County of Monterey

Project Status Update on Health services Campus Master Plan Phase I

Board of Supervisors | October 28, 2025

<u>Presenters:</u>

Luis Ochoa, Capital Improvement Manager | Public Work, Facilities and Parks

Elsa Jimenez, Director of Health Services, Public Administrator/Conservator/Guardian | Health Department

Melanie Rhodes, Behavioral Health Bureau Chief / Behavioral Health Director | Health Department

Fabricio Chombo, Assistant Bureau Chief (WOC) | Health Department

Nick Cronkhite, Finance Manager II (WOC) | Health Department

Expansion of Health Services

- Background
  - Board of Supervisor's vision for Comprehensive Health Services Campus on parcel off Constitution ("The Corral")
  - Phased Approach
    - Phase 1 – MHRC and infrastructure development for parcel
    - Phases 2/3 - Outpatient Behavioral Health, Outpatient Primary Care, and Parking Garage
- System Benefits
- Draft Design
- Project Budget and Expenditures to Date
- Project Operational Expenses and Revenue
- Financial Pro Forma and Ability to Pay Debt Service
- Timeline of Activities

System Benefits

- Ability to have **local placement options** for Monterey County residents and families
- Ability to **contract out beds with other counties** in the region to ensure full utilization of MHRCs
- Local MHRC placement will **aid in overall care coordination**
  - With BH Placement Team & PA/PG/PC office and reduced out of county travel for staff
  - With outpatient treatment teams for step down from MHRC level of care back to outpatient care coordination and community placement
- Increase in MHRC placement options locally will **improve patient flow** in the system overall
  - To include conserved patients currently experiencing extended admin day stays on local inpatient psychiatric units

Background

Feb. 2023

Behavioral Health Submitted a BHCIP Round 5 grant application for $20,166,779 to rehabilitate a wing of the old county jail on Natividad Road

June 2023

DHCS conditionally awarded the grant

Aug. 2023

BOS adopted Resolution 23-138, authorizing the Director of Health Services to execute grant agreement

Feb. 2024

Rehabilitation wing of the old county jail is no longer available

Spring 2024

HD and NMC identified a vacant parcel on Constitution Blvd (across the street from the Regional Soccer Complex) as an alternative location

HD engages PWFP for preliminary site assessment activities

June 2025

Project included in the County's Capital Improvement Plan for FY 2025-2030

June 4, 2024 - BHB presentation to the BoS

- Moving from Rehabilitation to New Construction
- Six (6) separate, 16-bed MHRCs
- **Allows for Medi-Cal billing**
- One (1) Support building
- Leverage San Mateo County model
- Cordilleras Facilities design & plans

November 12, 2024 - BHB Report and Financing Options Presentation to the BoS

- Estimated project budget increase from $45M to $75M based on recent projects
- Increase due to change from rehabilitation to new construction
- Funding gap of $54M between grant and budget
- BOS provided preliminary support (4-1) to pursue debt servicing to fund the gap

COUNTY OF MONTEREY
HEALTH DEPARTMENT

Background continued

December 2024, BHB submitted BHCIP Bond R1 Application

- $31M application to increase bed capacity at MHRC from 96 to 144

Between December 2024 and May 2025, BHB met with PWFP to discuss bed expansion, which was deemed not viable

Project Programming continued and was completed in April 2025

CEQA is in process and the project is in Design Development / Construction Document Phase

July 2025, BHB met with Advocates for Human Potential (AHP) and Department of Health Care Services (DHCS) to discuss the needed project revisions for the $31M grant

- Request for project modification was submitted and is currently under review
- DHCS is actively reviewing our request for modification

Proposed Location for MHRC

DRAFT MHRC DESIGN

PHASE 1 PART 1

Funding:
BHCIP Round 5 Grant ($20.1M)

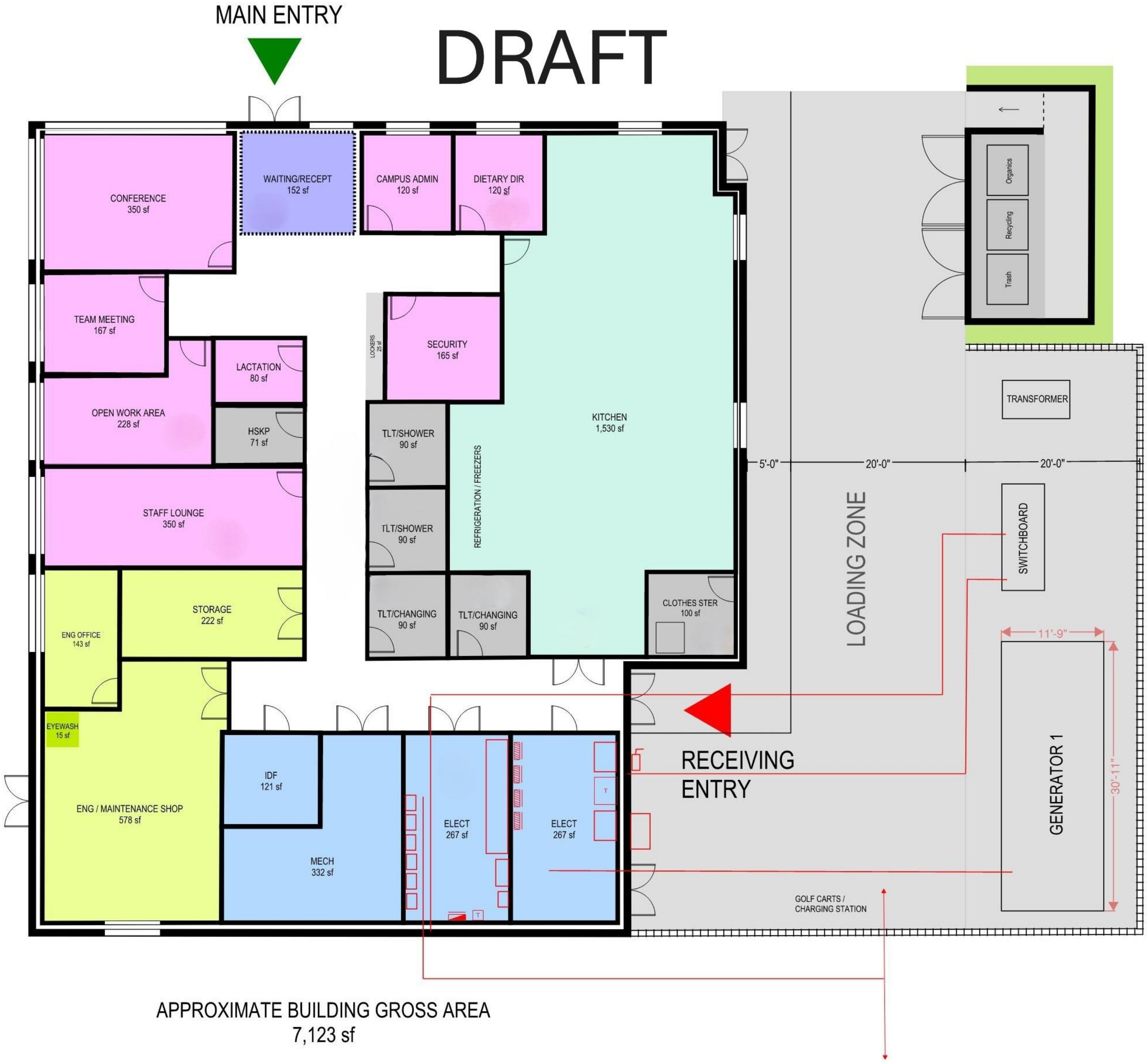
DRAFT MHRC DESIGN

PHASE 1 PART 2

Funding:
BHCIP Bond Round 1 Grant ($31M)

MHRC Floor Plan

Support Building Floor Plan



Project Cost Increase Factors

Project cost estimates increased from $75M (HD ROM) to $172M (Engineer Estimate)

- ROM was calculated prior to Completion of Programming and Schematic Design
- Parcel lacks essential infrastructure (water, sewer, power, data, etc.)

- Tariffs
- Escalation
- Offsite Improvements
- Increased Construction Cost

- Construction and Project Contingency - 20%
- CEQA Mitigation Measures cost still to be determine

Project Budget

Scope of Work	Projected Budget Cost
Architectural & Engineering (A&E)	$10,996,453
Right of Way & Utilities	$435,000
Construction Management	$5,078,299
Construction Costs	$127,577,095
Construction Contingency – 10 %	$12,757,710
Project Contingency – 10 %	$12,757,710
Furniture Fixtures and Equipment	$2,852,563
Total	**$172,454,829**

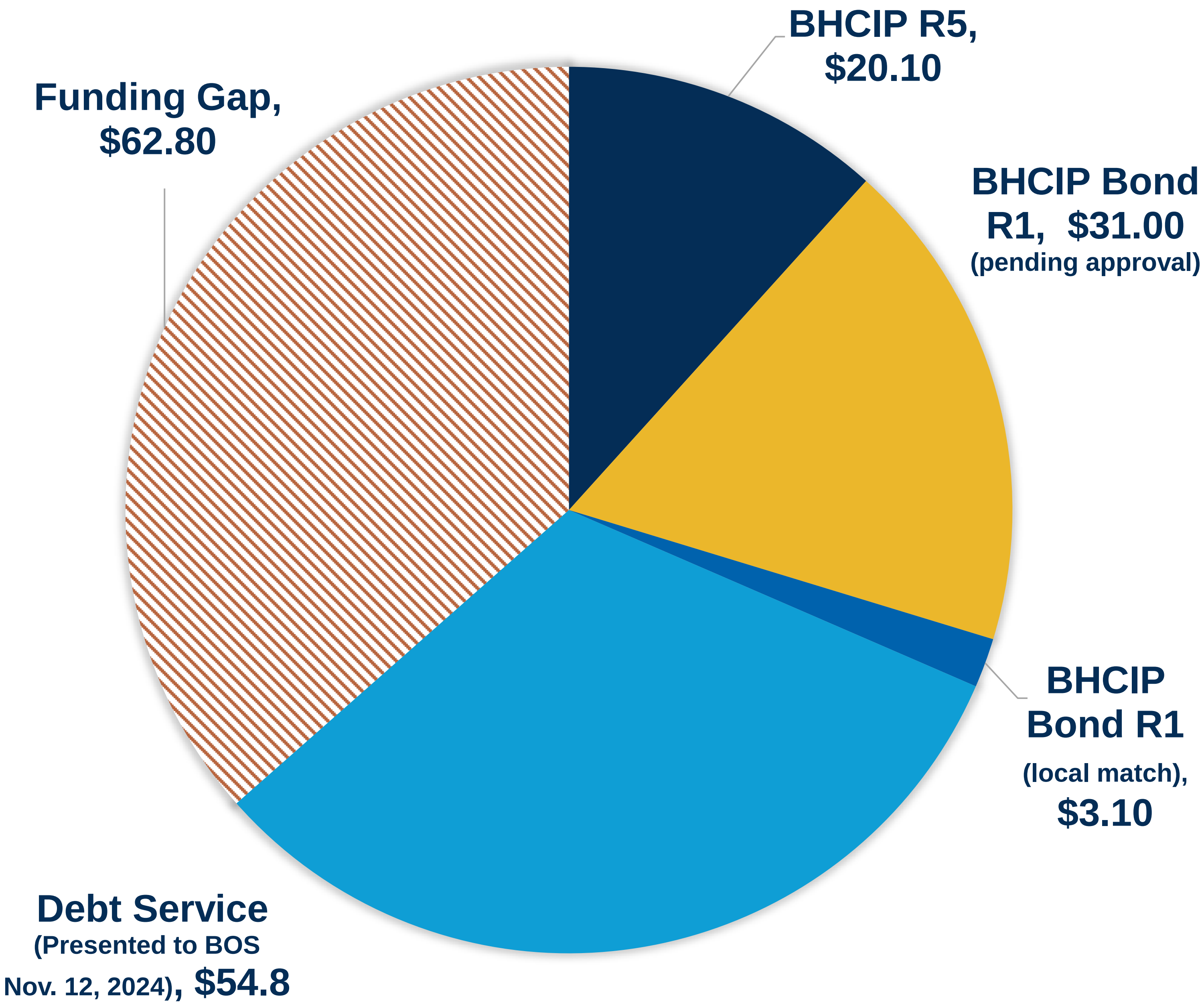
Project Expenditures as of 9/26/25

Scope of Work	Consultants/ Parties Involved	Total Costs Received as of 9/26/2025
Architectural and Engineering	PWFP Staff Time Paul Davis Partnership, LLP Millenium Consulting Kleinfelder LSA	$2,122,902
Construction Management	Harris and Associates	$160,272
	Total	**$2,283,174**

Project Finances
(in millions)

Funding Type	Amount
BHCIP Round 5 Grant*	$20.1
BHCIP Bond Round 1 Grant (Pending Approval)	$31.0
BHCIP Bond Round 1 Local Match	$3.1
Debt Service (presented to BOS on Nov. 12, 2024)	$54.8
Funding Gap	$62.8
Total	**$172.4**

*The land parcel was used as match for the BHCIP Round 5 Local Match



Project Finances (continued)

Description	Previously Approved	Revised Estimate	Change
Total Project Cost	$75,000,000	**$172,454,829**	$97,454,829
Less Other Funding Sources	$20,166,779	**$54,266,779**	$34,100,000
COP Funding	$54,833,221	**$118,188,050**	$62,881,878
Rate*	4.67%	**4.67%**	No change
Term	30 years	**30 years**	No change
Annual Debt Payment	$3,411,071	**$7,401,536**	$3,990,465
Total Interest Paid	$50,652,250	**$103,858,023**	$53,205,773
Revised Total Project Cost**	$125,652,250	**$276,316,852**	$150,660,602

*Each additional increase of one basis point increases the Revised Total Project Cost by ~$258k
**Includes Total Project Cost and Total Interest Paid

CalAIM Payment Reform Opportunity

- Prior to Fiscal Year 23-24 BH service delivery subject to annual cost settlement
- Beginning Fiscal Year 23-24 Medi-Cal services reimbursed on fee-for-service basis without cost settlement
- Payments received above cost are permitted to be reinvested into the local care continuum
- Opportunity to meet two community needs:
    1. Increase mental health and substance use service delivery
    2. Meet additional Debt repayment needs

MHRC and Debt Service Funding

Mental Health Rehabilitation Center	
Cost Analysis Summary (Year 1)	
MHRC Costs	
Annual Debt Service	$7,401,536
Payments to Providers	$4,013,720
Annual Building Depreciation (Cost Plan)	$3,449,097
Clients Placed Out of County*	$1,672,998
Total Annual Costs	**$16,537,351**
Revenue	
Property Lease Revenue	$1,296,000
Medi-Cal Revenue	$2,361,012
Other County Revenue	$1,234,472
Total Annual MHRC Revenue	**$4,891,483**
Savings From Clients Placed Locally	**$3,659,684**
Total Revenue/Savings	**$8,551,167**
New Costs to County	**$7,986,183**

FY 25-26 FFP/SGF Estimate County Operated Programs	+10.5% Direct Service Increase**	FY 29-30 FFP/SGF Estimate County Operated Programs***
$19,916,572		$28,043,786

FFP – Medi-Cal Federal Financial Participation
SGF – Medi-Cal State General Fund

New MHRC Costs Funded by Increased Direct Service Billing	
Annual Revenue Increase	$8,127,213
Less New Costs to County	$7,986,183
Net Margin	$141,030

*Average annual spend on IMD placements is approximately $5,332,682

**1% increase to average billable direct service hours generates approx. $965,619.29/year

***In current dollars, adjusted using 5% discount rate

Pro Forma Summary

- Total annual MHRC cost **with debt service payments:**

$16,537,350

- MHRC revenue and additional savings from returning out-of-county-placements:

$8,551,167

- Remaining amount can be offset by 10.5% increase in system wide billable direct services:

$7,986,183

Project Timeline

1. Summer 2025, Finalize Floor Plans
2. Fall/Winter 2025, Public Outreach
3. October 2025 Project Update to Board of Supervisors
4. Spring 2026, Complete Environmental Review
5. Late Spring/Early Summer 2026 COP Funding Secured
6. Summer/Fall 2026, Construction Contract Process
7. Early 2027, Begin Construction
8. Summer 2029, Phase I Project Completion

Project Benefits

System Benefits

- Ability to have **local placement options** for Monterey County residents and families
- Local MHRC placement will **aid in overall care coordination for clients and their connection to their natural supports**
- Ability to **contract out beds with other counties** in the region to ensure **full utilization** of MHRCs aiding on **overall care coordination regionally**

Project Budget and Construction Timeline

- Construction Timeline is **Achievable**
- **BHCIP R5 and BHCIP Bond R1** funding offsets project costs

Debt can be serviced by the Health Department:

- Anticipated **increases** in Behavioral Health Bureau **systemwide billable direct service** provision allow for **increased revenues to support debt repayment**
- Relocating eligible clients to MHRC **realizes additional savings** compared to costly out of county placements

Board of Supervisors Strategic Plan Goals

- Well-Being and Quality of Life
- Sustainable Infrastructure for the Present and Future

Board of Supervisors Recommendation

It is recommended that the Board of Supervisors (Board) receive a status report on the County of Monterey Health Services Campus Master Plan Project Phase I at 1443 Constitution Blvd. in Salinas, California and provide direction to staff.

Thank you!

Questions and Answers