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VALUE FOR MONEY ASSESSMENT

PAN/PARAPAN AMERICAN GAMES AQUATICS CENTRE, FIELD HOUSE AND CANADIAN SPORT INSTITUTE OF ONTARIO



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November 6, 2012

Private and confidential

Martin Lavoie,
Vice President, Transaction Finance
Infrastructure Ontario
777 Bay Street, 9th Floor
Toronto, ON, M5G 2C8
Canada

Dear Mr. Lavoie,

Subject: Financial Close Stage Value for Money Analysis – Pan Am Aquatics Centre, Field House and Canadian Sport Institute Ontario (CSIO) project

Deloitte & Touche LLP (“Deloitte” or “we”) has prepared the Financial Close Stage Value for Money (“VFM”) assessment for the Pan Am Aquatics Centre, Field House and Canadian Sport Institute Ontario (CSIO) project (“Project”), in accordance with Infrastructure Ontario’s (“IO”) value for money assessment methodology outlined in *Assessing Value for Money: A Guide to Infrastructure Ontario's Methodology*, which is consistent with approaches used in other jurisdictions.

The VFM assessment is based on a comparison of the total project costs at substantial completion for the Project under:

1. The traditional delivery approach, as reflected in the Public Sector Comparator (PSC) model; and
2. The Alternative Finance and Procurement approach (AFP), as reflected in the Preferred Bid at Financial Close.

The VFM assessment was compiled using the following information (collectively the “Information”) within the VFM model:

1. A Risk Matrix developed for IO by Altus Group and adapted to reflect the Project specific risks; and
2. Cost and other input assumptions provided by IO and its external advisors.

This VFM assessment demonstrates that the AFP approach will provide an estimated value savings of 13.0% in comparison to the traditional delivery approach.

While we did not audit or attempt to independently verify the accuracy or completeness of the Information, we confirm, based on our familiarity with VFM methodologies in other jurisdictions and current market data, that IO’s VFM methodology is reasonable, yields a fair estimate of value for money and that the Information has been appropriately used in the VFM model.

Yours very truly,

Deloitte & Touche LLP

Deloitte & Touche LLP



Knowles

A Hill International Company

December 20, 2012

Vincenzo Carinci, Director, Strategic Sourcing
Nelson Oliveira, Senior Project Manager
Infrastructure Ontario
777 Bay Street, 6th Floor
Toronto, ON M5G 2C8

Dear Messrs. Carinci and Oliveira:

**Re: Pan American Aquatics Centre, Field House, and Canadian Sport Institute Ontario
Project -- Infrastructure Ontario RFP No. OIPC-11-62-P002**

Knowles Consultancy Services Inc. was retained to provide fairness monitoring services for the captioned project. Our role was to review Infrastructure Ontario's procurement process from issue of the RFP to the evaluation of proposals to ensure that the process was in accordance with the provisions of the RFP documents.

Only parties that were pre-qualified through the Request for Qualifications process that preceded the RFP were eligible to participate.

Our conclusions are based on our first hand observations of the process, the documents used and information provided by the project procurement team. We have provided Infrastructure Ontario with a detailed report on the RFP process.

In our capacity as fairness monitor, we:

- Took the process established in the RFP as our point of reference;
- Attended all confidential meetings with proponents;
- Reviewed selected communications with proponents; and,
- Monitored the evaluation of the proposals.

As fairness monitor we report that the overall process followed was generally consistent with the stipulations of the RFP and principles of procedural fairness. This includes specifically the following aspects of the process:

- Communications with proponents, including commercially confidential meetings;
- Management of conflict of interest;
- Preservation of the confidentiality of documents and information;
- Structure of the evaluation committee and evaluation teams to prevent any individual from having undue influence over the process;
- Competent, diligent and consistent application of only the criteria published in the RFP in performing the evaluation; and,
- General consistency of treatment of proponents throughout the process.

As a result of the procurement process:

- Three proposals were received from the pre-qualified proponents for this competition; and,
- After evaluation, the highest ranking proponent was named preferred proponent.

In conclusion, we attest that, within the framework established by the RFP, the procurement was conducted in a procedurally fair, open and transparent manner.

Yours truly,
Knowles Consultancy Services Inc.

A handwritten signature in black ink, appearing to read "Don Solomon". The signature is fluid and cursive, with a large initial "D" and "S".

Don Solomon

cc. Roger Bridges

Pan/Parapan American Aquatics Centre (PAAC), Field House and Canadian Sport Institute of Ontario (CSIO) Project

Artist's Rendering

Courtesy of NORR Ltd. / Counsilman – Hunsaker



Pan Am Aquatics Centre, Southwest View – Military Trail & Morningside Ave

Project Highlights

- The Pan Am and Parapan Am Aquatics Centre will feature two 10-lane, 50-metre pools and a 5-metre deep diving tank, and have a maximum seating capacity of approximately 6,000 (including approximately 2,800 temporary seats).
- The Field House will have flexible gymnasium space for training and competition, as well as an indoor recreational track and fitness facilities.
- The Canadian Sport Institute of Ontario will be housed at the complex and will serve as a national high-performance centre providing sport performance services, as well as coaching and training facilities.
- The design and construction of the Aquatics Centre will adhere to the guidelines and sustainability principles of the Leadership in Energy and Environmental Design (LEED) rating system, with the goal of achieving LEED Silver standard for the facility, as well as complying with the City of Toronto's Toronto Green Standard (TGS).
- This venue will host five sports during the Toronto 2015 Pan Am Games: swimming, diving, synchronized swimming, fencing and portions of the modern pentathlon.

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Summary

Over the last six years, the Province of Ontario has averaged \$10 billion in infrastructure investments per year. In June 2011, the Province launched its new long-term infrastructure plan – *Building Together*. The Province expects to continue significant investments in public infrastructure, and will begin by investing more than \$35 billion over the next three years.

Infrastructure Ontario plays a key role in procuring and delivering infrastructure projects, on behalf of the Province. When Infrastructure Ontario was created, its mandate included using an alternative financing and procurement (AFP) method to deliver large, complex infrastructure projects. In June 2011, the Province expanded Infrastructure Ontario's role to deliver projects of various sizes, including ones suitable for an AFP delivery model, as well as other delivery models.

Infrastructure Ontario is managing some of the venue development for the Toronto 2015 Pan Am and Parapan Am Games. One of these projects includes work on the Pan Am Aquatics Centre. At the peak of construction, it is estimated that 150 workers will be on site daily.

Located at the University of Toronto Scarborough (UTSC), the state-of-the-art multipurpose athletic centre will host swimming, diving, synchronized swimming, fencing and portions of modern pentathlon for the Toronto 2015 Pan Am Games.

The purpose of this report is to provide a summary of the project scope, the procurement process and the project agreement, as well as to demonstrate how value for money was achieved by delivering the project through the AFP process.

The value for money analysis refers to the process of developing and comparing the total project costs under two different delivery models, which are expressed in dollar values measured at the same point in time.

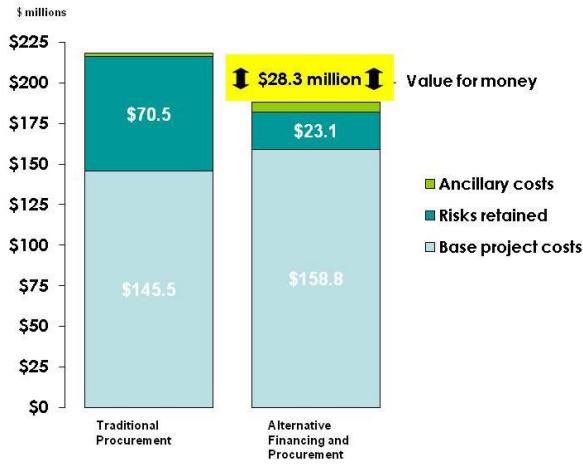
Value for money is determined by directly comparing the cost estimates for the following two delivery models:

Model #1 Traditional project delivery (Public sector comparator)	Model #2 Alternative financing and procurement (AFP)
Total project costs that would have been incurred by the public sector to deliver an infrastructure project under traditional procurement processes.	Total project costs incurred by the public sector to deliver the same infrastructure project with identical specifications using the AFP approach.

The cost difference between model #1 and model #2 is the estimated value for money for this project.

The value for money assessment of the Pan Am Aquatics Centre project indicates estimated cost savings of 13 per cent or \$28.3 million, by using the AFP approach in comparison to the traditional delivery model.

Deloitte & Touche LLP completed the value for money assessment of the Pan Am Aquatics Centre project. Their assessment demonstrates projected cost savings of 13 per cent by delivering the project using the AFP model, versus what it would have cost to deliver the project using a traditional delivery model.



Knowles Consultancy Services acted as the Fairness Monitor for the project. They reviewed and monitored the communications, evaluations and decision-making processes associated with the Pan Am Aquatics Centre project, ensuring the fairness, equity, objectivity, transparency and adequate documentation of the process. Knowles Consultancy Services certified that these principles were maintained throughout the procurement process (please see letter on page 3).

Infrastructure Ontario is working with, the Ontario Pan/Parapan American Games Secretariat, Toronto 2015, the Games Organizing Committee, the Government of Canada, the City of Toronto and the University of Toronto Scarborough to develop the Pan Am Aquatics Centre, ensuring it is completed in time for the 2015 Games.

At the peak of construction, it is estimated that 150 workers will be on site daily.

Project description

Background

Ontario's public infrastructure projects are guided by the five principles set out in the provincial government's *Building a Better Tomorrow Framework*:

1. public interest is paramount;
2. value for money must be demonstrable;
3. appropriate public control and ownership must be preserved;
4. accountability must be maintained; and
5. all processes must be fair, transparent and efficient.

Toronto 2015 Pan/Parapan American Games

Infrastructure Ontario is working with TO 2015 and other partners to select companies to develop major infrastructure projects for the Toronto 2015 Pan/Parapan American Games.

The Toronto 2015 Games, through contributions from the Government of Canada and the Province of Ontario, will deliver the largest multi-sport Games ever hosted in Canada. The Games will provide new and redeveloped infrastructure and enhance sporting facilities in communities across the Greater Golden Horseshoe.

During the Games, athletes will have world-class facilities in which to train, compete and rest. Following the Games, students, high-performance athletes and the community will be able to access the facilities.

Investment in this facility is part of the more than \$700 million investment in sport and recreation infrastructure and legacy that's been triggered by the 2015 Pan/Parapan American Games.

Project Scope

The Pan Am and Parapan Aquatics Centre will mark the largest investment made in amateur sport infrastructure in Canada. It will also be the largest sport facility built for the TO2015 Games.

Following the Games, the Pan Am and Parapan Am Aquatics Centre will be a venue for high-performance and university sports and will provide a much-needed community recreation space. The centre will be jointly owned by the City of Toronto and the University of Toronto Scarborough.

By summer 2014, PCL Aquatics Centre 2012 has committed to design, build and finance a high-performance complex that will house the Pan/Parapan American Aquatics Centre and Field House and the Canadian Sport Institute Ontario (CSIO).

The multi-purpose facility will include:

- An Aquatics Centre with two 10-lane, 50-metre pools and a 5-metre deep diving tank, and have a maximum seating capacity of approximately 6,000 (including approximately 2,800 temporary seats).
- The Field House with flexible gymnasium space for training and competition, as well as an indoor recreational track and fitness facilities. It will have a maximum seating capacity of approximately 2,000 (including approximately 600 temporary seats).
- The new home of the Canadian Sports Institute Ontario (CSIO) – a centre that provides world leading experts, programs and services for high-performance athletes and coaches to train, perform and excel.

Located at the University of Toronto Scarborough, the state-of-the-art multipurpose athletic centre will host swimming, diving, synchronized swimming, fencing and portions of modern pentathlon for the Toronto 2015 Pan Am Games.

Competitive selection process timeline

Infrastructure Ontario has entered into a project agreement with PCL Aquatics Centre 2012 to design, build, and finance a high-performance complex for the Toronto 2015 Pan/Parapan American Games. The complex will house an Aquatics Centre, Field House and the Canadian Sport Institute Ontario (CSIO).

The procurement stages for the project were as follows:

December 20, 2010

Request for Qualifications

In December 2010, Infrastructure Ontario released a request for qualifications (RFQ) for the project. Three companies were short-listed:

- Aquatic Consortium of Toronto 2015
(Later renamed PCL Aquatics Centre 2012)
- Hunt-Urbacon LP
- United Toronto

August 3, 2011

Request for Proposals

A request for proposals (RFP) was issued to the short-listed proponents, setting out the bid process and proposed project agreements to design, build, and finance the project.

Proposal submission

The RFP period closed on January 31, 2012. Infrastructure Ontario received three submissions, one from each of the short-listed companies. The bids were evaluated using the criteria set out in the RFP.

June 15, 2012

Preferred proponent notification

PCL Aquatics Centre 2012 was selected as the successful RFP proponent based on predetermined criteria, including design, construction schedule, technical requirements, price, and financing

package, in accordance with the evaluation criteria set out in the RFP. The consortium includes:

Developer: PCL Constructors Canada Inc.
Design: NORR Ltd. / Counsilman – Hunsaker
Construction: PCL Constructors Canada Inc.
Financial Advisor: TD Securities

June 28, 2012

Commercial and financial close

A project agreement was executed by PCL Aquatics Centre 2012 and Infrastructure Ontario as agent for the Province of Ontario.

Construction financing for the Pan Am Aquatics Centre is being provided by ATB Financial, Laurentian Bank of Canada, Sumitomo Mitsui Banking Corp., The Toronto-Dominion Bank and Manulife Financial.

July 2012 – Summer 2014

Construction

Construction of the Pan Am Aquatics Centre began in July 2012. During the construction period, the builder's construction costs will be funded through a combination of lender financing and government interim payments.

Construction will be carried out in accordance with the project agreement. The project will be overseen by a joint governance committee made up of representatives from Infrastructure Ontario, Toronto 2015, City of Toronto and the University of Toronto Scarborough.

Completion payment

PCL Aquatics Centre 2012 will be paid in four instalments at key project milestones, including a final payment upon completion of post-Games work.

Project agreement

Legal and commercial structure

The Province entered into a project agreement with PCL Aquatics Centre 2012 to carry out the design, construction and financing of the project. Under the terms of the project agreement, PCL Aquatics Centre 2012 will:

- Design, build and finance the project;
- provide a financing package for the project construction; and
- ensure that, at the end of the contract term, the building meets the conditions specified in the project agreement.

PCL Aquatics Centre 2012 will receive payments from the Province in four instalments at key project milestones, including a final payment upon completion of post-Games work.

Design, build and completion risk

All infrastructure projects have risks. Some project risks are retained in varying magnitude by the public sector. Examples of risks retained by the public sector under either the AFP or traditional model include changes in law, public sector initiated scope change, and force majeure (shared risk).

Under the AFP model, some key risks that would have been retained by the public sector are contractually transferred to PCL Aquatics Centre 2012. On a traditional project, these risks and resource availabilities can lead to cost overruns and delays. Examples of risks transferred to the private sector under the AFP project agreement include:

Design and build phase price certainty

PCL Aquatics Centre 2012 will finance, design and build the new Pan Am Aquatics Centre. PCL Aquatics Centre 2012 will receive a payment from the Province in four instalments at key project milestones, including a final payment upon completion of post-Games work.

PCL Aquatics Centre 2012's payment may only be adjusted in very specific circumstances, agreed to in advance and in accordance with the detailed variation (or change order) procedures set out in the project agreement.

Scheduling, project completion and delays

PCL Aquatics Centre 2012 has agreed to achieve readiness for the Games by completing the Pan Am Aquatics Centre and Field House by summer 2014.

The project schedule can only be modified in very limited circumstances, in accordance with the project agreement, PCL Aquatics Centre 2012's substantial completion payment will not commence until the facility has been certified as substantially complete by an independent consultant.

Costs associated with delays must be paid by PCL Aquatics Centre 2012.

Site conditions and contamination

PCL Aquatics Centre 2012 accepted the site and the site conditions and shall not be entitled to make claims against the Province on any grounds relating to the site, to the extent that the site is in a condition that is reasonably anticipated from reports and assessments provided by the Province.

Development approvals

PCL Aquatics Centre 2012 is responsible for applying, obtaining, maintaining, renewing and complying with all development approvals.

Construction financing

PCL Aquatics Centre 2012 is required to finance the construction of the project until the work is substantially complete. PCL Aquatics Centre 2012 will be responsible for all increased financing costs should there be any delay in them reaching substantial completion. This shifts significant financial risk to PCL Aquatics Centre 2012 in the case of late delivery.

Commissioning and facility readiness

PCL Aquatics Centre 2012 must achieve a prescribed level of commissioning of the new facility at substantial complete and must co-ordinate the commissioning activity within the agreed-upon construction schedule. This ensures the City of Toronto and UTSC will receive functional building facilities in summer 2014.

Activity protocols

PCL Aquatics Centre 2012 and Infrastructure Ontario have established a schedule for project submittals taking into account the time for review needed by Infrastructure Ontario's compliance architect.

This protocol mitigates against PCL Aquatics Centre alleging delay as a result of an inability to receive responses in a timely manner in the course of the work.

Change order protocol

In addition to the variation procedure set out in the project documents, Infrastructure Ontario's protocols set out the principles for any changes to the project work/scope during the construction period, including:

- requiring approval and processing of change orders from Infrastructure Ontario;

For the Pan Am Aquatics Centre project, Deloitte & Touche's value for money assessment demonstrates a projected cost savings of 13 per cent, or \$28.3 million, by using the alternative financing and procurement (AFP) approach, as compared to the traditional procurement approach.

Deloitte & Touche was engaged by Infrastructure Ontario to independently assess whether – and, if so, the extent to which – value for money will be achieved by delivering this project using the AFP method. Their assessment was based on the value for money assessment methodology outlined in *Assessing Value for Money: A Guide to Infrastructure Ontario's Methodology*, which can be found at www.infrastructureontario.ca. The approach was developed in accordance with best practices used

- specifying the limited criteria under which change orders will be processed and applied;
- timely notification of change orders to Infrastructure Ontario;
- approval by Infrastructure Ontario for owner-initiated scope changes; and
- approval by Infrastructure Ontario for any change order.

In addition to the transfer of the above key risks to PCL Aquatics Centre 2012, under the project documents, the financing arrangement entered into between PCL Aquatics Centre 2012 and its lenders ensures that the project is subject to additional oversight, which may include:

- an independent budget review by a third-party cost consultant;
- monthly reporting and project monitoring by a third-party cost consultant; and
- the requirement that prior approval be secured for any changes made to the project budget in excess of a pre-determined threshold.

Achieving value for money

internationally and in other Canadian provinces, and was designed to ensure a conservative, accurate and transparent assessment. Please refer to the letter from Deloitte & Touche on page 2.

Value for money concept

The goal of the AFP approach is to deliver a project on time and on budget and to provide real cost savings for the public sector.

The value for money analysis compares the total estimated costs, measured at the same point in time, of delivering the same infrastructure project under two delivery models - the traditional delivery model (public sector comparator or "PSC") and the AFP model.

Model #1 Traditional project delivery (Public sector comparator)	Model #2 Alternative financing and procurement
Total project costs that would have been incurred by the public sector to deliver an infrastructure project under traditional procurement processes.	Total project costs incurred by the public sector to deliver the same infrastructure project with identical specifications using the AFP approach.

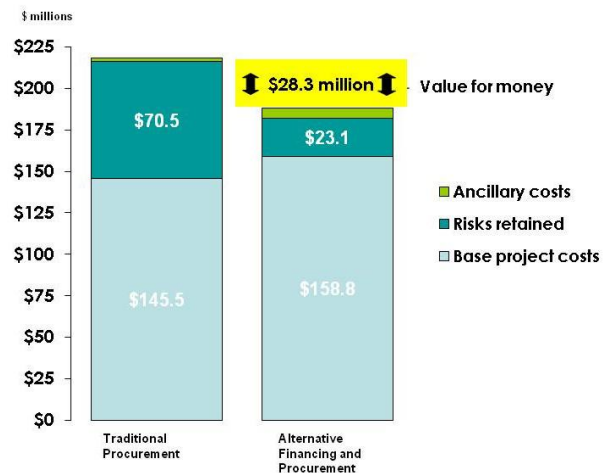
The cost difference between model #1 and model #2 is referred to as the value for money. If the total cost to deliver a project under the AFP approach (model #2) is less than the total cost to deliver a project under the traditional delivery approach (model #1), there is said to be positive value for money. The value for money assessment is completed to determine which project delivery method provides the greatest level of cost savings to the public sector.

The cost components in the VFM analysis include only the portions of the project costs that are being delivered using AFP.

The value for money assessment is developed by obtaining detailed project information and input from multiple stakeholders, including internal and external experts in project management.

Components of the total project costs under each delivery model are illustrated below:

The value for money assessment of the Pan Am Aquatics Centre project indicates estimated cost savings of 13 per cent or \$28.3 million, by using the AFP approach in comparison to traditional delivery.



It is important to keep in mind that Infrastructure Ontario's value for money calculation methodology does not attempt to quantify a broad range of qualitative benefits that may result from using the AFP delivery approach. For example, the use of the AFP approach will more likely result in a project being delivered on time and on budget. The benefits of having a project delivered on time cannot always be accurately quantified.

These qualitative benefits, while not expressly quantified in this value for money analysis, are additional benefits of the AFP approach that should be acknowledged.

Value for money analysis

For a fair and accurate comparison, the traditional delivery costs and AFP costs are to the date of financial close to compare the two methods of delivering a design, build, finance project at the same point in time. It is Infrastructure Ontario's policy to use the current public sector rate of borrowing for this purpose to ensure a conservative and transparent analysis. For more information on how project costs are time-valued and the value for money methodology, please refer to *Assessing Value for Money: A Guide to Infrastructure Ontario's Methodology*, which is available online at www.infrastructureontario.ca.

Base costs

Base project costs are taken from the price of the contract signed with PCL Aquatics Centre 2012, and include all design, development, and financing costs. The base costs between AFP and the traditional delivery model mainly differ as follows:

Under the AFP model, the private party charges an additional premium as compensation for the risks that the public sector transfers to them under the AFP project documents and as compensation for the cost of financing the project using its own capital. In the case of traditional delivery, the private party risk premium is not included in the base costs as the public sector retains these risks and does not require private sector financing.

In the case of the AFP model, the base costs are extracted from the price agreed among the parties under the project agreement. For the Pan Am Aquatics Centre project, these were \$158.8 million.

If the traditional model had been used for the Pan Am Aquatics Centre project, base costs are estimated to be \$145.5 million.

Risks retained

Historically, on traditional projects, the public sector had to bear costs that go beyond a project's base costs because of the contingencies necessary to respond to the project risks.

Project risks are defined as potential adverse events that may have a direct impact on project costs. To the extent that the public sector retains these risks, they are included in the estimated project cost.

The concept of risk transfer and mitigation is key to understanding the overall value for money assessment. To estimate and compare the total cost of delivering a project under the traditional delivery versus the AFP method, the risks borne by the public sector (which are called "retained risks") should be identified and accurately quantified.

Comprehensive risk assessment not only allows for a fulsome value for money analysis, but also helps Infrastructure Ontario and the public sector sponsors to determine the party best able to manage, mitigate and/or eliminate the project risks and to appropriately allocate those risks under the project documents.

Under the traditional delivery method, the risks retained by the public sector are significant. As discussed on pages 10-11, the following are examples of risks retained by the public sector under the traditional delivery method that have been transferred under the project agreement to PCL Aquatics Centre 2012:

- design compliance with the output specifications;
- design and build price certainty;
- scheduling, project completion and potential delays;
- design and build co-ordination;
- infrastructure responsibility;
- construction period financing;
- schedule contingency;
- deployment of solution.

Examples of these risks include:

- *Design and build coordination/completion:* Under the AFP approach, the vendor is responsible for design and build activities to ensure that the solution is built in full accordance with the output-based specifications in the project agreement. The vendor is responsible for inconsistencies, conflicts, interferences or gaps in the design and build submittals.
- *Scheduling, project completion and delays:* Under the AFP approach, the vendor has agreed that it will complete the Pan Am Aquatics Centre by a fixed date and at a pre-determined price. Therefore, any extra cost (financing or otherwise) incurred as a result of a schedule overrun caused by the

vendor will not be paid by the Province, thus providing the vendor a clear motivation to maintain the project's schedule. Further oversight includes increased upfront due diligence and project management controls imposed by the vendor.

Infrastructure Ontario retained an experienced, third-party construction consulting firm, Altus Group, to develop a template for assessing the project risks that the public sector relinquishes under AFP compared to the traditional approach. Using data from actual projects as well as its own knowledge base, the firm established a risk profile under both approaches for infrastructure facilities.

It is this risk matrix that has been used for validating the risk allocation for the specific conditions of the Pan Am Aquatics Centre project.

Using the AFP model reduces these results to the public sector. For example, had this project been delivered using the traditional approach, design risks that arise would be carried out through a series of change orders issued during the construction of the facility. Using the AFP approach, such change orders would be minimal and result in cost avoidance to the public sector.

The risk transfer provisions in the project documents result in overall cost savings as these transferred risks will either be better managed or completely mitigated by PCL Aquatics Centre 2012.

A detailed risk analysis of the Pan Am Aquatics Centre project concluded that the average value of project risks retained by the public sector under traditional delivery is \$70.5 million. The analysis also concluded that the average value of project risks retained by the public sector under the AFP delivery model decreases to \$23.1 million.

Ancillary costs and adjustments

There are ancillary costs associated with the planning and delivery of a large complex project

that vary depending on the project delivery method.

For example, there are costs related to each of the following:

- *Project management:* These are essentially fees to manage the entire project. Under the AFP approach, these fees will also include Infrastructure Ontario costs.
- *Transaction costs:* These are costs associated with delivering a project and consist of legal, fairness and transaction advisory fees. Technical advisory and cost consultant fees are also incurred to ensure the solution is being designed and built according to the output specifications.

The ancillary costs are quantified and added to both models for the value for money comparison assessment. Both project management and transaction costs are likely to be higher under AFP given the greater degree of up-front due diligence. The ancillary costs for the Pan Am Aquatics Centre project under the traditional delivery method are estimated to be \$2 million as compared to \$6.1 million under the AFP approach.

An adjustment of \$1.7 million has been made under the AFP model for the notional public financing costs resulting from payments to the developer. The notional public financing costs will account for the period between successful completion of a clearly defined project phase and substantial completion.

For a detailed explanation of ancillary costs, please refer to *Assessing Value for Money: A Guide to Infrastructure Ontario's Methodology*, which is available online at www.infrastructureontario.ca

Calculating value for money

The analysis completed by Deloitte & Touche LLP concludes that the additional costs associated with the AFP model are more than offset by the benefits which include: a much more rigorous upfront due diligence process, reduced risk to the public sector, controls imposed by the private sector to mitigate

the risk that has been transferred to them, and Infrastructure Ontario's standardized AFP procurement process.

Once all the cost components and adjustments are determined, the aggregate costs associated with each delivery model (i.e., traditional delivery and AFP) are calculated, and expressed in Canadian dollars, as at financial close. In the case of the Pan Am Aquatics Centre project, the estimated traditional delivery cost (i.e. PSC) is \$218.0 million as compared to \$189.7 million under the AFP delivery approach.

The positive difference of \$28.3 million or 13 per cent represents the estimated value for money by using the AFP delivery approach in comparison to the traditional delivery model.