



REPORT FOR ACTION

Children's Services - Amendments to the 2019 Approved Capital Budget and 2019-2021 Cash Flows for Mount Dennis Child Care Centre and St. Barnabas Catholic School Child Care Centre Projects

Date: June 3, 2019

To: Budget Committee

From: Interim General Manager, Children's Services

Wards: All

SUMMARY

This report requests City Council's authority to amend Children's Services' Approved 2019 Capital Budget and 2020-2028 Capital Plan by increasing total project costs for two projects by \$7.500 million, funded from the Child Care Capital Reserve Fund (XR1103).

These amendments are required in order to proceed with the tender process for the construction of two child care centres, as scope changes to the Mount Dennis project and third party costing indicates the need to increase the approved project for the Toronto Early Learning & Child Care Services' (TELCCS) Mount Dennis Child Care Centre at 1234 Weston Road in Ward 5, and St. Barnabas Catholic School Child Care Centre at 30 Washburn Way in Ward 23.

RECOMMENDATIONS

The Interim General Manager, Children's Services recommends that:

1. City Council authorize an in-year budget adjustment to the 2019 Capital Budget for Children's Services by increasing the project cost for the TELCCS Mount Dennis Child Care Centre (CCS035-01) by \$7.000 million, increasing the project cost from \$11.000 million to \$18.000 million, funded through the Child Care Capital Reserve Fund (XR1103), required to support the consolidation of the Trimbee Early Learning Centre; to support the addition of 26 child care spaces to the planned Mount Dennis location; and to fund inflationary impacts on the cost of construction;

2. City Council authorize an amendment to the budgeted cash flows for the completion of the TELCCS Mount Dennis Child Care Centre project to reflect the following requirements: 2019 - \$2.000 million, 2020 - \$10.000 million, and 2021 - \$2.991 million;

3. City Council authorize an in-year budget adjustment to the 2019 Capital Budget for Children's Services by increasing the project cost for the St. Barnabas Catholic School Child Care Centre (CCS027-01) by \$0.500 million, increasing the project cost from \$2.600 million to \$3.100 million, funded through the Child Care Capital Reserve Fund (XR1103), required to fund the inflationary impacts on the cost of construction; and

4. City Council authorize an amendment to the budgeted cash flows for the completion of the St. Barnabas Catholic School project to reflect the following requirements: 2019 - \$1.000 million, and 2020 - \$1.923 million.

FINANCIAL IMPACT

The preliminary quotations received through Class A costing for Mount Dennis and Class B costing for St. Barnabas have identified that construction costs will exceed the approved project costs for the child care centres.

The increases will be fully funded from the Child Care Capital Reserve Fund XR1103; the use of funds for this purpose complies with the policies in the Reserve Fund By-law, and sufficient funds are available in the reserve.

Mount Dennis Child Care Centre

The revised project cost for the Mount Dennis site is estimated to be \$18.000 million, \$7.000 million higher than the originally approved project cost of \$11.000 million. The new funding is required to:

- a) replace the existing Trimbee Early Learning Child Care Centre and co-locate this 20-space centre in the new Mount Dennis facility;
- b) provide an additional 26 child care spaces, increasing the capacity of the Mount Dennis Child Care Centre project from 52 spaces to 98 spaces, planned to deliver 20 infant, 30 toddler and 48 preschool spaces; and
- c) support the revised project cost estimate, as required through a Class A pre-tendering process that provided updated construction cost estimates.

The previously approved budgeted cash flows are amended in accordance with Table 1, below:

Table 1 - Mount Dennis - Project Cash Flows

| Mount Dennis Child Care Centre | Initial Approval | 2019 Project Cost * | Life to Date Expenditures as at May, 31 2019 | 2019 In-Year Adjustment | 2019 Revised Project Cost | Cash Flow Budget | | | | Project Total |
|--------------------------------|------------------|---------------------|--|-------------------------|---------------------------|------------------|-----------|----------|------|---------------|
| | | | | | | 2019 | 2020 | 2021 | 2022 | |
| (\$000s) | | | | | | (\$000s) | | | | |
| 2019 Approved Capital Budget | 2016 | \$ 11,000 | \$ 3,060 | | | \$ 5,940 | \$ 2,000 | | | \$ 11,000 |
| 2019 Revised Capital Budget | 2016 | \$ 11,000 | \$ 3,060 | \$ 7,000 | \$ 18,000 | \$ 2,000 | \$ 10,000 | \$ 2,940 | | \$ 18,000 |

* Mount Dennis project cost was approved in 2016 for \$9.000 million, with \$2.000 million additional funding approved in 2018 to support environmental upgrades with Council Approval of EX31.2ai on Feb 12, 2018

St Barnabas Catholic School Child Care Centre

The revised project cost of the St. Barnabas Catholic School Child Care Centre Site is estimated to be \$3.100 million, \$0.500 million higher than the approved project cost of \$2.600 million. The updated budget requirements for St. Barnabas Child Care Centre result from a Class B pre-tendering process that provided updated construction cost estimates.

Previously approved budgeted cash flows are amended in accordance with Table 2, below:

Table 2 - St Barnabas - Project Cash Flows

| St. Barnabas Child Care Centre | Initial Approval | 2019 Project Cost | Life to Date Expenditures as at May, 31 2019 | 2019 In-Year Adjustment | 2019 Revised Project Cost | Cash Flow Budget | | | | Project Total |
|--------------------------------|------------------|-------------------|--|-------------------------|---------------------------|------------------|----------|------|------|---------------|
| | | | | | | 2019 | 2020 | 2021 | 2022 | |
| (\$000s) | | | | | | (\$000s) | | | | |
| 2019 Approved Capital Budget | 2016 | \$ 2,600 | \$ 177 | | | \$ 1,500 | \$ 923 | | | \$ 2,600 |
| 2019 Revised Capital Budget | 2016 | \$ 2,600 | \$ 177 | \$ 500 | \$ 3,100 | \$ 1,000 | \$ 1,923 | | | \$ 3,100 |

The net incremental impacts of operating the expanded Mount Dennis Child Care Centre are estimated at \$0.142 million, based on the need for staffing and other costs required to operate the additional 26 spaces. The program is currently reviewing strategies that will reduce the cost of delivering service throughout the system, and will report the results of this review as part of the annual budget review process.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

On May 3, 2016, City Council approved a Child Care Capital Expansion Update, which added 10 new child care capital projects to the 2016 - 2025 Council-approved Capital Budget and Plan for Children's Services.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.CD11.3>

On June 7, 8 and 9, 2016, City Council approved funds from the sale of 1 Hollis Street be deposited in the Child Care Capital Reserve Fund and earmarked for use for the permanent replacement of 1 Hollis Early Learning and Child Care Centre.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX15.14>

On April 26, 2017, City Council approved the Expropriation of the Property Known as 1230-1234 Weston Road for a New Mount Dennis Early Learning and Child Care Centre.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.GM19.8>

On February 12, 2018 City Council approved Children's Services Amendment to the 2018 Budget Committee Recommended Operating Budget to Reflect an increase in Provincial Contributions 2018.EX31 (2 a & i).

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX31.2>

On March 7, 2019, City Council adopted the 2019 Capital Budget and future year commitments for Children's Services through item EX2.5 (186 a & b, 187).

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX2.5>

COMMENTS

The Mount Dennis site is located at 1234 Weston Road in Ward 5. The capital project will provide a 98-space child care centre and will replace both the original Hollis and the existing Trimbee Early Learning and Child Care Centres (ELCCS), as well as providing system expansion of a net 26 spaces.

Metrolinx is providing funding of \$9.000 million to the City for the acquisition of land and the creation of a new child care centre for the replacement of Hollis TELCCS, a 52-space childcare centre, meeting current regulations & design standards. This funding was also used for renovation of the swing space Anduhyaun, and associated relocation costs as set out in the 2016 Transfer Agreement.

In 2018 the project cost was increased by \$2.000 million when City Council approved the 2018 Operating and Capital Budgets and allocated \$2.000 million in Federal funding to support community based capital grants. Children's Services transferred this funding to the Child Capital Expansion Reserve Fund to fund energy efficiency enhancements to the Mount Dennis project.

The new centre will be the first City of Toronto owned Net Zero energy building. An extensive application had been made to the Municipal GHG Challenge Fund, and this project had received \$0.500 million. In July 2018, the provincial government announced the cancellation of the cap and trade program which funded the above Challenge Fund. As such, this project lost the \$0.500 million grant for energy initiatives.

Based on 100% Design, Class A costing by a third party vendor Ingersol, inclusive of a 15% contingency, resulted in a total project estimate of \$18.000 million. As a result, an additional \$7.000 million is required to complete this project.

The revised budget requirements for Mount Dennis Child Care Centre are the direct result of Class A costing and construction cost inflation, year over year. The purchase of land; environmental tests; swing space; net zero energy design; co-location of the Trimbee Early Learning and Child Care Centre; and the increase in capacity of the centre are contributing factors to the increased cost.

St. Barnabas Child Care Centre, located at St. Barnabas Catholic School at 30 Washburn Way in Ward 23, will add 49 licensed child care spaces at this location. An amount of \$2.600 million was initially budgeted for this project. Based on 75% Design, Class B costing by a third party cost consultant Rider Levett Bucknall, inclusive of 15% contingency, resulted in a total project estimate of \$3.100 million. As a result, an additional \$0.500 million is required to complete this project.

The updated budget requirements for St. Barnabas Child Care Centre are the direct result of Class B costing. There is significant site work required due to the grading at site, including ramps, requirement of sump pit, and additional shoring and underpinning for the building, all of which are contributing factors to the increased cost.

For both projects, the construction cost increases in recent years, with architects informally reporting on increases averaging at 25% above estimated costs, have exceeded the rate of inflation and put pressure on capital budgets. Noticeable increases in structural, electrical, mechanical and site work have been the largest contributing factors.

These two projects will support the Council-approved Child Care Growth Strategy and Wards 5 and 23 are at highest priority (less than 20% of children served) for child care capital investment. Priority areas are determined by comparing the population in the ward to the current number of licensed child care spaces.

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SIGNATURE

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