

Approved Minutes

Operating Board of Directors DeKalb County Rehab & Nursing Center November 16, 2016

Present Directors: Veronica Casella, Greg Millburg, Jeff Whelan, Rita Nielsen, Ferald Bryan, Ron Klein,
Misty Haji-Sheikh

Absent Directors: none

Also Present: Bart Becker, Gary Hanson, Gary Winschel

Veronica Casella called the meeting to order at 7:00 am.

Motion: Misty Haji-Sheikh moved to approve the agenda, Rita Nielsen seconded the motion.

Voice Vote: Veronica Casella asked for a voice vote on the approval of the agenda. All Members voted yea.
Motion carried unanimously.

Motion: Rita Nielsen moved to approve the September 2016, Operating Board minutes, Jeff Whelan seconded the motion.

Voice Vote: Veronica Casella asked for a voice vote on the approval of the minutes. All Members voted yea. Motion carried unanimously.

Public Comments: There were no public comments.

Old Business: None

New Business

Management Report:

Operations and Finance:

Gary Winschel gave a report:

September financial statements reflect a gain of \$117,835, which has the Home \$550,905 above the year-to-date 2016 budget. The following occupancy table compares year-to-date actuals to year-to-date budget. As a reminder, please note that IGT Revenue has been moved from Non-Operating Revenue to Operating Revenue. Since the IGT Revenue is part of Medicaid, it was agreed with the Auditors that this move was appropriate.

During September, Revenues exceeded budget by \$3,012, while expenses were under by \$76,080 - resulting in Net Income exceeding budget by \$79,092. The attached Actual vs. Budget Statement of Operations highlights the differences by department. \$73,439 was saved in Nursing, Special Care, and Administration. Administration was overstated by \$15,000 in August, resulting in part of the savings this month. The following entry continues to be made:

1. Medicaid revenue adjustment decreasing booked revenue by 5% to account for Medicaid overpayments resulting from a lack of published 2016 rates.
2. Total ADC of 178.7 is 5.7 above budget

The September census increased by 2.2, coming in over budget by 5.7; Medicare census was 1.3 over budget, Medicaid census was .3 lower than budget and Private Pay was 4.7 over.

The 745 conversion day's year-to-date increases Medicaid by 3.1 and decreases Private pay by the same. Approximately \$34,500 less revenue has been recognized this year.

Medicare A revenue year-to-date exceeds budgeted year-to-date by \$281,081. Net Revenues were over budget year-to-date by \$211,104. Expenses year-to-date are under budget by \$303,741. Nursing is under budget by \$121,599, Special Care is under by \$91,026 and Administrative expenses are under by \$115,624. Net income through September 2016 was \$899,592, exceeding budget by \$550,905.

Bart Becker, Administrator for DCRNC, gave a report:

Illinois Department of Public Health arrived on a complaint visit on November 7, 2016. There were two findings during that visit (two tags). One was regarding a G-tube error and the other was regarding the family notification of that error. The Plan of Correction was being implemented and the Statement of Deficiencies hadn't been received.

Mr. Becker explained that Centers for Medicare and Medicaid (CMS) and put new regulations into effect. There will be three phases: Phase 1, effective 11/28/2016, Phase 2, effective 11/28/2017, and Phase 3, effective November 2019.

Mr. Becker explained that the new loading dock had been installed/replaced on November 1, 2016, for a cost of \$10,750. The new folding wheelchair scale has also been installed. Pharmacy has provided DCRNC with an automated medication cart (in October 2016). This replaces the Convenience and Emergency boxes.

Mr. Becker updated the Operational Board regarding the resident's family member (wife) that had been banned from the facility on June 30, 2016. The ALJ stated (at the hearing on 8/26/16) that a decision would be made in thirty to forty-five days, as to whether the resident's wife will continue to be denied access to the facility, or not. IDPH in Springfield hasn't sent the facility a letter regarding their decision.

DCRNC's star rating is still five stars. This rating could be affected by the recent two tags from IDPH.

Gary Winschel:

Mr. Winschel discussed a Resolution to accept the Construction Project, with updated costs and details as to how it will progress. He discussed Building Information Model (BIM) and how that will help avoid surprises and cost overruns.

The Resolution includes the adoption of MPA's Engagement letter for Project Management Development Services and how they will proceed with the contract negotiations with the Construction Manager and Architect.

The short list for the Construction Manager position consisted of Ringland-Johnson Construction and River City Construction, L.L.C. Both are highly qualified and did an excellent job at the presentations. Based on the criteria reviewed, Ringland-Johnson will be the first to enter into contract negotiations, as noted in the Resolution. If successful, the contract will be presented to the Board for approval. Please note that the Construction Manager chosen will not be notified until after the Resolution is accepted.

Mr. Winschel presented and thoroughly explained the Forecasted Income Statement. This was projected off of the 2017 budget, even though 2016 is doing well. The budget for Medicaid census is 50%, Medicare census is 15%,

and Private Pay is 35%. DCRNC will have six additional units/beds for a total of 196. The number and use of private resident rooms was discussed. Bonds were paid off in 2016. There is no debt service for 2017. The debt service coverage will be 1.76 in 2020 (the higher the number the better; anything above 1.5 is good). The bond rating for the County was briefly discussed. It is currently AA+.

Misty Haji-Sheikh asked if the residents could be made aware and have input into the upcoming construction project.

Mr. Klein discussed construction “hard costs” and “soft costs.” His concern is that the Architect and Construction Manager costs are high. He also stated that Management Performance Associate’s engagement letter states that fees could be adjusted upwards or downwards. He suggested taking out the “upwards part” or upwards with Operational Board approval. Mr. Klein also suggested that regarding the, “Architect” “the language should have a limit if costs go up, their pay shouldn’t go up.”

Misty Haji-Sheikh stated that if it was an owner enhancement then the fee (could go up) if not then the cost should stay the same. She suggested that this language should be in the contract.

Mr. Klein briefly discussed MPA’s rates comparing 1997 to 2016. Mr. Winschel discussed the three contracts that MPA has with DCRNC; Management, Financial, and Compliance.

Mr. Winschel discussed the Limitation of Liability on the DeKalb Project Manager Engagement Letter. MPA wants indemnification/limited liability. MPA cannot get insurance as a management company for matters not in their control. They don’t own the nursing home (ie. if something goes wrong with the architect MPA cannot cover that). MPA’s liability was discussed at length. Mr. Winschel is to revised portions of the engagement letter and resubmit.

Mr. Klein stated that this limits MPA’s negligence. Mr. Klein stated that liability shouldn’t be limited at all, for any negligence on MPA’s part.

Ms. Casella asked if the Operational Board members could be sued, in a nursing home lawsuit. It was explained that Operational Board members are indemnified.

The Operational Board members returning to the Board next term were discussed. Mr. Klein stated that he would not be returning for the next term. Ferald Bryan and Jeff Whelan will be returning for the next term. Veronica Casella wasn’t sure if she’d be returning for the next term.

“Resolution of the Operating Board of Directors of DeKalb County Rehab & Nursing Center” was discussed at length (numbers 1-8). New language was discussed for number 5 of the Resolution (ie. “...is being reviewed and will be considered by the board at an upcoming meeting.”). The Architect and Management fees would be under review. It is expected that some of the contingency fees would be recouped.

Misty Haji-Sheikh stated that she would like to make sure that the Master Gardeners would be involved with the Construction Manager meeting (so that they know what is taking place).

Motion: Veronica Casella made a motion to approve the “Resolution,” with section 5 to be revised, Ferald Bryan seconded the motion.

Voice Vote: Veronica Casella asked for a voice vote on the approval of the “Resolution.” All Members voted yea. Motion carried unanimously.

Executive Session:

No closed session took place

Next Meeting: January 11, 2017, at 7:00 a.m.

Motion: Misty Haji-Sheikh moved to adjourn the meeting, Jeff Whelan seconded the motion.

Meeting adjourned at 8:45 a.m.

Respectfully submitted
Bart J. Becker
Recording Secretary

**Resolution of the Operating Board of Directors of DeKalb County Rehab & Nursing Center Adopted at
a Meeting Held on March 8, 2017**

Following the November 16, 2016 Operating Board of Director's (Board) meeting, the Management Performance Associates, Inc. of St. Louis, Missouri (MPA)'s engagement letter and fee arrangement was reviewed by the States Attorney's Office resulting in changes agreed upon by both parties. A revised copy is attached, along with a copy of the November 16, 2016 resolution.

MPA's revised engagement letter and fee arrangement has been reviewed and considered by the Board and is adopted by this resolution.


~~Veronica Casella, Chair~~
Jeff WHELAN



December 22, 2016

Ms. Veronica Casella, Chair
Operating Board of Directors
DeKalb Home Rehab & Nursing Center
2600 North Annie Glidden Rd
DeKalb Illinois 60115

Re: Engagement Letter for Project Management Development Services in connection with Renovations to DeKalb Home Rehab & Nursing Center

Dear Veronica,

I am pleased to submit this Engagement Letter for Project Management Development Services to be performed on behalf of DeKalb County Rehab & Nursing Center, (hereinafter **Home**), by Management Performance Associates, Inc. (**MPA**). Home is a division of DeKalb County government (**Owner**) subject to all rules, regulations, policies and procedures that County may require of Home.

This letter of engagement is intended to clarify the relationship between Home and MPA.

Professional Services

MPA's Project Management Development Services will involve coordinating the following project elements at Home:

- a) Build a new rehab/transitional care unit
- b) Create a multi-purpose activity space in the central courtyard
- c) Improve the infrastructure of certain HVAC and mechanical systems
- d) Miscellaneous other improvements

The nature of Project Management Development Services to be performed by MPA for Home involves a professional consulting service under Section 4.3 (Special Consultants) of the current management contract. MPA's Project Management Development Services are designed to integrate the Owner's responsibilities for controlling the project - including determining the scope of the work, its financing, and related regulatory and budget compliance – with the actual planning, design, construction, and licensing of the project.

In any construction project, there will be construction-related activities that are necessary and proper for the completion of the work; these include the construction itself, delivery of equipment, site work, and shipping or crating, to cite a few. These construction-related activities are outside of MPA's scope of work since they represent the relationship between an Owner and a General Contractor (GC) or Construction Manager (CM). Design services are also outside the scope of MPA's work. MPA will help Home coordinate legal review of Home's arrangements with construction and design contractors.

MPA's Role as Project Manager

MPA will advise and assist Home in the development process and will facilitate the requisite planning, design, regulatory, financing, and control/coordination activities necessary to implement the decisions made in the planning, design and construction process.

As Project Manager, MPA will act as the initiator and coordinator for any and all activities necessary to meet the project objectives, as ultimately approved by the Home. MPA will perform certain tasks directly; see **ATTACHMENT 1: DETAILED PROJECT ACTIVITIES & PHASING**.

Third parties under contract to Home will perform significant portions of the work. See **ATTACHMENT 2: PROJECT STAFFING MATRIX** for the listing and interaction of participants.

MPA's objective in this engagement is to assist Home with construction-related project activities including general site modifications as Home may direct in writing; and, to deliver the aforesaid project within appropriate budget and schedule parameters, lien-free and with all contracts closed out.

Responsibility

MPA will be responsible for coordinating the cost and schedule of the project in its entirety. MPA will serve as Home's agent or representative in all activities where Home has not designated another party to act on its behalf. MPA will obtain Owner approval of actions where appropriate.

MPA will be responsible for informing Home immediately of any events that affect cost or schedule. MPA will provide its best assessment of whether such events are possible, probable or effectively incurred—including impacts that are caused or could be caused by Home’s action, inaction or delay.

MPA will use best efforts to maintain the approved cost and schedule, subject to all necessary Home and/or regulatory approvals. Home and Owner understand that MPA is not responsible or liable for adjustments to project scope, schedule and cost that are out of MPA’s control; however MPA will work with Home and Owner to achieve the best outcome within the constraints of any such adjustments.

In any project of the size contemplated, there will be complications, changes, and delays. MPA’s responsibility will be to keep Home informed of any and all such developments including the contemplated resolution and any resulting impact on the project budget and timeline.

Scope of Work

MPA’s scope of work is described in detail in Exhibit A. MPA’s initial forecasts indicate that the Home can support a maximum project cost of \$15,000,000.

Compensation for Services

MPA’s compensation for project management services will be two and three-quarters (2.75) percent of Project Costs, as defined below. MPA’s costs for travel to and from DeKalb and other usual-and-customary expenses are included in the two and three-quarters (2.75) percent fee. MPA will bill monthly in advance.

Professional fees will be recorded according to the project budget that is ultimately adopted. In the planning and design stages of the project, some Project Management fees will be paid prior to the project budget being formally approved; however, the master control documents will reflect any such payments paid to MPA or to others involved in starting up the project. If phases of the project are extended through no fault of MPA and/or if the project schedule is extended, MPA shall continue to receive compensation at the same monthly rate with no recalculation of the base fee, based on mutual agreement with the Operating Board. It is further understood that time gaps may be part of this project because of the need for regulatory approvals and because of weather conditions. Despite time gaps when no or minimal work is being done on the project, the monthly fee stipulated above will be paid continuously from August 1, 2016, but such lapses in the project schedule do not constitute an automatic extension of the monthly fee beyond the 36 month projection. Any extension will be based on mutual agreement.

For purposes of this engagement letter, Project Cost is defined as the total value of all contracts necessary to complete the project *minus* the MPA Project Management Fee *minus* the value of Land currently owned by the Home *minus* Capitalized Interest. Project Costs includes services rendered by the Architecture & Design team, by the construction team, and by other advisors such as the Certificate of Need consultant, attorneys, accountants, investment bankers, and the like.

A retention amount of five (5) percent of MPA's total professional fees will apply to MPA's fees, which amount is due upon completion of the project as described below.

Project Costs may be amended from time to time by change order, provided that total Project Costs do not exceed \$15,000,000. If the Scope (Project Costs) is projected by the Construction Manager to exceed \$15,000,000 the Operating Board must first approve the increase before the Project Management Fee will be adjusted upwards or downwards. Such upward or downward adjustments are accounted for in any retention amount that applies to the Project Manager. In the event that adjustments to the retention account are insufficient to handle an increase in project scope or in the event that the retention balance due MPA is significantly greater than the original forecast retention amount, both parties agree to negotiate a new monthly payment amount to reduce the retention account to its original forecasted level.

MPA is committed to prompt project completion and occupancy and will work on Owner's behalf to resolve regulatory delays that may prevent occupancy as scheduled. However, if the replacement facility is occupied, if final project costs are known, and if MPA can do no more to resolve an outstanding matter, then final payment of any remaining fees will be due MPA. Owner specifically acknowledges that MPA is entitled to recovery of its attorney's fees if legal action is required to enforce its rights under this engagement letter.

MPA will provide general liability and worker's compensation insurance coverage for its employees. MPA will be an additional insured under Owner's E&O policies. MPA may elect to have some work performed by independent contractors, who will certify that they are responsible for their own worker's compensation coverage.

In the event that the project is abandoned and/or MPA's Project Management Development Services are terminated, MPA's fees will be based on the percentage of the project completed measured in terms of dollars.

In cases where settlements are reached or where Home reduces its payment to a contractor because of sub-standard work, delays, or other events warranting a reduction in contractor compensation, MPA's fee will not be adjusted.

Term

The Term of this engagement begins on August 1, 2016, and ends when the project is complete.

Termination of Engagement for Breach

In the event of a breach of responsibility by either party, the other party will provide the breaching party with written notice that a breach exists. The breaching party will have ten (10) working days to verify that a breach has occurred and thirty (30) days to correct the breach or submit a plan of correction acceptable to the non-breaching party. In the event that the breach cannot be cured or is not cured within thirty (30), the non-breaching party can terminate this engagement on thirty (30) days written notice, provided that all compensation earned as of the date of termination has been paid.

Home-Furnished Information

Home agrees to furnish any all relevant documents in its possession that will assist MPA and will fully cooperate with MPA in carrying outs its obligations under this engagement letter.

OBRA

Pursuant to Section 1861(v)(1)(II) of the Social Security Act, as amended, MPA agrees:

- (i) until the expiration of four years after the furnishing of such services pursuant to this contract, MPA shall make available, upon written request to the Secretary, or upon request to the Comptroller General, or any of their duly authorized representatives, the contract, and books, documents, and records of MPA that are necessary to certify the nature and extent of such costs, and
- (ii) if MPA carries out any of the duties of the contract through a subcontract, with a value or cost of \$10,000 or more over a twelve-month period, with a related organization, such subcontract shall contain a clause to the effect that until the expiration of four years after the furnishing of such services pursuant to such subcontract, the related organization shall make available, upon written request to the Secretary, or upon request to the Comptroller General, or any of their duly authorized representatives, the subcontract, and books, documents, and records of such organization that are necessary to verify the nature and extent of such costs.

Benefit/Assignment.

This Engagement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives, successors, and assigns, provided, however, that no party shall assign this Engagement or any or all of its rights or obligations hereunder (except by operation of law) without the prior written consent of the other party.

Waiver of Breach.

The waiver by either party of breach or violation of any provision of this Engagement shall not operate as, or be construed to be, a waiver of any subsequent breach of the same or other provision hereof.

Notice.

Any notice, demand, or communication required, permitted, or desired to be given hereunder shall be deemed effectively given when personally delivered or mailed by prepaid certified mail, return receipt request, addressed as follows:

Client: DeKalb County Government
Attention: Gary Hanson
200 N. Main Street
Sycamore, IL 60178

MPA: Management Performance Associates
Attn: Gary Winschel
Woods Mill Towers
14323 South Outer Forty, Suite 501 South
Chesterfield, Missouri 63017

or to such other address, and to the attention of such other person as any party may designate.

Severability.

In the event any provision of this Engagement is held to be invalid, illegal, or unenforceable for any reason and in any respect, such invalidity, illegality, or unenforceability shall in no event affect, prejudice, or disturb the validity of the remainder of this Engagement, which shall be in full force and effect, enforceable in accordance with its terms.

Entire Agreement/Amendment.

This Engagement supersedes all previous contracts, and constitutes the entire agreement of whatsoever kind or nature existing between or among the parties respecting project management development services and no party shall be entitled to other benefits than those specified herein. This Engagement does not replace the Management Agreement between the parties. In case of a conflict between the two, the terms of this Engagement Letter shall control, with respect to project management development services. As between or among the parties, no oral statements or prior written material not specifically incorporated herein shall be of any force and effect. All prior representations or agreements, whether written or oral, not expressly incorporated herein, are superseded, and no changes in or additions to this Agreement shall be recognized unless and until made in

writing and signed by all parties hereto. This Agreement may be executed in two or more counterparts, each and all of which shall be deemed an original and all of which together shall constitute but one and the same instrument. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original.

Governance/Venue/Jury Trial Waiver.

This Engagement shall be governed by the laws of Illinois. Each of the parties hereby waive any and all right to trial by jury in any legal proceeding arising out of or relating to this Engagement or the transactions contemplated hereby.

Indemnity.

(a) MPA shall indemnify and shall hold harmless DCRNC and its officers, trustees, directors, shareholders, employees, agents, successors and assigns from and against any and all claims, actions, demands, liabilities, losses, damages, judgments, amounts paid in settlement, fines, penalties and costs (including, without limitation, reasonable attorneys' fees and expenses) arising out of the negligent acts, errors or omissions of MPA and MPA's officers, shareholders, employees and agents as a result of the performance of services under this Agreement. The indemnification obligation in the foregoing sentence shall only apply if the claims, actions, demands, liabilities, losses, damages, judgments, amounts paid in settlement, fines, and/or penalties and costs are covered by MPA's insurance policy.

(b) Without limiting the scope of paragraph (a) as respects its operations under this Agreement other than the performance of professional services, MPA, to the fullest extent permitted by law, shall indemnify and hold harmless DCRNC and its officers, trustees, directors, shareholders, employees, agents, successors and assigns from and against any and all claims, actions, demands, liabilities, losses, damages, judgments, amounts paid in settlement, fines, penalties and costs (including, without limitation, reasonable attorneys' fees and expenses) arising out of injury to any persons, including death, or damage to any property caused by, connected with or attributable to the negligent acts, errors or omissions of MPA or its officers, shareholders employees and agents under this Agreement, except only those claims, actions, demands, liabilities, losses, damages, judgments, amounts paid in settlement, fines, penalties and costs caused by the sole negligence of DCRNC. The indemnification obligation in the foregoing sentence shall only apply if the claims, actions, demands, liabilities, losses, damages, judgments, amounts paid in settlement, fines, and/or penalties and costs are covered by MPA's insurance policy. MPA shall add DCRNC as an additional insured on MPA's applicable insurance policy(ies).

(c) DCRNC shall indemnify, defend and hold MPA and its officers, trustees, directors, shareholders, employees, agents, successors and assigns from and against any and all claims, actions, demands, liabilities, losses, damages, judgments, amounts paid in settlement, fines, penalties and costs (including, without limitation, reasonable attorneys' fees and expenses) arising in connection with or resulting from any claim made against MPA, or any action, suit, proceeding or investigation in which MPA may be involved by reason of MPA's provision of services to DCRNC under this Agreement, except to the extent that any such claim, action, demand, liability, loss, damage, judgment, amounts paid in settlement fine, penalty or cost is covered by MPA's insurance policy.

(d) The indemnities contained herein shall survive the termination of this Agreement.

Limitation of Liability.

MPA shall have no liability to Home, Owner and third parties for any and all injuries, damages, claims, losses, expenses, or claim expenses (including attorneys' fees) (collectively, "Damages") arising out of this Engagement from any cause or causes (including but not limited to MPA's negligence, errors, omissions, strict liability, breach of contract, or breach of warranty). The preceding limitation of liability shall not apply to claims brought by Home against MPA to the extent that such claims are covered by MPA's insurance policy related to the construction process under MPA's control (claims may include items such as those mentioned in the first sentence of this paragraph if brought by the Home against MPA).

MPA shall maintain the following policy limits during the construction period: General Liability - \$1,000,000 / \$3,000,000 aggregate, Auto Liability - \$100,000 combined single Limit, Worker's Compensation - \$100,000 / \$500,000 Limit, Professional Liability \$1,000,000, all as detailed on MPA's Insurance Declaration Page provided. IN NO EVENT SHALL MPA BE LIABLE IN CONTRACT, TORT, STRICT LIABILITY, WARRANTY OR OTHERWISE, FOR ANY SPECIAL INCIDENTAL OR CONSEQUENTIAL DAMAGES, OR FOR ANY PENALTIES OR FINES IMPOSED ON HOME BY ANY GOVERNMENT AUTHORITY. As used in this paragraph, references to "MPA" include MPA's and its affiliates' directors, officers, shareholders and employees.

Acceptance

Please indicate your agreement with these terms and grant authority to proceed by executing and dating the acceptance on both copies of this letter and returning one copy to MPA. We look forward to working with you on this assignment.

Respectfully submitted,



Michael A. Scavotto
President

Date: September 7, 2016

Acceptance

The terms of engagement set forth in this letter are accepted and were approved by the Operating Board on March 8, 2017. MPA is directed to proceed.

By: 
~~Veronica Casella, Chair, Operating Board of Directors~~

JEFF WHELAN
Date: March 8, 2017

Exhibit A Scope of Work and Tasks

Task 1 Preliminary Programming

1.1 Assemble the Development Team, which includes, at a minimum, architect and engineering services, construction management, and the Home's internal team.

Prior to assembling the Development Team, we will conduct several organizational sessions with Home management. The purpose of the organizational sessions is two-fold:

- a. To commission a Project Planning Committee, referenced above in 1.1 as the Home's internal team, and
- b. To determine the business assumptions related to future rehab services and other facility renovations; to analyze the workflows and procedural changes and their implications for the Home's operating performance; to verify the appropriateness of the initial space programming; to evaluate alternatives that may obviate new construction or renovation; to assess the desirability of adding additional beds; to incorporate these findings into the detailed financial model and make a preliminary estimate of project feasibility.

We recommend that Home establish the Project Planning Committee (hereafter PPC) comprised of representatives of management, MPA, and such other constituencies as might be appropriate. The committee need not be large, but it should be prepared to provide the necessary input on a frequent basis, particularly during the design phase of the project. For a more complete description of the PPC, see **Attachment 3**.

We will provide the necessary support to select the design team including the development of the Request for Qualifications (RFQ), the review of submittals, interviewing the final candidates, evaluation, and selection recommendation. We recommend that the PPC participate in this selection process to assure that all issues and concerns are considered. The County Operating Board will make final decisions relating to all RFQs.

The Home has an existing relationship with Larson & Darby (L&D), which earlier was selected via an RFQ process to assist in a space planning analysis. That space

planning analysis will serve as the basis for refining and finalizing the space program and for converting it into a development plan with a detailed project budget.

Subject to negotiating an acceptable American Institute of Architects (AIA) agreement, including compensation, Larson & Darby is well-suited to be the project architect having met the following review criteria, which we apply to all architects and engineers:

- IDPH credibility and review experience
- Prior experience in skilled nursing (not long-term care generally)
- Efficiency of designs
- Ability of principals to devote time to this particular project
- Ability to handle the amount of work
- Errors & Omissions history
- Size of the firm and the percent of annual revenues this project represents
- Form of AIA agreement with Home (we have successfully negotiated favorable AIA agreements with Larson & Darby on prior projects)
- Depth, strength, and IDPH experience of the engineering team and food service consultant
- Errors & Omissions experience of the engineering team and food service consultant

The criteria for selecting the GC/CM will include, but not necessarily be limited to, the following:

- Experience specifically in skilled nursing including full replacements and renovations
- Experience and results in dealing with the IDPH review and licensure process
- Depth of experience of the management team assigned to this replacement project
- Record of the project management team in terms of schedule and project budget results
- Size of firm and the percentage of firm's annual revenues represented by this project
- Appropriateness of subcontractors
- Errors & Omissions history
- AIA Form of Agreement (GC/CM must hold all contracts with subs)

Specialty consultants will be needed to obtain the Certificate of Need and, potentially, for assisting with food service delivery. We will write the Scope of Work for these services, handle the RFQ process as dictated by you, and make our selection recommendation for Owner's consideration and approval. MPA has the capability to prepare the financial package (Section 1120) of the CON.

MPA will coordinate the activities of any specialty consultants retained for the project. These consultants will be independent contractors of Home and will be paid by Owner from the project budget.

The CON consultant will begin assembling the CON application materials as early as is feasible. A great deal of the demand portion of the application can be done concurrently with other phases of the project's early development and will require the assistance of Home staff to provide current documentation as part of the application process.

Activities of all specialty consultants will be reflected on the master schedule and monitored by MPA.

Legal services may be necessary if the State's Attorney is not familiar with construction contracts (in the case of the Architect and Construction Manager) and, potentially, for the CON. In either case, if the State's Attorney does not have an established relationship with outside specialist counsel, we can recommend several firms experienced in these areas. MPA does not provide legal services.

1.2 Review existing operational issues, including IDPH, Code, Functional, and Market deficiencies.

A good deal of the work required has already been done in the original Space Planning Analyses. However, more analysis remains to be done in order to determine the effectiveness of the space program and its fit with existing HVAC systems, work flows and internal operating procedures, additional storage spaces, and impact on the business plan.

Larson & Darby, Architects, have assessed IPDH, Life Safety Code and functional deficiencies. MPA incorporated L&D's findings into its preliminary Financial Model. In the event L&D is not selected as the Project Architect, its work will need to be verified by the Project Architect as it forms the basis for the schematic design drawings and cost projections required in submitting the Certificate of Need application.

1.3 Conduct preliminary facility programming, including census, business segments, space, and staff planning.

The Financial Model prepared by MPA summarizes the preliminary facility programming. The Financial Model is designed to be used as a tool to be updated as facts and circumstances change, thereby providing an ongoing financial assessment of the project versus the Home operating objective. The preliminary thinking is for a renovation to the rehab service emphasizing private rooms. A multi-purpose area will be constructed on the existing central courtyard, the primary purpose of which will be to ease the logistical difficulties of transporting food. Both the rehab renovation and courtyard involve new construction. Additional storage space is needed throughout the Home. Average daily census is targeted at 180. No staffing changes are anticipated.

The project scope will be determined from the practical trade-offs that must be resolved in the space program. There are several variables that necessitate a fluid process for sizing the facility:

- Maximum corridor distance permitted from nursing station (120 feet)
- Number of private and semi-private rooms
- Size of each room
- Cost of construction (varies with the type and size of room)

MPA will translate the impact of work flow decisions to the Financial Model.

The financial package will be finalized once the schematic design is complete. At that point, we will have determined the scope of the project, i.e., number and types of beds, total square footage, functional relationships and design considerations between departments and services. Moreover, the construction manager will have provided an updated cost estimate based on the latest information for Home's construction costs. That cost estimate will be inflated to represent pricing that will apply when the project hits the DeKalb bid market.

We will provide a Statement of Sources & Uses of Funds that is as detailed as we can make it, and that will allow the project to be submitted to the Health Facilities Planning Board. Along with the Statement of Sources & Uses of Funds, we will develop an Income Statement that reflects the forecasted project costs.

We will pay close attention to the design as it will have a tremendous impact on meeting your objective of operating at break-even or better. For this reason, we have suggested, above, that we will update the financial model on a routine basis to measure the financial impact of decisions made in the design process. We must be

in a position to manage the project so that it meets your objectives and adapt as necessary.

1.4 Assess the existing facility, including utility capacity, Phase I and II environmental.

MPA will coordinate the necessary analyses by specialty consultants that will be required to complete these assessments.

To determine the cost of renovating Home, utility capacity must be assessed. In its earlier work, Larson & Darby determined the condition of the existing utility infrastructure, but not its capacity to support a renovated facility.

Phase I and II environmental costs affect not only renovation, but also any demolition that would occur in the existing building.

Task 2 Final Programming

2.1 Based on statement of policy by the Operating Board, prepare final facility programming, including census, business segments, space and staff planning.

MPA will accomplish this task with the involvement of the PPC and the design team.

Rehab services programming is very likely accomplished without the assistance of a specialty consultant. The demand for private Medicare rooms has been well-established in the local market. More and more, we see seniors and their families asking for amenities that the Home cannot provide; the original design of the facility emphasized double-occupancy rooms with minimal private accommodations. The suggested schematic design recommends adding 16 private Medicare rooms.

At some point, managed delivery will come to the Home in earnest. Managed care is already here in the form of Medicare Advantage. Accountable Care Organizations (ACOs) will eventually spread West from Chicago; further, the Medicare Medicaid Alignment Initiative (MMAI) should be expected to cover the entire State in the future. Additional private rooms will be an asset in managing new resident populations.

Another programming point for rehab services is the provision of outpatient services. IDPH has specific building requirements including a separate entrance and waiting area. Outpatient rehab can be another revenue source targeting seniors in the community, including residents of Heritage Woods.

Food service is a huge consideration as it has everyday impact on all residents and staff and is potentially the largest logistical issue affecting the design.

The Financial Model will be updated at this point to assess feasibility. All updates to the Financial Model include assumptions regarding census, payer mix, service mix, revenues, fully-loaded expenses including staffing, project costs, and long-term debt.

2.2 Prepare a development plan

We will prepare a development plan that details the financial scope of the project, the scope of work for the design and construction team, and the project schedule. The development plan will outline the time, financial commitment, and human resources required – whether for renovation or replacement. The development plan is updated frequently to adjust for changes in schedule resulting from contractual negotiations, zoning compliance, governmental approvals, architectural and engineering problem resolutions, site planning, value engineering, and construction.

2.3 Prepare a business plan

We will prepare a business plan that will show how Home is to operate in the new space. The business plan covers market considerations specific to Home and environs; assumptions regarding census, payer mix, and services rendered; and financial considerations such as long-term debt, revenues and pricing, and expense levels to include staffing and benefits.

As a practical matter, a construction project is full of trade-offs that are resolved in the planning process. Consequently, MPA will be updating the Financial Model as the project begins to take shape. Programming decisions will have an impact on construction costs and, therefore, on operations. For example, five nurses' stations will cost more to staff than four. The point we are making is that, by regular use of the Financial Model, we will be in a position to measure the impact of decisions and keep the project focused on the goal of operational self-sufficiency.

Our flexible approach to the financial model is important for another reason – revenue management. Both the Intergovernmental Transfer (IGT) and Medicare rehab programs require active management of the per diem reimbursement. The goal is to manage revenue while construction is under way. Furthermore, DeKalb's payer mix may change over the period of construction and the financial model should reflect such changes.

DeKalb's actual operating performance should be assessed regularly and integrated into the model's forecasts.

2.4 *Analyze financing alternatives, including bonding, bequests, conventional, and other.*

Preliminary cost estimates place the renovations in the \$15 million range. At this cost level, the most likely financing will be via a combination of tax-exempt bonds and cash contributed by the Home. We will work with the County's underwriter, Speer Financial, to incorporate the terms of the debt issue into the CON application. We will coordinate with the Home and its underwriter to determine the best time to issue the bonds, taking into account that there will be very specific coordination requirements with the County's financing of a new jail.

The preferred scenario is one where the Home uses its existing cash to fund the project through schematic design and into design development. Once the schematic design phase is completed, the project should be ready for submittal to the Planning Board. During the review process, which can take from 6-8 months, the architects are perfecting design development from the schematic design. Cash requirements can easily reach \$1.0 million.

Once the CON is secured from the Planning Board and the Letter of Obligation received, the bonds should be issued and the Home reimbursed for the costs it advanced.

It is impossible to predict interest rates so far in advance of actual financing. Currently, rates are rising but are still historically low. The Home and its underwriter may elect to investigate financing strategies that lock in low interest rates. Whatever the case, it has been our experience that Illinois financings that are tied to healthcare facilities will require a CON before the financing can proceed.

2.5 *Prepare baseline control documents, including budget, schedule, and pro forma.*

We have addressed Task 2.5 multiple times, above. The key to success on any project is advance planning and in making sure that the project stays within the limits established by the Owner. To that end, the project control documents receive frequent attention.

There are two relevant points here:

- As Project Manager, MPA will do the project accounting. We track project costs on the basis of the contracts issued. Home is welcome to, and should, review our accounting on a regular basis.

We will coordinate our accounting with that of the Construction Manager.

The CM will track costs specific to the building and the site, but will not have complete information on the overall project costs.

- The pro forma updates will reflect the latest project costs, as expected. However, they will also reflect the latest developments at DeKalb. The Home is in a much improved position to bolster its financial performance and nowhere is this more significant than in revenue management.

DeKalb's actual performance throughout the project should be reflected in the latest pro forma Statement of Revenue & Expense.

Task 3 Preliminary Implementation

3.1 For new construction, perfect site, including title, environmental, utilities, and geotechnical.

As Project Manager, MPA will coordinate these activities and assure that they are complete or incorporated into the scope of work.

3.2 Prepare construction documents

MPA will negotiate the construction documents on behalf of Home, subject to the approval of Home and, if desired, with the involvement of the State's Attorney for legal review/advice. The relevant documents are the contracts for the Architect and consulting engineers and for the General Contractor/Construction Manager. We have had good success using the AIA forms of agreement modified for specific circumstances.

The critical prerequisite prior to negotiating the construction contract documents is to agree on the method of construction delivery. There are four basic choices of construction delivery that apply to DeKalb:

Design/Build
Lump Sum Bid
Agency Construction Management
Constructor Construction Management (CM at-risk)

Design/Build is not a preferred approach because the work evolves in a highly-regulated environment, making the project cost and compensation of the Design/Build firm a moving target. Usually, the same firm provides design and construction services.

The Lump Sum method (characterized as draw-bid-buy) is very common, but not necessarily effective. The architect designs the project and submits it for bid by a general contractor. The Owner runs the risk of not having had constructability input during design. As a result, project scope can escalate without prior knowledge, leaving both project budget and schedule in disarray.

Under Agency Construction Management, the Owner has a direct contractual relationship with each contractor, including the CM. The CM only acts as an agent/supervisor/advisor. This relationship alone represents the greatest risk to the Owner as it removes accountability for construction from the CM and leaves the Home in the most uncomfortable position of having to resolve disputes among the trades. There are situations where the agency form of agreement can work. We don't think a project as complex as a healthcare facility is one of them.

It has been our experience that the Constructor form of agreement (CM at-risk) serves the Owner best by placing responsibility on the party that is in the position to hold sub-contractors accountable for their work – i.e., the Construction Manager. It best serves the needs of the Owner in a highly regulated environment. In this form of construction delivery, the CM holds all contracts with subs and serves as the Owner's single point of accountability for construction.

The production of the construction documents is a joint effort between Owner and Architect. The Architect has the primary responsibility for this activity. The documents, plans and specifications must be aligned with the construction delivery method. By utilizing MPA's preferred method – i.e., the Constructor form of Construction Management – the CM is brought into the project at the beginning, provides advice to both the Owner and Architect on constructability issues, and renders periodic cost estimates. Upon completion of construction documents, the CM solicits bids at the subcontractor level, attempting to get at least 3 bids in each subcontractor area. The Owner, Architect and CM then select the best combination of subcontractor bids and roll the package into a single contract with the CM acting as the Constructor or General Contractor. Since the CM will be selected in a competitive manner, the process meets the statutory requirements for competitive bidding and the Owner gets the benefit of the CM expertise in cost estimation and in effective methods of construction.

3.3 Submit and obtain approval of Certificate of Need from IDPH.

The CON consultant will need 60 days to gather relevant materials from Home plus an additional 30 days to write the application. MPA can prepare the financial portion of the application. Keep in mind that the financial package cannot be completed until the project is through schematic design and has been priced.

“Relevant materials” from Home will include routine items such as current licensure information and statistics, financial performance, service descriptions, and the like. Home will be asked to provide letters of support from the community. The Home will need to certify that it can support the project financially. The list of required materials is extensive; collecting them will need consistent follow-up. MPA will monitor the progress of the CON consultant as it works with Home management to assemble the CON application.

MPA will file the required reports with the Planning Board once the Letter of Obligation has been received and construction starts. There are required updates and certifications that must be provided on a timely, prescribed basis.

The licensure process will start approximately 6 months prior to the projected occupancy. The Home should not be treated like a new facility, but it will still receive a thorough IDPH inspection. Whenever IDPH is involved, one should expect regulatory complications and changes.

While the design team will be dealing with IDPH’s architects to secure final approval to occupy, the management team – directed by MPA – will be dealing with another division of IDPH for licensure and certification. Detailed information on policies and procedures, the organization and management of the facility, and projected financial performance are among the numerous required submittals.

3.4 *Issue debt.*

See our response under Task 2.4.

3.5 *Issue through Home, bid documents.*

As part of the planning process, the project will be divided into different bid packages. For example, there will be bid packages for structural steel, electrical, plumbing, concrete, plumbing, HVAC, carpentry, fire protection, and so forth. The CM will assume a lead role in determining how to structure the bid packages to achieve maximum cost efficiency.

The design team, with the CM in the lead role, will identify sub-contractors capable of performing the scope of work. As Project Manager, MPA will coordinate with the design team to review the bid packages and recommend for County Operating Board approval those subs most qualified to do the work. Bids will be awarded in compliance with DeKalb County regulations.

We intend to use Integrated Project Delivery (IPD). We used this methodology in

the Peoria County replacement Facility, Heddington Oaks, with great success. The traditional process is represented by the previous two paragraphs: secure the CON, do the financing, then start design. One very real complication is that the Owner is locked into a CON with a project cost that was established on incomplete design details. IPD advances the design stage so that much more detail is available, making the forecasted project cost much more reliable.

3.6 Obtain necessary local permits.

The CM is responsible for obtaining the required permits. As Project Manager, MPA coordinates all work needed to enable the granting of the permits.

The important safeguard for the Owner is that no subcontractor can begin work without having the required certificates of insurance on file.

3.7 Update project control documents, including budget, schedule, and pro forma.

See our response under Task 2.5. Project control documents receive repeated updates as circumstances change and as more information becomes available.

3.8 Update and amend business plan.

As we note elsewhere in our response, the business plan and the related Financial Model, including the latest cost estimates from the CM, will be updated regularly to assure that project costs are aligned with the Operating Board's objective. In any project of the size contemplated at DeKalb – either renovation or replacement – there will be changes which will be incorporated into the project budget, into the Statement of Sources & Uses of Funds, and into the projected Income Statement. A significant aspect of the MPA methodology is that we take the time to assess DeKalb's current operating performance and evaluate the assumptions we have included in the Financial Model. Our goal is to stay abreast of current operations and identify any corrective measures that need to be taken, preventing a disconnect with the Operating Board's objective.

Task 4 Final Implementation

4.1 As necessary, close on debt issuance.

As we noted above, the preferred scenario is to time the issuance of long-term debt with the receipt of the Letter of Obligation. This would require that the Home have sufficient cash to carry the project past schematic design and into design development.

4.2 *Obtain IDPH Letter of Obligation.*

Once the CON is secured, the Planning Board (a division of IDPH) will issue the Letter of Obligation. The Planning Board's main concern is with cost over-runs. Accordingly, project costs must be monitored constantly in order for the County Operating Board and MPA to understand the current cost position. Cost over-runs can involve fines for the Owner and may require the approval of the Planning Board, a process which can be time consuming and burdensome.

4.3 *As necessary, prepare remodel action plan.*

In our Tasks, above, we have indicated that specific steps need to be taken for facility renovation. The cost of the renovation is such that a CON will still be required. All the burdens of reporting and controlling are the same as for a facility replacement with the possible exception of title work on the site.

Extensive renovations usually involve phased construction, which is costly. In DeKalb's case, our objective will be to maintain as much rehab revenue as we can, meaning that rehab renovations should be completed as early and as quickly as possible.

4.4 *Construct project.*

As Project Manager, MPA will monitor project costs and the contractual performance of the CM. MPA will represent the Owner in the change order process, will coordinate the Certificates of Payment, and will provide the required reports to the Planning Board.

4.5 *As necessary, prepare for occupancy of new resident care areas.*

See our response under Task 5.1, below. Preparation for facility occupancy requires two stages. The first is the building inspection conducted by the IDPH State Architect. The second is licensure, which will not begin until the facility has cleared the first stage. In our experience, the first stage will be the most daunting because of the potential for IDPH to require changes to the new construction, which changes may differ from what appears on the approved plans.

The second phase (licensure) is the equivalent of an annual facility survey, similar to what the Home experiences every year. The focus of the second phase is on policies and procedures and upon the ability of the staff to care for residents properly.

4.6 *Obtain local and IDPH occupancy permits.*

As Project Manager, MPA will coordinate the efforts to secure the relevant occupancy permits from municipal authorities and from IDPH.

4.7 *Punchlist*

MPA will coordinate with the Architect and CM on punchlist items that remain incomplete. Final Certificates of Payment will not be processed without resolving outstanding issues.

4.8 *Closeout*

Once all approvals have been secured, the facility occupied, and construction items punched out, MPA will coordinate the project closeout. Final payments to the construction trades and CM will be made and the facility turned over to the Owner. On closeout, MPA will provide the Owner with a final cost report of all project costs, which will match what is submitted to the Planning Board.

Task 5 Meetings

Attend staff-consultant meetings as needed.

5.1 *Attend Operating Board, and DeKalb County Public Building Commission (if appointed) and other meetings as needed to report progress and administer expansion-related contracts.*

5.2 *Prepare information and exhibits and make presentations to the various Boards and Committees as needed.*

5.3 *Attend interviews for consultant selection as indicated in Task 1.*

MPA agrees to develop a reporting format that includes written project updates plus in-person reporting to the required committees and full Home Board.

Progress should be bench-marked against the master schedule and project budget. In addition, the financial model will allow us to assess how the renovated operation will perform.

Major milestones include:

- The selection of the design team
- The negotiation of successful contracts for the architect and construction manager
- The completion of schematic design
- The filing of the CON and its progress through the review process
- Comparing the results of the bid-buy package to the original cost estimate
- Receiving the IDPH Letter of Obligation
- The issuance of the long-term bonds
- The start of construction (and regular updates of progress)
- Determining occupancy and project completion dates

Coordination with the Home is essential. Initially, twice-monthly meetings should be sufficient to review progress and to make decisions regarding issues, upcoming events and financial commitments. As needed, MPA will also attend meetings with attorneys, consultants, and other project-related entities. Meetings will be in-person or by phone or video conference, as appropriate.

Once the project is under construction, the meeting schedule would continue with interim meetings scheduled as required by condition and circumstance of the project. However, the Health Facilities Planning Board will require reporting throughout the project and, because of the Planning Board's acute sensitivity to cost overruns, close financial monitoring of the project will be necessary.

Additionally, MPA will meet or coordinate with other consultants, contractors and vendors as required for monitoring and controlling the activities of the project.

Exhibit B
Sample Fee Calculation & Administration

Assume Project Costs Are \$15,000,000
 And That the Project Will Take 36 months

From the Statement of Sources & Uses of Funds

Total Project Costs	\$15,000,000
Less Land	\$-0-
Less Capitalized Interest (Estimated)	\$2,000,000
Project Manager's Scope	\$13,000,000
Estimated Project Mgt. Fee (\$15m - \$2m x 2.75%)	\$357,500
Managed Project Costs (Scope less Project Mgt. Fee)	\$12,642,500
Project Management Fee	2.75 percent
Project Management Fee in Dollars	\$347,669
Amount Held in Retention (payable at close-out)	5%
Amount Retained in Dollars	\$17,383
Amount Payable Monthly (\$347,669-\$17,383 divided by 36)	\$9,175

Example 1

Assume changes in scope during month 9	\$150,000
Project Management Fee Increases (150k x .975 x .0275)	\$4,021
Retention Amount Now Becomes (\$17,383 + (\$4,021 x 0.05))	\$17,584
Monthly Payment Remains	\$9,175

Example 2

Assume changes in scope during month 15	\$(100,000)
Project Management Fee Decreases (100k x .975 x .0275)	\$(2,674)
Retention Amount Becomes (\$17,383 - (\$2674 x .05))	\$17,249
Monthly Payment Remains	\$9,175

Example 3

Assume MPA settles disputed work with subcontractor	
Assume new facility is occupied and project is closing out	
Savings to Home	\$(200,000)
Change in MPA Retention Amount	\$-0-
Change in Monthly Payment	\$-0-

Example 4

Assume project experiences a regulatory delay

Project completion is increased by 6 months

Monthly Payment Remains \$9,175

Retention Payout comes in month 36 or at final close-out

Note: This example of a regulatory delay is open-ended and difficult to predict. There often are regulatory delays. During a regulatory delay, something has to be fixed. The project does not stop while the regulatory fix is being implemented. The amount of effort devoted to the fix cannot be predicted. If the project coordination work is less intense, we will negotiate a reduced fee to reflect the reduced scope of work.

Example 5

Project management agreement with MPA is terminated or

Project is abandoned

Percent of completion, measured in dollars 50%

MPA retention account at termination date \$17,383

Monthly payment thru termination date \$9,175

Retention amount due MPA (50%) \$8,692

Example 6

Bids are substantially lower than forecast

Project costs are lower by \$(2,000,000)

Project costs now become \$10,642,500

Timing of change Month 12

Project management fee becomes \$292,669

MPA Retention becomes (\$292,669 x .05) \$14,633

Monthly payment becomes (\$292,669-\$14,633-110,100 (12 mo)/24) \$6,997

Retention adjusted by prior payments (\$5,796 - \$4,872) (12 mo ret ea) \$ 924

MPA Retention is now (\$9,755 + \$5,796) 2yr new, 1 yr old \$15,551

**Resolution of the Operating Board of Directors of DeKalb County Rehab & Nursing Center Adopted at
a Meeting Held on November 16, 2016**

Whereas, the Operating Board of Directors (Board), after a selection process, retained the architectural and planning services of Larson Darby Group (LDG), and

Whereas, LDG and management have studied the existing space needs, internal circulation, and market needs of the facility with the goal of maintaining the facility's competitiveness in the market, of advancing its mission of community service, and of improving the living experience of its residents, and

Whereas, preliminary financial and architectural assessments indicate that a project is feasible,

Now, therefore, the Board does hereby find:

1. That the project scope as set forth below advances the facility's mission, improves the living experience of its residents, and maintains its market competitiveness;

Project Scope:

- a. An addition (new construction) of a rehabilitation/transitional care unit of approximately 18 beds, as such is currently reflected in the schematic drawings accompanying this resolution.
 - b. An addition (new construction) of a multi-purpose room in the center courtyard, replacing the existing gazebo. The contemplated new construction features additional interior corridors for improved circulation of the food service function and is currently reflected in the schematic drawings accompanying this resolution.
 - c. Several small interior renovations representing improvements to nursing and support functions, all as currently reflected in the schematic drawings accompanying this resolution.
 - d. Alternates representing improvements to the physical plant, the inclusion of which shall be dependent upon the future decision of the Board after reviewing more detailed cost estimates and more detailed feasibility analyses.
2. The maximum financial commitment shall not exceed \$15 million, reflecting the total of all hard and soft costs.

3. The current anticipated scope, using LDG's cost estimates, represents the following estimated costs:

Hard Costs

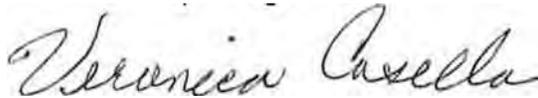
Transitional Care Unit	\$5,169,000	(A)
Center Court	\$2,028,000	(B)
Interior Renovations	\$1,531,000	(C)
Furn./Fix./Equip.	\$ 500,000	(D)
Alternates:		
Generator w/enclosure bldg.	\$ 995,400	(E)
Additional chiller capacity	\$ 240,000	(F)
Contingency@ 8.0%	\$ 837,072	(G)
Sub-Total Hard Costs	\$11,300,472	(H)

Soft Costs

Arch. and Eng. Fees (8.15%)	\$ 920,988	(I)
Civil Engineer Allowance	\$ 20,800	(J)
Geotechnical Allowance	\$ 4,174	(K)
Landscape Fees Allowance	\$ 4,800	(L)
Food Service Consultant	\$ 12,000	(M)
Reimbursable (mainly printing)	\$ 38,000	(N)
IDPH Plan Fees	\$ 12,100	(O)
Capitalized Interest	\$1,293,335	(P)
Certificate of Need Consultant	\$ 50,000	(Q)
CON Filing Fees	\$ 2,500	(R)
Construction Manager (5%)	\$ 565,024	(S)
Owner's Proj. Coord. (2.75%)	\$ 310,763	(T)
Misc. Legal & Underwrit. {2%}	\$ 258,667	(U)
Contingency @ 4.0%	\$ 139,726	(V)
Sub-Total Soft Costs	\$ 3,632,877	(W)
Total Anticipated Project Costs	\$14,933,349	(X)

4. Financing shall be a combination of debt and equity, the exact proportions of which shall be determined by the Board after detailed cost estimates (provided by the Construction Manager) and further financial analysis have been performed. Until the debt portion is issued, project costs will be paid out of current cash or internal borrowing.
5. The Project Coordinator shall be Management Performance Associates, Inc. of St Louis, Missouri (MPA). MPA's engagement letter and fee arrangement (attached) ^{is being} has been reviewed and ~~considered by the Board and is adopted by this resolution.~~ ^{will be at an upcoming meeting}
6. After a selection process, construction management firms have been narrowed to two: Ringland-Johnson and River City Construction. MPA is directed by this resolution to begin negotiations with Ringland-Johnson. If those negotiations are unsuccessful, MPA will proceed to River City Construction. The form of contract will be AIA document A195-2008 Integrated Project Delivery, including A295 General Conditions. MPA is authorized to enter into a letter of engagement for pre-construction services once a construction manager has been secured. General contract parameters include a fee of approximately 4-5 percent of the to-be-determined Gross Maximum Price, a fee for pre-construction services prior to the establishment of the Gross Maximum Price, and a prohibition on the CM self-performing any work.
7. MPA is hereby directed to negotiate a contract for professional services with LDG, which agreement shall reflect the Integrated Project Delivery methodology. The form of agreement shall be AIA B195-2008, Standard Form of Agreement between Architect and Owner under Integrated Project Delivery. General contract parameters include a fee consistent with the Illinois Capital Development Board fee schedule, which is anticipated to be 8.15 percent of the Gross Maximum Price, as determined by the Construction Manager and accepted by the Owner. Prior to the establishment of the GMP, the Architect will be compensated on an hourly basis, which compensation will be part of the Architect's percentage-based compensation in the final agreement, and not additional compensation.
8. Contracts for LDG and the successful Construction Manager shall be presented to the Board for action at a subsequent meeting.

By action of the Operating Board of Directors:



Veronica Casella, Chair