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May 5, 2015

VIA E-MAIL AND FEDERAL EXPRESS

Ms. Courtney Avery
Administrator
Illinois Health Facilities & Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Re: Project 15-021

Dear Ms. Avery:

As you know I represent OSF Healthcare System (“OSF”) with respect to the above CON application/project. The project, while a significant construction endeavor, proposes no new beds or categories of service and as of now has no opposition. OSF understands the project is within the review period, but respectfully requests expedited review so this project could be heard in June. The construction manager “CM” for OSF St. Anthony Hospital’s bed pavilion project in has concerns relating to any delay of the project.

Time delays related to building construction have an adverse impact—both in real time and project cost increases.

Real Time Impact:

While the actual time lost is nearly 3 months the real time delay to the project is much longer. This is because the cold and winter weather make conditions difficult and more costly when working to enclose a building structure, while in effect still “outdoors”. Starting in June there is likelihood of completing work that is warm weather dependent; while starting in September, the likelihood is that work will not be completed that is warm weather dependent. Frost causes soil to get hard and expand causing unsuitable below slab and around foundations conditions. Concrete floor slabs must be heated (as if indoors) so as not to allow freezing temperatures to stop the water in the concrete from curing, This cost is significant to temporarily enclose above, below and around with heat. The time required to build out an enclosure and bring heat to the area will add approx. 9 more weeks to the overall construction time frame and this assumes things go smoothly. The delay to the project of another two plus months also adds costs.

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Additional Cost Impact:

There are several additional items that will result in significant extra construction project costs resulting from delay, one of which is inflation. In the construction industry, inflation is not merely equal as an annual percentage applied pro rata to each month. Instead, as local area subcontractors bid on various projects they "fill up" their book of business for the year, and thus supply and demand kicks in, resulting in bid price hikes. Rockford and Northern Illinois have experienced a growth unseen since 2007/8 began this Spring, with numerous and large project bidding. Since sub-contractors are a direct work cost to OSF via the CM, these price increases will be passed on to OSF/the project. The CM estimates that the delay from the beginning of summer to the end of summer with respect to seeking sub-contractor bids will equate to approximately 3% additional cost; or about \$2 million. (OSF cannot obtain sub-contractor bids/contracts now because the subs are unwilling to bid out so far in advance and on a project that is contingent upon regulatory approval as they want to make sure their schedule is not blocked out such that they miss other bid opportunities). Note that the underlying commodity (material) inflation is included in the 3% aggregate estimated rate.

In certain circumstances the winter weather delay described above can be mitigated by temporary means and methods to "control" the climate for building temperature and weather. To protect, enclose, heat and maintain an open 4 story building under construction that may otherwise have been enclosed, a cost of approx. \$400k will be added to the project cost per the CM.

In summary, the project will experience significant increased cost from an approval in early Summer versus later in the Summer. The CM felt confident that if the project was approved in July work that was warm weather dependent might be completed by mid-November when a project starts to experience significant cold weather impact. However it is almost certain an early June approval will assure the work requiring warm weather is completed on time, delay until late August makes this much less likely. We appreciate your consideration, and hope to see you in June.

Sincerely,



Clare Connor Ranalli

CCR/amm

c. Mark Hohulin
David Stenerson