

2016

PUBLIC HEALTH &

SAFETY BOND

Quarterly Update



San Francisco
Health Network

SAN FRANCISCO DEPARTMENT OF PUBLIC HEALTH



ZUCKERBERG
SAN FRANCISCO GENERAL
Hospital and Trauma Center

Full Health Commission
August 2, 2022

Topics & Presenters



Bond Overview– Mark Primeau (DPH)




Budget/Bond Sales and Bond Component Budget
- Mark Primeau (DPH)



COVID-19 Impacts and Strategies to Manage Budget Challenges
- Terry Saltz/Mark Primeau (DPH)



Project Updates
- Joe Chin (SF Public Works)



Coordination w/ UCSF Research Center Project
- Mark Primeau (DPH)/Alicia Murasaki, (UCSF)

Bond Sales

	1st Bond Sale Jan 2017	3rd Bond Sale Oct 2020	Total
Sale Amount (All PHS components)	\$173.1M	\$126.9 M	\$300.0 M
% Bond Rate	2.99%	2.53%	
Budget (DPH components only)	\$146.5 M	\$125.5 M	\$272.0 M ²
Expended/Encumbered	\$145.6 M ¹	\$77 M ¹	\$222.7 M ¹
% Expended/Encumbered	99%	64%	84%

General Notes:

1. PeopleSoft financial data as of 6-21-2022. Financial data are subject to revision based on ongoing Public Works labor and non-labor clean-up effort).
2. The Budget numbers indicated are only showing the DPH portion of the bond, totaling to \$272 M
3. \$350M is the total 2016 PHS Bond Budget that provides funding for six components (3 of 6 are DPH components). The Total Sale Amount does not add up to \$350M because it not include 2nd Bond Sale amount, which did not provide funding for any DPH components.

Project Budget: ZSFG Building 5

Total Budget: \$205.2 Million

	Bond Budget	Other Fund Sources ⁵	Bond Expended as of 3/31/2021 ³	% Expended/ Budget	Bond Encumbered as of 3/31/2022 ^{3, 4}	% Bond Expended+ Encumbered/ Budget	Bond Forecast
Purchase, Construction, & Mobilization	\$124,801,655	\$11,400,000	\$ 30,984,548	24.8%	\$59,812,951	66.7%	\$124,801,655
Project Control	\$75,796,338	\$0	\$ 63,273,493	83.5%	\$5,204,762	90.3%	\$75,796,338
Other Program Costs ²	\$2,400,000	\$0	\$0	0.0%	\$0	0.0%	\$2,400,000
Finance Costs ¹	\$2,242,889	\$0	\$1,663,270	74.2%	\$0	74.2%	\$2,242,889
Total	\$205,240,882	\$11,400,000	\$ 95,921,310	46.7%	\$65,017,713	74.3%	\$205,240,882

1. Finance Costs include Underwriter's discount, cost of issuance, GO oversight committee fee, Controller's audit fees, totaling \$1,631,834. Because the total Finance costs for the 1st sale include all 3 agencies and 3rd sale includes 2 agencies, DPH has segregated out it's portion of the finance costs.
2. Other Program costs include Program Contingency.
3. PeopleSoft financial data as of 3-31-2022. Financial data are subject to revision based on ongoing Public Works labor and non-labor clean-up effort.
4. \$18M has been allocated from Building 5 component to fund CHC Component Projects
5. Other Fund Sources include \$11.4M (PES-2020 HR Bond); capital campaign, SFGH Foundation (\$TBD); bond interest earnings, etc.

Project Budget: Community Health Centers

Total Budget: \$66.8 Million

	Bond Budget	Other Fund Sources ⁵	Bond Expended as of 3/31/2021 ³	% Expended/ Budget	Bond Encumbered as of 3/31/2021 ^{3, 4}	% Bond Expended+ Encumbered/ Budget	Bond Forecast
Purchase, Construction, & Mobilization	\$40,521,428	\$15,679,272	\$37,637,706	67.0%	\$1,491,987	69.6%	\$40,521,428
Project Control	\$22,198,192	\$2,715,390	\$21,457,037	86.1%	\$606,499	88.6%	\$22,198,192
Other Program Costs ²	\$3,315,651	\$0	\$0	0.0%	\$0	0.0%	\$3,315,651
Finance Costs ¹	\$723,848	\$0	\$574,606	79.4%	\$0	79.4%	\$723,848
Total	\$66,759,119	\$18,394,662	\$59,669,349	89.4%	\$2,098,486	72.5%	\$66,759,119

1. Finance Costs include Underwriter's discount, cost of issuance, GO oversight committee fee, Controller's audit fees, totaling \$431,018. Because the total Finance costs for the 1st sale include all 3 agencies, DPH has segregated out it's portion of finance.
2. Other Program Cost include Program Contingency (\$2.6M) and Project Reserves (\$715K).
3. PeopleSoft financial data as of 3-31-2022. Financial data are subject to revision based on ongoing Public Works labor and non-labor clean-up effort.
4. \$18M has been allocated from ZSFG Building 5 Component to CHC Projects
5. Other Fund Sources includes FEMA (\$2M), PUC (\$910K), Mayor's Budget Office (\$1.8M), MHSA (\$3M), OCII (\$2.1M), Old bonds (\$503K), bond interest earnings (\$ TBD), etc.

COVID-19 IMPACTS ON PROJECT COSTS

Project Budget Cost Drivers

Cost Driver #1 – Unprecedented material cost escalation / supply chain delays

Cost Driver #3 – Construction in Building 5 is challenging

Cost Driver #5 – Challenging Bid Environment

Cost Driver #2 – Construction market shifting to residential construction

Cost Driver #4 – COVID-19 Health Order Cost Impacts

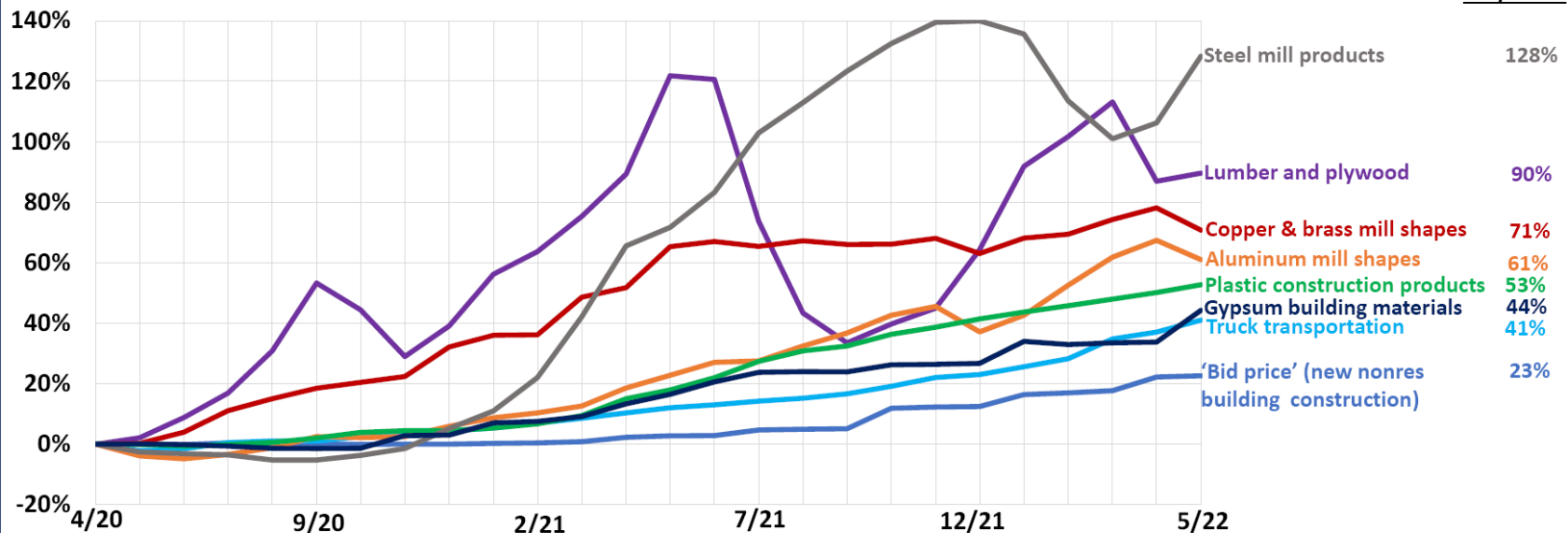
PPIs for construction bid prices and selected inputs

cumulative change in PPIs, April 2020–May 2022 (not seasonally adjusted)



AGC
THE CONSTRUCTION
ASSOCIATION

% change
April 2020-
May 2022:

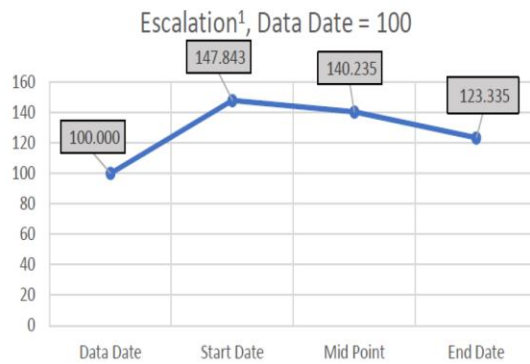


COVID-19 IMPACTS ON PROJECT COSTS

Forecast Escalation & Pricing Index Model – Structural Steel

Escalation report prepared:	20-06-2022
Escalation Model Used:	Custom - Commodity
Project:	Structural Steel Escalation 2021Q1 - 2024Q1

Event	Date
Data Date	01-01-2021
Start Date	01-01-2022
Mid Point	01-01-2023
End Date	01-01-2024
Value	Calculation
Escalation ¹	40.235%
Years ²	2.0
Rate Per Annum ³	18.435%
Historical ⁴	5.3%
Volatility ⁵	9.1%



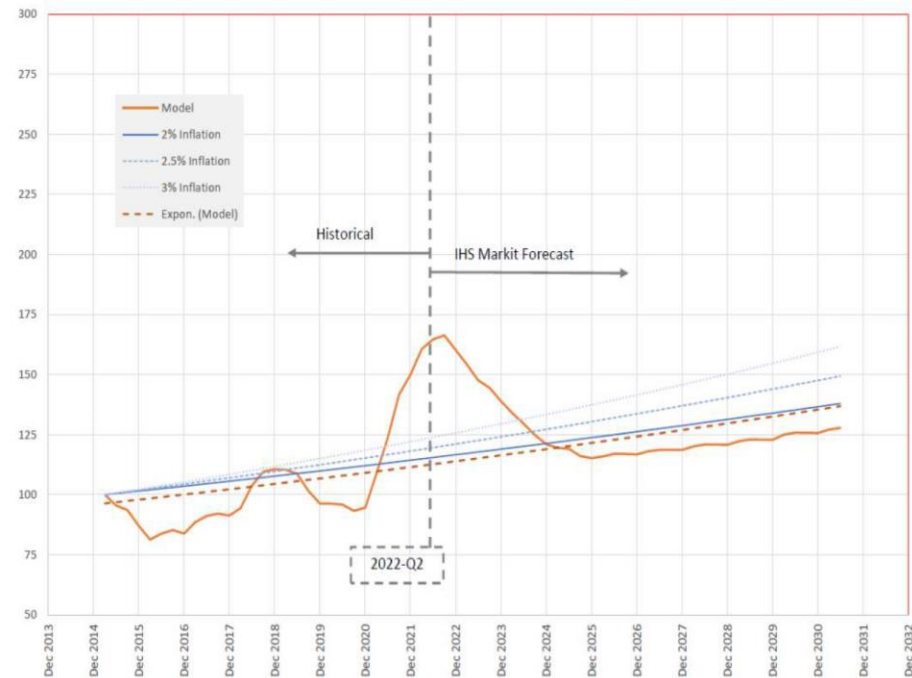
Notes:

- 1 - Escalation begins with the data date and assumes equal spending from project start to end dates
- 2 - Years is the duration from the Data (Estimate) date to the mid point of the project
- 3 - Rate Per Annum is the annual rate of escalation which when compounded over Years, equal Escalation
- 4 - Historical is the annual rate of escalation for the weighted model from 2015/Q1 to 2021/Q2
- 5 - Volatility is the std. deviation of the model's Historical annual rates of escalation, equivalent to a p=0.84 value

Forecasts are based on data provided by IHS Markit though 2022-Q2 with model weighting as given below:

100% - PPI3311107.Q.FOS - USA, PPI, Hot Rolled Bars Plates and Structural Shapes

Structural Steel - Quarterly Index Model, 2015Q1 = 100



COVID-19 IMPACTS ON PROJECT COSTS

Forecast Escalation & Pricing Index Model – Construction Labor

Escalation report prepared:	20-06-2022
Escalation Model Used:	Custom - Commodity
Project:	Construction Labor Escalation 2021Q1 - 2024Q1



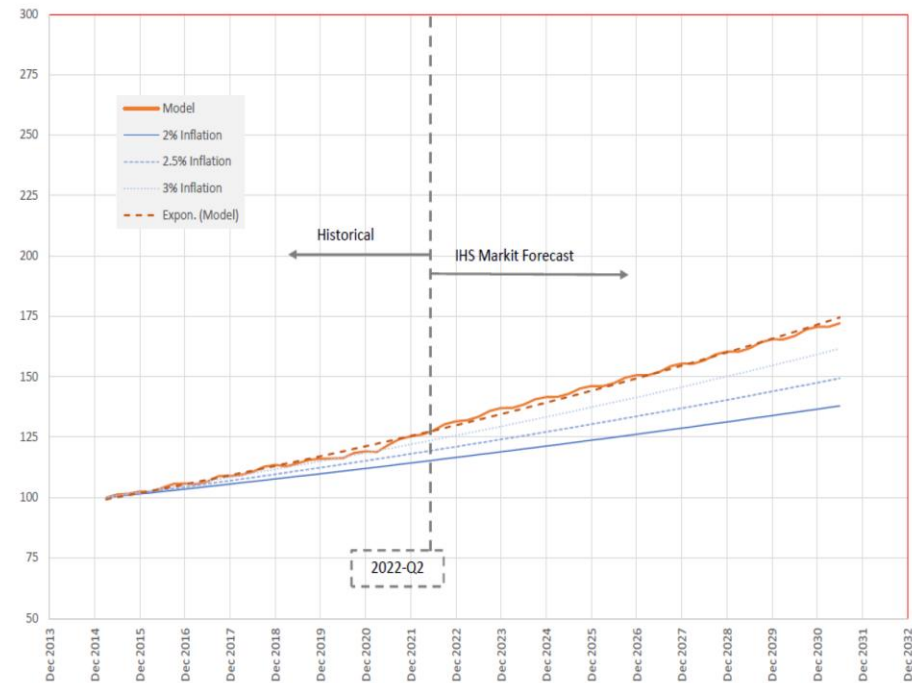
Notes:

- 1 - Escalation begins with the data date and assumes equal spending from project start to end dates
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Forecasts are based on data provided by IHS Markit though 2022-Q2 with model weighting as given below:

100% - CEU2000000008.Q.FOS - USA, Average Hourly Earnings, Construction

Construction Labor - Quarterly Index Model, 2015Q1 = 100



COVID-19 IMPACTS ON PROJECT COSTS

Utility Equipment Lead Times

Equipment Description	Current Lead Time – Ex Works, Factory
Air Compressors	26-32 Weeks After Receipt of Order (ARO)
Air Handling Units (Custom / Process)	36-42 Weeks ARO
Boilers	26-30 Weeks ARO
Chillers	30-36 Weeks ARO
Cooling Towers	26-32 Weeks ARO
Emergency Generators	32-38 Weeks ARO
HVAC Heat Exchangers	28-34 Weeks ARO
HVAC Humidification Steam Generators	38-42 Weeks ARO
Makeup Air Handling Units (MAU)	26-32 Weeks ARO
Motor Control Centers	24-28 Weeks ARO
Substations	36-42 Weeks ARO
Switchgear	44-48 Weeks ARO
Transformers	32-38 Weeks ARO
Uninterrupted Power Supply System (UPS)	22-28 Weeks ARO
Water Pre-Treatment System (WPT)	42-46 Weeks ARO
Wastewater Treatment System (WWT)	38-44 Weeks ARO

Process Equipment Lead Times

Equipment Description	Current Lead Time – Ex Works, Factory
Air Dryers	32-36 Weeks After Receipt of Order (ARO)
Autoclaves	46-52 Weeks ARO
Buffer Prep / Buffer Hold Vessels	54-58 Weeks ARO
Centrifuges	66-70 Weeks ARO
CIP (Clean In Place) Skids	42-48 Weeks ARO
Cold & Freezer Rooms	38-44 Weeks ARO
Filter Housings	22-26 Weeks ARO
HTST (High Temp Short Time) Skids	46-52 Weeks ARO
Hygienic Heat Exchangers	32-36 Weeks ARO
Hygienic Pumps	20-26 Weeks ARO
PW (Purified Water) / WFI (Water Filtration) / CS (Clean Steam) Generation Skids	42-46 Weeks ARO
Stainless Steel Vessels - Large	40-46 Weeks ARO
Stainless Steel Vessels – Large – High Alloy	44-50 Weeks ARO
Stainless Steel Vessels - Small	30-38 Weeks ARO
Stainless Steel Vessels – Small – High Alloy	36-42 Weeks ARO
Transfer Panels and Utility Station	30-36 Weeks ARO

Project Budget: ZSFG Building 5

2016 BOND PROJECTS			
Project	Project Name	2016 Budget	2022 Budget
P1	B5 Seismic Retrofit	34,857,000	49,632,998
P2	Dialysis Relocation	14,138,000	30,532,488
P3	Public Helath Lab	19,510,000	38,450,288
P4	IT Infrastructure	20,557,000	25,096,584
P5	Family Health Clinic	19,793,000	50,947,042
P6	Psych Emergency Services Relocation	8,300,000	24,234,527
P7	Building 80/90 Specialities Clinics	6,598,000	34,500,000
P8	Clinlab Track Automation	2,500,000	8,081,727
	6H Office Surge Space	4,648,000	11,986,950
	Urgent Care Relocation	1,872,000	2,958,000
	Rehabilitation Relocation	23,713,000	33,161,573
		156,486,000	309,582,177

avail \$\$	204,000,000
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	Completed
	Funding Supplemented

deficit	(105,582,177)
<u>other funding</u>	
CPC Clin Lab Original	1,800,000
CPC Clin Lab Stimulus	4,000,000
2020 Health & Recovery Bond PES	11,400,000
Bond Contingency	2,500,000
Bond Interest	3,500,000
adjusted deficit	(85,982,177)

STRATEGIES TO MANAGE BUDGET CHALLENGES

Costs and Risk Management

- Clarify scope to better align design scope with bid pricing. Reduce perceived risk.
- Modify trade package documents to avoid subcontractor's higher pricing based on "assumed" risks. Pankow Builders and DPH/DPW will actively manage the risks.
- More direct outreach by Pankow Builders to the pre-qualified subcontractors to submit bids to allow for competitive pricing and create a larger trade partner bidding pool.
- Re-package bid packages into smaller bid packages to allow for targeted negotiation for discrete scopes and self-perform work by Pankow Builders
- Educate trade contractors on the LBE requirements
- Create early demolition packages to avoid unforeseen conditions during construction (e.g. Psychiatric Emergency Services)
- Value Engineering (de-scope) to better align bid prices with budget
- Incorporate lessons learned from current projects
- Experts is forecasting a slow recovery in upcoming 2021 for the construction industry
- Utilize alternate funding sources to supplement bond funding
 - ❑ Funding Received - \$11.4M from 2020 Health & Recovery Bond, FEMA (\$1.6M), Mayor's Office (\$1.8M), PUC (\$750K), MHSA (\$3.2M), OCII (\$2M), program contingencies (\$2.4M)
 - ❑ TBD Funding - 2016 interest earnings (\$TBD), capital campaign/ZSFG Foundation (\$TBD))

ZSFG Building 5 – Project Updates

Projects in Closeout:

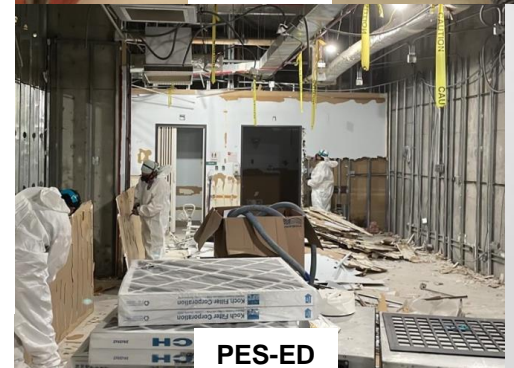
- **6H Surge Space and Rehabilitation Department Reloc (Phases 1 & 2)**
 - ❑ Achieved Substantial Completion. Rehab (Phase 3) in bidding phase.

Projects in Construction:

- **Dialysis (DR); Public Health Laboratory (PHL); Seismic Upgrade (SU); Clinical Laboratory Track Replacement (CL); PES Early Demo (PES-ED); and IT Infrastructure (IT)**
 - ❑ **DR:** Continuing with select haz mat abatement and new wall framing
 - ❑ **PHL:** Completed infection control containment and commenced with ceiling and MEP demolition
 - ❑ **SU:** Excavation completed for new seismic joint foundation w/in pharmacy clinic
 - ❑ **CL:** Continuing with new wall framing and electrical rough-ins at men's restroom.
 - ❑ **PES-ED:** Abatement targeted to be completed by mid-August and followed by demolition.
 - ❑ **IT:** Continuing with new chiller mechanical pad construction with concrete placement tentatively scheduled for mid-Aug 2022.

Projects in Design:

- **Family Health Center** –Backcheck #3 to be submitted to HCAI by August 2022
- **Psychiatric Emergency Services (PES)** – Backcheck #1 submitted to HCAI for review in June 2022



Community Health Centers – Project Updates

Southeast Health Center (District 10 – Walton)

- Received temporary certificate of occupancy (TCO) on July 20.
- DPH will start moving in on July 23 and start seeing patients the following week.
- Ribbon-cutting ceremony took place on July 14
- Proceeding with site improvements (Phase 3) in front of existing clinic



Southeast HC

Castro Mission Health Center (District 8 – Mandelman)

- Received temporary certificate of occupancy (TCO) in June 2022 with tentative move-in by end of Aug 2022.
- Ribbon-cutting ceremony tentatively scheduled for Aug 2022.



Castro Mission HC

Maxine Hall Health Center (District 5 – Preston)

- Clinic moved back in in October 2021
- Currently in closeout phase



Castro Mission HC

UCSF Research and Academic Building

Design

Permits

COVID -19 & Permit Appeals

Mar 2020

*4th Floor:
Wall Painted on Exterior
of Conference Room*



West Façade Curtain Wall

Roadway Construction

Aug 2020

May 2021

We are here
(July 2022)

Research Building Construction

Sep 2020

Winter 2023

Move In

Summer 2023

Construction 77% complete

2020

2023

Questions?



San Francisco Department of Public Health

Appendix

1st and 3rd Bond Sales Budget and Allocation

Public Health and Safety Components/Projects		Bond Authorization	Original Bond Budget	Revised Bond Budget (Appropriated)	1st Bond Sale	3rd Bond Sale
1	ZSFG Building 5 Seismic Upgrade and Outpatient Improvements Program (DPH)	\$222,000,000	\$218,723,000	\$203,436,456	\$95,755,942	\$107,680,514
2	Southeast Health Center Renovation (Phase 1) and New Addition (Phase 2) Program (DPH)	\$30,000,000	\$29,700,000	\$37,467,673	\$32,868,048	\$4,599,626
3	Community Health Centers Improvement Program (Various Locations) (DPH)	\$20,000,000	\$19,800,000	\$28,567,598	\$17,857,306	\$10,710,291
	Oversight, Accountability, and Cost of Issuance / Underwriter's Discount	\$0	\$3,777,000	\$2,528,273	\$1,613,539	\$914,735
Total		\$272,000,000	\$272,000,000	\$272,000,000	\$148,094,835	\$123,905,165

- \$3.7M is an estimated amount allocated for General Obligation bond related costs (oversight, accountability, COI, etc.). The amounts listed under 1st and 3rd Bond Sales are actual amounts.

BOND PROGRAM IMPACTS

**2015
DPH Capital
Project
Estimate
\$535M**

COVID-19 Health Orders Issued

- Mayor Approved \$272M
- DPH Identified 19 ZSFG & 4 Clinic Core Projects
- DPH Cost/Sq Ft Estimate based on an assumed \$272M
- PHS Bond approved by voters

Nov 2016

March 2020

Oct 2020

March 2021

April 2021



- Ongoing Reconciliation of Estimates
- CMGC Interim Estimate - 7% -41% Higher Than DPH Budget

- Bids received on 3 projects
- 21% -56% Higher Than Pankow Estimate

COVID-19 IMPACTS

- Supply Chain
- Material Costs
- Market Uncertainties
- Bidder Risk Avoidance
- Social Distancing
- Access to Job Site
- Occupied Building

Planned Core Projects

Chinatown Public HC (CPHC)
Castro Mission HC
Maxine Hall HC
Southeast HC
ZSFG B5 Seismic Improvement
ZSFG B5 Infrastructure Improvement
ZSFG B5 Clinical Improvement
ZSFG B5 IT Improvement

- ZSFG bond budget reduction to support shovel-ready HC projects
- Projects Deferred: CPHC; ZSFG: 4E, MHRC, Fire Sprinkler, Mechanical
- Cost Estimate Impacted Project Scopes
- Ongoing Cost Estimates at Design Milestones

Dec 2020

- Estimate reconciliation results in increase project costs

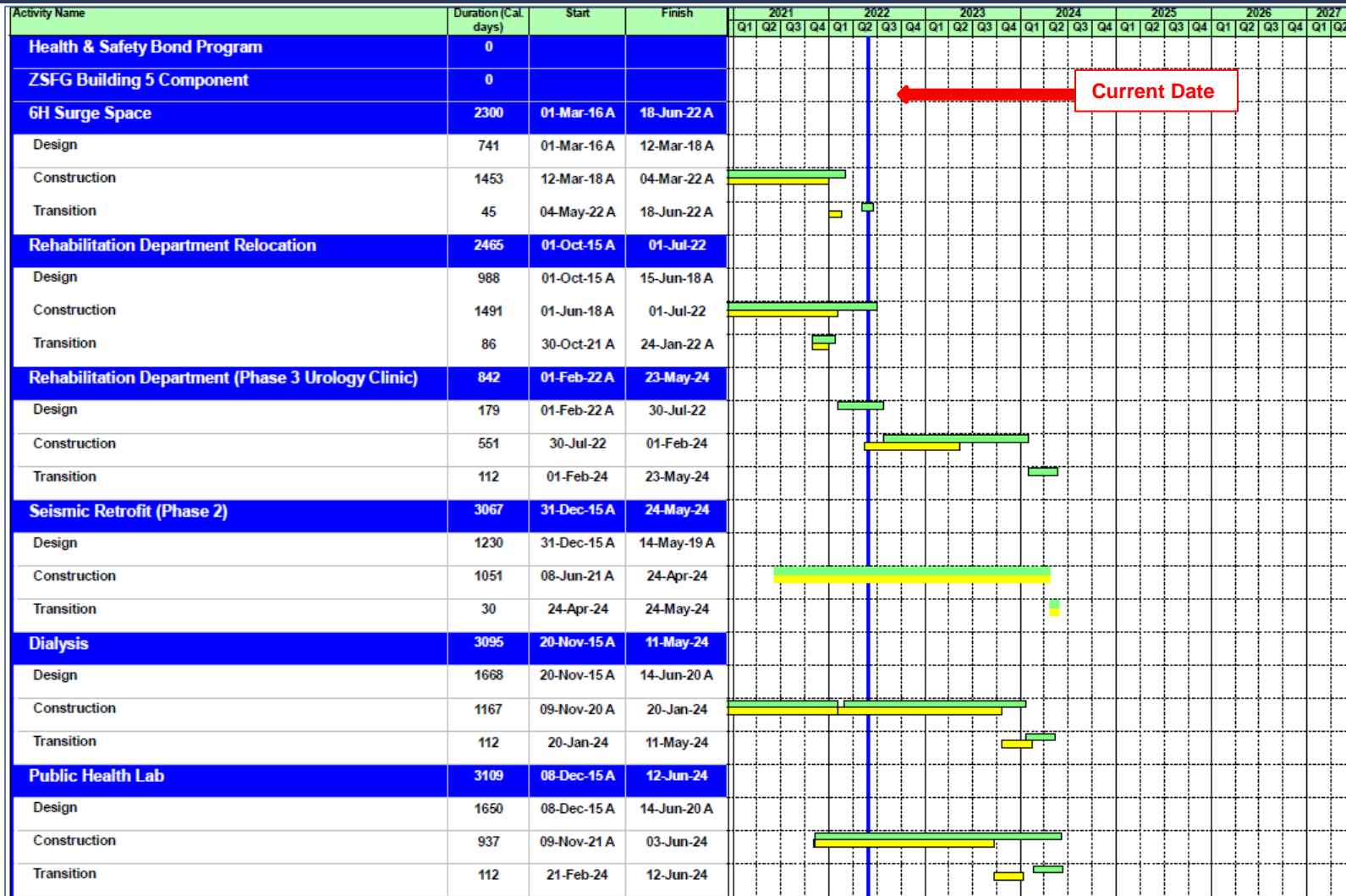
Unforeseen Impacts

- Code changes reduces seismic performance to SHR-4
- City Planning - Historical review of clinics due to building age
- Enabling Work - Temporary Clinics during construction
- Existing hazardous materials
- Aging infrastructure

Other Potential Supplemental Fund Sources

FUND SOURCE TYPE	FUND SOURCE DESCRIPTION	AMT
A	2016 BOND PROGRAM CONTINGENCY: \$2.5 M	2.5
B	CAL OES/FEMA HAZARD MITIGATION GRANT: \$2.0 M (Castro Mission HC)	2.0
C	BOND INTEREST EARNINGS: \$3.5M - \$5M (DEPENDENT ON MARKET CONDITIONS OF 2ND SALE)	3.5
D	DONOR- PHILANTHROPY: \$ TBD	TBD
E	PUC PV & EV ASSET FUNDING: \$910K	0.91
F	2020 HEALTH AND RECOVERY BOND PROGRAM: \$11.4M (ZSFG PES)	11.4
G	REIMBURSEMENT OF BOND ELIGIBLE EXPENSES APPLIED TO A FUTURE DPH BOND: \$500,000 - \$1,500,000 (e.g. Chinatown Public HC)	0.5
H	DPH REVENUE/SAVINGS -APPROVED BY MBO FOR USE ON CAPITAL: \$ TBD	TBD
I	MHSA & OCII funding: \$5.25M (Southeast HC)	5.3
TOTAL		26.1

PROGRAM SCHEDULE SUMMARY



- Current Activity
- Baseline Activity
- Prev. Reported Activity

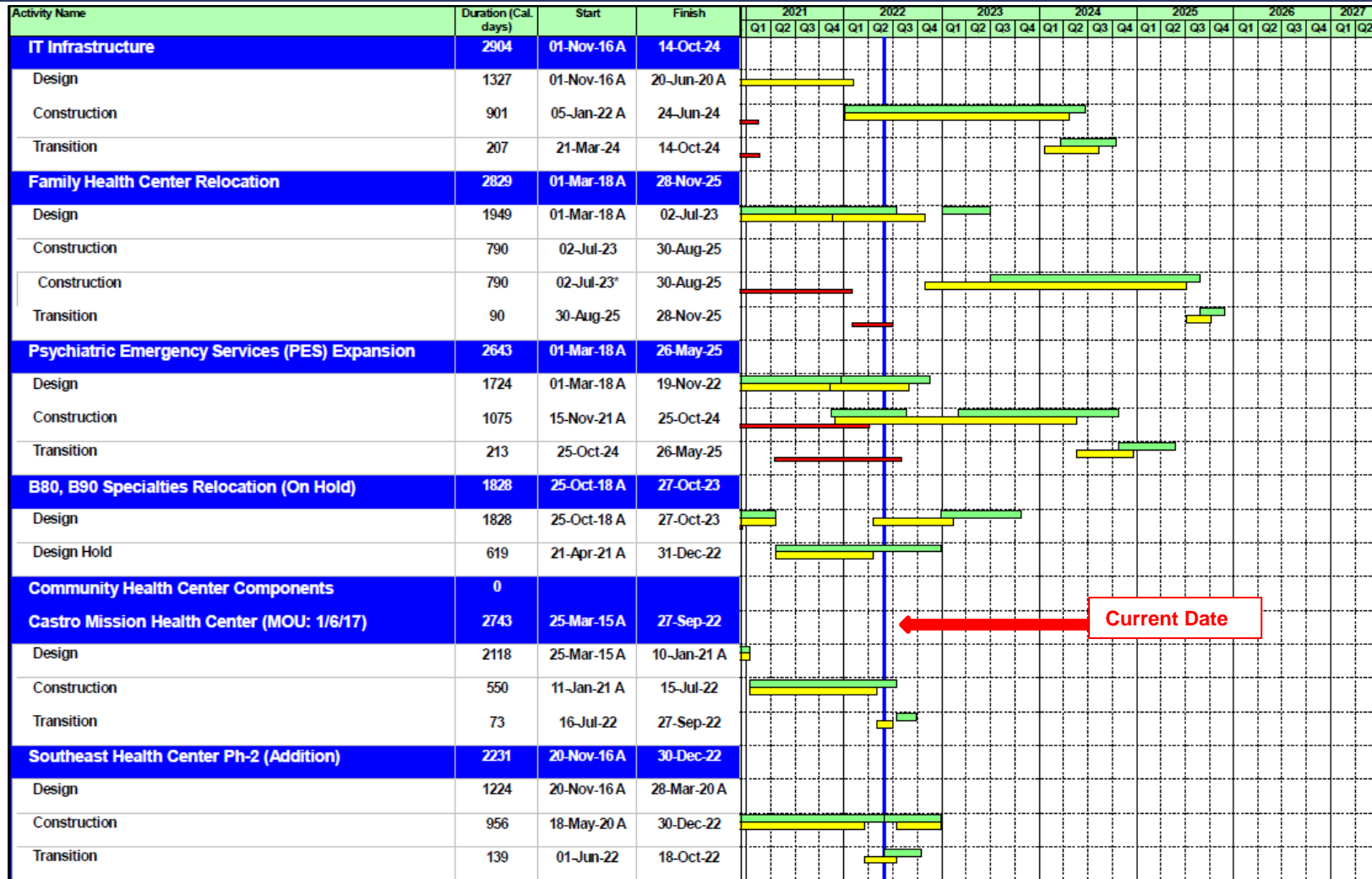
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*Estimated Dates as June 2022

Legend:

Design: Programming, Design, Permitting, and Bid & Award
 Construction: NTP, Construction, and Punchlist
 Transition: FF&E, Training, and Licensing

PROGRAM SCHEDULE SUMMARY



- Current Activity
- Baseline Activity
- Prev. Reported Activity

Legend:
 Design: Programming, Design, Permitting, and Bid & Award
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