

SUBMITTAL TO THE RIVERSIDE UNIVERSITY HEALTH  
SYSTEM MEDICAL CENTER GOVERNING BOARD  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

**Riverside  
University  
HEALTH SYSTEM  
Medical Center**

ITEM  
3.34  
(ID # 8350)

**MEETING DATE:**

Tuesday, December 11, 2018

**FROM :** RIVERSIDE UNIVERSITY HEALTH SYSTEM (RUHS):

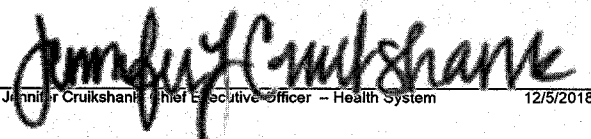
**SUBJECT:** RIVERSIDE UNIVERSITY HEALTH SYSTEM: Riverside University Health System Medical Office Building Fixtures, Furnishings and Equipment Project - California Environmental Quality Act Exempt, Approval of Financing, and Approval of the Preliminary Project Budget, District 5. [\$46,211,127 100% RUHS Enterprise Fund 40050]

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Approve in-principle the Riverside University Health System Medical Office Building Fixtures, Furnishings and Equipment (RUHS MOB FF&E) Project for inclusion on the Capital Improvement Program (CIP) project list;
2. Find that the Project is exempt from the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15378, Section 15301, Class 1 Existing Facilities Exemption, and Section 15061 (b)(3) "Common Sense" Exemption;
3. Approve a preliminary project budget not to exceed the amount of \$46,211,127 for the Project;

Continued on page 2

**ACTION:** Policy, CIP


  
Jennifer Cruikshank, Chief Executive Officer - Health System 12/5/2018

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**MINUTES OF THE GOVERNING BOARD**

On motion of Supervisor Washington, seconded by Supervisor Tavaglione and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Tavaglione, Washington, Perez and Ashley  
Nays: None  
Absent: None  
Date: December 11, 2018  
xc: RUHS, Purchasing

Kecia Harper-Ihem  
Clerk of the Board  
By:   
Deputy

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**FROM : RIVERSIDE UNIVERSITY HEALTH SYSTEM (RUHS):**

4. Authorize the use of financing not to exceed the amount of \$30,000,000 for the project;
5. Approve the extended warranty and related enhanced maintenance contracts associated with the purchase of the RUHS MOB equipment not to exceed the sum total amount of \$2,500,000 and authorize the Chairman of the Board to execute the agreements, subject to approval as to form by County Counsel;
6. Delegate project management authority for the Project to the Assistant County Executive Officer/ECD in accordance with applicable Board policies, including the authority to utilize consultants on the approved pre-qualified list for services in connection with the project, and are within the approved project budget; and
7. Authorize the Purchasing Department to execute consultant services agreements for consultants that have been pre-qualified for professional services up to \$100,000, per fiscal year, in accordance with applicable Board policies for this project.

<b>FINANCIAL DATA</b>	<b>Current Fiscal Year:</b>	<b>Next Fiscal Year:</b>	<b>Total Cost:</b>	<b>Ongoing Cost</b>
<b>COST</b>	\$ 1,000,000	\$ 45,211,127	\$ 46,211,127	\$ 0
<b>NET COUNTY COST</b>	\$ 0	\$ 0	\$ 0	\$ 0
<b>SOURCE OF FUNDS:</b> RUHS Enterprise Fund – 100%			<b>Budget Adjustment:</b> No	
			<b>For Fiscal Year:</b> 2018/19-2019/20	

**C.E.O. RECOMMENDATION:** [CEO use]

**BACKGROUND:**

**Summary**

On April 18, 2017 (Item 3.29), the Board of Supervisors (Board) approved the Ground Lease and Facilities Lease agreements necessary for the development of a new Medical Office Building (MOB) at 26520 Cactus Avenue in Moreno Valley. The planned MOB services will consist of Outpatient Health Clinics including Primary Care, Women's Health, Cardiology, Orthopedics, and Pediatrics; Surgery Clinic providing Outpatient Surgery, post-acute care unit (PACU)/23 Hour and Outpatient Diagnostics. In addition, a rehabilitation/gym, wellness center, lab, pharmacy and pavilion will also be a part of this new health care facility.

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On February 27, 2018 (Item 3.28), the Board approved the Professional Service Agreements for furniture and equipment design. The design of furnishings and equipment selection is complete and as committed to in Item 3.28, RUHS is now returning for approval of the Project budget and requesting approval to proceed with procurement.

The MOB medical equipment plan is an extensive plan covering the needs of the entire building including each floor, program, and room. The approximate allocation of the preliminary project budget is as follows:

<b>MOB FF&amp;E AND RELATED PROJECTS</b>	<b>CATEGORY</b>	<b>PROJECT BUDGET AMOUNT</b>
Project Management	5	300,000
Fixtures, Furnishings, Equipment	6	
Medical Equipment	6a	34,711,127
Medical Equipment Warranty and Service Contracts	6b	2,500,000
MOB Furniture	6c	5,000,000
Pavilion Café Furniture & Equipment	6d	500,000
Security and Office Equipment	6e	2,100,000
Other Soft Costs Including Move Management	7	1,100,000
Minor Construction	9	0
<b>Preliminary Project Budget</b>		<b>\$46,211,127</b>

The medical equipment budget includes the costs for key capital equipment including: magnetic resonance imaging (MRI) machine, general x-ray units, mammography x-ray units, C-arm x-ray units, radiography and fluoroscopy imaging machine (RNF), ultrasound machine, nuclear medicine computed tomography (CT), sterilizers, positron emission tomography (PET) CT scanner, cart washer, surgical lights with booms, and other necessary medical equipment. The preliminary medical equipment budget also includes the cost of freight, installation, inflation and an amount reserved for contingencies as recommended by the project designer. The budget for inflation is included due to the length of the time involved with this project and the recent price increases seen in medical equipment. The contingency budget is recommended in a project of this size due to unforeseen expenditures that may arise during the course of project as complex as the MOB.

To protect the county's investment in the medical equipment, extended warranties are highly recommended. The extended warranties have servicing and maintenance requirements in order for the warranty to remain in effect. The extended warranty and service contracts will help prolong the life of the medical equipment. The contracts are renewable annually for a maximum period of 5 years, at an estimated cumulative value of \$2.5 million. It is herein requested for the Chairman of the Board to be authorized to execute said service and maintenance contracts, provided they are within the approved budgeted amount.

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The preliminary budget for MOB furniture and Pavilion Café furniture and equipment reflects the estimated costs of furnishing the building with necessary office furniture separate from the specialized medical equipment discussed above. The preliminary budget also includes line items for security, office equipment, and move management. The move management budget of \$1.1m includes professional services to help open the facility including: facility activation services; workplace organization standard and initial setup of surgery sterile core, specialty exam rooms, clean supply rooms, and medication rooms; procurement and installation of medical equipment and furnishings; staff readiness; move coordination; and post occupancy activities.

To meet the FF&E installation dates within the MOB construction schedule, it is necessary to move forward with procurement starting no later than January 2019. It is intended to use Group Purchasing Organizations (GPO's) to ensure the proper bidding procedures are followed and best prices are achieved.

The RUHS MOB Project was previously found to not have a significant effect on the environment and the Board adopted a Mitigated Negative Declaration on April 18, 2017 (Item 3-29). Pursuant to CEQA, the current RUHS MOB FF&E project was reviewed and determined to be exempt from CEQA pursuant to State CEQA guidelines Section 15378, Section 15301, Class 1 – Existing facilities and Section 15061 (b) (3) – Common Sense Exemption. The procurement for the FF&E project is limited to the allocation of funding and the subsequent installation of furniture and equipment to facilitate completion of the RUHS MOB. The installation of furniture and equipment was previously analyzed under CEQA as part of the larger RUHS MOB project and no changes or new information would occur as a result of the current project. No expansion of use would occur and the project would not result in direct impacts to the physical environment or reasonably foreseeable indirect effects that would go beyond what was previously analyzed and approved under CEQA. Therefore, the project is exempt as the project meets the scope and intent of the Common Sense Exemption identified in Section 15061 (b)(3), Class 1 Categorical Exemption identified in Section 15301, and Section 15378. A Notice of Exemption will be filed by EDA staff with the County Clerk within five days of Board approval.

**Impact on Residents and Businesses**

The changing landscape of the health care in this country is driving many hospitals & health systems to explore outpatient alternatives in order to reduce costs and improve access, volume and revenue for the patients they serve. In the next 5 years, population estimates are expected to increase by 5%. Over this same time period, a shift in healthcare delivery is expected to decrease inpatient encounters while increasing outpatient encounters and emergent visits. When completed, the MOB project will provide patients with an improved and more efficient ability to access a complete array of outpatient services, thereby increasing the overall experience and enhanced health outcomes for those served. By providing these services in an outpatient setting, RUHS is able to deliver a higher quality of care in a much more cost effective environment.

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Additionally, this development also creates the opportunity for the expansion of much needed specialty care services within the hospital. This MOB will allow RUHS to expand its reach and footprint in the County of Riverside elevating the standard of health care delivery by providing the community the opportunity to receive the care they need in the most appropriate, efficient and cost effective manner, for the benefit of all.

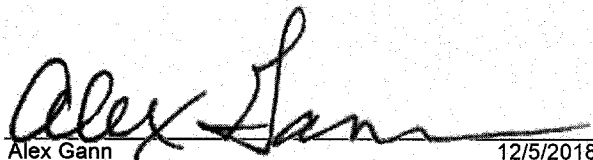
**Additional Fiscal Information**

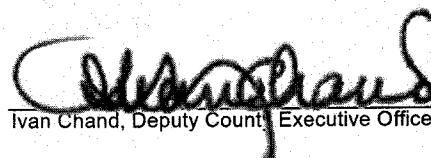
Expenditures for FY 2018/19 are estimated at \$1,000,000; expenditures for FY 2019/20 are estimated at \$45,211,127. The project will be paid through the RUHS Enterprise Fund 40050.


In order to accomplish the goals outlined above, RUHS has worked closely with the executive office to develop a plan to amortize the FF&E over the useful life of the assets so the medical center enterprise fund can recover them over time through their charges and reimbursements for services. Although RUHS will make every attempt to maximize cost recovery through the enterprise fund, additional county general fund support for the MOB costs may be necessary in the early years. The financing plan included in the motions would authorize RUHS to utilize the county line of credit with Banc of America Public Capital Corporation to finance capital assets included in the equipment plan in the not to exceed the amount of \$30,000,000. These items all have a minimum individual estimated cost of \$4,500 and a useful life greater than five years.

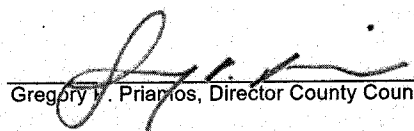
On July 31, 2018 (Item 3-31), the Board approved a competitively bid award for a county line of credit with the Banc of America Public Capital Corporation in the amount of \$50 million dollars. The award provides a financing mechanism for departments to finance capital asset purchases based on the useful life of the equipment. The financing of the equipment for the RUHS MOB can be provided through the Board approved line of credit. Additionally, a new separate line of credit specific for the MOB capital equipment purchases could be established pending Board approval. RUHS will make payments directly to Banc of America. The Debt Advisory Committee reviewed and approved this item on December 6, 2018.

RF:HM:VC:SP:RM;mg      RUHS General F11 for MOB Ancillary Projects      8350-13929  
S:\Project Management Office\FORM 11'S\Form 11's\_In Process\8350 - 13929\_D5 - RUHS Gen F11 - RUHS MOB Fund Establishment  
Proj - Approve Financing, Procure Furn&Equip, PrelimProjBdgt\_121118.doc

  
Alex Gann      12/5/2018

  
Ivan Chand, Deputy County Executive Officer      12/5/2018

  
Teresa Summers, Director of Purchasing      12/4/2018

  
Gregory V. Priamos, Director County Counsel      12/5/2018