

Section I – Items for Board of Directors Action

TO: Chair and Members of the Board of Directors
Friday, June 25, 2021 Meeting

FROM: Michael Tolensky, Chief Financial and Operating Officer

RE: **DELEGATED AUTHORITY TO UPDATE THE FINANCE AGREEMENT FOR THE NEW ADMINISTRATIVE OFFICE BUILDING PROJECT**

KEY ISSUE

Staff request to TRCA's Board of Directors to delegate approval authority to the Chief Executive Officer to update the financing interest terms and conditions for the New Administrative Office Building Project.

RECOMMENDATION

WHEREAS no meetings of the Executive Committee and Board of Directors are scheduled for the months of July and August 2021;

AND WHEREAS TRCA issued a Notice of Borrowing to Canadian Imperial Bank of Commerce (CIBC) according to the loan schedule based on the original project cash flow;

AND WHEREAS project delays, primarily related to COVID-19 factors, have altered the construction schedule and cash flows;

THEREFORE, LET IT BE RESOLVED THAT the Chief Executive Officer or their designate be delegated authority to amend the construction financing and amend the interest rate hedge with CIBC in order to secure the most cost-effective financing option for TRCA;

THAT authorized TRCA officials be directed to take whatever action may be required to implement the agreements, including the obtaining of necessary approvals and execution of any documents;

AND FURTHER THAT staff report back on the agreements to the Board of Directors at the September 2021 meeting.

BACKGROUND

Board of Directors Resolution #A145/19 authorized staff to issue Notices of Borrowing to the project financial services provider, CIBC, according to a loan schedule based on the project cash flow. TRCA and the project financial services provider, CIBC, worked together to develop a quarterly amortization schedule for a \$54,000,000 term loan that best reflects the payment schedule from TRCA's partner municipalities, commencing on January 4, 2022 and ending on January 2, 2047, representing a period of 25 years.

The financing agreement was signed with a Canadian commercial bank on February 26, 2019. As part of the transaction, the Authority entered into an interest rate swap to forwards fix the interest payable by TRCA at 3.658% on \$50,000,000 of the available \$54,000,000 credit. TRCA's municipal partners, including the City of Toronto and the Regions of Durham, Peel and

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York, have committed up to \$60,000,000 of funding for the project over 30 years, as approved by their individual Councils.

RATIONALE

Given the substantial delay in project completion, primarily related to COVID-19 factors, the construction loan conversion will now take place after January 4, 2022. This will require TRCA to enter an additional interest rate swap to renegotiate the conversion date/interest rate for the financing.

It is in TRCA's best interest to enter a new swap as soon as practicable to mitigate the impacts of rising interest rates as the economy recovers from the impacts of COVID-19. Nevertheless, the renegotiation must be based on a satisfactory completion of an updated construction schedule provided by the construction manager.

The timing of the construction schedule largely relies on the completion of the largest critical path item, the completion of wood construction, which is anticipated to be completed in September, in advance of the next Board of Directors' meeting. Although the building will not be weathertight until Q4 2020, the completion of wood construction allows for multiple concurrent trades to operate, which provides more clarity to the schedule.

Relationship to Building the Living City, TRCA 2013-2022 Strategic Plan

This report supports the following strategy set forth in TRCA 2013-2022 Strategic Plan:

Strategy 7 – Build partnerships and new business models

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