

## **Children's Services Capital Budget Adjustment for Child Care Centres Projects at Mount Dennis, St. Barnabas Catholic School, St. Bartholomew Catholic School, and St. Roch**

**Date:** September 9, 2020  
**To:** Executive Committee  
**From:** General Manager, Children's Services  
**Wards:** All

### **SUMMARY**

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This report requests City Council's authority to amend the Approved 2020 Capital Budget and 2021-2029 Capital Plan for Children's Services' by increasing total project costs for four projects by \$3.830 million, funded from the Child Care Capital Reserve Fund (XR1103).

These amendments are required in order to proceed with the awarding of tenders for the construction of three child care centres, as the tender prices for the Toronto Early Learning & Child Care Services' (TELCCS) Mount Dennis Child Care Centre at 1234 Weston Road in Ward 5, St. Barnabas Catholic School Child Care Centre at 30 Washburn Way in Ward 23, and St. Roch Catholic School Child Care Centre at 174 Duncanwood Drive in Ward 7 are higher than previous cost estimates provided due to the unique nature of the Mount Dennis project, unique site conditions and construction cost inflation for all four projects. The amendment is also required in order to proceed with the re-tender process for the fourth centre for the construction of St. Bartholomew Catholic School Child Care Centre located at 51 Heather Road in Ward 23, as recently cancelled tender indicated a need to increase project budget.

### **RECOMMENDATIONS**

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The General Manager, Children's Services recommends that:

1. City Council authorize an in-year budget adjustment to the 2020 Capital Budget and 2021 – 2023 Capital Plan for Children's Services by increasing the project cost for the TELCCS Mount Dennis Child Care Centre (CCS035-01) by \$1.830 million, increasing the project cost from \$18.000 million to \$19.830 million, funded with cash flows of \$2.557 million in 2020; \$10.580 million in 2021; \$3.410 million in 2022; and \$0.202

million in 2023 through the Child Care Capital Reserve Fund (XR1103), to support the consolidation of the Trimbee Early Learning Centre; and to support the addition of 26 child care spaces to the planned Mount Dennis location;

2. City Council authorize an in-year budget adjustment to the 2020 Capital Budget and 2021 – 2022 Capital Plan for Children's Services by increasing the project cost for the St. Barnabas Catholic School Child Care Centre (CCS027-01) by \$0.400 million, increasing the project cost from \$3.100 million to \$3.500 million, funded with cash flows of \$0.500 million in 2020; \$2.323 million in 2021; \$0.500 million in 2022 through the Child Care Capital Reserve Fund (XR1103), required to fund the inflationary impacts on the cost of construction; million.

3. City Council authorize an in-year budget adjustment to the 2020 Capital Budget and 2021 – 2022 Capital Plan for Children's Services by increasing the project cost for the St. Bartholomew Catholic School Child Care Centre (CCS029-01) by \$0.800 million, increasing the project cost from \$3.000 million to \$3.800 million, funded with cash flows of \$0.250 million in 2020; \$2.750 million in 2021; \$0.683 million in 2022; 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 in-year budget adjustment to the 2020 Capital Budget and 2021-2022 Capital Plan for Children's Services by increasing the project cost for the St. Roch Catholic School Child Care Centre (CCS028-01) by \$0.800 million, increasing the project cost from \$3.200 million to \$4.000 million, funded with cash flows of \$0.500 million in 2020; \$2.871 million in 2021; and \$0.500 million in 2022 through the Child Care Capital Reserve Fund (XR1103), required to fund the inflationary impacts on the cost of construction.

## **FINANCIAL IMPACT**

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The tender prices received for Mount Dennis, St. Barnabas, St. Bartholomew and St. Roch exceeds prices identified during Class A construction cost estimate for Mount Dennis, and Class B construction costs estimates for St. Barnabas, St. Bartholomew and St. Roch, thus exceed the approved project costs for the child care centres.

These 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 to support the funding requirements identified in this report.

### **Mount Dennis Child Care Centre**

The revised project cost for the Mount Dennis site is estimated to be \$19.830 million, \$1.830 million higher than the approved project cost of \$18.000 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;
- c) fulfill the City Council's declaration of a climate emergency and its commitment to making City buildings net zero GHG emissions or net zero carbon by 2050 or sooner; and
- d) support the revised project cost, as per actual, updated construction cost based on public tender.

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

**Table 1 – Mount Dennis – Project Cash Flows (\$000s)**

Mount Dennis Child Care Centre	Initial Approval	2020 Project Cost	Life to Date Expenditures as of August 6, 2020	2020 In-Year Adjustment	2020 Revised Project Cost	Cash Flow Budget				Project Total
						2020	2021	2022	2023	
2020 Approved Capital Budget	2016	\$18,000	\$3,081			5,000	\$8,991		\$0,931	\$18,000
2020 Revised Capital Budget	2016	\$19,830	\$3,081			\$2,557	\$10,580	\$3,410	\$0,202	\$19,830

**St. Barnabas Catholic School Child Care Centre**

The revised project cost of the St. Barnabas Catholic School Child Care Centre Site is to be \$3.500 million, \$0.400 million higher than the approved project cost of \$3.100 million. The updated budget requirements for St. Barnabas Child Care Centre result from tendering process managed by the Toronto Catholic District School Board that provided updated construction costs.

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

**Table 2 – St. Barnabas – Project Cash Flows (\$000s)**

St. Barnabas Child Care Centre	Initial Approval	2020 Project Cost	Life to Date Expenditures as at August 6, 2020	2020 In-Year Adjustment	2020 Revised Project Cost	Cash Flow Budget			Project Total
						2020	2021	2022	
2020 Approved Capital Budget	2016	\$3,100	\$177			\$0.850	\$1,573	\$0.500	\$3,100
2020 Revised Capital Budget	2016	\$3,500	\$177			\$0.500	\$2,323	\$0.500	\$3,500

### St. Bartholomew Catholic School Child Care Centre

The revised project cost of the St. Bartholomew Catholic School Child Care Centre Site is to be \$3.800 million, \$0.800 million higher than the approved project cost of \$3.000 million. The updated budget requirements for St. Bartholomew Child Care Centre result from tendering process managed by the Toronto Catholic District School Board that provided updated construction costs.

Previously approved budgeted cash flows are amended in accordance with Table 3, below:

Table 3 – St. Bartholomew – Project Cash Flows (\$000s)

St. Bartholomew Child Care Centre	Initial Approval	2020 Project Cost	Life to Date Expenditures as at August 6, 2020	2020 In-Year Adjustment	2020 Revised Project Cost	Cash Flow Budget			Project Total
						2020	2021	2022	
2020 Approved Capital Budget	2016	\$3,000	\$117			\$0.750	\$1,600	\$0.533	\$3,000
2020 Revised Capital Budget	2016	\$3,800	\$117			\$0.250	\$2,750	\$0.683	\$3,800

### St. Roch Catholic School Child Care Centre

The revised project cost of the St. Roch Catholic School Child Care Centre Site is to be \$4.000 million, \$0.800 million higher than the approved project cost of \$3.200 million. The updated budget requirements for St. Roch Child Care Centre result from tendering process managed by the Toronto Catholic District School Board that provided updated construction costs.

Previously approved budgeted cash flows are amended in accordance with Table 4, below:

Table 4 – St. Roch – Project Cash Flows (\$000s)

St. Roch Child Care Centre	Initial Approval	2020 Project Cost	Life to Date Expenditures as at May 22, 2020	2020 In-Year Adjustment	2020 Revised Project Cost	Cash Flow Budget			Project Total
						2020	2021	2022	
2020 Approved Capital Budget	2016	\$3,200	\$129			\$0.715	\$1,450	\$0.906	\$3,200
2020 Revised Capital Budget	2016	\$4,000	\$129			\$0.500	\$2,871	\$0.500	\$4,000

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

## DECISION HISTORY

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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>

On July 19, 2019, City Council adopted the Children's Services - Amendments to the 2019-2021 Cash Flows for Mount Dennis Child Care Centre and St. Barnabas Catholic School Child Care Centre Projects for Children's Services through item EX7.23

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX7.23>

On October 2, 2019, City Council declared a climate emergency and it has committed Toronto to a net zero greenhouse gas emissions target by 2050 or sooner. The target for City buildings is to be net zero GHG emissions or net zero carbon (NZC).

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.MM10.3>

On November 26, 2019 the Council has adopted the motion that requires to:

a) for buildings already in the design or construction procurement phase, report back as part of the 2020 budget process with estimates of both the associated costs and any delays to ensure these buildings are net zero; and

b) for buildings in the pre-design phase, report back during the design phase for any additional costs to achieve net zero emissions.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.MM12.10>

On February 19, 2020, City Council adopted the 2020 Capital Budget and future year commitments for Children's Services through item EX13.2 (187, 188)  
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX13.2>

## COMMENTS

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### **Mount Dennis:**

The Mount Dennis site is located at 1234 Weston Road in Ward 5. This 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 provide 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.

In 2019, the project cost was increased by \$7.000 million when City Council approved the amendment of 2019 Operating and Capital Budgets to support the increased cost due to inflation and the complexity of the 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 a 100% Design, Class A estimate provided by a third party cost consultant, inclusive of a 20% contingency, a total construction estimate for the project was \$13.989 million,

The successful Proponent's tender Base Bid Price was \$1,706 million above the project estimate (inclusive of H.S.T. recoveries).

The project's architects have informally reported increases averaging at 25% above estimated costs, which have exceeded the rate of inflation and put pressure on capital budgets. Following bid close, the third party cost consultant was asked to provide a line-by-line analysis of the bid results. Their analysis showed the following:

- The construction market is saturated, and focusing on areas where it can make the highest profit. This Project is at a disadvantage because although it is using existing technology, it is uncommon for the industry. At this point, there are two (2) other buildings in Ontario that are certified Net Zero Carbon by the Canada Green Building Council:
  - evol1: 110,000 square foot office building in Waterloo, ON
  - The Joy Centre for Partnership and Innovation: 95,000 square foot building at Mohawk College that includes labs, workshops, training centres and lecture halls
- the City's procurement policy does not allow staff to share the bidders list with suppliers or sub-contractors. This typically leads to lower prices, but may have limited the number of sub-contractor prices received for this bid, and led to increases in excavation and steel costs of up to 10-15% (steel costs are already experiencing a slight cost increase of approximately 2.5%); and
- the mechanical systems on this project are relatively complex due to the nature of the energy conservation measures being implemented. As this is an evolving sector in the mechanical industry, contractors have priced it high to reduce their risk.

Based on current for tendered prices, expended and anticipated fees and charges required for the construction, current commitments of \$3.485 million (inclusive of HST recoveries), and a construction contingency of 10%, an increase of \$1.830 million to the project budget is required, for a total of \$19.830 million, inclusive of HST recoveries. This additional funding is necessary for the delivery of targets as set out by the City Council's declaration of climate emergency.

Children's Services is actively working with Energy and Environment, as well as the PMO to seek funding opportunities to fulfill City Council-approved climate mitigation, adaptation and environmental quality outcomes. Children's Services is seek City Council authority to pursue such opportunities as they become available.

### **St Barnabas Catholic Child Care Centre**

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 \$3.100 million was previously budgeted for this project. Based on construction tender results, inclusive of 10% contingency, resulted in a total project cost of \$3.800 million. As a result, an additional \$0.700 million is required to complete this project.

The updated budget requirement for St. Barnabas Child Care Centre is the direct result of the received construction tender prices. The previous cost estimate was made at 75% design completion. As the project was fully designed, there was an increase in architectural and mechanical scopes to accommodate existing site conditions. As well, there is also price escalation in construction between the time of the cost estimate and the tender closing of 15 months.

## **St. Bartholomew Catholic Child Care Centre**

St. Bartholomew Child Care Centre, located at St. Bartholomew Catholic School at 51 Heather Road in Ward 23, will add 49 licensed child care spaces at this location. An amount of \$3.000 million was previously budgeted for this project.

The previous project capital funding was based on a cost estimate made at 75% design completion. As the project was fully designed, there was an increase in landscape and architectural scopes to accommodate existing site conditions. The project was tendered in February, 2020 and is subsequently cancelled due to the pandemic as well as the inability to receive authorization for capital budget adjustment. A project cost of \$3.800 million is based on February's construction tender results, a 10% construction contingency and a 5% cost escalation as the project will be re-tendered later this year. As the bids were received prior to the onset of the pandemic, we anticipate a further increase in bid price due to social distancing requirements and delivery delays of an additional 10%. As a result, an estimated additional \$0.800 million is required to complete this project.

## **St. Roch Catholic Child Care Centre**

St. Roch Child Care Centre, located at St. Roch Catholic School at 174 Duncanwood Drive in Ward 7, will add 49 licensed child care spaces at this location. An amount of \$3.200 million was previously approved for this project. Based on construction tender results, inclusive of 15% construction contingency, resulted in a total project cost of \$4.000 million. As a result, an additional \$0.800 million is required to complete this project.

The updated budget requirement for St. Roch Child Care Centre is the direct result of the received construction tender prices. The previous cost estimate was made at 50% design completion. As the project was fully designed, there was an increase in architectural, mechanical and electrical scopes for additional ceiling work and reinstallation of fixtures and devices due to building conditions. Larger trees are required in childcare play area to achieve shade requirements. Existing site conditions require additional protection to accommodate childcare playroom access to playground, as well as at the property line. As well, there is also price escalation in construction between the time of the cost estimate and the tender closing of 6 months. The original tender was submitted early April, assuming an early summer start. At this time, it is anticipated that construction will start late fall, which will result in some work needing winter heating which also escalates the cost.

These four projects will support the Council-approved Child Care Growth Strategy and Wards 5, 7 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.



## **CONTACT**

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## **SIGNATURE**

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