



State of Vermont

Department of Mental Health
Office of the Commissioner
280 State Drive, NOB 2 North
Waterbury, VT 05671-2010

<http://mentalhealth.vermont.gov/>

Agency of Human Services

[phone] 802-241-0090
[fax] 802-241-0100
[tty] 800-253-0191

January 4, 2022

Green Mountain Care Board
Attn: Donna Jerry, Health Care Administrator
144 State Street
Montpelier, VT 05602

Dear Ms. Jerry:

Please allow this letter to serve as notification of an increase in project costs associated with GMCB-002-21con, which was approved by the Green Mountain Care Board (Board) on August 18, 2021. The project is to build a 16-bed secure residential treatment program at 26 Woodside Drive in Essex for individuals requiring residential treatment program services for mental health conditions. The program replaces the current seven-bed program in Middlesex developed on a temporary basis to meet a critical need following Tropical Storm Irene. The Board approved a total project cost \$21,900,521.00. However, due to the COVID-19 pandemic, construction cost increases have resulted in a need for a 13.2% budget increase resulting in a new total cost of \$24,790,473.00.

The Department of Buildings and General Services (BGS) has found that, as being reported nationally, construction material costs are at historic highs due to COVID-19 causing volatility in the market, inflation, and shortages. The 13.2% increase is below the national average of 20%. The BGS Design and Construction Division attempted to control costs with value engineering efforts and material substitutions. We would also note that the construction costs submitted with the application were estimates from the construction manager. Upon approval of the CON, the project was actually bid to subcontractors and a Guaranteed Maximum Price (GMP) was submitted by the construction manager. This GMP is the basis for the updated budget.

Below is our approved budget compared to the actual GMP, the difference in cost, and brief comments explaining the changes.

Construction Costs		GMP	Difference	Comments
1. New Construction	\$ 9,367,227	11,015,018	\$ 1,647,791	Increase in labor and materials realized in Guaranteed Maximum Price (GMP)
2. Renovation	\$155,614	200,000	\$ 44,386	Increase in labor and materials realized in GMP
3. Site Work	1,755,746	2,348,427	\$ 592,681	Increase in labor and materials realized in GMP
4. Fixed Equipment	162,250	183,900	\$ 21,650	Increase in labor and materials realized in GMP
5. Design/Bidding Contingency	\$978,136	770,168	\$ (207,968)	reduced to reflect minimized risk with GMP acceptance and % completion of construction (common state practice)
6. Construction Contingency	\$592,682	784,133	\$ 191,451	figured as a % of construction cost and additional \$100,000 for protection fo market volatility
7. Construction Manager Fee	622,642	871,889	\$ 249,247	Increased per contract language for additional construction cost
8. Other (Special Construction)	55,121	284,000	\$ 228,879	Increase in labor and materials, removal of security scope from GMP (common state practice)
Subtotal	\$ 13,689,418	16,457,535	\$ 2,768,117	
Related Project Costs				
1. Major Moveable Equipment	\$ -			
2. Furnishings, Fixtures & Other Equip.	\$400,000	400,000		
3. Architectural/Engineering Fees	\$1,406,717	1,485,649	\$78,932	Estimate for additional services and reimbursement figured at a % of construction cost
4. Land Acquisition	-			
5. Purchase of Buildings	-			
6. Administrative Expenses & Permits	\$977,250	977,746		
7. Debt Financing Expenses (see below)	5,427,136			
8. Debt Service Reserve Fund	-			
9. Working Capital	-			
10. Other (please specify)	-			
Subtotal	\$ 8,211,103			
Total Project Costs	\$ 21,900,521	19,320,930		
Debt Financing Expenses				
1. Capital Interest	\$ 5,297,871			
2. Bond Discount or Placement Fee	-			
3. Misc. Financing Fees & Exp. (issuance costs)	129,265			
4. Other	-			
Subtotal	\$ 5,427,136			
Less Interest Earnings on Funds				
1. Debt Service Reserve Funds	\$ -			
2. Capitalized Interest Account	-			
3. Construction Fund	-			
4. Other	-			
Subtotal	\$ -			
Total Debt Financing Expenses	\$ 5,427,136			
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Full funding for the original project was authorized by the Vermont State Legislature during the 2021 session. Funding for the increase will be included in the Capital Budget Adjustment Request for the 2022 session.

In closing, we would note that the scope of the project and the actual construction plans remain unchanged from the original application. The price increase is solely a result of increased construction costs due to the COVID-19 pandemic. The project currently remains on schedule and is expected to be fully operational during the first quarter of 2023.

Sincerely,

Karen Godnick Barber
 General Counsel
 Department of Mental Health



Cc: Commissioner Emily Hawes
Deputy Commissioner Alison Krompf
Laura Beliveau
Abigail Connolly
Eric Schultheis
Kaili Kuiper
Lindsey Owen
Wilda White
Zachary Hozid