



May 29, 2018

# 4.9.

## FORMULA E EVENT



## SUMMARY OF THE AUDIT

### PURPOSE

To ensure that the governance of the project involving the organization of a Formula E Event in Montréal was defined in accordance with existing policies and directives of Ville de Montréal (the city).

In addition to these results, we formulated various recommendations for the business units.

The details of these recommendations, as well as our conclusion, are described in our audit report, which is presented on the following pages.

Note that the business units have had the opportunity to formulate their comments.

### RESULTS

On July 29 and 30, 2017, races involving vehicles propelled by an electric motor took place in the streets of downtown Montréal (“the Event”). The non-profit organization Montréal c’est électrique (MCE), created on October 14, 2016, held the rights to present the Event.

For the Event, the city awarded non-recurring financial support totalling \$1.75 million to MCE and guaranteed its line of credit for a maximum of \$10 million. In addition, it carried out the infrastructure work and provided the organization with technical support. Ultimately, the total expenses actually incurred by the city were \$26 million.

In our opinion, because of the complexity of the Event and the amounts involved, the municipal administration should have considered it a large-scale project rather than a series of separate successive operations. In 2010, the city adopted a comprehensive *Cadre de gouvernance des projets et des programmes de gestion des actifs municipaux* (CGP); however, we found that it was not applied for the Event. No business case was presented to authorities, no roles or responsibilities were defined, no project leader was formally appointed, and cost tracking and accountability reporting proved to be deficient. The application of the CGP would have helped establish an overall vision of this project and adequate accountability reporting to the various authorities.

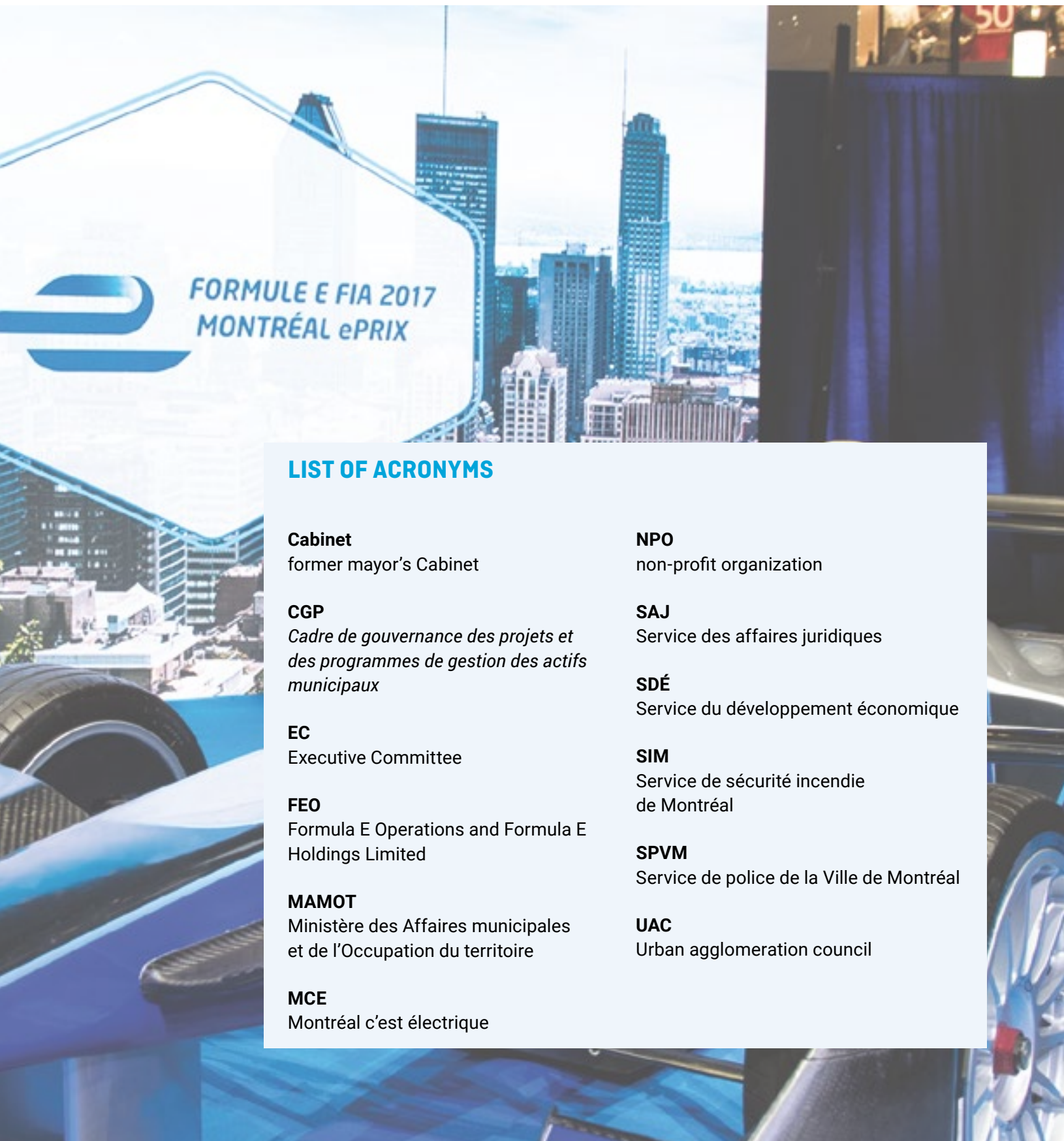
To ensure clear, transparent communication among stakeholders, to manage risks effectively and to maximize the use of financial, material and human resources for any large-scale project, we think the following improvements should be made:

- Appropriate measures for ensuring application of the governance framework should be put in place;
- For any large-scale project, the Direction générale should assign implementation responsibilities for the project and establish shared operating and accountability rules;
- A reference guide should be developed in order to better define the role and responsibilities of officers appointed by the city as observers on boards of directors of legal entities;
- The scope of financial operations should be reviewed in order to ensure that all decision-making records contain a complete financial analysis and that tracking and accountability mechanisms are clearly defined in the agreements with any organization supported by the city.

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## LIST OF ACRONYMS

### **Cabinet**

former mayor's Cabinet

### **CGP**

*Cadre de gouvernance des projets et des programmes de gestion des actifs municipaux*

### **EC**

Executive Committee

### **FEO**

Formula E Operations and Formula E Holdings Limited

### **MAMOT**

Ministère des Affaires municipales et de l'Occupation du territoire

### **MCE**

Montréal c'est électrique

### **NPO**

non-profit organization

### **SAJ**

Service des affaires juridiques

### **SDÉ**

Service du développement économique

### **SIM**

Service de sécurité incendie de Montréal

### **SPVM**

Service de police de la Ville de Montréal

### **UAC**

Urban agglomeration council



## 1. BACKGROUND

On July 29 and 30, 2017, races involving vehicles propelled by an electric motor (the “Event”) took place on the streets of downtown Montréal. The Ville de Montréal (the “city”) confirmed at a press conference held on October 21, 2016, that the 2016–2017 season of the Fédération internationale de l’automobile (FIA) Formula E World Championship would end with two races held in the city’s downtown core in July 2017. Organization of the Event was entrusted to the non-profit organization (NPO) Montréal c’est électrique (MCE). This organization’s mandate was to organize Formula E races and promote the electrification of transportation in Montréal. The city hoped to position itself as one of the cities at the leading edge of transportation electrification and intelligent transportation, raise the population’s level of education about this subject and accelerate the transition to more sustainable mobility.

The city granted \$1.75 million in non-recurring financial support to MCE so that it could start its activities and proceed to organize the Event. The city also provided the organization with a one-year \$10 million line of credit guarantee. These decisions and the resulting obligations were specified in agreements between the city and the organization.

To manage the execution of projects, the city adopted a *Cadre de gouvernance des projets et des programmes de gestion des actifs municipaux* (CGP)<sup>1</sup>. This framework covers so-called large-scale projects, i.e., projects involving \$10 million or more in investments, complex projects, and projects whose execution involves high risks, as well as any other projects identified by the administration. In particular, the CGP is aimed at harmonizing practices surrounding the execution of projects, ensuring the sharing of information on project monitoring and the efficiency, integrity, rigour and coherence of municipal actions. This framework applies to the city as a whole (departments, boroughs, NPOs and paramunicipal corporations). It provides that the city can entrust the piloting of a project to another organization, which will be supported by a municipal project leader who will ensure that the city’s governance framework is applied.

According to the CGP, each stage of a project must be subject to a decision made by authorities. A business case is submitted at pivotal stages, i.e., following project planning, following completion of the feasibility study leading to the definition of the project’s scope and at key stages of project execution. Projects are also subject to accountability.

## 2. PURPOSE AND SCOPE OF THE AUDIT

Under the provisions of the *Cities and Towns Act* (CTA), we conducted a compliance audit on implementation of the Formula E project and the support granted to MCE. The purpose of our audit was to ensure that project governance was defined in accordance with the city’s existing policies and procedures. We conducted this audit in accordance with CPA Canada standards.

<sup>1</sup> *Cadre de gouvernance des projets et des programmes de gestion des actifs municipaux*, adopted by the urban agglomeration council of Ville de Montréal on April 22, 2010.

The Auditor General of Ville de Montréal is responsible for providing a conclusion concerning the purposes of the audit. To this end, we gathered sufficient and appropriate evidence to obtain a reasonable level of assurance and to provide a basis for our audit conclusion. Our evaluation is based on the criteria that we considered suitable to the circumstances. These criteria arose chiefly from the requirements of the city's governance framework and are set forth in Appendix 6.1.

The Auditor General of Ville de Montréal applies the *Canadian Standard on Quality Control* (CSQC 1) of the CPA Canada Handbook – Assurance, and accordingly, maintains an exhaustive quality control system that includes documented policies and procedures with respect to compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Furthermore, it complies with independence and other ethical requirements of the *Code of Ethics of Chartered Professional Accountants*, which are based on the basic principles of integrity, professional competence, diligence, confidentiality and professional conduct.

Our audit was conducted from November 2017 to March 2018 and essentially concerned activities related to preparing and holding the Event. In June 2017, we began an analysis of the conditions pertaining to the reporting entity to determine whether MCE was under the control of the city. The conclusion on this subject is presented in chapter 3 of the 2017 annual Report of the Auditor General of Ville de Montréal.

We compiled the information necessary for our audit using the city's available financial and operational data and that provided by MCE. We also conducted interviews with the MCE manager and the key city stakeholders involved in this project, namely:

- the Service des affaires juridiques (SAJ);
- the Service de la culture;
- the Service du Développement économique (SDÉ);
- the Service des finances;
- Ville-Marie borough.

At the end of our audit, a draft audit report was submitted to the managers concerned for discussion purposes. The final report was then delivered to the Direction générale as well as to each of the business units concerned by recommendations in order to obtain action plans and timelines for their implementation.

The Bureau du vérificateur général and the Bureau de l'inspecteur général conducted separate audits on the Formula E Event. In order to avoid any duplication of roles and tasks, the two bodies shared their objectives and specified their respective areas of expertise under this mandate. This report therefore relates certain facts that led to the creation of MCE but does not give an opinion on the merit of the special manner in which it was created or the conclusions of the Bureau de l'inspecteur général in this regard.



### 3. AUDIT RESULTS

#### 3.1. TIMELINE OF THE KEY PROJECT EVENTS

The following diagram shows the stages of the Formula E project. For each stage, we will present the highlights and the key decisions made. A timeline of the key events in the Formula E project is presented in Appendix 6.2.

**FIGURE 1 – STAGES OF THE FORMULA E PROJECT**



#### 3.1.1. PROJECT PLANNING

##### 3.1.1.A. BACKGROUND AND FINDINGS

While steps had already been taken, it was not until 2015 that the city first made a decision about the project. It concerned approval of the former Montréal mayor's travel expenses in March 2015 to attend a Formula E race in Miami and meet with the directors of Formula E Holdings Limited<sup>2</sup> (FEO) so that Montréal could join the Formula E series by 2016<sup>3</sup>. A few months later, on September 2, 2015, the Executive Committee (EC) passed a resolution to grant 100,000 Euros to FEO for the city's nomination fees<sup>4</sup>.

In the fall of 2015, a technical feasibility study for the project was under way. To do this, potential streets that provided the necessary clearance (length and width of the streets) for holding a possible race were identified. It should be pointed out that this study did not include a study of the Event's impact on citizens and shopkeeper who were hemmed in by the race or residents along the circuit. An assessment of the constraints and issues they faced was conducted only a few months before the Event.

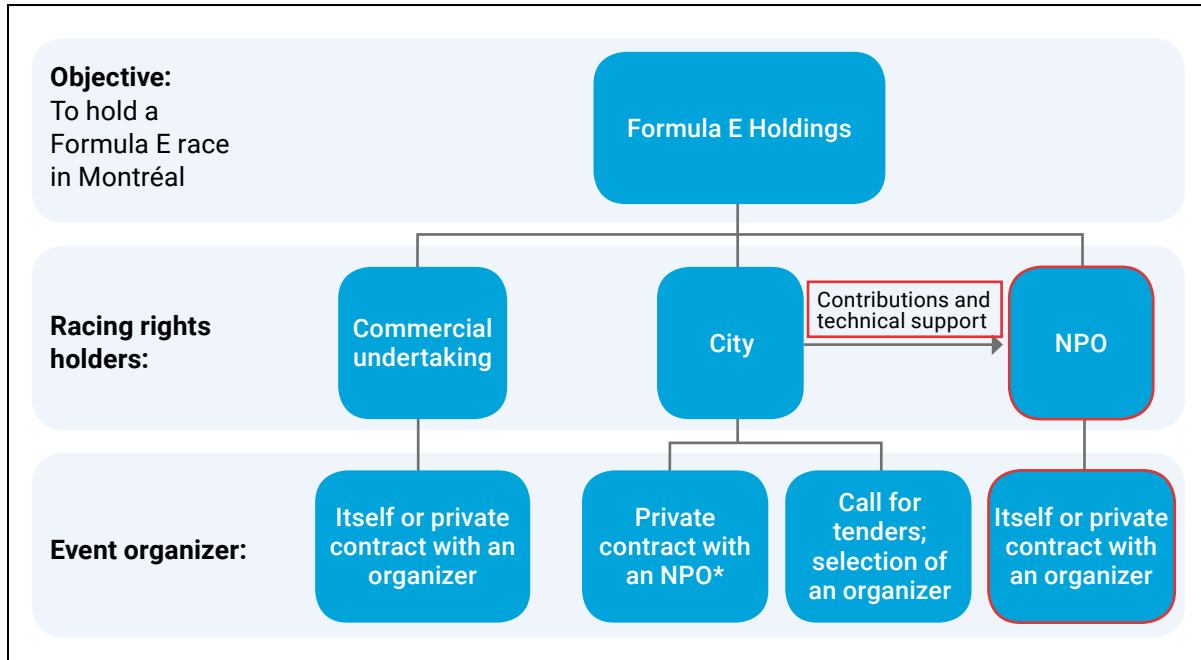
During this period, the former mayor's Cabinet (the "Cabinet") consulted with the SAJ to determine the possible options so that it could decide on an organizational structure for the purpose of holding the Event in compliance with the city's laws. Figure 2 presents the possible options, depending on whether a commercial undertaking, the city or an NPO was to hold the racing rights.

<sup>2</sup> Formula E Holdings Limited is the parent company of Formula E Operations, Ltd. In this report, we use the acronym FEO to designate either of these companies.

<sup>3</sup> Decision-making record 1150843004 adopted by the EC on April 28, 2015.

<sup>4</sup> Decision-making record 1152701056 adopted by the EC on September 2, 2015. A management commitment of approximately \$150,000 was entered.

**FIGURE 2 – TYPES OF POSSIBLE ORGANIZATIONAL STRUCTURE**



\* Exception provided for in section 573.3, para. 2 of the CTA; however, the NPO must be capable of executing the contract by itself.

As the SAJ explained to us, if FEO concludes a racing rights agreement with a commercial undertaking, it can either act alone as an Event promoter or entrust the organization and promotion to a contractor of its choice. If a commercial undertaking is involved, the city cannot subsidize it<sup>5</sup> and will therefore have to reinvoice the commercial undertaking for the municipal services and the occupation of public land at fair market value, because the Event will take place on an urban circuit. According to the information obtained, a potential organizer, together with the city and FEO, had been working on holding the Event in Montréal since the spring of 2015.

Moreover, if the city holds the racing rights, the following options are open to it:

- Issue a call for tenders to select one or more contractors to handle the organization and promotion of the Event;
- Award a private service contract to an NPO so that it can organize the Event for the city. It is understood that the purpose of the contract must be in keeping with the NPO’s mission. The NPO must also possess the skills, resources and knowledge to produce and provide the bulk of the goods and services covered by the contract with the city.

<sup>5</sup> Chapter i-15, *Municipal Aid Prohibition Act*.

If on the other hand, the preferred option was for the NPO to hold the racing rights, it can either act on its own to promote the Event if it has the capacity or entrust the organization and promotion of the Event to a contractor of its choice. Because of the commercial nature of the planned activities, the NPO could not be created solely for the purposes of organizing the Event. The NPO therefore had to have a mission of its own, and it could not be profit-oriented; otherwise it could not obtain and maintain its status as an NPO. The Event could then serve as a springboard for promoting its mission. In this way, the city could agree to pay the NPO a contribution and provide it with technical support in order to execute the project. The Formula E Event must be considered as belonging to the NPO and not the city.

In the end, the preferred option was for an NPO to hold the racing rights. On October 14, 2016, the NPO Montréal c'est électrique was created. It is a legally autonomous entity with its own board of directors. MCE's mission is to promote electrification of transportation and to organize the Event.

Although the way in which the Event was to be organized was not yet defined, we identified several decisions that the city made in early 2016 concerning the planning of infrastructure and road work necessary for holding the Event. An administrative position was created within the Direction des travaux publics of Ville-Marie borough. A multidisciplinary team consisting of department managers, internal and external engineers, budget advisors and communications consultants was also set up to implement this project. Work involving the design of plans and technical specifications, tendering processes, the selection of contractors and project execution would continue until November 2016. No overall cost estimate was provided for the Formula E project at the outset, and the cost was not part of the annual budget.

### 3.1.2. PROJECT EXECUTION

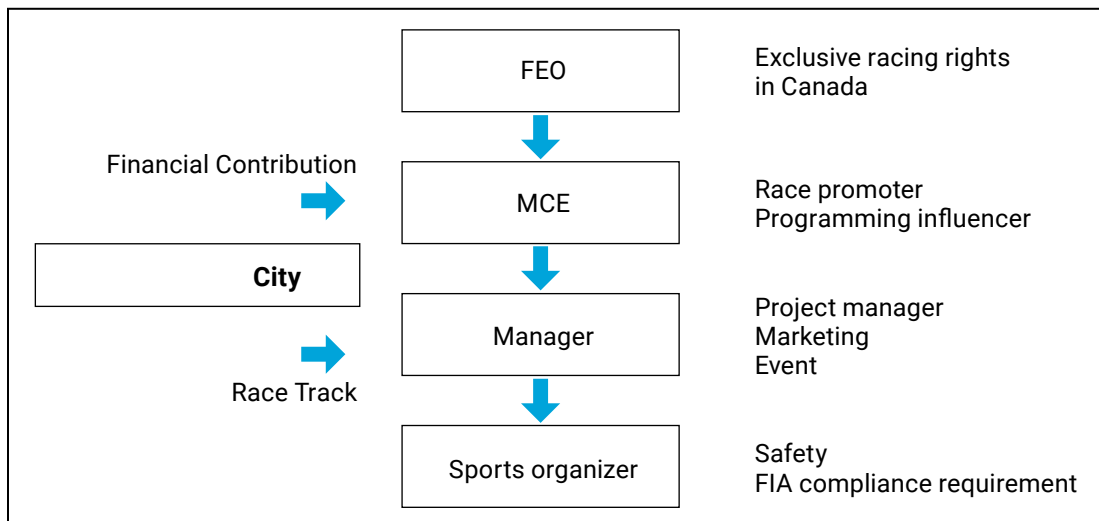
A press conference held on October 21, 2016, confirmed that the Event would be held in the streets of Ville-Marie borough. According to the press release issued by the Cabinet, MCE elected to entrust the execution of the Event to the potential manager. On the day of the press conference, MCE and FEO signed the agreement on racing rights. The agreement defines the parties' responsibilities and the parameters of the Event. The agreement provides that MCE could subcontract a substantial part of its responsibilities to the potential manager. Under the agreement, MCE, in addition to organizing and promoting the Event, was responsible for producing a race track according to a time frame and criteria specified by FEO. At the time of signing, however, it was already known that the city was completing infrastructure work on the urban circuit and had proceeded to award contracts for the purchase of barriers.

On October 27, 2016, the urban agglomeration council (UAC) approved non-recurring financial support for MCE totalling \$1.75 million. The amount awarded had to be used to start up MCE's activities (\$0.25 million) and to make the first payment to FEO for

racing rights (\$1.5 million)<sup>6</sup>. The agreement also stipulated that the city was to provide the organization with office space in a city building for the first year of its existence, its full support for the occupation of public land, as well as internal resources provided on a full-time equivalent basis by Ville-Marie borough for planning the Event and preparing the circuit. There was no business plan or financial support application supporting the contribution granted to MCE.

As part of the project, MCE had to obtain a line of credit in order to meet its contract obligations and its cash flow needs until the Event was held. In order to provide the guarantees that MCE needed in its application for credit from a financial institution, the institution required that the city agree to provide a letter of guarantee or guarantee MCE for the equivalent of the line of credit requested. On December 7, 2016, MCE presented its project to the EC. According to the background document, MCE explained the organizational structure for executing the Event, as shown in Figure 3.

**FIGURE 3 – ORGANIZATIONAL STRUCTURE<sup>7</sup>**



It shows the initiatives planned to promote the electrification of transportation during the Event and help position Montréal as a technological showcase. No detailed budget was submitted. Ticket sale revenues were not mentioned. It states:

*[TRANSLATION] “Estimated expenditures (apart from race track + barrier): approximately \$22 million (...)”*

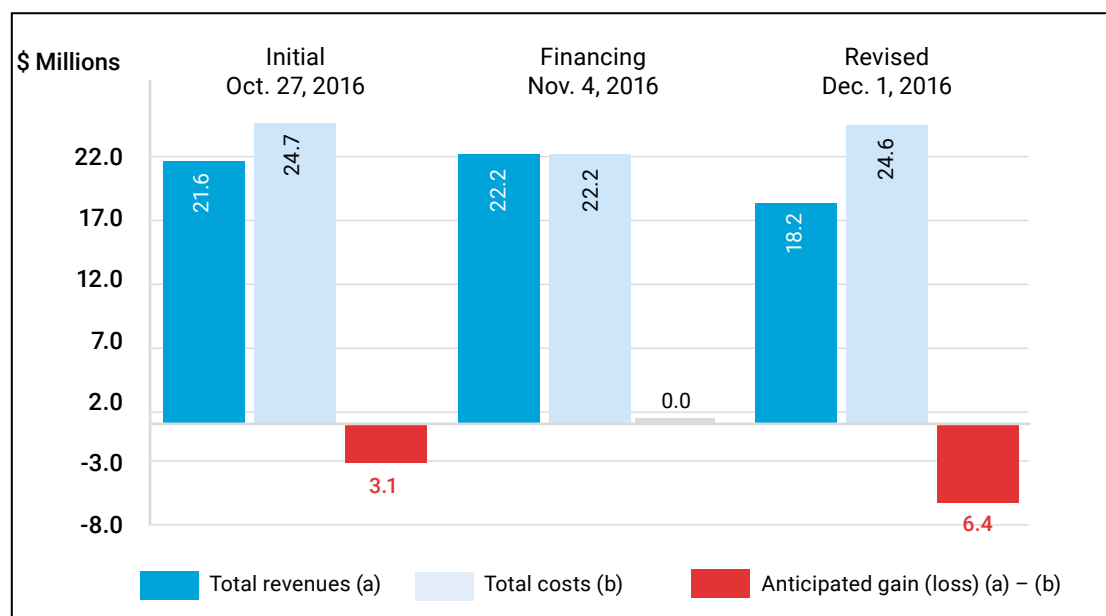
*Objective: zero deficit, but additional request may have to be made to the city”*

<sup>6</sup> Decision-making record 1163455001 adopted by the urban agglomeration council on October 27, 2016.

<sup>7</sup> Source: Document prepared by Montréal c’est électrique and presented to the EC on December 7, 2016.

We tracked down several plans and projected budgets showing scenarios based on different assumptions. Figure 4 shows the revenues, costs and anticipated gains or losses for 3 projected budgets prepared during the period in which the line of credit was negotiated.

**FIGURE 4 – PROJECTED BUDGETS FOR THE ORGANIZATION OF THE RACE AND THE OPERATION OF MONTRÉAL C’EST ÉLECTRIQUE**



We found no explanation concerning variances between the amounts disclosed to the EC on December 7, 2016, and the amounts of the projected budget that was available as of December 1, 2016.

The resolution adopted by the UAC concerning the guarantee agreement was reached on December 22, 2016<sup>8</sup>. The city then signed two agreements concerning the \$10 million guarantee: a guarantee contract with the financial institution, and a guarantee agreement with MCE to set the terms and conditions for using the line of credit and to define accountability reporting. The guarantee provided by the city to MCE has a duration of one year. The city thereby hopes that the line of credit will be reset to zero after Year One of the Event. The city requests that MCE provide monthly accountability reports to the Service des finances on the use of the line of credit according to parameters to be set by that department<sup>9</sup>.

<sup>8</sup> Source: Decision-making record 116345003 adopted by the urban agglomeration council, December 22, 2016.

<sup>9</sup> Source: Convention relative aux modalités de cautionnement entre la Ville et Montréal c'est électrique, clauses 3.3 and 3.7.

Several stakeholders discussed the financial and legal issues before this decision-making record be submitted to authorities<sup>10</sup>. For its part, the Service des finances' role was to negotiate with the financial institution in order to protect the city's interests and certify the availability of funds. In accordance with the procedural requirements for operations in decision-making records submitted to authorities, the Service des finances confirmed both that the funds needed to support the spending requirements were available and the accounting rules, standards and frameworks that had to be complied with<sup>11</sup>. As part of its intervention, the Service des finances does not issue any assurance as to the viability of the project. It did not receive any business plan or estimated budget for the event at this stage. Notwithstanding the scope of the financial operations prescribed in the procedural requirements, the Service des finances has deemed it appropriate to make the necessary arrangements to build up a reserve from the agglomeration surpluses in the amount of \$10 million so as not to jeopardize the realization of other initiatives coming from the agglomeration. With regard to sound management principles, we believe that the scope of financial interventions should be reviewed and also include a preliminary analysis of the financial risks associated with a guarantee agreement.

## AGREEMENT WITH THE MANAGER

Without a call for tenders, MCE concluded an agreement with the manager on March 15, 2017. In brief, the project manager was the person handling Event-related aspects of the MCE project, and was responsible for organizing and promoting of the Event as such. The technical component of the race was managed by another of MCE's subcontractors. The manager's job was to set up a project team for the Event, which, on behalf of MCE, would handle the management of suppliers and the entire contractual management process for designing specifications in order to obtain submissions and orders and to receive goods and services.

## TECHNICAL SUPPORT AGREEMENT

Generally, for this type of project, the Service de la culture, which is responsible in particular for public events, liaises among the promoters, internal stakeholders (e.g., the Service de police de la Ville de Montréal (SPVM) the Service de sécurité incendie de Montréal (SIM)) and external stakeholders (e.g., Urgences-santé). It acts as a coordinator among them. Prior to an event, a goods and services agreement or technical support agreement can be concluded with the promoters in order to keep a record of equipment loans and services provided by the city. Following the Event, the decision-making record for this agreement was submitted to decision-making authorities for ratification.

<sup>10</sup> Representatives from MCE, the financial institution, the Service des finances, the SDÉ, and the SAJ.

<sup>11</sup> Source : Révision du concept des interventions dans les dossiers décisionnels soumis aux instances – modalités d'application (October 2015) and balises des interventions des unités expertes administratives (November 2017).

It emerges from the facts set forth above that the city's various stakeholders involved in the project followed the usual decision-making process supporting the development of capital projects (e.g., the purchase of safety features and infrastructure work) as well as the existing rules and directives applicable to the awarding of contracts (for professional services). Decisions made by elected officials are therefore based on information found in the corresponding decision-making summaries. In our opinion, given the complexity of the Event and the amounts involved, the municipal administration should have considered it to be a large-scale project rather than a series of individual operations.

Indeed, if one takes into account all the city's commitments in connection with the project, including operational support and investment activities, they exceed \$10 million. According to the 2017 three-year capital expenditure program, the investment commitments for producing the urban race circuit (the purchase of safety features and infrastructure work) turned out to be higher than \$10 million. In addition, a \$10 million budget reserve was established for MCE's line of credit guarantee (see Table 1), bringing budget commitments for the Event to over \$20 million. Furthermore, given the particular nature of the project, it should have been subject to the CGP, which was not the case.

It also emerged from our audit and the timeline of Events that the coordination of operations and associated information went through the Cabinet instead of a project leader appointed by the municipal administration, as set out in the CGP. This did not lend itself to forming an overall vision and a systematic analysis of the legal and financial risks of the project, which would have made it possible from the outset to regard the Event as a large-scale project.

### **3.2. PROJECT GOVERNANCE**

The CGP provides that each department responsible for a project must adopt or have the EC approve a detailed management process defining checkpoints and identifying the deliverables as well as the decisions expected of decision-making authorities. The Bureau des projets et programmes d'immobilisations, which reports to the Direction générale, established a process for approving and coordinating large-scale projects. As mentioned previously, the city can entrust the piloting of a project to another organization, which is then supported by a municipal project leader who will ensure that the CGP is applied. This framework outlines the requirements for preparing a business case, defining roles and responsibilities, financial monitoring and accountability reporting. The diagram showing each step and checkpoint for capital projects and programs covered by the CGP is presented in Appendix 6.3.

### 3.2.1. BUSINESS CASE

#### 3.2.1.A. BACKGROUND AND FINDINGS

As mentioned above, under the CGP, a file documenting the project approval process (“business case”) must be prepared or updated at each checkpoint between stages (planning, feasibility study, project execution and accountability reporting). The business case must contain information such as a description of the project, the project execution scenarios under consideration and the one selected, and a risk and opportunity analysis. Several financial aspects of the project must also be covered, such as the budget for the project, a budget plan showing the cash flows for the entire duration of the project, an analysis of the financial return, an economic impact analysis and potential sources of funding. A business case helps all stakeholders to agree on key aspects of the project and to support the decision-making process throughout its life cycle.

In the case of the Formula E project, we found that no business case was prepared or updated by the city at the checkpoints. For example, when the city’s nomination was approved, a preliminary business case would have provided justification for the project in terms of the city’s strategic objectives, identified internal and external interested parties and revealed constraints and risks associated with the project. Concerning the start-up phase, the business case would have defined the broad outlines of the project, the options being considered to achieve the expected results, its costs and the expected delivery schedule. The business case, as part of the project planning and execution, would have specified the management aspects of the project, such as the issues, the risks, the stakeholders, the project schedule and the project governance, all for the purpose of submitting a plan and an integrated project budget to decision-making authorities in order to ensure more efficiency and transparency in project management.

### 3.2.2. ROLES AND RESPONSIBILITIES

#### 3.2.2.A. BACKGROUND AND FINDINGS

The Formula E project is distinctive for several reasons. Responsibility for the project was delegated to Ville-Marie borough, since the Event was to be held on its territory. The borough was responsible for providing an approved urban circuit that complied with safety standards, managing obstacles and communicating with the public. However, the borough’s budget could not be used to finance such an elite sports event; the urban agglomeration budget had to be used for this purpose<sup>12</sup>. The Service des infrastructures, de la voirie et des transports and the Service de la culture were therefore designated to support the borough in its administrative dealings with the authorities concerned, especially in the area of budget authorizations. As mentioned above, the Service de la culture

<sup>12</sup> Order-in-Council 1229-2005, December 8, 2005, *Act respecting the exercise of certain municipal powers in certain urban agglomerations* (CQLR, chapter E-20.001).



was involved in the project because of its role as an intermediary among the promoters, internal stakeholders (e.g., the SPVM and the SIM) and external stakeholders. Contrary to the city's usual practice for similar projects, it obtained both an operating budget to bring this project to completion and a capital budget for the purchase of barriers, fences and guardrails, which is unique and unusual for this type of project.

If the CGP had been applied, the Direction générale would have assigned implementation responsibilities to the municipal stakeholders concerned and a project leader acting as an overall project coordinator would have been officially appointed. Ville-Marie borough certainly had expertise in the issues involving the technical component of the Event. The financial, coordination and communications components, however, did not fall under its jurisdiction. If the governance framework had been applied, a project governance structure delineating the roles and responsibilities of all the stakeholders could have been applied, information compiled and communication and decision-making channels specified.

Normally, when financial support is provided to an organization, an officer within the municipal administration is appointed to engage in dialogue with the organization in order to understand its needs and negotiate agreements and obligations so that it can support its contribution request. According to the information obtained, the appointed officer was not involved in any of these aspects.

In addition to project governance seeming to us to be non-compliant with the CGP, our audit showed that improvements could be made when an officer is appointed to act as an observer of an organization.

On September 25, 2017, the Direction générale issued a directive concerning the "*Règle selon laquelle un fonctionnaire ou un employé ne peut être administrateur d'un organisme dans le cadre ou à l'occasion de ses fonctions*". Its purpose is to prevent municipal officers or employees who act in the capacity of an administrator of a legal entity in connection with the performance of their duties from being placed in a conflict of interest situation. Alternatively, the directive suggests that this person sit as an observer when it is considered appropriate<sup>13</sup>. This means that the observer does not vote on or participate in the legal entity's decisions.

According to the agreement to provide a contribution to MCE, the city can appoint an officer as an observer at board of directors meetings. An observer was appointed, but at no time was he given any instructions concerning his role. We noted that he attended all the board of directors meetings, at which important issues were discussed. Because of his privileged access to information, he would have been in a position to report to the municipal administration any difficulties encountered in the course of the project or even call on other stakeholders concerned.

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<sup>13</sup> Source: Directive entitled: "*Règle selon laquelle un fonctionnaire ou un employé ne peut être administrateur d'un organisme dans le cadre ou à l'occasion de ses fonctions*" (C-OG-DG-D-16-004).

A directive was issued by the city concerning an officer appointed as an observer, but it was unclear about the role that this person must play. In our opinion, it would be useful to define the roles and responsibilities of an observer officer or employee in order to get the desired benefits. The observer should be chosen not just on the basis of his or her expertise in the area covered by the legal entity, but also on the basis of the issues he or she will face, even if this means appointing more than one observer. Furthermore, observers should be given an appropriate feedback and monitoring mechanism as part of their mandate.

### 3.2.3. FINANCIAL MONITORING

#### 3.2.3.A. BACKGROUND AND FINDINGS

##### COSTS INCURRED BY THE CITY

Ville-Marie borough, designated as responsible for the race track and its safety features, prepared cost estimates that were used for the purpose of issuing calls for tenders as the infrastructure work progressed. The purchase of assets, such as fences and barriers, was funded out of the capital budget, while other expenses were funded through the operating budget.

In the budget plan, most Event-related expenses are assumed by the urban agglomeration because they concern an international sports Event (Order-in-Council 1229-2005, concerning the urban agglomeration of Montréal, equipment, infrastructures and activities of collective interest, section 37)<sup>14</sup>. Table 1 gives a breakdown of the expenses based on the types of budget.

<sup>14</sup> Order-in-Council 1229-2005, December 8, 2005, *Act respecting the exercise of certain municipal powers in certain urban agglomerations* (CQLR, chapter E-20.001).

**TABLE 1 – COMPILATION OF EXPENSES INCURRED BY THE CITY FOR THE EVENT BY COMPETENCY AND RESPONSIBILITY CENTRE**

| FUNDING OF PROJECT – RESPONSIBILITY CENTRE                         | SHARING OF EXPENSES |                    | ACTUAL EXPENSES OR FEES | PROJECTED COMMITMENTS |
|--|---------------------|--------------------|-------------------------|-----------------------|
|  | AGGLOMERATION       | LOCAL              |                         |                       |
| <b>CAPITAL BUDGET</b>  |                     |                    |                         |                       |
| Culture  | \$7,449,226         |                    | \$7,449,226             | \$6,545,338           |
| Transportation   | \$266,707           | \$3,592,515        | \$3,859,222             | \$5,303,819           |
| <b>TOTAL – CAPITAL BUDGET</b>                                      | <b>\$7,715,933</b>  | <b>\$3,592,515</b> | <b>\$11,308,448</b>     | <b>\$11,849,157</b>   |
| Operating budget   |                     |                    |                         |                       |
| Shared expenses – Guarantee  | \$7,301,065         |                    | \$7,301,065             | \$10,000,000          |
| Economic development – Contribution                                | \$1,765,748         |                    | \$1,765,748             | \$1,750,000           |
| <b>TOTAL AMOUNT PAID TO MCE</b>                                    | <b>\$9,066,813</b>  | <b>\$0</b>         | <b>\$9,066,813</b>      | <b>\$11,750,000</b>   |
| Culture  | \$1,916,591         | \$3,035            | \$1,919,626             | \$14,951,651          |
| STM – Free public transit  | \$1,149,708         | \$0                | \$1,149,708             | \$5,000               |
| Montréal Reflex  | \$1,000,000         | \$0                | \$1,000,000             | \$0                   |
| Ville-Marie  | \$0                 | \$681,523          | \$681,523               | \$264,720             |
| SPVM – Public safety   | \$652,629           | \$0                | \$652,629               | \$0                   |
| Direction générale   | \$0                 | \$152,438          | \$152,438               | \$150,000             |
| Communication  | \$64,947            | \$0                | \$64,947                | \$0                   |
| SIM – Public safety  | \$18,537            | \$0                | \$18,537                | \$0                   |
| Clerk’s office   | \$0                 | \$1,766            | \$1,766                 | \$0                   |
| Bixi Montréal – Loss of revenues                                   | \$0                 | \$0                | \$0                     | \$0                   |
| Société en commandite Stationnement de Montréal – Loss of revenues | \$0                 | \$0                | \$0                     | \$0                   |
| <b>TOTAL – OPERATING BUDGET</b>                                    | <b>\$13,869,225</b> | <b>\$838,762</b>   | <b>\$14,707,987</b>     | <b>\$27,121,370</b>   |
| <b>TOTAL EXPENSES ACTUALLY INCURRED AND PROJECTED COMMITMENTS</b>  | <b>\$21,585,158</b> | <b>\$4,431,277</b> | <b>\$26,016,435</b>     | <b>\$38,970,527</b>   |

Source: Data from the city accounting system (SIMON), non-audited information.

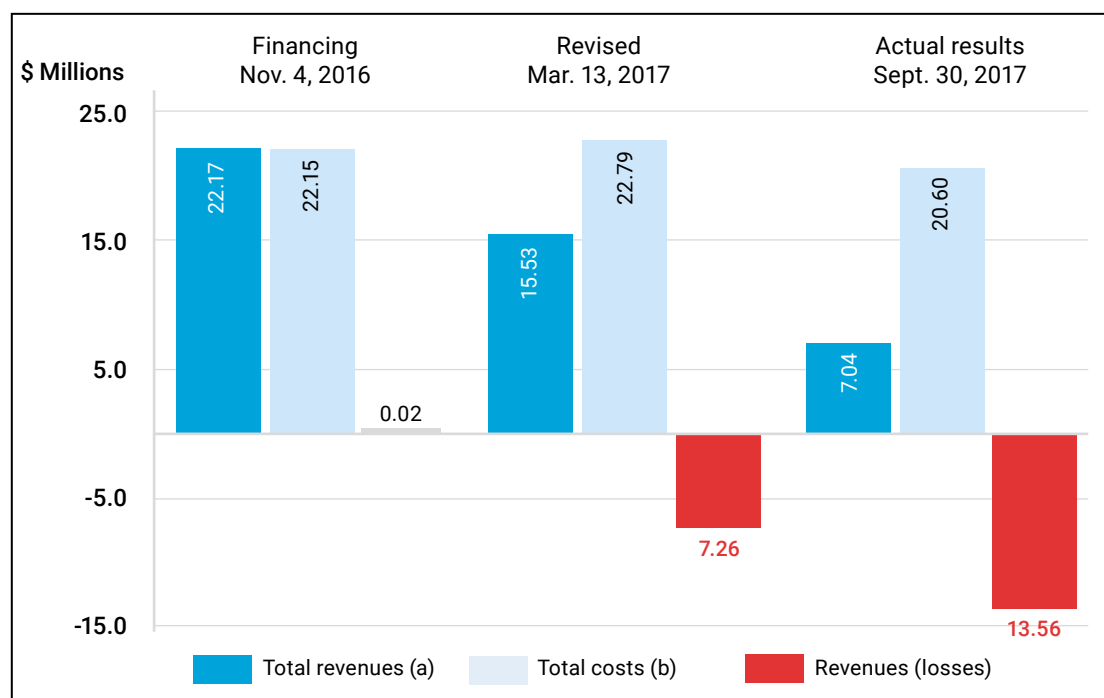
We found that the city did not keep track of the amounts committed or the expenses incurred for the Event. In order to obtain a complete cost profile for this project, we had to ask several of the business units concerned for information. This proved to be a complex undertaking, especially since this project is administered through budgets from a variety of sources. Moreover, even though Ville-Marie borough can be considered responsible for the case, it was not officially required to track the costs incurred and report on them. Several stakeholders found themselves having to compile costs, with the result that we found several duplicates in the compilations submitted by the stakeholders contacted.

The city's governance framework clearly stipulates that the financial components of a project must be managed and monitored. It would have been easier for the city to keep track of the amounts committed and expenses incurred for the Event if it had been given its own specific project code. Financial data and cost reports could then have been produced and submitted in a timely manner. It would also have facilitated accountability reporting to city authorities so that the public could be informed in a timely manner.

## **MONITORING THE FINANCIAL PERFORMANCE OF MONTRÉAL C'EST ÉLECTRIQUE**

This section presents MCE's financial highlights, which we prepared using documents provided by the organization. First, we present an overview of revenues from subsidies, sponsorships and ticket sales. Expenses are then presented by category: costs associated with the race, fees paid to the manager, and racing rights and transportation of vehicles. Figure 5 provides a summary comparison of budget forecasts with MCE's actual results.

**FIGURE 5 – COMPARISON OF PROJECTED BUDGETS WITH ACTUAL RESULTS OF MONTRÉAL C'EST ÉLECTRIQUE AS AT SEPTEMBER 30, 2017**



## REVENUES OF MONTRÉAL C'EST ÉLECTRIQUE

As shown in Table 2, total revenues include three categories of revenues: subsidies, ticket sales and sponsorships, box seat sales and other revenue.

**TABLE 2 – COMPARISON OF ANTICIPATED WITH ACTUAL REVENUES BY CATEGORY**

|                       | ACTUAL RESULTS                              |   |   | TOTAL VARIANCE<br>\$<br>(C-A)<br>(IN \$ MILLIONS) | TOTAL<br>VARIANCE<br>%<br>(C-A) |
|-----------------------|---|---|---|---|---------------------------------|
|                       | NOVEMBER 4, 2016<br>(A)<br>(IN \$ MILLIONS) | MARCH 13, 2017<br>(B)<br>(IN \$ MILLIONS) | SEPTEMBER 30, 2017<br>(C)<br>(IN \$ MILLIONS) |   |                                 |
| <b>Subsidies</b>      | 11.55                                       | 11.55                                     | 3.66  | -8.0  | -69                             |
| <b>Ticket sales</b>   | 4.87  | 1.29                                      | 0.7   | -4.17   | -86                             |
| <b>Other revenues</b> | 5.75  | 2.69                                      | 2.68  | -3.02   | -47                             |
| <b>TOTAL REVENUES</b> | <b>22.17</b>                                | <b>15.53</b>                              | <b>7.04</b>                                   | <b>-15.19</b>                                     | <b>-68</b>                      |

Anticipated revenues from government subsidies were \$11.55 million and accounted for a little more than 50% of the total anticipated revenues (52%). Revenues from ticket sales and sponsorships (“own-source revenues”) accounted for 48% of total revenues. We noted that the total revenues realized account for 32% of the revenues anticipated initially, a decrease of \$15.1 million.

## SUBSIDIES

From the moment it was incorporated, nine months before the Event, MCE worked on funding applications to be submitted to governments. The projected subsidy revenues were \$11.55 million. However, \$8 million in government subsidies failed to materialize. Table 3 shows the forecasts and the actual subsidies.

**TABLE 3 – SUBSIDY REVENUES BY SOURCE**

| SOURCE OF FUNDING   | BUDGET<br>NOVEMBER 4, 2016<br>IN \$ MILLIONS | ACTUAL RESULTS<br>SEPTEMBER 30, 2017<br>IN \$ MILLIONS |     |
|---------------------|--|--|-----|
| Canadian Government | 4.00   | 0  |     |
| Québec government   | 4.00   | 1.5  | (1) |
| Ville de Montréal   | 3.25   | 1.75   |     |
| Tourisme Montréal   | 0.30   | 0.41   |     |
| <b>TOTAL</b>        | <b>11.55</b>                                 | <b>3.66</b>  |     |

(1) \$0.5 million from the Fonds d’initiative et de rayonnement de la Métropole and \$1 million deducted by the MAMOT under the “Montréal Reflex” agreement.

Although the subsidy request was for \$4 million, the federal government has committed to paying MCE a \$1.75 million repayable contribution<sup>15</sup>. However, this contribution was never received. As for the city, a single decision-making record was submitted to authorities for a \$1.75 million monetary contribution<sup>16</sup>. At the provincial level, MCE received \$0.5 million from the Fonds d’initiative et de rayonnement de la Métropole and \$1 million from the Ministère des Affaires municipales et de l’Occupation du territoire (MAMOT) (Order-in-Council 964-2017)<sup>17</sup>. This last amount was submitted separately because the city effectively considered it to be a contribution that the organization made to itself.

<sup>15</sup> Payment of the contribution is subject to submission of the prescribed claim forms. The contribution must be repaid in full through remittance of royalties equal to 10% of the total gross annual revenue of Montréal c’est électrique, starting on April 15, 2020.

<sup>16</sup> Decision-making record 1163455001 adopted by the urban agglomeration council on October 27, 2016.

<sup>17</sup> Order-in-Council 964-2017 of September 27, 2017.

In fact, in the course of our audit, we discovered that a specific agreement was signed between the city and the Québec government. According to the October 18, 2017, edition of the Gazette officielle du Québec, Order-in-Council 964-2017 concerns the awarding of a \$1 million subsidy to MCE in 2017–2018 to support holding the Formula E in Montréal in 2017. For this purpose, a memorandum of understanding was signed between the minister responsible for the Montréal region and MCE on November 30, 2017; the amount was received by MCE on December 8, 2017. According to correspondence dated October 12, 2017, the MAMOT confirmed to the city that under the framework agreement “Montréal Reflex” it would pay \$82 million rather than \$83 million, in view of the \$1 million non-recurring financial support awarded to “[TRANSLATION] the organization Montréal c’est électrique to provide assistance for holding the Formula E Championship in Montréal in 2017.” Table 4 shows the projected amounts and the amounts actually paid.

**TABLE 4 – COMPARISON OF PROJECTED AMOUNTS UNDER ORDERS-IN-COUNCIL AND AGREEMENTS WITH AMOUNTS ACTUALLY PAID FOR EACH BENEFICIARY**

|  | ACCORDING TO<br>ORDER-IN-COUNCIL<br>AND AGREEMENT<br>(IN \$ MILLIONS) | ACTUAL<br>(IN \$ MILLIONS) |
|--|---|----------------------------|
| Ville de Montréal –<br>Order-in-Council 736-2017 | 83  | 82                         |
| MCE – Order-in-Council 964-2017                  | 1   | 1                          |
| <b>AMOUNT PAID BY THE QUÉBEC<br/>GOVERNMENT</b>  | <b>84</b>   | <b>83</b>                  |

The framework agreement “Montréal Reflex” cancels or repeals two specific agreements<sup>18</sup> to grant subsidies to the city through an \$83 million unconditional transfer to support it in its development and in its role as the major metropolis of Québec. This was confirmed by Order-in-Council 723-2017<sup>19</sup>. According to the memorandum of understanding, this transfer is not subject to any eligibility conditions or restrictions concerning its use.

The subsidy that the MAMOT paid to MCE reduced the unconditional transfer paid to the city under the framework agreement “Montréal Reflex”. Furthermore, even though the money did not pass through the city, we think that this amount should be likened to a contribution to MCE from the city. There is no council resolution authorizing the MAMOT to make a direct payment of a portion of the amounts paid under the framework

<sup>18</sup> Repeal of Order 749-201 and cancellation of the Memorandum of understanding concerning \$175 million financial support for the strategy Imagine-Réaliser Montréal 2025 concluded on July 9, 2012.

<sup>19</sup> Order-in-Council 723-2017 of July 4, 2017.

agreement “Montréal Reflex”, and no financial support application package was submitted to justify this additional contribution, as required by the policy to that effect<sup>20</sup>.

The tight, nine-month deadline that MCE had to wrap up the subsidy applications may have been one of the potential contributing factors to its lack of success. Generally, for such applications, waiting periods must be expected so that the application can be analyzed according to various eligibility criteria, between the presentation of a funding offer and the signing of the agreement and between the signing of the agreement and the payment of the subsidy.

## TICKET SALES

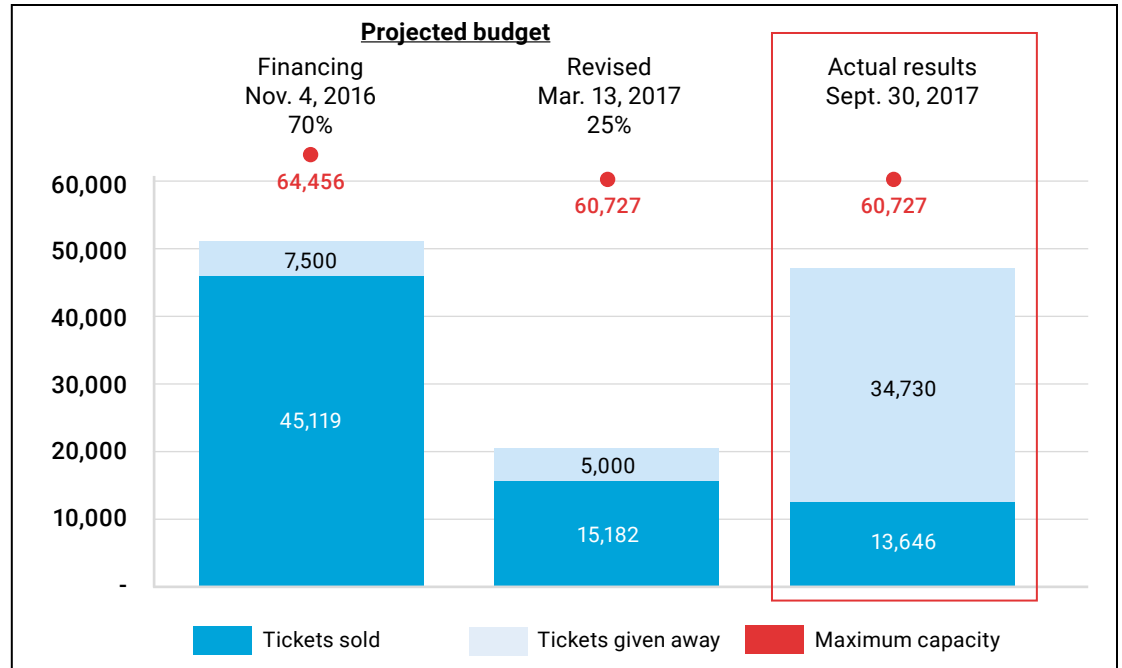
When an economic impact study of an event is conducted, the number and origin of participants are important data for calculating its impact. The number of tickets sold for the Event was the subject of much speculation. Figure 6 shows a comparison of the manager’s forecasts for ticket sales with the actual results. His forecasts and the adjustments made along the way were based on ticket sales revenues for Formula E races held elsewhere in the world together with his understanding of the Montréal context.

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<sup>20</sup> The Charter of Ville de Montréal provides that the city can grant subsidies to organizations. City council must grant any contribution above \$50,000. The Guide spécifique: Accorder une contribution sans appel de candidatures fournit les éléments de contenu et de présentation des dossiers décisionnels. Since October 27, 2017, a Guide de gestion des soutiens financiers aux organismes à but non lucratif (OBNL) sets out broad guidelines for managing financial support (C-RF-DG-P-17-001).



**FIGURE 6 – COMPARISON OF PROJECTED TICKET SALES WITH ACTUAL TICKET SALES AS AT SEPTEMBER 30, 2017<sup>21</sup>**

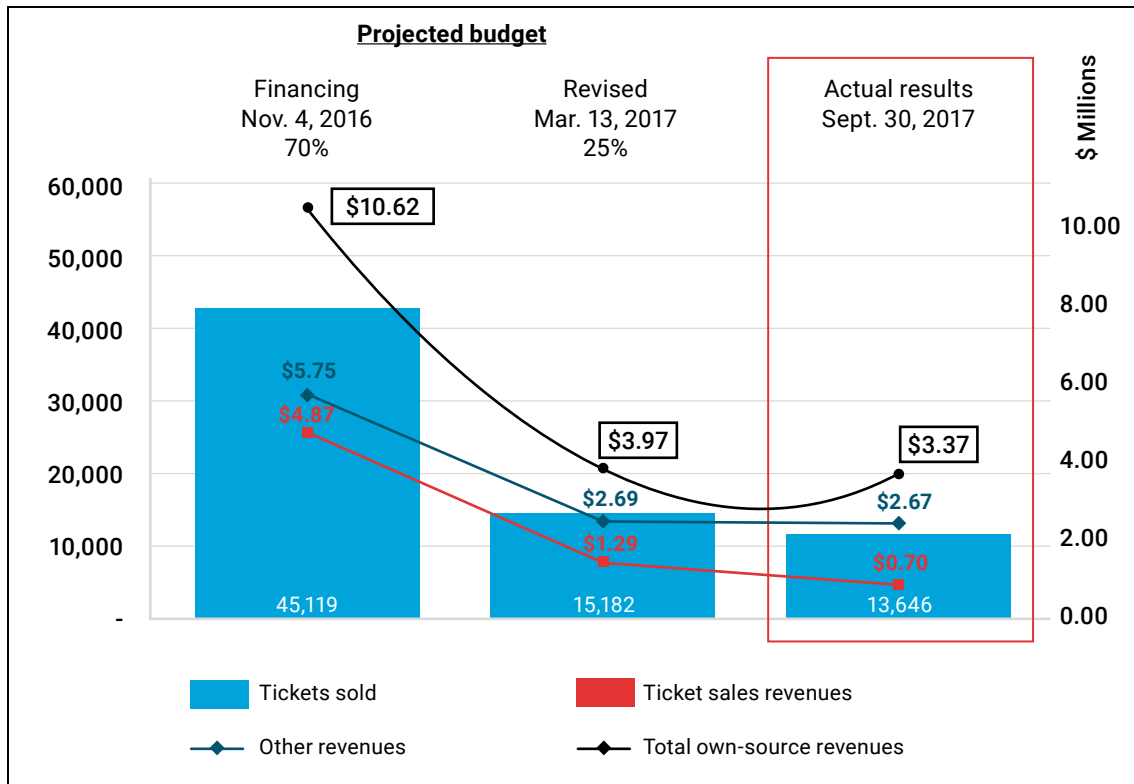


It should be stressed that that the information on the number of tickets sold was available, upon request, for both MCE and the city. The very day after the Event was held, the breakdown between the number of tickets sold versus the number given away was available and known. As is clear in Figure 6, 13,646 tickets were sold out of a total of 48,376 tickets in circulation. The difference, 34,730 tickets, is equal to the number of tickets given to sponsors or others.

<sup>21</sup> Source: Projected budgets prepared by the manager and ticket sales report, excerpted from the auditor's file.

Figure 7 shows the revenue forecasts for ticket sales and other revenues associated with the Event. Other revenues included revenues from box seat sales and sponsorship revenues (trade name rights and race track sponsorships).

**FIGURE 7 – COMPARISON OF ANTICIPATED REVENUES FROM TICKET SALES AND OTHER SOURCES WITH ACTUAL RESULTS AS AT SEPTEMBER 30, 2017<sup>22</sup>**



Ticket sales generated \$0.7 million in revenues, compared with the anticipated \$4.9 million. Other revenues were also 50% lower than anticipated, at \$2.7 million rather than \$5.7 million, of which \$0.85 million from the main sponsor.

### BREAKDOWN OF COSTS OF MONTRÉAL C'EST ÉLECTRIQUE

We obtained several documents that allowed us to reconstruct certain expenses. Table 5 shows the breakdown of MCE's expenses by cost category according to both projected budgets and actual results.

<sup>22</sup> Same as 21.

**TABLE 5 – COMPILATION OF TOTAL COSTS OF MONTRÉAL C’EST ÉLECTRIQUE BY EXPENSE CATEGORY**

|   | INITIAL<br>OCTOBER 27, 2016 | CONTRACT<br>MARCH 13, 2017 | ACTUAL RESULTS<br>SEPTEMBER 30, 2017 |
|---|-----------------------------|----------------------------|--------------------------------------|
| IN \$ MILLIONS (INCLUDING TAXES)          |                             |                            |                                      |
| <b>Costs of the Event</b>                 | 14.0                        | 12.9                       | 12.9                                 |
| <b>Racing expenses and transportation</b> | 10.7                        | 9.3                        | 7.4                                  |
| <b>MCE’s operating expenditures</b>       | -                           | -                          | 0.3                                  |
| <b>TOTAL COSTS</b>                        | <b>24.7</b>                 | <b>22.2</b>                | <b>20.6</b>                          |

Based on the information available, we noted that for many expenses, the actual results were below the different forecasts produced. Since general attendance and sales of box seats were lower than anticipated, expenses associated with entertainment and the spectator experience were adjusted downward.

Among the costs of the Event, there is an amount totalling \$3.8 million, which the manager billed to MCE. As provided for in the agreement, he invoiced for management fees (\$2 million), claimed a 20% commission for each of the sponsorships obtained (\$0.3 million), invoiced for marketing (\$0.7 million) and launch (\$0.2 million) fees, and miscellaneous expenses (\$0.3 million). He also reinviced the salaries and the expenses associated with the project team (\$0.3 million).

Our audit showed that as at the end of 2016, MCE’s and the city’s budget forecasts reflected a loss. In fact, with or without the anticipated subsidies, it was expected that MCE would incur a deficit of anywhere from \$3.1 million to \$7.3 million. Figure 5 reveals the cash shortfall expected for the Event aspect (not counting MCE’s operating expenses). The city must therefore have known that MCE’s line of credit that it guaranteed would be used to eliminate the deficit.

### 3.2.4. ACCOUNTABILITY REPORTING

#### 3.2.4.A. BACKGROUND AND FINDINGS

##### ACCOUNTABILITY REPORTING

We tracked down a report, produced by the Service des finances in February 2017 and updated in June 2017, that summarizes the financial information, particular issues concerning the guarantee and government contributions to the MCE project. The report and its updated version were communicated by the Service des finances respectively to the Direction générale and the President of the EC. The report underscores the fact that no contribution that MCE requested from the Québec and Canadian governments was confirmed. MCE's projected balanced three-year budget is found in these financial profiles. The updated version presents the budgeted costs of the Event adopted by the MCE Board in March 2017. According to the budget, MCE runs the risk of ending its fiscal year with a \$7.3 million deficit.

In May 2017, the preparation of a decision-making record to increase the guarantee for MCE from \$10M to \$15M was initiated. The decision-making record has progressed to the point of being placed on the agenda of a meeting of the EC on June 7, 2017. However, the progress of the file is interrupted following discussions between the Service des finances and the President of the EC. As all surpluses in the agglomeration budget were incurred, the Service des finances could not certify the availability of the funds needed to increase the guarantee. In addition, it highlights its uncertainties regarding the receipt of MCE subsidies. The former EC president informed MCE of the City's decision not to increase MCE's bond to \$15M.

The agreement between the city and MCE concerning the line of credit guarantee provides that the organization must:

*[TRANSLATION] "Send monthly Accountability Reports to the Director. Accountability reporting must be done in accordance with the form and parameters communicated to it by the Director, with the understanding that these can be altered at any time by simple notification. These Accountability Reports must be submitted to the Director no later than the 1st day of each month." <sup>23</sup>*

According to the agreement, the Service des finances was responsible for sending the accountability parameters to MCE. Our audit revealed that on September 11, 2017, the city's Service des finances sent MCE a letter in which it specified these parameters and asked it to produce an accountability report on August 31, 2017, as well as a monthly status report until the end of the agreement, on December 31, 2017. This request for accountability reporting was made six weeks after the Event had been held.

<sup>23</sup> Agreement between Ville de Montréal and Montréal c'est électrique, establishing the terms and conditions of the city's guarantee and the organization's obligations regarding its use of the variable credit.

After the accountability parameters were sent to MCE in the fall of 2017, several discussions and meetings were held between the Service des finances and MCE. In November 2017, the Service des finances and MCE agreed to suspend the use of the line of credit. From that point on, the Service des finances monitored MCE very closely. The Service des finances was to be notified of any anticipated receipt (refund of taxes receivable), and all expenses were to be approved in advance. As stated above, MCE's \$9 million line of credit balance was repaid by the city to the financial institution. As at January 26, 2018, the city's net expenses associated with the MCE's guarantee were \$7.3 million, of which \$1.7 million was recovered<sup>24</sup>.

The monitoring measures provided for in the agreement were not applied with sufficient rigour, since the monitoring parameters were communicated only 7 months after the agreement was signed, after the Event took place and therefore most expenses had already been incurred. No file was found that would have enabled us to assess the nature of the monitoring that was carried out previously by the Service des finances in connection with the guarantee agreement.

With respect to the \$1.75 million contribution, the contract provided that MCE was to submit its first accountability report on March 1, 2018.

We think that if the Formula E project had been integrated into the CGP, this would have allowed better tracking of the progress of commitments and the expenses arising from them and authorities would have been better informed of the impacts of decisions made.

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<sup>24</sup> The trustee appointed by MCE sought a legal opinion on the validity and enforceability of security interests held by the City. Pending this decision, the Service des finances has found it necessary not to make these funds available.

## 4. CONCLUSION

The city developed a comprehensive project governance framework providing for a project monitoring process. The application of this governance framework provides for a check-point process for the development and approval of projects, a governance mechanism that ensures adequate monitoring and comprehensive documentation for informed decision-making by municipal authorities. The framework provides that the city can entrust the piloting of a project to another organization, which must be supported by a municipal project leader who will ensure that the framework is applied.

In light of the work carried out, we note that the Formula E project did not apply the city's governance framework. No business case presenting a description of the project, the issues and risks involved and the overall costs was submitted to authorities. This would have enabled all the stakeholders to agree on key aspects of the project and would have supported the decision-making process throughout its execution. The roles and responsibilities were not defined adequately. We noted that the coordination of operations and associated information passed through the Cabinet. It can be seen that in the absence of a project leader, as prescribed by *Cadre de gouvernance des projets et des programmes de gestion des actifs municipaux*, the municipal administration, had no overall vision of the issues and risks involved in this large-scale project.

Beyond the fact that project governance appeared to us to be deficient, our audit revealed areas where improvements should be made, especially with respect to the roles and responsibilities of officers acting as observers of organizations and the accountability reporting required of an organization and monitoring of it by the administration. The monitoring measures provided for in the guarantee agreement were not applied in a timely enough manner to allow the necessary monitoring, given the financial risks of the project.

The Formula E project should have fallen under the purview of the *Cadre de gouvernance des projets et des programmes de gestion des actifs municipaux*. This would have allowed better tracking of the progress of commitments and expenses arising from the project, and authorities would have been better informed of the impacts of decisions made. As part of the planning process, the project leader would have had to produce a business case defining, for example: the reason for the project, its objectives, expectations in terms of impacts, the risks, the budget plan and the definition of the roles and responsibilities of the stakeholders involved. A more comprehensive tracking and documentation process would have improved accountability reporting to stakeholders. This information is essential for ensuring sound management and appropriate accountability reporting on a project.

## 5. RECOMMENDATIONS

Furthermore, our recommendations arising from these conclusions are as follows:

| RECOMMENDATIONS                         |   |
|---|---|
| 5.A.                                    | We recommend that the Direction générale put in place appropriate measures to ensure that all business units apply the <i>Cadre de gouvernance des projets et des programmes de gestion des actifs municipaux</i> in executing projects that are subject to it.   |
| 5.B.                                    | We recommend that the Direction générale assign implementation responsibilities for a large-scale project and establish shared operating and accountability rules in order to improve communications among stakeholders (internal and external, the Executive Committee, city council, the urban agglomeration council), effectively manage the risks generated and maximize the use of financial, material and human resources.  |
| 5.C.                                    | We recommend that the Direction générale develop a reference guide (or summary) in order to better define the roles and responsibilities of officers appointed by the city as observers on the board of directors of a legal entity.  |
| 5.D.                                    | We recommend that the Direction générale, in collaboration with the Service des finances, put in place a cost monitoring mechanism for this type of project.  |
| 5.E.                                    | We recommend that the Direction générale review the scope of financial operations in order to ensure that all decision-making records contain a clear, complete and comprehensive financial analysis enabling the city's decision-making authorities to make an informed decision.  |
| 5.F.                                    | <p>We recommend that the Direction générale take the necessary steps to ensure that the financial support agreements benefit from the necessary monitoring, in particular by:</p> <ul style="list-style-type: none"> <li>• including, from the outset, the specific parameters of financial and operational accountability;</li> <li>• requiring the appointed officers to submit periodic accountability reports on their assessments of compliance with the parameters that are set.</li> </ul> |
| <b><i>Action plans will follow.</i></b> |   |

## 6. APPENDICES

### 6.1. PURPOSE AND EVALUATION CRITERIA OF THE AUDIT

#### PURPOSE

To ensure that governance of the project involving the organization of a Formula E Event in Montréal was defined in accordance with the city's existing policies and directives.

#### EVALUATION CRITERIA

- 1.1 The stakeholders are established and the roles and the responsibilities are clearly defined.
- 1.2 A project leader is appointed to coordinate operations and to support the organization mandated to organize the Event.
- 1.3 A management framework is adopted to define:
  - the expected results;
  - the sources of funding;
  - the financial monitoring systems;
  - the stages requiring approval by authorities.
- 1.4 A business case is prepared or updated so that authorities have comprehensive information when making decisions about the important stages of the project.
- 1.5 Agreements between the city and the organization mandated to organize the Event are monitored rigorously on a regular basis.
- 1.6 Mechanisms are put in place to report to authorities on progress of the project.



## 6.2. TIMELINE OF THE KEY ANNOUNCEMENTS AND APPROVALS FOR THE FORMULA E PROJECT

| DATE OR PERIOD             | DESCRIPTION OF ANNOUNCEMENT OR APPROVAL   |
|----------------------------|---|
| March 13 to 18, 2015       | <b>Former mayor's trip to Miami</b> – For the purpose of holding discussions with FEO so that Montréal could join the Formula E series by 2016.   |
| September 2, 2015          | <b>Approval of the city's nomination</b> – Technical feasibility study and establishment of the layout of the urban circuit.  |
| Fall 2015                  | <b>Discussion between the Cabinet and the Service des affaires juridiques about organizational structures for the organization of a Formula E race.</b>   |
| January to June 2016       | <b>Planning of infrastructure works on the urban circuit</b> <ul style="list-style-type: none"> <li>• Setting up a project team – Ville-Marie borough.</li> <li>• Developing plans and specifications in preparation for the infrastructure and road work on the urban circuit and for designing protective features for the race track.</li> </ul>   |
| June and September 2016    | <b>Tendering period</b> – For the purpose of awarding infrastructure and road work contracts and for the purchase of protective features for the race track.  |
| September to December 2016 | <b>Awarding of contracts and execution of infrastructure works</b> <ul style="list-style-type: none"> <li>• Contract to undertake infrastructure work on the circuit – \$4,416,598.</li> <li>• Contract to provide protective features on the race track – \$7,525,502.</li> <li>• Contract to install, assemble and dismantle protective features – \$8,966,756 (taxes included).</li> </ul> |
| October 14, 2016           | <b>Incorporation of the non-profit organization MCE.</b>  |
| October 21, 2016           | <b>Press conference</b> – Official announcement of Formula E races to be held on the streets of downtown Montréal.<br><b>Agreement between FEO and MCE on racing rights.</b>  |
| October 27, 2016           | <b>Resolution passed by the urban agglomeration council to grant a \$1,750,000 contribution to MCE.</b>   |
| December 22, 2016          | <b>Resolution passed by the urban agglomeration council to approve MCE's \$10,000,000 line of credit guarantee by the city.</b>   |
| March 20, 2017             | <b>Resolution passed by MCE's board of directors to approve the contract with the manager.</b>  |
| July 29–30, 2017           | <b>Formula E championship held in Montréal.</b>   |
| August 22, 2017            | <b>Ratification by the urban agglomeration council of technical support provided by the city to MCE.</b>  |
| September 11, 2017         | <b>Letter sent by the Service des finances to MCE defining the accountability parameters for the \$10 million line of credit.</b>   |
| November 1, 2017           | <b>Preliminary assessment filed by MCE.</b>   |
| December 18, 2017          | <b>Approval of MCE's financial statements by its board of directors.</b><br><b>Announcement of the city's withdrawal of support for MCE.</b>  |
| December 21, 2017          | <b>Repayment of MCE's line of credit by the city.</b><br>As of January 26, 2018, the city's net expenditures were \$7,301,065.  |
| February 5, 2018           | <b>Filing of final assessment and announcement of closing (and bankruptcy) of MCE.</b>  |

### 6.3. DIAGRAM SHOWING EACH STEP IN THE DEVELOPMENT OF CAPITAL PROJECTS AND PROGRAMS

