

Office of the President

TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:

ACTION ITEM

For Meeting of November 16, 2022

BUDGET, SCOPE, EXTERNAL FINANCING, AND DESIGN FOLLOWING ACTION PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, NEUROPSYCHIATRIC REPLACEMENT HOSPITAL, UCLA HEALTH, LOS ANGELES CAMPUS

EXECUTIVE SUMMARY

UCLA Health proposes to convert the Olympia Medical Center hospital facility into a state-of-the-art acute neuropsychiatric hospital. The overall approach for developing the complex remains consistent with the discussion with the Health Services Committee at its July 2020 meeting, the Regents' December 2020 approval of the acquisition, and the September 2021 approval of preliminary plans funding.

This project would enable UCLA Health to (1) develop an integrated behavioral health campus, (2) address the growing behavioral health crisis in Los Angeles, and (3) free up bed capacity for specialized tertiary and quaternary care at the Ronald Reagan UCLA Medical Center.

Renovation of the Olympia Medical Center hospital facility was discussed in the initial review of the acquisition by the Health Services Committee and Finance and Capital Strategies Committee in December 2020. The project has been designated of interest to the Health Services Committee because it relates to patient care.

The Regents are being asked to (1) approve the full project budget of \$352 million to be funded from external financing; (2) approve the project scope; (3) approve external financing totaling \$352 million; (4) determine that the project is categorically exempt from the California Environmental Quality Act and (5) approve the project's design.

RECOMMENDATION

The President of the University recommends that the Finance and Capital Strategies Committee recommend to the Regents that:

- A. The 2022-23 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Los Angeles: Neuropsychiatric Replacement Hospital – preliminary plans – \$22.5 million funded from hospital reserve funds.

To: Los Angeles: Neuropsychiatric Replacement Hospital – preliminary plans, design, construction, and equipment – \$352 million funded from external financing.

- B. The scope of the Neuropsychiatric Replacement Hospital project be approved. The project shall renovate the former Olympia Medical Center Hospital into a state-of-the-art acute Neuropsychiatric Hospital to provide 119 inpatient beds and related clinical and building support spaces. Site development shall include landscape and hardscape, utilities, and pathways to and around the building.
- C. The President be authorized to obtain external financing in an amount not to exceed \$352 million plus additional related financing costs to finance the Neuropsychiatric Replacement Hospital. The President shall require that:
- (1) Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.
 - (2) As long as the debt is outstanding, the general revenues of UCLA Health shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
 - (3) The general credit of the Regents shall not be pledged.
- D. Following review and consideration of the environmental consequences of the Neuropsychiatric Replacement Hospital project, as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff to the Regents no less than 48 hours in advance of the beginning of this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Regents:
- (1) Determine that the project is categorically exempt from CEQA.
 - (2) Approve the design of the Neuropsychiatric Replacement Hospital, Los Angeles campus.

BACKGROUND

In December 2020, UCLA Health acquired the Olympia Medical Center hospital facility, an adjacent medical office building (MOB), and a parking structure near the intersection of San Vicente and Olympic Boulevards in Los Angeles, approximately six miles east of the Westwood UCLA campus. (Please see Attachment 5, Project Location Map.)

The Medical Office Building Center, adjacent to the proposed Neuropsychiatric Replacement Hospital, provides an opportunity for UCLA Health to expand, relocate, and optimize outpatient behavioral health programs, clinical research, and educational programs associated with the licensed neuropsychiatric hospital and dedicated psychiatric emergency services. UCLA Health plans to renovate the former Olympia Medical Center into a Neuropsychiatric Replacement Hospital with 119 beds that will accommodate the existing 74 inpatient psychiatric beds from the Resnick Neuropsychiatric Hospital on the fourth floor of the Ronald Reagan UCLA Medical Center (RRUMC). UCLA Health will use the vacated bed capacity at RRUMC to serve adult and pediatric tertiary and quaternary specialized medical and surgical services (funded as a separate capital project).

The MOB and parking structure have seismic waivers that require compliance with the UC Seismic Safety Policy. The parking structure will be upgraded by April 2023, and the MOB by August 2024 (funded as separate capital projects). While planning activities for that effort are forthcoming, the proposed Neuropsychiatric Replacement Hospital renovation will not depend on future projects at the MOB.

The proposed renovation is a key component of UCLA Health's plan to increase access to a full continuum of behavioral health services while also adding inpatient bed capacity. A free-standing neuropsychiatric hospital in the Mid-Wilshire area of Los Angeles will allow for the geographic expansion of services to support individuals, their families, and the broader community in a healing environment.

PROJECT DESCRIPTION

Project Overview

The former Olympia Medical Center, located at 5900 West Olympic Boulevard, Los Angeles, California, is an approximately 175,000-square-foot facility consisting of four interconnected buildings constructed over approximately 25 years starting in 1951. The proposed project would alter and renovate the site and buildings, including interiors, systems, exterior envelope, and equipment to convert the existing facility into the Neuropsychiatric Replacement Hospital, an acute psychiatric care facility. The Neuropsychiatric Replacement Hospital project is under Department of Health Care Access and Information (HCAI) jurisdiction. Site alterations will address Americans with Disabilities Act compliance, changes associated with building system upgrades and operating efficiencies, sustainability, and Leadership in Energy and Environmental Design (LEED™) compliance (e.g., landscaping, electric fleet vehicle charging), safety, and

security.

Consistent with existing conditions, parking for the proposed UCLA Neuropsychiatric Replacement Hospital would be accommodated by the existing parking structure north of West Olympic Boulevard (west of the MOB), and by existing surface parking onsite. There are currently six ambulance and 64 surface parking spaces onsite. With implementation of the Project, which would have reduced parking demand, onsite parking would be reduced to three ambulance and 25 surface parking spaces. Onsite parking would include electric vehicle (EV) charging spaces (five percent), van accessible parking, and EV accessible parking. An onsite valet service managed by UCLA Health would also be provided.

Table 1 below summarizes the spaces to be developed.

Table 1: Proposed Program Area Summary		
Level	Gross Square Feet (GSF)	Description
B	13,325	Support services include clinical laboratory, pharmacy, central processing unit, information technology, clinical engineering, environmental services, materials management, and facilities engineering, linen, security, on-call rooms, and kitchen
B Level B Assignable 22,397	9,072	Inpatient and Outpatient electroconvulsive therapy (ECT), prep and recovery, anesthesia, computed tomography (CT) scan imaging, occupational therapy (OT), respiratory therapy (RT)
1	6,168	Psychiatric stabilization services, walk-in psychiatric evaluation, medical evaluation/stabilization
1	10,477	Administration includes non-treatment hospital administration space
1	9,105	The main lobby program includes reception, welcome stations, front door security, guest services, conference/consultation room, waiting, cafeteria, and servery
1 Level 1 Assignable 32,117	6,367	Patient Rooms - Intensive
2 Level 2 Assignable 19,460	19,460	Patient Rooms – Adult/Geriatric
3 Level 3 Assignable 20,086	20,086	Patient Rooms – Adult
4 Level 4 Assignable 19,452	19,452	Patient Rooms Pediatrics/Adolescent, required primary/secondary classroom
Roof and Covered Unenclosed Roof / Covered Unenclosed Assignable 3,533	3,533	Patient Garden and Exercise Areas, entrances, covered unenclosed
Building Circulation / Building Envelope	61,255	Mechanical/Electrical/Plumbing - all electric Central Utility Plant/IT Spaces/Exterior Panelized Skin
Total	178,300	GSF

Budget, Funding Plan, and Financial Feasibility

The proposed project budget is \$352 million, to be funded from external financing from the Series N and Q bond proceeds (refer to Attachment 1, Project Sources and Uses).

As of June 30, 2021, UCLA Health has a 20.2 percent modified operating EBIDA margin, 8.4x modified debt service coverage, and 276 modified days' cash on hand, which meet the requirements of the University's Debt Policy. These numbers exclude non-cash pension and retiree health benefits expenses, as allowed by the University's Debt Policy. Over a five-year projection period, the minimum operating margin is projected to be greater than or equal to zero percent, and debt service coverage is expected to be greater than or equal to 3.0x. Days' cash on hand is projected to be greater than or equal to 60 days as required by the University's Debt Policy (refer to Attachment 3, Summary of Financial Feasibility, and Attachment 4, Projected Financial Performance).

PROJECT DESIGN

Project Site

The project site, home to the former Olympia Medical Center, consists of a 2.4-acre parcel located approximately 6.3 miles from the UCLA campus in the City of Los Angeles mid-city area. Approximately 50 percent of the parcel has improvements, and the remainder is parking and circulation.

Relocation of the existing loading dock is planned to improve the operational safety for pedestrians and vehicular traffic, and to define a public zone to the north and a service zone to the south. Outdoor gardens are proposed at multiple locations on the site to soften the urban landscape and cool the microclimate of the hospital.

An entry garden and landscaped drop-off area create a welcoming environment for those entering the facility, while a garden to the north offers a secure area of respite for staff. A pediatric and adolescent outdoor space is located on the rooftop of the East Building. Geriatric and adult patients will use two additional outdoor spaces on the roof of the North Building. The smaller garden is dedicated to meditative contemplation, while the larger space will be used for active exercise, play, and therapy.

An enlarged service yard off San Vicente Boulevard consolidates the loading dock and site equipment while allowing onsite truck turnaround. The West Building will be demolished and rebuilt to better negotiate the variety of floor levels and offer greater efficiency to the interior planning.

Materials

Exterior

The existing building enclosure will be entirely demolished, with only the superstructure remaining. A new prefabricated, panelized skin will wrap the hospital and visually unify the disparate building forms into a cohesive vocabulary. The primary exterior material will be a fiber cement board, with a sequence of full height and partial height windows to unify the exterior design. A tile face will be used at the loading and ambulance docks for greater durability. Canopies will be provided over the patient drop-off, visitor entrance, ambulance, and loading dock. Exterior lighting and signage will provide wayfinding and arrival orientation.

Interior

The interior design for the UCLA Neuropsychiatric Replacement Hospital aims to connect the healing environment with the natural environment. The layered approach to the exterior and interior design embraces the surrounding landscape. It uses nature's healing power by creating light-filled spaces with a visual connection to the outdoors, utilizing a palette inspired by colors found in nature.

The interior design is developed around the following guiding principles to ensure that the new hospital is safe and secure for both patients and staff, while providing a healing environment that will aid in the therapeutic development of the patients.

1. A safe and secure environment.
2. Clear and simple wayfinding.
3. Use varied colors and materials to differentiate patient care areas by building and floor.

Project Delivery

This project is utilizing the progressive design-build delivery model. Progressive design-build is one application of the design-build delivery method where the process is phased or stepped. Progressive design-build uses a qualification-based selection, followed by a process whereby the owner then "progresses" toward a design and the guaranteed maximum price with the design-builder.

The progressive design-build delivery method was selected for this project because campus experience has found this delivery method to be of particular value in major renovation projects, like this one, where the speed of resolving unforeseen conditions is critical. For this type of project, this delivery method provides control over the design, cost, and quality while maintaining a fair and transparent process.

The campus is committed to promoting and increasing participation of Small Business Enterprises (SBEs) and Disabled Veteran Business Enterprises (DVBES) in all purchasing and

contract business, subject to any applicable obligations under State and federal law, collective bargaining agreements, and University policies. The campus regularly communicates with interested contractors and consultants to provide information about how to find opportunities to work at the campus and to encourage them to respond to the annual announcement soliciting interest to perform services. Providing qualified SBEs with the maximum opportunity to participate will be encouraged with the selected design professionals and contractors with the goal of meeting 25 percent participation.

Delivery of the proposed project will also be guided by the practices related to equity, diversity, and inclusion as defined by UCLA Health:

- Equity is when everyone has fair and just opportunities to achieve equitable outcomes regardless of race, ethnicity, gender identity, sexual orientation, socioeconomic status, culture, national origin, religious beliefs, age, disability status, or political perspective.
- Diversity is a variety of personal experiences, values, and world views that arise from differences in culture and circumstance. Such differences include race, ethnicity, gender identity, sexual orientation, socioeconomic status, culture, national origin, religious beliefs, age, disability status, or political perspective. We value and respect our collective similarities and differences.
- Inclusion is when everyone feels welcomed, engaged, and valued.

Regulatory Considerations

The proposed project is not included in the UCLA Long Range Development Plan because the project is located off-campus. As an existing hospital facility, the proposed project is not expected to include direct siting, program, or neighborhood conflicts with surrounding uses. Future improvements to the MOB and the parking structure will be subject to separate approvals and CEQA review.

UCLA Health will obtain all necessary licenses and approvals before offering services in the Neuropsychiatric Replacement Hospital, per the California Department of Public Health Licensing and Certification Division requirements, the California Health and Safety Code, and Title 22 of the California Code of Regulations.

Seismic Safety Policy

The authority having jurisdiction for this facility is HCAI and is exempt from the UC Seismic Policy. The building meets and the project will comply with HCAI seismic standards.

Sustainable Practices

The project is targeting Leadership in Energy and Environmental Design for New Construction and Major Renovations (LEED™ BD+C) v. 4.0 Gold rating. It will comply with the University of California Policy on Sustainable Practices. The policy establishes goals for green building,

clean energy, transportation, climate protection, facilities operations, zero waste, procurement, food service, and water systems. A full range of sustainability practices for building design and operations is included in the project's budgeting, programming, and design effort. The project is planning to implement the following sustainable practices:

- All-electric central utility plant and kitchen
- Maximize the use of energy-efficient building systems with high-efficiency heating, ventilation, and air conditioning materials.
- Use of low carbon building materials
- Low flow plumbing fixtures and showers for domestic water reduction
- Landscape bioswale and onsite rainwater run-off retention
- General bicycle parking
- Satisfy the Buy Clean California Act requirements and California Green Buildings Standards

Project Schedule and Future Actions

Demolition and abatement are planned to begin in May 2023. Construction is estimated to take 24 months, beginning in January 2024 and completing in December 2025.

No further actions or approvals are anticipated for the Neuropsychiatric Replacement Hospital project.

CALIFORNIA ENVIRONMENTAL QUALITY ACT COMPLIANCE

It has been determined that the Neuropsychiatric Replacement Hospital (NPRH) Project is exempt under CEQA Guidelines Section 15301 (Existing Facilities) because the project consists of improvements to an existing hospital building with no expansion of use. The improvements and replacement building would be located on the same site as the existing hospital, would continue to provide medical services, would not increase the existing square footage, and would result in fewer patient beds. On a separate and independent basis, the proposed project is also exempt under CEQA Guidelines Section 15302 (Replacement or Reconstruction) because it consists of demolition and reconstruction of interior spaces, replacement of the non-structural exterior building skin, replacement of the West building, and improvements to the existing circulation system. No exceptions to the exemptions pursuant to CEQA Guidelines Section 15300.2 apply.

Key To Acronyms

CEQA	California Environmental Quality Act
CT	Computed Tomography
DVBE	Disabled Veteran Business Enterprise
ECT	Electroconvulsive Therapy
EV	Electric Vehicle
GSF	Gross Square Feet
HCAI	Department of Health Care Access and Information
LEED™	Leadership in Energy and Environmental Design
LEED™ BD+C	Leadership in Energy and Environmental Design for New Construction and Major Renovations
MOB	Medical Office Building
NPRH	Neuropsychiatric Replacement Hospital
OCEAN	Operational Carbon and Energy Assessment for New Construction
OT	Occupational Therapy
RRUMC	Ronald Reagan UCLA Medical Center
RT	Respiratory Therapy
SBE	Small Business Enterprise

ATTACHMENTS

Attachment 1:	Project Sources and Uses
Attachment 2:	Comparable Project Information
Attachment 3:	Summary of Financial Feasibility
Attachment 4:	Projected Financial Performance
Attachment 5:	Project Location Map
Attachment 6:	Design Graphics
Attachment 7:	UC Operational Carbon and Energy Assessment for New Construction (OCEAN) Tool

PROJECT SOURCES AND USES

NEUROPSYCHIATRIC REPLACEMENT HOSPITAL

SOURCES

Sources	Total	% of Total
External Financing	\$352,000,000	100.0%
Total Sources	\$352,000,000	100.0%

USES

Cost Category	Total	% of Total ⁽¹⁾
Site Clearance	\$7,350,000	2.3%
Building	\$233,000,000	73.7%
Exterior Utilities	\$3,100,000	1.0%
Site Development	\$4,450,000	1.4%
A&E Fees ⁽²⁾	\$25,500,000	8.1%
Campus Administration ⁽³⁾	\$5,400,000	1.7%
Surveys, Tests, and Plans ⁽⁴⁾	\$3,934,000	1.3%
Special Items ⁽⁵⁾	\$6,090,000	1.9%
Project Contingency	\$27,176,000	8.6%
Subtotal (P-W-C Cost)	\$316,000,000	100.0%
Group 2 & 3 Equipment	\$36,000,000	
Project Total Uses	\$352,000,000	

(1) Because of rounding, some totals may not correspond with the sum of the separate parts.

(2) A&E Fees include architect, professional design consultants, and external project/construction management.

(3) Campus Administration includes project management, planning, engineering, and design reviews.

(4) Surveys, Tests, and Plans include geotechnical soil borings, site surveying, and other design-phase testing.

(5) Special Items include programming, CEQA documentation, peer reviews, specialty consultants, and agency fees.

PROJECT STATISTICS

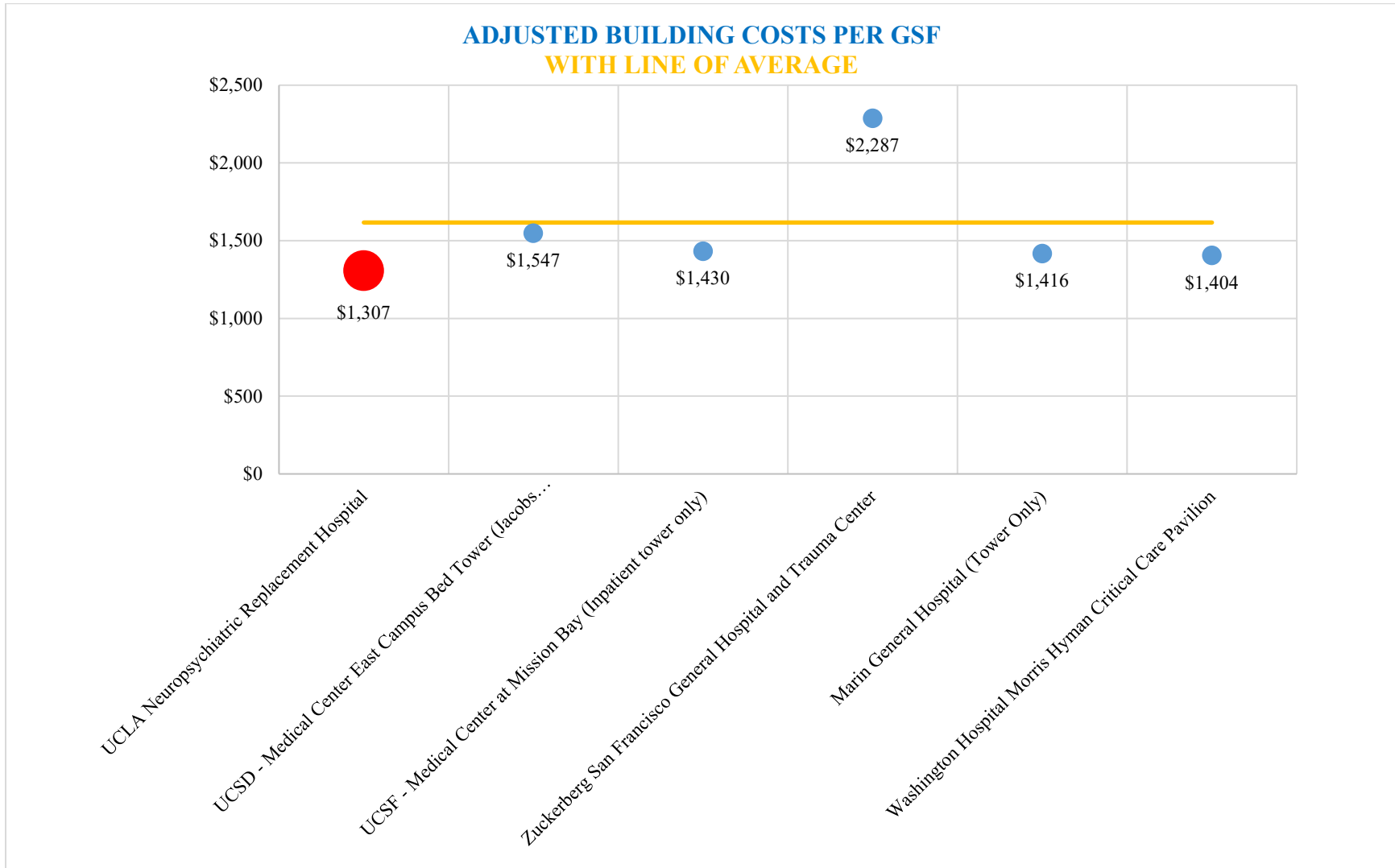
Gross Square Feet (GSF)	178,300
Assignable Square Feet (ASF)	114,525
Efficiency Ratio ASF/GSF:	64.2%
Building Cost/GSF	1,307
P-W-C Cost/GSF	1,772

Project Cost Drivers

The project scope includes significant work to transform the existing facility into a modern neuropsychiatric hospital.

- Existing building floor-to-floor heights are low and do not allow for an efficient HVAC duct layout. The exterior building skin will be replaced to enable placing ducts just inside of the new skin.
- An all-electric utility plant and an all-electric kitchen are in the project. This requires replacing the incoming electrical service from the Los Angeles Department of Water and Power and the electrical distribution system within the building.
- The existing buildings were built before the signing of the Americans with Disabilities Act in 1992; floor levels do not align, existing non-conforming ramps are not compliant, doors and stairs are not fully accessible, multiple non-conforming conditions require replacing the West Building section of the hospital with one that will be compliant.
- Specialty patient care spaces and components are required for neuropsychiatric care, such as onsite outdoor patient recreation areas, ligature-resistant fixtures, patient-safe ceilings, wall systems, casework, and finishes.
- Additional acoustical sound isolation in patient rooms, therapy, and other patient-centered spaces
- Additional security and access control devices at all doors and corridors to protect patients and staff and restrict patient elopement.
- The project is in the mid-Wilshire area, an urban location with suboptimal access to area freeways. Material delivery and workforce travel times have a negative effect on attracting bidders and, subsequently, trade construction costs.
- The project site is constricted with a limited staging area. Major Arterials abut three of four sides of the building. Access to the building exterior and hoisting to the roof must be coordinated with the City of Los Angeles.

COMPARABLE PROJECT INFORMATION



UCLA
UCLA Neuropsychiatric Replacement Hospital
Comparable Construction Analysis
October 2022

List of Construction Costs Available for Comparison

#	Project Name	City/ Campus	GSF	Md. Pt. Const Yr	Building Construction Cost*	Adj. Building Cost**	Adj. Building Cost / GSF**	Total Project Cost*	Adj.Total Project Cost**	Adj. Total Project Cost/ GSF**
						AVERAGES	\$1,617			\$2,185
1	UCLA Neuropsychiatric Replacement Hospital	Los Angeles	178300	2025	\$233,000,000		\$1,307	\$352,000,000		\$1,974
2	UCSD - Medical Center East Campus Bed Tower (Jacobs Medical Center)	San Diego	582,343	2017	\$607,812,000	\$900,897,000	\$1,547	\$942,790,000	\$1,397,400,000	\$2,400
3	UCSF - Medical Center at Mission Bay (Inpatient tower only)	San Francisco	634,000	2013	\$575,000,000	\$906,894,000	\$1,430	\$1,058,803,763	\$1,669,953,000	\$2,634
4	Zuckerberg San Francisco General Hospital and Trauma Center	San Francisco	484,000	2013	\$707,557,758	\$1,106,934,000	\$2,287	\$0	\$0	\$0
5	Marin General Hospital (Tower Only)	Kentfield (San Rafael)	259,000	2018	\$287,156,000	\$366,642,000	\$1,416	\$350,000,000	\$446,881,000	\$1,725

#	Project Name	<i>City/ Campus</i>	<i>GSF</i>	<i>Md. Pt. Const Yr</i>	<i>Building Construction Cost*</i>	<i>Adj. Building Cost**</i>	Adj. Building Cost / GSF**	<i>Total Project Cost*</i>	<i>Adj.Total Project Cost**</i>	<i>Adj. Total Project Cost/ GSF**</i>
6	Washington Hospital Morris Hyman Critical Care Pavilion	Fremont (Palo Alto)	240,000	2017	\$240,000,000	\$336,926,000	\$1,404	\$339,000,000	\$475,908,000	\$1,983
<p>* For University of California projects "building construction cost" is line 1 of the CIB form; "total project cost" is the Grand Total Project cost on the CIB or budget and includes total P-W-C (including interest during construction) and Group 2 & 3 equipment.</p>										
<p>** All comparable projects have been adjusted to the project city and year using a combined factor of RS Means City Cost Index (to account for location) and RLB Construction Cost Index (to account for prior years).</p>										

SUMMARY OF FINANCIAL FEASIBILITY

LOS ANGELES HEALTH CAMPUS	
Project Name	Neuropsychiatric Replacement Hospital
Project ID	908038
Total Estimated Project Cost	\$352,000,000
Anticipated Interest During Construction (included in total estimated project cost)	N/A

PROPOSED SOURCES OF FUNDING¹	
External Financing	\$352,000,000
Total	\$352,000,000

SECTION I. Externally Financed Projects

FINANCING ASSUMPTIONS¹	
External Financing Amount	\$352,000,0000
Anticipated Repayment Source	Hospital Reserves
Anticipated Fund Source	External Financing
Financial Feasibility Rate (Blended Average of Series N and Series P)	3.949%
First Year of Repayment (e.g. FY 20XX)	FY 2025
Term (e.g. 30 years; indicate if any year's interest only)	Series N: FY 2060 Series P: FY 2054
Final Maturity (e.g. FY 20XX)	FY 2060
Estimated Average Annual Debt Service	\$21,000,000 (FY 2025-2054) \$8,300,000 (FY 2055-2060)

¹. Fund sources for external financing shall adhere to University policy on repayment for capital projects.

PROJECTED FINANCIAL PERFORMANCE

UCLA Health Consolidated Financial Projection Executive Summary

This attachment provides an overview of the consolidated UCLA Health financial projections, which is comprised of the existing UCLA Health financial projections combined with the UCLA Neuropsychiatric Replacement Hospital and RRUMC inpatient bed capacity expansion specialized tertiary and quaternary care projections. The attachment also provides a summary of the key projection assumptions.

UCLA Health Consolidated Projection Summary

Total operating revenue in FY 2022 was \$3.35 billion and is projected to increase from \$3.36 billion in FY 2023 to \$4.51 billion in FY 2028 and \$5.93 billion in FY 2032, as a result of outpatient growth, ongoing strategies for revenue optimization, increased market share of tertiary and quaternary services, and the inpatient bed capacity expansion of RRUMC as the result of the UCLA Neuropsychiatric Replacement Hospital expansion. The UCLA Neuropsychiatric Replacement Hospital and the RRUMC expansion is assumed to account for \$76 million of the increased revenues in 2029 and \$345 million in 2032.

Total operating expense in 2022 was \$3.25 billion and is projected to increase from \$3.48 billion in 2023 to \$4.52 billion in 2028 and \$5.92 billion in 2032 due to increased outpatient volume, the impact of inflation, increased depreciation expense, and the addition of the UCLA Neuropsychiatric Replacement Hospital and RRUMC expansion. The new project is assumed to account for \$63 million of the increased expenses in 2029 and \$276 million in 2032.

FY 2022 had a modified EBIDA of \$399 million (6.2 percent margin). FY 2023 budget assumes a modified EBIDA of \$424 million (6.3 percent margin). Modified EBIDA is projected to increase to \$634 million (nine percent margin) in FY 2028 and \$782 million (nine percent margin) in FY 2032.

The financial projection includes the costs and benefits of future capital projects associated with the UCLA Health master capital plan, including ongoing facilities improvements, medical equipment, and information technology capital.

Throughout the planning period, UCLA Health's consolidated projected Debt Service Coverage and Days' Cash on Hand remain above the debt policy metrics of 3.0x coverage and 60 days, respectively. Modified Debt Service Coverage was 4.5x in FY 2022 and is projected to decrease to 4.0x in FY 2032. Modified Days' Cash on Hand was 235 days in FY 2022. Modified Days' Cash on Hand is projected to decrease during the planning period to 140 days in FY 2029 and is projected to increase to 149 days by the end of the planning horizon in FY 2032.

UCLA Health Baseline Assumptions

UCLA Health baseline projections assume FY 2023 budget as the base year for projections going forward. Key assumptions related to operating revenues and operating expenses are outlined below.

- Operating revenue is projected to increase annually, on average, by 5.8 percent from FY2023 through FY2032
 - Inpatient volumes are assumed stable for future years from FY23. Inpatient volumes are affected by capacity constraints at RRUMC.
 - Outpatient volumes are assumed to grow an average of five percent annually.
 - Net patient service revenue growth over the planning horizon is a function of annual rate inflation and revenue enhancement initiatives.
 - Payor mix remains unchanged.
 - Assumes supplemental funding programs continue at historical average levels with an average of an additional three percent annual increase throughout the projection period.
 - Other revenues (including Retail Pharmacy) are forecast to increase by 2.1 percent annually.
- Operating expenses are projected to increase annually, on average, by 5.5 percent from FY2023 through FY2032
 - FTE increases are driven by outpatient volume increases.
 - Salary inflation is projected at an average of 4.9 percent annually throughout the projection period.
 - Benefits expense is projected to mirror the rate of salary inflation and is based on the FY 2023 budget average composite benefit rate and slightly increased based on the University of California Retirement Plan payroll assessment update.
 - Non-cash pension and other post-employment benefits (OPEB) expense rate is assumed to remain constant at FY2023 budget rate.
 - Medical supplies inflation is projected to average six percent annually.
 - Pharmaceuticals inflation is projected to average four percent annually.
 - Purchased services inflation is projected to average five percent annually.

UCLA Neuropsychiatric Replacement Hospital Assumptions

The proposed UCLA Neuropsychiatric Replacement Hospital is a state-of-the-art acute Neuropsychiatric Hospital. This project would enable UCLA Health to (1) develop an integrated behavioral health campus; (2) address the growing behavioral health crisis in Los Angeles; and (3) free up bed capacity for specialized tertiary and quaternary care at the RRUMC.

Project Timing and Volumes

- Demolition and abatement are planned to begin in May 2023. Construction is estimated to complete in December 2025.
- Assume 119 inpatient licensed psychiatric beds
- Inpatient relocates on January 1, 2026
- Inpatient and outpatient at five percent annual growth rate

Revenue

- Net inpatient revenues were primarily derived on a net revenue per day, assuming UCLA's historical revenue data.
- The outpatient net revenue is consistent with the existing revenue with consistent inflation assumptions.
- Payor mix was based on historical hospital payor mix.

Expenses

- Inpatient direct and indirect costs primarily derived on a cost per day, assuming UCLA's historical data.
- Assumes \$1.5 million incremental overhead expense until open, \$3 million annually thereafter.

Capital/debt

- The proposed project budget is \$352 million, to be funded from external financing from Series N and Q bond proceeds.
- Average annual debt service payments on the project, once amortized, are \$21 million (FY 2025-2054), and \$8.3 million (FY 2055-2060) based on long-term debt of \$352 million amortized over 30 years at a blended average interest rate of 3.95 percent.
- The debt is projected to be interest-only, based on the amount drawn through the construction period.

RRUMC Inpatient Bed Capacity Expansion Assumptions

Project Timing and Volumes

- Convert 74 psychiatric beds to 75 medical adult beds
- RRUMC inpatient expansion reopens on July 1, 2028.
- 50 percent occupancy in the first 12 months, 100 percent occupancy thereafter

Revenues

- Net inpatient revenues were primarily derived on a net revenue per day, assuming UCLA's historical revenue data.
- Payor mix was based on historical hospital payor mix.

Expenses

- Inpatient direct and indirect costs primarily derived on a cost per day, assuming UCLA's historical data.

UCLA Medical Center
Projected Financial Performance Consolidated
Statement of Revenues and Expenses
(Dollars in Thousands)

	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
	Pre-audit	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection
Operating revenue											
Net patient revenue	\$3,141,828	\$3,133,224	\$3,463,624	\$3,619,646	\$3,812,497	\$4,018,967	\$4,264,861	\$4,574,676	\$4,988,730	\$5,351,184	\$5,655,855
Other operating revenue	212,091	227,916	232,561	237,345	242,273	247,348	252,576	259,247	264,824	270,331	275,364
Total operating revenue	3,353,918	3,361,140	3,696,184	3,856,991	4,054,770	4,266,315	4,517,437	4,833,923	5,253,554	5,621,515	5,931,218
Operating expenses											
Operating expenses	3,113,169	3,329,773	3,493,216	3,687,848	3,894,645	4,114,477	4,348,281	4,660,710	5,052,008	5,408,668	5,723,675
Depreciation	139,062	150,261	154,769	159,412	164,194	169,120	174,194	179,420	184,803	190,347	196,057
Total operating expense	3,252,231	3,480,035	3,647,985	3,847,259	4,058,840	4,283,597	4,522,475	4,840,130	5,236,811	5,599,014	5,919,733
Operating gain/(loss)	101,687	(118,895)	48,200	9,732	(4,070)	(17,282)	(5,038)	(6,208)	16,743	22,501	11,485
Non-operating income/(expense)	(82,892)	6,621	(11,775)	(12,771)	(13,727)	(11,862)	(9,383)	(6,498)	(2,744)	1,507	5,321
Net income/(loss)	\$18,795	(\$112,273)	\$36,425	(\$3,039)	(\$17,797)	(\$29,144)	(\$14,421)	(\$12,706)	\$13,999	\$24,008	\$16,806

UCLA Medical Center
Projected Financial Performance Consolidated
Statement of Net Assets
(Dollars in Thousands)

	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
	Pre-audit	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection
Current assets											
Cash	\$1,885,503	\$1,756,565	\$1,737,169	\$1,382,576	\$1,386,054	\$1,429,134	\$1,508,810	\$1,614,246	\$1,783,384	\$1,994,506	\$2,117,038
Accounts receivable (net)	484,003	454,961	501,563	525,592	553,595	583,576	617,589	653,391	689,963	729,164	769,100
Other current assets	195,750	201,476	209,753	219,250	228,930	239,287	249,818	258,559	271,226	284,823	298,739
Total current assets	2,565,256	2,413,002	2,448,484	2,127,419	2,168,578	2,251,996	2,376,217	2,526,196	2,744,573	3,008,493	3,184,877
Other assets											
Investments	88,979	94,418	98,667	103,107	107,747	112,595	117,662	122,957	128,490	134,272	140,314
Cash held by trustee	532,551	467,136	148,940	98,140	13,140	0	0	0	0	0	0
Donor restricted	10,890	10,890	10,890	10,890	10,890	10,890	10,890	10,890	10,890	10,890	10,890
Other assets	1,186,009	1,186,009	1,186,009	1,186,009	1,186,009	1,186,009	1,186,009	1,186,009	1,186,009	1,186,009	898,809
Total other assets	1,818,429	1,758,453	1,444,506	1,398,146	1,317,786	1,309,494	1,314,561	1,319,856	1,325,389	1,331,171	1,050,013
Property, plant and equipment											
Total PP&E	1,832,436	1,932,055	2,263,493	2,669,786	2,752,893	2,733,174	2,695,242	2,652,084	2,603,543	2,549,458	2,489,663
Total assets	\$6,216,121	\$6,103,510	\$6,156,483	\$6,195,350	\$6,239,257	\$6,294,665	\$6,386,020	\$6,498,135	\$6,673,505	\$6,889,122	\$6,724,552
Liabilities and net assets											
Current liabilities											
Current portion long term debt	\$33,987	\$33,346	\$33,422	\$33,043	\$32,852	\$33,170	\$32,360	\$32,165	\$30,559	\$430,965	\$36,377
Third party settlements	96,658	99,558	107,876	111,866	115,760	119,870	123,860	116,623	121,092	125,820	130,469
Other current liabilities	612,511	617,782	644,010	678,951	714,327	751,972	789,941	834,712	880,195	928,701	977,849
Total current liabilities	743,156	750,686	785,308	823,860	862,940	905,012	946,161	983,500	1,031,847	1,485,486	1,144,695
Long term debt and capital leases	2,418,219	2,384,873	2,351,451	2,318,408	2,285,555	2,252,385	2,220,025	2,187,860	2,157,300	1,726,335	1,689,958
Total pension, OPEB & other Liability	3,598,979	3,924,559	4,263,009	4,622,508	5,001,086	5,399,838	5,819,927	6,262,675	6,729,361	7,221,397	7,740,292
Total liabilities	\$6,760,354	\$7,060,118	\$7,399,768	\$7,764,776	\$8,149,581	\$8,557,235	\$8,986,113	\$9,434,036	\$9,918,508	\$10,433,218	\$10,574,945
Net assets	(\$544,233)	(\$956,608)	(\$1,243,284)	(\$1,569,425)	(\$1,910,324)	(\$2,262,570)	(\$2,600,093)	(\$2,935,900)	(\$3,245,003)	(\$3,544,097)	(\$3,850,392)

UCLA Medical Center
Projected Financial Performance Consolidated
Statement of Cash Flow
(Dollars in Thousands)

	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
	Pre-audit	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection
Sources											
Net income	\$18,795	(\$112,273)	\$36,425	(\$3,039)	(\$17,797)	(\$29,144)	(\$14,421)	(\$12,706)	\$13,999	\$24,008	\$16,806
Add: Depreciation	139,062	150,261	154,769	159,412	164,194	169,120	174,194	179,420	184,803	190,347	196,057
Add: Interest expense	53,386	60,055	58,723	57,422	56,185	55,100	53,959	52,789	51,622	50,652	49,772
EBITDA	211,243	98,043	249,917	213,795	202,582	195,076	213,732	219,503	250,424	265,006	262,635
Add: Non-cash pension expense	141,329	208,848	219,074	230,653	242,892	255,834	269,522	284,027	299,383	315,646	332,876
Add: Non-cash OPEB expense	46,770	116,709	122,424	128,894	135,734	142,966	150,615	158,721	167,302	176,390	186,019
Modified EBITDA	399,342	423,600	591,415	573,342	581,208	593,875	633,869	662,252	717,109	757,043	781,530
Medicare advances	58,644	0	0	0	0	0	0	0	0	0	0
CARES Acts stimulus payments	32,358	0	0	0	0	0	0	0	0	0	0
Total Sources	490,344	423,600	591,415	573,342	581,208	593,875	633,869	662,252	717,109	757,043	781,530
Uses											
Property, plant and equipment	198,099	161,465	168,011	514,905	162,301	136,262	136,262	136,262	136,262	136,262	136,262
Debt payments (principal+interest)	89,213	72,620	92,069	90,844	89,229	87,952	87,129	85,148	83,787	81,211	193,537
Health system support	251,099	323,102	323,102	323,102	323,102	323,102	323,102	323,102	323,102	323,102	323,102
Working capital/other	(146,240)	(74,815)	23,380	(5,355)	(1,541)	(1,369)	2,634	7,009	(713)	(436)	56
Medicare advances repayment	200,876	45,997	0	0	0	0	0	0	0	0	0
OASDI payment	18,730	18,730	0	0	0	0	0	0	0	0	0
Total Uses	611,777	547,099	606,562	923,495	573,090	545,947	549,127	551,521	542,438	540,138	652,957
Beginning cash & investment	2,095,916	1,974,483	1,850,984	1,835,837	1,485,684	1,493,802	1,541,730	1,626,473	1,737,203	1,911,875	2,128,779
Net change in cash & investment	(121,433)	(123,499)	(15,147)	(350,153)	8,118	47,928	84,742	110,731	174,671	216,904	128,574
Ending cash & investment	\$1,974,483	\$1,850,984	\$1,835,837	\$1,485,684	\$1,493,802	\$1,541,730	\$1,626,473	\$1,737,203	\$1,911,875	\$2,128,779	\$2,257,353

UCLA Medical Center
Projected Financial Performance Consolidated
Key Financial Ratios
(Dollars in Thousands)

	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
	Pre-audit	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection
Net income (loss)	\$18,795	(\$112,273)	\$36,425	(\$3,039)	(\$17,797)	(\$29,144)	(\$14,421)	(\$12,706)	\$13,999	\$24,008	\$16,806
Modified net income	\$206,894	\$213,283	\$377,923	\$356,508	\$360,829	\$369,655	\$405,717	\$430,043	\$480,684	\$516,044	\$535,701
Modified net margin %	6.2%	6.3%	10.2%	9.2%	8.9%	8.7%	9.0%	8.9%	9.1%	9.2%	9.0%
Modified EBITDA	\$399,342	\$423,600	\$591,415	\$573,342	\$581,208	\$593,875	\$633,869	\$662,252	\$717,109	\$757,043	\$781,530
Modified EBITDA margin %	11.9%	12.6%	16.0%	14.9%	14.3%	13.9%	14.0%	13.7%	13.6%	13.5%	13.2%
Modified days cash on hand	235	213	202	152	144	140	141	140	142	148	149
Modified debt service coverage	4.5	5.8	6.4	6.3	6.5	6.8	7.3	7.8	8.6	9.3	4.0
Unrestricted cash & investment to Debt %	78.0%	73.7%	73.9%	59.6%	60.6%	63.4%	68.0%	73.8%	82.7%	115.5%	125.3%

PROJECT LOCATION MAP

LOCATION MAP

