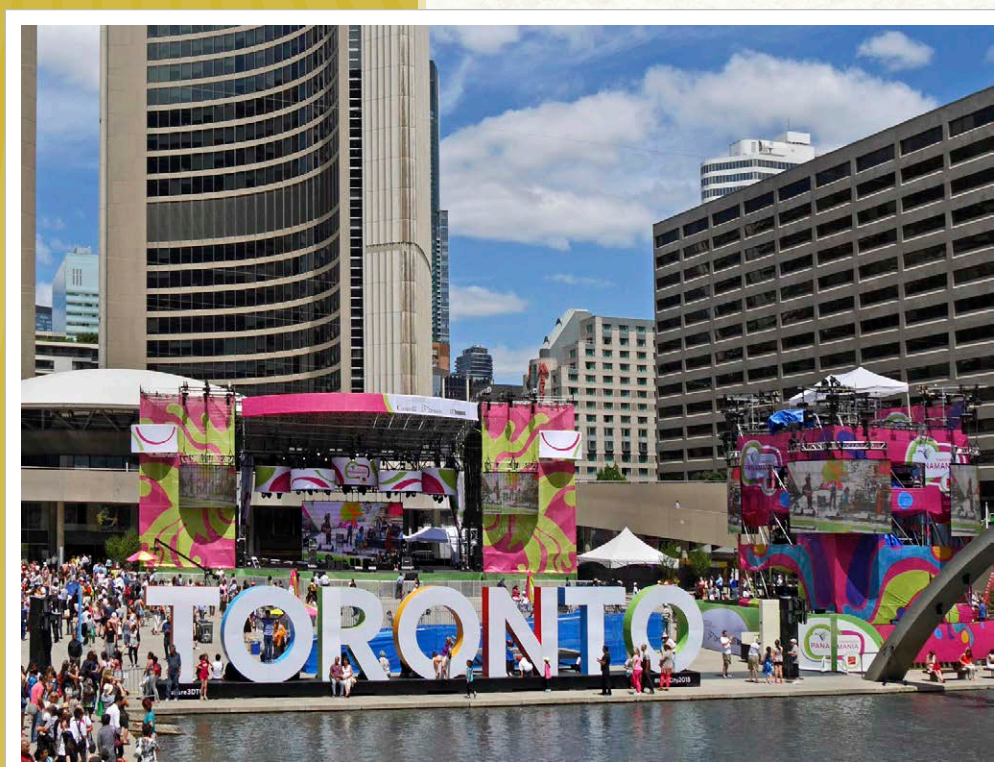




Office of the Auditor General of Ontario

# 2015 Pan Am/ Parapan Am Games



Special Report  
*June 2016*





**Office of the Auditor General of Ontario**

To the Honourable Speaker  
of the Legislative Assembly

I am pleased to transmit my Special Report on the 2015 Pan Am/Parapan Am Games, as requested by the Standing Committee on Public Accounts under Section 17 of the *Auditor General Act*.

Bonnie Lysyk  
Auditor General

June 2016

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# 2015 Pan Am/ Parapan Am Games

## 1.0 Reflections

The prospect of hosting a major international sporting event, like the 2015 Toronto Pan American and Parapan American Games (Games), can evoke different reactions.

While the Games can put a host city on the map and leave a legacy of athletic infrastructure that might not otherwise have been built, hosting such an event could be very costly if not planned and executed properly, and it is the taxpayer who ultimately foots the bill. Whether such a large expenditure is well spent is undoubtedly in the eye of the beholder.

We were aware of this when we accepted the September 30, 2015, request from the Legislative Assembly's Standing Committee on Public Accounts to perform a value-for-money audit of the Games.

Ontarians can take pride in the fact that the 2015 Games went off without a major hitch, left a legacy of infrastructure for athletes and the general public to use, and led Canada to its biggest-ever haul of medals from a Pan Am/Parapan Am Games.

With respect to the Games cost, there were multiple updates to the budget. Two comparisons lead one to say that the Games came in on budget: the March 2016 cost estimated by the province

and TO2015 (the Games organizing committee) of \$2.404 billion for the Games was about the same as the 2009 bid budget of \$2.429 billion; and our March 2016 adjusted total estimated cost for the Games of \$2.529 billion (while higher than the 2009 bid budget) was also very close to the province and TO2015's October 2014 budget projection of \$2.576 billion.

However, it is important to note that in the 2009 bid budget:

- The Ontario government had committed \$500 million toward Games costs (excluding the Athletes' Village) and agreed to cover any additional costs incurred for organizing and hosting the Games. At the end of the day, the province ended up contributing about \$304 million, or 61%, more than the \$500 million, for a total of \$804 million.

These additional costs were for provincial services that had lower or no estimates in the bid budget. These included the cost of creating the Pan/Parapan American Games Secretariat (Secretariat) to oversee delivery of the Games on the province's behalf; the transportation plans of the Ministry of Transportation; costs associated with promotion, celebration and legacy plans; and additional provincial security work.



These contributed to growing cost pressures on TO2015. However, to the credit of the province and TO2015, they took steps to either find additional sources of revenues or reduce the scope of some activities planned in the original bid in order to avoid even higher costs for the Games.

- The Athletes' Village was originally budgeted to cost \$1 billion in the bid commitment, but included \$242 million related to remediation and flood protection costs that were part of the West Don Lands revitalization project that was already under way prior to the bid. The costs were to be covered by separate municipal, provincial and federal funding. In other words, the expected cost of the Athletes' Village was around \$758 million, and we estimated the Village's actual costs to be \$735 million. The Village came in under \$758 million because the province reduced the project's size, and eliminated plans to include leading-edge environmental features and certain onsite athletic facilities.

We also noted issues with the practice of "bundling" capital projects to build venues for the Games. With bundling, several projects are grouped together so as to attract bigger, more experienced contractors. We found that bundling of Games construction projects contributed to project delays and significant deficiencies.

An event like these Games requires massive co-ordination, not just between the various

levels of government, but within the provincial government itself. The Ontario government created the Secretariat and established a number of committees and working groups comprised of representatives from key partners to plan and manage various aspects of the Games. This integrated approach worked well to help deliver operationally successful Games without major traffic disruptions or security incidents.

One area of contention that was discussed in the Legislature and the media was the payment of completion bonuses to senior management of TO2015. We found that having completion bonuses for events such as the Games is not unusual. However, as we note in the Lessons Learned section of this report, it is important to create and adhere to fixed expectations/rules for the payment of bonuses. It is equally important that employees receiving the bonuses are directly responsible for achieving the results that were deemed to be a condition of bonus payment.

Instead of providing recommendations, given that the Games are over, our report summarizes lessons learned that could be applied in the future when similar large events are being planned.



Bonnie Lysyk  
Auditor General of Ontario



## 2.0 Summary

The Toronto 2015 Pan American and Parapan American Games (Games) were held as scheduled in July and August 2015. About 10,000 athletes, coaches and officials from 41 countries participated in the Games at 44 training and competition venues spread over 16 municipalities in the Greater Toronto and Greater Golden Horseshoe areas.

This was the biggest-ever geographical footprint for the Games, and there were no major incidents in the large-scale transportation and security protection of the thousands of athletes and others involved. In addition, Canada recorded its highest-ever number of medals for the Games.

The original bid commitment in 2009 estimated that the total out-of-pocket cost for the Games would be \$2.4 billion (including the Athletes' Village). However, this estimate included costs of \$242 million that related to land remediation and flood protection for the West Don Lands that were to be separately funded whether or not the Games bid was successful. Accordingly, without this item, the bid budget would have been \$2.2 billion. We estimated that the total cost of the Games (including the Athletes' Village, other capital costs, operating costs and legacy costs), will be about \$2.5 billion, or about \$342 million (15.6%) higher than our adjusted 2009 bid budget and \$125 million (5.2%) higher than the province and TO2015's March 2016 estimated total cost of about \$2.4 billion. Although the costs of the Games were primarily shared by the federal, provincial and municipal governments, Ontario had agreed to pay for any additional costs incurred for organizing and hosting the Games. As such, Ontario incurred the majority of the \$342 million, so it contributed an additional \$304 million, or 61% more than its 2009 commitment of \$500 million (excluding the Athletes' Village).

Our adjusted total estimated cost of \$2.5 billion includes expenses that were not included in the

total costs reported by the province and TO2015. These include contamination clean-up costs for the Toronto Pan Am Sports Centre, Markham Pan Am Centre and the Tim Hortons Field in Hamilton, and other support costs such as provincial transportation and emergency preparedness planning. **Figure 1** presents the changes in budget estimates and the total estimated cost of the Games.

Our audit specifically noted the following:

- **The Ontario government contributed significantly more than its original 2009 \$500-million bid commitment on capital costs (excluding the Athletes' Village), operating costs and legacy costs**—We estimated that the final cost of the Games (excluding construction of the Athletes' Village) was \$1.794 billion, compared to the Games 2009 bid commitment of \$1.429 billion (in 2014 dollars). We estimated that Ontario's share of the final cost of the Games (excluding the Village) is \$804 million, or \$304 million (61%) more than its initial commitment of \$500 million in the 2009 bid budget (in 2014 dollars), as shown in **Figure 4**. Ultimately, additional costs were incurred for security, transportation, capital spending, provincial oversight, and support of the Games.
- **Original bid commitment of \$1 billion for the Athletes' Village was over by \$242 million as it relates to the West Don Lands site remediation and flood mitigation work that was planned and begun prior to the 2009 Games bid**—The West Don Lands on which the Athletes' Village is located had already been allocated \$242 million by the municipal, provincial and federal governments for floodwater protection and environmental land remediation. The start of construction of the flood protection berm in the West Don Lands was publicly announced in June 2007. The inclusion of the \$242 million in the 2009 bid budget left the impression that \$1 billion would be spent constructing the Athletes' Village. The budget at that time would have been

**Figure 1: Games Budgets Compared to Total Estimated Costs of the Games**

Sources of data: Pan/Parapan American Games Secretariat, TO2015, and other provincial ministries and agencies

	Games Budgets (\$ million)				Estimated Costs <sup>1</sup> (\$ million)			
	Bid Budget <sup>2</sup> (Nov. 2009)	Budget Projections (Jul. 2011)	Budget Projections (Jul. 2013)	Budget Projections (Oct. 2014)	Total Costs Reported by the Province and TO2015 (Nov. 2015)	Total Costs per the Province and TO2015 (Mar. 2016)	OAGO Adjustments <sup>3</sup>	OAG Adjusted Total Estimated Costs (Mar. 2016)
Capital	638	730	702	700	684	666	42	708
Operating	721	705	972	1,077	966	955	35	990
Legacy <sup>4</sup>	70	70	92	90	90	96	—	96
<b>Subtotal</b>	<b>1,429</b>	<b>1,505</b>	<b>1,766</b>	<b>1,867</b>	<b>1,740</b>	<b>1,717</b>	<b>77</b>	<b>1,794</b>
Athletes' Village – construction	758	709	709	709	683	687	48	735
West Don Lands early flood prevention and remediation work	242 <sup>5</sup>	—	—	—	—	—	—	—
<b>Subtotal</b>	<b>1,000</b>	<b>709</b>	<b>709</b>	<b>709</b>	<b>683</b>	<b>687</b>	<b>48</b>	<b>735</b>
<b>Total</b>	<b>2,429</b>	<b>2,214</b>	<b>2,475</b>	<b>2,576</b>	<b>2,423</b>	<b>2,404</b>	<b>125</b>	<b>2,529<sup>6</sup></b>
Less: West Don Lands early flood prevention and remediation work	(242) <sup>5</sup>							
<b>Adjusted Total</b>	<b>2,187</b>							

1. The Financial Statement audit for TO2015 was still in progress at the time this report was being finalized.

2. Bid submission projected costs based on 2014 dollars.

3. Adjustments by the Office of the Auditor General of Ontario.

4. Legacy – funds to maintain and operate facilities after the Games, including \$19 million spent on Ontario's Legacy Strategy for the Games.

5. The \$242 million had previously been allocated by municipal, provincial and federal governments for the construction of a flood protection berm in the West Don Lands and environmental land remediation, which commenced prior to the November 2009 bid. The work would have been completed whether or not the Games bid was successful. As a result, the bid budget would have been \$2,187 million (or about \$2.2 billion) with the \$242 million excluded from the budget, as indicated at the bottom of column 1.

6. As per Section 5.1.4, the outcome of contract disputes involving TO2015 and contractors, as well as ongoing audits of TO2015 by the Canada Revenue Agency, were outstanding at the completion of our work and could impact the final cost of the Games.

better reflected as \$758 million. In the end, the \$242 million provided a cushion that was used for additional spending for the organizing and hosting of the Games. As such, it enabled the province to exceed its \$500-million commitment to bring in the Games and still come in close to the 2009 bid commitment of \$2.4 billion.

- **Size and features of Athletes' Village reduced twice to remain within budget**—The province originally committed in the 2009 bid proposal to invest \$1 billion in Toronto's West Don Lands to build the Athletes' Village, and later adjusted its July 2011 budget projection to \$709 million. The Village eventually came in at about \$735 million. However, the Village stayed close to the July 2011 budget largely because the number of people it could accommodate was cut twice, ultimately dropping to 7,200 from 8,500, and because plans to install advanced green features and certain onsite athletic facilities were dropped. Also, as set out in the Request for Proposals, to reduce total construction cost for the Athletes' Village, the resulting contract transferred additional land on the site valued at \$48.9 million to the developer for future development for a nominal fee of \$10. The Village served as the temporary residence for athletes and officials during the Games, and was afterwards converted to market-priced condos, affordable housing, student residences and a recreational centre. In addition, five satellite villages (three more than contemplated in the 2009 Games bid) were used to accommodate athletes due to the reduced capacity at the main Village and because the athletes had a projected travel time of more than 45 minutes to their sports venue from the main Village.
- **Some venues did not meet target completion dates but were available for the Games**—Of the 10 venues with construction managed by Infrastructure Ontario, six were completed more than four months after their

target completion dates. In most cases, this cut into the one-year lead time originally planned for test events and venue preparation, such as installing security infrastructure and additional temporary seating, before the Games opened. For example, one of the six, the York University Athletics Stadium, was completed three weeks before the Games. As a result, no test event was held at this venue to ensure it functioned as intended for the Games. In Hamilton, the Tim Hortons Field stadium was used for the Pan Am Games as planned. However, it was not completed in 2014 as planned, which meant its main tenant, the Hamilton Tiger-Cats football team, was unable to play its first three home games in 2014 at the stadium. All venues were used as planned for the Games.

- **Bundling of construction projects contributed to project delays and significant deficiencies**—Nine construction projects, managed by Infrastructure Ontario, were grouped into two bundles in order to have a total project value high enough to be able to use the Alternative Financing and Procurement delivery model, with a goal of attracting bids from international contractors. These bundles involved different venue owners, unique designs, and a range of project sizes that had few common elements. All six projects in one such bundle were delayed as any particular problem with a contractor on one project would inevitably affect all other projects in the same bundle. As well, the two projects (Tim Hortons Field in Hamilton and York University Athletics Stadium) that continue to deal with outstanding deficiencies were from this same bundle. Also, owners of smaller projects in the bundle noted that bundling limited their flexibility to manage their projects; they could not, for example, contemplate issuing a stop work order or terminating a contractor who was running late on their smaller projects without affecting delivery of bigger projects in the same bundle.

- **Some venues continue to have significant deficiencies**—In April 2016, eight months after the Games ended, Infrastructure Ontario continued to work with one contractor to resolve deficiencies, defects and non-compliances at Tim Hortons Field in Hamilton and York University Athletics Stadium in Toronto. These included multiple instances of water leaking throughout the Tim Hortons Field stadium in Hamilton and multiple issues at the York University Athletics Stadium such as low head room in the equipment storage area. The City of Hamilton has filed a notice of action claiming \$35 million in damages against the contractor, Infrastructure Ontario and TO2015.
- **Senior TO2015 employees received full bonuses despite operating-budget increase and responsibility for directly managing less than 2% of the capital budget**—
  - TO2015 agreed to pay its 53 senior employees completion bonuses based on the Games coming in on time and on budget. However, TO2015 asked the province in September 2014 for a \$74-million increase in its operating budget to address cost pressures in 2014. Ontario had a choice to provide this funding under an agreement that would have disallowed 25% of the \$5.3-million bonus, which totalled \$1.3 million, under TO2015's own bonus design. However, the government chose not to use this option when it approved the budget increase; instead, it asked the TO2015 board of directors to consider the budget increase when determining bonuses. The TO2015 board chose to pay the full bonus.
  - In addition, another 25% of the bonus was based on meeting the capital budget. Although TO2015 had general responsibility for capital spending, it delegated management and delivery of capital to Infrastructure Ontario, the municipalities and the universities. Infrastructure Ontario and the municipal and university venue owners were responsible for directly managing more than 98% of the capital budget.
- **Public has use of quality sports and athletics facilities after Games end**—Over \$700 million was spent to build new sports and athletics facilities, and to renovate existing ones. After the Games ended, these facilities are available to train high-performance athletes, as well as for community use. The large geographical area of the venues also means that the facilities are accessible to people living in more communities rather than just one municipality.
- **Province and TO2015 appropriately considered budgetary risks identified in the 2009 PriceWaterhouseCoopers report**—In the course of our audit, we examined concerns raised in a 2009 PriceWaterhouseCoopers report on budgetary risks prepared for the province. We found that they were appropriately taken into consideration for the preparations for the Games.
- **Sound procurement processes generally followed at TO2015**—Procurement processes at TO2015 generally improved over time. We found no major issues with Games operating-expense purchases of goods and services totalling \$360 million.
- **Ontario Student Assistance Program (OSAP) incentives provided to student volunteers who may not have worked the required time**—We examined the student volunteer program and found that TO2015 did not have complete information on whether volunteers fully worked all of their required shifts. In fact, we found that many students worked less than 50% of their required shifts. Although volunteers may not have worked all of their required shifts, they still obtained OSAP benefits as detailed in **Section 5.3.3**.

## OVERALL MINISTRIES' RESPONSE

The Auditor General notes that the 2015 Games were the largest Pan Am/Parapan Am Games ever; the competitions took place on time and were recognized as a success by the governing sports organizations. The province is proud to have been the host jurisdiction for the Games.

The Auditor General's report confirms there is a positive social, economic and capital legacy resulting from the Games. The province's Promotion, Celebration and Legacy Strategy leveraged the opportunity to make investments benefitting Ontarians up to, during and long after the Games. The Strategy included the Pan/Parapan American Kids (PPAKids) initiative and completing 250 kilometres in gaps along the Trans Canada Trail. In addition, 10 new internationally certified sports venues and 15 renovated venues are providing ongoing benefits to their respective communities.

Additionally, developing the Athletes' Village for the Games accelerated the revitalization plan for the West Don Lands by five to 10 years, and the Village is being converted to its post-Games use as a sustainable, mixed-used community. The Village site also includes George Brown College's first residence to accommodate up to 500 students and a new 82,000-square-foot YMCA.

Five technical briefings were provided as the Games moved from planning to implementation, including a post-Games briefing held in November of 2015 on the estimated financial results. Ontario's current forecast of the final overall costs associated with the delivery of the Games is about \$2.4 billion.

The Auditor General's report provides comments on the overall cost of the Games, indicating that additional costs should be included in the Games budget as outlined as follows:

- The Auditor General's report assigned \$119 million for the market value of the Village land to the cost of the Games. In order

to reduce total development costs to the province and transfer the condo sales risk, the project developer for the Village was required to bid on the condos and lands as part of the Village tender and project agreement. At the time of the tender, the land was contaminated and unserviced and, as a result, had very little value.

**Auditor General's Response:** *The \$119 million included in our adjusted total estimated costs in **Figure 1** is the value of the land after the province spent nearly \$200 million for its remediation. Given that the developer received cash plus land as part of the deal, we included the value of the land as a cost of the Games. If the Games had not occurred, the lands would have been available for sale at market value after remediation.*

- The Auditor General's estimate includes \$42 million in costs incurred by municipalities for remediation. These costs should not be attributed to the Games as they were based on municipal policy decisions to select the most appropriate venue locations to support post-Games use by athletes and the local community. Municipalities were given the option to choose the location of their venues and some chose venue locations requiring remediation.

**Auditor General's Response:** *The \$42 million was included in our adjusted total estimated costs in **Figure 1** because this money was ultimately spent by municipalities and the University of Toronto to remediate land for venue locations and should be included in the total Games costs.*

- The Auditor General's report identifies \$35 million in costs for other provincial Games support. These amounts reflect fixed staff and program costs of the participating



ministries and agencies and are managed from within existing funding allocations. These costs would have been incurred by those organizations regardless of the Games being held in Ontario.

**Auditor General's Response:** *The \$35 million was included in our adjusted total estimated costs in **Figure 1** because these resources could have been reassigned to other provincial purposes. The \$35 million also includes other items such as ministry costs associated with the OSAP benefits to volunteers.*

## OVERALL TO2015 RESPONSE

The Auditor General acknowledged the complexity of delivering the third largest international multi-sport Games ever hosted by Canada. Given that TO2015's mandate was to plan, organize, finance and stage the Games, provide and assist in the preparation of facilities required for the Games, and leave a tangible legacy including facilities and funding for amateur sport for future generations, we are very proud of the outcome.

TO2015's objective was to leave a legacy as a result of these Games. The Auditor General validates in her report that the sport infrastructure and social legacies were achieved for the use of communities where the 10 new and 15 renovated facilities are located.

As part of the social legacy mandate, TO2015 considered diversity to be a strategic pillar. A key component of that strategy was to ensure that TO2015 procurements were fulfilled by diverse small- to medium-sized companies in the Greater Golden Horseshoe, the rest of Ontario, and the rest of Canada.

The other key deliverable of TO2015's social legacy was the recruitment, hiring, training and deployment of over 20,000 volunteers.

TO2015 has been posting on its website its quarterly results since 2013, together with a media press conference each quarter. In addition, the audited financial statements are posted in both languages annually on the website.

The Auditor General report indicates that there was a Scope Limitation due to the wind-up of TO2015. When the Games ended (August 15, 2015), all staff had various employment end dates. To meet the Auditor General's information requests, the few remaining staff provided support, including access to a number of employees who have left TO2015.

The Auditor General has commented on a number of items with respect to accountability and Games execution, and we respond as follows:

- The Auditor General suggests that TO2015 only directly managed less than 2% of the capital program, currently forecast to be \$666 million. TO2015 has a Hosting Contribution Agreement with the federal government to design, plan, financially manage, and deliver 100% of the program, and outsourced procurement and project management so that it would not need to build those costly resources in-house. Outsourcing certain activities of the execution plan did not absolve TO2015 of overall management of the total capital program. TO2015's Board of Directors and its Finance and Audit Committees were responsible to ensure that TO2015 delivered the Games within the \$1.4 billion budget envelope.

**Auditor General's Response:** *Infrastructure Ontario, as required by the province, procured and directly managed contracts for 10 of the larger competition/training venues. Municipalities procured and directly managed another six. In total, these accounted for over 98% of the 2011 Games capital budget of \$730 million. However, 25% of senior management's completion bonus was based on whether the capital budget was met, even though TO2015's involvement was limited.*

In closing, the delivery of the Games was an outstanding success, with the Presidents of PASO and APC/IPC deeming these the best Games ever.

## 3.0 Background

### 3.1 Overview of Pan American and Parapan American Games

The Pan American and Parapan American Games are a major international multi-sport summer event whose roots date back to the first modern Summer Olympic Games, held in Athens in 1896.

The success of those early Olympics led to a push to create regional games for the countries of North, Central and South America, and the Caribbean. After years of talks, the first Pan American Games were held in Buenos Aires, Argentina, in 1951.

Since then, the Games have taken place every four years in various countries of the Americas and the Caribbean. The Parapan American Games, for athletes with disabilities, made their debut in Mexico City in 1999.

In the 65 years since Buenos Aires, the Games have grown to become the world's third-biggest international sporting event, after the Olympics and the Asian Games. **Figure 2** compares the size and scale of the various international games.

The Pan American Games are governed by the Pan American Sports Organization (PASO), representing 41 national Olympic Committees in the Americas. The Parapan American Games are governed by the International Paralympic Committee and the Americas Paralympic Committee,

representing 30 countries in the Americas, of which 28 participated in the Games.

In addition, 26 of the sporting events in the Pan American Games and all 16 sporting events in the Parapan American Games were recognized as Olympic and Paralympic qualifiers, which tend to attract more competition and, in turn, bigger spectator turnouts.

### 3.2 Overview of 2015 Toronto Pan Am/Parapan Am Games

#### 3.2.1 The Bid Budget

Ontario officially announced in 2008 that it wanted to bring the 2015 Games to Toronto, and a formal bid was submitted in 2009 by the province and other key Games partners. Toronto was awarded the Games that same year. **Appendix 1** provides a chronology of key events from the bid to the end of the Games.

The 2009 bid included a budget of \$1.429 billion (including contingencies) (in 2014 dollars) for operating and capital costs for the Games, based on detailed business plans prepared by financial and sporting-event experts from government and the private sector. The Games were to take place in the Greater Toronto and Greater Golden Horseshoe areas.

In a separate budget line in the 2009 bid, the province also committed to invest \$1 billion in Toronto's West Don Lands area to build the

**Figure 2: Comparison of Pan Am/Parapan Am Games with Selected Major International Sporting Events**

Source of data: Pan/Parapan American Games Secretariat

	Pan Am/Parapan Am Games			Olympics/Paralympics		Commonwealth Games
	Rio de Janeiro 2007	Guadalajara 2011	Toronto 2015	Vancouver Winter Games 2010	London Summer Games 2012	Glasgow 2014
Competition venues	16	32	31	9	30	13
Volunteers	20,000	10,700	18,000 (Pan Am) 5,000 (Parapan Am)	25,000	70,000	17,000
Sports	44	49	51	20	46	17
Athletes	6,748	7,900	7,666	3,072	15,100	4,818



Pan American Village to house athletes and officials. The Village would be transformed into mixed-income housing after the Games.

The budget for the Village was separate from the Games budget as it was not a deliverable of TO2015 and, the province said at the time, the site on which the Village was to be built would have eventually been developed for housing anyway. The Games accelerated that process by about five to 10 years.

The Games budget (excluding the Village) was to be funded by the federal and provincial governments, the host municipalities and universities, and by revenues generated by the Games themselves. Projected expenses and funding balanced out in the budget, but Ontario agreed to cover any deficit and other host jurisdiction costs that could be incurred by the Games.

**Figure 3** provides details of key commitments in the bid.

### 3.2.2 Governance of the Games

As hosts, the Government of Canada, the Province of Ontario, the City of Toronto, the Canadian Olympic Committee and the Canadian Paralympic Committee had overall responsibility for the Games. The department acting for the province was the Pan/Parapan American Games Secretariat (Secretariat) of the Ministry of Tourism, Culture and Sport.

In turn, the Toronto Organizing Committee for the 2015 Pan American and Parapan American Games (TO2015), a not-for-profit corporation, was incorporated under Ontario's *Corporations Act* to act as the Organizing Committee. TO2015 was responsible for organizing, planning, promoting, financing and staging the Games, and co-ordinating with other funders such as the federal government and municipalities.

TO2015's 12-member board of directors was composed of four members from the Canadian Olympic Committee; three members each from the federal and Ontario governments; one from the

**Figure 3: Key Commitments in Games 2009 Bid Budget versus Actual**

Sources of data: Pan/Parapan American Games Secretariat and TO2015

Category	Pan Am		Parapan Am	
	Commitments	Actual	Commitments	Actual
Pan Am Sports Program				
Olympic sports	26	28		
Pan Am-only sports	10	8		
Parapan sports			12	15
Competition venues	36	31	10	12
Non-sport venues	3	12	—	6
Training venues	15	13	2	2
Athletes	5,712	6,123	1,200	1,607
Coaches/Team officials	2,285	2,116	800	932
NOC/NPC officials <sup>1</sup>	126	123	90	60
Technical officials	1,200	1,280	500	321
Technical delegates	45	52	8	16
Full-time staff	429	555	6	4
Volunteers <sup>2</sup>	19,000	18,000	4,000	5,000
Test events	26	39	10	9

1. National Olympic Committee/National Paralympic Committee Officials.

2. Some of the same people volunteered for both the Pan Am and Parapan Am Games.

Canadian Paralympic Committee; and one from the City of Toronto.

Other Ontario government ministries involved in the Games included:

- the Ministry of Community Safety and Correctional Services, which oversaw the Integrated Security Unit (ISU) through which the Ontario Provincial Police co-ordinated security with other police forces and TO2015;
- the Ministry of Transportation, which served as lead in transportation planning, co-ordinating with TO2015, municipalities and transit authorities; and
- the Ministry of Health and Long-Term Care, which served as lead on health system emergency management and preparedness, co-ordinating with TO2015, the Secretariat and the ISU.

Infrastructure Ontario, a provincial Crown corporation, was responsible for procuring and managing the construction of major venues, including the Athletes' Village. Several other provincial ministries and agencies also played minor roles.

The need to co-ordinate so many organizations—the three levels of government and other stakeholders—led the Secretariat and TO2015 to create several committees and working groups, each responsible for a specific function of the Games. The Transportation Committee, for example, included Ministry of Transportation representatives, while the Security Committee included members from the Ministry of Community Safety and Correctional Services. This proved to be a good model for a multi- and cross-disciplinary project like the Games.

When the Games opened, TO2015 set up an integrated operations and communications structure. This included the Main Operations Centre and other secondary operations centres for functions such as transportation and security that reported to Main Operations to monitor and respond to any issues arising during the Games. The Main Operations Centre had oversight across all Games operations, with centralized information, co-ordination,

decision-making and reporting systems to support the venues, functions and key external partners.

**Appendix 2** identifies the key organizing partners and their responsibilities.

TO2015 was subject to the government's broader-public-sector procurement directives. TO2015 was also subject to Freedom-of-Information requests and public-sector salary-disclosure requirements, and its financial results were consolidated into the financial statements of the province.

### 3.2.3 Outcome of the Games

The Games drew over 10,000 athletes, coaches and officials, making them the biggest Pan Am/Parapan Am Games to date. The Pan Am Games ran July 10–26, 2015, while the Parapan Am Games ran August 7–15, 2015.

Canada finished second (behind the U.S.) in the Pan Am Games, with 217 medals, including 78 Gold, and second again (after Brazil) in the Parapan Am Games, with 168 medals, including 50 Gold.

Competitions were held at 31 venues in Toronto and 14 other municipalities across the Greater Toronto and Greater Golden Horseshoe areas, including Hamilton, Oshawa, Welland and St. Catharines. **Appendix 3** illustrates the geographical footprint of the Games.

Although there were complaints about traffic in parts of the region, the Games were generally praised for their smooth operations by the Pan American Sports Organization and the Americas Paralympic Committee. Events generally took place on time and without major problems or major security breaches.

Public attention to the Games also grew with the number of Canadian medal wins. The CBC/SRC, which broadcast the Games in Canada, expanded its television coverage three times in response to demand. In addition, a series of cultural events running concurrently with the Games was generally well received.

## 4.0 Audit Objective and Scope

On September 30, 2015, the Legislature's Standing Committee on Public Accounts (Committee) unanimously passed a motion requesting that the Auditor General conduct a value-for-money audit of the 2015 Toronto Pan Am/Parapan Am Games (Games).

The Committee requested that the audit include an evaluation of whether the Games came in on time and on budget, an evaluation of the changes in the overall budget projections and Games venue completion projections, and a review of the concerns raised in the 2009 PriceWaterhouseCoopers report on budgetary risks.

Other areas identified by the Committee for consideration in the audit included the student volunteer reimbursement program, satellite villages, TO2015 executive bonuses and the transportation plan.

We accepted this assignment under Section 17 of the *Auditor General Act*, which states that the Committee can request the Auditor General to perform special assignments. On March 2, 2016, the Auditor General reported back to the Committee on the scope of our planned audit work based on the Committee's request. In assessing the request, we determined that the objective of our audit would be to establish whether the Games came in on time and on budget, and whether sufficient efforts were made to ensure costs were complete. We would:

- assess whether due-diligence processes had been in place to ensure the completeness and reliability of cost estimates and other information used to develop the budget for organizing and hosting the Games;
- assess whether sufficient safeguards had been established to ensure venues and the Athletes' Village were delivered on time for the Games;
- review the procurement processes that were used at TO2015 and provincial ministries to ensure a competitive, fair and transparent process was followed in awarding third-party

contracts for goods and services, including infrastructure projects;

- review other major aspects of Games delivery, including security and transportation planning and implementation, as well as the student volunteer program and satellite villages; and
- provide factual information about the TO2015 bonus policy and decisions.

Our audit was primarily conducted at the Pan/Parapan American Games Secretariat, TO2015, Infrastructure Ontario, and the ministries of Community Safety and Correctional Services, and Transportation. Our fieldwork was conducted between November 2015 and April 2016.

We reviewed key documents relating to the bid proposal, agreements between key Games partners, business plans and budgets, risk registers and progress reports, third-party reviews of these risks and budgets, capital procurement, Games operational plans (including transportation planning and security), TO2015 financial records and business processes, and other pertinent correspondence and briefing notes from key Games partners.

We interviewed senior staff at the key partners involved in delivering the Games, including former employees no longer working for TO2015, and we conducted a survey of all provincial ministries and agencies associated with the Games to assist in identifying all costs to the province.

To get a perspective on the development and use of the venues, both during and after the Games, we also met with a number of venue owners, toured five major Games venues and the Athletes' Village, and interviewed officials in the federal Department of Canadian Heritage.

Some members of the construction industry and the general public had reported concerns to our Office about the Games, and we met with them to better understand those concerns.

We also conducted research on practices in other jurisdictions for similar events, and reviewed the relevant audit reports prepared by the Ontario Internal Audit Division on various areas in determining the scope and extent of our audit work.

Our audit would not review the long-term economic impact of the Games, given that the Games only occurred in the summer of 2015. Other infrastructure projects required to be completed in time for the Games, including the Union Pearson Express between downtown Toronto and Pearson International Airport, and a new GO Train station in Hamilton, were not included in the Games budget.

### Scope Limitation

We started planning for the audit in October 2015, immediately after the request from the Committee. However, TO2015's wind-up process was already under way by then, and most of the staff involved in the delivery of the Games had already left. At the time of our audit, only five people were on contract with TO2015, including the chief executive officer and chief financial officer. We were unable to obtain answers to certain questions and could not obtain some documents we requested. We also were not able to obtain many computer hard drives that were disposed of by TO2015, including the CEO's.

In addition, TO2015's external financial auditors were still in the process of auditing the financial statements for the fiscal year ending March 31, 2016, while we were performing our audit. The external financial audit was to be finalized in mid-June. Therefore, the total costs to date for TO2015 in our audit include a combination of audited financial information to March 31, 2015, and unaudited financial information thereafter. We relied on TO2015's audited financial statements that revenues and expenses incurred to March 31, 2015, were fairly stated.

There are a number of outstanding items that could potentially have an impact on the final cost of the Games, including several outstanding contract disputes involving TO2015 and contractors, and ongoing audits of TO2015 by the Canada Revenue Agency.

Estimates of these costs have been made by TO2015 where possible and are included in the adjusted total estimated costs shown in **Figure 1**.

However, the outcome and ultimate disposition of these items was not concluded when we completed our audit, and therefore additional revenues or costs could be forthcoming.

## 5.0 Detailed Audit Observations

### 5.1 Games Costs

#### 5.1.1 Budget to Deliver Games Originally Set at \$1.429 Billion

In its original 2009 bid for the Games, the key partners, led by the Bid Corporation established to co-ordinate Toronto's bid for the Games, projected total expenses of \$1.429 billion (in 2014 dollars) for operating and capital costs for the Games. The Athletes' Village, to house athletes, coaches and officials, was budgeted separately at \$1 billion, and is addressed in **Section 5.5**.

A variety of sources committed total funding of \$1.429 billion, which would cover projected expenses, as follows:

- \$500 million from the federal government for capital costs, legacy initiatives (ongoing maintenance of facilities that people could use after the Games had ended) and federal essential services, such as facilitating timely screening and passage across Canadian borders for foreign participants, and providing weather forecasts at competition venues;
- \$500 million from the Ontario government for operating costs and legacy initiatives, plus a guarantee to cover any deficit;
- \$198 million from the municipalities and \$84 million from universities where Games events were to be held; and
- \$147 million from the Games through the sale of tickets, broadcast rights, sponsorships and the like.

As shown in **Figure 1**, according to the province and TO2015, capital, operating and legacy costs

as of March 2016 increased by \$288 million, from the 2009 bid commitment of \$1.429 billion to \$1.717 billion, while the estimate for the Athletes' Village decreased by \$313 million, from \$1 billion to \$687 million. This decrease can be attributed mainly to the removal of \$242 million for West Don Lands early flood prevention and remediation costs that had been part of the Athletes' Village 2009 bid budget. This enabled the province to reallocate the \$242 million to offset increases in capital, operating and legacy costs. As a result, the March 2016 estimated total cost of the Games per the province and TO2015 of \$2.404 billion was able to come under the original 2009 bid budget of \$2.429 billion.

### 5.1.2 Budget Updated Three Times Before Games Opened

The original 2009 budget of \$1.429 billion, drafted six years before the Games, was updated three times between 2011 and 2014, as illustrated in **Figures 4 and 5**, to reflect revised cost estimates, changing operating plans, and final selection of Games venues. Each major budget revision was subject to third-party reviews by the major accounting firms and TO2015 adjusted its budget estimates.

The last update, in October 2014, set the total budget (excluding the Athletes' Village) at \$1.867 billion, or 31% more than the 2009 bid budget. Ontario would have to shoulder most of this increase on top of its original \$500-million commitment.

The considerable increase in the 2013 and 2014 budgets of \$438 million (\$1.867 billion less \$1.429 billion), as approved by Ontario's Treasury Board, helped make it possible for the Games to eventually come in under the final updated budget.

### Risk Management

Risk management is the practice of managing possible threats to the success of an initiative or event. In addition to assessing the risk of potential financial issues and poor service levels, risk management looks at other possible problems such as security breaches and health threats.

A well-defined complex risk profile is critical for a project like the Games to ensure risks are identified and monitored, and strategies developed to deal with those risks in a timely and appropriate manner.

In this regard, the province had a number of risk-management strategies in place for the Games. In early 2009, it retained PriceWaterhouseCoopers LLP to provide a third-party high-level risk review to identify, on a preliminary basis, key risks that could affect the Games, and design a high-level enterprise risk-management framework and a capital-project-execution framework.

The third-party review identified nine major risk categories: capital budgets and venue construction, operations, economic impact, environment, financial budgets, revenue, official languages, security, and legacy.

It then broke down the nine categories into 113 specific associated risks, which it analysed based on their likelihood and the level of impact they would have if they did occur. For example, a natural disaster, although highly unlikely, would have a major impact.

The outcome of this process was that beginning in 2011, both TO2015 and the province developed and maintained an enterprise risk-management system that tracked these risks, identified new ones, assessed risk levels, assigned responsibility for the risks, and monitored mitigation strategies on an ongoing basis to ensure there were no major unresolved risk-related issues.

### 5.1.3 Province Had to Provide Additional Funding to Cover Cost Increases

Estimated total costs per the province and TO2015 as of March 2016 indicated that the cost of the Games, excluding the Village, would likely come in at \$1.717 billion, or \$288 million more (20%) than the 2009 budget, but less than the revised October 2014 budget. Our adjusted total estimated cost is \$1.794 billion, or \$77 million more than the province's figure, as discussed in **Section 5.1.4**.

**Figure 4: Sources of Funding for 2015 Toronto Pan Am/Parapan Am Games Capital, Operating and Legacy Costs**

Sources of data: Pan/Parapan American Games Secretariat and TO2015

	Total Estimated Funding per the Province and TO2015 <sup>2</sup> (Mar. 2016)					OAG Adjustments <sup>3</sup>	(B) OAG Adjusted Total Estimated Funding (Mar. 2016)	Changes From Bid Commitment (B)–(A)
	(A) Bid Budget <sup>1</sup> (Nov. 2009)	Budget Projections (Jul. 2011)	Budget Projections (Jul. 2013)	Budget Projections (Oct. 2014)				
	(\$ million)							
Sources of Funding								
Federal government	500	500	500	500	475	–	475	(25)
Ontario government	500	523	822	906	769	35 <sup>4</sup>	804	304
Municipalities	198	237	221	219	212	42 <sup>5</sup>	254	56
Universities	84	84	70	70	67	–	67	(17)
Games revenues	147	161	153	172	194	–	194	47
Subtotal – Games Budget	1,429	1,505	1,766	1,867	1,717	77	1,794	365
Ontario Government –Athletes’ Village	758	709	709	709	687	48 <sup>6</sup>	735	(23)
West Don Lands early flood prevention and remediation work	242 <sup>7</sup>	–	–	–	–	–	–	(242)
Subtotal – Athletes’ Village Budget	1,000	709	709	709	687	48	735	(265)
Total	2,429	2,214	2,475	2,576	2,404	125	2,529	100
Less: West Don Lands early flood prevention and remediation work	(242) <sup>7</sup>	–	–	–	–	–	–	242
Adjusted Total	2,187	2,214	2,475	2,576	2,404	125	2,529	342

1. Bid submission projected costs based on 2014 dollars.

2. Includes an estimated amount of \$7.4 million to be spent after March 2016.

3. Adjustments by the Office of the Auditor General of Ontario.

4. This \$35 million is for additional support for the Games.

5. This \$42 million is for the site preparation and remediation costs for three of the Games venues.

6. Refer to Figure 9, OAG Adjustments Total, for the details on this amount.

7. The \$242 million had previously been allocated by municipal, provincial and federal governments for the construction of a flood protection berm in the West Don Lands and environmental land remediation, which commenced prior to the November 2009 bid. The work would have been completed whether or not the Games bid was successful. As a result, the bid budget would have been \$2,187 million (or about \$2.2 billion) with the \$242 million excluded from the budget, as indicated at the bottom of column 1.



The biggest cost increase in the province and TO2015's estimate was for operating expenses, including the need for more resources than initially planned for security and transportation. In addition, the total cost of operational support to deliver the Games rose 32%, from the \$721 million in the 2009 bid budget to an estimated total cost of \$955 million, per the province and TO2015 in

March 2016. However, this was \$122 million less than the October 2014 budget.

Capital projects—sporting and other venues not including the Village—came in at \$666 million as per the province and TO2015's March 2016 estimate, or 4% more than the 2009 bid budget, but \$34 million less than the October 2014 budget.

**Figure 5: Major Categories of Expenses for the 2015 Toronto Pan Am/Parapan Am Games**

Sources of data: Pan/Parapan American Games Secretariat, TO2015, and other provincial ministries and agencies

	Bid Budget <sup>1</sup> (Nov. 2009)	Budget Projections (Jul. 2011)	Budget Projections (Jul. 2013)	Budget Projections (Oct. 2014)	Total Costs per the Province and TO2015 <sup>2</sup> (Mar. 2016)	OAG <sup>3</sup> Adjusted Total Estimated Cost (Mar. 2016)
Expenses	(\$ million)					
<b>Capital</b>						
Venues – capital projects	638	730	702	700	666	708
<b>Operations</b>						
TO2015 corporate services	213	153	147	192	182	187
Security	129	120	212	247	182	182
Transportation	19	32	94	106	83	95
Essential services (Federal, Ontario)	48	49	130	109	100	108
Sport, venues, overlay	99	167	132	153	144	144
Marketing and communications	113	94	95	123	130	130
Operations and village	68	62	64	70	77	77
Community, cultural affairs, promotion	—	28	66	67	57	67
Contingency	32	— <sup>4</sup>	32	10	—	—
<b>Subtotal</b>	<b>721</b>	<b>705</b>	<b>972</b>	<b>1,077</b>	<b>955</b>	<b>990</b>
Games Legacy	70	70	92	90	96	96
<b>Subtotal</b>	<b>1,429</b>	<b>1,505</b>	<b>1,766</b>	<b>1,867</b>	<b>1,717</b>	<b>1,794</b>
Athletes' Village	1,000	709	709	709	687	735
<b>Total</b>	<b>2,429</b>	<b>2,214</b>	<b>2,475</b>	<b>2,576</b>	<b>2,404</b>	<b>2,529</b>
Less: West Don Lands early flood prevention and remediation work	(242) <sup>5</sup>					
<b>Adjusted Total</b>	<b>2,187</b>					

1. Bid submission projected costs based on 2014 dollars.

2. Includes an estimated amount of \$7.4 million to be spent after March 2016.

3. Adjustments by the Office of the Auditor General of Ontario.

4. A contingency amount of \$12 million was projected in July 2011, but was included within the various other operations cost projections.

5. The \$242 million had previously been allocated by municipal, provincial and federal governments for the construction of a flood protection berm in the West Don Lands and environmental land remediation, which commenced prior to the November 2009 bid. The work would have been completed whether or not the Games bid was successful. As a result, the bid budget would have been \$2,187 million (or about \$2.2 billion) with the \$242 million excluded from the budget, as indicated at the bottom of column 1.



On the funding side (**Figure 4**), the province and TO2015's March 2016 results indicated the federal government, the municipalities and the universities in total contributed 96% of their 2009 commitment, largely because the capital costs for some Games venues were lower than anticipated.

Revenues from the Games themselves came in at \$194 million, or 32% more than the 2009 bid budget and 13% more than the October 2014 budget.

Although the province and TO2015's estimated total cost at March 2016 was within the October 2014 budget forecast, the province still was responsible for the increase of \$269 million, on top of its original 2009 bid commitment of \$500 million. The additional \$269 million included:

- \$129 million more in services for the Games, including:
  - \$41 million to create the Pan/Parapan American Games Secretariat to oversee the delivery of the Games on behalf of the Ontario government;
  - \$38 million more for transportation to cover services not included in the original bid, including creation of high-occupancy-vehicle (HOV) lanes on some roads;
  - \$26 million for additional legacy initiatives;
  - \$15 million in increased funding for celebration and promotion of the Games; and
  - \$9 million for municipal services outside of transit and security that are to be reimbursed by the province.
- \$61 million more for security arising mainly from resources-planning exercises conducted by the Integrated Security Unit (ISU) to determine resource needs and the procurement of private security services for the Games;
- \$45 million more for work on Tim Hortons Field (the soccer stadium in Hamilton) and the Goldring Centre for High Performance Sport at the University of Toronto; and
- \$34 million more in operating costs of TO2015 for staffing, operations, technology, cultural events, broadcasting and public affairs.

We estimate the province is actually responsible for an additional \$304 million on top of its original 2009 bid commitment (excluding the Athletes' Village), including the above costs and \$35 million for additional provincial ministry support for the Games that the province has not included in its total, as discussed in **Section 5.1.4**. We have not included the provincial share of the bid-preparation cost of \$7 million in the \$304 million.

#### 5.1.4 Province Excluded Expenses of \$125 Million in Calculating Estimated Total Costs at March 2016

On November 5, 2015, less than three months after the Games ended, the Ministry of Tourism, Culture and Sport announced that the overall cost of the Games—that is, operating, legacy and capital, plus the Athletes' Village—would be \$2.423 billion, which was within the \$2.429-billion budgets set out in the 2009 bid (\$1.429 billion for the Games plus \$1 billion for the Village).

The Ministry said it managed to stay within budget because the increase in operating and capital costs was offset by the decrease in the cost to build the Village. **Figures 4 and 5** show the changes to the budget and the estimated total costs per the province and TO2015 in March 2016.

However, it is significant to note that the Village came in under budget because the government twice cut the number of housing units planned for it, cancelled plans to install an environmentally friendly feature (a cooling system that uses water from Lake Ontario) in the Village, and scrapped plans to build training facilities nearby. (It is also significant that the Village budget was revised down to \$709 million in 2010—this is discussed in greater detail in **Section 5.5**.)

Using the Ministry's approach of combining the costs of the Games and the Village, our audit work indicates the total estimated cost will likely be closer to \$2.5 billion, or about \$125 million more than estimated by the province and TO2015 in March 2016, because of costs the Ministry did not include in its report, as illustrated in **Figure 1**.

These expenses include \$48 million of other costs associated with the Athletes' Village, and \$77 million for other capital and operating costs, consisting of \$42 million for site remediation for other venues and \$35 million for other provincial Games support not included in the government's tally.

Some of the larger costs associated with the \$35 million are:

- \$12.1 million at the Ministry of Transportation for staff and other expenses to develop and implement transportation planning for the Games, including pre-Games budget planning and procurement of traffic-monitoring technology;
- \$10.1 million at the Ministry of Tourism, Culture and Sport for a tourism marketing campaign;
- \$4 million at the Ministry of Health and Long-Term Care for health system emergency management and preparedness, including activation of the Ministry's Emergency Operations Centre during the Games;
- \$2.7 million at the Ministry of Training, Colleges and Universities for Ontario Student Assistance Program benefits for eligible Games volunteers and the Pre-Apprenticeship Training Program;
- \$1.8 million at the Ontario Tourism Marketing Partnership Corporation for a social media campaign featuring videos of athletes, advertising in Ontario and nearby parts of the United States, and media events to provide Ontario tourism information to International Media;
- \$1 million at the Ministry of Aboriginal Affairs to support aboriginal participation in the Games; and
- \$1 million at the Ministry of Economic Development, Employment and Infrastructure to support planning for the promotion and celebration of the Games.

As well, there remains the potential for additional costs from the following items, although

TO2015 has indicated that it does not expect them to be significant. These include:

- seven cases of legal litigation that remain to be resolved;
- two ongoing Canada Revenue Agency audits at TO2015, one on HST and the other on withholding tax; and
- closing out all contracts and reporting for TO2015.

### 5.1.5 Higher Sponsorship Revenues Offset Lower Income from Other Sources

The 2009 Games budget projected that 10% of funding would come from the Games themselves in the form of sponsorships, ticket sales, licensing, merchandising, and the sale of broadcast rights. That dropped to 9% in the revised October 2014 budget.

However, the unaudited 2016 financial results indicate that these revenues in fact accounted for 11% of the total Games budget, largely because TO2015 obtained significantly more in-kind contributions from sponsors than expected. **Figure 6** compares revenue projections to actual results (unaudited).

#### Sponsorships

TO2015's financial statements reported three kinds of contributions from sponsors of the Games:

- cash, to be used at TO2015's discretion;
- goods and/or services that meet a budgeted need (called "budget-relieving value-in-kind contributions," and including, for example, the loan of vehicles and power generators for use by TO2015 during the Games); or
- goods and/or services not in a budget but that would have to be paid for by TO2015 anyway (called "cost-relieving value-in-kind contributions," and including, for example, additional advertising and better-quality Games medals that TO2015 had not budgeted for and that would have been funded by a contingency reserve had a sponsor not stepped in).

A category of sponsorship, not recorded in the financial statements, involved sponsors providing items not required by the Games but that would enhance the Games quality. These include enhancement items such as the Games countdown clock at Nathan Phillip Square in Toronto and a scholarship program for indigenous youths funded by sponsors over and above what was required by the Games.

**Figure 7** breaks down the sponsorship value by type, excluding the value of enhancement items of approximately \$34 million not required for the Games.

On an overall basis, TO2015 exceeded its sponsorships target by 29%. However, there was

a significant shortfall in cash contributions of \$25.5 million, which limited TO2015's flexibility to purchase goods and services. In addition, of the \$35.8 million in cash sponsorships, \$4.2 million was from provincial agencies to support the Games. The cash sponsorship shortfall was offset by the value of the cost-relieving value-in-kind contributions that TO2015 had not previously recorded in its financial statements. TO2015 chose to report these cost-relieving value-in-kind contributions on its financial statements starting in the 2013/14 fiscal year, when it adopted Public Sector Accounting Board standards.

**Figure 6: Comparison of Revenue Projections to Actual**

Source of data: TO2015

	Bid Budget <sup>1</sup> (Nov. 2009)	Budget Projections (Jul. 2011)	Budget Projections (Jul. 2013)	Budget Projections (Oct. 2014)	Actual March 2016 (Unaudited)
Sources of Revenue	(\$ million)				
Sponsorships	102.18	110.18	102.18	124.26	131.61
Ticket Sales	38.25	38.25	38.01	39.82	39.34
Licensing	3.65	3.67	3.67	2.09	2.08
Broadcast Rights	2.61	2.63	0.30	0.30	0.30
Sale of Assets	—	5.00	5.00	2.50	2.25
Charge-backs <sup>2</sup>	—	—	—	1.41	14.38 <sup>3</sup>
Other	—	1.50	3.82	1.78	4.30
<b>Total</b>	<b>146.69</b>	<b>161.23</b>	<b>152.98</b>	<b>172.16</b>	<b>194.26</b>

1. Bid submission projected revenues based on 2014 dollars.

2. Charge-backs are items such as hotels and food procured in bulk by TO2015 and are charged to customers for a profit.

3. The March 2016 number is reported on a gross basis. To be comparable to the budget projection, which was reported on a net basis, the March 2016 number would be \$1.4 million.

**Figure 7: Sponsorships by Type**

Source of data: TO2015

	Bid Budget* (Nov. 2009)	Budget Projections (Jul. 2011)	Budget Projections (Jul. 2013)	Budget Projections (Oct. 2014)	Actual March 2016 (Unaudited)
Sources of Revenue	(\$ 000)				
Cash	61,310	66,108	40,981	37,801	35,828
Budget-relieving-value in kind	40,870	44,072	61,199	43,123	37,759
Cost-relieving-value in kind	—	—	—	43,333	58,025
<b>Total</b>	<b>102,180</b>	<b>110,180</b>	<b>102,180</b>	<b>124,257</b>	<b>131,612</b>

\* Bid submission projected revenues based on 2014 dollars.

### Ticket Sales

Tickets went on sale to the public in September 2014 for the Pan Am Games and in March 2015 for the Parapan Am Games. In addition, tickets were sold to athletes' families, given away as part of sponsorship packages, and sold to individual sponsors.

Prior to the start of the Games, there were significant concerns about the slow pace of sales, with just over half of the 1.4 million available tickets having been sold leading up to the Games. However, as the Games drew closer, sales quickly picked up.

TO2015 eventually sold over 1.1 million of the 1.4 million available tickets—over 1 million for the Pan Am Games (85% of the total available) and 89,000 for the Parapan American Games (49% of the total available). Overall, these sales represented 80% of total tickets available for sale.

Of the tickets sold:

- 908,000 were bought by the public;
- 113,000 were provided to Games sponsors as part of their sponsorship packages;
- 60,000 were sold as part of the Friends of the Games program, in which donors purchased packages of tickets for \$100,000 and donated them to children in underserved communities across the Greater Toronto Area;
- 21,000 were sold to athletes' families through their national Olympic/Paralympic committees; and
- 22,000 were sold to various parties, including individual sponsors, who purchased blocks of tickets to donate to children's organizations, and various community groups.

TO2015 had projected ticket-sales revenues of \$38.2 million in the 2009 bid budget. The final unaudited figure came in at \$39.3 million, or \$1.1 million more than the projection. We noted, however, that \$2.3 million of the total revenue was actually paid to the ticket vendor for service charges, so ticket-sales revenue independent of those service charges was actually \$1.2 million less than projected.

### Licensing

Licensing of the Games mascot, a porcupine named Pachi, and other trademarks generated revenue to support the Games. TO2015 entered into a number of licensing arrangements for the supply and sale of merchandise bearing Toronto 2015 and Pan Am and Parapan Am trademarks, for which it would receive a percentage of sales. Merchandise include Pachi plush toys, t-shirts, mugs, pins and other apparel bearing Games trademarks.

Projected revenue from licensing in the 2009 bid budget was \$3.6 million, based on an average of 15% royalties on \$24 million of total sales. However, unaudited actual licensing revenue was only \$2.1 million, due primarily to lower merchandise sales volume.

Licensing revenues were low because no major retail sponsor served as primary seller of TO2015 merchandise, and retailers were generally slow to pick up Games merchandise. In addition, the Pan Am brand has a limited history in this country and was relatively unknown in Ontario. Finally, a retailer of Games merchandise who operated three stores and several smaller booths at venues filed for bankruptcy while it still owed TO2015 about \$654,000. TO2015 has recorded an allowance for this amount.

### Broadcast Rights

The sale of broadcast rights to major events such as the Olympics is generally a significant source of revenue for organizers, but this was not the case for the 2015 Games in Toronto.

The Pan American Sports Organization (PASO) retained and sold international broadcast rights to the Games, and did not share that revenue with TO2015. However, a TO2015 assessment in May 2015 of its contracts with PASO and PASO's own statutes and regulations concluded that TO2015 was entitled to 50% of net revenues from the sale of international broadcast rights.

Despite numerous attempts since 2011 to pursue this revenue, TO2015 has been unsuccessful. PASO

has said it told all potential bidders during the bidding process that there would be no sharing of these revenues.

TO2015 won some concessions on sharing of revenues from tickets for the opening and closing ceremonies, but it is not considering any further action to pursue a share of international broadcast revenues.

TO2015 paid PASO \$20 million U.S. in exchange for the right to sell sponsorships to the Games, and to sell the film, video, television (broadcast and cable), Internet and radio rights within Canada. TO2015 sold domestic broadcast rights to the CBC/SRC.

Projected revenues from the sale of broadcast rights were \$2.6 million, but actual revenues were just \$300,000. In fact, it cost TO2015 nearly \$22 million (\$3 million less than 2009 bid budget) to produce the broadcast feed for the Games because PASO required it to provide a television signal of international quality and free of local graphics and voice-overs for at least 10 hours per day during the Pan Am Games to international rights-holders, at no cost to PASO. This was also the first time the Parapan Am Games were broadcast.

## 5.2 Completion Bonuses

### 5.2.1 Completion and Performance Bonus Structures

TO2015 offered all of its staff an annual performance bonus. The annual performance incentive plans provided for a payout range of up to 5% of base salary for general staff and up to 30% for senior management based on weighted individual and collective performance.

In addition, TO2015 offered its senior management—directors and higher—a Completion Incentive Plan (Plan), which promised bonuses for completing their employment contracts and meeting organization-wide performance targets on TO2015's capital and operating budgets. The Plan's goal was to retain senior staff until the completion

of the Games. The total of annual performance and completion bonuses paid was \$15.8 million (between 2011 and 2016), of which \$5.3 million was the completion bonus.

The completion bonus was prorated based on an employee's position and time employed with TO2015, and ranged from 15% to 200% of an employee's annual salary. Employees hired after April 1, 2014, and those below the rank of director, were ineligible for this bonus.

Fifty per cent of the completion bonus was earned by eligible employees for staying until the end of their employment contract with TO2015. The other half of the completion bonus was based on the organization achieving exceptional performance goals. These goals were defined in May 2013 as meeting the organization's capital construction budget of \$730.1 million and meeting its net operating budget of \$379 million. Twenty-five per cent was based on meeting the capital budget and 25% on meeting the net operating budget.

The operating budget only reflected costs of the Games that TO2015 was responsible for. Since TO2015 did not have control over all of the projected costs for the Games, they were not held accountable for the entire operating budget for the Games.

However, the entire capital venue-construction budget was set as the performance target for the capital component of bonuses, even though TO2015 was responsible for directly managing less than 2% of that budget. Infrastructure Ontario was responsible for procuring and managing \$622 million of the \$730 million capital budget, and local venue owners were responsible for the remainder. As well, individuals outside of TO2015 who participated in the delivery of the Games, including employees of the provincial Secretariat and Infrastructure Ontario, were ineligible for such bonuses.

This kind of completion bonus is not unusual for organizations that need to attract a certain level of talent and experience for a finite period. These bonuses also acted as an incentive to stay with TO2015 until the end of the Games rather than

leave prematurely for another event, such as the 2016 Rio de Janeiro Olympics. We confirmed that a completion bonus structure was also used for the 2010 Winter Olympics in Vancouver.

### 5.2.2 TO2015 Operating Budget Increased by \$74 Million in Provincial Funding

In September 2014, as a result of cost pressures, TO2015 asked the province for and obtained a \$74-million increase to its \$379-million net operating budget. In evaluating this request, the province had to assess the implication of providing this additional funding under one of two agreements:

- the Multi-Party Agreement (MPA), which states that the province as a Games partner can choose to provide additional funding for the Games; or
- the Ontario Support Agreement (OSA), which detailed Ontario's commitment to support TO2015 in the planning and organizing of the Games, and to act as the deficit guarantor for the Games.

There would be no impact on bonuses if the province made the payment under the MPA. However, the TO2015 board had previously passed a motion stipulating that any payment under the OSA would eliminate payout of the operating component of bonuses, which totalled \$1.3 million.

The province told us it chose to provide the additional funding under the MPA rather than the OSA mainly because a payment under the OSA might eventually have led it to assume greater control of the Games because TO2015 was failing to manage its budget. The province feared that staff and sponsors would quit the Games if that happened and full bonuses were not paid.

However, the province did ask the TO2015 board to “take into consideration, when determining whether to award completion incentive payments related to the operating budget, that based on TO2015’s request for up to \$73,956,000 in additional funding, TO2015 is now planning to spend beyond its approved operating budget.”

In January 2015, the TO2015 board approved a revised operating budget target for the portion of the bonus entitlement related to operating performance that included this additional funding, and the decision to still make full bonus payments was made in August 2015.

### 5.2.3 \$5.3 Million in Completion Bonuses Paid

TO2015 did meet its revised operating budget target in its latest cost projections, and bonuses totalling \$5.3 million were paid to 53 employees for meeting the capital- and operating-budget targets, and for staying with TO2015 until the end of their contracts in October 2015. The CEO declined to take his bonus entitlement for staying to the completion of the Games.

In addition, these senior employees were entitled in the 2015/16 fiscal year to both an annual performance bonus based on successful execution of the Games and achievement of divisional objectives, plus the above-mentioned completion bonus in their final year of employment with TO2015—effectively getting two performance bonuses in the last year, one for annual performance for the year ended March 31, 2016, and a second for the completion bonus. This resulted in total bonuses paid in 2015 (for both completion incentives and annual performance for the 2014/15 and 2015/16 fiscal years) of \$8.22 million. Bonuses paid in the following year, 2016, totalled \$1.86 million.

Salary disclosures on Ontario’s 2015 “sunshine list” indicated that four of the 10 highest-paid provincial and broader-public-sector employees were Games executives, who each received an average of \$815,000, including annual salary, annual performance bonuses for the fiscal years 2015 and 2016, and completion bonuses, all paid out in the 2015 calendar year. In addition, 18 employees elected to take their bonuses in the 2016 calendar year, so these amounts are not reflected on the 2015 sunshine list figures.



## 5.3 Games Delivery

The 2015 Games were delivered with no major delays or security incidents. In addition to TO2015, a number of provincial ministries and municipalities were involved in Games delivery to ensure:

- the transport of athletes, coaches, officials, and spectators to venues in addition to the general public's access to roads;
- provision of security at and near venues;
- staffing by volunteers; and
- procurement of goods and services necessary for the Games.

### 5.3.1 Transportation

The Ministry of Transportation (MTO) was responsible for the overall Transportation Plan (Plan) during the Games, while TO2015 had the specific responsibility of getting athletes and officials to and from venues.

MTO worked with TO2015, municipalities, security planners, transit operators and accessibility planners, to meet the Plan's three goals:

- keep local residents and businesses moving;
- get athletes and officials to their events safely, on time and ready to compete; and
- create a safe, accessible and positive experience for spectators and volunteers.

The Plan included setting up a Unified Transportation Co-ordination Centre—a facility where Games transportation partners could co-ordinate operational and information activities during the Games. The Centre was located in MTO's Highway Management and Operations Centre in Toronto.

MTO also developed local plans with each municipality with the goal of ensuring transit and traffic ran smoothly during the Games, and signed 11 agreements totalling \$6.7 million with municipal transit agencies to cover costs incurred by the agencies for the Games.

The overall transportation budget as of October 2014 was \$106 million, but estimated total costs per the province and TO2015 as of March 2016 were

expected to be lower, at \$83 million (\$38 million for MTO and \$45 million for TO2015).

The lower-than-expected costs were attributed to the province scaling back on marketing and communication campaigns, reducing the number of planned high-occupancy-vehicle (HOV) lanes, and using in-house staff to conduct stakeholder engagement work rather than contracting out the work.

MTO released a high-level third-party overview report in December 2015 on the transportation-delivery performance of the Games, and the lessons learned for future such undertakings, including the need for an early start to planning to ensure clear communications, crafting the planning message so the public does not interpret it as a call to stay away, and ensuring consistency of venue names and acronyms.

Overall, the report concluded that the Plan was implemented successfully. Based on our review, its conclusion appears reasonable. Key performance measures included targeted travel times for athletes and team officials from the Athletes' Village to various Games venues, and effect of the temporary traffic measures on the general public's travel time on key highways.

### No Major Delays in the Transport of Athletes and Officials for the Games

Athletes and support staff were generally able to get to and from the venues on time, as measured by a reliability rating established and monitored by MTO that assessed trips made under travel-time targets as a percentage of total trips.

During the Pan Am Games, 13 out of 14 venue clusters (23 venues were grouped into 14 clusters by location) had a reliability rating over 90%, while the 14th which had two venues came in at 89%. At the Parapan Am Games, seven of the eight venue clusters (13 venues were grouped into these clusters by location) had reliability ratings over 90%, while one came in at 86%. For the two venue clusters that did not meet the 90% reliability rating threshold, transportation took an average of up to 15 minutes



longer than planned for Parapan Am participants and five minutes longer for Pan Am. Given that athletes arrived on time for their events, transportation had no adverse impact on the Games.

Temporary HOV lanes were put in place to support the movement of vehicles in areas prone to congestion. A majority of the HOV lanes did not significantly reduce travel times, with average time savings of just 6.1 minutes for the Pan Am Games and 3.5 minutes for the Parapan Am Games. However, significant time savings did occur in Toronto-area HOV lanes on the northbound Don Valley Parkway and both directions of the Queen Elizabeth Way, with a range of 20 to 38 minutes in savings during Pan Am events and eight to 27 minutes for Parapan Am events.

#### Temporary Traffic Measures on Key Highways Had No Major Impact on General Public

In order to measure the impact of the temporary HOV lanes on the general public, MTO measured the travel times in the general vehicle lanes during peak afternoon commuting times during the Games, and then compared them to travel times recorded in summer 2014 and spring 2015. Most of the monitored highways did not experience substantial changes in travel times compared to the 2014 and 2015 baselines, except for the northbound Don Valley Parkway and both directions of the Queen Elizabeth Way, which experienced traffic delays of up to 14 minutes.

### 5.3.2 Security

The Games took place in Toronto and 15 municipalities in the surrounding area, a broad geographical footprint for a major international sporting event of this kind. This required complex security coverage from several partners at all venues, plus the Athletes' Village and satellite villages for athletes competing at more distant sites, and training facilities.

There were no major security protection issues for the Games, although additional security sweeps

and coverage were needed at some of the venues due to inadequate fencing around their perimeters.

Security for the Games was provided jointly by the Ontario Provincial Police/Integrated Security Unit (OPP/ISU), the Royal Canadian Mounted Police (RCMP), eight regional and municipal police forces, TO2015, and private security services contracted by the OPP/ISU and TO2015.

The OPP established the ISU with representation from the RCMP and the eight regional and municipal police forces to lead overall security planning, integrate security prior to the start of the Games, and lead security during the Games.

In January 2015, the Ministry of Community Safety and Correctional Services hired a Canadian third party to review the state of Operational Security Readiness prior to the Games. The review noted that the OPP/ISU's security planning, actions and operational activities, including co-ordinating with several police services, were creating a safe environment for an inclusive and open international sporting event.

The estimated total cost for security at March 2016 was \$182 million, or \$65 million less than the \$247 million in the 2014 budget. The lower cost was due primarily to savings in contract negotiations for new municipal policing contracts, which were signed for less than anticipated. Other savings arose from the need for less supervision of private security guards, lower-than-anticipated police overtime costs, and reduced 24/7 security at some venues.

In addition, an accounting firm reviewed the eligibility of the expenditures for reimbursement by the eight local police forces totalling \$78 million, and noted that all eight police services were in compliance with their agreements.

### 2014 Auditor General Special Report on Security

Our Office completed a special audit on security in 2014 to determine whether reasonable security budgets and comprehensive risk assessments were in place to support security planning and delivery requirements.

At the time of our audit, we recommended that the three key security-planning partners for the Games—TO2015, the OPP/ISU and the Ministry of Community Safety and Correctional Services—actively communicate and co-ordinate security requirements for the Games, and that all security arrangements be in place as early as possible.

As noted in our 2014 audit, security arrangements at TO2015 were not always clearly communicated to the OPP/ISU in a timely manner. In a number of instances, as noted below, the OPP/ISU had to assign additional resources to address gaps in the security planning at TO2015 that could otherwise have led to security incidents.

### Gaps in Security Coverage by TO2015 Mitigated by the OPP/ISU

A number of TO2015 actions resulted in insufficient coverage to meet the security requirements established in the February 2015 memorandum of understanding between the OPP/ISU and TO2015.

Prior to the Games, the OPP/ISU noted that TO2015 was not effectively addressing all of the security-related areas for which TO2015 had assumed responsibility. After discussions with TO2015, the OPP/ISU mitigated the risks itself, at a cost to the province of about \$2.5 million (included in the final cost for security). This covered:

- supplementing field-of-play security, which increased the OPP/ISU security coverage for all venues and all competition days after TO2015 planned to cover only 10 venues, and not on all competition days;
- the OPP/ISU delivery of seven additional satellite accreditation facilities to process, validate, activate and distribute Games credentials, and implementation of a new scanning system to supplement TO2015's scanning system, which was not working properly, to verify the identities of credential-holders for access to secured locations; and
- increasing the OPP/ISU security for a number of Games-related sites including Exhibition

Place, Tim Hortons Field, Ajax baseball field, Etobicoke BMX track, Welland Flat Water Centre and the main Athletes' Village sites due to inadequate fencing.

### 5.3.3 Student Volunteer Program

The Ministry of Training, Colleges and Universities (Ministry) partnered with TO2015 to provide incentives for students and new graduates to volunteer to work at the Games. These incentives were in the form of benefits under the Ontario Student Assistance Program (OSAP).

One such benefit enabled students to receive a higher level of OSAP funding without making a monetary contribution toward the cost of their studies, while the other extended the grace period for repaying OSAP loans to one year from six months.

About 18,000 people volunteered for the Pan Am Games and about 5,000 for the Parapan Am Games (there was some overlap as many people volunteered for both Games). About 4,400 people applied for an OSAP benefit, and 2,500 of these received one or the other of the benefits. The rest were deemed ineligible for benefits for a variety of reasons, including the fact that they were not enrolled in full-time post-secondary studies, or did not have an OSAP loan to begin with.

The total cost of the benefits provided was approximately \$1.4 million.

### Volunteers May Not Have Worked Shifts Necessary to Obtain OSAP Benefits

Volunteers were expected to work an average of 12 shifts over the 18 days of the Pan Am Games and/or six shifts over the eight days of the Parapan Am Games. However, the number of assigned shifts varied, depending on where the volunteer was assigned. Shifts ranged from eight to 10 hours.

To be eligible for benefits, students were supposed to work all assigned shifts. TO2015 provided the Ministry with a list of volunteers whom TO2015 determined were potentially eligible for these

benefits. The Ministry then used this list as a basis to apply the benefits.

However, we noted that only 58% of the volunteers who received OSAP benefits checked in for at least 90% of their assigned shifts—and 9% checked in for 50% or fewer of their shifts. We also noted that while students were required to electronically scan their identification card to check in for their shifts, they were not able to check out electronically because the system did not have this capability. Thus, TO2015 could verify only that a student reported for a shift, but not whether they worked the full shift.

These individuals were still placed on the list provided by TO2015 to the Ministry for OSAP benefits even though they had not worked all assigned shifts and therefore did not meet the entitlement criteria. We were informed by TO2015 that checking in for one shift was deemed to be sufficient to be approved for benefits. The Ministry relied on the information from TO2015, and if volunteers met the Ministry's eligibility criteria, they received the OSAP benefits regardless of whether they had worked all assigned shifts.

### 5.3.4 Procurement Process

TO2015 was created for the sole purpose of planning, managing and delivering the Games. It was required to procure a large number of goods and services in a very short period from suppliers that they had never dealt with before and would never deal with again.

In addition, there were major ramp-up activities a few months before the Games that TO2015 had to manage to ensure all the appropriate goods and services were available to meet the needs of the Games.

Over its five years of operations, TO2015 procured about \$360 million of goods and services. Capital spending was mostly through Infrastructure Ontario or other partners.

Prior to the requirement, starting April 1, 2012, to follow the province's Broader Public Sector Procurement Directive, TO2015 had its own internal

procurement policy, developed with reference to Ontario's Supply Chain Guidelines for the Broader Public Sector. This policy established the framework and requirements for competitive procurement, and recognized specific exceptions in which open competitive acquisition was not possible. Of the total \$360 million in procurement, \$14.7 million was done under this original policy.

### TO2015 Procurement Practices Improved Over Time

To ensure procurement practices at TO2015 followed provincial standards, the Secretariat asked the Ontario Internal Audit Division (OIAD) in 2012 to conduct an audit of TO2015 to examine compliance with the Broader Public Sector Procurement Directive between April and June 2012. Procurements between January 2010 and March 2012 were audited against the principles of fairness, openness and transparency, and reflected the generally accepted standards of accountability for organizations operating in the public sector.

The OIAD completed its audit in July 2013, and followed up with another audit in May 2015, to ensure concerns identified in its original report had been addressed. Issues noted in the first audit were generally related to the lack of documentation to support decisions, including information to support scoring of bids, contract amendment justification, and some comparative analysis done on smaller invitational procurements. The audits did not find significant instances of non-compliance.

TO2015's Risk Management Group also carried out two internal audits in 2014 that concluded that TO2015 needed to maintain better documentation and post all sponsorship opportunities on the Merx government procurement website. These recommendations were fully implemented.

In our review of the procurement process at TO2015, we noted issues similar to those identified in the other audits, especially with respect to contracts signed in the early years as the organization was being set up. Documentation for procurements was more thorough in later years.

Issues noted in our review include the fact that TO2015 was unable to locate some documentation to show how specific vendors were invited to submit proposals for services and goods, particularly where the vendors were also sponsors for the Games. TO2015 could supply only incomplete documentation to support the evaluation of bids and the final conclusion. We did not, however, find any indication that contracts were awarded unfairly or that the goods or services received did not have the value indicated in the contracts. Most goods and services had a certain scope of needs and budget attached to them prior to procurement.

For example, the selection of a logistics provider to meet TO2015's transportation, warehousing and customs-brokerage needs was made through a sponsorship sales process by invitation to a number of major companies that TO2015 determined could meet its needs. Only two of these companies submitted proposals, which TO2015 evaluated. Although none of these evaluations was properly documented, TO2015 was able to locate informal notes and emails as evidence the evaluations were not done unfairly. This procurement was also reviewed by the TO2015 Risk Management Group and reported to its Audit Committee in 2014.

We also noted that, overall, there was generally a lack of documentation to explain additional costs and change orders added to original contracts. TO2015's payment process did not allow payments over the original contract amounts without segregation of duties and proper approvals.

Upon further inquiry with TO2015 on the reasons for these spending increases, we noted these were mostly due to changes in scope of services or goods needed to meet increased requirements than initially planned in the original quote. For example, more power generators were needed for air conditioning due to higher-than-expected temperatures.

#### **Additional Oversight on Procurement**

In December 2012, TO2015 established a Deal Approval Group consisting of the CEO and senior

vice presidents to ensure that procurements over \$250,000 were approved. The Group operated until two weeks before the Games opened, and approved 126 deals, including 32 sponsorship agreements.

TO2015 also began the sound practice of reporting exceptions to competitive procurements, including sole-sourcing and add-ons to contracts, to the Audit Committee annually starting in the 2011 fiscal year. From fiscal 2011 to March 2015, TO2015 reported 125 exceptions worth \$15 million. In these cases, written explanations were provided to the Audit Committee outlining why these exceptions were made and what was done to ensure the value was correct. From April 2015 to October 2015 (the end of most procurement activities), 17 contracts totalling \$541,000 were sole-sourced but not reported to the Audit Committee. We noted that prior to this requirement for reporting in 2011, 11 sole-sourced contracts worth \$8.3 million were signed. While the Audit Committee had not reviewed these contracts, TO2015 had justified why it sole-sourced them.

#### **Diversity in Procurement**

Through outreach events, TO2015 was able to contact many local and small businesses to discuss participating in business opportunities and registering with TO2015 online so the businesses could learn about upcoming procurement needs.

In addition, a large part of TO2015's procurement strategy was to promote supplier diversity and to purchase locally or from the rest of Canada. TO2015 calculated that 84%, or \$301 million, of the goods and services purchased were from Canadian-based suppliers, with 66%, or \$241 million, from the municipalities hosting the Games. Its objective was to maximize use of diverse, under-represented Canadian businesses, including businesses owned and operated by aboriginal people, women, visible minorities, persons with disabilities and members of the LGBTQ community. By the end of the Games, 346 contracts worth \$23.7 million had been signed with these groups.

## 5.4 Games Venues

Although Toronto was the host city of the Games, the 31 competition and 13 training venues were spread across Toronto and 15 other municipalities in the Greater Golden Horseshoe area. This represented the biggest-ever geographical footprint for the Pan Am/Parapan Am Games. **Appendix 3** illustrates locations of the venues.

Of the Games 44 sporting venues, 26 were funded through the Games capital budget—15 as renovations, 10 as new builds, and one for purchases of temporary courts (e.g., squash, racquetball, and basketball) for use during the Games at various locations that were subsequently dismantled and donated to various national and provincial amateur sport organizations.

The remaining 18 existing venues required only operating funds, to cover signage, security facilities and other temporary services for the Games.

The 26 sporting venues funded by the July 2011 \$730-million capital budget included:

- 10 managed by Infrastructure Ontario, with a budget of \$622 million;
- 10 managed by TO2015, with a budget of \$12 million;
- six managed by their respective municipalities, with a budget of \$52 million; and
- \$44 million that was unassigned at the time.

Of the 26 capital-budget venues, 19 hosted competitions for at least one Pan Am or Parapan Am sport, and seven were used only for training. The 2011 budget was subsequently revised to \$700 million in October 2014, but actual spending based on the province's estimates came in at \$666 million. We also believe that an additional \$42 million for site preparation and contamination clean-up costs for three of the venue sites (the Toronto Pan Am Sports Centre, Tim Hortons Field, and the Markham Pan Am Centre) should be added to this amount. These clean-ups were conducted after the 2009 bid.

Funding for 19 of the venues was based on a standard cost-sharing arrangement in which the federal government paid 56% and the municipal-

ities paid 44%. In one case, a municipality decided to pay \$12 million more than its 44% share to obtain facilities that exceeded Games requirements but met its community's post-Games needs. In addition, the federal government provided full funding for four venues (the equine cross-country event, speed roller sports, the shooting centre, and a high-performance athletics centre) as well as the purchase of some sports equipment.

The original budget did not call for any provincial funding for these 26 venues, but two exceptions were made. The province contributed:

- \$22.5 million to Tim Hortons Field, the Games soccer stadium, after a request from the City of Hamilton to increase the size of the stadium for legacy use as a Canadian Football League stadium ; and
- \$22.5 million to the Goldring Centre for High Performance Sport, a training venue at the University of Toronto.

**Figure 8** provides a list of venues, the substantial completion dates, and the budget and actual costs.

### 5.4.1 Venues Mostly Delivered on Budget

Each venue budget was developed based on detailed cost estimates, usually produced by consultants at various points before and after construction contracts were signed.

The following budget figures for capital projects are taken mostly from TO2015's first revised budget, released in 2011. The original capital budget in the 2009 bid totalled \$638 million and did not include cost estimates by venue. At the time, specifications for many of the proposed venues had not yet been finalized, and there were significant changes to venue selection since the bid.

The total capital budget for venues in the first revised budget, in 2011, was \$730.1 million. This budget was reduced in October 2014 to \$700 million, and the province and TO2015 estimated the total cost for venues as of March 2016 was \$666 million (excluding \$42 million of contamination cleanup cost at three of the venue sites). The



**Figure 8: Comparison of Completion Dates and Budgets to Estimated Final Costs**

Source of data: Infrastructure Ontario, T02015 and Pan/Parapan American Games Secretariat

Capital Project	Project Manager	Target Completion Date	Substantial Completion Date <sup>1</sup>	Project Cost Budget (Jul. 2011)	Estimated Final Costs (Mar. 2016)	OAG Adjustments <sup>2</sup> (\$ 000)	OAG Adjusted Estimated Final Costs <sup>3</sup> (Mar. 2016)
Toronto Pan Am Sports Centre	Infrastructure Ontario	Jul. 15, 2014	Jul. 15, 2014	248,930	198,886	30,100	228,986
Tim Hortons Field	Infrastructure Ontario	Jun. 30, 2014	May 8, 2015	145,668	145,208	2,300	147,508
York University Athletics Stadium	Infrastructure Ontario	Jun. 30, 2014	Jun. 16, 2015	52,949	42,833	—	42,833
Milton Velodrome	Infrastructure Ontario	Aug. 31, 2014	Jan. 7, 2015	50,000	54,474	—	54,474
Toronto Tracks (3 projects)	Infrastructure Ontario	Aug. 31, 2014	Jul. 2, 2015	6,301	5,799	—	5,799
Markham Pan Am Centre	Infrastructure Ontario	Jul. 15, 2014	Oct. 29, 2014	85,790	75,048	9,400	84,448
Etobicoke Olympium	Infrastructure Ontario	Jul. 15, 2014	Oct. 21, 2014	20,000	19,119	—	19,119
University of Toronto Fields	Infrastructure Ontario	Jul. 15, 2014	Oct. 21, 2014	12,439	9,108	—	9,108
Will O'Wind Farm (equestrian cross country)	T02015	Jun. 1, 2015	May 31, 2015	— <sup>4</sup>	500	—	500
Burlington Soccer Park	T02015	Sep. 20, 2013	Oct. 31, 2013	2,570	2,000	—	2,000
Minden Wild Water Preserve	T02015	Nov. 4, 2013	Jan. 30, 2015	2,073	583	—	583
Royal Canadian Henley Rowing Course	T02015	Mar. 12, 2014	Jan. 31, 2015	829	1,062	—	1,062
Fletcher's Fields	T02015	Oct. 6, 2014	Dec. 18, 2014	721	720	—	720
Rollersports - Speed	T02015	May 12, 2014	Jun. 27, 2015	210	209	—	209
Toronto International Trap and Skeet Club (shooting)	T02015	Nov. 10, 2014	Jun. 4, 2015	1,893	6,327	—	6,327
Exhibition Centre/Ryerson University/Hershey Centre (courts)	T02015	Jun. 30, 2015	Jun. 30, 2015	3,305	2,401	—	2,401
University of Toronto Scarborough Tennis Centre	T02015	Sep. 3, 2014	Jun. 22, 2015	— <sup>4</sup>	1,300	—	1,300
York University High Performance Athletics Centre	T02015	Mar. 15, 2015	Mar. 16, 2016	— <sup>4</sup>	5,650	—	5,650

Capital Project	Project Manager	Target Completion Date	Substantial Completion Date <sup>1</sup>	Project Cost Budget (Jul. 2011)	Estimated Final Costs (Mar. 2016)	OAG Adjustments <sup>2</sup>	OAG Adjusted Estimated Final Costs <sup>3</sup> (Mar. 2016)
Road Cycling	City of Toronto	Jul. 11, 2014	Nov. 26, 2014	13,433	3,989	—	3,989
Ontario Place West Channel	City of Toronto	Feb. 27, 2015	Nov. 14, 2014	— <sup>4</sup>	5,234	—	5,234
Centennial Park BMX Centre	City of Toronto	Aug. 29, 2014	May 18, 2015	1,540	3,963	—	3,963
Nathan Phillips Square (non-sport)	City of Toronto	Jun. 28, 2013	Jun. 28, 2013	4,146	4,146	—	4,146
Ajax Sportsplex	City of Ajax	Jun. 20, 2014	Aug. 15, 2014	— <sup>4</sup>	8,699	—	8,699
Richmond Green Sports Park Baseball				4,958	—	—	—
Lakeshore West Sports Park Softball				4,059	—	—	—
Caledon Equestrian Park	City of Caledon	May 1, 2014	Apr. 25, 2014	12,213	11,575	—	11,575
Welland International Flatwater Centre	City of Welland	Jul. 2, 2013	Jul. 12, 2013	12,025	9,884	—	9,884
Royal Canadian Yacht Club				2,500	—	—	—
Goldring Centre	University of Toronto	Jan. 31, 2015	Sep. 30, 2014	— <sup>4</sup>	22,500	—	22,500
Unassigned/ Miscellaneous costs				41,556	24,805	—	24,805
<b>Total</b>				<b>730,108</b>	<b>666,022</b>	<b>41,800</b>	<b>707,822</b>

1. Dates shaded in grey identify substantial completion dates more than four months after the target date.

2. Adjustments by the Office of the Auditor General of Ontario.

3. Numbers shaded in grey identify estimated final costs exceeding the budget by over \$2 million.

4. These venues were added subsequent to the 2011 project cost budget, therefore, no cost estimate is recorded here.



vast majority of these projects came in at or under budget. However, the following venues exceeded their capital budget by more than \$2 million each:

- The Milton Velodrome, budgeted at \$50 million in 2011, is forecast to have a final cost of \$54.5 million, because the construction price quoted by the winning bidder was higher than the initial cost estimates for the project.
- Centennial Park BMX Centre is forecast to have a final cost of \$4 million, up from an original budget of \$1.5 million, because the original plan called for the venue to be temporary but it was later upgraded to permanent and it was subsequently moved from Ontario Place to Etobicoke.
- The Pan Am Shooting Centre (Toronto International Trap and Skeet Club) is expected to have a final cost of \$6.3 million, up from a budget of \$1.9 million, because the facility was originally to be temporary, but was subsequently made permanent, and moved from Borden to Innisfil.

In addition, although Tim Hortons Field in Hamilton was budgeted at \$145.7 million and Infrastructure Ontario forecast in May 2016 that it would cost approximately \$500,000 less, there is significant uncertainty about the final cost of this project. The stadium's owner and Infrastructure Ontario continued to deal with deficiencies and defects that have yet to be resolved, and on April 25, 2016, the City of Hamilton filed a notice of action claiming \$35 million in damages against Ontario Sports Solutions (PAG) L.P., Kenaïdan Contracting Ltd, Bouygues Building Canada Inc., Infrastructure Ontario, TO2015, and the Hamilton Tiger-Cats Football Club, that could impact the final cost.

#### 5.4.2 All Venues Delivered In Time for Games But Some Missed Target Completion Dates

The target completion date for capital work on venues was generally one year before opening of the Games to provide sufficient time to hold test

events, and to hand over the venues to TO2015 to get them ready for the Games (for example, install security fencing and other security infrastructure, and temporary seating where needed).

Of the 10 Games venues procured and managed by Infrastructure Ontario, all six venues built under the same contract were completed more than four months after their target completion dates, significantly reducing the amount of time available for test events and preparation for the Games, as follows:

- Tim Hortons Field (target completion date June 2014, actually completed May 2015)—As of the target completion date in June 2014, the contractor still had outstanding work to be completed for the stadium, including installation of pipes on the grandstands' upper tier, and connection of those pipes to the building's storm-drainage system to prevent uncontrolled drainage on the concourse below; installation of sleeves for the soccer goal posts; and a review and repair as required of water leakage in a number of areas inside the grandstands. Substantial completion did not happen until 10 months later, in May 2015. While this delay did not affect the Games events held at this venue, it did have an impact on the stadium's main tenant, the Hamilton Tiger-Cats football team, which was unable to hold their first three home games in 2014 there as planned.
- York University Athletics Stadium (target completion date June 2014, actually completed June 2015)—The contractor who built Tim Hortons Field also constructed this venue. As of the target completion date in June 2014, the contractor still had significant work remaining on the stadium, including the installation of elevators, the field-of-play grass, and the track surface. Although the venue was completed about a month before the Games opened, a large number of unresolved deficiencies and non-compliances with the design specifications for the project remained, including for example water draining into the concession

area. No test events were conducted at this venue, although TO2015 indicated that it had undertaken simulations on site to ensure the facility functioned as intended for the Games.

- The Milton Velodrome (target completion date August 2014, actually completed January 2015)—This project was in the same bundle as the stadiums, and experienced similar delays, which forced Cycling Canada to postpone two major non-Pan Am events that served as test events for the Pan Am Games.

The following three projects were much smaller in scope than the ones above, and were delayed due to slow mobilization of project design resources that delayed work to spring 2015:

- Centennial Park Track (target completion date August 2014, actually completed July 2015);
- Birchmount Stadium (target completion date August 2014, actually completed July 2015); and
- Toronto Track and Field Centre (target completion date August 2014, actually completed July 2015).

#### 5.4.3 Bundling of Projects for Alternative Financing and Procurement Delivery Contributed to Project Delays and Significant Deficiencies

The capital venue projects that would have been handled as separate projects under normal procurement were grouped together into bundles for Alternative Financing and Procurement (AFP) delivery. AFP is the form of public-private partnerships frequently used in Ontario between the public sector and private-sector businesses to deliver large infrastructure projects. Under AFP, the various partners are to share the responsibilities and risks for the project.

At the time, the province's threshold for using the AFP model for construction projects was \$50 million. Bundling was done to combine the value of several smaller projects into a single large undertaking that met the dollar-threshold for AFP procurement.

The single large undertaking would then be delivered by one developer. Nine of the sports venues delivered by Infrastructure Ontario were grouped into two bundles. The bundles were as follows:

1. Stadium bundle, comprised of York University Athletics Stadium, Tim Hortons Field, the Milton Velodrome, and three Toronto athletics tracks; and
2. Pools and Field bundle, comprised of Markham Pan Am Centre, University of Toronto Field Hockey, and the Etobicoke Olympium.

These two bundles involved different owners, unique venue designs, and a range of project sizes from \$1 million for track work to \$146 million for a stadium, that had few elements in common.

We asked why such diverse projects were bundled together, and were told it was to leverage private-sector expertise (for example, the two stadiums were to be built by one firm as they would have similar design requirements such as seating, concession areas, and playing surface) and to ensure the projects would be large enough to attract international companies that have experience in building stadiums. But no rationale was provided for why other projects were bundled, other than to meet the dollar-value threshold for AFP delivery. Specifically, we noted the following:

- The relatively smaller projects were “bundled” to reach a more economical and appropriate scale for Infrastructure Ontario's project-management processes. However, the bundling of projects that have diverse owners and locations did not lead to optimal outcomes for all venues. For example, the winning bidder for the stadiums and velodrome bundle was ranked low in both design and technical criteria for the York University Athletics Stadium in the evaluation of bidder proposals. However, the winning bidder was chosen based on the consensus score from all project owners in the bundle and Infrastructure Ontario. In interviews with venue owners, we learned that some objected to the bundling approach for reasons that included:

- a lack of synergies among venues in a bundle;
- inadequate project-management resources devoted to individual venues; and
- limits on flexibility for smaller projects that are bundled with a bigger, more dominant project. For example, the smaller York University Athletics Stadium was tied to the bigger Tim Hortons Field project and although the University considered issuing a stop work order or terminating the contractor during the early stages of construction, this was deemed unfeasible due to the tight time frame for Tim Hortons Field, which the same contractor was also building.
- Bundling meant that any particular problem with the contractor on one project could inevitably affect all other projects in the bundle. For example, all six projects in the same bundle were delayed for more than four months, as detailed in **Section 5.4.2**.

#### 5.4.4 Deficiencies and Defects Still Exist at Some Venues

In our review of the deficiencies, and of the funds held back from contractors by venue owners at the time some of the projects were certified for substantial completion, we noted significant concerns and outstanding deficiencies still to be resolved.

As per the project agreement, 200% of the value of outstanding construction work is held back until deficiencies are addressed. At the time of substantial completion certification, \$12 million was held back from the Substantial Completion Payment for work deficiencies and instances where construction did not conform to the approved design of the York University Athletics Stadium, accounting for one-third of the total contract price. As of April 2016, almost one year after substantial completion, approximately \$5.3 million was still withheld for deficiencies and non-compliance items were still unresolved.

Significant defects and variances from the approved design can only be addressed through

negotiation for compensation settlement or dispute resolution (including litigation), because the venue is substantially completed and repairs or other fixes may not be practical. For example, issues at the York University Stadium include low head room in the equipment storage area that could require major demolition and rebuilding to fix.

It has been a year since substantial completion and the City of Hamilton still has concerns with quality and workmanship. During our tour of the facility, we noted interior water damage at numerous locations. Infrastructure Ontario advised us that that this was considered a “latent” condition (discovered after substantial completion) and therefore is to be treated as a warranty claim (warranties are in place for one year after substantial completion). As of April 2016, \$2.4 million was still withheld for non-compliance items.

In the case of the Etobicoke Olympium, there were still six deficiency items outstanding as of April 2016, including major issues with the bulkhead (a structure that separates a pool into different sections) and the dive tower. The venue owner was not allowing the contractor or Infrastructure Ontario on site, and has prepared to hire its own contractor to complete the repairs.

In the case of the Toronto Tracks, \$815,000 was still being held back as of April 2016 for deficiencies and non-compliance items, representing over 20% of the total contract price for the Tracks.

#### 5.4.5 Additional Costs for Certain Venues Should be Recognized

We reviewed the budgets and costing of various venues to assess if all significant components were included to reflect the true cost of the facilities. We believe the following two items should have been included in the capital cost of the projects.

##### Site Preparation Costs

Project cost should include all site preparation costs incurred from the time site selection decisions were made. Significant site preparation and remediation

costs were incurred for the following venues but were excluded from the total Games cost. For example:

- **Toronto Pan Am Sports Centre at the University of Toronto Scarborough Campus:** The site was formerly a waste landfill site operated by the City of Toronto. The City and the University together incurred remediation costs of \$30.1 million to prepare the site for construction (The City paid about 42% and the University about 58%).
- **Markham Pan Am Centre:** The Town of Markham paid \$9.4 million to remediate the site, which was once an industrial area with a road-maintenance depot and car-repair shops.
- **Tim Hortons Field:** The City of Hamilton spent about \$2.3 million to demolish the old Ivor Wynne Stadium and to remediate the site.

These costs, totalling about \$42 million, should be considered part of the total Games capital costs as they were directly related to venue-selection decisions and to construction of the facilities, and are included in **Figure 1**.

### Other Contingency Costs

Due to delays on some of the venues, it is possible that other costs not covered by indemnities or other forms of securities could still come in, including, for example, the risk of litigation.

## 5.5 Pan American Village

### 5.5.1 Athletes' Village Required for Games

As part of the commitment to host the Games, TO2015 was required to provide the Pan American Village to accommodate at least 8,400 athletes, coaches and officials. Accommodation and meals provided at the Village were to be free of charge for these accredited guests, who had use of the facility during the Games.

The Village had to meet the minimum requirements of the International Olympic Committee and the International Paralympic Committee for athletes' villages, and had to open at least 10 days

before the opening ceremony and remain open at least three days after the closing ceremony.

In its 2009 bid, the province said the Village would be built on 80 acres of the 200-acre provincially-owned West Don Lands, a vacant property earmarked by Toronto City Council in 2005 for redevelopment as a mixed-use community.

Development of the Village site was managed by Infrastructure Ontario, which was responsible for procuring and overseeing construction using the AFP project delivery model. Infrastructure Ontario received and reviewed three competitive bids. Its selection process was overseen by a fairness monitor, and the winning bidder was announced in September 2011. The development and construction costs of the Athletes' Village was \$871 million.

Construction began in December 2011 and was substantially completed and turned over to TO2015 in January 2015. The site was used by athletes and officials from July to August, and was returned to the contractor in September 2015 for conversion to its permanent use.

During the Games, the Village served as the temporary residence for about 7,200 Pan Am and about 2,200 Parapan Am athletes, coaches and officials. Village facilities included an 18-acre park, five dormitory blocks, a recreation centre, a medical clinic, and a 24-hour dining tent. Retail and commercial space included banking and postal services, a travel agency, and a pharmacy.

As of spring 2016, the Village was undergoing conversion to its legacy use as a mixed-housing development (see **Section 5.6**).

Overall we did not find evidence to suggest that the Athletes' Village procurement process was unreasonable.

### Village Budget Decreased

The first publicly disclosed cost estimate for the Village was in the 2009 bid for the Games when the government said the community envisioned for this site would cost an estimated \$1 billion to build.

The bid indicated that \$1 billion would be invested to develop the site regardless of whether

Toronto was selected as host city for the Games, although it would cost an additional \$100 million to use the site for the Games—\$30 million for temporary facilities there during the Games and another \$70 million to modify the residential units for permanent occupancy after the Games. The \$1 billion included a \$242-million site-preparation project, which began in 2007 and which was funded by all three levels of government through Waterfront Toronto, a provincially controlled organization.

The province approved funding for a revised cost projection for the Village of \$709 million in 2010. This amount excluded the \$242-million site-preparation costs, as well as a planned green initiative to use lake water to cool and heat the buildings, both of which were included in the original \$1-billion estimate in the Games bid.

We estimate the total cost of the Village to be \$735 million. **Figure 9** shows the total estimated cost of the Village in the 2009 bid budget and the

September 2010 budget, and compares it with our and the province/TO2015's total estimated costs at March 2016.

### 5.5.2 Project Scope of Village Reduced to Stay Within Budget

The vision for the Village in the Games bid was to provide quiet, safe and secure housing for up to 8,500 athletes and team officials. In addition, the buildings were to obtain certification for Leadership in Energy and Environmental Design (LEED). The 2009 bid also included an onsite 400-metre athletic track and field-training venue, and a 50-metre outdoor pool.

However, when the project went to Ontario Treasury Board for approval in 2010, the planned capacity for the Village was reduced to 8,000 beds from 8,500, and the number of future residential units was cut to 1,853 from 2,067.

**Figure 9: Comparison of Athletes' Village Budgets to OAG Total Estimated Costs**

Sources of data: Infrastructure Ontario and Pan/Parapan American Games Secretariat

	Bid Budget (Nov. 2009)	Budget (Sep. 2010)	Total Estimated Costs per the Province (Mar. 2016)	OAG Adjustments <sup>1</sup>	OAG Adjusted Total Estimated Costs (Mar. 2016)
	(\$ million)				
Site remediation and flood prevention works (Section 5.5.2)		203	140	—	140
Development and construction costs (including conversion) <sup>2</sup> (Section 5.5.2)		1,166	871	—	871
Less: revenue from condominium sales (Section 5.5.2)	1,000	(562)	(324)	—	(324)
Less: revenue from sale of buildings (Section 5.5.2)		(98)	—	(71)	(71)
Add land values (Section 5.5.3)		—	—	119	119
<b>Total</b>	<b>1,000</b>	<b>709</b>	<b>687</b>	<b>48</b>	<b>735</b>
Less: West Don Lands early flood prevention and remediation work	(242) <sup>3</sup>				
<b>Adjusted Total</b>	<b>758</b>				

1. Adjustments by the Office of the Auditor General of Ontario.

2. Conversion from Athletes' Village to condo residence, affordable housing, student residences and recreation centre.

3. The \$242 million had previously been allocated by municipal, provincial and federal governments for the construction of a flood protection berm in the West Don Lands and environmental land remediation, which commenced prior to the November 2009 bid. The work would have been completed whether or not the Games bid was successful. As a result, the bid budget for the Athletes' Village would have been \$758 million with the \$242 million excluded from the budget, as indicated at the bottom of column 1.



The training venues were also dropped because the land on which they would have been built was heavily contaminated and would be too costly to clean up. As well, the planned green initiative to use lake water to cool and heat the buildings was determined to be costly and technically unfeasible and was also eliminated.

As mentioned, in 2010, Treasury Board approved a budget of \$708.9 million for the development of the Village. The budget of \$708.9 million was comprised of \$203 million for site remediation and flood prevention (separate from the early site-remediation and flood-prevention work for which the \$242 million had been allocated), and development and construction costs of \$1,166 million, offset by potential revenues from the sale of the condos (\$562 million) and buildings (\$98 million).

The \$203 million for site remediation and flood prevention was lower in the province and TO2015's total estimated cost at March 2016 (\$140 million) because part of the work was taken on by the developer and thus became part of the development and construction costs.

However, when the Request for Proposals was issued in 2011, every contractor who bid exceeded the approved budget by a range of 30% to 45%. In order to stay within budget, Infrastructure Ontario further reduced the scope of the project by:

- further reducing capacity by 10%, to 7,200 from 8,000; and
- increasing the ratio of athletes to washrooms to 5-to-1 from 4-to-1.

The reduction in capacity at the Village also meant that satellite villages would be needed to house athletes competing in events farther away from Toronto's centre. This is discussed in **Section 5.5.6**. As a result, the development and construction costs, including conversion, were reduced from \$1,166 million to \$871 million.

The total development cost of the Village includes offsetting revenue from the sale of the condos to the public (\$324 million) and the sale of the buildings to two not-for-profit organizations, the YMCA and George Brown College (\$71 million), as shown in **Figure 9**.

### 5.5.3 Value of Land Transferred to Developer Not Included in Project Costs

The West Don Lands site for the Village development consists of eight blocks. Of these, only five were required for permanent buildings for the Games, and these were collectively called Stage 1 lands.

In addition, land on the site valued at \$49 million was included in the Request for Proposals process and was transferred to the successful bidder as part of the final contract at a nominal cost of \$10. This was done to reduce total development costs to the province.

The Stage 2 lands consist of a gross area of 788,886 sq. ft., and can be developed into 970 condo units. The value of the Stage 2 lands is estimated to be \$48.9 million. The developer is expected to develop these blocks after the Games at its own cost, and is entitled to all the revenues from them.

A Stage 2 Lands Development Agreement was entered into with the developer that mainly required the development to be completed between 2019 and 2021. **Figure 10** describes the various buildings and the land value of the blocks.

The development cost of the Village did not include the value of the land provided to the developer and the other third parties (the YMCA, George Brown College, and two other not-for-profit organizations) for a token fee of \$10 each. The \$118.6-million fair value of all this land should have been included in the development cost to reflect the real economic cost to the province.

In addition, Waterfront Toronto, the agency responsible for the revitalization of Toronto's waterfront, is dependent on recovering funds from the sale of remediated land to private developers to fund cleanup of other contaminated sites along the waterfront for development. The loss of these revenues has a potential impact on its future plans.

### 5.5.4 Provincial Loans Made Available to Reduce Risks Faced by Private Developer

Lenders do not generally advance conventional condo construction loans to developers until at



**Figure 10: Land Use and Value of Athletes' Village**

Source of data: Infrastructure Ontario

	Block	Buildings	Owners (post-Games)	Land Value (\$ million)
Stage 1 Lands	1/14	Recreation Centre/Student Residences	YMCA/George Brown College	19.1
	3	Affordable Housing	Fred Victor Centre	5.2
	4	Market Condos	Dundee Kilmer	21.2
	11	Market Condos	Dundee Kilmer	16.4
	15	Affordable Housing	Wigwamen Incorporated	7.8
<b>Subtotal</b>				<b>69.7</b>
Stage 2 Lands	12	Market Condos	Dundee Kilmer	17.4
	13	Market Condos	Dundee Kilmer	23.1
	16	Market Condos	Dundee Kilmer	8.4
<b>Subtotal</b>				<b>48.9</b>
<b>Total</b>				<b>118.6</b>

least 75% of units have been sold, which could have forced the Village developer to seek more costly bridge financing in the event of slow sales.

In 2011, the province agreed to provide a loan facility to developers who bid on the Village in the event that initial sales were lower than expected, because many of the units would likely not sell until after the Games.

The maximum advance amount under the facility was \$230.7 million. However, as of April 2016, 92% of the available condo units had been sold for a total of \$282.9 million. Infrastructure Ontario confirmed in March 2016 that the developer will not need a loan from the province.

### 5.5.5 Project Agreement Protected Province Against Delays and Cost Overruns

The Project Agreement for the Village required the developer to provide letters of credit that the government could draw on should the developer fail to discharge its responsibilities.

In addition to the letters of credit, there was a provision for a maximum \$7 million in damages if the buildings failed to achieve LEED certification, and \$100,000 for every day after the target date that the developer was late handing the site over to TO2015.

As well, the province retained title to the land until after the Games to give itself more flexibility to take charge of the project if the developer failed to meet key project milestones.

The project was completed on schedule for the Games, with substantial completion achieved January 28, 2015, two days before the required target date.

### 5.5.6 Additional Satellite Villages Needed after Capacity Cuts to Main Village

In Spring 2010, the province decided to reduce the planned capacity of the main Village to 8,000 beds, from the up to 8,500 beds in the 2009 bid, with the understanding that two satellite villages of about 400 beds for the Flat Water Canoe/Kayak and Rowing athletes in St. Catharines would be added at the Brock University student residences and in Minden. PASO required accommodation for at least 8,400 athletes, coaches, and officials.

However, as further reductions were made to the planned capacity at the main Village, and concerns about travel time from the main village to some of the Games venues mounted, TO2015 was required to consider additional satellite villages for several other competition venues. When determining potential locations for satellite villages, TO2015

considered venues that had projected travel times of more than 45 minutes from the main Village.

The following venues and sports were identified for additional satellite locations:

- Caledon—Equestrian (about an hour from the main Village) with accommodation for 182; and
- Barrie—Shooting and mountain biking (about an hour from the main Village) with accommodation for 413.

These two locations could accommodate a total of 600 athletes, coaches and team officials, compensating for the shortage at the main Village.

A fifth and final satellite village was added, with 400 beds, at McMaster University in Hamilton when it became apparent that soccer athletes would also be travelling for more than 45 minutes from the main Village to the stadium in Hamilton, and when PASO requested a small increase in the number of participating athletes.

The satellite villages were required to be available five days before a competition and two days after, and to provide conditions similar to those at the main Village. TO2015 was also responsible to cover the costs of transportation, accommodation and meals at the satellite villages.

Total cost of renting facilities for five satellite villages, including accommodations, food, recreation, transportation, and security, was \$4 million.

## 5.6 Games Legacy

### 5.6.1 Games Leave Behind Long-Term Benefits for People and Communities

The legacy strategy of the Games aimed to create social benefits lasting long after the Games ended, along with permanent sports and athletics facilities for the use of residents and local athletes.

For example, the Games helped fund completion of a 250-kilometre stretch of the Trans Canada Trail in Ontario, which provides a continuous trail from Windsor to Ottawa, and from Fort Erie to North Bay.

The Parapan Am Games also helped foster the EnAbling Change partnership between the Ministry of Economic Development, Employment and Infrastructure, the Accessibility Directorate of Ontario, and the Canadian Paralympic Committee to help people with disabilities become more physically active in sports and recreation.

The Pan Am/Parapan American Kids program also helps motivate children and youth to participate in sports at more than 4,250 sites.

Some 23,000 people also served as trained volunteers for the Games and a new volunteer website was introduced to link Games volunteers to future volunteer opportunities in Ontario.

The cultural legacy of the Games includes works of art and commissioned sculptures that will remain accessible to the public. Canadian artists also gained experience with and exposure to new audiences while performing in celebratory and promotional events.

TO2015 also donated sports equipment and other assets to a number of Pan-American nations, Canadian national, provincial and municipal amateur sports organizations as well as the Paralympic movement.

### 5.6.2 Long-lasting Benefits from Games Capital Investment

An important component of the legacy strategy is the high-quality sports and athletics facilities available for public use long after the Games have ended. Highlights of the capital projects constructed or renovated across the 16 municipalities hosting the games include:

*Toronto Pan Am Sports Centre:* With two internationally sanctioned 10-lane, 50-metre pools, a deep-diving tank, and dry-land dive-training facilities, the Centre is the only aquatics facility in the local area that meets international competition standards. The Canadian Sport Institute Ontario (CSIO) has moved its head office there, as has Wheelchair Basketball Canada's National Academy. Diving Canada, Swimming Canada, Synchro Canada and Water

Polo Canada also moved components of their high-performance teams and training programs there. As the Centre is jointly owned by the City of Toronto and the University of Toronto Scarborough Campus, the facility is open to the community as well as to university students and staff.

*The Milton Velodrome:* One of only two internationally sanctioned indoor cycling tracks in North America, the Velodrome's 250-metre timber track and two 42-degree banks allow competitive cyclists to train indoor year-round. Cycling Canada and Cycling Ontario have opened offices at the facility, which also offers community recreational space that includes a fitness centre, a 300-metre walking/jogging track, and volleyball, basketball and badminton courts.

*Tim Hortons Field:* The 22,500-seat stadium, the new home of the Hamilton Tiger-Cats of the Canadian Football League, can be expanded to 40,000 seats for special events.

### Toronto 2015 Sport Legacy Fund

In 2013, a \$70-million Toronto 2015 Sport Legacy Fund was established with \$65 million from the Government of Canada and \$5 million from the Province of Ontario. In March 2016, the province approved an additional \$7 million for the Legacy Fund.

Managed by the independent Toronto Foundation, the Legacy Fund will contribute to the operating and capital maintenance of three new Games venues over the next two decades: the Toronto Pan Am Sports Centre, the Milton Velodrome, and York University Athletics Stadium.

In the first three years of the Legacy Fund, the Toronto Pan Am Sports Centre is expected to receive about \$4.1 million, the Velodrome \$736,000, and the Athletics Stadium \$288,000. Thereafter, future allocations will be determined based on annual business plans submitted by the facility owners.

### The Athletes' Village

After the Games, work began to convert the Pan American Village into a new community called Canary District on Toronto's waterfront, aligning

with such public policy objectives as reducing urban sprawl, creating new affordable housing and community recreational spaces, and enhancing access to public transit.

The Canary District is to include 746 market-priced condos, 41 market-priced town homes, 250 affordable-rent apartments, 257 student dormitory units for George Brown College, office and retail units, and an 82,000-sq. ft. YMCA recreation centre, with completion slated for June 2016. The Toronto Transit Commission was also planning new streetcar service to the area.

The decision to use the West Don Lands site for the Village expedited the area's redevelopment by about five to 10 years, and further development, expected to commence in the summer of 2016, will add more than 900 private condo units to the neighbourhood.

## 5.7 Lessons Learned

This section highlights successful aspects of the Games delivery, and notes those areas where there are opportunities to reduce exposure to uncertainty and better manage risks in the future for staging such major complex events.

### 5.7.1 Co-ordination of Stakeholders Important for Games Governance and Success

Delivery of the Games involved co-ordination of all three levels of government, a variety of provincial ministries and agencies, and other partners such as transit agencies and police services.

There was a strong need for governance and co-ordination between these organizations. The Ontario government created the Pan/Parapan American Games Secretariat (Secretariat) to oversee delivery of the Games on the province's behalf. As well, it established a number of committees and working groups comprised of representatives from key partners to plan and manage various aspects of the Games. This integrated approach worked well

to help realize the common goal of delivering successful Games without major traffic disruptions or security incidents.

### 5.7.2 Incomplete Initial Cost Estimates Create Cost Pressures

The Games were awarded to Toronto with a 2009 budget of \$1.4 billion and a \$1-billion commitment to invest in the West Don Lands for an Athletes' Village, for a total budget of \$2.4 billion. Subsequent to winning the right to host the Games, TO2015 and the province started to refine cost estimates as the sports programs, venue selection, and other functions such as security and transportation requirements were being finalized. The budgets for capital, operating and legacy costs increased from the initial \$1.4 billion in the 2009 bid commitment to our March 2016 total estimated cost of \$1.8 billion.

A majority of the increases were due to additional costs for provincial services that had not been included in the budget, including the cost of the Secretariat; transportation plans of the Ministry of Transportation; and costs associated with promotion, celebration, and legacy; and additional provincial security work.

Pressures on TO2015 grew as it needed to either find additional sources of revenues to address the higher costs, or reduce the scope of some planned activities in the bid.

### 5.7.3 Event Bid Budgets Should Include Only Future Costs

The original bid commitment of \$1 billion for the Athletes' Village included \$242 million for site remediation and flood mitigation work that had begun prior to 2009. It was later determined that because this was previously approved spending unrelated to the Games, it should never have formed a part of the Games budget. However, given that it was there from the beginning, it indirectly provided more spending room and provided a cushion to absorb increases in capital, operating

and legacy costs. This facilitated the province and TO2015's reported Games costs coming in under the 2009 bid budget of \$2.4 billion.

### 5.7.4 Bundling of Dissimilar Projects Can be Problematic

Prior to any decision to bundle capital projects, adequate reviews should be done to ensure there is value in this approach. This is particularly important when the bundles involve different owners, unique designs and significantly different scopes of work, as was the case with the Games.

### 5.7.5 Effective Ongoing Communication Between Security Partners Reduces Risks

Security for the Games was provided jointly by the Ontario Provincial Police/Integrated Security Unit (OPP/ISU), the Royal Canadian Mounted Police (RCMP), eight regional municipal police forces, TO2015, and private security services contracted by the OPP/ISU and TO2015. As noted in our 2014 audit on Games security, security plans at TO2015 were not always clearly communicated to the OPP/ISU in a timely manner. In a number of instances, the OPP/ISU had to assign additional resources to address gaps in the security planning at TO2015 that could otherwise have contributed to security incidents.

### 5.7.6 Large Geographic Footprint Requires Transportation Co-ordination

A key to success was having in place an overall Transportation Plan. The Ministry of Transportation and TO2015 were successful in moving athletes and officials to and from venues with no major delays. Although some traffic delays were experienced on key highways, temporary traffic measures had no major impact on the general public. The Ministry and TO2015, along with municipalities, security planners, transit operators and accessibility planners, worked together to meet the overall goals of their Transportation Plan.

### 5.7.7 Expect Public Scrutiny of Bonus Arrangements and Payments

The issue of completion bonuses to be paid to TO2015 employees was the subject of discussion in the Legislative Assembly and in the media. We found that it is not uncommon for completion bonuses to be paid to employees of major sporting events such as the Games. These bonuses, depending on how they are structured, act as an incentive to retain employees until the completion of such an event. However, if the bonus structure is not transparent to the public at the outset, and is not linked to appropriate targets, it may be called into question. As well, if bonuses are not paid according to fixed arrangements, their payment may also be called into question.

## Appendix 1: Chronology of Key Events

Prepared by the Office of the Auditor General of Ontario

Date	Event
Apr. 2008	Government approves request by Ministry of Health Promotion to proceed with development of a bid for 2015 Pan American Games.
Aug. 2008	Premier Dalton McGuinty officially launches 2015 Pan American Games bid at Beijing Olympics.
Sep. 2008	Province commits to guaranteeing the availability of funds for the Games.
Apr. 2009	Province along with key partners submit \$1.4-billion bid for Games. Province announces plans to build Athletes' Village valued at an additional cost of \$1 billion. Province's share of the bid is \$500 million plus any cost overruns and other host jurisdiction costs.
Nov. 2009	PASO awards 2015 Pan American Games to Toronto. All partner agreements are signed.
Jan. 2010	TO2015, the Organizing Committee for the 2015 Pan American and Parapan American Games, was incorporated to organize the Games.
Feb. 2010	Infrastructure Ontario approved as project manager for the delivery of the Athletes' Village and 10 large sport venue infrastructure projects by the province.
Sep. 2010	Ministry of Health Promotion and Sport, and Ministry of Infrastructure report back to Treasury Board with the budget of \$709 million for the Athletes' Village.
Jan. 2011	Infrastructure Ontario issues the Request for Proposal for the Athletes' Village.
Jul. 2011	TO2015 submits Version 1 of business plan including budget for delivery of Games.
Aug. 2011	Infrastructure Ontario starts the procurement of the 10 large sport venue infrastructure projects.
Sep. 2011	Infrastructure Ontario awards the construction of the Athletes' Village to Dundee Kilmer.
Jul.–Oct. 2012	Infrastructure Ontario signs project agreements for the 10 large sport venue infrastructure projects.
Jul. 2013	TO2015 submits Version 2 of business plan, including revised budget, with \$20 million funding gap.
Jul. 2014–Jun. 2015	Ten large sport venue infrastructure projects substantially completed for use during Pan/Parapan American Games.
Sep. 2014	Province approves up to \$74 million in additional funding for TO2015 to address budget pressures.
Oct. 2014	TO2015 submits Version 3 of business plan, including revised budget with the additional \$74 million approved the previous month.
Feb. 2015	Dundee Kilmer, the contractor, hands over the Athletes' Village to TO2015.
Jul. 10-26, 2015	Pan American Games held.
Aug. 7-15, 2015	Parapan American Games held.



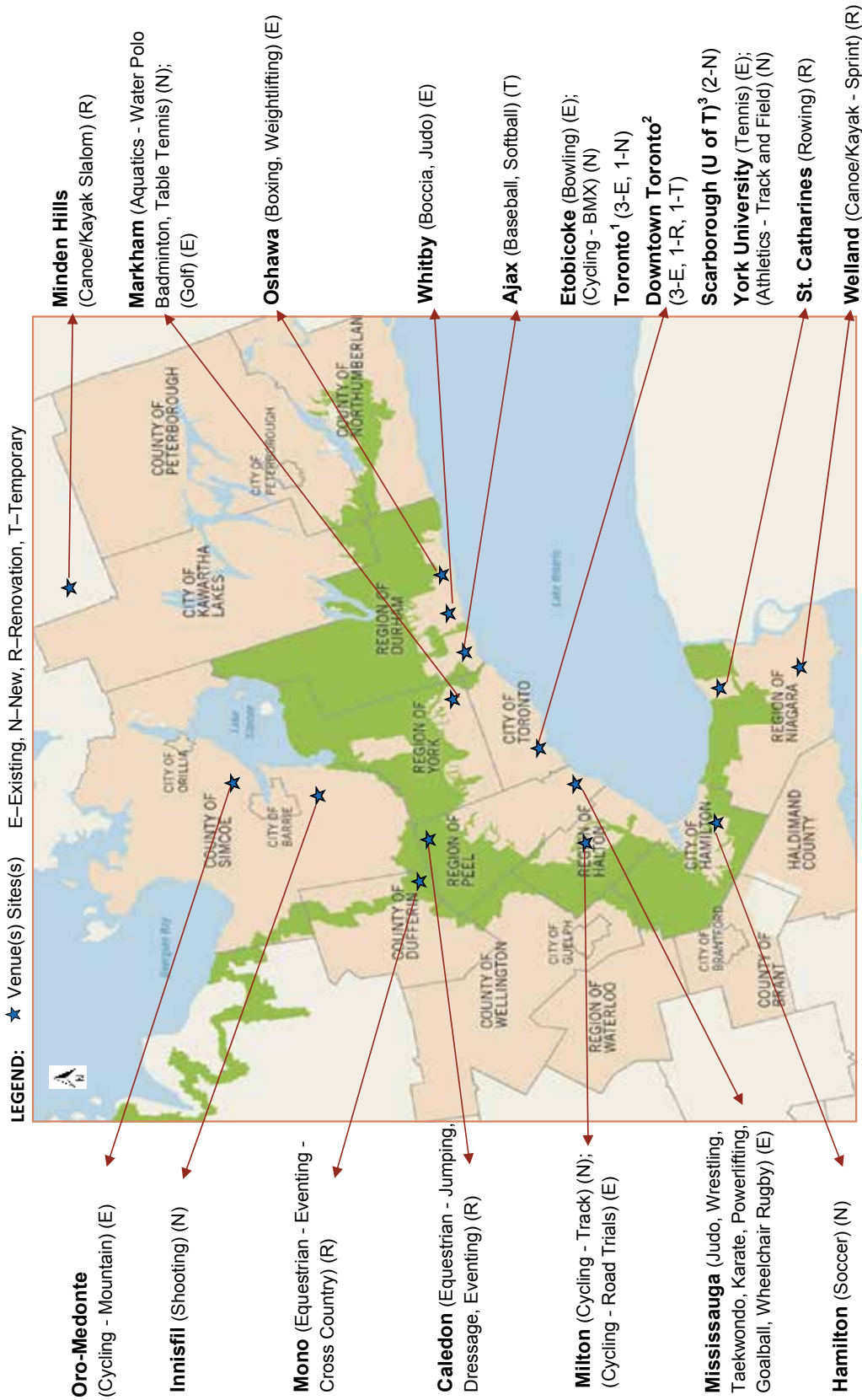
## Appendix 2: Roles and Responsibilities of Key Partners

Sources of data: Pan/Parapan American Games Secretariat, 2015 Pan/Parapan American Games Multi-party Agreement, City of Toronto

Organizing Partners	Key Roles and Responsibilities
Province of Ontario, represented by the Ministry of Tourism, Culture and Sport's Pan/Parapan American Games Secretariat (Secretariat)	<ul style="list-style-type: none"> <li>• Co-ordinate province's involvement in planning for Games, including working with Infrastructure Ontario and Ministry of Economic Development, Employment and Infrastructure to develop Athletes' Village and major Games venues.</li> <li>• Co-ordinate province's involvement in planning and delivering transportation, security, health and emergency management services.</li> <li>• Provide funding for TO2015 operating budget, a legacy fund (ongoing maintenance of facilities that people could use after the Games had ended), the Athletes' Village, security, transportation, select venues, celebration/promotion, a legacy strategy, some municipal services, and satellite villages.</li> <li>• Cover any Games deficit.</li> </ul>
Government of Canada (represented by the 2015 Federal Secretariat and the Department of Canadian Heritage)	<ul style="list-style-type: none"> <li>• Provide funding for TO2015 capital budget, construction and refurbishment of venues, the legacy fund, federal essential services and post-Games venue support.</li> <li>• Provide essential federal services such as border security, immigration services, security intelligence, RCMP support and weather forecasting.</li> </ul>
City of Toronto (represented by City Team 2015) and 15 other municipalities (Ajax, Burlington, Caledon, Hamilton, Innisfil, Markham, Milton, Minden, Mississauga, Mono, Oro-Medonte, Oshawa, St. Catharines, Welland and Whitby)	<ul style="list-style-type: none"> <li>• Provide funding towards venue capital costs.</li> <li>• Plan, co-ordinate and lead delivery of essential municipal services and local agencies supporting the Games.</li> <li>• Fulfill infrastructure financial commitments.</li> <li>• Assume responsibility for cultural venues in their jurisdictions (except CIBC Pan Am Park, which was the responsibility of TO2015, and Nathan Phillips Square, which was jointly funded and operated by all three levels of government and TO2015).</li> </ul>
Games Organizing Committee (TO2015)	<ul style="list-style-type: none"> <li>• Organize, plan, promote, finance, stage and conduct Games.</li> <li>• Manage \$1.4 billion in funding provided by the province, the federal government, municipalities and universities for operating and capital projects.</li> <li>• Manage sports venue construction and refurbishment covered by capital projects budget.</li> <li>• Generate sponsorship, ticketing and licensing revenue.</li> </ul>
Canadian Olympic Committee	<ul style="list-style-type: none"> <li>• Responsible for all aspects of Canada's involvement in Olympic Movement, including Canada's participation in Pan Am Games.</li> </ul>
Canadian Paralympic Committee	<ul style="list-style-type: none"> <li>• Responsible for all aspects of Canada's involvement in Paralympic Movement, including Canada's participation in Parapan Am Games.</li> <li>• Create an optimal environment for Canadian paralympic athletes to compete and win in the Games</li> <li>• Inspire all Canadians with a disability to get involved in sport.</li> </ul>

### Appendix 3: Footprint of the Games

Source of data: Ministry of Tourism, Culture and Sport



<sup>1</sup> Handball, Roller Sport - Figure Skating, Racquetball, Squash, Rugby Sevens, Athletics - Race Walk, Triathlon, Aquatics - Open Water Swimming, Wakeboard/Waterski, Cycling - Road, Volleyball - Beach, Gymnastics - Artistic, Gymnastics - Rhythmic, Gymnastics - Trampoline, Volleyball - Indoor, Athletics - Marathon, Bowling

<sup>2</sup> Field Hockey, Archery, Sailing, Football 5-a-side, Basketball, Wheelchair Basketball

<sup>3</sup> Aquatics - Diving, Aquatics - Swimming, Aquatics - Synchronized Swimming, Fencing, Modern Pentathlon, Wheelchair Tennis, Sitting Volleyball, Roller Sport - Speed Skating

Note: City of Burlington hosted a training venue for soccer.





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