

Brief Historical Summary Oak Valley Hospital Building Project

2001

The Oak Valley Hospital District Board of Directors recognized that its aging facility needed to be updated, retrofitted or replaced if we were to continue providing quality health care for patients. Several studies were undertaken to review options and the Board concurred that construction of a new facility was the most prudent and least expensive of the options.

2002

- ❖ Hospital leadership working with architects and construction management companies developed plans for a new hospital with experts providing an Opinion of Probable cost in 2006/7 dollars at \$68 million.

2003

- ❖ The Board had strong operating reserves and estimated it could also generate revenue bonds to partially fund the new construction.
- ❖ The Board also sought support of district property owners to share in the financing and proposed placing a taxing bond measure on the ballot.
- ❖ The Oak Valley Hospital Foundation Board estimated that it could raise \$3-5 million in donations.

2004

- ❖ District voters overwhelmingly voted to approve ballot Measure H in the amount of \$37 million.

Projected Hospital Replacement Financing

Hospital generated revenue bonds	\$ 18 million
Measure H general obligation bonds	37 million
Hospital operating reserves	10 million
Donations	3 million

- ❖ Since all new hospital construction plans require approval by the State of California (OSHPED), architects began developing plans for submission.

2005

- ❖ Architectural plans were submitted to OSHPD

2006

- ❖ Late in the year, a full 22 months after submission, plans were approved by OSHPD and the first phase of construction, building the Central Utility Plant, began.

- ❖ A separate building project at 1425 W. H Street began as the hospital district entered into a joint venture with 10 local physicians to finance and build the Medical Office Building. The District invested vacant land, valued at \$460,000 and cash reserves of \$107,520 as the contribution to the \$10 million construction. Space was made available in this building to relocate the hospital's non-medical functions, previously housed in modular units in the space where the new hospital would be built. Placing administration functions in a \$200/sf office space rather than a \$750/sf hospital space was a major consideration of a cost saving move. No funds from Measure H were used for this project as Measure H funds are restricted to hospital construction.

2007

- ❖ The Medical Office Building was completed in June.

2008

- ❖ In January the Board considered the bid of ACME Construction of Modesto to be the lowest price, responsible bid. Due to the rapid escalation of specialized hospital construction costs and materials, the bid was a staggering \$22 million above the original Opinion of Probable Cost of \$68 million on which Measure H and the original hospital building fund was based.
- ❖ Realizing there was no way to bridge the \$22 million gap, the Board chose to go back to the public and request an additional taxing bond via Measure O.
- ❖ Measure O failed by only 81 votes. Concerned residents, local business owners and physicians urged the Board to try again and Measure Q was placed on a special August ballot.
- ❖ In June the Central Utility Plant construction was completed at a cost of \$15.1 million, including \$3 million of Measure H funds.
- ❖ In August voters rejected Measure Q. The Board recognized that obtaining a lower bid, even with the housing/general construction industry in hard times was not possible. Hospital construction is unlike home and office construction in that it is highly specialized and costly. Any further delay in construction would result in losing critical bond financing since bonds are restricted and must be expended in a five year window.
- ❖ In September, hospital officials and representatives of architectural, engineering and construction firms met with OSHPD officials in Sacramento to present and obtain approval of a modified construction plan utilizing funds available.
- ❖ In a special November public meeting, the Oak Valley Hospital Board approved modifying the original plan and agreed to complete 123,000 square feet building with a 12 space emergency department, 2 operating rooms, 5 post anesthesia beds, 2 GI procedure rooms, 7 outpatient surgical prep/recovery rooms, laboratory services and imaging, including CT and MRI. The second story would be shelled with electrical and

plumbing for future patient rooms when additional funds became available. Current hospital inpatient rooms would be utilized until that time.

- ❖ ACME was awarded a contract at a guaranteed maximum price of \$51.9 million to complete the project as modified. As with any project, there are additional “soft” costs (equipment, construction management, civil design, architect fees, legal and reserve contingency). Soft costs were budgeted at \$17.1 million. Combined, those figures were within the \$69 million Building Fund.

Revised Hospital Building Financing Sources

Measure H remaining funds	\$33.3 million
Revenue bonds remaining funds	6 million
Operating reserves	11.0 million
Future revenue bond debt	15.0 million
Capital Campaign donations	<u>3.0 million</u>
Total	\$ 68.3 million

2009

- ❖ Construction of the main hospital building began.

2010

- ❖ In February, the Board approved issuing \$15 million in revenue bonds.
- ❖ The Hospital Building Committee conducts regular meetings to review construction progress. Meetings are open to the public.
- ❖ The Hospital Governing Board and the Hospital District Board receive monthly updates on construction progress in public meetings.
- ❖ The volunteer Citizens Oversight Committee, with responsibility for reviewing expenditure of Measure H general obligation funds, meets quarterly. Those meetings are open to the public.
- ❖ In September, the building is 43% completed and on schedule for final completion in late 2011.

2011

- ❖ In April, the Citizens Oversight Committee completed its task as all Measure H funds had been expended. The Committee filed its final report with the Board, released it to the media and posted it on the hospital website.
- ❖ With the hospital first phase completion at 75%, funds to complete the project are now being drawn down as planned from revenue bonds, operating reserves and Capital Campaign donations. The Building Committee will begin meeting more frequently as the project enters its final stages. Those meetings are open to the public. Regular updates will be made at monthly board meetings, on the website, in employee meetings and in the CEO’s monthly UPDATE.
- ❖ The project remains on schedule with an opening slated for late in 2011.