developed for the evaluation process prior to the closing date of the procurement or before any submissions are opened. ~~The criteria will expand the broad categories listed in the quotation document.~~

Furthermore:

- (1) All meetings are to be coordinated through Procurement department.
- (2) A Procurement staff member will act as facilitator during all evaluations.
- (3) The evaluation team should consist of at least three staff members (from the department accountable for the outcome of the procurement). For larger complex procurements, a member of the Executive team should be included. To further complement the evaluation team, additional members may be drawn from any department within the Corporation. There are to be no vendors on the evaluation team unless they are required to act in an advisory capacity to the team. The composition of the teams will be reviewed by Procurement and any exceptions to any of the above conditions must be approved by the Director, ~~of~~ Procurement.
- (4) The CEO may sit in on any Procurement evaluation as an ex-officio member of that review team. The CEO should not influence the proceedings but may ask questions to seek clarification.
- (5) For large complex procurements, a Fairness ~~Monitor/Adviser maybe~~ may be retained to oversee the complete procurement process to ensure fairness to all proponents. At the end of the procurement process the Fairness ~~Monitor/Adviser~~ should issue a letter of opinion regarding the process which will be retained with the procurement documents. The retention of a Fairness ~~Monitor/Adviser~~ must be approved by the Director, Procurement.



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6.5 Bid Dispute Resolution ~~and Tie-Breaker~~

The bid dispute resolution process is intended to ensure that any dispute is handled in an ethical, fair, reasonable and timely fashion.

This bid dispute resolution procedure complies with bid protest or dispute resolution procedures set out in the applicable trade agreements.

Where a ~~proponent~~~~vendor~~ wishes to dispute the outcome of a bid, subsequent to a debriefing with the Procurement department, the process outlined below is to be followed:

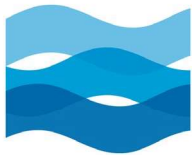
- (1) The aggrieved party is to file its bid protest with the Director, Procurement within 15 business days of the debriefing meeting. The aggrieved party's filing should include:
 - The name and address of the vendor;
 - Identification of the contract or bid solicitation being protested;
 - Detailed and factual statement of the grounds for protest;
 - Supporting documentation; and
 - Desired relief, action or ruling
- (2) The Director, Procurement will respond to the aggrieved party within 10 business days of receiving the bid protest notice.
- (3) If a resolution cannot be achieved, the aggrieved party must contact the CPO (in the event of a conflict, contact the CEO) and copy the Director, Procurement within 10 business days of receiving the first response from the Director, Procurement.
- (4) The CPO will respond to the aggrieved party within 10 business days of receiving the bid protest notice.
- (5) The final decision on the issue will be made by the CPO and will be resolved within 10 business days of receiving the bid protest.

~~In the event of a tie during the evaluation, the tied proponents will be invited to an interview in an effort to break the tie. The interview will have a set agenda and scored by the evaluation team.~~

SECTION 67 - NON-COMPETITIVE PROCUREMENT – GOODS AND SERVICES (INCLUDING PROFESSIONAL SERVICES)

Professional Services is defined as any licensed professional service provided by medical doctors, dentists, nurses, pharmacists, veterinarians, engineers, land surveyors, architects, ~~chartered~~ accountants, lawyers and notaries in their regulated capacities.

- (1) ~~In the event of extraordinary circumstances, t~~The Corporation reserves the right to offer a contract for the provision of goods or services to a sole supplier.



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~~(2) Single source procurements above \$75,000 (Cdn.) are only permitted through the public posting of an ACAN unless the procurement meets the conditions described under Section 6(7). If a procurement meets the conditions described under Section 6(7), it will be considered to be competitively procured.~~

~~(3)~~(2) Single source procurements above \$25,000 (Cdn.) shall be permitted only where circumstances prevent competitive purchasing, including:

- (a) emergencies;
- (b) extreme urgency or time constraints;
- (c) economy or value in continuing prior work;
- (d) protection of copyrights or trade-marks;
- (e) a public and open competitive process has been undertaken but has failed to identify a viable supplier or service provider;
- (f) absence of competition for technical or commercial reasons, with no available substitutes;
- (g) circumstances where the nature of work is such that it would not be in the public interest to solicit bids or proposals;
- (h) exceptions in accordance with applicable trade agreements (i.e. financial services respecting the management of assets and liabilities, services that may only be provided by licenses lawyers or notaries, services of expert witnesses, etc.) as referenced in the Directive;
- ~~(i) circumstances where a funding partner instructs Waterfront Toronto to contract with a specific vendor for the performance of the services which are primarily funded by the specific partner; and~~
- ~~(j) circumstances where a government body instructs Waterfront Toronto to contract with a specific vendor following that government body's selection of that vendor in accordance with its procurement policy. A letter from the government body stating this request must be attached to the requisition.~~

Sole sourced procurements where only one supplier is able to meet the requirements shall be permitted under the following circumstances:

- (a) To ensure compatibility with existing products, to recognize exclusive rights, such as exclusive licences, copyright and patent rights, or to maintain specialized products that must be maintained by the manufacturer or its representative;
- (b) Where there is an absence of competition for technical reasons and the goods or services can be supplied only by a particular supplier and no alternative or substitute exists;



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- (c) For the procurement of goods or services the supply of which is controlled by a supplier that is a statutory monopoly;
- (d) For the purchase of goods on a commodity market;
- (e) For work to be performed on ~~or about~~ a leased building or related property, or portions thereof that may be performed only by the lessor or certain contractor(s) approved by the lessor;
- (f) For work to be performed on property by a contractor according to provisions of a warranty of guarantee held in respect of the property or the original work;
- (g) For a contract to be awarded to winner of a design contest;
- (h) For the procurement of a prototype of a first good or service to be developed in the course of and for a particular contract for research, experiment, study or original development, but not for any subsequent purchases;
- (i) For the purchase of goods under exceptionally advantageous circumstances such as bankruptcy or receivership, but not for routine purchases;
- (j) For the procurement of original works of art;
- (k) For the procurement of subscriptions to newspapers, magazines or other periodicals; and
- (l) For the procurement of real property.

~~(4)~~(3) ~~When under extreme~~ In the case of emergencies and authorities are not available to authorize work in accordance with the Delegations of Authority ~~Signing Threshold Policy requirements~~, an employee responsible for a given project may authorize emergency work up to a value of \$25,000.00, if in the employee's opinion that failure to do so could result in a hazardous situation which could cause personal injury or damage to Waterfront Toronto property. The employee authorizing the emergency work shall notify the appropriate signing authorities in writing within 48 hours of the emergency, describing the nature of the emergency, the measures taken by the employee, and the estimated total cost of work.

~~(5)~~(4) Waterfront Toronto will not pay for any hospitality, food or incidental expenses. Transportation and accommodation expenses are eligible for payment only if they are directly related to the consultant's assignment at hand, and require prior authorization by the Waterfront Toronto staff overseeing the assignment.

~~(6)~~ ~~In accordance with the "Signing Threshold Policy", all non-competitive procurements for goods and services with a value of \$1,000,000 or more will be authorized by the Board of Directors.~~

~~(7)~~(5) Waterfront Toronto reserves the right to directly award a contract to an entity ~~without going out for quote~~ if it meets any of the following:

- the provision of services from any of our Government Partners or their divisions or agencies. This includes but is not limited to: the Government of Canada, the Province of Ontario, the City of



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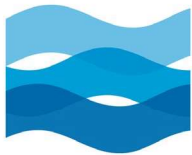
Toronto, and any of their component divisions and departments, as well as any federal, provincial or municipal agency, crown corporation or other government entity that is cooperating with Waterfront Toronto to deliver a project. These organizations include, but are not limited to: Toronto Economic Development Corporation ("TEDCO"), Ontario Infrastructure and Lands Corporation ("IO"), Toronto and Region Conservation Authority ("TRCA"), Toronto Transit Commission ("TTC"), Toronto Police Services, Toronto Hydro, Toronto Water, The Board of Governors of Exhibition Place, Ontario Place Corporation, Harbourfront Corporation (1990), hospitals, universities, colleges, school boards and organizations within their control.

- the provision of services from any utility including, but not limited to Bell, Rogers, Beanfield Metroconnect and Enbridge.

SECTION 78 - NON-COMPETITIVE PROCUREMENT – CONSULTING SERVICES

Consulting Services is defined as provision of expertise or strategic advice that is presented for consideration and decision-making. Consulting Services do not include any licensed Professional Services provided by medical doctors, dentists, nurses, pharmacists, veterinarians, engineers, land surveyors, architects, chartered accountants, lawyers and notaries in their regulated capacities.

- (1) As required by the Broader Public Sector Procurement Directive, dated July 2011, all consulting services must be acquired through a competitive procurement process. Where the estimated value is over \$100,000, it must be publicly posted via a tendering network, such as MERX.
- (2) The competitive procurement process for Consulting Services may be waived ~~in~~under the following circumstances:
 - (a) Due to an unforeseen situation of urgency, the Consulting Services cannot be obtained by means of a competitive procurement process;
 - (b) Matters of a confidential or privileged nature would have to be disclosed through a competitive procurement process, thereby compromising Waterfront Toronto confidentiality or the public interest or threatening economic disruption;
 - (c) Waterfront Toronto's ability to maintain security or order or to protect human, animal or plant life or health would be compromised by a competitive procurement process;
 - (d) No bids are received in response to a competitive procurement process;
 - (e) Only one supplier is able to meet the requirements of a procurement, due to compatibility issues with existing products or the fact that the supply of certain goods and services are controlled by a statutory monopoly; ~~and~~
 - (f) Where a government body instructs Waterfront Toronto to contract with a specific vendor following that government body's selection of that vendor in accordance with its procurement policy; ~~and~~
 - ~~(f)~~(g) Exceptions permitted by applicable trade agreements.



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Approved by: George Zegarac

~~In accordance with the "Signing Threshold Policy", all exceptions in Section 7(2) must be authorized by the CEO where the estimated value is less than \$1,000,000. Exceptions with an estimated value of \$1,000,000 or more will be authorized by the Board of Directors.~~

- (3) Waterfront Toronto will not pay consultants for any hospitality, food or incidental expenses. Transportation and accommodation expenses are eligible for payment only if they are directly related to the consultant's assignment at hand, and require prior authorization by the Waterfront Toronto staff overseeing the assignment.

SECTION ~~89~~ - LENGTH OF CONTRACTS

- (1) Except as provided in Section ~~89~~(2), contracts must be for a fixed term not to exceed five-years.
- (2) The Corporation may enter into longer-term contracts under the following circumstances:
 - (a) contracts relating to:
 - (i) major design, build or construction initiatives where the project period is known to exceed five-years;
 - (ii) services that are less than \$25,000 annually and any change in vendor would not create value for money.
 - (b) Consulting, Professional Services and/or services that:
 - (i) are specialized in nature;
 - (ii) are the result of a management decision to outsource functions;
 - (iii) would cause disruption to the Corporation's business activities if such services were re-procured or changed more frequently including such services as program management, legal services, Information Technology Services, insurance services, auditing services, financial services, urban planning services, subject to the Corporation being satisfied it is receiving value for money; and

~~Contracts with a duration of more than 5 years that do not comply with item (2) All exceptions in Section 8(2) must be authorized by the CEO.~~

~~SECTION 9 – extensions / renewals~~

~~If a contract permits a renewal or extension beyond the original term, the Project Manager responsible for the contract shall assess the quality of the service provided and shall submit, if satisfied, an extension for approval in accordance with the "Signing Threshold Policy".~~

SECTION 10 – CONTRACT CHANGES ~~ORDERS~~

~~Change orders to established contracts must be entered into the Financial System as a requisition by the Project Manager. The requisition must be completed in detail identifying the reason for the change,~~



WATERFRONTToronto

Procurement: Procurement Policy

Effective Date: February 7, 2023

Approved by: George Zegarac

~~change value, along with the appropriate backup, and must be approved through the Financial System prior to authorizing the change; with the exception of Construction Contracts where change orders, still within the approved contingencies may be authorized as per the Signing Threshold Policy. In doing so, the Corporation shall apply the following principles:~~

~~The eChanges to established contracts order process in contracts shall be permit only changes still within the general scope of the project and/or for unforeseen issues arising out of the project and should not be used for increases to the original scope, unless indicated in the respective RFx. Any changes to the original scope should be procured through a competitive process, unless otherwise authorized by CPO.;~~

~~Change orders shall be approved only after an assessment of the additional cost and project schedule; and~~

~~Change orders shall be approved in accordance with the "Signing Threshold Policy". Any change order for a non-competitive contract that takes the total contract value over \$75,000 must be preceded by an uncontested ACAN.~~

SECTION 11 - REPORTING

(1) Internal: On a quarterly basis, the Procurement Department shall submit a comprehensive reports to the FARM Committee, which report will include covering:

(a) Non-competitive procurements with an amount of \$25,000 or more any exceptions to these policies;

(b) all contracts awarded in excess of \$5 million; and

(b)(c) such as other information as may be applicable or appropriate from time to time.

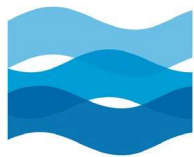
(2) External: Award Disclosure - To complement Waterfront Toronto's open and transparent Procurement process, Procurement department will:

Publish the winners and prices of all contracts awarded Tenders and RFPs with a value over \$50,000 (before HST) on Waterfront Toronto's website.

SECTION 12 – SOCIAL PROCUREMENT

Waterfront Toronto recognizes that its projects can create social and economic benefits, by providing opportunities for growth, equity and capacity building. Waterfront Toronto is incorporating social procurement goals within its procurements, to ensure communities and Equity-Seeking Groups benefit more directly from these large-scale investments.

The procurement process and documentation should reflect, whenever possible and practical, Waterfront Toronto's goals for social procurement and Community Benefits including consideration of the



WATERFRONTToronto

Procurement: Procurement Policy

Effective Date: February 7, 2023

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proponent's goals, strategies, accomplishments and plans for diversity, equity and inclusion, and workforce development.

SECTION 13 - SUSTAINABLE PROCUREMENT

Waterfront Toronto is committed to demonstrating leadership on solutions that help mitigate climate change. In addition to ensuring our neighbourhoods will be resilient to a changing climate, we are striving to lessen the global impacts of climate change by reducing greenhouse gas emissions. Whenever possible and applicable, Waterfront Toronto procurements will aim to integrate sustainability considerations into the selection of proponents. Consideration may also be given to proponents that have a sustainability policy and program with a net zero commitment.

Regulatory & Operational Compliance Report
(for the period from October 1, 2022 to December 31, 2022)
Finance, Audit and Risk Management Committee Meeting
February 23, 2023

Document/Program	Regulatory Body	Filing Requirements	Status	Compliant	Accountability
Wages, Taxes, Source Deductions and Employment-Related					
Harmonized Sales Tax Filing <i>Directors may be jointly and severally liable with the Corporation for unremitted HST</i>	Canada Revenue Agency	Monthly; last day of month following month's end	Ongoing: up to date	Yes	Director, Financial Management Accounting
Additional comments:	HST Return filed Jan 31, 2023 for period Dec 1, 2022 to Dec 31, 2022				
Corporate Income Tax Return <i>Directors may be liable for failure to file corporate income tax returns and up to 50% of unpaid taxes</i>	Canada Revenue Agency	Annually; June 30 of each year	Ongoing: up to date	Yes	Director, Financial Management Accounting
Additional comments:	March 31, 2022 CIT Return filed Sep 23, 2022 [nil tax liability]				
CPP, EI & Income Tax remittances <i>Directors may be liable for unremitted source deductions</i>	Canada Revenue Agency	Within 3 days of any pay date	Ongoing: up to date	Yes	VP, Human Resources and Administration
Additional comments:	ADP makes the remittances on behalf of Waterfront Toronto				
Workplace Safety and Insurance Board premium remittances <i>Directors may be liable for fines of up to \$25,000 for non-compliance by the Corporation under the WSIA</i>	Minister of Labour	Monthly; 30 th of each month	Ongoing: up to date	Yes	VP, Human Resources and Administration
Additional comments:	Administered in-house				
Employee Health Tax Filing <i>Directors may be liable for failure to make payments under the Act</i>	Minister of Finance	Monthly; 15 th of every month	Ongoing: up to date	Yes	VP, Human Resources and Administration
Additional comments:	Administered in-house				
Employee Wages and Accrued Vacation Pay <i>Directors may be liable for up to 6 months of unpaid wages accrued vacation pay</i>	Employment Standards Act	Semi-monthly	Ongoing: up to date	Yes	VP, Human Resources and Administration
Additional comments:	ADP administers payments; vacation pay accrual recorded in financial statements				

Other Filings – Operational					
Annual business plan to be adopted at least 90 days before the beginning of each fiscal year with updated 5-year plan <i>This is a key governance requirement of the TWRC Act</i>	TWRCA	Annually	Up to date	Yes	Chief Financial Officer
Additional comments:	Current year annual business plan and rolling 5-year strategic plan both adopted December 8, 2022				
Audited Financial Statements and Annual Report to governments within 90 days of the end of each fiscal year <i>This is a key governance requirement of the TWRC Act</i>	TWRCA and Ontario Business Corporations Act	Annually; financial year end is March 31	Audited financial statements and annual report presented to Board by June 30 of each year	Yes	Chief Financial Officer
Additional comments:	2021/22 Audited financial statements approved by the Board June 22 2022 with signed copies provided to governments on/before June 30, 2022.				
Property Management <i>In the operation of the properties it owns or manages, the Corporation is responsible for various obligations</i>	Landowner's liability (Fire Code Act, Ontario Building Code, Occupier's Liability Act) /Landlord obligations under lease	Inspections are completed according to regulatory requirements and properties are maintained according to a regular maintenance schedule	Ongoing: up to date	Yes	Chief Financial Officer
Additional comments:	<p>The ten properties owned by the Corporation are professionally managed by DMS Property Management and third-party parking operators (SP+ and Target Park) except for the following:</p> <ul style="list-style-type: none"> • 54 Commissioners St. was taken over by the Port Lands Flood Protection project (PLFP) in 2020 through the Construction Manager for the purpose of material and equipment storage; • 130 Commissioners St. has been demolished and care and control of the property taken over by PLFP through the Construction Manager for construction activities; and • 11 Parliament St. is leased to prior owner, RCYC as part of the terms of the agreement of purchase and sale 				

Lisa Taylor, Chief Financial Officer

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Document/Program	Regulatory Body	Filing Requirements	Status	Compliant	Accountability
Other					
Employee Health and Safety – workplace incidents or injuries <i>Under OHSA, directors may be held responsible for non-compliance and liable for fines of up to \$100,000 and imprisonment for up to 1 year</i>	Occupational Health and Safety Act (“OHSA”)	Report to FARM	Ongoing: up to date	Yes	Chief Project Officer
Additional comments:	Port Lands Flood Protection Project <ul style="list-style-type: none"> No MOL lost time reportable events during reporting period Lake Shore Boulevard East Project <ul style="list-style-type: none"> No MOL lost time reportable events during reporting period Complete Communities <ul style="list-style-type: none"> No MOL lost time reportable events during reporting period 				
Environmental Liability – spills, claims or administrative orders <i>Under the EPA, directors may be held responsible for non-compliance and liable for fines of up to \$4,000,000 and imprisonment for up to 5 years</i>	Environmental Protection Act (“EPA”)	Report to FARM	Ongoing: up to date	Yes	Chief Project Officer
Additional comments:	Port Lands Flood Protection Project <ul style="list-style-type: none"> October 24, 2022 – A hydraulic oil spill resulting from equipment failure (leak) occurred at Canoe Cove, product was remediated, and the incident was reported to the MECP Spills Action Center under ID number I-289R7N. Lake Shore Boulevard East Project <ul style="list-style-type: none"> October 05, 2022 _ Dewatering spill occurred on Lake Shore Blvd East, 100 m East of Saulter Intersection, due to a faulty discharge hose. Spill was contained, and incident was reported to 311 (Reference Number: 017-491-92) and to MECP (Reference Number: 1-27-IAET). Complete Communities <ul style="list-style-type: none"> There were no spills reportable to either MECP or City of Toronto during the reporting period. 				


David Kusturin, Chief Project Officer

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Document/Program	Regulatory Body	Filing Requirements	Status	Compliant	Accountability
Other					
Claims <i>In its projects and other operations, the Corporation is exposed to claims in the usual course of business</i>	None	Report to FARM	Ongoing: up to date	Yes	General Counsel
Additional comments:	<p>All existing claims which have proceeded to formal litigation against the Corporation are being defended by insurers under project insurance or the Corporation's corporate insurance program. The Corporation is not aware of any facts which would lead us to believe that the liability, if any, of the Corporation in respect of such claims would exceed the insurance coverage available.</p> <p>The Corporation has been made aware of one claim for a material amount less than \$5 million. Based on initial review and investigation, the Corporation does not believe the potential liability of the Corporation under this claim is in excess of \$1 million. This potential liability has been noted in the Corporation's financial statements as a Contingent Liability.</p>				
Privacy Breach <i>Breaches of personal information arising from the operations of the Corporation will be reported to the Board</i>	Canadian Privacy Principles	Report to FARM	Ongoing: up to date	Yes	General Counsel/Privacy Officer
Additional comments:	No breaches have been reported.				

Ian Ness, General Counsel

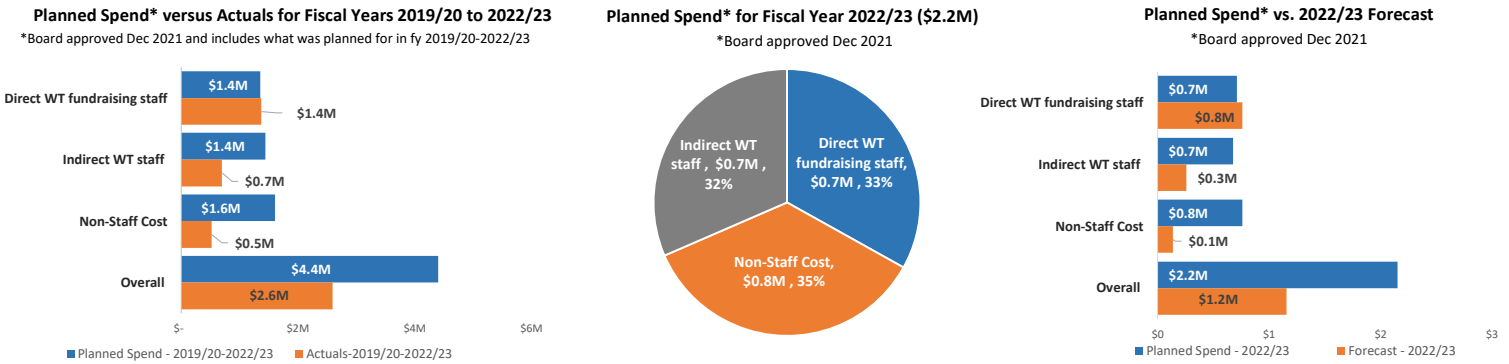
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The Fundraising Strategy and Plan (approved by the Board Dec 2021) has been subjected to a detailed review and revisions and that report has been circulated in advance of this FARM meeting for review.

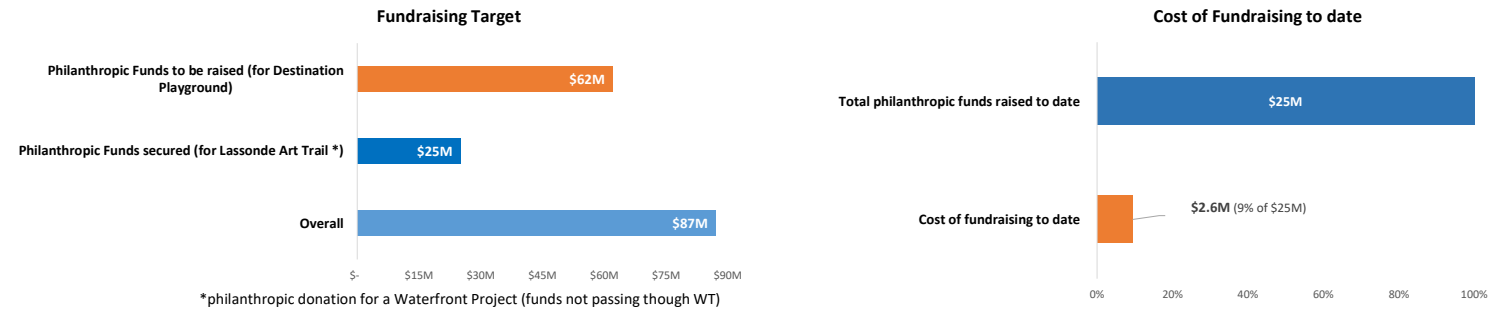


There is a new risk this quarter: should increase cost risk related to the PLFP project prevent the (timely) completion of the PLFP parks and public realm, this would likely compromise the \$25M Lassonde Art Trail gift and harm future fundraising outlook for WT projects.

PHILANTHROPY PLANNED SPEND, FORECAST AND COSTS (EXCLUDING CAPITAL SIGNATURE PROJECTS)



FUNDING SUMMARY



*philanthropic donation for a Waterfront Project (funds not passing though WT)

PHILANTHROPY PRIORITY DELIVERABLES




Priority Deliverables	Jan to Mar 2023 Forecast Completion	Notes
◆ - Deliverable carried over from 2021/22		
Government Consent and City Alignment		
Execute Fundraising MOU - ◆	<ul style="list-style-type: none">	Completion imminent, document agreed by both parties. Awaiting signature.
Fundraising Capabilities		
Establish Campaign Leadership Group	<ul style="list-style-type: none">	Not completed, see narrative on Leadership revised strategy & plan.





PHILANTHROPY RISK STATUS

HIGHEST KEY RISKS	
Risk Description	Mitigation Strategy
Continuing failure to secure fundraising leadership & engage top prospects (i.e. a failure of the "Five Leaders" Strategy).	Our current narrative (case for support) is not attracting fundraising leadership. We will adjust the narrative and conduct a marketing campaign to promote the "urban play deficit" with the intention of attracting public interest. We'll also conduct some small private event to promote "philanthropy to shared public spaces" amongst philanthropy leaders in Toronto.
WT might not be the right organisation to raise philanthropic gift support	There is some evidence to support this view, so we will continue to operate (balance of 2023) with a very "lean" operation until the picture is clearer.

Item 4i) Environmental, Social, and Governance (ESG) Update

In accordance with the TWRC Act, WT's mandate is to enhance the economic, social, and cultural value of the designated waterfront area in a fiscally and environmentally responsible manner. ESG is embedded in Board committee mandates, strategic plans, and annual reports (aligned with leading international frameworks – Global Reporting Index, UN Sustainable Development Goals). This update is to provide advancements in specific areas of ESG in the past quarter (note: not exhaustive).

Topic	Q3 2022/23 Update	Oversight
Governance	Regular ESG Updates to Board <ul style="list-style-type: none"> Quarterly “ESG Update” standing agenda item for Board and Committees effective June 2022 Comprehensive Board-level update on ESG matters to be provided March 27, 2023. 	Board
	Climate Action Plan <ul style="list-style-type: none"> Present draft Climate Action Plan (CAP) for Board approval March 2023 SMT governance oversight on CAP priorities (see item below). 	Board
Environment SDGs supported: <div>    </div>	Recommendations of Task Force for Climate-Related Financial Disclosures (TCFD) <ul style="list-style-type: none"> Following recommendations from the 2022 TCFD assessment by PwC, including adoption of TCFD in WT's Integrated Annual Report in 2022, continue to implement CAP focused on: <ol style="list-style-type: none"> Exploring net-zero target: establishing baseline for reduction target and researching pathways to net-zero Low carbon procurement: drafting policy on low carbon procurement Stakeholder engagement: networking with net-zero WT stakeholders and industry leaders Establishing governance: achieved via quarterly CAP update to SMT 	FARM
	Greenhouse Gas (GHG) Inventory <ul style="list-style-type: none"> Measured Q1 – Q2 2022/23 scope 3 emissions (indirect emissions from the supply chain). Notable sources include manufacturing of steel, purchase of fuel and materials for construction projects. 	FARM
	Green Buildings KPI 5.1 <ul style="list-style-type: none"> Executed lease agreement to relocate WT office to T3 Bayside in 2023. T3 is LEED Gold registered and North America's tallest mass-timber office building (12 stories) with 40-50% lower embodied carbon compared to conventional designs. 	Board
Environment & Social	Quayside KPI 5.1 <ul style="list-style-type: none"> Executed Project Agreement with Quayside Impact LP to develop a 12-acre site into Canada's largest all-electric, zero-carbon master-planned community, with 800+ affordable housing units, an Indigenous Participation Commitment, and a Master Public Art Plan, among other social and cultural features. 	IREC

Environment & Social (cont.)	Sustainable Procurement <ul style="list-style-type: none"> Amended Procurement Policy to include sections on social and sustainable procurement (aligned with WT's DE&I values and CAP) 	Board
Social SDGs supported:    	Diversity, Equity & Inclusion (DE&I) Strategy KPI 8.1 <ul style="list-style-type: none"> DE&I Strategy recommendations from MNP remain underway for implementation, targeting Winter 2023 for completion. Completed and presented draft DE&I affirmation statement at staff townhall in support of a people-first DE&I strategy. Final statement anticipated in 2023. 	HRGSR
	Accessibility Strategy <ul style="list-style-type: none"> With support from WT's Advisory Committee on Accessibility, WT progressed the development of Waterfront Accessibility Design Guidelines, building on the AODA and Toronto Accessibility Design Guidelines, to guide public realm design and demonstrate leadership in accessible design excellence on the waterfront. 	Board
	Public Art <ul style="list-style-type: none"> WT's 2022 Artist in Residence, Lisa Hirmer, completed three projects (two installations and one workshop series) focused on the way that human relationships interact with their surrounding ecologies and life in this moment of climate emergency. Concept development underway for Indigenous permanent public artwork at the King/Queen Triangle in the West Don Lands. 	Board
	Ongoing Engagement with Indigenous Treaty Holders <ul style="list-style-type: none"> Continued engagement with the Mississaugas of the Credit First Nation (MCFN) regarding their participation in the Quayside negotiation and design process, including attending a special Council meeting of the MCFN on October 19, 2022. Launched Request for Proposal (RFP) to conduct a comprehensive feasibility study for a waterfront Indigenous Cultural Centre. Submissions received and under evaluation for the Request for Prequalification (PQ) to seek Indigenous architects, designers and artists to create a series of integrated features in the new mouth of the Don River. 	Board

Purpose	For Committee approval.
Areas of note/ Key issues	<p>The Planning Report from BDO Canada LLP (BDO) presents a plan for the audit of the Corporation's financial statements for the year ending March 31, 2023.</p> <p>This is BDO's second year of a five-year term as the Corporation's external auditors, resulting from a competitive procurement in 2021. [BDO were Waterfront Toronto's external auditors for a previous five-year term from 2016 to 2021.]</p> <p>The attached Planning Report covers:</p> <ul style="list-style-type: none"> ○ Audit Team (p. 4) ○ Audit Timing (p. 5) ○ Auditors Responsibilities (p. 6-8) ○ Risk and Areas of Focus (p. 9-10) ○ Materiality (p. 11) ○ Audit Approach (p. 12-16) ○ Recommended Resources (p. 17-18) ○ Audit Engagement Letter (Appendix A) ○ Public Sector Accounting Standards Update (Appendix B) <ul style="list-style-type: none"> • BDO completed its interim fieldwork in December 2022. • The audit plan is based on a materiality level of \$4.5 million (previously \$4.0 million), the increase due to an increase in WT's expenditure levels. • Audit independence is formally reported upon in May 2023.
Resolution / Next Steps	<p>ON MOTION duly made, seconded, and carried, be it RESOLVED that the Finance, Audit and Risk Management Committee approves the 2022/2023 External Audit Plan.</p> <p>The FARM Committee will review the results of the external audit at its next meeting on May 25, 2023.</p>

Toronto Waterfront Revitalization Corporation

Audit planning report to the Finance, Audit
and Risk Management (FARM) Committee for
the year ended March 31, 2023



To the Finance, Audit and Risk Management (FARM) Committee of Toronto Waterfront Revitalization Corporation

We are pleased to provide you with this planning report to highlight and explain key issues which we believe to be relevant to the audit of Toronto Waterfront Revitalization Corporation (the “Corporation”) financial statements for the year ended March 31, 2023.

The enclosed planning report includes our approach to your audit, the significant risks we have identified and the terms of our engagement. At the year-end meeting, we will provide you with a copy of our draft audit opinion and discuss the nature, extent and results of our audit work. We will also report any significant internal control deficiencies identified during our audit and reconfirm our independence.

Our audit and therefore this report will not necessarily identify all matters that may be of interest to the Finance, Audit and Risk Management (FARM) Committee in fulfilling its responsibilities. This report has been prepared solely for the use of the Finance, Audit and Risk Management (FARM) Committee and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

We look forward to completing our draft audit report opinion and discussing our conclusions with you. In the meantime, please feel free to contact us if you have any questions or concerns.

Yours truly,

BDO Canada LLP



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Audit at a glance

LEAD PARTNER ON YOUR AUDIT	Jeffrey Barratt CPA, CA
	E: jbarratt@bdo.ca
	T: 905-272-7838
START DATE	April 24, 2023
END DATE	May 5, 2023

Your dedicated BDO audit team



Rob Clause, CPA, CA

T: 905-272-6245
E: rclause@bdo.ca

Rob Clause has over 15 years of professional experience in auditing, accounting and advisory services. He has worked with a variety of clients and industries, which include both public sector and not-for-profit Corporations.

Rob Clause will be the Engagement Partner for your assurance services. He will assume ultimate responsibility for the provision of all services, monitoring and controlling costs to ensure you receive quality, effective and value-added service.



Jeffrey Barratt, CPA, CA

T: 905-272-7838
E: jbarratt@bdo.ca

Jeffrey Barratt has over 20 years of professional experience in auditing, accounting and advisory services in both public sector and not-for-profit Corporations.

Jeffrey Barratt will be the Client Relationship Partner for your assurance services. He has been involved with Waterfront Toronto for approximately 10 years.



Anthony Chiarelli, CPA

T: (289) 337-0124
E: achiarelli@bdo.ca

Anthony Chiarelli has over 5 years professional experience in auditing, accounting and advisory services. He has worked with a variety of clients and industries, which include both public sector and not-for-profit Corporations.

Anthony Chiarelli will be the Engagement Manager for your assurance services.



Karen Trudeau, CPA, CA

T: 905-399-0976
E: ktrudeau@bdo.ca

Karen Trudeau will be the Quality Assurance Partner and has over 30 years of professional experience in auditing, accounting and advisory services. She is GTA's Office Technical Leader and oversees quality control on assurance services.

Our independence

We have complied with relevant ethical requirements and are not aware of any relationships between Toronto Waterfront Revitalization Corporation and our Firm that may reasonably be thought to bear on our independence.



Audit timeline

Planning and interim
fieldwork

December 2022

Present audit planning
report to FARM Committee

February 23, 2023

Final audit fieldwork

April 24, 2023

Present final report to
FARM Committee

May 25, 2023

Approval of final
statements by Board

June 12, 2023

For the year ended March 31, 2023



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APT Next Gen

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Auditor's responsibilities: financial statements

We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management, with oversight by those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities. The scope of our work, as confirmed in our engagement letter attached as Appendix A to this letter, is set out below:

Year-End Audit Work

- ▶ Work with management towards the timely issuance of the financial statements.
- ▶ Present significant findings to the Finance, Audit and Risk Management (FARM) Committee including key audit and accounting issues, any significant deficiencies in internal control and any other significant matters arising from our work.



We are required to obtain an understanding of the system of internal control in place in order to consider the adequacy of these controls as a basis for the preparation of the financial statements, to determine whether adequate accounting records have been maintained and to assess the adequacy of these controls and records as a basis upon which to design and undertake our audit testing.

We are required to report to you in writing about any significant deficiencies in internal control that we have identified during the audit.



Auditor's responsibilities: fraud

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud, by:

- ▶ Identifying and assessing the risks of material misstatement due to fraud;
- ▶ Obtaining sufficient and appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- ▶ Responding appropriately to fraud or suspected fraud identified during the audit.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

Behind the audit report



Learn how we audit your financial statements

[SEE OUR PROCESS](#)



Auditor's responsibilities: fraud

Throughout our planning process, we performed risk assessment procedures and related activities to obtain an understanding of the entity and its environment, including the Corporation's internal control, to obtain information for use in identifying the risks of material misstatement due to fraud and made inquiries of management regarding:

- ▶ Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments;
- ▶ Management's process for identifying and responding to the risks of fraud in the Corporation, including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist;
- ▶ Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in Toronto Waterfront Revitalization Corporation; and
- ▶ Management's communication, if any, to employees regarding its view on business practices and ethical behavior.

We are not currently aware of any fraud affecting the Corporation. If you are aware of any instances of actual, suspected, or alleged fraud, please let us know.



Significant risks and planned responses

We have identified the following significant risks that require special audit consideration. These risks were identified based on our knowledge of the Corporation, our past experience, and input from management and the Finance, Audit and Risk Management (FARM) Committee. Please review these significant risks and let us know your thoughts on these or any other areas of concern.

Financial statement areas	Risks noted	Audit approach
Revenue Recognition	<p>Fraud risk due to improper revenue recognition.</p> <p>There is a standard risk in all audit files surrounding revenue recognition since it may be subject to manipulation in order to present more favourable financial statements.</p>	<ul style="list-style-type: none"> • Confirm all government contributions with the respective governments • Assess the nature of non-government revenue to determine the level of specific testing to be completed
Management override of controls	<p>Management is in a unique position to perpetrate fraud because of management's ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statement by overriding controls that otherwise appear to be operating effectively. This is a standard risk in all audit files.</p>	<ul style="list-style-type: none"> • Test the appropriateness of journal entries recorded as well as other adjustments made in the preparation of the financial statements. • Obtain an understanding of the business rationale for significant transactions that we become aware of that are outside the normal course of operations for the Corporation. • Review accounting estimates for biases.
Land sales	<p>Management expects to enter into land sale transactions during the year. There is a risk of inappropriate cost allocations for each respective land sale.</p>	<ul style="list-style-type: none"> • Review the executed agreements for the land sales tested to ensure the correct revenue has been recorded. • Understand the area / precinct of land being sold to ensure the correct cost is allocated, review managements calculations and the resulting gain/loss is recorded.



Other areas of audit interest

In addition to the significant risks noted previously, we have also noted certain areas which are of interest to us or the FARM Committee and will be considered in the planning of our audit approach and procedures.

Financial statement areas	Area of interest	Audit approach
Accrued liabilities	Accrued liabilities relating to contractors for existing ongoing projects.	<ul style="list-style-type: none"> Specific testing around the completeness of accruals. We will also obtain confirmations from various contractors/suppliers to ensure accruals are complete.
Assets under development	The Corporation capitalizes costs for assets under development.	<ul style="list-style-type: none"> Specific testing around the revenue or costs capitalized and review of memorandums of understanding on a project by project basis.
Construction deposits	The Corporation has made lump sum payments at the start of some projects which will be repaid once certain levels of expansion have been reached.	<ul style="list-style-type: none"> Confirm with the deposit holder that these deposits are collectible and that the expansion levels will be met.
Contribution agreements / Other Project Agreements	Contribution agreements and other project contracts may be complex in nature.	<ul style="list-style-type: none"> Review of all contribution/project agreements and discuss with management as necessary. Review of Contribution Agreement compliance audit results Conclusion on appropriate accounting policies and financial statement disclosures.
Deferral of contributions and grants	Revenue deferred that relates to future periods. Contributions from the governments can only be applied towards payments of eligible costs in respect of project activities, as defined in the contribution agreements.	<ul style="list-style-type: none"> Specific testing around the allocation of expenses and related revenues to recognize. Funding received for restricted projects should be deferred if no relating expenses have yet been incurred.
Climate Disclosures	Climate disclosures and the recommendations of the Task Force on Climate Disclosures (TCFD) is a popular topic for Corporations to determine if applicable.	<ul style="list-style-type: none"> Currently no reporting requirements under PSAB and no requirements on the horizon.

Materiality

We determined preliminary materiality to be \$4,500,000, based on 2% of total costs incurred averaged over the last 3 years.

Misstatements are considered to be material if they could reasonably be expected to influence the decisions of users based on the financial statements.

Our materiality calculation is based on the Corporation's preliminary results. If actual results change significantly, we will communicate those changes to the Finance, Audit and Risk Management (FARM) Committee as part of our year-end communication.

We will communicate all corrected and uncorrected misstatements identified during our audit to the Finance, Audit and Risk Management (FARM) Committee, other than those which we determine to be "clearly trivial."

We encourage management to correct any misstatements identified throughout the audit process.



How we audit financial statements: Our audit process

IDENTIFY AND ASSESS RISK

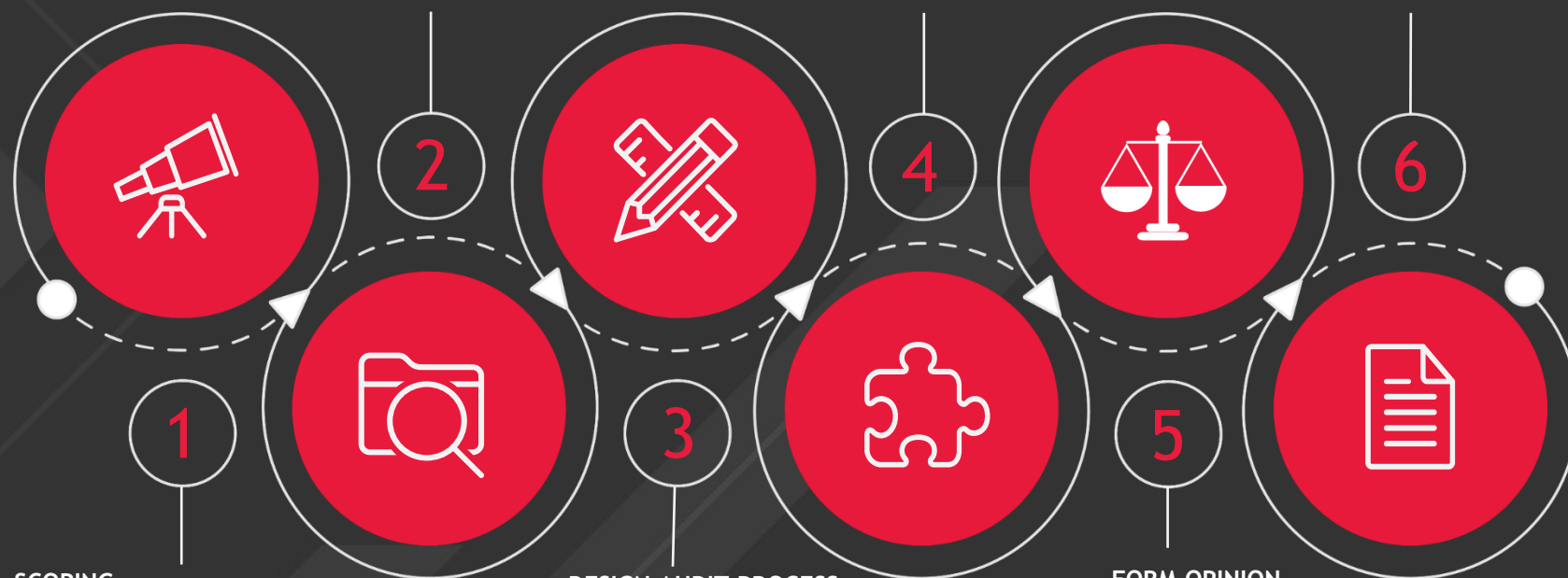
Focus on those areas of financial statements that contain potential material misstatements as a consequence of the risks you face

OBTAIN AUDIT EVIDENCE

Perform audit procedures while maintaining appropriate degree of professional skepticism, to conclude whether or not the financial statements are presented fairly

REPORT

Communicate our opinion and details of matters on which we are required to report



SCOPING

Complete a preliminary review to plan the audit, determine the materiality level, and define the audit scope

DESIGN AUDIT PROCESS

Design an appropriate audit strategy to obtain sufficient assurance and enable us to report on the financial statements

FORM OPINION

Evaluate whether we have enough evidence to conclude that the financial statements are free from material misstatement, and consider the effect of any potential misstatements found

New Standard for Audit Quality



ISQM 1

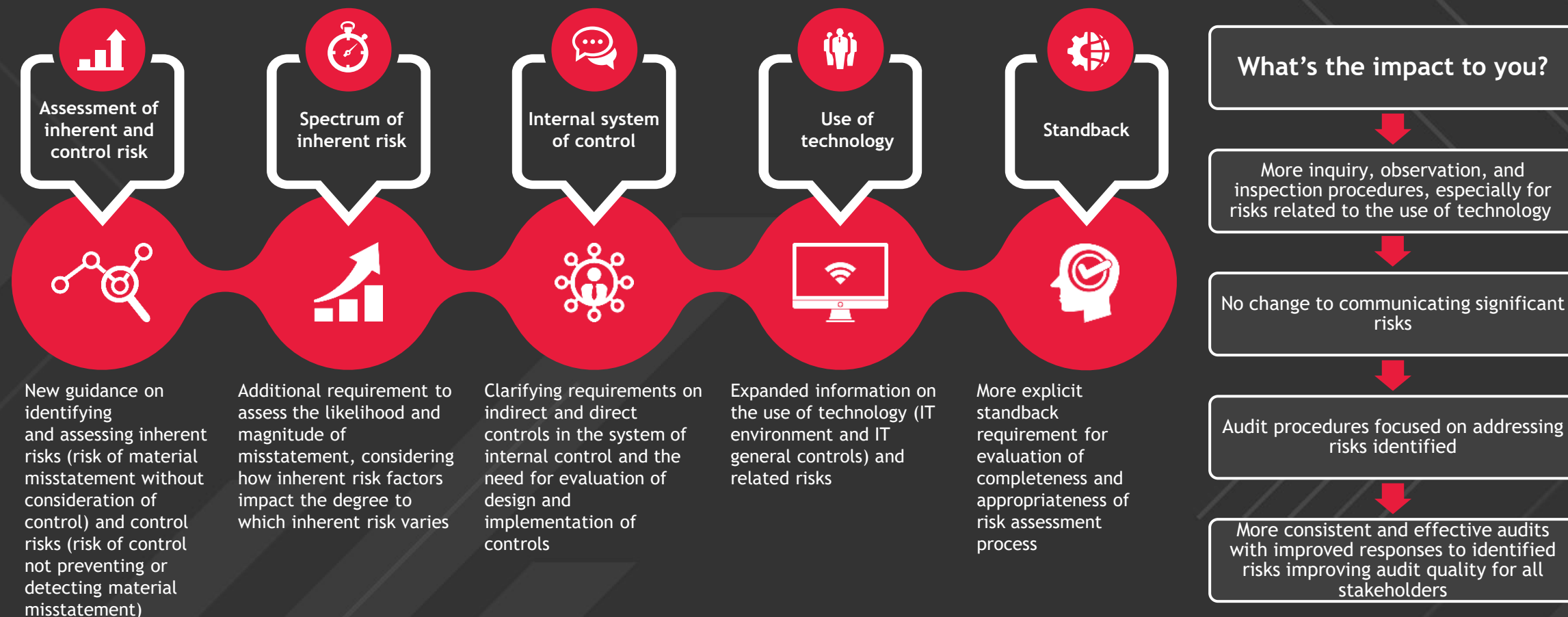
The quality of an audit depends not only on the people conducting it—but also on the systems underpinning it. These new rules up the ante for your audit quality.

[SEE THE STANDARD](#)



Updates to our audit process

Canadian Auditing Standard 315, *Identifying and Assessing the Risks of Material Misstatement*, was significantly revised with a greater focus on more robust risk identification, assessment and response procedures. The standard is effective for periods beginning on or after December 15, 2021. Key enhancements include:



Our audit approach: Responsiveness in action

Our firm is deliberately structured to allow one partner to every six staff members. This means easy access to senior staff and the lead partner throughout your audit. It also helps our team gain a better understanding of your Corporation. Our audit process differs from the typical audit in our use of in-field reviews, subject to COVID-19 safety protocols. The benefit of these in-field reviews is that final decision-makers are on site ensuring issues are resolved and files closed quickly. We offer clients the full-service expertise of a national firm. Yet we maintain a local community focus. The comprehensive range of services we deliver is complemented by a deep industry knowledge gained from over 100 years of working within local communities.



Discover how we're accelerating audit quality



Audit Quality Report

We collected our core beliefs around audit quality, the very practical steps we take to sustain it, and the progress we have made to accelerate its quest.

[Follow our progress](#)

BDO's digital audit suite

Our digital audit suite of technologies enables our engagement teams to conduct consistent risk-based audits, both domestically and internationally, with maximum efficiency and minimal disruption to our clients' operations and people.



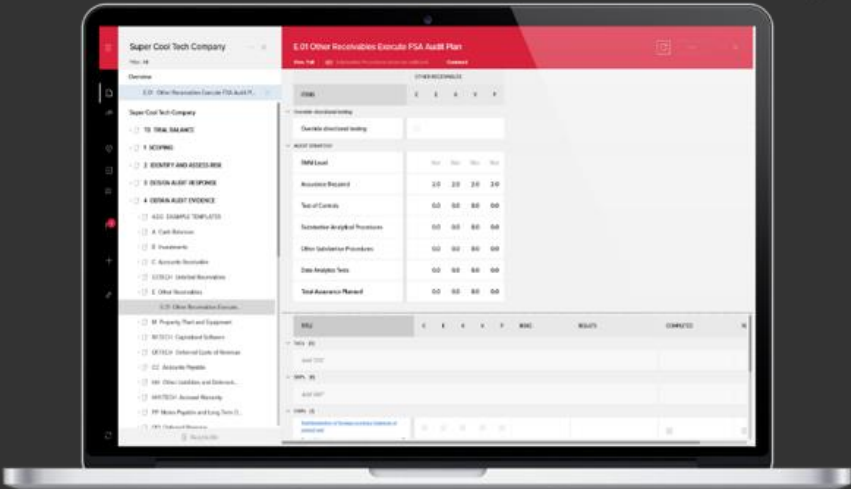
APT Next Gen

Our audit software and documentation tool, APT, is an integral part of our audit methodology. Our professionals engage APT to devise and perform appropriate, risk-based audit procedures and testing based on applicable Canadian Auditing Standards (CASs), as well as to factor in engagement and industry-specific objectives and circumstances.

APT enables us to deliver an audit that fits your Corporation—whether large or small; complex or basic.

This sophisticated tool also amplifies two key attributes of our audits: consistency and quality. The quality framework that we developed measures our audit performance with hard quality indicators and reflects our indispensable culture for quality. To see our audit quality and consistency in action, look no further than how our teams share best audit practices for continuous improvement.

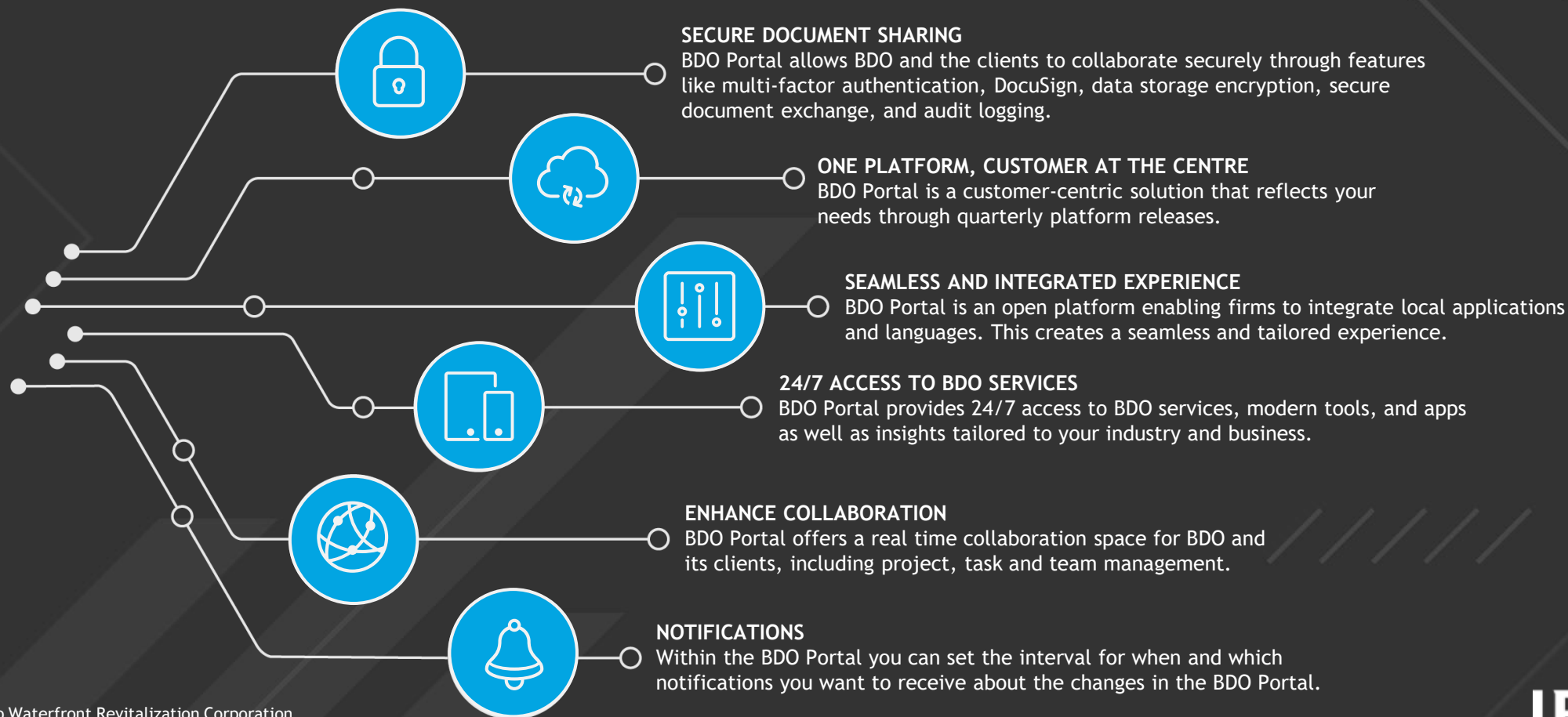
Through a strategic alliance with Microsoft and the introduction of new technology, this global, cloud-based application can now streamline and focus the audit process in even more ways for BDO professionals and their clients.





BDO Portal

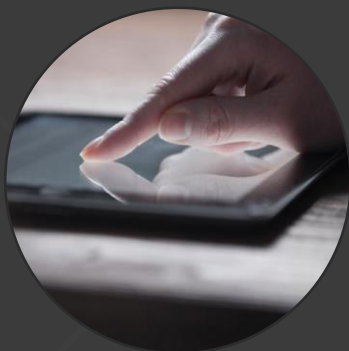
BDO Portal transforms and enhances your digital experience with your BDO advisors. Available at any time, Portal enables you to access all services, tools, apps, and information and to collaborate with your advisors in a seamless way through a flexible, appealing, and secure environment.





Recommended resources

Key changes to financial reporting



When the rules of reporting change, you may need to fine-tune how to present financial statements and govern the Corporation.

**ACCESS OUR
KNOWLEDGE CENTRE**

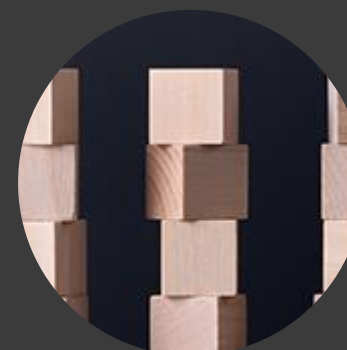
2022 Federal Budget



Understand the key elements of the 2022 Federal Budget and how it will impact you and your business

STAY ON TOP OF TAXES

7 powerful steps to financial audit readiness



Getting and staying prepared for an audit simplifies the process, cuts turnaround time, and improves your chances of overall success. Learn how you can be audit ready.

7 STEPS

Spotlight on sustainability

Fast-moving world events are pushing sustainability up the agenda of Canadian Corporations. Now Corporational leaders, investors, and customers are responding on three fronts: environmental, social, and governance (ESG).

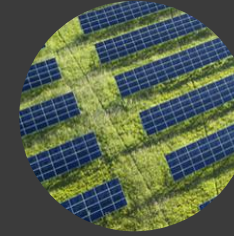
Regulators and issuers of standards are doing their part by supporting sustainability in the reporting ecosystem. Increasingly, Corporations will need to go beyond the financials—and demonstrate sustainability with non-financial metrics.

5 reasons why businesses should care about ESG



[SEE 5 REASONS](#)

How climate change became a business issue worth reporting



[READ ARTICLE](#)

10 Questions about sustainability reporting



[EXPLORE QUESTIONS](#)

Accounting for going green



[LEARN MORE](#)

Why CFOs should make sustainability a part of their financial reporting today



[BUILD BACK SUSTAINABLY](#)

Rethinking sustainability: the ESG roadmap



[SEE ROADMAP](#)

Appendices

- ▶ Appendix A: Engagement Letter
- ▶ Appendix B: Public Sector Accounting Standards (PSAS) Update 2022



Appendix A: Engagement Letter



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BDO Canada LLP
360 Oakville Place Drive
Suite 500
Oakville, Ontario
L6H 6K8

January 1, 2023

Toronto Waterfront Revitalization Corporation
20 Bay Street, Suite 1310
Toronto, Ontario
M5J 2N8

Dear Lisa Taylor,

Summary of Services

We understand that you wish for us to continue as the auditors of Toronto Waterfront Revitalization Corporation and audit its financial statements for its fiscal year ending March 31, 2023. This Summary of Services letter supplements the engagement letter dated January 1, 2023 and signed by you (the "Agreement"). It does not replace or supersede the Agreement.

Jeffrey M. Barratt will serve as the Client Relationship Partner on the file and will be your primary Partner contact. Rob Clause will be the Partner with overall responsibility for ensuring our compliance with audit standards. Other individuals with specialized knowledge may be called upon to assist in the performance of services.

Fee Estimation

The estimated fee for this engagement is as follows:

- Audit services: \$65,500

For each future year we will issue a Summary of Services providing details of our Services and fees.

Our estimated fee is based on an assumed level of quality of your accounting records, the agreed upon level of preparation and assistance from your personnel and adherence to the agreed-upon timetable. Our estimated fee also assumes that your financial statements are in accordance with Canadian Public Sector Accounting Standards and that there are no significant new or changed accounting policies or issues or internal control or other reporting issues. We will inform you on a timely basis if these factors are not in place. Should our assumptions with respect to the quality of your accounting records be incorrect or should the conditions of the records, degree of cooperation, results of audit procedures, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates.

Our professional fees will be based on our billing rates which depend on the means by which and by whom our Services are provided. Our billing rates may be subject to change from time to time at our discretion with or without notice to you.

Delays in providing the complete list of agreed upon working papers/schedules to BDO will result in additional fees as follows:

- 1 week delay - additional 10% of estimated fees
- 1 month delay - additional 20% of estimated fees

Should a delay occur, we cannot guarantee completion of our work by your deadline.

We will also bill you for our out-of-pocket expenses, our administrative and technology charge, and applicable Goods and Services Sales Tax, Harmonized Sales Tax, Quebec Sales Tax and



Provincial Sales Tax.

Our fees will be invoiced and payable as follows:

- \$20,000 interim payment;
- \$25,500 prior to issuance of assurance report; and
- \$20,000 within 10 days after issuance of our final invoice along with any additional required final payments.

Our accounts are due when rendered and invoiced amounts are deemed to be earned when paid. BDO may suspend the performance of Services in the event that you fail to pay an invoice when it is due. Fees that are not paid within 30 days of an invoice or by a specified payment deadline will be considered delinquent. Interest may be charged at the rate of 12% per annum on all accounts outstanding for more than 30 days.

Please sign and return a copy of this Summary of Services letter to indicate your agreement with it. If you have any questions concerning this Summary of Services letter or the Agreement, please contact us before signing it.

It is a pleasure for us to be of service and we look forward to many future years of association with you.

Yours truly,

Chartered Professional Accountants, Licensed Public Accountants

Agreement of all the terms and conditions in this Agreement is hereby acknowledged by:

Signature	Date
-----------	------

Name (please print)	Position
---------------------	----------

Please carefully review this Summary of Services letter prior to signing it. A complete copy of this letter should be returned to us.

Version: v5 202205



Appendix B: Public Sector Accounting Standards (PSAS) Update 2022

Assurance and Accounting

Public Sector Accounting Standards (PSAS) Update 2022

Introduction

It has been a busy year for the Public Sector Accounting Board (PSAB or the “Board”). As public sector entities continue to adapt to the ever-changing market landscape, the Board has been hard at work advancing the progress of various projects such as its international and government not-for-profit strategies, as well as, issuing a revised conceptual framework.

This publication will provide a look at the impacts of the new standards effective over the next few years including Section PS 3280, *Asset Retirement Obligations*, the Financial Instruments suite of standards, and Section PS 3160, *Public Private Partnerships*. As well as, provide an overview of the projects the Board has on the go that will impact public sector entities in the future such as a revised employee benefits standard and new reporting model.

Standards Effective April 1, 2021

The following amendments to the public sector accounting (PSA) handbook will impact upcoming December 31, 2022 year-ends.

2019-2020 Annual Improvements

As a result of the 2019-2020 annual improvements process, the Board issued the following amendments:

- Amended the Introduction to Public Sector Accounting Standards to clarify that early adoption of a new or amended standard also requires the early adoption of all consequential amendments related to that standard. This also clarifies that the consequential amendments cannot be early adopted if the related amended standard has not also been early adopted.
- Updated the disclosure requirements in individual standards relating to Section PS 3380, *Contractual Rights*, to require the disclosure of both contractual rights and contractual obligations; and
- Replace the term contingencies in individual standards with the term's contingent assets and contingent liabilities.

The Board issued these amendments in November 2020 with earlier adoption permitted.

Modification of PSAB's GAAP Hierarchy

As part of PSAB's International Strategy decision, Section PS 1150, *Generally Accepted Accounting Principles*, has been amended to position International Public Sector Accounting Standards (IPSAS) as the first accounting framework that should be consulted where situations or transactions are not covered by primary sources of GAAP or in situations where assistance is needed to apply primary sources of GAAP.

This amendment would only apply to new transactions or other events where the entity currently has no accounting policy outlined and chooses to look outside of the PSA Handbook for guidance in developing an accounting policy. Public sector entities would not be required to revise existing accounting policies determined prior to this amendment.

Standards Effective April 1, 2022

Public sector entities must consider the impacts the following new and amended standards will have on their March 31, 2023 and December 31, 2023 year ends. Refer to the publications provided in the table at the end of this section for more detailed information on these changes.

Asset Retirement Obligations

In March 2018, the Board issued new Section PS 3280, *Asset Retirement Obligations*. Prior to this, the PSA Handbook did not include specific guidance on accounting for asset retirement obligations. In applying this standard in practice, it is very important that public sector entities take the time to perform a thorough analysis when deciding which asset retirement costs are in the scope of this standard. Once the proper scoping has been completed the remaining guidance in the standard should be used to ensure proper recognition, measurement, presentation and disclosure.

Scope

The standard only applies to legal obligations, including obligations created by promissory estoppel. This standard impacts tangible capital assets controlled by public sector entities, regardless of whether or not they are in productive use or not.

Some examples of costs that would potentially fall within the scope of this standard include:

- Costs to remove asbestos and fuel tanks;
- Costs incurred to retire an x-ray or similar machine;
- Solid waste landfill closure and post closure liabilities; and
- Costs to remove customizations/ leasehold improvements from leased premises.

To perform proper scoping for asset retirement obligations, management should ensure employees with the appropriate knowledge are involved to ensure all potential asset retirement obligations are identified.

Recognition and Measurement

Under the new standard, an asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset controlled by a public sector entity. Asset retirement obligations associated with tangible capital assets include post-retirement operation, maintenance, and monitoring costs. A liability for an asset retirement obligation would be recognized when all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

Recognition of asset retirement costs is accomplished by increasing the carrying amount of the related tangible capital asset, or a component thereof, and then expensing this amount in a rational and systematic manner. A present value technique may be the best method of estimating the liability. Depending on the nature of a re-measurement and whether the asset remains in productive use, subsequent re-measurement of the liability could result in either a change in the carrying amount of the related tangible capital asset or a component thereof, or an expense. Asset retirement costs associated with an asset that is not recognized on the public sector entity's financial statements and those associated with assets no longer in productive use would be expensed immediately.

Landfills

The new standard includes landfill related asset retirement obligations within its scope so that all asset retirement obligations are accounted for consistently within the public sector. Existing Section PS 3270, *Solid Waste Landfill Closure and Post-closure Liability*, will be withdrawn once Section PS 3280 becomes effective. This change will result in asset retirement obligations associated with landfills recognized earlier than they are under the current guidance.

Amendments to Section PS 3260

Changes have been made to Section PS 3260, *Liability for Contaminated Sites*, to clarify what will fall within the scope of this standard vs. the scope of the new asset retirement obligation standard. Additionally, under the new standard any expected recoveries associated with the asset retirement obligation would not be netted against the liability. In the past, Section PS 3260 has allowed recoveries to be netted against the liability. To improve consistency between the two standards, Section PS 3260 has been amended to no longer allow netting.

For more details on this new standard and its application please refer to our publication [Asset Retirement Obligations \(ARO\): A Practical Approach to Section PS 3280](#).

Financial Instruments, Foreign Currency, Financial Statement Presentation and Portfolio Investments

Sections PS 3450, *Financial Instruments*, and PS 2601, *Foreign Currency Translation*, are applicable for fiscal years beginning on or after April 1, 2021, for public sector entities that did not previously apply the CPA Canada Handbook – Accounting prior to adopting the PSA Handbook (for example governments). At the same time public sector entities adopt these two Sections, they must also adopt Section PS 1201, *Financial Statement Presentation*, Section PS 3041, *Portfolio Investments*, and the effective interest method outlined in paragraph .25 of Section PS 3050, *Loans Receivable*. For more details on these standards, please refer to our publication [A Guide to Accounting for Financial Instruments in the Public Sector](#).

Over the past few years, the effective date of these Sections was delayed several times due to concerns raised by senior governments in some provinces on the implementation of Sections PS 2601 and PS 3450 related to recognition and measurement of derivatives, the lack of hedge accounting, and the accounting treatment for bond repurchases. The Board investigated various options to address these concerns and issued three further amendments to the above standards. The details of the amendments are described below, and these amendments would be effective in the same periods the above standards are first applied.

Federal Government Narrow-Scope Amendments

The Board issued amendments to Section PS 2601 to address the presentation of the exchange gain or loss component of a financial instruments change in fair value when that financial instrument is associated with the federal government's foreign reserves. Section PS 1201 was amended to clarify, that foreign exchange gains or losses from such instruments are not required to be presented in the statement of remeasurement gains and losses.

Foreign Exchange Narrow-Scope Amendments

The Board issued amendments to Section 2601 to allow all public sector entities to make an accounting policy election for financial assets and financial liabilities arising from a foreign currency transaction to, on initial recognition, recognize their exchange gains and losses, including the foreign exchange gain or loss component of changes in fair value, directly in the statement of operations.

Section PS 1201 has been amended as a result of the above, to clarify that the exchange gains and losses subject to the election would not be recognized in the statement of remeasurement gains and losses. Section PS 3450 has been amended to require disclosure of the carrying value of financial assets and liabilities to which the above election is applied in the notes to the financial statements.

Presentation Narrow-Scope Amendments

The Board issued amendments to Section PS 1201 clarify the presentation of derivatives. The amendments include:

- The remeasurement impact of derivatives and other categories of financial instruments may be presented as separate line items on the statement of changes in net debt;
- A new subtotal for the change in net debt excluding the impact of remeasurement gains and losses may be presented on the statement of change in net debt; and
- A footnote on the net debt indicator may be included in the statement of financial position to refer readers to the additional detail provided on the statement of changes in net debt.

The resources listed below provide additional information on the changes discussed in this section of the publication.

Amendment/ New Standard	Resources
New Section PS 3280, <i>Asset Retirement Obligations</i>	<ul style="list-style-type: none"> • Asset Retirement Obligations (ARO): A Practical Approach to Section PS 3280 • PSAB at a Glance: Section PS 3280, Asset Retirement Obligations
New Sections PS 3450, <i>Financial Instruments</i> ; PS 2601, <i>Foreign Currency Translation</i> ; PS 3041, <i>Portfolio Investments</i> ; PS 1201, <i>Financial Statement Presentation</i> ; and amendments to Section PS 3050, <i>Loans Receivable</i> , on accounting for financial instruments	<ul style="list-style-type: none"> • A Guide to Accounting for Financial Instruments in the Public Sector • PSAB at a Glance: Section PS 1201, Financial Statement Presentation • PSAB at a Glance: Section PS 2601, Foreign Currency Translation • PSAB at a Glance: Section PS 3041, Portfolio Investments • PSAB at a Glance: Section PS 3050, Loans Receivable • PSAB at a Glance: Section PS 3450, Financial Instruments

Standards Effective April 1, 2023

Public sector entities must consider the impacts the following new and amended standards will have on their March 31, 2024 and December 31, 2024 year ends. Refer to the publications provided in the table at the end of this section for more detailed information on these changes.

Revenue

In November 2018, the Board issued new Section PS 3400, *Revenue*. Prior to this, the PSA Handbook only contained guidance on specific revenue transactions such as, taxation, government transfers, etc. As a result, many public sector entities consulted other sources of GAAP when accounting for types of revenue for which the PSA Handbook did not provide specific guidance, which resulted in diversity in practice.

The new standard establishes overall guidance on how to account for and report revenue. The standard makes a distinction between transactions that include performance obligations (exchange transactions) and those that do not include a performance obligation (non-exchange transactions). A performance obligation is an enforceable promise to provide specific goods or services to a specific payor. Based on the definition, in order to identify a performance obligation a public sector entity must be able to identify a distinct good or service and a specific payor. Revenue from transactions with performance obligations is recognized when (or as) the public sector entity satisfies a performance obligation by providing the goods or services to a payor. Therefore, once a performance obligation is identified, an assessment is needed to determine whether revenue recognition occurs over a period of time or at a point in time.

Transactions with Performance Obligations Satisfied at a Point in Time

A performance obligation is satisfied, and revenue is recognized when control of the benefits for a good or service have been transferred to the payor. Some indicators that control has been transferred include, but are not limited to:

- When the payor is able to use or direct the use, sell, or exchange and obtain substantially all the remaining benefits from the good or service; or
- When the payor has hold of the good or service and can use it at their discretion.

If a performance obligation is not satisfied over a period of time (as described in the next section below), then it must be recognized at a point in time considering the above criteria. An example of a transaction where a performance obligation would be recognized at a point in time would be when a public sector entity sells a recycling bin, since after the initial sale transaction the payor controls the asset and there are no further performance obligations for the public sector entity to complete.

Transactions with Performance Obligations Satisfied Over Time

When control of the benefits associated with a good or service passes to the payor over time, then the entity recognizes revenue over a period of time if any of the following indicators are met:

- The payor simultaneously receives and consumes the benefit as the public sector entity fulfils the performance obligation;
- The public sector entity's performance creates or enhances an asset that the payor controls or uses as the asset is created or enhanced;
- The public sector entity's performance does not create an asset with an alternative use to the public sector entity, and the public sector entity has an enforceable right to payment for performance completed to date;
- The public sector entity is expected to continually maintain or support the transferred good or service under the terms of an arrangement; or
- The payor is granted access to a specific good or service under the terms of an arrangement.

A portion of the transaction price allocated to each performance obligation is recognized as revenue as the performance obligation is satisfied. An example of a transaction with performance obligations settled over time would be a college providing a certificate course consisting of weekly lectures over an eight-month period to a student who pays \$4,000 up front, since the college must perform multiple performance obligations over a period of time.

Transactions with no Performance Obligations

Some transactions entered into by a public sector entity do not have any performance obligations attached to them. When this is the case, revenue would be recognized when the public sector entity has authority to claim or retain an inflow of economic resources and a past event or transaction that gives rise to an asset has occurred. An example of a transaction without a performance obligation would be a municipality issuing a parking ticket or fine.

Transition

Adoption of the standard will be accounted for as a change in accounting policy and may be applied retroactively with restatement of prior periods or prospectively.

Purchased Intangibles

In November 2020, the Board issued new a new public sector guideline (PSG) on purchased intangibles. Prior to this, the PSA Handbook prohibited the recognition of purchased intangibles in the financial statements of public sector entities following PSAS without the PS 4200 series of standards. The main highlights of this new PSG-8 include:

- Defining purchased intangibles as identifiable non-monetary economic resources without physical substance acquired through an arm's length exchange transaction between knowledgeable, willing parties who are under no compulsion to act.
- Purchased intangibles are recognized as assets when they meet the definition of an asset and the general recognition criteria in Section PS 1000, *Financial Statement Concepts*. Section PS 3210, *Assets*, provides guidance on applying the asset definition.
- PSG-8 does not provide specific in-depth guidance on how to account for purchased intangibles, but directs the reader to consider the following guidance in determining how to account for purchased intangibles:
 - The definition of an asset in Section PS 1000 and the additional guidance on the asset definition in Section PS 3210;
 - The recognition, measurement, and disclosure concepts in Section PS 1000; and
 - The GAAP Hierarchy in Section PS 1150, *Generally Accepted Accounting Principles*.
- Purchased intangibles are classified as non-financial assets.
- PSG-8 is applied retroactively or prospectively in accordance with Section PS 2120, *Accounting Changes*.

The Board also amended Sections PS 1000 and Section PS 1201 to allow for the recognition of purchased intangibles and removed the disclosure requirements for unrecognized purchased intangibles as a result of the issuance of PSG-8.

Public Private Partnerships

An issue that was identified as a priority in PSAB's 2014 Project Priority Survey was accounting for public private partnerships. These types of arrangements are becoming more common across Canada as government entities look for new ways to finance capital projects, and authoritative guidance on how to account for them was needed. After obtaining feedback from stakeholders, in April 2021, the Board issued new Section PS 3160, *Public Private Partnerships*. The main features of the new standard include:

Scope

- This section applies to public private partnerships between a public sector entity and a private sector partner for infrastructure-project delivery with risk allocation that provides for public sector control of the asset at any point during the arrangement and in which the private sector partner satisfies all the obligations required.
- The private sector partner is obligated to:
 - design, build, acquire or better new or existing infrastructure;
 - finance the transaction past the point where the infrastructure is ready for use; and
 - operate and/or maintain the infrastructure.

Examples of P3 arrangements in the scope of this section:

- The public sector contracts with a private corporation to design, finance and construct a facility. Once completed, the ownership is transferred to the public sector. The public sector then leases the facility back to the private sector, which operates the facility.
- The public sector contracts with the private sector for the design, financing, construction and operation of a new project for a specified time (known as the concession period). During the concession period, the private sector owns and operates the facility, earning a return on its investment through a lease arrangement with the public sector or through user charges. At the end of the period, the public sector takes possession of the facility and has the option of running the facility itself, or giving another contract to the private sector partner.

Recognition

- Where infrastructure is acquired or bettered through a public private partnership, it is recognized as an asset of the public sector entity when the public sector entity controls:
 - The purpose and use of the infrastructure;
 - Access to the future economic benefits and exposure to risks of the infrastructure asset; and
 - Significant residual interest in the infrastructure, if any, at the end of the public private partnership's term.
- At the same time that the infrastructure asset is recognized, an offsetting liability is also recognized. The type of consideration provided to the private sector partner determines the type of liability that is recognized. This distinction will impact subsequent measurement of the liability.
 - Where the consideration is cash or another financial asset, the public sector entity recognizes a financial liability (financial liability model).
 - Where the consideration is the granting of rights (such as the right to charge end users), the public sector entity recognizes a performance obligation (user-pay model).

Initial Measurement

- An infrastructure asset is initially recognized at cost. Where the cost of acquiring or constructing the infrastructure is both determinable and verifiable such as from a procurement process or contractual agreement, these amounts would be used to initially measure cost.
- Where the cost information is not readily determinable or verifiable, the cost is then equal to the estimated fair value of the asset at the transaction date.
- The offsetting liability is initially measured at the same value as the infrastructure asset less any amounts already paid to the private sector partner.

Subsequent Measurement

- The infrastructure would be accounted for similar to other assets and would be amortized over its useful life in a rational and systematic manner.
- The subsequent measurement of the liability will depend on the model used for initial measurement.
 - Under the financial liability model, the financial liability would be subsequently measured at amortized cost using the effective interest method.
 - Under the user pay model the liability is subsequently reduced as revenue is recognized by the private sector partner based on the terms of the public private partnership arrangement.

Transition

- This Section may be applied retroactively or prospectively as follows:
 - Prospective application is used for an infrastructure asset and related liability where control of the infrastructure asset arose on or after April 1, 2023.
 - Retroactive application is used with or without prior period restatement, for an infrastructure asset and related liability where control of the asset arose prior to April 1, 2023 and the asset and related liability have not been previously recognized.
 - Retroactive application is also used with or without prior period restatement, for an infrastructure asset and related liability where control of the asset arose prior to April 1, 2023 and where the asset and related liability were previously recognized and now require adjustment upon applying this new Section.

The resources listed below provide additional information on the changes discussed in this section of the publication.

Amendment/ New Standard	Resources
New Section PS 3400, <i>Revenue</i>	<ul style="list-style-type: none"> • PSAB at a Glance: Section PS 3400, Revenue
New Section PSG 8, <i>Purchased Intangibles</i>	<ul style="list-style-type: none"> • PSAB at a Glance: PSG-8, Purchased Intangibles
New Section PS 3160, <i>Public Private Partnerships</i>	<ul style="list-style-type: none"> • P3 Accounting: 1 New Standard, 2 Sectors, and the Public-Private Repercussions • PSAB at a Glance: Section PS 3160, Public Private Partnerships

Standards Effective April 1, 2026

Revised Conceptual Framework

In 2010, the Board decided to undertake a project to review and update the conceptual framework for the PSA Handbook to ensure it is still relevant and that it properly reflects and is grounded in the public sector environment. The conceptual framework guides the Board as it develops new standards or amends existing ones. In developing the revised conceptual framework, the Board sought feedback from stakeholders through three Consultation Papers, a Statement of Concepts and an Exposure Draft. The revised conceptual framework was approved by the Board in June 2022. It will replace the existing conceptual framework, which consists of Section PS 1000, *Financial Statement Concepts*, and Section PS 1100, *Financial Statement Objectives*. The revised conceptual framework includes the following 10 chapters:

- **Introduction to the Conceptual Framework** – this chapter defines the conceptual framework and outlines the needs and objectives.
- **Characteristics of Public Sector Entities** – This chapter builds upon and replaces Appendix A - *Unique Characteristics of Government* in existing Section PS 1100. Identifying the characteristics of public sector entities will result in concepts and standards appropriate to the public sector.
- **Financial Reporting Objective** – This chapter identifies the primary users as the public and its elected or appointed representatives. It also identifies the financial reporting objectives as the need to provide information for accountability purposes and the broad financial reporting accountabilities.
- **Role of Financial Statements** – This chapter creates a link between financial reporting and financial reporting in financial statements.
- **Financial Statement Foundations** – This chapter clearly identifies the foundations that currently underlie the existing conceptual framework.
- **Financial Statement Objectives** – This chapter builds upon and revise the objectives of existing Section PS 1100.
- **Financial Statement Information** – This chapter establishes the qualitative characteristics of financial information and considerations for including this information in the financial statements.
- **Elements of Financial Statements** – This chapter defines the four elements in the financial statements: assets, liabilities, revenues, and expenses.
- **Recognition and Measurement in Financial Statements** – This chapter covers the general recognition and measurement criteria. The concepts here remain unchanged from the existing conceptual framework.

- **Presentation Concepts for Financial Statements** – This chapter includes some presentation concepts from Section PS 1201, *Financial Statement Presentation*, as well as new presentation concepts to promote the preparation of understandable financial statements.

The revised conceptual framework is expected to be issued in the Handbook in December 2022 and will be effective for fiscal years beginning on or after April 1, 2026, with earlier adoption encouraged.

The Future of PSAS

The PSAB also has a number of projects on the go which seek to improve public sector standards to better meet stakeholder needs both now and in the future. The following provides a brief overview of these projects.

International Strategy

While developing its 2017-2021 Strategic Plan, the Board determined it was the appropriate time to review its approach to International Public Sector Accounting Standards (IPSAS). The Board's past approach was to influence the development of IPSAS. However, IPSAS has become a more robust framework over the past few years and some other countries are now adopting or adapting IPSAS for their own use. As a result, the Board decided it should evaluate whether this it's approach to IPSAS was still appropriate.

Based on feedback received from stakeholders, in 2020 Board decided the best way forward was to adapt IPSAS principles when developing future standards. This means that if a new project is undertaken by PSAB and an IPSAS already exists addressing the topic, the principles of that IPSAS will be used as a base for developing the corresponding Canadian PSAS. The Board has developed criteria to provide guidance on when departures from IPSAS principles are permitted. For example, where a principal in IPSAS conflicts with PSAS's conceptual framework or does not meet the Canadian public interest. This new approach is being applied to all new projects beginning on or after April 1, 2021, including the development of the new employee benefits standard discussed below.

Exposure Draft – Employment Benefits

A project on employee benefits was identified as a top priority in PSAB's 2014 Project Priority Survey. The project is needed as new types of pension plans have been introduced and there have been changes in the related accounting concepts since existing Sections PS 3250, *Retirement Benefits*, and Section PS 3255, *Post-employment Benefits, Compensated Absences and Termination Benefits*, were issued many years ago.

The Board issued an Exposure Draft in July 2021 proposing to replace these two existing standards with new Section PS 3251, *Employee Benefits*. The principles in IPSAS 39, *Employee Benefits*, were used as the starting point in developing this guidance. This Exposure Draft is the first phase of PSAB's multi-phase approach to this project. The focus in this phase is on deferral provisions and discount rate guidance. In future phases, the Board will focus on developing guidance for accounting for non-traditional pension plans and other issues.

The main highlights of the Exposure Draft are as follows:

- **Deferral Provisions**
 - For actuarial gains and losses, the deferral and amortization approach would no longer be used.
 - Revaluations of the net defined benefit liability (asset) which, include actuarial gains and losses, are recognized immediately on the statement of financial position within the net defined benefit liability (asset) and accumulated other component of net assets.
 - These revaluations would not be reclassified to surplus or deficit in a subsequent period.
 - Plan assets would be measured at market value.
- **Discount Rate**
 - The discount rate used would depend on the funding status of the plan.
 - For a fully funded plan where the projected balance of plan assets exceeds projected benefit payment obligations for all project periods, the discount rate used would be the expected market-based return on plan assets.
 - For an unfunded plan where the projected balance of plan assets does not exceed projected benefit payment obligations for any projected period, the discount rate used would be the provincial governments bond rate.
 - Lastly, for partially funded plans where the projected balance of plan assets exceeds projected benefit periods for fewer than all projected periods, the discount rate would be a single discount rate that reflects the fully funded rate for periods where the balance of plan assets is projected to be greater than or equal to projected benefit payments and the unfunded rate for all other periods.
- **Other Proposed Changes**
 - The net interest on the net defined benefit liability (asset) would be determined by multiplying the net defined benefit liability (asset) by the rate used to discount the post employment benefit obligation.
 - Minor modifications to the guidance for joint defined benefit plans including changing legal terminology to accounting terminology by replacing references to "sponsors" with "participating entities" and directing entities to use multi-employer plan guidance.
 - More detailed disclosure requirements.

The proposed standard would have an effective date of April 1, 2026, and would require retroactive transition. The Board is currently deliberating feedback received on the Exposure Draft.

Exposure Draft - Section PS 1202, Financial Statement Presentation

Related to PSAB's recent approval of the revised Conceptual Framework discussed earlier in this presentation, the Board has also been working on the development of a new reporting model. The Board considered the relative merits of many reporting models and feedback from stakeholders and is proposing the issuance of a new Section PS 1202, which will build upon existing Section PS 1201, *Financial Statement Presentation*, to better respond to the need for understandable financial statements. The Board issued an Exposure Draft in January 2021 proposed a new reporting model that would consist of:

- **A Statement of Financial Position –** Changes are being proposed to this statement to relocate the net debt indicator to its own statement (see below), and separate liabilities into financial and non-financial categories. The statement will be restructured to present total assets, then total liabilities to arrive at the net assets or net liabilities indicator. A new third component "accumulated other" would be added to net assets/liabilities.
- **A Statement of Net Financial Assets (Net Financial Liabilities) –** This is a new statement that would display a revised calculation of net debt. A net financial asset position means there are financial assets available to provide services in the future and to settle future financial liabilities. A net financial liability position means there is a need for additional financial assets to aid in settling past financial liabilities, it reflects the entity's ability to finance activities, provide services or settler financial liabilities in the future.
- **A Statement of Operations –** There are no proposed changes to this statement from what is currently required under existing Section PS 1201.
- **A Statement of Changes in Net Assets (Net Liabilities) –** This is a new statement that will show a reconciliation between the opening and closing balances of each component of net assets or net liabilities. This statement will allow the entity to be transparent about which revenues and expenses are recognized in surplus or deficit and those that are recognized directly in a component of net assets or net liabilities.
- **A Statement of Cash Flow –** The Board is proposing separating financing activities from other items on the cash flow statement. This will allow the statement to highlight net cash before financing activities to show whether all of an entity's other activity combined resulted in the need to raise cash through financing activities.
- **Accompanying Notes and Schedules.**

The Exposure Draft also proposes the addition of new budget requirements. These new budget requirements include presenting budget figures using the same basis of accounting, accounting principles, scope of activities and classifications as the actual amounts. As well as, an acknowledgement on the face of the statements where an actual-to-budget comparison could not be completed.

The proposed new standard would have an effective date of April 1, 2026 to align with the effective date of the new conceptual framework. The Board is currently reviewing the extensive feedback received from stakeholders on these proposals in the Exposure Draft as it develops the final standard.

Exposure Draft - 2022-2023 Annual Improvements

The PSAB has adopted an annual improvement process to correct errors in the wording or provide clarifications. In August 2022, the Board issued its 2022-2023 Annual Improvements Exposure Draft proposing the following changes to the PSA Handbook:

- Replace the term "summary financial statements" with "financial statements" or "financial reports".
- Clarify the Introduction to Public Sector Guidelines and remove outdated guidance related to local governments.
- Update the transitional provisions in Section PS 3160, *Public Private Partnerships*, to explicitly state that early adoption is permitted.
- Change some references to the term "power" to "ability" or "authority" as appropriate, given the use of the term "power" to reference sovereign or equivalent powers in Chapter 5 of the revised conceptual framework.
- Update Section PS 3050, *Loans Receivable*, to address grammatical errors in the decision tree.
- Update PSG 8, *Purchased Intangibles*, to clarify its application to inter-entity transactions.
- Update the designation and numbering of existing appendices in the PSA Handbook to align with categories established by IPSAS; and
- Update the terminology in many standards from "government" to "public sector entity" or "entity" as appropriate.

The Board is deliberating feedback received on the Exposure Draft.

Government Not-for-Profit Strategy

While developing its 2017-2021 Strategic Plan, the Board signalled its intent to assess the specific needs of government not-for-profit organization (GNFPO) stakeholders and to assess if there is a need for some public sector accounting standards to apply differently to this particular group. The Board issued Consultation Papers in 2019 and 2021 seeking stakeholder feedback on the trends and needs in the GNFPO sector and the potential options as it relates to the future of the PS 4200 series of standards. As a result of the feedback received on these Consultation Papers the Board decided that the

best option going forward is to incorporate the PS 4200 series of standards into the PSA Handbook with potential customizations. This will involve the Board reviewing the PS 4200 series of standards to determine if they should be retained and where appropriate amending and including them into the PSA Handbook.

At the June 2022 meeting the Board approved the implementation plan to incorporate the PS 4200 series with potential customizations into PSAS. The Board will undertake a series of standard-level projects to review the PS 4200 series to determine which standards will be included. The Board expects to consider a project proposal to review tangible capital assets and collections at its upcoming December 2022 meeting. The Board will consult stakeholders on all proposed changes before amending the PSA Handbook.

We would encourage GNFPOs to stay up to date on this project and respond to documents issued for comment to provide their feedback. The latest information on this project can be found on the GNFP Strategy page of the FRAS Canada website or by clicking [here](#).

PSAB's Future Work Plan Consultation

The Board issued a Future Work Plan Consultation for comment in August 2022. Through this consultation, the PSAB asked stakeholders which additional projects should be the Board's next priority when additional resources become available. The Board will review feedback received to decide on which projects to undertake next.

Public Sector Accounting Discussion Group

The Public Sector Accounting Discussion Group (PSADG) is a regular public forum at which issues arising on the application of the PSA Handbook can be discussed. The group meets two times a year and consists of members that include preparers, auditors, and users of government and government organization financial reports. The group's purpose is to assist the Board regarding issues arising on the application of the PSA Handbook and other areas of concern regarding public sector financial reporting, including emerging issues and issues on which the Board seeks advice. While the group does not issue any authoritative guidance or interpretations, as only the Board has the ability to do so, the group's meeting summaries provide meaningful insights on the application of the standards that can be used as a resource. These meeting summaries are available on the FRAS Canada website or by clicking [here](#). During the group's April 2021, November 2021 and May 2022 meetings, the following topics were discussed:

- **Section PS 3280, Asset Retirement Obligations (AROs): Issues Applying the Modified Retroactive Transition Method** – Discussion on applying the modified retrospective method of transitioning to Section PS 3280 to two scenarios; 1. A building constructed with asbestos when the legislation requiring its removal is enacted after the construction date and 2. A fully amortized asset that remains in productive use.

- **Section PS 3450: Embedded Derivatives in Own-use Contracts** – Discussion on whether embedded derivatives in own-use contracts are in the scope of Section PS 3450.
- **General Application Standards: Effective Dates and Application** – Discussion on the method of application (i.e., prospective, retroactive) for the general application standards such as Section PS 3200, Liabilities and Section PS 3210, Assets.
- **PSAB's Proposed New Reporting Model: Two Exposure Draft Proposals** – Discussion on benefits, issues and challenges with reporting natural capital in financial statements. Discussion on the proposal to create two categories of liabilities, financial and non-financial, and whether the distinction between them is clear.
- **PSAB Proposed Government Not-for-Profit Strategy** – Discussion on if the proposed GNFP Strategy of PSAS incorporating the PS 4200 series with potential customizations, best meets the Canadian public interest, and ways to implement it.
- **Climate-related Questions to Ask under Existing GAAP** – Discussion on the affect climate change will have on the financial statements of public sector entities and the implications of climate change as required under existing standards.
- **Accounting for Natural Capital: Emerging Issues Discussion** – Discussion on accounting for natural capital in public sector entities financial statements.
- **IPSASB Consultation Paper on Sustainability Reporting** – Discussion on the IPSASB preliminary views that: global public sector sustainability guidance is needed and the IPSASB can use its experience, processes and relationships to develop such standards; the IPSASB should collaborate with other international bodies to develop the general requirements for sustainability and climate-related disclosures; other sustainability topics that are important and why should they be prioritized.

We would encourage public sector entities to keep up to date on topics discussed at these meetings.

Conclusion

As we head closer to the end of the year, now is the time to discuss with your BDO advisor how the changes made, and the proposed changes to the PSA Handbook will affect your organization. Reach out to us today.

The information in this publication is current as of October 15, 2022.

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Item 6 Change in Accounting Policy – Land Under Development

Purpose	<p>For approval.</p> <p>To present a proposed change in accounting policy that relates to the timing of expensing land development-related costs capitalized as Assets Under Development (AUD) in the Corporation's financial statements.</p>
Areas of note/ Key issues	<p>WTs current accounting policy per Note 2f of the March 31, 2022 audited financial statements together with the proposed changes underlined:</p> <p><i>“Assets under Development represent those investments in assets which the Corporation has been directed to develop under an executed agreement and the Corporation has actual or beneficial ownership over during the development stage. Upon substantial completion and warranty period, these assets are either transferred to a respective government who assumes ownership and ongoing operational responsibility, transferred to capital assets for those assets the Corporation continues to have actual or beneficial ownership over, or sold to a third party.</i></p> <p><i>Assets under development also includes Land under Development which represents all costs associated with getting a parcel of land site ready for development, including costs associated with contracting with a developer, rezoning, and soil management and treatment. <u>Upon completion of performance obligations associated with individual developments within a precinct, Land under Development costs are expensed through the statement of financial activities in proportion to the cumulative land sale revenues realized.</u>”</i></p> <p>Rationale for change: With the existing policy in practice development-related costs in AUD were to be expensed when the final development block/ building of a development project (e.g., Aqualuna in Bayside) is substantially complete. This results in the deferral of expensing material development-related costs well past the periods in which land title has changed and revenues have been realized. The proposed policy revision provides greater clarity to the accounting treatment and matches development-related costs with the timing of title change and corresponding land sale revenues.</p> <p>Impact of change:</p> <p>Going forward development-related costs in AUD will be expensed incrementally when performance obligations such as title change, building occupancy and/or revenue recognition for WTs developments are met and the expense will be calculated based on the proportion of revenues earned (compared to total revenues) for the development project.</p> <p>WTs external auditors have reviewed the proposed change in accounting policy and support management's conclusions and draft disclosure in principle.</p> <p>Refer to Appendix A for a summary of the anticipated impact to WTs March 31 2023.</p>
Key takeaways/ next steps	<p>ON MOTION duly made, seconded, and carried, be it RESOLVED that the Finance, Audit and Risk Management Committee approves the proposed change in accounting policy effective fiscal year ending March 31, 2023, with retroactive restatement.</p>

Appendix A - Impact on March 31, 2023 financial statements:

- *Presentation:* Change in accounting policy applied retroactively with restatement of prior periods, in accordance with PS 2120
- *Financial Impact:* Decrease to "Assets Under Development", "Net assets - Invested in AUD" and "Land sale proceeds and/or other income"; no change to opening unrestricted deficit (see below for details)
- *Disclosure:* New note on change in accounting policy, and change to Note 2(f) – Significant Accounting Policies, Assets Under Development (see below for details)

Note 2(f) Significant Accounting Policies – Assets Under Development

Assets Under Development represent those investments in assets which the Corporation has been directed to develop under an executed agreement and the Corporation has actual or beneficial ownership over during the development stage. Upon substantial completion and warranty period, these assets are either transferred to a respective government who assumes ownership and ongoing operational responsibility, transferred to capital assets for those assets the Corporation continues to have actual or beneficial ownership over, or sold to a third party.

Assets under development also includes Land under Development which represents all costs associated with getting a parcel of land site ready for development, including costs associated with contracting with a developer, rezoning, and soil management and treatment. Upon completion of performance obligations associated with individual developments within a precinct, Land under Development costs are expensed through the statement of financial activities in proportion to the cumulative land sale revenues realized."

Note X Change in Accounting Policy – Assets Under Development

Effective March 31, 2023, the Corporation changed its accounting policy for the treatment of assets under development relating to development projects where a project agreement is in effect with a third-party developer. Previously, the Corporation expensed land under development-related costs presented under Assets Under Development in the Statement of Financial Position upon completion of an entire development precinct. The Corporation is now expensing land under development-related costs presented under Assets Under Development upon completion of performance obligations related to developments within a precinct. The Corporation believes that this change in timing of when capital asset disposals are recognized results in a more appropriate presentation of events in the financial statements.

As a result of the adoption of the change in accounting policy, the presentation of the financial statements changed from the prior year. This change has been applied retroactively with restatement of the prior period.

This change in accounting policy had the following net effect on the financial statements:

	March 31, 2023	March 31, 2022
Decrease in Assets Under Development (Statement of Financial Position), opening balance, April 1, 2022		\$13,853,179
Decrease in Net Assets (Statement of Financial Position), opening balance, April 1, 2022		\$13,853,179
Decrease in Assets Under Development (Statement of Financial Position)	\$20,896,307	\$7,961,572
Decrease in Net Assets (Statement of Financial Position)	\$20,896,307	\$7,961,572
Decrease in land sale proceeds and/or other income (Statement of Financial Activities)	\$20,896,307	\$7,961,572

Note that the above amounts are subject to change based on the year end actual results.

February 23, 2023

Port Lands Flood Protection Program Update

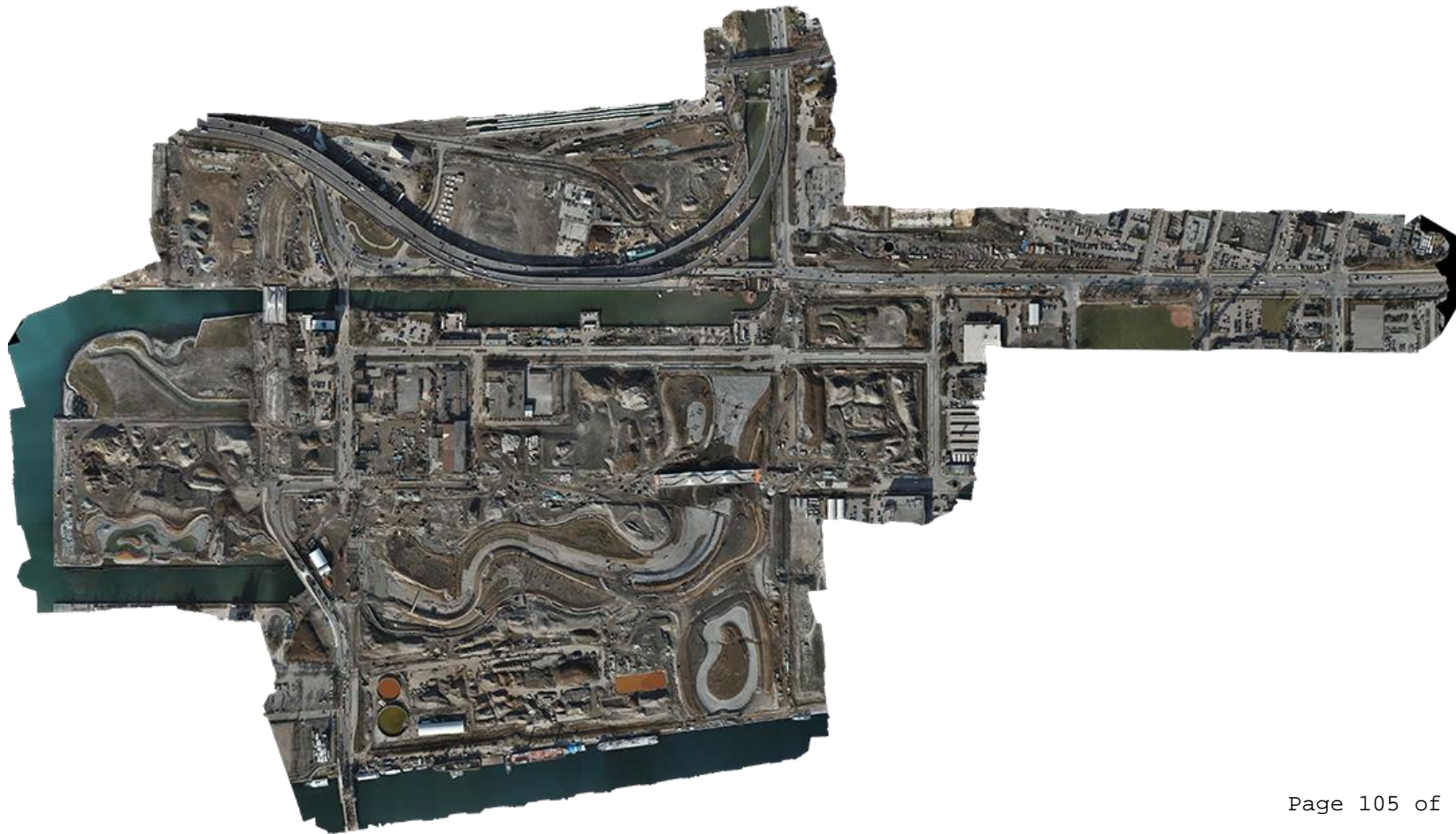
Presentation to the Finance, Audit and Risk Management Committee



All text information and images are confidential and cannot be shared.

Progress on Site

Port Lands Flood Protection: Construction Update





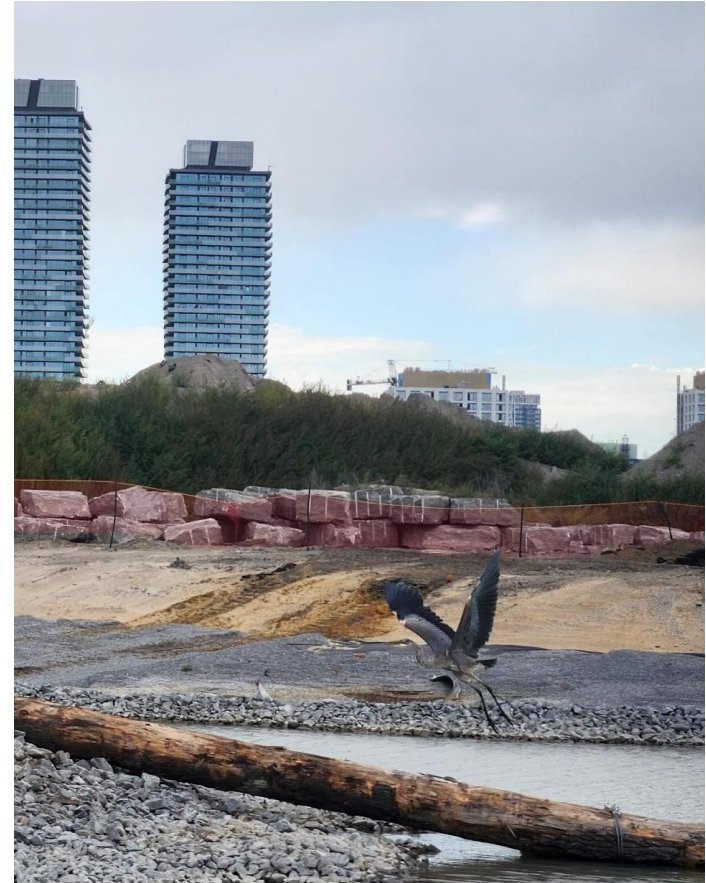
Port Lands Flood Protection: Canoe Cove Islands



Port Lands Flood Protection: Canoe Cove



Port Lands Flood Protection: Wild Visitors



Port Lands Flood Protection: Commissioners Street Bridge



Port Lands Flood Protection: River Valley Finishes



Port Lands Flood Protection: Ice Management Area



Port Lands Flood Protection: Stone Feature



Port Lands Flood Protection: West Plug, Cutoff Walls



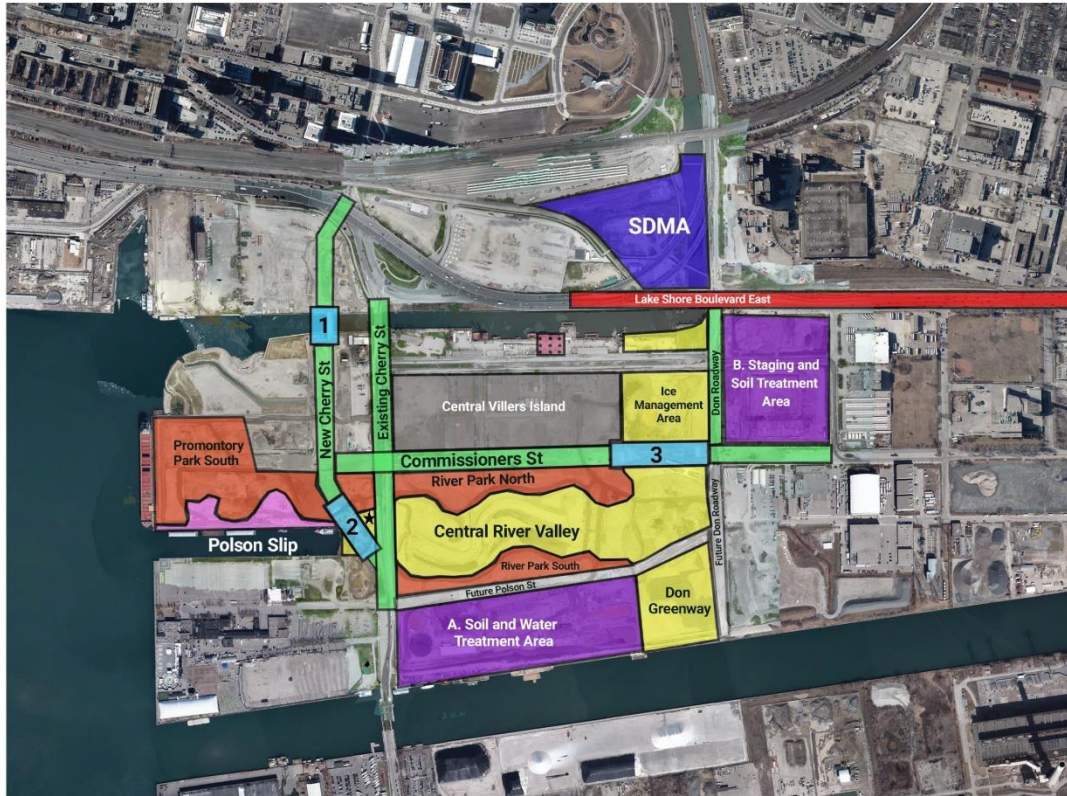
Port Lands Flood Protection: Lake Shore Bridge



Port Lands Flood Protection: Sediment and Debris Management Area



Port Lands Flood Protection: Winter Construction Schedule



January - March 2023

Roads

- **New Cherry St & Lake Shore Intersection:** lane shifts, install and connect utilities, street lighting, temporary traffic controls, and paving
- **New Cherry St:** install utilities, ground improvements, installation of green infrastructure, road base, paving.
- **Commissioners St:** install utilities, ground improvements, paving.
- **Don Roadway & Future Don Roadway:** ground improvements, flood protection landform, dockwall installation

Bridges

- **1 Cherry St North Bridge:** vehicular bridge concrete deck work, sidewalk concrete work and railings, road connection
- **2 Cherry St South Bridge:** Bench installation
- **3 Commissioners St Bridge:** additional concrete work, utility work, paving, benches, handrails

Parks

- **Promontory Park South:** excavation, structural fill placement, surcharging
- **River Park North:** surcharging, structural fill placement, park facilities infrastructure
- **River Park South:** surcharging, structural fill placement, park facilities infrastructure

River Valley

- **Central River Valley:** planting, install river finishes, install wetland habitat features, and dewatering. Dewatering and excavation at the west plug (★)
- **Ice Management Area:** install river finishes, install wetland habitat features, and dewatering
- **North Ice Management Area:** subcontractor mobilization
- **Don Greenway:** excavation, dewatering, install fish gate, habitat boulder, planting

Polson Slip Naturalization

- Canoe Cove islands construction and stone finishes

Staging and Treatment Areas

- **A:** Water treatment and soil stockpiling and staging
- **B:** Soil stockpiling and staging

Sediment & Debris Management Area (SDMA)

- Dredging and dockwall works

Central Villiers Island

- Fill placement, temporary soil stockpiling and construction staging

Utility Connection

- Excavation, microtunnelling and utilities installation

Lake Shore Boulevard East Project

- Ongoing eastbound bridge work
- New watermain commissioning
- Utilities installation between Don Roadway and Carlaw

Work Accomplished This Period: Q3 2022-2023– October 1 to December 31, 2022



Overall Program Update

General	<ul style="list-style-type: none"> • Prepared Semi-Annual Cost and Risk update presentation to stakeholders based on Q3 2022/23 (September 30, 2022) • Prepared Budget Funding and Scope Options report • Presentation to stakeholders as follows: <ul style="list-style-type: none"> • Executive Steering Committee (ESC) November 23 and December 13, 2022 • Finance Audit Risk Management Committee (FARM), November 24, 2022 • Inter-Governmental Steering Committee, December 7, 2022 • Board of Directors, December 8, 2022
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Construction Procurement*:

Awarded*:	91.2%	\$ 928.2 M
In Progress:	2.0 %	\$ 20.6 M
Not Started:	6.8 %	\$ 69.3 M

Work Planned Next Period:

Q4 2022-2023 – January 1 to March 31, 2022

Overall Program Update

General	<ul style="list-style-type: none"> • Complete detailed review on an ongoing basis, with monthly updates of the Estimate at Completion (EAC), program schedule and risk register • Monitor and assess progress against those elements as at Q3 2022/23 • Prepare Semi-Annual Cost and Risk update to be based on results as of Q4 2022/23 (March 31, 2023)
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Construction Procurement*:

Awarded:	91.2 %	\$ 928.2 M
In Progress:	2.2 %	\$ 22.0 M
Not Started:	6.6 %	\$ 67.9 M

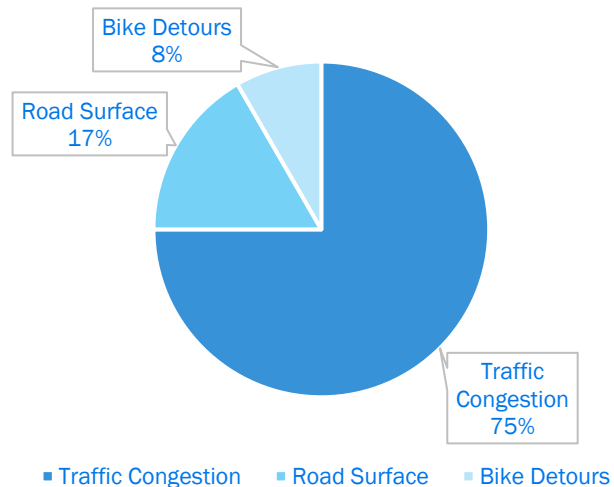
* Note: Includes Construction Procurements only

Complaints Tracking – PLFP

Report Period: October-December 2022

- 15 Complaints Total
- 4 Complaints related to PLFP: Cherry North Intersection

Complaints related to LSBE (11 total)



Engagement with Indigenous Communities

Updates October to December 2022:

- Met with MCFN to discuss proposed Indigenous Carvings on Lake Shore Blvd Bridge
- Held site tour of PLFP (and other WT projects) October 17th for MCFN
- Held MCFN Working Group Meeting November 18th
- Released PLFP Project Status in November 23 to Indigenous Communities consulted and engaged during DMNP EA
- Initiated procurement of Indigenous Design Services for PLFP Parks and Public Realm in collaboration with MCFN and others
- Continued outreach with MCFN regarding potential FLR involvement in monitoring opportunities

Next Steps

- Continue outreach with MCFN regarding potential FLR involvement in monitoring opportunities
- Award contracts for Indigenous design features within PLFP Parks and Public Realm and continue to work with MCFN and others to develop design and construction of features
- Anticipate MCFN Working Group Meeting March 2023
- Issue RFP to designers for Indigenous Carvings on Lake Shore Blvd Bridge

Communications and Public Engagement



FALL 2022

- River mouth excavation



WINTER 2023

- Traffic management on Lake Shore Boulevard East



SPRING/SUMMER 2023

- Cherry North Bridge opening
- Commissioners Street Bridge opening

Images from left:

- Planting event
- 2022 Science Fair

- Planting event with MCFN
- Planting explainer video featuring MinoKamik
- TBC: Community event at Cherry South Bridge

- Notices, outreach re: Lake Shore construction impacts
- Sugar Shack TO pop-up

- Habitat box building workshop
- Pop-ups and events TBC

Thank you.

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Purpose	For Approval
Areas of note/ Key issues	<p>The Broadview Eastern Flood Protection (BEFP) Project Phase 1 Capital Approval provided for management to confirm the delivery & construction management approaches for the project. This report describes the BEFP project, management's analysis of potential contracting methodologies and management's recommendation of the contracting methodology best suited for implementation of the project.</p> <p>BEFP is enabling infrastructure required to allow for occupancy of the proposed East Harbour development and replaces the Eastern Avenue Grading works proposed in Port Lands Flood Protection Project (PLFP).</p> <p>The scope for this project includes removal and reinstatement of utilities, implementation of the north and south portions of the Flood Protection Landform (FPL), regrading of the land in the eastern part of the existing BMW dealership and connection to the north and south landform segments and demolition of the Old Eastern Avenue bridge.</p> <p>BEFP involves significant work on private lands and there are several key adjacent projects with similar delivery timelines including the Metrolinx Ontario Line and East Harbour Transit Hub, City of Toronto's future Broadview Extension, Coxwell bypass and Eastern Ave bridge rehabilitation and Cadillac Fairview's East Harbour precinct. BEFP construction is anticipated to commence in Fall 2023.</p>
Recommendation	<p>Management recommends:</p> <p>Adopting the Construction Management (CM) approach for the Broadview Eastern Flood Protection Project.</p> <p>Proceeding with the CM procurement upon Board approval of this recommendation.</p> <p>Monitoring conditions and considering the option to negotiate a Guaranteed Maximum Price with the CM prior to completion of construction drawings and Sub-Trade procurement.</p>
Proposed Motion and Resolution	<p>WHEREAS the Corporation is the Project Delivery Agent for the Broadview Eastern Flood Protection Project Design and Construction (the "Project") on behalf of City of Toronto (the "City");</p>

	<p>WHEREAS the Project was approved as part of the 2022/23-2026/27 Rolling Five-Year Strategic Plan;</p> <p>ON MOTION duly made, seconded and carried, be it RESOLVED that the Finance, Audit and Risk Management Committee hereby approves, for recommendation to the Board of Directors, Management's recommendation that the Project be tendered using the Construction Manager method with an option to negotiate Guaranteed Maximum Price to enable early contractor involvement and design flexibility, better management of schedule constraints and transparency.</p>
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Broadview Eastern Flood Protection Project

Contracting Options Analysis and Recommendation

Finance, Audit and Risk Management Committee

February 23, 2023

Objective

- To provide an update on the current status of the Broadview Eastern Flood Protection Project.
- To review options for the procurement and form of contract for construction related services
- To obtain FARM and then Board of Directors concurrence on the recommended contractor procurement strategy, as required by Waterfront Toronto Procurement Policy

Waterfront Toronto Procurement Policy Section 5.2 (9)

Construction procurements estimated to be over \$5,000,000 require that the Director, Procurement and the COO determine a delivery and contracting methodology and fee structure. This procurement strategy will be reviewed with the Finance, Audit and Risk Management Committee (FARM) and form part of the Capital Approval request package issued to the Board for approval.

In determining the methodology, consideration will be given to; health and safety, liabilities to Waterfront Toronto, risk transfer and the premiums associated with the transfer of risk. The following project delivery methods will be considered; general contracting, construction management, design-build and public-private-partnership. Furthermore, the following contract types and fee structures will be evaluated; unit cost, lump sum, percentage fee and guaranteed maximum price, or other possible incentive arrangements.

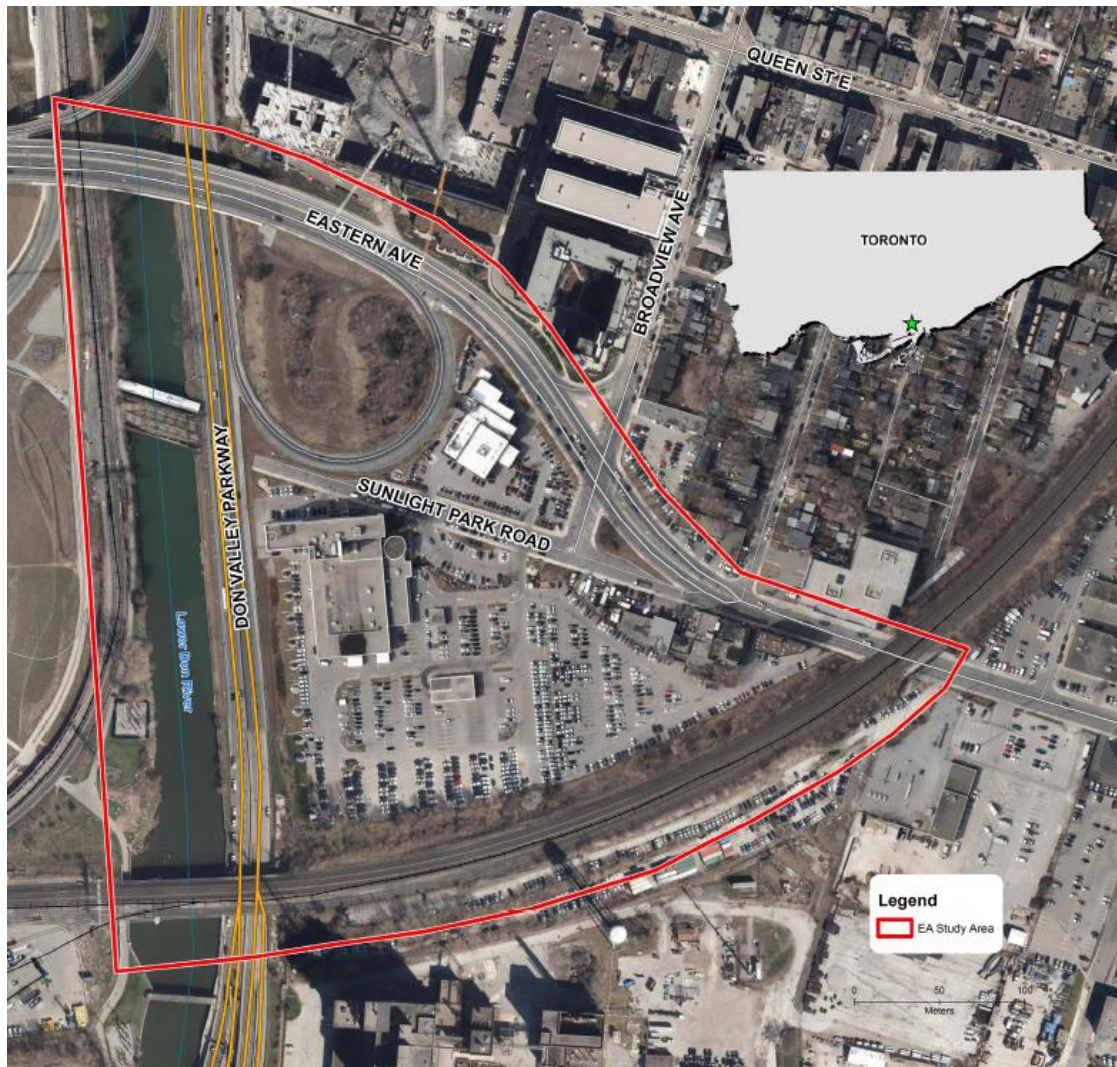
The preceding analysis will be documented and put on file

Project Background



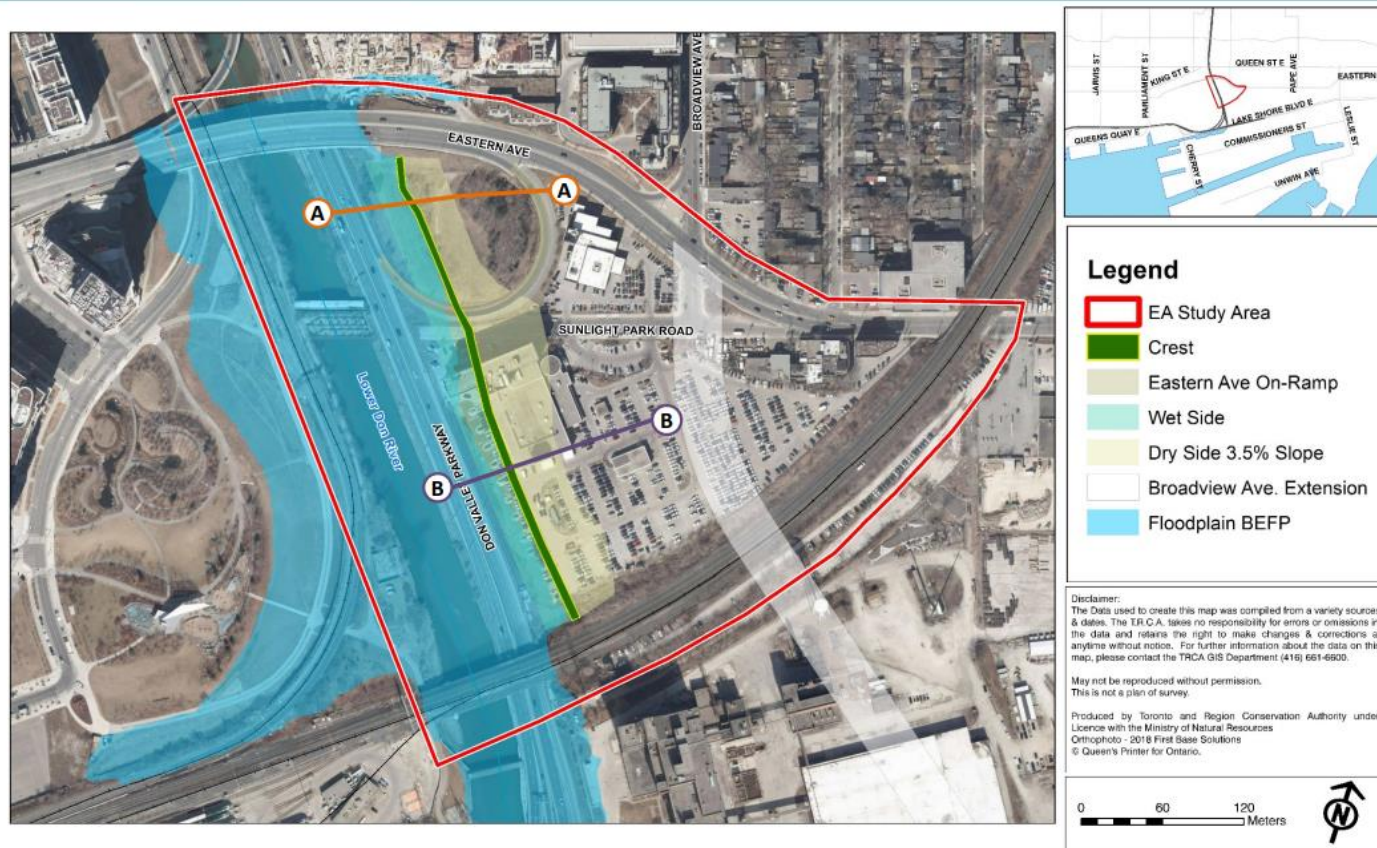
- The **Broadview Eastern Flood Protection Project (BEFP)** is a joint City of Toronto, TRCA and Waterfront Toronto project that is intended to address riverine flood vulnerability to 8 hectares of urban land just east of the Don River, south of Eastern Avenue and north of the Metrolinx railway embankment.
- This area is currently subject to the Lower Don Special Policy Area (SPA) which limits new development. Flood protection is necessary to lift this SPA and support key projects such as Metrolinx's East Harbour Transit Hub, Ontario Line, City of Toronto's Broadview Extension as well the Cadillac Fairview's East Harbour Transit Oriented Community.
- The proposed flood protection solution is a Flood Protection Landform (FPL) which is a non-structural earthen landform that provides flood protection by permanently changing the topography of an area to replicate the function of a containing valley system.
- The project area is currently a combination of public and private lands with a significant portion of the FPL proposed on the existing private BMW dealership lands.

Project Scope - Area



- The **BEFP** project area is bound by the Don River/DVP to the west, Eastern Ave to the north and east and the Metrolinx rail corridor to the south.
- The private lands within the project area are currently occupied by the BMW and Mini dealerships.
- There are several key adjacent projects with similar delivery timelines including the Metrolinx Ontario Line and East Harbour Transit Hub, City of Toronto's future Broadview Extension, Cadillac Fairview's East Harbour precinct, Coxwell bypass and Eastern Ave bridge rehabilitation.

Project Scope – Full Flood Protection Landform



The Flood Protection Landform (FPL) approved in the BEFP Environmental Assessment contemplates a landform extending from Eastern Ave through the BMW lands up to the Metrolinx rail embankment. Given the presence of the BMW dealership on these lands this final configuration will be completed in future when the dealership has vacated and the land owner seeks to redevelop the lands.

- Phase 1 FPL Construction**

Phase 1 & 2 Completion of Utility works on Sunlight Park Road

Phase 3 FPL Construction

Alternative Grading work

LANDFORM TIED INTO EASTERN AVE. EMBANKMENT WITH ANTI-SEEPAGE COLLAR

LANDFORM TIED INTO METROLINX RAIL EMBANKMENT STATION BOX WITH ANTI-SEEPAGE COLLAR

LEGEND

 - SITE SERVICING DESIGN BASED ON ESTABLISHMENT OF BROADWAY CORNER AND BROADWAY STATION LAMPED VIEWED FROM THE OCT. 5, 2002 SITE PLAN APPLICATION. RECONSTRUCTION TO HOLD THE EXISTING INFRASTRUCTURE HAS NOT BEEN COMPLETED. EXISTING INFRASTRUCTURE MAY NOT BE TO SCALE OR SIZED CORRECTLY.
 - PORTION OF SUNLIGHT PARK ROAD REMOVED; EASTERN RAMP TO BE RE-CONSTRUCTED IN PLACE.
 - LEVEL OF FLOOD PROTECTION FOR LANDFORM AND ORIGINAL FEATURES INCLUDES REGIONAL STORM WATER SURFACE ELEVATION PLUS 8.5 IN FEET WINDS.
 - WIND FLOOD PROTECTION FOR LANDFORMS: TECHNICAL DESIGN CONSIDERATIONS: SLOPE REQUIREMENTS: WIND SIDE MAXIMUM SLOPE OF 4:1 WITH 10:1 IN ALLOWABLE FOR LOCATED AREAS AND DRY SIDE MAXIMUM SLOPE OF 1.5:1 FOR ALLOWABLE TO LANDFORM DRYLY.
 - CONTOUR AND SPOT ELEVATION LABELS "E" AND "W" INDICATE EXISTING AND PROPOSED CONDITIONS.
 - DURING THE REGIONAL STORM EVENT THE FLOOD PROTECTION LANDFORM IS ANTICIPATED TO BE SUBJECT TO VELOCITIES BETWEEN 1 AND 4 MPH FOR THE NORTH LANDFORM AND 0.5 MPH FOR THE SOUTH LANDFORM. THE DESIGN PROTECTION SHOULD BE CONFIRMED AT DETAILED AND HWS PURPOSES. FURTHER REFINEMENT TO THE KEY IN DEPTH SHOULD BE UNDERTAKEN AT DETAILED DESIGN.

DESIGN FOR A FIRST PHASE OF THE BROADWAY AND EASTERN FLOOD PROTECTION PREFERRED ALTERNATIVE

OPTION 1

PRELIMINARY DESIGN (50%)

MED-BLOCK GRADING SOLUTION WITH NORTHERN SOUTH A

NO. 1 DATE: 11/1/2020

REVISIONS:

NO.	DATE	REVISIONS
1	11/1/2020	1.0
2	11/1/2020	1.1
3	11/1/2020	1.2
4	11/1/2020	1.3
5	11/1/2020	1.4

DRAFT

SCALE: 1" = 50'

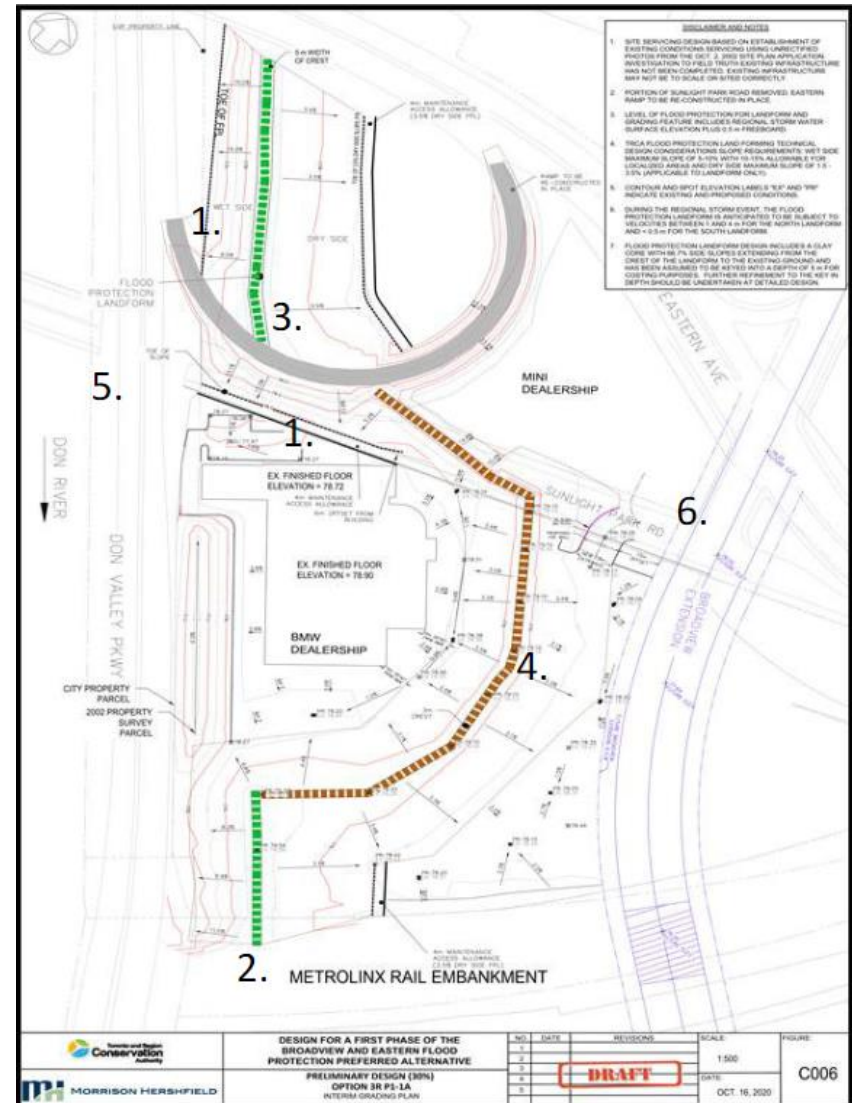
DATE: OCT 18, 2020

C001

Project Scope - Project Components

The **BEFP** project is split into the following scopes of work:

1. Removal reinforcement and/or relocation of utilities and municipal servicing along Sunlight Park Road, Eastern Avenue ramp to DVP and site-servicing within other non-ROW lands within the footprint of the required flood protection solution.
2. Implementation of Southern FPL Segment.
3. Construction of North FPL Segment and replacement of the Eastern Ave on-ramp.
4. Regrading of land in the eastern part of the existing BMW dealership and connect to the northern and southern segments.
5. Demolition of the Old Eastern Avenue Bridge to provide adequate flood water conveyance capacity.



Project Scope – Integration and Coordination with Adjacent Projects



BEFP involves direct coordination with adjacent projects – Ontario Line, East Harbour Transit Hub, Broadview Extension, Coxwell Bypass, and the Eastern Ave Bridge Rehab projects.

Current Status

- Broadview Eastern Flood Protection Project Municipal Class Environmental Assessment approved by Ministry of Environment Conservation and Parks in 2021.
- Board of Directors Capital Approval for 60% design granted on June 23, 2022
- Delivery Agreement between Waterfront Toronto and City of Toronto executed in 2022 to undertake:
 - i. subsurface environmental, geotechnical and hydrogeological investigations.
 - Subsurface investigation awarded to WOOD (now operating as WSP) in Summer 2022.
 - 40% complete as of February 6, 2023, remaining 60% to be completed by end of April 2023.
 - ii. project consulting services, including detailed design, contractor procurement, contract administration and design support services during construction.
 - Design contract awarded to Morrison Hershfield in Fall 2022 through competitive procurement.
 - Morrison Hershfield underway with advancement of design.
 - BTY procured through Vendor of Record to perform Cost and Schedule Peer Review and Project Risk Analysis
 - BTY underway with baseline peer reviews and development of project risk register

Procurement Decision – Key Considerations

- Early Contractor involvement required to devise integrated construction phasing strategy in alignment with adjacent project activities, 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 a fast tracking.
- Approach needs to align with the essential design services that are already retained (Flood Protection Landforming, Hydraulic Modeling, Municipal Engineering, Transportation Planning).
- More transparent Open Book process supports timely decision making and easier government audits.
- BEFP project Phase 1 Capital Approval included requirement to determine project delivery and construction management approach

Contracting Analysis – Option 1

General Contractor - Lump Sum Tender

Process

- Tender issued to prequalified list of general contractors
- Lowest compliant bidder selected

Outcome

- No Early Contractor Involvement
- Design must be 100% complete prior to tender
- Cost is known prior to construction start upon award
- Owner carries the cost and schedule-impacting risks
- Closed Book Process

Contracting Analysis – Option 2

Design – Build (DB)

Process

- DB Selected through early Pre-Qualified RFP process based on services, qualifications, and bid price
- Contractor awards Engineer and Sub-Trade contracts as required to suit schedule (Closed Book Process)

Outcome

- Little Early Contractor Involvement
- Owner does not have much control over design
- Does not allow design flexibility for concurrent approval requirements
- Cost is a factor in DB selection and is known early
- DB carries the majority of project risks
- Closed Book Process

Contracting Analysis – Option 3

Construction Management (CM/GC)

Process

- CM Selected through early Pre-Qualified RFP process based on services, qualifications and fee proposal
- Sub-Trade tenders issued at varying stages of completion to suit schedule (Open Book Process)

Outcome

- Pre-construction services include constructability, value advice, estimating, scheduling, mock-ups
- Allows the most flexibility to Owner for the integration of design and approvals
- Cost certainty obtained later once final sub-trade tender is awarded
- CM services geared to help achieve cost and schedule efficiencies
- Owner carries the majority of the project risks
- Open book process

Contracting Analysis – Option 4

CM/GC (Negotiated Guaranteed Max. Price Option)

Process

- CM selected through early Pre-Qualified RFP process based on services, qualifications and fee proposal
- Sub-Trade tenders issued sequentially at varying stages of completion to suit schedule (Open Book Process)

Outcome

- Pre-construction services include constructability, value advice, estimating, scheduling, mock-ups
- Allows flexibility to Owner for the integration of design and approvals until Guaranteed Maximum Price (GMP) is reached
- Cost certainty obtained as GMP is negotiated following 60% estimate
- CM carries some project risks and builds risk impacts in its GMP
- CM has an incentive to finish early
- Contractor and owner share savings based on final tender values
- Open Book Process

Contracting Analysis – Option 4

CM/GC (Negotiated Stipulated Price option)

Process

- CM selected through early Pre-Qualified RFP process based on services, qualifications and fee proposal
- Contractor awards Sub-Trade contracts as required to suit schedule (Closed Book Process)

Outcome

- Pre-construction services include constructability, value advice, estimating, scheduling, mock-ups
- Allows flexibility to Owner for the integration of design and approvals until Stipulated Price is reached
- Cost certainty obtained as Stip. Price is negotiated following 60% estimate
- CM carries most project risks and builds risk impacts in its Stip. Price
- CM has an incentive to finish early
- Closed Book Process

Contracting Options Analysis

Contracting Option	Pre-Con Services	Design & Approvals	Cost Certainty	Overall Cost	Schedule Adherence	Risk Transfer	Open Book	Weighted Total
Importance	High	Med	Low	High	High	Med	High	
General Contractor	1	2	5	5	1	2	1	37
Design-Build (DB)	2	1	4	4	2	5	2	46
CM/ GC	5	5	1	3	3	1	5	61
CM (Negotiated GMP)	4	4	2	2	4	3	5	58
CM (Negotiated Stip. Price)	3	3	3	1	5	4	2	53

Legend

1 5
 Lowest Ranked Highest Ranked

Weighting

1 2 3
 Low Medium High

Conclusions

- Construction Management (highest score) achieves critical project requirements to the greatest extent: e.g. Early Contractor Involvement, Design/ Approvals flexibility, Schedule constraints, and Transparency.
- Option exists to negotiate a Guaranteed Maximum Price with CM.
- Both options are fully open book and transparent.

Recommendations

- Adopt Construction Management approach for the Broadview Eastern Flood Protection Project.
- Proceed with the CM procurement upon Board approval of this recommendation.
- Monitor conditions and consider the option to negotiate a Guaranteed Maximum Price with the CM prior to completion of construction drawings and Sub-Trade procurement.

- **WHEREAS** the Corporation is the Project Delivery Agent for the Broadview Eastern Flood Protection Project Design and Construction (the “Project”) on behalf of City of Toronto (the “City”);
- **WHEREAS** the Project was approved as part of the 2022/23-2026/27 Rolling Five-Year Strategic Plan;
- **ON MOTION** duly made, seconded and carried, be it RESOLVED that the Finance, Audit and Risk Management Committee hereby approves, for recommendation to the Board of Directors, Management’s recommendation that the Project be tendered using the Construction Manager method with an option to negotiate Guaranteed Maximum Price to enable early contractor involvement and design flexibility, better management of schedule constraints and transparency.

Thank You

info@waterfronttoronto.ca

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Purpose	For Committee Information.
Areas of note/ Key issues	<p>This Internal Audit Update comprises two areas:</p> <ol style="list-style-type: none"> 1. Status update of WT's risk-based internal audit plan (2022/23 – 2023/24) approved by the FARM Committee in May 2022 - four audit areas remain. 2. Planning memo for the Procurement Process Review currently underway and planned for completion in March 2023. <p>Note: The status of previous internal audit recommendations is reported under the Audit Dashboard, Item 4 d) i c).</p>
Resolution or Next Steps	MNP will report on the results of the Procurement Process Review at the May 25, 2023 FARM Committee meeting.

Waterfront Toronto

Internal Audit Plan Status Update

For FARM Committee – February 23, 2023



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Remaining Two Years of Internal Audit Plan – Status

(FARM-Approved May 26, 2022)



Fiscal Year	Audit Name and Summary Audit Scope	Status
2022/2023 – Q2	ERP System Implementation Lessons Learned Review* – In pursuit of continuous improvement, this lessons learned review will assess the recent ERP system implementation to better understand and determine: <ul style="list-style-type: none"> - what lessons can be learned to inform future projects; - implementation strengths; - implementation gaps; - root cause factors for implementation delays and additional expenditures; and - opportunities for improvement. 	Completed <i>(Presented to FARM Committee – November 24, 2022)</i>
2022/2023 – Q3	Procurement Process* – A review of current procurement practices focusing on approval workflows and thresholds in order to identify possible efficiencies and opportunities to streamline procurement processes.	In progress <i>(To be presented at the May 25, 2023 FARM Committee Meeting)</i>
2022/2023 – Q4	Robotic Process Automation* – A review to identify and assess opportunities to enhance the use of RPA across the organization, with a specific focus on the areas of Finance and Accounting and PMO.	Planning to commence Feb/March 2023
2023/2024 – Q1	Cyber Security Audit – A targeted review of WT’s cybersecurity program, policies and standards, outstanding audit recommendation implementation, ability to respond to cyber threats, vulnerabilities, risk reporting, risk awareness and culture. This audit will also consider components of privacy and records management.	Not Yet Started
2023/2024 – Q2	Accessibility – Assess WT’s compliance with the Accessibility for Ontarians with Disabilities Act (“AODA”) and the standards defined in the Integrated Accessibility Standards Regulation (“IASR”) to determine any gaps in compliance, the associated risks with non-compliance, and recommendations for improvement prior to the AODA compliance deadline of January 1, 2025.	Not Yet Started

*Note. The three internal audits in 2022/23 are linked as they focus on interrelated aspects of the ERP system.

Questions?
Thank You



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Enterprise Resource Planning ("ERP") System - Procurement Process Review

Planning Memorandum

January 13, 2023

Veronica Bila

Partner, Enterprise Risk Services



416.515.3843



Veronica.Bila@mnpc.ca

Suite 300, 111 Richmond Street West, Toronto, ON M5H 2G4



Background

In December 2019, Waterfront Toronto ("WT") completed the implementation of Microsoft Dynamics D365 Finance & Operations ("D365") replacing the organization's existing end-of-life system. D365 was identified as a key component of WT's Organizational Resiliency Plan - a modern and comprehensive cloud-based ERP solution that better aligns to current and future business needs. New workflows for the procurement process were introduced and implemented as part of the new ERP solution. This included utilizing the system to request and obtain procurement approvals and thresholds to ensure that WT's procurement and other relevant corporate policies are followed.

In pursuit of continuous improvement, as well as to incorporate leading practices where applicable, WT has identified the opportunity to review the D365 implemented procurement workflow, including approvals and thresholds, to ensure that WT is following established workflows and to assess for possible efficiencies and opportunities to streamline system processes. This may include such items as reviewing the length of time different documents/expenditure types are approved through the system as well as assessing whether low risk, routine and/or low dollar value transactions should follow the same workflow as those of higher value and complexity.

As such, an ERP procurement process review has been included within WT's approved Internal Audit Plan for fiscal year 2022/2023.

Objective

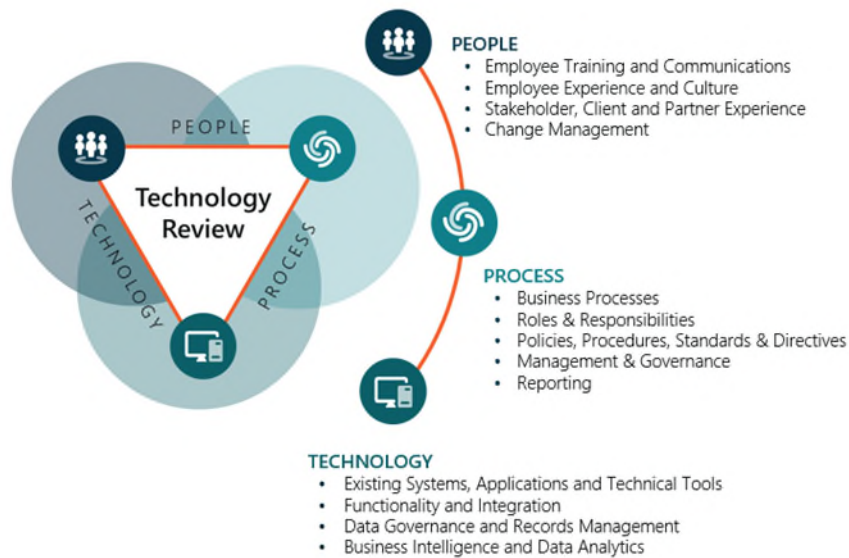
The objective of this review is to assess the current procurement practices within the ERP D365 system, with a focus on the following:

- approval workflows and thresholds, including:
 - ensuring that WT is following established workflows and approval thresholds; and,
 - understanding the length and stages of approval processes for varying types of procurements through D365, and as compared to other comparable organizations (i.e., public sector).
- assessment of opportunities to streamline procurement processes, including recommendations that can be implemented using the parameters of the existing system and WT resources.

Scope

The scope of this review will include the procurement process workflow related to authorizations and approvals. To perform a comprehensive review, MNP will utilize a framework that guides the evaluation into three elements – People, Process, and Technology. This framework has been successful in understanding all aspects and outcomes related to business process optimization. Specifically, the review of and understanding of transaction risk (i.e. risk of categorizing certain transactions through the same processes), will be incorporated within the Process stream element.

MNP's framework (shown below) prioritizes how these three elements work together to enable organizational success through the strategic use of technology.



MNP will also provide a comparison of findings to lessons learned from other comparable organizations to identify future considerations and determine those which are relevant to and feasible for WT.

Risks

Given the stated objective, the following sample of inherent risks¹ have been identified that may be considered typical in the scope of a review of this nature. We have categorized these risks according to the three elements of the framework – People, Process, and Technology.

People

- Lack of end user and overall organizational acceptance and use of the procurement workflow within the D365 technology;
- Negative impact on employee productivity due to the number of approvals required, as well as potential duplicate approvals;
- Significant employee time spent on low risk transactions and duplicated processes, affecting overall productivity;
- Negative impact to reputation as a result of the length of time it takes for a purchase order to process through D365 from initiation to full approval; and,
- Ineffective communication regarding overall automatization of the procurement approval process objectives and value.

Process

- Challenges of re-engineering procurement business processes to align to the processes within the new technology;
- Repetitive/duplicate approvals required resulting from procurement workflow design;
- Process inefficiencies for managing low risk, routine and/or low dollar value transactions;

¹ The risk derived from the environment without the mitigating effects of internal controls – Institute of Internal Auditors.

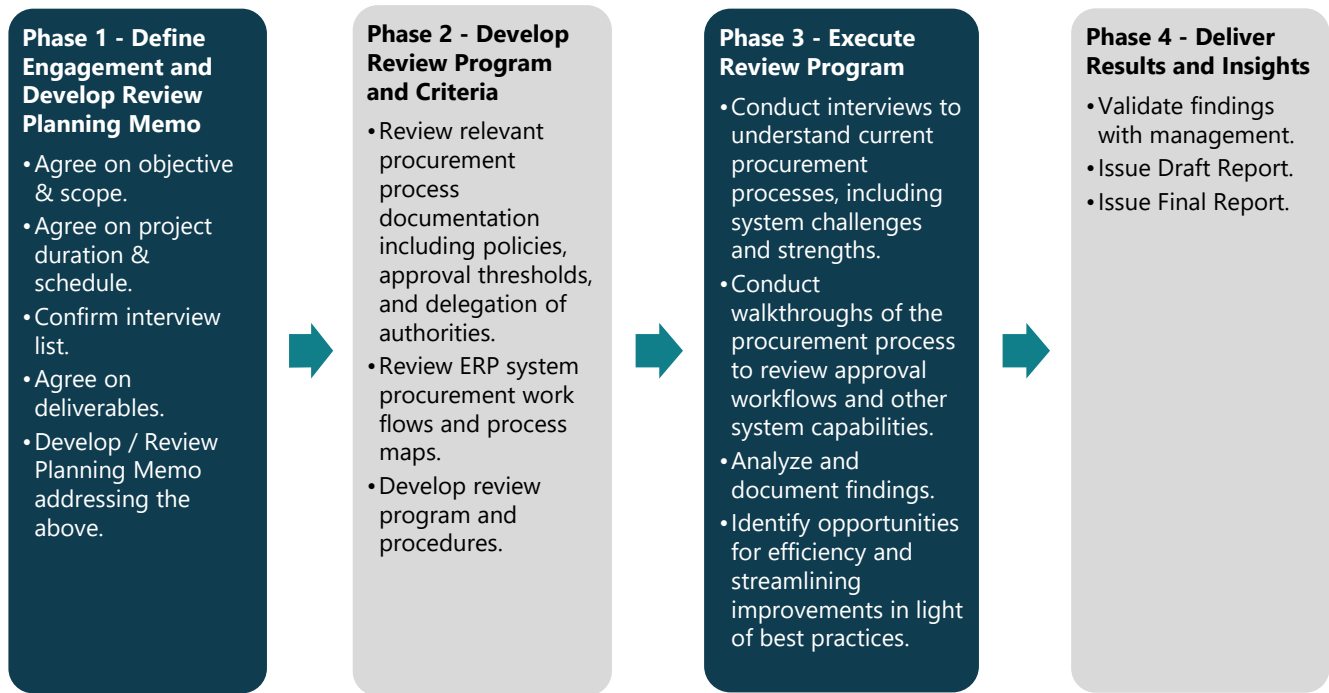
- Ineffective reporting capabilities related to the procurement process;
- Requirement for revised role definitions; and,
- Lack of overall system business ownership, including on-going accountability.

Technology

- Misalignment between current organizational policies and processes pertaining to authorizations and technology capability and set up;
- D365 system not being used to its full functionality;
- Ineffective or non-existent system integrations with critical tools; and,
- Multiple instances of a single data record resulting in no one ‘source of truth’.

Approach

In accordance with MNP’s internal audit methodology, the high-level work plan for this review includes the following phases:



Assumptions

To develop a project work plan and determine resource needs, MNP will:

- Obtain records, documentation, samples and other information we request for our review in a timely manner while maintaining the confidentiality of privileged information contained within;
- Conduct interviews/discussions with management and staff, who will be available to participate in interviews and respond to inquiries on a timely basis; and,

- Not be responsible for any delay or other consequences resulting from the WT's failure to perform any of its obligations.

Timeline and Deliverables

Key activities, deliverables and the general timeline are outlined in the table below:

Phase	Activity / Deliverable	Dates*
Phase 1	Kick-off meeting	December 2022 to January 2023
	Planning Memo preparation and submission	
	Finalize scope and approve Planning Memo	
Phase 2 and Phase 3	Review of procurement policies, workflows and process maps	January to February 2023 <i>(Interviews to be conducted in January and February 2023)</i>
	Interviews with key WT staff	
	Walkthroughs of the procurement process within the ERP to review approval workflows and other system capabilities	
	Evaluation and assessment to identify improvement opportunities	
Phase 4	Validation of findings	March 2023
	Draft report submitted	
	Meeting to discuss draft report	
	Issuance of final report, with management responses	
	FARM Committee meeting	May 2023**

*Note: The above timeline may be revised due to unanticipated events and the availability of key stakeholders. MNP will keep WT Management apprised of any delays as they become known and will revise the timeline accordingly.

**Note: The report will be presented at the FARM Committee meeting in May 2023.

Budget

The budget for this review has been estimated to be \$38,400 (exclusive of HST), including presentation to the FARM Committee. The hours for each team member are estimated below.

It is important to note that these hours are solely based on the assumptions, tasks and deliverables outlined in the above sections, using the rates as per our Internal Audit Services Contract. Should any of these items change, the estimated hours (and possibly budget) will need to be adjusted to reflect the change.

Team Member	Engagement Role	Hours
Veronica Bila	Engagement Partner	10
Scott Crowley	Quality Assurance Partner	3
Wendy Gnenz	ERP / Procurement Subject Matter Expert Partner	46
Katie Hayes	Procurement Subject Matter Expert Manager	66.5
TOTAL		125.5

Subject Matter Expert Bios

Wendy Gnenz

Wendy is a Partner in MNP’s Digital Advisory practice. She is a proven innovative strategist and transformation leader with over 25 years of progressively responsible expertise in setting innovative, practical strategic direction for numerous organizations in technology strategic planning, data governance, analytics and artificial intelligence. As a visionary leader, she drives digital transformation through developing, motivating and leading teams.

Described as inspirational, collaborative and intuitive, Wendy is known for her ability to be a growth change catalyst who infuses productive energy to strategically drive transformation and deliver measurable results. With her unique combination of financial and technology expertise, Wendy is able to provide practical business advice to improve and transform businesses. As a CPA, Wendy has experience working with a number of clients on reviewing procurement processes, identifying strengths and opportunities for improvement, and developing policies and guidelines pertaining to authorization levels and delegation of authority matrices.

Katie Hayes

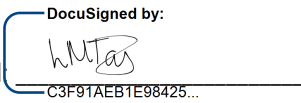
Katie is a Senior Manager in MNP’s Digital Advisory practice. She is an accomplished innovation and transformation leader who works with organizations to transform complex challenges into opportunities for growth. Katie is passionate about bringing people and technology together to solve problems and enhance organizational effectiveness. Katie’s areas of expertise include public sector strategy and policy development, digital transformation, innovation, change management and community engagement. Katie has experience working with a number of clients on reviewing procurement processes, identifying strengths and

opportunities for improvement based on leading industry practices, and developing recommendations for improvement leveraging technology.

Client Acceptance

Please confirm your acceptance to proceed with this planning memorandum by signing in the space provided and returning a copy to the attention of Veronica Bila.

I hereby authorize MNP to proceed with and provide the services as described herein,

Signed  DocuSigned by:
C3F91AEB1E98425...

Date: 1/27/2023 | 5:01 PM EST

Name: Lisa Taylor

Title: Chief Financial Officer



Our Values

- We exemplify integrity in all we do
- We are one firm/one pot/one team
- We are entrepreneurial
- Profit optimization
 - We run our business like a business
 - Balanced lifestyle
 - 'Fun' is important
- We insist on quality client service
- We perform to high quality standards
- We operate on guidelines
- We conduct ourselves with humility and respect
- We value our professions and our communities
- We value diversity

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Closed Session

Item 11(a) Draft Minutes of the Closed Session – November 24, 2022 FARM Committee Meeting

ON MOTION duly made by [●] and seconded by [●] and carried, be it **RESOLVED** that the Minutes of the Closed Session of the Finance, Audit and Risk Management Committee held on November 24, 2022 be approved as tabled.

Item 16 Amendments to the Rolling Five Year Strategic Plan

ON MOTION duly made by [●] and seconded by [●] and carried, be it **RESOLVED** that the Finance, Audit and Risk Management Committee approves, for recommendation to the Board of Directors for approval the amendments to Waterfront Toronto's Rolling Five Year Strategic Plan (2022/23 – 2027/28 and related project funding reallocations, all as set out in the materials presented to the Committee.

2023 BOARD & COMMITTEE SCHEDULE

UPCOMING MEETINGS

S/N	Date (2023)	Board/Committee	Key Agenda Item(s) include:
1.	Thursday, February 23	FARM	• Per FARM Committee workplan
2.	Wednesday, March 8 (3:00 – 5:00p.m)	HRGSR	• Per HRGSR Workplan
3.	Thursday, March 9	IREC	<ul style="list-style-type: none"> • Quayside Update • Detailed Status Report on all Development Projects • Other Projects (if any) • Real Estate Acquisitions and Divestitures (if any) • Other Acquisitions (if any)
4.	Monday, March 27	Board	• Reports of the IREC, FARM and HRGSR committees
5.	Thursday, May 25	FARM	• Per FARM Workplan
6.	Thursday, June 1	HRGSR	• Per HRGSR Workplan
7.	Friday, June 9 (10a.m. – 12:00p.m.)	IREC	<ul style="list-style-type: none"> • Development Projects Dashboard • Other Projects (if any) • Real Estate Acquisitions and Divestitures (if any) • Other Acquisitions (if any)
8.	Monday, June 12 (1:00-4:30p.m.)	Board	<ul style="list-style-type: none"> • Reports of the HRGSR, IREC, and FARM committees • Approve 2022/23 Annual Report • Approve 2022/23 audited financial statements • Year-end Performance Assessment for CEO and approval of compensation for 2023/24
9.	Thursday, September 14	HRGSR	• Per HRGSR Work plan
10.	Thursday, September 21	FARM	• Per FARM Work plan
11.	Thursday, September 28	IREC	<ul style="list-style-type: none"> • Development Projects Dashboard • Other Projects (if any) • Real Estate Acquisitions and Divestitures (if any) • Other Acquisitions (if any)
12.	Thursday, October 12	Board	<ul style="list-style-type: none"> • Report of the HRGSR, IREC, and FARM committees • 2024 Board and Committee Meeting Calendar
13.	Thursday, November 9	HRGSR	• Per HRGSR Work plan
14.	Thursday, November 16	IREC	<ul style="list-style-type: none"> • Development Projects Dashboard • Other Projects (if any) • Real Estate Acquisitions and Divestitures (if any) • Other Acquisitions (if any)
15.	Thursday, November 23	FARM	• Per FARM Work plan
16.	Thursday, December 7	Board	<ul style="list-style-type: none"> • Report of the HRGSR, IREC, and FARM committees • Approval of 2023/24 Corporate Plan