

September 14, 2022

TO: Legal Counsel

News Media

Salinas Californian

El Sol

Monterey County Herald

Monterey County Weekly

KION-TV

KSBW-TV/ABC Central Coast

KSMS/Entravision-TV

The next regular meeting of the **FINANCE COMMITTEE – COMMITTEE OF THE WHOLE** of the Salinas Valley Memorial Healthcare System will be held **MONDAY, SEPTEMBER 19, 2022, AT 12:00 P.M., IN THE DOWNING RESOURCE CENTER, ROOMS A, B, & C, at SALINAS VALLEY MEMORIAL HOSPITAL, 450 E. ROMIE LANE, SALINAS, CALIFORNIA, or VIA TELECONFERENCE** (visit svmh.com/virtualboardmeeting for *Access Information*).

Pursuant to SVMHS Board Resolution No. 2022-12, Assembly Bill 361, and guidance from the Monterey County Health Department in response to concerns regarding COVID-19, Board Members of Salinas Valley Memorial Healthcare System, a local health care district, are permitted to participate in this duly noticed public meeting via teleconference and certain requirements of The Brown Act are suspended.



Pete Delgado
President/Chief Executive Officer

Committee Members: Richard Turner – Chair; Juan Cabrera – Vice Chair; Pete Delgado – President/Chief Executive Officer; Augustine Lopez – Chief Financial Officer; Clement Miller – Chief Operating Officer; Harry Wardwell – Community Member; Michael Wilson – Community Member; and Tarun Bajaj, M.D. – Medical Staff Member

**FINANCE COMMITTEE MEETING – SEPTEMBER 2022
COMMITTEE OF THE WHOLE
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM**

**MONDAY, SEPTEMBER 19, 2022
12:00 P.M. – DOWNING RESOURCE CENTER, ROOMS A, B & C
SALINAS VALLEY MEMORIAL HOSPITAL
450 E. ROMIE LANE, SALINAS, CALIFORNIA
OR BY PHONE OR VIDEO**

(Visit svmh.com/virtualboardmeeting for Access Information)

Pursuant to SVMHS Board Resolution No. 2022-12, Assembly Bill 361, and guidance from the Monterey County Health Department in response to concerns regarding COVID-19, Board Members of Salinas Valley Memorial Healthcare System, a local health care district, are permitted to participate in this duly noticed public meeting via teleconference and certain requirements of The Brown Act are suspended.

AGENDA

1. Approval of Minutes from the Finance Committee Meeting of August 22, 2022 (DELGADO)
 - Motion/Second
 - Action by Committee/Roll Call Vote
2. Consider Recommendation for Board Approval of Award of Contract for Construction Management Services to Kitchell CEM Incorporated for the Surgery Addition and Seismic Retrofit Project. (MILLER/STROTMAN/SULLIVAN)
 - Staff Report
 - Committee Questions to Staff
 - Motion/Second
 - Public Comment
 - Committee Discussion/Deliberation
 - Action by Committee/Roll Call Vote
3. Consider Recommendation for Board Approval of 3-year Renewal of Our Firewall Security Solution Through CDW Government, a Supplier of SVMHS's Group Purchasing Organization, and Contract Award. (CLEVELAND/PARKS)
 - Staff Report
 - Committee Questions to Staff
 - Motion/Second
 - Public Comment
 - Committee Discussion/Deliberation
 - Action by Committee/Roll Call Vote
4. Financial and Statistical Review (CLEVELAND)
5. Public Input

This opportunity is provided for members of the public to make a brief statement, not to exceed three (3) minutes, on issues or concerns within the jurisdiction of this District Board which are not otherwise covered under an item on this agenda.
6. Closed Session

7. Reconvene Open Session/Report on Closed Session
8. Consider Recommendation for Board Approval of Project Budget for Renovations to 559 Abbott Street for Urology Services. (TEJEDA/SULLIVAN)
 - Staff Report
 - Committee Questions to Staff
 - Motion/Second
 - Public Comment
 - Committee Discussion/Deliberation
 - Action by Committee/Roll Call Vote

9. Adjournment

The October 2022 Finance Committee Meeting is scheduled for **Monday, October 24, 2022 at 12:00 p.m.**

This Committee meeting may be attended by Board Members who do not sit on this Committee. In the event that a quorum of the entire Board is present, this Committee shall act as a Committee of the Whole. In either case, any item acted upon by the Committee or the Committee of the Whole will require consideration and action by the full Board of Directors as a prerequisite to its legal enactment.

The Committee packet is available at the Committee Meeting, at www.svmh.com, and in the Human Resources Department of the District. All items appearing on the agenda are subject to action by the Committee.

Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Clerk during regular business hours at 831-755-0741. Notification received 48 hours before the meeting will enable the District to make reasonable accommodations.

**FINANCE COMMITTEE MEETING
OF THE BOARD OF DIRECTORS - COMMITTEE OF THE WHOLE
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM**

AGENDA FOR CLOSED SESSION

Pursuant to California Government Code Section 54954.2 and 54954.5, the board agenda may describe closed session agenda items as provided below. No legislative body or elected official shall be in violation of Section 54954.2 or 54956 if the closed session items are described in substantial compliance with Section 54954.5 of the Government Code.

CLOSED SESSION AGENDA ITEMS

REPORT INVOLVING TRADE SECRET

(Government Code §37606 & Health and Safety Code § 32106)

Discussion will concern: (Specify whether discussion will concern proposed new service, program, or facility): Trade secrets, strategic planning/proposed new programs and services

Estimated date of public disclosure: (Specify month and year): Unknown

ADJOURN TO OPEN SESSION

**MINUTES OF THE AUGUST 2022
FINANCE COMMITTEE MEETING
COMMITTEE OF THE WHOLE
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM**

**MONDAY, AUGUST 22, 2022
12:00 P.M. – DOWNING RESOURCE CENTER, ROOMS A, B & C,
SALINAS VALLEY MEMORIAL HOSPITAL
450 E. ROMIE LANE, SALINAS, CALIFORNIA or VIA TELECONFERENCE**

Pursuant to SVMHS Board Resolution No. 2022-11, Assembly Bill 361, and guidance from the Monterey County Health Department in response to concerns regarding COVID-19, Board Members of Salinas Valley Memorial Healthcare System, a local health care district, are permitted to participate in this duly noticed public meeting via teleconference and certain requirements of The Brown Act are suspended.

Committee Members Present:

Pete Delgado, Augustine Lopez, Clement Miller, and Richard Turner.

Via teleconference: Juan Cabrera and Harry Wardwell (*joined at 12:04 p.m.*)

Committee Members Absent:

Tarun Bajaj, MD and Michael Wilson

Other Board Members Present, Constituting Committee of the Whole:

Joel Hernandez Laguna

A quorum was present and the meeting was called to order at 12:03 p.m. by Chair Richard Turner.

APPROVE THE MINUTES JULY 25, 2022

Pete Delgado, recommended the Quality and Efficient Practices Committee approve the minutes of the July 25, 2022 meeting. This information was included in the Committee packet.

No public comment.

MOTION:

Upon motion by Committee member Delgado, and second by Committee member Miller, the minutes of Finance Committee for July 25, 2022 were approved.

Ayes: Committee members: Cabrera, Delgado, Lopez, Miller, Wardwell, and Chair Turner; Noes: None; Abstentions: None; Absent: Committee members Bajaj, MD and Wilson; Motion Carried.

CONSIDER RECOMMENDATION FOR BOARD OF DIRECTORS APPROVAL OF (I) PROJECT BUDGET FOR THE SVMH CT EQUIPMENT REPLACEMENT PROJECT, (II) AWARD OF CONTRACT TO CANON MEDICAL SYSTEMS FOR THE CT EQUIPMENT SYSTEM AND SERVICE AGREEMENT, AND (III) AWARD OF CONTRACT TO THE IMAGING CONNECTION FOR THE CT MOBILE LEASE.

Chief Operating Officer Clement Miller and Director of Facilities Management & Construction Earl Strotman, reported that the current CT equipment was installed in 2007 and that over the last fifteen

years there has been many improvements to CT Technology. The CT Equipment replacement project includes structural upgrades, renovating and expanding the CT suite, and will add a new restroom. The new Aquilion One 640 will improve weight limit capacity, patient position aids, and improve image reconstruction, and provide high quality cardiac imaging. The total estimated project cost for the SVMH CT Equipment Replacement project in the budgeted amount of \$3,961,038; equipment and service agreement to Canon Medical Systems for the terms and conditions in the proposed agreements in the amount of \$1,761,537; and mobile lease contract to The Imaging Connection in the amount of \$156,500. Background, situation and rationale were provided in the packet.

Schedule:

August 2022 Commence procurement of onsite equipment, and HCAI permitting documents for interim and permanent equipment. February 2023 – Commission procurement of interim onsite equipment. April 2023 – Commence construction of permanent onsite renovations.

Budget:

As currently programmed, the CT equipment replacement project cost estimate is \$3,961,038. The project cost estimate includes design and engineering fees, permitting, project contingency, design-assistance from GE, equipment lease, program management, and construction services required to complete the project.

Procurement:

SVMHS solicited for product agreement services to qualified medical equipment suppliers. Various proposals were received by SVMHS with multiple arrangements and pricing. Each of the responses was reviewed by Radiology, Materials Management and Facilities Management to compare initial capital construction costs and product supply agreement arrangements. After evaluating all proposals, SVMHS determined that Canon Medical Systems provided the most effective solution.

No public comment.

MOTION:

Upon motion by Committee member Delgado, second by Committee member Cabrera, the Finance Committee recommends the Board of Directors approve the (i) Project Budget for the SVMH CT Equipment Replacement Project, (ii) Award of Contract to Canon Medical Systems for the CT Equipment System and Service Agreement, and (iii) Award of Contract to The Imaging Connection for the CT Mobile Lease

Ayes: Committee members: Cabrera, Delgado, Lopez, Miller, Wardwell, and Chair Turner; Noes: None; Abstentions: None; Absent: Committee members Bajaj, MD and Wilson; Motion Carried.

CONSIDER RECOMMENDATION FOR BOARD OF DIRECTORS APPROVAL OF (I) PROJECT BUDGET FOR THE SVMH NUCLEAR MEDICINE EQUIPMENT REPLACEMENT, (II) AWARD OF CONTRACT TO GE HEALTHCARE FOR THE NUCLEAR MEDICINE EQUIPMENT SYSTEM AND SERVICE AGREEMENT, AND (III) AWARD OF CONTRACT TO THE IMAGING CONNECTION FOR THE NUCLEAR MEDICINE MOBILE LEASE

Chief Operating Officer Clement Miller and Mr. Miller and Earl Strotman, Director Facilities Management & Construction stated that the current GE Spect NM cameras were installed in 2004 and as of September 30, 2023, will not be supported by GE. The gold standard for Nuclear Medicine imaging

is SPECT/CT. The new NM/CT 850 SPECT/CT has the ability to perform three-dimensional Nuclear Medicine imaging ability to combine Nuclear imaging, allows new and emerging Nuclear Medicine procedures, and the provides small lesion detectability, reduced scan times, and decreased patient dose. The total estimated project cost for the SVMH Nuclear Medicine Equipment Replacement project in the budgeted amount of \$3,269,868, equipment and service contract to GE Precision Healthcare for the terms and conditions in the proposed agreements in the amount of \$981,150, and mobile lease contract to The Imaging Connection in the amount of \$127,500. Additional background, situation and rationale were provided in the packet.

Schedule:

August 2022 – Commence procurement of onsite equipment, and HCAI permitting documents for interim and permanent equipment. February 2023 – Commission procurement of interim onsite equipment. April 2023 – Commence construction of permanent onsite renovations.

Budget:

As currently programmed, the Nuclear Medicine equipment replacement project cost estimate is \$3,269,868. The project cost estimate includes design and engineering fees, permitting, project contingency, design-assistance from GE, equipment lease, program management, and construction services required to complete the project.

Procurement:

SVMHS solicited for product agreement services to qualified medical equipment suppliers. Various proposals were received by SVMHS with multiple arrangements and pricing. Each of the responses was reviewed by Nuclear Medicine, Materials Management and Facilities Management to compare initial capital construction costs and product supply agreement arrangements. After evaluating all proposals, SVMHS determined that GE Precision Healthcare provided the most effective solution.

No public comment.

MOTION:

Upon motion by Committee member Delgado, and second by Committee member Lopez, the Finance Committee recommends the Board of Directors approve the (i) Project Budget for the SVMH Nuclear Medicine Equipment Replacement, (ii) Award of Contract to GE Healthcare for the Nuclear Medicine Equipment System and Service Agreement, and (iii) Award of Contract to The Imaging Connection for the Nuclear Medicine Mobile Lease.

Ayes: Committee members: Cabrera, Delgado, Lopez, Miller, Wardwell, and Chair Turner; Noes: None; Abstentions: None; Absent: Committee members Bajaj, MD and Wilson; Motion Carried.

CONSIDER RECOMMENDATION FOR BOARD OF DIRECTORS APPROVAL OF PARTIAL PROJECT BUDGET FOR THE SVMH BULK OXYGEN PROJECT

Chief Operating Officer Clement Miller and Earl Strotman, Director Facilities Management & Construction stated that the total estimated project cost for the design and permitting of the interim bulk oxygen system component of the SVMH Bulk Oxygen Storage Project in the budgeted amount of \$500,000. Additional background, situation and rationale were provided in the packet.

Budget:

As currently programmed, the Bulk Oxygen Project cost estimate is \$2,400,000. The project cost estimate includes design and engineering fees, permitting, project contingency, design-assistance from oxygen supply vendor, equipment lease, program management, and construction services required to complete the project.

Current capital budget forecast includes:

Fiscal Year 2023 - \$785,651

Fiscal Year 2024 - \$1,000,000

Following completion of the product supply agreement and vendor selection, the budget will be reconciled to account for proposed configuration.

Schedule:

August 2022 – Commence HCAI permitting documents for interim storage

February 2023 – Commission onsite interim portable storage, remove existing tanks

April 2023 – Anticipated commencement of permanent onsite storage

July 2023 – Anticipated commission onsite permanent storage

Budget:

As currently programmed, the bulk medical storage systems project cost estimate of \$2,400,000. The project cost estimate includes design fees, permitting, project contingency, design-assistance from supply vendor, equipment rental, program management, and construction services required to complete the replacement project. For the initial interim design and permitting, \$500,000 is being requested to commence the design and permitting process with design professionals and engineers for the interim solution.

Procurement:

SVMHS solicited for product supply agreement services to qualified local and regional medical gas suppliers. Various proposals were received by SVMHS with multiple supply arrangements and pricing. Each of the responses was reviewed by Materials Management and Facilities Management to compare initial capital construction costs and product supply agreement arrangements. SVMHS in process of evaluating the product supply agreements.

No public comment.

MOTION:

Upon motion by Committee member Delgado, second by Committee member Cabrera, the Finance Committee recommends the Board of Directors approve the Partial Project Budget for the SVMH Bulk Oxygen Project.

Ayes: Committee members: Cabrera, Delgado, Lopez, Miller, Wardwell, and Chair Turner; Noes: None; Abstentions: None; Absent: Committee members Bajaj, MD and Wilson; Motion Carried.

REVIEW BALANCED SCORECARD – JULY 2022

Augustine Lopez, Chief Financial Officer, reviewed the Year End Balance Scorecard for Fiscal Year 2022, which provided an overview of the metrics and performance of the SVMHS organizational goals

for Service, People, Quality, Finance, Growth, and Community. This information was included in the Committee packet.

FINANCIAL AND STATISTICAL REVIEW

Key highlights of the financial summary for July 2022 were: (1) Income from operations was \$(1.1)M with an operating margin of -2%, (2) Net income was \$0.6M with a net income margin of 1.2%; (3) Inpatient gross revenues 1.4%, unfavorable to the budget; (4) Emergency Department gross revenues were 0.4% below budget; (5) Outpatient gross revenues were 1.9% favorable to the budget in Infusion Therapy, Radiology and other OP Pharmacy; (6) Payor mix was unfavorable to the budget; (7) Total normalized net patient revenues were \$44.2M, which was unfavorable to the budget by \$4.2M or 8.8%; (8) Outpatient surgeries were below budget and inpatient surgeries were above budget; (9) Average daily census and total admissions were above budget by 8%; (10) Total acute average length of stay (ALOS) Medicare traditional ALOS CMI adjusted was 1% unfavorable; (11) Covid cases increased by 90% over prior month; (12) Operating revenues were above expenses; (13) Days cash on hand was 344; days of net accounts receivable is 52.

Financial underperformance was driven by:

- Despite the Average Daily Census being 8% above budget at 124, Total Gross Revenues were on target
- The net revenue yield % for SVMH was 9% below budget due to:
 - Patient Acuity for all payers declined by 10% (Case Mix Index was 1.5)
 - Medicare patient acuity declined by 14% (Case Mix Index was 1.60 vs 1.86)
 - Commercial business was 5% lower than expected
 - AR increased mostly due to a slowdown in Commercial insurance payments
- IP Surgical cases declined by 24% (44 cases)
- While Covid cases increased 90% over the prior month, most of the cases were governmental (88%)
- Increased patient volume and staff shortage required higher than expected Contract Labor and overtime utilization
- Overall Labor Productivity efficiency was favorable by 9% (47 FTEs)

PUBLIC INPUT

No public comment received.

ADJOURNMENT

There being no other business, the meeting was adjourned at 12:42 p.m. The September 2022 Finance Committee Meeting is scheduled for **Monday, September 19, 2022 at 12:00 p.m.**

ATTEST:

Richard Turner, Chair
Finance Committee

/es

Board Paper: Finance Committee

Agenda Item: Consider Recommendation for Board Approval of Award of Contract for Construction Management Services to Kitchell CEM Incorporated for the Surgery Addition and Seismic Retrofit Project

Executive Sponsor: Clement Miller, Chief Operating Officer
Earl Strotman, Facilities Management
Dave Sullivan, Facilities Management

Date: August 12, 2022

Executive Summary

SVMHS is pursuing a Master Plan that accomplishes compliance with seismic safety regulations, leverages existing hospital campus building and parking infrastructure and optimizes the hospital's size. Current planning contemplates parking infrastructure expansion, a hospital expansion and retrofitting and optimizing the existing buildings on the hospital campus through seismically retrofitting the structure. The first element of the master plan is the parking garage expansion has been contracted and construction commenced. Completion of the parking garage expansion project will facilitate and enable the design and construction teams to complete all other planned improvements to the main hospital site.

SVMHS is retaining a construction management firm with expertise in delivering design-build project hospital expansion and seismic retrofitting projects. The Construction Manager will represent SVMHS' interests on the Project and will work collaboratively with other entities working on the Project, including HOK (SVMHS' architectural firm), Bogard Construction (SVMHS' on-call Project Manager/Owner's Representative for other ancillary projects and programs) and the Design-Builder retained by SVMHS for the design and construction of the Project. The construction management firm will be solely responsible for the surgery expansion, make ready projects in conjunction with the surgery expansion and seismic project, exclusive from any other elements of the Master Plan.

Background/Situation/Rationale

The surgical expansion is a two-story building that has 8,680 square feet of mechanical and electrical support and general storage at the ground level. The second floor is 40,450 square feet and includes 8 operating rooms (3 general, 2 cardiovascular, 2 orthopedic, and 1 hybrid operating rooms); 12 post-anesthesia care unit bays; 22 pre-post bays; complete sterile processing department; surgical support; ambulatory entry to support same-day surgery and imaging functions. The building includes a new ambulatory entry drop-off/canopy and a new hospital entry canopy. Offsite improvements to civil infrastructure should be anticipated as required by the City of Salinas. The roof level will include air handling units, a mechanical penthouse, a cooling tower, and mechanical screens to shield the mechanical equipment from patient room and public views. Expansion will require upgrades to the existing source equipment located in the energy yard and energy plant. It is the goal of the facility to leverage the existing utility tunnel and minimize the requirements to upgrade or replace existing energy yard or energy plant infrastructure.

Ancillary improvements necessary to implement the Project will include demolition of Administrative Office Building ("AOB"). The demolition of AOB and make ready work includes grading at the new fire truck access north of building 2 for updated vehicular access, significant shoring systems required to maintain access points to the existing hospital egress systems during construction, major wet and dry utility relocations, and NPC-5 underground tanks at the south of the new expansion. Decanting of the building occupants will be managed by the Parking Garage Annex construction management team. The infrastructure modernization of existing building systems will include electrical service upgrade, source equipment upgrades/replacements, medical gas system / zone valves, and decommissioning of existing surgery and sterile processing department as base scope for HCAI compliance. This involves assisting Bogard Construction in re-establishing the Utility Tunnel permit closed without HCAI compliance due to project inactivity, engage a new design team for permitting with HCAI, and completing the CBC-required and CAL-OSHA confined space elements to utilize the utility tunnel to purvey utilities to the hospital addition. Interface with PG&E, Cal Water, County Health, MBARD and Monterey One Water will be required to support additional source required loads.

Seismic retrofit of existing buildings for compliance with SPC-4D (Seismic Performance Category) includes external strengthening around the main tower, external buttress structure and connections to roof structure around building 2, selective wall reinforcements around main tower (shear walls), pediatric addition reinforcement (3rd floor exterior shear walls and roof connection), rehab addition reinforcement (4th floor exterior shear wall and roof connection), UPS (Uninterruptible Power Supply) building strengthening, elevator tower addition mitigation, miscellaneous localized interventions including increasing building seismic separation, and NPC (Non-Structural Performance Category) resolution. Bogard Construction and John A Martin have completed all required SPC-4D application requirements to-date, including the Material Testing Program Results Submittal to HCAI's Seismic Compliance Unit for both SPC-2 Buildings 1 and 2. Current planning has John A Martin being assigned as the structural engineer of record to the successful design-builder to complete the construction documents as part of the design-build team. NPC-3 resolution involves evaluation and bracing of critical care areas not currently NPC-3 compliant, which includes ICU/CCU, Radiology, Clinical Lab, Delivery Rooms, and Cath Labs. Current planning contemplates NPC-4D compliance for areas permitted to be deferred in the Article 11 of the California Building Code 2019. The nonstructural performance evaluation will require the design-build team examine the respective critical nonstructural systems and elements for the planned NPC as specified in Table 11.1, "Nonstructural Performance Categories." NPC-5 compliance will require planning, design and installation of multiple emergency water supply underground tanks, liquid waste and sewage storage underground tanks and evaluation of the existing emergency electrical power capacity to supply 72 hours of back up emergency power. Multiple locations for underground tanks will be required due to various points of connection to utility purveyors on campus.

Current planning has the major design and construction elements being delivered utilizing the design-build contracting method pursuant to California Public Contract Code section 22160. The Project Team will include SVMHS Facilities Management, Construction Manager, Bogard Construction (SVMHS' on-call Project Manager/Owner's Representative for other ancillary projects and programs) and the Design-Builder and its design consultants and subcontractors, as well the potential use of Separate Consultants and Separate Contractors.

Pillar/Goal Alignment:

- Service People Quality Finance Growth Community

Financial Implications

The essential terms of the proposed Contract are as follows:

Key Contract Terms	Kitchell CEM Incorporated
1. Proposed effective date	Issuance of Notice to Proceed anticipated on September 2022
2. Term of agreement	60 Months
3. Renewal terms	Not Applicable
4. Termination provision(s)	Provided in Section 11 of the Agreement
5. Cost	Total all-inclusive sum not to exceed \$11,823,639. Compensation will be paid on the actual cost of the Services performed by Construction Manager per the billable rates set forth in Exhibit 4 plus reimbursable expenses per the terms and conditions included in Exhibit 4. All-inclusive sum includes an estimated allocation of reimbursable expenses of \$12,000.
6. Budgeted (indicate y/n)	Yes, projected capital has allocated \$277,000,000 for anticipated costs in conjunction with master planning.

Schedule:

Preconstruction Activities

- September 2022 - Anticipated Notice to Proceed to Construction Manager
- October 2022 – Issue RFQ for Design-Builder
- January 2023 – Issue RFP for Design-Builder
- March 2023 – Recommend Award of Design-Builder Contract

Surgery Addition

- April 2023 – Commence Design/Permitting Documents
- June 2023 – Anticipated CEQA Approvals
- December 2024 – Commence Construction
- June 2027 – Substantial Completion
- June 2027 through February 2028 - Occupancy (Activation/Licensing/Move/Closeout/Securing Vacated Areas)

Schedule (continued):

***Seismic**

June 2023 – Commence Design/Permitting Documents

March 2024 to December 2026 – Construction Completion

** Seismic scope of work is exempt from the CEQA review process*

Budget:

A project cost estimate has been completed by SVMHS and reviewed with the Board in December 2021. As currently programmed, the master plan project cost estimate of \$277,000,000. Current project cost estimate for the surgery addition and seismic compliance is \$241,000,000. \$16.3M has been allocated in the routine capital budget for fiscal year 2023.

Procurement:

SVMHS circulated a Request for Proposal (RFP) for construction management services to qualified local and regional construction management firms. An advertisement was also posted in the builder's exchange. Two (2) proposals were received by SVMHS. Each of the responses was scored utilizing a tiered scoring structure. After evaluating all proposals in accordance with the criteria set forth in the RFP, the evaluation committee determined that Kitchell CEM Incorporated was as the highest-ranking proposer. As part of the response to the RFP, the proposers were required to submit a separately sealed cost proposal identifying the proposed construction management costs for the requested scope of services. In accordance with the RFP procedures, SVMHS negotiated the terms and conditions of the Agreement with the highest-ranking proposer.

Recommendation

Consider recommendation for Board approval of the agreement for \$11,823,639 to Kitchell CEM for construction management services for the Surgery Addition and Seismic Retrofit Project.

Attachments

- Attachment 1: Draft Construction Management Agreement between Salinas Valley Memorial Healthcare System and Kitchell CEM Incorporated
- Attachment 2: Construction Management Staffing Plan (Exhibit 4)

CONSTRUCTION MANAGEMENT SERVICES AGREEMENT

Between SVMHS and Construction Manager

THIS AGREEMENT ("Agreement") is made as of the 29th day of September, 2022 ("Effective Date") between Salinas Valley Memorial Healthcare District ("SVMHS") located at 450 E. Romie Lane, Salinas, CA 93901 and Kitchell CEM, Inc. ("Construction Manager") located at 2450 Venture Oaks Way, Suite 500, Sacramento, CA 95833 to provide construction management services ("Services") pursuant to Government Code section 4525, et. seq. in connection with the design and construction of the Surgery Addition and Seismic Retrofit Project ("Project"). The following Exhibits are incorporated into this Agreement.

EXHIBITS

Exhibit 1	Definitions
Exhibit 2	Project Documents
Exhibit 3	Scope of Services
Exhibit 4	Staffing, Billable Rates, and Terms
Exhibit 5	Insurance Requirements

By executing this Agreement, each of the Signatories represents that he or she has the authority to bind the Party on whose behalf his or her execution is made.

<p>Salinas Valley Memorial Healthcare System</p> <p>By: _____ Pete Delgado, President/CEO</p>	<p>Construction Manager: Kitchell CEM, Inc.</p> <p>By: Wendy Cohen, President</p> <p>Telephone No: 619-456-7372</p> <p>Email: wcohen@kitchell.com</p> <p>CA License No.: 950139</p>
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THE PARTIES AGREE TO THE FOLLOWING TERMS AND CONDITIONS.

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1. DEFINITIONS

1.1 Defined Terms. Defined terms and titles of Exhibits will be capitalized throughout the Agreement and any Exhibits to the Agreement. The definitions for this Agreement are set forth in alphabetical order in Exhibit 1.

2. PROJECT DESCRIPTION AND RELATIONSHIP OF PARTIES

2.1 Project. This Project is a renovation to an existing hospital campus with an new surgical expansion building. The hospital will remain operational during all renovation work. The Project is subject to HCAI 1 jurisdiction and includes 5 major components as further defined in the Project Documents set forth in Exhibit 2. The 5 major components are briefly described below.

2.1.1 Demolition of Administrative Office Building ("AOB"). The demolition of AOB and make ready work includes grading at the new fire truck access north of building 2 for updated vehicular access, significant shoring systems required to maintain access points to the existing hospital egress systems during construction, major wet and dry utility relocations and NPC-5 underground tanks at the south of the new expansion. Decanting of the building occupants and FF&E will be managed by the Parking Garage Annex construction management team.

2.1.2 Surgical Expansion. The surgical expansion is a two-story building that has 8,680 square feet of mechanical and electrical support and general storage at the ground level. The second floor is 40,450 square feet and includes 8 operating rooms room (3 general, 2 cardiovascular, 2 orthopedic, and 1 hybrid operating rooms); 12 PACU bays; 22 pre-post bays; complete sterile processing department; surgical support; ambulatory entry to support same-day surgery and imaging functions. The building includes a new ambulatory entry drop-off/canopy and a new hospital entry canopy. Offsite improvements to civil infrastructure should be anticipated as required by the City of Salinas. The roof level will include air handling units, a mechanical penthouse, a cooling tower, and mechanical screens to shield the mechanical equipment from patient room and public views. Expansion will require upgrades to the existing source equipment located in the energy yard and energy plant. See utility tunnel requirements in 2.1.4. It is the goal of the facility to minimize the requirements to upgrade or replace existing energy yard or energy plant infrastructure.

2.1.3 Seismic Retrofit of Buildings 1 and 2. Seismic retrofit of existing buildings for compliance with SPC-4D includes external strengthening around the main tower, external buttress structure and connections to roof structure around building 2, selective wall reinforcements around main tower (shear walls), pediatric addition reinforcement (3rd floor exterior shear walls and roof connection), rehab addition reinforcement (4th floor exterior shear wall and roof connection), UPS building strengthening, elevator tower addition mitigation, miscellaneous localized interventions including increasing building seismic separation, and NPC resolution. Bogard Construction and John A Martin have completed all required SPC4d application requirements to-date, including the MTCAP Results Submittal to SCU for both Buildings 1 and 2. Current planning has John A Martin being assigned as the structural engineer of record to the successful design-builder to complete the construction documents as part of the design-build team. NPC 3 resolution involves evaluation and bracing of critical care areas not currently NPC 3 compliant, which includes ICU/CCU, Radiology, Clinical Lab, Delivery Rooms, and Cath Labs. Current planning desires NPC4d compliance for areas permitted to be

deferred in the Article 11 of the CBC 2019. The nonstructural performance evaluation shall require the design-build team examine the respective critical nonstructural systems and elements for the planned NPC as specified in Table 11.1, "Nonstructural Performance Categories." NPC-5 compliance will require planning, design and installation of multiple emergency water supply underground tanks, liquid waste and sewage storage underground tanks and evaluation of the existing emergency electrical power capacity to supply 72 hours of back up emergency power. Multiple locations for underground tanks will be required due to various points of connection to utility purveyors on campus.

2.1.4 Infrastructure Modernization. The infrastructure modernization of existing building systems will include electrical service upgrade, source equipment upgrades/replacements, medical gas system / zone valves, and decommissioning of existing surgery and SPD as base scope for HCAI compliance. This involves assisting Bogard Construction in re-establishing the Utility Tunnel permit closed without HCAI compliance due to project inactivity, engage a new design team for permitting with HCAI, and completing the CBC-required and CAL-OSHA confined space elements to utilize the utility tunnel to purvey utilities to the hospital addition. Interface with PG&E, CalWater, County Health, MBARD and Monterey One Water will be required to support additional source required loads.

2.1.5 Decommissioning of Existing Surgery and Sterile Processing Department.

2.2 Project Delivery Method. The Project will be delivered utilizing the design-build contracting method pursuant to California Public Contract Code section 22160, et seq.

2.3 Project Team The Project Team will include SVMHS, Construction Manager, Bogard Construction (SVMHS' on-call Project Manager/Owner's Representative for other ancillary projects and programs) and the Design-Builder and its design consultants and subcontractors, as well the potential use of Separate Consultants and Separate Contractors.

2.3.1 Construction Manager's authorized representative is Sarah Bjorkman, Executive Director, Healthcare. Construction Manager's authorized representative has the authority to act on behalf of Construction Manager and all communications given to the authorized representative will be deemed to have been delivered to Construction Manager.

2.3.2 SVMHS's authorized representative is Pete Delgado, Chief Operating Officer. Mr. Delgado is authorized to act on SVMHS's behalf with respect to the daily operations of the Project and is authorized to execute construction change directives and approve changes in the Services or Work, up to an amount of \$25,000 per occurrence. Any request exceeding \$25,000 will require SVMHS's Board of Directors approval and must be timely submitted to SVMHS by the Construction Manager in order to allow proper consideration during the board's regularly scheduled meetings.

2.3.3 Bogard Construction serves as SVMHS' on-call Project Manager/Owner's Representative for other ancillary projects, and will also provide support to this Project. David Sullivan is the authorized representative for Bogard Construction. Construction Manager will interface with David Sullivan of Bogard Construction to coordinate campus activities that impact hospital operations. The Construction Manager will be required to provide routine Project updates to various Board subcommittees (Finance, Executive Leadership Group), and may be asked to coordinate with Bogard Construction on these updates, at the discretion of Chief Operating Officer Clement Miller.

2.4 Relationship of the Parties. Construction Manager's relationship with SVMHS is that of an independent contractor whose involvement in the Project is to act in the capacity of a construction management consultant and not as an agent, fiduciary, partner, member of, subsidiary of, or otherwise affiliated with SVMHS. Construction Manager agrees to act in good faith and to exercise its best efforts in performing all Services in the most expeditious and economical manner consistent with the Contract Documents and SVMHS's best interests. Construction Manager will furnish efficient business administration and supervision related to coordination of its Services and will collaborate with other Project Team members to facilitate the performance of their respective tasks and in the best interests of the Project.

2.5 Direct Communications. Construction Manager shall communicate directly with other Project Team members in furthering the best interests of the Project. However, Construction Manager must keep SVMHS apprised of all relevant direct communications with Design-Builder and its design consultants.

2.6 Project Staffing and Key Personnel. The Construction Manager's personnel, their respective positions, and the billable rates will be designated in Exhibit 4. The Construction Manager's authorized representative set forth in Section 2.3.1 is key personnel. Unless otherwise requested by SVMHS, key personnel may not be removed from, or added to, the Project without prior written consent of SVMHS except for death, disability, or departure of person from employment. If a replacement is necessary, the proposed key personnel will have substantially equivalent or better qualifications than the former principal or employee, and all candidates are subject to final approval by SVMHS.

3. SERVICES

3.1 Scope. Construction Manager's role is to provide management and oversight of the Project, and the performance Design-Builder through all design, construction and commissioning services. The Construction Manager's Services are more specifically described in Exhibit 3 All Services will be performed in accordance with the Contract Documents.

3.2 Licensing Requirements. Construction Manager warrants that it is a California state licensed general contractor, and is authorized to do business in the State of California.

3.3 Standard of Care. Construction Manager meets the experience requirements of Government Code section 4529.5 and will timely perform its Services using skill and judgment consistent with the degree of care ordinarily used by competent construction managers who provide construction management services for projects of similar size, scope, and complexity in the State of California.

3.4 Legal Compliance. Construction Manager agrees to comply with all federal, state, municipal and local laws, ordinances, rules, regulations, building codes and standards, orders, notices and requirements applicable to its Services on the Project.

3.5 SVMHS's Approvals. All requests for approval must be in writing. An approval by SVMHS of any Services will not relieve Construction Manager from its obligations or liabilities for the technical or professional adequacy of its Services.

3.6 Construction Manager's Authority. The Construction Manager has the authority to order minor changes in the Work that do not impact the Design-Builder's contract time or contract price; to reject Design-Builder's Work that does not comply with the Surgery Addition and Seismic Retrofit Project PM Services Agreement

Construction Documents; to participate in the preparation of punch list items for correction upon substantial completion and final completion; and other tasks to fulfill Construction Manager's Services. Minor revisions may be made through responses to requests for information or other such clarifications. Interpretations and decisions of Construction Manager will be consistent with the intent and reasonably inferable from the Construction Documents. At the direction of SVMHS, the Construction Manager may review Design-Builder's change order requests or prepare change orders for review and approval by SVMHS, and may provide construction change directives for signature by SVMHS.

4. SVMHS'S RESPONSIBILITIES

4.1 Project Documents. The Project Documents generally describing the Project and seismic retrofit are set forth in Exhibit 2. SVMHS will also provide Bridging Documents through Amendment, and other information including any geotechnical and environmental impact reports, schedule requirements, budget constraints and other criteria.

4.2 Permits and Fees. SVMHS will secure and pay for all permits, approval, easements, assessments and fees required for the development, construction, use or occupancy of the Project.

4.3 Design-Builder. Upon completion of the Bridging Documents, SVMHS will retain a Design-Builder for completion of the design and construction of the Project. The Design-Build Agreement, as amended, will be furnished to the Construction Manager. Construction Manager will not be responsible for acts or omissions by Design-Builder or its design consultants or subcontractors.

4.4 Test and Inspections. SVMHS will be financially responsible for all third party testing and inspections.

4.5 Legal Accounting and Insurance Services. SVMHS will furnish all legal, accounting and insurance counseling services as may be necessary at any time for the Project, including auditing services, that SVMHS may require to verify applications for payment or to ascertain how or for what purposes the money paid by or on behalf of SVMHS has been used.

4.6 Proposal Advertisement. SVMHS will pay for all advertisements for Design-Build proposals, but will seek the assistance of Construction Manager in that process.

4.7 Separate Contracts. SVMHS reserves the right to perform administration and operations related to the Project with SVMHS's own forces, and to award contracts in connection with the Project.

5. COMPENSATION

5.1 Sum Not to Exceed. Construction Manager will be paid based on the actual cost of the Services performed by Construction Manager per the billable rates set forth in Exhibit 4 plus reasonable reimbursable expenses per the terms and conditions included in Exhibit 4 up to the Sum Not to Exceed of \$11,823,639. The billable rates will be calculated based on the terms and conditions set forth in Exhibit 4 and must include overhead, burden, and profit. Payment will be calculated by multiplying the billable rates by the number of hours spent performing the Services. In addition to payment based on the billable rates, the Construction Manager will be reimbursed at actual cost for those reimbursable expenses defined in Exhibit 4, Surgery Addition and Seismic Retrofit Project
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up to the amount of the Reimbursable Expense Allowance. All other costs are excluded and Construction Manager will not be compensated beyond the Sum Not to Exceed. The Sum Not to Exceed amount will only be adjusted through executed Change Order under Article 7 of this Agreement for additional services or an extension of the Contract Time.

6. PAYMENT

6.1 Payment Applications. Certified payment applications will be prepared by Construction Manager in the format agreed to by SVMHS's authorized representative. The period covered by each payment application will be one calendar month. The payment application will include an itemized breakdown of the Services performed for that particular calendar month and itemized reimbursable expenses, including additional services performed per approved Change Orders. All reimbursable expenses must be supported by sufficient documentation such as receipts, invoices, etc., substantiating the amount requested.

6.2 Progress Payments. Construction Manager's payment applications will be submitted within 5 business days of the end of the previous month for review by SVMHS. SVMHS's authorized representative and Construction Manager will attempt to resolve any disagreements regarding amounts before processing the application. SVMHS will make payment for all approved amounts within 45 days of receipt of a payment application. In taking action on payment applications, SVMHS may rely on the accuracy and completeness of the information furnished by the Construction Manager in its certified payment request.

6.3 Right to Withhold. SVMHS's authorized representative may refuse to approve a payment application, in whole or in part, or, because of subsequently discovered evidence, subsequent observations, or post review issues that may nullify the whole or any part of a prior payment application to the extent SVMHS determines is necessary to protect it from loss due to, among other things, deficient Services or failure to perform Services in accordance with the Contract Documents; disputed amounts; third party claims against SVMHS allegedly arising from the Services; or reasonable doubt that the Services can be completed within the Sum Not to Exceed set forth in Section 5.1, as adjusted through approved Change Order.

6.4 Final Payment. SVMHS will make final payment to the Construction Manager after completion of the Services, and within 30 days of receipt of an approved payment application for final payment.

6.5 No Waiver. Payment by SVMHS will not constitute approval or acceptance of any Services included in the payment application or final acceptance or approval of that portion of the Services.

6.6 No Right to Stop Services. If Construction Manager disputes any determination with respect to a payment application, Construction Manager will nevertheless expeditiously continue to prosecute the Services, provided that undisputed amounts are timely paid. SVMHS will not be deemed to be in default or breach of contract for withholding of any payment under Section 6.3. Construction Manager may submit unresolved payment disputes as a Claim under Article 10.

6.7 Audit Right. SVMHS may audit Construction Manager's Project records at any time throughout the duration of the Project and for a period up to 3 years after final completion of the Project upon 10 business days' written notice. The audit will take place during normal business hours and will be coordinated with Construction Manager. Construction Manager will

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produce all records related to its Sum Not to Exceed, as amended, payment applications, as well as any other Project records deemed necessary by SVMHS to substantiate charges related to the Services. Should the audit indicate that Construction Manager's records were fraudulently or negligently prepared or maintained, SVMHS reserves the right to seek damages and legal remedies from Construction Manager.

7. CHANGES IN SERVICES

7.1 Change Orders. A Change Order is a mutually agreed written order adjusting the Construction Manager's Services or Sum Not to Exceed. Changes will only be authorized by an executed Change Order and performed under the applicable conditions of the Contract Documents. A Change Order signed by the Construction Manager indicates the Construction Manager's agreement to the adjustment in its compensation and fully and completely resolves any Claim by Construction Manager for additional compensation arising from or related to the additional services required as a result of the change, or an extension of the Contract Time. Additional compensation will only be allowed to the extent that the changed condition requires additional services or if the Contract Time is extended, and provided that the extension is not due to any negligent act or omission of the Construction Manager in rendering its Services.

7.2 Changes. Construction Manager must submit pricing to SVMHS within 10 business days of discovering facts or circumstances giving rise to the change. If Construction Manager does not timely request adjustment of its Sum Not to Exceed, Construction Manager's Claim for adjustment will be waived. Change requests must comply with the billable rates and reimbursable expenses set forth in Exhibit 4.

7.3 Submission. All Claims for additional compensation to the Construction Manager will be presented in writing to SVMHS's authorized representative and approved by SVMHS before the expense is incurred. SVMHS's authorized representative will review all requests for additional compensation (including additional services for an extension of the Contract Time) within 10 business days of receipt and make a recommendation to SVMHS on whether or not to proceed with the additional services.

7.4 Pricing. Construction Manager will provide a not to exceed amount for the additional services per the billable rates plus a not-to-exceed amount for additional reimbursable expenses directly related to the additional services (including extensions of the Contract Time). Upon approval, the Sum Not to Exceed will be adjusted. Construction Manager will keep and present an itemized summary of the additional services performed on an employee and task basis, and will itemize additional reimbursable expenses and present receipts (as applicable). Construction Manager will be paid the actual cost for Services rendered in accordance with Article 6.

7.5 Continued Performance. No Services will be allowed to lag pending the adjustment through Change Order, but will be promptly executed as directed, even if a dispute arises. Disputes regarding Change Orders will be resolved in accordance with Article 10. Failure to properly execute the Services as directed by SVMHS will constitute a material breach of contract.

8. INDEMNIFICATION AND DEFENSE

8.1 Indemnification. To the fullest extent permitted by law, Construction Manager will defend, indemnify, and hold harmless SVMHS, its board of directors, officers, agents, and Surgery Addition and Seismic Retrofit Project
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employees ("Indemnitees") from and against any and all claims, losses, damages, liabilities, bodily injury, sickness, death, property damage, and expenses (including legal, expert witness, and consulting fees and costs) arising out of, or resulting from, the performance of Services, but only to the extent caused by the negligent acts or omissions, recklessness or willful misconduct of Construction Manager, its employees, or anyone directly or indirectly employed by Construction Manager for whose acts Construction Manager may be liable.

8.2 Duty to Defend. Construction Manager will defend all Claims (with counsel acceptable to SVMHS) as defined in Section 8.1 at its own cost and expense and satisfy any judgment or decree that may be rendered against any Indemnitee arising out of a Claim, and reimburse Indemnitee(s) for any and all attorney's, expert witness, and consulting fees and expenses incurred in connection with the Claim or in enforcing the indemnity and defense granted by Sections 8.1 and 8.2.

8.3 Enforcement. Nothing contained in this Article 8 will be construed to impose any obligation in conflict with current California state law. In the event of a conflict with California State law, as may be amended, the Agreement will be modified to allow indemnification and defense by Construction Manager to the greatest extent permitted by law.

9. INSURANCE

9.1 Requirements. The Construction Manager will carry the insurance required in Exhibit 5. Proof of appropriate insurance, including endorsements of additional insureds as required per Exhibit 5 must be submitted to SVMHS's authorized representative before commencement of the Services. Construction Manager will provide additional insured status to SVMHS, and any other entities or persons set forth in Exhibit 5 on all required coverage.

10. CLAIMS AND DISPUTES

10.1 Disputes. In the event that the Construction Manager seeks to pursue a claim for additional compensation or other equitable adjustment for services performed under this Agreement, the Construction Manager must first complete all change order procedures in Article 7 of this Agreement. If the matter remains in dispute after completion of the change order process, Construction Manager must submit a written Notice of Claim summarizing the request and the factual basis therefore, and must include documents necessary to substantiate the Claim. The Notice of Claim must be submitted no later than 30 days from the completion of the change order process or the occurring of the event that gave rise to the Claim.

10.2 Joinder. Construction Manager acknowledges that the Project is being constructed under a design-build project delivery method where the Design-Builder is under direct contract with SVMHS. SVMHS may, at its sole discretion, join any other necessary Project Team members in any dispute resolution procedure between SVMHS and the Construction Manager, or join Claims between SVMHS and Construction Manager with any dispute resolution procedure with the Design-Builder, if the Claims for or against the Construction Manager or SVMHS arise from the same, substantially the same, or interrelated facts, issues, or incidents relating to the Project, or where separate dispute resolution processes create a risk of inconsistent awards or results.

11. TERMINATION

11.1 Termination of the Construction Manager for Convenience. SVMHS may terminate this Agreement for convenience upon 10 calendar days' prior written notice at any time before completion of the Services. Upon termination, SVMHS will pay Construction Manager the earned portion of the Sum Not to Exceed (billable amounts and reimbursable expenses per Article 5) as of the effective date of termination. Construction Manager expressly waives any Claims for consequential damages, including anticipated lost profits and unabsorbed overhead. The notice will state the effective date of termination. All payments under this Section are subject to the payment provisions in Article 6. All disputes over termination will be resolved under Article 10.

11.2 Termination of the Construction Manager for Cause. SVMHS may terminate this Agreement for material breach of any term or conditions of the Contract Documents upon 10 business days' written notice unless Construction Manager has commenced curing its breach to SVMHS's satisfaction. The notice will set forth the reason for termination and the effective date of termination. If SVMHS terminates this Agreement for cause, Construction Manager will not be entitled to further payment until the Project is completed and SVMHS is able to determine the additional costs and expenses incurred by SVMHS to satisfy any Claims arising out of, or services required for, curing the breach. Further payments, if due, will be made 35 calendar days after final completion of the Project, and only to the extent that the cost of completing the Services does not exceed the remaining Sum Not to Exceed. Nothing stated in this paragraph will prevent SVMHS from pursuing and recovering any damages allowed by law from Construction Manager arising out of the breach of the Contract Documents. If a court of competent jurisdiction deems that termination of this Agreement was wrongful or otherwise improper, the termination will be deemed a termination for convenience under Section 11.1. All disputes over termination will be resolved under Article 10.

11.3 Suspension of Services. The District reserves the right to temporarily suspend the Services under this Agreement for any reason and at any time. In the event the District suspends Services, the Construction Manager will stop all Services, and compensation pursuant to monthly progress payments will be paused until the District issues a written order to resume Services. The District will issue any subsequent monthly progress payments at the end of the month during which the District issues a written order to resume work.

11.4 Construction Manager's Termination for Cause. Construction Manager may terminate this Agreement upon 60 calendar days' written notice if SVMHS fails to make payment to Construction Manager in accordance with this Agreement and cannot provide evidence substantiating that financial arrangements have been made to make payment. Construction Manager will be compensated as if the Services were terminated by SVMHS for convenience under Section 11.1.

12. MISCELLANEOUS PROVISIONS

12.1 Confidentiality. Construction Manager will keep information provided by SVMHS or made available to Construction Manager during performance of the Services confidential, and will not disclose confidential information to persons or entities other than as necessary to perform the Services.

12.2 Governing Law. This Agreement will be governed and construed under the laws of the State of California without giving effect to any choice of law or rule of conflict that would cause the application of the laws of any other jurisdiction. Each of the Parties agrees that the exclusive venue for any action will be in the applicable court in Monterey County, California.

12.3 Assignment. SVMHS and Construction Manager respectively bind themselves, their partners, successors, assignees, to the other Party to this Agreement. Construction Manager may not assign this Agreement. Upon notice, SVMHS may assign this Agreement to any lender in obtaining Project financing, and Construction Manager will cooperate with SVMHS and execute required assignment agreements.

12.4 Notices. Any notice required to be given by this Agreement will be in writing and deemed effective upon: (i) the date of personal delivery, or email, if received by the addressee before 5:00 p.m. local time on a business day; (ii) 3 business days after being sent via registered or certified mail with a return receipt requested; or (iii) 1 business day after being sent by overnight commercial courier providing next-business-day delivery. Email must be evidenced by an email confirmation receipt.

Notices will be addressed to the following respective parties:

SVMHS:

Pete Delgado
President/CEO
Salinas Valley Memorial Healthcare System
450 E. Romie Lane, Salinas, CA 93901
pdelgado@svmh.com

Construction Manager:

Sarah Bjorkman
Executive Director - Healthcare
Kitchell CEM, Inc.
2450 Venture Oaks Way, Suite 500,
Sacramento, CA 95833
sbjorkman@kitchell.com

12.5 Interpretation and Severability. This Agreement's terms and conditions will be interpreted according to their plain meaning, and not strictly for or against either SVMHS or Construction Manager. Any contrary rule of construction or interpretation will be of no force or effect with respect to this Agreement. If a court of competent jurisdiction finds any term or provision of this Agreement to be void or unenforceable for any reason, the term or provision will be amended to comply with the law. If a term or condition is severed, the remainder of the Agreement will remain in full force and effect to the maximum extent permitted by law and consistent with SVMHS's and Construction Manager's overall intent.

12.6 Third Party Beneficiaries. Nothing contained in this Agreement creates a contractual relationship with, or a cause of action in favor of, a third party against SVMHS or the Construction Manager. The Parties acknowledge and agree that the obligations of the Construction Manager are solely for the benefit of SVMHS and are not intended in any respect to benefit any third parties (including employees).

12.7 Rights and Remedies. All rights and remedies under the Contract Documents will be cumulative and in addition to, and not in limitation of, all other rights and remedies of the Parties under the Contract Documents or otherwise available at law or in equity.

12.8 Survival. The following provisions will survive termination of this Agreement or completion of the Services: Sections 3.2, 3.3, 6.7, and Articles 8 through 12.

12.9 Waiver. Unless otherwise indicated in this Agreement, SVMHS's and Construction Manager's action or failure to act will not waive any right or duty it has under the Agreement, and such action or failure to act will not be an approval of or acquiescence in a breach of the Agreement unless specifically agreed to in writing by the Party.

12.10 Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original. When proving this Agreement, it will only be necessary to produce or account for the counterpart signed by the Party against whom enforcement is sought. Electronic copies or photocopies of this Agreement showing the true signatures may be used for all purposes as originals.

12.11 Interest. Payments due and unpaid under this Agreement will bear interest from the date payment is due at an annual rate equal of 3.5% per annum.

12.12 Attorneys' Fees. If SVMHS or Construction Manager commences an action or dispute resolution process in accordance with the terms and provisions of this Agreement against the other Party for Claims arising out of or in connection with the Contract Documents, the prevailing Party will be entitled to recover all reasonable attorneys' fees and costs (including charges and expenses related to the suit, expert witness, and consultants' fees) as may be determined by a court with competent jurisdiction.

12.13 Equal Employment. Pursuant to Labor Code section 1735, the Fair Employment and Housing Act (Gov. Code section 12900 et seq.), California Administrative Code, Title 2, sections 7285 et seq., Government Code sections 11135-11139.5, and other applicable law, the Construction Manager will not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, age, political affiliation, marital status, or disability on this Project. The Construction Manager will take affirmative action to ensure that employees are treated during employment or training without regard to their race, color, religion, sex, national origin, age, political affiliation, marital status, or disability. Construction Manager will maintain policies in compliance with California state and federal law regarding equal employment opportunities through-out the duration of this Project.

12.14 Gratuities. Construction Manager warrants that it has not offered or given any gratuities (in the form of entertainment, gifts, or otherwise) to any official, employee, or agent of SVMHS in an attempt to secure this contract or favorable treatment in awarding, amending, or making any determinations related to the performance of the Services under this Agreement.

12.15 Conflict of Interest. Construction Manager will comply with all applicable conflict of interest laws, including organizational conflicts of interest under Government Code section 1090.

12.16 Drug Free Workplace. Construction Manager certifies that it has complied with Government Code section 8355 relating to a drug free workplace and will comply with the requirements included in the safety program.

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12.17 Anti-Kickback. Construction Manager will comply with the Copeland Anti-Kickback Act (18 USC 874) as supplemented in Department of Labor regulations (29 CFR Part 3). This Act provides that Construction Manager will be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public facilities, to give up any part of the compensation to which they are otherwise entitled.

12.18 Electronic Signature. The Parties agree that a "Digital Signature" as defined under Government Code section 16.5 and California Code of Regulations section 22000 is an acceptable form of signature for written communications with SVMHS and will have the same force and effect as the use of a manual signature provided that the Digital Signature is: (i) unique to the person using it; (ii) capable of verification; (iii) under the sole control of the person using it; and (iv) linked to the data in such a manner that if the data are changed, the Digital signature will be invalidated. In order to be valid, the Digital Signature must be created by an acceptable technology such as DocuSign or as defined in California Code of Regulations section 22001 et. seq.

12.19 Legal Citations. Legal citations to statutory requirements are included in the Agreement for convenience and an omission of any statutory requirement will not relieve the Construction Manager from compliance with applicable law.

12.20 Entire Agreement. The Contract Documents as defined in Exhibit 1 form the entire contract between SVMHS and Construction Manager and supersede all prior oral and other written negotiations, representations, or agreements between SVMHS and Construction Manager with respect to the Services performed for this Project.

EXHIBIT 1

DEFINITIONS

1. **"Agreement"** means the written contract between SVMHS and Construction Manager inclusive of all Exhibits.
2. **"Amendment"** is a document executed by the Signatories that amends the terms and/or conditions of this Agreement.
3. **"Bridging Documents"** are the design development Drawings and Specifications that will be prepared by HOK and its tier-consultants for use in procurement of the Design-Builder.
4. **"Change Order"** is a written order authorizing additional services, including an extension of Contract Time, by increasing or decreasing the Sum Not to Exceed. In order to be valid, a Change Order must be signed by SVMHS's Signatory and Construction Manager's Signatory.
5. **"Claim"** is an unresolved dispute among the Parties, which may include other Project Team members through joinder, involving monetary or equitable relief that arises out of or relates to the Project, Contract Documents, performance of the Services or Work, indemnification, or third party claims for personal injury or property damage.
6. **"Construction Documents"** means the 2-D Drawings and Specifications developed by the Design-Builder that are approved and permitted for construction by Governmental Authorities, any clarifications through responses to requests for information, design sketches, or other such clarifications issued post-permit, and any modifications through executed change orders with the Design-Builder.
7. **"Construction Manager"** means the California State licensed general contractor, architect, or registered engineer who is responsible for performing the Services described in Exhibit 2, and in accordance with the Contract Documents.
8. **"Contract Documents"** includes the Agreement (inclusive of all Exhibits), the Construction Documents, and any subsequent modifications through executed Amendments or Change Orders.
9. **"Contract Time"** is 60 months from the Effective Date of the Agreement.
10. **"Design-Builder"** is the California state licensed general contractor that is responsible for performing design services and construction work in accordance with the Design-Build Agreement.
11. **"Design-Build Agreement"** is the contract between the Design-Builder and SVMHS for completion of the design, construction, and commissioning of the Project.

12. **"Drawings"** means the 2-dimensional graphic illustrating the design, how the buildings are situated on the site, and the location, building elevations, plan views, dimensions, and details of the Work.

13. **"Effective Date"** is the date on page 1 of the Agreement that the Parties agree the Agreement was executed.

14. **"Guaranteed Maximum Price" or "GMP"** is the Design-Builder's guaranteed cost for designing and constructing the Project.

15. **"Governmental Authority" or "Governmental Authorities"** means any and all federal, state, county, or municipal boards, departments, courts, offices, or agencies that are providing funding or have jurisdiction over the Project.

16. **"Party"** means either SVMHS or Construction Manager and "Parties" refers to SVMHS and Construction Manager collectively.

17. **"Project"** is the Surgery Addition and Seismic Retrofit Design-Build Project as described in Section 2.1 of the Agreement and Exhibit 2.

18. **"Project Budget"** is the amount of money that SVMHS has to spend for design and construction of the Project.

19. **"Project Schedule"** is the Design-Builder's most current, approved, schedule for designing, constructing, and commissioning the Project.

20. **"Project Team"** includes SVMHS, Construction Manager, Design-Builder and its design consultants and subcontractors, as well as SVMHS's Separate Consultants and Separate Contractors.

21. **"Separate Consultants"** means those consultants, other than Construction Manager or Design-Builder, who enter into a direct agreement with SVMHS to perform services related to this Project.

22. **"Separate Contractor"** means those contractors, vendors, or consultants, other than Construction Manager or Design-Builder, that enter into a direct agreement with SVMHS to perform work or services related to a Project.

23. **"Services"** are all services performed by Construction Manager under this Agreement including any additional services amended into the Agreement through executed Change Order.

24. **"Signatory" or "Signatories"** are those persons authorized by SVMHS and Construction Manager to execute this Agreement, any Amendments, and any Change Orders.

25. **"Specifications"** are the written requirements for materials, equipment, systems, standards, execution, and workmanship for the Work, and performance of related services.

26. "Sum Not to Exceed" is the total amount that Construction Manager will be compensated for performance of the Services, including all compensation for Construction Manager's employees, all reimbursable expenses, overhead, profit and based on the Contract Time.

27. "SVMHS" is the Salinas Valley Memorial Healthcare System (a local health care district organized and operating pursuant to Division 23 of the California Health and Safety Code), located at 450 E. Romie Ln, Salinas, CA 93901-4098.

28. "SVMHS's Budget" is SVMHS's cost model for owner costs associated with entitlements, permits, development, insurance, fixtures, furnishings, and equipment, IT, etc., Separate Contractors, Separate Consultants, Construction Manager, and design and construction of the Project.

29. "Work" means all design services, labor, materials, equipment, and appurtenances required of the Design-Builder and its consultants and subcontractors, as well as SVMHS's Separate Contractors and Separate Consultants to properly design and construct the Project in accordance with the approved, final Construction Documents and other design documentation prepared by Separate Consultants that may or may not be incorporated into the Construction Documents but that include work required for completion of the Project.

EXHIBIT 2

PROJECT DOCUMENTS

Programming Documents and Schematic Design

- SVMHS Space Program dated -5-25-22
- SVMHS Hospital Surgery Expansion Validation Study prepared by HOK dated 12-20-21
- SVMHS Hospital Campus Expansion & Retrofit Project Summary prepared by HOK dated 09-21

Structural Drawings

- SPC4d Drawings and Specifications for Retrofitting of Buildings 1 and 2 prepared by John A. Martin dated 05-26-22

Bridging Documents (by Amendment)

EXHIBIT 3

SCOPE OF SERVICES

1. BRIDGING DOCUMENTS

1.1 Collaboration with SVMHS and its Separate Consultants. Construction Manager will collaborate with SVMHS, HOK, its tier-consultants, the Project Manager/Owner's Representative, and other SVMHS Separate Consultants in completion of the Bridging Documents.

2. PROCUREMENT OF DESIGN BUILDER

2.1 Solicitation of Proposals. HOK and its tier-consultants prepared the Project Documents set forth in Exhibit 2 and are in the process of preparing Bridging Documents on behalf of SVMHS, which will be amended into this Agreement as part of Exhibit 2. The Bridging Documents, as well as other Project Documents will be utilized in the procurement of the Design-Builder. Construction Manager will collaborate with and assist SVMHS and its legal counsel with solicitation of Design-Builder. At a minimum, the Construction Manager will:

2.1.1 Develop proposers' interest in the Project.

2.1.2 Assist SVMHS with public notice and advertising for solicitation of proposals.

2.1.3 Review and collaborate with SVMHS's authorized representative and SVMHS's legal counsel regarding terms and conditions in the Request for Qualifications, Request for Proposal, and the Design-Build Agreement.

2.1.4 Issue procurement documents to qualified, interested, design build proposers.

2.1.5 Facilitate pre-proposal conferences and assist SVMHS in answering proposers' questions.

2.1.6 Assist SVMHS with tallying of evaluation scores from the selection committee, and negotiations (if required), and contract award.

2.2 SVMHS's Separate Contractor Proposals. To the extent that construction required for the Project is not included within the scope of the Design-Build Agreement, the Construction Manager will make recommendations for developing bid packages, and assist in the advertising, pre-qualification, and award of these contracts. Construction Manager will collaborate with SVMHS and its legal counsel regarding preparation of Invitations for Bids and contracts.

2.3 Separate Consultants and Laboratories. The Construction Manager will make recommendations to SVMHS regarding selecting, retaining, and coordinating any additional professional services, special consultants, and testing laboratories required for the Project. Construction Manager will collaborate with SVMHS and its legal counsel regarding preparation of necessary contracts and negotiation of terms and conditions.

2.4 Potential Add Alternate Design-Build Scope. In addition to the scope identified in Section 2.1 of the Agreement, SVMHS has considered the following projects for future development as funds become available. The following scope will not be part of the base design build work but SVMHS will likely request that the following add alternates be incorporated into the Project. Construction Manager will assist SVMHS by coordinating this effort and soliciting pricing as either part of the design build proposal in response to the RFP or later through Change Order request.

2.4.1 Single-Story welcome center and site improvements to facilitate improvements to ADA compliance, connection from the DRC Parking Garage to the Hospital, and enhanced experience during patient admit and discharge.

2.4.2 Back fill renovation of the surgery department for emergency department expansion and phased renovation of approximately 19,000 SF.

2.4.3 Backfill renovation of the existing sterile processing department for clinical lab relocation/expansion and renovation of approximately 6,000 SF.

2.4.4 Backfill renovation of parts of surgery and lab areas for imaging expansion (MRI and CT scan) and expansion of the catheterization lab areas, phased renovation.

2.4.5 HVAC of existing main building patient rooms, studied as a chilled beam system.

2.4.6 Window replacement main building (as part of the HVAC upgrade)

3. PROJECT ADMINISTRATION

3.1 On-Site Presence. During design, Construction Manager must be present once a week on site for weekly Project Meetings. During construction, Construction Manager must be physically present onsite daily.

3.2 Collaboration. Construction Manager will collaborate with SVMHS and other Project Team members in good faith to help SVMHS achieve best value from Design-Builder during the design and construction process.

3.3 Site Logistics and Phased Scheduling. Construction Manager will collaborate with SVMHS and other Project Team members regarding site logistics and phased scheduling in order to maintain uninterrupted operations of the existing hospital facilities.

3.4 Approvals and Clarifications. Construction Manager will draft proposed responses to requests for approvals and clarifications from Design-Builder, Separate Consultants, and Separate Contractors.

3.5 Changes and Claims. Construction Manager will evaluate Claims, requests for construction change directives, and requests for change orders from Design-Builder (and Separate Consultants and Separate Contractors if applicable), and draft proposed responses for SVMHS. Construction Manager will assist SVMHS in resolving Claims (that do not involve Construction Manager), including documentation of the rationale for resolution.

3.6 Maintain Records. Construction Manager will maintain records for contracts with Design-Builder (and Separate Consultants, and Separate Contractors if applicable), and make them available to SVMHS. **These records will be maintained within the existing accounting and project management software program, e-Builder (a Trimble Company), and access to these records will be shared with SVMHS and Bogard Construction.** At a minimum, these records will include:

- 3.6.1 Contracts, approved change orders, and amendments.
- 3.6.2 Correspondence and meeting minutes pertaining to the Project.
- 3.6.3 Record of Notices.
- 3.6.4 Project Program and Construction Documents (inclusive of Addenda).
- 3.6.5 Requests for information and clarification log, and documentation relating to Project Program and Construction Document clarifications and revisions.
- 3.6.6 Daily construction reports prepared by Design Builder.
- 3.6.7 Change Order log and record of changes, modifications, deviations, and substitutions.
- 3.6.8 Testing and inspection logs, reports, red tags, etc.
- 3.6.9 Submittal log and submittal files (including shop drawings).
- 3.6.10 Certified payroll, progress payment, and final payment records.
- 3.6.11 Design Builder's monthly progress reports and job cost ledgers.
- 3.6.12 Project Schedules, work-plans, documentation of delays, and recovery plans.
- 3.6.13 As-built drawings and other close-out documentation.

3.7 Permits and Fees. Construction Manager will notify SVMHS of permits it is required to obtain and fees it is required to pay to comply with contracts with the Design-Builder and Separate Contractors. Construction Manager will facilitate any communications that are required directly between SVMHS, Design-Builder, or Governmental Authorities.

3.8 Project Meetings. Construction Manager will facilitate weekly Project meetings with the Design-Builder to ensure open, clear, and direct communication with the Design-Builder, to clearly communicate SVMHS's goals and any impediments to SVMHS's operations to the Design-Builder, and to address Design-Builder's needs and concerns. At a minimum, the meeting minutes must identify critical items and actions to be taken, track all potential risks and potential solutions, review schedule progress, track outstanding change orders and the GMP.

3.9 Payment Recommendations. Construction Manager will review applications for progress payment and final payment from Design-Builder (and Separate Consultants and Separate Contractors if applicable), and make recommendations on payment to SVMHS.

3.10 Change Orders. Construction Manager will review all change orders and requests for additional services submitted by the Design Builder, Separate Contractors, and Separate Consultants, and make a recommendation to SVMHS on whether the services or Work are additional and whether the costs and expenses are reasonable. To the extent required, the Construction Manager will engage in negotiations with Design Builder, Separate Contractors, and Separate Consultants on SVMHS's behalf if Construction Manager believes that the costs and expenses requested are inflated or inaccurate.

3.11 Construction Manager Progress Report. Construction Manager will prepare and issue monthly progress reports summarizing Work undertaken, progress made, percentages of completion, updates in SVMHS's Budget, Project Budget in comparison to the GMP, and cost data, including a listing of proposed change orders, pending change orders, potential Claims, and salient problems and action taken for resolution.

3.12 Schedule Monitoring. Construction Manager will monitor Design-Builder's progress against the baseline schedule and Project Schedule, review and analyze all delay and impact requests and make recommendation to SVMHS, collaborate with the Design-Builder regarding recovery plans if required, and regularly meet with the Project Team to determine when critical decisions are needed from SVMHS to maintain the Project Schedule.

3.13 Cost Monitoring. Construction Manager will prepare and provide to SVMHS a monthly executive summary of the Project costs that compares SVMHS's Budget and Project Budget to current costs; projects costs for completion of each major category of the budgets; identify actual and anticipated change orders; and forecast a cost to complete the Project.

3.14 Quality Monitoring. Construction Manager will verify that Design-Builder and Separate Contractors have coordinated inspections with the inspectors and Governmental Authorities. Construction Manager will periodically participate in inspections, track inspection reports, and assist Design-Builder, Separate Contractors, and SVMHS in resolving any compliance issues. Construction Manager will conduct inspections at substantial completion and final completion of the Project with SVMHS, Design-Builder, and Separate Contractors.

3.14.1 Construction Manager will oversee and monitor correction of all non-conforming Work or services on behalf of SVMHS.

3.14.2 Construction Manager will track and monitor punch-list activity on behalf of SVMHS and recommend withholding and releasing of funds in accordance with the terms and conditions of the various contracts and progress of outstanding punch list items and in accordance with applicable law.

3.14.3 Construction Manager will assist with scheduling of any required third party commissioning, and coordinate with the Design-Builder's commissioning efforts, and will participate in the commissioning of the Project.

3.15 Project Completion. The Construction Manager will facilitate Project completion by performing the following:

3.15.1 Collect and review all required close-out documentation and record documents as required by the Design-Build Agreement and Construction Documents before transmitting to SVMHS.

3.15.2 Oversee Design-Builder's and Separate Contractors' preparation of punch lists of deficiencies based on inspections, and participate in inspections with SVMHS, Design-Builder, and Separate Contractors to determine whether the Work is substantially complete.

3.15.3 Advise SVMHS when the Design-Builder, Separate Contractors, and Separate Consultants have satisfactorily completed all Work under terms of their respective contracts based on inspection reports and sign-off by Governmental Authorities for legal occupancy.

3.15.4 Monitor Design-Builder's and Separate Contractors' compliance with their respective contractual obligations regarding warranties and transmit to SVMHS all warranties provided by Design-Builder and its subcontractors and suppliers, and any Separate Contractors.

3.16 Claims and Disputes. Construction Manager will review and analyze all potential Claims received by SVMHS regarding the Project from Design-Builder (and Separate Contractors and Separate Consultants if applicable), and assist SVMHS with initial business negotiations. To the extent business negotiations do not resolve the potential Claim, Construction Manager will collaborate with SVMHS and its legal counsel regarding the Claims process and any legal proceedings. Preparation for Claims process and legal proceedings will be considered additional services.

4. INDEPENDENT REVIEWS

4.1 Design Plan Review. Construction Manager will review the Drawings and Specifications prepared by the Design-Builder, and Separate Consultants including addenda, for compliance with the Project Documents set forth in Exhibit 2. However, Construction Manager is not responsible for a detailed constructability or code review.

4.2 Independent Cost and Value Engineering Review. Construction Manager will review and comment on SVMHS's Budget and the Project Budget and cost estimates and value engineering proposals prepared by Project Team members.

EXHIBIT 4

STAFFING, BILLABLE RATES, AND TERMS

1. STAFFING AND BILLABLE RATES

(See Attachment 4A)

2. TERMS FOR BILLABLE RATES AND REIMBURSABLE EXPENSES

1.1 Billable Rates. Services performed by the Construction Manager's employees will be charged based on the billable rates set forth above. The billable rates will be effective for the duration of the Project. No employee is allowed to bill more than 40 hours per week unless express written consent is provided by SVMHS. The billable rates include the amount paid to employees as wages, including customary benefits (health insurance, long term disability, sick leave, pension, and vacation accruals) and taxes plus the Construction Manager's overhead and profit. Construction Manager's overhead and profit include, among other things: (i) profit for the Services rendered on the Project; (ii) salaries and other compensation of all home office personnel who are not directly assigned to this Project and specifically included above; (iii) the cost of Construction Manager's insurance coverage directly attributed to the Project (Exhibit 5); and (iv) home office general expenses including rent, utilities, costs for computers (including hardware, servers, plotters, printers and software), cell phone charges, internet access, digital cameras, postage, office supplies, equipment, car allowances, etc. Construction Manager may not charge for Services performed by employees who are not listed above, without approval by SVMHS and employee's billable rates must be consistent with the billable rates for other employees with the same title and level of experience.

1.2 Reimbursable Expenses. All Reimbursable Expenses are listed below and are billable at cost, without mark-up, except for items which have limits as noted below.

1.2.1 Reasonable automobile travel expenses incurred while traveling in discharge of duties connected with the Service that is beyond the employee's normal commute to work are reimbursable at the current government mileage rate, subject to the Owner's prior written approval.

1.2.2 Any plan check or permit fees paid by Construction Manager if securing approval of Governmental Authorities.

1.2.3 The expense of reproductions, postage, and handling of Drawings, Specifications and other Project documents to the extent not directly provided by SVMHS.

1.2.4 Other costs incurred in the performance of the Services if, and to the extent, approved in advance in writing by SVMHS's representative.

1.3 Non-Reimbursable Expenses. The following costs are not reimbursable because they are included in the Construction Manager's billable rates.

1.3.1 Salaries and other compensation of all home office personnel who are not directly assigned to this Project and specifically included in Section 1 above.

1.3.2 All benefits and burdens not expressly included in the definition of billable rates in Section 1.2 above.

1.3.3 Costs due to the negligence or failure of the Construction Manager or anyone directly or indirectly employed by Construction Manager for whose acts Construction Manager may be liable, to fulfill a specific responsibility under the Contract Documents.

1.3.4 Inefficient management, coordination, and supervision that is inconsistent with Lean construction principles.

1.3.5 All other costs not specifically included in Sections 1.1 through 1.2.

EXHIBIT 5

INSURANCE REQUIREMENTS

1. REQUIRED INSURANCE LIMITS:

Workers' Compensation Employers' Liability	Statutory Limits \$1,000,000 each accident
Commercial General Liability (Occurrence Form Only)	\$2,000,000 each occurrence \$2,000,000 general aggregate/per project
Automobile Liability	\$2,000,000 each accident, and \$2,000,000 each occurrence
Contractor's Professional Liability	\$1,000,000 per claim \$2,000,000 in aggregate
Excess Liability	\$5,000,000

2. PROVISIONS APPLICABLE TO ALL INSURANCE REQUIRED FOR THIS PROJECT

2.1 Term of Insurance Policies. All liability insurance must be in force prior to any Services being performed under this Agreement and must be maintained in force for 10 years following completion of the Services. Workers compensation insurance must be in force from the inception of this Agreement through completion of the Services and final payment. In the event of cancellation or non-renewal, the reporting period during which a Claim may first be made will be extended until at least 4 years after cancellation or non-renewal.

2.2 Qualifications and Rating. All insurance must be placed with insurers that are admitted or licensed to issue insurance in the state of California. All insurers must maintain an A.M. Best rating of at least A- or better, and a financial classification of VIII or better.

2.3 Additional Insureds. SVMHS and its Board of Directors, affiliates, members, officers, successors and assigns will be named as additional insureds on all required liability policies for Services performed under or incident to this Agreement except for worker's compensation and Contractor's professional liability. If the additional insured has other insurance applicable to the loss, it will be on an excess or contingent basis. The amounts and types of insurance will conform to the minimum terms, conditions, and coverages of the Insurance Service Office (ISO) policies, forms, and endorsements in effect when this Agreement is executed.

2.4 Insurance Certificates and Copies of Policies. Before commencing any Services under this Agreement, the Construction Manager will provide SVMHS with insurance certificates and endorsements reflecting the insurance required by this Agreement. Receipt of insurance certificates or copies of policies without objection by SVMHS does not constitute acceptance or approval of insurance or relieve the Construction Manager from its obligations to provide the required insurance under this Exhibit 5. Upon renewal of any required insurance that expires before completion of the Services, the applicable party must provide SVMHS with renewal certificates not less than 15 days prior to the expiration. Construction Manager will promptly furnish copies of all required policies of insurance, including any renewal or replacement policies, within 10 days of SVMHS's written request.

2.5 No Reduction, Modification or Cancellation of Coverage. No insurance required by this Agreement may be reduced in coverage, modified, or cancelled without 30 days' written notice to SVMHS. All policy renewals during the term of insurance policies must be equal, or better, in terms and limits.

2.6 Primary Insurance. All liability policies required by Construction Manager under this Agreement are primary and non-contributory to any similar insurance maintained by SVMHS for its own respective benefit.

2.7 Waivers of Subrogation. Construction Manager will waive all rights against SVMHS, as well as any other additional insureds set forth in Article 2.3 for loss or damage to the extent reimbursed by any property insurance. A waiver of subrogation is effective as to a person or entity even though that person or entity would otherwise have a duty of indemnification, contractual or otherwise, did not pay the insurance premium directly or indirectly, and whether or not the person or entity had an insurable interest in the property damaged. This waiver does not apply to professional liability insurance. If any applicable policies of insurance require an endorsement or consent of the insurance company to provide for continued coverage where there is a waiver of subrogation, the owner of those policies will cause them to either provide a "blanket waiver" endorsement or a subrogation endorsement that includes the name of the Project and the location of the Project site.

2.8 Deductibles and Self-Insured Retentions. All deductibles and/or self-insured retentions are the sole responsibility of the first named insured and are not a reimbursable expense as such insurance coverage is included in overhead.

3. SPECIFIC PROVISIONS.

3.1 Workers Compensation. Coverage will include insurance as required by California state law and employer's liability coverage per Article 1.

3.2 Commercial General Liability (CGL). Commercial general liability coverage with combined single limits and aggregates in the amounts listed in Article 1. The insurance must cover all operations of the Construction Manager and must include, but is not limited to: (i) premises and operations liability; (ii) completed operations and products liability; (iii) contractual liability for liability assumed under this Agreement; (iv) broad form property damage liability (including loss of use); (v) medical and personal injury liability including coverage for sickness, disease, and death; (vi) explosion, collapse, and underground hazards; (vii) personal and advertising injury; (viii) severability of interests; and (ix) cross-liability.

3.3 Automobile Liability. Commercial automobile liability insurance must be issued on policies at least as broad as ISO Form CA 00 01, CA 00 05, CA 00 12 or CA 00 20 with each accident limits as stated in Article 1. This insurance must apply to bodily injury and property damage for all owned, non-owned, or hired vehicles to be used by the insured in performance of its obligations under this Agreement.

3.4 Occurrence Basis. All commercial general liability and automobile liability policies must be written on an occurrence basis.

3.5 Professional Liability. Construction Manager must have coverage for damages caused by Construction Manager's negligent acts, errors, or omissions arising out of the

performance of the Services. Construction Manager's coverage must be in the amounts specified in Article 1.

3.6 Excess Liability Umbrella/excess policies must be following form or written on policies with coverage at least as broad as each and every one of the underlying policies, including completed operations and contractual liability, with limits as stated in Article 1.

4. MISCELLANEOUS

4.1 Evidence Prior to Final Payment. Prior to receipt of final payment under the Agreement, the Construction Manager must provide evidence that its insurance coverages are effective as required by this Exhibit 5.

4.2 Additional SVMHS Remedy. If the Construction Manager does not comply with the requirements of this Exhibit, SVMHS may provide insurance coverage to protect SVMHS and back-charge Construction Manager for the cost of that insurance.

4.3 Insurance Does Not Limit Liability. Insurance coverage maintained by the Construction Manager does not limit the extent of liability or indemnity of the Construction Manager under the Agreement or applicable law.

4.4 Modifications Only in Writing. The coverage and limits of insurance required by this Exhibit may not be altered, modified, or changed except as expressly agreed to in writing. No course of dealing or acceptance of certificates or policies will constitute a waiver of any of these insurance requirements.

Board Paper: Finance Committee

Request: Board Consider Approval of 3-year Renewal of Our Firewall Security Solution Through CDW Government, a Supplier of SVMHS’s Group Purchasing Organization, and Contract Award

Executive Sponsor: Augustine Lopez, CFO

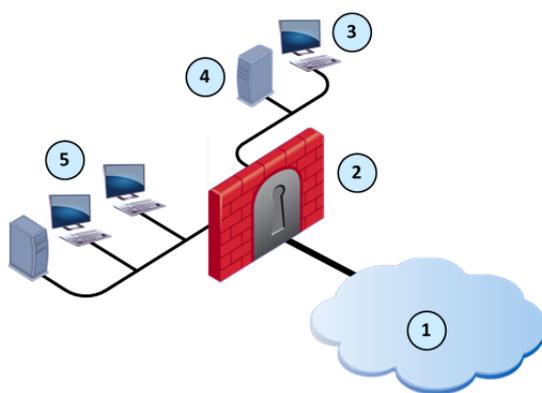
Date: August 10, 2022

Executive Summary

Salinas Valley Memorial Healthcare System (SVMHS) has a firewall security solution inclusive of software and maintenance support to continue to protect our network from the internet. The solution also includes network segmentation and internal network firewall. This is an existing solution and we are seeking 3-year renewal of the licensing and support.

Firewalls control the traffic between the internal and external networks and are the core of a strong network security policy. The Firewall Architecture supplies "next-generation" firewall features, including:

- VPN and mobile device connectivity
- Identity and computer awareness
- Internet access and filtering
- Application control
- Intrusion and threat prevention
- Data Loss Prevention



Item	Description
1	Internet and external networks
2	Security Gateway
3	Firewall Console
4	Security Management Server
5	Internal network

Financial/Quality/Safety/Regulatory Implications

Key Contract Terms	Vendor: CDW-Government
1. Proposed effective date	October 1, 2022
2. Term of agreement	10/1/2022 – 9/30/2025
3. Renewal terms	Auto-renewal
4. Termination provision(s)	Annual Subscription & Support

5. Payment Terms	Net 30 per Vizient GPO
6. Annual maintenance	\$296,221.68 annually \$888,665.04 (3-year renewal). 31% Cost Savings by going with a 3-year renewal.
7. Contract number	#1001.4158
8. Budgeted (indicate y/n, include CIP, if any)	Yes, IT Operational Budget

Recommendation

Board consider approval of 3-year renewal of our firewall security solution through CDW Government, a supplier of SVMHS’s group purchasing organization, and contract award in the amount of \$888,665.04.

Attachments

- Board Checklist
- CDW-G Quote MVQC636
- CDW-G Quote MVQN994
- CDW-G GPO Contract Brief

Financial Performance Review

August 2022

Augustine Lopez
Chief Financial Officer



Consolidated Financial Summary

For the Month of August 2022 – No Normalizing Items

\$ in Millions	For the Month of August 2022				
			Variance fav (unfav)		
	Actual	Budget	\$VAR	%VAR	
Operating Revenue	\$ 62.8	\$ 57.7	\$ 5.1	8.8%	
Operating Expense	\$ 59.2	\$ 56.4	\$ (2.8)	-5.0%	
Income from Operations*	\$ 3.6	\$ 1.3	\$ 2.3	176.9%	
<i>Operating Margin %</i>	5.7%	2.4%	3.3%	137.50%	
Non Operating Income**	\$ (0.4)	\$ 1.0	\$ (1.4)	-140.0%	
Net Income	\$ 3.2	\$ 2.3	\$ 0.9	39.1%	
<i>Net Income Margin %</i>	5.0%	4.1%	0.9%	22.0%	

Favorable performance was driven by:

- A very strong revenue month both in inpatient and outpatient services
- Total gross revenues were over budget by \$25 million (12%)
- Total admissions were 177 admits (20%) above budget
- The average daily census was 11% above budget at 124
- Total net patient revenues were \$5.1 million (9%) above budget:
 - OP infusion cases were at 1,018, the highest level in the last 2 years
 - IP and OP surgical cases were above budget by 18% and 8%, respectively
 - Commercial revenue performance was 6% better than expected
- Increased patient volume coupled with staffing challenges required higher than expected contract labor and overtime utilization
- Overall Labor Productivity was favorable by 8% (71 FTEs)

Consolidated Financial Summary

Year-to-Date August 2022

Profit/Loss Statement

\$ in Millions	FY 2022 YTD August			
	Actual	Budget	Variance fav (unfav)	
			\$VAR	%VAR
Operating Revenue	\$ 115.5	\$ 115.0	\$ 0.5	0.4%
Operating Expense	\$ 112.6	\$ 112.2	\$ (0.4)	-0.4%
Income from Operations*	\$ 2.9	\$ 2.8	\$ 0.1	3.6%
<i>Operating Margin %</i>	2.5%	2.4%	0.1%	4.2%
Non Operating Income**	\$ 2.8	\$ 1.9	\$ 0.9	47.4%
Net Income	\$ 5.7	\$ 4.7	\$ 1.0	21.3%
<i>Net Income Margin %</i>	4.9%	4.1%	0.8%	19.5%

SVMH Financial Highlights August 2022

Gross Revenues were Favorable

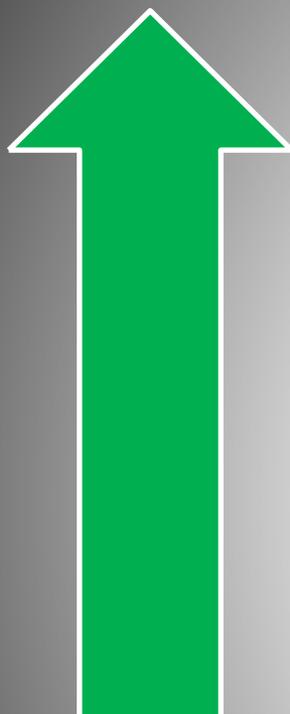
- **Gross Revenues** were 12 % favorable to budget
- **IP gross revenues** were 11% favorable to budget
- **ED gross revenues** were 5% favorable budget
- **OP gross revenues** were 17% favorable to budget in the following areas:
 - Infusion Therapy
 - Radiology
 - Surgery
 - Cardiology/Cath Lab

- **Commercial:** 6% above budget
- **Medicaid:** 12% above budget
- **Medicare:** 16% above budget

Payor Mix – unfavorable to budget

Total Normalized Net Patient Revenues were \$54.0M, which was Favorable to budget by \$5.8M or 12.1%

Financial Summary – August 2022

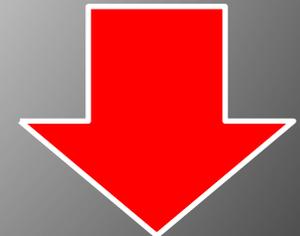


- 1) Higher than expected Inpatient business:
 - Average daily census was at 128, 11% above budget of 115
- 2) Total admissions were 20% (177 admits) above budget
 - ER admissions were 25% above budget (163 admits)
- 3) ER Outpatient visits were above budget by 15% at 4,659
- 4) Inpatient Surgeries were 18% (25 cases) above budget at 166
- 5) Higher than expected Outpatient business:
 - Predominantly due to higher than budgeted volumes in Infusion Therapy, Surgery, Radiology, Cardiology and Cath Lab
- 6) Outpatient Surgeries were 8% (20 cases) above budget at 259
- 7) Covid cases decreased to 49 cases, a decrease of 37% over prior month
- 8) OP Observation cases were relatively on target at 168



9) Medicare Traditional ALOS CMI adjusted was 1% unfavorable at 2.36 days with a Case Mix Index of 1.6

10) Deliveries were 8% (11 deliveries) below budget at 128

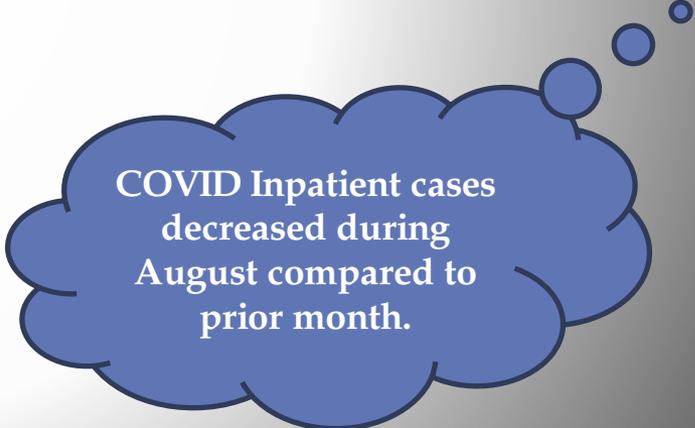


COVID Inpatient Discharge Cases

Payor Mix Analysis

Sep 2021 thru Aug 2022

Cases	Month												
Payor	Sep 21	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22	Apr 22	May 22	Jun 22	Jul 22	Aug 22	
Medicare	11	12	5	18	82	59	9	9	18	25	44	31	
Medi-Cal	11	10	6	12	44	27	2	1	4	5	25	10	
Commercial	10	7	11	11	38	14	3		1	11	7	5	
Other	1		1		3			1			2	3	
Grand Total	33	29	23	41	167	100	14	11	23	41	78	49	

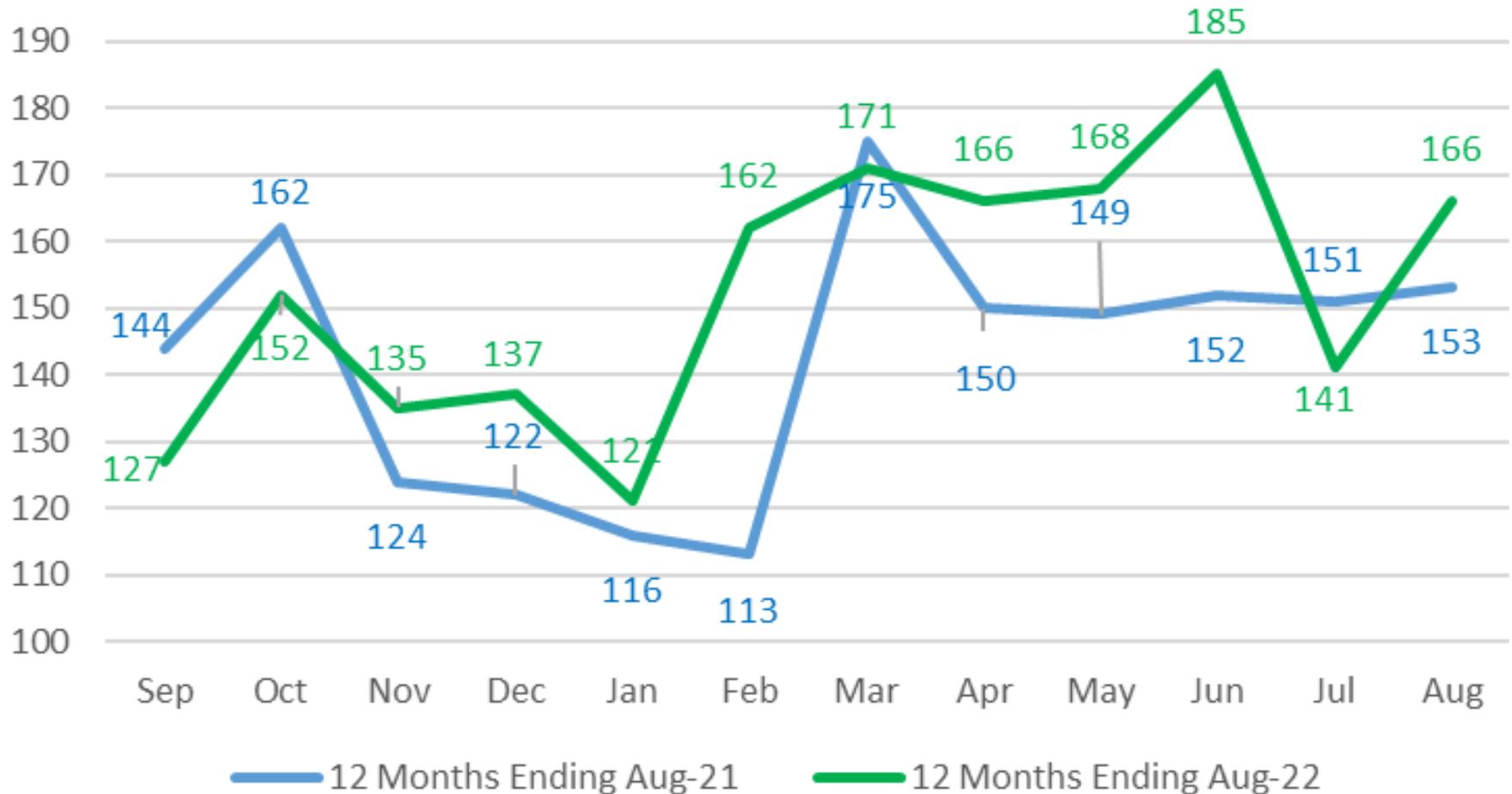


COVID Inpatient cases decreased during August compared to prior month.

Note: COVID Criteria is based any DX U07.1

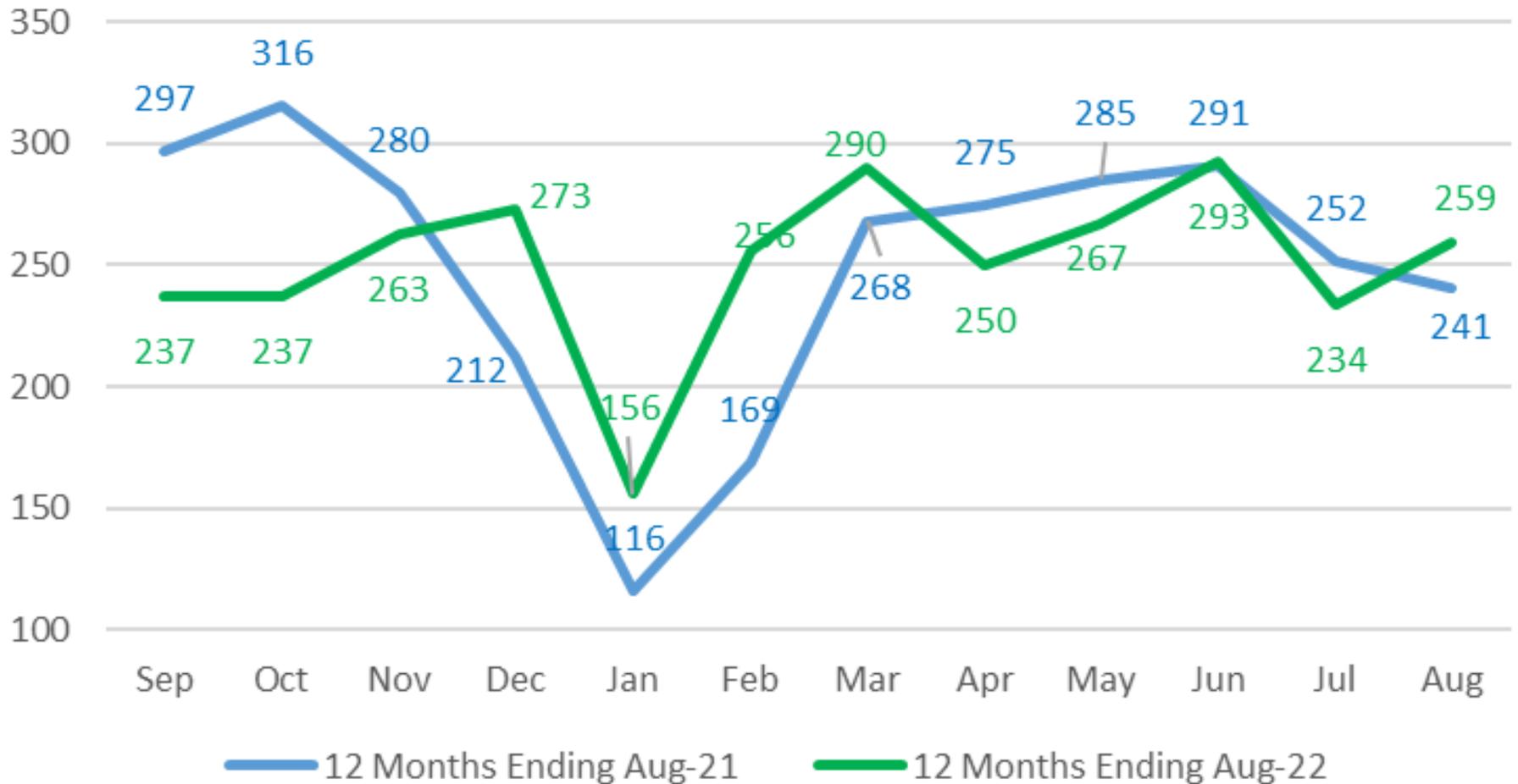
IP Surgery Cases – August 2022

IP Surgery Cases

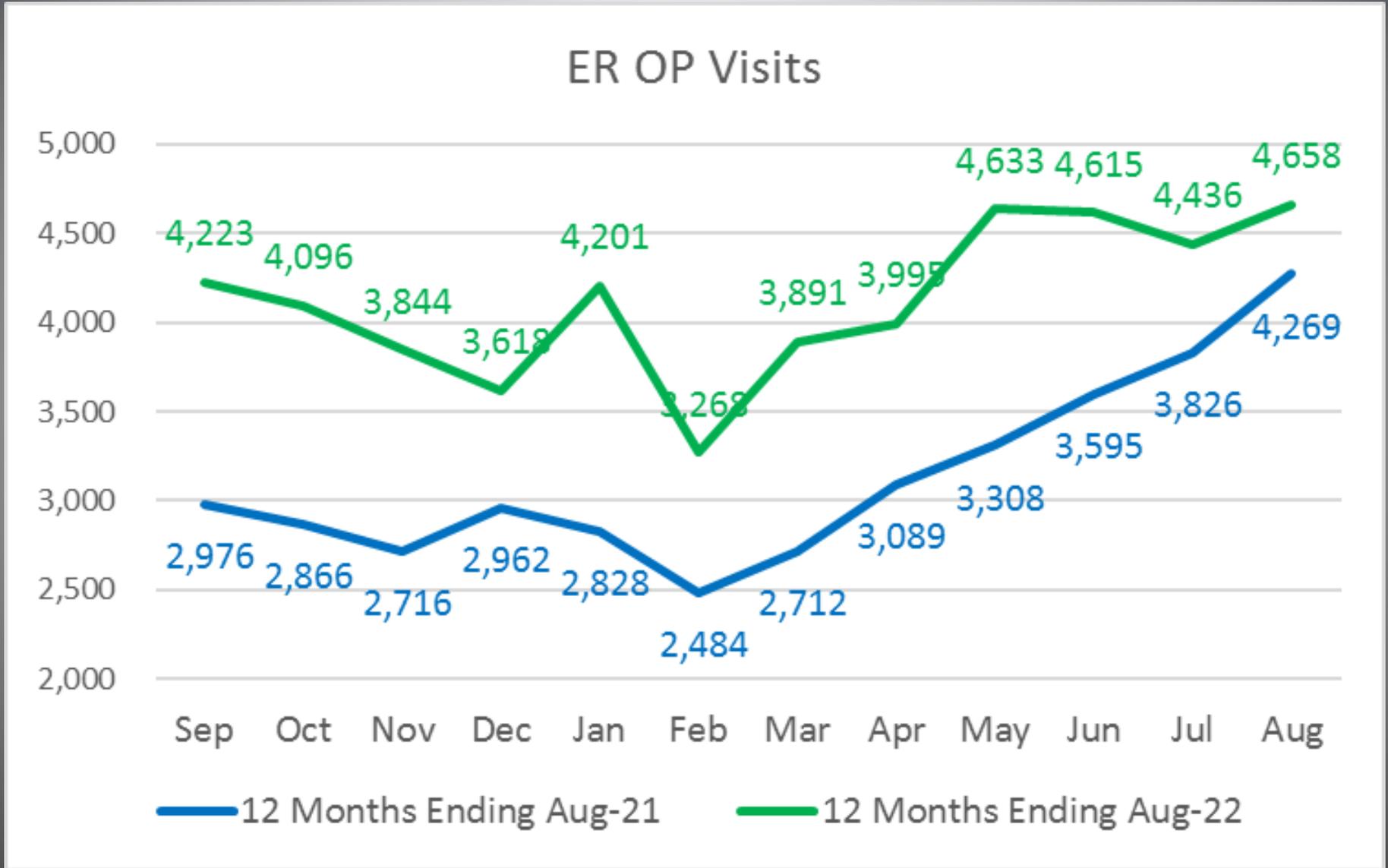


OP Surgery Cases – August 2022

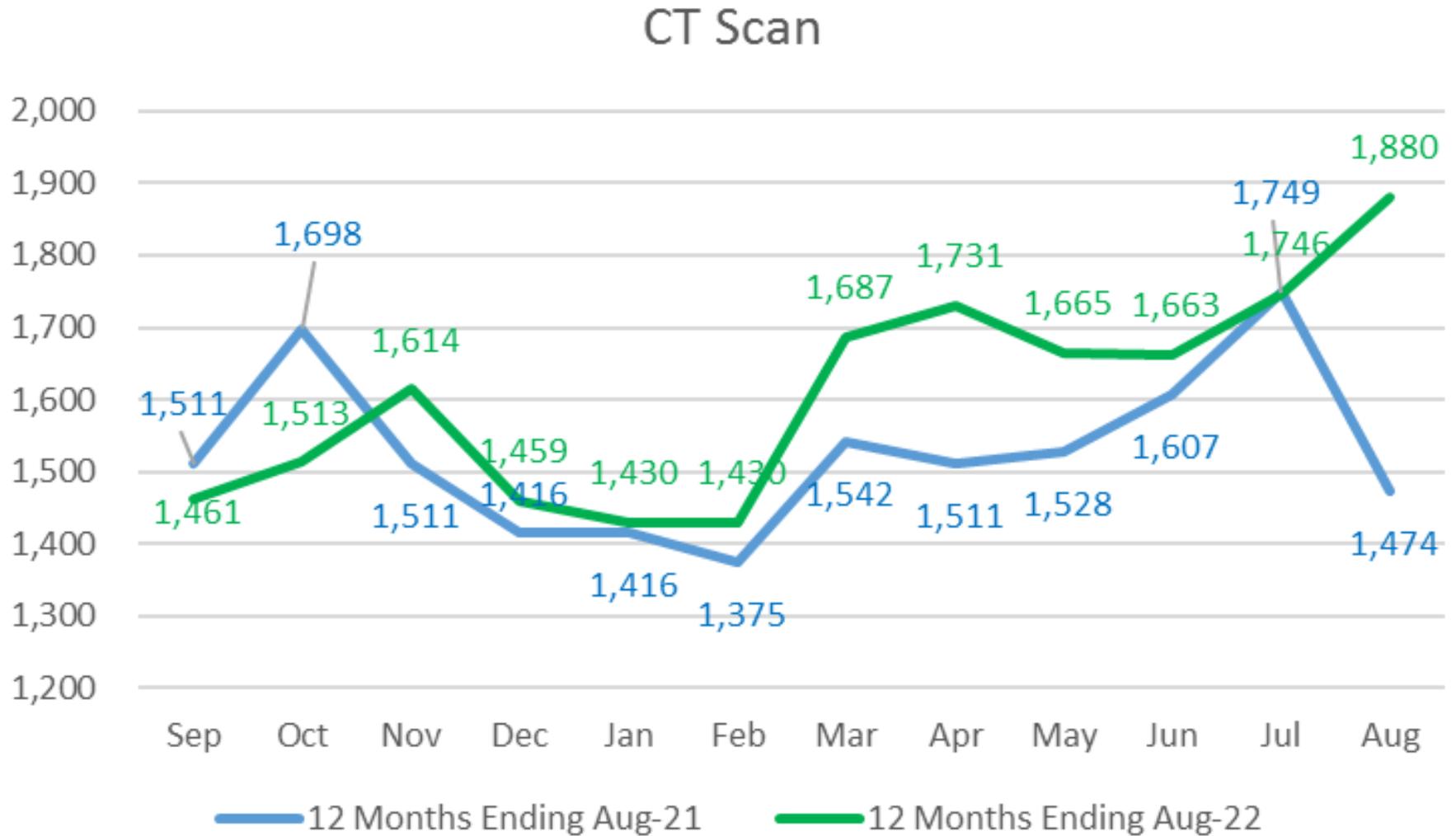
OP Surgery Cases



ER OP Visits – August 2022

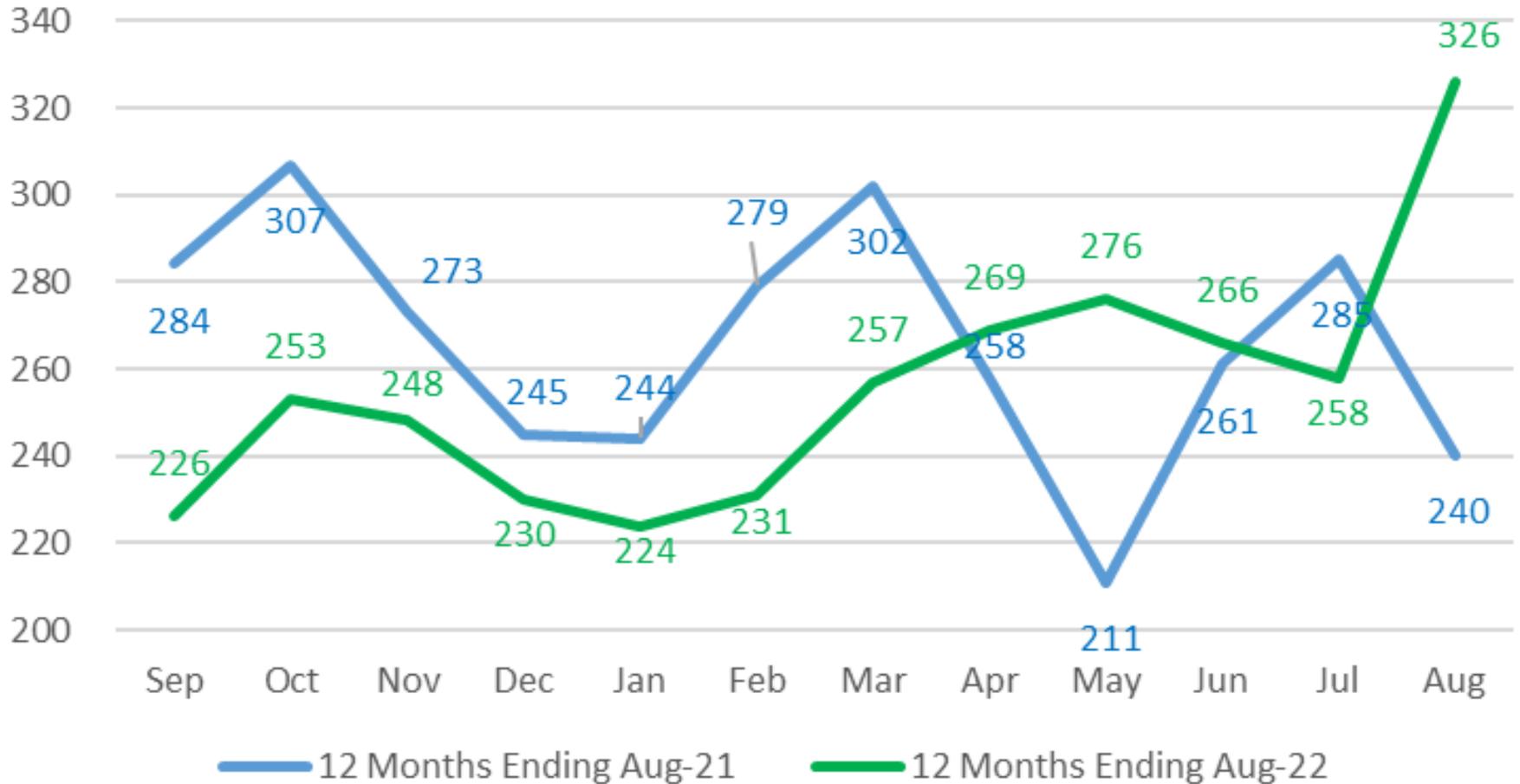


CT Scan Cases – August 2022



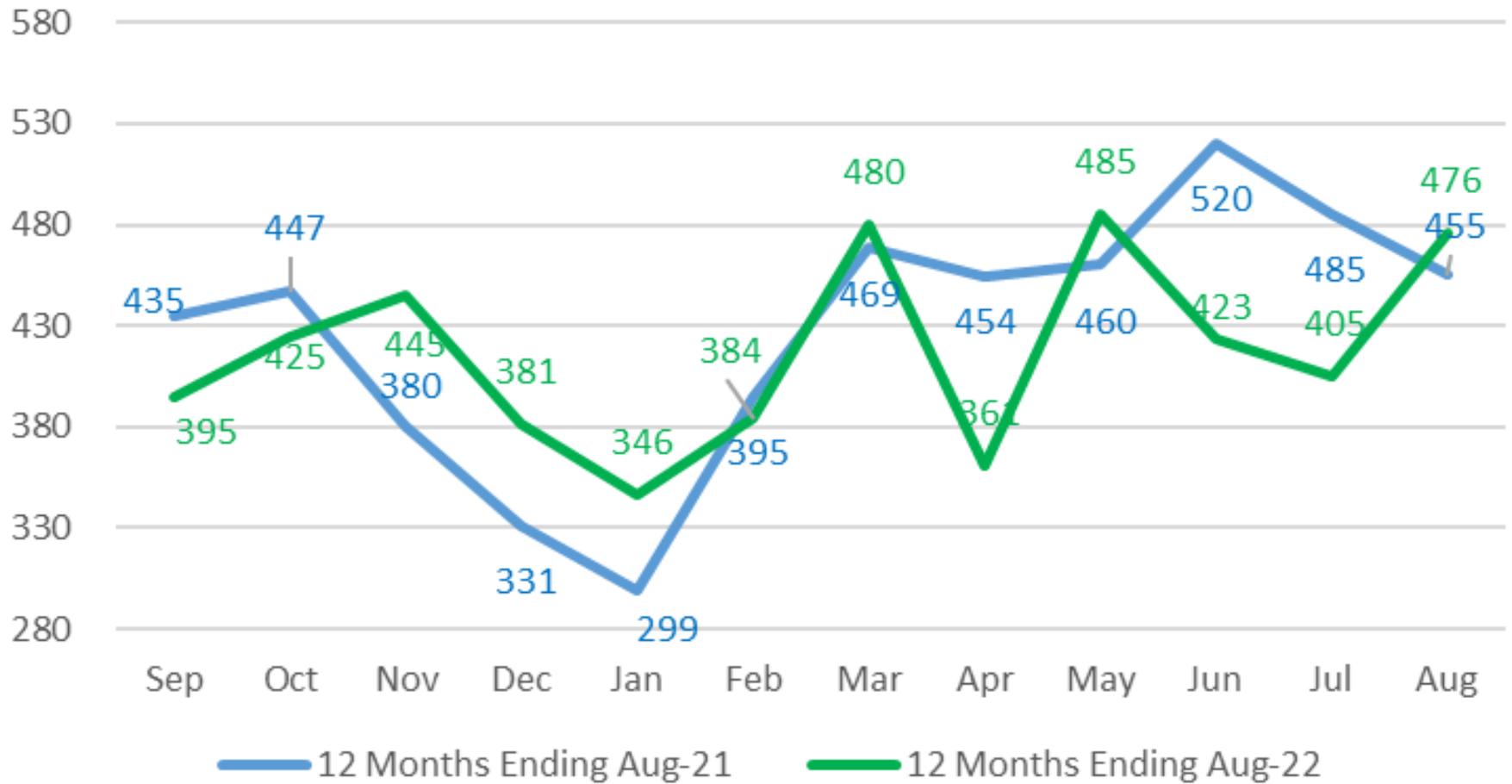
MRI – August 2022

MRI



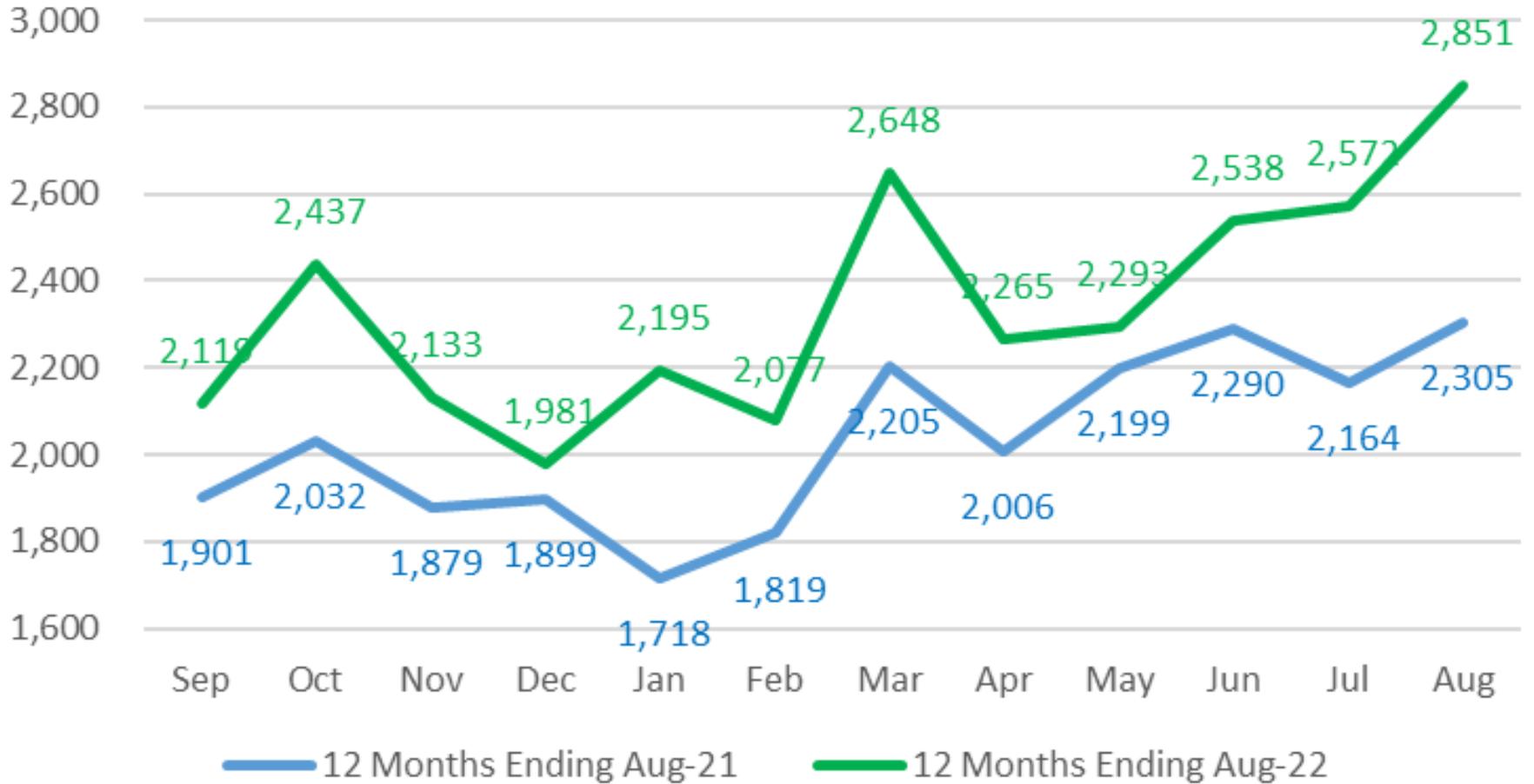
Cath Lab – August 2022

Cath Lab



Mammography – August 2022

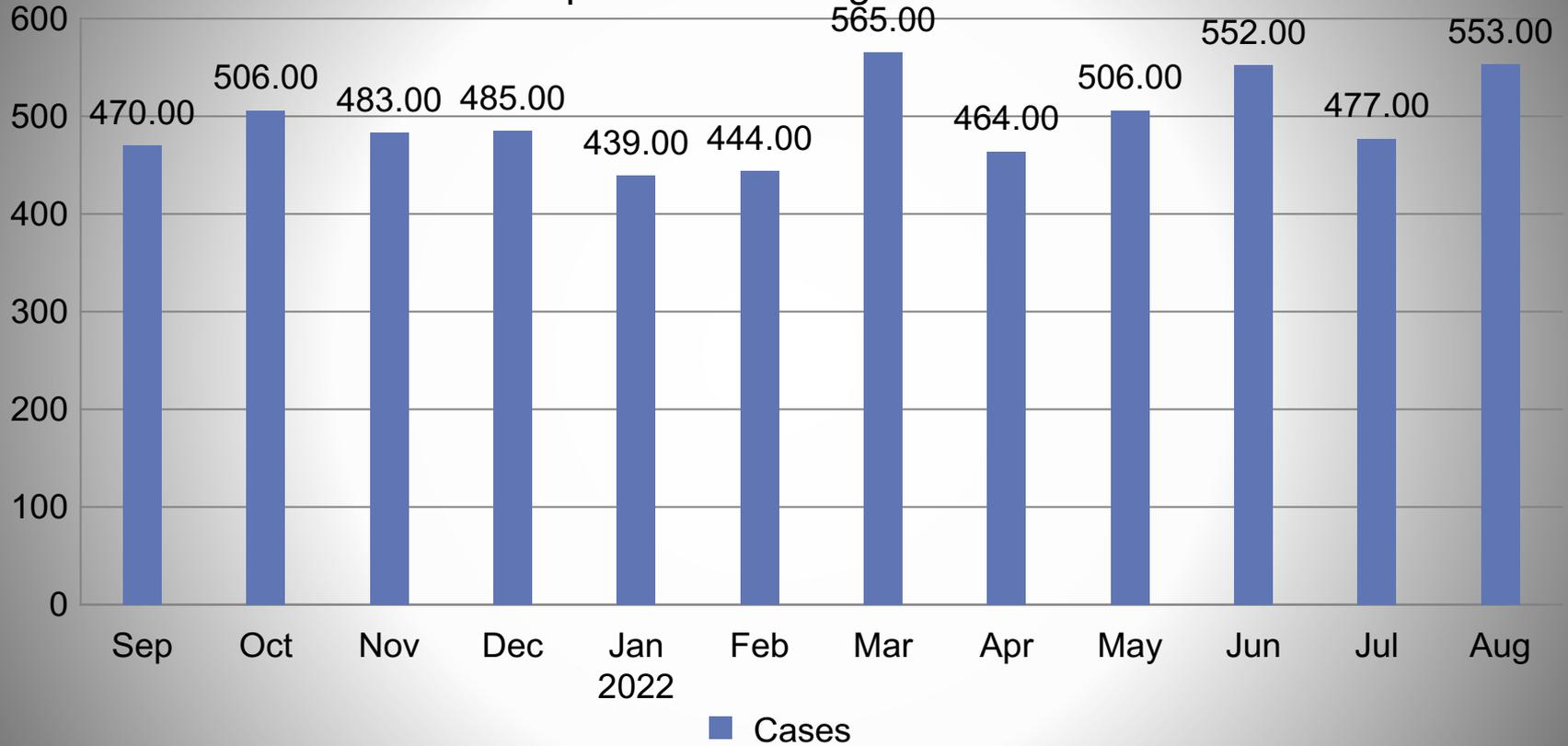
Mammography



OP Infusion - Rolling 12 Month Trend
(Includes Botox)
Sep 2021 thru Aug 2022



CDOC Cases - Rolling 12 Month Trend Sep 2021 thru Aug 2022



Labor Productivity – August 2022

- 1. Worked FTEs:** During the month of August, worked FTEs on a PAADC basis were **7.8%** favorable at **6.25** with a target of **6.78**. *When reviewed on a unit by unit level, the variance was 71.3 FTEs positive (\$1.1m)*. The key drivers included higher volume and budgeted positions not filled. Average Daily Census was up at 128 (11%) (compared to 124 in July). Worked FTE increased to 1,502 in August from 1,441 in July. Approximately 22 FTE (30%) of the positive worked FTE variance is due to unfilled “fixed” positions.
- 2. Paid FTEs:** On a PAADC basis paid FTEs were **9.3%** favorable to budget at **7.33 actual vs. 8.07 budget**. Paid FTE increased slightly from 1,754 in July to 1,759 in August.

Contract Labor FTE By Pay Period

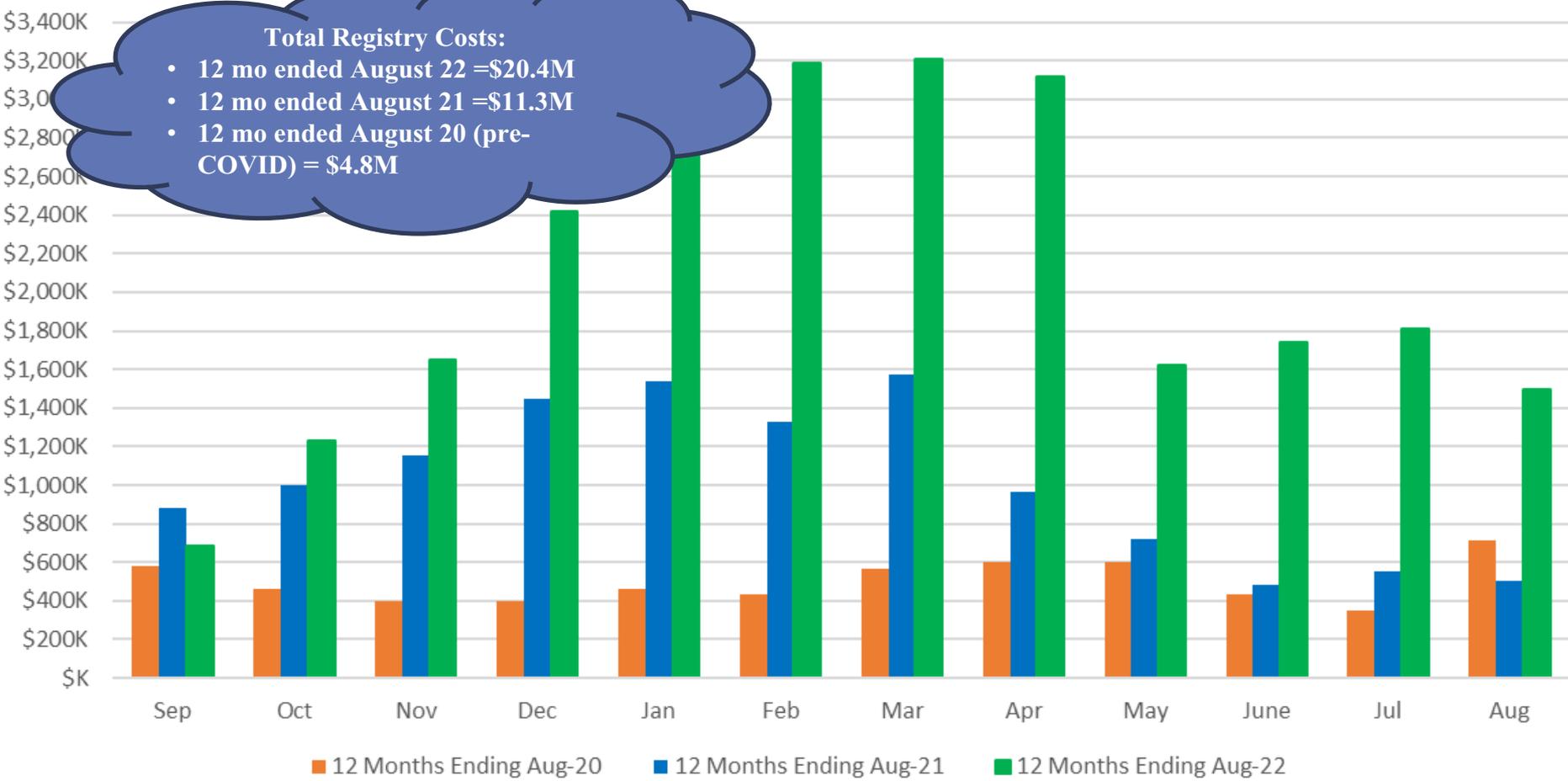
Contract Labor - FTE By Pay Period - PP Ended 9/4/2022 (FY22 to Current)



Contract labor continues to be utilized as direct result of staff shortages (national issue). Nurse contract staffing has been stable for several pay periods. Overall use had increased slightly in July driven by continuing hiring challenges in non-nursing areas, this continued in August. The contract labor is used to offset the loss of staff from the Covid vaccine mandates, hiring challenges, and volume growth.

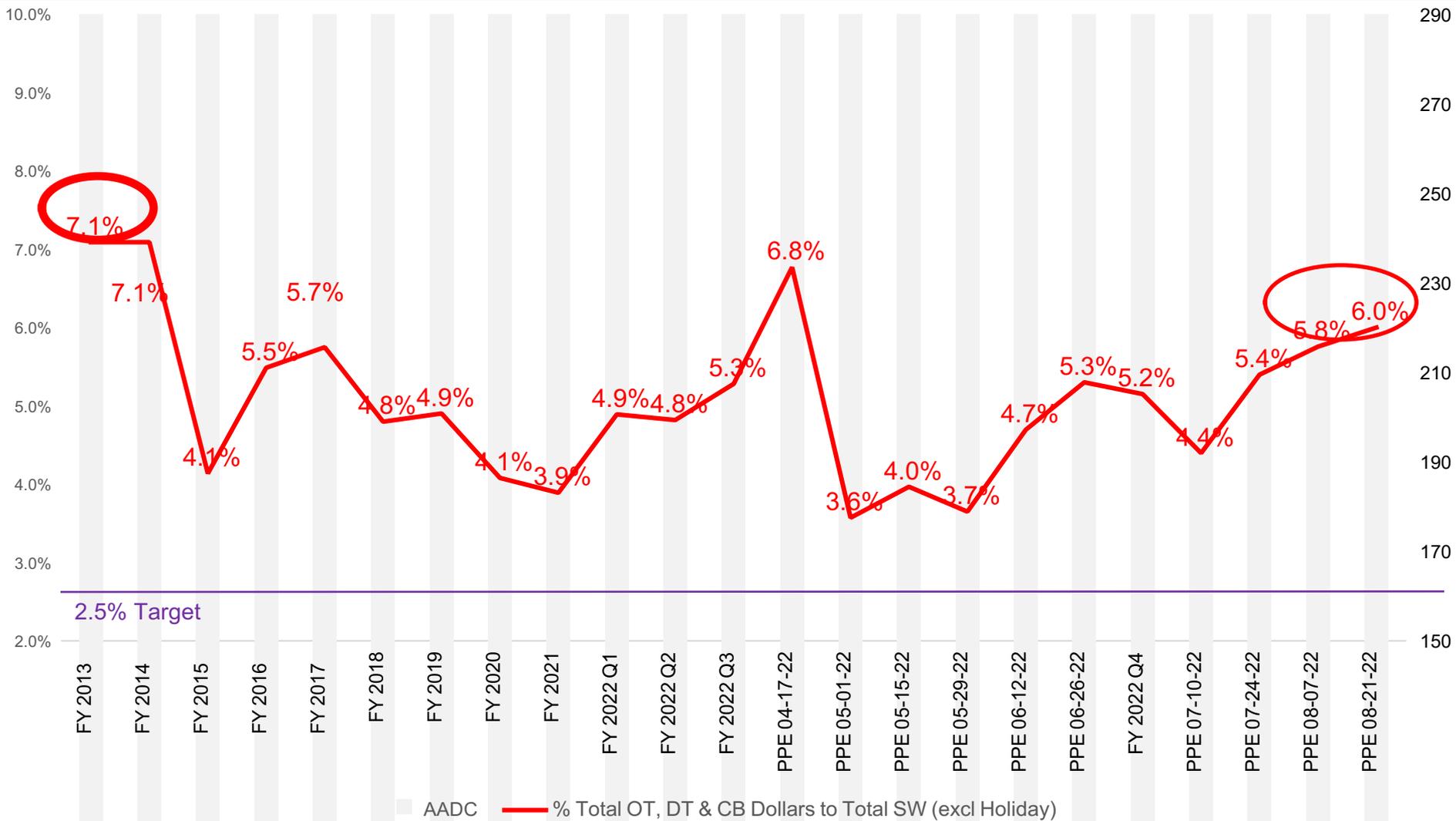
Registry – August 2022

Registry Dollars
(\$ in thousands)



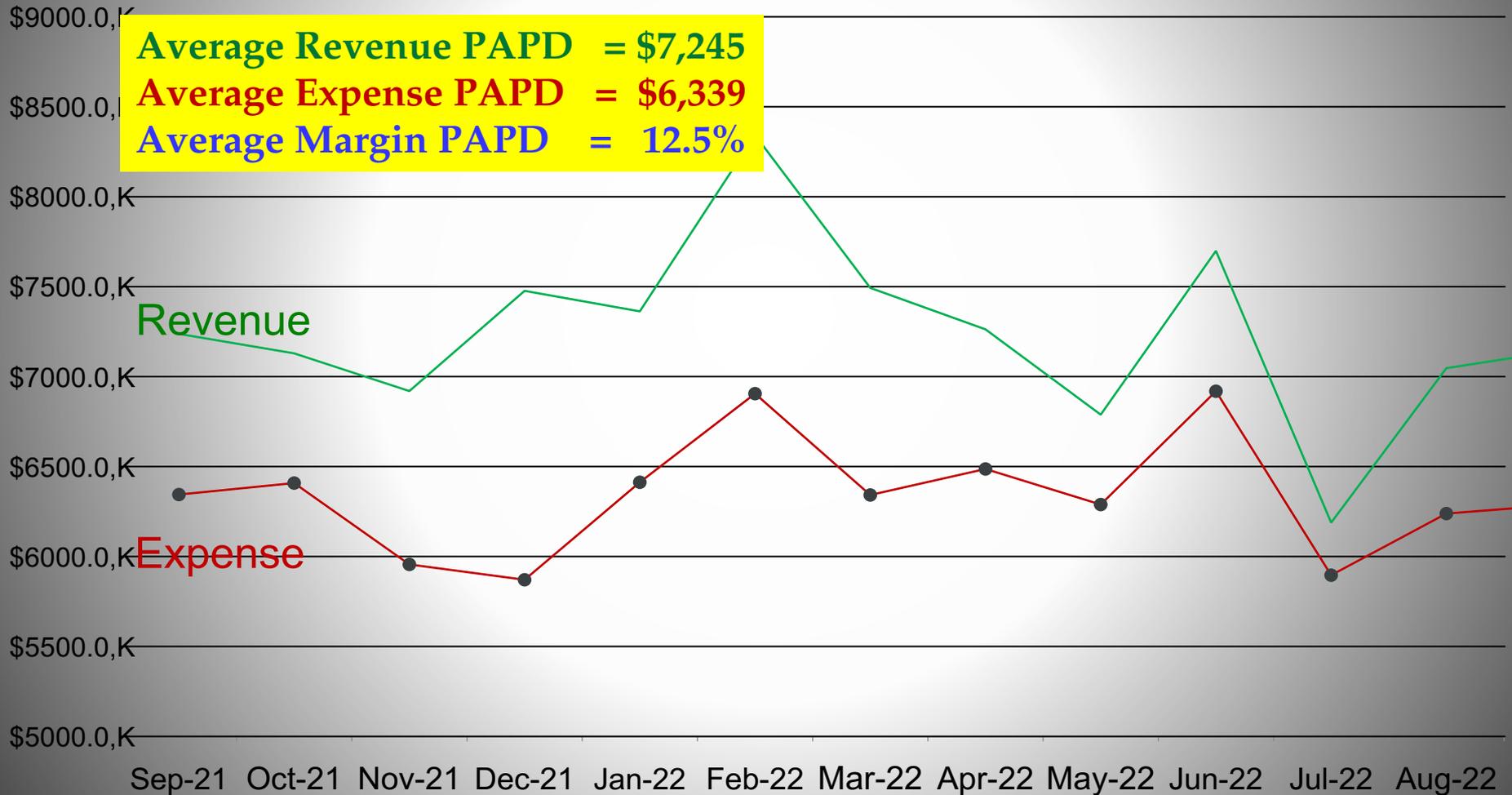
% of Total OT, DT & CB Dollars to Total S&W

Updated Thru PPE 8-21-22



SVMH Revenues & Expenses Per Adjusted Patient Day (Normalized)

Rolling 12 Months: September 21 to August 22



SVMHS Operating Revenues & Expenses (Normalized)

Rolling 12 Months: September 21 through August 22



SVMHS Key Financial Indicators

Statistic	YTD	SVMHS		S&P A+ Rated		YTD	
	Aug-22	Target	+/-	Hospitals	+/-	Aug-21	+/-
Operating Margin*	2.5%	9.0%		4.0%		9.4%	
Total Margin*	4.9%	10.8%		6.6%		11.8%	
EBITDA Margin**	6.7%	13.4%		13.6%		13.4%	
Days of Cash*	340	305		249		374	
Days of Accounts Payable*	48	45		-		43	
Days of Net Accounts Receivable***	49	45		49		46	
Supply Expense as % NPR	12.9%	15.0%		-		12.3%	
SWB Expense as % NPR	55.7%	53.0%		53.7%		52.1%	
Operating Expense per APD*	6,223	4,992		-		6,377	

*These metrics have been adjusted for normalizing items

**Metric based on Operating Income (consistent with industry standard)

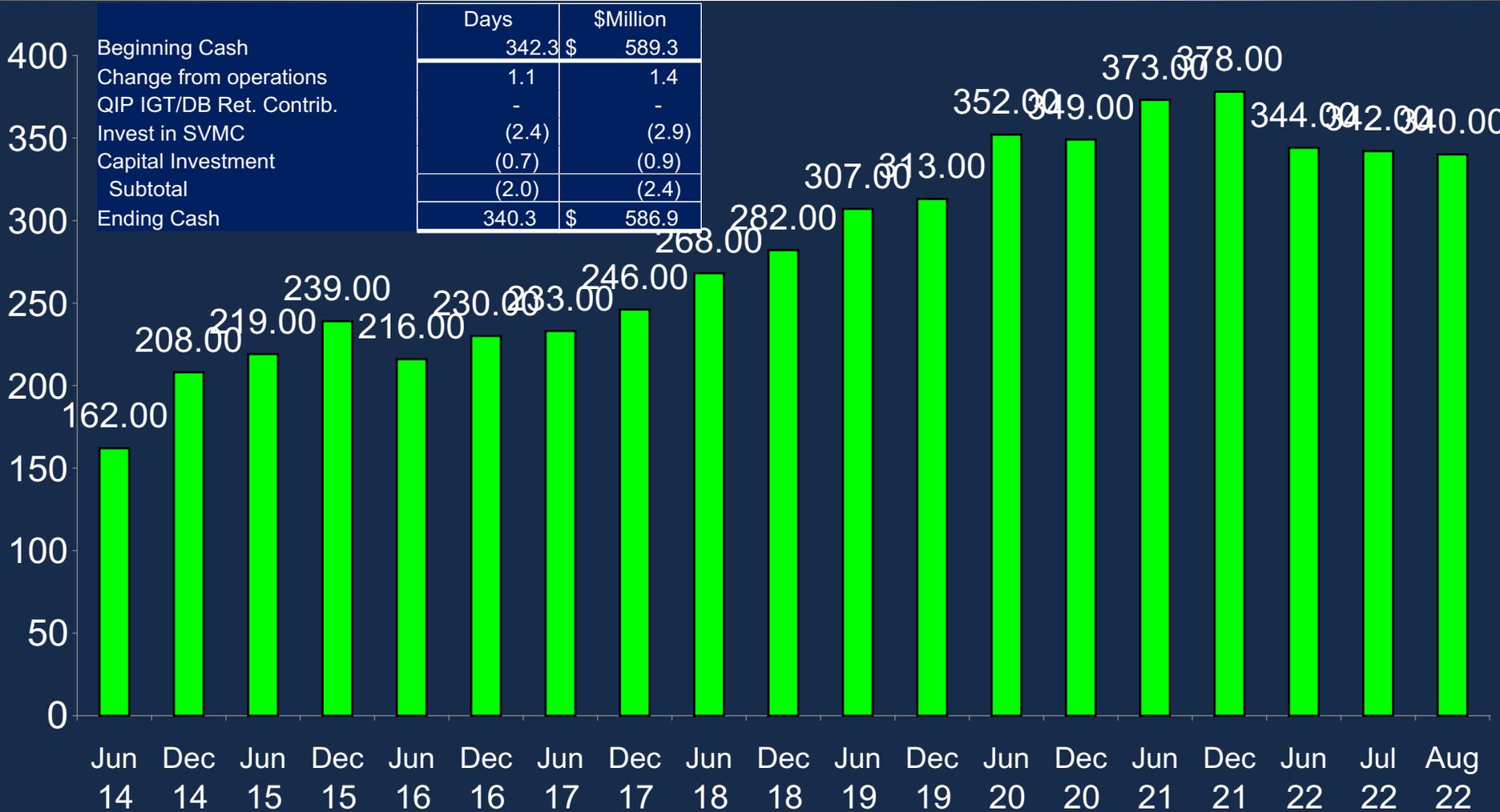
***Metric based on 90 days average net revenue (consistent with industry standard)

Days of Cash and Accounts Payable metrics have been adjusted to *exclude* accelerated insurance payments (COVID-19 assistance)

Salinas Valley Memorial Healthcare System

Days Cash on Hand = 340 Days (\$587M)

August 2022



2014 **2015** **2016** **2017** **2018** **2019** **2020** **2021** **2022**

ASSETS WHOSE USE IS LIMITED

		<u>August-22</u>	<u>YTD</u>
Beginning balance	\$	150,567,841	\$ 148,632,659
Investment income or (loss)		(1,032,319)	(3,197,137)
Transfer		1,000,000	2,000,000
Ending balance	\$	150,535,522	\$ 150,535,522

ROUTINE CAPITAL EXPENDITURES Through August 2022

Fiscal Month	FY 2023 Approved Budget *	Total Purchased Expenditures	Remaining	Project	Amount
July	1,666,667	417,301	1,249,366	CT Scanner Replacement	17,566
August	1,666,667	865,174	2,050,858	OB C-Section OR Room	9,464
September	1,666,667		3,717,525	Lab Analyzer Rreplacement	9,299
October	1,666,667		5,384,192	Nuclear Medicine Camera	6,019
November	1,666,667		7,050,858	Other CIP	1,626
December	1,666,667		8,717,525	Total Improvements	43,975
January	1,666,667		10,384,192	Duodenovideoscope	109,915
February	1,666,667		12,050,858	Computers	427,515
March	1,666,667		13,717,525	Da Vinci Xi Console System	65,275
April	1,666,667		15,384,192	Television Equipment	50,832
May	1,666,667		17,050,858	Other CIP	167,662
June	1,666,667		18,717,525	Total Equipment	821,199
YTD TOTAL	20,000,000	1,282,475	18,717,525	Grand Total	865,174

QUESTIONS / COMMENTS

SALINAS VALLEY MEMORIAL HOSPITAL
SUMMARY INCOME STATEMENT
August 31, 2022

	<u>Month of August,</u>		<u>Two months ended August 31,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Operating revenue:				
Net patient revenue	\$ 54,037,184	\$ 50,527,025	\$ 98,206,039	\$ 98,046,847
Other operating revenue	876,946	913,420	1,573,099	2,158,504
Total operating revenue	<u>54,914,130</u>	<u>51,440,445</u>	<u>99,779,138</u>	<u>100,205,351</u>
Total operating expenses	48,625,055	42,142,696	91,460,304	82,968,742
Total non-operating income	<u>(4,049,023)</u>	<u>(1,134,115)</u>	<u>(2,654,432)</u>	<u>(3,712,828)</u>
Operating and non-operating income	<u>\$ 2,240,052</u>	<u>\$ 8,163,633</u>	<u>\$ 5,664,402</u>	<u>\$ 13,523,781</u>

SALINAS VALLEY MEMORIAL HOSPITAL
 BALANCE SHEETS
 August 31, 2022

	<u>Current year</u>	<u>Prior year</u>
ASSETS:		
Current assets	\$ 396,181,983	\$ 425,877,230
Assets whose use is limited or restricted by board	150,535,522	145,675,896
Capital assets	237,862,825	242,436,010
Other assets	178,772,188	188,380,129
Deferred pension outflows	<u>95,401,205</u>	<u>50,119,236</u>
	<u>\$ 1,058,753,723</u>	<u>\$ 1,052,488,501</u>
LIABILITIES AND EQUITY:		
Current liabilities	103,058,453	130,468,527
Long term liabilities	14,058,922	14,556,513
	76,126,944	83,585,120
Net assets	<u>865,509,404</u>	<u>823,878,341</u>
	<u>\$ 1,058,753,723</u>	<u>\$ 1,052,488,501</u>

**SALINAS VALLEY MEMORIAL HOSPITAL
SCHEDULES OF NET PATIENT REVENUE
August 31, 2022**

	<u>Month of August,</u>		<u>Two months ended August 31,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Patient days:				
By payer:				
Medicare	2,030	1,575	3,896	3,142
Medi-Cal	1,036	1,006	2,125	1,964
Commercial insurance	770	738	1,548	1,442
Other patient	109	126	219	273
Total patient days	<u>3,945</u>	<u>3,445</u>	<u>7,788</u>	<u>6,821</u>
Gross revenue:				
Medicare	\$ 107,307,516	\$ 92,022,820	\$ 201,070,959	\$ 181,832,564
Medi-Cal	64,717,339	58,046,182	123,547,651	114,281,809
Commercial insurance	54,731,567	46,776,796	103,825,171	98,894,465
Other patient	<u>8,307,858</u>	<u>8,188,797</u>	<u>16,651,622</u>	<u>17,896,110</u>
Gross revenue	<u>235,064,280</u>	<u>205,034,595</u>	<u>445,095,403</u>	<u>412,904,948</u>
Deductions from revenue:				
Administrative adjustment	445,416	297,324	502,780	494,412
Charity care	922,558	1,798,274	1,718,108	2,677,903
Contractual adjustments:				
Medicare outpatient	32,066,624	28,466,678	61,578,570	56,651,761
Medicare inpatient	46,992,416	35,954,117	90,293,094	73,118,138
Medi-Cal traditional outpatient	3,530,319	2,613,718	6,728,151	4,908,906
Medi-Cal traditional inpatient	3,890,601	6,995,705	8,987,520	11,803,120
Medi-Cal managed care outpatient	25,051,448	22,747,993	48,183,509	46,122,124
Medi-Cal managed care inpatient	23,830,410	19,944,312	45,486,678	41,928,697
Commercial insurance outpatient	18,777,864	15,112,176	35,119,730	32,785,474
Commercial insurance inpatient	20,752,986	16,735,540	38,444,130	34,635,416
Uncollectible accounts expense	4,175,568	3,670,707	7,900,767	7,769,507
Other payors	<u>590,886</u>	<u>171,026</u>	<u>1,946,327</u>	<u>1,962,643</u>
Deductions from revenue	<u>181,027,096</u>	<u>154,507,570</u>	<u>346,889,364</u>	<u>314,858,101</u>
Net patient revenue	<u>\$ 54,037,184</u>	<u>\$ 50,527,025</u>	<u>\$ 98,206,039</u>	<u>\$ 98,046,847</u>
Gross billed charges by patient type:				
Inpatient	\$ 124,806,208	\$ 107,404,639	\$ 236,050,463	\$ 216,472,072
Outpatient	82,086,994	70,186,240	153,682,338	141,297,959
Emergency room	<u>28,171,080</u>	<u>27,443,716</u>	<u>55,362,602</u>	<u>55,134,917</u>
Total	<u>\$ 235,064,282</u>	<u>\$ 205,034,595</u>	<u>\$ 445,095,403</u>	<u>\$ 412,904,948</u>

**SALINAS VALLEY MEMORIAL HOSPITAL
STATEMENTS OF REVENUE AND EXPENSES
August 31, 2022**

	<u>Month of August,</u>		<u>Two months ended August 31,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Operating revenue:				
Net patient revenue	\$ 54,037,184	\$ 50,527,025	\$ 98,206,039	\$ 98,046,847
Other operating revenue	876,946	913,420	1,573,099	2,158,504
Total operating revenue	<u>54,914,130</u>	<u>51,440,445</u>	<u>99,779,138</u>	<u>100,205,351</u>
Operating expenses:				
Salaries and wages	19,579,449	15,800,754	35,638,600	31,260,761
Compensated absences	2,826,365	2,550,349	5,439,480	5,086,925
Employee benefits	7,587,087	7,652,176	14,805,225	15,296,605
Supplies, food, and linen	6,863,466	6,434,802	12,972,922	12,004,398
Purchased department functions	3,641,021	2,899,532	7,215,400	6,261,761
Medical fees	2,001,209	2,195,012	3,370,302	4,054,631
Other fees	2,284,660	1,136,907	4,639,728	2,348,840
Depreciation	2,139,860	1,759,187	4,031,730	3,568,103
All other expense	1,701,938	1,713,977	3,346,917	3,086,718
Total operating expenses	<u>48,625,055</u>	<u>42,142,696</u>	<u>91,460,304</u>	<u>82,968,742</u>
Income from operations	<u>6,289,075</u>	<u>9,297,749</u>	<u>8,318,834</u>	<u>17,236,609</u>
Non-operating income:				
Donations	170,325	166,667	2,131,824	333,333
Property taxes	333,333	333,333	666,667	666,667
Investment income	(2,319,356)	(187,030)	(240,526)	352,291
Taxes and licenses	0	0	0	0
Income from subsidiaries	(2,233,325)	(1,447,085)	(5,212,397)	(5,065,119)
Total non-operating income	<u>(4,049,023)</u>	<u>(1,134,115)</u>	<u>(2,654,432)</u>	<u>(3,712,828)</u>
Operating and non-operating income	2,240,052	8,163,633	5,664,402	13,523,781
Net assets to begin	<u>863,269,351</u>	<u>815,714,708</u>	<u>859,845,002</u>	<u>810,354,560</u>
Net assets to end	<u>\$ 865,509,404</u>	<u>\$ 823,878,341</u>	<u>\$ 865,509,404</u>	<u>\$ 823,878,341</u>
Net income excluding non-recurring items	\$ 2,240,052	\$ 8,163,633	\$ 5,664,402	\$ 13,523,781
Non-recurring income (expense) from cost report settlements and re-openings and other non-recurring items	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Operating and non-operating income	<u>\$ 2,240,052</u>	<u>\$ 8,163,633</u>	<u>\$ 5,664,402</u>	<u>\$ 13,523,781</u>

**SALINAS VALLEY MEMORIAL HOSPITAL
SCHEDULES OF INVESTMENT INCOME
August 31, 2022**

	<u>Month of August,</u>		<u>Two months ended August 31,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Detail of other operating income:				
Dietary revenue	\$ 117,173	\$ 131,757	\$ 261,932	\$ 268,075
Discounts and scrap sale	267,808	272,517	273,675	272,477
Sale of products and services	68,008	12,740	79,570	65,686
Clinical trial fees	0	0	0	6,976
Stimulus Funds	0	0	0	0
Rental income	174,735	161,292	349,851	320,613
Other	<u>249,222</u>	<u>335,114</u>	<u>608,071</u>	<u>1,224,677</u>
Total	<u>\$ 876,946</u>	<u>\$ 913,420</u>	<u>\$ 1,573,099</u>	<u>\$ 2,158,504</u>
Detail of investment income:				
Bank and payor interest	\$ 143,730	\$ 140,754	\$ 517,820	\$ 204,942
Income from investments	(2,463,086)	(380,958)	(758,346)	82,621
Gain or loss on property and equipment	<u>0</u>	<u>53,174</u>	<u>0</u>	<u>64,728</u>
Total	<u>\$ (2,319,356)</u>	<u>\$ (187,030)</u>	<u>\$ (240,526)</u>	<u>\$ 352,291</u>
Detail of income from subsidiaries:				
Salinas Valley Medical Center:				
Pulmonary Medicine Center	\$ (200,808)	\$ (239,146)	\$ (407,414)	\$ (397,808)
Neurological Clinic	(29,459)	(76,078)	(76,576)	(93,722)
Palliative Care Clinic	(55,680)	(35,498)	(132,254)	(146,532)
Surgery Clinic	(197,637)	(78,639)	(290,416)	(197,450)
Infectious Disease Clinic	(28,792)	(8,217)	(54,844)	(41,926)
Endocrinology Clinic	(229,051)	(103,658)	(360,338)	(214,864)
Early Discharge Clinic	0	0	0	0
Cardiology Clinic	(273,445)	(550,839)	(750,274)	(776,610)
OB/GYN Clinic	(336,004)	(374,547)	(612,418)	(704,568)
PrimeCare Medical Group	(353,702)	1,384,254	(888,298)	(699,410)
Oncology Clinic	(327,564)	(524,635)	(503,258)	(768,194)
Cardiac Surgery	(203,668)	(184,501)	(437,700)	(335,858)
Sleep Center	(44,249)	(14,434)	(83,084)	(56,524)
Rheumatology	(63,242)	(32,339)	(116,222)	(87,790)
Precision Ortho MDs	(218,034)	(430,217)	(444,216)	(529,016)
Precision Ortho-MRI	0	0	0	0
Precision Ortho-PT	(192,000)	(26,885)	(224,994)	(71,122)
Vaccine Clinic	124	0	(224)	0
Dermatology	(121,216)	(25,592)	(125,298)	(46,502)
Hospitalists	0	0	0	0
Behavioral Health	690,215	(50,214)	644,118	(125,722)
Pediatric Diabetes	(43,679)	(40,297)	(89,534)	(82,760)
Neurosurgery	(27,346)	(3,452)	(58,246)	(30,468)
Multi-Specialty-RR	4,947	(7,094)	10,746	3,620
Radiology	(206,339)	(275,168)	(319,116)	(550,628)
Salinas Family Practice	(62,793)	(173,270)	(173,704)	(212,232)
Urology	(190,607)	0	(221,628)	0
Total SVMC	<u>(2,710,029)</u>	<u>(1,870,466)</u>	<u>(5,715,192)</u>	<u>(6,166,086)</u>
Doctors on Duty	310,470	(603,234)	225,107	(196,087)
Vantage Surgery Center	0	22,233	0	45,452
LPCH NICU JV	0	0	0	0
Central Coast Health Connect	0	0	0	0
Monterey Peninsula Surgery Center	84,895	958,377	189,519	1,129,204
Aspire/CHI/Coastal	0	(23,860)	(63,635)	(46,429)
Apex	34,985	14,052	34,985	31,941
21st Century Oncology	23,876	36,940	47,753	71,617
Monterey Bay Endoscopy Center	<u>22,479</u>	<u>18,873</u>	<u>69,066</u>	<u>65,269</u>
Total	<u>\$ (2,233,325)</u>	<u>\$ (1,447,085)</u>	<u>\$ (5,212,397)</u>	<u>\$ (5,065,119)</u>

**SALINAS VALLEY MEMORIAL HOSPITAL
BALANCE SHEETS
August 31, 2022**

	Current year	Prior year
A S S E T S		
Current assets:		
Cash and cash equivalents	\$ 283,829,946	\$ 334,059,094
Patient accounts receivable, net of estimated uncollectibles of \$31,429,821	84,274,211	74,253,666
Supplies inventory at cost	7,577,979	8,200,689
Other current assets	20,499,847	9,363,781
Total current assets	396,181,983	425,877,230
Assets whose use is limited or restricted by board	150,535,522	145,675,896
Capital assets:		
Land and construction in process	38,411,355	34,572,681
Other capital assets, net of depreciation	199,451,470	207,863,329
Total capital assets	237,862,825	242,436,010
Other assets:		
Investment in Securities	144,284,830	144,640,143
Investment in SVMC	8,215,812	17,069,254
Investment in Aspire/CHI/Coastal	1,615,050	3,570,360
Investment in other affiliates	23,317,446	21,290,963
Net pension asset	1,339,050	1,809,409
Total other assets	178,772,188	188,380,129
Deferred pension outflows	95,401,205	50,119,236
	\$ 1,058,753,723	\$ 1,052,488,501
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 60,432,827	\$ 54,249,539
Due to third party payers	24,708,173	58,993,558
Current portion of self-insurance liability	17,917,453	17,225,431
Total current liabilities	103,058,453	130,468,527
Long term portion of workers comp liability	14,058,922	14,556,513
Total liabilities	117,117,375	145,025,040
Pension liability	76,126,944	83,585,120
Net assets:		
Invested in capital assets, net of related debt	237,862,825	242,436,010
Unrestricted	627,646,579	581,442,331
Total net assets	865,509,404	823,878,341
	\$ 1,058,753,723	\$ 1,052,488,501

SALINAS VALLEY MEMORIAL HOSPITAL
STATEMENTS OF REVENUE AND EXPENSES - BUDGET VS. ACTUAL
August 31, 2022

	Month of August,				Two months ended August 31,			
	Actual	Budget	Variance	% Var	Actual	Budget	Variance	% Var
Operating revenue:								
Gross billed charges	\$ 235,064,280	\$ 209,636,473	25,427,807	12.13%	\$ 445,095,403	\$ 419,272,946	25,822,457	6.16%
Deductions from revenue	181,027,096	161,426,664	19,600,432	12.14%	346,889,364	322,641,544	24,247,820	7.52%
Net patient revenue	54,037,184	48,209,809	5,827,375	12.09%	98,206,039	96,631,402	1,574,637	1.63%
Other operating revenue	876,946	1,374,687	(497,741)	-36.21%	1,573,099	2,749,373	(1,176,274)	-42.78%
Total operating revenue	54,914,130	49,584,495	5,329,635	10.75%	99,779,138	99,380,776	398,362	0.40%
Operating expenses:								
Salaries and wages	19,579,449	16,495,676	3,083,773	18.69%	35,638,600	32,514,772	3,123,828	9.61%
Compensated absences	2,826,365	2,940,478	(114,113)	-3.88%	5,439,480	6,202,027	(762,547)	-12.30%
Employee benefits	7,587,087	7,478,099	108,988	1.46%	14,805,225	15,025,138	(219,913)	-1.46%
Supplies, food, and linen	6,863,466	6,417,896	445,570	6.94%	12,972,922	12,835,792	137,130	1.07%
Purchased department functions	3,641,021	3,491,015	150,006	4.30%	7,215,400	6,982,030	233,370	3.34%
Medical fees	2,001,209	2,026,754	(25,545)	-1.26%	3,370,302	4,053,509	(683,207)	-16.85%
Other fees	2,284,660	2,063,060	221,600	10.74%	4,639,728	4,419,568	220,160	4.98%
Depreciation	2,139,860	1,901,377	238,483	12.54%	4,031,730	3,807,660	224,070	5.88%
All other expense	1,701,938	1,767,161	(65,223)	-3.69%	3,346,917	3,534,322	(187,405)	-5.30%
Total operating expenses	48,625,055	44,581,516	4,043,539	9.07%	91,460,304	89,374,816	2,085,488	2.33%
Income from operations	6,289,075	5,002,980	1,286,095	25.71%	8,318,834	10,005,959	(1,687,125)	-16.86%
Non-operating income:								
Donations	170,325	166,667	3,658	2.19%	2,131,824	333,333	1,798,491	539.55%
Property taxes	333,333	333,333	(0)	0.00%	666,667	666,667	0	0.00%
Investment income	(2,319,356)	129,915	(2,449,271)	-1885.28%	(240,526)	259,831	(500,357)	-192.57%
Income from subsidiaries	(2,233,325)	(3,326,891)	1,093,566	-32.87%	(5,212,397)	(6,652,432)	1,440,035	-21.65%
Total non-operating income	(4,049,023)	(2,696,975)	(1,352,047)	50.13%	(2,654,432)	(5,392,601)	2,738,169	-50.78%
Operating and non-operating income	\$ 2,240,052	\$ 2,306,004	(65,952)	-2.86%	\$ 5,664,402	\$ 4,613,359	1,051,043	22.78%

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of Aug and two months to date

	<u>Month of Aug</u>		<u>Two months to date</u>		<u>Variance</u>
	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
<u>NEWBORN STATISTICS</u>					
Medi-Cal Admissions	43	39	91	74	(17)
Other Admissions	94	90	187	182	(5)
Total Admissions	137	129	278	256	(22)
Medi-Cal Patient Days	64	60	138	118	(20)
Other Patient Days	145	139	321	81	(240)
Total Patient Days of Care	209	199	459	199	(260)
Average Daily Census	6.7	6.4	14.8	6.4	(8.4)
Medi-Cal Average Days	1.5	1.7	1.5	1.6	0.1
Other Average Days	1.4	1.4	1.7	0.4	(1.3)
Total Average Days Stay	1.5	1.5	1.6	0.8	(0.9)
<u>ADULTS & PEDIATRICS</u>					
Medicare Admissions	329	407	630	801	171
Medi-Cal Admissions	291	291	503	533	30
Other Admissions	394	335	599	638	39
Total Admissions	1,014	1,033	1,732	1,972	240
Medicare Patient Days	1,338	1,636	2,665	3,250	585
Medi-Cal Patient Days	1,051	1,097	2,056	2,218	162
Other Patient Days	971	1,584	1,935	(1,151)	(3,086)
Total Patient Days of Care	3,360	4,317	6,656	4,317	(2,339)
Average Daily Census	108.4	139.3	214.7	139.3	(75.5)
Medicare Average Length of Stay	4.2	4.0	4.1	4.0	(0.0)
Medi-Cal Average Length of Stay	3.7	3.3	3.2	3.5	0.3
Other Average Length of Stay	2.4	3.8	2.5	-1.4	(4.0)
Total Average Length of Stay	3.3	3.7	3.2	1.9	(1.3)
Deaths	31	21	51	42	(9)
Total Patient Days	3,569	4,516	7,115	4,516	(2,599)
Medi-Cal Administrative Days	44	9	46	23	(23)
Medicare SNF Days	0	0	0	0	0
Over-Utilization Days	0	0	0	0	0
Total Non-Acute Days	44	9	46	23	(23)
Percent Non-Acute	1.23%	0.20%	0.65%	0.51%	-0.14%

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	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
<u>PATIENT DAYS BY LOCATION</u>					
Level I	254	463	478	463	(15)
Heart Center	305	431	638	431	(207)
Monitored Beds	813	642	1,632	642	(990)
Single Room Maternity/Obstetrics	337	347	702	347	(355)
Med/Surg - Cardiovascular	604	990	1,315	990	(325)
Med/Surg - Oncology	277	226	557	226	(331)
Med/Surg - Rehab	430	633	835	633	(202)
Pediatrics	110	153	207	153	(54)
Nursery	209	199	459	199	(260)
Neonatal Intensive Care	77	0	159	0	(159)
<u>PERCENTAGE OF OCCUPANCY</u>					
Level I	63.03%	114.89%	59.31%	114.89%	
Heart Center	65.59%	92.69%	68.60%	92.69%	
Monitored Beds	97.13%	76.70%	97.49%	76.70%	
Single Room Maternity/Obstetrics	29.38%	30.25%	30.60%	30.25%	
Med/Surg - Cardiovascular	43.30%	70.97%	47.13%	70.97%	
Med/Surg - Oncology	68.73%	56.08%	69.11%	56.08%	
Med/Surg - Rehab	53.35%	78.54%	51.80%	78.54%	
Med/Surg - Observation Care Unit	0.00%	81.97%	0.00%	81.97%	
Pediatrics	19.71%	27.42%	18.55%	27.42%	
Nursery	40.86%	38.91%	22.43%	19.45%	
Neonatal Intensive Care	22.58%	0.00%	23.31%	0.00%	

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	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
<u>DELIVERY ROOM</u>					
Total deliveries	141	135	274	254	(20)
C-Section deliveries	47	34	85	71	(14)
Percent of C-section deliveries	33.33%	25.19%	31.02%	27.95%	-3.07%
<u>OPERATING ROOM</u>					
In-Patient Operating Minutes	21,010	19,891	44,428	37,292	(7,136)
Out-Patient Operating Minutes	24,231	27,185	49,948	49,024	(924)
Total	45,241	47,076	94,376	86,316	(8,060)
Open Heart Surgeries	13	15	27	22	(5)
In-Patient Cases	148	139	298	277	(21)
Out-Patient Cases	246	286	499	523	24
<u>EMERGENCY ROOM</u>					
Immediate Life Saving	51	23	90	60	(30)
High Risk	417	563	882	1,060	178
More Than One Resource	2,649	3,002	5,272	5,872	600
One Resource	1,885	2,023	3,365	3,924	559
No Resources	146	112	228	182	(46)
Total	<u>5,148</u>	<u>5,723</u>	<u>9,837</u>	<u>11,098</u>	<u>1,261</u>

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	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
CENTRAL SUPPLY					
In-patient requisitions	16,315	15,295	102,118	105,727	3,609
Out-patient requisitions	6,250	6,730	67,967	63,426	-4,541
Emergency room requisitions	1,375	698	11,273	8,349	-2,924
Interdepartmental requisitions	7,849	7,115	49,644	44,398	-5,246
Total requisitions	<u>31,789</u>	<u>29,838</u>	<u>231,002</u>	<u>221,900</u>	<u>-9,102</u>
LABORATORY					
In-patient procedures	42,107	38,721	253,735	241,589	-12,146
Out-patient procedures	9,286	11,597	76,062	80,263	4,201
Emergency room procedures	9,433	11,145	60,934	76,430	15,496
Total patient procedures	<u>60,826</u>	<u>61,463</u>	<u>390,731</u>	<u>398,282</u>	<u>7,551</u>
BLOOD BANK					
Units processed	<u>318</u>	<u>297</u>	<u>1,996</u>	<u>1,965</u>	<u>-31</u>
ELECTROCARDIOLOGY					
In-patient procedures	1,041	1,068	6,566	6,885	319
Out-patient procedures	349	302	2,706	2,668	-38
Emergency room procedures	1,045	1,148	6,142	7,127	985
Total procedures	<u>2,435</u>	<u>2,518</u>	<u>15,414</u>	<u>16,680</u>	<u>1,266</u>
CATH LAB					
In-patient procedures	64	77	512	607	95
Out-patient procedures	51	71	571	625	54
Emergency room procedures	0	0	1	0	-1
Total procedures	<u>115</u>	<u>148</u>	<u>1,084</u>	<u>1,232</u>	<u>148</u>
ECHO-CARDIOLOGY					
In-patient studies	298	371	2,033	2,406	373
Out-patient studies	138	156	1,262	1,520	258
Emergency room studies	2	1	16	5	-11
Total studies	<u>438</u>	<u>528</u>	<u>3,311</u>	<u>3,931</u>	<u>620</u>
NEURODIAGNOSTIC					
In-patient procedures	140	165	1,109	1,090	-19
Out-patient procedures	24	27	169	164	-5
Emergency room procedures	0	0	0	0	0
Total procedures	<u>164</u>	<u>192</u>	<u>1,278</u>	<u>1,254</u>	<u>-24</u>

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	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
SLEEP CENTER					
In-patient procedures	0	0	1	0	-1
Out-patient procedures	183	167	1,315	1,153	-162
Emergency room procedures	0	0	0	0	0
Total procedures	<u>183</u>	<u>167</u>	<u>1,316</u>	<u>1,153</u>	<u>-163</u>
RADIOLOGY					
In-patient procedures	1,654	1,429	9,708	8,710	-998
Out-patient procedures	416	356	4,323	2,915	-1,408
Emergency room procedures	1,217	1,382	7,939	8,809	870
Total patient procedures	<u>3,287</u>	<u>3,167</u>	<u>21,970</u>	<u>20,434</u>	<u>-1,536</u>
MAGNETIC RESONANCE IMAGING					
In-patient procedures	105	141	860	890	30
Out-patient procedures	127	77	953	768	-185
Emergency room procedures	14	6	80	49	-31
Total procedures	<u>246</u>	<u>224</u>	<u>1,893</u>	<u>1,707</u>	<u>-186</u>
MAMMOGRAPHY CENTER					
In-patient procedures	2,718	3,550	20,910	24,711	3,801
Out-patient procedures	2,696	3,518	20,790	24,527	3,737
Emergency room procedures	3	0	3	8	5
Total procedures	<u>5,417</u>	<u>7,068</u>	<u>41,703</u>	<u>49,246</u>	<u>7,543</u>
NUCLEAR MEDICINE					
In-patient procedures	12	14	86	94	8
Out-patient procedures	61	78	506	541	35
Emergency room procedures	1	0	4	4	0
Total procedures	<u>74</u>	<u>92</u>	<u>596</u>	<u>639</u>	<u>43</u>
PHARMACY					
In-patient prescriptions	111,491	94,299	636,356	605,331	-31,025
Out-patient prescriptions	10,439	11,319	99,978	104,283	4,305
Emergency room prescriptions	5,342	7,197	36,983	48,996	12,013
Total prescriptions	<u>127,272</u>	<u>112,815</u>	<u>773,317</u>	<u>758,610</u>	<u>-14,707</u>
RESPIRATORY THERAPY					
In-patient treatments	29,606	21,738	156,457	131,478	-24,979
Out-patient treatments	143	981	3,391	7,896	4,505
Emergency room treatments	373	194	1,179	1,583	404
Total patient treatments	<u>30,122</u>	<u>22,913</u>	<u>161,027</u>	<u>140,957</u>	<u>-20,070</u>
PHYSICAL THERAPY					
In-patient treatments	2,256	2,396	16,109	16,284	175
Out-patient treatments	99	170	1,751	2,108	357
Emergency room treatments	0	0	0	0	0
Total treatments	<u>2,355</u>	<u>2,566</u>	<u>17,860</u>	<u>18,392</u>	<u>532</u>

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	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
OCCUPATIONAL THERAPY					
In-patient procedures	1,445	1,660	9,403	10,682	1,279
Out-patient procedures	74	99	797	1,086	289
Emergency room procedures	0	0	0	0	0
Total procedures	<u>1,519</u>	<u>1,759</u>	<u>10,200</u>	<u>11,768</u>	<u>1,568</u>
SPEECH THERAPY					
In-patient treatments	348	525	2,682	3,077	395
Out-patient treatments	23	28	171	200	29
Emergency room treatments	0	0	0	0	0
Total treatments	<u>371</u>	<u>553</u>	<u>2,853</u>	<u>3,277</u>	<u>424</u>
CARDIAC REHABILITATION					
In-patient treatments	0	0	0	0	0
Out-patient treatments	498	401	2,637	4,268	1,631
Emergency room treatments	0	0	1	0	-1
Total treatments	<u>498</u>	<u>401</u>	<u>2,638</u>	<u>4,268</u>	<u>1,630</u>
CRITICAL DECISION UNIT					
Observation hours	<u>378</u>	<u>344</u>	<u>1,866</u>	<u>2,252</u>	<u>386</u>
ENDOSCOPY					
In-patient procedures	85	78	626	636	10
Out-patient procedures	12	29	159	223	64
Emergency room procedures	0	0	0	0	0
Total procedures	<u>97</u>	<u>107</u>	<u>785</u>	<u>859</u>	<u>74</u>
C.T. SCAN					
In-patient procedures	537	596	3,803	4,027	224
Out-patient procedures	445	281	3,598	2,517	-1,081
Emergency room procedures	433	552	3,208	4,164	956
Total procedures	<u>1,415</u>	<u>1,429</u>	<u>10,609</u>	<u>10,708</u>	<u>99</u>
DIETARY					
Routine patient diets	17,554	21,351	113,154	130,102	16,948
Meals to personnel	19,345	21,421	144,216	152,161	7,945
Total diets and meals	<u>36,899</u>	<u>42,772</u>	<u>257,370</u>	<u>282,263</u>	<u>24,893</u>
LAUNDRY AND LINEN					
Total pounds laundered	<u>99,573</u>	<u>100,531</u>	<u>710,088</u>	<u>689,921</u>	<u>-20,167</u>

PUBLIC INPUT

Finance Committee Board Paper

Agenda Item: **Consider Recommendation for Board Approval of Project Budget for Renovations to 559 Abbott Street for Urology Services**

Executive Sponsor: John Tejeda, D.H.A., FACHE, Chief Operating Officer, SVMC Business Development & Physician Integration

Date: September 9, 2022

Executive Summary

In order to continue to address a critical medical need for our community, SVMHS is pursuing renovations to a portion of an existing medical office building owned by SVMHS at 559 Abbott Street in Salinas. Over the past year SVMC Urology consisted of one general Urologist who has been extremely busy in addressing the urological needs of our community. Dr. Len Renfer has done an exemplary job in doing so however the need cannot be met with just Dr. Renfer. This past August 1 we successfully recruited a second general Urologist by the name of Dr. Ryan Griggs. Our goal is to continue to recruit and place 2 additional Urologists with Robotic surgery experience. Current project planning contemplates a medical office clinic that includes nine exam rooms, one procedure room, lab area, physician documentation area, waiting area and other areas to support a urology service line. The SVMHS executive team is requesting approval for a total project budget of three million three hundred seventy-nine thousand six hundred and twenty-eight dollars (\$3,379,628.00) to complete the necessary improvements to the building.

Timeline:

September 19, 2022 – Request SVMHS Finance Committee Recommendation for Project Funding
 September 22, 2022 – SVMHS Board of Directors Meeting/Consider Recommendation for Funding Approval
 October 2022 – February 2023 – Design and Agency Permitting
 February 2023 – Request Board of Directors/Consider Recommendation for Approval of Construction Contract Award
 March 2023 – Construction Commences
 June 2023 – Activate Clinic

Meeting our Mission, Vision, Goals

Strategic Plan Alignment:

This project is aligned with the strategic initiatives outlined in our most recent strategic planning work for service line growth, and developing partnerships that drive value for our patients. SVMHS does not currently surgically care for any Urological Cancers of the bladder, prostate, or kidney. These procedures are currently referred out of our area. Dr. Renfer has referred over 50 of these procedures outside of Monterey County over the past seven months, which we could then retain with our proposed growth plan. Our plan would also increase the number of encounters and procedures at SVMC we currently deliver care for.

Pillar/Goal Alignment:

Service People Quality Finance Growth Community

Financial/Quality/Safety/Regulatory Implications

Fiscal 2023 projected cost	\$3,379,628
<u>Direct and Indirect Construction Costs</u>	\$2,843,694
<u>Furniture, Furnishings + Equipment</u>	\$375,000

Project Contingency
Owner Reserves

\$160,934

- This project was not included in the FY23 Capital Budget
- However, in FY22, the board approved \$1m to purchase the existing urology practice building. This funding was not spent, as the urology practice sold the building to a different purchaser before joining SVMC.
- The remaining FY23 capital is anticipated to be covered by reduced FY23 cash flow from the SVMC North Salinas clinic project which is in the FY23 Strategic Capital Budget at \$19m

Capital Need	Source of Budget Coverage (FY23)
\$3.4m for Urology Practice	\$1.0m Unspent Capital from FY22 Urology practice purchase
	\$2.4m Anticipated variance from North Salinas Clinic construction being pushed into FY24

Recommendation

Consider recommendation for Board approval of project budget for development of the SVMC Urology Clinic located at 559 Abbott Street for a total project budget of three million three hundred seventy-nine thousand six hundred and twenty-eight dollars (\$3,379,628.00)

Attachments

- Anticipated Project Cost Model prepared at programming stage
- Project Schedule prepared at programming stage

Salinas Valley Memorial Healthcare System

Project Cost Model: 559 Abbott Urology Clinic

Architect: WRD Architects

Subject: Cost Model prepared at Programming Phase

Date Printed: 9/5/2022

Budget Amount: In Development

Budget Approved Date:

Version 1

Anticipated Completion: Varies (See Comments)

Prepared by: SL

Budget Summary			
Line Item	Description	A Budget	NOTES
	1 Construction		
100	Construction - Tenant Improvements First Level	\$2,136,098	Medical Office Building TI - B Occupancy 3744 SF - includes 3% escalation
101	Owner Contingency (Estimating & Construction)	\$149,527	7% of Construction Costs
	2 Design		
200	Professional Fees - Fixed	\$150,000	Design Fees
201	Professional Fees - T+M	\$9,500	Hazardous Material Survey (Lead + ACM)
	3 Inspections and Consultation		
301	Special Inspections	\$15,000	
	4 AHJ Fees		
401	City Fees	\$68,569	3% of Construction Costs
401	TAMC Fees	excl	Regional Circulation Fees
401	Monterey One Fees	\$25,000	(N) Plumbing Fixture Impact Fees
	5 Soft Costs		
502	Program Management	\$290,000	10 Months
	6 Site Work		
601	Exterior Access Points + Signage	\$0	Presume re-use of existing without modification
	7 FF&E		
701	Furniture	\$80,000	
702	Equipment	\$175,000	
703	Data & Phone - Comcast	\$15,000	
703	Data & Phone Equipment - Switches + MPOE + Wiring + Phones + WAP + Access Control	\$50,000	Verify Contract responsibility - Carrying 45 drop cable allowance at \$950/ea
704	Furnishings	\$40,000	
705	Signage - Exterior	\$15,000	Monument + Building Signage Adjustment Allowance
	99 Contingency		
9900	Project Contingency	\$160,935	5% of Project Costs
Totals		\$3,379,628	

ADJOURNMENT

*THE OCTOBER 2022
FINANCE COMMITTEE MEETING
IS SCHEDULED FOR MONDAY, OCTOBER
24, 2022, AT 12:00 P.M.*