



MARK PESTRELLA, Director

**COUNTY OF LOS ANGELES
DEPARTMENT OF PUBLIC WORKS**

"To Enrich Lives Through Effective and Caring Service"

900 SOUTH FREMONT AVENUE
ALHAMBRA, CALIFORNIA 91803-1331
Telephone (626) 458-5100
<http://dpw.lacounty.gov>

ADDRESS ALL CORRESPONDENCE TO:
P.O. BOX 1460
ALHAMBRA, CALIFORNIA 91802-1460

IN REPLY PLEASE
REFER TO FILE

June 25, 2024

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

63 June 25, 2024

Edward Yen
EDWARD YEN
EXECUTIVE OFFICER

Dear Supervisors:

**CONSTRUCTION-RELATED CONTRACT
CONSTRUCTION MANAGEMENT CORE SERVICE AREA
HARBOR-UCLA MEDICAL CENTER
REPLACEMENT PROGRAM
APPROVE REVISED PROJECT BUDGET
CAPITAL PROJECT NO. 67965
FISCAL YEAR 2023-24
(SUPERVISORIAL DISTRICT 2)
(3 VOTES)**

SUBJECT

Public Works is seeking Board approval to revise the project budget for the Harbor-UCLA Medical Center Replacement Program.

IT IS RECOMMENDED THAT THE BOARD:

1. Find that the recommended action is not a project under the California Environmental Quality Act for the reasons stated in this Board letter and in the record of the proposed activity.
2. Approve the revised project budget of \$1,755,000,000, an increase of \$60,000,000 from the previous Board-approved amount of \$1,695,000,000, for the Harbor-UCLA Medical Center Replacement Program, Capital Project No. 67965.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of the recommended action is to seek Board approval to find that the recommended activity is not a project under the California Environmental Quality Act (CEQA) and approve the revised project budget.

Background

Senate Bill 1953 mandates that all California General Acute-Care Hospitals meet structural and nonstructural seismic strengthening requirements by January 1, 2030. The Harbor-UCLA Medical Center (H-UCLA MC) Replacement Program will not only bring the hospital in compliance with the mandate, but also consolidate inpatient and outpatient services into new buildings that optimize operational effectiveness, reduce operation and maintenance costs, provide outpatient facilities that accommodate planned patient visits, implement sustainability, and create a campus designed for the wellbeing of patients and staff.

The program includes construction of an Outpatient/Support Building which includes 233 clinic exam rooms that are distributed across three floors of clinic space. The clinics are arrayed throughout the floors to promote an integrated care model that meets patients' complex care needs. The program also includes construction of an Inpatient Tower Building with 347 inpatient beds, including 36 psychiatric beds, new psychiatric emergency department, and permanent rooftop helistop. The current hospital is licensed at 453 beds and runs an average daily census of 312 patients. The hospital's census has steadily increased over the past four years. The industry standard is to estimate census at 85 percent of licensed bed capacity; using this calculation, the proposed licensed capacity of 347 beds is necessary to meet patient demand.

Additionally the program includes construction of a 1,500-stall above-grade parking structure; a new Central Utility Plant to serve new buildings under the jurisdiction of the California Department of Health Care Access and Information; a new Support Services Building for the campus Information Technology and Facilities staff; and a new Regional Laboratory; and related make-ready work, such as several new surface parking lots, a 66-kilovolt electrical substation, a 12-kilovolt electrical building, and tenant improvements.

On February 8, 2022, the Board approved a total project budget of \$1,695,000,000 for the H-UCLA MC Replacement Program. The project budget included a stipulated sum design-build contract with Hensel Phelps Construction Company for a maximum not-to-exceed contract sum of \$1,238,179,000; inclusive of a \$1,112,179,000 stipulated sum contract plus a \$30,000,000 Design Completion Allowance; and a \$96,000,000 Medical Equipment Allowance. The Board also delegated authority to the Director of Public Works or his designee to approve change orders for a maximum of \$750,000 subject to the limits that the aggregate amount of all such delegated authority change orders does not exceed 25 percent of the original contract amount as set forth in Public Contract Code Section 20145.

Between March 2022 and April 2024, the Board approved the execution of a total of 13 change orders for a total not-to-exceed amount of \$36,180,000 to Hensel Phelps. These change orders are within the Board-approved budget of \$1,695,000,000 for various scopes of work but exceed Public Works delegated authority of \$750,000.

Construction for the Information Technology/Facilities Shops building has been substantially completed. Construction of the Parking Structure A and the Outpatient/Support Building began in September 2022 and June 2023, respectively. Construction of the remaining three buildings; the

Inpatient Tower, Regional Laboratory, and Central Utility Plant; is scheduled to begin in mid-2024. Construction of all buildings is scheduled to be completed by August 2027.

Revised Project Budget

During the preliminary design and construction phase, the original approved project contingencies were expended on unanticipated design and jurisdictional changes.

Design changes needed to incorporate additional criteria and/or changes to the Criteria Documents were required to meet the operational needs of the facility. Examples of previously approved change orders necessary for operational efficiency included redesign of the proposed breezeway connector between the existing Surgery/Emergency Building and the new Inpatient Tower to connect and fully integrate the two buildings; additional infrastructure for the Laboratory Building to support equipment that was not identified in the Criteria Documents; additional dedicated Uninterrupted Power Supply units for the procedure rooms at the Inpatient Tower to ensure medical staff can complete procedures uninterrupted in the event of a power loss; redesign of the mechanical system at the Inpatient Tower to provide negative pressure at numerous exam rooms to account for pandemic conditions; and additional spare breakers for the Central Utility Plant, including associated duct bank and feeders to account for future growth on the campus.

Additionally, jurisdictional requirements enacted post Design-Build award required changes to the ongoing design and construction. Examples of previously approved jurisdictional change orders include, additional antenna, frequency, and pathway survivability for the Emergency Responder Distributed Antenna System, affecting all the new buildings; addition of Class 2 Imaging Rooms required by the California Department of Healthcare Access and Information to provide additional support spaces for various imaging suites; and increase in the Electric Vehicle charging stations from 10 percent to 25 percent of the total number of parking spaces to meet the Los Angeles County Green Building Code.

Currently the Design-Build construction is approximately 30 percent complete and construction of the remaining three buildings is scheduled to begin in mid-2024. In order to continue construction without delays to the project, additional contingency is required to expeditiously address unforeseen conditions, and design and jurisdictional changes required. Additionally, the Design-Builder has raised issues related to the interpretation of the Criteria Documents, which may result in the need for additional funding.

In late 2023, Public Works completed a risk analysis, which included an assessment of future risk to the program, as well as value engineering opportunities, such as omission of unnecessary building components. To date, \$4,000,000 of value engineering items have been executed with an additional \$2,600,000 under negotiation. Taking into consideration the program's value engineering efforts, the risk analysis projected \$60,000,000 being required to mitigate future unforeseen conditions, design and jurisdictional changes, and interpretation issues that may arise as construction commences on the final three buildings. As this budget increase is just an estimate, Public Works plans to return to the Board in early 2025 to recommend a final budget for approval.

Implementation of Strategic Plan Goals

These recommendations support the County Strategic Plan: North Star 1, Make Investments that Transform Lives, Focus Area Goal A, Healthy Individuals and Families, Strategy ii, Improve Health Outcomes, by promoting comprehensive and inclusive care through investments in public healthcare infrastructure that enhance the quality and delivery of healthcare services to Los Angeles County

residents; and North Star 2, Realize Tomorrow's Government Today, Focus Area Goal F, Flexible and Efficient Infrastructure, Strategy ii, Modernize Infrastructure, by evaluating our current Capital Projects and identifying the need to replace or modernize legacy/obsolete infrastructure. These recommendations support the County Strategic Plan by investing in public healthcare infrastructure improvements that will enhance the quality and delivery of healthcare services to the residents of Los Angeles County.

FISCAL IMPACT/FINANCING

On February 8, 2022, the Board approved the total project budget of \$1,695,000,000 for the H-UCLA MC Replacement Program. Approval of the recommended actions will increase the previous Board-approved project budget to \$1,755,000,000, an increase of \$60,000,000. The revised project budget includes predevelopment activities, programming, make-ready work, scoping documents, plans and specifications, permit fees, construction, change order contingency, medical equipment and design completion allowances, Civic Art, consultant services, inspection services, and County services. The revised project budget and schedule are included in the Enclosure.

Based on the expected use of the additional budget of \$60,000,000, estimated cost allocation between Department of Health Services (DHS) and Department of Mental Health (DMH) is \$55,700,000 and \$4,300,000, respectively. The cost allocation for the revised total program budget of \$1,755,000,000 will be increased from \$1,515,033,000 to \$1,570,733,000 for DHS, and from \$179,967,000 to \$184,267,000 for DMH.

On February 8, 2022, the Board approved for the H-UCLA MC Replacement Program to be financed through short-term, long-term, or a combination of both types of financing mechanisms. The financing costs of the Notes, including interest, insurance, and administrative expenses are funded by the benefiting department's operating budget.

The funding for the annual debt repayment for DHS will come from existing and new departmental operating subsidies and Federal dollars from the provision of care to Medi-Cal beneficiaries in the nonpsychiatric areas of the inpatient building. The DMH share of cost will be funded with the department's 2011 Realignment funds. The Chief Executive Office will continue to work with both DHS and DMH to monitor the fiscal outlook of both departments and communicate to the Board any material changes that could impact their ability to meet the future debt service obligations for the project.

There is no net County cost impact associated with the recommended actions.

Operating Budget Impact

Following completion of the project, DHS will request and fund annual ongoing maintenance and operational costs, as needed, with departmental resources in future budget phases.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

In accordance with the Board's Civic Art Policy, adopted on December 7, 2002, and last amended on August 4, 2020, the project budget includes a \$2,000,000 Civic Art allocation, which is greater than the \$1,000,000 maximum required by the Board's policy. The \$2,000,000 Civic Art allocation will not be impacted by the proposed budget increase.

On December 20, 2016, the Board adopted a new Leadership in Energy and Environmental Development (LEED) policy requiring all new County buildings greater than 10,000 square feet in size to achieve LEED Gold certification. In accordance with this policy, the new buildings will be designed and constructed to achieve LEED Gold Certification with the exception of the parking structure because the United States Green Building Council no longer provides LEED certificates for parking structures. Additionally, the program will continue to support the Board's Policy for Green Building/Sustainable Design Program by recycling disposable material, incorporating energy efficient products during construction, and incorporating native, drought-tolerant landscaping.

ENVIRONMENTAL DOCUMENTATION

The County prepared and certified an environmental impact report, as lead agency under CEQA for the H-UCLA MC Campus Master Plan on December 16, 2016. Addenda to the Environmental Impact Report were certified for changes to the project proposed in 2020 and 2022. However, the recommended action, to approve a revised, increased budget, is not a project under CEQA, since it is excluded from the definition of a project under Section 21065 of the California Public Resources Code and is fiscal activity of government, which does not involve any commitment to any specific project and organizational or administrative activity of government that will not result in direct or indirect physical changes in the environment. The budget increase recommended herein is not intended to approve any project activity under CEQA that has not been previously approved. Prior to approval of any new activity that would be a project under CEQA, Public Works will recommend appropriate CEQA findings, as necessary, at the time project approval is recommended.

CONTRACTING PROCESS

To date, Public Works has executed 17 allowance reallocation contract amendments for a total not-to-exceed amount of \$63,350,840. Additionally, Public Works has executed 71 change orders under delegated change order authority for a total not-to-exceed amount of \$9,253,946. Of the \$36,180,000 approved in the four previous Board letters, \$26,601,059 is pending execution of change orders.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The recommended change orders are within the Design-Builder's limits of work and will not result in any additional impacts to the current services on the H-UCLA MC Campus.

CONCLUSION

Please return one adopted copy of this Board letter to Public Works, Project Management Division I.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mark Pestrella". The signature is fluid and cursive, with the first name "Mark" and last name "Pestrella" clearly distinguishable.

MARK PESTRELLA, PE

Director

MP:HA:jc

Enclosures

- c: Department of Arts and Culture (Civic Art Division)
- Chief Executive Office (Capital Programs Division)
- County Counsel
- Executive Office
- Department of Health Services (Capital Projects Division)
- Department of Mental Health

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I. PROJECT SCHEDULE SUMMARY

Project Activity	Scheduled Completion Date
Scoping Documents	June 2021*
Design-Build Award	February 2022*
Jurisdictional Approvals	Various
Substantial Completion-Parking Structure A	June 2024
Substantial Completion-Outpatient/Support Building	June 2026
Substantial Completion-Central Plant	May 2027
Substantial Completion-Inpatient Tower	August 2027
Project Acceptance	December 2027

*Completed Activity

II. PROJECT BUDGET SUMMARY

Project Budget Category	Previous Board Approved Budget	Changes Under Delegated Authority	Impact of this Action	Revised Total Project Budget
Design-Build Construction	\$1,207,176,949	\$ 4,207,896		\$1,211,384,845
Make-Ready Construction	\$ 139,219,239	\$(1,311,367)		\$ 137,907,872
Change Order Contingency	\$ 41,851,873	\$ (414,750)	\$60,000,000	\$ 101,437,123
Civic Arts	\$ 2,000,000			\$ 2,000,000
Stipend	\$ 1,000,000			\$ 1,000,000
Medical Equipment Allowance	\$ 49,792,102			\$ 49,792,102
Design Completion Allowance	\$ 15,338,837	\$(2,481,779)		\$ 12,857,058
Plans and Specifications	\$ 51,000,000			\$ 51,000,000
Consultant Services	\$ 137,000,000			\$ 137,000,000
Miscellaneous Expenditures	\$ 1,650,000			\$ 1,650,000
Jurisdictional Review/ Plan Check/Permits	\$ 21,681,000			\$ 21,681,000
County Services	\$ 27,290,000			\$ 27,290,000
TOTAL	\$1,695,000,000	\$ 0	\$60,000,000	\$1,755,000,000