

Office of the President

**TO THE MEMBERS OF THE COMMITTEE ON GROUNDS AND BUILDINGS:**

**ACTION ITEM**

*For Meeting of September 15, 2015*

**APPROVAL OF THE BUDGET AND APPROVAL OF EXTERNAL FINANCING,  
NORTH ADDITION OFFICE BUILDING, UC DAVIS HEALTH SYSTEM,  
SACRAMENTO, DAVIS CAMPUS**

**EXECUTIVE SUMMARY**

The proposed North Addition Office Building (North Addition) project would be an approximately 130,000 gross-square-foot office building constructed adjacent to the Main Hospital at the UC Davis Health System (UCDHS) at the Sacramento Campus. The project would provide space to allow for the relocation of critical hospital administrative units from two seismically deficient structures: the North/South Wing of the Main Hospital and the nearby Housestaff Facility. This project is one of a series of projects that the UCDHS must complete to address seismic safety mandates required under State law. Per Senate Bill 1953, the North/South Wing needs to be upgraded to resist a major seismic event, or vacated and disconnected from the adjoining Main Hospital by January 1, 2020. The UCDHS will vacate and disconnect the North/South Wing from the adjoining Main Hospital complex prior to 2020 to comply with State seismic mandates and maintain hospital licensure. To provide space for the administrative units and their operational needs, UCDHS proposes to construct the North Addition, a multi-story, non- Office of Statewide Health Planning and Development office structure to be located just north of the Main Hospital complex. (Refer to Image 1: North Addition – Future Site.)

In January 2015, the Regents approved preliminary plans funding of \$3.71 million from Hospital Reserves. The project has been approved by the Committee on Health Services as part of the UCDHS' clinical strategic plan.

The Regents are being asked to: 1) approve the project budget of \$87.5 million, to be funded from external financing; and 2) approve external financing in the amount of \$87.5 million. As part of this approval request, the UCDHS is requesting that the \$3.71 million funded from Hospital Reserves approved by the Regents in January 2015, now be included within the proposed external financing package.

**RECOMMENDATION**

The President of the University recommends that the Committee on Grounds and Buildings recommend to the Regents that:

1. The 2015-16 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:  
  
From: UC Davis Health System (Sacramento): North Addition Office Building – preliminary plans – \$3.71 million – to be funded from Hospital Reserves.  
  
To: UC Davis Health System (Sacramento): North Addition Office Building – preliminary plans, working drawings, construction, and equipment – \$87.5 million – to be funded from external financing.
2. The President be authorized to obtain external financing not to exceed \$87.5 million to finance the North Addition Office Building project. The President shall require that:
  - A. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
  - B. As long as debt is outstanding, the gross revenues of the UC Davis Health System shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
  - C. The general credit of the Regents shall not be pledged.
3. The scope of the North Addition Office Building project shall include the construction of approximately 130,000 gross square feet of office and conference space, and site utilities.
4. The President, in consultation with the General Counsel, be authorized to execute all documents necessary in connection with the above and to make changes in the terms that do not materially increase the cost of the project or the obligations of The Regents.

### **BACKGROUND**

Hospital acute care facilities in California are subject to seismic safety mandates outlined in accordance with Sections 130000 through 130070 of the California Hospital Seismic Retrofit Program as added by Chapter 740 of the Statutes of 1994, Senate Bill 1953 (SB 1953). Compliance with SB 1953 has been an integral component of UC Davis Health System (UCDHS) capital planning and significant strides in seismic mitigation have been achieved over the past 15 years. The construction of the Davis Tower (May 1999), and the subsequent build-out of its six floors of shelled space (1999-2009) for inpatient beds, as well as the construction of the Surgery and Emergency Services Pavilion (October 2010), have made way for virtually all of UCDHS's critical systems and inpatient beds to be located in facilities that are seismically compliant.

***North/South Wing***

The North/South Wing of the UC Davis Main Hospital comprises 235,000 gross square feet (gsf) of seismically deficient space. The North/South Wing is a “Structural Performance Category 1” structure per California’s Office of Statewide Health Planning and Development (OSHPD) standards. The UCDHS will vacate and disconnect the North/South Wing from the adjoining Main Hospital complex prior to 2020 to comply with State seismic mandates and maintain hospital licensure. (See Image 1: North Addition Future Site, below.) While vacating and disconnecting the North/South Wing addresses SB 1953’s 2020 mandates, the building would still be considered an OSHPD facility subject to SB 1953’s 2030 statutes. Converting the North/South Wing to a non-OSHPD, non-acute care facility (and qualifying the structure as seismically conforming under SB 1953’s 2030 mandates) would allow the structure to be repurposed. However, the North/South Wing would need to be made “free-standing” by establishing a proper fire wall separation and creating more physical distance between the North/South Wing and the rest of the Main Hospital complex. Since this is not structurally or financially practical, the UC Davis Health System has elected to demolish the structure. The North/South Wing will be abated and demolished under a separate project anticipated to occur post-2020, with an estimated cost of \$20 million, subject to completion of environmental studies and a detailed cost estimate.

In recent years, acute operations within the seismically deficient North/South Wing have been relocated to other parts of the Main Hospital complex (East Wing, Davis Tower, and University Tower) or the Surgery and Emergency Services Pavilion. These operations include Operating Room Suites, the Emergency Department, Clinical Lab, Radiology, and Dietary Services.

At present, the North/South Wing is home to a handful of patient care units (such as the Apheresis and Dialysis unit, and Children’s Surgery Center and Hospitalists); some minor support units (such as Environmental Services and Child Life Program); and several critical hospital administrative units, which directly serve the Main Hospital complex. Projects have been approved for the remaining Apheresis and Dialysis unit, Children’s Surgery Center, and Hospitalists to be relocated to other areas of the Main Hospital complex (University Tower First Floor, and Surgery and Emergency Services Pavilion, respectively). The minor support units are also slated to relocate to various spaces around the UC Davis Medical Center campus over the next three years.

***Departments Relocating to the North Addition***

The North/South Wing houses the Hospital Bed Control Center, the Main Hospital’s Emergency Command Center, and heavily-utilized conference spaces. These important operational functions (and associated information technology needs) must be relocated to the North Addition in order to maintain hospital operations. The following units will be moved into the North Addition from the North/South Wing:

- Hospital Administration and Operations
- Heart and Vascular Center
- Patient Care Services
- Pharmacy Operations
- Physical Medicine and Rehabilitation Therapies
- Performance Excellence
- Neurology
- Infection Prevention

Finally, two hospital administrative units, Surgery and Clinical Affairs, currently housed in the nearby Cypress and Sherman buildings (respectively), would also occupy the proposed North Addition to optimize functional alignments. (Refer to Attachment 6.) The space vacated in Cypress and Sherman (refer to Attachment 4 for the location of these facilities) would, in turn, be occupied by units from the Housestaff Facility. The Housestaff Facility, located just north of the North/South Wing, contains 20,137 gsf of seismically deficient space. The secondary space effects emanating from programs going into the North Addition would allow the Housestaff Facility to be fully vacated. The Housestaff Facility is not a hospital acute care facility, but it will be abated and demolished under a separate project anticipated to occur post-2020, with an estimated cost of \$2 million, subject to completion of environmental studies and a detailed cost estimate.

**Image 1: North Addition - Future Site (View From Northeast)**



## PROJECT DRIVERS

The proposed project addresses relocation of staff out of two seismically deficient buildings and provides improved operational efficiencies.

*Seismic*

Requirement to Vacate or Upgrade Seismically-Deficient Space. The North/South Wing is subject to SB 1953, and the structure needs to be upgraded to resist a major seismic event, or vacated and disconnected from any adjoining structures by January 1, 2020. UCDHS has elected to vacate and disconnect the North/South Wing.

*Operational Efficiencies and Patient Care*

Improved Patient Care and Programmatic Alignment. Keeping or bringing critical administrative functions in close proximity to the Hospital supports operational efficiencies, and improves patient care coordination. The proposed Project improves programmatic alignments. For example, the Chief Medical Officer (Clinical Affairs) is currently located in the Sherman Building. Bringing Clinical Affairs into the North Addition will allow the Chief Medical Officer to better coordinate with the Chief Nursing Officer (Patient Care Services), as well as the Chief Executive Officer and Chief Operating Officer (Hospital Administration and Operations).

Similarly, the Department of Surgery is located within the Cypress Building. Relocating Surgery into the North Addition will allow hospital administration to better coordinate with administration and faculty who are paramount to the surgical operations and teaching of the UCDHS, helping to improve patient outcomes and the student experience. Equally important, the Transplant Department (currently located in the Housestaff Facility) will backfill the Cypress Building and be closer to their clinic currently located in the structure. (Refer to Attachment 6 – Program Space Matrix.)

*Preferred Solution*

To provide space for the administrative units and their operational needs, UCDHS proposes to construct the North Addition, a multi-story, non-OSHPD office structure to be located just north of the Main Hospital complex. An alternatives analysis was provided to the Regents at their January 2015 meeting, when they approved preliminary plans funding of \$3.71 million. Renovation of the existing building was evaluated, but would add significant financial costs because of both the age (1928 unreinforced masonry core and 1950 addition) and the specifics of construction. Moreover, costly asbestos and lead mitigation would be required since the structure is affixed near patient-care areas within the East Wing of the Main Hospital complex. Excluding the logistics and phasing required to facilitate seismic renovations, the cost of the renovation itself is estimated at \$221 million, far greater than the proposed project cost of \$87.5 million.

**PROJECT DESCRIPTION**

The proposed project would include approximately 130,000 gsf of new construction to provide administrative space for units that oversee Main Hospital operations. The new building would be linked to the Main Hospital by a single-story passage to an existing east/west corridor located in the Davis Tower.

### *Offices and Support Space*

Office space would be provided to house programs relocated out of seismically deficient space or being brought into the structure to create better programmatic alignment. The proposed project also includes replacing support space (Hospital Bed Control Center, Emergency Command Center, conference rooms, copy areas, and break rooms) being taken out of service as a result of the North/South Wing being taken off-line.

### *Site and Utilities*

The North Addition will be constructed north of the Main Hospital on the site formerly occupied by the Trauma Nursing Unit and former Children's Surgery Center. (Refer to Image 1: North Addition Future Site.) The Project site is bounded on the south by the continuous north face of the Main Hospital (comprised of the East Wing and Davis Tower); on the east by loading docks and on the west by the North/South Wing. The Project site's north edge will be defined by a reconfigured service road and landscaped buffer. (Both are included as part of the proposed project.) The building would connect to the existing utilities infrastructure serving the overall Main Hospital complex.

### *Project Delivery*

The campus intends to utilize the design-build delivery method for the Project. The campus has a proven track record utilizing this method to deliver projects within a short timeframe while also mitigating post-construction costs. (Refer to Attachment 5 – Delivery Model.)

### *Future Approval Request and Schedule*

UCDHS intends to submit the project to the Regents for approval of design following action pursuant to the California Environmental Quality Act in November 2015. Following these approvals, it is estimated that construction would commence in winter 2017, with completion targeted in early 2019. This schedule allows the time necessary for the follow-up project to disconnect the North/South Wing from the rest of the Main Hospital Complex prior to the 2020 deadline. A separate future effort to deconstruct the North/South Wing is currently being planned.

### **Key to Acronyms**

ASF	Assignable Square Feet
FTE	Full-time equivalent
GSF	Gross Square Feet
CEQA	California Environmental Quality Act
OSHPD	Office of Statewide Health Planning and Development
UCDHS	University of California Davis Health System

**ATTACHMENTS**

- Attachment 1: Project Budget and Information
- Attachment 2: Comparable Project Information
- Attachment 3: Summary of Financial Feasibility
- Attachment 4: Project Site and Related Graphics
- Attachment 5: Delivery Model
- Attachment 6: Program Space Matrix

**PROJECT BUDGET  
(CCCI 6474)**

<b>Cost Category</b>	<b>Cost</b>	<b>% of Total</b>
Site Clearance	\$1,000,000	1.3%
Building	\$55,760,000	70.6%
Exterior Utilities	\$2,054,000	2.6%
Site Development	\$2,900,000	3.7%
Fees <sup>1</sup>	\$5,687,000	7.2%
Campus Administration <sup>2</sup>	\$1,890,000	2.4%
Surveys, Tests, Plans	\$595,000	0.8%
Special Items <sup>3</sup>	\$813,000	1.0%
Financing Costs	\$4,500,000	5.7%
Contingency	\$3,826,000	4.8%
Total	\$79,025,000	100.0%
Group 2 & 3 Equipment	\$8,475,000	
<b>Project Cost</b>	<b>\$87,500,000</b>	

**Project Statistics**

<b>Category</b>	
Gross Square Feet <sup>4</sup>	130,000
Assignable Square Feet	88,613
Efficiency Ratio ASF/GSF	68%
Building Cost/GSF	\$428.92
Project Cost (excluding Equipment)/GSF	\$607.88

<sup>1</sup> Fees include executive architect basic services, which will be set during the design-build competition.

<sup>2</sup> Campus Administration includes quality assurance, project management, and inspection.

<sup>3</sup> Special Items includes programming/project DPP, independent/peer reviews, value engineering/constructability review, agency review, environmental impact report, environmental monitoring during construction, AV/IT/lighting consultant, commission building systems, and Facilities Management utility coordination/shutdowns.

<sup>4</sup> Gross square feet (GSF) is the total area, including usable area, stairways, and space occupied by the structure itself. Assignable square feet is the net usable area.



## ATTACHMENT 2

### COMPARABLE PROJECT INFORMATION

UCD Health System  
North Addition Project

Indexed to North Addition Midpoint Construction CCCI:		6490	Assumes .0281%/yr - 10 year average, to 1/1/2018 midpoint				
		Year/ CCCI	GSF	Construction	Construction/ GSF	PWC	PWC/ GSF
UC Comparable Projects							
1	UCI School of Business	6490	78,982	\$34,448,404	\$436.16	\$48,274,404	\$611.21
2	UCD Graduate School of Management	6490	82,034	\$34,436,144	\$419.78	\$44,261,144	\$539.55
3	UCD International Complex	6490	55,305	\$21,813,260	\$394.42	\$30,378,260	\$549.29
Non UC Comparables							
4	State Lottery Building, Sacramento	6490	155,000	\$71,671,832	\$462.40	\$92,020,232	\$593.68
5	CALSTRS, Sacramento	6490	409,000	\$188,664,877	\$461.28	\$242,358,397	\$592.56
6	College of the Desert EdCenter	6490	43,000	\$19,472,162	\$452.84	\$25,117,202	\$584.12
					Construction/ GSF		PWC/ GSF
Average, UC Comparables					\$416.78		\$566.68
Average, Non-UC Comparables					\$458.84		\$590.12
Average, All Comparables					\$437.81		\$578.40
		Year/ CCCI	GSF	Construction	Construction/ GSF	PWC	PWC/ GSF
North Addition (CM estimate, excluding IDC)		6490	130,000	\$55,760,000	\$428.92	\$74,525,000	\$573.27

# ATTACHMENT 3

## SUMMARY FINANCIAL FEASIBILITY ANALYSIS

Project Title: UC Davis Health System, North Addition Office Building

Total Estimated Project Cost: \$87,500,000

Proposed Sources of Funding

External Financing	\$87,500,000
Gifts	\$0
Hospital Reserves	\$0
Children's Hospital Bonds	\$0
Capitalized Leases	\$0
Total	<u>\$87,500,000</u>

Proposed New Long-Term Financing: \$87,500,000

Projected Financing Terms:

Interest Rate	6%
Term	30 years
Average Annual Debt Service	\$6,357,000

Existing Medical Center Long-Term Debt June 30, 2014: \$320,143,000

Estimated Total Medical Center Long-Term Debt July 1, 2018: \$330,205,000

Estimated Combined Annual Debt Service in 2018: \$41,186,000

Projected (In Thousands 000's)							
	<u>Audited FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Income Available for Debt Service:							
Net Income	\$46,985	\$82,418	\$109,601	\$113,038	\$159,463	\$77,801	\$101,259
Interest	\$17,918	\$16,884	\$14,359	\$19,348	\$18,211	\$23,017	\$21,685
Depreciation	\$85,928	\$85,077	\$97,576	\$111,029	\$124,298	\$138,453	\$139,044
Unfunded Pension Expense	\$22,538	(\$18,351)	(\$30,827)	(\$64,375)	(\$82,938)	(\$5,803)	\$0
Income Available for Debt Service:	<u>\$173,369</u>	<u>\$166,028</u>	<u>\$190,709</u>	<u>\$179,040</u>	<u>\$219,034</u>	<u>\$233,468</u>	<u>\$261,988</u>
Debt Service:							
Interest	\$17,918	\$16,884	\$14,359	\$19,348	\$18,211	\$23,017	\$21,685
Principal	\$32,599	\$29,324	\$20,300	\$21,405	\$22,975	\$25,618	\$27,156
Total Debt Service	<u>\$50,517</u>	<u>\$46,208</u>	<u>\$34,659</u>	<u>\$40,753</u>	<u>\$41,186</u>	<u>\$48,635</u>	<u>\$48,841</u>
Debt Service Coverage Ratio	3.49	3.36	4.37	4.52	5.53	4.43	4.83
Days Cash on Hand	75.6	94.1	88.3	61.4	70.4	77.1	91.3

\* In June 2012, the GASB issued Statement No. 67, Financial Reporting for Pension Plans, effective for the fiscal year starting July 1, 2013, and Statement No. 68, Accounting and Financial Reporting for Pensions, effective for the fiscal year starting July 1, 2014. The University implemented both GASB Statement Nos. 67 and 68 for the fiscal year ending June 30, 2014.

## **PROJECTED FINANCIAL PERFORMANCE**

Financial projections for the UC Davis Health System (UCDHS) are based on assumptions from the Office of the President and local assumptions based on: (1) UCDHS service mix, (2) patient volume trends, (3) net revenue projections based on payer negotiations, and (4) operating expense trends adjusted for volume increases.

### **Patient Volume**

Average daily inpatient census is expected to increase from 479 in 2014 to 494 in 2020 as a result of changes in population growth, newly insured patients under the Affordable Care Act, the success of Primary Care Network Clinics expansion, and penetration in the surrounding growth areas such as Folsom, Roseville, Natomas, and Rocklin. Emergency room visits continue to increase and add to the increase in census volume. Additionally, process improvement projects have started to show a decrease in the average length of stay for patients and we have projected this decrease to continue incrementally for the next few years.

### **Revenue and Expenses**

Overall revenue is expected to increase as a result of patient volume increases and growth in contract inpatient and outpatient reimbursement. While salaries are expected to increase based on negotiated union contracts, there is limited growth in full time equivalent (FTE) staffing that is not directly related to an increase in volume. Salary increases will place upward pressure on expenses, however increases in revenue will off-set the increase in expenses. The limited growth of FTEs is expected to level salary expenses from 2016-2020.

Other expense categories such as supplies, purchased services, and general expenses will increase two to three percent annually based on historical trends and forecast assumptions. With the implementation of UC Health Leveraging Scale for Value initiatives and upgrades to software systems, savings in supply expenses are expected to be achieved in 2016.

The financial projections include the costs and benefits of future projects associated with the UCDHS capital plan. This includes the cost of new construction, maintenance, improvements, equipment, and information technology.

### **North Addition Office Building**

The North Addition Office Building is one piece of an overall seismic strategy for UCDHS. The North Addition Office Building will add over 129,000 gross square feet office space to accommodate administrative and clinical support functions that remain in seismically deficient space in the North/South Wing of the main hospital.

The structure will also consolidate other administrative units that are located in strategically disadvantageous locations just outside of the Main Hospital. The departments currently housed in the North/South Wing must be relocated by 2020 to comply with the State of California Alquist Hospital Seismic Safety Act (aka SB 1953).

## Financial Projections

UCDHS has an active budget planning process and constantly adjusts operational targets based on current financial performance. Several initiatives are underway to actively reduce costs and improve throughput and operations. These initiatives will help UCDHS adjust to the changing market place and position the health system to actively adjust to any unforeseen changes in the market.

Throughout the projection period, the UC Davis Health System's margin and debt service coverage remain above industry averages and days cash on hand remains above the recommended floor of 60 days established by the Office of the President. Days cash on hand was 75 days in FY 2014, and is projected to be 94 days in FY 2015.

### ❖ Patient Volume Assumptions

- Inpatient Discharges: 3% growth per year, includes:
  - ✓ Renovated operating rooms.
  - ✓ Population growth.
  - ✓ Expansion and penetration of the Primary Care Network.
  - ✓ Newly insured patients under the Affordable Care Act.
  - ✓ Emergency room growth from increased throughput and process improvement.
- Average Length of Stay: 0.5% decline in years 2016-17, no change in years 2018-25, due to:
  - ✓ Process improvement projects.
- Outpatient Visits: 6% growth per year through 2017, and 3% through 2018-20, due to:
  - ✓ Growth opportunities in other markets.
  - ✓ New multi-specialty clinic in downtown Sacramento.
  - ✓ Future Primary Care Network Growth.

### ❖ Overall Revenue Assumptions

- Net Revenue Inflation: 2% growth in inpatient and outpatient revenue assumptions, due to:
  - ✓ Increased patient volume.
  - ✓ 3% growth in Commercial Contract inpatient and outpatient reimbursement rates.
  - ✓ 3% growth in Capitated payments.
  - ✓ A decrease in Bad Debt and Charity Care due to newly insured patients under the Affordable Care Act.

❖ Operating Expense Assumptions

- Salaries and Wages:
  - ✓ 1% growth in all salaries and wages from 2016-17, due to labor agreements and inflation.
  - ✓ 0% growth in contract labor.
  - ✓ Employee benefits are assumed to increase at the same rate as salaries and wages.
- Supplies
  - ✓ 3% growth in Medical Supplies, Implants, Drugs, and Pharmaceuticals, due to growth in inpatient discharges and outpatient visits and volume growth.
  - ✓ Medical Supply inflation is expected to be mitigated through UC Health Leveraging Scale for Value initiatives and software upgrades.
- Purchased Services
  - ✓ 2% growth assumed for Purchased Services.
  - ✓ Active projects to reduce the purchased services spend with group purchasing, and vendor negotiations.
- General Expenses
  - ✓ 2% growth assumed for Insurance, Utilities, and Facilities.
- Pension
  - ✓ From the most recent actuarial schedule received from UCOP, UC Davis Health System is projected to overfund its normal cost portion of the pension liability through 2018. (See below.) These values will be updated with the next actuarial schedule.

UC Davis Health System Calculation of Unfunded Pension Expense/ Liability As of August 10, 2015						
	<u>Audited 2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Estimated Total Pension Expense (From UCOP)	\$98,554,000	\$68,911,000	\$69,840,000	\$37,301,000	\$19,752,000	\$97,914,000
Less: Projected Total Funded Pension Expense (14% of Salaries and Wages)	\$76,016,587	\$87,262,409	\$100,667,463	\$101,676,575	\$102,690,500	\$103,717,213
Unfunded Pension Expense	\$22,537,413	(\$18,351,409)	(\$30,827,463)	(\$64,375,575)	(\$82,938,500)	(\$5,803,213)
Deferred Pension and Capital Outflows (Asset)	\$251,415,000	\$269,766,409	\$300,593,872	\$364,969,447	\$447,907,947	\$453,711,159

## Patient and Financial Data

### UC Davis Health System Projected Patient Volumes

	<u>Actual FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
<b>Discharges</b>							
Average Length of Stay	5.62	5.41	5.45	5.37	5.37	5.37	5.37
Average Daily Census (ADC)	479	489	482	479	484	489	494
<b><u>Discharge Volumes by Payer</u></b>							
Medicare	9,415	10,398	10,672	10,992	10,992	10,992	10,992
Medi-Cal	10,801	11,677	11,900	12,257	12,257	12,257	12,257
Sac County	567	31	67	69	69	69	69
Other County	293	3	2	2	2	2	2
Private Ins	21	19	19	19	19	19	19
Contracts	6,126	6,231	6,279	6,467	6,467	6,467	6,467
Non Spons. / Self Pay	149	118	130	134	134	134	134
Capitated - Full	1,576	1,620	1,598	1,645	1,645	1,645	1,645
Capitated - Partial	2,399	2,125	2,253	2,320	2,320	2,320	2,320
<b>Total Discharges</b>	<b>31,347</b>	<b>32,222</b>	<b>32,918</b>	<b>33,905</b>	<b>33,905</b>	<b>33,905</b>	<b>33,905</b>
<b>Patient Payer Mix Percent</b>							
Medicare	30.0%	32.3%	32.3%	32.3%	32.3%	32.3%	32.3%
Medi-Cal	34.5%	36.2%	36.2%	36.2%	36.2%	36.2%	36.2%
Sacramento County	1.8%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Other County	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Private Insurance	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Commercial Contracts	19.5%	19.3%	19.3%	19.3%	19.3%	19.3%	19.3%
Non-Sponsored / Self Pay	0.5%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
<b>Total Without Capitation</b>	<b>87.3%</b>	<b>88.4%</b>	<b>88.4%</b>	<b>88.4%</b>	<b>88.4%</b>	<b>88.4%</b>	<b>88.4%</b>
Capitation - Full Risk	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Capitation - Partial Risk	7.7%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%
<b>Total Payer Mix</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Ambulatory Visits:</b>							
Total Ambulatory Visits	1,013,498	1,032,321	1,063,291	1,095,189	1,128,045	1,161,886	1,196,743

### UC Davis Health System Projected Financial Performance Statement of Revenues and Expenses (Dollars in Thousands)

	<u>Actual FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
<b>Operating Revenue</b>							
Net Patient Revenue	1,559,516	1,691,450	1,747,695	1,752,473	1,801,010	1,830,938	1,861,540
Other Operating Revenue	26,142	30,521	31,742	33,012	34,332	35,705	37,133
<b>Total Operating Revenues</b>	<b>1,585,658</b>	<b>1,721,971</b>	<b>1,779,437</b>	<b>1,785,485</b>	<b>1,835,342</b>	<b>1,866,643</b>	<b>1,898,673</b>
<b>Operating Expenses</b>							
Depreciation and Amortization	1,438,365	1,569,169	1,589,455	1,578,776	1,572,039	1,661,454	1,671,320
	108,465	85,077	90,288	102,816	115,069	132,650	139,044
<b>Total Operating Expenses</b>	<b>1,546,830</b>	<b>1,654,246</b>	<b>1,679,743</b>	<b>1,681,592</b>	<b>1,687,108</b>	<b>1,794,104</b>	<b>1,810,364</b>
<b>Net Operating Income</b>	<b>38,828</b>	<b>67,725</b>	<b>99,694</b>	<b>103,893</b>	<b>148,234</b>	<b>72,539</b>	<b>88,309</b>
Non-Operating Income	8,157	14,693	9,907	9,145	11,229	5,262	12,950
<b>Net Income</b>	<b>46,985</b>	<b>82,418</b>	<b>109,601</b>	<b>113,038</b>	<b>159,463</b>	<b>77,801</b>	<b>101,259</b>
<b>Total Net Income Margin</b>	<b>2.96%</b>	<b>4.79%</b>	<b>6.16%</b>	<b>6.33%</b>	<b>8.69%</b>	<b>4.17%</b>	<b>5.33%</b>

**UC Davis Health System**  
**Projected Financial Performance**  
**Statement of Cash Flows**  
**(Dollars in Thousands)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Excess of Revenues over Expenses from Operations	\$38,828	\$67,725	\$99,694	\$103,893	\$148,234	\$72,539	\$88,309
Net Nonoperating Income, Excluding Interest Income and Expense	4,055	10,567	5,400	5,400	5,400	(1,300)	5,400
Extraordinary Items, Transfers and Other Items Not Affecting Working Capital:	0	0	0	0	0	0	0
Depreciation	108,465	66,726	66,749	46,654	41,360	132,650	139,044
Amortization	0	0	0	0	0	0	0
Other	(30,417)	(63,362)	(48,593)	(50,414)	(50,444)	(50,531)	(50,560)
Long Term Debt Proceeds	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>0</u>	<u>100,000</u>	<u>0</u>	<u>0</u>
<b>Total Sources of Cash</b>	<b>120,931</b>	<b>81,656</b>	<b>223,250</b>	<b>105,533</b>	<b>244,550</b>	<b>153,358</b>	<b>182,193</b>
<b>Uses of Cash:</b>							
Change in Working Capital, Excluding Current Portion of Debt	10,951	(83,319)	65,191	(2,045)	11,217	7,188	7,617
Additions to Property, Plant & Equipment, net	75,300	25,244	152,346	206,120	175,365	96,074	89,648
Long Term Debt Principal Repayments	<u>(4,614)</u>	<u>32,608</u>	<u>29,324</u>	<u>20,300</u>	<u>21,405</u>	<u>22,975</u>	<u>25,618</u>
<b>Total Uses of Cash</b>	<b>81,637</b>	<b>(25,467)</b>	<b>246,861</b>	<b>224,375</b>	<b>207,987</b>	<b>126,237</b>	<b>122,883</b>
Cash Provided (Used) Prior to Interest Income	39,294	107,123	(23,611)	(118,842)	36,563	27,121	59,310
Cash Provided from Interest Income	4,102	4,126	4,507	3,745	5,829	6,562	7,550
Cash Used by Interest Expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Provided (Used)	43,396	111,249	(19,104)	(115,097)	42,392	33,683	66,860
Cash Balance, beginning of period	<u>254,609</u>	<u>298,005</u>	<u>409,254</u>	<u>390,150</u>	<u>275,053</u>	<u>317,445</u>	<u>351,128</u>
<b>Cash Balance, end of period</b>	<b><u>\$298,005</u></b>	<b><u>\$409,254</u></b>	<b><u>\$390,150</u></b>	<b><u>\$275,053</u></b>	<b><u>\$317,445</u></b>	<b><u>\$351,128</u></b>	<b><u>\$417,988</u></b>

**UC Davis Health System**  
**Projected Financial Performance**  
**Statement of Net Assets**  
(Dollars in Thousands)

	<u>Actual FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
<b>Assets</b>							
Cash and Cash Equivalents	\$298,005	\$409,254	\$390,150	\$275,053	\$317,445	\$357,895	\$424,890
Patient Accounts Receivables	\$225,159	\$239,997	\$263,351	\$264,071	\$271,385	\$275,895	\$280,506
Other Receivables and Prepaid Expenses	\$61,944	\$58,006	\$59,484	\$59,104	\$60,222	\$61,338	\$62,489
Inventory	\$24,295	\$25,531	\$25,759	\$25,703	\$26,077	\$26,459	\$26,850
Total Current Assets	\$609,403	\$732,788	\$738,744	\$623,931	\$675,129	\$721,587	\$794,735
Capital Assets, Net	\$1,044,562	\$1,003,080	\$1,088,677	\$1,248,143	\$1,382,148	\$1,345,572	\$1,296,176
Restricted Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Investments in Joint Ventures	\$20,638	\$24,610	\$24,610	\$24,610	\$24,610	\$24,610	\$24,610
Other Assets	\$251,415	\$249,363	\$249,363	\$249,363	\$249,363	\$249,363	\$249,363
Total Assets	\$1,926,018	\$2,009,841	\$2,101,394	\$2,146,047	\$2,331,250	\$2,341,132	\$2,364,884
<b>Liabilities</b>							
Accounts Payable and Accrued Expenses	\$40,521	\$177,858	\$180,712	\$183,170	\$184,382	\$186,141	\$187,247
Third-Party Payor Settlements	\$48,312	\$124,925	\$81,940	\$81,811	\$78,188	\$75,249	\$72,679
Current Portion of Long-Term Debt	\$32,599	\$29,324	\$20,300	\$21,405	\$22,975	\$25,618	\$27,156
Other Accrued Liabilities	\$138,003	\$19,508	\$19,508	\$19,508	\$19,508	\$19,508	\$19,508
Total Current Liabilities	\$259,435	\$351,615	\$302,460	\$305,894	\$305,053	\$306,516	\$306,590
Obligation to UC Retirement System	\$468,810	\$450,459	\$452,147	\$452,147	\$452,147	\$452,147	\$452,147
Deferred Pension Inflows/ Pension Payable to UC	\$549,688	\$549,689	\$549,689	\$549,689	\$549,689	\$549,689	\$549,689
Long-Term Debt and Pension	\$323,879	\$294,546	\$374,246	\$352,841	\$429,866	\$404,248	\$377,092
Total Liabilities	\$1,342,377	\$1,294,694	\$1,376,082	\$1,354,677	\$1,431,702	\$1,406,084	\$1,378,928
<b>Net Assets</b>							
Invested in Capital Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Restricted	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unrestricted	\$324,206	\$363,532	\$422,852	\$485,476	\$594,495	\$621,765	\$672,464
Total Net Assets	\$324,206	\$363,532	\$422,852	\$485,476	\$594,495	\$621,765	\$672,464

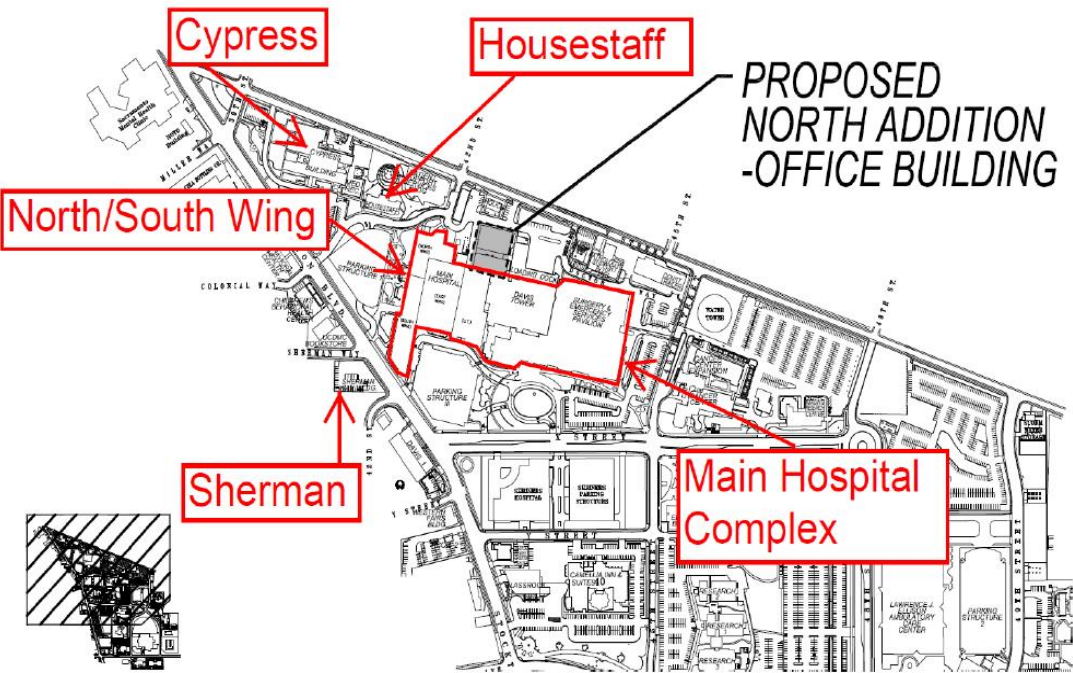
**UC Davis Health System**  
**Projected Financial Performance**  
**Key Financial Ratios**  
(Dollars in Thousands)

	<u>Actual FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Net Income	\$46,985	\$82,418	\$109,601	\$113,038	\$159,463	\$77,801	\$101,259
Total Margin	2.95%	4.75%	6.13%	6.30%	8.64%	4.16%	5.30%
EBIDA (\$000's)	\$173,368	\$166,028	\$190,709	\$179,040	\$219,034	\$233,468	\$261,988
Days Cash on Hand	75.6	94.1	88.3	61.4	70.4	77.1	91.3
Debt Service Coverage	3.49	3.36	4.37	4.52	5.53	4.43	4.83
Debt/Capitalization	52%	47%	48%	44%	43%	41%	38%
Debt/Equity	110%	89%	93%	77%	76%	69%	60%

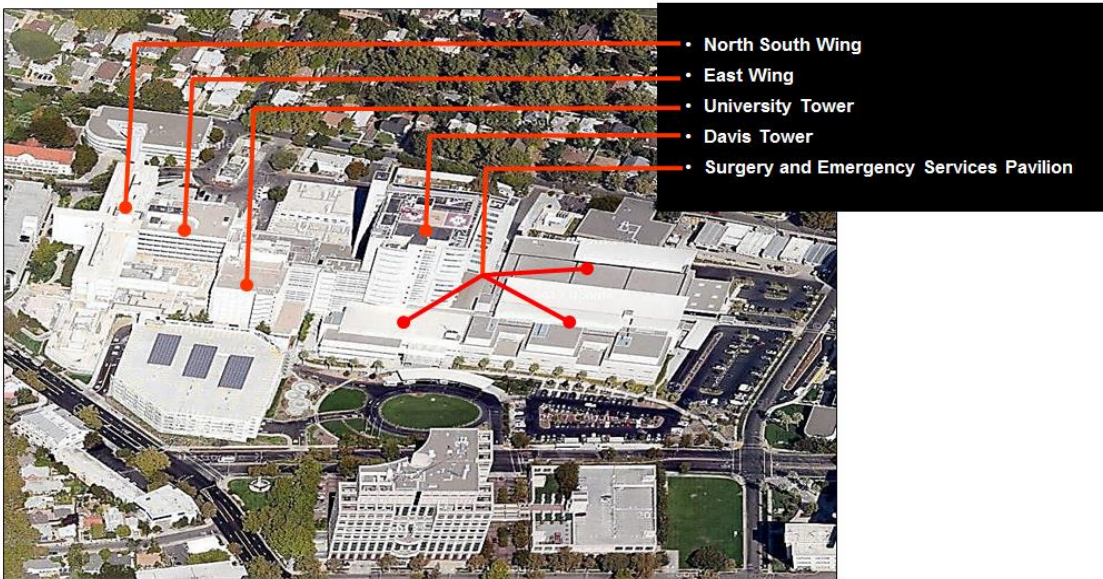


PROJECT SITE AND RELATED GRAPHICS

*Project Site & Other Key Structures near the Main Hospital Complex*



*Main Hospital Complex*



**DELIVERY MODEL**

Design-Build Project Delivery: The project is proposed to be constructed using the design-build delivery method. For a number of projects, including the North Addition, UCDHS has modeled its Design-Build contract and LEAN delivery model on UCSF templates.

In this process, the University contracts with a single party for both design and construction. The campus prepares an extensive bid package outlining detailed project requirements, performance specifications, desired design character, and maximum acceptance cost. This package is bid competitively to prequalified contractor/architect teams who submit schematic design proposals. The contract is awarded to the team that provides the best value for the budget.

**ATTACHMENT 6**

**PROGRAM SPACE MATRIX**

***Proposed Project - North Addition Office Building***

<b>Program (Current Staff Count)</b>	<b>Current Location</b>	<b>ASF</b>	<b>Reason For Relocation</b>	<b>Future Location</b>	<b>Estimated Future ASF</b>
Auditorium Conference Functions (N/A)	North/South Wing	6,168	Seismic	Proposed North Addition	12,368
Hospital Admin and Operations (11)	North/South Wing	2,604	Seismic	Proposed North Addition	4,745
Heart and Vascular (72)	North/South Wing	7,677	Seismic	Proposed North Addition	7,814
Performance Excellence (12)	North/South Wing	651	Seismic	Proposed North Addition	1,408
Neurology (25)	North/South Wing	1,663	Seismic	Proposed North Addition	3,074
Infection Prevention (12)	North/South Wing	2,119	Seismic	Proposed North Addition	1,980
Patient Care Services (56)	North/South Wing	6,979	Seismic	Proposed North Addition	9,315
Pharmacy Operations (67)	North/South Wing	5,445	Seismic	Proposed North Addition	6,269
PM&R Therapies (85)	North/South Wing	3,005	Seismic	Proposed North Addition	5,746
Trauma (44)	North/South Wing	6,456	Seismic	Proposed North Addition	9,222
Dieticians (31)	North/South Wing	1,934	Seismic	Proposed North Addition	2,645
Surgery (101)	Cypress	9,354	Program adjacency which frees up space to solve <b>Housestaff Seismic Issue</b> and Transplant adjacency issue	Proposed North Addition	13,719
Clinical Affairs (55)	Sherman	5,096	Program adjacency; which frees up space to solve <b>Housestaff Seismic Issue</b> and Pastoral Services adjacency issue.	Proposed North Addition	6,309
Shelled Space (N/A)	N/A	N/A	For growth	Proposed North Addition	4,000
<b>Staff Total (571)</b>	<b>Total</b>	<b>59,151</b>		<b>TOTAL</b>	<b>88,613</b>

***Secondary Space Effects (Programs Relocating from Housestaff Facility)***

<b>Program (Current Staff Count)</b>	<b>Current Location</b>	<b>ASF</b>	<b>Reason For Relocation</b>	<b>Future Location</b>	<b>Estimated Future ASF</b>
Clinical Pastoral (8)	Housestaff & North South Wing	538	Vacate seismic deficient space and house program to their parent department in Sherman	Sherman	1,500
Transplant (48)	Housestaff	6,821	Relocate Transplant from seismically deficient space to same building as clinic	Cypress	9,815