



September 18, 2020

## NOTICE

The Board of Directors of the Kaweah Delta Health Care District will meet in an open Finance, Property, Services, and Acquisition Committee meeting at 2:30PM on Tuesday September 22, 2020 in the Kaweah Delta Medical Center – Support Services Building Copper Room (2<sup>nd</sup> Floor) 520 West Mineral King Avenue or via GoTo Meeting from your computer, tablet or smartphone <https://www.gotomeet.me/CindyMoccio/kdfinancepsacommittee> **Via phone - 872-240-3212**  
**Access Code: 693-821-941**

All Kaweah Delta Health Care District regular board meeting and committee meeting notices and agendas are posted 72 hours prior to meetings (special meetings are posted 24 hours prior to meetings) in the Kaweah Delta Medical Center, Mineral King Wing entry corridor between the Mineral King lobby and the Emergency Department waiting room.

Due to COVID 19 visitor restrictions to the Medical Center - the disclosable public records related to agendas can be obtained by contacting the Board Clerk at Kaweah Delta Medical Center – Acequia Wing, Executive Offices (Administration Department) {1st floor}, 400 West Mineral King Avenue, Visalia, CA via phone 559-624-2330 and on the Kaweah Delta Health Care District web page <http://www.kaweahdelta.org>.

KAWEAH DELTA HEALTH CARE DISTRICT  
David Francis, Secretary/Treasurer

A handwritten signature in black ink that reads 'Cindy Moccio'.

Cindy Moccio  
Board Clerk, Executive Assistant to CEO

DISTRIBUTION:  
Governing Board  
Legal Counsel  
Executive Team  
Chief of Staff  
<http://www.kaweahdelta.org>

# **KAWEAH DELTA HEALTH CARE DISTRICT BOARD OF DIRECTORS FINANCE, PROPERTY, SERVICES & ACQUISITION COMMITTEE**

Tuesday, September 22, 2020

Kaweah Delta Medical Center / Support Services Building  
520 West Mineral King – Copper Room (2<sup>nd</sup> floor)

Please join my meeting from your computer, tablet or smartphone.  
<https://www.gotomeet.me/CindyMoccio/kdfinancepsacommittee>

Via phone - 872-240-3212 / Access Code: 693-821-941

ATTENDING: Directors: David Francis (chair) & Nevin House; Gary Herbst, CEO; Malinda Tupper, VP & CFO; Dianne Cox, VP Chief Human Resources Officer; Marc Mertz, VP Chief Strategy Officer; Jennifer Stockton, Director of Finance, Julieta Moncada, Facilities Planning Director; Deborah Volosin, Director of Community Engagement; Cindy Moccio, Recording

## **OPEN MEETING – 2:30PM**

**CALL TO ORDER** – *David Francis*

**PUBLIC / MEDICAL STAFF PARTICIPATION** – Members of the public wishing to address the Committee concerning items not on the agenda and within the subject matter jurisdiction of the Committee may step forward and are requested to identify themselves at this time. Members of the public or the medical staff may comment on agenda items after the item has been discussed by the Committee but before a Committee recommendation is decided. In either case, each speaker will be allowed five minutes.

1. **QUAIL PARK (CYPRESS) AND LAUREL COURT** – Annual report for Quail Park Cypress and Laurel Court.

*Marc Mertz, VP & Chief Strategy Officer*

2. **QUAIL PARK AT SHANNON RANCH** – Annual report for Quail Park Cypress and Laurel Court.

*Marc Mertz, VP & Chief Strategy Officer*

3. **TULARE CLINIC** – Status report relative to the development of the Tulare Clinic.

*Marc Mertz, VP & Chief Strategy Officer and Julieta Moncada, Facilities Planning Director*

4. **2015B REVENUE BOND STATUS REPORT** – Status report and next steps for projects.

*Julieta Moncada, Facilities Planning Director*

**ADJOURN** – *David Francis*

*In compliance with the Americans with Disabilities Act, if you need special assistance to participate at this meeting, please contact the Board Clerk (559) 624-2330. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to the Kaweah Delta Health Care District Board of Directors meeting.*

# REPORT TO THE BOARD OF DIRECTORS

## Quail Park (Cypress) and Laurel Court

Marc Mertz, VP/Chief Strategy Officer, 624-2511  
September 28, 2020

### Summary Issue/Service Considered

Quail Park (Cypress campus) consists of a senior independent living facility and a secure memory care facility. These are organized as separate legal entities.

The independent living facility is a 127-unit senior retirement village owned 44 percent by Kaweah Delta Health Care District and 56 percent by Living Care Senior Housing. Denis Bryant from Living Care is the Managing Member.

The 40 unit Memory Care Center (Laurel Court) is an Alzheimer's/Dementia facility located east of the Rehabilitation Hospital on Kaweah Delta's west campus. It has the same ownership percentage split as Quail Park.

Denis Bryant is the manager of both entities. Lynn Havard Mirviss and Marc Mertz represent Kaweah Delta on the Quail Park and Memory Care Center Boards. Cathy Boshaw and Elling Halverson (recently deceased) represent Living Care Senior Housing on the two boards. Kaweah Delta and Living Care have equal voting rights on the boards.

### Quality/Performance Improvement Data

Quail Park has historically operated nearly at capacity, far above industry benchmarks. As recently as June 2019, Quail Park had a 28-unit waiting list. Like all senior living facilities, Quail Park has been impacted by COVID-19. Many individuals have chosen to delay moving into the facility. As of August 2020, occupancy in Quail Park was 87.4%, down more than 10% from prior year. According to The National Investment Center for Seniors Housing & Care (NIC), national senior housing occupancy rates were 84.9% in July 2020.

Between July 2019 and June 2020, Quail Park paid Kaweah Delta a \$528,000 profit distribution based on Kaweah Delta's 44 percent ownership. The first profit distributions were made in 2003. Since then, Quail Park has paid Kaweah Delta profit distributions totaling \$8,574,000 through the second quarter of calendar year 2020 based on an original Kaweah Delta investment of \$1,589,000.

The 40-unit Memory Care Center, which opened in July 2012, is operating at 82.5% occupancy, well below its historic near-capacity rate.

The Memory Care Center paid Kaweah Delta a \$242,000 profit distribution between July 2019 and June 2020. The Memory Care Center has paid Kaweah Delta a total of \$2,453,000 through the second quarter of calendar year 2020 based on an original Kaweah Delta investment of \$990,000. The first profit distributions were made in 2012.

## **Policy, Strategic or Tactical Issues**

COVID-19 has had a significant negative impact on the occupancy rates of senior living facilities nationwide. The Quail Park independent living and memory care centers were not spared. Fortunately, they continue to operate at or above industry occupancy rates and they remain profitable.

Management has reinvested operating profits and funds from last year's debt refinancing into both Cypress properties. Some of these investments were simply due to the age of the buildings, while others were to ensure that the facilities remain comparable to the new facilities opening at Shannon Ranch. Some of these investments include a newly decorated dining room, parking lot refinishing, exterior improvements, landscaping, new carpeting, new keyless entry system, and a refurbishment of the hair/nail salon.

Management was taken significant precautions to keep residents and employees safe during COVID-19, including restricting visitation, mandatory quarantine at move-in, frequent testing, and enhanced cleaning and sanitizing practices.

## **Recommendations/Next Steps**

Continue to operate Quail Park and the Memory Care facility as high level senior retirement centers with services ranging from independent living to assisted living to expanded dementia care.

## **Approvals/Conclusions**

Despite a challenging 2020 due to COVID-19, Quail Park is filling a significant health care need in our community, providing exceptional services to its residents, and at the same time generating an income stream for Kaweah Delta.

# REPORT TO THE BOARD OF DIRECTORS

## Quail Park at Shannon Ranch

Marc Mertz, VP/Chief Strategy Officer, 624-2511  
September 28, 2020

### Summary Issue/Service Considered

In 2016 Kaweah Delta approved construction of a new 120-unit independent, assisted, and memory care senior living project called Quail Park at Shannon Ranch near the intersection of Demaree and Flagstaff in northwest Visalia. The 139,000 square foot project is located on a 3.65 acre site next to the 6,100 square foot Urgent Care Center which Kaweah Delta opened on a 1.01 acre parcel on the east side of Demaree Street. The main independent living facility has 100 units ranging from studios to 2-bedroom units, and the secure memory care facility has 20 rooms.

Kaweah Delta owns 33 and one third percent of the new project, which is held by Northwest Visalia Senior Housing. Other partners are Shannon Senior Care, LLC, BTV Senior Housing, LLC, BEE, Inc., and Millennium Advisors. Shannon Senior care is owned by members of the Shannon family; BTV is owned by Bernard te Velde, Jr.; BEE is owned by Cathy Boshaw and Doug Eklund of the Seattle area; Millennium Advisors is owned primarily by Denis Bryant, the current managing partner of Quail Park and the Memory Care Center.

The new approximately \$40 million project broke ground in March 2018 and was completed in early 2020. All Kaweah Delta equity contributions to the project have originated from the Bettie Quilla Fund at Kaweah Delta Hospital Foundation. The Quilla Fund is restricted by the donor for support of senior living projects in collaboration with Kaweah Delta Health Care District. Kaweah Delta has made its total equity contribution of \$3,997,000.

### Quality/Performance Improvement Data

Before COVID-19, management expected that occupancy of the main building would reach 50% within 90 days of opening and that the memory care center would be completely filled within that time frame. Early deposits and waiting lists supported this. However, occupancy of the independent living building is 9% as of August 2020 and the memory care is at 35%. An additional 18 deposits have been received, but the individuals have not moved in.

As a result, Quail Park at Shannon Ranch generated an operating loss of \$631,569 from March 2020 to June 2020. Combined with non-operating expenses, which include pre-opening expenses, loan fees, interest, depreciation, and management, the total net income/(loss) was (\$3,248,955) through June 2020. Owners of Northwest Visalia Senior Housing have made a series of four cash calls to fund operations. These contributions are being treated as loans payable. To date, Kaweah Delta has made loan payments totaling \$539,833 which was paid from the Quilla Fund. These loans have a maturity date of December 31, 2021 and pay 5% interest. Kaweah Delta's accrued interest is \$5,454 as of June 30, 2020.

## **Policy, Strategic or Tactical Issues**

The COVID-19 pandemic and its impact on senior living could not have been predicted. Management of Quail Park at Shannon Ranch have continued to actively promote the facility, providing both in-person and virtual tours. The sales staff routinely delivers meals to individuals that have expressed interest in Quail Park as a way to stay in touch with potential residents. The facility is also very active on social media. Various discounts are being offered to entice people to move in now.

It is anticipated that once COVID-19 volumes decline, Quail Park at Shannon Ranch will see a significant increase in deposits and people moving into the facilities.

## **Recommendations/Next Steps**

Continue to support the startup of Quail Park at Shannon Ranch during these challenging times.

## **Approvals/Conclusions**

Quail Park at Shannon Ranch opened at perhaps the most challenging possible time in recent memory. However, the facility is the premier senior living in Visalia and perhaps the Central Valley. The amenities and services offered are unrivaled. As the pandemic abates, this facility will be a significant asset to the community.

2015B Revenue Bond Projects  
STATUS REPORT 9/9/2020

		Approved Budget			Budget Status		Schedule			
CIP	PROJECT	Revenue Bond 2015B Funding	Additional Funding*	TOTAL Combined Funding	Spent as of May 12, 2020	REMAINING BUDGET	Current Status	Construction Start	Anticipated Construction Completion	Anticipated Occupancy *CDPH approval*
185	ED Expansion: Zone 5 24-Bed Addition	\$ 32,800,000	\$ 40,000	\$ 32,840,000	\$ 23,996,333	\$ 8,843,667	Construction Phase	July 2018	April 2021	June 2021
	ED Expansion: Zone 4						COMPLETED / OCCUPIED	April 2018	April 10, 2020	May 2020
	ED Expansion: Fast Track & Lab Draw						COMPLETED / OCCUPIED	Sep 5, 2017	July 2019	August 2019
126	AW 5th Flr Med-Surg	\$ 22,000,000	\$ 1,100,000	\$ 23,100,000	\$ 16,990,708	\$ 6,109,292	COMPLETED / OCCUPIED	Dec 2017	April 24, 2020	May 2020
	AW 6th Flr NICU						COMPLETED / OCCUPIED	Dec 2017	April 24, 2020	May 2020
137	Exeter Campus Modular Clinic and Admin Bldgs.	\$ 6,100,000	\$ 400,000	\$ 6,500,000	\$ 6,497,421	\$ 2,579	COMPLETED / OCCUPIED	Feb 20, 2017	Completed May 2018	Occupied August 2018
167	Creek Parking Addition	\$ 450,000		\$ 450,000	\$ 450,000	\$ -	COMPLETED / OCCUPIED	Feb 2016		May 2016
192	Acequia 2nd Floor OB C-Section	\$ 6,500,000		\$ 6,500,000	\$ 4,043,781	\$ 2,456,219	COMPLETED / OCCUPIED	April 10, 2017	Completed October 4 2018	December 2018
193	Northside Urgent Care Center	\$ 4,000,000		\$ 4,000,000	\$ 4,000,000	\$ -	COMPLETED / OCCUPIED	June 5, 2017	Completed May 2018	Occupied August 2018
226	Cerner Implementation	\$ 28,150,000		\$ 28,150,000	\$ 28,150,000	\$ -	COMPLETED	N/A	Completed May 2018	May 2018
<b>TOTALS</b>		<b>\$ 100,000,000</b>	<b>\$ 1,540,000</b>	<b>\$ 101,540,000</b>	<b>\$ 84,128,243</b>	<b>\$ 17,411,757</b>				

Spent to date= 83%

NOTES on the ED Expansion 24-Bed Addition: Attached budget review and change orders summary.

**CIP 185 EMERGENCY DEPT ADDITION - CONSTRUCTION BUDGET REVIEW  
AS OF SEPTEMBER 9, 2020**

Original Scope of Work :

- 1) New construction
  - 24 beds, waiting room registration area, security vestibule
  - decontamination shower and IT room in the ambulance bay area
  - new parking lot lay-out
  - underground 72-hour emergency water and sewage holding
  
- 2) Remodel
  - conversion of old ED lobby to new intake and triage rooms

Architect of Record: RBB Architects  
 Contractor: Zumwalt Construction Inc  
 Original completion: May 12, 2020 660 calendar days  
**Extended completion:** March 31, 2021 (building) add'l 355 calendar days  
August 2021 (remaining parking lot, sitework)

**PROJECTED TOTAL CONSTRUCTION CONTRACT COST**

Original contract:		\$ 15,837,000	
Change Orders to date:		\$ 4,815,025	
	Approved scope change:	\$ 3,271,101	
	Approved extended overhead:	\$ 1,267,664	
	Pending approval:	\$ 276,260	
	<b>Total Cost to date =</b>	<b>\$ 20,652,025</b>	
Allowance for future contingencies		\$ 520,000	
<b>TOTAL COST AT COMPLETION =</b>		<b>\$ 21,172,025</b>	33.69% of contract
TOTAL PAID THRU JULY 31, 2020 =		\$ 14,274,057	

**REMAINING PAYABLE THRU COMPLETION=** **\$ 6,897,968**

**CONSTRUCTION BUDGET STATUS**

<b>ORIGINAL CONSTRUCTION BUDGET</b>			
1165 Construction contract		\$ 16,400,000	
1440 Construction contingency		\$ 2,970,000	
	<b>TOTAL BUDGET=</b>	<b>\$ 19,370,000</b>	
TOTAL PAID THRU JULY 31, 2020 =		\$ 14,274,057	

**REMAINING BUDGET THRU COMPLETION** **\$ 5,095,943**

**① ANTICIPATED CONSTRUCTION BUDGET SHORTFALL** **\$ 1,802,025** 9.30%  
of budget

**CONSULTANTS' ADDITIONAL FEES DUE TO EXTENDED CONSTRUCTION**

Architect-Engineer construction administration (CA) services - RBB (Original CA fee = \$ 419,004)	\$ 999,089	<i>tentative - in review</i>
Construction management (CM) services (Provost & Pritchard) (Original CM fee = \$ 429,585)	\$ 112,500	
<b>TOTAL =</b>	<b>\$ 1,111,589</b>	

**REMAINING BUDGET THRU COMPLETION** \$ 341,000

**② ANTICIPATED CONSULTANT FEE BUDGET SHORTFALL** \$ 770,589 *3.98%  
of budget*

**① + ② TOTAL SHORTFALL** **\$ 2,572,614** *13.28%  
of budget*

**REQUIRED SUPPLEMENTAL FUNDING:**

POTENTIAL SURPLUS FROM PROJECT'S SOFT COST BUDGET	\$ 1,100,000
OTHER SOURCES (to be determined)	\$ 1,472,614
<b>Total Supplement Required =</b>	<b>\$ 2,572,614</b>

**CIP 185 EMERGENCY DEPT ADDITION - CHANGE ORDERS STATUS**

AS OF SEPTEMBER 7, 2020

**APPROVED CHANGE ORDERS TO DATE****Owner scope changes**

PCO 01	Change to Trane Chillers	\$	189,187
PCO 03	Add pneumatic tube system	\$	80,121
PCO 24.5	Refurbish of basement east section due to skylight removal	\$	173,461
PCO 79	Change medical gas outlets to mathc hospital standard	\$	15,583
PCO 113	Change to acrovyn interior doors	\$	32,515
PCO 117	Provide built-up roofing at transition to repaired roof at existing ED.	\$	3,850
PCO 126	Replace asphalt paving in porion of parking lot that was not in original scope	\$	29,641
		\$	<b>524,358</b>

**OSHPD-required scope changes**

PCO 38.2	Reverse-osmosis booster pump with enclosure (material)	\$	643,668
PCO 38.3	Booster pump relocation and installation (labor)	\$	372,263
PCO 57	Pedestrian protective construction tunnel	\$	87,136
	PCO 57D - T & M additional work	\$	12,359
PCO 101	Upgrade stairwell window wall to 2-hr shaft wall	\$	105,198
PCO 60	Upgrade non-rated wall between Data Rm and stairwell	\$	8,595
PCO 92	Provide bracing and strong backs to framing	\$	9,033
PCO 108	ACD 0070 revise fire alarm plans per OSHPD FLSO	\$	27,200
PCO 115	Relocate the emergency oxygen supply connection for Acequia Tower	\$	107,000
		\$	<b>1,372,452</b>

**Scope changes due to existing conditions**

18 PCOs	Miscellaneous unforeseen underground conditions	\$	258,632
15 PCOs	Miscellaneous existing site and building conditions	\$	147,965
PCO 67	Relocation of existing medical gas alarm panel	\$	37,165
PCO 71.2	Fire alarm demolition 3C	\$	15,331
PCO 85	Rated wall replacement (ED Zone 1 existing wall)	\$	158,986
CIP 294	Existing ED roof deck replacement	\$	235,992
PCO 84	MEP conflict with fire barrier wall	\$	10,459
PCO 89	Re-routing of existing sewer line	\$	12,847
PCO 103.1	Rework plumbing loops	\$	64,900
PCO 114	Provide an emergency oxygen supply connection for Mineral King wing	\$	140,000
PCO 76.1	Rm 1517 upgrade / ACD 058	\$	27,868
		\$	<b>1,110,146</b>

**Scope changes due to design coordination, constructibility, missed details**

	Miscellaneous change orders	\$	51,205
PCO 97.1	5x3x1/4 angles/ IB04	\$	27,592
PCO 106	ACD 0039 add fire sprinklers, reroute sprinkler lines	\$	5,600
PCO 107	ACD 0063 support for rooftop VFDs	\$	59,057
PCO 68	Add bent plates at clerestory framing	\$	28,248
PCO 110.1	Storefront glass doors revised to 8-feet height; door hardware changes	\$	79,115
PCO 111	IB 004 NMA	\$	2,741
PCO 112	RFI 375 Changes to roof cap cover	\$	10,588
		\$	<b>264,146</b>

**APPROVED SCOPE CHANGES TOTAL = \$ 3,271,101****Contractor extended overhead and profit claims thru 3-27-2021 (approved)**

PCO 61.2	TIA #1 General contractor extended field costs thru 3-27-2021	\$	624,624
PCO 62 (.2 & .3)	TIA #1 General contractor extended overhead thru 3-27-2021	\$	190,686
PCO 72.1	TIA #1 Subcontractors' extended costs thru 3-27-2021	\$	452,354

**APPROVED EXTENDED OVERHEAD TOTAL = \$ 1,267,664****APPROVED CHANGE ORDERS TOTAL = \$ 4,538,765****PENDING CHANGE ORDERS TO DATE (IN REVIEW)****OSHPD-required scope changes**

PCO 130	Fire-rated wall addition to Acequia stairwell wall	\$	80,000
		\$	<b>80,000</b>

**Scope changes due to existing conditions, constructibility and design coordination**

Various PCOs	PCO 119, 120, 121, 129, 130	\$	96,260
Pricing TBD	PCO 57F, 96, 123, 124, 125, 128, 134, 136	\$	100,000
		\$	<b>196,260</b>

**PENDING CHANGE ORDERS TOTAL = \$ 276,260****GRAND TOTAL TO DATE = \$ 4,815,025****ALLOWANCE FOR FUTURE CONTINGENCIES****Allowance for unknown additional change orders thru completion**

	Allowance for existing conditions and scope changes	\$	200,000
	Allowance for extended field and overhead costs (60 days)	\$	320,000
		\$	<b>520,000</b>

**CIP 185 EMERGENCY DEPT ADDITION - ARCHITECT CA & CM FEES**

AS OF SEPTEMBER 7, 2020

**ARCHITECT'S CONSTRUCTION ADMINISTRATION FEE**

RBB Architects

**ORIGINAL FEE**

Remodel	\$	31,053	11 months
Addition	\$	387,951	20 months
	<b>\$</b>	<b>419,004</b>	<b>Total</b>

**ADDITIONAL FEE FOR EXTENDED CONSTRUCTION**

Remodel	\$	58,140	22 add'l mos.
Addition	\$	940,949	
	\$	239,467	5 mos extension (Apr 2020 - Aug 2020)
	\$	390,742	7 mos extension (Sep 2020 - Mar 2021)
	\$	120,338	3.5% per year rate adjustment (from Feb 2019)
	\$	180,510	extra charge for excessive change orders
	\$	9,892	reimbursables
	<b>\$</b>	<b>999,089</b>	<b>TOTAL ADDITIONAL FEE REQUESTED</b>

**CONSTRUCTION MANAGER'S FEE**

Provost &amp; Pritchard (Rick Darnley)

**ORIGINAL FEE**

Addition	\$	429,585	22 months
	<b>\$</b>	<b>429,585</b>	<b>Total</b>

**ADDITIONAL FEE REQUESTED FOR EXTENDED CONSTRUCTION**

Addition	<b>\$</b>	<b>112,500</b>	<b>TOTAL ADDITIONAL FEE REQUESTED</b>
			7 mos extension (Aug 2020 - Febr 2021)
			125 days @ 5 hrs/day = 625 hrs @ \$180/hr.

**\$ 1,111,589 GRAND TOTAL ADDITIONAL FEES**

9/7/2020

**STATUS OF SOFT COSTS BUDGET**

As of September 7, 2020

<b>Budget line</b>	<b>Budget</b>	<b>Remaining</b>	<b>Potential surplus</b>
18501-1175 Project manager	\$ 430,000	\$ 2,084	
18501-1415 Architect / engineer	\$ 2,442,000	\$ 339,669	
18501-1405 Architect reimbursibles	\$ 150,000	\$ 76,973	
18501-1420 Interior design	\$ 70,000	\$ 1	
18503-1200 Agencies , OSHPD fees	\$ 549,000	\$ 207,697	\$ 100,000
18503-1285 OSHPD inspection fees	\$ 482,405	\$ 107,693	
18503-1295 Materials testing	\$ 244,961	\$ 26,252	
18503-1450 Owner's cost contingencies	\$ 790,032	\$ 262,930	
18504-1330 IT / Telecom	\$ 550,000	\$ 274,584	
18504-2300 Medical /movable equipment	\$ 3,600,000	\$ 2,282,548	\$ 1,000,000
18504-2400 Furnishings	\$ 232,000	\$ 123,901	
<b>Totals =</b>	<b>\$ 9,540,398</b>	<b>\$ 3,704,332</b>	<b>\$ 1,100,000</b>