



PENTICTON REGIONAL HOSPITAL PATIENT CARE TOWER PROJECT

PROJECT REPORT



PURPOSE OF THIS REPORT

The purpose of this report is to provide key information to the public about the Penticton Regional Hospital Patient Care Tower Project. This report describes the need for the Penticton Regional Hospital Patient Care Tower Project and how it will be delivered. The report explains how different procurement delivery methods were analyzed, and how project benefits and innovations are expected to be achieved. A summary of the key aspects of the Project Agreement is also provided.

In all of its procurement processes, the Province of B.C. is committed to a high standard of disclosure as part of its accountability for the delivery of public projects. Ministries, Crown Corporations and other government agencies are publicly accountable for projects through regular budgeting, auditing and reporting processes.

The Interior Health Authority Capital Projects' Project Board, which includes representatives from the Ministry of Health, Interior Health, Ministry of Transportation and Infrastructure and Partnerships BC, is accountable for the contents of this project report.

DEFINED TERMS AND ABBREVIATIONS

Capitalized terms are defined in the glossary at the end of this report.

Abbreviations are defined in the table below:

DBB	Design Bid Build
DBFM	Design Build Partially Finance Maintain
MDR	Medical Device Reprocessing
NPC	Net Present Cost
OR	Operating Room
OSRHD	Okanagan-Similkameen Regional Hospital District
PARR	Post-Anaesthetic Recovery Room
PCT	Patient Care Tower
PPP	Public Private Partnership
PRH	Penticton Regional Hospital
RFP	Request for Proposals
RFQ	Request for Qualifications
VFM	Value for Money

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1 EXECUTIVE SUMMARY

Penticton Regional Hospital (PRH) is one of six referral centres within Interior Health's network of hospitals. PRH provides secondary and specialized acute care for patients living in the South Okanagan referral area.

In July 2014 the Province announced a two-phased project for PRH: a new patient care tower (PCT) and parkade, followed by renovations to the existing site (collectively, the 'Project'). The Request for Proposals (RFP) was announced in February 2015 and included the construction of a PCT and parkade (Phase 1). In addition, the structure of the opportunity included facilities management (FM) services, not only for the newly-constructed PCT and parkade, but the existing hospital site as well. The RFP also included design and construction management services for renovations to the existing site including the emergency department (Phase 2).

In 2016, following a competitive selection process based on the principles of openness, transparency and fairness, IH entered into a performance-based, fixed price Project Agreement with EllisDon Infrastructure (EDI). The evaluation methodology used in the selection process included scored criteria for the achievement of measurable operating outcomes as defined by the experience of IH and peer-reviewed research. These criteria led to numerous improvements over the indicative design and will result in a facility that supports enhanced patient safety, healing environment features, and a greater degree of staff satisfaction.

Under the resulting Project Agreement, EDI will design, build, partially finance and maintain the PRH PCT and parkade, as well as provide site services for the existing site, for a term of 33 years, which includes the construction period. The total nominal capital cost of the Project is estimated at \$312.5 million including both the new PCT and renovations to the existing site. This number includes overall project costs such as capital design and construction costs, Phase 2 Renovation Services, Phase 2 renovation construction costs, IH purchased equipment, IMIT, insurance, GST, procurement and implementation costs, and reserves.

EDI will also deliver help desk services to the existing site commencing in July 2016, and more fulsome FM services to the existing site in October 2016. After service commencement of the PCT and parkade, EDI will provide a range of FM services including, but not limited to, help desk, plant, utility management, and environmental sustainability services to the entire PRH campus. IH will pay EDI a monthly service payment. Those payments will be based on performance, facility availability, and service quality. Service payments can be reduced if EDI does not meet the quality standards contained in the Project Agreement.

The final partnership agreement between IH and EDI is estimated to achieve a net present cost (NPC) value for money of \$64.5 million compared to the traditional procurement method. Additional benefits from the DBFM delivery model include:

- Competition and innovation
- Schedule certainty
- Cost certainty
- Integration
- Life cycle maintenance

IH will retain responsibility for all health care delivery at the new facility and all health care services will continue to be publicly funded in accordance with the Canada Health Act. IH will own the facility over the life of the Project.

2 PROJECT BACKGROUND, GUIDING PRINCIPLES AND SCOPE

2.1 BACKGROUND

PRH is the regional centre for approximately 87,000 people living in the South Okanagan referral area. PRH provides secondary and specialized acute care for patients living in the South Okanagan referral area. As inpatient cases, inpatient days, and number of emergency visits have increased, and surgical daycare and surgical procedure rates have stabilized, the existing PRH was lacking the physical space and layout to meet demand.

PRH's infrastructure faced several challenges, which made the delivery of safe, timely and effective patient care difficult. The Project Board approved the development of a Business Plan for the development of a new PCT at the PRH site.

The Business Plan was finalized and approved in August 2014, and IH received direction to pursue a Design Build Partially Finance Maintain (DBFM) procurement model. In September 2014, procurement was launched with the release of the Request for Qualifications (RFQ).

The total nominal capital cost of the Project is estimated at \$312.5 million. This includes elements within and outside of the DBFM arrangement, such as capital design and construction costs plus equipment, IMIT, insurance, GST, procurement and implementation costs, and project reserves. Phase 2 Renovation Services were added to the arrangement during the RFP phase to include design and construction management services that will manage the necessary renovations to the emergency department, pharmacy and materials storage. Adding the design and construction management into the Project created a seamless approach to project delivery and resulted in cost efficiencies. The cost of the Project is being shared by the BC government, IH, the Okanagan-Similkameen Regional Hospital District, and the South Okanagan Similkameen Medical Foundation.

Completion of the Project will have a profoundly positive impact on the patients served.

2.2 PROJECT OBJECTIVES

In support of the Project Vision and Project Guiding Principles, IH developed the following project objectives:

- Deliver the approved project scope and enable specific program/departmental objectives to be achieved;
- Improve model of care and patient outcomes/safety through application of evidence-based design principles and health care facility design and construction standards that all have a patient-centred design philosophy;
- Implement design features that enhance well-being of patients, families, visitors, staff and communities;

- Create a healthy and safe work environment that improves engagement, recruitment and retention, and minimizes workplace injuries;
- Support the IMIT strategic plan by providing a robust, flexible technical infrastructure;
- Optimize utilization and efficiency to improve health system sustainability;
- Maintain full 24/7 hospital operations throughout the construction and operations phase; and
- Minimize overall capital and operating costs of the project.

2.3 SCOPE

The PCT will be located on the existing PRH campus, directly to the east of the existing emergency department and existing buildings. On-site vehicular and pedestrian traffic patterns will be simplified to assist with public way finding.

The PCT will be connected to the existing campus buildings via links on the new tower's first three levels.

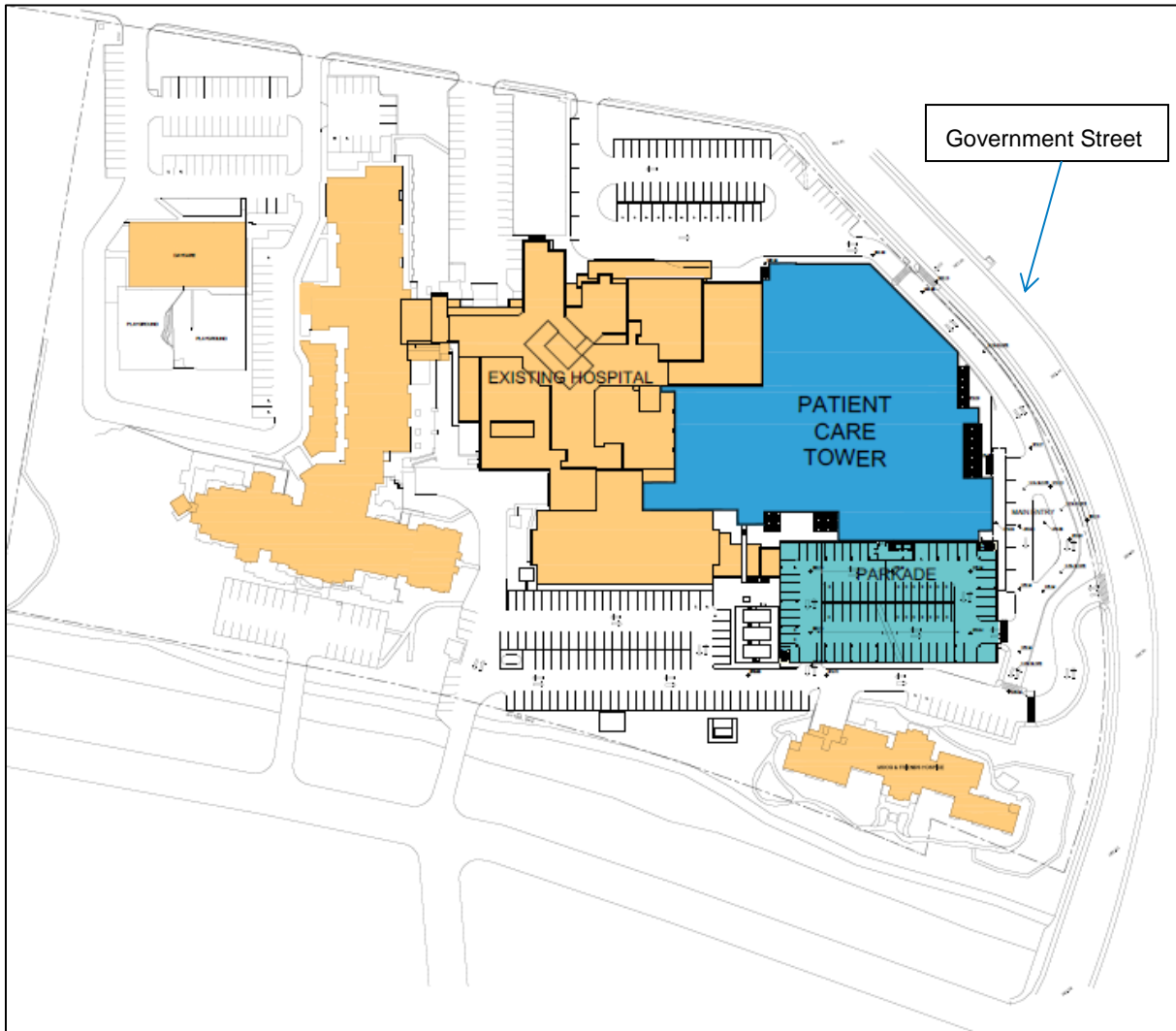
The PCT will encompass more than 26,000 m² and will include the following:

- Five operating rooms;
- Six minor procedure rooms;
- Ambulatory care centre, consisting of:
 - General clinics
 - Cardiac diagnostics
 - Neurology
 - Orthopaedics clinic
 - Respiratory
 - Satellite diagnostic imaging
 - Outpatient laboratory
- Post-anaesthetic recovery rooms;
- Medical Device Reprocessing (MDR);
- Three floors medical/surgical inpatient units (84 rooms); and
- Rooftop helipad with service elevator.

In addition to the tower, a 480-stall parkade will be constructed and located adjacent to the new tower.

The following figure shows the location of the new PCT and parkade on the PRH campus:

Figure 1: Penticton Regional Hospital Site Plan



3 PROJECT BENEFITS AND KEY FEATURES

The new PCT will result in an improved model of care and better patient outcomes, additional capacity to meet the growing needs of the increasing demand at PRH, and a healthier and safer work environment for staff.

3.1 OPTIMAL PATIENT AND STAFF SAFETY

As a key objective for the Project, outcomes such as reduced adverse surgical and medication events, hospital-acquired infections, patient falls, and staff injuries are targeted through the effective design of the PCT. The design planned for the PCT offers numerous features that have been empirically proven to enhance efficiencies and achieve optimal patient safety. These include:

- Separation of routes between patients and staff in key areas;
- Larger operating rooms (ORs) to meet current clinical safety standards;
- Additional inpatient rooms to allow for decanting from the current facility and reduction of multi-patient rooms;
- Standardized rooms that ensure needed equipment and supplies are always found in the same place; and
- Increased key sight lines from care stations to patient bays that allow staff to better monitor patients.

3.2 HEALING ENVIRONMENT

The new PCT will also include interior design features that provide natural and calming environments which improve patient, family and staff well-being, and reduce patient lengths of stay. These design features incorporate patient-friendly and elderly-friendly design concepts and provide a confidential therapeutic environment, access to courtyards/natural environments, and ease of way finding.

3.3 FLEXIBILITY AND STANDARDIZATION

It is critical that the new PRH PCT can accommodate the rapid cycle of innovation and change to support development and implementation of new clinical and non-clinical work processes and technology change. It is equally important that the facility is constructed in a way that minimizes downtime whenever these changes become necessary. Through the use of a standardized 9'x9' meter grid and well-planned scheduling, the PCT will provide flexibility both in the near-term and as space needs to be reimaged as the needs of healthcare change.

The PRH Project will implement standardization by using repetitive room layouts. This will in turn reduce errors and improve quality of service delivery, for example by assisting caregivers in quickly accessing

equipment. In order to optimize caregiver performance, patient treatment modules will contain a number of standard room types; room details (including controls and control locations) will also be standardized.

3.4 TRAVEL DISTANCE EFFICIENCY

Travel distances in the new PRH PCT have been designed to minimize the movement of patients and streamline traffic flows of supplies. The design provides efficient travel distances between key departments, such as ORs to patient recovery rooms, and maternity to ORs. This ensures that the departments are closely located, which will result in faster response time by staff, improvement of health and safety of both patients and staff, and even infection control improvement.

3.5 ACCESS TO NATURAL LIGHT

Natural light and green space have been proven to enhance healing and reduce a patient's length of stay in hospital. Natural and borrowed light will be optimized and incorporated throughout the new PCT. For example, all patient rooms will have windows allowing for natural light.

4 PROJECT DELIVERY OPTIONS

The B.C. Ministry of Finance has mandated through the Capital Asset Management Framework (CAMF) that the following principles guide all public sector capital procurements:

- Fairness, openness and transparency;
- Allocation and management of risk;
- Value for money and protecting the public interest; and
- Competition.

In accordance with CAMF, IH and Partnerships BC undertook a procurement options analysis to determine an optimal procurement method for the Project.

4.1 METHODOLOGY

The evaluation of procurement options is mainly concerned with identifying the method of delivering the project that will result in the greatest Value for Money (VFM) on both a financial (quantitative) and qualitative basis. In financial terms, value for money is established by calculating the estimated risk-adjusted cost of a project, based on a particular partnership procurement method, and comparing it to the estimated cost if the project were procured using another method over the same time period.

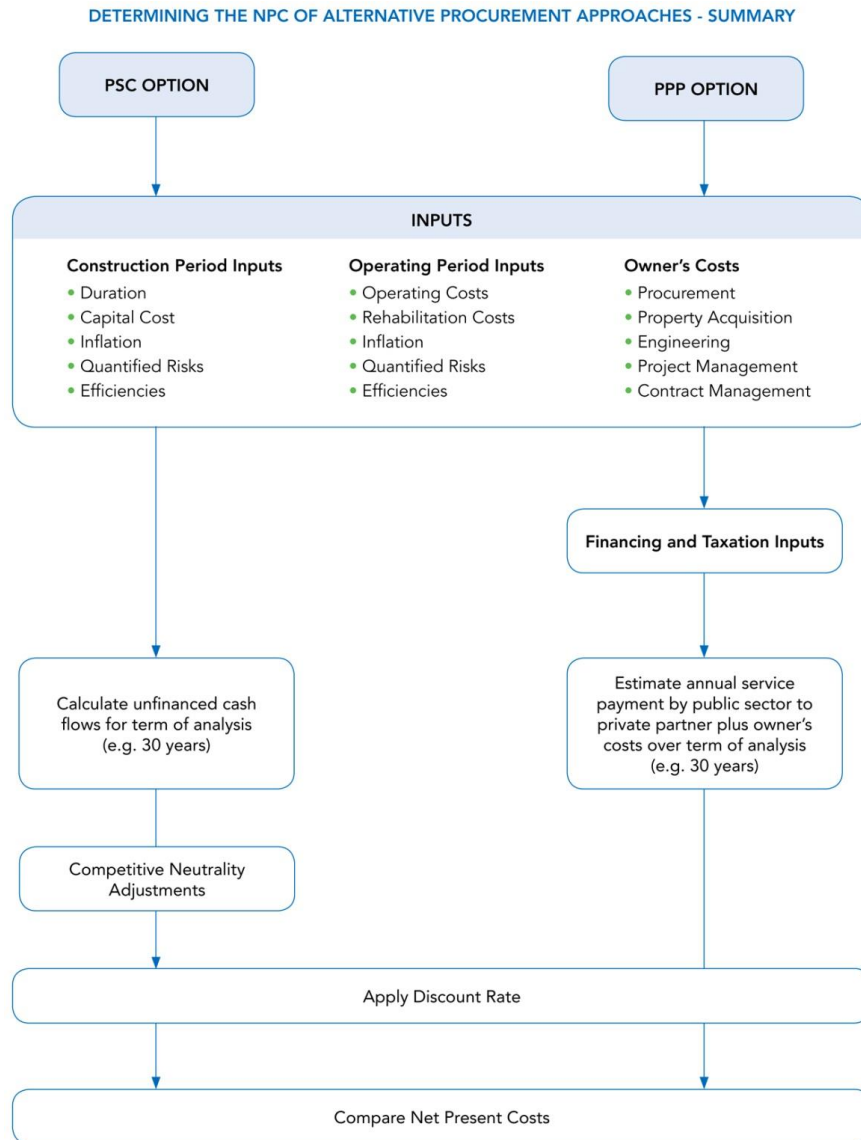
The evaluation of procurement options involves two main steps. The first step identifies key procurement objectives, and provides a qualitative assessment of a wide range of available procurement options including both traditional and partnership methods. The assessment of these procurement options is intended to identify the two procurement methods most appropriate to the project which then form the basis of comparison.

The second step in the assessment involves a more detailed, quantitative analysis that compares the two methods. A comprehensive risk analysis is conducted and financial models representing the two procurement methods are developed and compared. Both procurement methods consider detailed financial inputs that reflect key project components during the construction and operating periods, as well as associated public sector costs under each option.

A Discount Rate is applied to the projected future cash flows to facilitate an accurate comparison of the two approaches in present day dollars. Discounting allows procurement methods with different cash flow impacts—such as all payments made in the first year of a 30-year period versus payments spread over the 30 years—to be compared on a like-for-like basis. Comparing competing options in this way provides an objective means of determining the approach that provides the best value in terms of cost.

The results of this quantitative comparison between the two procurement methods, together with the qualitative criteria, are used to determine the method that is expected to provide the best potential value for money.

The following graphic illustrates the financial modeling approach used to compare a traditional procurement method and a public private partnership method.¹



¹ For detailed information regarding the “Methodology for Quantitative Procurement Options Analysis”, visit <http://www.partnershipsbc.ca/publications/resources/>.

4.2 PROJECT PROCUREMENT OBJECTIVES

Procurement options were carefully considered through the development of procurement objectives based on the project objectives. The following procurement objectives were developed by IH to provide guidance in the selection and analysis of procurement options:

- **Market Interest and Capacity:** Ability of the procurement process to solicit adequate interest for a strong competition with quality proponents.
- **Schedule Certainty:** Ability to complete the Project in a timely manner and in accordance with the schedule for the procurement model in order to provide the services when needed and to avoid additional cost related to cost escalation.
- **Cost Certainty:** Ability to obtain a high level of cost certainty and minimize change order risk during construction.
- **Asset Performance throughout Life Cycle:** Ability to deliver specified asset performance throughout the Life Cycle period.
- **Flexibility and Innovation:** Ability to provide flexibility during the procurement process and to allow for innovation in design from the private sector.
- **Facility Design:** Ability to obtain a design solution that meets or exceeds program requirements.
- **Capital Cost and Operating Cost Optimization:** Ability to create an optimal balance between capital cost and long-term operating cost, taking into account potential efficiencies and how one influences the other.

4.3 PROCUREMENT OPTIONS ANALYZED

IH and Partnerships BC analyzed two procurement delivery options for the project: DBB and DBFM. The two options are described below.

DBB: IH would engage an architect to develop a detailed design (working drawings) for the PRH PCT. Once the working drawings are complete, a tender call for a construction contract would be issued. The lowest qualified price must be selected and an industry standard fixed price construction contract would be used. The construction contractor would take responsibility for construction to the specifications detailed in the working drawings developed for IH by its architect. Notwithstanding the obligations of the design firm, IH would effectively remain responsible for errors and omissions in the design and make monthly progress payments to the contractor. Once the building is completed, IH would take possession and be responsible for maintaining and operating the asset for its entire lifespan.

IH would retain key design, construction and Life Cycle maintenance risks, e.g., schedule, construction cost, and Life Cycle maintenance costs. Due to the fact that separate parties design, build and maintain

the facility, cooperation between consultants and contractors could be less than ideal, and the advantages of truly integrated design, construction and maintenance are missed.

The DBB model would extensively involve IH during the design phase. In order for a DBB model to succeed, IH would need to coordinate the involvement of design and maintenance groups at IH to involve them in the process. IH has successfully delivered projects on time and on budget using the DBB model in the past.

DBFM: The DBFM model is a two-stage partnership procurement model. The first stage is a request for qualifications (RFQ) whereby respondent teams submit qualifications which are received and evaluated by IH. This evaluation results in a shortlist of proponents who are then invited to submit proposals to the second stage of the process, the request for proposals (RFP). At the RFP stage, IH would provide performance specifications and seek proposals to design, build, partially finance and maintain the facility.

Under a DBFM structure, IH would enter into an agreement with the private partner who would be required to design, build, partially finance and maintain the facility over the specified term of the agreement. The facility maintenance scope assumed to be included in the DBFM model is consistent with other IH PPPs: essentially hard FM services including Life Cycle.

During the construction phase, progress payments would be made to the private partner of a fixed percentage (typically 40-60 per cent in healthcare projects) of all eligible capital costs. These payments would be made monthly based on the value of the asset at the time of payments as evaluated by the Independent Certifier and accepted by IH.

Performance payments, also known as Annual Service Payments (ASP), would be made monthly to the private partner over the life of the agreement with a portion indexed for inflation. Payments only commence once the asset is completed to IH's satisfaction. In order to ensure that the private partner receives full payment, they must meet defined and measurable performance and availability standards on a continuous basis. The inclusion of private sector financing, as required in the performance-based contract, guarantees a long-term commitment and due diligence to the Project that results in a degree of owner-type behaviour from the private sector.

The key benefits of a DBFM approach are that it requires the bidders to consider long-term maintenance requirements and provides a financial structure that aligns the incentives of the private partner and IH.

Under the DBFM option, the private partner would be responsible for:

- Arranging project financing and/or equity for facility construction and maintenance over a specified term (usually 30 years);
- Designing/building the Project; and
- Maintaining the PRH PCT, as well as providing services to the existing site over the term of the Project Agreement, and handing it back at the end of the contract term in a prescribed condition.

The decision to include the existing site within the scope of the FM services will result in greater integration between the new and existing facilities; in turn, resulting in improved efficiencies, consistency in services and performance requirements across the campus, and improved clarity for staff.

4.4 RESULTS OF THE PROCUREMENT OPTIONS ANALYSIS

Based on the procurement options analyzed, the DBFM method was expected to result in a lower cost for the project compared to the DBB delivery method. In addition, the partnership method was considered the best choice to support the objectives of the project and is expected to achieve the greatest overall benefits.

4.5 ACHIEVING VALUE FOR MONEY

VFM is the risk-adjusted difference in dollar terms between the PPP and traditional delivery models' costs of integrating design and construction, as well as the cost of major maintenance over the duration of the PPP contract.

Not all benefits are captured in a VFM number. Examples of such benefits include early completion and delivery of associated services to the public, or improved long-term service outcomes (e.g., better clinical outcomes).

Value for money outcomes are determined based on the successful proposal and are discussed below.

PARTNERSHIP PROJECTS TYPICALLY PROVIDE THE FOLLOWING QUALITATIVE BENEFITS

- **Competition and Innovation:** The competitive nature of the bidding process encourages the private partner teams to develop innovative solutions in all aspects of the project from design and construction through to operations.
- **Schedule Certainty:** The private partner receives a significant portion of their payment through monthly availability payments once the facility is available for use, thereby providing a financial incentive to complete the project on time. If construction is delayed and results in a later date for facility availability, monthly availability payments will be forfeited until the facility becomes available. The final date of the contract will not be amended, so the missed availability payments are irretrievable.
- **Cost Certainty:** The project agreement is a fixed price contract.
- **Integration:** The private partner is responsible for the design and construction, long-term operations, maintenance, and rehabilitation of the asset. This creates opportunities and incentives to integrate these functions to optimize performance of the facilities over the duration of the project agreement.
- **Life Cycle Maintenance:** The private partner is responsible and accountable for ensuring the facilities are maintained and rehabilitated over the duration of the project agreement, otherwise the annual service payment may be reduced.

5 COMPETITIVE SELECTION PROCESS

A two-stage competitive selection process was undertaken for the project.² During the RFQ stage, respondents were asked to present their qualifications for the project. A shortlist of three teams was selected and invited to participate in the RFP stage process. The proponent teams that were invited to compete are described below:

Proponent	Design Lead	Construction Lead	Equity Provider	Facilities Management Lead
EllisDon Infrastructure	Parkin Architects Western Ltd.	EllisDon Design Build	EllisDon Capital Inc. Ontario Pension Board	EllisDon Facilities Services Inc. ENGIE Services
Plenary Health	CEI Architecture	PCL Constructors Westcoast Inc.	Plenary PCL Constructors Westcoast Inc.	Johnson Controls Canada L.P.
Tandem Health Partners	Stantec	Graham Design Builders LP	Gracorp Capital Partners LP Balfour Beatty Investments LP	Balfour Beatty Communities, LP Ainsworth Inc.

During the RFP stage, collaborative discussions were offered so that each team had the opportunity to discuss issues or concerns related to commercial, legal, design and construction, and facilities management matters. Prior to the closing date for submissions, a final draft Project Agreement was issued and it served as the common basis for all proposals.

The timeline of the competitive selection process is outlined in the table below.

Procurement Stage	Timing	Outcome
Request for Qualifications	September 2014 to December 2014	The project was marketed locally, provincially, nationally and internationally. Submissions from six respondents were evaluated and a shortlist of three teams was announced on December 22, 2014: <ul style="list-style-type: none"> ▪ EllisDon Infrastructure ▪ Plenary Health ▪ Tandem Health Partners
Request for Proposals	February to November 2015	The three shortlisted teams submitted proposals.
Selection of Preferred	January 2016	After evaluation of the proposals, EllisDon

² The RFQ and RFP procurement documents are publicly available at www.partnershipsbcc.ca

Procurement Stage	Timing	Outcome
Proponent		Infrastructure was selected as the preferred proponent.
Project Agreement Finalization	April 6, 2016	The Project Agreement was signed by IH and EllisDon Infrastructure.

5.1 EVALUATION OF PROPOSALS

The overall objective of the evaluation was to select the best proposal, taking into account the expected VFM provided by the proposal. IH appointed an evaluation committee to evaluate the proposals based on the criteria set out in the RFP and to recommend a Preferred Proponent.

As part of the evaluation process, it was required that the Proponents' proposals substantially met the requirements of the RFP and the Project Agreement; could demonstrate that they understood the requirements of the Project; and demonstrate that they were capable of performing the obligations and responsibilities of delivering the Project as set out in the Project Agreement.

The proposals were also evaluated on Scored Elements, where Proponents were able to obtain cost credits for meeting and exceeding certain requirements. Inclusion of these requirements in the evaluation process was based on peer-reviewed research and analysis which has shown that improvements to building layout and design features can measurably improve health outcomes and ultimately result in operational savings.

Proponents had to design a facility that is at least as functional as IH's indicative design and only received credit in the evaluation if their proposed facility was an improvement in the defined areas. The criteria used are described below:

Travel Distance and Corridor Efficiency

- Staff and patient travel distances for eight key routes within the PCT

Standardization and Interior Design

- Millwork – location, size, and functionality
- Patient orientation. Mirrored inpatient rooms will be considered standardized with respect to patient orientation
- Consistency of patient, staff and visitor zones
- Headwall design and layout
- Equipment placement
- Separation and efficiency of flows: public, patients and materials
- Interior design features will provide natural, healing and calming environments

Line of Sight

- Ability to safely view and monitor patients in all PARR Recovery Bays from Team Care Station, medication area and clean supply areas
- Medical Surgical Inpatient Unit- Ability to safely view and monitor

main public entrance to the unit and patient/service elevator vestibule from the Team Care Centre

LEAN Process Mapping	<ul style="list-style-type: none"> Lean flows of health services; Patient, Providers, Medications, Supplies, Equipment MDR Process Engineering - Workflow within MDR.
Separation of Flows	<ul style="list-style-type: none"> No General or Public Circulation Pathway shall cross a Restricted or Non-Public Circulation Pathway Separation of flows in the circulation system between public, patient and materials distribution is a desired outcome Separation of Traffic: Provide distinct separation of traffic types, with passenger elevators for public and patient/service elevators for inpatient traffic, staff, trauma, materials and logistic traffic
Natural Light	<ul style="list-style-type: none"> Access and quality of direct natural light for specified rooms Access and quality of Borrowed and/or Direct Natural Light for other specified rooms Access to outdoor space (exterior courtyard and/or roof garden) directly from public waiting areas and staff and student lounges
Exterior Wayfinding, Access and Building Design and Site Efficiency	<ul style="list-style-type: none"> Wayfinding and ease of access Site parking and vehicular flows will enable efficient and friendly access and egress to the site Overall building design

After the proposals were deemed to have substantially met the requirements for the evaluation and achieved a score of 30 or higher on Scored Elements, Proponents were then invited to provide their financial submissions. Evaluators reviewed these submissions to ensure that the proposals substantially satisfied the financial requirements, which included providing evidence that the Proponents had sufficient financing, a financing plan that was robust, and demonstration of the Proponent's financial viability.

Based on these criteria and the net present cost proposals, the evaluation committee made its recommendation to the Project Board. Based on that recommendation, EllisDon Infrastructure (EDI) was identified as the Preferred Proponent for the Project.

5.2 FAIRNESS AND TRANSPARENCY

To ensure that all Proponents had access to the same information and were treated fairly throughout the procurement, John Singleton, Q.C. of Singleton Urquhart LLP, was engaged as a fairness advisor during both the RFQ and RFP stages to monitor all evaluation activities and offer an assessment regarding whether the selection process was carried out in a fair and reasonable manner. The fairness advisor was provided access to all documents, meetings and information related to the evaluation activities throughout the competitive selection processes, and provided his evaluation regarding fairness at the end of the procurement (RFQ and RFP stages).

In addition to ensuring the procurement processes were conducted in a fair manner, it was equally important to ensure that a transparent process was provided to Proponents and the general public alike.

For this reason, the RFQ and RFP documents, the final Project Agreement, and the fairness advisor's reports, are publicly available at www.partnershipsbc.ca.

5.3 COMPETITIVE SELECTION COSTS

The cost of the competitive selection process is factored into the value for money analysis. The total competitive selection costs for the Project, from approval of the Business Plan to Financial Close, is \$6.3 million, including Partial Compensation of \$300,000 to each of the two unsuccessful Proponents. This is a small fraction of the estimated costs for Proponents to participate in the RFP phase. The decision to offer Partial Compensation is made on a case-by-case basis and can be used to encourage competition; ensure the quality of proposals submitted; secure access to intellectual property; and mitigate costs incurred by Proponents in developing their proposals. Other competitive selection expenses include the cost of developing performance specifications, preparing procurement documentation, and obtaining advice from external advisors. Materials developed for this project will be used to improve the efficiency and quality of the procurement process for future partnership projects.

6 THE FINAL PROJECT AGREEMENT

Quick Facts

Private partner	EllisDon Infrastructure
Facility owner	Interior Health
Contributing Okanagan-Similkameen Regional Hospital District	\$93.0 million (nominal dollars)
Construction complete	December 2018
Term of the Project Agreement	33 years, including construction
Net present cost of Annual Service Payments	\$203.1 million

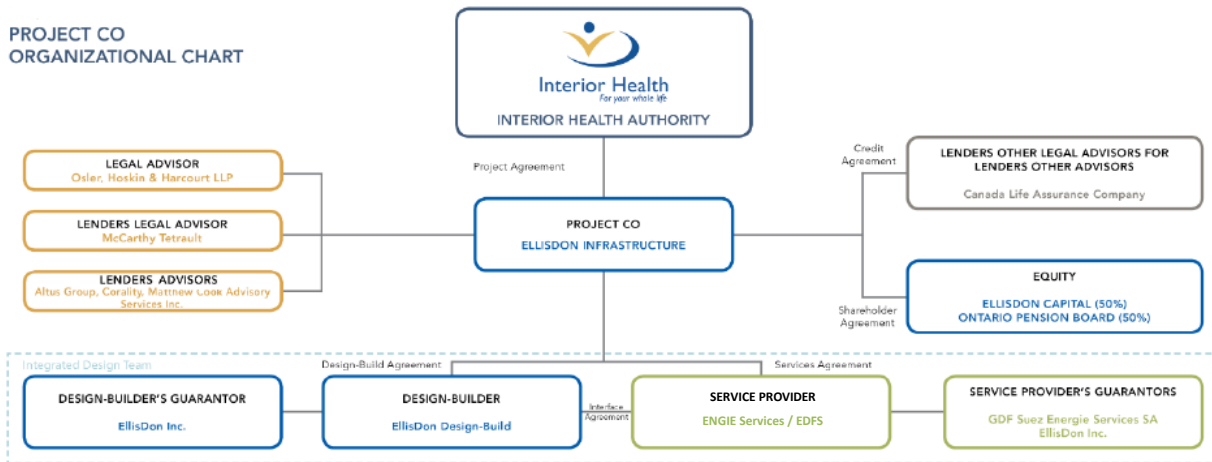
6.1 PROFILE OF THE PRIVATE SECTOR PARTNER

EDI is the private partner for the Project. EDI is a consortium of companies qualified through the RFQ period and consisting of the following key members:

Proponent	Role	Member
EllisDon Infrastructure	Proponent Team Lead	EllisDon Capital Inc.
	Equity	EllisDon Capital (50%) / Ontario Pension Board (50%)
	Design	Parkin Architects Western Limited (Parkin)
	Construction	EllisDon Design-Build
	Service	PRH Facilities Management GP (JV between ENGIE Services - 50% and EllisDon Facilities Services Inc.- 50%)

All companies within this consortium have established records in delivering projects of this nature.

Figure 2: Relationship between IH and EllisDon Infrastructure



6.2 RESPONSIBILITIES OF KEY PARTIES

Under the terms of the Project Agreement, EDI is responsible for the following:

- Arranging a portion of financing for construction and facility management services for a 33-year term³ (inclusive of the construction period);
- Designing and building the facility⁴;
- Providing specified facility management services over a 30-year operating period, including:
 - Help desk services
 - Plant services
 - Life cycle services (for new PCT and campus-wide systems)
 - Utility management services
 - General management services
 - Environmental and sustainability services
 - Phase 2 Renovation Services
 - Parking services

³ Construction Period and provision of “Other Site Services” at the existing facility take place for a 3-year period, followed by the 30-year operating period.

⁴ See Section 3.4 for details on project scope.

Note: FM services will be provided throughout the PRH campus as part of this agreement, with help desk services to commence in July 2016 and services to the existing site to commence in October 2016, during construction of the PCT.

- Ensuring that the new PCT is returned after the 30-year operating phase in a condition as outlined in the Project Agreement; and
- Obtaining LEED® gold certification within 36 months following completion of construction.

Under the Project Agreement, IH is primarily responsible for the following:

- Make payments within the agreed-upon time periods;
- Make the land available for the Project; and
- Review all materials and provide comments within the agreed-upon time periods.

In addition, IH owns and manages all programming and health care delivery.

6.3 OKANAGAN-SIMILKAMEEN REGIONAL HOSPITAL DISTRICT

The Okanagan-Similkameen Regional Hospital District (OSRHD) is contributing \$93 million to the construction of the PCT and an additional \$24 million towards other project costs (including project reserve). This contribution will be paid monthly against construction progress and is part of the funding payments that EDI will receive each month against construction costs as certified by an Independent Certifier.

6.4 PERFORMANCE-BASED PAYMENT PRINCIPLES

EDI is incented to perform through a payment mechanism that is based on the principles of performance, facility availability, and service quality. EDI will begin to receive service payments for help desk services only (commencing in July 2016), and payments for other site services (which includes the help desk services) from October 2016 until service commencement. Once construction is complete and Service Commencement has been achieved, EDI will begin receiving a full Annual Service Payment from IH. These payments will be made monthly and are based on the availability of the facility and the quality of facility maintenance services provided by EDI. The performance of EDI will be continuously monitored based on key performance indicators. If the performance standards in the project agreement are not met, IH may apply deductions to the Annual Service Payment.

Payment deductions are based on the severity of the failure to meet the performance indicators, the importance of the health care area affected, and the level of unavailability. An unavailability deduction applies when a room or department in the PCT fails to comply with the conditions specified in the Project Agreement.

6.5 ADJUSTMENTS TO PAYMENTS

The Annual Service Payment may be adjusted to reflect specific circumstances as defined in the Project Agreement, including:

- **Indexation:** The capital component of the Annual Service Payment will not be indexed. The services component (e.g., facilities management and Life Cycle) of the payment is indexed by the consumer price index with periodic adjustments to the payment.
- **Variations:** If IH requires EDI to make a design change or amend the services, then IH can either make a lump sum payment or have the cost of the change financed by EDI. If IH chooses to have the change financed, the cost will be reflected in an adjusted Annual Service Payment. Also, if a change has ongoing impacts to the facilities management services or the Life Cycle of the facility, this will also impact the Annual Service Payment. The mechanism for developing and determining the cost of a variation is set out in the Project Agreement.
- **Change in Law:** If there is a discriminatory change in law, the Annual Service Payment may be adjusted to leave EDI in no better or worse position than if that change in law had not occurred.
- **Compensation Events:** If an event occurs that warrants compensation to EDI, the amount may be provided by adjustment to the Annual Service Payment or as a lump sum payment.
- **Life Cycle:** The Life Cycle costs are not uniform throughout the term of the agreement and will fluctuate based on a pre-defined spending curve.

6.6 RISK ALLOCATION SUMMARY

The Project Agreement includes detailed risk allocation provisions over the 30-year operating term. This approach transfers key risks to EDI such as construction, cost and schedule.

Risk allocation between IH and EllisDon Infrastructure

Type of Risk	Allocation of Risk	
	EDI	IH
Design	✓	
Construction, cost and schedule	✓	
Financing	✓	✓
Building Systems and Building Envelope Scope	✓	
Life Cycle and Maintenance*	✓	
Force Majeure/Relief Events	✓	✓
Change in Law	✓	✓
Scope Changes by IH		✓

Type of Risk	Allocation of Risk	
	EDI	IH
Escalation during Construction	✓	
Phase 2 Renovation Construction Cost		✓
Rate of Consumer Price Index (CPI) Increases during Operating Period		✓
Increases in Operating Costs beyond/below CPI	✓	

** Life cycle applies to new PCT and campus-wide systems only*

One of the most unique risks transferred through the Project Agreement was the construction management risk for the Phase 2 Renovations. Transferring the risk of these services allowed IH to include the Phase 2 renovations directly into the Project, and enabled EDI to proceed with their planning of the PCT with the future work in mind. This will provide efficiencies in design and construction, while transferring the risk of managing the renovations where it can best be managed.

For additional detail and definition for each type of risk identified, please see Appendix B.

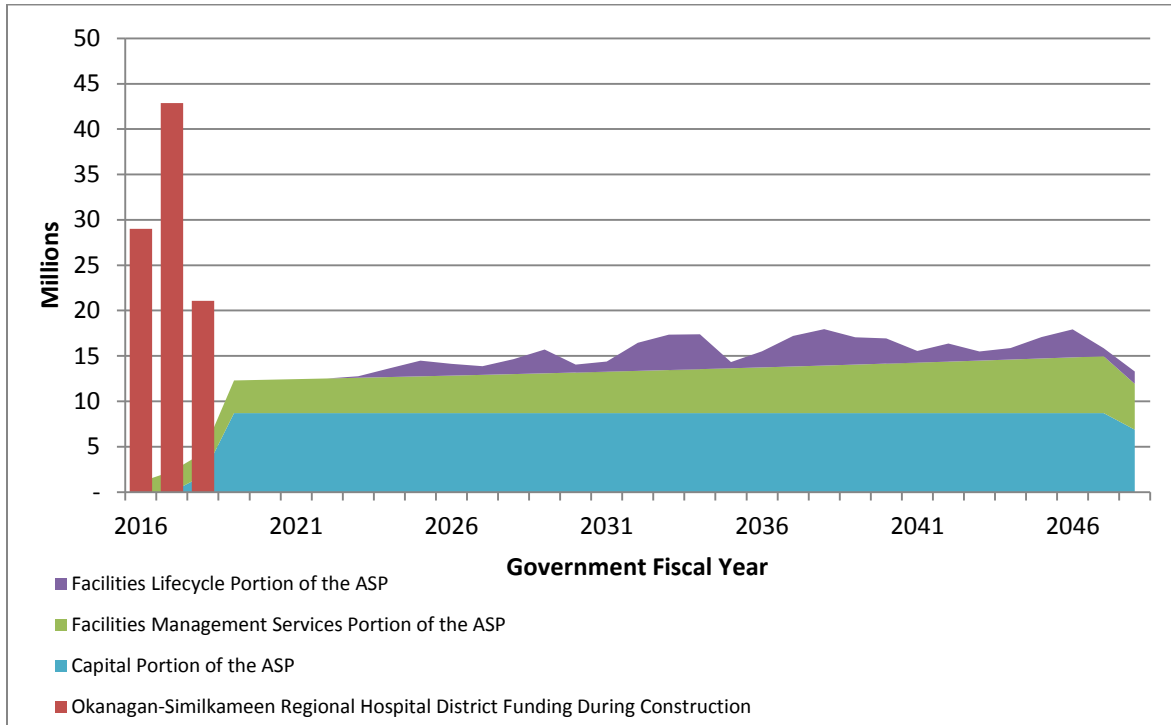
This risk allocation is supported by the following provisions in the Project Agreement:

- EDI will start receiving full service payments from IH at the substantial completion date, thus providing an incentive to complete the project on-time and on-budget;
- The expiry date of the Project Agreement is fixed, so any delays in completing construction will reduce payments to EDI, providing them with a strong incentive for timely completion of the facility; and
- Provisions are in place to reduce the Annual Service Payment if EDI does not meet the performance standards in the Project Agreement for facility availability and maintenance.

6.7 FINANCIAL SUMMARY

The graph below demonstrates the cash flows to EDI that meet the Affordability Ceiling as defined in the RFP. The graph is expressed in nominal dollars, which assumes two per cent inflation for facilities management services. Payment projections assume no penalties or deductions. The payments made to EDI over the project contract term are included in Appendix A of this report.

Figure 3: Cash Flows to EDI (Nominal \$)



6.8 QUANTITATIVE BENEFITS

The estimated net present cost of the Project delivered using traditional procurement (DBB) is \$379.6 million. The estimated net present cost of the Project delivered using the final Project Agreement is \$315.1 million. A comparison of these numbers is provided below. In financial terms, the final project is estimated to achieve value for taxpayers' dollars of \$64.5 million when compared to the DBB option.

Value for Money Table

Net Present Costs (\$ Millions)	Final PA	DBB Procurement
Payments to EDI ⁵	203.8	
Capital Costs		182.1
RHD Contributions to Capital Costs	85.8	
Life Cycle and Operating Costs		122.9
Risk Adjustment	8.0	45.7
Project Planning, Procurement and Implementation Costs	17.5	28.8
Total	315.1	379.6

⁵ Includes unrecoverable GST.

Net Present Costs (\$ Millions)	Final PA	DBB Procurement
Cost Differential	64.5	
Percentage savings from DBB to Final PA	17%	

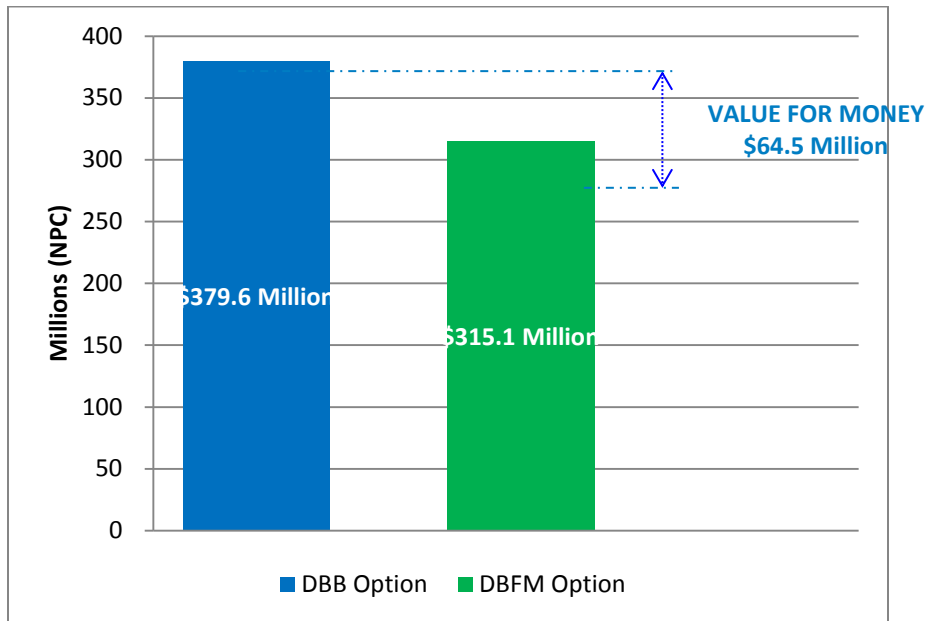
The significant value for money in this project is primarily due to the competitive tension and evaluation criteria which drove EDI to identify cost synergies, resulting in a project that is less costly to construct and operate than originally estimated, and the ability of EDI to significantly mitigate key project risks compared to a DBB approach, such as design errors or omissions, and schedule risk. The VFM analysis was made following established methodology.⁶ The all-in cost of senior debt and the equity return assumptions included in the Business Plan were higher than the costs submitted in the Financial Submissions. These changes are largely due to reduction in interest rates and changes in market requirements for equity returns. Net Present Cost (NPC) of the figures described above were developed using a Discount Rate⁷ of 4.98 per cent at December 2015. This Discount Rate is based on the internal rate of return of the project, which represents the cost of capital over time, taking into account factors such as inflation and interest rates.

The optimal level of private financing for the Project was determined based on balancing the benefits of project risk transfer achieved by having private capital at risk against the benefits of the lower cost of public capital. RHD funding is used to reduce the financing cost of the Project. It is provided in the form of monthly progress payments over construction, and funds 40 per cent of the Project construction costs. The Project's effective weighted average cost of capital when the RHD funding is taken into account is 2.8 per cent.

⁶ Partnerships BC's Discussion Paper: Methodology for Quantitative Procurement Options Analysis is publicly available at www.partnershipsbc.ca

⁷ The Discount Rate used for the calculation of VFM is 4.98 per cent. To test the impact of a change in the Discount Rate on the quantitative VFM proposition of the DBFM model versus the DBB model, the modeling results were re-calculated assuming a Discount Rate 50 basis points higher and 50 basis points lower than the base Discount Rate. It should be noted that no change in the estimated value of risks was undertaken in conjunction with the change in Discount Rates used in the sensitivity analysis. A change in the Discount Rate, either higher or lower, would require a reassessment of the risks of the Project. The results of the sensitivity analysis of the Discount Rate showed that the VFM would have been approximately \$60.5 million if the Discount Rate was 50 basis points lower and about \$68.1 million if the Discount Rate was 50 basis points higher.

Figure 4: Value for Money - Cost Comparisons



6.9 ADDITIONAL BENEFITS

EDI submitted a proposal that offered important improvements over the original concept design and significant cost savings. The key strengths of the EDI proposal included a number of qualitative and quantitative benefits that are expected to meet or exceed the Project objectives identified by IH.

The EDI proposal included several improvements over the Business Plan concept design. Two of the key improvements included movement of the MDR and the UBC Faculty of Medicine space from Level 0 (with no natural light) to Level 3 of the building. The results of the procurement through, its inclusion of performance specifications and the use of the Scored Elements methodology, achieved an optimized clinical design as intended. The following highlights describe some of the clinical design achievements in the EDI solution:

- Decreased travel distances and LEAN process flows for frequent travel paths resulting in faster response time, staff efficiency, and overall health and wellness of staff as they serve patients;
- Excellent separation of flows which supports best infection control practices as well as the patient experience;
- High levels of natural light achieved in key spaces throughout the building; and
- Excellent line of sight capabilities ensuring that staff can easily monitor the status of patients, and ensure safety in patient areas.

Many of these design achievements were also included in EDI's Scored Elements submission. For each point awarded that exceeded 30 points, up to a maximum of 90, a credit was applied to the Proponent's cost submission. The total number of points achieved was multiplied by \$405,000 and applied as a credit toward the calculation of the net present cost of the proposal.

In addition to these benefits, EDI also was able to obtain 32.2 year green financing, one of only two green financings to-date for PPP projects in B.C. The provincial government requirement for LEED® Gold certification, combined with independent, third party verification of the project's environmental attributes enabled the Project to be certified as green. The financing was entirely supported by one Canadian life insurance company that was attracted by B.C.'s triple-A credit rating, leadership in green building, and innovative approach to public-private partnerships.

The design enhancements included in EDI's proposal are expected to bring added value to IH that is in addition to the value for money calculations. These include improved patient outcomes, greater degrees of staff satisfaction, and increased operating efficiencies.

6.10 ACCOUNTING TREATMENT

B.C.'s Office of the Comptroller General, responsible for the overall quality and integrity of the government's financial management and control systems, has established accounting guidelines for partnership projects. Based on accounting guidelines, and for accounting purposes, the capital cost for construction of the PRH PCT is expected to be \$232.4 million. This figure includes the capital cost for the design and construction of the Project, the associated interest during construction, and EDI's bid development and financing costs. It does not include any non-PPP costs associated with the Project including IH-purchased equipment, renovation of the existing PRH building, IMIT, insurance, GST, procurement and implementation costs or reserves. These costs are accrued to the BC government through the construction period as the costs are incurred.

7 ONGOING PROJECT AGREEMENT MONITORING

The Project Agreement with EDI includes specific provisions to ensure project delivery, performance and quality standards are met. Monitoring spans every phase of the Project, from Financial Close through design and construction, facility operations and maintenance. There are a number of major phases in the project monitoring schedule, with roles and responsibilities assigned to project participants at each stage.

7.1 DESIGN AND CONSTRUCTION PHASE

The Project Agreement stipulates that both IH and EDI must appoint design and construction representatives. The IH representative has the authority to act on behalf of IH during the design and construction phase of the Project and to review, approve, accept or confirm EDI activities in accordance with the Project Agreement. The IH representative is supported by its compliance team of professionals. The IH representative will have full access to the construction site, drawings and specifications, and will

report observations to IH. In addition, both IH and EDI have jointly appointed an independent certifier who will monitor and report on construction progress, and provide certification that the conditions for service commencement have been achieved.

7.2 OPERATIONS AND MAINTENANCE PHASE

The Project Agreement stipulates that both IH and EDI must appoint a representative to serve as a member of the operating period joint committee over the operating term of the agreement. The committee is a formal forum for the parties to consult and cooperate on all matters related to the facility during the operational term.

7.3 QUALITY MANAGEMENT

The Project Agreement is designed to motivate the private partner to ensure delivery, performance and high standards of quality given the monetary consequences of not achieving these requirements.

EDI is required to have a performance monitoring program during the operating period that will monitor the delivery of services. The quality management program will include internal and external audits of performance as well as the provision of a quality manager to oversee the quality management plan. All reports generated from this program and supporting data are readily available to IH at any time for audit purposes. Monthly reports delivered to IH will contain a variety of information, including:

- Reporting on whether the key performance indicators were achieved;
- Summary of calls made to the facilities management help desk and their resolution;
- Summary of unavailability events and service failures;
- Calculation of the monthly service payment owed to EDI; and
- A summary of all life safety actions and statutory testing (e.g., fire extinguisher inspections).

There are strict penalties if EDI misrepresents the monthly report, potentially leading to cancellation of the contract.

7.4 HAND-BACK REQUIREMENTS

At the end of the 30-year operating term the PCT must be in a condition that is consistent with the services and maintenance specifications in the Project Agreement. For example, it would not be acceptable for the building fabric to be failing, the flooring to be worn, or the general environment to be unkempt. EDI and IH will jointly appoint and pay for an independent party to inspect and survey the condition of the facility in advance of the end of the project term. EDI is responsible for meeting the hand-back requirements at the end of the project term.

7.5 PROJECT BOARD

A Project Board has been established to provide guidance and oversight for the implementation of the Project, including the traditional capital components. Members of the Project Board include representatives from the Ministry of Health, the Ministry of Transportation and Infrastructure, IH and Partnerships BC.

IH has assembled an integrated project management team that will be responsible for implementing the project through design, construction and implementation. The project team reports through the chief project officer to the Project Board.

Affordability Ceiling: The net present cost of the maximum government will pay in Annual Service Payments over the life of the project.

Annual service payment (ASP): The mechanism by which a private partner in a PPP arrangement is compensated. Comprised of a capital portion (which is fixed), as well as the facilities lifecycle portion and FM services portion (which are indexed) and paid monthly, the ASP value is at risk based on successful performance of EDI as outlined in the PA.

Business Plan: Document prepared in B.C. by IH demonstrating the need and cost/benefit of a project, in addition to supporting a procurement method and providing an overview of the accounting impacts that a project may have.

Discount Rate: A rate used to relate present and future dollars. Discount Rates are expressed as a percentage and are used to reduce the value of future dollars in relation to present dollars. This equalizes varying streams of costs and benefits, so that different alternatives can be compared on a like-for-like basis.

Financial Close: The point in the procurement process where negotiations with a Preferred Proponent are finalized and a Project Agreement is executed, allowing construction to begin.

GST: Federal Goods and Services Tax.

IMIT: Information Management and Information Technology.

Independent Certifier: Independent, third-party certifier engaged jointly by IH and the private partner to verify and certify whether certain conditions of the Project Agreement are being satisfied.

LEED® Gold certification: Leadership in Energy and Environmental Design (LEED) consists of a suite of rating systems for the design, construction and operation of high performance green buildings, homes and neighbourhoods.

Life Cycle: The long-term requirements to maintain and rehabilitate an asset.

Net Present Cost (NPC): NPC refers to the value of periodic future cost outlays when they are expressed in current, or present day, dollars by discounting them using the Discount Rate.

Operations: The ongoing processes or activities of a practical or mechanical nature that are involved in running a facility, such as snow removal on a roadway.

Partial Compensation: A payment made to unsuccessful shortlisted bidders in a request for proposals process as partial compensation for expenses incurred in submitting a compliant proposal.

Performance Specifications: Specifications developed by IH that define the output and performance levels required in relation to construction and Life Cycle performance of an asset, to ensure the completed project satisfies the objectives of the project with respect to meeting IH's service delivery needs.

Preferred Proponent: A proponent selected from a shortlist of bidders to enter into negotiations with IH to reach Financial Close and deliver a project.

Project Agreement: The Project Agreement is a contract between IH and EDI, dated April 6, 2016, that sets out the obligations of each party in relation to the project as summarized in section 6.2.

Project Board: Governing body responsible for guidance and oversight for the implementation of the Project, and consisting of representatives from Interior Health, the Ministry of Health, the Ministry of Transportation and Infrastructure, and Partnerships BC.

Public Private Partnership (PPP): Public private partnership whereby public sector infrastructure is procured using a long-term performance-based agreement with a private sector partner to deliver and maintain an infrastructure asset, including significant, upfront capital investment.

Request for Proposals (RFP): Document issued as the second stage of a competitive selection process during which a shortlist of qualified teams submit their proposals to deliver a project.

Request for Qualifications (RFQ): Document issued as the first stage of a competitive selection process to identify a shortlist of qualified teams to submit proposals to deliver a project.

Retained Risk: Risks associated with delivering a project that are typically borne by the public sector and not transferred to the private partner.

Scored Elements: a set of evaluation criteria related to design elements that result in cost efficiencies and improved patient outcomes. These criteria have points attached to them with a dollar value assigned for each point as a credit, which is incorporated in the calculation during the financial evaluation.

Service Commencement: The date upon which the following activities have been achieved: the architect certifies substantial performance of the facility; an occupancy permit has been issued; the private partner has delivered to Interior Health the LEED® project checklist; and all construction commissioning activities are complete.

Value for Money (VFM): Also commonly referred to as value for taxpayer dollars, VFM describes the benefits to the public expected to be realized through a particular procurement method, and can be quantitative and/or qualitative in nature. Quantitative VFM is achieved through the lower estimated cost of a project resulting from the procurement method, whereas qualitative value is achieved when a particular procurement method better supports the goals and objectives of a project without necessarily costing less.

APPENDIX A – ANNUAL SERVICE PAYMENTS

Contract Year	Fiscal Year	RHD Payments during Construction	Total Annual Service Payment (\$ Millions) Nominal dollars assuming 2% inflation
1	2016 / 2017	29.0	1.1
2	2017 / 2018	42.9	2.3
3	2018 / 2019	21.1	4.3
4	2019 / 2020		12.3
5	2020 / 2021		12.4
6	2021 / 2022		12.4
7	2022 / 2023		12.5
8	2023 / 2024		12.8
9	2024 / 2025		13.6
10	2025 / 2026		14.5
11	2026 / 2027		14.1
12	2027 / 2028		13.9
13	2028 / 2029		14.6
14	2029 / 2030		15.7
15	2030 / 2031		14.0
16	2031 / 2032		14.4
17	2032 / 2033		16.5
18	2033 / 2034		17.3
19	2034 / 2035		17.4
20	2035 / 2036		14.3
21	2036 / 2037		15.5
22	2037 / 2038		17.2
23	2038 / 2039		18.0
24	2039 / 2040		17.1
25	2040 / 2041		16.9
26	2041 / 2042		15.5
27	2042 / 2043		16.4
28	2043 / 2044		15.5
29	2044 / 2045		15.9
30	2045 / 2046		17.1
31	2046 / 2047		17.9
32	2047 / 2048		15.9
33	2048 / 2049		13.3
	Total	93.0	462.6

APPENDIX B – RISK REGISTER AND DESCRIPTIONS

Type of Risk	Description	EllisDon Infrastructure	Interior Health
Design	The risk that the design development activities cannot be completed on time and/or the budget and the design do not allow the delivery of the services to the services specification.	✓	
Construction	The risk that construction activities cannot be completed on time and/or budget.	✓	
Financing	The cost and availability risk of Project Co's financing to meet design and construction costs.	✓	✓
Life Cycle and Maintenance	Risks associated with the replacement and refurbishment of the new facility over the operating phase of the Project, including the risk of deferred maintenance.	✓	
Force Majeure/Relief Events	Risk that specified unforeseen events will impact on the design or construction of the new facility or on the provision of the services.	✓	✓
Change in Law	Risk that a change in legislation/ regulations, provincial policy or quality standard, which applies generally, will impact on the design or construction of the new facility or provision of the services.	✓	✓
Construction Delays that Impact Substantial Completion - Project Co-initiated	Risk that construction delays occur that are within the scope of the services provided by Project Co under the agreement and cause a delay in service commencement.	✓	
Construction Risk - Labour Shortage	Risk that Project Co is unable to secure the appropriate amount of labour required to complete the Project within the parameters of the Project Agreement.	✓	
Construction Risk - Materials	Risk that the availability and/or price of materials negatively impacts Project Co's ability to meet its construction obligations under the provisions in the Project Agreement.	✓	

Type of Risk	Description	EllisDon Infrastructure	Interior Health
Geotechnical Risk	Risk that subsurface conditions result in a failure of Project Co to meet its requirements under the Project Agreement related to the construction and operations of the facility over the term of the agreement.	✓	Geotechnical Risk
Design Errors or Omissions	Risk that design errors or omissions are realized during the construction period.	✓	
Construction Cost Estimate Errors - Post- Financial Close	Risk that Project Co has an error in the construction cost estimate that informed its price proposal.	✓	
Spills during Construction	Risk that there are Project Co spills during construction.	✓	
Escalation Risk	Risk that Project Co's escalation assumptions over the course of construction are understated.	✓	
Utilities and Offsite Risk - Design and Construction	Risk that Project Co underestimated the extent of work required with relation to utilities and offsite services for the Project.	✓	
Helipad Approvals	Risk that Transport Canada fails to approve the heliport to the required status.	✓	
Bankruptcy Risk – Architect	The risk that Project Co's architect becomes insolvent during the design phase.	✓	
Bankruptcy Risk - Lead Constructor	The risk that Project Co's constructor becomes insolvent during the design phase.	✓	
Latent Defect - Major Improper Design	The risk that significant design flaws (with major implications) are identified during the operating phase.	✓	
Latent Defect – Minor Improper Design	The risk that minor design flaws (with minor implications) are identified during the operating phase.	✓	
Facility Maintenance Costs – Operator	Project Co's facilities maintenance provider underestimated the costs to provide the services as outlined in the Project Agreement.	✓	

Type of Risk	Description	EllisDon Infrastructure	Interior Health
Life Cycle Costs - New Building	The risk that Project Co underestimated the life cycle costs of the facility over the term in order to meet the requirements of the Project Agreement.	✓	
Facility Maintenance Costs - Existing Building	The risk that Project Co underestimated the facility maintenance costs of the existing facility over the term in order to meet the requirements of the Project Agreement.	✓	
Lifecycle Risk - Cost of Deferred Maintenance	The risk that Project Co underestimated the life cycle costs for deferred maintenance of the facility over the term in order to meet the requirements of the Project Agreement.	✓	

JULY 2017 SUPPLEMENT TO PROJECT REPORT

The following table provides nominal cash flows that represent the underlying numbers used to create the net present values in the Value for Money table in Section 6.8 of the Project Report. The cash flows in the following table have been annualized and include all categories of costs included in the value for money table in the Project Report. To clarify the number in the Final Project Agreement column includes both payments to the Project Co as well as all Authority costs (e.g. project management). They have not been updated for any changes to the Project Agreement or performance issues after contract execution. It is important to note that the cash flows used to derive the net present cost numbers for the DBB and Final Project Agreement columns in the Value for Money table are based on a combination of monthly, quarterly and semi-annual cash flows. Discounting the annual cash flows will produce net present cost numbers, similar, but not exactly the same as in the Project Report. The calculation of net present cost numbers is dependent on the timing of the cash flows, so a difference in the net present cost numbers is to be expected.

Fiscal Year End (March 31)	Final Project Agreement Cash flows for deal that make up Value for Money (\$000s)	DBB Option Cash flows for deal that make up Value for Money (\$000s)
2015	3,391	11,293
2016	4,522	25,658
2017	36,799	70,714
2018	53,240	111,022
2019	10,956	47,729
2020	31,536	4,547
2021	12,359	6,723
2022	12,432	7,642
2023	12,506	7,177
2024	12,638	11,487
2025	13,431	7,979
2026	14,534	7,511
2027	14,202	8,105
2028	13,814	8,518
2029	14,306	12,978
2030	16,049	8,089
2031	14,109	8,983
2032	13,971	8,829
2033	16,335	8,852
2034	17,102	15,259
2035	18,111	8,975
2036	14,163	9,110
2037	15,221	10,471
2038	16,966	9,596
2039	18,181	16,052
2040	16,956	10,736
2041	17,315	10,108
2042	15,302	10,813
2043	16,570	11,571
2044	15,458	18,262
2045	15,722	11,141
2046	16,727	17,024
2047	18,455	11,571
2048	15,630	13,895
2049	14,178	12,331