

August 7, 2007

Board of Supervisors
County of Ventura
800 South Victoria Avenue
Ventura, CA 93009

Transportation Department
Wm. Butch Britt, Director
Central Services Department
Janice E. Turner, Director
Water & Sanitation Department
R. Reddy Pakala, Director
Watershed Protection District
Jeff Pratt, Director
Engineering Services Department
Alec T. Pringle, Director

Subject: VENTURA COUNTY MEDICAL CENTER CONSOLIDATION PROJECT;
FINANCING AND CONSTRUCTION CONTRACT OF VENTURA
COUNTY MEDICAL CENTER-REPLACEMENT CLINIC BUILDING;
AE NO. 05-15; PROJECT NO. 04101;
SUPERVISORIAL DISTRICT NO. 1

Recommendations:

It is recommended that your Board:

1. Approve the issuance, sale and use of up to \$58.3 million from either Tax Exempt Commercial Paper (TECP) or certificates of participation or both for the design, financing, preconstruction and construction costs associated with the Ventura County Medical Center (VCMC) Consolidation Project for a 20-year term subject to the review and recommendation of the Financial Planning Committee.
2. Subject to the limitations in recommendations 1 and 3, authorize and direct the County Executive Officer and Director, Public Works Agency to pursue and undertake all necessary actions required to finance, construct, and operate the VCMC Consolidation Project.
3. Authorize the Director, Public Works Agency to conduct the bidding processes for all contracts necessary and appropriate to accomplish the construction of the VCMC Consolidation Project, and to waive any minor irregularities in the bids and award the contracts to the lowest responsive, responsible bidders, provided that: a) prior to award of a contract, financing is in place; and b) the low bid or bids do not cumulatively exceed the Engineer's estimate of \$40,528,000 by more than 11%.



Fiscal/Mandates Impact:

Mandatory: No
 Source of Funding: Tax Exempt Commercial Paper/Certificates of Participation
 Funding Match Required: None
 Impact on Other Department(s): None

Summary of Revenues and Costs:	FY2007/08	FY2008/09
Revenue:	\$ 5,500,000	\$ 24,000,000
Costs:		
Direct	\$ 5,436,169	\$ 23,712,800
Indirect – Agency/Dept.	\$ 54,895	\$ 247,000
Indirect – CAP	\$ 8,936	\$ 40,200
Total Costs	\$ 5,500,000	\$ 24,000,000
Net District Costs Including Indirect	-0-	-0-
Recovered Indirect Costs	\$ 63,831	\$ 287,200

For FY 09-10 and 10-11 the remaining costs of \$22,341,991 will be offset by revenues.

Current FY Budget Projection:

Current FY 2007-08 Budget Projection for Ventura County Medical Center				
	Adopted Budget	Adjusted Budget	Projected Budget	Estimated (Savings/Deficit)
Expenditures	\$226,210,124	\$226,210,124	\$226,210,124	\$0
Revenue	\$222,481,388	\$222,481,388	\$222,481,388	\$0
Operational Loss*	\$3,728,736	\$3,728,736	\$3,728,736	\$0

*The operational loss is primarily attributable due to the expected loss of Santa Paula Hospital and to increases in retirement costs. The Replacement Clinic debt service payments begin in 2011 and will not result in an increase in VCMC's net loss.

Discussion:

On May 24, 2005, your Board approved the Replacement Clinic project, including the construction, EIR addendum, and financing. Since that time, the clinic preliminary engineering, soils investigation, and redesign including participation in the Savings by Design program have been performed and plans and specifications submitted to the Office of Statewide Health Planning and Development (OSHDP) and County building officials. Contract documents will soon be approved so that the County may seek bids for the construction contracts. The purpose of this letter is to gain approval for the financing of the increased building costs, which have escalated significantly since 2005.

Background:

Your Board certified the FEIR and approved the VCMC Consolidation Project on January 4, 1994 and the Notice of Determination was filed on the same date. The VCMC project design was subsequently submitted to the OSHPD prior to June 30, 1994 in order to be eligible for State funding through SB 1732. Over the last 13 years various components of the approved project have been constructed in phases and two approved components, the proposed Clinic and a parking component remain to be constructed. Those components which have been constructed include the Medical Examiner/Coroner's office, the Mental Health In-Patient (Psychiatric) Unit, the Emergency Generator Building and associated building demolition, utilities relocation, and the VCMC medical laboratory, kitchen and cafeteria building.

Changes to the location of the Clinic and to the size and footprint of the parking structure, together with the related demolition and surface parking, were approved by your Board on May 24, 2005.

The proposed Clinic is the next phase to be implemented and is the physical equivalent of the originally approved ambulatory care clinic component of the 1994 approved project but relocated from its original orientation adjacent to the VCMC medical laboratory, kitchen, and cafeteria building. The proposed Clinic is now referred to as the replacement clinic building (Clinic) rather than the Ambulatory Care Clinic (ACC) to more specifically reflect its purpose and consistency with the County's agreement with Community Memorial Hospital in 2001 not to build certain new specialty clinics. It will have the same approximate 73,000 square foot area approved in the original project with minor adjustments as a result of the Clinic design being detached from the medical laboratory, kitchen, and cafeteria building.

The proposed Clinic will consolidate and integrate several of VCMC's existing primary and specialty care clinics, as well as the VCMC Family Practice Residency, into one location adjacent to the hospital. Several of these outpatient clinics are currently scattered at off campus locations. These outpatient services include family care, surgery, women's, pediatrics, and several medicine specialties. In addition, the Residency and the primary care clinic known as the Family Care Clinic (FCC) are currently located in a temporary, portable trailer. This proposed facility will combine these clinics and the Residency into one permanent structure on the VCMC campus.

The Clinic will enhance the efficiency and timeliness of care. It will foster clinical integration with hospital, outpatient and ancillary services. Patients will be able to access their physician as well as laboratory and imaging services all on one campus. Physicians and specialists will be able to provide urgent consultations in both the outpatient clinics and the hospital and will afford immediate access to laboratory, imaging, emergency room, pharmacy and admissions services. The integration of

these clinical services will also be important in supporting the Santa Paula Campus of VCMC.

The proximity of clinical services as well as the provision of appropriate administrative and educational facilities is vital for the successful functioning of the Residency. The first floor of the Clinic building will include administrative offices for both the residents and faculty, a medical library, as well as educational facilities. Directly above on the second floor, will be the FCC where the residents and Family Medicine Faculty have their primary care practices. The location will enable the residents to consult more easily with specialists and primary care physicians. The remaining floors will include the out patient services described above.

Project Costs and Financing:

In addition to clinical and efficiency enhancements, this project is important for fiscal reasons. It will eliminate several lease payments currently made for the off campus clinics. It will also obviate the need to lease additional space to replace the temporary trailer currently housing the FCC and the Residency. Moreover, over 50 percent of the debt for the total cost of the building, principal and interest will be paid for by the State under the SB 1732 Program. This program is already funding 50 percent of the total cost of the VCMC Psychiatric Unit project, the emergency generator building, and the Laboratory and Kitchen building.

The estimated total project costs are as follows:

Total Project:

Preliminary Engineering (includes preliminary engineering, soils investigation, design surveys, design)	\$ 1,654,026*
Construction Contract (includes construction of Clinic, FCC and Utility Relocation, and Surface Parking Lots)	\$38,862,876
Building Demolition	\$ 1,665,159
Construction Engineering (includes construction survey, construction inspection, administration, materials testing, project engineering)	\$ 4,255,444
Permits and Fees	\$ 220,000
Contingency (Design and Construction)	\$ 2,026,402
Escalation to Jan 2009 @ 6% per year	\$ 4,458,084
TOTAL	<u>\$53,141,991</u>

* \$1.3M incurred in FY06-07 or earlier

This project was previously estimated to cost \$24,448,000 and on May 24, 2005 your Board approved financing of up to \$30 million for total project costs including financing. The total project cost has significantly increased for several reasons however primarily because of unprecedented increases in the basic costs of construction. Since the project was estimated in November 2004 healthcare facilities construction cost have increased by 66 percent over the past three years as reported by the California Hospital Association and have been reported by the California Health Care Foundation as doubling in the State since 2001. This increase has also been as a result of: (1) an initial estimate of cost which did not adequately reflect the construction cost of upgrading the building code compliance from 1994 to the present; (2) using a lower median cost for primary care clinics than actually occurring in the rapidly escalating cost environment; and (3) the final design requirements and subsequent increased cost for the building foundations. It is therefore necessary to obtain approval to increase the original authorized project cost limits and financing amount.

It is recommended that the project costs be financed with Tax Exempt Commercial Paper (TECP), with the option of refinancing to long-term financing for the full project. The debt service payments, which would start in 2011, for the total project are estimated to be \$4.5 million annually. SB 1732 funding is anticipated for approximately \$2.2 million annually. The elimination of lease payments for clinics to be relocated into the new building will provide additional funds toward the remaining debt payments. In addition, VCMC will have \$1 million available as a result of current long-term borrowings and the associated annual debt service payments retiring in July 2012. The financing structure will be reviewed and considered by the Financial Planning Committee on August 7, 2007.

The contract is on a standard form previously reviewed by County Counsel.

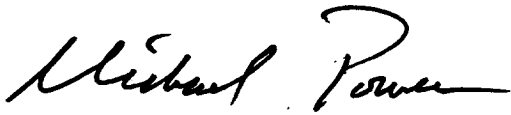
This item has been reviewed by the Health Care Agency, County Executive Office, Auditor-Controller, and County Counsel.

If you have any questions regarding this item, please call the following individuals:

<u>Person</u>	<u>Telephone No.</u>	<u>Subject Matter</u>
Alec Pringle	654-2096	Plans, Specifications, Estimate and other Technical Matters
Michael Powers	677-5110	Project Justification
Catherine Rodriguez	677-5140	Project Financing



ALEC T. PRINGLE
Director - Engineering Services Department



MICHAEL POWERS
Health Care Agency Director
VCMC Administrator