

Agenda Report

TO: CITY COUNCIL

DATE: APRIL 27, 1998

FROM: CITY MANAGER

SUBJECT: Pasadena Community Health Center Update

RECOMMENDATION:

It is recommended that the City Council:

1. Approve a journal voucher appropriating \$449,795 of 1993 Refunding and Capital Certificates of Participation interest to the Community Health Center - Building 3 project (budget account 71100);
2. Approve a journal voucher appropriating \$405,890 from the Charter Capital Reserve to the Community Health Center - Building 3 project budget (account 71100);
3. Approve repayment, over a five year period, of \$394,735 from the Building Maintenance Fund to the Charter Capital Reserve Fund.

EXECUTIVE SUMMARY:

This report provides an update for the City Council with an update on building three of the Pasadena Community Health Center and requests funds to close the budget on this project. This building is currently under construction for leased occupancy by the Community Health Alliance of Pasadena (CHAP) to coordinate the delivery of several different health service operations. CHAP is negotiating four sublease agreements with Huntington Memorial Hospital (HMH), Pacific Clinics, Planned Parenthood and the Public Health Department's Women Infant Care (WIC) program for occupancy and delivery of service.

Rehabilitation of the first and second floor of building three has been completed. Huntington Memorial Hospital has begun operating a primary care clinic. Construction on the first floor is complete and the tenant improvement designs for the dental clinic on the ground floor have been completed. Staff recommends appropriating \$449,795 of

interest earnings from the 1993 Refunding and Capital Projects Certificates of Participation and \$405,890 of Charter Capital Reserve funds to complete funding for building three. The Building Maintenance Fund will repay \$394,735 to the Charter Capital Reserve Fund.

BACKGROUND

CURRENT TENANTS

The second floor area of building three is occupied by HMH. A temporary building occupancy permit for the second floor area has been issued and HMH is now open and providing primary care clinic services for Medi-Cal recipients and the medically indigent.

Huntington Memorial Hospital and CHAP signed an Operating Agreement in February 1997 on the basis that HMH would obtain an off-site hospital outpatient clinic license, Medi-Cal and other provider numbers, and expedite all third party payer and patient billing. Subsequently it was learned that in order to receive Los Angeles County funding for eligible indigent patients under a Private/Public Partnership Agreement CHAP had to be the lead agency applicant. Community Health Alliance of Pasadena is negotiating with HMH to revise the Operating Agreement.

On December 22, 1997 the County conducted the required licensing survey of the clinic. Community Health Alliance of Pasadena has received the clinic license and began providing services in late January.

The majority of the first floor area will be subleased to Pacific Clinics, Planned Parenthood, and the Pasadena Public Health Department's WIC program (currently negotiating terms for a sublease agreement). The remainder of the floor is a two exam room suite which will be made available to outside organizations for as needed clinic services. The Veterans Administration continues to express an interest in using the suite for a medical team to serve area veterans.

Negotiations have been initiated with all first floor agencies for sublease agreements which will be submitted to the City for review and approval as required in CHAP's lease agreement with the City.

The lower level ground floor of building three will house the CHAP dental clinic and Community Education Center. Tenant improvement construction is not scheduled because of financing gaps. Community Health Alliance of Pasadena estimates that an additional \$100,000 is needed to complete construction financing of the ground floor.

In July 1997 CHAP Board members met with the USC School of Dentistry and PCC dental educational programs to discuss use of the CHAP dental clinic as a community teaching site. It was determined at that time that the dental clinic as originally designed

would not accommodate a teaching program unless the size and number of dental chairs were increased. Community Health Alliance of Pasadena commissioned a redesign of the dental clinic, which has resulted in four dental operatives. The increased in space needed for the dental clinic now requires CHAP to lease the entire ground floor area.

FINANCIAL OPERATION ISSUES

On October 21, 1997 the Los Angeles County Board of Supervisors approved the Public/Private Partnership agreement with CHAP. Under this agreement, CHAP will be reimbursed up to \$510,711 per year, for three years to provide primary care clinic services to eligible indigent patients. In addition, Los Angeles County funding will be utilized for eligible patients receiving Public Health Department prenatal services after the termination of state-only funding.

Community Health Alliance of Pasadena has retained a outside billing service to handle all third party payer billing and accounts payable for the primary care clinic. They also retained an outside auditing firm to develop the necessary internal accounting controls, provide monthly financial reviews and complete the required annual audits. Finally, CHAP is currently recruiting for an executive director.

CONSTRUCTION

Construction of the first and second floors of building three has been completed. Huntington Memorial Hospital requested specific changes in the construction of the second floor to accommodate a high tech radiology suite and provide additional security for much of its state-of-the-art equipment. Huntington Memorial Hospital has invested \$250,000 in equipment and personnel to facilitate the move into the second floor. In the Operating Agreement signed in February 1997, HMMH agreed to absorb clinic operating deficits up to a total of \$750,000 over three years. Although negotiations are not yet complete on the Agreement revision, initial indications are that HMMH will continue to agree to absorb a portion of the clinic operating deficit.

Construction of the first floor is complete and staff are preparing documents for reimbursement by Los Angeles County Community Development Commission Earthquake Recovery Grant. This grant was funded by the Economic Development Administration and will reimburse the City for construction cost in the amount of \$157,000.

Construction on the lower level is being re-assessed to reduce costs. A project manager has been identified and designs for the lower level have been completed. Community Health Alliance of Pasadena is taking responsibility for this final phase of construction since they are the recipients of a Community Development Block Grant (CDBG) Award for capital improvements in the lower level. Community Health Alliance of Pasadena is working with CDBG monitors to ensure all aspects of the project are in compliance with CDBG guidelines.

PROJECT FUNDING

The original cost estimate (projected in a study completed March 17, 1993 by Tubner Brown and Associates) for tenant improvements to building three was \$450,000. This estimate included basic building systems as no medical program needs had been determined. On April 7, 1997 staff presented to City Council a revised total project cost of \$1.2 million based on the program needs of the known tenants at that time. Federal funds (CDBG and EDA Earthquake Recovery) were identified to assist in the financing gap. City Council approved a lease agreement with CHAP and authorized the City Manager to negotiate a loan agreement with CHAP (\$410,000) for the remaining gap in financing. Community Health Alliance of Pasadena agreed to raise funds over the next five years after the clinic was opened to repay the loan at a predetermined interest rate.

On December 8, 1997, the City Council adopted the FY 1998 - 2004 Capital Improvement Program (CIP) budget. The project budget for Community Health Center - Building 3 included an unfunded amount of \$460,950. To meet the unfunded portion of this budget, staff recommends appropriating \$449,795 of 1993 Refunding and Capital Certificates of Participation Interest to this project. This is interest earned on the bonds that were issued for the Community Health Center. It is further recommended that \$11,155 of Charter Capital Reserve funds be used to make up the remaining unfunded balance.

This project encountered some extenuating circumstances that caused actual expenditures to exceed the budget. These expenditures totaled \$394,735 and were attributed to three reasons: 1) ADA requirements and safety issues, 2) program needs that were defined once the building's tenants were known, and 3) investments to save future maintenance costs.

<u>Funding Source</u>	<u>Current Amount</u>	<u>Proposed Amount</u>
Certificates of Participation (1990)	450,000	450,000
CDGB	201,750	201,750
Economic Development Grant	157,300	157,300
Private Capital	410,000	410,000
Unfunded	460,950	0
1993 COP Interest	0	449,795
Charter Capital Reserve	0	11,155
Building Maintenance Fund	0	394,735
Total	\$1,680,000	\$2,074,735

As explained earlier, Huntington Memorial Hospital was to occupy the second floor of the building and CHAP was to handle the leasing of the first floor. Huntington Memorial Hospital needed to move into their space on the second floor before the first floor of the building was completed. Their early occupancy necessitated additional ADA modifications and the Fire Marshall mandated some safety requirements before allowing them to move into the second floor.

Next, once the building's tenants were known, improvements were made to customize the building to suit their needs. This work included the purchasing of materials, plumbing changes, lead for the x-ray room, diuron pipe for film processing, changes in doors, and exterior lights.

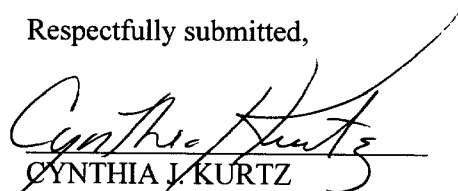
Finally, additional work was done to lower the building's long-term maintenance needs. Materials were used that will have a longer life and reduce future maintenance needs. These included solid copper wiring, insulation and fire proofing materials. Also, while the building was under construction, staff completed some roof patching, water proofing, and installed additional brackets for the lights in exam rooms. New information arose after the project started involving the building's heating, ventilation and air conditioning (HVAC) equipment. The original project budget included the rehabilitation of the existing HVAC system. After the theft that occurred at the building, staff discovered that the HVAC system was damaged and could not be reused. A new system was purchased. Due to the location, size, and weight of this equipment, the room where it was housed had to be demolished and reconstructed in order to accommodate both the installation of and the new equipment.

To cover the costs of these unforeseen items, staff recommends appropriating \$394,735 from the Charter Capital Reserve Fund to the project. Because these costs were incurred by City work crews and much of the work performed will lower the need for future maintenance of this facility, staff recommends this amount be repaid from the Building Maintenance Fund over five years at a rate of \$78,947 per year.

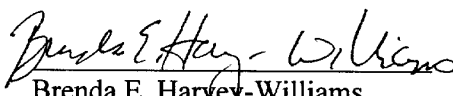
FISCAL IMPACT

Sufficient interest earnings from the 1993 COP are available to be appropriated to this project. The Charter Capital Reserve Fund will be reduced by \$11,155. The Building Maintenance fund will repay \$394,735 to the Charter Capital Reserve Fund at a rate of \$78,947 per year for five years.

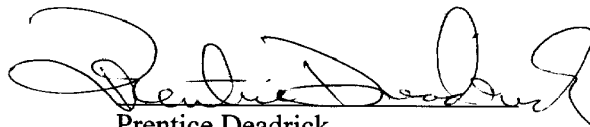
Respectfully submitted,


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