



**King County**

## **Metropolitan King County Council**

### **STAFF REPORT**

<b>Proposed No.:</b>	2020-0238	<b>Name:</b>	Sam Porter
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### **SUBJECT**

Proposed Ordinance 2020-0238 would adopt the 2021 Capital Improvement Program (CIP) for Harborview Medical Center for the year ending June 30, 2021 and appropriate \$21.3 million to the Harborview Repair and Replacement Fund.

### **SUMMARY**

Under the management agreement between King County, Harborview Medical Center (HMC) and the University of Washington, which was extended in 2016, King County approves the CIP for the medical center annually. The proposed ordinance would appropriate \$21.3 million to the Harborview Repair and Replacement Fund.

### **BACKGROUND**

Harborview Medical Center is a 413-bed hospital and trauma center that serves Washington, Alaska, Montana and Idaho. It is the only Level 1 trauma center serving these states. The hospital is owned by King County, overseen by an independent Board of Trustees, and operated by the University of Washington.

The University of Washington first took over operation of HMC in the late 1960s. In 2016, the County authorized an extension of the management agreement between the parties that could extend until 2045 if both parties execute the allowable extensions.<sup>1</sup> Under this agreement the CIP budget is approved by the County each year and the County will manage only those projects that affect the physical infrastructure and exceed \$5 million in total costs. No projects meet those criteria in this year's budget request.

Despite Harborview being owned by King County, the University – an entity of the State of Washington – operates the facility. As a result, Harborview operates on the same fiscal year as the State of Washington (July 1-June 30). Under the Hospital Services Agreement, the parties have agreed to work together to try to get the Capital budget approved as close to July 1 as possible. In prior years the Harborview budget would

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<sup>1</sup> Ordinance 18232, enacted February 12, 2016

routinely not be approved until the 4<sup>th</sup> quarter of the year. Table 1 below provides appropriation amounts for past HMC CIP budgets.

**Table 1. Prior Year HMC CIP Appropriations**

Fiscal Year	Ordinance	Appropriation
2020	18964	\$14,400,000
2019	18794	\$12,400,000 <sup>2</sup>
2018	18582	\$23,100,000
2017	18397	\$10,100,000

**ANALYSIS**

Proposed Ordinance 2020-0238 would approve a net appropriation of \$21.3 million for the Harborview Building Repair and Replacement Fund, as shown in Table 2. The projects are sorted by the amount of the request and a brief description is provided for each project.

**Table 2. Appropriations and Disappropriations Proposed for Harborview Capital Program Fiscal Year 2021**

Project Name	Tech Adjust	Appropriation Amount	Project Narrative Provided by Executive Staff
Single Patient Rooms – Maleng Medical Building		\$4,000,000	Design development to increase the number of single patient rooms in the Maleng Medical Building to meet near term demand. A longer-term solution for single patient rooms is included in the Harborview Bond measure that will appear on the November ballot.
Miscellaneous Projects Under \$90,000	Y	\$3,671,000	On-going programmatic project for miscellaneous small projects including costs related to diagnostic equipment installation.
Diagnostic Equipment Installation		\$3,000,000	Upgrades and replacement of imaging equipment with potential need for construction for installation along with operating room improvements.
Operating Room Support Space		\$1,400,000	Remodel of operating room support and storage for medical equipment used within operating rooms.
Emergency Department Entry and Renovations Study		\$1,000,000	Remodel of Emergency Room entrance for improved work and patient flow.
Facility Enhancements		\$1,000,000	Environmental upgrades to restrooms, lobbies and other locations on campus.
Emergency Department Clinical Core		\$750,000	Renovate existing clinical spaces to address infection precautions, care delivery and materials management improvements.

<sup>2</sup> The actual total appropriation was -\$15.7 million (or a disappropriation of \$15.7 million). This was due to the inclusion of a disappropriation of \$28.2 million for Project Number: 1131129 (DES FMD HMC NJB FL Damage) which was added to make a correction of a technical error from a prior Harborview supplemental appropriation (Ordinance 18521).

<b>Project Name</b>	<b>Tech Adjust</b>	<b>Appropriation Amount</b>	<b>Project Narrative Provided by Executive Staff</b>
Life Safety Upgrades		\$750,000	Address issues identified by the Department of Health and the Joint Commission.
Lighting Conversion		\$700,000	Lighting upgrades for energy efficiency including the installation of LEDs.
East Hospital Floors G-5 Tab		\$650,000	Rebalance ventilation systems following the replacement of supply and exhaust units.
Fire Press Stairwell		\$600,000	Upgrade stairwell pressurization to meet Seattle Fire Code requirements.
FYI 19 Small Projects Diagnostic Equipment Installation	Y	\$569,000	Project closure.
Roof Replacement		\$500,000	Roof replacements on the ongoing maintenance schedule.
ADA Door Compliance		\$500,000	Upgrade doors used by patients to ADA compliance status.
WH Radiology System		\$500,000	Installing redundant cooling system leveraging domestic water supply.
Chillers – West Clinic		\$500,000	Rebuild/replace the West Clinic chiller plant.
Supply & Exhaust Fans (1133493)	Y	\$444,000	Project closure.
Elevator Upgrades		\$400,000	Cable replacements and other upgrades to elevators on campus.
Steam and Water Infrastructure	Y	\$359,000	Ongoing project to address issues in the piping of hot water, steam, and gas delivery systems.
Supply & Exhaust Fans (1139205)		\$350,000	Programmatic project to upgrade and replace supply and exhaust fans.
Building Tune Ups – City of Seattle Requirement		\$300,000	Tune ups to be in compliance with the City of Seattle requirements to reduce the carbon footprint on the HMC campus.
Sign Standardization		\$300,000	Update signage for consistent use of the new HMC/KC logo.
Campus Security Enhancements		\$300,000	Upgrade campus security for staff, patient, and visitor safety.
Stryker Integration		\$250,000	Add video integration to each of the operating rooms.
Waterproofing of Building Structures		\$200,000	Ongoing repairs to expansion joints and concrete structures on campus.
Operating Room (OR) Improvements		\$150,000	Upgrading and construction to improve the emergency department experience for patients and visitors.
FYI 18 Equipment and Small Projects	Y	\$63,000	Project closure.
HVAC Infrastructure	Y	\$13,000	Project closure.
Central Rate Allocation	Y	\$6,000	Technical adjustment to reduce carryover budget of an ongoing project to zero.

<b>Project Name</b>	<b>Tech Adjust</b>	<b>Dis-Appropriation</b>	<b>Project Narrative Provided by Executive Staff</b>
East Hospital Supply Fan	Y	(\$800)	Project closure.
West Hospital Upgrades	Y	(\$800)	Project closure.
Life Safety Compliance	Y	(\$3,300)	Project closure.
East Hospital Supply Fan	Y	(\$6,900)	Project closure.
Resurface Helipad	Y	(\$16,000)	Project closure.

Project Name	Tech Adjust	Dis-Appropriation	Project Narrative Provided by Executive Staff
Center Tower Offices	Y	(\$17,000)	Project closure.
Cooling Tower CT (GAMA)	Y	(\$20,000)	Project closure.
Recovery Beds Study	Y	(\$34,000)	Project closure.
DOM Water 8 Inch Main	Y	(\$59,000)	Project closure.
Basement OR Suites	Y	(\$64,000)	Project closure.
Duct Work Cleaning	Y	(\$94,000)	Project closure.
Patient Placement	Y	(\$125,000)	Project closure due to reprioritization.
Cubicle Curtain	Y	(\$133,000)	Project closure.
Exhaust Fans 36/37	Y	(\$181,000)	Project closure.
MJR ISO Upgrades	Y	(\$182,000)	Project closure.
Medic One Foundation	Y	(\$200,000)	Project closure due to reprioritization.
CLN RM & HAZ CNTRL	Y	(\$234,000)	Project closure.
Pharmacy Storage	Y	(238,000)	Project closure.
Support Services Expansion	Y	(\$350,000)	Project closure due to reprioritization.
<b>GRAND TOTAL PROPOSED</b>		<b>\$21,300,000</b>	

All new projects submitted to the Council for approval have been approved by the HMC Board of Trustees. All projects are funded by HMC operations, so no county funds are associated with the request.

In reviewing project requests from HMC, Council staff analyze the requests for projects that are likely to fall under “county management” for exceeding \$5 million<sup>3</sup>, as laid out in the management agreement. The only request that exceeds this threshold is the DES FMD HMC Single Patient Rooms project to increase the number of single patient rooms in the Maleng Medical Building to meet near term demand. While the \$4 million requested for FY 2021 does not exceed the threshold, in 2022 the anticipated request for this project is \$71 million. The proposed Harborview bond measure that will appear on the November 2020 general election ballot, as approved by Council in June 2020 by way of Ordinance 19117, includes a plan for a facility-wide single patient room solution.

### **INVITED**

- Leslie Miles, Senior Project Manager, Department of Executive Services
- Sid Bender, Budget Manager, Office of Performance Strategy & Budget
- Kera Dennis, Chief Financial Officer, Harborview Medical Center

### **ATTACHMENTS**

1. Transmittal Letter
2. 2021 Proposed Financial Plan

<sup>3</sup> Under the Hospital Services Agreement the \$5 million threshold for the County to manage a capital project is adjusted annually for inflation. The 2020 threshold is \$5,596,235.



**King County**

**Dow Constantine**

King County Executive

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June 30, 2020

The Honorable Claudia Balducci  
Chair, King County Council  
Room 1200  
C O U R T H O U S E

Dear Councilmember Balducci:

This letter transmits the proposed 2021 Harborview Medical Center capital program annual budget ordinance. The proposed 2021 Harborview Medical Center (HMC) capital budget of \$21.3 million budget supports the mission of the Harborview Medical Center by funding facility work that ensures code compliance, support infection control, updating aging infrastructure including equipment in service patients and employees.

In preparation for consideration by the King County Council, this proposed budget was reviewed and approved by the Harborview Board of Trustees and the Capital Project and Oversight Committee (CPOC) in accordance with the terms of the Hospital Services Agreement between the Harborview Medical Center, the University of Washington and King County. The CPOC is a six member committee which has representation from the University of Washington, the Harborview Medical Center Board of Trustees, and the Executive and Legislative branches of King County.

This proposed budget includes funding for a mix of patient care facility enhancements and facility infrastructure maintenance. It also includes cancellations of completed capital projects that have remaining budget authority. The proposed budget includes \$4 million for project design for the first phase of a project in the Maleng Medical Building. This project would increase the number of single patient rooms in an effort to partially address the immediate need at Harborview for single patient rooms. A comprehensive, facility-wide single bed is solution proposed in the 2020 Harborview bond measure that will be before voters in November 2020.

The Honorable Claudia Balducci

June 30, 2020

Page 2

The HMC capital improvement program supports the mission of the medical center through support of the four pillar goals: focus on serving the patient/family, provide the highest quality of care, become the employer of choice, and practice fiscal responsibility.

This proposed ordinance supports the King County Strategic Plan to goal of efficient, accountable regional and local government and its objective to exercise sound financial management and build King County's long-term fiscal strength.

I certify that funds are available. If your staff have any questions, please contact Dwight Dively, Director, Office of Performance, Strategy and Budget at 206-263-9687.

Sincerely,



Dow Constantine

King County Executive

Enclosures

cc: King County Councilmembers

ATTN: Carolyn Busch, Chief of Staff

Melani Pedroza, Clerk of the Council

Dwight Dively, Director, Office of Performance, Strategy and Budget Shannon

Braddock, Deputy Chief of Staff, Office of the Executive

Caroline Whalen, Director, Department of Executive Services

Anthony Wright, Director, Facilities Management Division

Paul Hayes, Executive Director, Harborview Medical Center

**2021 Proposed Financial Plan  
HMC Building Repair and Replacement Fund/000003961**

<b>Capital Improvement Program (CIP) Budget</b>			
	<b>2020 Carryforward (YE ITD Balance)<sup>1</sup></b>	<b>2021 Proposed <sup>2</sup></b>	<b>2020-2021 Total (Balance + Budget)</b>
<b>Capital Budget Revenue Sources:</b>			
Revenue Backing from Fund Balance			-
HMC Operating Transfers	26,000,000	21,267,276	47,267,276
Investment Interest			-
<b>Total Capital Revenue</b>	\$ 26,000,000	\$ 21,267,276	\$ 47,267,276
<b>Capital Appropriation:</b>			
HMC CIP Projects	(26,000,000)	(22,817,276)	(48,817,276)
<i>Dissappropriations (positive)</i>		1,550,000	
<b>Total Capital Appropriation</b>	\$ (26,000,000)	\$ (21,267,276)	\$ (48,817,276)

<b>CIP Fund Financial Position</b>			
	<b>Actuals from 7/1/19 to 5/31/20</b>	<b>2020 Estimated<sup>3</sup></b>	<b>2021 Proposed<sup>4</sup></b>
<b>Beginning Fund Balance</b>	5,244,589	5,244,589	5,244,589
<b>Capital Funding Sources</b>			
Operating Transfers	19,410,149	20,600,000	22,000,000
Investment Interest	97,685	120,000	130,000
<b>Total Capital Revenue</b>	\$ 19,507,834	\$ 20,720,000	\$ 22,130,000
<b>Capital Expenditures</b>			
HMC CIP Projects	(18,891,380)	(20,000,000)	(22,000,000)
<b>Total Capital Expenditures</b>	\$ (18,891,380)	\$ (20,000,000)	\$ (22,000,000)
<b>Other Fund Transactions</b>			
<b>Ending Fund Balance</b>	\$ 5,861,043	\$ 5,964,589	\$ 5,374,589
<b>Fund Balance designated to current projects</b>			0
<b>Reserves</b>			
Expenditure Reserve(s) (Carryover) <sup>5</sup>	(27,641,018)	(26,400,000)	(23,778,703)
<b>Total Reserves</b>	\$ (27,641,018)	\$ (26,400,000)	\$ (23,778,703)
Projected Shortfall/Underexpenditure <sup>6</sup>	21,779,975	20,435,411	18,404,114
<b>Ending Undesignated Fund Balance</b>	0	0	0

## Financial Plan Notes

<sup>1</sup> 2020 Carryover reflects estimates of year end inception to date using the Harborview Medical Center Open Projects Report total project balances less UW Available Budget.

<sup>2</sup> 2020 Proposed Budget is consistent with expenditure and revenue data from PIC and matches the CIP Attachment A.

<sup>3</sup> 2020 Estimated reflects updated revenue and expenditure estimates as of 5/20/19.

<sup>4</sup> Outyear revenue and spending estimates are based on current revenue estimates and project spending plans.

<sup>5</sup> The amounts represent approved budget that will be unspent and will be carried over into the following year.

° Beginning in the 2018 budget year the financial plan revenue assumptions have been modified to a cash basis rather than a budgetary basis wherein the budget amount is equal to HMC operating revenue transfer. This new approach is reflected in the "Capital Funding Revenue Sources" section where the HMC operating transfer amount is zero and in the "Projected Shortfall/Underexpenditure" section which contains the underexpenditure necessary to have the financial plan remain in balance at year end. Based on prior experience this underexpenditure assumption is relatively low risk and will be monitored during each of the coming years.