

TO: Measure B Committee
FROM: Lee D. Kemper, Principal
Kemper Consulting Group
RE: Follow Up to August 29, 2018 Presentation

In follow up to my presentation of Kemper Consulting Group's report, "Mendocino County Behavioral Health System Program Gap Analysis & Recommendations for Allocation of Measure B Revenues," I write to provide the following additional information:

1. Construction Cost Estimates for Psychiatric Health Facility

Kemper Consulting Group has been able to verify that the cost estimate of \$5 million to \$6 million for construction of a Psychiatric Health Facility (PHF), not including land, was not based on a prevailing wage requirement. It was based on construction costs for a private business. Based upon our subsequent research, we project the impact of a prevailing wage requirement on PHF construction costs would be an increase of 30%* above the top range of \$6 million. This would increase the estimated cost to \$7.8 million (not including land). Our original top-end estimate was \$7.5 million.

The basis for this projection is from the most recent study we found in California of the impact of a prevailing wage requirement on construction costs. While this study looked at market rate housing in California, we believe it is a reasonable proxy for the impact of prevailing wage generally. This study found that the increase in hourly labor costs resulting from prevailing wage would result in a 30% increase in residential construction costs in Mendocino County, and an average increase of 37% for California statewide. A copy of this study is attached.

2. Updated Measure B Strategic Financing Plan

During discussions with the Measure B Committee, Sheriff Allman asked that the proposed Strategic Financing Plan be revised to show a 10% set-aside for the regional behavioral health training facility. The attached updated financing plan reflects this change along with an increase in the amount specified for construction of a PHF (not including cost of land) described above. This updated financing plan also more specifically aligns the revenue estimates with the amounts projected by the Mendocino County Auditor-Controller.

3. Comparability of Cost Estimates for PHF Construction

During discussions with the Measure B Committee, it was reported that the estimate of \$11.2 million to \$14.9 million for rehabilitation of the old Howard Hospital building included costs for

two facilities: a PHF and a separate psychiatric rehabilitation facility. To enable an “apples to apples” comparison of estimated PHF construction costs between this estimate and the estimate we have provided in our report, we recommend that the Measure B Committee ask the Howard R. Hospital Foundation for a revised proposal from Heller & Sons that shows the separate costs of construction of each of these facilities.

Kemper Consulting Group has recommended that a PHF be constructed with Measure B funds along with a Crisis Residential Treatment facility and a Crisis Stabilization Unit. Our firm has not recommended construction of a psychiatric rehabilitation facility in addition to these recommended facilities.

* Matthew Newman and Shawn Blosser, “Impacts of Prevailing Wage Requirement for Market Rate Housing in California, An Assessment of the Likely Impact on Construction Costs,” August 24, 2017. Found at: http://www.mychf.org/uploads/5/1/5/0/51506457/prevailing_wage_20170824.pdf

Proposed Measure B Expenditure Plan – REVISED 9-25-18

| | % Allocation | TOTAL | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|-------------------------------------|---------------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Available Measure B Revenue | - | \$38,000,000 | \$7,600,000 | \$7,600,000 | \$7,600,000 | \$7,600,000 | \$7,600,000 |
| Crisis Residential Treatment (CRT) | 12.3% | \$4,660,000 | \$4,660,000 | \$0 | \$0 | \$0 | \$0 |
| Psychiatric Health Facility (PHF) | 20.5% | \$7,800,000 | \$0 | \$4,000,000 | \$3,800,000 | \$0 | \$0 |
| Crisis Stabilization Unit (CSU) | 5.3% | \$2,000,000 | \$0 | \$500,000 | \$500,000 | \$500,000 | \$500,000 |
| Support Services Expansion | 13.2% | \$5,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| FSP Expansion | 6.1% | \$2,300,000 | \$300,000 | \$500,000 | \$500,000 | \$500,000 | \$500,000 |
| Supportive Housing Pool | 7.9% | \$3,000,000 | \$0 | \$750,000 | \$750,000 | \$750,000 | \$750,000 |
| SUDT Services Expansion | 10.0% | \$3,800,000 | \$750,000 | \$750,000 | \$750,000 | \$750,000 | \$800,000 |
| Measure B Prudent Reserve Set Aside | 14.8% | \$5,640,000 | \$0 | \$0 | \$0 | \$2,900,000 | \$2,740,000 |
| Training Center | 10.0% | \$3,800,000 | \$890,000 | \$100,000 | \$300,000 | \$1,200,000 | \$1,310,000 |
| TOTAL | 100.0% | \$38,000,000 | \$7,600,000 | \$7,600,000 | \$7,600,000 | \$7,600,000 | \$7,600,000 |

| | % Allocation | TOTAL | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|------------------------------------|---------------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Available Measure B Revenue | - | \$9,860,000 | \$1,972,000 | \$1,972,000 | \$1,972,000 | \$1,972,000 | \$1,972,000 |
| Measure B Reserve Set Aside | - | \$5,640,000 | \$1,028,000 | \$1,028,000 | \$1,028,000 | \$1,028,000 | \$1,028,000 |
| Crisis Residential Treatment (CRT) | 0.0% | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Psychiatric Health Facility (PHF) | 0.0% | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Crisis Stabilization Unit (CSU) | 16.7% | \$2,500,000 | \$500,000 | \$500,000 | \$500,000 | \$500,000 | \$500,000 |
| Supportive Services Expansion | 41.7% | \$6,250,000 | \$1,250,000 | \$1,250,000 | \$1,250,000 | \$1,250,000 | \$1,250,000 |
| FSP Expansion | 16.7% | \$2,500,000 | \$500,000 | \$500,000 | \$500,000 | \$500,000 | \$500,000 |
| Supportive Housing Pool | 0.0% | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| SUDT Services Expansion | 25.0% | \$3,750,000 | \$750,000 | \$750,000 | \$750,000 | \$750,000 | \$750,000 |
| TOTAL | 100.0% | \$15,000,000 | \$3,000,000 | \$3,000,000 | \$3,000,000 | \$3,000,000 | \$3,000,000 |
| Redirection from Measure B Reserve | | \$5,140,000 | | | | | |
| Net Measure B Reserve | | \$500,000 | | | | | |