

TRANSITION TO WATERFRONT 2.0: The next phase of waterfront revitalization

Board of Directors

September 14, 2017

Item 5a (1)



Objective

- Provide an update on:
 - organization vis-à-vis its strategic priorities
 - organizational resiliency plan
 - strategy for next phase of revitalization
- Request for approval for the 2017/2018 Corporate Plan Amendment
- Long-term perspective on organizational and governance changes

Previous Board Update: December 2016

- 2017/18 Waterfront Toronto Corporate Plan
- Reaffirmed broad goals contained in original legislative mandate
- Identified core purpose
- Updated context for the 2016 Waterfront:
 - vibrant real estate market
 - completed infrastructure
 - track record of execution
 - continued community buy-in and support
 - governments in alignment:
 - climate change
 - affordable housing
 - enhanced mobility
 - job creation
 - green technologies
- Highlighted five “pluses”
- Prioritized projects/initiatives
- Resources and milestones
- Overall reduction in annual budget -2.4%



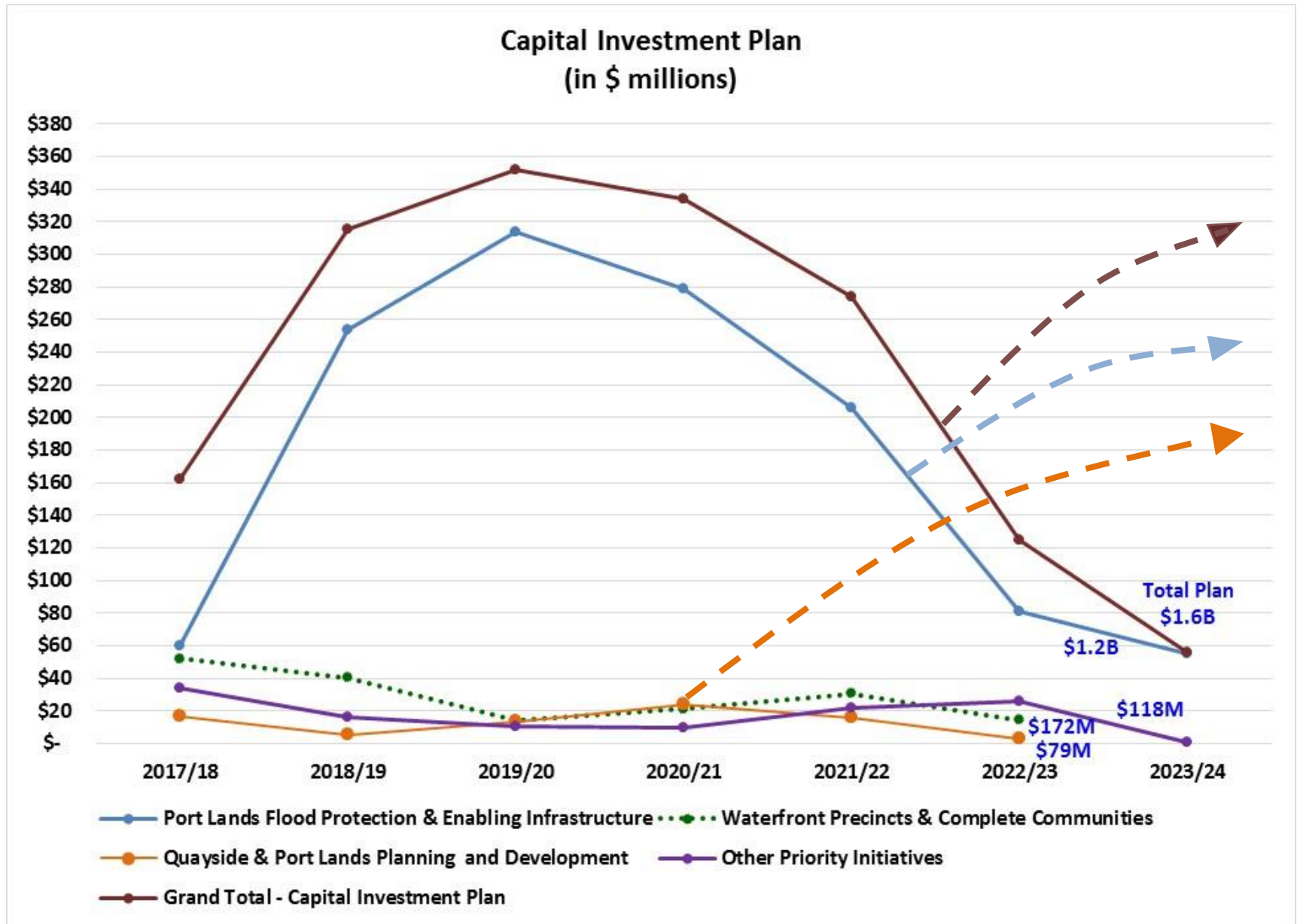
What's Changed?

(6 month update since fiscal year began April 2017)

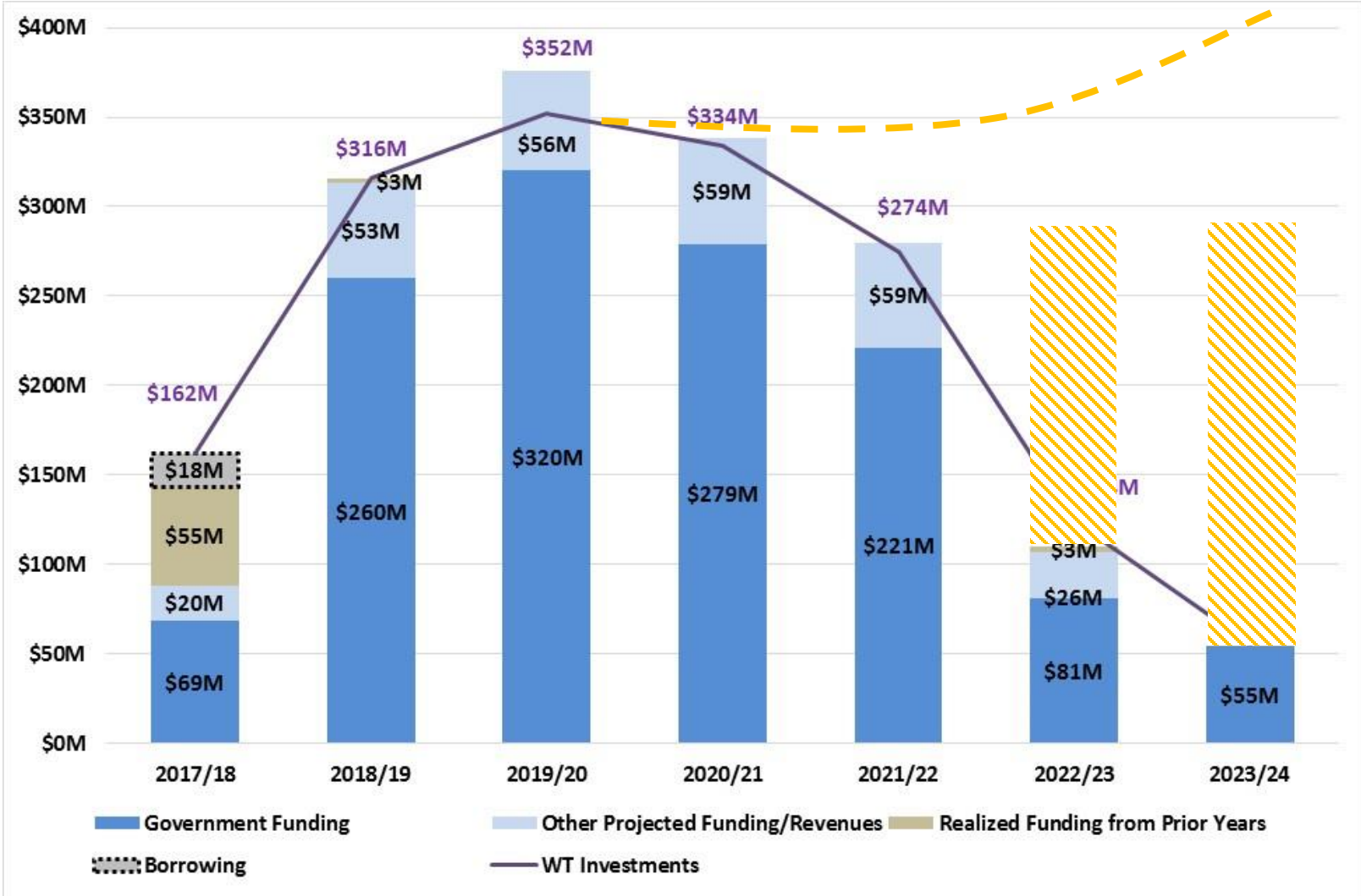
- **Port Lands announcement:** Flood mitigation and enabling infrastructure funding \$1.25B (June 2017)
- **Bayside milestones:** Record condo pricing for third building; First building occupied; Phase II initiated
- **Quayside RFP response:** three qualified finalists submitted “Best and Final Offers” that embrace our goals and procurement for early funding partner
- **Private interest in waterfront:** Increased national and international inquiries from significant academic institutions, technology firms, development companies, equity, pension and sovereign funds
- **Organizational optimization:** Refined work on of values, metrics and decision criteria to identify priority projects



Capital Investment Plan to 2024



Funding Plan to 2024



What's Coming:

Next Stage for Waterfront Toronto's "2.0" Rollout

- **Organizational Resiliency Plan - manage delivery Port Lands project** Sep '17 - Mar '18
- **Business Implementation Plan (BIP) for the Port Lands** Oct '17 - Mar '18
- **Quayside Announcement and Phase 1 Work Commencement** Oct '17 - Mar '18
- **Waterfront Toronto Role and Governance Changes** Oct '17 - Mar '18
 - CA's with three governments and tri-government MOU
 - extend Waterfront Toronto's term to 2028 (automatic) and beyond (legislative)
 - private revenues
 - borrowing term and amount
 - create corporate affiliates/subsidiaries

Ongoing Organizational Enhancement

- Refine priority project pipeline, strategic initiatives
- Identify internal capacity and partnership opportunities
- Board action on:
 - operational governance changes
 - updated Waterfront Toronto narrative
 - committee roles and alignment
 - interface between Board and management team
- Government shareholders - enhanced coordination with ministries, IGSC and secretariats
- Integrated strategic, long-term plans, and corporate plans:
 - staffing
 - systems
 - revenues and cash flows
 - risk mitigation
 - deliverables
 - measures

Organizational Initiatives: 6-12 Months

- Refine pipeline, capacity, and identify partnerships
- Human Resources support and enhancements
- Office of the CEO - coordination of core functions
- Project governance/reporting/risk resilience
- Broader design vision
- Board interaction and committee structure
- Waterfront Toronto narrative & Engagement+ framework



WATERFRONToronto

2017/18 Corporate Plan Amendment

Board of Directors
September 14, 2017

Lisa Taylor

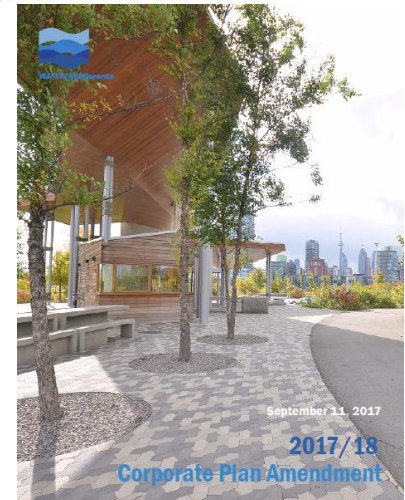
Purpose

- Explain why the 2017/18 Corporate Plan requires an amendment
- Outline the key areas of the 2017/18 Corporate Plan Amendment
- Key Messages

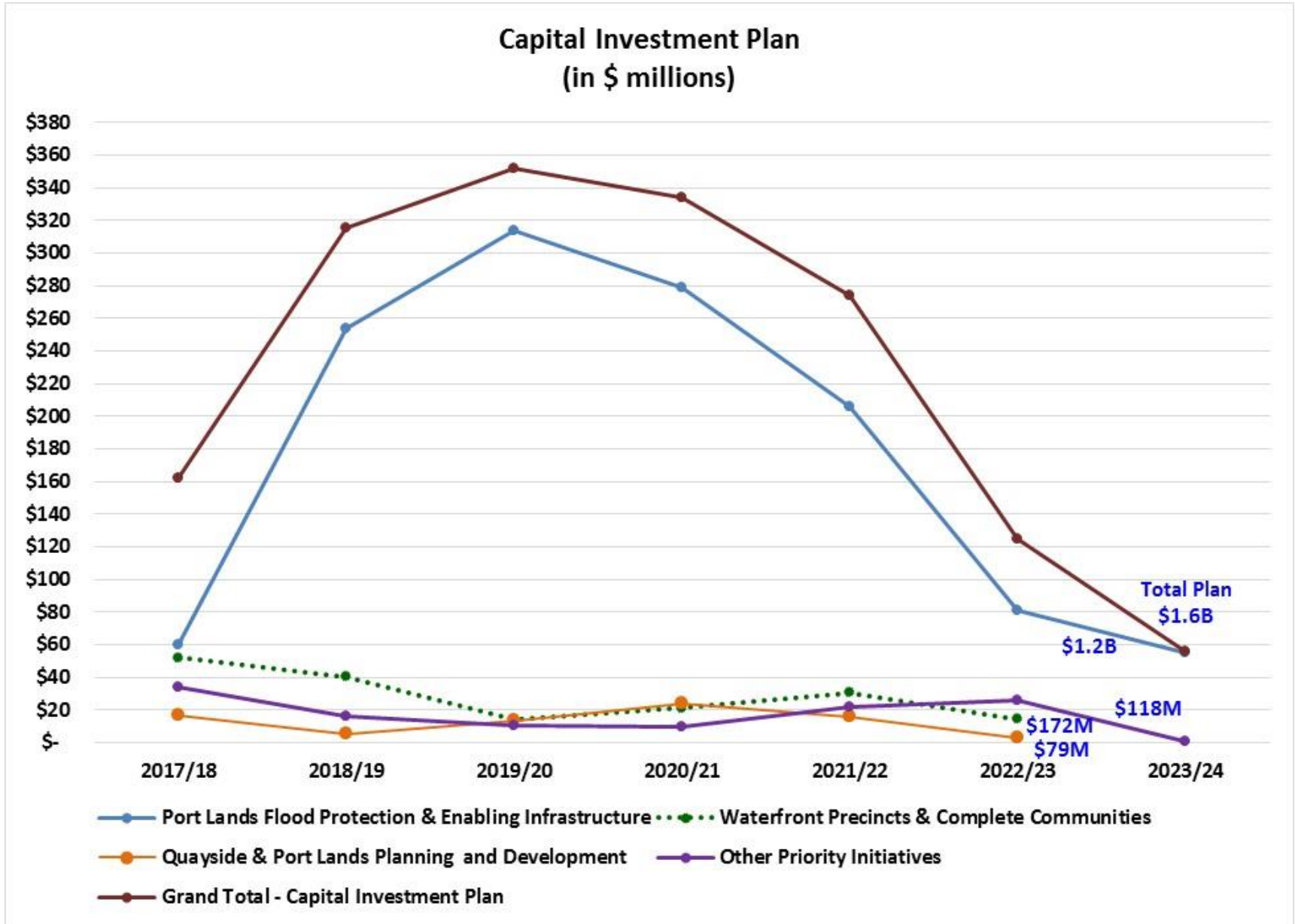


Why amend the 2017/18 Corporate Plan?

- The original 2017/18 Corporate Plan approved in December, 2016 was recognized as a plan in transition.
- Management committed to presenting an updated plan in 2017.
- Three significant events in 2017:
 1. Material new tri-government funding commitment (WT 2.0);
 2. Successful Quayside Funding and Innovation Partner selection process;
 3. Development of our organizational resiliency plan.
- These changes are material (>10%) and result in a requirement for the Board to amend our original 2017/18 Corporate Plan.



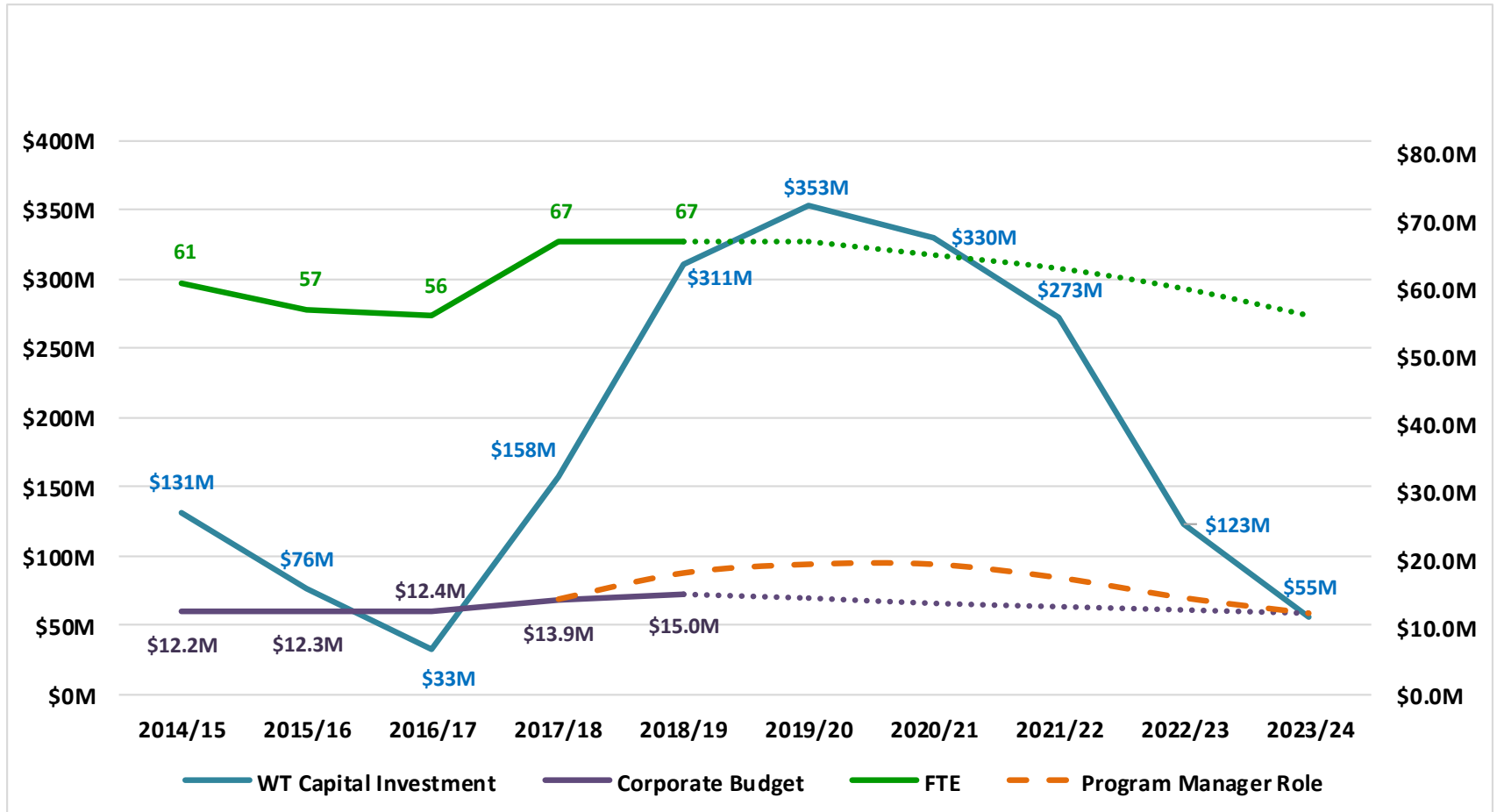
Impact of the Port Lands



Corporate Operating Costs - Big Picture



- Historically, Corporate Operating budget has been relatively flat ~\$12.4M p.a.
- Likewise, FTE staff count also relatively flat ~ 60.
- In 2016/17 underwent a 2.4% cost reduction – FTE count 56.
- With addition of Port Lands, proposed budget is still relatively flat, even with Program Manager role. FTE count 67.



2017/18 Corporate Plan Amendment – Key Components



- Five Priority Initiatives
- Organizational Resiliency Plan
- Amended Project Deliverables
- Amended Financials

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What is this amendment really about?

- Building capacity
 - People
 - Processes
 - Technology

Section 1 - Five Priority Initiatives

1. Waterfront Precincts & Complete Communities

- Covers build-out of complete communities in the waterfront through combining West Don Lands and East Bayfront projects into one larger project called Waterfront Precincts & Complete Communities, to leverage the skills and expertise required to complete the work.

2. Port Lands Flood Protection and Enabling Infrastructure

- Project magnitude of \$1.25 billion, with shared funding from the three levels of government.
- Upon completion in 2024, this transformative project will deliver the following:
 - New permanent flood protection freeing up 820 acres for development in the Port Lands
 - Two new outlets for the Don River including a new 1,000-metre river valley and greenway to convey flood waters into Lake Ontario
 - New bridges and roads along both Cherry Street and Commissioners Street
 - Lands ready for the development of a new waterfront community called Villiers Island
 - 29 hectares of naturalized river valley area, new parks, and 14 hectares of aquatic habitat.

3. Quayside Development & Port Lands Planning

- A globally significant mixed-use community that showcases advanced technologies and approaches for sustainable community development.
- Quayside will be the first stage of our multi-phase initiative to pilot innovative and sustainable city-building solutions that can be brought to scale in the Port Lands.

4. Public Realm

- Encompasses a larger waterfront public realm network consisting of parks, promenades, streetscapes, and marine infrastructure.

5. Eastern Waterfront Transit

- In line with Waterfront Toronto's commitment to deliver higher-order transit to the eastern waterfront, this transformational initiative will focus on working with our partners at the City of Toronto and the TTC to complete the Waterfront Transit Reset Study and Union Station to Jack Layton Connector Report this fiscal year.

Section 2 -Organizational Resiliency Plan (New)

HUMAN RESOURCE CAPACITY

- Flexible staffing approach to address variable project volumes, subject matter expertise and resource capacity requirements.
- Salary benchmarking study.

OPERATIONAL EFFECTIVENESS

- New Cloud Enterprise Resource Planning system.
- Investment in new communication technology and upgrades.
- Project prioritization framework.
- Consolidation and simplification of Board governance structure.

Building Capacity

GOVERNANCE AND ACCOUNTABILITY

- Enhancement to operational governance authorities.
- Enhanced management and oversight related to capital project risk and implementation.
- Balanced scorecard performance measurement framework and project accountability dashboards.

STRATEGIC INITIATIVES

- Implementation of Engagement Plus strategy for community consultation, stakeholder and public engagement.
- Enhancements to role of Design Review Panel.



Section 3 – Project Deliverables Progress Report

- Out of the ten key project deliverables in the original plan, seven remain unchanged and three have been revised.
- Two new deliverables have been added:

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2017/18 New Deliverables

The table below reflects two new project deliverables that Waterfront Toronto has identified for the 2017/18 fiscal year. The table describes each new project deliverable, the 2017/18 spend, and rationale on why this deliverable has been added to the 2017/18 fiscal year.

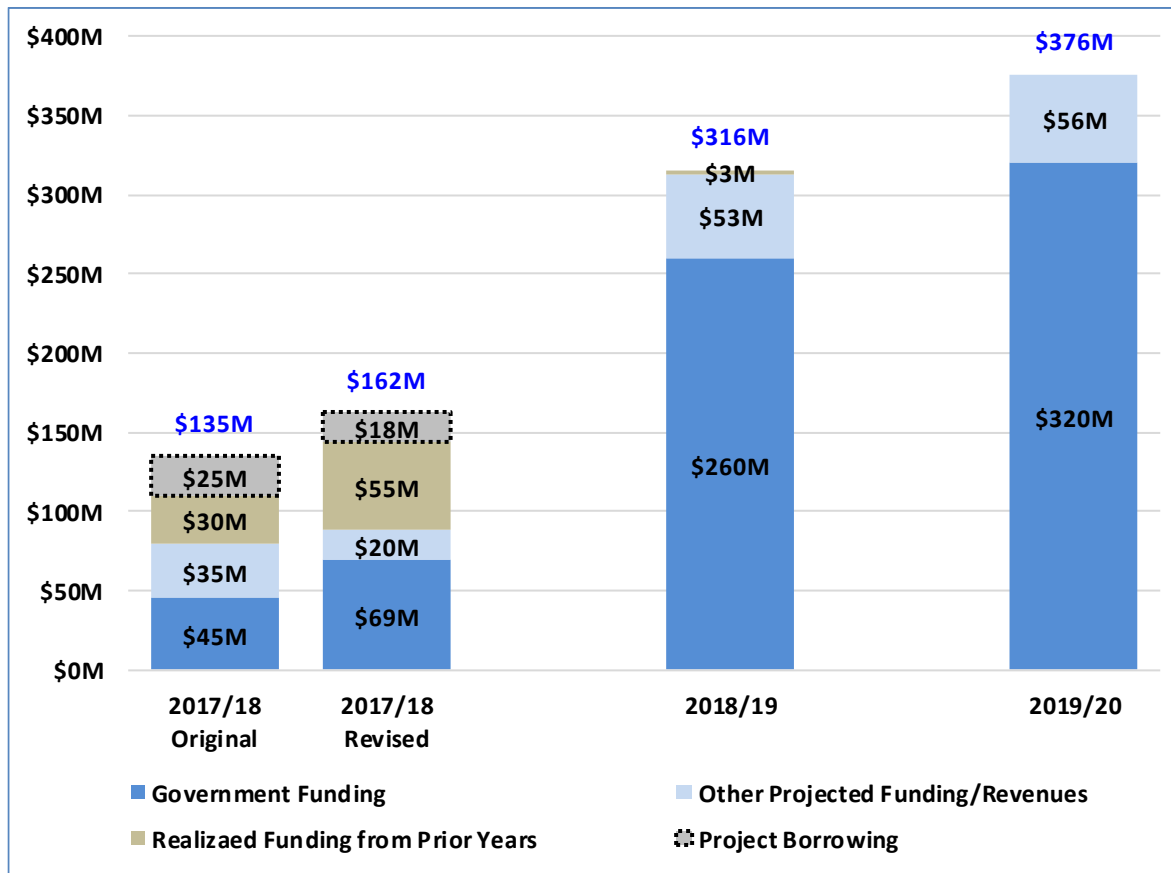
New 2017/18 Deliverable	2017/18 Spend	Rationale
<p>11 Port Lands Flood Protection & Enabling Infrastructure: Early Works</p>  <ul style="list-style-type: none"> • Complete preliminary schematic design on select project elements. • Formalize the project schedule, project budget breakdown, cashflows and project implementation plan with the construction manager. • Begin field testing for selected soil remediation technologies. • Commence planning for the construction of the new Cherry Street Bridge over the Keating Channel in tandem with the Cherry Street Stormwater and Lakefilling Project. 	<p>\$35.0 M</p>	<p>In June 2017, Waterfront Toronto received a commitment for the balance of the \$1.25 billion in shared funding from the Governments of Canada, Ontario and Toronto to undertake the Port Lands Flood Protection and Enabling Infrastructure project. This commitment will be formalized in one or more Contribution Agreements with the three orders of Government.</p> <p>The City of Toronto has provided \$15.4 million in advance funding. With early works funding in place, Waterfront Toronto will begin detailed project design. Construction is anticipated to begin in 2018. It is anticipated that an additional \$24.8 million will be made available through a Contribution Agreement by the end of 2017. This will allow for the continuation of detailed design and commencement of contract documentation. Design approval, tendering and construction will commence in 2018/19 subject to negotiation and execution of Contribution Agreements with the three orders of government.</p>
<p>12 Broadview & Eastern Avenue Flood Protection</p>  <p>Conduct due diligence and a class environmental assessment for the flood protection of the site located at the Eastern Avenue underpass of the CN Rail Line.</p>	<p>\$1.0 M</p>	<p>At the request of the City of Toronto, Waterfront Toronto, and Toronto and Region Conservation Authority have been engaged to complete a two-stage process related to the Broadview and Eastern Avenue intersection. This process involves completing due diligence on the approach and costs related to flood protecting the site, followed by completing an environmental assessment based on the outcome of the due diligence.</p>

Section 4 – Capital Investment Plan

- Revised capital investment plan to support the strategic priorities and resiliency strategy is **\$162.3M** for 2017/18.
- Increase of **\$27.5M (20%)** compared to original Plan of \$134.8M largely due to new Port Lands Flood Protection project.
- Increase of \$27.5M includes the full cost of the Organizational Resiliency Plan.
- The Capital Investment Plan for each of the following two years is in excess of \$300 million, double the revised 2017/18 plan.

Section 4 - Revised Funding Plan

- Waterfront Toronto’s funding profile has shifted more towards government funding due to the tri-partite government funding for the Port Lands project.
- For 2017/18 Waterfront Toronto still has project borrowing needs, however the amount has reduced due to shifts in construction phasing schedules.



Section 4 – Revised Corporate Operating Budget

<i>Figures in millions</i>	2017/18 Operating Budget		
	Original Budget	Revised Budget	Variance
General and Office Administration	\$ 1.3	\$ 1.4	\$ 0.1
Information Technology	0.5	0.6	0.1
Public Engagement & Communications	0.6	0.6	-
Human Resources	9.6	11.2	1.6
Operating Budget Before One-Time Items	\$ 12.0	\$ 13.8	\$ 1.8
Amortization Impact - Capital Budget	\$ 0.1	\$ 0.1	\$ -
Operating Budget After One-Time Items	\$ 12.1	\$ 13.9	\$ 1.8

1. Human Resources Requirements (\$1.6M):

- Increase in staff complement from 56 to 67 (additional 11 full-time employees) and several short-term contract roles to support the Organizational Resiliency Plan.
 - Port Lands (5 FTEs and contract) ~ \$0.5M
 - Quayside (2 FTEs and contract) ~ \$0.2M
 - Core Support (4 FTEs and contract) ~ \$0.3
 - ERP (contract) ~ 0.3M
 - HR Support (contract) ~ \$0.3M

2. General & Office Administration and IT Costs (\$0.2M)

Section 4 - Corporate Capital Budget

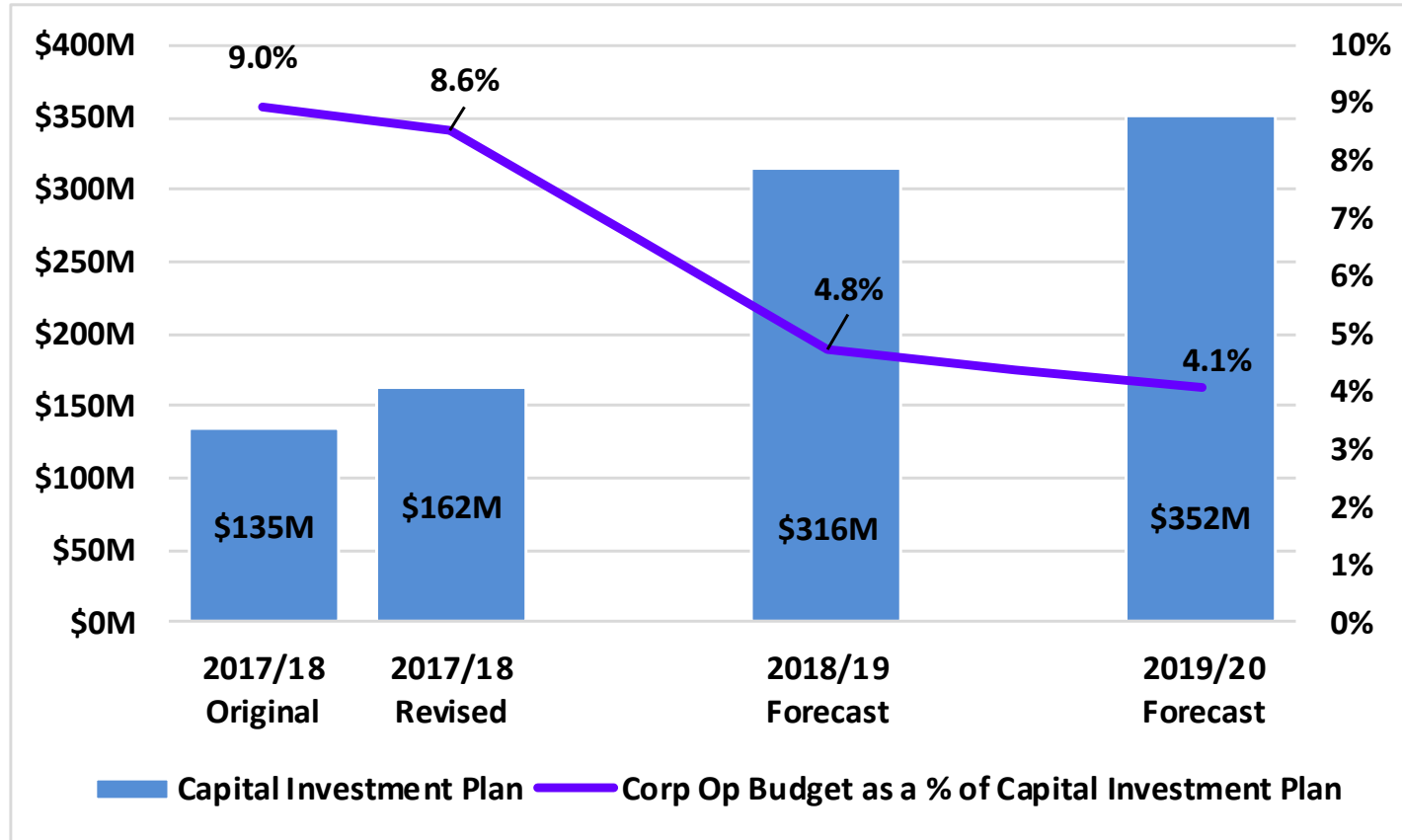
- No major investments in office space or technology infrastructure for 10 years.
- Proposed new investments will serve the Corporation for at least the next five to 10 years (\$0.5M p.a. operating budget impact).



- Rationale for these initiatives as follows:
 - Replace existing end of life systems.
 - Significantly enhance organizational effectiveness by integrating all core business functions
 - Multi-functional meeting room space will support and enhance project integration, training, webcasts for public and committee meetings.
 - Significantly enhance our increased transparency and accountability requirements through an integrated, streamlined, real-time system.

Corporate Operating Budget

Corporate Operating Budget as % of Capital Investment Plan



Key Messages

- This amendment is about building capacity
- Take the next 6 months and into next plan period to implement
- Investments will serve Corporation next 5-10 years
- Corporate Operating Costs as a Percentage of Capital Investment Plan are within industry standard (4-5%)
- Will be some additional initiatives in 2018/19 and 2019/20
- Upcoming key Strategic & Corporate Plans:

Deliverable	Target Date
1. 2017/18 Corporate Plan Amendment <ul style="list-style-type: none">• Board Approval	Sept 14, 2017
3. 2018/19 Corporate Plan <ul style="list-style-type: none">• FARM Approval• Board Approval	Nov. 30, 2017 Dec. 7, 2017
4. Five Year Strategic Plan (2018/19 – 2022/23)	Nov/Dec 2018

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