

City Agenda Report

Report To: CITY COUNCIL

Report Date: June 8, 2001

Meeting Date: June 14, 2001

Subject: Health Care Funding

Department Review:

Mark Mieto, General Manager
Health & Social Services

Recommended for Agenda:

J.L. (Jim) Rufe
Chief Administrative Officer

Report Authored by: Mark Mieto, General Manager

Recommendation:

Whereas "ensuring our Citizens have access to Health Services in the Community" is a key priority of Council as adopted in the Mapping the Vision document approved by Council on February 27th, 2001 and

Whereas the Hôpital régional de Sudbury Regional Hospital is the medical referral centre for Northeastern Ontario and

Whereas the Northeastern Ontario Cancer Treatment Centre provides medical care to cancer patients of Northeastern Ontario and



Whereas the City of Greater Sudbury will have a world class medical school and a teaching hospital, and

Whereas the Health Sector is a critical component of our economic strategy and provides essential employment (second largest single employer in the City of Greater Sudbury) and

Whereas the City of Greater Sudbury has contributed to road improvements and land to the projects and the Sudbury and District Energy Corporation has contributed financially to the hospital, and

Whereas the former Regional Municipality of Sudbury, since its inception, has contributed to the local share of the Hospital Capital Construction costs and

Whereas the Heart & Soul Campaign has requested \$28.2 million from the City of Greater Sudbury,

Therefore Be It Resolved That

- a) \$5 million be funded immediately;
- b) a further \$21.7 million be funded from the Community Projects Supports Capital Envelope at the amount of \$1 million per year for a period of 21.7 years; and
- c) further all the funds be assigned directly to the Hospital (\$19,650,000) and Cancer Projects (\$7,050,000) given the time period beyond the Heart & Soul Campaign Partnership agreement.

Background:

Original Request

The Heart & Soul Campaign, a joint fund raising campaign for three health-care related capital projects, is raising funds which will make up part of the community monies which must be raised towards the capital cost of additions to the Hôpital régional de Sudbury Regional Hospital, and the Northeastern Ontario Regional Cancer Centre, as well as the cost of the new St. Joseph's Long-Term Care Facility. Campaign co-ordinators are presently requesting from the City of Greater Sudbury, a contribution of \$28.2 million, inclusive of the \$5 million which was approved by way of Regional Council Resolution #2000-39. This resolution was passed when representatives from the Heart & Soul Campaign appeared as a delegation before the former Regional Council on February 23, 2000.



At that meeting held on February 23, 2000, the partners of the Heart & Soul Campaign made a three part presentation on the planned expansion of, and investment in health care services in this community. Joe de Mora, then CEO of the Hôpital régional de Sudbury Regional Hospital, provided information regarding the expansion of the hospital into a state of the art facility with modern equipment and technology, a new information technology infrastructure, and new ways of delivering services. He told Council, that as well as capital costs, there would be an additional cost of \$26 for new equipment.

At the February 23, 2000 meeting, representatives from the Heart & Soul Campaign requested from the Regional Council, a total of \$28.2 million, suggesting that \$5 million be approved in the year 2000, with the remaining \$23.2 million being committed over a four year period, with annual payments of \$5.8 million. Regional Council approved the \$5 million request by way of Resolution #2000-39, but deferred any recommendations with regard to the \$23.2 million.

Original Heart and Soul Request for funding - February 23, 2000

Hospital Project	\$143 M
Hospital Equipment	26 M
Cancer Care Project	21.9 M
Cancer Research	2.5 M
St. Joseph's Long-term Care	<u>17 M</u>
	\$210.4 M

Funding Sources

Ministry of Health & Long-term Care	\$107.7 M
Assets of former hospitals	12.2 M
Other Hospital Funding Sources	17.5 M
Other Sources of Funding	27.3 M
Heart & Soul Fundraising	17 M
Municipal Contribution:	
Former Regional Municipality of Sudbury	
City of Greater Sudbury	<u>23.2 M</u>
	\$210.4 M



Resolution passed by the former Regional Council

Motion #2000-39 read as follows:

Whereas Fondation de l'Hôpital régional de Sudbury Regional Hospital Foundation, the Northern Cancer Research Foundation and the St. Joseph's Foundation of Sudbury are partnering in a joint fundraising campaign to address the community's share of the capital costs for the new health care initiative in the community; and

Whereas they have identified \$28.2 million as the municipal share of the total community campaign of \$45.7 million;

Now therefore be it resolved that Regional Council approves the allocation of \$5.0 million for this project, inclusive of the \$3.2 million in reserve, subject to Transition Board approval, without increasing the Year 2000 budget; and

That the Corporate Services committee bring a recommendation back to Council on how to fund the \$5.0 million in the year 2000; and further

That the Regional Chair form a Committee made up of Regional Mayors, Members of the Regional Council, the Chamber of Commerce, Labour, and the Chair of the Transition Board to formulate options that the Province of Ontario can use to flow additional monies for our new Northeastern Ontario Health Care Centre; and

That this committee make arrangements to meet with the Minister of Health and the Premier of Ontario.

Committee formed by the Former Regional Chair

As a result of resolution # 2000-39, Regional Chair Frank Mazzuca formed a committee as outlined in the above resolution to explore funding opportunities for the remaining \$23.2 million. Funding sources that were pursued included the Ministries of Health and Long-Term Care; Energy, Science and Technology; and Northern Development and Mines. Meetings with each Ministry were sought, but the only Ministry which agreed to a meeting was the Ministry of Northern Development and Mines. Minister Hudak met with Chair Mazzuca and Councillor Davey but did not commit any dollars to the project. Meetings with the other two ministries were unable to be arranged.



Federation of Northern Ontario Municipalities - Task Force

Councillor Ron Bradley has been chairing a committee "Northern Health Care Task Force" for the Federation of Northern Ontario Municipalities (FONOM). The Task Force has developed a briefing paper to present various options for funding/fund raising to support northern hospitals involved in the restructuring process. FONOM has made a number of presentations to the Federal and Provincial governments and is currently waiting for a response.

Hospital Expansion Benefits

- *Hôpital régional de Sudbury Regional Hospital*

The Hôpital Régional de Sudbury Regional Hospital once built will have 600 patient beds being one of the largest hospitals in the Province of Ontario. The building will be 873,000 square feet on 34 acres of land. The Hospital has 260 physicians, approximately 2,700 employees and 1,000 volunteers, and will host the following regional services in Northeastern Ontario: cardiac care, nephrology, rehabilitation, cancer care, and trauma. The modern equipment and technology will provide state of the art care and will be the new teaching hospital to the Northern Ontario Rural Medical School.

- *Northeastern Ontario Regional Cancer Care*

The expansion of the Cancer Treatment Centre will accommodate the 5 new linear accelerators which will be needed to replace aged equipment and deal with the increased demand for radiation therapy. The project will provide additional space for providing chemotherapy services and additional research space for cancer research i.e. new Chair of Cancer Research. The Regional Cancer Centre has 200 FTE's in 2000 and expects to have 300 FTE's employed at the Centre in 10 years with expansion in staff for clinical and research purposes.

- *St. Joseph's Long-term Care Project*

The long-term care project envisioned providing a health system linkage for the St. Joseph's Health Care organization. To provide continuing care through a continuum of complex care, palliative rehabilitation and long-term care, the St. Joseph's Long-term Care Facility would provide the aging population of the City with an additional 132 beds to meet the demographic needs and alleviate the pressure on families and acute care beds in hospitals.

Financial Review - KPMG

With the concurrence of the Council of the City of Greater Sudbury (minutes of the May 14, 2001, state *"In regard to the new health care initiative in the community, the consensus of Council was*



obtained to retain the firm of KPMG to review the funding. Council directed staff to bring back a report including a review by the firm of KPMG") the firm of KPMG was retained and has conducted a review (report attached) of the projects submitted for funding by the Hospital, Cancer Centre and St. Joseph's Long-term Care Facility under the Heart & Soul Campaign.

- *The Hôpital Régional de Sudbury Regional hospital has currently approval from the Ministry of Health for a construction cost of \$143.4 million of which the province is providing \$92.14 million. Costs have increased for the hospital building from \$134.5 million to \$201 million due to scope revisions and increased material costs. Equipment and technology needs have increased from \$9 million to \$74 million over the next five years. The hospital administration is in the process of negotiating with the Ministry of Health for the funding arrangements to cover the increased costs. The Ministry of Health has requested confirmation of the municipal contribution prior to making its commitment to additional costs. The Hospital is not requesting additional dollars to cover any of the increased costs from the original request made by the Heart & Soul Campaign request.*
- *The Northeastern Ontario Cancer Centre originally received Ministry of Health approval for an expansion of \$14.9 million for treatment purposes with a project cost of \$21.9 million which included expansion of medical research area. Costs have increased to \$31.6 million for the total project and the Cancer Centre is not requesting additional dollars for the increased costs.*
- *St. Joseph's Long-term Care Project has received Ministry of Health and Long-term Care approval for 96 beds and was subsequently approved for an additional 36, for a total of 132 beds for a capital cost of \$17 million.*

Previous Municipal Policy

Over the last 20 years, the municipality has contributed over \$13.4 million to hospital projects to assist with funding the local share of projects which included perinatal units, helipads, cancer beds, nuclear cardiology, nephrology, angiography suite, etc. The funding requests all originated from the Sudbury Hospital Council which acted on behalf of the four hospitals to coordinate fundraising. The municipal funding formulae was to generally cover the local share being one third of the approved capital project approval by the Ministry of Health. All projects funded by the former Regional Municipality of Sudbury were hospital projects covered by the Public Hospital Act.

In the City of Greater Sudbury, presently there exists the following types of corporations operating or planning to operate long-term care facilities:

- i) municipal - Pioneer Manor
- ii) private not for profit - St. Joseph Health Centre, Long-term Care Facility
- iii) non profit - Finlandia Koti



iv) for profit - Extendicare and Jarlette

Currently there is no precedent or municipal policy to deal with capital funding contributions to these types of corporations with the exception of the municipal facility, Pioneer Manor, which is a legal requirement. Consequently the St. Joseph's Long-term Care Facility which is a private not for profit corporation has been removed from the original request. The result is a reduction of \$1.5 million from the original request of \$28.2 million.

Should the City wish to fund the St. Joseph's Long-term care Facility, Council has the authority to provide one time grants to any purpose it considers in the interests of the municipality. The capital grant would be considered a precedent and it would be recommended a staff report be prepared on a funding policy including financial implications which would be brought back to Council for approval.

Financial Summary

As per the attached letter from the General Manager of Corporate Services, the capital commitment the City of Greater Sudbury can provide, (balancing its ability to contribute towards this project with its fiscal capacity), is \$1 million from the Community Projects Support Capital Envelope for the next twenty years for a total of \$21.7 million. The funds should be directly assigned to the Hospital and the Cancer Project given the twenty year commitment being considered by City Council. The Heart & Soul Campaign partnership agreement is for a five year period or when the campaign goal has been achieved. Therefore, the Heart & Soul Campaign agreement time period will be exceeded by the 21.7 year funding commitment from the municipality.

attachments



INTER-OFFICE CORRESPONDENCE

DATE: June 8th, 2001

TO: **M. Mieto**
General Manager of Health and Social Services

FROM: **D. Wuksinic**
General Manager of Corporate Services

RE: **Health Care Funding Project**

Balancing the need to support the Health Care Sector in this endeavour with the municipality's ability to pay, we recommend that the City fund the Hospital and the Cancer Care Project in the amount of \$26.7 million over the next twenty years.

Specifically, the recommendation is that this funding be comprised of the \$5 million currently allocated to this Project, and up to an additional \$1 million annual commitment, commencing in the year 2002, for 21.7 years.

To support this additional \$21.7 million commitment, a number of funding options were reviewed; namely:

- a) the use of existing reserves;
- b) the use of existing capital envelopes; and
- c) an increase in the municipal levy of \$1 million (approximately 0.8% increase in the levy);

In the analysis that was conducted on each of these options, two fundamental principles were developed; namely:

- that the option chosen must not adversely affect the municipality's ability to maintain its existing infrastructure; and
- that a tax increase should be the last option accepted.

Memo to: M. Mieto
Re: Health Care Funding
Date: June 8th, 2001

Page Two

Based on these two fundamentals, an analysis of the three options quickly indicated:

- 1) That Option (a) - using our existing reserves was not acceptable as the majority of these reserves are set aside for much needed infrastructure improvements, and to draw upon these reserves would hinder the municipality's ability to maintain its own infrastructure;
- 2) That Option (c) - increasing the property tax by \$1 million (approximately 0.8%) was not an acceptable option, at this time; and
- 3) That Option (b) - reviewing existing capital envelopes was the only viable option provided that the envelope utilized was that of the newly-created Envelope entitled "*Community Projects Support*" as all of the other capital envelopes support existing municipal infrastructure.

As you will recall, in the Capital Budget Portion of this year's Budget Process, Council created a new Capital Envelope entitled "*Community Projects Support*" whose purpose was to support undertakings such as N.D.C.A. and/or health projects; and where, under the Ten Year Plan adopted by Council, the Envelope had an allocation of:

2002	
2003	- \$ 800,000
2004	- \$1,000,000
2005	- \$1,000,000
2006 and beyond	- \$1,275,000
	- \$1,500,000

As the use of the Community Projects Envelope is the only viable option, it is recommended that the Funding Plan, as outlined on Appendix "A", be adopted.

DW/lp

Attach.

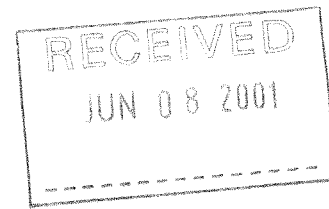
cc: J.L. (Jim) Rule
S. Jonasson

Proposed Health Care Funding Plan

	Community Projects Support Envelope \$	Health Care Funding from Envelope \$	Balance remaining in Envelope \$
2002	800,000	800,000	
2003	1,000,000	1,000,000	0
2004	1,000,000	1,000,000	0
2005	1,275,000	1,200,000	0
2006	1,500,000	1,000,000	75,000
2007	1,500,000	1,000,000	500,000
2008	1,500,000	1,000,000	500,000
2009	1,500,000	1,000,000	500,000
2010	1,500,000	1,000,000	500,000
2011	1,500,000	1,000,000	500,000
2012	1,500,000	1,000,000	500,000
2013	1,500,000	1,000,000	500,000
2014	1,500,000	1,000,000	500,000
2015	1,500,000	1,000,000	500,000
2016	1,500,000	1,000,000	500,000
2017	1,500,000	1,000,000	500,000
2018	1,500,000	1,000,000	500,000
2019	1,500,000	1,000,000	500,000
2020	1,500,000	1,000,000	500,000
2021	1,500,000	1,000,000	500,000
2022	1,500,000	1,000,000	500,000
2023	1,500,000	1,000,000	500,000
Total	31,075,000	21,700,000	9,375,000
Plus Existing Commitment from Reserves		5,000,000	
Total Health Care Funding		26,700,000	

The recommendation is to advance the \$1 million in 2002, \$800,000 from the 2002 envelope with the balance of \$200,000 coming from the 2005 envelope.

Provides a total health care contribution of \$26.7 million, \$ 5 million initially and a further \$21.7 million over 22 years through a municipal contribution of \$1 million per year. The Community Support Envelope is almost totally committed to health care until 2005; as of 2006 there is \$500,000 available in the envelope for other municipal projects.



Analysis of the Capital Cost of

HEALTH CARE RESTRUCTURING IN SUDBURY

Prepared for:

The City of Greater Sudbury
Tom Davies Square
200 Brady Street
Sudbury, Ontario

Submitted by:



James G. Corless, FCA
144 Pine Street
Sudbury, Ontario
June 8, 2001

TABLE OF CONTENTS

Introduction	1
Original Estimate of Capital Costs	2
Cost Estimates Presented to Regional Council	2
Sudbury Regional Hospital	2
Northeastern Ontario Regional Cancer Centre	3
St. Joseph's Health Centre	3
Current Cost Estimates	4
Sudbury Regional Hospital	4
Northeastern Ontario Regional Cancer Centre	5
St. Joseph's Health Centre	5
Funding Sources	6
Sudbury Regional Hospital	6
Northeastern Ontario Regional Cancer Centre	7
St. Joseph's Health Centre	8
Summary of Heart & Soul Campaign Contributions	8
Previous Foundation and Hospital Surpluses	9
Sudbury District Energy Corporation	9
Municipal Participation and Commitments	10
 Exhibits	
Exhibit A – Ministry of Health and Long-term Care approval for long-term care beds	
Exhibit B – Explanation for construction cost escalations – Sudbury Regional Hospital	
Exhibit C – Ministry of Health and Long-term Care approval for Sudbury Regional Hospital capital funding	
Exhibit D – Ministry of Health and Long-term Care approval for Northeastern Ontario Regional Cancer Centre capital funding	
Exhibit E – Summary of municipal contributions to health care restructuring	

INTRODUCTION

As part of health restructuring in the City of Greater Sudbury, three separate construction projects are currently underway:

- The expansion of the Laurentian site of the Hôpital régional de Sudbury Regional Hospital (the “Sudbury Regional Hospital”) in order to consolidate the delivery of hospital services
- The expansion of the radiation and systemic therapy facilities of the Northeastern Ontario Regional Cancer Centre
- The establishment of a long-term care facility to be administered by the St. Joseph’s Health Centre

As initially envisioned, the capital costs of the first two projects were to be financed through a mix of Provincial funding (equal to two-thirds of eligible capital costs) and community contributions. Provincial funding for the long-term care facility was to be determined based on a per diem calculation, with the remaining costs financed by the community.

In order to ensure that the community funding targets for all three projects were met, a joint fundraising agreement (known as the Heart & Soul Campaign Partnership Agreement) was entered into by the following organizations:

- Sudbury Regional Hospital Foundation
- Northern Cancer Research Foundation
- St. Joseph’s Foundation of Sudbury
- Sudbury Regional Hospital
- Northeastern Ontario Regional Cancer Centre
- St. Joseph’s Health Centre

As part of the community contribution towards health care restructuring, the former Regional Municipality of Sudbury committed a total of \$5 million. In light of increased construction and equipment costs, the various parties involved have requested additional funding from the City.

In order to assist Council in assessing this request for additional funding, KPMG LLP has been retained to review the increases in capital costs relating to health care restructuring and identify other sources of revenue for the project. This report outlines the results of our review.

HEALTH CARE RESTRUCTURING IN SUDBURY

ORIGINAL ESTIMATE OF CAPITAL COSTS

Initially, the total cost of health care restructuring was estimated to be approximately \$172.2 million. This estimate was arrived at based on the Functional Programs and Master Plans for the Sudbury Regional Hospital and the Northeastern Ontario Regional Cancer Centre, as well as the establishment of a 96-bed long-term care facility by the St. Joseph's Health Centre. The cost estimates noted below have been approved by the Ministry of Health and Long-term Care.

Original capital cost estimates

	Structure	Equipment	Total
Sudbury Regional Hospital	\$ 134,526,003	9,000,000	143,526,003
Northeastern Ontario Regional Cancer Centre	10,334,000	4,500,000	14,834,000
St. Joseph's Health Centre	12,605,148	1,249,000	13,854,148
Total	\$ 157,465,333	14,749,000	172,214,333

COST ESTIMATES PRESENTED TO REGIONAL COUNCIL

When Regional Council was approached to provide funding for health care restructuring in February 2000, cost estimates which were different than those noted above were presented.

Capital cost estimates presented to Regional Council

	Structure	Equipment	Research Funding	Total
Sudbury Regional Hospital	\$ 134,000,000	35,000,000	—	169,000,000
Northeastern Ontario Regional Cancer Centre	21,900,000	—	2,500,000	24,400,000
St. Joseph's Health Centre	17,000,000	—	—	17,000,000
Total	\$ 172,900,000	35,000,000	2,500,000	210,400,000

The differences between the original capital cost estimates and the amounts presented to Council are as follows:

Sudbury Regional Hospital

Initially, equipment costs for the Sudbury Regional Hospital were estimated to be in the order of \$9 million, based upon the direction of the Health Services Restructuring Committee. However, at the time of the presentation to Regional Council, the estimate of equipment costs had increased by an additional \$26 million based on an evaluation performed by an independent equipment planning firm. This amendment resulted in total equipment costs in the order of \$35 million.

HEALTH CARE RESTRUCTURING IN SUDBURY

Northeastern Ontario Regional Cancer Centre

As noted earlier in our report, the Ministry of Health and Long-term Care had approved funding for the expansion of the radiation and systemic therapy facilities of the Northeastern Ontario Regional Cancer Centre which had an estimated capital cost of \$14,834,000. However, the Functional Program for the Northeastern Ontario Regional Cancer Centre called for total capital costs of \$21,844,743 (the amount presented to Council), of which \$14,834,000 is eligible for Provincial funding (at a rate of two-thirds of the costs incurred). The remaining \$7,010,743 in capital costs is not eligible for Provincial funding.

In addition to the above, the cost estimates presented to Regional Council included \$2.5 million for enhanced cancer research. These costs, which were projected to be incurred at a rate of \$500,000 annually for a period of five years, were formerly the responsibility of the Northern Cancer Research Foundation. Under the terms of the Heart & Soul Campaign Partnership Agreement, however, these costs were to be financed through the joint Heart & Soul Campaign.

St. Joseph's Health Centre

The initial amount for the St. Joseph's Health Centre reflected the estimated costs of a 96-bed long-term care facility. However, the presentation to Council was based on a larger facility with higher costs.

Subsequent to the presentation to Regional Council, the St. Joseph's Health Centre did receive Provincial approval for 32 additional long-term care beds, increasing the cost of the project to approximately \$17.5 million. Please refer to Exhibit A for correspondence relating to the approval for the initial 96 long-term care beds and the additional 32 beds.

HEALTH CARE RESTRUCTURING IN SUDBURY

CURRENT COST ESTIMATES

Based on our review, we understand that, as of the date of this report, the estimated capital cost of health restructuring has increased to \$323.8 million, representing an increase of \$144.5 million over the original cost estimates.

Revised capital cost estimates

	Original Estimate	Revised Estimate	Escalation
Sudbury Regional Hospital	\$ 143,526,003	274,750,000	131,223,997
Northeastern Ontario Regional Cancer Centre	21,844,743	31,566,127	9,721,384
St. Joseph's Health Centre	13,854,148	17,496,797	3,642,649
Total	\$ 179,224,894	323,812,924	144,588,030

Sudbury Regional Hospital

Currently, the estimated capital costs relating to the Sudbury Regional Hospital are estimated to be in the order of \$274.7 million, as follows:

Revised capital cost estimates – Sudbury Regional Hospital

	Original Estimate	Revised Estimate	Escalation
Construction	\$ 117,462,934	178,350,000	60,887,066
Professional fees and expenses	17,063,069	22,400,000	5,336,931
Total construction costs	134,526,003	200,750,000	66,223,997
Equipment	9,000,000	74,000,000	65,000,000
Total capital costs	\$ 143,526,003	274,750,000	131,223,997

During July 2000, it became very apparent that the construction costs relating to the Sudbury Regional Hospital were escalating and would continue to do so as the project continued. In order to develop a reasonable estimate of the total cost of the project, an independent quantity surveying firm was retained by the Sudbury Regional Hospital to review construction cost estimates in light of changes in sub-trade pricing resulting from the heated construction market. The results of this review was an increase in construction costs to \$200,750,000.

A partial listing of reasons for the cost increases is included as Exhibit B.

HEALTH CARE RESTRUCTURING IN SUDBURY

In addition, equipment costs have also escalated considerably. At the Regional Council presentation in February 2000, equipment costs were estimated to be \$35 million, based on the independent equipment planning firm's report. The firm identified a five year estimate of the cost of equipment, including furniture and information technology, of \$74 million, of which Sudbury Regional Hospital administration have estimated \$35 million would need to be spent during the course of the construction project.

Northeastern Ontario Regional Cancer Centre

Total capital costs relating to the Northeastern Ontario Regional Cancer Centre project are estimated to be \$31.5 million, representing an increase of \$9.7 million over the original estimates.

Revised capital cost estimates – Northeastern Ontario Regional Cancer Centre

	Original Estimate	Revised Estimate	Escalation
Construction	\$ 10,334,000	16,670,055	6,336,055
Equipment	4,500,000	6,026,980	1,526,980
Total costs eligible for Ministry funding	14,834,000	22,697,035	7,863,035
Ineligible costs	7,010,743	8,869,092	1,858,349
Total capital costs	\$ 21,844,743	31,566,127	9,721,384

Following a review of construction estimates by an independent quantity surveyor, the original cost estimate of \$21.8 million was increased to \$31.5 million at the sketch plan estimate stage, primarily due to the same factors as those experienced by the Sudbury Regional Hospital. Additional cost overruns are expected to be incurred as the project progresses.

St. Joseph's Health Centre

The revised cost estimates for the St. Joseph Health Centre reflects the approval for an additional 32 long-term care beds received subsequent to the initial cost estimates. However, as construction has not yet begun, additional cost escalations may be experienced in the future.

Revised capital cost estimates – St. Joseph's Health Centre

	Original Estimate	Revised Estimate	Escalation
Number of long-term care beds	96	128	32
Construction	\$ 12,603,147	16,007,797	3,404,650
Equipment	1,249,000	1,489,000	240,000
Total capital costs	\$ 13,852,147	17,496,797	3,644,650

HEALTH CARE RESTRUCTURING IN SUDBURY

FUNDING SOURCES

Sudbury Regional Hospital

Initially, it was anticipated that the Ministry of Health and Long-term Care would fund two-thirds of the capital costs associated with the Sudbury Regional Hospital, while the community would finance the remaining portion. We understand, however, that the Ministry of Health and Long-term Care is not prepared to finance costs not associated with health care restructuring, which have been estimated by the Sudbury Regional Hospital to be approximately \$8.1 million.

Summary of funding sources – Sudbury Regional Hospital

	Original	With Escalation
Ministry of Health and Long-term Care	\$ 96,336,000	136,787,646
Community funding sources:		
Heart & Soul Campaign	31,200,000	31,200,000
Sudbury Memorial Hospital equity contribution	8,470,000	8,470,000
Sudbury and District Energy Corporation	3,000,000	3,000,000
Sudbury Regional Hospital reserves (spent and existing)	2,920,003	8,502,820
Sudbury General Hospital trauma campaign	1,600,000	1,600,000
Sudbury Regional Hospital Foundation	—	5,200,000
Sudbury Regional Hospital annual capital reserve contribution	—	28,000,000
Total community funding sources	47,190,003	85,972,820
Unfunded capital costs	—	51,989,534
Total funding	\$ 143,526,003	274,750,000

To date, the Ministry of Health and Long-term Care has approved a total of \$92,140,000 in funding for the Sudbury Regional Hospital project, based on approved capital costs of \$143,300,000. This approval is documented in a letter dated March 7, 2000 from the Ministry of Health and Long-term Care to the Sudbury Regional Hospital which has been included as Exhibit C. The Sudbury Regional Hospital is of the opinion, however, that the Ministry of Health and Long-term Care will approve an additional \$44 million for construction costs as well as \$26 million for equipment costs once the City commits to a contribution of \$28.2 million, as initially requested.

HEALTH CARE RESTRUCTURING IN SUDBURY

Northeastern Ontario Regional Cancer Centre

As noted earlier in our report, the Ministry of Health and Long-term Care has only approved funding for costs relating to the expansion of the radiation and systemic therapy facilities of the Northeastern Ontario Regional Cancer Centre. Based on the original cost estimate of \$14.9 million, the Province has approved funding of \$9.89 million, or two-thirds of the eligible costs. This commitment is documented in a letter from the Province dated June 17, 1999, which has been included as Exhibit D.

Currently, the Province has not approved any additional funding to offset cost overruns relating to the radiation and systemic therapy facilities. However, it is expected that the Ministry of Health and Long-term Care will finance these overruns based on a two-thirds funding formula.

Based on the initial cost estimates, it was anticipated that the Heart & Soul Campaign would finance the remaining capital costs incurred by the Northeastern Ontario Regional Cancer Centre. Despite the cost overruns incurred to date, the anticipated level of community funding has not been increased – rather, the Northeastern Ontario Regional Cancer Centre is seeking other funding from other government agencies to finance the escalated costs.

Summary of funding sources – Northeastern Ontario Regional Cancer Centre

	Original	With Escalation
Ministry of Health and Long-term Care	\$ 9,890,000	15,131,357
Heart & Soul Campaign	12,100,000	12,100,000
Other government agencies	—	4,334,770
Total funding	\$ 21,990,000	31,566,127

HEALTH CARE RESTRUCTURING IN SUDBURY

St. Joseph's Health Centre

The long-term care facility to be administered by the St. Joseph's Health Centre will be funded through a combination of contributions and mortgage financing, which will be repaid through:

- A per diem subsidy from the Province equal to \$10.35 per bed per day for a period of 20 years
- Revenue from preferred accommodations and accreditation
- Operating surpluses of the facility

Summary of funding sources – St. Joseph's Health Centre

	Number of Beds	
	96	132
Heart & Soul Campaign	\$ 2,500,000	2,500,000
Capital contribution	4,500,000	4,500,000
Mortgage financing	6,852,147	10,496,797
Total funding	\$ 13,852,147	17,496,797

SUMMARY OF HEART & SOUL CAMPAIGN CONTRIBUTIONS

Based on the above funding structures, the total contribution of the Heart & Soul Campaign to health care restructuring in Sudbury will be \$45.7 million, allocated as follows:

- Sudbury Regional Hospital - \$31.2 million
- Northeastern Ontario Regional Cancer Centre - \$12.0 million
- St. Joseph's Health Centre - \$2.5 million

The contribution to the Sudbury Regional Hospital includes \$3.2 million of funds provided by the Region of Sudbury. This amount, which was allocated specifically to the Trauma Unit, was considered to be restricted to the Sudbury Regional Hospital. The remaining \$42.5 million was allocated to the three projects based on the proportionate financial requirements.

Summary of allocation of unrestricted Heart & Soul contributions

	Amount	Percentage
Sudbury Regional Hospital	\$ 28,000,000	65.88%
Northeastern Ontario Regional Cancer Centre	12,000,000	28.24%
St. Joseph's Health Centre	2,500,000	5.88%
Total unrestricted contributions	\$ 42,500,000	100.00%

HEALTH CARE RESTRUCTURING IN SUDBURY

PREVIOUS FOUNDATION AND HOSPITAL SURPLUSES

The Sudbury Memorial Hospital and the Laurentian Hospital Foundations were merged on June 22, 1998. The funds from the two foundations, now consolidated into the Sudbury Regional Hospital Foundation, totaled \$5,200,000 at December 31, 1999. This money will eventually be spent on the Sudbury Regional Hospital project but the majority of the funds are designated to purchase hospital equipment and are not available for general construction.

The Northern Cancer Research Foundation has similar circumstances.

The Sudbury Regional Hospital has allocated its surplus, past and future, to financing the project as seen above.

The Sudbury General Hospital did not have a foundation nor did the Sisters of St. Joseph; however, the St. Joseph's Health Centre is being funded by the Sisters through a \$4,500,000 capital commitment. They have also pledged a donation to the Heart & Soul Campaign of \$1,500,000.

SUDBURY DISTRICT ENERGY CORPORATION

The agreement with Sudbury District Energy Corporation allows for profit sharing after certain conditions are met. The Energy Services Agreement dated October 25, 2000 allows for the Sudbury District Energy Corporation to earn a return on investment of 14% before profit sharing begins. The agreement also allows the Sudbury Regional Hospital a 35% share of the profit at that time.

In addition, the agreement requires the Sudbury District Energy Corporation to pay \$3,000,000 towards the cost of the Sudbury Regional Hospital (for specified construction). The Sudbury Regional Hospital will buy services from the Sudbury District Energy Corporation as defined in the agreement.

HEALTH CARE RESTRUCTURING IN SUDBURY

MUNICIPAL PARTICIPATION AND COMMITMENTS

As noted earlier, the Regional Municipality of Sudbury committed \$5 million towards the capital cost of health care restructuring. Of this amount, \$3.2 million was allocated to the Trauma Unit while the remaining \$1.8 million was considered new funding.

In addition to this commitment, the City has also made the following contributions, totaling \$4,650,000, to health care restructuring:

- The City and Greater Sudbury Utilities Inc. have each loaned \$1 million to the Sudbury District Energy Corporation (for a total of \$2 million) to be repaid over the next 20 years. These loans were for the construction of a new cogeneration plant at the Sudbury Regional Hospital site.
- The City will incur expenses to undertake the necessary road work required for the entrances to the Sudbury Regional Hospital. The cost of this work has been estimated by Engineering Services to be \$1,690,000 for the Ramsey Lake Road entrance and \$710,000 for the Paris Street entrance.
- The City has donated land with an approximate value of \$250,000 to the Sudbury Regional Hospital.

Additional details concerning municipal participation in health restructuring are provided in Exhibit E.

Exhibit A

**Ministry
of
Health**

Office of the Deputy Minister

10th Floor, Hepburn Block
80 Grosvenor Street
Toronto ON M7A 1R3
Tel (416) 327-4296
Fax (416) 326-1570

**Ministère
de
la Santé**

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Toronto ON M7A 1R3
Tél (416) 327-4296
Télé (416) 326-1570



May 12, 2000

Sister Bonnie Anne MacLellan
St Joseph's Health Centre / Centre De Santé De St-Joseph
700 Paris St.
Sudbury, ON
P3E 3B5

Dear Sister MacLellan:

I am pleased to congratulate you on your award to develop 96 long-term care beds in Sudbury.

Construction of 20,000 new long-term care beds by 2004 is an important part of the Ontario government's commitment to quality health care for everyone in the province. Your success in the Ministry's Request for Proposal (RFP) process is a credit to you and your organization. I congratulate you on your accomplishment and welcome your involvement in this exciting venture.

Tim Burns, Project Lead for the 1999 Awards, at the Ministry's Long-Term Care Redevelopment Project will be contacting you shortly to discuss the Development Agreement to be entered into by your organization and the Ministry. It is our goal to have the Development Agreements between the Ministry of Health and Long-Term Care and all 1999 RFP awardees finalized by the third week of June 2000.

In the meantime, if you have any questions, please call Tim at (416) 326-6485 or e-mail him at Tim.Burns@moh.gov.on.ca.

I also wanted to let you know that we are currently reviewing the proposal to permit long-term care facility operators to retain 100% of preferred accommodation revenues. We expect to be communicating the details of this new strategy to facility operators in the next few weeks.

Again, please accept my congratulations. On behalf of the Ministry and Long-Term Care, we look forward to working with you and seeing the realization of your project.

Yours truly,

Daniel Burns
Deputy Minister

Exhibit A

Ministry of Health
and Long-Term Care

Ministère de la Santé
et des Soins de longue durée



Assistant Deputy Minister
Long Term Care
Redevelopment Project
415 Yonge Street, 10th Floor
Toronto, ON M5B 2E7
Telephone: 416-326-6485
Fax: 416-326-5533

Sous-ministre adjointe
Projet de réaménagement des soins de
longue durée
415, rue Yonge, 10^e étage
Toronto ON M5B 2E7
Téléphone : 416-326-6485
Télécopieur : 416-326-5533

URGENT FAX - PRIVATE AND CONFIDENTIAL

15 May 2001

**Sister Bonnie Anne MacLellan
Chief Executive Officer
St Joseph's Health Centre
700 Paris Street
Sudbury ON P3E 3B5**

Via Fax: (705) 675-4769

Dear Sister Bonnie Anne MacLellan:

**Re: NOTICE OF ALLOCATION
Ministry of Health and Long-Term Care 2001 Bed Allocations,
November 10, 2000
Reference Code: 2001-069-SUD-003**

This letter is to advise you that the Ministry of Health and Long-Term Care has now completed its assessment of applications to the 2001 Bed Allocations process as issued on November 10, 2000 and has identified you as eligible for an allocation to build 32 long-term care facility beds in Sudbury.

Section 2.6 of the Application Guidelines document states that if you accept the allocation your organization must sign an agreement with the Ministry to develop long-term care facility beds in substantially the same form and substance as the agreement included as Section VIII to the Application Guidelines document (the "Agreement"). The Agreement will bind you to the commitments, including land, made in your application and will contain other terms and conditions specific to your application including timelines for project completion.

Please confirm your intention to enter into the Agreement with the Ministry by signing the form attached as Appendix A, "Option 1" to this letter. If you wish to decline the allocation please sign Appendix A, "Option 2". **The Ministry requires your response by 5:00 p.m. on Thursday May 17, 2001. Please fax the form to my attention at (416) 327-9885.**

30

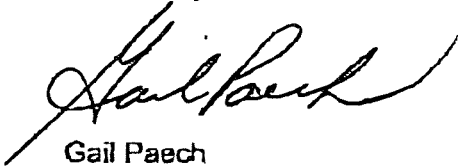
Exhibit A

If you indicate your intention to enter into the Agreement, I would ask that you confirm the general information as outlined in Appendix B and fax this form along with your Acceptance of Allocation by the deadline identified.

PLEASE NOTE THAT THIS NOTICE OF ALLOCATION IS CONFIDENTIAL until the Ministry's announcement of the allocation of long-term care facility beds in Sudbury/Manitoulin. You may not divulge the contents of this letter except to the directors and principals of your organization. The Ministry will notify you of the date of its announcement.

If you have any questions about this Notice of Allocation, please contact the 2001 Bed Allocations Call Centre at (416) 327-0400 or 1-888-720-1010.

Yours truly,



Gail Paech
Assistant Deputy Minister
Long-Term Care Redevelopment Project

att: Appendix A
Appendix B

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL
1000127

Budget variance report between budget of May 1999 and January 2001:

Scope Definition

The description of a section of work defined in a tender package and described in a set of drawings and specifications referred to as contract documents. The bidder prepares their quotation based on the contract documents for a section of the work. They include their cost for labour, material, equipment, overhead, and profit in their bid price. If a section of the subtrade's work is revised, deleted, or added to, then this revision to the work is referred to as a **scope revision**. Scope increases can occur without a change in building area or program.

Demolition

Variance \$1,964,000

- More area added than original estimate (631,000 sq.ft. vs 739,000 sq.ft. in operating room area and north tower).
- Lack of local competition on bid packages.
- Existing conditions, working in an existing functioning facility more difficult than originally envisioned.
- Better understanding of project requirements.
- Productivity of workmen below original expectations.
- Increased difficulty of demolition work i.e. smoke stack.
- Temporary hoarding walkways for interconnection of north tower to south tower now better defined.

Structural Alterations

Variance \$194,000

- Scope of work is now better defined.
- Increase of difficulty in working within an existing facility.
- Cost of steel escalation.

Siteworks

Variance \$536,000

- Screen wall added to cooling towers and transformers.
- Scope increase on concrete retaining walls.
- Increase in petroleum costs resulting in increase in asphalt costs.
- Rework drainage pond.
- Signage added.

Excavation/Backfill

Variance \$898,000

- Additional rock excavation required to reach an acceptable solid rock surface (unknown site conditions).
- The above results require a greater quantity of backfill.
- Additional building area (Phase 2 added) \pm 1,400sq.ft.
- Increased scope of work for foundation of mechanical equipment i.e. cooling towers, oxygen pad, duct bank, manholes, and mechanical trenches.

Concrete Work

Variance \$2,544,000

- Lack of competition on tender packages.
- Original estimate based on more aggressive productivities.
- Additional concrete required in foundation walls due to greater depth to be founded on suitable rock foundation.
- Earthquake design requirements not considered in original budget. Final structural design included this post disaster design requirement resulting in a heavier structure.
- Complexity of erecting structure in and around an existing functioning building may have not been sufficiently considered.
- Contract document delivery on Phase 1A delayed, resulting in work being done in the winter of 2000/2001.
- Price of reinforcing steel escalated.
- Scope changes added to concrete work i.e. sump pits, and mechanical bases.
- Structure designed for future expansion.

Precast Concrete

Variance (\$1,032,000)

- All precast concrete has been cancelled. \$1,032,000 in budget to be relocated to thermal moisture section.

Masonry

Variance \$353,000

- Extent of masonry now is better defined and more accurate quantities can be determined.

Metals

Variance \$4,126,000

- Increased difficulty has been experienced in tying new structure into existing structure.
- Southern Ontario market very busy resulting in price acceleration on steel $\pm 25\%$ (supply and demand).
- Structure has been designed for post disaster requirements (i.e. earthquakes) as a result member sizes are larger than originally envisioned.
- Structure has been designed for future expansion.
- As a result of exterior wall revisions, suspended steel angles were added to support exterior perimeter wall.
- Complexity of heliport, and footprint of heliport larger than existing roof area. As a result, this pad extends beyond the roof.

Wood and Plastics

Variance \$1,964,000

- Quality and quantity of millwork has increased from original budget submission.
- Petroleum increases has impacted on cost of plastic laminates.
- Market conditions, lack of competition on bid packages.
- Finish upgrade requirements added to millwork.
- Additional millwork added by users groups.

5

<u>Building Envelope/Thermal Moisture Doors and Windows</u>	Variance	\$7,754,000
<ul style="list-style-type: none">- Original building exterior cladding estimated was for a standard curtainwall system at ±\$37.00/sq. ft.- After tender closing, major redesign of the exterior wall occurred due to the high tender results due to the escalated market conditions and limited bidders (2).- Stainless steel siding upgraded from vertical plank siding to flat composite panels.- Parts of building roofing upgraded to an inverted system.- Market conditions supply and demand.- Increase costs of petroleum resulting in increase cost to petroleum-based products.- Increased complexity of exterior design from original estimate.- Penthouse wall panels upgraded to stainless steel.		
<u>Finishes</u>	Variance	\$4,271,000
<ul style="list-style-type: none">- Lack of competition on bid packages.- Cost escalation and inflation.- Finish upgrade requirements.- Increased renovation areas.		
<u>Specialties/Equipment/Furnishings</u>	Variance	\$1,628,200
<ul style="list-style-type: none">- Increases in kitchen equipment.- Escalation and inflation.- Addition of fume hoods and storage cabinets to budget.		
<u>Conveying Systems</u>	Variance	(\$994,200)
<ul style="list-style-type: none">- Scope better defined for tender package.- Original budget included \$1M for pneumatic tube system.		
<u>Mechanical</u>	Variance	\$6,583,000
<ul style="list-style-type: none">- Insufficient monies allocated in original budget for energy plant (\$1.9M)- Scope increases after December 1999 GMP submittal.		
<u>Electrical and Life Safety</u>	Variance	\$3,167,000
<ul style="list-style-type: none">- Scope increases.- Increased requirements for information services.- Electrical fixture upgrades.- Scope increases after December 1999 GMP submittal.		
<u>CTC Expansion</u>	Variance	\$1,202,000
<ul style="list-style-type: none">- Elevator, piling, and structural floor added.- Market conditions and cost escalation.		
<u>Cash Allowance</u>	Variance	\$1,123,000
<ul style="list-style-type: none">- New item – no money carried in initial budget.		

Temporary Construction

- New item – no money carried in initial budget.
- Scope now better defined.

Variance \$567,000

Contingency

- Based on known revisions and addition to project and future unknowns, a contingency of 4.1 million established for design and 4.1 million established for construction contingency.

Variance \$4,459,000

General Expense

- General expenses costs are a function of time.
- 8 months added to original established schedule.
- Increased cost of bonding, insurance, and permits.
- Increase in relocated staff costs.
- Additional temporary heating and hydro costs.
- Temporary cafeteria costs now included.

Variance \$3,222,400

Inflation

- New item – no money carried in initial budget.
- Costs now included for inflation.

Variance \$4,519,200

TOTAL VARIANCE \$50,248,000

Exhibit C

Ministry
of
Health

Ministère
de
la Santé

Office of the Minister

Bureau du ministre

10th Floor, Hepburn Block
80 Grosvenor Street
Toronto ON M7A 2C4
Tel (416) 327-4300
Fax (416) 326-1571

10^e étage, édifice Hepburn
80 rue Grosvenor
Toronto ON M7A 2C4
Tél (416) 327-4300
Télec (416) 326-1571



MAR - 7 2000

MAR 07 2000

Ms. Jacqueline Thoms
Chair, Board of Governors
Hôpital régional de Sudbury Regional Hospital
41 Ramsey Lake Road
Sudbury ON P3E 5J1

Dear Ms. Thoms:

The Ministry has reviewed the Hospital's final sealed Construction Management Services Contract submitted on January 31, 2000 and the Board's resolution providing assurances and acceptance of the Terms and Conditions governing the Ministry's financial support of the Hospital's Health Services Restructuring Commission directed capital project.

I am pleased to inform you that the Ministry will increase its share of the funding for the project from \$88.34 M to a maximum contribution of \$92.14 M towards the revised total project cost of \$143.40 M. This increased Ministry share provides the hospital with 100% funding of the hospitals estimate of cost escalation through the time taken to finalize your contract documents. I am also pleased to provide approval for the Hospital to enter into the Construction Management Services Contract with its Construction Manager.

Under separate cover, the Manager of Capital Services, Paul Clarry, and the Team Leader, Health Reform Implementation Team, Doug Murray, will be writing directly to your President and CEO outlining our current understanding of the status of the project.

F. b
M. H

.../2

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Exhibit C

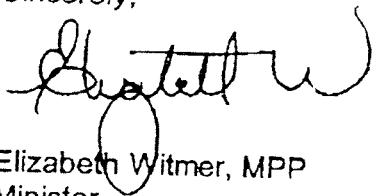
- 2 -

Ms. Jacqueline Thoms:

I would like to take this opportunity to acknowledge the work completed by the Hospital and the willingness of the Board to assume responsibility for a project which will represent an important contribution to the health care needs of your community.

I wish you and your Board every success in completing this project.

Sincerely,



Elizabeth Witmer, MPP
Minister

cc: Joe de Mora, President and CEO

The Ministry of Health has changed its name to the Ministry of Health and Long-Term Care. To avoid extra costs, we are using our existing letterhead paper before printing a supply with the new name.

Le ministère de la Santé a changé de nom: ministère de la Santé et des Soins de longue durée. Afin d'éviter des coûts supplémentaires, nous utilisons le stock de papier en-tête en réserve avant d'imprimer une provision portant le nouveau nom.

Ministry
of
Health

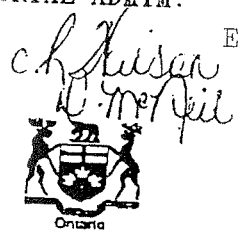
Ministère
de
la Santé

Office of the Minister.

Bureau du ministre

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Toronto ON M7A 2C4
Tel (416) 327-4300
Téléc (416) 326-1571



June 24, 1998

HRSRH

JUN 26 1998

Received/Reçu

Mr. Jim Smith
Board Chair
L'Hôpital régional de
Sudbury Regional Hospital
41 Ramsey Lake Road
Sudbury ON P3E 5J1

Dear Mr. Smith:

I am pleased to inform you of the outcome of the Ministry of Health's review of L'Hôpital régional de Sudbury Regional Hospital's functional program of May 1, 1998.

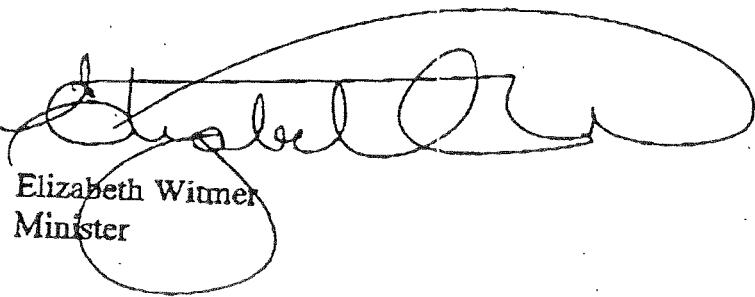
The ministry appreciates the hospital's efforts towards reaching this important milestone expeditiously through a period of unprecedented change.

I am pleased to approve the project scope and space requirements and to increase the Ministry of Health's contribution from \$59.2 M to now provide up to \$88.34 M towards a total project cost of up to \$131.62 M for the development of the L'Hôpital régional de Sudbury Regional Hospital.

Please note that approval is subject to further review of the interdependent projects and refinement of the hospital's plan for raising the local share. Mr. Ron Sapsford, Assistant Deputy Minister, Institutional Health and Community Services Group, will be writing to you shortly to outline other administrative details.

The ministry looks forward to working with you as you proceed through the next stages of this challenging project.

Sincerely,


Elizabeth Witmer
Minister

Ministry
of
Health

Office of the Minister

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1999

MAY - 5 1999

Mr. Jim Smith
Chair
Hôpital régional de Sudbury Regional Hospital
41 Ramsey Lake Road
Sudbury, ON P3E 5J1

Dear Mr. Smith:

Re: Northeastern Ontario Regional Cancer Centre Expansion

It is with pleasure that I confirm the Ministry of Health's support for expansion at the Northeastern Ontario Regional Cancer Centre. The Ministry appreciates the effort and co-operation between the staff of the Sudbury Regional Hospital, the Northeastern Ontario Regional Cancer Centre and Cancer Care Ontario in reaching this approval stage.

The total project cost for the expansion to the cancer centre is estimated at \$14.9 million. The Ministry of Health will provide a maximum grant of up to \$9.89 million, which represents two-thirds (66.6%) of the total shareable cost for this project.

Under separate cover, Mr. Paul Clarry, Manager, Capital Services, Fiscal Strategies Branch, will be writing directly to your President and Chief Executive Officer, Mr. Joseph DeMora, outlining our current understanding of the status of this project.

I wish you and your Board every success in the completion of this project.

Sincerely,

Elizabeth Witmer, MPP
Minister

cc: Mr. Joseph DeMora, President & Chief Executive Officer
Mr. Peter Crossgrove, Chair, Cancer Care Ontario
Dr. R. J. Bissett, Chief Executive Officer, Northeastern Ontario RCC

June 4th, 2001

Mr. James G. Corless, FCA
KPMG LLP
Claridge Executive Centre
144 Pine Street, P.O. Box 700
Sudbury ON P3E 4R6

Dear Mr. Corless:

Re: Hospital Funding Request

As requested, and to assist you in your task of providing guidance to City Council on the question of Hospital Funding, I submit the following list of municipal or directly-related agency contributions that will be, or have already been, incurred.

(Please note that this list itemizes those amounts that are in addition to the already committed amount of \$5.0 million by the former Regional Municipality of Sudbury)

1) District Energy

Contribution by Sudbury Hydro	\$1.000 million	
Contribution from the City of Sudbury	<u>\$1.000</u> million	\$2.000 million

(It is my understanding that this amount is to be paid back over the next twenty years);

2) Roadwork - 2001

- Ramsey Lake Road	\$1.690 million	
- Paris Street Improvements	<u>\$0.710</u> million	\$2.400 million

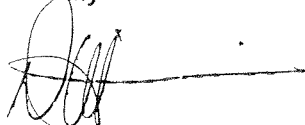
3) Transfer of Municipal Lands

- a) One triangular piece of property where the retention pond is currently located, valued at approximately and \$0.250 million;
- b) The transfer of Centennial Drive
(At this time, no value has been placed on this Road)

Total (excluding former Region Sudbury commitment)	\$4.65 million
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I hope this assists you in providing the background requested by Council.

Yours truly



D. Wuksinic
General Manager of Corporate Services

cc: Jim Rule, D. Belisle, M. Mieto

Bag 5000, Station A
200 Brady Street
Sudbury, Ontario
P3A 5P3

705.671.2489
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