

To: Jay Reynolds, Chairman  
Finance Committee

From: Wes Barnt  
Vice President, Operations



Date: February 24, 2020

RE: L9 Build Out

*Your home for healthcare*

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## Summary

This letter is to formally seek the approval of the overall project budget and the construction contract to build out the 9<sup>th</sup> floor of the Scharbauer Patient Tower. The 9<sup>th</sup> floor of the Scharbauer Patient Tower was originally constructed as a shell space for future facility needs. The construction of a 36,000 square foot Medical/Surgical unit with 48 patient beds on the 9<sup>th</sup> floor will allow for the relocation of the Same Day Surgery and Outpatient Treatment units from their current locations in the South Tower building. The South Tower building is very dated and in need of constant repair. These relocations fulfill one of the major requirements to allow for the facility master plan to be accomplished. The facility master plan includes the eventual demolition of the existing south towers to allow for the construction of a new South Tower.

Requests for proposal were sent to thirteen qualified construction managers, with four responses received. In consultation with SBL Architects, the hospital evaluated the four responses and selected Layton Construction based on their past healthcare experience, the proposed team, overall reputation, and fees. This selection was approved in the December board meeting.

Layton solicited subcontractors in accordance with MMH Policies and Procedures. Bid packages were sent to more than 100 subcontractors. Responses from 42 subcontractors were received for the varying portions of this project, with multiple responses for almost every trade. Layton Construction and the Midland Memorial project team members have reviewed the responses and have made selections based on the best value to this project. Below is a breakdown of the subcontractor pricing that was greater than \$250,000 in value and why each selection was made.

- Architectural Woodwork - Institutional Products was determined to be the best value and was the low bidder.
- Doors, Frames, and hardware - MJW Doors was determined to be the best value and was the low bidder.
- Windows - Mollerup was determined to be the best value and was the low bidder.
- Drywalls and Ceilings - Standard Drywall was determined to be the only qualified bidder. The low bidder was not able to pre-qualify with Layton's requirements.
- Flooring - Business Environments was determined to be the best value and was the low bidder.
- Painting - LHL Painting was determined to be the best value and was the low bidder.
- Specialties - Calvin Bennett was determined to be the best value and was the low bidder.
- Pneumatic Tube Systems - Swisslog is a sole source vendor.
- HVAC and Plumbing - TDI was determined to be the best value and was the low bidder.

- Electrical - Lawrence Electric was determined to be the only qualified bidder. The low bidder was not able to pre-qualify with Layton's requirements.

The attached spreadsheet is the proposed Master Project Budget and cash flow projection. Since the Boards' initial approval to award Layton as the General Contractor for the L9 buildout, with an estimated \$24,000,000 cost, the projected costs have decreased by \$3,340,000. Overall a higher percentage of subcontractor responses were received and the submitted pricing was more competitive than in recent projects. Fortunately, Midland Memorial Foundation has secured private donations for this project totaling \$18,000,000. The balance of \$2,660,000 will be funded in the fiscal year 2021 capital budget. As pledge payments are currently scheduled, a cash shortfall is expected at the time final payments are due, and the hospital expects to be able to manage this temporary funding out of operating capital or with assistance from Prosperity Bank on an interim financing arrangement.

Construction activity is scheduled to start on April 1, 2020 with a projected completion date of December 1, 2020.

### **Recommendation**

The Finance Committee's approval is requested for the construction contract with Layton, totaling \$12,181,311, and for the total project budget of \$20,660,000. As equipment and other purchases are processed, their approval will follow our regular capital approval process, with any purchases outside the budget or in excess of \$250,000 coming to the boards for final approval.

WBS/ Secti	Description	Project to Date	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Total Project
<b>1.0</b>	<b>Planning &amp; Design</b>	<b>708,861</b>	<b>44,930</b>	<b>44,930</b>	<b>17,105</b>	<b>14,605</b>	<b>14,605</b>	<b>14,605</b>	<b>14,605</b>	<b>14,605</b>	<b>14,568</b>	-	<b>903,419</b>
5000	Architectural Fees	706,361	42,430	42,430	14,605	14,605	14,605	14,605	14,605	14,605	14,568	-	893,419
6000	Engineering Fees	1,415,222	2,500	2,500	2,500	-	-	-	-	-	-	-	1,422,722
<b>2.0</b>	<b>Construction Costs</b>	<b>50,768</b>	<b>22,692</b>	-	<b>1,609,485</b>	<b>1,485,293</b>	<b>1,439,399</b>	<b>1,751,510</b>	<b>1,763,095</b>	<b>2,053,332</b>	<b>3,273,089</b>	<b>4,428,751</b>	<b>17,877,415</b>
10000	General Requirements	50,768	22,692	-	311,052	246,052	246,052	246,052	246,052	246,052	246,055	376,052	2,236,879
20000	Existing Conditions	-	-	-	123,750	-	-	-	-	-	-	-	123,750
30000	Concrete	-	-	-	-	-	-	-	-	-	-	-	-
40000	Masonry	-	-	-	-	-	-	-	-	-	-	-	-
50000	Metals	-	-	-	-	-	-	-	-	-	-	-	-
60000	Wood, Plastics, and Composites	-	-	-	50,214	50,214	50,214	50,214	50,214	125,534	125,534	125,534	627,670
70000	Thermal and Moisture Protection	-	-	-	-	-	-	-	-	-	-	-	-
80000	Openings	-	-	-	47,560	95,120	142,679	190,239	95,120	95,120	142,679	142,679	951,195
90000	Finishes	-	-	-	213,158	213,158	213,158	213,158	213,158	213,158	426,316	426,316	2,131,580
100000	Specialties	-	-	-	-	-	-	-	62,796	62,795	62,795	82,795	271,181
110000	Equipment	-	-	-	-	-	-	-	-	141,758	141,757	1,341,073	1,624,588
120000	Furnishings	-	-	-	-	-	-	-	-	-	59,037	59,038	118,075
130000	Special Construction	-	-	-	-	-	-	-	-	-	-	-	-
140000	Conveying Equipment	-	-	-	249,693	249,693	249,693	249,693	249,693	249,693	249,693	249,693	1,997,542
210000	Fire Suppression	-	-	-	51,955	21,954	-	-	43,908	43,908	43,908	43,908	249,541
220000	Plumbing	-	-	-	265,401	265,401	185,401	278,102	278,102	278,102	278,102	185,401	2,014,012
230000	HVAC	-	-	-	161,773	161,773	161,773	242,660	242,660	242,660	242,660	232,673	1,688,632
250000	Integrated Automation	-	-	-	-	-	-	-	-	-	-	-	-
260000	Electrical	-	-	-	130,929	181,929	181,929	272,894	272,894	272,894	272,894	181,929	1,768,290
270000	Communications	-	-	-	-	-	-	-	-	73,160	908,160	908,160	1,889,480
280000	Electronic Safety and Security	-	-	-	4,000	-	8,500	8,500	8,500	8,500	73,500	73,500	185,000
310000	Earthwork	-	-	-	-	-	-	-	-	-	-	-	-
320000	Exterior Improvements	-	-	-	-	-	-	-	-	-	-	-	-
330000	Utilities	-	-	-	-	-	-	-	-	-	-	-	-
<b>3.0</b>	<b>FF&amp;E</b>	-	-	-	-	-	-	-	-	-	-	<b>662,066</b>	<b>662,066</b>
120000	Furnishings	-	-	-	-	-	-	-	-	-	-	662,066	662,066
<b>4.0</b>	<b>Contingency</b>	-	-	-	-	-	-	-	-	-	-	-	-
600000	Contingency	-	-	-	-	-	-	-	-	-	-	-	-
<b>Grand Totals</b>		<b>759,629</b>	<b>67,622</b>	<b>44,930</b>	<b>1,626,590</b>	<b>1,499,898</b>	<b>1,454,004</b>	<b>1,766,115</b>	<b>1,777,700</b>	<b>2,067,937</b>	<b>3,287,657</b>	<b>5,090,817</b>	<b>19,442,900</b>

**Project Funding Projections**

<b>Beginning Balance</b>	<b>6,000,000</b>	<b>5,240,371</b>	<b>5,172,749</b>	<b>5,127,819</b>	<b>3,501,230</b>	<b>2,001,331</b>	<b>547,327</b>	<b>(1,218,788)</b>	<b>3,003,512</b>	<b>1,416,541</b>	<b>(1,390,149)</b>
Deposits	-	-	-	-	-	-	-	6,000,000	480,967	480,967	480,967
Disbursements	(759,629)	(67,622)	(44,930)	(1,626,590)	(1,499,898)	(1,454,004)	(1,766,115)	(1,777,700)	(2,067,937)	(3,287,657)	(5,090,817)
<b>Ending Balance</b>	<b>5,240,371</b>	<b>5,172,749</b>	<b>5,127,819</b>	<b>3,501,230</b>	<b>2,001,331</b>	<b>547,327</b>	<b>(1,218,788)</b>	<b>3,003,512</b>	<b>1,416,541</b>	<b>(1,390,149)</b>	<b>(6,000,000)</b>