



Why we did this audit

Given the inherent risks associated with the Lansdowne 2.0 redevelopment project, the Office of the Auditor General (OAG) decided to engage early and conduct an agile audit (i.e. an audit approach performed in iterative cycles or sprints on a continual basis with a focus on areas of greatest risk) of the project over its life. The audit aims to provide recommendations and support informed decisions in real-time.

Sprint 1 was focused on the financial proposal that was submitted to City Council in November 2023 and the associated due diligence performed on that proposal. Specifically, the audit focused on management's financial projections and assumptions forming the basis of the proposal submitted to Council in November 2023 and the supporting due diligence activities.

What we found

Our audit demonstrated that the due diligence process reflected a significant effort to engage sufficient and appropriate expertise to validate significant financial assumptions and projections for Lansdowne 2.0. More specifically, our audit confirmed that all significant financial assumptions embedded in the financial projections were validated by subject matter experts. In several cases, the financial projections were updated to reflect the results of the due diligence activities.

We noted that many of the assumptions that supported the financial information were reasonable and were supported by detailed analysis and evidence.

For the cost of construction of the Event Centre and North Side Stands, estimated at \$419.1 million, the estimates were on the lower end of City acceptable ranges for contingencies and utilities construction costs.

Given the inherent risks related to construction, including the delayed construction horizon and already increasing construction costs, we believe this approach has resulted in some construction estimates that are optimistic. As a result, construction cost estimates could be understated by \$74.3 million, as at the time of our audit.



Additionally, there were specific assumptions, including Redblacks revenue growth and overall expense growth, that could have a significant impact on the potential downstream cashflow distributions from the partnership with Ottawa Sports and Entertainment Group (OSEG). Our audit has quantified the risk associated with not achieving these assumptions that are currently embedded in the financial projections. The impact of more modest assumptions range from \$10 million to \$30 million, per risk scenario, in decreased waterfall distributions available to the City over the life of the Partnership Agreement with OSEG.

In the end, our audit has highlighted and quantified specific risks within the Lansdowne 2.0 financial proposal and potential impacts to the City to help inform future decisions linked to this project.



We made two recommendations to ensure that:

- The Project Delivery Review and Cost Estimating Guide is reviewed and updated to clarify expectations on how to apply the ranges of estimates, including contingencies, based on specific risk factors; and
- Recent actual partnership results and modest future assumptions are considered in order to update the proforma projections related to the Partnership with OSEG.