

Constantino, Mike

From: Nguyen, Minh [Minh.Nguyen@EEHealth.org]
Sent: Thursday, July 05, 2018 7:21 PM
To: Constantino, Mike
Cc: Runge, Kari
Subject: [External] RE: 18-015 some questions

Mike-

Apologies for the delay in our response to your questions around cost. Please see responses below and let us know if you have any further questions or concerns.

Thanks!

Site Survey/Site Preparation Costs are \$401,226 and are 20.8% of the new construction/proportionate contingencies costs of \$1,926,988. This appears **high** when compared to the State Board standard of 5%.

There are extensive re-configuration of existing site utilities, including underground electrical feeds, sanitary piping, stormwater piping, water, and gas services to prepare the site for the construction of the new building. There is only a small portion of the new construction costs that is considered clinical/reviewable, the Chronic Care Clinic on the Ground Floor of the new building, and therefore, the site survey/site preparation costs are calculating to higher percent of construction costs for this space. According to Section 1120 Appendix A, the standards state site survey and preparation costs shall not exceed 5.0% of construction and contingency costs. The total site survey/site preparation costs for clinical is 5% of new and modernization construction and contingency costs (\$401,226/\$8,055,217), right at the 5.0% standard.

New Construction and Proportionate Contingencies – These costs total \$1,926,988 or \$466.01 GSF. (\$1,926,988/4,135=\$466.01). This appears **high** when compared to the State Board Standard of \$319.05/GSF (2020 mid-point of construction).

A thorough assessment was completed to identify new construction costs associated with this project. Below is a list of related costs that support the difference in project cost compared to the State Board Standard:

- Actual escalation percentages in recent years have exceeded the allowed standard of 3% per year by approximately 1.5% per annum in recent years, and the budget for this project includes projected escalation in excess of 3% per year
- Metal Panel screen wall to enclose rooftop mechanical systems per City of Naperville requirements
- Cantilever of second floor over roadway due to site configuration
- Phased construction to allow for minimal disruption of ongoing hospital operations and patient care delivery
- Pedestrian, vehicle, and delivery traffic control and safety systems allowing for ongoing hospital operations and public safety
- Temporary weather tight construction required for building expansion as opposed to a "green field" new construction site
- Emergency Power Systems expansion for new building, including tie to existing remotely located generator power services
- Building construction in compliance with institutional, hospital construction standards as opposed to business class Medical Office Building standards
- Fully ducted HVAC systems
- Structural design configuration allowing for future vertical expansion
- Full height partitions to deck
- Increased glass exterior wall system, allowing for patient and staff access to natural light

- Market volatility related to steel and aluminum building components has driven building component system costs to levels exceeding normal escalation

Modernization and Proportionate Contingencies – These costs total \$6,128,229 or \$356.91 GSF. (\$6,128,229/17,170=\$356.91). This appears **high** when compared to the State Board Standard of \$223.33/GSF (2020 mid-point of construction).

Assessments were also completed to identify full modernization costs related to this project and are highlighted below:

- Full replacement of Mechanical and electrical systems
- Patient room layout will require extensive plumbing work both on the 4th floor and the floor below
- Coordination of shut-downs and system tie-ins to minimize any disruption to ongoing hospital operations and patient care delivery
- Extensive Infection control measures
- Supplement existing MEP systems infrastructure
- New low voltage systems including access control and nurse call as well as replacement/reconfiguration of existing systems such as fire alarm

Proportionate Contingencies/New Construction – These costs total \$182,018 and are 10.4% of new construction costs of \$1,744,970. This appears **high** when compared to the State Board Standard of 10%. According to Section 1120.Appendix A)a)4), contingency costs for new construction costs is 10% compared to this project's ratio of 10.4%, which is slightly higher than the standard. The modernization construction standard is 10-15%. For modernization, this project is also at a 10.4% ratio, on the low end of the standard. A large majority (76%) of the total clinical construction costs are modernization due to the extensive prep work required for this project. Given that, the total (new and modernization) contingency/construction ratio is still 10.4%, on the low end of the standard.

From: Constantino, Mike [<mailto:Mike.Constantino@Illinois.gov>]

Sent: Tuesday, July 03, 2018 10:47 AM

To: Nguyen, Minh <Minh.Nguyen@EEHealth.org>

Subject: RE: 18-015 some questions

Minh:

I cannot help you with RS Means it is a subscription service that the Board has used for years. those folks are not very forthcoming. I have attached a project for a MOB that was approved at the last board meeting. They had

similar issues with the numbers. on page 3 of the report is there response in italics.

From: Nguyen, Minh [<mailto:Minh.Nguyen@EEHealth.org>]

Sent: Tuesday, July 03, 2018 10:28 AM

To: Constantino, Mike

Subject: [External] RE: 18-015 some questions

Mike-

We have our construction team working on your questions and there's still some questions around methodology. Can you help us with Joe's question below. Specifically, if we knew exactly what RS Means data is being used to compare against it would be easier to describe why there's a difference.

Appreciate your help!

From: Joe Sadauskas [<mailto:jsadauskas@powerconstruction.net>]

Sent: Tuesday, July 03, 2018 9:54 AM

To: Nguyen, Minh <Minh.Nguyen@EEHealth.org>

Cc: Pierce, Roger <Roger.Pierce@EEHealth.org>; Runge, Kari <Kari.Runge@EEHealth.org>

Subject: FW: 18-015 some questions

Minh,

I was hoping you might be able to help while Kari is out. Has Mike Costantino responded regarding whether this is the correct amount for allowable cost per sf? This information will be very helpful in drafting an explanation of the difference in cost. My impression is that we should be showing as just very slightly over the standard, which is easily explained with reference to some specifics of the project, market conditions experiencing volatile escalation (such as steel and aluminum), actual escalation currently projected versus the state's allowable 3% for comparison, and timing of the work for the modernization aspect (the 4th floor won't be completed until well after the mid-point of construction). Extensive MEP systems replacement and establishment of medical gas services on the 4th floor could also be referenced for the modernization costs.

In reviewing several other SAR's, I was arriving at an amount of about \$468 that they were using. Below is an example from 13.17-055 Northwestern Medicine Delnor.

Regarding the Site preparation costs, I would suggest the following:

Site preparation costs includes costs for extensive re-configuration of existing site utilities, including underground electrical feeds, Sanitary piping, stormwater piping, water, and gas services.

Regarding contingency, my calculations in the attached spreadsheet should have placed the contingency amount right at 10% for the new construction. This was, however, before the bond issuance/interest expenses were added to the calculations. I don't know if that might have shifted it to the 10.4 % referenced below.

Please feel free to contact me with any questions.

Thanks,

Joe.

<image001.png>

Joe Sadauskas

Project Executive, LEED AP BD+C

<image003.png>

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<image004.png>

From: Runge, Kari [<mailto:Kari.Runge@EEHealth.org>]

Sent: June 29, 2018 3:57 PM

To: Pierce, Roger <Roger.Pierce@EEHealth.org>; Joe Sadauskas <jsadauskas@powerconstruction.net>

Subject: FW: 18-015 some questions

Roger/Joe- see CON staff's response to my question. Also, my email will show out-of-office next week but Minh Nguyen will be available and I will be available by cell phone (630-330-2972).

From: Constantino, Mike [<mailto:Mike.Constantino@Illinois.gov>]

Sent: Friday, June 29, 2018 11:53 AM

To: Runge, Kari <Kari.Runge@EEHealth.org>

Cc: Nguyen, Minh <Minh.Nguyen@EEHealth.org>

Subject: RE: 18-015 some questions

Kari we are using RS Means...most of the projects we are seeing our standard is anywhere from \$100 to \$150 below what the hospitals are seeing. I just need an explanation so I can drop in the report. you will be asked at the board meeting why the difference and the board has been understanding.

From: Runge, Kari [<mailto:Kari.Runge@EEHealth.org>]
Sent: Friday, June 29, 2018 11:12 AM
To: Constantino, Mike
Cc: Nguyen, Minh
Subject: [External] RE: 18-015 some questions

Hi Mike,

My contacts for the construction costs are on vacation but I hope to get an explanation to you by 7/5. Is that too late? Also, I was look at our CON #11-112 SAR report and the new construction cost/GSF standard was \$456. Did industry standards really decrease this much???

Kari

From: Runge, Kari
Sent: Thursday, June 28, 2018 2:30 PM
To: Constantino, Mike <Mike.Constantino@Illinois.gov>
Subject: RE: 18-015 some questions

Thanks Mike!

From: Constantino, Mike [<mailto:Mike.Constantino@Illinois.gov>]
Sent: Thursday, June 28, 2018 1:43 PM
To: Runge, Kari <Kari.Runge@EEHealth.org>
Subject: RE: 18-015 some questions

What we did is take the total of

new construction + modernization

Total

New construction/total = 23.9%

Modernization/total = 76.1%

behave

From: Runge, Kari [<mailto:Kari.Runge@EEHealth.org>]
Sent: Thursday, June 28, 2018 1:24 PM
To: Constantino, Mike
Subject: [External] RE: 18-015 some questions

Okay, I wasn't looking at just reviewable...got it now.

Our construction team that put these numbers together asked me what you used to calculate the 76.1% and 23.9%???

From: Constantino, Mike [<mailto:Mike.Constantino@Illinois.gov>]
Sent: Tuesday, June 26, 2018 1:05 PM
To: Runge, Kari <Kari.Runge@EEHealth.org>
Subject: RE: 18-015 some questions

Kari site survey and site prep is the total of the two line items.

We can only review the reviewable portion. We allocated contingency as follows 76.01% to modernization and the remainder to new construction 23.9%.

Sorry this is so late.

From: Runge, Kari [<mailto:Kari.Runge@EEHealth.org>]
Sent: Tuesday, June 26, 2018 12:44 AM
To: Constantino, Mike
Subject: [External] RE: 18-015 some questions

Mike,

Can you point me to where you found the \$401,226 for site survey/site prep in our application.

Also, for the new and modernization construction costs are you taking the costs for the reviewable areas only and applying a factor to the total contingency to calculate the proportionate contingency for the reviewable areas? If so, what is the calculation?

Please call me if it's easier to explain over the phone.

Thank you,

Kari Runge | System Director, Business Analytics & Data Governance |

From: Constantino, Mike [<mailto:Mike.Constantino@Illinois.gov>]

Sent: Monday, June 25, 2018 10:14 AM

To: Runge, Kari <Kari.Runge@EEHealth.org>; Kenney, Annette <Annette.Kenney@EEHealth.org>

Subject: 18-015 some questions

Good Morning Ladies:

I have a couple of questions:

In December 2017 you discontinued 13 ICU beds for a total of 49 ICU beds and the application is to add 12 ICU beds for a total of 61 ICU beds. Those 13 ICU beds that were converted to surgical patients use are they now being considered medical surgical beds and need to be added to your total number of medical surgical beds? if not what are those beds going to be used for?

Our information shows you with a dedicated 11 bed observation unit. Are these 12 beds going to be in addition to these 11 beds for a total of 23 observation beds?

We had two findings in our report:

The size of the ICU beds exceed our standard which you are aware of and have provided an explanation for; and the costs were over our standard: I did not know if you wanted to provide a response to the cost overage so I can put in the report or not.

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Proportionate Contingencies/New Construction –
These costs total \$182,018 and are 10.4% of new construction costs of \$1,744,970. This appears high when compared to the State Board Standard of 10%.

Thanks for everything.

Mike Constantino
525 West Jefferson
Springfield, Illinois 62761
217-782-3516 (Phone)
217-785-4111 (Fax)

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