

ATTACHMENT NO. 2

MOHAWK VALLEY HEALTH SYSTEM

LETTER FROM HAMMES CO.

Hammes Company

100 Cummings Center, Suite 207-P
Beverly, MA 01915

December 13, 2017

Dear Mr. Ungerer,

This letter is to describe Hammes Company ("Hammes") and our process for establishing budgets for our client.

Hammes is a national leader in healthcare development. We work solely on healthcare projects ranging from medical office buildings to large acute care hospitals. We specifically have managed the planning and development of more than 46 hospitals in the last twenty years. Our primary role is as a Program Manager directly for the healthcare system ("Owner") representing and advising them on complex projects. Based on this experience, our firm has developed an extensive and proprietary database of costs which we use in conceptual design to develop a preliminary budget and inform the Owner's decisions. We typically then take the conceptual budget and validate it with several outside construction firms to ensure that the budget has accuracy and is balanced for regional costs and trends. We followed this process for the Mohawk Valley Health System

As the project progresses into design, our team then "builds" the budgets in Budget Builder (our database), which is supported by e-builder, a leading project management software (<https://www.e-builder.net/>). The initial budget build includes:

1. Square footage
2. Type of Facility
3. Departments
4. Existing or replacement Facility
5. On Campus or off

Once this is established, the total project budget is uploaded into the system, allowing the Owner to have a comprehensive understanding of the entire budget, beyond just design and construction. These categories include:

1. Construction Cost
2. AE fees
3. Jurisdictional costs
 - a) Local
 - b) State
 - c) Other
4. Land acquisition
5. Site investigation

- d) On site costs
- e) Off site costs
- 6. Hazardous/environmental Investigation
- 7. FFE
- 8. Financing
- 9. Contingency
- 10. Marketing Costs

Each of the above categories consist of subsets assuring we capture all relevant costs associated with the project.

The initial budget is continually validated throughout design and into construction with the specific technical vendors and expertise.

On no less than a monthly basis, we will report to the Owner the budget progress, which illustrates the initial budget, actual costs, cash flow and "cost to complete" which is project progress based on spend. Finally, this system is synced with finance, allowing our teams to complete a monthly draw review for payment of all vendors and consultants; in addition to ensuring that all project costs are reconciled with the Owner's financial accounting system for accuracy.

In particular, the Department Furniture budget, line 18000 calculated at \$6,125,000 or \$9.13 per square foot. Upon review, this is in line with industry standards we find in our other projects. Of course as the project develops, there will be additional factors such as reuse of furniture once evaluated, planned decommissioning, etc. that will be factors in the budget development.

Please let me know if you have any questions or need additional information.

Sincerely,



Mike Solak
Regional Vice President
Hammes Company