

2008 SFGH Improvement Bonds

Citizens' General Obligation Bond Oversight Committee

September 27, 2012

EXECUTIVE SUMMARY UPDATE

The San Francisco General Hospital Rebuild Program is comprised of eight (8) components: Site Utilities Relocation, Service Building Modification, Increment 1 – Shoring & Excavation, Increment 2 – Steel Framing, Increment 3 – Foundation, Increment 4 – Build-out (New Hospital), Increment 5 – Medical Equipment, and Increment 6 – Building Enclosure. Seven of the eight components have been permitted by the Office of Statewide Health Planning & Development (OSHPD) as of August 15, 2012. The remaining component that is currently in the permitting process is Increments 5.

HIGHLIGHTS/CHALLENGES:

The SFGH Rebuild Program activities since the July 2012 Quarterly Report and Presentation continue to advance the Project as planned. The Program's Projects and associated Increments have achieved the following milestones between the July Report to September 19, 2012:

Design, Permitting & Buy-out

- **Increment 4 – Build-Out (New Hospital)** The SFGH Rebuild Team is pleased to report that the OSHPD Plan Approval for Increment 4 was completed and the Building Permit was issued in August 2012. The timely issuance of the Increment 4 permit was the single largest threat to the SFGH Rebuild Budget and Schedule, which was averted since the last report. The SFGH Rebuild Team as well as OSHPD conducted multiple meetings since the last report in Sacramento to collaboratively resolve the plan review issues that had remained. This coupled with OSHPD's management being receptive to streamlining the processing between permit approval and permit issuance allowed us to maintain the planned flow of work in the field. We were also able to maintain the overall Project schedule by accelerating work in the field through procurement of overtime work, thus balancing the time lost in plan review.

The Low Voltage Trade Package is now under contract and proceeding with submittal and shop drawing creation. The site reinstatement work on campus around the new hospital (Building 25) and interior modifications to the existing hospital (Building 5) related to the Rebuild Program, are the remaining packages that will be procured throughout the later stages of the Project.

- **Increment 5 – Medical Equipment** Increment 5 is tracking to budget and schedule. This will address the design and permitting of 18 imaging rooms. OSHPD plan review comments to the Increment 5 design documents have been addressed by the design team and resubmitted to OSHPD on September 7, 2012. The anticipated permit date is August 2013.

Fabrication & Construction

- **Service Building Modifications** Advancement of construction associated with the Emergency Generators has continued to improve with many systems and construction elements concluding. Completion of the fuel oil system is now critical but trending towards completion at the end of September 2012. The Design-Build Contractor and the Rebuild Team are successfully addressing the issues brought up by the OSHPD Area Compliance Officer and the Fire and Life Safety Officers. However, durations of approvals continue to prevent completion and start-up of the two Campus Generators. The current target start-up date for the campus generators is in flux but continues to be addressed aggressively. Given the level of OSHPD review and approval necessary for the start-up procedure, the current schedule forecast is now November 2012, slipping from the October target from the last report. The Generator team is attempting to rein this in to the extent of what is under their control. The physical aspects of construction and installation of Generator Project equipment continue to steadily advance for both the initial campus generator start-up and the remaining work going into the Phase 2 boiler work.
- **Increment 2 – Steel Framing** Installation of steel framing is all but complete, except for specific areas where the structural steel has been left out to allow for hoisting and rigging of oversized equipment. The on-going work for Increment 2 includes final welding of steel framing, metal deck installation, pouring of concrete decks on metal deck, and fire proofing of steel framing. These activities have been advancing up the building, floor by floor, since January and will continue through 2012.

Deployment of overtime workforces to increase our schedule float at this time is more economical than later in the Project, when much larger numbers of crew are involved. The team employed some of the CM/GC contingency budget for overtime work to hedge against future potential delays. The time gained in Increment 2 proved necessary to absorb the two week delay encountered with the Increment 4 permit issuance later than the August 1, 2012 target, allowing us to maintain schedule.
- **Increment 6 – Building Enclosure** As noted in the last report, an OSHPD Permit for Increment 6 was issued on May 16, 2012. Fabrication of Precast and Curtainwall components has progressed as scheduled. The beginning of precast panel installation is anticipated to begin in September 2012 as noted in the last report.

Financial Update (no change from January 2012 Report)

The overall program budget remains constant with executed subcontracts, forecasted future procurements, and identified contingency risk. The Project remains within budget.

The current Program Budget allocations review is continuing to account for construction costs under contract and historical trending of soft costs. We anticipate a significant reduction in available project contingency, as we reallocate budget amounts to adjust for revised forecasted costs. Currently, the Project team has managed to the overall budget and schedule successfully but future unforeseen issues or delays always remain a risk.

The third bond sale was completed since the last report, with a value of \$251,100,000. The City received seven bids for the General Obligation Bonds. The sale was finalized at a rate of

2.71%, which is one of the lowest in the past 20 years. The SFGH Rebuild team is planning for a fourth and final bond sale to occur in mid 2013.

Issues and Concerns

The most significant concern as of the last report was the Increment 4 OSHPD permit, which has since been mitigated with the permit issuance in August 2012. Timely review and approval of ongoing revisions, developing work, and deferred approval of Fire Alarm shop drawings remain an impact to schedule and budget, albeit less so than the Increment 4 permit had been.

Since the SFGH Rebuild is being delivered by way of an integrated team of owner/user, designers and contractors from early design through construction, the construction contract sum is established incrementally as the design, permitting and bidding progressed. As various trade packages, project increments and sub-projects have been defined, contract modifications have been executed to capture that scope of work, managing within targeted budgets. As such, the SFGH Rebuild team monitors seven categories of contract modification scope and cost drivers: preconstruction, base scope, errors & omissions, owner initiated changes, unforeseen conditions, code issues, and CM/GC contingency. Preconstruction, Base scope, and CM/GC contingency categories are unique to the integrated delivery method, whereas the remaining categories are the traditional change order categories commonly associated with design-bid-build projects. Since the last report, the in-progress tally of traditional change orders remain at less than a half percent of contracted value.

The largest threat to Schedule and Budget traditionally are the change order categories of unforeseen conditions and owner initiated changes. The risks of unforeseen conditions are at their highest while doing site improvements or remodel work in the existing hospital. The majority of the site improvement work for the SFGH Rebuild has been completed, thus putting majority of the risk behind us. We do have a measure of tie-in work within the existing hospital (Building 5) remaining, which represents some risk towards the end of the Project. Our current cost forecasting anticipates this work albeit the scope of work necessary for Building 5 has not been fully defined or discovered.

Owner Requested Changes to the approved Project continue to be managed and evaluated collectively with SFGH and the SFGH Rebuild Team. The SFGH Rebuild Team is carefully working with the Medical Center to evaluate and review owner requested changes. The SFGH Rebuild Oversight Committee and Steering Committee is fully engaged in the Change Management process to ensure fidelity to Program scope is maintained, while balancing SFGH needs and requirements for the new hospital operations. The only significant user driven revision has been the development of the Hybrid Operating Room. In addition, minor changes in the Clinical Lab and Pharmacy were absorbed within the current forecasted budget. The request for modifications to include a Hybrid Magnetic Resonance (MR) Suite is being studied, but will not advance without added funds outside of the SFGH bonds. There is a commitment by SFGH and the SFGH Rebuild team to incorporate modifications to the current project, due to recent clinical needs or operational changes only when feasible within the confines of the current budget and schedule.