



Delivering Value through Leading Governance Practices for Oversight of Healthcare Infrastructure Projects

OHA Spring Governance Showcase
April 2015



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2 – Denise

Good afternoon. It's a great honour to be here at the Spring Governance Showcase.

Overview

- Trifecta of Infrastructure Projects
- Risks
- Governance Charter
- Governance Structure
- Capital Planning Advisory Committee
- Delivering Value

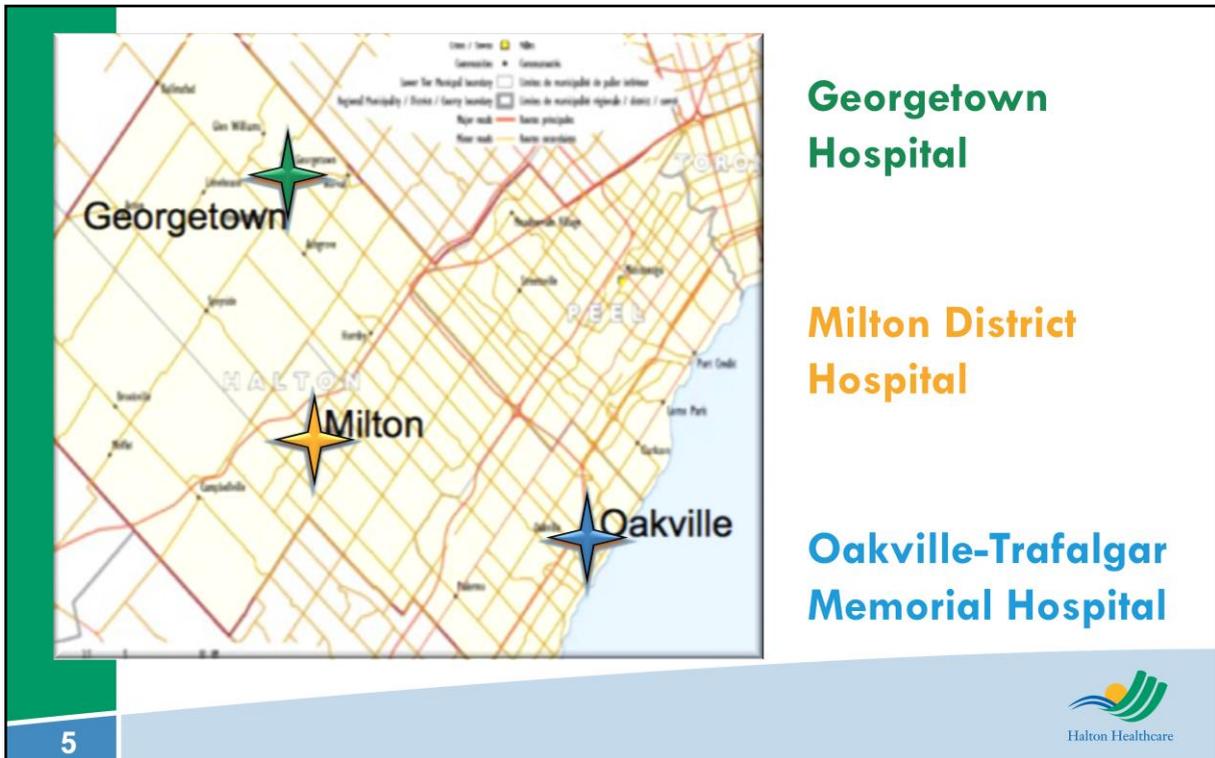
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3 - Denise

We're here today to share some insights into Halton Healthcare Services' unique oversight process for major capital projects. The governance model we developed helps us deliver value, meet the expectations of our stakeholders, and complete our projects on time and on budget.

“Trifecta” of Infrastructure



5 – Denise

Halton Healthcare is a multi-site healthcare organization located in the Halton Region of the Greater Toronto Area and operating within the Mississauga Halton LHIN.

We are in the midst of what we’ve been calling a “trifecta” of building and expansion happenings with redevelopment being planned for, or occurring at, all three of our hospitals to better serve the rapid growth within our communities.

“Trifecta” of Infrastructure Projects



6 – Denise

Halton Healthcare’s communities of Halton Hills, Milton and Oakville are among the fastest growing communities in Canada. We urgently needed to expand and upgrade our aging hospital infrastructure to meet the healthcare needs of our growing and aging population.

We accepted the challenge and we are delivering on 3 capital projects, at 3 different hospitals, worth \$3.36 billion, at the same time!

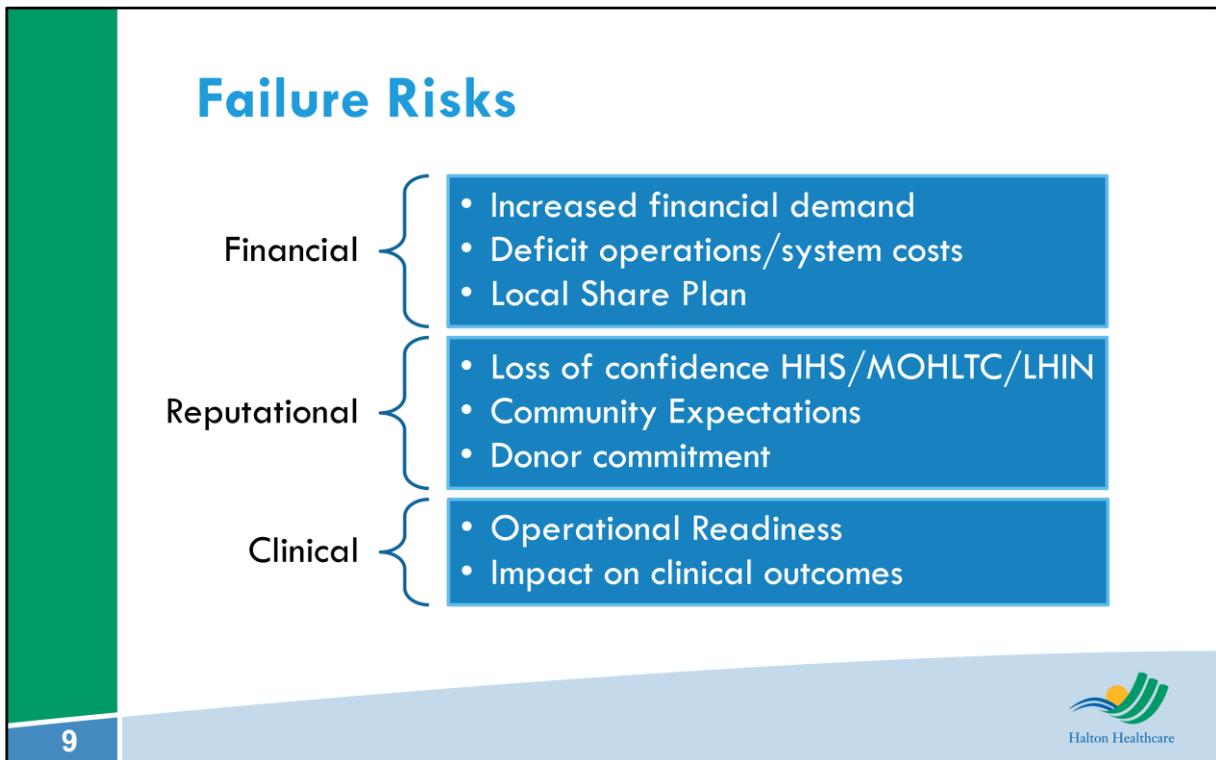
Organizational Risks



8 – Denise

The Board understood, from the beginning, that there were many risks involved in taking on three capital projects at three sites concurrently.

As one of the largest hospital redevelopment projects in the province, the New Oakville Hospital is very much in the public and industry spotlight. We have a lot invested in getting it right.



9 – Denise

There are several major risks that must be mitigated when undertaking a project of this size.

Financially, we cannot go over budget on our capital projects and at the same time we must deliver on our Local Share Plan commitment to project delivery.

Every organization's reputation is always at stake. However, a failure on our part to meet the expectations could lessen the confidence in our organization from funders to donors alike.

Even more significant is the risk for our patients if poorly implemented projects result in negative clinical outcomes.

We cannot compromise our ability to provide safe, exemplary patient care, so it was essential that we put a comprehensive operational

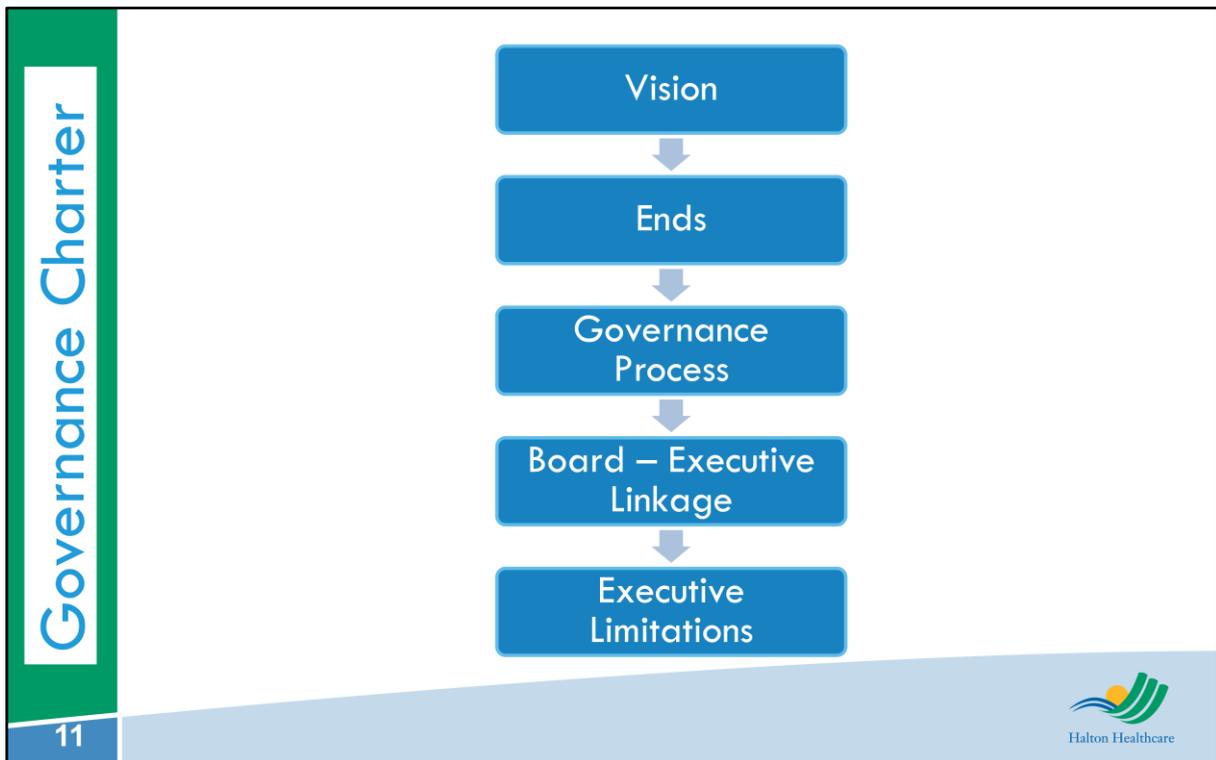
readiness and transition plan in place to help us transition to the new infrastructure.

ACTION: This concludes Denise's section – Judy Wilson takes over



10 – Judy

To manage these risks, the Board established a Governance Structure and Charter to provide excellent oversight of the projects, and ensure that they are on time, on budget and deliver value.



11 – Judy

I want to share our Board’s thinking around our project approach and methodologies in developing our capital project governance model.

Healthcare Boards and management are normally focused on overseeing the provision of healthcare services. Let’s be honest, development of capital infrastructure is not our core business.

The Board of Directors recognized this as an opportunity to be innovative and met the challenge by creating a unique Governance Charter.

The purpose of the Capital Projects Governance Charter was to establish the Vision, the Ends and the Board Governance process. The Charter defines the linkage between the Board and Executive

and the limitations on the Executive for and in respect of the planning, development, financing, construction and operation of the capital project.

Governance Charter

Vision

- The “Vision” for the Infrastructure Project

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12 – Judy

The Charter guides our projects at all times and through all phases. It outlines a clear Vision of what the Board, and our stakeholders expect.

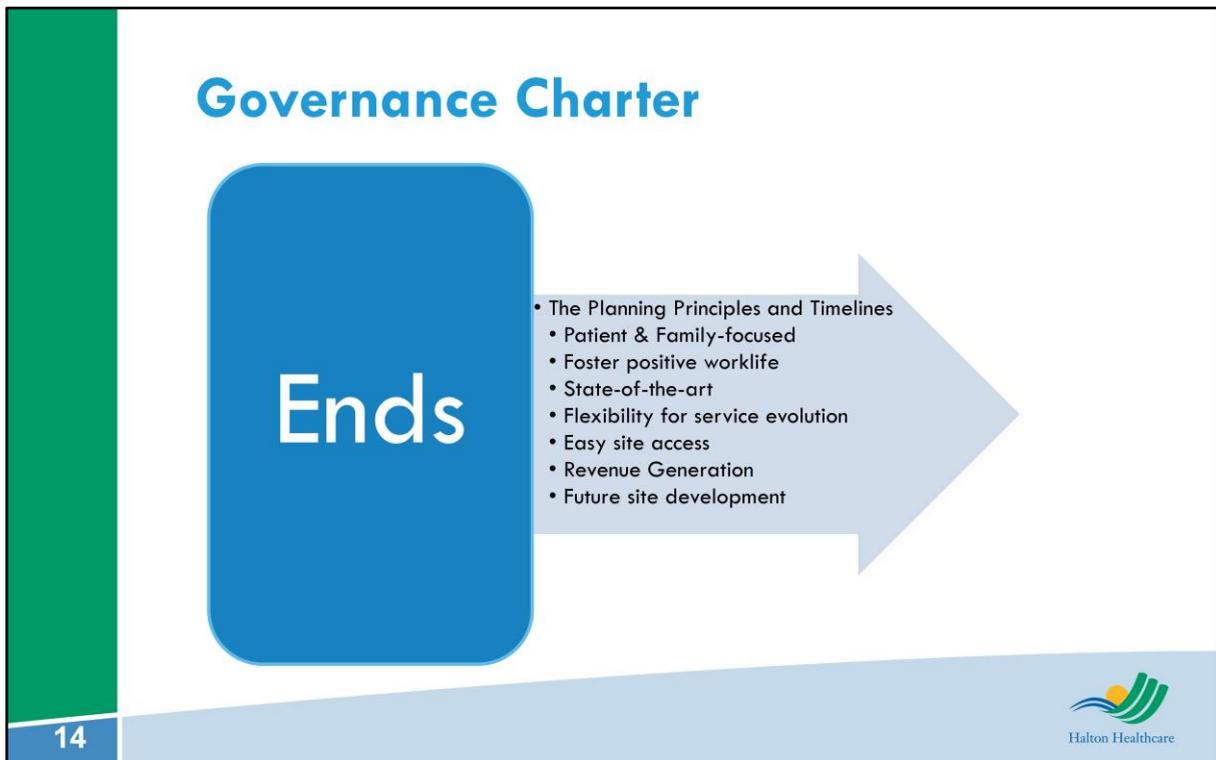
To create **with and for the Community**, a distinctive center of healthcare **excellence** that provides, through the **efficient** use of resources, the highest **quality** of clinical patient-centered care within an **innovative** environment that supports the **physical, mental, emotional and spiritual needs** of the Community.”



13

13 – Judy

The Vision is our touch point for the project. At every stage we take the time to pause and check to make sure we are staying on track with meeting this vision. It really is a very powerful statement that speaks to the commitment of our organization to the residents of our communities.



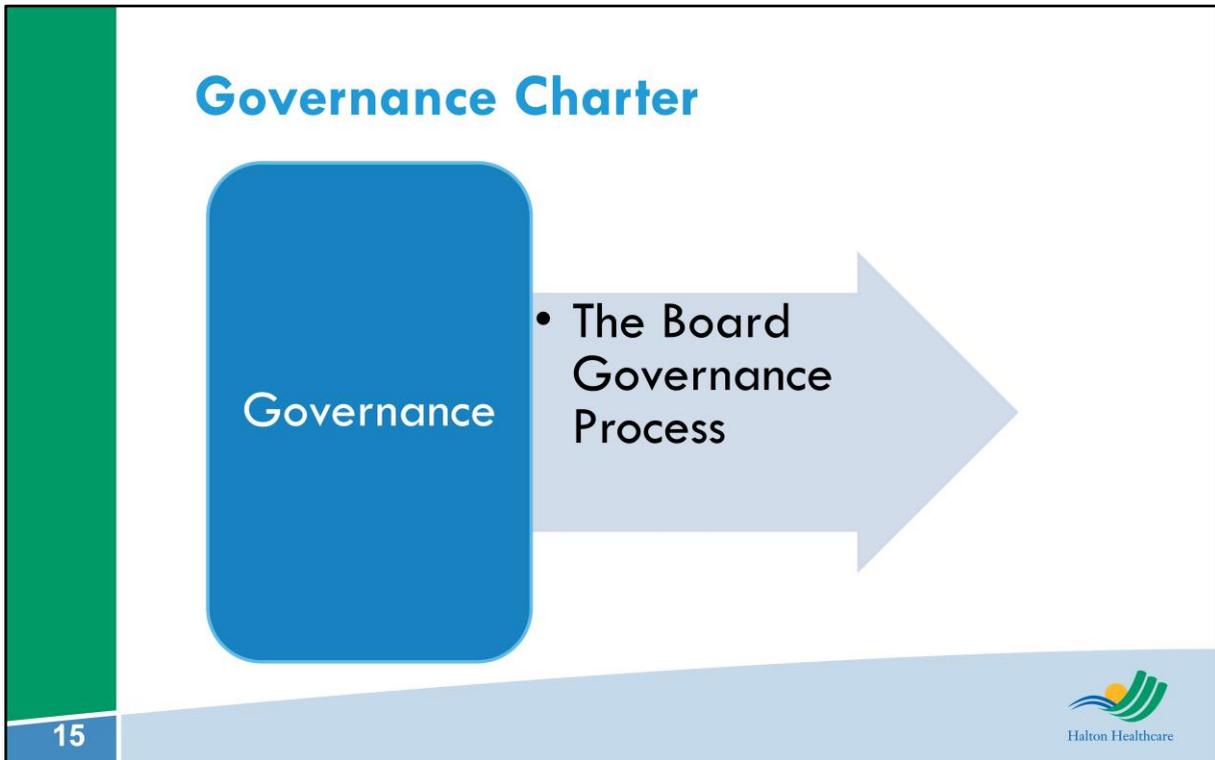
14 – Judy

The Ends of the Charter are the Objectives or the “Guiding Principles for Planning for the Project” and the “Timeline for Implementation.”

The Planning Principles are comprised of a comprehensive list of objectives for the project, for example, the new Oakville Hospital must be patient and family-focused, foster a positive work-life, and be state-of-the-art. It must have flexibility for service evolution and easy site access, and offer opportunities for revenue generation and future site development.

The Timeline for Implementation is the detailed Schedule

and all the key milestones the Executive must meet along the way.



15 – Judy

Under the Project Charter, the Board of Directors is responsible for establishing the governance process to achieve the Capital Project Ends. The Board has overall accountability for the Project. The Board is also responsible for the establishment of Board Policies that direct the achievement of those Ends and for the establishment of Executive Limitations that enforce proper constraints on Executive Authority.

Governance Charter

Board – Executive Linkage

- Delegation of authority to President and CEO
 - Monitoring
 - Ad Hoc Committee
 - Advice
 - Reporting

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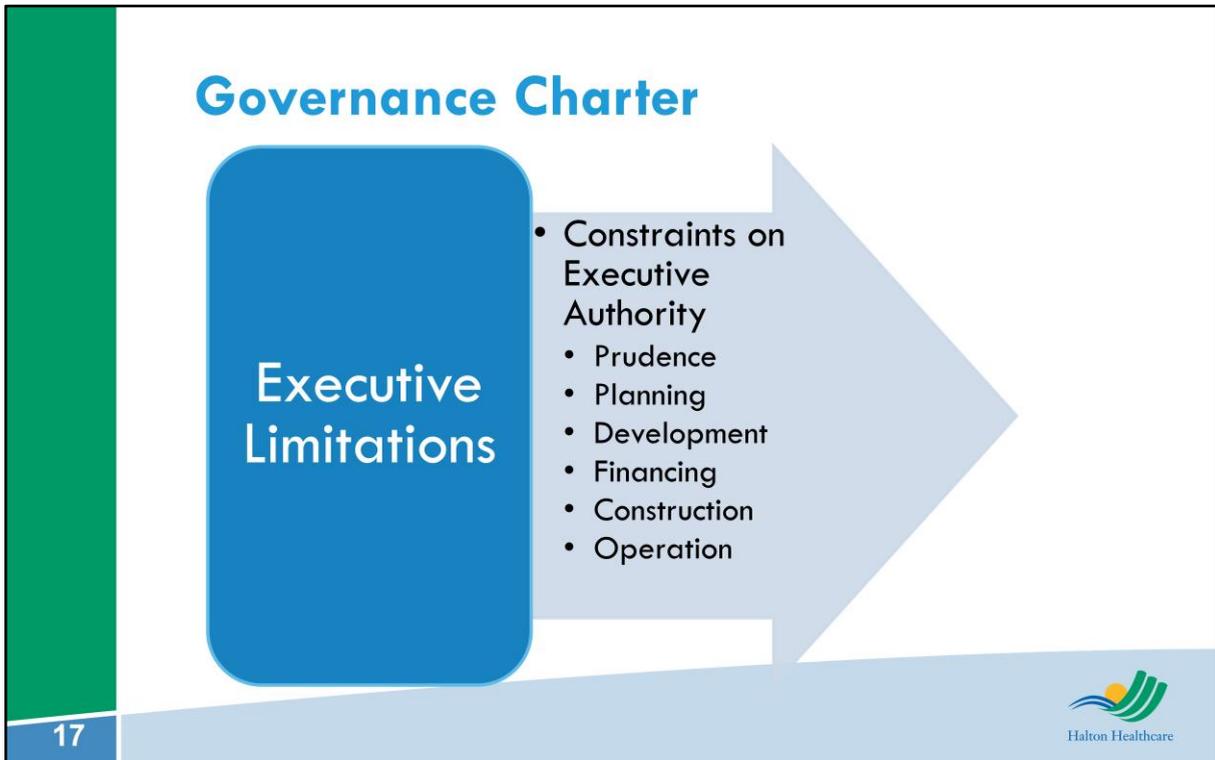
16 – Judy

The Board delegates power and executive authority to the President and CEO.

The CEO is primarily responsible for all HHS activities, operations, services, financial affairs and results consistent with a reasonable interpretation of Board Policies.

Within this framework, the CEO is authorized to establish all further policies, make all decisions, take all actions and develop all services and activities, consistent with any reasonable interpretation of Policies of Executive Authority and Executive

Limitations.



17 – Judy

The HHS Board has set constraints on the exercise of Executive Authority that establish the prudence and ethical boundaries on the Executive, for the planning, development, financing, construction and operation of the projects.

The projects shall be developed consistent with and to implement the vision, timelines, and budget, without material change or delay.

The Executive should also seek and use CPAC’s expertise and advice prudently, and keep the Board informed at all times of material changes to the

projects on a “No Surprises Basis.”

Governance Charter



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18 – Judy

As you can see in this summary slide, the Governance Charter establishes the structural elements needed to oversee the planning and implementation of the capital projects in a comprehensive way from creating the vision and ends to laying out the governance process and authority of the Executive and Board.

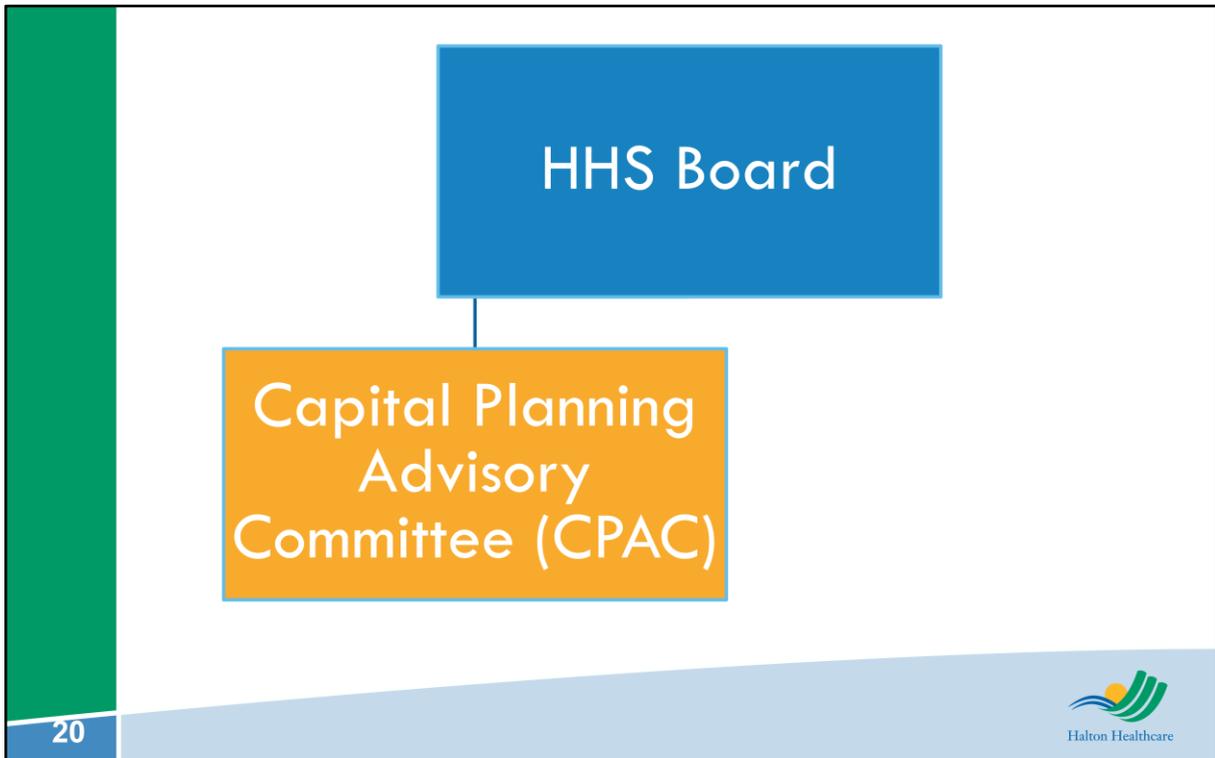


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Governance Structure

19 – Judy

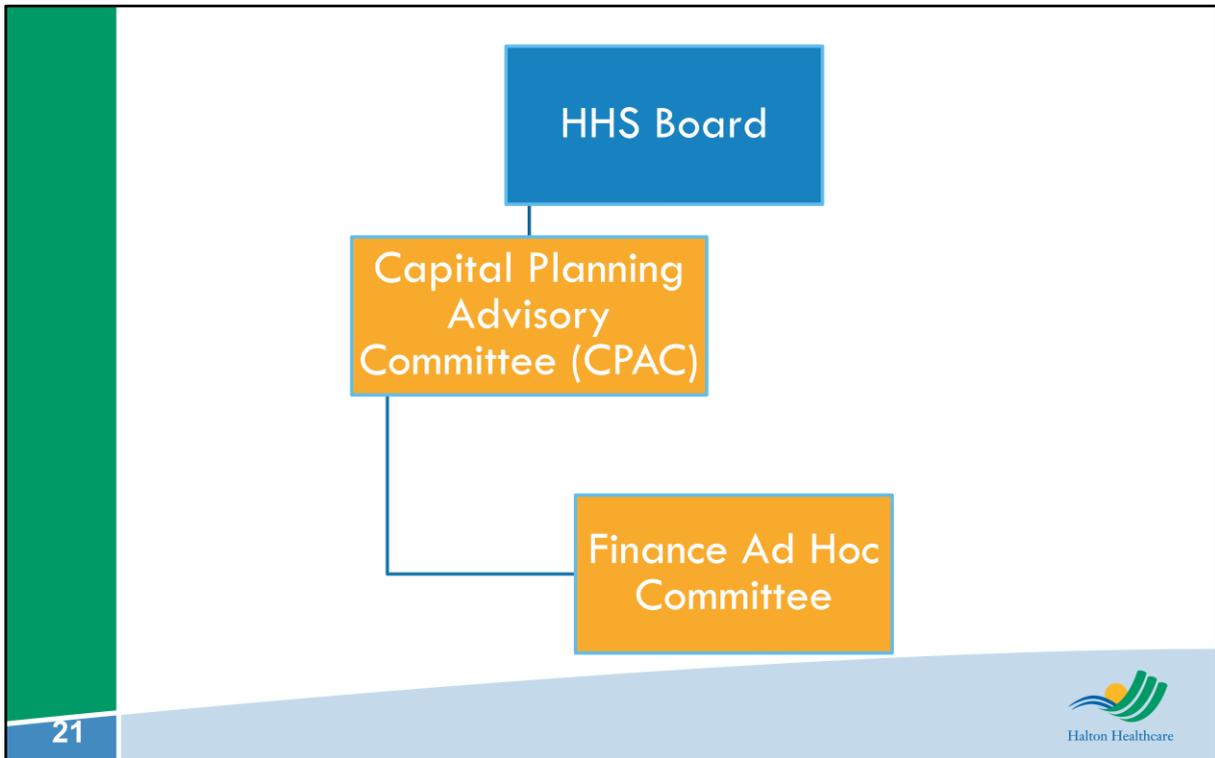
The Charter creates the project vision, ends and the conditions of oversight. The Governance Structure is the mechanism by which the Charter is operationalized through the creation of the Capital Planning Advisory Committee or CPAC.



20 – Judy

CPAC’s role is to monitor project progress, offer advice and recommendations to the Executive and the Board, and report to the Board. CPAC does not have the authority to approve or make decisions.

This Advisory body evolves, in mandate, membership and expertise, as the project evolves. It is a unique structure for a Board committee and CPAC is a major driver of the success of our projects.

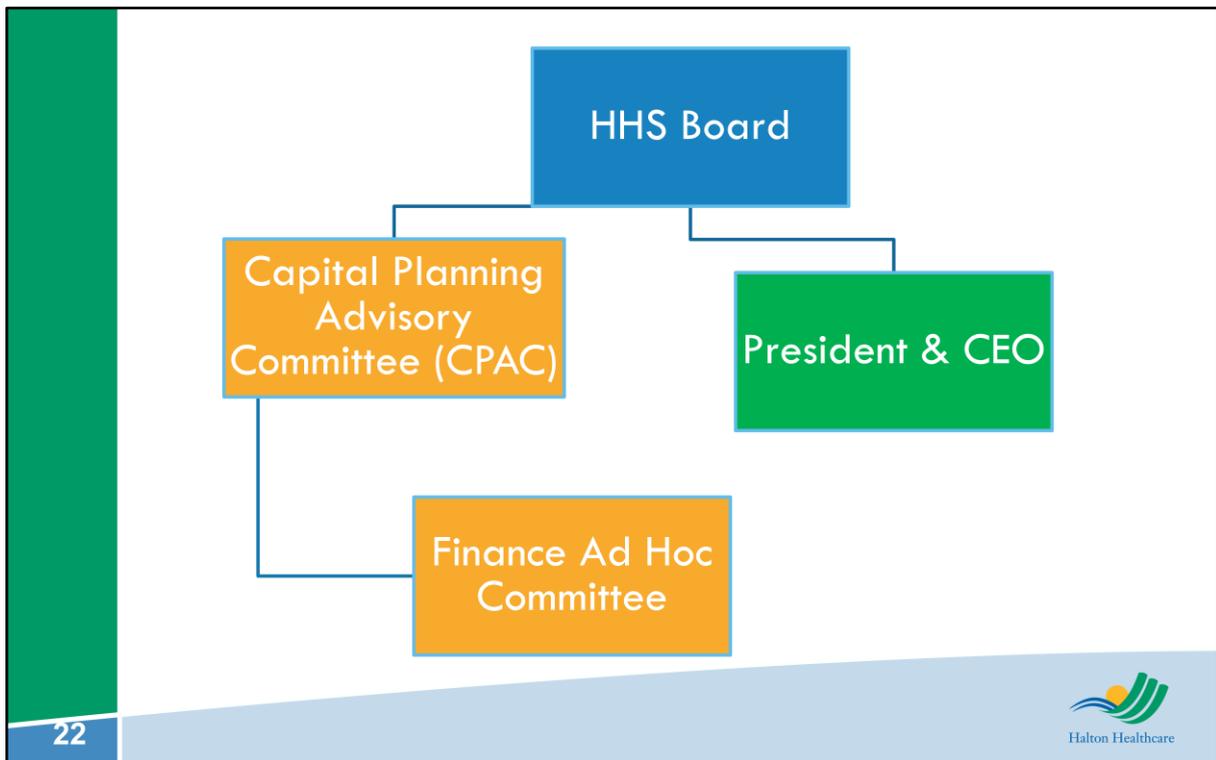


21 – Judy

The Finance Ad Hoc Committee was established to provide specific expert advice to CPAC on matters related to the financing of the capital projects, including lending, investment banking, accounting and cost controls.

The Committee monitors the financing process, including the development of the financing solution for the organization’s cash flow requirements for the local share plans, and makes recommendations to the Board regarding future financing

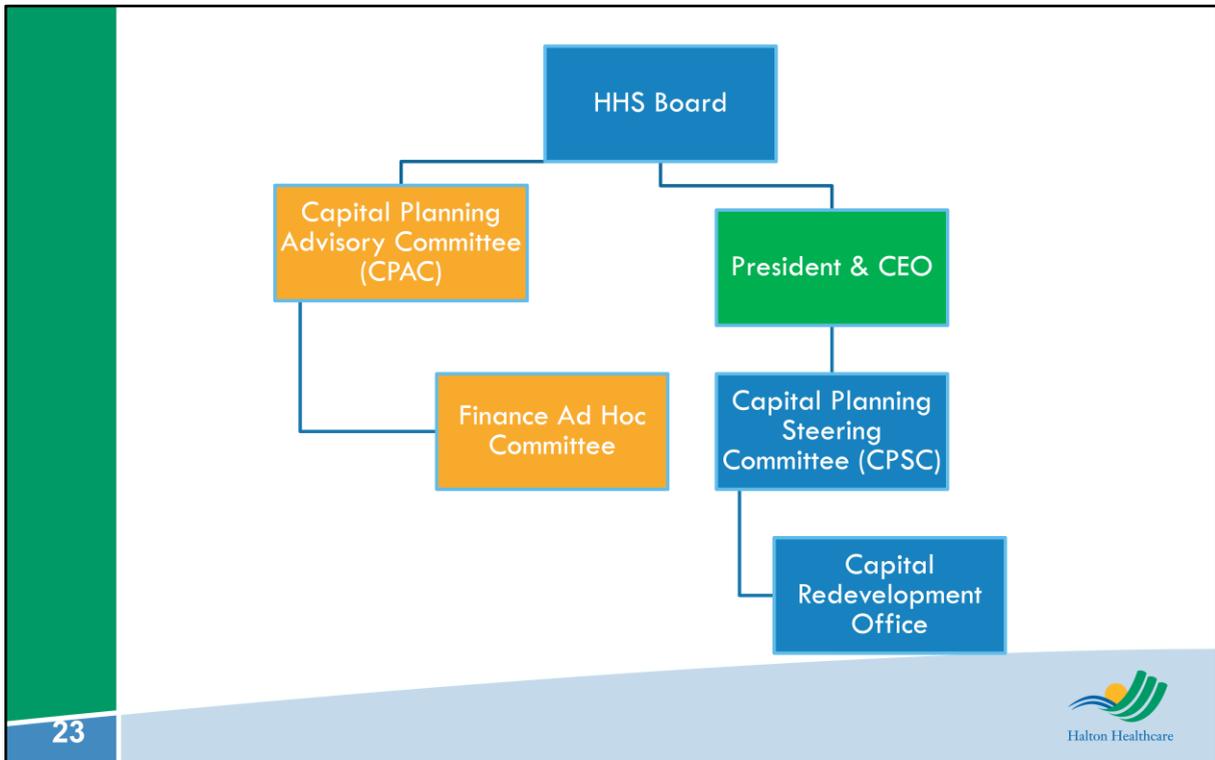
requirements.



22 – Judy

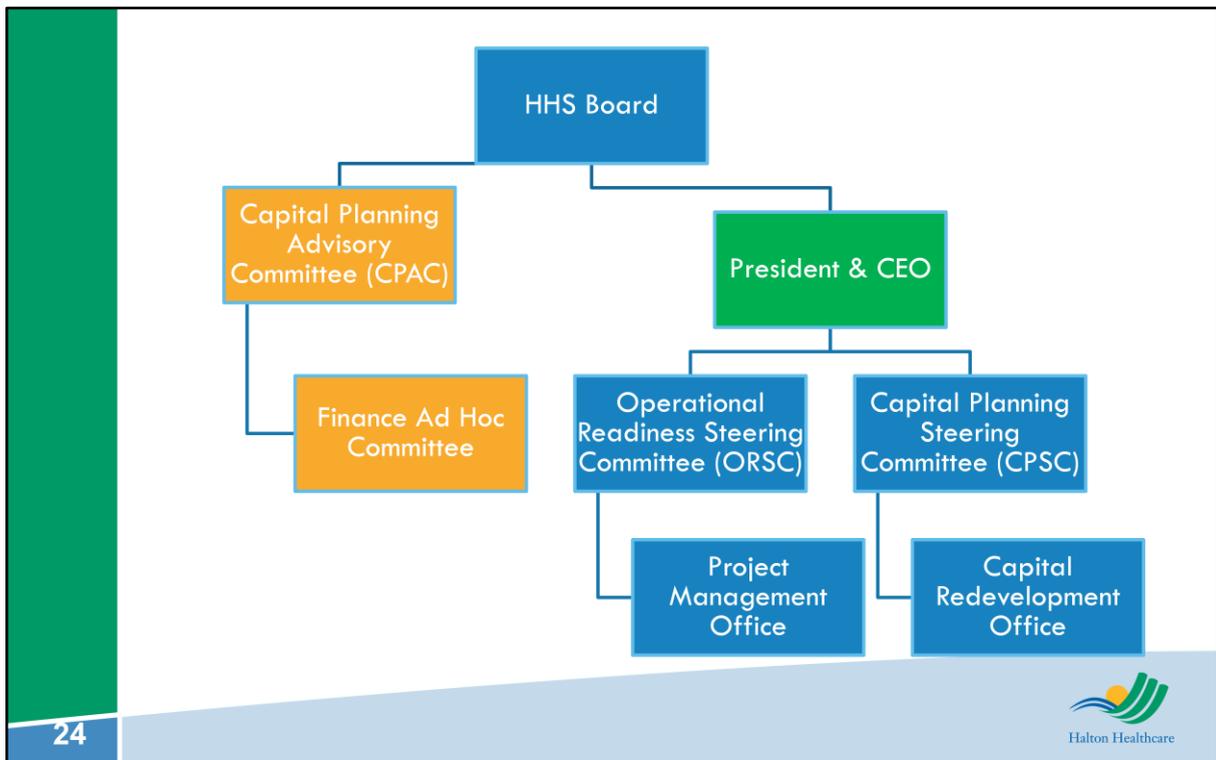
The President and CEO reports to the Board, which delegates Executive Authority to the CEO. The CPAC monitors the execution by the CEO against the Board’s reporting requirements.

In the next couple slides, the Governance Structure sets out the operational means by which the CEO can execute the capital project plans.



23 – Judy

To support the Executive, the Capital Planning **Steering** Committee (CPSC) works to provide advice to and oversee the work of the Capital Redevelopment Office – the construction experts who ‘Build the Building.’



24 – Judy

The Executive is also supported by the Operational Readiness Steering Committee (ORSC), which oversees the Project Management Office or PMO.

These are the people who are tasked with getting us ready to ‘Use the Building.’ Operational Readiness for the Oakville project is a massive undertaking. It encompasses everything from move planning, equipment procurement and the ICT plan, to staff orientation, recruitment and communications.

The Capital Planning and Operational Readiness streams run in parallel. Being ready to provide excellent patient care from the first minute we open the newly constructed hospital requires extensive Operational Readiness Planning and strong Board oversight.

CPAC has been a crucial resource for both the Project Management and Capital Redevelopment Offices. Let’s look at CPAC a little more closely.

ACTION: This concludes Judy's slides – Bill Bailey takes over

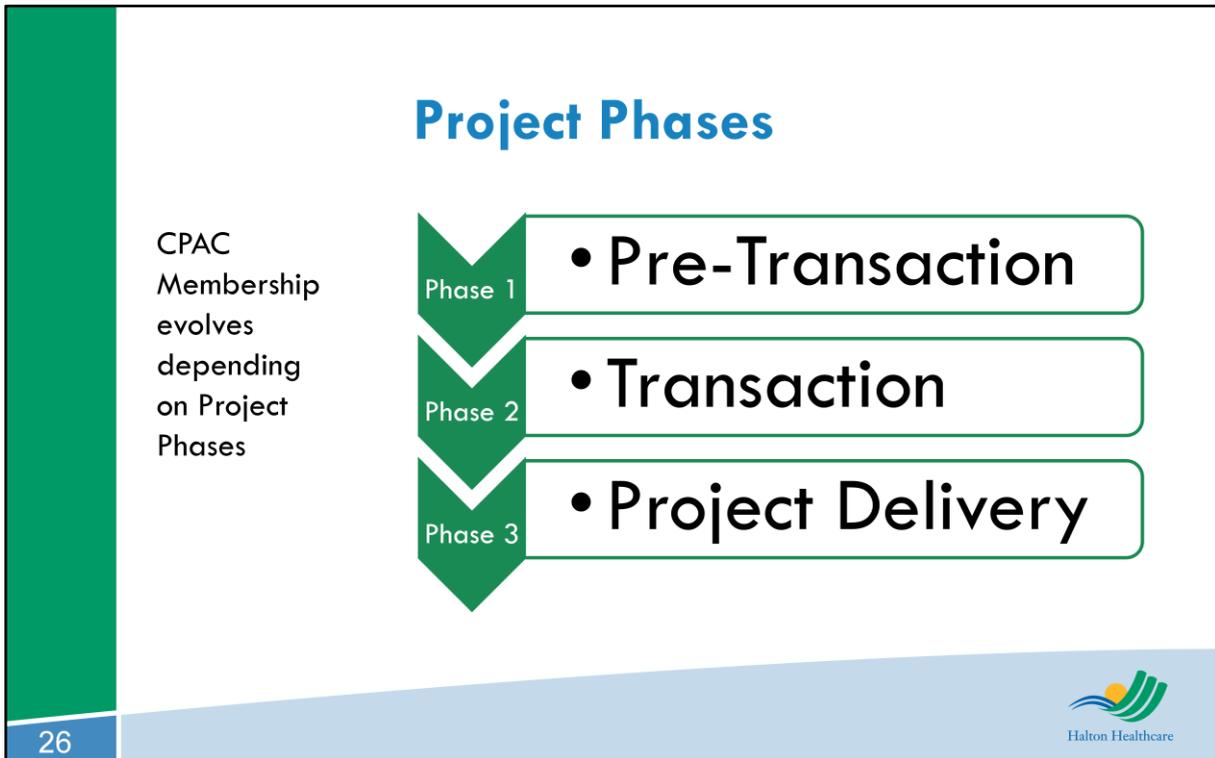


Capital Planning Advisory Committee

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25 – Bill

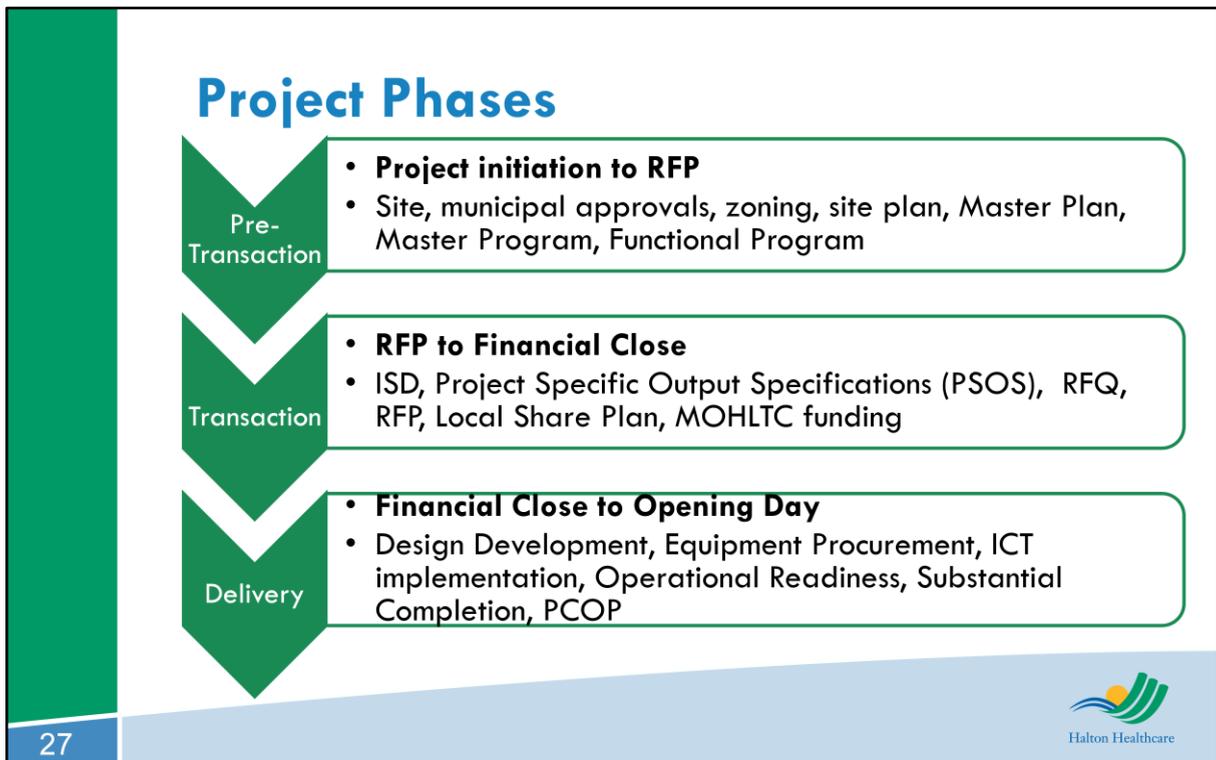
The purpose of CPAC is to monitor the progress of and provide advice to the CEO and the Board of Directors regarding the capital planning, development and financing of the new hospital.



26 – Bill

One of our Board’s key innovations in establishing oversight for our projects is the fact that the Project Charter is meant to be a ‘living document’ that allows CPAC membership to evolve depending on the project phase.

Different expertise is required in the Pre-Transaction, Transaction and Project Delivery phases, so the membership of CPAC has evolved to meet our changing needs for expertise and experience.



27 – Bill

There are three (3) principle phases of the Projects:

- The first phase is Pre-Transaction or the preparation to issue the RFP, the site selection and acquisition, municipal planning approvals, and the site plan, Master Plan, Master Program and Functional Program.
- The second phase is Transaction which covers the period needed to prepare the contract document for the release of the RFP to Financial Close and involves the Illustrative Schematic Design (ISD), Project Specific Output Specifications (PSOS), RFQs and RFPs for advisors, Local Share Plan, and MOHLTC funding approvals.
- The third phase is the Project Delivery or “Build the Facility” phase from Financial Close to Opening Day. In this phase you complete Design Development, Equipment Procurement, ICT implementation, Operational Readiness, Substantial Completion, and Post Construction

Occupancy Plan (PCOP).

CPAC Terms of Reference - Pre-Transaction

Established HHS Board of Directors

- Reports through Chair

Purpose Monitor Progress and Provide Advice

- Advice to Board
- Assist Board in Discharge of Authority
- Monitor execution by the CEO of Executive Authority
- Advice and recommendations to CEO

28 – Bill

This is a sample of the CPAC Terms of Reference for the Pre-Transaction Phase for the New Oakville Hospital. It outlines the Purpose of CPAC, which is to monitor the progress of and provide advice regarding the capital planning, development and financing of the capital project to the President and CEO and to the Board.

CPAC Terms of Reference - Pre-Transaction

Objectives

Through to issuance of RFP

- Advise on site Agreement and municipal planning
- Capital costs, planning and design grant process
- Local Share Plan
- Monitor Project timelines
- Monitor Project status and project charter
- Compliance with vision
- Monitor compliance with BPS for RFQ & RFP

29



29 – Bill

The objectives of CPAC through to the issuance of the RFP included:

- Advising on the new Site Agreement with the Town of Oakville, related due diligence and all required municipal planning, approvals and servicing.
- Advising on capital costs, planning and design grant process (with the MOHLTC) and amounts and local share requirements for the new Oakville hospital.
- Monitoring the project status and project charter, and any changes in scope, budget, costs, financing, schedule, or funding sources requiring Board approval.

And finally,

- Monitoring compliance with project guiding principles and with fairness process obligations for RFQ and RFP.

Schedule monitoring by CPAC is very important to the success of our projects. **Strong** schedule control has resulted in our projects hitting every milestone - a rarity in infrastructure projects of the scale of the New Oakville Hospital.

CPAC - Membership



30



30 – Bill

The CPAC Terms of Reference identify the skillset needed by CPAC for each phase.

Board Members are assigned to CPAC according to the need for their expertise, and the Board recruits community representatives with specific expertise as needed.

And as project objectives change in the second and third phases, and the need for expertise changes, CPAC recruits new subject matter experts to act as advisors.

For example, CPAC membership in the Pre-Transaction phase included Board members, senior executives and community experts with knowledge and expertise in development and construction, finance, accounting and law.

The Board took it one step further and invited senior officials from the municipalities to serve on the Capital Planning Advisory Committee.

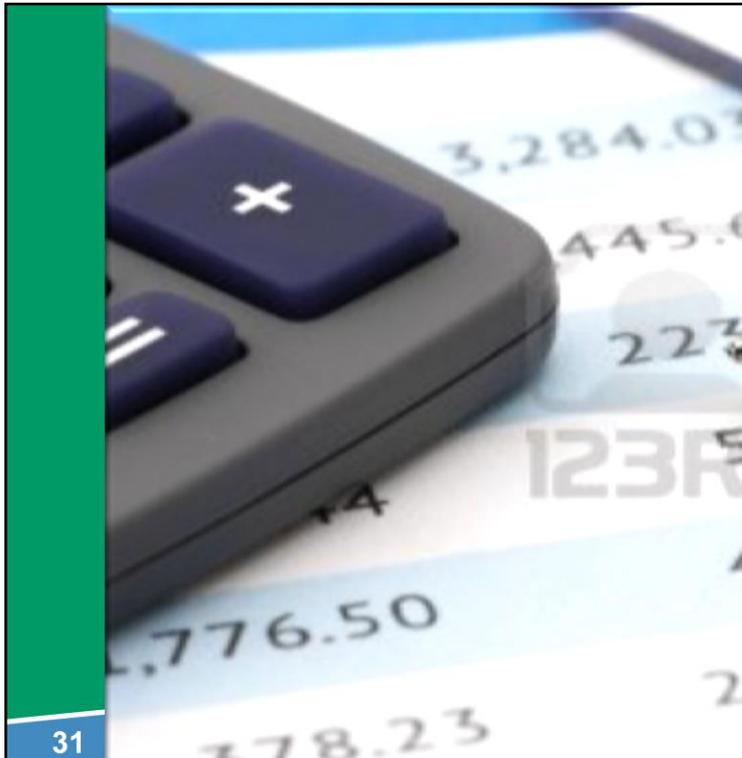
This inspired step gives the Town an important voice on our advisory committee. Engaging the communities in this way increases the openness, accountability and transparency of the projects.

The relationships that have developed help the project team anticipate the needs of the municipalities, and the municipalities understand and support the projects.

Given the importance of fundraising to our Local Share Plan, our Foundation representatives are also included in the CPAC membership which helps manage donor expectations too.

Engaging these key external stakeholders, and benefitting from the advice they have

to offer to the process is critical to success of our projects.



Adding Value

- Procurement
 - ICT & Equipment
- Variations
- Contingency
- Schedule
- Local Share Plan
- Industry Sharing
- Conclusion

31

31- Bill

Now I want to go over some of the ways our governance oversight structure adds value to our projects.

Procurement – On Time & Budget

- **FF&E (furniture, fixtures and equipment)**

- \$130m
- 80 bundles
- 30,000 items

- **ICT (information, communication & Tech)**

- \$40m
- 89 Projects
- 9,000 items

32

32 – Bill

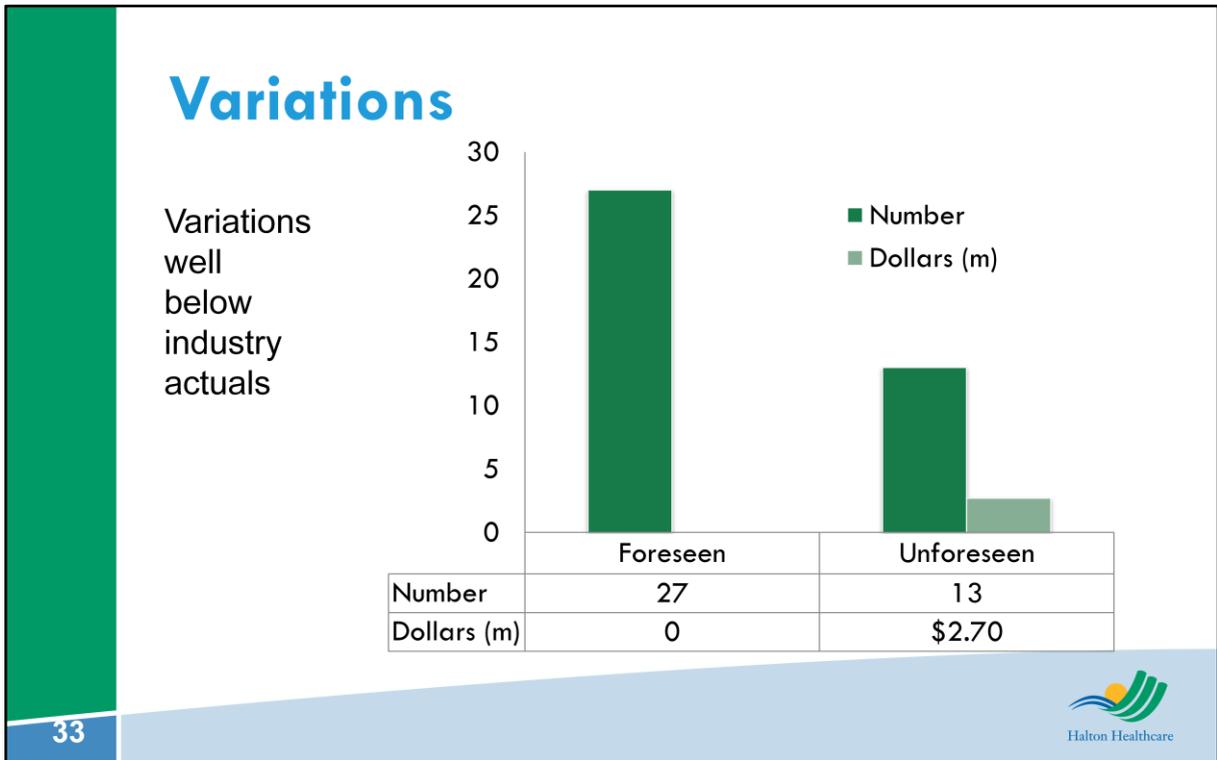
Building the New Oakville Hospital means we had to procure more than 30,000 items of furniture, fixtures and equipment (FF&E) worth \$130 million, and implement a \$40 million information and communication technology plan and equipment involving 9,000 items. It's a large, complex undertaking.

One of the big impacts CPAC oversight has had in terms of value added was its advice regarding the need for early procurement planning, especially for architecturally significant equipment. Completing major equipment specifications before the design stage means less variations to the design during construction.

For example, starting procurement early allowed us to engage clinical staff and physicians in vendor fairs for medical equipment *before* specification development.

On-time procurement also allows us to keep up with construction companies, since they dictate the actual construction timelines. Our strict project oversight of procurement has kept us on time from the earliest stages to present.

The oversight, monitoring and change controls initiated by CPAC also keeps the number of variations or change orders low.



33 – Bill

One of the benefits of a well-planned and executed project is efficiency in the construction process. Our Oakville project is a stellar example of a project that is experiencing variations well below industry standards.

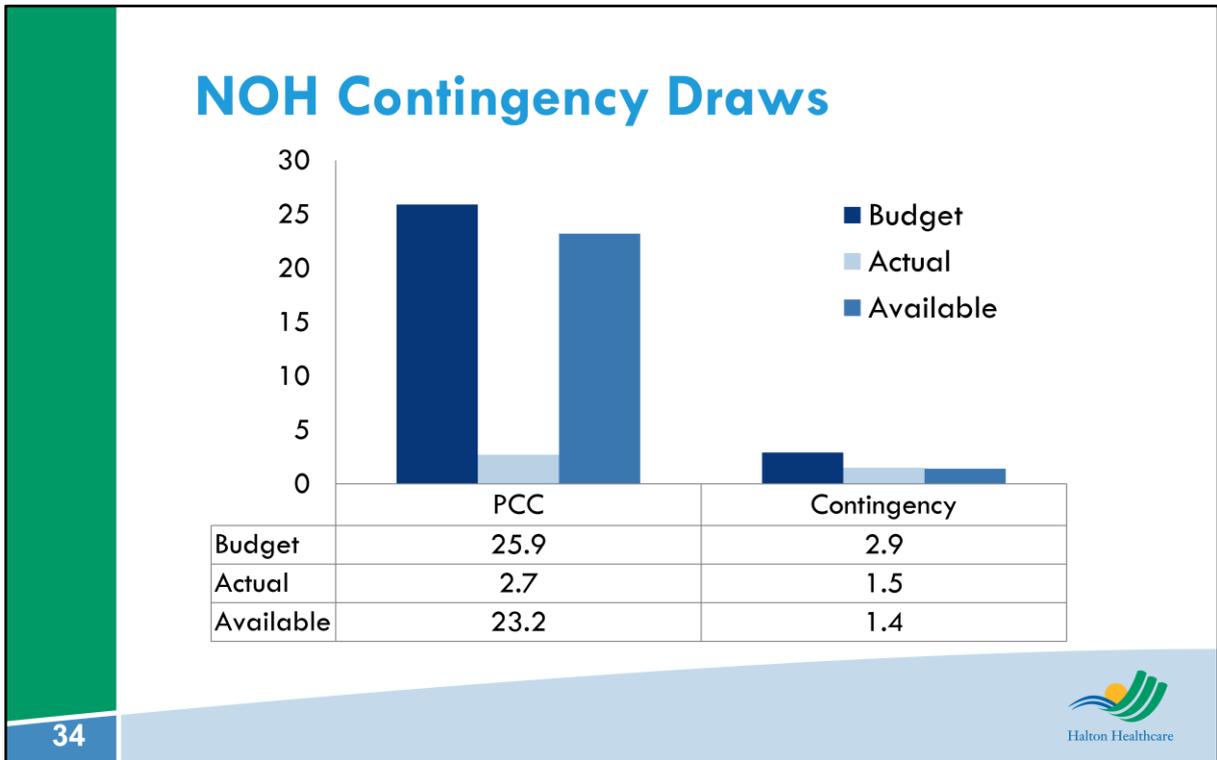
For a project with \$120 million in construction costs, it is unusual for there to be so few change orders during construction.

With only four months to go until Substantial Completion, HHS has had only 40 variations, most of which - 27 to be exact - have been foreseen changes with no added costs.

Another 13 unforeseen change orders have resulted in \$2.7 million in committed contingency expenditures.

Hospital variations at less than 1% are well below industry

standards of 3-5% for a project of this size, and we are well below 1%.



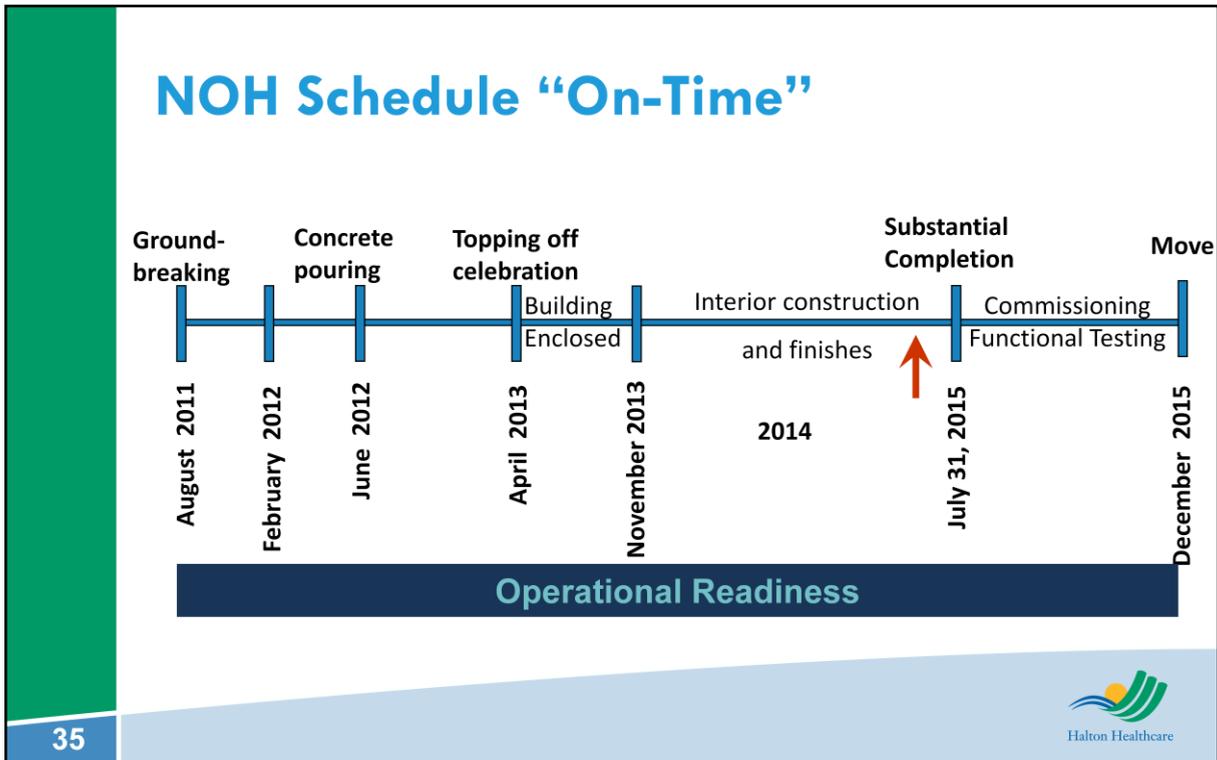
34 – Bill

With the new Oakville hospital now 95% complete, we have only drawn 14.6% on contingency funds set aside for change orders.

As you can see from the graph, Post Construction Contingency was \$25.9 million and our own Contingency was \$2.9 million for a total of \$28.8 million.

To date, we have spent only \$2.7 million for unforeseen variations, such as code compliance or safety issues, and another \$1.5 million from the HHS contingency.

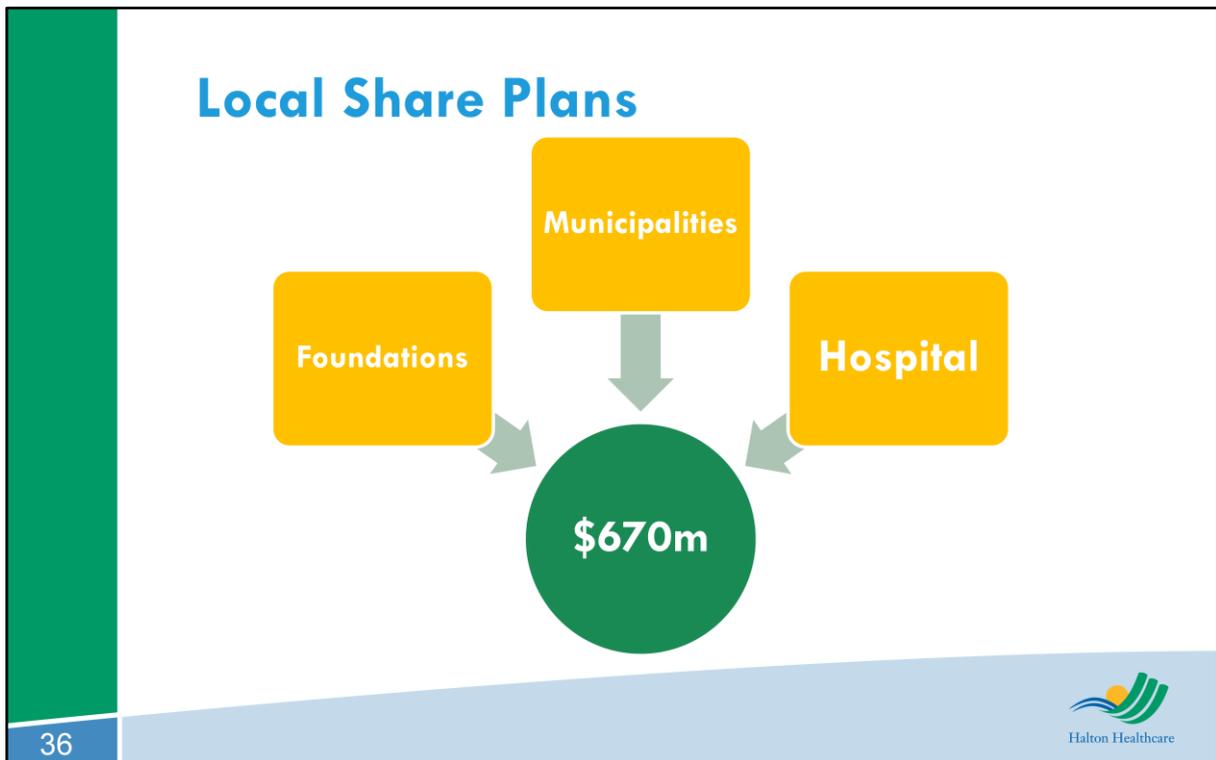
To have only \$4.2 million in contingency draws on a \$2.7 billion project is one of the most concrete benefits of our governance structure and oversight process.



35 – Bill

Further proof of the effectiveness of our Governance Model is the fact that our Oakville project has hit EVERY MILESTONE, ON TIME in all stages of the project. And our plans to achieve Substantial Completion on July 31 and move into the new hospital in December are on track too.

Our Georgetown project was completed on time, and the new Milton expansion is on track as well.



36



36 – Bill

To obtain approval to proceed with our three projects, Halton Healthcare had to develop Local Share Plans worth \$670 million.

Representation from the towns and our Foundations on CPAC has allowed those key stakeholders to provide advice to the Executive on how best to proceed and provides them with reassurance that these projects are being skillfully managed.

The municipal representatives have also been very helpful in guiding us through the approvals processes and local share discussions.

The hospital was able to raise our own portion of the LSP, through revenues from parking, preferred accommodation, retail operations and debt financing – taking advice from our CPAC

members all along the way.

Industry Sharing

Date	Summit/Event	Presentation Title
April 2013	Niagara Healthcare Infrastructure Summit	“A New Model At Work”
Nov 2013	Western Canada Healthcare Infrastructure Summit	“Building in Operational Readiness”
April 2014	Muskoka Healthcare Infrastructure Summit	“Better Outcomes by Design”
June 2014	OHA –Emerging Issues in Hospital Infrastructure	“Inpatient Room Design: from Vision to Reality”
Sept 2014	The Canadian Infrastructure Project Owners Forum	“Project Owners’ Perspective and Challenges”



37 – Bill

We are proud that Halton Healthcare’s innovative project governance structure and process is receiving some positive response from our industry peers.

HHS representatives have presented at a number of national infrastructure summits and provincial conferences in the last few years. This slide shows a sample of those engagements.

We truly feel that it is our responsibility to share what we’ve learned about capital project governance and oversight with the industry and our peers.

Processes that we’ve implemented in the planning of our expansions, and building elements that we incorporated into our redevelopment projects, are being shared throughout the province and Country.

We are also confident that our operational readiness program for Oakville, which is essential in mitigating the clinical risks of opening a new hospital, is going to become an industry standard that will be

replicated by others.

ACTION This is the end of Bill's section – Judy returns to the podium

Conclusion



38



38 – Judy

In conclusion, we hope we've given you some insight into how leading Governance Oversight and Governance Structures can result in successful project delivery.

The strong Governance framework we established provides for strict oversight of the entire project and gives the Board capacity to fulfill its fiduciary responsibility.

The success of our projects is being driven by our Board's initiative in engaging community stakeholders and experts in the CPAC membership.

CPAC is a tremendously helpful resource for both the Senior Leadership Team and the Board, freely sharing their wisdom and experience with us to make our projects better.

Because we take the time to plan and use tools we develop, we have been able to keep on schedule and meet all our milestones.

We are confident, because of our detailed planning and strict oversight, that we will deliver successful capital infrastructure projects – on time,

on budget, and meet the needs and expectations of our stakeholders.

We are well on the way to realizing our Vision.

Thank you.

Questions



39

Judy

We'd be happy to answer any questions.