



The Independent Citizens' Bond Oversight Committee

ICBOC Annual Report to the Community, 2017

March 2018

Dear Citizens:

It is my pleasure to present on behalf of the Grossmont Healthcare District (GHD) Independent Citizens' Bond Oversight Committee (ICBOC) its 2017 annual report detailing the progress of GHD's hospital construction bond program. This report shows the progress on the primary projects for 2017.

Proposition G, the \$247 million bond passed in 2006, has provided for the construction of new state-of-the-art hospital facilities and major modernizations which were proposed in the original bond authorization put before voters. By the end of 2017 nearly 92 percent of the original bond project money had been expended.

In 2017, the District received Notices of Completion on two of the major projects: Heart and Vascular (H&V) Center and Central Energy Plant (CEP), and started the final project under the bond measure, the H&V Level 1 Surgery Floor build-out. This last project provides an interesting collaboration. While GHD is working on its portion of the surgery floor, Sharp HealthCare is financing and constructing about \$55 million of improvements to existing H&V space. Both projects are under contract to Swinerton Construction and require close coordination.

At our last ICBOC meeting in 2017, it was noted that as this last project is scheduled for completion in 2018, **the end of the program is clearly in sight!**

When the GHD Board of Directors placed the General Obligation Bond proposal (Prop G) on the ballot, in addition to the listing of the projects to be covered, they included strict accountability requirements for the spending of the funds, including annual independent audits and public oversight through an independent citizens' oversight committee. Again this year, as in each year since the bond program's inception, GHD has earned top bond ratings and clean audits, confirming that all bond funds are being spent as directed by the voters.

As has always been the case, our meetings are open to anyone interested in attending. Transparency to the public is a top priority for the ICBOC. Detailed minutes from our full meetings and subcommittee meetings are available for your review, along with all other meeting documents, including schedules and agendas, annual reports, and annual independent auditors' reports at www.grossmonthealthcare.org/ICBOC/. We sincerely welcome your interest and encourage your participation in our efforts.

Glen Sparrow, ICBOC Chair



Heart & Vascular Center Exterior, 2017

Proposition G Timeline of Major Events

2006

Voters approve Prop. G by 77 percent; first ICBOC meeting held

2008

CCC construction continues; San Diego County Taxpayers Association recognized ICBOC as "an exemplary model of quality oversight"



2007

Construction begins on first project: Critical Care Center (CCC); General obligation (GO) bonds of \$85.6 million were sold



2009

CCC grand opening (project completed within budget)

Central Energy Plant (CEP)

The Central Energy Plant (CEP), visible from State Route 125, reached a milestone in 2017 with the filing of the Notice of Completion in May with the County of San Diego. With the CEP fully operational, the hospital is no longer solely reliant on the electrical power grid, now generating nearly 100 percent of its electricity on site. For decades into the future, the new CEP will save millions of dollars in energy costs and reduce the hospital's emission of greenhouse gas pollutants by 90 percent. Even in the event of an SDG&E outage or other emergency, the hospital will continue to operate as needed with its own energy source.

Also inside the three-story, 18,400-square-foot building is a cogeneration system paid for by Sharp Grossmont Hospital as part of a continuing partnership for the hospital's operation and management as part of a lease agreement with Sharp HealthCare. The public-private partnership for the cogeneration system was recognized by the San Diego County Taxpayers Association (SDCTA) as a finalist for a 2017 Golden Watchdog Award. The cogeneration system, named the "Brady Family Cogen" in honor of a donation from La Mesa residents Ron and Mary Alice Brady, utilizes a combustion turbine generator (CTG), similar in function to a spinning engine on a passenger jetliner.

In addition to electrical power, the 52-ton CTG produces heat converted to steam which is used to operate medical equipment and provide space heating and air conditioning, as well as hot and cold water to the hospital. Powered by natural gas, the CTG has a capacity to produce up to 4.4 megawatts of electricity, more than the hospital's current need of about 3.2 megawatts. Inside of the new plant are boilers, chillers, cooling towers and auxiliary systems; it has a state-of-the-art control room that monitors the heating and refrigeration equipment, medical air and vacuum pumps. The CEP is changing the way the hospital functions as it supports new sustainable and cost-effective methods for everyday operations. This CEP was designed to allow for future growth and expansion of the hospital. By increasing efficiency, the CEP will undoubtedly increase the hospital's potential.



New H&V Center Pharmacy, opened and began serving patients in 2016

Heart & Vascular Center

The Heart & Vascular (H&V) Center is located on the east side of the hospital campus. It adjoins the hospital's existing operating rooms and cardiac catheterization labs. When fully occupied, the H&V will transform the hospital's capacity to treat heart diseases and other vascular conditions. In April 2017, a Notice of Completion was filed with the County of San Diego for the \$61.6 million construction work on the 71,000-square-foot building. Within the facility, construction work continued in 2017 on the Level 1 Surgery Floor build-out (see next section for more details). Full occupancy of the H&V will occur with the completion of the build-out. Also within the building, a new expanded pharmacy and laboratory, which opened in March 2016, continue to serve patients. The H&V's 6,700-square-foot pharmacy replaced the hospital's existing 3,100-square-foot pharmacy.

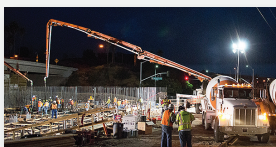
Proposition G Timeline (continued)

2010

Performance audit indicated Prop. G processes were well managed

2012

State regulators approve CEP plans. East Tower work begins. New loading dock construction begins



2011

A second round of GO bonds \$136,860,000 were sold; exterior utilities relocation began

2013

H&V Center groundbreaking ceremony. CEP foundation poured; CEP combustion turbine generator delivered; Ring Road utility relocation completed

Heart and Vascular Center *(continued)*

The H&V's new 13,000-square-foot laboratory provides a smoother workflow resulting in greater capacity and a quicker turnaround time for specimen examination and processing. The new large refrigerator equipment with a capacity of 26,000 test tubes permits the hospital to double the storage time of most specimens.

H&V Level 1 Surgery Floor Build-out

In addition to the H&V Center, Prop G funds have been allocated for construction of the H&V's Level 1 Surgery Floor. The construction, referred to as a build-out, formally began in February 2017 following a Notice to Proceed to San Diego-based Swinerton Builders. The \$10.2 million contract, awarded in December 2016, includes the construction of four new cardiac catheterization labs and four multi-purpose procedural rooms that will support a wide range of surgeries, including general, open-heart, minimally invasive and image-guided procedures, as well as various endovascular interventional surgeries. The \$10.2 million contract is roughly \$1.7 million below initial estimates for the construction. The project represents the final construction contract for voter-approved Prop G projects. The Grossmont Hospital Foundation has also raised funds for the equipment. Completion of construction is scheduled for Summer 2018. Licensing approval from the California Office of Statewide Health Planning and Development is expected to occur in late 2018. Simultaneously to the Prop G-financed H&V build-out construction, Sharp HealthCare is paying for additional H&V construction featuring eight new procedure rooms, including a post-anesthesia care unit (PACU). Completion of Sharp's in-fill construction is scheduled for 2019. When completed, the surgery floor will feature state-of-the-art medical equipment valued at more than \$11 million.



Multi-purpose procedural rooms within H&V Center Level 1 Surgery Floor build-out, expected for completion in 2018

Health Occupations Training Center

Among the projects included in the Prop G ballot measure was land acquisition and construction of a healthcare educational facility, which later became known as the Health Occupations Training Center (HOTC). Plans called for the HOTC to feature space for the training of future generations of healthcare professionals. However, three years ago, GHD board members voted to discontinue plans for the HOTC due to the adequacy of existing community facilities that could be used for similar training and lack of a committed allied health training educational partner. The GHD board then committed the funds, roughly \$7.5 million, to assist with completing other Prop G projects. ICBOC has been briefed with regular updates by legal counsel, and the GHD board has transferred the uncommitted dollars, roughly \$7.5 million, to the contingency line item in the budget to ensure adequate support for anticipated increases in labor and material costs on other Prop G projects.

Proposition G Timeline *(continued)*

2014

Voters approved Prop. H to extend hospital lease with Sharp HealthCare until 2051; H&V topping-off ceremony; Loading dock to serve entire hospital completed

2016

Completion of CEP and H&V Center shell



2018

Planned completion of H&V Surgery Floor



2015

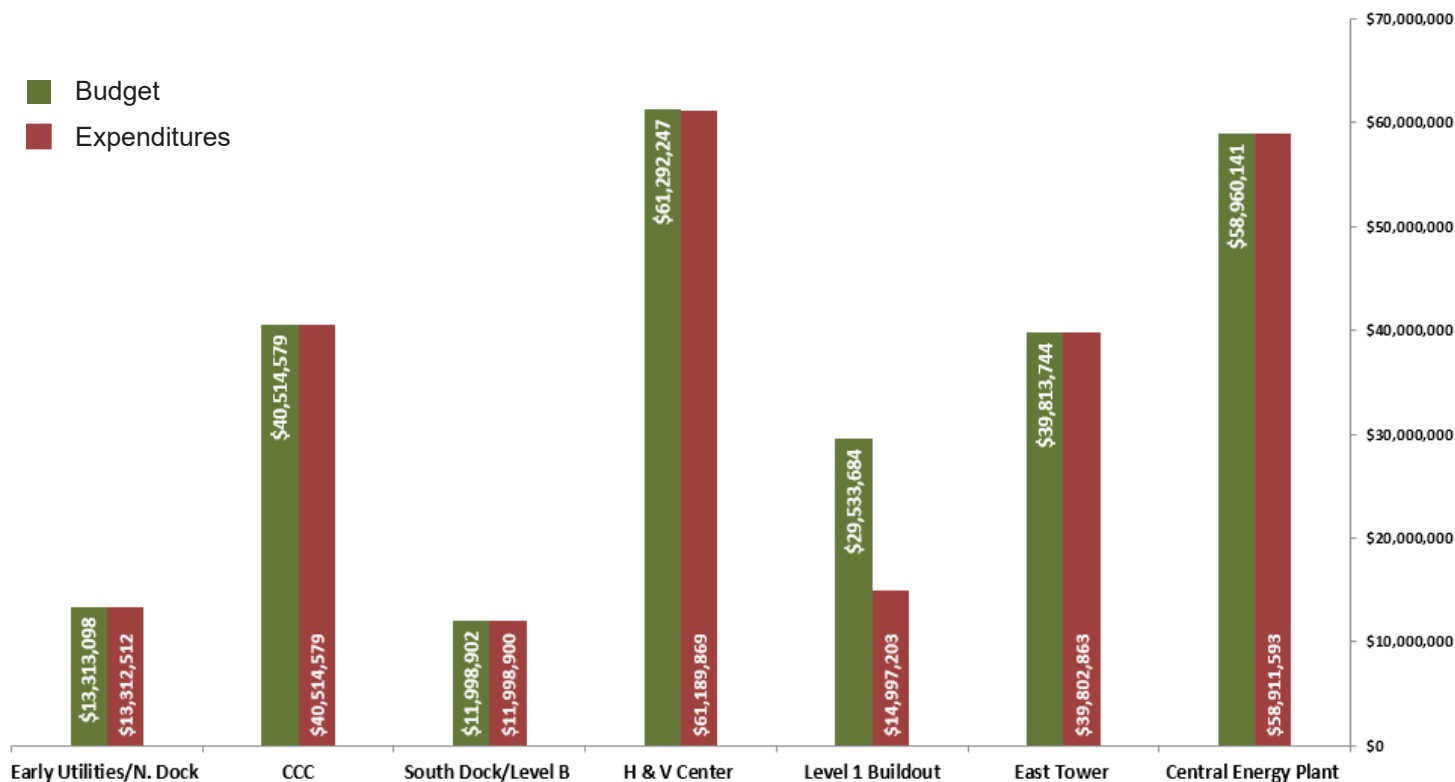
A final round of GO bonds, \$24.5 million were sold; East Tower floors completed

2017

Build-out of H&V Surgery Floor; Notices of Completion received for CEP and H&V shell

Prop G Expenditures

Prop G-Grossmont Hospital Projects Expenditures to date through December 31, 2017



Your ICBOC Members, 2017

Glen Sparrow, ICBOC Chair, retired San Diego State University professor, representing the San Diego County Taxpayers Association

Jeffrey A. Olson, ICBOC Vice Chair, division chief of assessment services, San Diego County Assessor's Office, representing Grossmont Hospital Foundation and Auxiliary

Kathleen Bute, retired financial policy and planning officer, County of San Diego, representing finance

Charles R. Fouquette, retired construction industry supervisor, representing construction operations

Kenneth D. Lavigne, safety instructor, International Brotherhood of Electrical Workers, Local 569, representing the San Diego and Imperial Counties Labor Council

James D. Maletic, owner and president, James D. Maletic Construction Management Services, representing construction operations and private business

Sandy Pugliese, community relations manager, Sharp Grossmont Hospital, representing Sharp Grossmont Hospital executive management

Lindsey Ryan, registered nurse, manager of nursing education and professional development, Sharp Grossmont Hospital, representing Sharp Grossmont Hospital professional staff

James Sly, VP/COO, San Diego East County Economic Development Council, representing project management

Jimmy L. Parker, CPA, Jimmy L. Parker, A Professional Corporation, representing finance



Pictured: (top, left to right): Charles R. Fouquette, Kenneth D. Lavigne, Kathleen Bute, James Sly
(bottom, left to right): Sandy Pugliese, Jeffrey A. Olson, Glen Sparrow, Lindsey Ryan
Not Pictured: James D. Maletic, Jimmy L. Parker

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For meetings and updates:
www.grossmonthealthcare.org

STATEMENT OF COMPLIANCE

This 2017 Annual Report is submitted to the taxpayers and residents of San Diego's East County region and the Board of Directors of the Grossmont Healthcare District by the Proposition G Independent Citizens' Bond Oversight Committee (ICBOC). To the best of our knowledge, it is the Committee's belief that the Grossmont Healthcare District Board of Directors have faithfully expended authorized bond revenues for the intended purposes in compliance with the requirements specified in Prop. G and California state law. All ICBOC meetings are open to the public and are conducted in accordance with provisions of the Ralph M. Brown Open Meeting Act. The public is invited to attend the meetings. All meeting notices, agendas, bylaws, minutes and relevant documents and reports received by the Committee, as well as activities of the Committee, are a matter of public record and are available at: www.grossmonthealthcare.org/ICBOC