



County Council

Meeting Date: May 13, 2025

Submitted by: Chris Traini, P.Eng. County Engineer/Deputy CAO
Cindy Howard, County Treasurer/Deputy CAO

Subject: Middlesex County Governance & Administration Centre

OVERVIEW:

On April 29, 2025, Middlesex County Council passed the following resolution:

THAT the Award of Tender # MC-2025-08 - Middlesex County Governance & Administration Centre be deferred to the May 13, 2025 meeting of County Council;

THAT staff be directed to provide a report with a detailed breakdown of project costs and a high-level review for potential cost savings at the May 13, 2025 meeting;

AND THAT the report include financing strategies for the total cost of the project.

The purpose of this report is to provide a detailed overview of information pertaining to the proposed Middlesex County Governance & Administration Centre.

BACKGROUND:

A background on Council decisions associated with the Middlesex County Governance & Administration Centre is as follows:

On January 17, 2023, Council received a report on '[Decentralization Strategy](#)' for information.

On February 14, 2023, Council provided staff direction to obtain preliminary engineering architectural and drawings for construction of a building at 1035 Adelaide St South.

On July 18, 2023, Council considered the [Decentralization Strategy — Governance & Administration Centre](#) Report and passed the following resolution:

THAT staff be directed to utilize section 11.1 of the Middlesex County Procurement Policy to obtain architectural design services from Matter Architectural Studio for the design of a new governance and administration centre with funding provided from capital reserves.

On March 26, 2024, Matter presented to County Council on the [Proposed New Governance & Administration Centre](#). Council passed the following resolution:

THAT Middlesex County Council direct staff to proceed with detailed design and tendering for the Middlesex County Governance & Administration Centre at 1035 Adelaide Street South, London, Ontario.

On February 11, 2025, Council considered a report on the [Proposed Governance & Administration Centre Update](#) and passed the following resolution:

THAT the Proposed Governance & Administration Centre Update be received for information;

AND THAT staff be directed to engage a consultant in accordance with Middlesex County purchasing policies to review and prepare a study to form the basis for a funding application for solar energy generation at the Middlesex County campus of 1035 and 1045 Adelaide Street South.

On April 29, 2025, staff presented [Award of Tender #MC-2025-08 – Middlesex County Governance & Administration Centre](#) for Council consideration.

FINANCIAL INFORMATION:

The following table summarizes the total anticipated project costs associated with the Middlesex County Governance & Administration Centre, including both the tendered construction amount and all associated soft and supporting costs. This includes design, permitting, site preparation, equipment, furnishings, and professional services required to complete the project in full¹.

¹ Governance & Administration Centre Project Costs do not include financing costs as this is subject to the direction of Council. Potential financing costs are included in the 'Funding Strategies' section of this report.

* Indicates costs included in Tender # MC-2025-08 - Middlesex County Governance & Administration Centre submitted by Baribeau Construction London Limited.

Governance & Administration Centre Project Costs	
Expense Classification	Amount (\$)
Site Plan & Tender Design	\$460,000
Berm Removal/Site Preparation	\$100,000
Building (substructure, structure, exteriors, mechanical and electrical, finishes etc.)	\$10,824,728*
Site Works (excavation, grading, parking area, soft and hard surfaces, etc.)	\$802,374*
Landscaping	\$102,300*
Allowances for electrical, signage, network infrastructure, finished door hardware, testing and inspection services	\$868,200*
Project/Contract Administration & Site Inspection Services	\$204,000
Furniture	\$765,000
Contingency	\$400,000
Non-recoverable HST	\$255,668
Total	\$14,782,270

Middlesex County Governance & Administration Centre costs incurred to date are approximately \$460,000. These costs are associated with planning, engineering, permits, site plan approval and tender documents. Of that amount \$448,352 has been paid to Matter Architectural Studio.

FUNDING STRATEGIES:

Staff have prepared financial options for Council consideration. These options strike a balance between cost-effectiveness and responsible long-term planning. Occasionally, strategic debt utilization to invest in new assets may be necessary. Should Council choose to proceed, the primary consideration is whether to fund the project entirely through debenture financing, utilize proceeds from the sale of buildings and land to offset a portion of the cost, or fully fund the project using proceeds from the sale of buildings and lands. Each option carries financial implications that must be carefully evaluated.

Full Debenture Financing

Under this approach, the full cost of the project would be financed through a debenture over a fixed term. This would preserve the County's reserves for future needs or emergencies and enable invested funds to continue generating interest revenue. However, it would also result in long-term debt servicing costs, including interest payments over the life of the debenture.

Financing encompasses various options, including short-term and construction financing, as well as long-term financing. Short-term (construction) financing is provided during the construction phase of an approved project, based on incurred costs. Long-term financing, on the other hand, offers a more extended repayment period.

As of May 5, 2025, Infrastructure Ontario (IO) offers a current interest rate of 3.16% for short-term financing. Interest is calculated and payable monthly on the first day of each month, based on the posted short-term rates.

Debentures are long-term debts that are repaid over time according to a fixed payment schedule. Debenture payments are fixed for the entire loan term.

The County's 2025 Annual Repayment Limit (ARL), issued by the Ministry of Municipal Affairs and Housing, represents the maximum amount the County may commit in annual debt repayments under Ontario Regulation 403/02, based on the County's own-source revenues. For 2025, Middlesex County's ARL is approximately \$12.27 million, which provides substantial capacity to assume new debt if necessary.

As a best practice and to maintain financial flexibility, staff recommend limiting total annual debt payments to below the ARL. Approaching the ARL may constrain the County's ability to respond to emerging needs or fund other essential services.

The County currently has a debenture with the Province of Ontario for Strathmere Lodge. The principal amount owed is \$890,000. The final payment is due January 3, 2026.

The following table provides an illustrative snapshot of long-term financing impacts for a fully debentured project using rates provided by Infrastructure Ontario (IO) (05/06/2025) and IO Loan Calculator. These values are not fixed and would be subject to actual borrowing rates at the time of project completion. The proposed financing is consistent with the current debenture for Strathmere Lodge assuming, serial loan with payments semi-annual (*pay equal, semi-annual principal amounts with interest calculated on the declining balance). The chart below shows the payments for 2027 taking into account occupancy date of November 2, 2026, and first payment due six months from the date of debenture purchase (two payments would be due in 2027).

Administration used the example of borrowing through Infrastructure Ontario (a crown corporation of the Province of Ontario) as rates are more competitive than local lending institutions or private debenture issues.

Debenture Assessment					
Term (Years)	Interest Rate (%)	Total Principal	Annual Payment	Total Interest	Total Payment
10	3.84%	\$14,782,270	\$2,031,559	\$2,981,272	\$17,763,542
15	4.25%	\$14,782,270	\$1,603,174	\$4,871,291	\$19,653,561
20	4.50%	\$14,782,270	\$1,395,932	\$6,821,967	\$21,604,237
30	4.73%	\$14,782,270	\$1,186,069	\$10,669,046	\$25,451,316

Interest rates shown are illustrative only. Actual borrowing rates would be confirmed at two key points: first, at the time of securing a construction loan (if applicable), and second, upon finalizing the long-term debenture following project completion.

The County Levy impact on the annual payment (\$1,395,932) for the 20 year debenture detailed above would be an increase of approximately 2.5%.

Partial Use of Proceeds from Sale of Buildings (399 Ridout Street and 50 King and Strathmere Lands

The County sold 399 Ridout Street and 50 King for \$30 million in 2020. The County has received \$13 million from the sale of 399 Ridout Street and 50 King. The remaining proceeds outstanding from the sale of 399 Ridout Street and 50 King are \$17 million. The County also sold the lands around Strathmere Lodge in 2021 for \$6 million.

The County could reduce the debenture amount by applying \$6 million from Sale of Buildings and Lands as originally recommended in the Use of Proceeds Presentation provided to County Council on January 19, 2021. This would decrease the amount borrowed and consequently reduce the total interest paid over time.

The total project costs in this option would be funded as shown in the table below:

Debenture	\$ 8,782,270
Partial Use of Proceeds	\$ 6,000,000
Total Project Cost	\$14,782,270

The following table provides an illustrative snapshot of long-term financing impacts for a partially funded debentured project) using rates provided by Infrastructure Ontario (IO) (05/06/2025) and IO Loan Calculator. These values are not fixed and would be subject to actual borrowing rates at the time of project completion. The financing proposed is consistent with the current debenture for Strathmere Lodge, assuming a serial loan with semi-annual payments (*pay equal, semi-annual principal amounts with interest calculated on the declining balance). The chart below shows the estimated payments for 2027 taking into account an occupancy date of November 2, 2026 and the first payment being due six months from the date of the debenture purchase (two payments would be due in 2027).

Debenture Assessment					
Term (Years)	Interest Rate (%)	Total Principal	Annual Payment	Total Interest	Total Payment
10	3.84%	\$8,782,270	\$1,206,966	\$1,771,198	\$10,553,468
15	4.25%	\$8,782,270	\$952,459	\$2,894,075	\$11,676,345
20	4.50%	\$8,782,270	\$829,335	\$4,052,988	\$12,835,258
30	4.73%	\$8,782,270	\$704,654	\$6,338,569	\$15,120,839

The County Levy impact on the annual payment (\$829,335) for the 20 year debenture detailed above would be an increase of approximately 1.5%.

Full Use of Proceeds from Sale of Buildings and Lands (399 Ridout Street and 50 King and Strathmere Lands)

Fully funding the project through the proceeds from the sale of buildings and lands would eliminate interest costs. However, this would result in the loss of utilization of these funds for other municipal opportunities.

The following table summarizes the high-level financial considerations.

Option	Debt Issued	Proceeds from Sale of Buildings Used	Interest Costs	Key Trade-Offs
Full Debenture	Full amount	None	Highest	highest cost over time but provides opportunity to use proceeds from sale of building
Partial Use of Proceeds from Sale of Buildings	Reduced	Moderate	Moderate	Balanced approach; reduces debt burden
Full Use of Proceeds from Sale of Buildings	None	Full amount	None	No borrowing costs; loss in using proceeds for other opportunities

The final funding strategy would be determined by Council in the 2nd quarter of 2026. Staff would recommend interim borrowing from reserves and reserve funds until final funding is determined in 2026.

The proposed Middlesex County Governance and Administration Centre is a long-term asset, with an expected service life consistent with other County facilities and building infrastructure - typically ranging from 12 to over 100 years, depending on specific asset components. In considering funding strategies, Council may wish to align financing with the asset's lifecycle to promote intergenerational equity, distributing costs over time in

accordance with asset management best practices. This approach also supports compliance with Ontario Regulation 588/17, ensuring that capital investments remain financially sustainable and integrated within the County's broader asset management planning framework.

PROJECT REVIEW

Matter Architectural Studio provided the following commentary on the project design process:

Throughout the design process, the team at Matter Architectural Studio Inc. worked diligently to identify and implement meaningful cost-saving strategies, all while maintaining the integrity and functionality of the overall design. The team undertook a thorough design refinement process, evaluating a range of strategic modifications aimed at achieving cost efficiencies while preserving the architectural integrity and functional performance of the building. This included a critical assessment of the extent of interior and exterior glazing, the elimination of non-essential programmatic elements such as the communication stair and its associated structural systems, and a re-evaluation of the necessity for roof anchors and related structural infrastructure.

The team also worked closely with building committee and consultants to streamline layouts, optimize material selections, and refine structural and mechanical systems to improve overall efficiency. In parallel, they maintained a focus on long-term value through sustainable building strategies which will contribute to operational savings over the building's life cycle. These recommendations were developed collaboratively and in alignment with project goals, ensuring fiscal responsibility while supporting a high-quality civic facility.

It's important to recognize, however, that the scope of the project evolved significantly following those initial efforts—specifically with the introduction of basement areas and modifications to the second level office spaces. These additions brought increased square footage and associated infrastructure—such as stairwells, HVAC systems, and IT requirements—that were not part of the original budget framework. As a result, some of the earlier savings were necessarily offset by the expanded program. While this has impacted the overall cost, the adjustments reflect the evolving needs of the project and contribute to a more comprehensive and future-ready facility.

COST COMPARISON

Matter completed a scan of a range of buildings currently being constructed across Ontario. The provincial average for new civic and administrative buildings generally ranges between \$900 and \$1,100 per square foot depending on scope, site complexity and design features. Comparably the current total all in cost for the new proposed County administration is estimated around \$865 per square foot. This lower cost does not represent a compromise on design or functionality of the building but demonstrates sound

decision making as noted above on cost conscientious choices made throughout the design process.

The project has now been tendered, and any material changes at this stage, post tender, would likely increase costs through change orders, delays, or may render the tender invalid. In such a case, the alternative would be to cancel the tender and restart the design process, which would introduce additional costs, project delays, and uncertainty in market pricing.


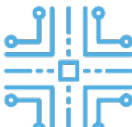
FINANCIAL IMPLICATIONS



The financial implications of the Governance & Administration Centre project will depend on the direction provided by Council regarding project approval and the selected funding strategy.

Should Council choose to proceed, the final impact on the County's financial position will be influenced by the proportion of project costs financed through reserves, long-term debt, or a combination of both. Interest costs, reserve balances, and long-term debt servicing obligations will vary accordingly.

ALIGNMENT WITH STRATEGIC FOCUS:

This report aligns with the following Strategic Focus, Goals, or Objectives:

Strategic Focus	Goals	Objectives
<p>Cultivating Community Vitality</p> 	<p>Advance a diverse, healthy, and engaged community across Middlesex County</p>	<ul style="list-style-type: none">• Promote and support community wellness• Innovate social and community services• Attract, retain, and engage youth in our community• Champion and encourage active transportation and public transit opportunities
<p>Connecting Through Infrastructure</p> 	<p>Ensure communities are built on a sustainable foundation that is connected and thriving</p>	<ul style="list-style-type: none">• Encourage and advocate, through partnerships, the construction of scalable, equitable broadband infrastructure, recognizing our unserved and underserved areas• Commit to a sound asset management strategy to maintain and fund critical infrastructure• Use County infrastructure in an innovative way to provide a seamless service experience for residents

Strategic Focus	Goals	Objectives
<p>Strengthening Our Economy</p> 	<p>Encourage a diverse and robust economic base throughout the county</p>	<ul style="list-style-type: none"> • Support opportunities to create a stronger and sustainable agricultural sector • Create an environment that enables the attraction and retention of businesses, talent, and investments • Attract visitors to Middlesex County • Support the development and prosperity of downtown core areas in Middlesex County
<p>Promoting Service Excellence</p> 	<p>Innovate and transform municipal service delivery</p>	<ul style="list-style-type: none"> • Anticipate and align municipal service delivery to emerging needs and expectations • Engage, educate and inform residents, businesses, and visitors of county services and community activities • Strengthen our advocacy and lobbying efforts with other government bodies • Collaborate with strategic partners to leverage available resources and opportunities • Build organizational capacity and capabilities

RECOMMENDATION:

THAT the Award of Tender # MC-2025-08 - Middlesex County Governance & Administration Centre report be received for information;

THAT the County Engineer be authorized and directed to award the Tender # MC-2025-08 to Baribeau Construction London Limited in the amount of \$12,597,602.00 before taxes;

THAT the short-term construction financing be funded through reserves and reserve funds;

THAT staff be directed to prepare a report with options to fund the project costs up to a maximum of \$14,782,270 through a combination of debentures and reserves to be presented to Council in the second quarter of 2026;

AND THAT the County Engineer be authorized to execute, on behalf of the County of Middlesex, all agreements and other documents necessary to implement this award on confirmation that such agreements and other documents be in a form satisfactory to the County Solicitor.