

Section I – Items for Board of Directors Action

TO: Chair and Members of the Executive Committee
Friday, April 5, 2024 Meeting

FROM: Darryl Gray, Director, Education and Training

On behalf of Finance

RE: **AUTHORIZATION TO ACCESS RESERVE FUNDS:
ADMINISTRATIVE OFFICE BUILDING PROJECT**
Use of reserve funds for additional construction costs related to TRCA’s Administrative Office Building project and for parking lot upgrades at Black Creek Pioneer Village.

KEY ISSUE

Authorization of TRCA’s Board of Directors is required in order to utilize reserve funds for the balance of construction costs for the new Administrative Office Building project, including required upgrades to the staff and visitor parking lot at Black Creek Pioneer Village.

RECOMMENDATION:

WHEREAS at meeting #2/15, held on February 27, 2015, TRCA’s Board of Directors approved Res. #A 23/15 related to the construction of a new Administrative Office Building for TRCA at 5 Shoreham Drive;

AND WHEREAS the original construction budget for TRCA’s new Administrative Office Building at 5 Shoreham Drive was \$65 million;

AND WHEREAS as indicated through previous construction updates to TRCA’s Board of Directors, the COVID-19 global pandemic had a significant impact on costs across the construction sector, resulting in an additional \$9 million in escalated financial impacts on the new Administrative Office Building project;

AND WHEREAS through the planning and construction process for the new Administrative Office Building it was determined that upgraded security, lighting and health and safety systems were required for the parking facility at Black Creek Pioneer Village, which provides parking for TRCA staff and visitors to the new Administrative Office Building, visitors to Black Creek Pioneer Village and paid parking for neighbouring uses and events;

AND WHEREAS TRCA Board of Directors authorization is required for the use of TRCA’s Reserve Fund;

THEREFORE LET IT BE RESOLVED THAT a draw upon reserves of up to \$9 million be authorized by TRCA’s Board of Directors to fund the completion the

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new Administrative Office Building project;

THAT an additional draw from TRCA reserves of up to \$1.1 million be authorized to fund the lighting, security and health and safety upgrades to the shared staff and public parking facility at Black Creek Pioneer Village;

AND FURTHER that staff finalize and convert the approved \$50,000,000 construction financing loan to a term loan in accordance with the executed terms and conditions with CIBC, effective July 1st, 2024.

BACKGROUND

On February 27, 2015, Res.#A23/15 approved 5 Shoreham Drive as the preferred site for the new TRCA Administrative Office Building. Board of Directors Resolution #A145/19 authorized staff to issue Notices of Borrowing to the project financial services provider, Canadian Imperial Bank of Commerce (CIBC), according to a loan schedule based on the project cash flow.

Project Financing

As part of the transaction, TRCA entered into an interest rate swap to forwards fix the interest payable by TRCA. On April 28, 2003, the Board approved a revised financing agreement to extend the window period from June 2, 2023 to June 30, 2024, with an end date of 25 years from the start date with an in-swap rate of 4.131%.

As part of the funding for the project, the municipal partners of TRCA, including the City of Toronto and the Regions of Durham, Peel and York have committed up to \$60,000,000 of funding for the project over 30 years, as approved by their individual Councils. TRCA has also successfully obtained grants from the federal government to offset the cost of select sustainability components of the new Administrative Office Building.

TRCA Reserve Contribution

Construction on the new TRCA Administrative Office Building commenced in January 2020 during the COVID-19 global pandemic. Consequently, the pandemic has resulted in construction delays, unprecedented supply-chain issues, and other factors impacting both construction schedules and the overall project budget. Despite the disruptions and impacts and as previously reported to the Board of Directors, the current budget variance is reasonable when considering similar construction projects which began construction during COVID and are being finalized in this current post-COVID operating environment.

In addition, the budget for Administrative Office Building did not include a budgeted line item for parking improvements at the south parking lot at Black Creek Pioneer Village for staff to park once the Administrative Office Building is complete. Staff internal estimates for upgrades to lighting, security, health and safety and EV charger retrofits are an estimated cost of \$1.1 Million, with the tender to occur in April and Board approval on June 21st.

TRCA has approximately \$37.7 million (2022 audited financial statements) in

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unrestricted reserves from which to draw upon for these additional project related costs for the new Administrative Office Building.

RATIONALE

With the new Administrative Office Building project reaching completion in 2024, staff are seeking authorization for the use of TRCA Corporate Reserve Funds for up to \$9 million for the estimated additional costs driven by the aforementioned items above. The Administrative Office project had an original approved budget of \$65 million, however, the COVID-19 global pandemic had a significant impact on construction costs across all sectors, including an approximately 13.8% increase in construction costs for TRCA's Administrative Office Building project. It should be noted that due to prudent management and strong project planning the overall percentage increase in construction costs for TRCA's Administrative Office Building project is significantly less than many other institutional or government sector construction projects undertaken during the same time period.

In addition to the above, staff are recommending upgrades to the parking lot at Black Creek Pioneer Village to accommodate improved visitor and staff parking, specifically related to lighting, security, health and safety and EV charger retrofits. The upgrades are estimated to cost \$1.1M and as the project has no approved external funding, staff are requesting approval for a draw on reserves of up to \$1.2 million. This project will also improve overall safety and security for visitors of Black Creek Pioneer Village and people using paid parking at Black Creek Pioneer Village to access neighbouring uses and events nearby.

With the project reaching close to completion status, staff are, at the same time, recommending proceeding with finalizing and converting the approved \$50,000,000 construction financing loan to a term loan in accordance with the executed terms and conditions with CIBC, effective July 1st, 2024. Loan principal and interest payments are estimated to be \$3.7 million annually.

Relationship to TRCA's 2023-2034 Strategic Plan

This report supports the following Pillar and Outcome set forth in TRCA's 2023-2034 Strategic Plan:

Pillar 4 Service Excellence:

4.4 Transparent decision making and accountable results

FINANCIAL DETAILS

TRCA has approximately \$37.7 million (2022 audited financial statements) in unrestricted reserves which is sufficient to cover the total requested reserve draw of \$10.1 million for the additional construction costs for the Administrative Office Building and upgrades to the parking facilities at Black Creek Pioneer Village. TRCA staff have made provisions within the Draft 2024 TRCA Capital and Operating Budget for the expenditures related to the reserve fund contribution to the Administrative Office

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Building and Black Creek Pioneer Village parking lot upgrade project.

DETAILS OF WORK TO BE DONE

Staff will upon approval of these recommendations work with CIBC to convert the current construction financing loan to a term loan and begin necessary procurements for the parking lot upgrades. TRCA staff will continue to update TRCA's Board of Directors on progress related to the new Administrative Office Building.

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