



**making projects  
happen**

**VALUE FOR MONEY ASSESSMENT**

**RUNNYMEDE HEALTHCARE CENTRE  
REDEVELOPMENT PROJECT**



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Infrastructure Ontario  
777 Bay Street  
Toronto, Ontario  
M5G 2C8  
Attn: Carole Malo

**Re: Final Value for Money Assessment – Runnymede Healthcare Centre Project**

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Dear Ms. Malo:

KPMG LLP (“KPMG”) has prepared the Value for Money (“VFM”) assessment for the Runnymede Healthcare Centre Project (“Project”) at the Financial Close stage, in accordance with our letter of engagement with Infrastructure Ontario (“IO”) and IO’s methodology *Assessing Value for Money: A Guide to Infrastructure Ontario’s Methodology*. This methodology 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”), incorporating the Successful Bidder’s proposed costs.

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

- i. A Risk Matrix developed for IO by Altus Helyar and adapted by IO to reflect Project specific risks; and
- ii. Cost and other input assumptions extracted from the bid submitted by the Successful Bidder and other VFM model assumptions as provided by IO.

We have not audited or attempted to independently verify the reasonableness, accuracy or completeness of the Information.



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Based on our understanding of IO's VFM methodology, we can confirm that, the Information has been appropriately used in the VFM model, and that the VFM assessment demonstrates the AFP approach provides estimated cost savings of 12.19 % in comparison to the traditional delivery approach.

Yours very truly

A handwritten signature in black ink that reads 'Will Lipson'.

KPMG LLP

Will Lipson  
*Managing Director*  
Toronto, Ontario  
November 1, 2007



Knowles

A Hill International Company

November 5, 2007

Mr. Steven I. Kresak  
Legal Counsel  
Infrastructure Ontario  
777 Bay Street, 6th Floor  
Toronto, ON M5G 2C8

**Re: Runnymede Healthcare Centre Redevelopment (RHC)**

Dear Steven,

Knowles Consultancy Services Inc. was retained to provide fairness advisory services for the above-mentioned project. Our role on the project was to provide advice pertaining to the procedural fairness of the procurement process. We were retained in April 2007 and provided these services for the Request for Proposals.

The RHC project involves the development of a new healthcare centre on a Greenfield site that is adjacent to the existing RHC operations. The RHC will enter into Project Agreement with the Preferred Proponent to construct the new hospital on a build and finance basis.

Specifically, we provided advice to Infrastructure Ontario with regard to:

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**Knowles Consultancy Services Inc.**  
3660 Hurontario Street, 6<sup>th</sup> Floor, Mississauga, ON L5B 3C4  
Tel No: (905) 804-1958 Ext. 225 Fax No: (905) 804-9327  
E-mail: [roger.bridges@jrknowles.com](mailto:roger.bridges@jrknowles.com) Website: [www.JRKnowles.com](http://www.JRKnowles.com)

- Proponent Consultations;
- Adequacy of communications to Proponents;
- Adequacy of notification of changes in requirements;
- Confidentiality and security of Proposals and evaluations;
- Qualifications of the evaluation team;
- Compliance with the process;
- Objectivity and diligence respecting the evaluations;
- Proper use of assessment tools;
- Conflict of Interest and
- Negotiation process

In our capacity as Fairness Commissioner we undertook the following tasks:

- Attended the site visits and all meetings with Proponents;
- Monitored all communications with Proponents;
- Monitored the evaluation process.

In conclusion, based on our findings, we are satisfied that the Runnymede Healthcare Redevelopment Project procurement processes were conducted in a procedurally fair, open, and transparent manner. All Proposals received were evaluated against the evaluation criteria published in the procurement documents. We detected no bias either for or against any particular Proponent in the objective application of the evaluation criteria.

Yours truly,

**Knowles Consultancy Services Inc.**



**Roger Bridges, B.Sc., MBA, P.Eng., C.Eng., FCI Arb.**  
**President**

## Runnymede Healthcare Centre Artist's rendering



Stantec Architecture Limited

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## Summary

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

An update to ReNew Ontario was released in July 2007 and is available at [www.pir.gov.on.ca](http://www.pir.gov.on.ca)

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.

The Runnymede Healthcare Centre project is one of the redevelopment projects to be delivered under the Province's Alternative Financing and Procurement model. Runnymede Healthcare Centre's redevelopment project includes the construction of a new facility and the demolition of the existing hospital to allow for landscaping and parking areas. Runnymede is a chronic care hospital, serving patients with severe health challenges brought on by Huntington disease, Multiple Sclerosis, Parkinson's, Alzheimer's, ALS and severe strokes.

**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 the Runnymede project through the AFP process.

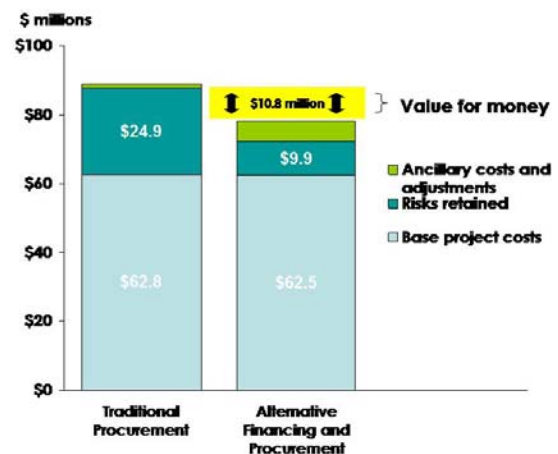
The value for money analysis refers to the process of developing and comparing the total project costs, expressed in dollars measured at the same point of time and related to two delivery models.

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
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 Runnymede project indicates estimated cost savings of 12.2 per cent or \$10.8 million, by using the AFP approach in comparison to traditional delivery.**



*"This redevelopment project will ensure that patients at Runnymede Healthcare Centre continue to receive exceptional care in a new facility that addresses the increasing demand for our specialty services."*

- Connie Dejak, President and CEO of Runnymede Healthcare Centre



**KPMG LLP** completed the value for money assessment of the project. Their assessment demonstrates projected cost savings of 12.2 per cent by delivering the Runnymede project using the AFP model, over what it would have cost to deliver the project using a traditional delivery model (see page 14).

**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 Runnymede 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.

Infrastructure Ontario will work with Runnymede on the redevelopment of the hospital, 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. An update to *ReNew Ontario* was released in July 2007 and is available at [www.pir.gov.on.ca](http://www.pir.gov.on.ca)

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 may be 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*:

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.

### **Runnymede Healthcare Centre**

Runnymede Healthcare Centre originally opened in 1908 as Strathcona Public School. The building was converted into a Chronic Care Hospital in 1945 by the City of Toronto.

The existing facility is a 95-bed hospital.

The Government of Ontario approved redevelopment of Runnymede 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 trades people, subcontractors and their suppliers benefit from the capital investment. Over the construction period, there will be an estimated 100 workers on site daily.

### **Project Scope**

The construction of Runnymede Healthcare Centre will be completed in two phases. The first phase will be the construction of the new facility and the second phase will be to demolish the existing building to create space for landscaping and parking areas.

The new facility will be a state-of-the-art, 200-bed hospital that will provide the specialized level of complex continuing care that Runnymede's patients require.

The upper three floors of the new facility will be the nursing and care floors. The main floor will house the administration and therapy departments. Support services and building services equipment will be housed in the basement of the building.

## Competitive selection process timeline

Runnymede Healthcare Centre has entered into a project agreement and a guaranteed maximum price contract with Bondfield Construction Company Limited to complete the redevelopment project. The procurement stages for the project were as follows:

### **November 3, 2006**

#### *Request for Qualifications*

In 2006, Runnymede Healthcare Centre and Infrastructure Ontario issued a request for qualifications (RFQ) for the redevelopment project. Four bidders were qualified:

- Aecon Buildings
- Bondfield Construction Company Limited
- EllisDon Corp.
- Vanbots Construction Corp.

### **April 3, 2007**

#### *Request for Proposals*

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

#### *Bid submission*

Bids were submitted by the RFP proponents in July 2007 and evaluated by Infrastructure Ontario and Runnymede Healthcare Centre using the criteria set out in the RFP.

### **September 10, 2007**

#### *Preferred proponent notification*

Bondfield Construction Company Limited was selected as the successful RFP proponent on the basis of their proposed price and project schedule, in accordance with the evaluation criteria set out in the RFP.

### **September-October 2007**

#### *Commercial and financial close*

The guaranteed maximum price contract was executed by Bondfield Construction Company Limited and Runnymede Healthcare Centre.

Financing for Bondfield Construction Company Limited to complete the project was provided by the Ontario Teachers' Pension Plan.

### **October 2007 – Summer 2010**

#### *Construction*

Construction began in October 2007. During the construction period, the builder's construction costs will be funded by its lending group as arranged by the Ontario Teachers' Pension Plan through monthly loan requests from Bondfield Construction Company Limited. Construction will be carried out in accordance with the guaranteed maximum price contract. The project will be overseen by a joint building committee made up of representatives from Bondfield Construction Company Limited, Runnymede Healthcare Centre and Infrastructure Ontario.

#### *Completion and payment*

Completion and payment will be in two stages. The first payment will be made upon completion of the new building, which is expected in summer 2009. This interim portion of the project costs will be repaid by Runnymede Healthcare Centre through funding from the Ministry of Health and Long-Term Care and the Hospital's fundraising efforts. It is anticipated that the project will reach substantial completion in Summer 2010, at which time the remaining amount of the project costs will be repaid by Runnymede through funding from the Ministry of Health and Long-Term Care and the Hospital's fundraising efforts.

#### **Hospital Capital Funding**

The provincial government's hospital capital funding policy announced in June 2006, simplifies the Ministry of Health and Long-Term Care's funding formula. In the past, the Ministry's capital cost share rates varied from 50 per cent to 80 per cent, depending on the project. The new provincial government's portion of the construction costs will now equal 90 per cent of eligible construction costs. Under this new policy, hospitals will be responsible for 10 per cent of the eligible construction costs, otherwise known as their local share, as well as the costs associated with the purchase of new and replacement equipment.

## Project agreement

### *Legal and Commercial Structure*

Runnymede Healthcare Centre entered into a project agreement and a guaranteed maximum price contract (project documents) with Bondfield Construction Company Limited to carry out the construction and financing of the project. Under the terms of the project documents, Bondfield Construction Company Limited will:

- build the Runnymede project, which will be completed in summer 2010;
- 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.

**Runnymede Healthcare Centre will remain publicly owned, publicly controlled and publicly accountable, including the new facilities constructed as a result of the project.**

### *Construction and completion risk*

Key risks associated with the construction of the facilities have been transferred to the builder and away from the public sector by way of the project documents, including:

#### Construction price certainty

Bondfield Construction Company Limited will construct the facilities for a guaranteed maximum price of \$62.5 million, including their financing costs. The builder's guaranteed maximum price may only be adjusted in very specific circumstances, agreed to in advance, in accordance with the change order procedures of the project documents.

#### Scheduling, project completion and delays

The builder has agreed to reach interim completion of the construction by summer 2009 and substantial completion by summer 2010. The construction schedule can only be modified in very limited circumstances, in accordance with the project documents. Runnymede Healthcare Centre's repayment of the construction financing will not commence until interim completion (i.e., until it has

completed the interim work in accordance with the project documents).

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

#### Design co-ordination

The guaranteed maximum price contract provides that Bondfield Construction Company Limited is responsible for all design coordination activities to ensure that the facilities are constructed in accordance with the design. Under the traditional model, the costs of these risks would have been borne by Runnymede Healthcare Centre.

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

#### Construction financing

Bondfield Construction Company Limited is required to finance the construction of the project until the facility is turned over to Runnymede Healthcare Centre. The project documents provide 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 Runnymede Healthcare Centre with a 30-day schedule contingency, also known as a schedule cushion, which shields Runnymede for up to 30 days of delay costs for which the hospital is responsible. While delays caused by Runnymede are expected to be minimal, the schedule cushion provides the hospital with some protection from the risk of delay claims by the builder.

#### Commissioning and facility readiness

Bondfield Construction Company Limited 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 that Runnymede will receive a functional building facility at the time the hospital pays for the work.

Activity protocols

Bondfield Construction Company Limited and Runnymede’s consultant are required to establish a schedule for project submittals by the builder. This takes into account the timing for issuance of supplemental instructions by Runnymede’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.

- 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.

In addition to the above key risks being transferred to the builder under the project documents, the financing arrangement entered into between Bondfield Construction Company Limited and the Ontario Teachers’ Pension Plan 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 Runnymede; 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 Runnymede Healthcare Centre sets out the principles for any changes to the project work/scope during the construction period, including:

- requiring processing and approval of change orders from Runnymede;
- 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;

## Achieving value for money

**KPMG's value for money assessment demonstrates a projected cost savings of 12.2 per cent, or \$10.8 million, by using the alternative financing and procurement (AFP) approach to deliver the Runnymede project, as compared to the traditional procurement approach.**

KPMG 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](http://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 result. Please refer to the letter from KPMG 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.

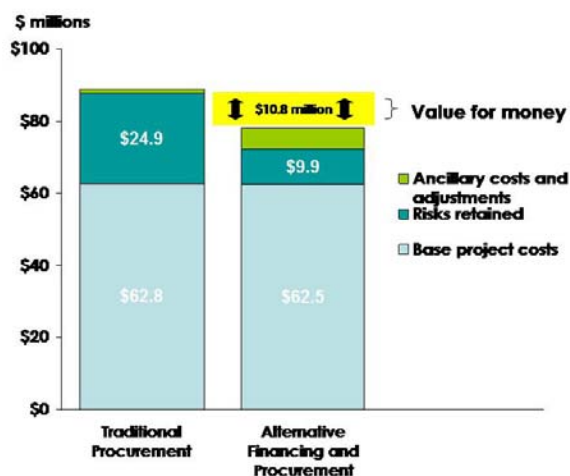
The value for money analysis compares the total estimated costs, expressed in future dollars and measured at the same point in time, of delivering the same infrastructure project under two delivery models; the traditional delivery model (public sector comparator or "PSC") and the AFP model.

Model #1 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. 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, however, of having a project delivered on time cannot always be accurately quantified. For example, it would be 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-financed project.

Other qualitative benefits relate to the existence of Infrastructure Ontario – a central organization to coordinate the development of a number of large infrastructure projects. Infrastructure Ontario has standardized documents, increased up-front due diligence and applied best practices to each of its projects; however, it would be difficult to fully quantify these benefits.

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 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 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](http://www.infrastructureontario.ca).

#### ***Base costs***

Base project costs are taken from the price of the contract signed with Bondfield Construction Company Limited, and include all construction and financing costs. Typically, 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 is not included in the traditional 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 the Runnymede project, these were \$62.5 million.

If the traditional model had been used for the Runnymede project, base costs are estimated to have been \$62.8 million.

In the case of Runnymede Healthcare Centre, base costs are higher under the traditional delivery model. This is largely attributable to a reduction in private sector financing costs resulting from a large interim payment that is due to Bondfield Construction Company Limited for completion of a significant project milestone (i.e. completion of the new hospital) in the summer of 2009. Please see page 17 of this report for more information related to the interim payment.

#### ***Risks retained***

The public sector has always had to bear costs that go beyond a project's base costs. Total project costs exceed base costs in large part due to contingencies for the project risks.

Project risks may be 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 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 would be significant. As discussed on pages 11-12, the following are examples of risks retained by the public sector under the traditional delivery method that have been transferred under the project agreement from the public sector to the builder:

- construction price certainty;
- scheduling, project completion and potential delays ;
- design co-ordination;
- construction financing;
- schedule contingency;
- 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 and particularly in the plans, drawings and specifications; and design completion issues which are specified in the contract documents but erroneously left out in the drawings and specifications.

- *Scheduling, project completion and delays:* Under the AFP approach, the builder has agreed that it will provide the facility for use by the Province by a fixed date and at a pre-determined price to the Province. 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 Province, thus providing 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 the traditional approach, these risks would have been borne by the public sector. For example, design coordination risks that materialize would be carried out through a series of change orders issued during construction. Such change orders would, therefore, be issued in a non-competitive environment, and would typically result in a significant increase in overall project costs for the public sector.

The added due diligence brought by the private party’s lenders, together with 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 the private sector builder.

A detailed risk analysis of the Runnymede project concluded that the average value of project risks retained by the public sector under traditional delivery is \$24.9 million. The analysis also concluded that the average value of project risks retained by the public sector under the AFP delivery model decreases to \$9.9 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](http://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 the Runnymede project, under the traditional delivery method are estimated to be \$1.2 million as compared to \$3.3 million under the AFP approach.

An adjustment of \$2.4 million has been made under the AFP model. This adjustment is for the notional public financing costs resulting from interim payment to the builder. An interim payment will be paid to the builder when the new building is completed part way through the overall project. The notional public financing costs will cover the period between completion of the building, expected in summer 2009, and the project substantial completion, expected in summer 2010.

It is important to note that the interim payment at completion of the new building will only be made at the successful completion of a clearly defined phase of the project, which will include occupancy of the new facility in this case; as well, the project risk allocation is not materially affected.

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 KPMG concludes that the additional costs associated with the AFP model are more than offset by the benefits of the AFP model, which include: a much more rigorous upfront due diligence process, reduced risk to the public sector, and controls imposed by both the lender's 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 substantial completion date. In case of the Runnymede Healthcare Centre project, the estimated traditional delivery cost (i.e. PSC) is \$89 million as compared to \$78.1 million under the AFP delivery approach.

The positive difference of \$10.8 million or 12.2 per cent between the above delivery costs represents the estimated value for money by using the AFP delivery approach in comparison to the traditional delivery model.