Ontario

INFRASTRUCTURE ONTARIO


# VALUE FOR MONEY ASSESSMENT

# KINGSTON GENERAL HOSPITAL REDEVELOPMENT PROJECT

www.infrastructureontario.ca

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July 25, 2008

**PRIVATE & CONFIDENTIAL**

Ms. Carole Malo
Vice President, Project Finance
Infrastructure Ontario
777 Bay Street, 9th Floor
Toronto, ON M5G 2C8

Dear Ms. Malo:

**Re: Value for Money Analysis – Kingston General Hospital**

Ernst & Young Orenda Corporate Finance ("EYOCF") has prepared the Value for Money ("VFM") assessment for the Kingston General Hospital Project. The analysis was prepared following an Infrastructure Ontario ("IO") VFM analytical framework, which is generally consistent with approaches used in other jurisdictions.

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

1. The Traditional delivery approach, as reflected in the Public Sector Comparator ("PSC") model; and

2. The Alternative Financing and Procurement ("AFP") model estimation of the total project costs, as reflected by the Successful Proponent's proposed costs.

The VFM assessment as noted above was prepared using the following information (collectively the "Information") within the VFM model:

i. A Risk Matrix developed for IO by Altus Helyar and adjusted to reflect project specific risks; and

ii. Construction cost estimates provided by the Successful Proponent. Cost and other VFM model assumptions as provided by IO.

The cost information and underlying assumptions were not independently audited or verified for accuracy or completeness.

Ernst & Young



Based on our understanding of IO's VFM methodology, we can confirm that, the Information has been appropriately used in the VFM model. The results of the VFM assessment demonstrate an estimated VFM cost savings of 10.3% by using the AFP to deliver the Project in comparison to using the traditional delivery approach.

Yours sincerely,

ERNST & YOUNG ORENDA CORPORATE FINANCE INC.

Tim Philpotts
Senior Vice President
604 891-8255

Knowles
A Hill International Company

July 16, 2008

Mr. Andres Duran
Legal Counsel
Infrastructure Ontario
777 Bay Street, 6th Floor
Toronto, ON M5G 2C8

**Re: Kingston General Hospital Project**

Dear Andres,

Knowles Consultancy Services Inc. was retained to provide Fairness Monitoring services for the above-mentioned project. Our role was to review Infrastructure Ontario's procurement process from the submission of proposals to the selection of the Preferred Proponent. This was done to ensure that the processes used were in accordance with the provisions of the RFP document.

The Kingston General Hospital Project will be delivered using the build-finance model implemented under Ontario's Building a Better Tomorrow framework.

Only parties that were pre-qualified through the Project's Request for Qualifications process that preceded this 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 procurement project team.

In our capacity as Fairness Monitor, we:

- Took the process as outlined in the RFP as our starting point;
- Attended the site visits and all meetings with Proponents;
- Monitored all communications with Proponents;
- Monitored the evaluation and negotiations process.

As Fairness Monitor we can attest to the fact that the overall process used was consistent with the stipulations of the RFP. This includes:

- The diligence applied to the overall evaluation process;

- The consistent application of the evaluation criteria among Proponents as well as the use of only the published evaluation criteria in making judgements;
- The consistency of Proponent treatment;
- The communications with Proponents, including notification of changes in requirement;
- The negotiation process.

In addition, the Evaluators used were appropriately qualified and IO staff and external advisors adhered to conflict of interest and confidentiality requirements.

In conclusion, we can attest to the fact that, within the framework established by the RFP document, the evaluation process was conducted in a procedurally fair, open and transparent manner.

As a result of the procurement process:

- Three proposals were received from the six pre-qualified Proponents for this competition;
- A Preferred Proponent was selected after a negotiations process was completed which was satisfactory to both parties.

Yours truly,
Knowles Consultancy Services Inc.

J L Campbell
John Campbell

# Kingston General Hospital Redevelopment Project Artist's Rendering


David Dawson

## Highlights of the Expansion of Services

**Highlights**

| | Current | At completion | Increase |
|---|---|---|---|
| In-centre kidney dialysis unit | 26 | 40 | 56% |
| Level 3 Intensive Care Unit | 21 | 33 | 57% |
| Cancer Centre of Southeastern Ontario | 54,400 square feet | 91,000 square feet | 67% |
| Chemotherapy treatment chairs | 15 | 39 | 100+% |

# Table of Contents

Summary ........................................................................................................ 8
Project Description ........................................................................................ 10
Competitive selection process timeline ................................................................ 11
Project agreement ........................................................................................ 122
Achieving value for money ................................................................................ 144

# Summary

*ReNew Ontario 2005-2010* is a $30-billion-plus strategic infrastructure investment plan to modernize, upgrade and expand Ontario's public infrastructure.

A *ReNew Ontario Progress Report* was released in July 2007 and is available at www.ontario.ca/mei.

Infrastructure Ontario is an essential component of the *ReNew Ontario* plan. The Crown Corporation ensures that new infrastructure projects are delivered on time and on budget.

Kingston General Hospital is one of the redevelopment projects to be delivered under the province's Alternative Financing and Procurement (AFP) delivery model. The Kingston General Hospital project includes 170,000 square feet of new construction and more than 143,000 square feet of renovations.

Through redevelopment, the hospital will have a more family oriented environment and improved access to cancer care and kidney dialysis treatment. Bed capacity will increase in the intensive care, mental health and medical-surgical units of the hospital.

**The public sector retains ownership, control and accountability for the hospital, including the new facilities.**

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

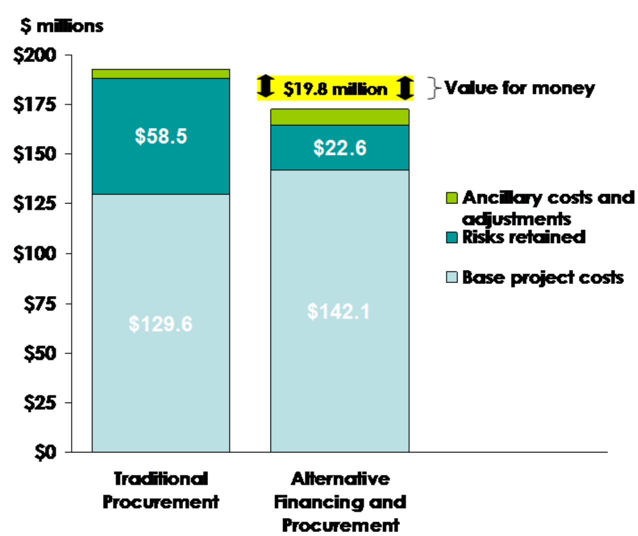
The value for money analysis refers to the process of developing and comparing the total project costs under two different delivery models expressed in dollar values measured at the same point in time. This is referred to as "future value." Future value is a measurement that determines the value of a given sum of money, at a specified time in the future, assuming a specified interest rate.

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

| Model #1<br>Traditional project delivery<br>(Public sector comparator) | Model #2<br>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 the estimated value for money for this project.

**The value for money assessment of the Kingston General Hospital redevelopment project indicates estimated cost savings of 10.3 per cent or $19.8 million, by using the AFP approach in comparison to traditional delivery.**



> *"We appreciate the government's continued commitment and support of the redevelopment at Kingston General Hospital. Our patients, staff and community will benefit from having an expanded facility designed to meet the growing health care needs of Kingston residents," says Ted Darby,* Vice President of Planning, *Kingston General Hospital.*

Ernst & Young Orenda Corporate Finance completed the value for money assessment of this project. Their assessment demonstrates projected cost savings of 10.3 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 (see page 12).

Knowles acted as the Fairness Monitor for the project. They reviewed and monitored the communications, evaluations and decision-making processes associated with the Kingston General Hospital project, ensuring the fairness, equity, objectivity, transparency and adequate documentation of the process. Knowles certified that these principles were maintained throughout the procurement process.

Infrastructure Ontario will work with Kingston General Hospital on their redevelopment project, which will remain publicly owned, publicly controlled and publicly accountable.

# Project description

***Background***

*ReNew Ontario 2005-2010* is a $30-billion-plus strategic infrastructure investment plan to modernize, upgrade and expand Ontario's public infrastructure. A *ReNew Ontario Progress Report* was released in July 2007 and is available at www.ontario.ca/mei.

Infrastructure Ontario is an essential component of the *ReNew Ontario* plan. The Crown Corporation was created in 2005 to ensure that new infrastructure projects are delivered on time and on budget.

Under the *ReNew Ontario* plan, projects are assigned to Infrastructure Ontario by the provincial government, which uses a made-in-Ontario project delivery model called Alternative Financing and Procurement (AFP). AFP brings private-sector expertise, ingenuity and rigour to the process of managing and renewing Ontario's public infrastructure, while shifting risks associated with cost and schedule overruns away from the public sector.

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

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.

**Kingston General Hospital Redevelopment Project**

Kingston General Hospital (KGH) is a 456-bed community hospital affiliated with Queen's University, which serves more than 500,000 people in south-eastern Ontario and is home to the Cancer Centre of Southeastern Ontario.

KGH provides an array of specialized acute and ambulatory clinical services including trauma, cardiac, stroke, paediatric, end stage renal and stem cell transplants. KGH is an academic research hospital training 1,900 health care students annually.

The Government of Ontario approved redevelopment of Kingston General Hospital to be delivered under the AFP model in its 2005-2006 Capital Plan.

**Job Creation**

The redevelopment project will also create economic value as skilled tradespeople, subcontractors and their suppliers benefit from the capital investment. At the peak of construction, approximately 150 workers will be employed on the site daily.

***Project Scope***

The redevelopment project at Kingston General Hospital includes 170,000 square feet of new construction and more than 143,000 square feet of renovations.

Through redevelopment, the hospital will have a more family oriented environment and improved access to cancer care and kidney dialysis treatment. There will be more beds for acute inpatient mental health, inpatient paediatrics, the medical surgical area and kidney dialysis (which will become a 40-station unit).

Kingston General Hospital will have an expanded and upgraded Level 3 Intensive Care Unit with more beds (from 21 to 33 beds), a family lounge area and quiet consultation rooms.

The cancer centre will receive two new radiation bunkers, more than double the space for chemotherapy treatment and a specialized clinic area for paediatric patients. Central processing services, a key support for surgical services and patient care, will be expanded as well.

# Competitive selection process timeline

Kingston General Hospital has entered into a project agreement and a guaranteed price contract with PCL Constructors Canada Inc. to build and finance the redevelopment project. The procurement stages for the project were as follows:

***April 4, 2007***

*Request for Qualifications*

In 2007, Kingston General Hospital and Infrastructure Ontario issued a request for qualifications for the redevelopment project. Six bidders were qualified:

- Bondfield Construction Co. Ltd.
- Carillion Canada Inc.
- EllisDon Corporation
- M. Sullivan & Son Limited
- PCL Constructors Canada Inc.
- Vanbots Construction Corp.

***October 5, 2007***

*Request for Proposals*

A request for proposals (RFP) was issued to the pre-qualified proponents, setting out the bid process and proposed project agreement to build and finance the project.

*Proposal submission*

The RFP period closed on April 7, 2008. Three bids were received by Infrastructure Ontario and Kingston General Hospital. The bids were evaluated using the criteria set out in the RFP.

***June 2008***

*Preferred proponent notification*

PCL Constructors Canada Inc. was selected as the successful RFP proponent on the basis of its proposed price and project schedule, in accordance with the evaluation criteria set out in the RFP.

***July 2008***

*Commercial and financial close*

The project agreement was signed by PCL Constructors Canada Inc. and Kingston General Hospital. Financing for PCL Constructors Canada Inc. to complete the project was provided by The Toronto-Dominion Bank.

***July 2008 – spring 2012***

*Construction*

Construction began in July 2008. During the construction period, the builder's construction costs will be funded by the Toronto-Dominion Bank in monthly instalments based on the construction program set out by PCL Constructors Canada Inc. Construction will be carried out in accordance with the project agreement. The project will be overseen by a joint building committee made up of representatives from the hospital and Infrastructure Ontario.

*Completion and payment*

The project is expected to reach substantial completion in spring 2012 at which time Kingston General Hospital through funding from the Ministry of Health and Long-Term Care and the Hospital's fundraising efforts, will pay for the project.

**Hospital Capital Funding**

The provincial government's portion of the construction costs is 90 per cent of eligible construction costs. Under this policy, hospitals are responsible for construction costs that are not eligible for funding (excluding radiation therapy equipment) as well as the costs associated with the purchase of new and replacement equipment.

# Project agreement

***Legal and Commercial Structure***

Kingston General Hospital entered into a project agreement with PCL Constructors Canada Inc. to carry out the construction and financing of the project. Under the terms of the project documents, PCL Constructors Canada Inc. will:

- construct the Kingston General Hospital redevelopment project, which will be completed in spring 2012;
- provide a financing package for project construction; and
- ensure that, at the end of construction, the building meets the requirements specified in the project documents.

**Kingston General Hospital and the new facilities constructed as a result of the project will remain publicly owned, publicly controlled and publicly accountable.**

***Construction and completion risk***

All construction 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 planning, unknown site conditions, 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 the private sector. These risks, such as design co-ordination and resource availability, could have led to cost overruns and delays in traditional projects. Other examples of risks transferred to PCL Constructors Canada Inc. under the AFP project agreement include:

Construction price certainty

PCL Constructors Canada Inc. will construct the facilities for a guaranteed price of $142.1 million, including financing costs. The builder's guaranteed price may only be adjusted in very specific circumstances, agreed to in advance and in accordance with the change order procedures of the project documents.

Scheduling, project completion and delays

PCL Constructors Canada Inc. has signed a contract to reach substantial completion of the facilities construction by spring 2012. The construction schedule can only be modified in very limited circumstances, in accordance with the project documents. Kingston General Hospital's payment for the project will not be made until substantial completion (i.e., until the facility has been certified as substantially complete by the hospital's consultant).

Costs associated with delays that are the responsibility of the builder must be paid by the builder.

Design co-ordination

The project agreement provides that PCL Constructors Canada Inc. is responsible for all design coordination activities to ensure that the facilities are constructed in accordance with the design.

Costs associated with design coordination that are the responsibility of PCL Constructors Canada Inc. must be paid by the builder.

Construction financing

PCL Constructors Canada Inc. is required to finance the construction of the project until the facility is turned over to Kingston General Hospital. The project agreement provides that the builder will be responsible for all increased financing costs resulting from any builder delay in reaching substantial completion. This shifts significant financial risk to the builder for late delivery.

Schedule contingency

The project documents provide Kingston General Hospital with a 30-day schedule contingency, also known as a schedule cushion, which shields Kingston General Hospital for up to 30 days of delay costs for which the hospital is responsible. While delays caused by Kingston General Hospital are expected to be minimal, the schedule cushion provides the hospital with some protection from risk of delay claims by the builder.

Commissioning and facility readiness

PCL Constructors Canada Inc. must achieve a prescribed level of commissioning of the new facility at substantial completion and must co-ordinate the commissioning activity within the agreed upon construction schedule. This ensures Kingston General Hospital will receive a functional facility at the time payment is made.

Activity protocols

PCL Constructors Canada Inc. and Kingston General Hospital's consultant (HDR Architecture Associates, Inc.) must establish a process and schedule for project information requests from PCL, which takes into account the timing for issuance of supplemental instructions by Kingston General Hospital's consultant. This protocol mitigates against the builder alleging delay as a result of an inability to receive supplemental instructions in a timely manner in the course of the work.

In addition to the above key risks being transferred to the builder under the project documents, the financing arrangement entered into between PCL Constructors Canada Inc. and The Toronto-Dominion Bank 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;
- the requirement that change orders must be within the project contingency or funded by the hospital; and
- the requirement that prior approval be secured for any changes made to the project budget in excess of a pre-determined threshold.

Change order protocol

In addition to the variation procedure set out in the project documents, Infrastructure Ontario's change order protocol with Kingston General Hospital sets out the principles for any changes to the project work/scope during the construction period, including:

- requiring review and approval of change orders from Kingston General Hospital;
- specifying the limited criteria under which change orders will be processed and applied;
- timely notification of potential change orders to Infrastructure Ontario;
- timely review by Infrastructure Ontario for owner-initiated scope changes;
- approval by Infrastructure Ontario for any change orders that exceed pre-determined thresholds; and
- approval by Infrastructure Ontario when the cumulative impact of the change orders exceed a pre-determined threshold.

# Achieving value for money

**Ernst & Young Orenda Corporate Finance's value for money assessment demonstrates a projected cost savings of 10.3 per cent or $19.8 million, by delivering the Kingston General Hospital redevelopment project using the Alternative Financing and Procurement (AFP) approach as compared to using the traditional procurement approach.**

Ernst & Young Orenda Corporate Finance 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. The 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 internationally and in other Canadian provinces, and was designed to ensure a conservative, accurate and transparent analysis. Please refer to the letter from Ernst & Young Orenda Corporate Finance 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.

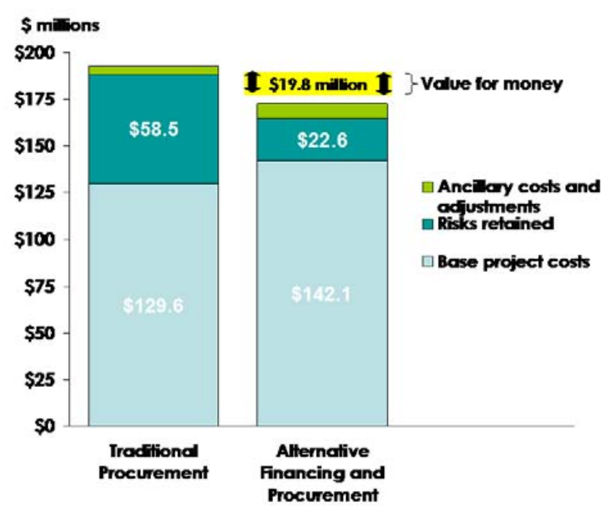
The value for money analysis compares the total estimated costs, expressed in future dollars and measured at the same point in time, of delivering the same infrastructure project under two delivery models – the traditional delivery model (public sector comparator or "PSC") and the AFP model.

| Model #1<br>Traditional project delivery<br>(Public sector comparator) | Model #2<br>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 value 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. Project costs that would be the same under traditional delivery or AFP, such as land acquisition costs, furniture, fixtures and equipment, are excluded from this VFM calculation.

The value for money assessment is developed by obtaining detailed project information and input from multiple stakeholders, including internal and external experts in hospital project management and construction project management. Components of the total project costs under each delivery model are illustrated below:



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. It is difficult to put a dollar value on the people of Ontario gaining access to an expanded health care facility sooner than would be the case with a traditionally delivered project.

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 future-valued to substantial completion to compare the two methods of delivering a 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 future-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 Constructors Canada Inc. and include all construction and financing costs. The base costs between AFP and the traditional delivery model mainly differ as follows:

1. Under the AFP model, the private party charges an additional premium as compensation for the risks that the public sector has transferred to them under the AFP project documents. 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.
2. The financing rate that the private sector is charged is higher than the financing rate of the public sector and not included in the traditional model delivery base costs.

In the case of the AFP model, the base costs are extracted from the price agreed among the parties under the project agreement. For Kingston General Hospital, this was $142.1 million.

If the traditional model had been used for the Kingston General Hospital project, base costs are estimated to be $129.6 million.

*Risks retained*

The public sector has always had to bear costs that go beyond a project's base costs. Total project costs have generally exceeded base costs due to contingencies necessary for 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 method 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 allows for a fulsome value for money analysis and helps Infrastructure Ontario and the public sector sponsors to ensure that the party best able to manage, mitigate and/or eliminate the project risks is allocated those risks under the project documents.

Under the traditional delivery method, the risks retained by the public sector are significant. As discussed on page 12, the following are examples of risks retained by the public sector under the traditional delivery method. Below are risks transferred to PCL Constructors Canada Inc. under the project agreement using the AFP model:

- schedule contingencies;
- construction price certainty;
- design co-ordination;
- construction financing;
- scheduling, project completion and potential delays;
- commissioning and facility readiness; and
- activity protocols.

Examples of these risks include:

- *Design coordination/completion:* Under the AFP approach the builder is responsible for design coordination activities to ensure that the facilities are constructed in full accordance with the design in the project agreement. The builder is responsible for inconsistencies, conflicts, interferences or gaps in the contract documents particularly in the plans, drawings and specifications; and for design completion issues that are specified in the contract documents but erroneously left out in the drawings and specifications.
- *Scheduling, project completion and delays:* Under the AFP approach, PCL Constructors Canada Inc. has agreed that it will provide the facility for use by the province 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 builder will not be paid by the public sector, thus providing the builder a clear motivation to maintain the project's schedule. Further oversight includes increased upfront due diligence and project management controls imposed by the builder and the builder's lender.

Under a traditional approach, design coordination risks that materialize would be carried out through a series of change orders issued during construction. Such change orders would have been issued in a non-competitive environment, and would have typically resulted in a significant increase in project costs for the public sector. AFP reduces these risks to the public sector and potential cost increases.

Added due diligence by the private party's lenders and transfer of risks provisions in the project documents result in cost savings; transferred risks will either be better managed or completely mitigated by the private sector builder.

Infrastructure Ontario retained an experienced, third-party construction consulting firm, Altus Helyar, to develop a template for assessing the project risks assumed, relinquished or shared under AFP. Using data from actual projects and its own knowledge base, the firm established a risk profile for both the AFP and traditional approaches. A generic risk profile has been developed for each sector i.e. hospitals, courthouses, etc.

It is this generic risk matrix that has been used for validating the risk allocation for the specific conditions of Kingston General Hospital project.

A detailed risk analysis of Kingston General Hospital's project concluded that the average value of project risks retained by the public sector under traditional delivery is $58.5 million. The analysis also concluded that the average value of project risks retained by the public sector under the AFP delivery model decreases to $22.6 million.

For more information on the risk assessment methodology used by Infrastructure Ontario, please refer to Altus Helyar's *Build-Finance Risk Analysis and Risk Matrix*, available at www.infrastructureontario.ca.

*Ancillary costs and adjustments*

There are significant ancillary costs associated with the planning and delivery of a large complex project that could 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. Architectural and engineering advisory fees are also incurred to ensure the facility is being built according to 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 Kingston General Hospital project, under the traditional delivery method are estimated to be $4.7 million as compared to $8.3 million under the AFP approach.

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

***Calculating value for money***

The analysis completed by Ernst & Young Orenda Corporate Finance concludes that additional costs associated with the AFP model are more than offset by the following benefits: a more upfront due diligence process, reduced risk to the public sector, more stringent controls by the lenders and Infrastructure Ontario's standardized AFP procurement process and oversight.

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 substantial completion date.

In the case of the Kingston General Hospital project, the estimated traditional delivery cost (i.e. PSC) is $192.8 million as compared to $173.0 million under the AFP delivery approach.

The positive difference of $19.8 million or 10.3 per cent represents the estimated value for money of the AFP delivery approach compared to the traditional delivery model.