

Aug 27, 2021

Benedict Menachery
Project Manager
Ministry of Long-Term Care
1075 Bay St., 11th Floor
Toronto, ON M5S 2B1

Highly Confidential

Subject: Cassellholme Redevelopment Project (Proj 479)

Dear Benedict:

Please accept this letter as confirmation that The Board of Management for the District of Nipissing East has completed the RFP process for the Cassellholme Re-development Project and as per the attached Board Motion we are recommending the acceptance of the RFP submission from Percon Construction at a value of \$111,889,389 plus HST and a total project cost of \$121,889,390.

I have attached for your information a report from Turner Townsend (Appendix A) as requested by Infrastructure Ontario reviewing the cost and schedule of the project. I would like to draw your attention to the following comments in the report.

"Based on our experience of comparable projects the agreed budget of \$121,889,389 is reasonable considering the size, type, complexity, and location of the project."

"Based on our experience of comparable projects the target date is reasonable considering the size, type, complexity, and location of the project."

Appendix B contains all of the minutes and resolutions associated with this project going back to 2007. Included in this material are more than 30 resolutions harvested from about 1200 pages of minutes related to the project.

Appendix C contains the latest draft of the Exit Agreement defining the terms and conditions associated with the four municipalities that want to leave The Board of Management for the District of Nipissing East to establish their own District Home. We understand the province is planning an update to the Long Term Care Homes Act this fall and we have asked the Ministry to include in that package the regulatory amendments necessary to implement the Exit Agreement by reconfiguring the District. Work is continuing on this issue and the final draft will be sent through for approval as soon as possible.

In Appendix D we have attached a letter that was sent to all participating municipalities on June 7, 2021 summarizing the extensive work effort completed to get to the point of the Board passing the above noted motion on June 3, 2021. This letter was created to address a number of questions raised by participating municipalities regarding the re-development project. I encourage you to review this material in detail.

Also attached in Appendix D is a recent communique to the community explaining the status of the project, the value of the rebuild happening on the current site and why the time to build is now!

Please also find attached the documents as required in the MLTC Approval to Construct Submissions Check List:

1. Appendix E - Copy of ads in the Daily Commercial News. Attached is an email from the The Procurement Office confirming which of the procurement sites our project was posted on.
2. Appendix F - Spreadsheet identifying all bidders. Please note that given the complexity and duration of this phased redevelopment we only received two submissions for this project. As previously communicated the Ontario General Contractors Association (OGCA) issued a letter to its members shortly after the RFP was posted. I have attached the letter and the subsequent responses provided through the RFP addendum process for your reference in Appendix G. Paul Emanuelli our procurement process legal counsel and our architect, Nathan Jensen, have commented that letter from the OGCA was not a surprise as they tend to challenge any process that is not simply a low bid wins scenario. Please note that the President of Percon Construction, Frank Perricone, was the president of the OGCA in 2016, 2017 which further illustrates that the letter from the OGCA was simply standard practice for that organization. The June 7th letter to the municipalities provides details on the RFP process followed for this project and the subsequent detail contract negotiation process and the outcome. As required by the MLTC the RFP process followed results in a stipulated sum project following the CCDC 2 contract format.
3. Appendix H - Qualitative and quantitative analysis completed. As required in the DA this material is not based solely on lowest price.
4. Appendix I - RFP bid material received.
5. Appendix J - Proof of insurance. Attached is a letter from Percon committing to securing the insurance as required by the RFP. This requirement is also built into the final contract terms negotiated with Percon.
6. Appendix K - Building Permit. The City has confirmed the building permit drawing package has been reviewed and that the permit is ready for pick-up by the General Contractor once approval is provided by the MLTC.
7. Appendix L - Final Estimate of Cost (FEC) form for the successful bid.
8. Appendix M - Motion passed by Cassellholme Board to Levy participating municipalities for the required funding to complete the re-development project. Letter from Cassellholme Legal counsel regarding the legal authority of the Cassellholme Board to levy participating municipalities for the costs to complete the re-development project.

As noted in the June 7th letter to the municipalities Cassellholme recommended that each of the participating municipalities sign the guarantee required by Infrastructure Ontario. Following the June 7th meeting five of the nine participating municipalities rejected this recommendation as they believe that guaranteeing the provincial share of the project will have a significant negative impact on their respective credit ratings and thus their costs of borrowing. There are different opinions on this issue from the accounting firms representing the various municipalities. As such the Cassellholme Board has determined that the project is so important that they must resort to the least preferred option they have which is to levy the participating municipalities for the funding required to move forward with the redevelopment.

Discussion has occurred about the possibility of reviewing a greenfield site option for the redevelopment along with re-tendering the project in an attempt to reduce the overall cost. The

site selection process for this redevelopment has been completed twice (2010 & 2015) since this project started and each time it was agreed there are significant advantages to completing the redevelopment on the existing site to maintain and further develop the campus of care model that has been built with Cassellholme and Castle Arms. In addition, the Cassellholme Board believes that any potential savings that may be achieved will be offset very quickly by inflation as well as costs associated with land acquisition, site-specific investigation studies, design fees, approvals and the tender process itself. Therefore the best option we have is the one that we have recommended with Percon Construction.

The Board has considered two options associated with the application of the levy as shown in Appendix N. Option 1 is to levy for the full amount with the amount due within 60 days following approval of the project by the MLTC. Option 2 is an annual levy over 5 years, with first payment due 60 days after approval. The year one amount is for 18 months to ensure that Cassellholme will have a cushion allowing for time should some of the municipalities be delayed in making their payments going forward. For this option the final amount for annual payments will be based on a cash flow forecast to be provided by the General Contractor. In both scenarios should the Change Orders incurred during the delivery of the project exceed the contingency included in the budget this amount will be levied separately in the year that the contingency is exceeded and on an as needed basis going forward. Cassellholme staff recommended Option 1 as it will be much simpler to administer, and it will allow any potential legal issues to be dealt with once and up-front as opposed to on an ongoing basis. The Board rejected this recommendation as noted by the Motion included in Appendix N from the August 26, 2021 Board meeting and have elected to proceed with Option 2 to reduce the impact on participating municipalities.

9. Appendix O - Summary of expenses paid to date for the re-development project. This is to reconcile the amounts shown in the FEC.

It is important to note that Mr. Brian Pollard, ADM, Ministry of Long Term Care, has been kept apprised of the progress in a timely manner in order to help ensure Cassellholme remained in compliance throughout the redevelopment process.

Please do not hesitate to reach out with any question you may have.

Yours truly,

Chris Mayne
Chair of The Board of Management for the District of Nipissing East

Copy to: Board of Management – Cassellholme
Participating Municipalities