



February 25, 2010

Councillor Jeff Knoll
Councillor Marc Grant
Town of Oakville
1225 Trafalgar Road
Oakville, Ontario

SENT BY E-MAIL

Dear Jeff and Marc:

Thank you for your letter of February 24, 2010. Below you will find answers to the questions that are most appropriately answered by Halton Healthcare Services (HHS). The Town of Oakville will be providing you with responses to questions 6, 7 and 18.

1. Who will ultimately own the new hospital building and lands?

Halton Healthcare Services owns the land and will own the building. The provincial government transferred the 50-acre property at Third Line and Dundas to HHS in 2007.

2. Is it an option for the Town to own the buildings and lands as is the case with the new Brampton Civic Hospital? Why did Brampton choose this route and what are the pros and cons? Brampton Civic Hospital's land and buildings are owned by William Osler Health Centre, not by the City of Brampton.

The Public Hospitals Act prevents Hospitals from mortgaging or encumbering hospital lands without the explicit prior approval of the Minister of Health. Below is the reference to the section in the Act.

Approval of Sales

(4) No land, building or other premises or place or any part thereof acquired or used for the purposes of a hospital shall be sold, leased, mortgaged or otherwise disposed of without the approval of the Minister. R.S.O. 1990, c. P.40, s. 4 (4).

3. What ongoing governance role will the Town have with the new hospital?

The Town of Oakville currently identifies one municipal representative to hold an ex-officio position on the HHS Board of Directors. There are no plans to change this arrangement.



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4. The Foundation (\$60 million) and the Hospital Auxiliary (\$3 million) have both made commitments to raise a large portion of the local share for the new hospital. What are their plans and timelines for achieving their goals and who makes up the difference if they are not successful?

The Auxiliary to OTMH has pledged \$3 million over the next 10 years, the first instalment of which will be made at this year's Annual General Meeting on May 27.

The Foundation's \$60 million is forecasted to be pledged and committed by 2014/15 with some pledge payments extending out over seven years. If the fundraising goal were to fall short some equipment purchases would be deferred and subsequent annual campaigns will solicit toward those equipment purchases. The Foundation's executive does not anticipate a shortfall; rather, they are ahead of the 2009/2010 target with \$11.5 committed.

5. When did the Town get the formal request for the \$200 million contribution?

The Town was first notified of the need for local support at a presentation made to the Administrative Services Committee on April 29, 2008. A motion of support was passed by Town Council on May 5, 2008. Halton Healthcare Services submitted the formal request for \$200 million on October 19, 2009.

6. To be answered by the Town of Oakville:

As part of the proposal, the hospital board would turn over the lands for the existing OTMH facility in South-East Oakville.

i) What are the actual details of the land transfer (lot size, characteristics, etc.)?

ii) Who is responsible for demolishing buildings?

iii) What would the town's financial obligations be with respect to the former Oakville-Trafalgar High School that is on site? This is a designated, historically significant building – under town ownership, we would come under considerable pressure to address this ageing and deteriorating building – what costs would be involved and has the hospital allocated any resources for this prior to a proposed transfer.

iv) Are there any leases or other encumbrances that would be inherited as a result of the transfer? If so, what are they and would they interfere with our ability to make long-term plans for the property.

v) What are the environmental liabilities that would result in the demolition of the building on site? Who is responsible for those and would there be an indemnifier covenant in case something is discovered later?

vi) Is the title to the land clear and can a transfer be done without any challenges or restrictions on use?



vii) What is the actual market value for the lands based on various use scenarios (I would assume that Council would be under intense pressure to not develop it at highest and best use) and what costs would we incur to get to a point that reuse/resale could be considered?

7. To be answered by the Town of Oakville :

Based on the current proposal, the town is being requested to pay the requested local share contribution up front and borrow the money to finance it. We understand that Infrastructure Ontario has offered to finance the deal for the Town at a rate of 4.97%/annum is that rate fixed for the entire term of the loan? Based on the answer to this, what are the total costs, principal and interest, based on a thirty year pay back?

8. The Hospital Corporation is counting on revenues from parking and ancillary revenue to pay their share. Can we see a business plan justifying revenue projections totalling \$270 million? **This is a very complex plan. We would be happy to discuss the plan in more detail with any Councillor who requests this information.**

9. Has the hospital considered selling the parking franchise to get “up front” cash instead of being the actual operator?

Yes. Proposals to purchase the parking franchise will be solicited and analyzed to determine whether selling the franchise or retaining ownership provides the most advantageous financial outcome for the hospital. This cannot take place prior to release of the RFP, but will be concluded prior to commercial close.

10. Does the hospital have a commitment in writing from the province to provide the operating funds to operate the additional beds and clinical services proposed for phase one?

The Ministry of Health and Long-Term Care approves the Functional Program, which describes the size and scope of the new hospital services, prior to release of the RFP. In doing so, Ministry staff thoroughly review and understand the incremental clinical activity that is being planned. Negotiation of the operating funds does not begin until after release of the RFP. This negotiation will include the amount of operating funding as well as the timing of ramp up from current to future volume.

11. Can the town have its auditor review all details of the finances of the project to provide advice to Council of the soundness of the plan and the sufficiency of the financing being requested?

HHS will provide the Town of Oakville staff with financial disclosure of information on a confidential basis, to enable verification of the final local share contribution at the conclusion of the bidding process for the New Oakville Hospital.

12. What would the implications be to the project if our commitment was based on a 30-year payout without having to finance it? In short, pay the commitment as we collect the funds without incurring interest.

There is a significant demand for cash at substantial completion, when the building is turned over to HHS, both to pay ProjectCo for the construction and to purchase equipment. In the



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event that the Town's contribution was not available at that time, HHS would be required to borrow the funds at a less advantageous interest rate than the Town is expected to achieve. This would increase the total cost of the project and, therefore, increase the amount required to fund the Local Share Plan, which, without support from the Town of Oakville, would not be possible.

13. There has been a suggestion that this hospital could become a teaching facility. Is it not true that teaching hospitals are funded either entirely or at a larger share than non-teaching ones? Has this been explored?

The Ministry of Health and Long-Term Care has only one policy for cost-sharing in hospital construction projects that applies equally to both teaching and community hospitals.

The new Oakville Hospital will not be a scheduled teaching hospital. HHS is negotiating an affiliation agreement with McMaster University to teach interns and residents at the new Oakville Hospital. Funding associated with this agreement would be used to reimburse those involved in the training of these individuals.

14. Have there been additional costs factored into the proposal to provide teaching facilities/accommodations?

Learner facilities were approved as part of the approved provincial scope of this project. This includes space for lockers, meeting/seminar rooms with multi-media capability, and expanded on-call rooms. This space is eligible construction and will receive 90% funding support from the province. Halton Healthcare Services is delighted to have these learner facilities to support the new affiliation agreement with McMaster University. We firmly believe that this will improve our ability to attract the best and the brightest healthcare professionals to our new hospital.

15. Does this proposal provide excess capacity for the anticipated growth of Oakville? Ideally, how many beds should Oakville have now and how many should it have in 30 years based on current growth assumptions?

It is the intent of HHS that the New Oakville Hospital provides capacity for growth of the community of Oakville. In addition, departments that have had to locate off-site, due to a lack of space at OTMH, will be brought together under one roof, providing one-stop access for patients.

Volumes have been projected to the years 2014/15 and 2018/19. It is expected that the demand for acute care will climb to 457 inpatient beds by 2015 and 602 beds by 2018. Growth in diagnostic and treatment areas has also been accommodated in the plans for the new hospital. The additional space required for these volumes has been planned in the new hospital.

16. What capital assets/equipment/furnishings are being moved from the current site to the new one and what is the value of that? Has that been deducted from the local share?

As many capital assets/equipment/furnishings as possible are being transferred from OTMH to the New Oakville Hospital. An inventory of existing capital assets/equipment/furnishings was conducted in 2008 and items were assessed in terms of what will need to be replaced before the



move, what can be transferred and what additional equipment will be required in order to operate in the new hospital. It is impossible to quantify the value of the transferrable items, chiefly because many items are, and will continue to be, in use after their value has depreciated.

The amount of the local share required was assessed after determining the required incremental increase of capital assets/equipment/furnishings above that which is to be transferred.

17. Can we get a full report on other PPP and/or AFP models (i.e. William Osler) with specific focus on what went wrong and how those issues have been addressed in this plan as well as what went well and how those opportunities are being capitalized on.

I would like to refer you to two reports:

- The Auditor General's Report on the Brampton Civic Hospital
<http://www.auditor.on.ca:81/>
- The Conference Board of Canada's Assessment of Public Private Partnerships
<http://www.conferenceboard.ca/press/newsrelease/10-66backgrounder.aspx>

The Auditor General's report illustrates clearly the differences between the P3 model used by the previous government and the current AFP approach. Through the establishment of Infrastructure Ontario and the development of the ReNew Ontario AFP program, enhancements have been made in key areas such as conducting value for money assessments, quantifying risk transfer, hiring advisors, and publicly disclosing information. Specifically:

- The assessment of procurement alternatives takes place before a project may be assigned to Infrastructure Ontario
- Value for money assessments are conducted at three stages during the AFP procurement process - prior to releasing the Request for Proposals, prior to awarding the contract, and immediately following financial close
- Infrastructure Ontario's due diligence process includes a project governance structure that manages and monitors key project approvals and the related decision-making process
- All anticipated costs and risks are documented and reviewed by third party advisors to ensure an appropriate level of transparency is maintained during the process
- The AFP model quantifies the risks retained by the public sector using a risk allocation matrix based on empirical data
- Project agreements are structured to ensure that risks are assumed by the party best able to manage them
- Infrastructure Ontario has a rigorous internal procurement policy that is used for hiring advisors, and all contracts are fixed price arrangements
- Infrastructure Ontario has in place a Disclosure Policy that it follows consistently on all of its projects



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18. Town of Oakville to respond:

Could we use the proceeds of the recent sale of Blink to offset the ultimate contribution that is agreed to by the Town? If Oakville Hydro makes this contribution directly as a “gift to the crown” does this potentially reduce tax liability to OHDI for the revenue resulting from the sale? In doing so, this money could be set up as a fund earning return until the time when the actual payment is required. Perhaps the Oakville Community Foundation, who have an excellent track record at earning high returns on their investments, could be asked to manage such a fund until the “substantial completion of construction in late 2014.” Profits from such an investment can be used to offset the ultimate local share cost.

Thank you for your continued interest and support of this project.

As always, please contact me at 905-338-4616 if you have any additional questions or concerns.

Yours truly,

John Oliver
President & CEO
Halton Healthcare Services