AGN. NO.

MOTION BY SUPERVISOR HOLLY J. MITCHELL June 25, 2024

Improving Efficiencies and Lowering Costs for Smaller Health-Related Capital Projects

Now more than ever, the County needs to explore alternatives to save money on costly health-related capital projects so that funds can be more focused on service delivery and promoting County equity whenever possible.

On August 31, 2021, the Board of Supervisors (Board) approved a motion, *Cutting Construction Costs to Maximize Available Funds for Healthcare Services,* which directed the Chief Executive Office (CEO), Departments of Public Works (DPW), Internal Services (ISD), Health Services (DHS) and County Counsel to report back with options to reduce capital projects costs with continued Board oversight. Identified options included defining roles and responsibilities between DPW, ISD and DHS for delivery of capital projects; exploring opportunities with other jurisdictions to assess the feasibility of pursuing options related to amendment of laws and regulations to allow DHS to streamline the delivery of projects; recommendation for DHS to provide project management and implementation of fixed medical equipment replacement projects; greater accountability and communication protocols to minimize construction delays and cost overruns; and clear reporting requirements from DPW and ISD to ensure timely flow of information to CEO and DHS. The CEO released written performance reports on December 30, 2021;

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November 28, 2022; October 18, 2023; March 11, 2024 and June 4, 2024 which detailed performance results for all healthcare projects delivered by DPW, ISD and DHS.

Created pursuant to State Public Contract Code Section 20128.5, a Job Order Contract (JOC) is a flexible, fixed-unit price contracting method used to accomplish repairs, maintenance, refurbishment and other repetitive-type construction work on public infrastructure and facilities without extensive plans and specifications. JOCs are publicly advertised and awarded to the lowest responsive and responsible bidder. Each JOC has a term of one year and has a maximum value of approximately $5.7M, which may annually increase based on the Consumer Price Index (CPI). The JOC program utilizes a unit price book, which is approved by the Board, and includes various task items with established unit prices. DHS anticipates spending over $150M on JOC projects over the next three years. Per DHS, DPW has a $92M portfolio of JOC projects which DHS pays it to administer on its behalf. DHS pays approximately 25% ($22M) for DPW Project Management over that period. In addition, per DHS, ISD has a $62.5M portfolio of JOC projects on behalf of DHS. DHS pays ISD approximately 19% to 25% ($15M) for ISD Project Management.

Granting JOC authority to DHS could reduce both cost and time needed to complete small DHS projects. DHS would also have greater control of its contractors and be able to take measures to improve the quality of healthcare construction. Healthcare projects are very specialized and many construction JOCs are not ideally suited for working in hospitals. In particular, many healthcare projects need close coordination with the California Department of Health Care Access and Information (HCAI) authority. HCAI is the state agency that oversees health workforce, facilities, finance and information programs. In addition, health care projects must meet strict infection control requirements. To meet these requirements, DPW and ISD utilize a specialty factor (i.e. an additional payment) for the medical campuses in their Best-Value (based on qualifications and experience) JOCs and traditional JOCs to accommodate the unique regulatory requirements of healthcare projects coupled with the specific operational needs of each hospital campus, such as infection control procedures and badging process. Granting JOC authority would allow DHS to further tailor its JOCs for specific healthcare environments.

If DHS established a $50M JOC portfolio, for example, DHS estimates it could save roughly $12.5M (25%). Savings would be proportionate to the size of DHS's JOC program. It could generate cost savings that could be reinvested and used for expanded service delivery or other department efforts to promote contracting equity.

Precedent exists for granting County departments more JOC authority. The County Code also authorizes the Los Angeles County Development Authority and Department of Parks and Recreation to deliver projects through JOC. The departments confirm it saves the departments both money and time.

In addition to granting DHS authority to administer its own JOC program, more could be done to grant County staff the authority to do the work themselves, especially when departments like DHS, have a construction trade team of roughly 275 carpenters, electricians, plumbers, steam and refrigeration, sheet-metal workers and painters. The Public Contract Code allows counties with populations of 2 million or more to use their own workforce for alteration or repair of County-owned buildings if the cost of the work is under $50,000. This means that DHS cannot use a purchase order or its own crafts departments to perform repairs or alterations that exceed $50,000 in total value. Rather, per State law, that work must be competitively procured.

The Public Contract Code needs to be modernized. The $50,000 limit in the Public Contract Code was set in 1982 and is the equivalent to roughly $173,995 in 2024 dollars. Raising the limit to $175,000 would give the County greater freedom to deliver smaller technical projects, rather than procure outside contractors after a lengthy bidding process. Having an exemption for clinical equipment replacement projects less than $2M would also be a good way to reduce construction costs.

In addition, the County should create a more standardized commissioning process to ensure that capital projects have been completed in a manner that meets the County's needs, before the finished project is turned over to the client department.

I THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:

1. Direct the Chief Executive Officer (CEO) through the Capital Programs Division, in collaboration with the Department of Public Works (DPW), Internal Services Department (ISD), Department of Health Services (DHS), and County

Counsel, to report back to the Board in writing within 90 days on the feasibility of delegating Job Order Contract (JOC) authority to DHS and identifying the additional staffing that would be needed for DHS to procure, implement and manage a JOC Program of at least $25M annually in a way that would, over time, realize ongoing net savings and efficiencies for the County.

2. Direct Director of DHS to report back to the Board in writing within 90 days with an analysis of the utilization and productivity of their current construction trade team in order to identify existing labor efficiencies.
3. Direct CEO through the Legislative Affairs and Intergovernmental Relations (LAIR) branch, in coordination with County Counsel as needed, to advocate in support of proposals that would amend and increase the monetary limits set forth in the Public Contract Code applicable to alteration and repair work on health-related and other construction to, at minimum, fully account for inflation since the code was initially put into effect.
4. Direct the CEO through LAIR, in coordination with County Counsel as needed to advocate in support of amending applicable laws and authorities, including but not limited to the Public Contract Code and other statutes, regulations, and County policies, related to delivery of clinical equipment-type projects, including potentially through purchase orders, whose total project cost is less than $2M, including the design, procurement of both equipment and services, installation of the equipment, and performance of related construction activities.
5. Direct the Director of DHS to report back to the Board in writing within 90 days on how DHS would ensure that any expanded authority, as set forth in directives 1, 3 and 4 above, would be used in a way that promotes equity goals in County contracting, especially with smaller businesses and in furtherance of local economic growth, and how capital cost savings would be invested to further promote equity goals.
6. Direct the CEO, in coordination with DPW and ISD, to report back to the Board in writing within 120 days with an evaluation of the commissioning process, including but not limited to:
    a. The current process for establishing and verifying client departments'

needs throughout construction and in preparation for commissioning;

b. Recommendations to update procedures to ensure a building or equipment is functioning as intended according to design criteria and that a project's requirements are met before the building or equipment is turned over to another department for completion, delivery or operationalization; and

c. Recommendations for improving the commissioning process.

7. Direct the CEO, in coordination with DPW and ISD, to report back to the Board in writing within 120 days with a comparative analysis of the cost efficiency (based on metrics to include, but not be limited to, cost per square foot) of County capital projects delivered by DPW or ISD that:

   a. Compares costs to external public sector and private sector capital projects, including breaking out soft costs;

   b. Analyzes both health-related County capital projects and other County capital projects; and

   c. Takes into account both the size/nature of the capital project and the size/capability of the client department.

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