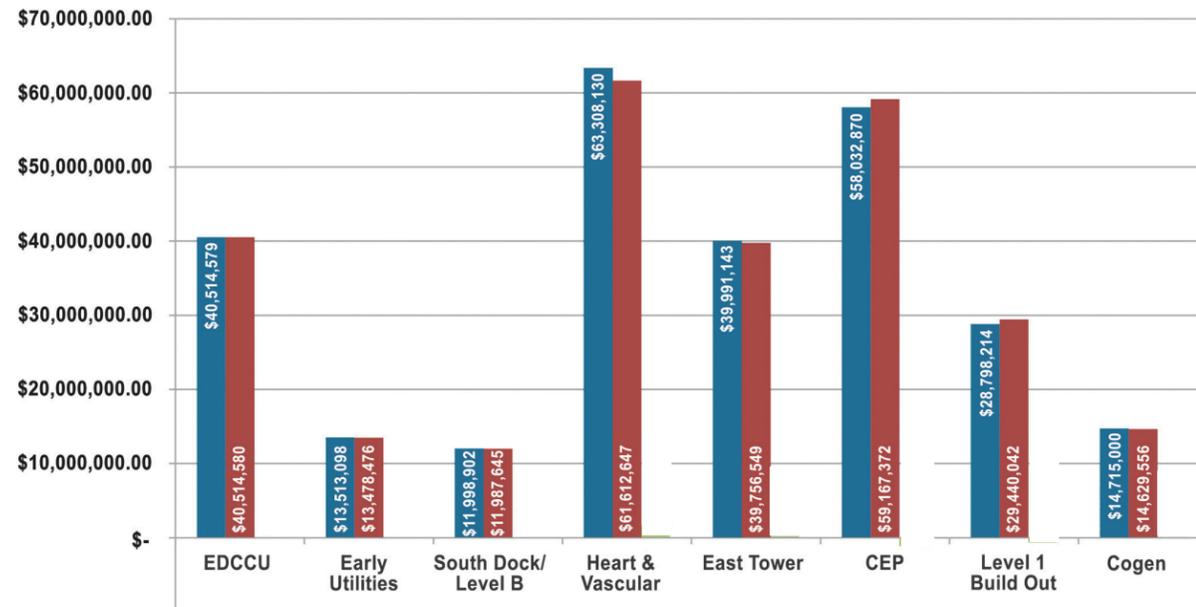




Prop G-Grossmont Hospital Projects
Expenditures to date through January 13, 2017



Your ICBOC Members, 2016

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

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

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

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

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

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

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

Lindsey Ryan, Registered Nurse, Manager of Nursing Education and Professional Development, Sharp Grossmont Hospital, representing Sharp Grossmont Hospital professional staff

Peggy Gaul, director of Imaging Services, Sharp Grossmont Hospital, served on the committee in 2016, she resigned due to work obligations

Dexter Levy, retired construction and labor relations executive, member of La Mesa Planning Commission, chair of La Mesa Building Code Review Committee, served on the committee in 2016; he resigned after relocating outside the District

In Memory Of:
Dona K. Christensen, retired land developer and real estate investor, served on the committee from 2011 to 2016; she passed away in April 2016



Pictured: (left to right): Glen Sparrow, Jeff Olson, Sandy Pugliese, Kathleen Bute, Kenneth D. Lavigne, Charles R. Fouquette
Not Pictured: James D. Maletic, Peggy Gaul, Lindsey Ryan, Dexter Levy

Grossmont Healthcare District
9001 Wakarusa Street
La Mesa, CA 91942
(619) 825-5050

For meeting times please check:
www.grossmonthealthcare.org

STATEMENT OF COMPLIANCE

This 2016 Annual Report is submitted to the taxpayers and residents of San Diego's East County region and the Board of Directors of the Grossmont Healthcare District by the Proposition G Independent Citizens' Bond Oversight Committee (ICBOC). To the best of our knowledge, it is the Committee's belief that the Grossmont Healthcare District Board of Directors have faithfully expended authorized bond revenues for the intended purposes in compliance with the requirements specified in Prop. G and California state law. All ICBOC meetings are open to the public and are conducted in accordance with provisions of the Ralph M. Brown Open Meeting Act. The public is invited to attend the meetings. All meeting notices, agendas, bylaws, minutes and relevant documents and reports received by the Committee, as well as activities of the Committee, are a matter of public record and are available at: www.grossmonthealthcare.org/ICBOC

Dear Citizens:

In June 2006, over two-thirds of the voters residing within the Grossmont Healthcare District (GHD) approved Proposition G, resulting in the issuance of \$247 million in general obligation bonds. This money has been spent on improved patient care facilities at the publicly-owned Sharp Grossmont Hospital. As part of the promise to voters that GHD and its five-member elected board of directors would properly spend the money, an Independent Citizens Bond Oversight Committee (ICBOC) was formed.

The first nine members of ICBOC were empaneled and met in October 2006. Since then, due to term limits and personal decisions, several original members have left and new members have taken their places. The members are volunteers and will continue to serve through the completion of the program, scheduled for late 2019. The full Committee meets quarterly and sub-committees meet monthly. Transparency is a top ICBOC priority; our meeting minutes, schedules, agendas, annual reports, and annual independent auditor reports are located on the GHD website at www.grossmonthealthcare.org/ICBOC.

It is my privilege to be the current chair of ICBOC and to present our 2016 Annual Report. In the report you will find a timeline of major Prop. G events. The initial schedule developed in 2006 called for completion in 2014. Delays have been encountered for various reasons, such as state-wide regulations and unforeseen conditions that typically occur when rehabbing older facilities, some of which were built in the 1970s. The report also details progress updates on three ongoing projects: the Central Energy Plant and Heart and Vascular (H&V) Center are just wrapping up, and the Surgery Floor of the H&V Center will start in 2017.

When completed, the H&V will expand the hospital's surgery capabilities with four new cardiac catheterization labs and four multipurpose procedural rooms to support a wide range of surgeries, including general, open-heart, minimally invasive and image-guided surgeries, as well as various endovascular interventional procedures. The fully operational H&V Center will transform the hospital's capacity to treat heart disease and other vascular conditions, scheduled for completion in late 2018.

Of special interest last year was the celebration of the opening of the Central Energy Plant (CEP). This building houses a new cogeneration system provided by Solar Turbines of San Diego, which replaces older, less efficient technology. On each side of the CEP, a sign declares "Brady Family Cogen" in honor of a donation from area residents Ron and Mary Alice Brady, founders of the Brady Companies, a La Mesa-based contractor.



As of January 2017, all bonds have been sold and all contracts have been awarded to complete Prop. G. construction. Also, as it has in every year of its existence, the ICBOC has overseen an independent audit of the project. I am proud to report that, once again, all bond funds and expenditures were audited by independent external auditors who returned an "unqualified" opinion, the best audit result. This indicates a clean bill of financial health with no deficiencies or inconsistencies in internal controls or compliance. All audits are available for viewing at www.grossmonthealthcare.org/ICBOC.

The ICBOC will continue to provide oversight of your dollars as the GHD completes the tasks promised to voters. We invite you to follow our work on line or to join us at our public meetings. And, if you are interested in becoming a member of the ICBOC (vacancies do occur), please contact Barry Jantz, GHD Chief Executive Officer, at bjantz@grossmonthealthcare.org.

Glen Sparrow, ICBOC Chair

Proposition G Timeline of Major Events

2006

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

2008

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



2007

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



2009

CCC grand opening (project completed within budget)

Central Energy Plant (CEP)

Construction of the hospital's new \$60 million Central Energy Plant (CEP) was completed in 2016. Following several months of equipment and systems testing and training for engineering staff, the CEP was declared to be fully operational and the hospital is now no longer solely reliant on the SDG&E power grid, generating nearly 100 percent of its electricity on site. For decades into the future, the new CEP will reduce the hospital's emission of greenhouse gas pollutants by 90 percent. Even in the event of an outage or other emergency, the hospital will continue to operate as needed. The three-story, 18,400-square-foot building, visible from the State Route 125 freeway on the southwest side of the hospital campus, also houses a new \$18 million cogeneration system paid for by Sharp Grossmont Hospital as part of a continuing partnership for the hospital's operation and management under a lease agreement between GHD and Sharp HealthCare. The cogeneration system utilizes a combustion turbine generator (CTG), similar in function to a spinning engine on a passenger jetliner.



Central Energy Plant at Sharp Grossmont Hospital, 2016

Cogeneration equipment within CEP building, 2016



Powered by natural gas, the CTG has a capacity to produce up to 4.4 megawatts of electricity, which is more than the hospital's current need of about 3.2 megawatts. In addition to electrical power, the 52-ton CTG produces heat that is converted to steam used to operate medical equipment, space heating and air conditioning, plus it provides hot and cold water to the hospital. Also inside the CEP are boilers, chillers, cooling towers and auxiliary systems. It has a state-of-the-art control room that monitors the heating and refrigeration equipment, medical air and vacuum pumps. The hospital typically consumes about 2.3 million kilowatt hours per month. In comparison, SDG&E says the average household uses about 500 kilowatt hours in a 30-day period. The CEP was designed to allow for future growth and expansion of the hospital.

Heart and Vascular Center

Construction of the hospital's new \$60 million Heart and Vascular (H&V) Center was completed in 2016, including unfinished space for a Surgery Floor build-out. Full occupancy of the 71,000-square-foot building, located on the eastern side of the hospital campus, will commence with the completion of Surgery Floor build-out. The building also features three new elevators and new heating and air conditioning equipment, along with a new loading dock and materials receiving department.

In March 2016, the H&V's new pharmacy and laboratory opened on Level "A" and began serving patients immediately. The H&V's new 6,700-square-foot pharmacy replaced the hospital's existing 3,100-square-foot pharmacy, which is now being used for other hospital purposes, including pathology, diagnostics and forensics. The new pharmacy also features a retail operation so that discharged patients can get prescriptions filled right at the hospital. It also provides extra space for research studies for patients needing investigational drug therapies. The H&V's new 13,000-square-foot laboratory replaced the hospital's existing 10,000-square-foot lab space. The new lab provides a smoother workflow resulting in greater capacity and a quicker turnaround time for specimen examination and processing.



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

H&V Center Level 1 Surgery Build-out

In addition to the Heart and Vascular (H&V) Center building, Prop. G bond funds were budgeted for completion for the previously-unfinished of the Level 1 Surgery Floor. This includes several million dollars in state-of-the-art surgical equipment. In 2016, the Design and Construction Service (DCS) staff worked closely with state regulators to finalize design plans and permitting, along with contractors submitting bids for the build-out work. In December 2016, a \$10.2 million contract was awarded to San Diego-based Swinerton Builders. It represented the final construction contract expected to be awarded for Prop. G projects. The \$10.2 million contract was roughly \$1.7 million below initial estimates for the project. Construction of the H&V Surgery Floor is currently underway and scheduled for completion in 2018.

Health Occupations Training Center

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

Proposition G Timeline (continued)

2010

Performance Audit said Prop. G processes were well managed

2012

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



2014

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

2016

Completion of CEP and H&V buildings



2018

Planned completion of H&V Surgery Floor

2011

A second round of GO bonds \$136,860,000 were sold; Ring Road utility relocation began

2013

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

2015

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

2017

Build-out of H&V Surgery Floor

