



April 17, 2025

TO: Legal Counsel

News Media

Salinas Californian

El Sol

Monterey County Herald

Monterey County Weekly

KION-TV

KSBW-TV/ABC Central Coast

KSMS/Entravision-TV

The next regular meeting of the **FINANCE COMMITTEE - COMMITTEE OF THE WHOLE** of **SALINAS VALLEY HEALTH**¹ will be held **MONDAY, APRIL 21, 2025, AT 4:00 P.M., DOWNING RESOURCE CENTER, ROOMS A, B, & C, SALINAS VALLEY HEALTH MEDICAL CENTER, 450 E. ROMIE LANE, SALINAS, CALIFORNIA.**

(For Public Access Information Visit <https://www.salinasvalleyhealth.com/about-us/healthcare-district-information-reports/board-of-directors/board-committee-meetings-virtual-link/>.)

A handwritten signature in black ink, appearing to read "Allen Radner", is positioned above the printed name.

Allen Radner, MD

President/Chief Executive Officer

Committee Voting Members: **Victor Rey, Jr.**, Chair, **Joel Hernandez Laguna**, Vice-Chair, **Allen Radner, MD**, President/CEO; **Augustine Lopez**, Chief Financial Officer; and **Tarun Bajaj, M.D.**, Medical Staff Member.

Advisory Non-Voting Members: Sanjeev Tandon, Community Members, Administrative Executive Team.

**FINANCE COMMITTEE
COMMITTEE OF THE WHOLE
SALINAS VALLEY HEALTH¹**

**MONDAY, APRIL 21, 2025, 4:00 P.M.
DOWNING RESOURCE CENTER, ROOMS A, B & C**

**Salinas Valley Health Medical Center
450 E. Romie Lane, Salinas, California**

(Visit SalinasValleyHealth.com/virtualboardmeeting for Public Access Information)

AGENDA

1. Call to Order / Roll Call

2. Public Comment

This opportunity is provided for members of the public to make a brief statement, not to exceed three (3) minutes, on issues or concerns within the jurisdiction of this District Board, which are otherwise covered under an item on this agenda.

3. Approve Minutes of the Finance Committee Meeting of March 24, 2025 (REY)

- Motion/Second
- Public Comment
- Action by Committee/Roll Call Vote

4. Consider Recommendation for Board Approval of Purchase of Two (2) Canon X-ray Units and Service Agreement from Canon for Salinas Valley Health Clinics Imaging Services (ALBERT)

- Staff Report
- Committee Questions to Staff
- Public Comment
- Committee Discussion/Deliberation
- Motion/Second
- Action by Committee/Roll Call Vote

5. Consider Recommendation for Board Approval of Award Contract to C. Overaa & Co. for the Seismic Compliance Project (MILLER/McCOY)

- Staff Report
- Committee Questions to Staff
- Public Comment
- Committee Discussion/Deliberation
- Motion/Second
- Action by Committee/Roll Call Vote

¹Salinas Valley Memorial Healthcare System operating as Salinas Valley Health

6. Consent Agenda Items for Approval (Lease Amendments):
 - Fifth Amendment to Lease for 345 Abbott Street, Salinas (Accounting Office)
 - First Amendment to Lease for 250 San Jose Street, Salinas (SVH Clinics-OB/GYN Clinic) (RAY)
 - Staff Report
 - Committee Questions to Staff
 - Public Comment
 - Committee Discussion/Deliberation
 - Motion/Second
 - Action by Committee/Roll Call Vote
7. Closed Session
8. Reconvene Open Session
9. Consider Recommendation for Board Approval of Contract Terms and Conditions for Services Agreement Between Salinas Valley Health and Prinnovo, LLC (RADNER/ALBERT/RAY)
 - Staff Report
 - Committee Questions to Staff
 - Public Comment
 - Committee Discussion/Deliberation
 - Motion/Second
 - Action by Committee/Roll Call Vote
10. Financial and Statistical Review (LOPEZ)
11. Review Balanced Scorecard (LOPEZ)
12. Adjournment

The next Finance Committee Meeting is scheduled for **Monday, May 19, 2025** at 4:00 p.m.

¹Salinas Valley Memorial Healthcare System operating as Salinas Valley Health

This Committee meeting may be attended by Board Members who do not sit on this Committee. In the event that a quorum of the entire Board is present, this Committee shall act as a Committee of the Whole. In either case, any item acted upon by the Committee or the Committee of the Whole will require consideration and action by the full Board of Directors as a prerequisite to its legal enactment.

The Salinas Valley Health (SVH) Board packet is available at the Board Meeting, electronically at <https://www.salinavalleyhealth.com/about-/healthcare-district-information-reports/board-of-directors/meeting-agendas-packets/2025/>, and in the SVH Human Resources Department located at 611 Abbott Street, Suite 201, Salinas, California, 93901. All items appearing on the agenda are subject to action by the SVH Board.

Requests for a disability related modification or accommodation, including auxiliary aids or Spanish translation services, in order to attend or participate in-person at a meeting, need to be made to the Board Clerk during regular business hours at 831-759-3050 at least forty-eight (48) hours prior to the posted time for the meeting in order to enable the District to make reasonable accommodations.

**FINANCE COMMITTEE MEETING
COMMITTEE OF THE WHOLE
SALINAS VALLEY HEALTH**

AGENDA FOR CLOSED SESSION

Pursuant to California Government Code Section 54954.2 and 54954.5, the board agenda may describe closed session agenda items as provided below. No legislative body or elected official shall be in violation of Section 54954.2 or 54956 if the closed session items are described in substantial compliance with Section 54954.5 of the Government Code.

CLOSED SESSION AGENDA ITEMS

REPORT INVOLVING TRADE SECRET

(Government Code §37606 & Health and Safety Code § 32106)

Discussion will concern: (Specify whether discussion will concern proposed new service, program, or facility): Trade secrets, strategic planning/proposed new programs and services

Estimated date of public disclosure: (Specify month and year): Unknown

ADJOURN TO OPEN SESSION

CALL TO ORDER
ROLL CALL

(Chair to call the meeting to order)

PUBLIC COMMENT

DRAFT SALINAS VALLEY HEALTH¹
FINANCE COMMITTEE
COMMITTEE OF THE WHOLE
MEETING MINUTES MARCH 24, 2025

Committee Member Attendance:

Voting Members Present: **Victor Rey, Jr.**, Chair, **Allen Radner, M.D.**, President/CEO, **Tarun Bajaj, M.D.**, Medical Staff Member.

Voting Members Absent: **Joel Hernandez Laguna**, Vice-Chair, and **Augustine Lopez**, CFO.

Advisory Non-Voting Members Present:

In person: Alysha Hyland, CAO, and Clement Miller, COO.

Other Board Members Present, Constituting Committee of the Whole:

Via teleconference: Rolando Cabrera, M.D., and Catherine Carson.

1. CALL TO ORDER/ROLL CALL

A quorum was present and Chair Victor Rey, Jr., called the meeting to order at 12:02 p.m. in the Downing Resource Center, Rooms A, B, and C. Chair Rey announced that the originally agendaized item for closed session has been removed and therefore no closed session will take place.

2. PUBLIC COMMENT:

None.

3. MINUTES OF THE FINANCE COMMITTEE FEBRUARY 24, 2025

Approve the minutes of the February 24, 2025 Finance Committee meeting. The information was included in the Committee packet.

COMMITTEE MEMBER DISCUSSION: None.

PUBLIC COMMENT: None.

MOTION:

Upon motion by Committee Member Dr. Radner, and second by Committee Member Dr. Bajaj the minutes of the February 24, 2025 Finance Committee were approved as presented.

ROLL CALL VOTE:

Ayes: Chair Rey, Dr. Bajaj, Dr. Radner;

Nays: None;

Abstentions: None;

Absent: Vice-Chair Hernandez Laguna and Lopez.

Motion Carried

4. CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF PROJECT BUDGET AND EQUIPMENT PROCUREMENT FOR EQUIPMENT IN

¹Salinas Valley Memorial Healthcare System operating as Salinas Valley Health

CONJUNCTION WITH THE LABOR DELIVERY AND RECOVERY ROOMS PROJECT

Clement Miller, COO, and Bradley McCoy, Vice President of Facilities, Construction and Real Estate, reported that the current birthing lights operational within the ten LDRP rooms on the medical center's second level are thirty-three years old and at end of useful life. Current project planning contemplates removal and replacement of light systems in all rooms in a phased approach to minimize operational impacts to the department. All planned renovations require plan approval and building permits from California's Department of Health Care Access and Information (HCAI).

A full report was included in the packet.

COMMITTEE MEMBER DISCUSSION: None.

PUBLIC COMMENT: None.

MOTION:

Upon motion by Committee Member Dr. Bajaj, and second by Committee Member Dr. Radner, the Finance Committee recommends Board of Directors approval of the overall project budget for Labor Delivery and Recovery Room Light Replacement Project in the amount of \$625,000. In addition, the Finance Committee recommends approving the award of the Skytron birthing light fixtures to JM Keckler, in the amount of \$156,237, as presented.

ROLL CALL VOTE:

Ayes: Chair Rey, Dr. Bajaj, Dr. Radner;

Nays: None;

Abstentions: None;

Absent: Vice-Chair Hernandez Laguna and Lopez.

Motion Carried

5. CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF PROJECT BUDGET(S) TO CREATE TRAINING FACILITIES IN SUPPORT OF THE EPIC PLATFORM ROLL OUT

Clement Miller, COO, reported that Salinas Valley Health has committed to deploying the EPIC platform of management and administration tools in the coming months and years. The commitment requires significant training of all staff to assure efficient and competent utilization of the newly adopted program elements. Existing conference facilities are routinely booked to capacity. Taking existing facilities away from general use to accommodate a slate of full-day Epic training sessions creates an operational challenge. We are proposing to create two new 'stand-alone' conference/training facility buildouts, one in the Garage Annex basement, one at 5 Lower Ragsdale.

The garage Annex project (CIP 01.1250.3915) patterns the new development after the DRC's existing 3-chamber conference rooms A/B/C. The new training room will include full height motorized folding partitions to create 3 individual training chambers that can retract to reestablish the larger single chamber. Video-conferencing equipment will be installed to allow remote engagement. Included in this buildout is the creation of a men's/women's bathroom 'core' off the currently improved hallway near the new elevator, those toilet facilities will also support future

occupancies once the balance of the unfinished basement is developed. The budget allocation for this component is \$1,950,000.

The Ryan Ranch project (CIP 01.1250.3880) takes a portion of the existing VNA tenant space and demises it from the VNA tenancy with a full height wall to become a single training room, also with remote video engagement potential. Work associated with this project includes relocating individuals that currently occupy offices and cubicles within the training room footprint and the preparations needed to accommodate the various personnel moves out of the subject area. These facilities are targeted for completion in late June/Early July 2025 to align with the training schedule established by the training staff. The budget allocation for this component is \$940,000.00 The total requested budget allocation for both projects is \$2,890,000.00.

A full report was included in the packet.

COMMITTEE MEMBER DISCUSSION: After the Epic rollout, the space will be used for additional computer training and meetings.

PUBLIC COMMENT: None.

MOTION:

Upon motion by Committee Member Dr. Bajaj, and second by Committee Member Dr. Radner, the Finance Committee recommends the Board of Directors approve the total estimated Project Budget(s) to create Training facilities in support of the EPIC platform roll out in the amount of \$2,890,000.00

ROLL CALL VOTE:

Ayes: Chair Rey, Dr. Bajaj, Dr. Radner;

Nays: None;

Abstentions: None;

Absent: Vice-Chair Hernandez Laguna and Lopez.

Motion Carried

6. FINANCIAL PERFORMANCE REVIEW

An update was received from Scott Cleveland, Controller, on the Financial Performance Review for the month of February 2025. Highlights included Income from Operations \$0.7M, Net Income \$7M, and Days Cash on Hand of 364.

A full report including the February Summary Financials, Financial Statements, Budget Comparison, and Statistics was included in the packet for review.

COMMITTEE MEMBER DISCUSSION: None.

7. BALANCED SCORECARD

Scott Cleveland, Controller, provided a review of the Balanced Scorecard Summary for FY2025 year-to-date (through January), with metrics and progress, with input from Lilia Meraz Gottfried/Director Clinical Development, Aisha Heubner/Director Perioperative Services, Clement Miller/COO (for Cath Lab) and Tiffany DiTullio/CAO Community Wellness.

COMMITTEE MEMBER DISCUSSION: *Quality and Safety Processes Pillar:* Numbers are up for ER efficiencies. The OR is addressing 1st Case starts, patient in room to incision and room turnover. The Cath lab numbers for February were above 90%. All these goals are expected to finish the year achieving targets. *Growth Pillar:* There will be movement on the performance due to initiation of familial genetic testing for non-breast cancers and implementation of external telehealth services in the SVH Clinics. *Community Pillar:* Two community engagement events have been completed with two more scheduled for March (Marina) and April (Castroville) finishing the year achieving targets.

8. ADJOURNMENT

There being no other business, the meeting was adjourned at 12:27 p.m. The next Finance Committee Meeting is scheduled for **Monday, April 21, 2025.**

Victor Rey, Jr., Chair

Board Paper: Finance Committee

Agenda Item: Consider Recommendation for Board Approval of Purchase of Two (2) Canon X-ray Units and Service Agreement From Canon for Salinas Valley Health Clinics Imaging Services

Executive Sponsor: Timothy Albert, MD, MHCM, Chief Clinical Officer

Date: April 21, 2025

Executive Summary

We are requesting the replacement of our current radiologic equipment, which has reached the end of its operational lifespan. Given the ongoing operational challenges, we have an increase in maintenance issues; often times experiencing difficulty finding parts and an increase in our X-ray room downtime.

The current units are also equipped with outdated technology and lack of ergonomic features, which can result in significant challenges for technologists and patients. The new equipment will allow us to achieve our high standards for patient and staff experiences.

Timeline/Review Process to Date:

March 2025: Received quotes for consideration

April 2025: Request for purchase

June 2025: Anticipated Implementation

Strategic Plan Alignment:

In order to serve our patients efficiently providing timely, high quality care, the new equipment ensures we may provide quality images, ergonomic work environment and that the department can function at full capacity and meet patient demand.

Pillar/Goal Alignment:

☒ Service ☐ People ☒ Quality ☐ Finance ☒ Growth ☐ Community

Financial/Quality/Safety/Regulatory Implications:

Key Contract Terms	Vendor: Canon Medical Systems USA, Inc.
1. Proposed effective date	May 1, 2025
2. Service Agreement Term	Sixty (60) month service agreement, \$280,790 or \$56,158 annually
3. Renewal terms	One-time purchase of Equipment; Renewable Service Agreement
4. Payment Terms	Cash – 0% down payment, 80% upon shipment net 45 days, 20% net 30 days upon completion of installation and / or availability for first use, whichever is earlier.
5. Annual cost	One-time purchase Omnera – 500A \$506,046 for the purchase of two X-ray units inclusive of tax

	Annual monthly service fee \$56,158
6. Budgeted (indicate y/n)	Yes

Recommendation Salinas Valley Health Administration requests the SVH Board of Directors to approve the terms presented for purchasing the X-ray equipment for Salinas Valley Health Imaging from Canon in the amount of \$506,046 and for a sixty month service agreement in the amount of \$280,790.

Board Paper: Finance Committee

Agenda Item: Consider Recommendation for Board Approval to Award Contract to C. Overaa & Co. for the Seismic Compliance Project.

Executive Sponsor: Clement Miller, Chief Operating Officer
Brad McCoy, Vice President Facilities Construction & Real Estate

Date: April 21, 2025

Executive Summary

Senate Bill 1953 (SB1953) requires all acute care hospitals that wish to remain in operation beyond January 1, 2030, to meet specific structural (SPC) and non-structural (NPC) rating. Retrofit will be required to certain elements of the hospital to meet rating requirements to remain in operation. The goal of SB1953 is to help ensure that hospital buildings are not only capable of remaining intact after a seismic event, but also capable of continued operations and can provide acute care medical services after a seismic event. C. Overaa & Co. (Overaa) is the selected Design Build Entity that will be tasked to evaluate, design, secure permit(s) (Design & Preconstruction Services) and as part of a subsequent effort will provide a Guaranteed Maximum Price (GMP) for the actual construction/retrofit work (Construction Services). The total estimated cost of Seismic Compliance Project is \$62,500,000. Contract for the Design Build Entity to perform Design & Preconstruction Services is included in the estimated project cost with a contract value of \$9,075,727.00. Bogard Construction will be SVH's representative and Kitchell CEM will be the construction manager and oversee all activities.

Background/Situation/Rationale

The Seismic Compliance Project is set to address various structural and non-structural deficiencies in the existing main hospital, which will remain operational during all renovation work. The Project is subject to HCAI 1 jurisdiction and includes the following:

1. Seismic Retrofit of Buildings 1 and 2 (SPC). Seismic retrofit of existing buildings for compliance with SPD-4D includes external strengthening around the main tower, external buttress structure and connections to roof structure around building 2, selective wall reinforcements around main tower (shear walls), pediatric addition reinforcement (3rd floor exterior shear walls and roof connection), rehab addition reinforcement (4th floor exterior shear wall and roof connection), elevator tower addition mitigation, miscellaneous localized interventions including increasing building seismic separation.
2. Non-structural Performance Category (NPC) resolution. Work includes the completion of evaluation and inventory of non-structural elements, and the development of compliance documents required for acute care facilities. Current planning desires NPC-4 or NPC-4D Level 1 compliance for areas permitted to be deferred in the Article 11 of the CBC 2019. The nonstructural performance evaluation shall require the Design Build Entity in collaboration with others to examine the respective critical nonstructural systems including fire sprinkler systems and elements for the planned NPC as specified in Table 11.1, "Nonstructural Performance Categories". Elements found to be deficient will be retrofitted accordingly to meet current seismic requirements.

In addition, project will design and incorporate needed elements to meet NPC-5 compliance which will require planning, design and installation of multiple emergency water supply underground tanks, liquid waste and sewage storage underground tanks and upsizing of the existing fuel tank for the emergency generator to maintain electrical power capacity to supply 72 hours of power. Multiple locations for underground tanks will be required due to various points of connection to utility purveyors on campus.

3. Replacement of Rotary UPS Building (Building 17). Building 17 is approximately 475 square-foot building located on the rear of the hospital campus adjacent to the hospital's maintenance yard. Building is scheduled to be demolished and or rebuilt as building in its current state would require extensive repairs to meet current seismic requirements. As such, critical services currently housed within building will be relocated to aid in the reconstruction of building (meeting current building requirements) and or to allow the decommissioning and removal of the building from inventory.

The Project in its entirety will be delivered via Progressive Design-Build delivery method. The Administration selected the Design-Build procurement method for delivery of the Seismic Compliance Project for its many benefits among which is generally a more streamline design and fast-track construction process. Unlike a traditional Design, Bid, Build (DBB), the Design-Build model allows for a single contract where the contractor and design team work together as a single entity leveraging the experience of each to deliver the best possible project given a certain set of parameters.

Design Build Entity scope of work will be proceeding under two phases:

Phase 1: Design and Preconstruction Services

- a. Completing evaluation of existing building components as it relates to the non-structural performance category (NPC) effort to comply with Senate Bill (SB1953). The effort includes evaluation of all seismic anchorage or bracing of non-structural items in five seismically separated buildings as well as source equipment within critical care areas and preparing/assembling NPC-4 and NPC-4D self-declaration packages.
- b. Develop construction documents on or before the HCAI deadline of March 1, 2026, and obtain necessary permits. In addition, provide construction administration services for the anchorage of equipment as required to obtain NPC-4 and NPC-4D compliance to meet Title 24 requirements.
- c. Develop construction documents and obtain permit the enlargement of the seismic joint between the Dietary Building and the Original Building. Once permitted, provide construction administration services to support.
- d. Complete construction documents for Buildings 1 & 2 following HCAI SCU approval of proposed retrofit to achieve SPC-4D upgrade for both buildings.
- e. Complete structural analysis with assistance from SEOR to determine alternate means of compliance for Rotary UPS building (Building 17). The alternative approach will take into consideration request to minimize the impact to the currently operating equipment within the building.
- f. Develop construction documents for required additions (water, wastewater, and fuel tanks) to campus to obtain NPC-5 compliance.
- g. At the conclusion of the validation stage, the schematic design documents will be completed, and the Design Build Entity will prepare and submit its Guaranteed Maximum Price (GMP) and project schedule. If Salinas Valley Health and the Design Build Entity are unable to agree to the GMP and project schedule, SVH will have the option to terminate the contract for convenience and all work product developed during the validation state will be SVH's property. If a termination were to occur, SVH may take any of the following actions: (i) Solicit proposals to complete the project from firms that submitted statement of qualifications; (ii) Upon written determination that it is in the best interest of SVH, formally solicit proposal from other Design-Build Entities, and contract award shall be made on the best value basis; or (iii) Take assignment of the design services, complete the design and bid the project.

Phase 2: Construction Services

- a. Following approval of GMP by Salinas Valley Health developed in Phase 1 – agreement to project cost and delivery schedule, Design Build Entity will begin to procure remaining subcontractors who have a contract value exceeding ½ of 1 percent of the cost of the construction work included in the GMP and that were not listed in RFQ Part 1.
- b. Mobilize and set-up facilities to begin the actual work.
- c. Completing the actual work within the stipulated schedule.

Timeline/Review Process to Date:

In accordance with Public Contract Code, the Administration followed a two-step process for selection of the Design Build Entity. The first step began on June 5, 2024, with the issuance of a Request for Qualifications (RFQ) with a subsequent reissuance of "RFQ Part 1" on October 18, 2024. Outreach efforts included direct contact by Kitchell to (26) local/semi-local design build/contractors. Attendance to non-mandatory prequalification conference was attended by five Design Build Entities. On November 15, 2024, the Administration received submissions in response to the RFQ Part 1 from three firms (C. Overaa & Co.; Charles Pankow Builders; Swinerton Builders). The RFQ's were review by committee and using best value scoring criteria and scoring matrix determined that all three met the criteria as such would be given the opportunity to proceed onto the next step and provide a formal proposal for the project. The Request for Qualifications – Part 2 ("RFQ Part 2") was released on December 20, 2024, and proposals were received on February 26, 2025. During the RFQ Part 2 process, two of the three prequalified firms informed the Administration of their intent to not continue the pursuit leaving a single interested Design Build Entity (C. Overaa & Co.). The RFQ Part 2 selection committee conducted an interview with C. Overaa & Co. Design Build Team to help clarify and confirm understanding of the project requirements and approach. The Administration then proceed to negotiate with C. Overaa

& Co. to provide Design and Preconstruction Services and under a future amendment will negotiate the Construction Services portion of the project with establishment of the Guaranteed Maximum Price (GMP) for project construction work.

Upon Board approval and execution of the Design Build agreement, selected Design Build team will proceed with completing the design documents necessary to acquire the regulatory approvals and permits from the local jurisdictions and agencies. The design and permitting process is expected to be completed by June 2026 for NPC (non-structural) scope and for the SPC (structural) scope by September 2026.

Construction of the project is anticipated to commence in mid-2026 and be complete by mid-to-end of calendar year 2027 as all work will be phased to minimize disruptions to hospital operations. Make ready work, which includes relocation of IT infrastructure in Building 17, Fire Sprinkler retrofit, and NPC-5 related tanks may begin as early as the start of Q2 of 2026. This work is a precursor to the start of construction for the larger Seismic Retrofit work anticipated to begin in mid-2026.

All work will be part of CIP #01.1250.3273

Meeting our Mission, Vision, Goals

It is the mission of Salinas Valley Health (SVH) to provide quality healthcare to our patients and to improve the health and well-being of our community.

Pillar/Goal Alignment:

☒ Service ☐ People ☒ Quality ☒ Finance ☒ Growth ☒ Community

Financial Implications

The essential terms of the proposed Design Build Agreement (Seismic Compliance Project) are as follows:

- *Phase 1: Design & Preconstruction Services: \$9,075,727.00 (includes \$447,591 for additional services that may be required to complete SB1953 compliance efforts).*
- *Phase 2: Construction Services: \$Via Future Amendment (establishment of the Guaranteed Maximum Price).*
TOTAL NOT-TO-EXCEED AMOUNT: \$9,075,727.00

Cost for Phase 1: Design (architectural and engineering) Services and Preconstruction Services is included within the budgeted line titled "Design Builder – Design & Preconstruction Services" with a current uncommitted budget balance of \$9,464,419. Approval of this agreement would commit \$9,075,727 and leave a balance of \$388,692 within this budget line. See Attachment #2 for budget breakdown and anticipated cashflow.

Phase 2: Construction Services budget and cost will be reconciled at the time of establishment of the Guaranteed Maximum Price. Establishment of GMP is expected in Q1 2026.

Total Project Budget: \$62,500,000.00

Schedule/Milestones:

- March 1, 2026: Complete drawing package and submittal to HCAI (NPC deadline).
- January 1, 2028: Obtain building permit for NPC scope of work (NPC deadline).
- January 1, 2030: Complete all construction for both SPC & NPC scope of work.

Budget: Current Seismic Retrofit project cost estimate is \$62,500,000, which aligns with prior project cost estimates presented. Following validation phase and preliminary design is complete, a new cost estimate will be generated, and a reconciliation of the budget will be completed to ensure alignment cost projections as the Design Build Entity provides a GMP for Construction Services. A summary of the project cost estimate is included with this Board Paper as Attachment 2. Current actual expenditure to date on the planning and design of the project is \$3,525,716 as of end of March 2025 (part of CIP #01.1250.3273 & 01.1250.3270).

Recommendation

Consider Recommendation for Board Approval to award contract in the amount of \$9,075,727.00 to C. Overaa & Co. for Phase 1: Design & Preconstruction Services for the Seismic Compliance Project at the main hospital campus.

Attachments

- Attachment 1: Design Build Agreement between Salinas Valley Health and C. Overaa & Co.
- Attachment 2: Estimated Project Cost/Budget, April 2025



DESIGN BUILD AGREEMENT

Seismic Compliance Project #2

This Design Build Contract ("Contract") is made as of **April 24, 2025** ("Effective Date") by and between Salinas Valley Memorial Healthcare System operating as Salinas Valley Health, a public entity, located at 450 E Romie, Salinas, CA 93901 and **C. Overaa & Co.** ("Design Builder"), a corporation with a principal place of business located at **200 Parr Boulevard, Richmond, California, 94801** for design, construction, and commissioning ("Work") of the Seismic Compliance Project #2 ("Project") in accordance with the Contract Documents. The Parties agree to the following terms and conditions.

The following Exhibits are incorporated into this Contract by reference.

Exhibit 1	Definitions	Included
Exhibit 2	Supplemental Conditions	Included
Exhibit 3	Agreed Program	
Exhibit 3A	Project Documents	Included
Exhibit 3B	Schematic Design Documents	Included
Exhibit 3C	Construction Documents	By Amendment
Exhibit 4	Compensation	
Exhibit 4A	GMP Summary and Detailed Breakdown	By Amendment
Exhibit 4B	Qualification and Assumptions	By Amendment
Exhibit 4C	Resource Loaded Work Plan	Included
Exhibit 4D	General Requirements	Included
Exhibit 5	Project Execution	
Exhibit 5A	Proposed Schedule	Included
Exhibit 5B	Project Schedule (submitted with GMP)	By Amendment
Exhibit 6	Insurance and Bonding	
Exhibit 6A	Design Builder's Insurance Requirements	Included
Exhibit 6B	Payment and Performance Bond	By Amendment
Exhibit 6C	SVH's Insurance Requirements	Included
Exhibit 6D	Non-Collusion Affidavit	Included
Exhibit 7	SVH Provided Information	
Exhibit 7A	Site Description	Included
Exhibit 7B	Separate Consultants and Separate Contractors	Included
Exhibit 8	Conflict of Interest Policy	Included

By executing this Contract, each of the signatories represents that he or she has the authority to bind the Party on whose behalf his or her execution is made.

Salinas Valley Health By: _____ Allen Radner, M.D., President/CEO	C. Overaa & Co. By: _____ Carl Overaa, President CA License No.: 106793
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BUSINESS TERMS SHEET

SVH's Team	
SVH's Authorized Representative	Dr. Allen Radner, President/CEO email: aradner@salinasvalleyhealth.com
SVH's Program Manager	Dave Sullivan Bogard Construction phone: 831-246-2073 email: dsullivan@bogardconstruction.com
SVH's Construction Manager	Omar Galvan Kitchell CEM phone: 415-672-7302 email: ogalvan@kitchell.com
Design Build Team Members:	
Design Builder's Representative	Craig Jamison phone: 916-300-8288 email: craigj@overaa.com Athan Hadjimarkos phone: 510-685-1610 email: athanh@overaa.com
DPOR (structural)	Shane Fitzgerald, PE John A. Martin & Associates phone: 213-220-5916 email: fitzgerald@johnmartin.com
DPOR (architectural)	John Zorich , AIA, NCARB Dreyfuss + Blackford Architecture phone: 916-453-1234 email: jzorich@db-arch.com
DPOR (civil)	Jacob Nguyen , PE BKF Engineers phone: 408-467-9143 email: jnnguyen@bkf.com
DPOR (fire sprinklers) (Design Build Subcontractor)	Jeff Awtrey, CEO Marquee Fire Protection LLC phone: 916-641-7997 email: jeff.awtrey@marqueefire.com
Design Builder's Preconstruction Project Manager	Athan Hadjimarkos phone: 510-685-1610 email: athanh@overaa.com
Design Builder's Project Manager	Todd Germain phone: 408-802-3830 email: toddg@overaa.com
Design Builder's Superintendent	Danny Sawyer phone: 510-719-3925 email: dannys@overaa.com
Design Assist Trades:	



Steel / Metals	Quang Le Olson Steel phone: 510-567-2200 email: gle@olsonsteel.com	
Mechanical & Plumbing	Ramie Barghouti ACCO - Mechanical phone: 510-857-6336 email: rbarghouti@accoes.com Tom Tredway ACCO - Plumbing phone: 510-561-6430 email: ttredway@accoes.com	
Electrical	Dalton Diaz Morrow Meadows phone: 650-207-2727 email: dadiaz@morrow-meadows.com	
Other Design Build Team Members	See, Tab 1, Project Manual	
Target Cost	\$38,000,000	
Compensation		
Guaranteed Maximum Price	By Amendment	
Design Services	\$5,024,307.00	
Preconstruction Services	\$3,603,829.00	
Design / Preconstruction Services Contingency	\$447,591.00	
Direct Construction Costs	\$TBD	
General Conditions (RLWP Preconstruction Stage)	\$351,633.00	
General Conditions (RLWP Construction Stage)	\$2,617,436.00	
General Requirements (Preconstruction Stage)	\$721,239.00	
General Requirements (Construction Stage)	\$1,191,308.00	
Design and Construction Contingency (5%)	\$TBD	
Insurance	1.0%	\$TBD
Payment and Performance Bond	0.6%	\$TBD
Fee (overhead and profit)	3.0%	\$TBD
Change Order Mark-Up		
Design Builder's Fee (overhead and profit)	3.0%	
Average Daily Rate	\$10,500 / work day for extended General Conditions and General Requirements due to adjustments in Contract Time	
Subcontractor Adjustments	15% overhead and profit on subcontracted self-performed Work. 5% profit on top of tier-subcontracted work. Tier-subcontractor overhead and profit also cannot exceed 15%.	



Schedule	
Substantial Completion Date	10/18/2027
Completion of Construction Work	12/15/2027 ("Contract Time")
Final Completion Date	1/28/2028 (CDPH issued license)
Adverse Weather Days Included in Schedule	30 work days (total)
Liquidated Damages	
0-30 days past Contract Time	\$0/day (grace period)
31-90 days past Contract Time	\$2,500/day
91 days past Contract Time and beyond	\$5,000/day
Design Builder's Minimum Insurance Limits	
Workers Compensation/Employers' Liability	Statutory Limits Employers' Liability \$1,000,000 each accident
Commercial General Liability	\$2,000,000 per occurrence \$2,000,000 personal/advertising injury \$5,000,000 general aggregate \$5,000,000 products/completed operations coverage
Contractor Professional Liability	\$1,000,000 per claim \$2,000,000 in aggregate
Contractor Pollution Liability	\$1,000,000 per claim \$10,000,000 in aggregate
Automobile Liability	\$2,000,000 each accident
Excess Liability	\$10,000,000
Tools and Equipment	Fair Market Value
Architect of Record and Structural Engineer of Record Minimum Insurance Limits	
Workers' Compensation Employers' Liability	Statutory Limits Employers' Liability \$1,000,000 each accident
Commercial General Liability	\$1,000,000 each occurrence \$2,000,000 aggregate
Automobile Liability	\$2,000,000 each accident
Professional Liability Architect and SEOR	\$2,000,000 per claim \$5,000,000 in aggregate
Valuable Papers	\$500,000
Other Design Build Team Members' Minimum Insurance Limits	
Workers' Compensation Employers' Liability	Statutory Limits Employers' Liability \$1,000,000 each accident
Commercial General Liability	\$1,000,000 per occurrence \$1,000,000 personal/advertising injury \$2,000,000 general aggregate \$2,000,000 products/completed operations coverage
Other DPOR Professional Liability	\$1,000,000 per claim



	\$2,000,000 aggregate
Pollution Liability	Per §2.5 of Exhibit 6A
Automobile Liability	\$1,000,000 each accident
Additional Insureds	SVH and its officers, board members, agents, directors, employees, special inspectors, the Program Manager, and Construction Manager
Notice per Section 21.5	<p>SVH: Allen Radner, M.D., President / CEO 450 E Romie Lane Salinas, CA 93901 email: aradner@salinasvalleyhealth.com</p> <p>With Copy to: David Sullivan, Program Manager Bogard Construction email: dsullivan@bogardconstruction.com</p> <p>Omar Galvan, Construction Manager Kitchell, CEM email: ogalvan@kitchell.com</p> <p>Design Builder: Carl Overaa, President 200 Parr Boulevard Richmond, CA 94801 email: carlo@overaa.com</p>



PROJECT MANUAL

The following forms and information will be included in the Project Manual and posted to the Project's web based portal or ftp site. Certain forms may be developed by the Project Team Members after execution of the Contract. All content is subject to approval by SVH's Construction Manager before incorporation into the Project Manual. Design Builder and its Design Professionals, Subcontractors, suppliers, and equipment vendors will adhere to the Project protocol and procedures while performing their respective portions of the Work. The most current approved Project Manual is incorporated into this Contract by reference as though set forth in full.

Tab 1	Project Roster
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2B	California Lien Waivers and Releases
2C	Consent of Surety
2D	Request for Information Form
2E	Submittal Form
2F	Daily Construction Report Form
2G	Construction Change Directive Form
2H	Change Order Forms
2I	Certificate of Substantial Completion
Tab 3	Site Logistics Plan
Tab 4	Design Builder's Safety Program
Tab 5	Traffic Control Plan
Tab 6	Quality Control Plan
Tab 7	Environmental Control Plan
Tab 8	Storm Water Pollution Prevention Plan
Tab 9	Infection Control Plan Interim Life Safety Measures Infection Control Risk Assessment Method of Procedure for Dust and Odor
Tab 10	Crisis Management Plan



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1. GENERAL

1.1 Defined Terms. Defined terms and titles of Exhibits are capitalized throughout the Contract and Exhibits. The definitions for this Contract are set forth in alphabetical order in Exhibit 1. Salinas Valley Health ("SVH") and Design Builder will be individually referred to as a Party and may be collectively referred to as the Parties.

1.2 Existing Facility. The hospital, which occupies an existing 264,493-sf, six-story building and connected structures, is classified by California Healthcare Access and Information (HCAI) as a general acute care hospital licensed for 263 beds. Bed types include perinatal, pediatric, intensive care, coronary care, intensive care (newborn), and general acute care. The buildings were constructed between 1953 and 2023. The hospital will remain operational during performance of all Work.

1.3 Project Description. This Project includes the seismic renovation of buildings 1 and 2 of the existing hospital for compliance with Structural Performance Category (SPC-4D), which includes: (i) external strengthening around the main tower, (ii) external buttress structure and connections to roof structure around building 2, (iii) selective wall reinforcements around main tower (shear walls), (iv) pediatric addition reinforcement (3rd floor exterior shear walls and roof connection) and rehab addition reinforcement (4th floor exterior shear wall and roof connection), (v) UPS building strengthening or replacement, (vi) elevator tower addition mitigation, (vii) miscellaneous localized interventions including increasing building seismic separation, and (viii) Nonstructural Performance Category (NPC) resolution. NPC 3 resolution involves evaluation and bracing of critical care areas not currently NPC 3 compliant, which includes ICU/CCU, Intensive Care and Cath Lab Recovery, Surgery, LDRP, Lab Services, Central Sterile Supply, and Diagnostic Imaging. Current planning desires NPC-4D Level 1 compliance for areas permitted to be deferred in the Article 11 of the CBC 2019. Initial non-structural evaluation was completed for each building relative to deficiencies (below ceiling) that need to be addressed to bring buildings up to NPC-4D compliance. The nonstructural performance evaluation (above ceiling) requires the Design Build Team to examine the respective critical nonstructural systems and elements for the planned NPC as specified in California Administrative Code, Chapter 6, Table 11.1, "Nonstructural Performance Categories." Including retrofit to fire sprinkler system. NPC-5 compliance will require planning, design and installation of multiple emergency water supply underground tanks, liquid waste and sewage storage underground tanks and upsizing of existing fuel storage tank for emergency electrical power capacity to supply 72 hours of back up emergency power. Multiple locations for underground tanks will be required due to various points of connection to utility purveyors on campus. The Project is subject to HCAI 1 jurisdiction.

1.4 Licensing. Design Builder must be a California state licensed general contractor. Design Professionals must all possess the appropriate California state design licenses for their particular discipline. Subcontractors must all possess the appropriate California state specialty license for their particular trade. Nothing in this Contract will require a Design Build Team Member, or any of their respective Design Professionals or Subcontractors, to perform any portion of the Work outside of their respective licenses or contrary to Applicable Law.



1.5 Standard of Care. Design Builder will perform the Work using its best skill and attention and in a timely, workman-like manner consistent with the degree of care and skill customarily exercised by prudent licensed general contractors performing design and construction services for projects of similar size, scope, quality, and complexity within the State of California. Design Services will be performed by licensed Design Professionals or Design Build Subcontractors who will be tied to the standard of care set forth in Section 6.9.2.

1.6 Financing. SVH is self-funding this Project through operating capital.

2. PROJECT TEAM AND RELATIONSHIP OF PARTIES

2.1 Project Team. The Project Team includes SVH, its Program Manager, Construction Manager, and Separate Contractors and Separate Consultants, the Design Build Team Members included in the Business Terms Sheet and identified in the Project Roster (Project Manual, **Tab 1**), and each of their respective Design Professionals and Subcontractors, inclusive of tiers.

2.2 SVH. SVH is the owner of the Project. SVH's representative is identified in the Business Terms Sheet and the Project Roster (Project Manual, **Tab 1**). SVH's Separate Contractors and Separate Consultants are identified in Exhibit 7B. SVH's role and responsibilities are described in Article 4.

2.3 Program Manager's Representative. The Program Manager's representative is identified in the Business Terms Sheet and the Project Roster (Project Manual, **Tab 1**). The Program Manager is generally responsible for facilitation and administration of campus wide projects on behalf of SVH and will coordinate with the Construction Manager with respect to this Project but does not have the authority to bind SVH or authorize changes in the Work or schedule that impact the Guaranteed Maximum Price ("GMP") and/or Contract Time.

2.4 Construction Manager's Representative. The Construction Manager's representative is identified in the Business Terms Sheet and the Project Roster (Project Manual, **Tab 1**). The Construction Manager is an advisor to SVH and does not have the authority to bind SVH or authorize changes in the Work or schedule that impact the GMP and/or Contract Time. The Construction Manager is the Design Builder's day-to-day contact and is responsible for facilitating and administering the design and construction process throughout the Project. The Construction Manager is the liaison between the Design Build Team and SVH or the Program Manager and will help coordinate other related work that is not included in Design Builder's Work, and will provide the services further described in Article 5.

2.5 Design Build Team. The Design Builder will lead the Design Build Team and is solely responsible to SVH for the sufficiency, quality, adequacy, and completeness of the Work in accordance with the Contract Documents. All Design Services will be performed by licensed Design Professionals or through Design Build Subcontractors. The initial Design Build Team Members are included in the Business Terms Sheet, and the remainder will be identified in the Project Roster (Project Manual, **Tab 1**).



2.5.1 Structural Engineer and Fire Sprinkler Trade. Design Builder will execute the assignment and novation agreements taking assignment of the structural engineer and fire sprinkler Design Build Subcontractor pursuant to the terms and conditions of the assignment and novation agreements. Design Builder will have to amend the Design Build Subcontractor's scope of work to include completion of design and performance of construction work.

2.6 Collaboration. Design Builder and its Design Professionals, Subcontractors, suppliers, and equipment vendors will perform their respective portions of the Work using integrated processes and tools in accordance with the Contract Documents. The Design Build Team will actively participate and collaborate with other Project Team Members to achieve best value in further developing the Project Documents (Exhibit 3A) into Construction Documents (Exhibit 3C), optimal design, increased labor efficiency, and elimination of waste and re-work through utilization of Lean Project Delivery Methods as further described in this Contract and Article 17.3 of the Supplemental Conditions (Exhibit 2). The Design Build Team Members will make meaningful commitments to SVH and the Construction Manager, and will honor their respective commitments, regarding timely and proper performance of all Work as required by the Contract Documents.

2.7 Communications. All communications with SVH will be through the Construction Manager. However, the Program Manager must be copied on all written communications to the Construction Manager. Design Builder may communicate directly with other Project Team Members in furthering the best interests of the Project but the Construction Manager must be kept apprised and copied on all written communications with other Project Team Members that potentially impact design or constructability, Governmental Authority approvals, cost or schedule.

2.8 Relationship of the Parties. Design Builder's relationship with SVH is that of an independent contractor whose involvement in the Project is to act solely in the capacity of a California state licensed general contractor performing design-build services and not as an agent, fiduciary, partner, member of, subsidiary of, or otherwise affiliated with SVH.

2.9 Good Faith and Fair Dealing. Design Builder will collaborate with SVH and other Project Team Members in delivering the best value to SVH and furthering the best interests of the Project throughout the design, construction, and commissioning process.

2.10 Responsibility. Design Builder acknowledges and agrees that it is solely responsible to SVH for the sufficiency, quality, adequacy and completeness of the Work, and that Design Builder is responsible for any acts, errors, or omissions of the Design Builder's principals, employees, agents, and/or any other parties either directly or indirectly in privity of contract with Design Builder including, but not limited to, Design Professionals, Subcontractors, suppliers, equipment vendors, and their agents and employees, and other persons performing any portion of the Work on behalf of Design Builder. Design Builder will: (i) use its best skill and judgment in furthering the interests of SVH and the Project; (ii) furnish effective and efficient design, construction management, administration, and supervision; (iii) furnish at all times an adequate supply of competent management personnel and skilled labor, and an adequate supply of materials and equipment; and (iv) perform the Work in an efficient manner using Lean Project Delivery Methods.



3. CONTRACT DOCUMENTS

3.1 Defined. The Contract Documents are defined in Exhibit 1. The Construction Documents and portions of the Building Information Model (if applicable) prepared by Design Professionals or Design Build Subcontractors are Contract Documents. The portions of the Building Information Model ("BIM") prepared by the Design Builder or its Subcontractors to illustrate means and methods for constructing, fabricating, or installing portions of the Construction Work are Submittals, which are not Contract Documents or Construction Documents. The Contract Documents are intended to be complementary and what is required by one will be construed as being required by all.

3.2 Inconsistencies. If there are conflicting requirements within or between the various Contract Documents, the Design Builder's Representative as well as representatives from the necessary Design Professionals and Design Build Subcontractors will meet with the Program Manager and Construction Manager to determine which requirements will better achieve the criteria set forth in the Project Documents (Exhibit 3A) or approved Schematic Design Documents (Exhibit 3B). If the group cannot reach an agreement by consensus, the order of precedence set forth in Sections 3.2.1 through 3.2.14 will apply. If a conflict exists between the terms set forth in the Contract Documents or any Applicable Law, the Applicable Law will control. Varying degrees of stringency among the Contract Document terms and conditions and Applicable Law are not deemed conflicts, and the most stringent requirement will govern.

- 3.2.1 Most recent executed Change Order and Amendment
- 3.2.2 Contract
- 3.2.3 Supplemental Conditions
- 3.2.4 Specifications
- 3.2.5 Drawings
- 3.2.6 Building Information Model (if applicable)
- 3.2.7 Qualifications and Assumptions (Exhibit 4B)
- 3.2.8 Project Documents and Schematic Design Documents
- 3.2.9 Written numbers over figures, unless obviously incorrect
- 3.2.10 Figured dimensions over scaled dimensions
- 3.2.11 Specific details over standard or typical details
- 3.2.12 Large-scale Drawings over small-scale Drawings
- 3.2.13 Other Exhibits to the Contract



3.2.14 Project Manual

3.3 Acknowledgment. Design Builder acknowledges that all Work will be performed at an existing and operational hospital facility. Design Builder acknowledges that it has carefully examined and understands this Contract and the other Contract Documents; has investigated the nature, locality, and visually observable features of the Project site and the conditions and difficulties under which the Work is to be performed; and enters into this Contract on the basis of its own examination, investigation, and evaluation of all such matters and not in reliance upon any opinions or representations of SVH, its Separate Consultants (including but not limited to the Program Manager and Construction Manager), or Separate Contractors other than those that are expressly set forth in the Contract Documents. Design Builder will immediately report any error, inconsistency, or omission it may discover in the Contract Documents to the Construction Manager with a copy to the Program Manager. If Design Builder observes that any of the Contract Documents are at variance with any Applicable Law in any respect, or are internally inconsistent, it will promptly notify the Construction Manager in writing with a copy to the Program Manager. If Design Builder performs any Work without having adequately reviewed the Contract Documents, knowing the Contract Documents to be contrary to Applicable Law, or knowing the Contract Documents to be internally inconsistent, and without providing written notice to the Construction Manager, it will assume full responsibility and bear all costs attributable to the violation.

4. SVH'S OBLIGATIONS

4.1 SVH's Authorized Representative. SVH's authorized representative is set forth in the Business Terms Sheet. SVH's authorized representative is authorized to approve changes in the Work that impact the GMP and/or affect the Contract Time established in the Project Schedule up to an amount of \$350,000 per occurrence with a total cumulative amount of \$900,000. Any request exceeding a cumulative amount of \$900,000 will require board of directors approval and must be timely submitted to the Construction Manager and Program Manager by the Design Builder in order to allow proper consideration during the board's regularly scheduled meetings. SVH's authorized representative will render decisions in a timely manner pertaining to documents submitted by the Design Builder and recommended by the Construction Manager in order to avoid unreasonable delay in the progress of the Work.

4.2 Project Documents. SVH provided the Project Documents set forth in Exhibit 3A, as the basis for development of the Construction Documents. Design Builder may rely on the information provided in the Project Documents but has performed its own independent site investigation in accordance with Section 3.3.

4.3 Surveying. SVH provided a utility survey and topographical map as part of the Project Documents. All other surveying that may be required is part of Design Builder's Work per Article 13 of the Supplemental Conditions (Exhibit 2).

4.4 Permits and Fees. SVH will pay the fees for the City of Salinas general building permit, HCAI permit, required governmental approvals, easements, assessments and fees required for the development, construction, use or occupancy of the Project.



4.5 Third Party Testing and Inspections. SVH will be responsible for hiring and paying for all third party testing and inspections. However, Design Builder will make arrangements for third party testing and inspection per Article 5 of the Supplemental Conditions (Exhibit 2). Design Builder is responsible for all other inspections and reports required by Applicable Law or by the Contract Documents, and the costs of these inspections or reports are included in the GMP.

4.6 Stop Payment Notice. SVH is the entity that Subcontractors and Design Professionals may serve a stop payment notice for non-payment in accordance with California law governing public work projects.

4.7 Separate Consultants and Separate Contractors. SVH reserves the right to perform work or services related to the Project with SVH's own forces, and to award separate contracts in connection with the Project that are not part of the Design Builder's Work. Design Builder will notify SVH if any such independent action will interfere with the Design Builder's ability to perform the Work under this Contract. When performing separate work or services, SVH agrees that its Separate Consultants and Separate Contractors will be subject to similar obligations as the Design Builder with respect to insurance, indemnification, safety, protection, inspections, and non-conforming work or services. SVH will remain responsible to the Design Builder for any delays to the Contract Time or cost impacts resulting from work or services performed by Separate Consultants or Separate Contractors. SVH's Separate Consultants and Separate Contractors are set forth in Exhibit 7B. Any cost and/or time impacts will be addressed through the Change Order process set forth in Article 14.

4.8 Furniture, Fixtures, and Equipment. To the extent required, SVH will timely procure all Furniture, Fixtures, and Equipment in a manner consistent with the deadlines and requirements approved by SVH and set forth in the Project Schedule. The Design Builder is responsible for coordinating with SVH and its Separate Consultants regarding procurement and installation of all FF&E.

5. CONSTRUCTION MANAGER'S ROLE

5.1 Services. The Construction Manager's role is to assist and advise SVH and its Program Manager with procurement of the Design Builder and other necessary Separate Consultants and Separate Contractors, and to help SVH oversee, facilitate, and manage the design and construction process during all Stages of the Project. Construction Manager is responsible for coordination with the Program Manager with respect to ancillary projects that may impact the Work, and between Separate Consultants and Separate Contractors and the Design Builder.

5.2 On-Site Presence and Weekly Meetings. During the Design / Preconstruction Stage, the Construction Manager will be on-site for weekly Project meetings. During the Construction Stage, Construction Manager will be on-site no less than Mondays, Wednesdays, and Fridays of each week. Construction Manager will facilitate weekly Project meetings with the Design Build Team to ensure open, clear, and direct communications and to help address any issues that may arise during design or construction. The Project meetings are the venue for the Design Build Team to identify and discuss potential risks, critical issues and actions to be taken,



and to review overall progress of the Work and schedule, as well as any discuss any outstanding Submittals or Change Orders.

5.3 Design Review. During the Design / Preconstruction Stage, Construction Manager will review the Drawings and Specifications in its capacity as a licensed general contractor to help ensure that the Construction Documents are being developed in conformance with the design intent and criteria described in the Project Documents. Construction Manager may also review and comment on any value engineering proposals or cost estimates. Notwithstanding the above, Design Builder remains solely responsible for designing and constructing the Project in conformance with the Contract Documents.

5.4 Approvals, Clarifications, Changes, and Claims. The Construction Manager will evaluate requests for approvals and clarifications, Claims, Construction Change Directives, and Change Order Requests from Design Builder, and make recommendations to SVH. Construction Manager will assist SVH in resolving Change Order disputes and other Claims (that do not involve Construction Manager), including documentation of the rationale for resolution.

5.5 Payment Application Review. Construction Manager will review applications for progress payment and final payment from Design Builder, and make recommendations to SVH regarding payment.

5.6 Schedule Review. Construction Manager will monitor Design Builder's progress against the Design Builder's current work plans and Project Schedule, review and analyze all delay and impact requests and make recommendations to SVH regarding same, collaborate with the Design Builder regarding recovery plans if required, and meet with the Project Team to determine when critical decisions are needed from SVH or others to maintain the Project Schedule.

5.7 Quality Monitoring. Construction Manager may periodically participate in inspections, track inspection reports, and direct Design Builder in resolving compliance issues. Construction Manager will monitor and verify correction of non-conforming Work on behalf of SVH as further discussed in Exhibit 2. However, Construction Manager is not required to make exhaustive or continuous on-site inspections to check the quality or quantity of the Construction Work, and Construction Manager will not have control over, charge of, or responsibility for, Design Builder's construction means, methods, techniques, sequences or procedures, or for the safety precautions and programs in connection with the Work as these are solely the Design Builder's responsibilities under the Contract Documents.

5.8 Completion and Close-Out. Construction Manager will determine whether the Work is substantially complete and will track punch-list activity, participate in start-up and commissioning, collect all required close-out documentation and record documents (including but not limited to collecting and reviewing as-built Drawings submitted by Design Builder and verification reports).



6. DESIGN BUILDER'S OBLIGATIONS

6.1 Work. Design Builder will perform all necessary design, construction, and commissioning required for the Project, and will provide all services, labor, materials, equipment, tools, and appurtenances necessary to complete the Work in accordance with the Contract Documents. Design Builder's obligations for Design Services are more specifically described in Article 8 and Design Builder's obligations for performance of the Construction Work are described in Article 9 and Exhibit 2.

6.2 Legal Compliance. Design Builder represents that it is aware of regulations and laws applicable to its operations and the performance of the Work. At its sole cost and expense, Design Builder will give all notices required by, and comply with, all Applicable Law related to the Work, including those relating to safety, Hazardous Materials, and equal employment opportunities. Design Builder will pay all local, state, and federal taxes, and all employee benefits, insurance, and contributions for Social Security and Unemployment which are measured by wages, salaries, or other remunerations paid to Design Builder's employees.

6.2.1 Enabling Statutes. The Project will be delivered utilizing progressive design-build contracting method pursuant to Health and Safety Code section 32132.5 and California Public Contract Code section 22185 et seq.

6.2.2 Hospital Safety Act of 1983. This Project is subject to the Hospital Safety Act of 1983. Design Builder acknowledges that: (i) it is familiar with all provisions and the applicable duties of a designer and contractor under the Hospital Safety Act of 1983; (ii) the Drawings and Specifications will be reviewed, approved and accepted by HCAI and permitted for construction; (iii) changes in those portions of the Work that are subject to HCAI jurisdiction will not commence without an approved HCAI Amended Construction Document if required.

6.3 Staffing Plan and Key Personnel. The staffing plan and key personnel for Design Build Team Members will be included in Exhibit 4C. Unless otherwise requested by SVH or Construction Manager, key personnel may not be removed from, or added to, the Project without prior written consent of SVH's authorized representative except in the instance of death, disability, or departure of person from employment, or other relationship with the Design Build Team. If a replacement is necessary, the proposed key personnel will have substantially equivalent or better qualifications than the former key personnel, and all candidates are subject to final approval by SVH. SVH reserves the right to remove any Design Build Team Member personnel who is considered incompetent, uncooperative, rude, or disruptive to the overall harmony of the Project Team.

6.4 Permits, Fees, and Approvals. Design Builder will assist the Construction Manager with verification that SVH has applied for and paid applicable fees and assessments, and Design Builder will file all documents, required for the approvals by Governmental Authorities for design and construction of the Project, including any required Project completion filings. Design Builder will secure and provide copies to the Construction Manager of all permits and approvals required by Governmental Authorities for execution and inspection of the Construction Work. The cost and fees associated with the general building permit(s) and third party inspection will be paid by SVH per Sections 4.4 and 4.5. All Subcontractor required



specialty permits will be procured and paid for by the Design Builder and its Subcontractors and are included in the GMP.

6.5 HCAI. The Design Builder will be responsible for the submission and coordination of all Amended Construction Document (ACD) submissions to HCAI. Design Builder will use the HCAI eServices Portal to make ACD submittals to HCAI and SVH and Construction Manager will be notified by HCAI through the eServices Portal. All changes in the approved Construction Documents (Exhibit 3C) for the Project will be approved and permitted by HCAI before proceeding with the Construction Work. Design Builder will submit Amended Construction Documents to HCAI for review and approval and will state the reason for the change, the difference in construction costs, if any, and include all necessary Drawings, Specifications and other supporting documentation. All Amended Construction Documents must be sealed and signed by the applicable DPOR before submission to HCAI. The Design Builder's DPOR will make all submissions of Amended Construction Documents in a timely manner to avoid delays in Contract Time.

6.6 Taxes and Fees. Design Builder will pay all sales, consumer, use, gross receipts, and other similar taxes legally enacted at the time of commencement of the Construction Work, and such taxes and fees are included in the GMP.

6.7 Consultants and Laboratories. Design Builder will make recommendations to the Construction Manager regarding selecting, retaining, and coordinating any additional professional services, special consultants, and testing laboratories required for the Project.

6.8 Subcontract Procurement. Design Builder represents that it has complied with the bidding requirements set forth in Public Contract Code sections 22185.6 (a) and will comply with the bidding requirements of 22185.6 (b) through (d) and Public Contract Code section 4100, et seq., for procuring any subcontracts where Subcontractor was not listed by Design Builder in its statement of qualifications and response to the request for qualifications. In addition, the Design Builder will: (i) develop bidders' interest in the Project and endeavor to have at least 3 bids for all trades; (ii) establish bidding schedules in accordance with the procurement requirements set forth in the Proposed Schedule (Exhibit 5A); (iii) develop Subcontractor scopes of work, and package and issue bidding documents to pre-qualified, interested bidders; (iv) evaluate bidder prequalification and bids to determine the best subcontractor suited for the Project in accordance with Public Contract Code section 22185.6; and (v) enter written subcontract with the most responsive, responsible bidder based on the bid criteria and pursuant to this Section 6.8. At a minimum, each subcontract must pass through provisions set forth in subsections 6.8.1 through 6.8.14 below.

6.8.1 License. All Subcontractors will be properly licensed for their respective trade. In addition, Design-Build Subcontractors must also be properly licensed for their respective portion of the Design Services per Section 6.9.1.

6.8.2 Standard of Care. Subcontractor will timely perform its respective portion of the Construction Work using its best skill and attention in a workman-like manner consistent with the degree of care customarily exercised by prudent licensed specialty contractors performing similar trade work on hospital projects of similar size, scope, and complexity within



the state of California. To the extent Subcontractor is a Design-Build Subcontractor, the standard of care set forth in Section 6.9.2 applies to Design Services.

6.8.3 Compensation. Subcontractor must be compensated on either a lump sum basis or a cost reimbursable basis subject to a guaranteed maximum price. If Subcontractor is compensated on a cost reimbursable basis with a guaranteed maximum price, the subcontract must include the Cost of the Work set forth in Article 11 and specify Subcontractor's billable rates. Subcontractor's billable rates must be calculated in accordance with Sections 11.2.1(a), 11.2.2(a), and 11.2.3, as applicable. Payments will be made in accordance with Section 12.5.

6.8.4 Audit. Lump sum contracts are not subject to audit. However, subcontracts will require subcontractors to be bound to the audit provisions set forth in Section 12.9 with respect to change orders. Subcontracts let on a cost reimbursable basis are subject to audit.

6.8.5 Third Party Beneficiary. SVH will be a third party beneficiary with respect to any Design Services performed by Design-Build Subcontractors.

6.8.6 Liability and Indemnity. Each subcontract must include similar defense, indemnity, and liability provisions as those set forth in Article 15 so that each Subcontractor has the same defense, indemnification, and liability obligations to Design Builder and SVH as Design Builder has to SVH under Article 15 arising out of or resulting from Subcontractor's portion of the Work.

6.8.7 Insurance. Design Builder will cause, through written agreement, Subcontractors to carry appropriate limits with similar types of coverage based on the insurance requirements set forth in Exhibit 6A.

6.8.8 Subcontracts must include a warranty provision similar to the one set forth in Article 17.

6.8.9 Claims and Disputes. The dispute resolution procedures set forth in Article 19 must be included.

6.8.10 Ownership of Documents. Design Builder will incorporate the provisions in Article 18 into each subcontract.

6.8.11 Assignment. Each subcontract must include an assignment provision. The assignment provision will allow for assignment of the subcontract to SVH if Design Builder is terminated and provided that SVH accepts assignment by written notification to the subcontract and Design Builder. The fire sprinkler trade contract is being assigned and novated to Design Builder per Section 2.5.1 for completion of fire sprinkler Design Services and its portion of the Construction Work.

6.8.12 Miscellaneous Provisions. The miscellaneous provisions set forth in Sections 21.1 through 21.4, 21.7 through 21.10, and 21.15.



6.8.13 Conflicting Terms. All conflicts arising out of any subcontract will be resolved in accordance with the order of precedence set forth in Section 3.2, and this Contract will take precedence over any conflicting terms and provisions in the subcontract other than terms and conditions regarding scope and compensation.

6.8.14 Exhibits. The following Exhibits must be included in the subcontract: Exhibit 1 through Exhibit 3, Exhibit 5, and Exhibit 7 through Exhibit 8.

6.9 Design Professionals. All agreements between Design Builder and its Design Professionals will be in writing and must bind each Design Professional to the Design Builder by the terms and conditions of the Contract Documents and require that each Design Professional assume toward the Design Builder all obligations and responsibilities that the Design Builder assumes toward SVH under the Contract Documents with respect to Design Services. Each Design Professional agreement will preserve and protect the rights of SVH and Design Builder under the Contract Documents with respect to the portion of the Work performed by Design Professionals so that subcontracting for such services does not prejudice SVH's rights or remedies. At a minimum, Design Builder will pass through the provisions set forth in subsections through to its Design Professionals.

6.9.1 License. All Design Professionals and Design Build Subcontractors performing Design Services will be properly licensed for their respective portion of the Design Services.

6.9.2 Standard of Care. Design Professionals and Design Build Subcontractors will timely perform their portions of the Design Services using the degree of care ordinarily used by other competent licensed architects and engineers designing projects of similar size, scope, quality and complexity within the State of California. Design Professionals and Design Build Subcontractors will sign and affix their respective professional seal on their respective portions of the Construction Documents to the extent required by Governmental Authorities.

6.9.3 Compensation. Design Professionals, who are not the SEOR or Design Build Subcontractors, must be compensated on a not-to-exceed basis based on their billable rates included in Exhibit 4C. Regardless billable rates will be used for all additional services, and billable rates must be calculated in accordance with Section 11.2.1(a). All payments will be made in accordance with Section 12.5.

(a) Audit. Stipulated sum contracts are not subject to audit. However, consultant agreements will require Design Professionals to be bound to the audit provisions set forth in Section 12.9 with respect to change orders. Design Professionals let on a cost reimbursable basis are subject to audit.

(b) Third Party Beneficiary. SVH will be a third party beneficiary with respect to the portion of Design Services provided by a Design Professional.

(c) Liability and Indemnity. To the fullest extent permitted by law, each design agreement must include similar defense and indemnification obligations to Design Builder, SVH, and the Indemnitees identified in Section 15.2 but only to the extent arising or



resulting from the negligent acts or omissions, recklessness, or willful misconduct of the Design Professional, its tier-consultants, or anyone directly or indirectly employed by any of them for whose acts Design Professional may be liable.

(d) Insurance. Design Builder will cause, through written design agreement, Design Professionals insurance as required by the Business Terms Sheet and Exhibit 6A.

(e) Ownership of Documents. The provisions in Article 18 must be included.

(f) Claims and Disputes. The dispute resolution procedures set forth in Article 19 must be included.

(g) Assignment. Each design agreement must include an assignment provision. The assignment provision will allow for assignment of the design agreement to SVH if Design Builder is terminated, and provided that SVH accepts assignment by written notification to the Design Professional and Design Builder. The structural engineer's contract is being assigned and novated to Design Builder per Section 2.5.1 for completion of the structural portion of the Design Services.

(h) Miscellaneous Provisions. The miscellaneous provisions set forth in Sections 21.1 through 21.4, 21.7 through 21.10, and 21.15.

(i) Conflicting Terms. All conflicts arising out of any design agreement will be resolved in accordance with the order of precedence set forth in Section 3.2, and this Contract (inclusive of Exhibits) will take precedence over any conflicting terms and provisions in the design agreement other than terms and conditions regarding scope of service and amount of compensation.

(j) Exhibits. The following Exhibits must be included in each design agreement and subcontract: Exhibit 1 through Exhibit 3, relevant portions of Exhibit 4C, Exhibit 5, Exhibit 7 and Exhibit 8.

7. VALIDATION STAGE

7.1 Validation and GMP. Upon execution of the Contract, the Design Build Team will collaborate with SVH and the Construction Manager to perform further joint site investigation and evaluation of all non-structural items that will necessitate seismic anchorage or bracing per NPC-4D Level 1 requirements such as suspended ceiling bracing, bracing of above MEP utility runs, Building 5 equipment (above and below) and building 1 exit corridor bracing, including development of NPC-5 components for NPC compliance; engage in Target Value Design with respect to Program Documents (Exhibit 3A) provided by SVH; and develop Schematic Design Documents per Section 7.2 discussing SPC and NPC requirements and alternative approaches to design and construct the Project taking into account the Target Cost and Contract Time set forth in the Business Terms Sheet, best value recommendations, potential constructability issues, and other risks that could jeopardize regulatory compliance and deadlines. At the



conclusion of the Validation Stage, the Schematic Design Documents will be completed, and the Design Builder will prepare and submit its GMP in accordance with Section 10.3, and Project Schedule in accordance with Section 13.3 for review and approval by SVH. Upon SVH's approval, the GMP and Project Schedule will be incorporated into the Contract by Amendment as Exhibits 4A, 4B, and 5B, respectively. To the extent that the Stages or duration expressed in the Proposed Schedule are adjusted, the Design Builder will also update the Resource Loaded Work Plan (Exhibit 4C) and General Requirements (Exhibit 4D) to reflect the amounts included in the GMP for Design Services, General Conditions, and General Requirements over the duration included in the Project Schedule (Exhibit 5B). The approved Schematic Design Documents will be incorporated into the Contract through Amendment as Exhibit 3B.

7.1.1 Go / No Go Provision. If SVH and the Design Builder are unable to agree to the GMP and Project Schedule, SVH will terminate this Contract for convenience per Section 20.2 and all work product developed during the Validation Stage will be SVH's property per Article 18. Upon termination, SVH may take any the following actions: (i) Solicit proposals to complete the Project from firms that submitted statements of qualifications pursuant to Section 22185.3; (ii) Upon written determination that it is in the best interest SVH, formally solicit proposals from other design-build entities, and contract award shall be made on a best value basis; or (iii) Take assignment of the Design Services complete the design, and bid the Project.

7.2 Schematic Design Documents. The Design Builder will cause its DPORs to prepare Schematic Design Documents based on the Project Documents set forth in Exhibit 3A, and information, surveys, and design materials developed as a result of the joint site investigation and further evaluation as described in Section 7.1. Schematic Design Documents will consist of Drawings, outline Specifications and other necessary documents illustrating the scale and relationship of Project components and will include the building layout and floor plans, sections and elevations for seismic retrofit and major building systems, as well as line diagrams and proposed equipment schedules based on the Project Documents (Exhibit 3A).

7.2.1 Reconciliation with Agreed Program. Before completing the Schematic Design Documents, the Design Builder will cause the DPORs to evaluate the SPC, NPC, and other program requirements and note any discrepancies between the regulatory requirements and the Schematic Design Documents, and request approval and direction from the Construction Manager, SVH, and HCAI (as applicable). Design Builder will prepare its GMP in accordance with Section 10.3 based on the Schematic Design Documents and its Project Schedule. If the GMP is not within the Target Cost set forth in the Business Terms Sheet, the Design Builder must provide a detailed explanation to SVH, the Program Manager, and the Construction Manager of why the Target Cost is either not achievable or provide additional Target Value Design and best value options for consideration by the Project Team in order to achieve the Target Cost.

(a) **Coordination of Steel and MEP.** Steel and mechanical, electrical, plumbing, fire protection and fire and life safety work will be coordinated through the BIM, as appropriate, to avoid obstructions, preserve head room, preserve access for maintenance, keep openings and other passageways clear, overcome interference with structural, framing, and equipment conditions, and coordinate with other trades. Other trades may also be coordinated through the Model.



7.2.2 Approval Process. The Design Builder will submit and present the following material for review and approval by the Construction Manager, and SVH: (i) floor plans; (ii) sections and elevations for seismic upgrade and major building systems; (iii) line diagrams and equipment schedules; and (iv) outline Specifications as well as a narrative describing how the design will meet the Agreed Program with respect to building performance and fitness for its intended purpose and use, subject to the standard of care set forth in Section 1.5. If SVH, the Program Manager, or Construction Manager do not approve the Schematic Design Documents, or aspects of the documents, the Design Builder will modify the Schematic Design Documents and re-submit for approval.

8. DESIGN / PRECONSTRUCTION STAGE

8.1 Development of Design. Design Builder will actively engage and collaborate with other necessary Project Team Members in the following activities throughout the entire design process and at various stages in the development of the Construction Documents (Exhibit 3C).

8.1.1 Building Information Model. The Design Build Team will establish a BIM Execution Plan in compliance with Section 16 of Exhibit 2, which will be incorporated into Tab 5 of the Project Manual. The Model will be developed in accordance with the BIM Execution Plan and will be continually updated throughout the design and construction process so that the Model is current with the actual “as-built” condition, and when completed will be the record model. To the extent that there are inconsistencies between the 2D Drawings and the Model, the Drawings, the HCAI approved 2D Drawings will govern.

8.1.2 2-D Working Drawings. The Design Builder will also produce working Drawings throughout the various stages in the development of the design and subsequent Construction Documents (Exhibit 3C).

8.1.3 Target Value Design. SVH, Construction Manager, and Design Build Team will actively engage in the Target Value Design process to provide optimal value and design during each stage of the design process, and to properly coordinate and integrate the various systems, equipment, and components to increase ease of construction while controlling Project cost and schedule. Set Based Design and Choosing By Advantages may be used to explore design alternatives and reach decisions during the design process. Cost evaluation during the Target Value Design process should include design details as they are being developed, and portions of the Construction Work that the Project Team deems necessary for accurate cost modeling. The Target Value Design process should include the following:

(a) Set Based Design. The Design Build Team will collaborate with other Project Team Members through the use of Set Based Design and Choosing By Advantages to determine the best design options and whether one design option can be achieved in a different manner for a lower cost or improved schedule without compromising the aesthetic or functional value. Proposals for alternative systems, means, methods, finishes, equipment, and the like must satisfy the Agreed Program (Exhibit 3), and result in savings of time or money in constructing or improved facilities, operations or maintenance. The DPORs will review all proposals to ascertain design feasibility, satisfaction of the Project Documents and



compatibility and compliance with Applicable Laws. Design Builder and relevant Subcontractors will review alternative proposals for constructability, schedule, and cost. SVH will rely solely on the Design Build Team's representations about the appropriateness and adequacy for implementation on the Project but proposals on design alternatives will not be incorporated into the Construction Documents without review by the Construction Manager and approval of SVH and HCAI (as may be required).

(b) **Constructability Reviews.** Design Builder and its Subcontractors will provide constructability reviews at 100% Schematic Design Documents, 50% and 100% Design Development Documents, and at 50% and 100% Construction Documents to provide clarity, consistency, constructability, and coordination among the various design disciplines' Drawings and the Subcontractors. DPORs and other necessary Project Team Members will review and respond in writing to each constructability review comment, either by recommending changes in the design or explaining why such action is unnecessary.

(c) **Cost Evaluation.** The Design Builder and its Subcontractors will provide estimating services as often as necessary to support decisions regarding scope, functionality, and design and to help ensure that the Project design is being developed within the GMP. Consistent cost evaluation will assist the Design Build Team, Construction Manager, and SVH in making decisions to the extent there are design alternatives.

8.2 HCAI. Design Builder and its DPORs will coordinate and interface with HCAI throughout performance of the Work. If applicable, the design may be released in segments in accordance with any HCAI phased review process.

8.3 Title 24. Design Builder will cause its DPOR to prepare the scope for required testing and inspections per the Testing, Inspection and Observation ("TIO") requirements described in Title 24, Part 1. The TIO requirements will be submitted to the Construction Manager, with the application for building permit forms. Design Builder will coordinate with the Construction Manager and Program Manager regarding when and to what extent tests, inspection and reports are necessary or appropriate under Title 24.

8.4 Design Development Documents. Design Builder will cause its DPORs to prepare 50% and 100% Design Development Documents based on the Project Documents (Exhibit 3A) and Schematic Design Documents set forth in Exhibit 3B. The Design Development Documents must include detailed Drawings and Specifications necessary to fix and describe the size and character of the entire Project as to design, structural, mechanical, and electrical systems, materials, and such other elements as may be appropriate to allow the Construction Manager to initiate scope compliance review(s).

8.4.1 Reconciliation. Before completing the 50% and 100% Design Development Documents, Design Builder will cause its DPORs to evaluate the programmatic requirements and note any discrepancies between the Project requirements reflected in the Project Documents and Schematic Design Documents, and the 50% or 100% Design Development Documents (as applicable), and request approval and direction from SVH, the Program Manager, and Construction Manager. Design Builder will also prepare a cost estimate per Section 8.1.3(c) confirming that the design is still within the GMP and will note any slippage



in the Project Schedule (Exhibit 5B). The Design Build Team cannot proceed to 100% Design Development Documents or Construction Documents if the design is not progressing within the GMP unless there has been a condition of change as described in Section 14.2. To the extent that there has been a slippage in the Project Schedule, Design Builder will prepare and submit a detailed recovery plan as required by Section 13.5 as part of the reconciliation.

8.4.2 Design Review. Design Builder will cause its DPORs to prepare the necessary documentation for back-check and code compliance from necessary Governmental Authorities, and to attend all meetings as required to obtain SVH, and Governmental Authority approval.

8.4.3 Approval Process. Design Builder will submit and present the following materials for review and approval by the Program Manager, Construction Manager, and SVH: (i) detailed floor plans; (ii) building sections and elevations; (iv) detailed SPC and NPC improvements; (v) Specifications. The Design Development Documents submittal will incorporate changes and corrections required by Governmental Authority under Section 8.4.2, as requested be made based on code compliance or back-check review comments.

8.5 Construction Documents. Upon approval of the 100% Design Development Documents, Design Builder will cause its DPORs to prepare 50% and 100% Drawings and Specifications to be issued for permit. The Construction Documents will consist of Drawings and Specifications setting forth in detail all necessary requirements for proper construction of the Project, as well as any subsequent approved revisions, and taking into account applicable SPC, NPC, and building code requirements. The Construction Documents will describe the quality, configuration, size, and relationships of all materials, equipment, and components to be incorporated into the Project, and will be the Drawings and Specifications submitted to all necessary Governmental Authorities for approval and permit. Design Builder will not submit the Construction Documents for permit until receipt of approval by the Construction Manager, Program Manager, and SVH.

8.5.1 Reconciliation. Before completing the 50% Construction Documents, Design Builder will cause its DPORs to evaluate the programmatic requirements and note any discrepancies between the Project requirements reflected in the Project Documents and Schematic Design Documents, and the 50% Construction Documents, and request approval and direction from SVH, the Program Manager, and Construction Manager. Design Builder will also prepare a cost estimate per Section 8.1.3(c) confirming that the design is still within the GMP and will note any slippage in the Project Schedule (Exhibit 5B). The Design Build Team cannot proceed to 100% Construction Documents if the design is not progressing within the GMP unless there has been a condition of change as described in Section 14.2. To the extent that there has been a slippage in the Project Schedule, Design Builder will prepare and submit a detailed recovery plan as required by Section 13.5 as part of the reconciliation.

8.5.2 Design Review. Design Builder will cause its DPORs to prepare the necessary documentation for back-check and code compliance from necessary Governmental Authorities, and to attend all meetings as required to obtain SVH, and Governmental Authority approval.



8.5.3 **Submission of Signed and Stamped Drawings and Specifications.** In order to obtain necessary permits and to comply with professional registration statutes, 2D Drawings, calculations and Specifications must be generated, reviewed, sealed, and submitted to reviewing Governmental Authorities. Each DPOR will sign and stamp their respective Drawings, Specifications, and calculations. By signing and sealing the Drawings and Specifications, each DPOR agrees that its portion of the Design Services are complete, coordinated, accurate, and contain directions that will enable the Design Builder and its Subcontractors to construct the Project.

8.5.4 **Permits and Approval.** Design Builder will submit the Drawings and Specifications, a summary of the calculations, and detailed calculations for the structural, HVAC, electrical, plumbing, and other specialized building systems. The applicable Governmental Authorities will be final interpreter of all code requirements, and all such decisions will be final. The Construction Documents will not be considered 100% complete until Governmental Authorities' approval has been received. Upon approval, the Design Builder will provide a copy of the permitted Drawings and Specifications for the Project to the Construction Manager, and will maintain the original permitted Drawings and Specifications at the Project site. A list of the Drawings and Specifications included in the Construction Documents will be amended into this Contract as Exhibit 3C.

8.5.5 **Substitutions.** Once Construction Documents are approved, no substitutions will be accepted on the Project unless: (i) the specified materials or equipment have been discontinued; or (ii) there is a cost savings to SVH. Substitutions that are included in the Work but not approved will be deemed non-conforming Construction Work and subject to correction under Section 5.5 of the Supplemental Conditions (Exhibit 2).

9. CONSTRUCTION STAGE

9.1 Construction Work. Design Builder is solely responsible for all construction means, methods, techniques, sequences, and procedures and for safety precautions and programs in connection with the Construction Work. Those portions of the Construction Work that Design Builder does not customarily perform with its own personnel will be performed by a Subcontractor under written subcontract pursuant to Section 6.9.

9.2 Existing Site Conditions Survey. Before commencement of the Construction Work, Design Builder will walk the site with Construction Manager and make a video recording of all existing site conditions including, but not limited to, sidewalk, roadway, utilities, landscaping, hardscaping, signage, etc. and provide video record to Construction Manager and Program Manager. This video recording will serve as a record of existing condition before commencement of the Construction Work and provide evidence of damage to any existing site conditions that require restoration.

9.3 Supervision. Design Builder will supervise and direct the Construction Work using its best skill and judgment. Design Builder will be solely responsible for all design, fabrication, shipment, delivery and coordination of all portions of the Work under the Construction Documents and all Construction Work will be performed in accordance with the Contract Documents. The Design Builder will provide a qualified superintendent at the Project



site to properly supervise all of Design Builder's employees, Subcontractors and their agents and employees, and other persons performing Construction Work and to ensure that the Construction Work is carried out in strict accordance with the Contract Documents. Design Builder's superintendent is key personnel and may not be changed without SVH written consent.

9.4 Discipline. Design Builder will enforce strict discipline and order at all times among Design Builder's employees, Design Professionals and Subcontractors and will not employ or contract with any unfit or unskilled person(s) or entities on this Project. Any person in the employ of the Design Builder or any of its Design Professionals or Subcontractors whom Program Manager, Construction Manager or SVH believes may be incompetent or unfit will be dismissed from the Project and will not be re-employed on this Project.

9.5 Coordination. All Construction Work will be coordinated and performed in accordance with the Contract Documents. The Supplemental Conditions (Exhibit 2) include additional information and requirements for field operations. Before starting each portion of the Construction Work, the Design Builder will: (i) review and compare the various Construction Documents relative to that portion of the Construction Work as well as other information furnished by SVH, Construction Manager, Design Professionals and Subcontractors that may affect proper installation of the Construction Work; (ii) field measure existing conditions related to that portion of the Construction Work; and (iii) observe any conditions at the site directly affecting that portion of the Construction Work.

9.5.1 Field Measurements. Design Builder will take field measurements to ensure proper matching and fitting of new construction with construction performed by SVH Separate Contractors and existing conditions at the Project site.

9.5.2 Submittals. All Submittals will be properly and timely submitted in accordance with Article 3 of the Supplemental Conditions (Exhibit 2).

9.6 Site Logistics. Design Builder, in collaboration with the Construction Manager will review the proposed Site Logistics Plan, make adjustments as may be required, submit revisions (if any) to the Construction Manager and Program Manager for approval. The approved Site Logistics Plan will identify areas of the Project site that will be used for trailers, deliveries, staging, ingress, egress, etc. The approved Site Logistics Plan, as updated, will be incorporated into the Project Manual as Tab 3. Adjustment to the proposed Site Logistics Plan will not be grounds for an adjustment in the GMP.

9.7 Building Layout. Design Builder is responsible for layout and provide all line and grade staking (including staking north/south and east/west gridlines) and will establish benchmarks for horizontal and vertical control per Section 13.1 of Exhibit 2.

9.8 Materials and Equipment. Storage of equipment and materials will be coordinated through the Construction Manager and in accordance with the most current, approved Site Logistics Plan. Design Builder will maintain, or cause its Subcontractors to maintain, all storage areas and will keep storage areas clean, safe, and secure.



9.8.1 Long Lead Items. Design Builder will collaborate with the other Project Team Members to establish a program to expedite ordering and delivery of materials and equipment in a timely manner and consistent with the Project Schedule.

9.8.2 Shipment and Deliveries. Before shipment, delivery, and installation of materials and equipment, Design Builder will verify the stage of completion of the applicable Construction Work with the Construction Manager to determine the availability of facilities for access, delivery, transportation, and storage, and to correlate these observations with the requirements of the Contract Documents. All shipments and deliveries will be scheduled and coordinated in accordance with the most current, approved Site Logistics Plan and Project Schedule.

9.8.3 Risk of Loss. All Construction Work stored at the Project site, or work related to the preparation or delivery of materials or equipment to the Project site, is performed exclusively at the risk of the Design Builder and will remain at the risk of the Design Builder until Final Completion. Materials and equipment stored offsite must be securely stored in a third party bonded or insured warehouse, and must be segregated and labeled "Property of Salinas Valley Health" and include the Project name, number, and address. To the extent such storage is not covered under the builder's risk policy, Design Builder will procure insurance covering the stored materials and SVH, Design Builder and its Subcontractors will be named as an additional insured under all such policies.

9.9 Maintenance. Design Builder will provide all maintenance and repairs for systems and equipment at its own costs and expense until Substantial Completion.

9.10 Cutting and Patching. Design Builder and its Subcontractors will be responsible for all cutting, fitting, or patching required to complete the Construction Work or to make its parts fit together properly. Design Builder and its Subcontractors will not damage or endanger any portion of the Construction Work, or fully or partially completed Construction Work, by cutting, patching, or otherwise altering the construction. Design Builder and its Subcontractors will not cut or otherwise alter the construction by Separate Contractors except with the prior written consent of the Construction Manager.

9.11 Testing and Inspections. Testing and inspections will be completed in accordance with Article 5 of the Supplemental Conditions (Exhibit 2).

9.12 Substantial Completion. Construction Manager will issue a certificate of Substantial Completion (Project Manual, Tab 2I) per Section 5.7 of the Supplemental Conditions (Exhibit 2) to be signed by SVH and Design Builder documenting the date when the Project or portion of the Project achieved Substantial Completion. Upon issuance of the certificate of Substantial Completion, Design Builder and its Subcontractors will diligently pursue Completion of Construction Work within 90 days in accordance with the Contract Documents.

9.13 Commissioning. Design Builder will schedule and oversee the final testing and start-up of utilities, operational systems, and equipment, and assist SVH with building commissioning in conjunction with Construction Manager and any SVH's facility and maintenance personnel, and required Subcontractors. All inspections and testing will be



conducted by special inspectors or by other Governmental Authorities (as applicable). During commissioning and before Completion of Construction Work, Design Builder, Construction Manager, and SVH will oversee Subcontractor operation, adjustment, and balancing of all equipment, and training of SVH's employees in the correct operation and maintenance of equipment.

9.14 Final Inspection and Acceptance. Final inspections and acceptance will be in accordance with Section 5.8 of the Supplemental Conditions (Exhibit 2).

9.15 Maintenance of Records. Design Builder will maintain one record copy of the Project Documents (Exhibit 3A), the approved 100% Schematic Design Documents (Exhibit 3B), 100% Design Development Documents, the 100% Construction Documents issued for permit (Exhibit 3C), all permits, and all addenda, approved Submittals, Change Orders and other modifications, and RFIs in good order and marked correctly to record changes and selections made to the Construction Documents during design and construction. All records will be available in the Design Builder's jobsite office and will be delivered to the Construction Manager at Completion of Construction Work along with any other required close-out documentation required by the Contract Documents.

9.16 Close-Out. Before Completion of Construction Work, Design Builder will transmit to the Construction Manager an electronic copy and 1 hard copy of all required as-built Drawings, the record model, operation and maintenance manuals, verified reports, warranties, and other close out documents as required by the Contract Documents. As Built changes to the Construction Documents will be reflected in the final "As Built" revision of the CAD files and the record BIM (if applicable). Such files and the BIM (if applicable) will be turned over to SVH.

10. COMPENSATION AND GUARANTEED MAXIMUM PRICE

10.1 Validation Stage. During the Validation Stage, SVH will pay Design Builder based on time and reimbursable expense basis up to the not-to-exceed amounts (NTE Amount) set forth in the Business Terms Sheet for Design Services and Preconstruction Services per the billable rates set forth in the Resource Loaded Work Plan (Exhibit 4C), which include the stipulated sum for the SEOR. The NTE Amount is only subject to adjustment through executed Change Order per Article 14. The Cost of the Work expended during the Validation Stage for Design Services and Preconstruction Services will be incorporated into the proposed GMP as separate not-to-exceed line items at the end of the Validation Stage.

10.2 Contract Price. If the GMP is approved and mutually agreed to by the Parties at the end of the Validation Stage, SVH will pay the Design Builder the Cost of the Work plus Fee up to the GMP as described in Section 10.3 for completion of the Work. The Contract Price includes any price adjustments based on fully executed Change Orders. All Work described in the Contract Documents will be included in the GMP whether or not specifically itemized in the GMP Breakdown (Exhibit 4A) or Qualifications & Assumptions (Exhibit 4B), except for items designated in the Project Documents or Schematic Design Documents to be performed "by others."



10.3 Guaranteed Maximum Price. The GMP will be incorporated into the Contract by Amendment at the conclusion of the Validation Stage as Exhibits 4A and 4B, and includes the Design Builder's Costs of the Work as defined in Section 11.1 and its Fee as further described in Section 11.6. There are no line item guarantees in the GMP (other than the NTE Amount for Design Services and NTE Amount for Preconstruction Services, as may be amended through Change Order). Any savings will remain in the GMP until Completion of Construction Work and final payment, at which point all savings will accrue to SVH. Design Builder will submit a zero dollar Change Order for SVH's written approval for transparency in modifications to the Schedule of Values (e.g. use of contingency funds, transfer from one line item to another, scope swaps) in accordance with Article 14. All costs which would cause the GMP to be exceeded will be paid solely by the Design Builder, subject only to adjustment through executed Change Order.

10.3.1 Design Services. The cost for Design Services performed by Design Professionals and Design-Build Subcontractors performing mechanical, electrical, plumbing, and fire protection will be included as a separate line item in the GMP and will be compensated on a time and reimbursable expense basis (except for SEOR) with a NTE Amount. Billable rates for Design Services must be calculated in accordance with subparagraph 11.2.1(a) and are included in the Resource Loaded Work Plan set forth in Exhibit 4C. The RLWP must be broken down by the following Stages (Validation Stage, Design / Preconstruction Stage, Construction Stage) and identify which team members are key personnel. The NTE Amount for Design Services must be subtracted from the Cost of the Work before Design Builder calculates insurance and bond costs.

10.3.2 Preconstruction Services. The cost for Preconstruction Services will be included as a separate line item in the GMP and will be compensated on a time and reimbursable expense basis with a NTE Amount. Billable rates for Preconstruction Services must be calculated in accordance with subparagraph 11.2.2(a) and are included in the Resource Loaded Work Plan set forth in Exhibit 4C during the Validation Stage and Design / Preconstruction Stage. The NTE Amount for Preconstruction Services must be subtracted from the Cost of the Work before Design Builder calculates insurance and bond costs.

10.3.3 Design / Preconstruction Services Contingency. The dollar amount included in the Business Terms Sheet for Design / Preconstruction Services Contingency may be utilized by Design Builder during investigation and evaluation of the existing conditions during the Validation Stage. Unused Design / Preconstruction Services Contingency will accrue 100% to SVH.

10.3.4 Direct Costs for Construction Work. Direct Costs for Construction Work will comply with the applicable Cost of the Work requirements set forth in Article 11 and must be broken down into separate line items by trade for the cost for all labor, materials, equipment, and appurtenances required for the Construction Work. Design Builder must include columns for materials and labor in the detailed breakdown of the GMP in order to calculate the Labor Escalation Allowance and Material Escalation Allowance. If this information is not provided, Design Builder forfeits its right to recover for Unusual Labor Escalation or Unusual Material Escalation.



(a) Labor Escalation Allowance. Design Builder will include a Labor Escalation Allowance of 5% for escalation of field labor performing Construction Work included in the GMP. Design Builder must include the estimated cost of labor broken down by trade in its GMP and must have separate back up for Design Builder's field labor included in the General Requirements. The Labor Escalation Allowance will be a separate line item in the GMP. The Labor Escalation Allowance will be reconciled during the last 6 months of construction pursuant to Section 14.11. Unusual Labor Escalation change requests must be completely transparent and all adjustments will be in accordance with Section 14.11. If the Labor Escalation Allowance is exceeded, Design Builder may request an additive Change Order for Unusual Labor Escalation per Section 14.2.1. Design Builder must request a labor cost breakdown from each trade during the procurement process and before GMP in order to be able to substantiate this Claim.

(b) Material Escalation Allowance. Because several trades will not be procured until later in the design process, the GMP includes a Material Escalation Allowance. Design Builder must include the estimated cost of materials broken down by trade in its GMP. The Material Escalation Allowance will be calculated by multiplying 8% times the sum of the estimated material costs for trade work, which is estimated based on either a material or equipment quote received at the time of GMP from a Subcontractor or supplier, or the first quarter 2025 RS Means cost index ("Cost Index") for bay area. Material escalation will be calculated as follows: (i) By comparing the actual cost at the time of procurement of the Subcontractor to the price of the material or equipment in the Cost Index; or (ii) By comparing the actual cost at the time of procurement to a supplier's material or equipment quote if a Subcontractor or supplier provided a material or equipment quote as part of its proposal to Design Builder at the time of the GMP; or (iii) By comparison of the actual cost of the material or equipment at the time of procurement of the material or equipment to the amount carried in the GMP for the material or equipment if the Cost Index does not have a price for the specific material or equipment. The Material Escalation Allowance may only be accessed by Design Builder if subcontracts, materials, and equipment are timely procured in accordance with the Project Schedule. The Material Escalation Allowance will be reconciled after all Subcontractor buy-out is completed per Section 14.12. If after completion of all Subcontractor buy-out, the Material Escalation Allowance is exhausted, the Design Builder may submit a Change Order for Unusual Material Escalation per Section 14.2.2. Design Builder is expected to request a material cost breakdown from each trade during the procurement process and before GMP.

10.3.5 Indirect Costs for Work. Indirect Costs will include Design Builder's General Conditions, General Requirements, design and construction contingency, insurance, payment and performance bond, and Fee.

(a) Design Builder's General Conditions are described in Section 11.2.2. All billable rates must be calculated in accordance with Section 11.2.2(a) and are set forth in the Resource Loaded Work Plan set forth in Exhibit 4C. The Resource Loaded Work Plan must be broken down by the Validation Stage, Design / Preconstruction Stage and the Construction Stage based on Design Builder's proposed personnel and billing rates for Preconstruction Services, and Construction Work, the percentage of time each personnel is expected to perform work or services on the Project, and duration of the Validation Stage, Design / Preconstruction Stage and Construction Stage, and include the proposed billable rates



for each staff member, and indicate which staff members are key personnel. The Resource Loaded Work Plan must calculate the estimated monthly amount for each person based on percentage of time spent on each Stage and the Project over the duration of the Project Schedule. The cost for Design Builder's General Conditions will be included as a separate line item in the GMP.

(b) Design Builder's General Requirements are described in Section 11.4 and are more particularly set forth in the General Requirements Spreadsheet set forth in Exhibit 4D. The General Requirements Spreadsheet substantiates Design Builder's cost for General Requirements spread over the duration of the Construction Stage portion of the Project Schedule.

(c) Design and Construction Contingency. Contingency for design and construction must be included in a separate line item of the GMP and may be used by the Design Builder at its discretion as a buffer to the GMP to cover situations such as unanticipated field conditions, un-estimated costs, scope gaps or subcontractor buy-out overruns, correction of design errors or omissions, re-sequencing of the Work, or acceleration to permit the Design Builder to deliver the Project within the Contract Time, and such other costs agreed to, in writing, by SVH. Use of Design Builder's contingency will be transparent through transfer of the amount of contingency used into the appropriate line item through a no cost Change Order in accordance with Article 14. Design Builder will ensure that Subcontractors do not carry contingency for the same risks. Unused construction contingency will accrue to SVH via deductive Change Order upon Completion of Construction Work. Contingency will be calculated on the NTE Amount for Design Services, Direct Costs, General Conditions and General Requirements, however the Labor Escalation Allowance and Material Escalation Allowance must be subtracted before calculating Contingency.

(d) Insurance and Bond. The cost for Design Builder's insurance and payment and performance bond must be included in separate line items of the GMP. The payment and performance bond must cover 100% of the cost of the Construction Work. Design Builder's insurance requirements are set forth in Exhibit 6A. The Change Order mark-up for insurance and bonds is stated in the Business Terms Sheet. Insurance and bonds will be calculated based on the cost of the Construction Work.

(e) Fee. Design Builder Fee is included in the GMP for Design Builder's home office overhead and profit as further defined in Section 11.6. Fee will be calculated based on the percentage set forth in the Business Terms Sheet multiplied by the subtotal of the NTE Amount for Design Services, NTE Amount for Preconstruction Services, Direct Costs for Construction Work and Indirect Costs. Design Builder's Fee is set forth in the Business Terms Sheet. Design Builder's Fee fluctuates for additive and deductive Change Orders based on the Change Order percentage set forth in the Business Terms Sheet and the Cost of the Work.

11. COST OF THE WORK

11.1 General. The term "Cost of the Work" includes costs necessarily and properly incurred by Design Builder in the performance of the Work. The Cost of the Work will be at



rates not higher than the standard paid at the place of the Project except with prior consent of SVH. The Cost of the Work includes only those items set forth in Sections 11.2 through 11.5, and only includes the price incurred by the Design Builder without any duplicative charge for items that fit into more than one category, and is subject to the compensation provisions set forth in Article 10, and the audit provisions set forth in Section 12.9. Design Builder's Fee is in addition to the Cost of the Work and subject to the requirements in Section 11.6. Design Builder will include these same provisions in all Design Professional agreements and subcontracts where the Design Professional or Subcontractor is being compensated on either a not-to-exceed basis or a guaranteed maximum price basis. These same provisions will also apply to Change Orders (including subcontract change orders), regardless of compensation model. For the purpose of Change Orders, Direct Costs include the cost of all Design Services, subcontracted work or self-performed Work but does not include Design Builder's Indirect Costs described in Section 10.3.5.

11.2 Labor and Services.

11.2.1 Design Services. Reimbursable costs for Design Professionals performing consulting or Design Services during the Validation Stage, Design / Preconstruction Stage, and Construction Stage will be charged per the billable rates set forth in Exhibit 4C. The RLWP set forth in Exhibit 4C, includes Design Professionals and Design-Build Subcontractors performing mechanical, electrical, plumbing, and fire sprinkler design costs included in the NTE Amount for Design Services. The RLWP must calculate the estimated monthly amount for each person performing Design Services on the Project over the duration of the Schedule based on the percentage of time spent during each Stage, and include the proposed billable rates for each staff member, and indicate which staff members are key personnel. The cost for all other design-build work (e.g. piles, temporary shoring, etc.) will be carried in the GMP under the appropriate Direct Cost line item for that specific trade.

(a) Billable rates for Design Services must be inclusive of any and all costs necessary for performance of the design or consulting services including basic wages, payroll taxes, and employer benefit payments for health and welfare (net of employee contribution withholding), pensions, vacations/holidays, supplemental dues, training, 401K benefits, and other benefits or payments required by law, and will include overhead, burden, and profit. Overhead and profit calculations are subject to the categories of items included in Section 11.6.1 below. Charges for Work performed by salaried personnel in excess of the 40 hour work week are not allowable, unless agreed to by SVH before the time being incurred and only in an amount agreed to by SVH as appropriate. The billable rates will be locked through end of 2025, and subject to an adjustment at the beginning of 2026. The rate adjustments will be made in January, tied to the Consumer Price Index, and cannot include salary adjustments in excess of 5% per year. Costs for annual bonuses are allowed as part of Design Professional's profit. All rates (including adjustments) must be taken into consideration as part of the GMP, and rates may be audited before execution of the Contract or any time thereafter.

11.2.2 General Conditions. General Conditions include Design Builder's employee costs for Preconstruction Services, project management, superintending, project engineering, safety, accounting, planning and scheduling, purchasing, estimating, and BIM modeler(s) who are specifically assigned to the Project, but only for that portion of employee



time required for the Construction Work. Costs for Design Builder's employees assigned to the Project will be charged per the billable rates set forth in Exhibit 4C, as calculated below. The RLWP included in Exhibit 4C must be broken down by Preconstruction Services (Validation Stage and Design / Preconstruction Stage) and Construction Work (Construction Stage), and include the proposed billable rates for each staff member, and indicate which staff members are key personnel. The RLWP in Exhibit 4C must calculate the estimated monthly amount for each person based on percentage of time spent during each Stage and the entire Project over the duration of the Schedule.

(a) Billable rates for General Conditions include basic employee compensation (hourly wages or salary without any overhead and profit) plus customary benefits including health and life insurance (net of employee contribution withholding), long term disability, accidental death/dismemberment, sick leave, 401K, pensions, vacation accruals, holidays, Social Security (FICA), Medicare (FMI), any other government required payroll taxes, unemployment insurance (FUI & SUI based upon actual rates and statutory limits), and workers' compensation. For full-time staff assigned to the Project, the base hourly rate is determined by dividing the employee's annual salary by 2,080 hours. Employees, who are not assigned on a full-time basis to the Project, should be based on their respective hourly rate and the actual amount of time spent on the Project. Note that billing rates for Preconstruction Services do not include overhead and profit as Design Builder's Fee will be taken on top of Design Services and Preconstruction Services when it develops the GMP. Charges for Work performed by salaried personnel in excess of the 40 hour work week are not allowable, unless agreed to by SVH before the time being incurred and only in an amount agreed to by SVH as appropriate. The billable rates will be locked through end of 2025, and subject to an adjustment in January of 2026. The rate adjustments will be tied to the Consumer Price Index and cannot include salary adjustments in excess of 5% per year. The billing rates cannot include annual bonuses, however Design Builder may include cost for annual bonuses in its profit. All rates must be taken into consideration as part of the GMP, and rates may be subject to audit before execution of the Contract or any time thereafter.

11.2.3 Field Labor. Field labor costs are limited to hours of labor performed by workers performing Construction Work on site or at off-site locations. The labor rates must be inclusive of basic hourly wages, payroll taxes, and employer benefit payments for health and welfare, pensions, vacations/holidays, supplemental dues, and training, plus any other benefits or payments required by law or applicable collective bargaining agreements. The labor costs associated with foremen and lead-men are included in field labor and all self-performed Construction Work will be compensated as field labor. The cost of Design Builder's field labor employees (e.g., laborers and carpenters maintaining the site) will be included in Design Builder's General Requirements (Exhibit 4D). Self-performed trade work using field labor will be carried in the GMP under the appropriate direct cost line item for that specific trade. Per diem for union labor will be pursuant to the applicable collective bargaining agreement.

11.2.4 Subcontractor Costs. Subcontractor costs include payments made to Subcontractors per their written subcontracts, provided the written subcontract conforms to the requirements of this Contract. All written subcontracts providing for compensation on a cost-reimbursable basis will include a reimbursable and non-reimbursable section that substantially incorporates the applicable provisions set forth in this Article 11 and specifically defines the



categories of services or labor and the rates in dollar amount per hour. Subcontracts must include hourly field labor rates for standard time, overtime, and double time work. Subcontractor's insurance costs are included in overhead. Overhead and profit are not included in billable rates.

11.3 Cost of Materials and Equipment Incorporated Into the Project. Cost of materials and equipment under this Section include actual costs for materials and equipment, including transportation and storage of materials and equipment incorporated or to be incorporated into a Project and including costs of materials in excess of those actually installed to allow for reasonable waste and spoilage.

11.3.1 Excess Materials and Equipment. Unused excess materials or equipment, if any, will become SVH's property at Completion of Construction Work. To the extent SVH directs Design Builder to sell excess materials or equipment, any amounts realized from the sales will be credited to SVH through the payment application process.

11.3.2 Discounts, Rebates and Refunds. Design Builder will notify SVH of available discounts, rebates and refunds. Cash discounts obtained on payments made by Design Builder will accrue to SVH.

11.4 General Requirements. The General Requirements Spreadsheet must be itemized, detailed, and include the rates being charged to the Project spread over the duration of the Project Schedule. To the extent Design Builder desires to use its own equipment, Design Builder must present rates on a daily, weekly, and monthly basis as well as quotes from vendors to the Construction Manager and Program Manager for review and recommendation to SVH. Design Builder's General Requirements will be included in Exhibit 4D and include the following categories of items.

11.4.1 The cost of Design Builder's field labor employees (e.g. carpenters and laborers maintaining the site).

11.4.2 Costs for computers, copiers, telephones, cell phone charges (which cannot exceed \$125 per month per person), communication radios (direct-connect), digital cameras, postage, office supplies, and equipment. Data processing costs are limited to the cost of personal computer hardware (including servers and printers) used in handling normal day-to-day Project administration, management and control of the Project, internet access. Software license fees incurred specifically for the Project to the extent purchase and previously approved by the Construction Manager and SVH.

11.4.3 Costs for jobsite trailers and field office space.

11.4.4 Costs for temporary utilities for construction operations such as power, water, and sanitary.

11.4.5 Costs for security, fences, and Project signage.

11.4.6 Costs associated with the Design Builder's safety program directly related to the Project, including temporary protection and barricades, first aid supplies, signage, and traffic control, and personal protective equipment required at job site. Design Builder is responsible for acquiring and using the personal protective equipment in an appropriate manner.

11.4.7 Costs, including transportation and storage, installation, maintenance, dismantling, and removal of construction materials, supplies, machinery, equipment, and small tools (not customarily owned by field labor and that cost in excess of \$1,500, that are provided by the Design Builder at the site, and fully consumed in the performance of the Construction Work). If small tools are not fully consumed, the cost less salvage value, whether sold to others or retained by the Design Builder, will be included. Salvage value will be the fair market value.

11.4.8 Rental Charges and Design Builder Owned Equipment. All rental charges for temporary facilities and equipment that are provided at the site, whether rented from the Design Builder or others, including costs for transportation, installation, fuel, lubrication, maintenance, minor repairs and replacements, dismantling, and removal. Approved rates for equipment whether owned by Design Builder or rented are set forth in Exhibit 4D. All approved equipment rates will be no more than those prevailing in the area. The aggregate rental amounts for any one piece of equipment cannot exceed 80% of its fair market value at the time it is placed in service for this Project. All rented equipment will be subject to the equipment rental terms and conditions reviewed by the Construction Manager and Program Manager and approved in advance by SVH.

11.4.9 Costs of removal and disposal of debris from the site, SWPPP, dust control, temporary roads/entrances.

11.4.10 Temporary stairs.

11.4.11 Cost for reproducing or printing documents related to the Work.

11.4.12 Costs for physical models and mock-ups requested and approved, in advance and in writing, by SVH.

11.5 Miscellaneous

11.5.1 Sales, use, or similar taxes imposed by a Governmental Authority that are related to the Work.

11.5.2 Costs for insurance coverage required under this Contract (excludes SVH provided insurance).

11.5.3 Cost of Design Builder's payment and performance bonds required under this Contract without mark-up for Fee. Subcontractor bonds or subcontractor default insurance are not a reimbursable Cost of the Work.

11.5.4 Fees and assessments for plan check, permits, licenses and inspections, and laboratory tests required by the Contract Documents and that are not paid directly by SVH,



except those related to defective or non-conforming Construction Work, or the negligence or fault of the Design Builder, or its Design Professionals or Subcontractors, for which reimbursement is excluded.

11.5.5 Deposits lost for causes other than the Design Builder's negligence or failure to fulfill its responsibility under the Contract Documents

11.5.6 Royalties and license fees paid for the use of a particular process or product required by the Contract Documents and the cost of defending any suits or Claims for infringement of patent rights arising from specific requirements of the Contract Documents that were prepared by SVH or its Separate Consultants or Separate Contractors and provided that Design Builder did not know that the use of the particular design, process, or product was an infringement, and that those portions of the Work were not designed by Design Builder, its Design Professionals, or any of its Design Build Subcontractors.

11.5.7 Costs incurred in taking action to prevent threatened damage, injury, or loss in case of an emergency that threatens the safety of persons or property.

11.5.8 Mileage and transit time, if beyond a 120 mile radius from employee residence or temporary residence to the job site, as well as any motor vehicle expenses, will be reimbursed based upon the GSA vehicle mileage rate in force at the time of travel. Anything below 120 mile radius should be included in billing rates. Reimbursement will be based on actual mileage up to a maximum reimbursable mileage of 200 miles per round trip. Travel time and mileage for travel related to the Project at locations other than the jobsite (e.g. fabricators yard, special inspector's lab, etc.), will be reimbursed at actual time spent and actual mileage per the GSA vehicle mileage rate. Regardless, the maximum reimbursement amount for transit time paid may not exceed 4 hours.

(a) Union employees will be reimbursed per their respective collective bargaining agreement based on their craft. To the extent Design Builder's field labor is non-union, field labor will be reimbursed for actual transit travel time.

(b) Design Builder's and Design Professionals salaried personnel will bill their time based on the number of hours working on the Project and may not bill travel time.

(c) Per diem for Design Builder's and Design Professional personnel as described in subsections (a) and (b) incurred is a lump sum amount of \$50.00 per day provided that the personnel was either physically at the site or in a Project related location, such as a fabrication site, for a minimum of 4 hours in a single day.

11.6 Fee. Design Builder's Fee includes overhead and profit.

11.6.1 Overhead. Overhead includes full compensation for any home office personnel who are not directly assigned to the Project or included in the billable rates; other reasonable home office overhead expenses such as rent, property tax, non-Project related insurance, utilities, office equipment (including software and hardware costs), other IT costs that are not Project-specific, depreciation on assets, employee recruitment and training, general



administrative and payroll costs, business development and marketing, relocation expenses, company vehicles (including company trucks, tool trucks, golf carts, quads, etc.) inclusive of gas and maintenance, employee commute car and truck allowances (inclusive of gas and maintenance), cell phone expenses, postage, severance pay, employee morale programs; and costs of business operations such as small tools or equipment (with purchase price of \$1,500 or less) that is customarily owned by contractors and required for their respective portion of the Construction Work, costs for professional dues, licenses, fees and taxes required by any Governmental Authorities to enable the Design Builder and its Design Professionals and Subcontractors to be qualified to do business and/or perform a portion of the Work.

11.6.2 Profit. Design Builder's profit for the Project, which may include amounts for Design Builder's employee annual bonuses, subcontractor bond costs or subcontractor default insurance (if applicable).

12. PAYMENT

12.1 Payment Applications. Design Builder will prepare and submit certified payment applications for Work performed based on the application for payment form set forth in Tab 2A of the Project Manual. The application for payment will include a Schedule of Values that is based on the line items included in the GMP Summary and Detailed Breakdown (Exhibit 4A). The period covered by each payment application will be one calendar month. The payment will be based on the percentage of Work performed through the payment application date.

12.2 Progress Payments. Payment applications will be submitted by the 25th day of the month for review by Construction Manager and will be evaluated per Section 12.2.1. Design Builder will meet with Construction Manager and Program Manager to resolve any disagreements with respect to amounts requested in the payment application. Upon review and approval, Construction Manager will make a recommendation to SVH for payment. SVH will make monthly progress payments on all undisputed Work within 45 calendar days' receipt of Design Builder's submitted application for payment. Payment of approved amounts will be made directly to Design Builder.

12.2.1 Evaluation. Before submitting the certified application for payment to SVH, Construction Manager will review and make recommendations for payment based on the supporting documentation provided by Design Builder per Section 12.2.5, and Construction Manager's observations and evaluation of the Work. Based on that review, Construction Manager will forward the certified application for payment to SVH for approval with a recommendation that SVH pay all undisputed items. An approval of an application for payment is subject to results of subsequent tests and inspections, to correction of minor deviations from the Contract Documents before Completion of Construction Work and to specific qualifications expressed by the Construction Manager or SVH. Program Manager, Construction Manager, and SVH are entitled to rely on the accuracy and completeness of the information furnished by the Design Builder and approval will not be deemed to represent that a detailed examination, audit, or arithmetic verification of the documentation submitted with the Design Builder's application for payment has been made or that exhaustive or continuous on-site inspections have been made to verify that the Work is in accordance with the Contract Documents. A recommendation for payment by Program Manager or Construction Manager or payment by



SVH does not represent that Program Manager, Construction Manager, or SVH has ascertained how or for what purpose the Design Builder has used money previously paid.

12.2.2 Retention. SVH will withhold 5% retention on the entire amount for the cost of the Construction Work included in each monthly application for payment under Public Contract Code section 22185.7. Retention will be released between 30 and 60 days after the filing of a Notice of Completion with the County Recorder, subject to withholding 150% of disputed amounts per Public Contract Code section 7107, unless SVH, in its sole discretion, agrees to release the Design Builder's retention earlier and provided that the Work has been accepted by SVH, the Program Manager, Construction Manager, IOR, HCAI, and other necessary Governmental Authorities. However, pursuant to Section 22300 of the Public Contract Code, Design Builder has the option to deposit securities with an escrow agent acceptable to SVH in substitution for retention, or for SVH to pay retentions earned directly to the escrow agent, which the Design Builder may elect by providing notice to SVH within 30 days of the Effective Date of the Contract.

12.2.3 Change Orders. Applications for payment may include requests for payment on account of changes in the Work that have been properly authorized.

12.2.4 Stored Materials and Equipment. Stored materials may be included in the application for payment provided the materials or equipment are properly stored in accordance with Section 9.8.3 and Design Builder has provided evidence that the materials are securely stored in the agreed upon location. However, payment for materials and equipment stored off-site will only be made if first approved by Construction Manager and SVH beforehand, and provided that Design Builder provides a complete invoice with a bill of sale, proof of insurance, and photographs as part of the back-up in the application for payment. The bill of sale must include the seller's name and address, the buyer's name and address, a detailed description of the materials or equipment procured, the transaction date, and location of the transaction, the amount the buyer paid and the method of payment, and the signatures of both the buyer and the seller. SVH reserves the right to issue joint checks for procurement of materials and equipment.

12.2.5 Supporting Documents. Each payment application will be accompanied by a monthly progress report per Section 1.10 of the Supplemental Conditions (Exhibit 2) and sufficient documentation supporting the Cost for Work included in the application for payment including, without limitation: (i) proof of compliance with skilled labor and trained workforce requirements and certified payroll compliance; and (ii) executed conditional waiver and release forms complying with California state law covering all Work performed during the billing period by Design Builder, and Design Build Team Members (Project Manual, Tab 2B); and (iv) certification and unconditional waivers and releases evidencing that Design Builder has paid all Design Professionals, Subcontractors, suppliers, and equipment vendors prior amounts due and owing from amounts previously received from SVH and has no knowledge of any recorded stop payment notices with respect to the Work performed, and that all Design Professionals, Subcontractors, suppliers, and equipment vendors will be paid with the proceeds for Work covered under the certified payment application.



12.2.6 No Waiver. Payment by SVH will not constitute approval or acceptance of any Work or amount included in the payment application.

12.3 Right to Withhold. The Construction Manager may refuse to recommend payment, and SVH may refuse to approve a payment application or, because of subsequently discovered evidence or subsequent observations, may nullify the whole or any part of a prior payment application to the extent the Construction Manager or SVH determines is necessary to protect the public agency from loss due to one or more of the conditions listed in Sections 12.3.1 through 12.3.12. When and to the extent the reason for withholding payment no longer applies, the withheld amount will be paid without interest.

12.3.1 Deficient Design Services or nonconforming Construction Work not remedied.

12.3.2 Third-party Claims filed against SVH or the Project or reasonable evidence indicating probable filing of Claims, unless security acceptable to SVH is provided.

12.3.3 Failure of Design Builder to provide supporting documentation as required under Section 12.2.5, or to make timely payments to Design Professionals, Subcontractors, suppliers, and equipment vendors for Design Services, labor, materials, or equipment.

12.3.4 Failure of Design Builder or its Subcontractors to comply with Skilled Work Force Requirements, prevailing wage requirements, and proper submission to the DIR.

12.3.5 Damage to SVH or its Separate Consultants or Separate Contractors if the Design Builder, or any of its Design Build Team Members are potentially liable.

12.3.6 Failure of the Work to progress in accordance with the Project Schedule and reasonable doubt (in SVH's sole discretion) that the Work can be completed within the Contract Time and/or for the remaining balance of the GMP (taking into account any Liquidated Damages under Section 13.7 that would be due and owing from Design Builder as a result of delay).

12.3.7 Failure to comply with scheduling requirements set forth in Article 13 or provide SVH and the Construction Manager with timely monthly progress reports as required under Section 1.10 of the Supplemental Conditions (Exhibit 2).

12.3.8 Failure of the Design Builder to maintain the BIM (if applicable) or update as-built documentation.

12.3.9 Failure of the Design Builder to maintain the Project Schedule or furnish Project Schedule files as required under Section 13.3.

12.3.10 Disputed amounts included in the application for payment or insufficient documentation, erroneous estimates for value of the Work performed, or other incorrect statements in a payment application.

12.3.11 Failure to keep the site premises clean and safe to the satisfaction of the Construction Manager, Program Manager, or SVH.

12.3.12 Failure to carry out the Work in accordance with any term or condition in the Contract Documents.

12.4 No Right to Stop Work. If Design Builder disputes any determination with respect to any payment application, Design Builder must nevertheless expeditiously continue to prosecute the Work, provided that undisputed amounts are timely paid. Design Builder may submit unresolved payment disputes for determination under Article 19.

12.5 Payments to Design Professionals, Subcontractors and Suppliers. Design Builder will make payment to its Design Professionals, Subcontractors and suppliers within 7 business days' receipt of a progress payment from SVH. Final payment will be made within 10 days of receipt of payment from SVH. SVH is not obligated to pay, or to see that payment is made to Design Builder's Design Professionals, Subcontractors and suppliers, except as may otherwise be required by Applicable Law. SVH reserves the right, in its sole discretion, to issue joint checks to Design Professionals, Subcontractors, suppliers or equipment vendors and Design Builder will cooperate with SVH.

12.6 Warranty of Title. Design Builder warrants that title to all Work, materials, and equipment covered by a payment application, whether incorporated into the Project or not, will pass to SVH at the time of payment, free and clear of all stop payment notices, Claims, security interests or encumbrances in favor of Design Builder and its Design Build Team Members, and other persons and entities entitled to make a Claim by reason of having provided Design Services, or labor, materials, or equipment relating to the Construction Work. If Design Builder has received payment for the Work at issue, Design Builder will defend, indemnify, and hold SVH harmless pursuant to Section 15.2.

12.7 Final Payment. Upon Completion of Construction Work, Design Builder will submit a final payment application. The Design Builder will provide the same supporting documentation as required under Section 12.2.5. As a condition precedent to final payment, Design Builder must also provide: (i) an affidavit that payrolls, bills for materials and equipment, and other indebtedness connected with the Work, for which SVH or its property might be responsible or encumbered, have been paid or otherwise satisfied; (ii) proof of completion of all punch-list items; (iii) a certificate evidencing that the insurance required by the Contract Documents to remain in force after final payment is currently in effect and a written statement that the Design Builder knows of no substantial reason that the insurance will not be renewable to cover the period required by the Contract Documents; (iv) consent of surety; (v) delivery and approval by Construction Manager of all as-built Drawings, manufacturer's warranties, Product Data, and maintenance and operations manuals, verified reports, and other close-out deliverable as required by the Contract Documents; and (vi) final conditional waivers and releases of stop payment notice rights. Final payment of all undisputed amounts will be paid no later than 30 calendar days after Completion of Construction Work. All disputed amounts will be subject to the dispute resolution process set forth in Article 19.



12.8 Waiver of Claims. Acceptance of final payment by the Design Builder constitutes a waiver of Claims for payment by Design Builder and its Design Build Team Members except for those previously made in writing and submitted per Article 19, that are identified as unsettled in the final application for payment.

12.9 Audit Rights. In accordance with Government Code Section 8546.7, records of both SVH and the Design Builder will be subject to examination and audit by the State Auditor General for a period of 4 years after final payment. Design Builder will make available to SVH any of the Design Builder's other documents related to the Work immediately upon request of SVH as set forth in Section 12.9.2. Design Builder must maintain all required records for 3 years after final payment is made and all other pending matters are closed.

12.9.1 SVH, and agencies designated by SVH (including the Comptroller General of the United States) may audit Design Builder's Project records at any time throughout the duration of the Project and for a period up to 4 years after Completion of Construction Work upon 10 business days' written notice. The audit will take place during normal business hours and will be coordinated with Design Builder, and the Design Builder will provide access to any books, documents, papers, and records of the Design Builder which are pertinent to the Contract for the purpose of making audits, examinations, excerpts and transcriptions. The Construction Manager, Program Manager, or SVH may also conduct verifications including, but not limited to, counting employees at the Project site, witnessing the distribution of payroll, verifying information and amounts through interviews and written confirmations with employees, and other Design Build Team Members. Should the audit indicate that Design Builder's records were fraudulently or negligently prepared or maintained, SVH reserves the right to seek damages and legal remedies from Design Builder in accordance with Applicable Law.

12.9.2 Availability of Records. Upon notice of audit, Design Builder will produce all Project records related to: (i) establishing the GMP and Project Schedule, as amended; (ii) Costs of the Work and all job-cost reports; (iii) procurement of Design Build Team Members; (iv) payment applications; (v) Change Orders and any back-charges, as well as any Design Build Team Member change orders (inclusive of all back-up); (vi) any Design Professional, Subcontractor, or consultant that are reimbursed on a cost reimbursable basis in accordance with the Cost of the Work; (vii) insurance cost information, as well as any information that Design Builder or other Design Build Team Members provide to SVH, the Program Manager, or Construction Manager for the purpose of confirming the accuracy of such information; and (viii) any other supporting evidence deemed necessary by the Program Manager, Construction Manager or SVH to substantiate charges related to the Work.

12.9.3 Medicare. Upon written request of SVH, the Design Builder and any entity providing Design Services, labor, materials, or equipment to the Project will make available to the Secretary of Health and Human Services or the Comptroller General, or any of their duly authorized representatives, this Contract and all Exhibits, books, documents and records that are necessary to verify the nature and extent of the Cost of the Work for a period of 4 years after Completion of Construction Work when required by Section 952 of the Omnibus Budget Reconciliation Act of 1980. Design Builder will require each Design Build Team Member to comply with this provision regardless of how the party is being compensated.



13. SCHEDULING

13.1 Contract Time. The Contract Time is the time allotted in the Project Schedule (Exhibit 5B), to achieve Substantial Completion of the Work. Design Builder's Project Schedule will be amended in the Contract at the conclusion of the Validation Stage, provided that the GMP and Project Schedule are approved by SVH. Design Builder's Proposed Project Schedule included in Exhibit 5A is an interim schedule that will be used during the Validation Stage until the Project Schedule is amended into the Contract. The Contract Time will only be extended through executed Change Order for a permitted delay per Section 13.4, and the GMP will be adjusted in accordance with the Change Order process under Article 14. The Project Schedule must comply with Section 13.3.

13.2 Commencement and Prosecution of the Work. Design Services and Preconstruction Services to be performed under the Contract Documents will commence upon execution of this Contract. Construction will commence upon a written notice to proceed issued by Construction Manager to the Design Builder. Design Builder will coordinate its Work with other work and services being performed on the Project in a manner that avoids delays, obstructions, hindrances, or any interference with the commencement, progress, or completion of the whole or any part of the Work, and in accordance with the Contract Time set forth in the Project Schedule.

13.3 Project Schedule. Design Builder's approved critical path method Project Schedule will be amended into the Contract as Exhibit 5B. Design Builder will utilize the current version of Primavera project planning software to produce the critical path method schedule. The Project Schedule will serve as the baseline schedule and establish the Contract Time. The Project Schedule coordinates and integrates all Design Services with milestone dates for completion of the Schematic Design Documents, Design Development Documents, and Construction Documents, submittal deadlines, including those associated with California Administrative Code, Title 24 for Hospital Buildings, procurement of long lead items and subcontracts, permit, commencement of Construction Work, as well as commissioning, punch-list, Substantial Completion, Completion of Construction Work, as well as any other milestone dates, including a projection for Final Completion. The Project Schedule will be broken down by phase, activity and duration and will be used to identify the sequence of activities and to track time and manpower for those activities in order to plan, organize, execute, and monitor the Work. The Project Schedule will be Design Builder's master schedule and will be used to record and report actual performance and progress, and to outline how the Design Builder plans to integrate design and construction in order to ensure accurate and timely completion of all Work. However, day-to-day activities will be planned using work plans as described in Section 13.3.1. The Project Schedule must include sufficient time for design review and approval of Submittals as required under Article 3 of the Supplemental Conditions (Exhibit 2), and should include the number of Adverse Weather days per year as defined in Exhibit 1. The Project will own all Float and unused Adverse Weather days in the Project Schedule. Design Builder will not utilize Float suppression techniques or artificial restraints, constraints, lags or durations to lessen or control the amount of total or free Float contained in the network. All coding included in the Project Schedule must be transferrable and readable by the Construction Manager, and code structure will enable a sort by activity code in the form of a summary schedule. The Design Builder is responsible for coordinating with its Design Build Team Members, and SVH's



Separate Contractors and Separate Consultants with respect to all scheduling activities and reporting of delays. However, Design Builder is not responsible for delays caused by Separate Contractors or Separate Consultants. Design Builder will provide Project Schedule updates with its monthly progress report per Section 1.10.2 of the Supplemental Conditions (Exhibit 2). Upon request by SVH or the Construction Manager, Design Builder will produce electronic copies of its Project Schedule (inclusive of updates).

13.3.1 Work Plans. Design Builder in collaboration with the Design Build Team and Construction Manager will establish work plans that include upcoming performance requirements. The work plan schedules will document all Work performed during the prior week's period and project Work to be performed during the upcoming week(s) (3-week periods). The work plans are to be used as a working tool to reflect commitments made in look ahead meetings, evaluate any upcoming constraints or schedule slippages, identify workable backlog, and collaborate on methods for labor efficiency. Work flow will be scheduled to optimize the flow of Work through the Project and reduce bottlenecks and activities that will not advance the Contract Time or other milestone dates that are included in the Project Schedule.

13.3.2 Record Schedule. Design Builder will prepare and update the record schedule from the commitment based pull schedules throughout the duration of the Project. The updated Record Schedule will document the as-built schedule and provide an accurate accounting of when the Work was performed, if there were revisions to the Project Schedule, and why such revisions were made. Design Builder will maintain and update the record schedule weekly.

13.4 Permitted Delays. If the Design Builder is delayed in the commencement, prosecution or completion of the Work by the acts or omissions of SVH, its Separate Consultants or Separate Contractors or for one of the conditions set forth in Section 14.2 and, as a direct result of the delay, the Substantial Completion Date is extended, then the Contract Time may be extended for the same period of time that the Substantial Completion Date was delayed less the duration, if any, for delays caused by the fault, or neglect, act or, omission of the Design Builder or any of its Design Build Team Members, and their respective employees ("concurrent delays"). If the Contract Time is extended, the GMP and Contract Time will be adjusted per Article 14. However, no adjustments to Contract Time or GMP will be allowed unless written notice was provided to SVH and the Construction Manager within 5 business days of commencement of the delay. The notice must briefly describe the circumstance and provide a rough estimate of the delay time per Section 14.3. Before any adjustments in Contract Time or GMP, Design Builder must demonstrate the duration of the delay through fragnet analysis after taking into account any concurrent delays, and show that the delay could not have been anticipated or avoided and that commercially available means were taken to mitigate or minimize the consequences of the delay. Delays will be measured from the effective Project Schedule in place at the time of delay. Delays of non-critical path Work will not be a basis for an extension of Contract Time or any additional compensation.

13.5 Schedule Slippage. Design Builder will notify the Construction Manager in writing with a copy to SVH's authorized representative and Program Manager within 5 days of any delay in the Project Schedule as a result of its Work and must submit a detailed recovery plan to Construction Manager for evaluation and SVH's approval. The detailed recovery plan



must be submitted within 5 days of the notice (so within 10 days from date of delay). All costs associated with the recovery will be the responsibility of the Design Builder unless the Design Builder is entitled to an extension of time under Section 13.4.

13.6 Acceleration. SVH may direct the Design Builder and its Subcontractors and Design Professionals to work overtime. If Design Builder and its Subcontractors and Design Professionals are not in default under any of the terms or provisions of this Contract, their respective subcontracts and/or agreements, or any of the other Contract Documents, SVH will pay the Design Builder for the premium portion of actual wages, and billable rates paid, if any. All overtime wages and billable rates for acceleration are subject to audit.

13.7 Liquidated Damages. The Parties acknowledge and agree that if Design Builder fails to achieve Completion of Construction Work within the Contract Time, SVH will suffer damages that are both extremely difficult and impracticable to ascertain. Therefore, SVH and Design Builder agree that, in the event Design Builder fails to achieve Completion of Construction Work within the Contract Time and if as a result of that delay the date for Completion of Construction Work is extended, Design Builder will pay to SVH as liquidated damages, and not as a penalty, the applicable amount set forth in the Business Terms Sheet until such time that Completion of Construction Work is achieved. Payment of the Liquidated Damages represents a reasonable estimate of fair compensation for losses due to delay that reasonably may be anticipated. The Parties acknowledge and agree that this liquidated damages provision will be SVH's only remedy for delay damages caused by Design Builder's failure to achieve Completion of Construction Work within the Contract Time. However, nothing contained in this Section 13.7 will preclude SVH from recovery for actual damages caused by reasons other than Design Builder's failure to timely achieve Completion of Construction Work within the Contract Time including claims for actual losses incurred due to breach of contract, negligence, errors or omissions in the Design Services, defective Construction Work, injury to persons or property, or third party claims. Design Builder acknowledges and agrees that the Liquidated Damages amount is a reasonable amount for SVH's consequential damages due to delay under the circumstances and existing as of the Effective Date of this Contract.

14. CHANGES

14.1 General. Changes in the Work will only be authorized by a minor change in the Work per Section 14.6, a Construction Change Directive ("CCD") issued per Section 14.5, or executed Change Order, and must be performed under the applicable conditions of the Contract Documents. A Change Order is a mutually agreed written order adjusting the GMP, Contract Time, or both. In order to be properly executed, Change Orders must be signed by SVH and Design Builder. An executed Change Order fully and completely resolves any Claim by Design Builder and its Design Build Team Members for additional compensation or time arising from or related to the subject of the Change Order. Timely submission of a Change Order Request ("COR") per this Article 14 is a condition precedent to Design Builder's and any of its Design Build Team Members' ability to recover for a changed condition.

14.2 Conditions for Change. Change Orders are limited to the following circumstances:



14.2.1 SVH Elected Change.

14.2.2 SVH Caused Delay.

14.2.3 Pre-Permit Change by Governmental Authorities.

14.2.4 Post Permit Change by Governmental Authorities.

14.2.5 Reconciliation of Allowance items per Section 14.10.

14.2.6 Suspension of the Work by SVH under Section 20.1.

14.2.7 Acceleration of the Project Schedule per Section 13.6.

14.2.8 An executed CCD after reconciliation of the Cost of the Work per Section 14.5.

14.2.9 Change in Applicable Law that modifies taxes and fees identified in Section 6.6.

14.2.10 Adverse Weather.

14.2.11 Force Majeure Event.

14.2.12 Unforeseen and Differing Site Conditions.

14.2.1 Unusual Labor Escalation per Section 14.11.

14.2.2 Unusual Material Escalation per Section 14.12.

14.2.3 Cost neutral Change Orders for use of contingency, line item transfers, scope swaps, etc.

14.3 Change Order Requests ("CORs"). Design Builder will submit a rough order of magnitude of the change to Construction Manager within 5 business days' receipt of the scope of a COR or discovery of facts or circumstances giving rise to a COR. Design Builder will submit a complete cost proposal, including any change in Contract Time under Section 13.4, within an additional 5 business days unless a longer period of time is needed due to design revisions arising from an SVH Elected Change or for other reasons agreed to by the Design Builder and Construction Manager in writing. All CORs must be presented to the Construction Manager with a copy to SVH's authorized representative. Either a Change Order or CCD must be executed before the expense is incurred.

14.4 Review. Construction Manager will review the COR with SVH's authorized representative within 10 business days of receipt and may request additional information and back up from the Design Builder or make recommendations to SVH for approval or denial. If SVH denies the COR, it will provide Design Builder with a written explanation. If the COR is neither accepted nor denied within the 10 business day period, it will be deemed denied by SVH



unless written notice is provided to the Design Builder that the time for review is being extended. If written notice is provided, the notice will expressly state the date by which the review will be completed. All decisions rendered by SVH will be final and binding unless a formal Claim is timely noticed per the dispute resolution procedures in Article 19.

14.5 Construction Change Directives ("CCD"). A CCD may or may not constitute a changed condition as defined under Section 14.2, and may be issued by the Construction Manager when Work must proceed before the COR can be either submitted or approved. The CCD must indicate whether the Construction Manager believes the condition constitutes a change. If the Construction Manager believes that the CCD constitutes a changed condition, the CCD must either include an estimated lump sum amount for the change or an estimate for the Cost of the Work associated with changed condition with a not-to-exceed amount, and an estimate for the number days of adjustment to the Contract Time (if applicable), subject to the conditions set forth in Section 13.4. CCDs must be signed by the Construction Manager, SVH's authorized representative, and Design Builder in order to be valid. Design Builder cannot exceed the estimated lump sum or not-to-exceed adjustment for the Cost of the Work or the estimated number of days' extension of time without providing written notice to the Construction Manager requesting further approval from SVH, or submission of COR per Section 14.3. If a CCD states that it does not constitute a changed condition and Design Builder disagrees, the Design Builder must notify the Construction Manager and submit a COR per Section 14.3. Regardless of whether a CCD is issued, failure to provide a COR as required by Section 14.3 constitutes a waiver of Claim.

14.6 Minor Changes in the Work. The Program Manager or Construction Manager may order minor changes in the Work provided such changes do not impact the GMP or Contract Time and are consistent with the Construction Documents. Minor changes will be implemented through a CCD per Section 14.5.

14.7 Pricing Methods. Methods used for determining adjustments to the GMP include: (i) mutual acceptance of a lump sum amount properly itemized for labor, services, materials, equipment, and mark-up for insurance, bond, and Fee supported by sufficient substantiating data (such as receipts, purchase orders, contracts, time reports, and other documentation reasonably required by the Construction Manager or SVH) to permit evaluation of the Cost of the Work; or (ii) on a time and material basis based on actual Cost of the Work plus Fee. Under either pricing method, Work must be broken down by Design Services (§10.3.1), Preconstruction Services (§10.3.2) Direct Costs for Construction Work (trade costs) (§10.3.4, and Indirect Costs such as additional General Conditions (§10.3.5(a)) and General Requirements (§ 10.3.5(b)), insurance and bond (§ 10.3.5(d)), and Fee (§ 10.3.5(e)), if applicable. Note that there will not be Fee mark-up on the additional bond costs. If Work is performed on a time and material basis, Design Builder will keep and present an itemized accounting for the Cost of the Work based on detailed invoices for Design Services, Preconstruction Services, and daily time tickets executed by the Construction Manager for Construction Work, material and equipment invoices, and other supporting data (such as receipts, purchase orders, contracts, time reports, and other documentation reasonably required by the Construction Manager or SVH) substantiating the amount of the Change Order.



14.7.1 Design Professional and Subcontractor Adjustments. Design Professionals overhead and profit is included in their respective billing rates set forth in Exhibit 4C. Subcontractor adjustments for Change Orders are limited to the Cost of the Work multiplied by overhead and profit as determined by subcontract. All Subcontractor field labor rates for straight time, over time, and double time must specifically be set forth in their respective subcontract. Under no circumstances will Subcontractor overhead and profit on changes exceed 15% for self-performed portions of the Work plus 5% if Subcontractor has tiers (combined overhead and profit cannot exceed 15%).

14.7.2 Average Daily Rate for Delay. If the Contract is extended per Section 13.4 during the Construction Stage, the Average Daily Rate set forth in the Business Terms Sheet will be used to cover costs for additional General Conditions and General Requirements. If the change condition includes an extension of Contract Time, Design Builder will be entitled to additional General Conditions as described in Section 11.2.2 and General Requirements as described in Section 11.4 per the Average Daily Rate set forth in the Business Terms Sheet multiplied by the number of work days of extension in the Contract Time. Note that additional General Conditions and General Requirements are not allowed unless the Contract Time is impacted by one of the changed conditions set forth in Section 14.2. The Average Daily Rate will not be used for deductive Change Orders unless there is a scope reduction that also reduces the Contract Time. The Average Daily Rate does not provide compensation for time impacts to other Design Build Team Members. Note that additional General Conditions will not be allowed unless there is an extension in Contract Time.

(a) To the extent the Contract Time is extended during the Design / Preconstruction Stage as a result of one of the conditions set forth in Section 14.2, compensation will be per the billable rates in Exhibit 4C for Design Services and Preconstruction Services multiplied by the actual time spent performing the Work during the period of the delay.

14.7.3 Payment and Performance Bond. Mark up for Design Builder's payment and performance bond will be based on the percentages set forth in the Business Terms Sheet multiplied by the cumulative sum of the additive or deductive cost of the Construction Work as defined in Sections 10.3.4 and 10.3.5. Bond mark-up is not taken on top of Design Services or Preconstruction Services included in a Change Order.

14.7.4 Insurance. Mark up for Design Builder's insurance will be based on the percentage set forth in the Business Terms Sheet multiplied by the cumulative additive or deductive sum of the Costs of the Work as defined in Article 11.

14.7.5 Fee. Design Builder's Change Order mark-up for Fee as described in Section 11.6 is the percentage set forth in the Business Terms Sheet. The Change Order percentage for mark-up for Fee is multiplied by the cumulative additive or deductive sum of the Cost of the Work as defined in Article 11.

14.8 Deductive Change Orders. The amount of credit for deductive Change Orders will be the net decrease in the Cost of the Work plus Design Builder's Fee. The amount of credit will be determined based on one of the pricing methods set forth in Section 14.7 and

subject to the terms and conditions set forth in Sections 14.7.1 through 14.7.4. When both additions and credits covering related Work are involved in a proposed change, the Change Order will be determined based on the net increase or decrease.

14.9 Contract Time. Design Builder will only be entitled to an extension of time and additional compensation for General Conditions and General Requirements if the Contract Time is extended due to a permitted delay under Section 13.4 and after evaluation of the fragnet analysis as required under Section 13.4. Calculation for additional General Conditions and General Requirements will be calculated by multiplying the Average Daily Rate per Section 14.7.1. Design Builder does not reserve a right to assert any delays in the Contract Time, cumulative impact costs, extended job site costs, extended overhead, constructive acceleration, and/or actual acceleration beyond what is allowable under Section 13.4 and timely claimed in a COR.

14.10 Allowances. To the extent Allowances are required, they will be reconciled through written Change Order upon procurement of the portion of the Construction Work identified as an Allowance in GMP Summary and Detailed Breakdown (Exhibit 4A). If the Cost of the Work exceeds the amount carried in the Allowance item, an additive Change Order will be issued increasing the GMP for the overage. If the Cost of the Work is less than the amount carried in the Allowance item, a deductive Change Order will be issued per Section 14.8, decreasing the GMP, and 100% of all unused funds will accrue to SVH.

14.11 Unusual Labor Escalation. Design Builder has included a Labor Escalation Allowance in the GMP for escalation of field labor performing Construction Work per Section 10.3.4(a). The Labor Escalation Allowance will be reconciled during the last 6 months of construction through the COR process. Unusual Labor Escalation change requests must be completely transparent and Design Builder must provide reasonable data based on the field labor amounts provided by its Subcontractors as well as amounts carried for Design Builder's field labor at the time of GMP. Failure to submit the required information to substantiate the claim will be grounds for denial. If the Cost of the Work for field labor exceeds the Labor Escalation Allowance, an additive Change Order will be issued increasing the GMP by the amount of the overage. If the Cost of the Work for field labor is less than the amount carried in the Labor Escalation Allowance, a deductive Change Order will be issued per Section 14.8, decreasing the GMP, and 100% of all unused funds will accrue to SVH. Change Orders for Unusual Labor Escalation are Fee neutral so Subcontractor overhead and profit mark-up is not allowed, and Design Builder mark-up for Fee is not allowed. The other terms in Sections 14.7.3 and 14.7.3 regarding bond and insurance are applicable. To the extent, there is a deductive Change Order, the amounts for bonds, insurance and Fee will be reduced based on the percentages set forth in the Business Terms Sheet.

14.12 Unusual Material Escalation. Upon completion of Subcontractor buy-out, the Material Escalation Allowance will be reconciled per Section 10.3.4(b) and all unused amounts will accrue to SVH. To the extent the Material Escalation Allowance is used during the buy-out, those amounts will be transferred into the appropriate line item through a cost neutral Change Order per Section 14.2.3 for transparency. Change Order adjustments for Unusual Material Escalation are subject to the requirements in Section 10.3.4(b) and will be completely transparent. Failure to submit the required information as required under Section 10.3.4(b) to



substantiate the Claim will be grounds for denial. If the Cost of the Work for materials or equipment exceed the amount carried in the Material Escalation Allowance, an additive Change Order will be issued increasing the GMP by the amount of the overage. If the Cost of the Work for material or equipment is less than the amount carried in the Material Escalation Allowance, a deductive Change Order will be issued per Section 14.8, decreasing the GMP, and 100% of all unused funds will accrue to SVH. Additive Change Orders for Unusual Material Escalation are Fee neutral so Subcontractor overhead and profit mark-up is not allowed, and Design Builder mark-up for Fee is not allowed. The other terms in Sections 14.7.3 and 14.7.3 regarding bond and insurance are applicable. To the extent, there is a deductive Change Order, the amounts for bonds, insurance and Fee will be reduced based on the percentages set forth in the Business Terms Sheet.

14.13 Disputes and Continued Performance. Disputes regarding Change Orders will be resolved in accordance with Article 19. Failure to promptly execute Work that has been authorized through either an executed Change Order, or as directed by SVH or the Construction Manager through a CCD will constitute a material breach of contract.

14.14 Omitted Work. If Design Builder omits Work that is included in the Contract Documents, SVH will have the right to withhold payment in an amount which, in the Construction Manager's or SVH's opinion, is equal to the value of Work that was omitted until the Work is performed.

14.15 Surety. All changes, additions, or omissions in the Work ordered through a CCD or Change Order are part of the Work and will be performed and furnished in strict accordance with all of the terms and provisions of the Contract Documents. Design Builder will keep its surety informed of all modifications to this Contract. The obligations of Design Builder's surety are not to be reduced, waived, or adversely affected by the issuance of Change Orders even if the Design Builder fails to inform the surety of the Change Order(s), and SVH will not be required to obtain consent of the surety.

15. LIABILITY, DEFENSE, AND INDEMNIFICATION

15.1 Negligent Design. Design Builder is liable for all damages to the extent proximately caused by design errors and omissions that do not meet the standard of care and will be liable to the same extent for any bodily injury or physical property damage caused by the defect(s). Design Builder and its DPORs will correct deficiencies in the design development or Construction Documents without charge to SVH. If correction in the Construction Documents are performed after the Construction Work is completed, the statute of limitations for causes of action arising out of negligent Design Services will recommence upon completion of the corrective Design Services but only for that portion of the Work required to correct the negligent design errors or omissions. Correction for deficient Design Services will not limit any other legal remedies that may be available to SVH to recover damages arising out of, or resulting from deficient Design Services.

15.2 Indemnification. To the fullest extent permitted by law, Design Builder will defend (with counsel acceptable to SVH), indemnify and hold SVH and the Indemnitees (as defined in Exhibit 1) harmless from and against any and all Claims, demands, causes of action,



damages, costs, expenses (including legal, expert witness, and consulting fees and costs), losses or liabilities, in law or equity, arising out of, or resulting from, negligent acts or omissions in the performance of the Work by the Design Builder, its employees, Design Professionals, Subcontractors, suppliers, equipment vendors, or anyone for whom any of them may be liable. The indemnification obligations set forth in this Section will not be limited in any way by the amount or type of damages, compensation, or benefits payable by or for Design Builder under the workers' compensation acts, disability benefit acts, or other employee benefit acts. Design Builder's indemnification and defense obligations will survive termination of the Contract and include, but are not limited to, the following types of Claims:

15.2.1 Personal Injury and Property Damage. Personal injury, including bodily injury, sickness or disease, or death to any persons, employees, or agents of Indemnitees or any third parties and/or damage to tangible property of anyone (other than the Construction Work itself and including loss of use) caused or alleged to be caused by strict liability or any actual or alleged negligent act or omission of the Design Builder, its Design Build Team Members, or anyone directly or indirectly employed by any of them for whose acts Design Builder may be liable except to the extent that the personal injury or property damage is caused by the active negligence or willful misconduct of any of the Indemnitees.

15.2.2 Breach of Contract. Breach of any material term or condition of the Contract Documents that causes damage, cost, or expense to SVH.

15.2.3 Violations of the Law. Penalties, fees, and costs imposed on account of the violation of any Applicable Law and caused by the act or omission of the Design Builder, its Design Build Team Members, or anyone directly or indirectly employed by any of them for whose acts they may be liable.

15.2.4 Safety. Bodily injury, sickness, disease, death, injury, or tangible property damage (other than to the Construction Work itself) caused, in whole or in part, from actual or alleged failure to train, initiate, maintain, or supervise safety precautions and programs in connection with the Construction Work.

15.2.5 Infringement of Intellectual Property. Infringement of any intellectual property right including patents, copyrights, or license, which may be brought against Indemnitees as a result of the Work.

15.2.6 Stop Payment Notice. Stop payment notice Claims for Work performed on the Project, including incidental or consequential damages suffered by SVH as a result of the Claim, and provided SVH has paid Design Builder for the portion of the Work at issue.

15.2.7 Insurance. Failure of Design Builder or any its Design Build Team Members to comply with the insurance requirements under this Contract and Exhibit 6A.

15.2.8 Hazardous Materials. Claims, liability, or damages arising out of, or resulting from, Design Builder's or any of its Design Build Team Member's negligent acts or omissions: (i) in the safe removal, disposal, abatement or remediation of the pre-existing Hazardous Materials, and for the clean-up, transport and disposal of those pre-existing



Hazardous Materials in accordance with Applicable Law; or (ii) that cause or permit any Hazardous Materials to be generated, released, disposed, discharged, exacerbated, or brought onto, or stored at, the Project site or used in the Work unless specified, and only if there is not a reasonable substitute for the specified material.

15.3 Duty to Defend. Design Builder will immediately upon tender defend all Claims (with counsel acceptable to SVH) as defined in Exhibit 1 and Section 15.2 at its own cost and expense and satisfy any judgment or decree that may be rendered against any Indemnatee arising out of a Claim, and reimburse Indemnatee(s) for any and all attorney's, expert witness, and consulting fees and expenses incurred in connection with the Claim or in enforcing the indemnity and defense granted by Sections 15.2 and 15.3.

15.4 Stop Payment Notice Free Obligation. If any Design Build Team Members serve, or maintains any action on or respecting, a Claim of stop payment notice relating to the Work, Design Builder will immediately procure, furnish, and record appropriate statutory release bonds that extinguish or expunge the stop payment notice provided that SVH has paid the Design Builder for that portion of the Work. If Design Builder does not timely pay its Design Build Team Members as required, then SVH may notify Design Builder's surety, settle or bond over those Claims, or take other actions necessary to prevent a default under any other agreement affecting the Project, and SVH will withhold payment to Design Builder or demand reimbursement for any substantiated amounts that were necessary to satisfy Design Builder's obligation to satisfy, discharge, or defend against the Claim. Nothing contained in this Section requires the Design Builder to provide release bonds for any valid stop payment notice or other Claim due to SVH's non-payment or a valid dispute between SVH and Design Builder.

15.5 Enforcement. Nothing contained in this Article 15 will be construed to impose any obligation in conflict with current California state law. In the event of a conflict with Civil Code section 2782, et seq., as may be amended, this Contract will be modified to allow indemnification and defense by Design Builder to the greatest extent permitted by law.

15.6 SVH's Indemnification. SVH will defend and indemnify and hold the Design Builder, and its Design Build Team Members harmless from claims or liability, including future exposure claims made by third parties, arising out of, or resulting from Hazardous Materials brought onto the site by SVH's Separate Contractors, Separate Consultants, or anyone directly or indirectly employed by any of them but only to the extent that liability did not arise from any negligent acts, errors, or omissions of, exacerbation of, or Work performed by, Design Builder, a Design Build Team Member, or their respective employees or anyone directly or indirectly employed by any of them for whom they may be liable. SVH does not owe a duty of defense and indemnification to Design Builder for the remediation and removal of pre-existing Hazardous Materials, which is included in Design Builder's Work.

16. INSURANCE AND BONDING

16.1 Design Builder's Required Insurance. Design Builder will carry the insurance required in Exhibit 6A. Design Builder will require through written agreement that its Design Professionals carry insurance per the Business Terms Sheet and in accordance with Exhibit 6A, and that Subcontractors carry similar types of insurance coverage as Design Builder at



appropriate limits for their portion of the Work, as submitted and approved by the Construction Manager. Proof of appropriate insurance, including endorsements of additional insureds for all separate policies, except for workers compensation and professional liability policies, must be submitted to the Construction Manager before commencement of the Work. Design Builder and its Design Professionals and Subcontractors will provide additional insured as required under Exhibit 6A, except for workers compensation and professional liability policies. Notwithstanding the above, SVH expressly reserves the right to consider, in its sole discretion, wrap insurance programs through an owner controlled insurance program or contractor controlled insurance program in lieu of the individual Design Build Team Members carrying separate insurance. As with all wrap programs certain insurance coverages will still need to be maintained by Design Build Team Members. If it is determined that a wrap program is in the best interest of the Project, the insurance provisions will be amended through Amendment, at the conclusion of the Validation Stage and with submission of the GMP and Project Schedule.

16.2 SVH Required Insurance. SVH will carry the insurance required in Exhibit 6C.

16.3 Payment and Performance Bond. Design Builder will execute and furnish to SVH a payment and performance bond for one hundred percent (100%) of the cost of the Construction Work in accordance with Public Contract Code section 22185.4, before commencement of the Construction Stage. The bonds will be in accordance with the forms set forth in Exhibit 6B, and will be amended into this Contract before construction commences. The surety providing the payment and performance bonds must be an admitted surety insurer, as defined in Code of Civil Procedure section 995.120, authorized to do business in the State of California, and named on the current list of "Surety Companies Acceptable on Federal Bonds" as published by the Treasury Department Circular Number 570. Failure to provide the required payment and performance bonds will constitute a default under the Contract. The cost of the bonds will be included in the GMP. All changes, additions, or omissions in the Construction Work ordered through a Change Order under Article 14 are part of the Construction Work and will be performed and furnished in strict accordance with all of the terms and provisions of the executed Change Order and other Contract Documents. Design Builder will keep its surety informed of all modifications to this Contract. The obligations of Design Builder's surety are not to be reduced, waived, or adversely affected by the issuance of Change Orders even if Design Builder fails to inform the surety of the Change Order(s), and SVH will not be required to obtain consent of the surety on behalf of Design Builder. Bonds must remain in place until all disputes are resolved between the Parties and through the Design Builder's warranty period, whichever is later.

16.4 Payment of Subcontractors and Suppliers. Without limiting the responsibilities of Design Builder and its surety under the terms of this Contract, Design Builder and its surety agree to promptly pay all lawful claims of Subcontractors, materialmen, laborers, persons, firms or corporations for labor or services performed or materials, supplies, machinery equipment, rentals, fuels, oils, tools, appliances, insurance and other items furnished, used, or consumed in connection with the prosecution of the Construction Work including Change Orders, and will indemnify and hold harmless SVH from and against all liability loss, damage and expense, including interest, costs, attorneys' fees, and expert witness fees, which SVH, the Program Manager, or Construction Manager may sustain by reason of Design Builder's or its surety's failure to do so.



17. WARRANTY

17.1 Warranty and Correction of Work. Design Builder warrants that the Construction Work will be of good quality, free from defects, and conforming to the Construction Documents, applicable building codes, and Applicable Law. For a period of 1 year commencing from the Substantial Completion Date, and for longer periods specified in the Contract Documents for certain equipment manufacturers or suppliers, Design Builder will repair or replace at its own expense any and all deficient or defective Construction Work together with any other work that is damaged during repair or replacement. If SVH's operations or use are impaired by the nonconforming Construction Work or its correction, Design Builder and its Subcontractors will use off-hours labor and timesaving procedures as SVH may request. The warranty excludes improper or insufficient maintenance, improper operation, normal wear and tear, and normal usage. Design Builder will procure Subcontractors' and manufacturers' express warranties required under the Contract Documents on SVH's behalf and will transmit the warranties to SVH through the Construction Manager before Completion of Construction Work and Project close-out. Establishment of the 1 year express warranty period for correction of Construction Work relates only to the Design Builder and its Subcontractors, suppliers, and equipment vendors specific obligation to correct defective or non-conforming Construction Work, and has no relationship to statute of limitations periods for legal claims arising from the Contract Documents. All warranties for workmanship must be submitted and approved by Construction Manager. The performance bond must remain in full force and effect throughout the warranty period (see Section 16.3).

18. OWNERSHIP OF DOCUMENTS

18.1 Design Documents. The Design Documents as defined in Exhibit 1 are being developed and furnished for use solely with respect to this Project. As such, provided that SVH has complied with the payment provisions set forth in Article 12, SVH will own and have all rights, title, and interests under Applicable Law in the Project's overall design, including the Design Documents. Design Builder and its DPORs will not own or claim a copyright in the Design Documents prepared for the Project, and may not use such documents on other projects outside the scope of the Work without written consent of SVH. Design Builder and its DPORs may each retain a record set of each of the approved Design Documents for the purpose of defense of any subsequent Claims or disputes involving the Project.

18.2 Building Information Model. If BIM is utilized on the Project, the BIM and subsidiary models used for design and construction are the property of SVH. Design Builder and its other Design Build Team Members agree to provide the Construction Manager, as a deliverable before Completion of Construction Work, the record BIM and any other BIM files that Construction Manager deems necessary. Despite the above, design elements that were created by any Design Build Team Member, before execution of this Contract, as extensions to commercially available BIM software will remain the property of the respective party that created the extension, regardless of whether it was used in the BIM for Work performed under this Contract, and SVH will hold a perpetual, non-exclusive, royalty-free license to those design elements for purposes of designing, constructing, renovating, operating, and maintaining the Project for which the BIM was created.



18.3 Licensing. The Design Build Team Members are each granted a limited, non-exclusive, royalty-free license to use and reproduce applicable portions of the Design Documents and other documents prepared for use in the performance of the Work.

18.4 Copies. All copies made under the license will bear the statutory copyright notice of SVH shown on the Construction Documents as well as any other Design Documents prepared by the Design Builder, or its DPORs. Submittal or distribution to meet official regulatory requirements or for other purposes in connection with a Project will not be construed as publication in derogation of SVH's copyright or other reserved rights and interests.

18.5 Exception. Nothing contained in Article 18 limits the ownership, rights, title, and interest of the Design Builder, or its DPOR to their respective general design details, layouts, and general concepts that each of them uses or has used on multiple projects, or to use new standard design details that were developed during design under this Contract on other projects.

18.6 Termination. Termination of the Design Builder or other member of the Design Build Team does not affect the rights of SVH under this Article 18. If Design Builder is terminated before the Design Services are completed, SVH will either: (i) take assignment of the DPORs; or (ii) hire another design professional of record who will over-stamp the Design Documents and become the architect or engineer of record (as applicable). To the extent either should occur, all parties involved in the assignment or transition of the Design Documents will cooperate with SVH, and SVH will release, indemnify, and defend the terminated parties (as applicable) from liability arising from SVH's further use of the Design Documents through new design professionals.

19. CLAIMS AND DISPUTES

19.1 Disputes. Disputes, Claims, or other matters in question between the Design Builder and SVH arising out of the Contract Documents, including breach of contract, will be subject to Public Contract Code sections 9204 and 20104-20104.6. Notice of Claim must be in compliance with Section 21.5, as well as any statutory requirements, and compliance with all Change Order procedures is a condition precedent to filing a Public Contract Code Claim pursuant to this Article 19. Any Claim submitted by Design Builder will be in writing and include the documents necessary to substantiate the Claim. All Claims must be submitted by certified mail with return receipt requested to SVH's authorized representative, with a copy to the Program Manager and Construction Manager. Failure to timely or properly submit a Claim per this Article 17 will be deemed a waiver of all right to do so.

19.2 Required Documentation. Design Builder's reasonable documentation in support of the Claim must, at a minimum include: (i) a clear, concise recital of the basis of the Claim asserted, including a designation of the provisions of the Contract Documents upon which the Claim is based; (ii) a statement as to the amount of time and/or compensation sought pursuant to the Claim; (iii) a statement regarding whether the Claim arises from an ongoing occurrence, and if so a description of the specific Work activities affected by the Claim; (iv) a fragnet analysis as required under Article 13 if Design Builder is requesting an extension in the Contract Time; (v) full and complete cost records supporting the amount of any Claim for



additional compensation; (vi) a notarized certification by the Design Builder and each Design Build Team Member included in the Claim as follows: "Under the penalty of law for perjury or falsification and with specific reference to the California False Claims Act, Government Code Section 12650 et seq., the undersigned hereby certifies that the information contained herein is a true, accurate, and complete statement of all features relating to the Claim asserted." Failure by the Design Builder and the Design Build Team Members included in the Claim to provide sufficient documentation and the notarized certification will result in denial of the Claim. SVH reserves the right to request additional documentation, or clarification of the documentation provided.

19.3 SVH's Response. Upon receipt of a Claim, SVH will conduct a reasonable review and provide a written statement to the Design Builder identifying what portion of the Claim is disputed and what portion is undisputed within 45 days of receipt of the Claim. SVH and Design Builder may, by mutual agreement, extend the 45 day time period. For any undisputed portion of a Claim, SVH will make payment within 60 days of SVH issuance of the written statement. Failure of SVH to respond to a Claim from Design Builder within the time periods described in this Section will result in the Claim being deemed rejected in its entirety.

19.4 Dispute SVH's Response; ; Informal Conference; Mediation; Section 910 Claim.. If Design Builder disputes SVH's response, or if SVH fails to respond within the time prescribed, Design Builder may demand an informal conference to meet and confer for settlement of the issues in dispute within 30 days of SVH's response or failure to respond. Within 10 business days following the meet and confer conference, SVH will provide a written statement identifying the portion of the Claim that remains in dispute. Any payment due on an undisputed portion of the Claim will be made within 60 days of the meet and confer conference. In the event that the meet and confer conference is unsuccessful, the matter will be submitted to nonbinding mediation within 60 days unless the Parties mutually agree to a later date, or agree to waive, in writing, mediation and proceed directly to litigation.

19.4.1 Failure of SVH to respond to a Claim within the time periods described above will result in the Claim being deemed rejected in its entirety. Unpaid valid Claim amounts not paid in a timely manner will bear interest at 7 percent per year.

19.4.2 If mediation is unsuccessful or if the Parties decide to proceed directly to litigation, Design Builder must file a government claim pursuant to Government Code section 910 et seq. in order to initiate a civil action.

19.5 Mediation. Unless the Parties mutually agree to waive mediation and proceed straight to litigation, the Parties will mutually agree to a mediator within 10 business days after the disputed portion of the Claim has been identified in writing. If the Parties cannot agree upon a mediator, each Party will select a mediator and those mediators will select a qualified neutral third party to mediate with regard to the disputed portion of the Claim. Each party participating in the mediation will equally share in the fees and costs in connection with the mediation.

19.6 Litigation. If mediation is unsuccessful, Design Builder must file a government claim pursuant to Government Code section 910 et seq. in order to initiate a civil action.



19.7 Joinder. Design Builder acknowledges that the Project is being constructed under a design-build project delivery method where the Design Builder is under direct contract with SVH. The Parties consent to the joinder of other necessary Project Team Members in any dispute resolution procedure, if Claims for or against the Design Builder or SVH arise from the same, substantially the same, or interrelated facts, issues, or incidents relating to the Project, or where separate dispute resolution processes create a risk of inconsistent awards or results. Design Builder failure to pass the dispute resolution process set forth in this Article 19 through via subcontract and consultant agreement to all Design Build Team Members constitutes a material breach of contract.

19.8 Enforceability. Design Builder has reviewed the dispute resolution procedures with legal counsel and agrees to the terms and conditions set forth in this Article 19. To the extent a court of competent jurisdiction finds any term or provision in this Article 19 to be void or unenforceable, the unenforceable term or provision will be severed and the remainder of the terms and provisions will remain in full force and effect. Nothing contained in this dispute resolution process prevents Design Builder or other Design Build Team Members from timely filing a civil action to foreclose on a stop payment notice or payment bond. However, the Parties agree to stipulate to a stay in the proceedings pending attempts to resolve the matter pursuant to the process defined in this Article 19.

20. TERMINATION AND SUSPENSION

20.1 Suspension. The Project may be suspended upon written notice from SVH. The written notice of suspension will set forth the reason for suspension and the effective date of suspension. If the Project is suspended by SVH and not due to any fault of the Design Builder or any of Design Build Team Members, the Design Builder will be compensated per the compensation and payment terms set forth in Articles 10 through 12 for all Work properly performed through the effective date of the suspension. If Construction Work has commenced by the effective date of suspension and the suspension requires demobilization of Design Builder, the Design Builder will also be entitled to an additional 10 work days to cease all operations and secure the Project site. Design Builder will be compensated for its General Conditions and General Requirements for the additional work days per the applicable Average Daily Rate set forth in the Business Terms Sheet. If the Project is resumed, and provided that the suspension was not caused or due to any fault or neglect of the Design Builder or any of its Design Build Team Members, then Design Builder's compensation will be equitably adjusted through Change Order under Article 14 and the Contract Time will be equitably adjusted for the additional time required to achieve Substantial Completion of the Work. If the Project has ceased for more than 120 consecutive calendar days or if all Construction Work has ceased for a period of 60 consecutive calendar days, Design Builder may terminate the Contract under Section 20.4.

20.2 SVH's Termination for Convenience. SVH may terminate this Contract for convenience upon 10 business days' written notice. The notice will state the extent and effective date of termination. Design Builder will be entitled to receive payment for all Work properly performed as of the effective date of termination based on the compensation and payment provisions set forth in Articles 10 through 12. If Construction Work has commenced as of the effective date of termination, Design Builder will also be entitled to an additional 10 work



days of General Conditions and General Requirements per the applicable Average Daily Rate set forth in the Business Terms Sheet to cease all operations and secure the site. The additional General Conditions and General Requirements will not apply if SVH already suspended the Work under Section 20.1 and Design Builder already received compensation for demobilization and securing the site. Design Builder expressly waives any Claims for consequential damages, including anticipated lost profits and unabsorbed overhead. Any dispute over the amount to be paid upon termination will be resolved in accordance with the dispute resolution procedures set forth in Article 19.

20.3 SVH's Termination for Cause. SVH may terminate this Contract upon not less than 10 calendar days' written notice if Design Builder is in breach of any term or provision of the Contract Documents and Design Builder does not commence curing its breach to the satisfaction of SVH within the same 10 calendar day time frame. The notice will set forth the reason for termination and the effective date of termination. If SVH terminates this Contract for cause, Design Builder will not be entitled to any further payments until after Completion of Construction Work. Nothing stated in this Section will prevent SVH from pursuing and recovering any damages allowed by Applicable Law from Design Builder arising out of a breach of the Contract Documents. If a court deems that termination of the Design Builder was wrongful or otherwise improper, the termination will be deemed a termination for convenience under Section 20.2. SVH's right to use design materials after termination is set forth in Article 18.

20.4 Design Builder's Termination for Cause. Design Builder may terminate this Contract upon 15 days' written notice and an additional 15 days' opportunity to commence curing, if SVH fails to make payment to the Design Builder in accordance with Article 12, and cannot provide evidence substantiating that financial arrangements have been made to make payment, or if the Project is suspended for more than 120 consecutive calendar days, or if all Construction Work has ceased for a period of 60 consecutive calendar days. Design Builder will be compensated for all Work properly performed through the effective date of termination in accordance with the compensation and payment provisions set forth in Articles 10 through 12. If the Contract is being terminated due to failure to make payment and provided that the Construction Work has commenced before the effective date of termination, the Design Builder will also be entitled to up to an additional 15 work days multiplied times the applicable Average Daily Rate set forth in the Business Terms Sheet for additional General Conditions and General Requirements necessary to cease all operations and secure the site.

21. MISCELLANEOUS PROVISIONS

21.1 Confidentiality. Design Builder will keep information provided by SVH or made available to Design Builder during performance of the Work confidential, and will not disclose confidential information to persons or entities other than as necessary to perform the Work.

21.2 Patient Privacy. Any and all patient information is subject to protection under Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), as may be amended. Design Builder acknowledges that its employees, agents, Design Build Team Members, and others acting on Design Builder's behalf may come into contact with patient protected health information ("PHI") while performing Work on the Project. PHI information includes individually



identifiable information (oral, written, or electronic) about a member/patient's physical or mental health, the receipt of health care, or payment for that care, as well as individually identifiable member/patient payment, dues, enrollment, and un-enrollment information. This contact is most likely rare and brief (e.g., walking through a clinic that has patient radiological films on view boxes, overhearing conversations between physicians while performing Construction Work at the hospital, noticing a relative or acquaintance receiving treatment, etc.). It is the intent of SVH that this type of information should not be examined closer, copied, distributed, or shared. Design Builder will adopt procedures to ensure that its employees, agents, Design Build Team Members, and others acting on their behalf will not further examine, copy, distribute, or share this information. If Design Builder, or its employees, agents, Design Build Team Members, and others acting on Design Builder's behalf further examine, copy, distribute, or share this information the Design Builder must report these actions immediately to SVH within 2 business days after the event occurs. Design Builder will take all steps necessary to stop any examination of PHI and will ensure that no further violations of this contractual responsibility will occur. Design Builder will report to SVH and the Project Manager within 5 business days after giving notice of the event of the steps taken to prevent future occurrences, and provide SVH with the necessary assurances at that time. Design Builder will place similar confidentiality restrictions and HIPAA compliance requirements in agreements with its Design Build Team Members.

21.3 Governing Law. This Contract will be governed and construed under the laws of the State of California without giving effect to any choice of law or rule of conflict that would cause the application of the laws of any other jurisdiction. Each of the Parties agrees that the exclusive venue for any dispute resolution proceeding or action will be in Monterey County, California.

21.4 Assignment. SVH and Design Builder respectively bind themselves, their partners, successors, and assignees to the other Party to this Contract. Design Builder may not assign this Contract. Upon notice, SVH may assign this Contract to any lender in obtaining Project financing, and Design Builder and its Design Build Team Members will cooperate with SVH and execute required assignment and subordination agreements.

21.5 Notices. Any notice required to be given under Articles 19 or 20 will be in writing and deemed effective upon: (i) the date of personal delivery, or fax, if received by the addressee before 5:00 p.m. local time on a business day; (ii) 3 business days after being sent via registered or certified mail with a return receipt requested; or (iii) 1 business day after being sent by overnight commercial courier providing next-business-day delivery. Fax delivery must be evidenced by an automated fax confirmation. All other notices required under the Contract may be via email. Notices will be addressed to the representatives for notice identified in the Business Terms Sheet

21.6 Interpretation and Severability. This Contract's terms and conditions will be interpreted according to their plain meaning, and not strictly for or against either SVH or Design Builder. Any contrary rule of construction or interpretation will be of no force or effect with respect to this Contract. If a court of competent jurisdiction finds any term or provision of this Contract to be void or unenforceable for any reason, the term or provision will be amended to comply with Applicable Law. If a term or condition is severed, the remainder of the Contract will



remain in full force and effect to the maximum extent permitted by law and consistent with SVH's and Design Builder's overall intent.

21.7 No Third Party Beneficiaries. The Parties acknowledge and agree that the obligations of the Design Builder are solely for the benefit of SVH and the obligations of SVH under this Agreement are solely for the benefit of the Design Builder.

21.8 Time is of the Essence. Time is of the essence with respect to each and every provision of the Contract Documents and any subsequent Change Orders.

21.9 Rights and Remedies. All rights and remedies under the Contract Documents will be cumulative and in addition to, and not in limitation of, all other rights and remedies of the Parties under the Contract Documents or otherwise available at law or in equity.

21.10 Survival. The following provisions will survive termination of this Contract or completion of the Work: Sections 1.4 and 1.5, and Articles 10 through 21.

21.11 Waiver. Unless otherwise indicated in this Contract, SVH's and Design Builder's action or failure to act will not waive any right or duty it has under the Contract, and such action or failure to act will not be an approval of or acquiescence in a breach of the Contract unless specifically agreed to in writing by the Party.

21.12 Counterparts. This Contract may be executed in counterparts, each of which will be deemed an original. When proving this Contract, it will only be necessary to produce or account for the counterpart signed by the Party against whom enforcement is sought. Electronic copies or photocopies of this Contract showing the true signatures may be used for all purposes as originals.

21.13 Interest. Payments due and unpaid under this Contract that do not constitute a Claim will bear interest from the date payment is due at the rate prescribed by Applicable Law.

21.14 Attorneys' Fees. If SVH or Design Builder commences an action or dispute resolution process in accordance with the terms and provisions of this Contract against the other Party for Claims arising out of or in connection with the Contract Documents, the prevailing Party will be entitled to recover all reasonable attorneys' fees and costs (including charges and expenses related to the suit, expert witness, and consultants' fees) as may be determined by a court with competent jurisdiction.

21.15 Conflict of Interest. Design Builder will comply with SVH's Conflict of Interest Policy and Procedures set forth in Exhibit 8.

21.16 Electronic Signature. The Parties agree that an electronic signature is an acceptable form of signature for written communications between the Parties and will have the same force and effect as the use of a manual signature provided that the digital signature is: (i) unique to the person using it; (ii) capable of verification; (iii) under the sole control of the person using it; and (iv) linked to the data in such a manner that if the data are changed, the digital



signature will be invalidated. To be valid, the Digital Signature must be created by an acceptable technology as defined in California Code of Regulations section 22001 et. seq.

21.17 Legal Citations. Legal citations to statutory requirements are included in the Contract for convenience and an omission of any statutory requirement will not relieve the Design Builder from compliance with Applicable Law.

21.18 Entire Contract. The Contract Documents form the entire contract between SVH and Design Builder and supersede all prior oral and other written negotiations, representations, or agreements between SVH and Design Builder with respect to the Work performed for this Project.



SEISMIC RETROFIT PROJECT #01.1250.3273		BUDGET	Prior Years (costs)*	FY 2025 SUBTOTAL*	FY 2026 SUBTOTAL	FY 2027 SUBTOTAL	FY 2028 SUBTOTAL	FY 2029 SUBTOTAL
PROGRAM & CONSTRUCTION MANAGEMENT		\$ 5,112,181	\$ 1,251,451	\$ 867,033	\$ 969,902	\$ 1,621,412	\$ 402,383	\$ -
PRELIMINARY DESIGN & INITIAL STUDIES		\$ 3,338,557	\$ 1,315,889	\$ 658,503	\$ 1,124,303	\$ 127,045	\$ 104,808	\$ 8,009
MAKE READY DESIGN & CONSTRUCTION		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
AGENCY FEES & INSPECTION		\$ 3,948,106	\$ 72,490	\$ 71,745	\$ 1,092,823	\$ 1,928,018	\$ 703,206	\$ 79,824
PROCUREMENT & FF&E		\$ 1,250,233	\$ -	\$ 15,000	\$ 96,000	\$ 766,504	\$ 278,000	\$ 94,729
PROGRAM, DESIGN & CONSTRUCTION CONTINGENCY		\$ 9,950,043	\$ -	\$ 210,000	\$ 1,970,000	\$ 3,950,000	\$ 3,349,867	\$ 470,176
DESIGN BUILDER - DESIGN & PRECONSTRUCTION SERVICES		\$ 9,464,419	\$ -	\$ 900,000	\$ 4,700,000	\$ 2,350,000	\$ 1,514,419	\$ -
DESIGN BUILDER - CONSTRUCTION SERVICES		\$ 29,436,461	\$ -	\$ 375,000	\$ 2,075,000	\$ 12,700,000	\$ 13,650,000	\$ 636,461
Total Project Budget		\$ 62,500,000	\$ 2,639,830	\$ 3,097,281	\$ 12,028,028	\$ 23,442,979	\$ 20,002,683	\$ 1,289,199

*Reflects actuals through 3/31/2025

Board Memo: Consent Agenda Items

Consent Agenda Items for Approval (Lease Amendments):

- **Fifth Amendment to Lease for 345 Abbott Street, Salinas (Accounting Office)**
- **First Amendment to Lease for 250 San Jose Street, Salinas (SVH Clinics-OB/GYN Clinic)**

Executive: Gary Ray, SVH Chief Legal Officer

Date: April 17, 2025

Summary

Two Lease Amendments which each extend the respective Lease Agreements were completed late in the month of April. Under both of these leases, Salinas Valley Health is the tenant—SVH Accounting Office at 345 Abbott Street and Salinas Valley Health Clinics-OB/GYN at 250 San Jose Street. Both Amendments are listed on the SVH Board Consent Agenda for the Regular Board meeting on April 24, 2025.

Lease Amendment/Extension Terms

- Fifth Amendment to Lease for 345 Abbott Street, Salinas (Accounting Office)
 - ❖ Term: Three (3) years, 3/1/25 – 2/29/28
 - ❖ Rent: \$6,900 for year one of extension
 - ❖ Increases 2.5% per year
 - ❖ Abatement: One (1) month (3/1/25) totaling \$6,900

- First Amendment to Lease for 250 San Jose Street, Salinas (SVH Clinics-OB/GYN Clinic)
 - ❖ Term: Three (3) years, 5/1/25 – 4/30/28
 - ❖ Rent: \$13,106.00 for year one of extension
 - ❖ Increases: CPI with three percent (3%) cap

Recommendation

SVH Administration recommends approval of these lease amendments on the SVH Board Consent Agenda.

Attachments

1. Fifth Amendment to Lease for 345 Abbott Street, Salinas (Accounting Office)
2. First Amendment to Lease for 250 San Jose Street, Salinas (SVH Clinics-OB/GYN Clinic)

FIFTH AMENDMENT TO LEASE

This Fifth Amendment to Lease ("Fifth Amendment") is entered into effective March 1, 2025 by and between the following parties:

Lessor: THE QUINLAN FAMILY PARTNERS, LP
GAYE L. RICHARDSON
GEORGE EDWARD RICHARDSON, JR.
JOHN WILLIAM RICHARDSON
DAVID A. SANDYS, TRUSTEE OF THE
MICHAEL JOEL RICHARDSON
IRREVOCABLE TRUST
KATHERINE MARIE BLOWERS
WILLIAM EDWARD QUINLAN IV
JOSEPH STEVEN QUINLAN

Lessee: SALINAS VALLEY MEMORIAL HEALTHCARE
SYSTEM, a California Health Care District organized
and existing pursuant to Division 23 of the California
Health and Safety Code

RECITALS

- A. Lessor's predecessors-in-interest, George Richardson, Quinlan Family Partners and William E. Quinlan III, and Lessee entered into a written Lease dated December 19, 2008 and the First Amendment dated March 16, 2012, Second Amendment dated February 14, 2014, Third Amendment dated March 1, 2015, and Fourth Amendment dated March 1, 2020 executed thereafter (said lease, including any other addenda or amendments are collectively referred to as "the Lease") for approximately 3,000 square feet of office space located at 345 Abbott Street, Salinas, CA (the "Premises"), which Lease has been extended through February 28, 2025.
- B. George Richardson and William E. Quinlan III are now deceased. The parties identified above as "Lessor" are the successor owners of the Premises, and the term "Lessor as used herein, and in the Lease, shall refer to such parties.
- C. Lessor and Lessee wish to further extend the Lease pursuant to the following terms and conditions.

NOW THEREFORE, Lessor and Lessee hereby agree as follows:

1. Term. The Lease Term shall be extended for three (3) years commencing March 1, 2025 through February 29, 2028 ("Extended Term").
2. Rent. Base Rent for the Extended Term shall be as follows:

Year	Term	Monthly Rent
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1	March 1, 2025 - February 28, 2026	\$6,900
2	March 1, 2026 - February 28, 2027	\$7,080
3	March 1, 2027 - February 29, 2028	\$7,260

Lessor agrees to abate Lessee's obligation to pay Base Rent during the first one (1) month of the Extended Term (or March 2025).

In addition to the Base Rent for the Extended Term, Lessee shall pay to Lessor as additional rent the sum of Two Hundred Fifty Dollars (\$250) per month for real estate taxes, insurance and sewer charges. Said sum shall be subject to annual review based upon any increase in taxes, insurance and sewer charges.

Rent shall be payable to the respective Lessor parties at the addresses and in the percentages provided to Lessee.

3. Lessor's Authorized Agent. Until otherwise notified, the Lessor parties hereby designate and authorize WILLIAM EDWARD QUINLAN IV to act on behalf of themselves with respect to administration of the Lease.

4. Approval by Lessee's Board of Directors. This Fifth Amendment is contingent upon approval by the Board of Directors of Salinas Valley Memorial Healthcare System at a duly-called and authorized meeting of the Board of Directors.

[SIGNATURE PAGE TO FOLLOW]

Except for the modifications set forth herein, all other terms and provisions of the Lease, as amended, shall remain in full force and effect.

LESSOR:

THE QUINLAN FAMILY PARTNERS, LP

By: _____

Title: _____

GAYE L. RICHARDSON

GEORGE EDWARD RICHARDSON, JR.

JOHN WILLIAM RICHARDSON

MICHAEL JOEL RICHARDSON
IRREVOCABLE TRUST

By: _____
DAVID SANDYS, TRUSTEE

KATHERINE MARIE BLOWERS



WILLIAM EDWARD QUINLAN, IV

JOSEPH STEVEN QUINLAN

LESSEE:

SALINAS VALLEY MEMORIAL
HEALTHCARE SYSTEM

By: _____

Title: _____

FIRST AMENDMENT TO LEASE

(250 San Jose Street, Salinas)

This First Amendment to Lease ("First Amendment") is entered into effective **April 15, 2025** ("Amendment Effective Date") by and between **KWN Medical Building**, a California general partnership ("Landlord"), and **Salinas Valley Memorial Healthcare System**, a local health care district under Division 23 of the California Health and Safety Code and operating as Salinas Valley Health ("Tenant"). This First Amendment is made with reference to the following facts.

RECITALS

- A. Landlord is the owner of certain land and improvements located at **250 San Jose Street, Salinas, California**. The land and the building, parking area and other improvements located on the land, constitute the "Premises."
- B. Landlord and Tenant wish to extend the Lease pursuant to the following terms and conditions.

Landlord and Tenant hereby agree as follows:

1. Term. The Lease Term shall be extended for three (3) years commencing May 1, 2025 and ending on April 30, 2028 ("Extended Term").
2. Rent. Base Rent for the Extended Term shall be as follows:

Year	Term	Monthly Rent
1	May 1, 2025 - April 30, 2026	\$13,106.00
2	May 1, 2026 - April 30, 2027	CPI, 3% cap
3	May 1, 2027 - April 30, 2028	CPI, 3% cap

3. Except for the modifications set forth in this First Amendment, all other terms and provisions of the Lease, as amended, shall remain in full force and effect.

The parties have executed this First Amendment as of the Amendment Effective Date first set forth above.

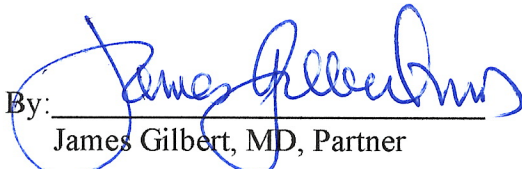
TENANT

Salinas Valley Memorial Healthcare System

By: _____
Allen Radner, MD, President/CEO

LANDLORD

KWN Medical Building

By:  _____
James Gilbert, MD, Partner

By: _____
Date: 250 San Jose Street (5/1/25)

Date: 4/15/25

CLOSED SESSION

*(Report on Items to be
Discussed in Closed Session)*

*RECONVENE OPEN SESSION/
REPORT ON CLOSED SESSION*

(Meeting Chair)

Board Paper: Finance Committee

Agenda Item: **Consider Recommendation for Board Approval of Contract Terms and Conditions for Services Agreement Between Salinas Valley Health and Prinново, LLC**

Executive Sponsor: Allen Radner, MD, SVH President/Chief Executive Officer
Tim Albert, MD, SVH Chief Clinical Officer
Gary Ray, SVH Chief Legal Officer

Date: April 21, 2025

Executive Summary

Salinas Valley Health executives, Allen Radner, Tim Albert, and Gary Ray have had several meetings, both in-person and virtual, with the founders and executives from Prinново, LLC, to discuss opportunities to partner with SVH to develop an internal "Health Venture Office." The plan would be to form Salinas Valley Health Ventures which would embed a team of entrepreneurs to leverage untapped value in our healthcare system. The Health Venture Office would bring in business development experts who will work with SVH to pilot, validate, and license new operational and clinical partnerships/solutions that address key strategic needs and challenges within the Salinas Valley Health system. Under the services agreement presented for your consideration, Prinново would embed full-time staff (3-4 full time employees in addition to support from the Prinново central office) to operate Health Venture Office.

Value and Benefits

Early stage innovative healthcare companies value partnering with smaller more nimble organizations such as SVH. SVH views a partnership with innovative healthcare companies as an opportunity to remain at the forefront of advanced healthcare technology. Partnering with early stage companies allows for organizations to grow with technology as opposed to being changed by it. This partnering allows SVH to leverage the value it has created to improve health care, to provide better service, and to pursue an opportunity to generate a financial return. The Health Venture Office partnership provides an opportunity to grow new businesses/joint ventures that leverage new capabilities and support clinical research programs.

Timeline/Review Process to Date

January-April, 2025	Discussions/Negotiations between SVH Executives and Prinново
April 21, 2025	Review of Pertinent Services Agreement Terms and Conditions
April 24, 2025	Board Consideration/Action on Pertinent Services Agreement Terms and Conditions
April-May, 2025	Negotiation by Dr. Radner, Dr. Albert, Gary Ray, and District Legal Counsel of Final Terms and Conditions of Services Agreement with Prinново
May-June, 2025	Commencement of Services Agreement with Prinново

Services Agreement Terms and Conditions

- Prinново provides central office management, training, development, and venture office collaboration.
- The Services Agreement is for an initial term of three (3) years from the effective date, subject to any renewal as provided in the agreement.
- The Services Agreement contains standard default provisions and allows SVH to provide notice of non-renewal ninety (90) days prior to the expiration of the initial term or a renewal term of the agreement.
- At least 120 days prior to the end of the initial term or any renewal term, Prinново will provide an estimate of the expected staffing levels, service costs, and overhead costs for the following three years. SVH will have the opportunity to renew for successive 36-month periods based on these estimates.

- Prinново will hire a Venture Principal to lead the Health Venture Office within 90 days of the effective date, and will hire two Venture Managers within 60 days of hiring the Venture Principal. These individuals will relocate to the Monterey area. The Venture Managers will work closely with the Venture Principal/Managing Director to develop the portfolio for the Health Venture Office. All staffing, benefits, bonus, and promotion costs are built into the Services Agreement staffing budget.
- Staffing and overhead cost commitment in the contracts are as follows:
 - ❖ Total staffing budget of \$3,850,826. Cost estimates per year based on the assumptions above are:
 - Year 1 – \$1,014,653.
 - Year 2 - \$1,314,671.
 - Year 3 - \$1,521,503.
 - ❖ Overhead Costs for the 3-year term are estimated to be \$350,000. Overhead costs cover a variety of expenses for operation of the Health Venture Office. These overhead costs will be detailed in the Services Agreement.
- The total 3-year budget commitment under the Services Agreement with Prinново is **\$4,200,826**. As a condition of the Services Agreement, the Health Venture Office must repay the full amount of the Services Agreement to Salinas Valley Health plus a 5% preference before Prinново Health shares in its portion of the excess portfolio returns.
- The opportunities/ventures that the Health Venture Office focuses on will address a problem or need in the Salinas Valley Health system seeking to drive increased revenue/margin, efficiencies, quality and improved experiences.
- The proposed Services Agreement contains standard non-solicitation, confidentiality, audit/compliance, indemnity, and insurance provisions.
- In the event of a termination of the Services Agreement, there are “wind-down” provisions outlined in the agreement which apply following termination to allow an orderly administration of the Qualifying Investments in the Innovation Participation Agreements, New Ventures, or Joint Ventures managed by Prinново pursuant to the Services Agreement.

Recommendation

Consider Recommendation for Board Approval of the Pertinent Contract Terms and Conditions for the Services Agreement Between Salinas Valley Health and Prinново, LLC, in an Amount of Approximately \$4.2 million, with Final Services Agreement Terms and Conditions to be Negotiated by SVH Executives and District Legal Counsel.



Financial Performance Review

March 2025

Finance Committee

Augustine Lopez
Chief Financial Officer

Consolidated Financial Summary For the Month of March 2025

\$ in Millions	For the Month of March 2025				
			Variance fav (unfav)		
	Actual	Budget	\$VAR	%VAR	
Operating Revenue	\$ 64.5	\$ 64.2	\$ 0.3	0.5%	
Operating Expense	\$ 66.4	\$ 65.1	\$ (1.3)	-2.0%	
Income from Operations	\$ (1.9)	\$ (0.9)	\$ (1.0)	-111.1%	
Operating Margin %	-2.9%	-1.3%	-1.6%	-123.08%	
Non Operating Income	\$ 3.3	\$ 2.9	\$ 0.4	13.8%	
Net Income	\$ 1.4	\$ 2.0	\$ (0.6)	-30.0%	
Net Income Margin %	2.2%	3.2%	-1.0%	-31.3%	

Net loss from operations was driven by:

- ✓ Approximately \$2 million of prior period write-offs related to an assessment and clean-up of Accounts Receivable by PFS
- ✓ An overall unfavorable payor mix

Non-Operating Revenues exceeded budget due to changes in market value of investments

Normalizing Items:

- There were no normalizing items for the month of March

Executive Summary: Financial Performance

Salinas Valley Health Net Loss from Operations was \$1.9 million for the month which was unfavorable to budget by \$1.0M. The unfavorable financial performance for the month was driven by the following:

Key Unfavorable Performance Highlights:

- ✓ **Approximately \$2 million of prior period write-offs** related to an assessment and clean-up of Accounts Receivable by PFS
- ✓ **Unfavorable Payor Mix:** **Commercial** patient revenue was under budget by 4%, while **MediCal and Medicare** revenue were over budget 26% and 10%
- ✓ **Deliveries** were below budget 6% (7 cases)
- ✓ **Labor Productivity** was unfavorable for the month by 4.4%
- ✓ **Days in AR** were over target at 64 days, but improved from prior month due to higher collections, up 20% from Feb and 4% over budget

Executive Summary: Financial Performance – Cont'd

▪ Key Favorable Performance Highlights:

- **Outpatient revenue** was favorable compared to budget by \$23M (16%), due to higher than budgeted patient volumes in the following areas:
 - **OP Infusion cases** were over budget by 19% (191 cases)
 - **OP Surgeries** were over budget by 17% (46 cases)
 - **CT Scans** were over budget 6% (118 cases)
- **Total inpatient admissions** were 6% (51 admits) above budget
- **IP surgeries** were over budget by 38% (50 cases)
- **Average Length of Stay** was 8% favorable to budget at 3.7 days

Consolidated Financial Summary YTD March 2025

\$ in Millions	FY 2025 March YTD			
	Actual	Budget	Variance fav (unfav)	
			\$VAR	%VAR
Operating Revenue	\$ 610.2	\$ 558.6	\$ 51.6	9.2%
Operating Expense	\$ 587.2	\$ 568.7	\$ (18.5)	-3.3%
Income from Operations	\$ 23.0	\$ (10.1)	\$ 33.1	327.7%
Operating Margin %	3.8%	-1.8%	5.6%	311.1%
Non Operating Income	\$ 29.7	\$ 27.6	\$ 2.1	7.6%
Net Income	\$ 52.7	\$ 17.5	\$ 35.2	201.1%
Net Income Margin %	8.6%	3.1%	5.5%	177.4%

Operating Income includes the Normalizing Item of:

- CCAH Voluntary Rate Range Funds (net) Received YTD for CY 2025 totaling \$4.6 Million

Non Operating Income includes Normalizing Items of:

- FEMA Grant funds (net) received YTD are \$4.2 million
- FEMA Grant funds received inception to date totals \$10.8 million

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Consolidated Financial Summary YTD March 2025 - Normalized

\$ in Millions	FY 2025 March YTD			
	Actual	Budget	Variance fav (unfav)	
			\$VAR	%VAR
Operating Revenue	\$ 605.5	\$ 558.6	\$ 46.9	8.4%
Operating Expense	\$ 587.2	\$ 568.7	\$ (18.5)	-3.3%
Income from Operations	\$ 18.3	\$ (10.1)	\$ 28.4	281.2%
Operating Margin %	3.0%	-1.8%	4.8%	266.7%
Non Operating Income **	\$ 25.5	\$ 27.6	\$ (2.1)	-7.6%
Net Income	\$ 43.8	\$ 17.5	\$ 26.3	150.3%
Net Income Margin %	7.2%	3.1%	4.1%	132.3%

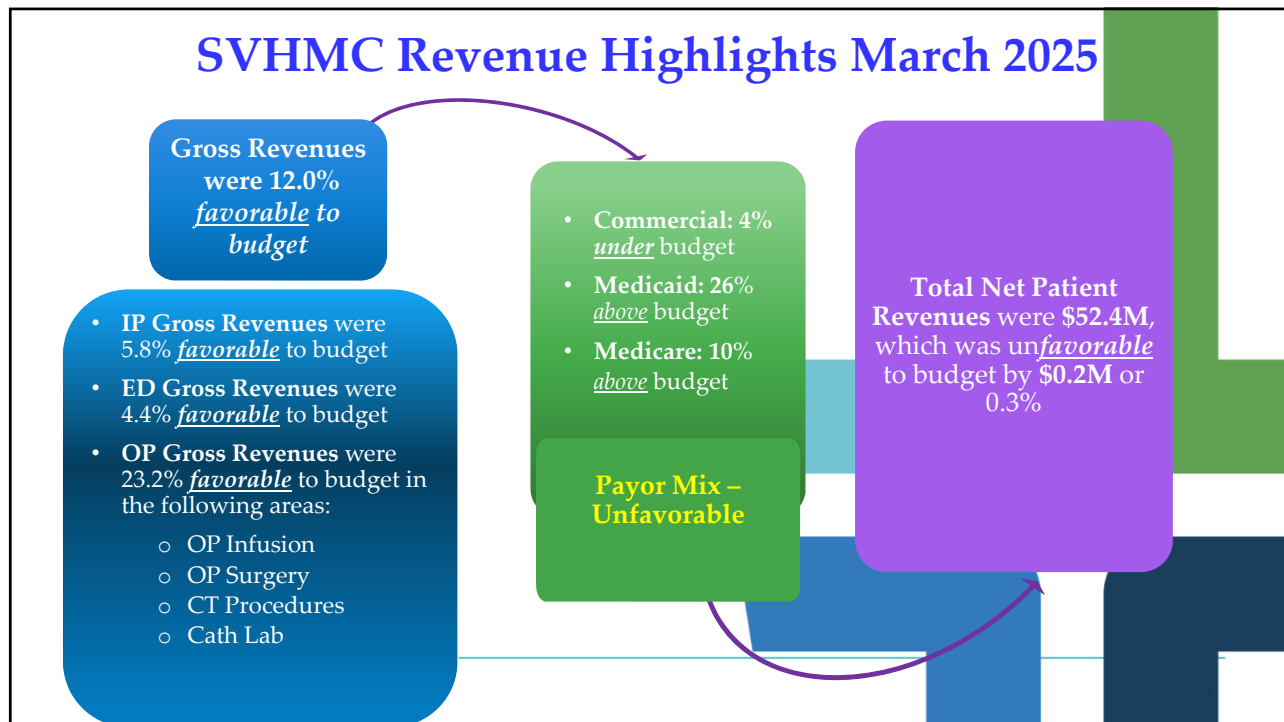
Operating Income excludes the Normalizing Item of:

- CCAH Voluntary Rate Range Funds (net) Received YTD for CY 2025 totaling \$4.6 Million

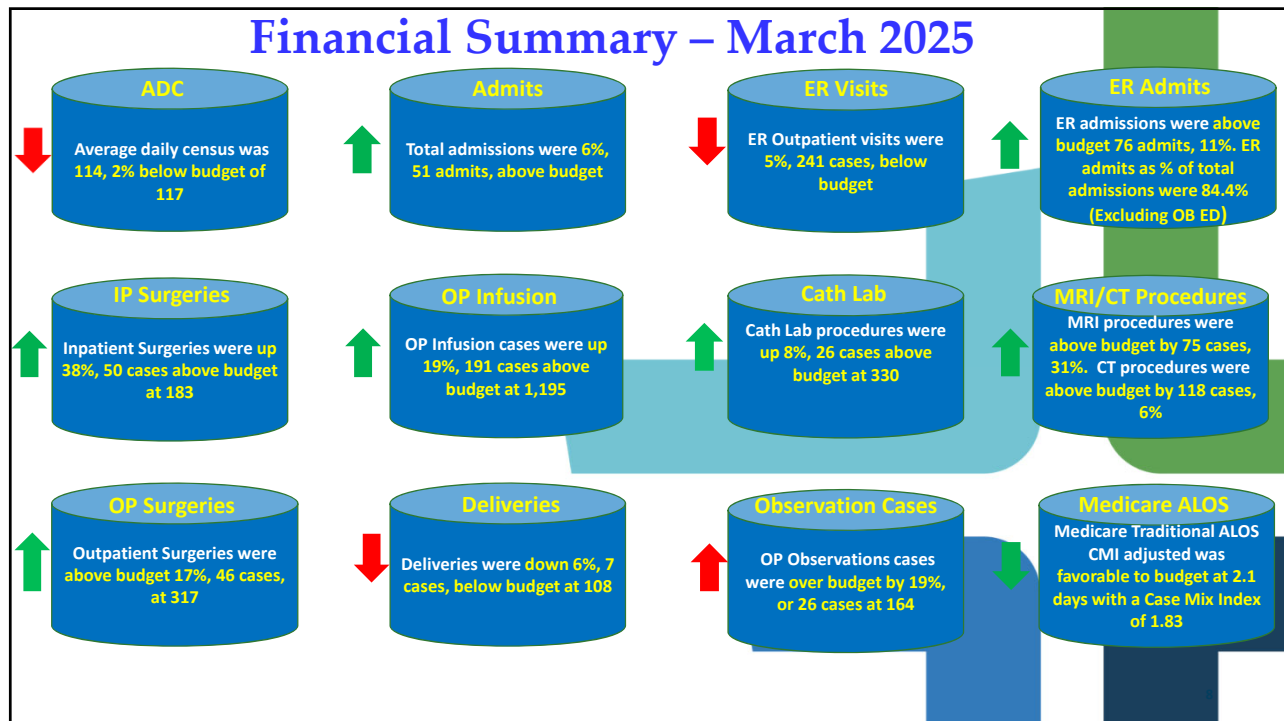
Non Operating Income excludes Normalizing Items of:

- FEMA Grant funds (net) received YTD are \$4.2 million
- FEMA Grant funds received inception to date totals \$10.8 million

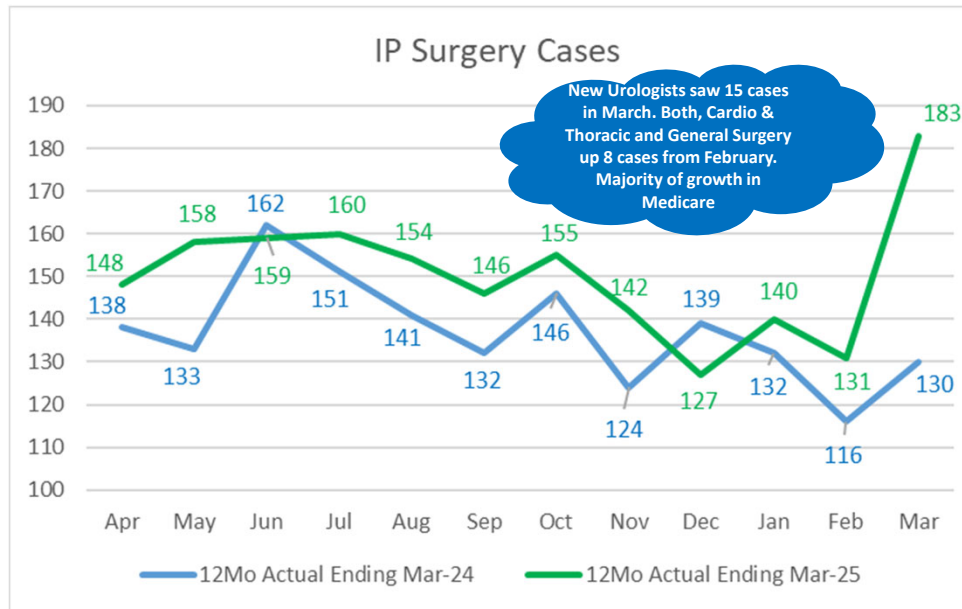
SVHMC Revenue Highlights March 2025



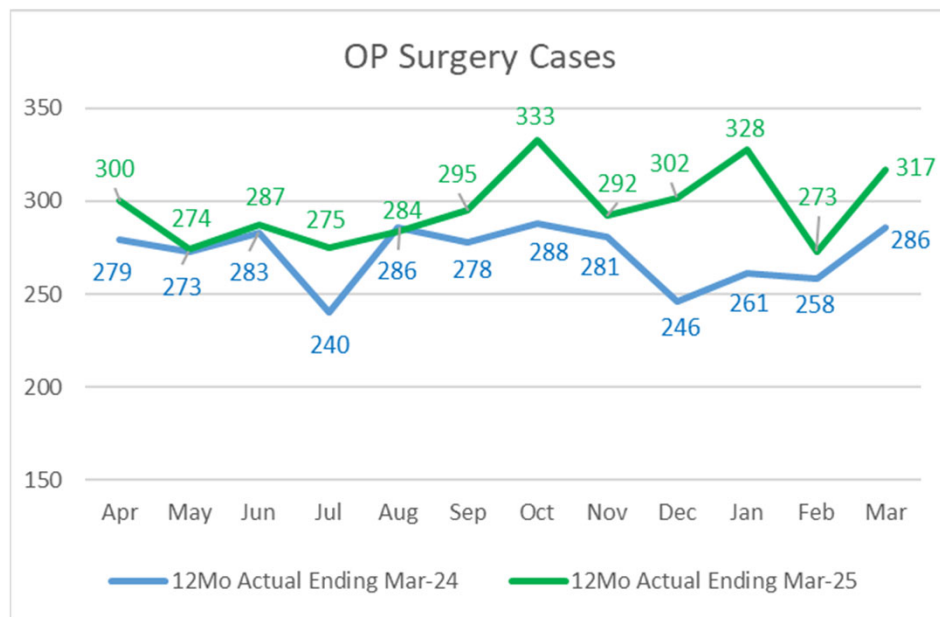
Financial Summary – March 2025



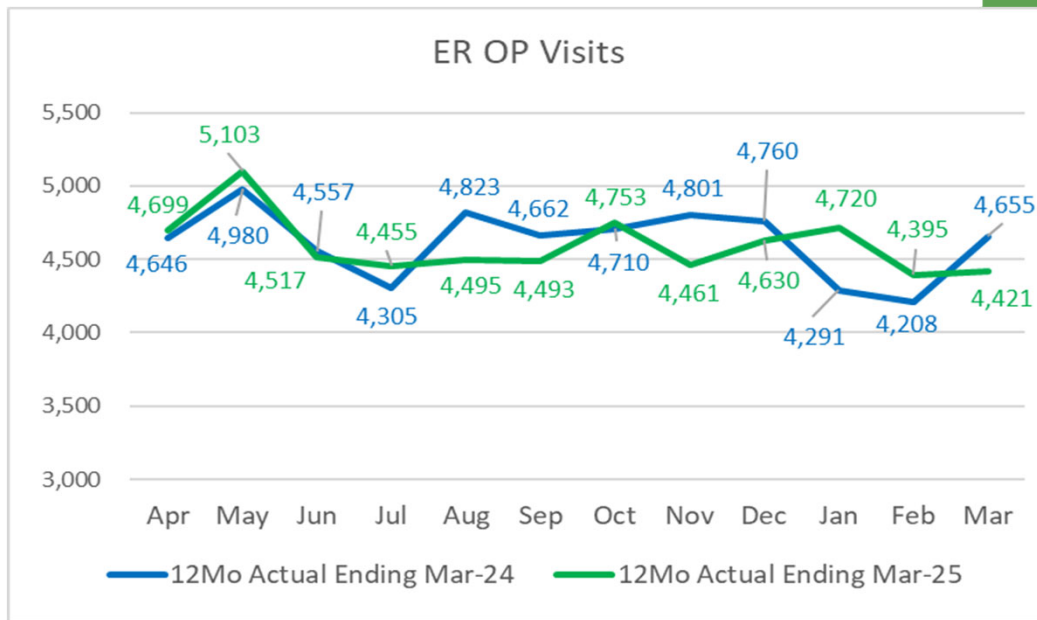
IP Surgery Cases - March 2025



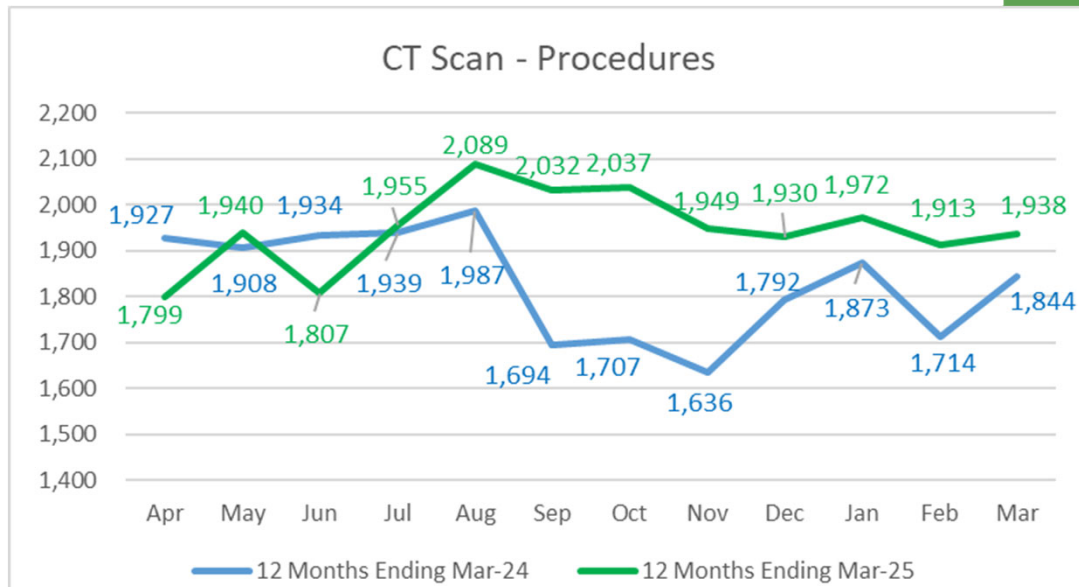
OP Surgery Cases - March 2025



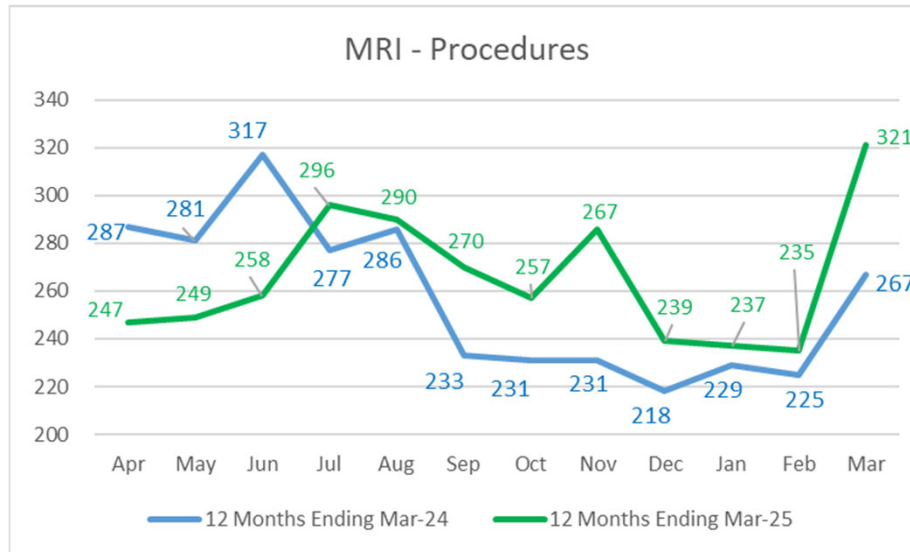
ER OP Visits- March 2025



CT Scans -March 2025

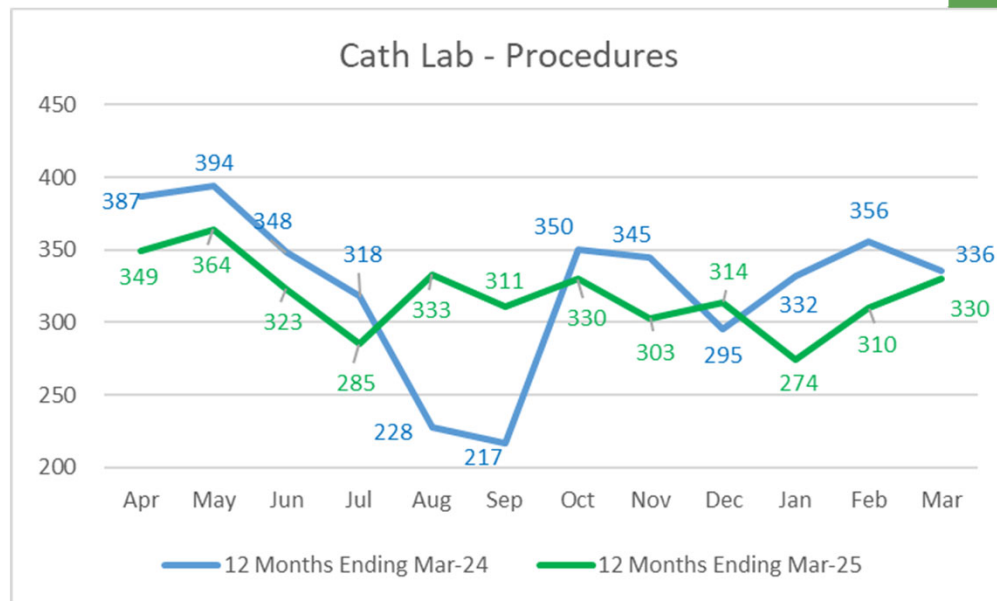


MRI -March 2025

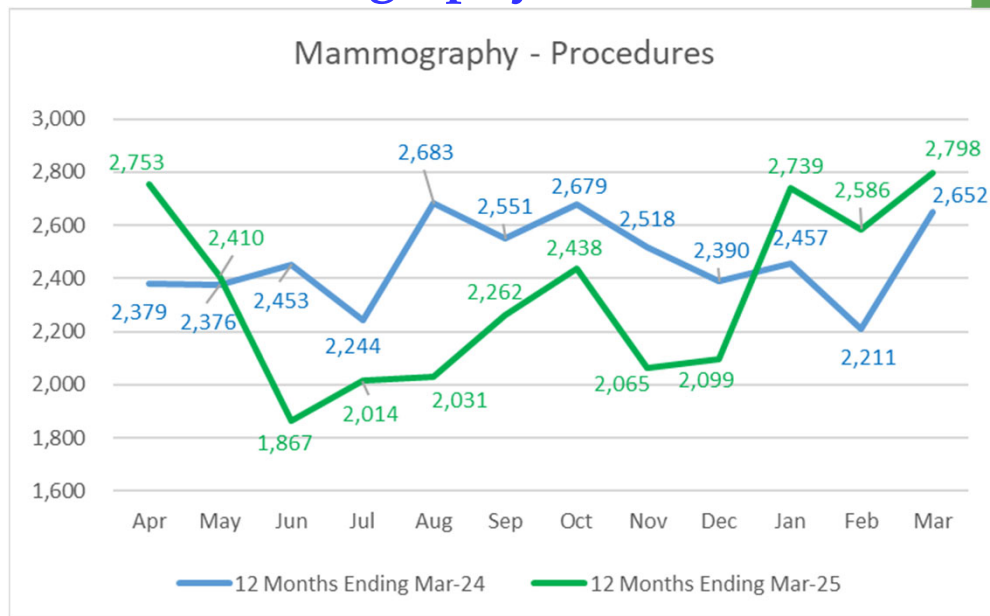


OP MRI evening shift hours at the hospital extended from 5:00PM to 10:30PM effective Feb. 20 has impacted procedure volume.

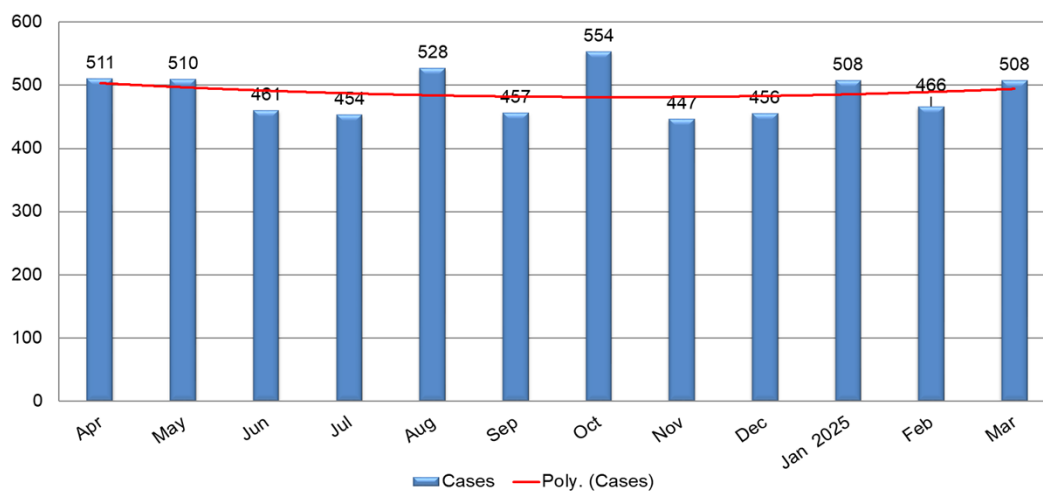
Cath Lab -March 2025



Mammography - March 2025



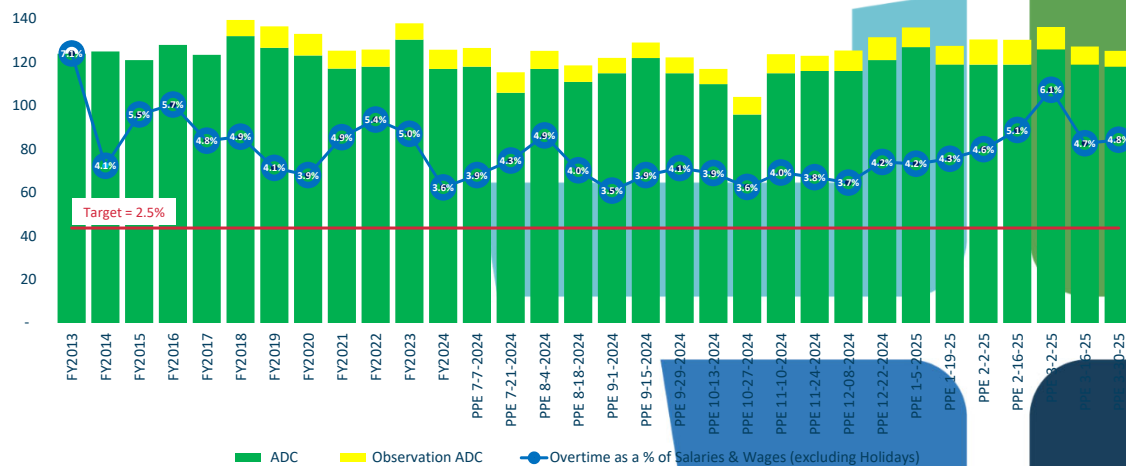
CDOC Cases - Rolling 12 Month Trend Apr 2024 thru Mar 2025



Labor Productivity – March 2025

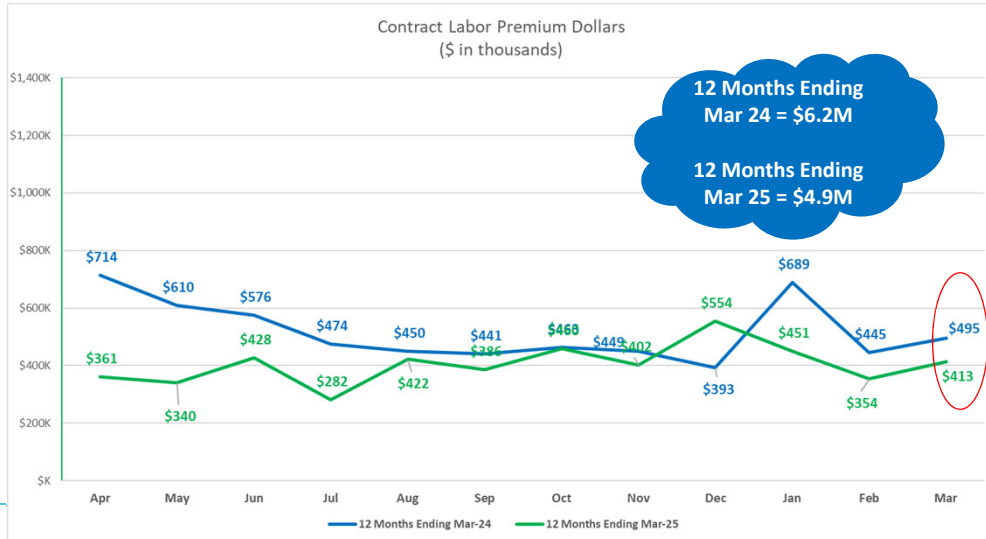
- 1. Worked FTEs:** During the month of March, worked FTEs on a PAADC basis were 4% unfavorable at **6.9** with a target of **6.6**. *When reviewed on a unit-by-unit level, the variance was 39 FTEs negative (\$0.6M). Lab was favorable 12.1 Worked FTEs. Excluding Lab, the variance would have been 51 FTEs negative (\$0.8M).*
- 2. Worked FTEs** increased from 1,607 in February to 1,635 in March. Average daily census decreased by 10 compared to prior month at 114 (2% below budget).
- 3. Paid FTEs:** On a PAADC basis, paid FTEs were **2% unfavorable** to budget at **7.8 actual vs. 7.6 budget**. Paid FTEs increased from 1,841 in February to 1,850 in March.

Overtime as a Percent of Total Salaries & Wages (excluding Holidays) Through the pay period ending March 30, 2025

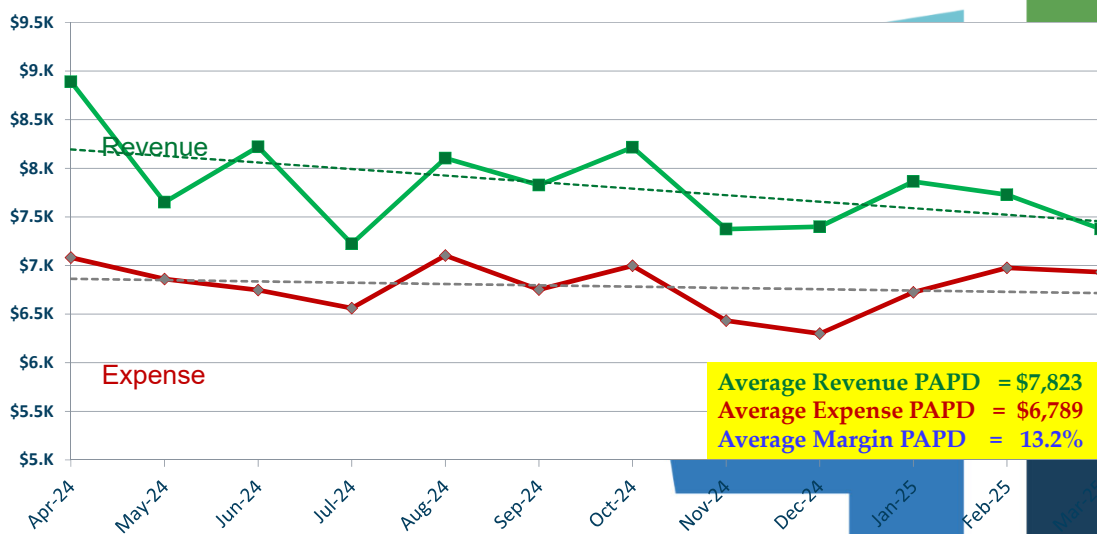


** Observation days are not available prior to FY2018 due to a server migration.

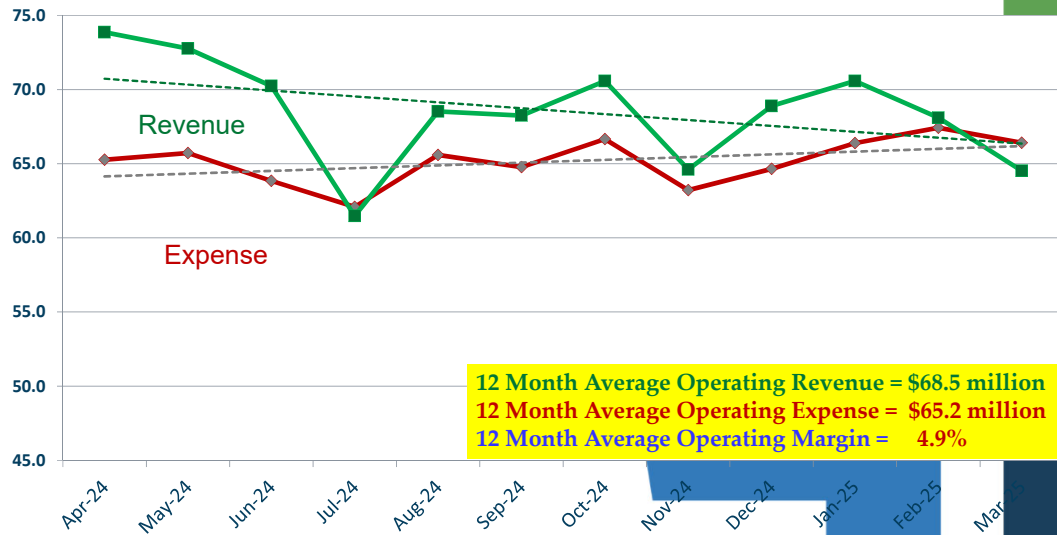
Contract Labor (Premium Cost Only) – 12 months ended 3/31/2025



SVHMC Revenues & Expenses Per Adjusted Patient Day Rolling 12 Months: Apr 24 to Mar 25



SVH Consolidated Revenues & Expenses Rolling 12 Months: Apr 24 to Mar 25



Salinas Valley Health Key Financial Indicators

Statistic	YTD 3/31/25	SVH Target	S&P A+ Rated Hospitals	YTD 3/31/24
Operating Margin*	3.8%	5.0%	4.0%	-1.6%
Total Margin*	8.6%	6.0%	6.6%	4.3%
EBITDA Margin**	8.3%	7.4%	13.6%	3.2%
Days of Cash*	364	305	249	338
Days of Accounts Payable*	44	45	-	43
Days of Net Accounts Receivable**	64	45	49	57
Supply Expense as % NPR	14.7%	14.0%	-	13.8%
SWB Expense as % NPR	52.0%	53.0%	53.7%	55.6%
Operating Expense per APD*	6,703	6,739	-	6,706

All metrics above are consolidated for SVH except Operating Expense per APD

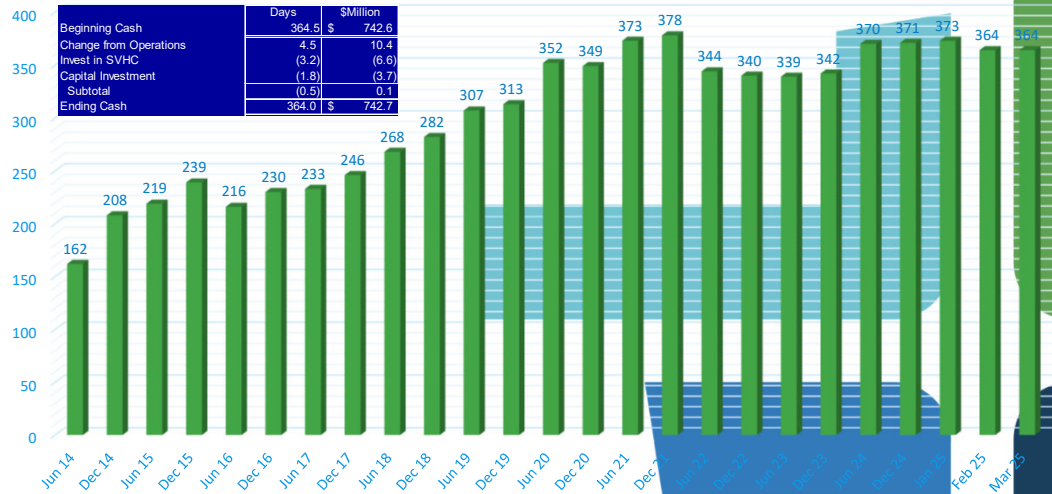
*These metrics have **not** been adjusted for normalizing items

**Metric based on Operating Income (consistent with industry standard)

***Metric based on 365 days average net revenue (consistent with industry standard)

Salinas Valley Health

Days Cash on Hand = 364 Days (\$743M) - March 2025



23

Routine Capital Expenditures Through March 2025

Fiscal Month	FY 2025 Approved Budget *	Total Purchased Expenditures	Remaining	Project	Amount
July	1,916,667	712,780	1,203,887	Cath Lab Equipment Replacement	60,514
August	1,916,667	1,382,572	1,737,981	200T Chiller Replacement	14,936
September	1,916,667	729,309	2,925,338	Laboratory - Air Handler	12,732
October	1,916,667	1,191,148	3,650,857	X-Ray Equipment Replacement	12,048
November	1,916,667	794,889	4,772,635	Miscellaneous	15,298
December	1,916,667	1,381,451	5,307,851	Total Improvements	115,528
January	1,916,667	1,565,871	5,658,646	Radiology GE Healthcare C-ARM	317,172
February	1,916,667	963,787	6,611,526	PACU Workstations (8)	118,745
March	1,916,667	815,462	7,712,730	Surgery LithoClast Trilogy Lithotripter System	65,622
April	1,916,667		9,629,397	IT Imprivata Proximity USB Readers	63,683
May	1,916,667		11,546,064	Miscellaneous	134,712
June	1,916,667		13,462,730	Total Equipment	699,935
YTD TOTAL	23,000,000	9,537,270	13,462,730	Grand Total	815,462

Questions/Comments

SALINAS VALLEY HEALTH MEDICAL CENTER
SUMMARY INCOME STATEMENT
March 31, 2025

	<u>Month of March,</u>		<u>Nine months ended March 31,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Operating revenue:				
Net patient revenue	\$ 52,353,026	\$ 53,215,935	\$ 505,607,481	\$ 455,805,479
Other operating revenue	<u>1,943,999</u>	<u>1,120,312</u>	<u>14,273,326</u>	<u>9,861,505</u>
Total operating revenue	<u>54,297,025</u>	<u>54,336,247</u>	<u>519,880,807</u>	<u>465,666,984</u>
Total operating expenses	51,027,786	48,872,883	452,850,988	431,546,230
Total non-operating income	<u>(1,769,233)</u>	<u>(979,261)</u>	<u>(15,640,255)</u>	<u>(12,873,368)</u>
Operating and non-operating income	<u>\$ 1,500,006</u>	<u>\$ 4,484,102</u>	<u>\$ 51,389,564</u>	<u>\$ 21,247,386</u>

SALINAS VALLEY HEALTH MEDICAL CENTER
BALANCE SHEETS
March 31, 2025

	<u>Current year</u>	<u>Prior year</u>
ASSETS:		
Current assets	\$ 426,885,411	\$ 347,471,310
Assets whose use is limited or restricted by board	173,535,507	165,022,784
Capital assets	258,695,238	249,123,680
Other assets	305,471,725	288,659,194
Deferred pension outflows	<u>85,734,219</u>	<u>116,911,125</u>
	<u>\$ 1,250,322,100</u>	<u>\$ 1,167,188,093</u>
LIABILITIES AND EQUITY:		
Current liabilities	93,007,905	86,207,553
Long term liabilities	20,532,083	20,145,488
Lease deferred inflows	880,521	1,470,015
Pension liability	90,863,576	118,792,064
Net assets	<u>1,045,038,015</u>	<u>940,572,973</u>
	<u>\$ 1,250,322,100</u>	<u>\$ 1,167,188,093</u>

SALINAS VALLEY HEALTH MEDICAL CENTER
SCHEDULES OF NET PATIENT REVENUE
March 31, 2025

	<u>Month of March,</u>		<u>Nine months ended March 31,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Patient days:				
By payer:				
Medicare	1,673	1,879	15,651	16,247
Medi-Cal	1,236	1,079	9,567	9,492
Commercial insurance	516	581	5,015	5,157
Other patient	146	83	1,076	904
Total patient days	<u>3,571</u>	<u>3,622</u>	<u>31,309</u>	<u>31,800</u>
Gross revenue:				
Medicare	\$ 136,059,278	\$ 119,887,840	\$ 1,144,921,709	\$ 1,025,666,956
Medi-Cal	95,909,746	79,776,827	741,167,947	637,339,335
Commercial insurance	54,615,684	55,257,136	519,284,925	472,536,714
Other patient	10,968,238	8,273,807	97,851,475	79,285,089
Gross revenue	<u>297,552,946</u>	<u>263,195,610</u>	<u>2,503,226,056</u>	<u>2,214,828,093</u>
Deductions from revenue:				
Administrative adjustment	239,181	346,040	2,724,326	2,859,919
Charity care	755,481	373,464	5,902,927	5,912,183
Contractual adjustments:				
Medicare outpatient	45,206,438	37,718,273	381,077,259	318,807,609
Medicare inpatient	52,649,954	47,565,640	440,114,556	423,111,168
Medi-Cal traditional outpatient	2,093,010	971,630	14,401,590	22,939,017
Medi-Cal traditional inpatient	6,446,445	4,959,102	46,019,794	42,988,883
Medi-Cal managed care outpatient	43,681,533	37,814,410	359,391,371	281,784,297
Medi-Cal managed care inpatient	35,396,959	27,818,484	244,804,758	228,999,160
Commercial insurance outpatient	28,582,616	23,462,287	241,114,167	197,856,757
Commercial insurance inpatient	23,685,578	23,686,650	199,593,353	185,080,344
Uncollectible accounts expense	5,597,156	4,486,287	49,463,033	38,395,451
Other payors	865,569	777,408	13,011,441	10,287,828
Deductions from revenue	<u>245,199,920</u>	<u>209,979,675</u>	<u>1,997,618,575</u>	<u>1,759,022,615</u>
Net patient revenue	<u>\$ 52,353,026</u>	<u>\$ 53,215,935</u>	<u>\$ 505,607,481</u>	<u>\$ 455,805,479</u>
Gross billed charges by patient type:				
Inpatient	\$ 143,143,265	\$ 130,200,066	\$ 1,179,471,341	\$ 1,122,214,868
Outpatient	120,598,821	102,267,009	1,036,097,280	827,534,083
Emergency room	33,810,863	30,728,535	287,657,435	265,079,142
Total	<u>\$ 297,552,949</u>	<u>\$ 263,195,610</u>	<u>\$ 2,503,226,056</u>	<u>\$ 2,214,828,093</u>

SALINAS VALLEY HEALTH MEDICAL CENTER
STATEMENTS OF REVENUE AND EXPENSES
March 31, 2025

	<u>Month of March,</u>		<u>Nine months ended March 31,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Operating revenue:				
Net patient revenue	\$ 52,353,026	\$ 53,215,935	\$ 505,607,481	\$ 455,805,479
Other operating revenue	<u>1,943,999</u>	<u>1,120,312</u>	<u>14,273,326</u>	<u>9,861,505</u>
Total operating revenue	<u>54,297,025</u>	<u>54,336,247</u>	<u>519,880,807</u>	<u>465,666,984</u>
Operating expenses:				
Salaries and wages	19,238,042	17,073,137	160,055,834	150,042,155
Compensated absences	2,871,141	3,444,168	28,114,949	27,363,015
Employee benefits	6,782,078	8,499,764	71,518,891	76,429,788
Supplies, food, and linen	8,990,542	7,582,049	78,229,896	65,386,273
Purchased department functions	4,681,833	3,716,049	35,466,591	32,566,197
Medical fees	2,324,813	2,198,594	23,054,657	22,107,686
Other fees	1,849,675	2,192,685	16,870,444	20,476,049
Depreciation	2,686,457	2,453,368	23,275,801	21,616,977
All other expense	<u>1,603,205</u>	<u>1,713,069</u>	<u>16,263,925</u>	<u>15,558,090</u>
Total operating expenses	<u>51,027,786</u>	<u>48,872,883</u>	<u>452,850,988</u>	<u>431,546,230</u>
Income from operations	<u>3,269,239</u>	<u>5,463,364</u>	<u>67,029,819</u>	<u>34,120,754</u>
Non-operating income:				
Donations	18,776	270,645	5,534,099	2,604,212
Property taxes	476,714	333,333	4,290,429	3,000,000
Investment income	2,682,245	2,531,046	16,610,382	22,520,296
Taxes and licenses	0	0	0	0
Income from subsidiaries	<u>(4,946,968)</u>	<u>(4,114,285)</u>	<u>(42,075,165)</u>	<u>(40,997,876)</u>
Total non-operating income	<u>(1,769,233)</u>	<u>(979,261)</u>	<u>(15,640,255)</u>	<u>(12,873,368)</u>
Operating and non-operating income	1,500,006	4,484,102	51,389,564	21,247,386
Net assets to begin	<u>1,043,538,009</u>	<u>936,088,871</u>	<u>993,648,450</u>	<u>919,325,587</u>
Net assets to end	<u>\$ 1,045,038,015</u>	<u>\$ 940,572,973</u>	<u>\$ 1,045,038,015</u>	<u>\$ 940,572,973</u>
Net income excluding non-recurring items	\$ 1,500,006	\$ 4,484,102	\$ 51,389,564	\$ 21,247,386
Non-recurring income (expense) from cost report settlements and re-openings and other non-recurring items	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Operating and non-operating income	<u>\$ 1,500,006</u>	<u>\$ 4,484,102</u>	<u>\$ 51,389,564</u>	<u>\$ 21,247,386</u>

SALINAS VALLEY HEALTH MEDICAL CENTER
SCHEDULES OF INVESTMENT INCOME
March 31, 2025

	<u>Month of March,</u>		<u>Nine months ended March 31,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Detail of income from subsidiaries:				
Salinas Valley Health Clinics				
Pulmonary Medicine Center	\$ (197,747)	\$ (200,041)	\$ (1,843,634)	\$ (1,823,701)
Neurological Clinic	(128,101)	(52,142)	(669,794)	(633,239)
Palliative Care Clinic	(126,271)	(104,060)	(869,355)	(815,953)
Surgery Clinic	(229,457)	(163,352)	(1,417,458)	(1,641,465)
Infectious Disease Clinic	(51,756)	(44,880)	(421,860)	(346,366)
Endocrinology Clinic	(254,621)	(219,792)	(2,078,609)	(2,085,328)
Early Discharge Clinic	0	0	0	0
Cardiology Clinic	(580,600)	(452,610)	(5,322,430)	(5,183,044)
OB/GYN Clinic	(375,667)	(378,048)	(3,711,382)	(3,687,774)
PrimeCare Medical Group	(959,779)	(708,607)	(7,317,515)	(7,735,313)
Oncology Clinic	(459,160)	(386,684)	(3,685,487)	(3,100,631)
Cardiac Surgery	(396,688)	(321,568)	(3,149,531)	(2,799,513)
Sleep Center	(71,606)	(68,071)	(772,321)	(500,328)
Rheumatology	(78,206)	(70,944)	(678,242)	(651,388)
Precision Ortho MDs	(493,591)	(445,839)	(4,170,008)	(4,327,660)
Precision Ortho-MRI	0	0	0	0
Precision Ortho-PT	(76,651)	(57,610)	(687,456)	(436,409)
Vaccine Clinic	0	0	0	16
Dermatology	(49,885)	(33,039)	(382,441)	(358,196)
Hospitalists	0	0	0	0
Behavioral Health	(32,268)	(47,622)	(345,263)	(446,456)
Pediatric Diabetes	(37,960)	(41,423)	(356,710)	(409,834)
Neurosurgery	(152,080)	(110,129)	(1,116,268)	(435,772)
Multi-Specialty-RR	15,898	2,022	107,150	23,273
Radiology	(327,797)	(155,270)	(2,899,561)	(2,785,417)
Salinas Family Practice	(110,662)	(99,587)	(1,009,414)	(1,218,500)
Urology	(92,634)	(173,391)	(1,578,496)	(1,555,613)
Total SVHC	(5,267,289)	(4,332,687)	(44,376,085)	(42,954,611)
Doctors on Duty	89,784	(39,737)	243,692	286,129
LPCH NICU JV	0	0	0	0
Central Coast Health Connect	0	0	0	0
Monterey Peninsula Surgery Center	66,257	126,697	1,370,476	1,175,739
Coastal	46,495	48,817	(8,779)	96,226
Apex	0	0	0	0
21st Century Oncology	69,097	42,433	238,249	45,656
Monterey Bay Endoscopy Center	48,688	40,191	457,282	352,986
Total	<u>\$ (4,946,968)</u>	<u>\$ (4,114,285)</u>	<u>\$ (42,075,165)</u>	<u>\$ (40,997,876)</u>

SALINAS VALLEY HEALTH MEDICAL CENTER
BALANCE SHEETS
March 31, 2025

	<u>Current year</u>	<u>Prior year</u>
A S S E T S		
Current assets:		
Cash and cash equivalents	\$ 276,413,608	\$ 219,231,264
Patient accounts receivable, net of estimated uncollectibles of \$83,822,053	123,253,768	97,501,015
Supplies inventory at cost	8,739,677	7,839,589
Current portion of lease receivable	735,186	1,033,276
Other current assets	<u>17,743,171</u>	<u>21,866,166</u>
Total current assets	<u>426,885,411</u>	<u>347,471,310</u>
Assets whose use is limited or restricted by board	<u>173,535,507</u>	<u>165,022,784</u>
Capital assets:		
Land and construction in process	49,331,123	76,674,455
Other capital assets, net of depreciation	<u>209,364,115</u>	<u>172,449,225</u>
Total capital assets	<u>258,695,238</u>	<u>249,123,680</u>
Other assets:		
Right of use assets, net of amortization	8,402,941	6,958,849
Long term lease receivable	182,576	551,500
Subscription assets, net of amortization	8,564,699	7,404,479
Investment in Securities	264,896,614	253,138,221
Investment in SVMC	1,969,936	12,284,253
Investment in Coastal	1,743,591	1,777,867
Investment in other affiliates	21,528,806	12,748,330
Net pension asset	<u>(1,817,438)</u>	<u>(6,204,305)</u>
Total other assets	<u>305,471,725</u>	<u>288,659,194</u>
Deferred pension outflows	<u>85,734,219</u>	<u>116,911,125</u>
	<u>\$ 1,250,322,100</u>	<u>\$ 1,167,188,093</u>
L I A B I L I T I E S A N D N E T A S S E T S		
Current liabilities:		
Accounts payable and accrued expenses	\$ 58,415,246	\$ 54,393,470
Due to third party payers	5,812,278	4,090,793
Current portion of self-insurance liability	22,911,342	20,518,736
Current subscription liability	2,947,941	4,297,497
Current portion of lease liability	<u>2,921,098</u>	<u>2,907,057</u>
Total current liabilities	93,007,905	86,207,553
Long term portion of workers comp liability	11,809,968	13,027,333
Long term portion of lease liability	5,480,929	4,267,580
Long term subscription liability	<u>3,241,186</u>	<u>2,850,575</u>
Total liabilities	<u>113,539,988</u>	<u>106,353,041</u>
Lease deferred inflows	880,521	1,470,015
Pension liability	<u>90,863,576</u>	<u>118,792,064</u>
Net assets:		
Invested in capital assets, net of related debt	258,695,238	249,123,680
Unrestricted	<u>786,342,777</u>	<u>691,449,293</u>
Total net assets	<u>1,045,038,015</u>	<u>940,572,973</u>
	<u>\$ 1,250,322,100</u>	<u>\$ 1,167,188,093</u>

SALINAS VALLEY HEALTH MEDICAL CENTER
STATEMENTS OF REVENUE AND EXPENSES - BUDGET VS. ACTUAL
March 31, 2025

	Month of March,			Nine months ended March 31,			
	Actual	Variance	% Var	Actual	Budget	Variance	% Var
Operating revenue:							
Gross billed charges	\$ 297,552,946	\$ 31,902,981	12.01%	\$ 2,503,226,056	\$ 2,302,107,057	201,118,999	8.74%
Deductions from revenue	245,199,920	32,197,528	15.12%	1,997,618,575	1,844,646,914	152,971,661	8.29%
Net patient revenue	52,353,026	(294,548)	-0.56%	505,607,481	457,460,143	48,147,338	10.52%
Other operating revenue	1,943,999	491,330	33.82%	14,273,326	13,074,021	1,199,305	9.17%
Total operating revenue	54,297,025	196,782	0.36%	519,880,807	470,534,164	49,346,643	10.49%
Operating expenses:							
Salaries and wages	19,238,042	744,737	4.03%	160,055,834	155,134,812	4,921,022	3.17%
Compensated absences	2,871,141	130,861	4.78%	28,114,949	28,828,344	(713,395)	-2.47%
Employee benefits	6,782,078	(1,879,539)	-21.70%	71,518,891	71,968,281	(449,390)	-0.62%
Supplies, food, and linen	8,990,542	1,688,266	23.12%	78,229,896	64,542,595	13,687,301	21.21%
Purchased department functions	4,681,833	856,549	22.39%	35,466,591	34,427,545	1,039,046	3.02%
Medical fees	2,324,813	(160,824)	-6.47%	23,054,657	22,370,735	683,922	3.06%
Other fees	1,849,675	93,247	5.31%	16,870,444	15,637,548	1,232,896	7.88%
Depreciation	2,686,457	153,357	6.05%	23,275,801	21,721,945	1,553,856	7.15%
All other expense	1,603,205	(384,308)	-19.34%	16,263,925	17,765,061	(1,501,136)	-8.45%
Total operating expenses	51,027,786	1,242,347	2.50%	452,850,988	432,396,866	20,454,122	4.73%
Income from operations	3,269,239	(1,045,565)	-24.23%	67,029,819	38,137,298	28,892,521	75.76%
Non-operating income:							
Donations	18,776	(189,557)	-90.99%	5,534,099	1,875,000	3,659,099	195.15%
Property taxes	476,714	(0)	0.00%	4,290,429	4,290,429	(0)	0.00%
Investment income	2,682,245	791,072	41.83%	16,610,382	17,020,558	(410,176)	-2.41%
Income from subsidiaries	(4,946,968)	176,254	-3.44%	(42,075,165)	(46,108,999)	4,033,834	-8.75%
Total non-operating income	(1,769,233)	777,768	-30.54%	(15,640,255)	(22,923,011)	7,282,756	-31.77%
Operating and non-operating income	\$ 1,500,006	\$ (267,796)	-15.15%	\$ 51,389,564	\$ 15,214,286	36,175,278	237.77%

SALINAS VALLEY HEALTH MEDICAL CENTER

PATIENT STATISTICAL REPORT

For the month of March and nine months to date

	Month of March		Nine months to date		Variance
	2024	2025	2023-24	2024-25	
NEWBORN STATISTICS					
Medi-Cal Admissions	31	32	309	320	11
Other Admissions	74	77	717	750	33
Total Admissions	105	109	1,026	1,070	44
Medi-Cal Patient Days	45	62	490	604	114
Other Patient Days	106	126	1,171	1,124	(47)
Total Patient Days of Care	151	188	1,661	1,728	67
Average Daily Census	4.9	6.1	6.1	6.3	0.2
Medi-Cal Average Days	1.6	2.1	1.7	2.1	0.4
Other Average Days	0.7	1.8	1.7	1.5	(0.1)
Total Average Days Stay	1.5	1.8	1.7	1.7	0.0
ADULTS & PEDIATRICS					
Medicare Admissions	362	388	3,363	3,474	111
Medi-Cal Admissions	312	285	2,395	2,571	176
Other Admissions	387	306	2,666	2,831	165
Total Admissions	1,061	979	8,424	8,876	452
Medicare Patient Days	1,509	1,432	13,732	13,044	(688)
Medi-Cal Patient Days	1,128	1,223	9,738	10,027	289
Other Patient Days	1,035	728	8,439	6,847	(1,592)
Total Patient Days of Care	3,672	3,383	31,909	29,918	(1,991)
Average Daily Census	118.5	109.1	116.5	109.2	(7.3)
Medicare Average Length of Stay	4.1	3.6	4.1	3.8	(0.4)
Medi-Cal AverageLength of Stay	3.5	3.7	3.5	3.4	(0.1)
Other Average Length of Stay	2.7	1.9	2.5	1.9	(0.6)
Total Average Length of Stay	3.4	3.1	3.4	3.0	(0.4)
Deaths	32	21	237	234	(3)
Total Patient Days	3,823	3,571	33,570	31,646	(1,924)
Medi-Cal Administrative Days	27	0	32	0	(32)
Medicare SNF Days	0	0	0	0	0
Over-Utilization Days	0	0	0	0	0
Total Non-Acute Days	27	0	32	0	(32)
Percent Non-Acute	0.71%	0.00%	0.10%	0.00%	-0.10%

SALINAS VALLEY HEALTH MEDICAL CENTER

PATIENT STATISTICAL REPORT

For the month of March and nine months to date

	Month of March		Nine months to date		Variance
	2024	2025	2023-24	2024-25	
<u>PATIENT DAYS BY LOCATION</u>					
Level I	266	299	2,216	2,289	73
Heart Center	350	296	2,971	2,881	(90)
Monitored Beds	645	620	5,592	5,161	(431)
Single Room Maternity/Obstetrics	278	298	2,735	3,113	378
Med/Surg - Cardiovascular	933	871	7,588	7,820	232
Med/Surg - Oncology	294	289	2,523	2,433	(90)
Med/Surg - Rehab	426	489	4,100	4,187	87
Pediatrics	134	102	1,192	1,061	(131)
Nursery	151	188	1,661	1,728	67
Neonatal Intensive Care	65	119	987	973	(14)
<u>PERCENTAGE OF OCCUPANCY</u>					
Level I	66.00%	74.19%	61.99%	64.03%	
Heart Center	75.27%	63.66%	72.02%	69.84%	
Monitored Beds	77.06%	74.07%	75.31%	69.51%	
Single Room Maternity/Obstetrics	24.24%	25.98%	26.88%	30.59%	
Med/Surg - Cardiovascular	66.88%	62.44%	61.32%	63.19%	
Med/Surg - Oncology	72.95%	71.71%	70.57%	68.06%	
Med/Surg - Rehab	52.85%	60.67%	57.34%	58.56%	
Med/Surg - Observation Care Unit	0.00%	0.00%	0.00%	0.00%	
Pediatrics	24.01%	18.28%	24.08%	21.43%	
Nursery	29.52%	36.75%	18.30%	19.04%	
Neonatal Intensive Care	19.06%	34.90%	32.63%	32.17%	

SALINAS VALLEY HEALTH MEDICAL CENTER

PATIENT STATISTICAL REPORT

For the month of March and nine months to date

	Month of March		Nine months to date		Variance
	2024	2025	2023-24	2024-25	
<u>DELIVERY ROOM</u>					
Total deliveries	95	106	948	1,064	116
C-Section deliveries	26	41	299	345	46
Percent of C-section deliveries	27.37%	38.68%	31.54%	32.42%	0.88%
<u>OPERATING ROOM</u>					
In-Patient Operating Minutes	15,899	23,452	141,597	167,502	25,905
Out-Patient Operating Minutes	31,837	35,872	265,728	311,835	46,107
Total	47,736	59,324	407,325	479,337	72,012
Open Heart Surgeries	13	10	99	101	2
In-Patient Cases	104	151	1,009	1,092	83
Out-Patient Cases	312	349	2,626	2,945	319
<u>EMERGENCY ROOM</u>					
Immediate Life Saving	45	38	333	306	(27)
High Risk	861	895	6,876	7,735	859
More Than One Resource	2,813	2,740	25,066	25,179	113
One Resource	1,837	1,771	16,995	16,069	(926)
No Resources	76	74	775	646	(129)
Total	5,632	5,518	50,045	49,935	(110)

SALINAS VALLEY HEALTH MEDICAL CENTER

PATIENT STATISTICAL REPORT

For the month of March and nine months to date

	Month of March		Nine months to date		Variance
	2024	2025	2023-24	2024-25	
CENTRAL SUPPLY					
In-patient requisitions	12,909	12,816	116,314	111,225	-5,089
Out-patient requisitions	11,225	10,635	93,723	97,184	3,461
Emergency room requisitions	643	391	6,423	5,026	-1,397
Interdepartmental requisitions	6,898	6,957	59,647	61,828	2,181
Total requisitions	31,675	30,799	276,107	275,263	-844
LABORATORY					
In-patient procedures	35,978	36,434	328,649	321,198	-7,451
Out-patient procedures	41,866	49,750	249,054	400,747	151,693
Emergency room procedures	12,781	12,776	115,802	113,043	-2,759
Total patient procedures	90,625	98,960	693,505	834,988	141,483
BLOOD BANK					
Units processed	226	260	2,559	2,490	-69
ELECTROCARDIOLOGY					
In-patient procedures	1,090	1,143	9,878	10,090	212
Out-patient procedures	365	514	3,507	3,925	418
Emergency room procedures	1,271	1,387	11,011	11,684	673
Total procedures	2,726	3,044	24,396	25,699	1,303
CATH LAB					
In-patient procedures	148	136	1,121	1,189	68
Out-patient procedures	135	125	1,081	1,101	20
Emergency room procedures	0	1	0	2	2
Total procedures	283	262	2,202	2,292	90
ECHO-CARDIOLOGY					
In-patient studies	403	398	3,435	3,556	121
Out-patient studies	271	399	2,513	3,041	528
Emergency room studies	1	1	9	14	5
Total studies	675	798	5,957	6,611	654
NEURODIAGNOSTIC					
In-patient procedures	121	126	1,147	1,238	91
Out-patient procedures	9	27	160	223	63
Emergency room procedures	0	0	0	1	1
Total procedures	130	153	1,307	1,462	155

SALINAS VALLEY HEALTH MEDICAL CENTER

PATIENT STATISTICAL REPORT

For the month of March and nine months to date

	Month of March		Nine months to date		Variance
	2024	2025	2023-24	2024-25	
SLEEP CENTER					
In-patient procedures	0	0	0	0	0
Out-patient procedures	304	325	2,186	2,572	386
Emergency room procedures	0	0	0	0	0
Total procedures	304	325	2,186	2,572	386
RADIOLOGY					
In-patient procedures	1,280	1,329	11,766	11,744	-22
Out-patient procedures	420	454	3,629	3,963	334
Emergency room procedures	1,560	1,512	13,379	14,037	658
Total patient procedures	3,260	3,295	28,774	29,744	970
MAGNETIC RESONANCE IMAGING					
In-patient procedures	175	194	1,296	1,603	307
Out-patient procedures	108	147	1,003	1,006	3
Emergency room procedures	5	5	55	55	0
Total procedures	288	346	2,354	2,664	310
MAMMOGRAPHY CENTER					
In-patient procedures	4,458	4,626	37,119	34,174	-2,945
Out-patient procedures	4,447	4,596	36,715	34,048	-2,667
Emergency room procedures	0	1	9	10	1
Total procedures	8,905	9,223	73,843	68,232	-5,611
NUCLEAR MEDICINE					
In-patient procedures	14	10	177	137	-40
Out-patient procedures	126	134	1,017	1,190	173
Emergency room procedures	0	0	2	2	0
Total procedures	140	144	1,196	1,329	133
PHARMACY					
In-patient prescriptions	85,667	82,123	760,540	718,656	-41,884
Out-patient prescriptions	16,232	17,419	141,966	150,945	8,979
Emergency room prescriptions	9,847	9,816	83,758	88,879	5,121
Total prescriptions	111,746	109,358	986,264	958,480	-27,784
RESPIRATORY THERAPY					
In-patient treatments	16,356	13,169	146,158	133,709	-12,449
Out-patient treatments	1,314	929	10,065	8,548	-1,517
Emergency room treatments	441	481	4,521	4,857	336
Total patient treatments	18,111	14,579	160,744	147,114	-13,630
PHYSICAL THERAPY					
In-patient treatments	2,604	2,317	22,472	20,821	-1,651
Out-patient treatments	230	347	2,369	2,415	46
Emergency room treatments	0	0	0	0	0
Total treatments	2,834	2,664	24,841	23,236	-1,605

SALINAS VALLEY HEALTH MEDICAL CENTER

PATIENT STATISTICAL REPORT

For the month of March and nine months to date

	Month of March		Nine months to date		Variance
	2024	2025	2023-24	2024-25	
OCCUPATIONAL THERAPY					
In-patient procedures	1,378	1,538	12,781	13,189	408
Out-patient procedures	223	244	2,172	1,951	-221
Emergency room procedures	0	0	0	0	0
Total procedures	1,601	1,782	14,953	15,140	187
SPEECH THERAPY					
In-patient treatments	461	529	4,551	4,753	202
Out-patient treatments	31	34	349	338	-11
Emergency room treatments	0	0	0	0	0
Total treatments	492	563	4,900	5,091	191
CARDIAC REHABILITATION					
In-patient treatments	0	0	11	6	-5
Out-patient treatments	636	686	4,754	5,484	730
Emergency room treatments	0	0	0	1	1
Total treatments	636	686	4,765	5,491	726
CRITICAL DECISION UNIT					
Observation hours	337	271	2,877	2,256	-621
ENDOSCOPY					
In-patient procedures	87	77	692	735	43
Out-patient procedures	58	62	502	512	10
Emergency room procedures	0	2	0	4	4
Total procedures	145	141	1,194	1,251	57
C.T. SCAN					
In-patient procedures	744	798	6,483	6,843	360
Out-patient procedures	349	471	3,160	4,465	1,305
Emergency room procedures	758	671	6,555	6,519	-36
Total procedures	1,851	1,940	16,198	17,827	1,629
DIETARY					
Routine patient diets	11,561	16,875	150,306	142,559	-7,747
Meals to personnel	28,908	35,806	254,810	315,881	61,071
Total diets and meals	40,469	52,681	405,116	458,440	53,324
LAUNDRY AND LINEN					
Total pounds laundered	98,908	108,415	873,505	890,283	16,778

Balanced Scorecard

FY 2025 YTD February

Monthly Scorecard Service (30%)

Organizational Goals by Pillar	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	FY 2025 Act/Proj	TARGET	Var %	FY 2024 Baseline
I. Service												
Inpatient - Recommend the Hospital	77.6	75.4	77.3	79.7	77.0	76.0	76.3	72.7	76.5	78.5	-2.6%	78.0
Emergency Room - Likelihood of Recommending	66.9	69.2	70.9	65.6	59.7	65.6	64.1	61.4	65.4	62.3	5.0%	61.8
Ambulatory - Recommend the Hospital	80.0	85.4	79.8	81.3	79.4	82.6	87.9	82.9	82.4	86.4	-4.6%	85.4
Outpatient - Likelihood of Recommending	89.1	87.4	88.6	87.0	89.1	88.1	87.9	89.4	88.3	89.4	-1.3%	88.4

Notes / Assumptions:

- Source: Press Ganey
- Based on monthly **received date**
- Based on top box scores (highest response possible on the survey scale: Yes, Definitely Yes, Always)
- Inpatient Score FY 2024 Baseline was 78.0. **Rationale:** Threshold = Baseline. Target is +0.5 from baseline. Max is +1.0 from baseline.
- ER Score FY 2024 Baseline was 61.8. **Rationale:** Threshold = Baseline. Target is +0.5 from baseline. Max is +1.0 from baseline.
- Ambulatory Score FY 2024 Baseline was 85.4. **Rationale:** Threshold +0.5 from Baseline. Target is +1.0 from baseline. Max is +1.5 from baseline.
- Outpatient Score FY 2024 Baseline was 88.4. **Rationale:** Threshold +0.5 from Baseline. Target is +1.0 from baseline. Max is +1.5 from baseline.

Monthly Scorecard People (15%)

Organizational Goals by Pillar	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	FY 2025 Act/Pro	TARGET	Var %	FY 2024 Baseline
II. People												
Employee Engagement Indicator Score	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	4.25		4.18
Safety Culture Index: Prevention and Reporting	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	4.14		4.07
Safety Culture Index: Resources and Teamwork	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	3.81		3.76

The Employee Engagement survey is currently being scheduled in May with results available in July.

Notes / Assumptions:

- Source: Press Ganey
- Employee Engagement Survey results are expected to be available on or before July 31, 2025
- Achieve Employee Engagement Indicator score in the range of 4.20 to 4.27 as measured by the 2025 Employee Engagement Survey.
- Achieve Prevention and Reporting score in the range of 4.07 to 4.18 as measured by the 2025 Employee Engagement Survey, Safety Culture Index.
- Achieve Resources and Teamwork score in the range of 3.76 to 3.84 as measured by the 2025 Employee Engagement Survey, Safety Culture Index.

3

Monthly Scorecard Quality & Safety Processes – ER (5%)

Organizational Goals by Pillar	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	FY 2025 Act/Pro	TARGET	Var %	FY 2024 Baseline
III. Quality & Safety Processes												
Emergency Room Efficiencies												
Median length of stay for non-admits (in minutes)	181.0	179.0	177.0	178.0	178.0	182.0	184.0	191.0	181.0	181.0	0.0%	181.0
Median time from admit decision to time of admission to nursing unit (in minutes)	71.0	68.0	72.0	65.0	67.0	69.0	65.0	72.0	68.0	74.0	8.1%	74.0

Source: Meditech

ER - LOS for Non-Admits in Minutes: Data Criteria: Calculate the median LOS in minutes for ER Outpatients for each month & YTD for cases in ER (excludes inpatients and patients leaving against medical advice or left without being seen.) Baseline = Target is based on FY 2024 Actuals. The Threshold & Maximum are 2 minute increments from the Target. **Rationale:** SVHMC ER has recently experienced a higher volume level, including a surge of patients and provider turnover. According to CMS, the latest available data from 2021 indicates that the State Rate is 196 minutes and the National Rate is 203 minutes for comparable size hospitals. The implementation of new ED modular will necessitate new patient flow process which could impact wait times / efficiency (Estimated to start October 2024).

ER - Time to Admit in Minutes: Data Criteria: Calculate the median time for inpatients from admit decision to time of admission to nursing unit in minutes (includes observation cases). Baseline = Target is based on FY 2024 Actuals. The Threshold & Maximum are 2 minute increments from the Target.

Rationale: The ER average daily census is currently averaging at about 186 patients a day compared to the baseline period of 128 (Jul21-Jan22), or a 45% increase in ED census. We also have continued challenges with COVID and respiratory isolation. The vast increase of volume leads to limited space availability and delays. We have put forth a new initiative called the "Big 5 Handover Process", which is a streamline handover process between the ED and nursing units, which may reduce admit time. The implementation of new ED modular will necessitate new patient flow process which could impact wait times / efficiency (Estimated to start October 2024).

4

Monthly Scorecard Quality & Safety Processes – OR & Cath Lab (5%)

Organizational Goals by Pillar	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	FY 2025 Act/Pro	TARGET	Var %	FY 2024 Baseline
III. Quality & Safety Processes												
Operating Room Efficiencies												
Turnover Time (Wheels out / Wheels in) (in minutes)	30.8	30.5	33.9	34.6	32.3	31.1	32.1	32.6	32.2	30.5	-5.7%	30.8
Cath Lab Efficiencies												
First Case - On Time Start %	86.1%	81.6%	75.0%	85.4%	83.8%	87.8%	94.3%	86.8%	85.1%	85.0%	0.1%	80.4%

Pillar Champion: Aisha Huebner (OR) & Megan Giovanetti (Cath Lab)

OR Turnover Time Measurement: Source is from the **PICIS OR Nurse Record**. Calculate minutes elapsed between the wheels out & wheels in of the next case. Only cases where the time difference is less than or equal to 60 minutes will be included because breaks are often scheduled in a day. Due to MD availability, cases that exceed 60 threshold minutes will not count as a turnover. Excludes non-scheduled cases. Measurement applies to cases for the same physician and same room only. Data will be partition by actual date rather than previously scheduled date. **National benchmarks range from 25 to 38 minutes.** FY 2025 Goals are set at a level to continue high efficiency performance and strive to maintain sustainability at these levels as the result of upcoming changes during FY 2025: An additional 7th operating room is expected to open during September & 3 new surgeons hired during FY 2025, which means there will be more complex cases specifically for robotic & neurosurgery cases that require a longer setup and cleanup time for the room.

Cath Lab Percentage of 1st case On Time Start Time

- Source is from Meditech Community Wide Scheduling for the first case scheduled in each Cath Lab, where the scheduled time is from 7:00 am to 9:00 am
- Conscious sedation patients prepped and draped 5 minutes before the scheduled start time as measured by "Patient Ready" note charted in McKesson/CPACS
- Anesthesia patients prepped and draped within 60 minutes of scheduled start time as measured by "Patient Ready" note charted in McKesson/CPACS

5

Monthly Scorecard Quality & Safety Processes – HAC & Hand Hygiene (10%)

Organizational Goals by Pillar	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	FY 2025 Act/Pro	TARGET	Var %	FY 2024 Baseline
III. Quality & Safety Processes												
Hospital Acquired Conditions Index (Weighted Total)	N/A	N/A	0.86	N/A	N/A	0.80	N/A	N/A	0.83	0.77	-8.1%	0.77
Hand Hygiene (Average Number of Observations Per Quarter Per Nursing Unit)	N/A	N/A	251	N/A	N/A	218	N/A	N/A	235	220	6.6%	216

Pillar Champion: Melissa Deen

Hospital Acquired Conditions

Source: National Healthcare Safety Network (NHSN) & BD Health Insight Interface

Hospital Acquired Conditions will be measured quarterly

Rationale for Targets: The Threshold = FY 2024 Baseline; Max = FY 2023 Baseline; Target is the midpoint. Utilizing CMS/NHSN/Magnet benchmarks and last year's FY targets for sustainment and ongoing prevention practices. Process improvement measures for Falls, HAPIs, CLABSI, CAUTI, CDI, and SSI processes are in place. With the changes in the data methodology in FY 2024, especially with CLABSI, CAUTI, CDI & SSI, we are continuing to create consistency by re-baselining the data for FY 2025 and utilizing comparison data outcomes from FY 2023 and FY 2024.

- Falls with injury:** NDNQI Magnet benchmark 0.5- our outcomes in FY2022 and FY2023 are meeting the benchmarks
- HAPI—stage 2 and Deep tissue injuries are added to the CMS measures already reported (currently, stage 3,4 and unstageable events are reported)—the goal expanded. There is no current benchmark. We have already improved the outcomes in FY 2023 over FY 2021—**we are proposing to keep/sustain the current outcomes. Displayed as a rate: number of pressure injuries /over 1000 patient days.
- CLABSI** (Central Line-Associated Bloodstream Infection), Health & Human Services 2020 Goal for CLABSI: SIR <0.50. An HAI Event can create increases above the benchmark SIR due to low utilization. Example: FY Q2 2021 1 CLABSI increased the SIR to 0.63. We will utilize a rate methodology: number of infections/ over 1000 line days. This rate is not risk-adjusted like the SIR rate is, but it provides us with the ability to display outcome measures after the close of the month instead of waiting from NHSN for benchmarked data. This is important for rapid continuous improvement work.
- CAUTI** (Catheter Associated Urinary Tract Infection) Health & Human Services 2020 Goal for CAUTI: SIR <0.75. An HAI Event(s) can create increases above the benchmark SIR due to low utilization. Example: FY Q4 2022 1 CAUTI increased the SIR to 0.72. We will utilize a rate methodology: number of infections/ over 1000 line days. This rate is not risk adjusted like the SIR rate is but it provides us with the ability to display outcome measures after the close of the month instead of waiting from NHSN for benchmarked data.
- CDI** (Clostridium Difficile Infection), Health & Human Services 2020 Goal for CDI: SIR <0.70. We will utilize a rate methodology: number of infections/ over 1000 patient days. This rate is not risk adjusted like the SIR rate is but it provides us with the ability to display outcome measures after the close of the month instead of waiting from NHSN for benchmarked data.
- SSI** (Surgical Site Infections), Health & Human Services 2020 Goal for SSI <0.70. We will utilize a rate methodology: number of infections/ over 1000 procedure days. This rate is not risk adjusted like the SIR rate is but it provides us with the ability to display outcome measures after the close of the month instead of waiting from NHSN for benchmarked data.

Hand Hygiene

Source: Hand Hygiene Auditing Tool populated by SVHMC staff. The threshold = baseline, the target is +4 & Maximum is +14 from baseline.

6

Monthly Scorecard Finance (20%)

Organizational Goals by Pillar	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	FY 2025 Act/Proj	TARGET	Var %	FY 2024 Baseline
IV. Finance												
SVHMC Income from Operations (Normalized & Adjusted) (\$ in Millions)	\$4,729	\$7,311	\$7,978	\$9,050	\$6,954	\$8,792	\$8,839	\$5,468	\$88,681	\$50,803	74.6%	\$74,413
Operating Margin (Normalized)	9.2%	12.4%	13.7%	14.8%	12.8%	14.9%	14.5%	9.7%	12.8%	8.1%	59.1%	11.3%

- Target Methodology is based on SVHMC's 100% of FY 2025 Board Approved Annual Operating Budget (in dollars).

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Monthly Scorecard Growth (10%)

Organizational Goals by Pillar	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	FY 2025 Act/Proj	TARGET	Var %	FY 2024 Baseline
V. Growth												
Increase the scope of the Community Oncology Research Program by adding one to two New Clinical Trials	-	-	-	-	1	-	-	-	1	1	0.0%	-
Expand / Add one to two New Comprehensive Cancer Program Outpatient Supportive Services	-	-	-	-	-	-	-	1	1	1	0.0%	-
Initiation of Familial Genetic Testing for non-breast cancers	-	-	-	-	-	-	-	-	0	1	-100.0%	-
Implementation of External TeleHealth Services in the SVH Clinic System & Average Monthly Visits during FY25Q4	-	-	-	-	-	-	-	-	0	25	-100.0%	-

Pillar Champion: Lilia Meraz Gottfried

- **Increase the scope of the Community Oncology Research Program by adding 1-2 Clinical Trials:** Success measured by the number of new active Clinical Trial Agreements (CTA's) for IRB-approved oncology research protocols. Expanding the number clinical trials aligns with the Comprehensive Cancer Program's mission to advance oncology research and improve outcomes and health equity within the community. *There is no Threshold (zero opportunity for Threshold Incentive).* Data Source: Research Program (Terri Nielsen)
- **Expand/add Comprehensive Cancer Program Outpatient Supportive Services:** Supportive services in Cancer Care complements the care provided by oncologists. Cancer patients and their families have significant supportive needs throughout their disease trajectory. The Cancer Resource Center currently provides supportive services such as Social Work, personalized Nurse Navigator Support, Support Groups and Wig/Head Covering Program. Supportive services for consideration include lymphedema clinic, nutritional counseling, spiritual care, art therapy, etc. *There is no Threshold (zero opportunity for Threshold Incentive).* Data Source: Comprehensive Cancer Program
- **Initiation of Familial Genetic Testing for non-breast cancers:** Familial genetic testing allows family members of an individual known to have an inherited gene mutation to test and determine if they need screening tests to look for cancer early or if they need to take steps to lower their risk of cancer. Familial genetic testing is offered for families of breast cancer patients with specific gene mutations. The Target is based on successful initiation of the program, while the Stretch goal will include Genetic Counseling provided as part of the service. *There is no Threshold (zero opportunity for Threshold Incentive).* Data Source: Myriad and Meditech Reports
- **Implementation of External TeleHealth Services in the SVH Clinic System for FY2025 Q4:** Expansion of resources via an external telehealth company. Increase access and expand provider team. Rollout will require implementation plan and resources to ensure success/adoption (insurance credentialing, patient education). Areas of emphasis: after hours and weekend coverage provided. Important to improve access for services, patient experience and reduce burden of call for physicians (provider satisfaction). External resources supplement current services provided at four SVH locations (in person and telehealth). (Not including DOD.) The Threshold will be based on successful implementation of the Telehealth Services, followed by the Target & Maximum measured by average monthly visits during Q4. Data will be provided FY2025, Q4. Data Source: Business & Development Reports

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Monthly Scorecard Community (5%)

Organizational Goals by Pillar	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	FY 2025 Act/Proj	TARGET	Var %	FY 2024 Baseline
VI. Community												
* Increase community engagement through individual district zone specific events	0	0	0	2	0	0	0	0	2	5	-60.0%	-
** Allocation of Community Benefit funding in South County Measured by: % Over Baseline (\$3,000)	-	-	-	-	-	6.0%	-	-	6.0%	4.0%	50.0%	-
** Allocation of Community Benefit funding in North County Measured by: % Over Baseline (\$0)	-	-	6.0%	-	-	-	-	-	6.0%	4.0%	50.0%	-

Community Pillar (Total 5%) – Increase diversified impact throughout the hospital District through community engagement and program support.

Increase community engagement through individual district zone specific events (2.5%)

- Achieved by:
 - Diversified community outreach events in each of the five District zones
 - Community health and service line promotion prioritized
 - Measured by event hosting or participation
- Threshold 3 | Target 5 | Max 6

*** Community Engagement Status:**

Zone 1	Zone 2 ✓	Zone 3	Zone 4	Zone 5 ✓
Confirmed event on April 27 th	COMPLETED on Oct 14 th : Flu Clinic and hospital resource fair at Boys & Girls Club	Confirmed event on March 6 th	Confirmed event March 30 th	COMPLETED on Oct 12 th : Gonzales Family Fun Day

Allocation of Community Benefit funding (2.5%)

- Diversify distribution of Community Benefit Funding to increase grants in North County and South County regions.
- Measurement is based on % increase of total funds allocated in identified areas, baseline FY24 number and development of dashboard
- Achieved by:
 - Development of a Community Funding dashboard
 - Include District funding distribution
 - Outreach to underrepresented communities to encourage aligned funding request
- Threshold: 2% increase | Target: 4% increase | Max: 6% increase

** Allocation of Community Benefit funding: South County community benefit was funded \$2,500 on 9/23/24 and \$5,000 on 12/30/24 which has exceeded the maximum of 6% over the baseline (baseline is \$3,000). North County community benefit was funded \$5,000 on 9/23/24 which has exceeded the maximum of 6% over the baseline (baseline is \$0).

9

QUESTIONS / COMMENTS

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ADJOURNMENT