

**Project Budget Options**  
**Franklin County Board of County Commissioners Workshop**  
**July 8, 2019**

## Background Summary

For over a decade, George E. Weems Memorial Hospital (WMH) has been contemplating renovations and expansion to the existing Critical Access Hospital in Apalachicola, Florida. In 2010, plans were developed that included a new entry Lobby, 14 private patient rooms (one labeled as LDR for obstetrical use), and Physical Therapy. A “shelled area” accommodating 11 future private patient rooms was shown. In addition to the inpatient Nursing Unit, the 2010 plans included a new Emergency Department, Diagnostic Imaging, Clinical Lab, Pharmacy, Endoscopy, and Surgery. The 2010 planning concept utilized the existing hospital facility for “ancillary/support” services with all inpatient care located in new construction. A total Project Budget dated 1/31/11 was developed by ADAMS Management for this plan indicating a capital outlay of \$14,312,706 *excluding* financing costs. This information was included in a project feasibility report submitted to USDA Rural Development.

In 2014, the feasibility report was updated and resubmitted to USDA Rural Development with a revised Scope of Work in response to WMH’s projected income statement indicating WMH could support a \$10.25 million investment in capital improvements. The concept plan included a new entry Lobby, 10 private patient rooms, new Emergency Department, Diagnostic Imaging, and Clinical Lab. No obstetrical, surgical, or endoscopic services were included in the scope of work. Like the 2010 planning concept, the existing hospital facility was limited to “ancillary/support” services with all inpatient care located in new construction. A total Project Budget dated 11/14/14 was developed by ADAMS Management for this plan indicating a capital outlay of \$10,249,979 *including* financing costs.

A change in executive leadership at WMH resulted in an overhaul of the planning concept in November 2015. The new vision for the hospital included a new entry Lobby, a 10-bed private patient room nursing wing with Swing Beds and Physical Therapy, new Emergency Department, and Diagnostic Imaging. Planning documents evolved over the next several months to the point of being sufficiently developed for soliciting proposals from qualified contractors for pre-construction and construction management services. Culpepper Construction in Tallahassee, Florida was selected and submitted a Guaranteed Maximum Price (GMP) on 9/15/16 totaling \$7,350,000 for construction. To meet the hospital’s total target Project Budget of \$10,249,805 *including* financing costs, Culpepper identified several cost saving/“Value Engineering” (VE) suggestions which were ultimately deleted from the Scope of Work. As planned, budgeted, and reviewed by AHCA, inpatient care would be delivered only in the new construction and the existing facility would be limited to business/support services. However, only minimal work was to be undertaken in the existing hospital. Furthermore, no surgical, obstetrical, or endoscopic services would be provided at WMH.

## Current Circumstances

Today, the contemplated scope of the project at WMH is not altogether different than it was in 2016. As envisioned, it still includes (a) an addition to the existing facility with a new entry Lobby, a 10-bed private patient room nursing wing with Swing Beds and Physical Therapy, a new Emergency Department, and Diagnostic Imaging, (b) renovations to the existing facility to accommodate ancillary/support functions, cosmetic room finish improvements to public areas, and undefined maintenance/repair work, and (c) associated costs for medical equipment, furnishings, consultant fees, and financing. However, there are some major differences *being considered* in the project scope. For example, the emergency generator may now be sized and configured to satisfy the emergency power requirements for both the new construction and the existing facility. Furthermore, some or all the scope reductions made in 2016 to reduce the project cost may be added back into the project if budget allows. Additional provisions could also be made to replace some of the existing rooftop HVAC units and replace some deteriorated sanitary sewer lines. Budget adjustments from 2016 will have to be made to address current testing and inspection requirements; to satisfy regulations associated with acoustics (soundproofing); to address project phasing and additional life safety requirements; to include additional required consultants (acoustics, physicist, and commissioning); and to account for inflation.

Depending on the actual Scope of Work to be undertaken, the anticipated Total Project Budget to satisfy not only the “bricks and mortar” building requirements described above, but also the additional costs for (a) Professional Services, (b) Equipment and Furnishings, (c) Testing, Inspection, and Commissioning, (d) Administration & Financing, and (e) Inflation since 2016 could now be more than \$16 million. The dilemma seems to be attaching a defined Scope of Work to a defined Project Budget. The conundrum though is how to define the budget without a defined scope of work that is priced in the marketplace by those who could be doing the work. The approach to this conundrum for the sake of today’s discussions is to use a three-year-old marketplace price for construction as a benchmark for establishing various budget options to inform decisions about advancing the project.

## Budget Options

The various budget options presented in this Workshop report are

1. Update the 2016 GMP to account for inflation;
2. Update the 2016 GMP to account for inflation and add work that was previously deleted to achieve the budget target;
3. Update the 2016 GMP to account for inflation and include cost allowances for additional work that is needed now that was not included in the 2016 GMP;
4. Update the 2016 GMP to account for inflation, add work that was previously deleted to achieve the budget target, and include allowances for additional work that is needed now that was not included in the 2016 GMP; and
5. Update the 2016 GMP to account for inflation, add work that was previously deleted to achieve the budget target, include allowances for additional work that is needed now that was not included in the 2016 GMP, and make provisions for other items under consideration.



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**Benchmark Budget (9/15/16)**

Construction Cost	\$	7,350,000	
Professional Services	\$	965,584	
Equipment & Furnishings (including Low Voltage Systems)	\$	1,060,661	
Testing & Inspections	\$	142,846	
Administration & Financing	\$	369,224	
Contingency	\$	371,490	\$ 2,909,805
Inflation	\$	-	
<b>Total Benchmark Project Budget</b>	\$	<b>10,259,805</b>	

**Budget Option 1 (3 years of inflation)**

Construction Cost	\$	7,350,000
Professional Services	\$	965,584
Equipment & Furnishings (including Low Voltage Systems)	\$	1,060,661
Testing & Inspections	\$	142,846
Administration & Financing	\$	369,224
Contingency	\$	371,490
Inflation*	\$	1,385,791
<b>Total Option 1 Project Budget</b>	\$	<b>11,645,596</b>

\* Inflation calculated using 2 references: (1) R.S. Means Construction Cost Indexes and (2) Turner Building Cost Index applied to Total Project Cost  
 R.S. Means calculations result in an inflation cost of \$1,385,790 (used)  
 Turner Building Cost Index results in an inflation cost of \$1,579,738

**Budget Option 2 (3 years of inflation and VE items)**

<b>Previously Deleted Scope of Work VE Items (added back to Project)</b>	<b>Cost</b>
Site improvements north of hospital, including landscaping and Stormwater Pond #3	\$ 221,044
Heavy Duty Paving at Service Drive	\$ 75,000
Cable tray system for owner-supplied low voltage systems.	\$ 28,327
Curb & gutter at all locations.	\$ 60,194
Landscaping lighting allowance.	\$ 46,451
Brick pavers.	\$ 12,669
Signage and graphics allowance.	\$ 58,381
Additional landscaping to match project drawings.	\$ 17,947
Eliminate irrigation system at lawns. Irrigation system at planting areas will remain.	\$ 11,613
Plastic laminate counter tops in lieu of solid surface.	\$ 40,745
Field-formed roof panels in lieu of specified (Englert or similar).	\$ 40,312
Eliminate painting of existing facility.	\$ 15,836
Eliminate new mansard on existing facility.	\$ 53,208
Substitute asphalt paving for concrete at main entrance	\$ 14,760
Eliminate (2) automatic door operators (Corridor doors in Corr 190 & 203)	\$ 15,308
Eliminate corner guards in patient rooms	\$ 1,299
Site furnishings (benches & trash receptacles) by others	\$ 11,108
Delete chimney; reduce duct run for Decontamination Vent	\$ 10,557
Eliminate Patient Room alcoves	\$ 10,000
<b>Total</b>	<b>\$ 744,759</b>

Construction Cost	\$	7,350,000	
Professional Services	\$	965,584	
Equipment & Furnishings (including Low Voltage Systems)	\$	1,060,661	
Testing & Inspections	\$	142,846	
Administration & Financing	\$	369,224	
Contingency	\$	371,490	
Add VE Items Above	\$	744,759	\$ 11,004,564
Inflation (including inflation for VE items above)	\$	1,486,386	
<b>Total Option 2 Project Budget</b>	\$	<b>12,490,950</b>	

**Budget Option 3 (3 years of inflation and Allowances for Necessary Work that was Excluded)**

Previously Excluded Scope of Work that is Necessary (added back to Project)	Cost
Automatic doors at new entrances	\$ 62,000
Lead lined view windows and GWB	\$ 5,000
Additional Life Safety provisions	\$ 70,000
Additional general site lighting	\$ 70,000
Duplex water softening system	\$ 60,000
Additional consultants (Physicist, Acoustic, Commissioning, Special Inspections)	\$ 94,000
Construction Allowance (work to satisfy above requirements)	\$ 250,000
Enabling Projects and Infection Control	\$ 56,000
Provisions for new wind speed code requirements	\$ 200,000
Seamless vinyl floor in ER Treatment Room with integral base	\$ 20,000
<b>Total</b>	<b>\$ 887,000</b>

Construction Cost	\$ 7,350,000	
Professional Services	\$ 965,584	
Equipment & Furnishings (including Low Voltage Systems)	\$ 1,060,661	
Testing & Inspections	\$ 142,846	
Administration & Financing	\$ 369,224	
Contingency	\$ 371,490	
Add Necessary Work Items Above	\$ 887,000	\$ 11,146,805
Inflation (including inflation for Necessary Work items above)	\$ 1,505,598	
<b>Total Option 3 Project Budget</b>	<b>\$ 12,652,403</b>	

**Budget Option 4 (3 years of inflation, VE items, and other Necessary Work)**

Construction Cost	\$ 7,350,000	
Professional Services	\$ 965,584	
Equipment & Furnishings (including Low Voltage Systems)	\$ 1,060,661	
Testing & Inspections	\$ 142,846	
Administration & Financing	\$ 369,224	
Contingency	\$ 371,490	\$ 2,909,805
Add VE Items Above	\$ 744,759	
Add Necessary Work Items Above	\$ 887,000	\$ 11,891,564
Inflation (including VE items and Necessary Work items)	\$ 1,606,193	
<b>Total Option 1 Project Budget</b>	<b>\$ 13,497,757</b>	

**Budget Option 5 (same as above including Additional Items being considered)**

Additional Scope of Work Items being considered	Cost
Interior finish upgrades	\$ 67,000
Additional window treatment	\$ 20,000
Additional brick pavers	\$ 20,000
Additional landscaping and lighting	\$ 82,000
Additional building signage	\$ 70,000
ER headwall crash protection	\$ 3,000
Humidifiers	\$ 20,000
2nd veneer on wide doors	\$ 19,000
Structural provisions to allow demolition of existing hospital in the future	\$ 300,000
Endoscopy Suite to replace Mammography and Nuclear Medicine	\$ 180,000
Partial replacement of rooftop HVAC units	\$ 110,000
Partial replacement of deteriorated sanitary line in existing hospital	\$ 150,000
Emergency Generator to provide full facility service to existing hospital	\$ 350,000
Upgrade Nurse Stations & Reception/Registration Desk	\$ 47,000
Air conditioning upgrades to existing hospital	\$ 216,000
Re-feed 400 amp Kitchen panel	\$ 90,000
<b>Total</b>	<b>\$ 1,744,000</b>

Construction Cost	\$ 7,350,000	
Professional Services	\$ 965,584	
Equipment & Furnishings (including Low Voltage Systems)	\$ 1,060,661	
Testing & Inspections	\$ 142,846	
Administration & Financing	\$ 369,224	
Contingency	\$ 371,490	
Add VE Items Above	\$ 250,000	
Add Necessary Work Items Above	\$ 887,000	
Add Other Work Being Considered	\$ 1,744,000	\$ 13,140,805
Prof Serv, Equipmt & Furn, Testing & Insp, Financing, Contingency w/ above	\$ 493,726	
Inflation (including VE and Necessary Work only)	\$ 1,606,193	
<b>Total Option 5 Project Budget</b>	<b>\$ 16,984,724</b>	