

Office of the President

TO MEMBERS OF THE COMMITTEE ON GROUNDS AND BUILDINGS:¹

DISCUSSION ITEM

For Meeting of November 18, 2015

AMENDMENT OF THE BUDGET AND SCOPE, JACOBS MEDICAL CENTER, SAN DIEGO CAMPUS

EXECUTIVE SUMMARY

This item is a discussion and update of the Jacobs Medical Center project at the UC San Diego Health System, licensed as UCSD Medical Center, on the La Jolla campus. The Jacobs Medical Center (JMC) began construction in January 2012 and is contiguous to Thornton Hospital. It will include new inpatient beds for general medical-surgical units, intermediate medical units, intensive care units, the obstetric and neonatal care units, and new operating rooms. The project scope includes partial renovation of Thornton Hospital to expand and integrate ancillary departments, construction of a new central utility plant to exclusively serve the fully developed hospital complex, and construction of a helistop on the roof of the new JMC tower necessary to position the UCSD Health System La Jolla campus as a major regional referral center.

The total project budget as approved in July 2014 is \$859.36 million, funded from External Financing (\$500 million), Gifts (\$131 million), Hospital Reserves (\$124.36 million), Children's Hospital Bonds (\$69 million), and Capitalized Leases (\$35 million).

BACKGROUND

Following approval in July 2014 to amend the budget and scope of the project, the following circumstances resulted in the need to change the scope and increase the budget: a) tightening market conditions for materials and contracting; b) cost impacts associated with the accelerated delivery model with its overlapping design, bidding, and construction phases; and c) delay in occupancy of the new tower by four months. Additional philanthropic funds raised also would provide the opportunity to build out a portion of the remaining shelled space in the JMC tower, increasing the size of the Cardiac Rehabilitation Program.

The additional costs associated with the circumstances described above total \$100 million. The campus proposes to address the increased costs as follows:

¹ Of interest to the Committee on Health Services

- Reduce the amount of space in the Thornton Hospital to be renovated as part of this project, allowing for \$20 million of the budget to be redirected towards completion of the JMC tower. The program elements removed from this project would be implemented as separately approved and managed projects (with combined estimated cost of \$32 million).
- Increase the total project budget by \$80 million to be funded from additional gift funds raised (\$13.08 million) and campus funds (\$66.92 million). The campus funds would be an internal loan to the UC San Diego Health System, which would allow the Health System to maintain an appropriate level of “days cash on hand.” Pledges have been received for all gift funds proposed for the project (including the \$131 million previously identified and the increase of \$13.08 million).

Completion of the JMC project is critical to positioning UC San Diego Health System to meet the challenges of healthcare reform and market demand. There currently is a significant shortfall in available beds and operating rooms, which is the primary driver for completing the JMC tower as soon as possible. JMC will increase the overall UCSD Health System capacity and provide access to the newly insured. This increase in capacity will also allow the Health System to expand partnerships with physician groups, community clinics, employer groups, and California’s health insurance exchange, *Covered California*. State-of-the-art facilities, such as JMC, combined with an expanded clinic network throughout the region will position the UCSD Health System as an attractive partner.

UC San Diego Health System’s financial performance has been consistently strong over the past several years. Days cash on hand is projected to remain above the recommended floor of 60 days throughout the decade; actual days cash on hand in Fiscal Year 2015 was 119 days.

With the proposed changes, the new tower would be occupied by November 2016, with the renovations of the modified Thornton Hospital program completed by August 2018. The central utility plant was completed in October 2014.

The campus expects to request approval at the January 2016 meeting to: 1) amend the budget by a net increase of \$80 million to be funded from gift funds (\$13.08 million) and campus funds (\$66.92 million) for a revised total project budget of \$939.36 million, 2) increase scope to build out approximately 1,300 net assignable square feet (asf) of shelled space in the new tower and reduce scope of about 36,600 asf of space to be renovated in Thornton Hospital.