UNIVERSITY OF CALIFORNIA

BERKELEY • DAVIS • IRVINE • LOS ANGELES • MERCED • RIVERSIDE • SAN DIEGO • SAN FRANCISCO

SANTA BARBARA • SANTA CRUZ

1111 Franklin Street
Oakland, CA 94607-5200
Phone: (510) 987-9074
Fax: (510) 987-9086
http://www.ucop.edu

December 22, 2015

PRESIDENT OF THE UNIVERSITY
CHAIRMAN OF THE BOARD
CHAIR OF THE COMMITTEE ON GROUNDS AND BUILDINGS

ACTION UNDER INTERIM AUTHORITY — AMENDMENT OF THE BUDGET AND SCOPE AND APPROVAL OF EXTERNAL FINANCING, JACOBS MEDICAL CENTER, SAN DIEGO CAMPUS

EXECUTIVE SUMMARY

This project expands hospital facilities for UC San Diego Health System, licensed as UCSD Medical Center, on the Health System La Jolla campus. The Regents approved the design and associated California Environmental Quality Act documentation for the Jacobs Medical Center project (JMC) in July 2010 (then called East Campus Bed Tower) and construction began in January 2012. The site is contiguous to Thornton Hospital. The project includes 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 also 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 Health System La Jolla campus as a major regional referral center.

The total project budget was last approved in July 2014 for $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).

Since the most recent approval in July 2014, the following circumstances have resulted in the need to request a scope change and increase in the budget: underestimating costs associated with project enhancements and financing; constructing in an environment with high escalation for several of the subcontractor trades; and receiving philanthropic funds to increase the size of the Cardiac Rehabilitation Program. These additional costs are estimated to total $100.5 million. In order to reduce funds needed for the project, the campus is proposing to reduce the scope of the Thornton Hospital renovations. The campus is also proposing to shell a small portion of space in the tower for the Neonatal Intensive Care Unit until certain specialized equipment is available for

purchase. These changes are estimated to reduce the budget increase request by $20.5 million. The campus has also chosen to finance a portion ($70.35 million) of the proposed budget increase. The additional financing will require $3.43 million for the cost of the bond issuance and capitalization of interest. The total requested budget increase is $83.43 million. The Regents shall reserve its right to pursue all available legal remedies against third parties, if warranted.

The Regents are being asked to: 1) augment the project budget by $83.43 million, to be funded with external financing ($70.35 million) and gifts ($13.08 million), resulting in a total project budget of $942.79 million; 2) approve additional external financing in the amount of $70.35 million; 3) increase scope to build out approximately 1,300 net assignable square feet (ASF) of shelled space in the new tower; and 4) reduce renovated scope in Thornton Hospital by approximately 36,600 ASF.

During the discussion at their November meeting, the Regents requested information as to why the budget increase occurred, actions being taken to preclude future budget and scope increases for the project, and lessons learned. The requested information is addressed in the analysis below. This item is being submitted as an interim action in order to keep the project on schedule.

RECOMMENDATION

The President of the University recommends that :

1. The 2015-16 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

   From: San Diego: Jacobs Medical Center – Preliminary Plans, Working Drawings, Construction and Equipment – $859.36 million to be 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).

   To: San Diego: Jacobs Medical Center – Preliminary Plans, Working Drawings, Construction and Equipment – $942.79 million to be funded from External Financing ($570.35 million), Gift Funds ($144.08 million), Hospital Reserves ($124.36 million), Children's Hospital Bonds ($69 million), and Capitalized Leases ($35 million).

2. The change in scope of the Jacobs Medical Center project shall include: adding approximately 2,800 assignable square feet (ASF) of built-out space in the new bed tower for the Cardiac Rehabilitation Program; shelling approximately 1,500 ASF of program space in the Neonatal Intensive Care Unit, also in the new bed tower; and reducing the amount of renovation space in the existing Thornton Hospital from approximately 67,100 ASF of space to 30,500 ASF.

3. The President be authorized to utilize additional external financing in an amount not to exceed $70.35 million to finance the completion of the Jacobs Medical Center project.

The President shall require that:

A. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.

B. As long as the debt is outstanding, gross revenues of UC San Diego 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.

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 terms that do not materially increase the cost of the project or the obligations of the Regents.

Approval:

Janet Napolitano — Date 12-23-15
President of the University

Monica C. Lozano — Date
Chairman of the Board

12-23-15
Hadi Makarechian — Date
Chair of the Committee on Grounds and Buildings

The President shall require that:

A. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.

B. As long as the debt is outstanding, gross revenues of UC San Diego 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.

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 terms that do not materially increase the cost of the project or the obligations of the Regents.

Approval:

Janet Napolitano — Date
President of the University — 12-23-15

1-4-16

Monica C. Lozano — Date
Chairman of the Board

Hadi Makarechian — Date
Chair of the Committee on Grounds and Buildings

BACKGROUND

The Jacobs Medical Center (JMC) project is essential to UC San Diego's coordinated strategy of investing in its patient-care mission and fully developing its academic medical center providing specialized patient care and optimizing resources across the Hillcrest and La Jolla campuses. The JMC project consists of three separate components: a new bed tower, selective departmental renovation of the existing Thornton Hospital, and a new stand-alone central plant. The bed tower includes 245 new inpatient beds for general medical-surgical units, intermediate medical units, intensive care units, the obstetric and neonatal care units, and fourteen operating rooms. Additional functions housed in the bed tower include diagnostic and treatment services, support services, and administrative services. The Thornton Hospital scope includes renovating approximately 67,100 assignable square feet (ASF), but is proposed to be reduced to 30,500 ASF with this action. The Central Utility Plant consists of a two-story, 39,300 GSF structure.

The project's budget was initially approved by the Regents in March 2010, with a total project budget of $663.8 million. The Regents approved design and certified the Environmental Impact Report in July 2010. Since then, three separate actions amended the project's budget to a current total of $859.36 million. Please see Attachment 2 for a funding breakdown of all budget approvals associated with this project, as well as the budget proposed with this action item.

The bed tower is approximately 90 percent complete and an occupancy date of November 2016 is anticipated. The Thornton Hospital renovations, with the reduced scope, are expected to be occupied in January 2017. The Central Utility Plant is complete, and has been operational since October 2014.

DETAILS OF INCREASED COSTS

The campus is requesting a budget increase as a result of the following: underestimating costs associated with project enhancements and financing; constructing in an environment with high escalation for several of the subcontractor trades; and receiving philanthropic funds to increase the size of the Cardiac Rehabilitation Program.

Underestimating Costs

In 2008, UC San Diego leadership chose to implement the JMC project using the fast-track delivery method. Fast-track construction is a project delivery strategy in which construction is started before design is complete, with the primary goal to shorten the time to completion. Fast-track construction delivery is difficult to manage because it requires detailed knowledge of the process, effective planning, and close coordination among the organizations executing the work. Most importantly, with this methodology, the final cost of the project has greater uncertainty when construction begins because design is not complete. There is also a risk that work built in an early phase of the project may not suit later design decisions. As a result, fast-track construction projects are more effectively utilized on projects with fixed scope, not projects with the potential for significant scope and program changes.

Despite the risks outlined above, UC San Diego chose this delivery approach in order to deliver the new bed tower 18-24 months earlier than what would be achievable using the traditional delivery methods. Prior to construction commencing on this project, UC San Diego Health System's inpatient market share was gaining between 0.2 and 0.5 percentage points per year, with total market share projected to be ten percent. During the last six years, UC San Diego Health System discharges increased by 17.7 percent, while San Diego County discharges rose by 2.2 percent. Additionally, the San Diego County population projections indicated an increase of five percent from 2015 to 2020, with the 65 and older age group projected to increase 19 percent over the same period of time. North City, the market service area in which UC San Diego Health's La Jolla campus resides, is expected to have the most significant population growth among residents 65 and older compared with all other areas in the County. The difficulty for the UC San Diego Health System was that existing space was inadequate to accommodate the projected growth, with the enterprise struggling to accommodate current demand. Therefore, with projected market demand and current facility constraints, UC San Diego determined that the benefit of delivering this project earlier outweighed the risk of cost uncertainties associated with fast-track construction delivery.

The fast-track construction delivery approach has saved the project approximately 18 months in time to completion. However, the project experienced budget challenges as a result of implementing project changes within the context of the fast-track construction delivery approach. Over the course of the project, JMC underwent and received approval for four significant scope changes. Some of these changes were driven by agency mandates for the construction and licensing of California hospitals. These included mandates impacting food services, path of travel for food, elevators, structural steel, foundation design, and mechanical/electrical/plumbing systems. Other changes – such as more Operating Rooms (ORs), building out previously planned shelled patient care space, and a larger Anatomic Pathology (AP) laboratory – were required in order to ensure that the new hospital would meet evolving health care trends at completion and for the foreseeable future. For a list of all major scope changes, please see the Table 1 below.

Table 1: SUMMARY OF JMC PROGRAM ENHANCEMENTS (by approval year)

2010	2012 (Administrative)	2013	2014
• Add four floors to bed tower to include Womens and Infants	• Add AP Lab • Add 3 ORs • Expanded inter-operative suite between two ORs • Add Autopsy Lab • Expand Diagnostic Laboratory • More extensive renovation of med center administrative offices • Expand campus utilities	• Build out all remaining patient care space: ORs and inpatient beds • Meet unanticipated agency mandates (i.e. food service traffic)	• Increase size of AP lab • Increase space for frozen section • Add Cardiac Rehab program space • Add discharge pharmacy • Increase Nursing Administration space

While all of these changes greatly enhanced the JMC project, implementing these complex changes resulted in unforeseen and unbudgeted costs. With construction already underway, the scope changes had a significant ripple impact that required alterations to construction already completed as well as construction that shortly followed.

Compounding this situation was the necessity to determine the construction costs of the proposed scope changes prior to generating a fully completed design that could then be cost estimated. This is a characteristic of the fast-track construction delivery approach, wherein there is a shortened time period to advance the design for a scope change prior to creating a cost estimate. The importance of opening the hospital according to schedule demanded an almost immediate decision by leadership regarding the scope change and its implementation. As a result, the cost estimates associated with the aforementioned scope changes, despite being reviewed and reconciled by an independent outside consultant, were insufficient or inaccurate. This resulted in a higher construction cost than what was estimated at the time of each of the approvals listed in Table 1.

It should be noted that the substantial increase in cost is not without a fair value of enrichment. In other words, the additional costs for the scope change are realized in tangible elements such as enhancing programs that will position the hospital to be successful in the current and future market. The additional costs are not lost or wasted and value is received for the dollars invested in the construction of the project.

Design Costs

The design cost attributed to the aforementioned scope changes are also greater than estimated because of the incomplete design documents. This resulted in a significant doubling of effort to design and re-design each drawing set.

This item rectifies the budget by transferring the additional design costs out of contingency and into the architect and engineering fees line item. The July 2014 item didn't include the transfer from contingency to architect and engineering (A/E) fees because several design changes were on-going, and the actual costs were not realized. The remaining contingency identified in Attachment 1 is an actual amount.

High Escalation for Several Specialty Subcontractor Trades

The approved JMC budget included construction cost escalation of approximately 3.2 percent per year. This is similar to the California Construction Cost Index (CCCI) increase from 2010 (when construction of JMC commenced) to 2015. However, cost increases associated with several of the subcontractor trades, particularly related to high-end medical facilities, have experienced escalation higher than the CCCI. The region only has a handful of contractors that are able to do certain trades, particularly related to operating rooms, the AP laboratory, and the frozen section laboratory. Additionally, several existing hospital projects were being implemented in the region concurrent with JMC, which reduced further the number of available and qualified bidders at the time these trades were bid. As a result, the cost for implementing the work driven by this labor market was higher than initially estimated.

Increasing the Size of the Cardiac Rehabilitation Program

As part of the July 2014 Regents approval, the Cardiac Rehabilitation Program was added to the project allowing for build-out of approximately 2,720 ASF of shelled space on the first floor of the JMC tower. This element was originally sized to meet the minimum requirement for this service based on available funding. In late 2014, a donor provided an opportunity to increase the size of the program and create an expanded-service center. This would entail increasing the amount of built-out shelled space for the Cardiac Rehabilitation Program by approximately 2,800 ASF (totaling 5,520 ASF of space). This change requires an increase in the budget by $3.5 million funded by the gift.

Reduction in Scope – Thornton Hospital

Considering the cost increases and programmatic changes, the campus proposes to take further action to reduce cost exposure by recalibrating the scope of work of the Thornton Hospital renovations to align with those critical renovation elements necessary for opening of the new hospital. Separating the non-critical Thornton Hospital renovations from the JMC project does not have an adverse impact on the Health System business plans or strategies.

As previously approved, the JMC project intended to renovate approximately 67,100 ASF of space in Thornton Hospital, including: food service/dining and kitchen, frozen section and autopsy, acute dialysis, patient intake center, housekeeping/environmental services, materials management, information technology, and on-call programs. (See Attachment 3 – Comparison of Space Program.) The campus is proposing to remove much of the renovation work from the JMC project and implement the design and construction as separate capital improvement projects over a longer time horizon. By reducing the scope of work for the Thornton Hospital renovations (by about 55 percent or 36,600 ASF of space), approximately $20 million of the original project budget can be redirected from the renovation elements to the new bed tower without adverse impact to the Health System. Additionally, the contractors can focus on completing the tower and those critical Thornton Hospital renovation elements, such as food service/dining and kitchen, frozen section, and autopsy. These programs remaining in the project total approximately 30,500 ASF, and include the change approved in July 2014 to renovate space for the frozen section component of the Anatomic Pathology Laboratory.

The elements that would be eliminated from the JMC project and implemented as separately approved and managed projects include: acute dialysis, patient intake center, housekeeping/environmental services, materials management, information technology, and on-call programs. These programs and services will continue to function in either their current location (includes the non-renovated portion of Thornton Hospital) or in an interim location until permanent space is completed as separate projects.

Reduction in Scope – Neonatal Intensive Care Unit

Another proposed change to the JMC tower includes shelling approximately 1,500 ASF of space for the Neonatal Intensive Care Unit. This is not related to reducing cost of the budget increase, but rather delaying build-out until certain specialized Magnetic Resonance Imaging equipment is

available for purchase. When the equipment is available, this space will be built-out and the equipment will be procured and installed as a separate project. This change would result in a decrease of $500,000 to the budget.

Additional Contingency

The campus is proposing additional contingency of $6 million to complete the work. On average, the campus maintained a five percent construction contingency budget throughout the process. In hindsight, the budget could have justified a contingency closer to about seven percent in order to address general project contingency (five percent) and support fast-track delivery risk (two percent).

Costs Associated with Financing

Additional financing costs, totaling $20 million, are associated with the underestimating of capitalized interest. Also, $3.43 million is required for the cost of the bond issuance and capitalization of interest associated with the additional financing being requested with this action.

Table 2: Summary of the increased costs included in the proposed budget amendment.

Underestimated Costs	$ 51,000,000
New Program Changes	$ 3,500,000
New Contingency	$ 6,000,000
Costs Associated with Financing	$ 23,430,000
Remaining highly volatile items (described below)	$ 20,000,000
Total Gross Augmentation	$103,930,000
Reduction of Scope – Thornton Hosp. Renovations	($20,000,000)
Reduction of Scope – Neonatal Intensive Care	($500,000)
Net Augmentation	$ 83,430,000

STRATEGY FOR MINIMIZING FURTHER BUDGET AND SCHEDULE RISK

New Project Analytics and Oversight

As a result of the timing and magnitude of the underestimated project cost, changes in leadership, project management resources, analytic and forecasting tools, and additional project governance have been implemented to tighten the control of the project budget and schedule. Increased analytics are in place to reflect real-time and projected budget and expenditure information. Additional staffing from the project management teams has been deployed to shepherd the project to completion. Additionally, day-to-day cross-functional oversight among campus leadership, including the Health System Chief Executive Officer and Campus Architect, has been implemented to provide the highest-level control over budget and program.

Additionally, a new campus Chief Financial Officer position serves on the JMC Governance Committee and serves a new campus-wide Treasury function.

New leadership, project governance, and oversight were introduced to the JMC project, including increased new high-level experienced staffing from the Health System and campus project management. A new Senior Director for JMC Project Management was immediately deployed to the job site to achieve day-to-day management control of the project, provide an objective review of the remaining budget, and validate cost and schedule projections to complete the project.

Approximately four percent of the approved project scope remains to be contracted and approximately $78 million of contracted work remains to be put in place. The design for the remaining four percent is substantially complete. To ensure this remaining scope can be completed with the funds available (including those contemplated by this budget increase request), the new project management team used a Value Based Risk Management Probability Analysis, which identifies all outstanding construction related issues, estimates the potential cost impact of those issues, and independently analyzes the probability of the cost to complete. The following project team members participated in this analysis: Executive Architect; engineering consultants; general contractor; facilities planning; inspection; UC San Diego project management; and mechanical, electrical, and drywall framing sub-contractors. The exercise brought all potential issues to the surface and assigned a rough order-of-magnitude cost to each. Issues were categorized by volatility, with "highly volatile" defined as those items having the potential to swing $1 million or more in either direction. At the end of the exercise, almost twenty items were identified as being highly volatile.

After identifying potential significant risk exposures, the team evaluated the adequacy of the proposed budget augmentation through a probability analysis of the project. Using experience, historical data, and an aggressive approach to identifying "unknowns," the project team determined that approximately $10 million of additional construction funds should be added to the budget. Using data gathered from private industry on comparable projects and final outcomes, it was concluded that $10 million would yield a probability of successful completion of 75 percent, compared to $20 million yielding a probability of 99.5 percent successful completion. As a result of the new project analytics, the four percent remaining to be contracted includes $20 million to address the potential issues revealed by this analysis.

Alternatives Considered

Construction of the JMC tower is about 90 percent complete, and alternative solutions for project delivery are minimal. Without additional funding, the project cannot be finished. Options for redesign or rebidding are past the point of feasibility, because of the extent of construction already complete and the negative impact on schedule. The Health System is making payments on the debt for the project, in advance of the increased revenue projected once the JMC is fully operational. Also, donors have pledged and made payments based on completion of the project.

LESSONS LEARNED

The campus has learned some profound lessons from the eight-year experience of the design and construction of the JMC, including:

- Fast-track construction is not the best delivery method for a large, complex project like JMC.

- The Construction Manager/General Contractor (CM/GC) contracting model used by the campus did not assign sufficient cost risk to the contractor. Future use of CM/GC by the campus will include more appropriate risk-shifting provisions. The campus will work with the Office of General Counsel to modify the language of the contract as required to address this issue.

- The campus will use independent, experienced outside consultants in the preparation of cost estimates and will include the Value Based Risk Analysis. Additionally, the campus will engage a third independent cost estimating consultant to reconcile the estimates of the contractor and the primary independent cost estimator. With additional consultants to augment staff and new analytics in place, the probability of preparing accurate cost estimates for hospitals will increase significantly. These new additional analytics have already become a part of UC San Diego's normal course of project management.

- Because UC San Diego Health capital projects are managed by campus Facilities Design and Construction (FD&C) in a shared services model, this matrix structure requires strong governance, management, and communication, especially related to scope changes, budget management, and decision-making. Although some shared governance was in place prior to the realization of the cost overruns, both FD&C and the Health System have committed additional resources to improving all aspects of governance and project management.

PROJECT STATUS AND SCHEDULE

Construction of the bed tower began in January 2012 and is approximately 90 percent complete. Notable progress includes completion of structural steel (columns and beams); installation of 100 percent of the curtain wall exterior; and the ongoing interior framing, drywall, and finishes on many of the lower levels. Drywall, finishes, and casework on most of the upper levels remain to be completed as well as the Cardiac Rehabilitation Program and the Inter-Operative MRI and CT suites. The anticipated completion of construction of the bed tower is July 2016. The hospital will open to its first patients by November 2016, following completion of the licensing process. This is a four-month delay from the date previously reported in July 2014. The delay is associated with the scope changes and required re-design work, as described above. These impacts to the schedule were not realized in July 2014.

The Central Utility Plant structure also began construction in January 2012 and was operational in October 2014.

Renovations to the existing Thornton Hospital are 83 percent complete with primarily frozen section and autopsy yet to be completed. The renovations are scheduled to be completed in January 2017 and do not impact occupancy of the new tower. As previously explained, some elements of the renovation work are proposed to be executed separately from the JMC project.

FINANCIAL FEASIBILITY

The proposed net budget increase of $83.43 million (gross increase of $103.43 million prior to funding derived from proposed reduction in scope for Thornton Hospital renovations) would be funded by gift funds ($13.08 million) and external financing ($70.35 million).

The revised total project cost of $942.79 million would be funded from external financing ($570.35 million), gift funds ($144.08 million), hospital reserves ($124.36 million), Children's Hospital Bonds ($69 million), and capitalized leases ($35 million).

Status of Fund-Raising

The campus had an original fundraising goal of $131 million. This goal has been exceeded, with approximately $144.08 million pledged for the project. As of October 2015, the status of gifts for this project is as follows:

In Hand	$78,867,000
Committed	65,213,000
To be Raised	0
Total	$144,080,000

Gifts committed but not in hand have been back-stopped by hospital reserves ($24.883 million) and campus funds from investment income ($40.33 million).

Days Cash on Hand

Per the Projected Financial Performance (Attachment 5), UC San Diego Health system projects days cash on hand to remain above the recommended floor of 60 days throughout the projection period. Actual days cash on hand in Fiscal Year 2015 was 119 days.

Key to Acronyms

ADC	Average Daily Census
A/E	Architect and Engineering
AP	Anatomic Pathology
ASF	Assignable Square Feet
CCCI	California Construction Cost Index
CIB	Capital Improvement Budget
CM/GC	Construction Manager/General Contractor
CUP	Central Utility Plant
EBIDA	Earnings before Interest, Depreciation, and Amortization
EVS	exhaust ventilation system
FD&C	Facilities Design and Construction
GASB	Governmental Accounting Standards Board
HIT	Health Information Technology
ICU	Intensive Care Unit
IGT	Intergovernmental Transfer
JMC	Jacobs Medical Center
MRI	Magnetic Resonance Imaging
NICU	Neonatal Intensive Care Unit
ORs	Operating Rooms
OSHPD	Office of Statewide Health Planning and Development
PWCE	Preliminary Plans, Working Drawings, Construction, and Equipment
SPD-IGT	senior and persons with disabilities intergovernmental transfer
UCIP	University Controlled Insurance Program

ATTACHMENTS:

Attachment 1: Project Budget and Comparable Projects
Attachment 2: Project Budget Approval History and Funding Plan
Attachment 3: Comparison of Program by Space Type and Function
Attachment 4: Summary Financial Feasibility Analysis
Attachment 5: Projected Financial Performance

ATTACHMENT 1

PROJECT BUDGET
JACOBS MEDICAL CENTER
SAN DIEGO CAMPUS
CCCI 5943

Cost Category	Approved Budget July 2014	Augmentation Request	Proposed Budget January 2016	% of Total
Site Clearance	$ 146,000	-	$ 146,000	0.0%
Building Construction	551,611,000	$ 56,201,000	607,812,000	71.6%
Exterior Utilities	1,201,000	-	1,201,000	0.1%
Site Development	1,305,000	-	1,305,000	0.2%
A/E Fees	49,575,000	47,625,000	97,200,000	11.5%
Campus Administration	17,747,000	(6,447,000)	11,300,000	1.3%
Surveys, Tests, Plans, Specs	12,192,000	(1,392,000)	10,800,000	1.3%
Special Items (excl. financing)	40,988,000	(4,388,000)	36,600,000	4.3%
Financing Costs	53,300,000	23,430,000	76,730,000	9.0%
Contingency	37,599,000	(31,599,000)	6,000,000	0.7%
Total P-W-C	$765,664,000	$83,430,000	$849,094,000	100%
Groups 2 & 3 Equipment	93,696,000	-	93,696,000	
Total Project	**$859,360,000**	**$83,430,000**	**$942,790,000**	

Project Statistics:

	Approved July 2014	Proposed January 2016
New Construction: Tower and CUP		
GSF	551,815	551,815
ASF (excludes shell space)	387,967	389,267
Efficiency Ratio: ASF/GSF	70%	71%
Building Cost/GSF	$911	$1,046
Renovation		
GSF	67,122	30,528
ASF	67,122	30,528
Building Cost/GSF	$729	$1,009

Funding Schedule	Approved July 2014	Proposed Change	Proposed January 2016
Preliminary Plans	$ 37,000,000	-	$ 37,000,000
Working Drawings	44,917,000	$26,000,000	70,917,000
Construction	683,747,000	57,430,000	741,177,000
Equipment	93,696,000	-	93,696,000
Total Project	**$859,360,000**	**$83,430,000**	**$942,790,000**

Comparable Projects at CCCI 5943:

(Costs are for new construction only and do not include other project components, such as site work, renovation, or central plant costs.)

Project Name (Location)	Completion Year	# of Beds	GSF	Building Cost / GSF
San Francisco General Hospital	2015	283	453,495	$1,504
Confidential Non-UC Facility (San Jose)	2017	368	824,597	$1,114
Confidential Non-UC Facility (San Leandro)	2014	265	433,200	$1,044
UC San Diego Cardiovascular Center	2010	54	128,012	$1,025
Confidential Non-UC Facility (San Jose)	2017	150	547,049	$1,024
UC San Francisco Medical Center Mission Bay Clinical Facilities	2015	289	865,000	$1,020
Cottage Hospital Tower (Santa Barbara)	2012	165	366,844	$978
Confidential Non-UC Facility (Oakland)	2014	349	650,500	$943
UC Davis Surgery/Emergency Pavilion[1]	2010	N/A1	529,682	$930
Jacobs Medical Center (as proposed for Tower only)[2]	**2016**	**245**	**512,507**	**$917**
Confidential New Tower Non-UC Facility (San Diego)	2017	321	569,230	$876
Confidential Non-UC Facility (Anaheim)	2012	262	433,178	$870

[1] The UC Davis project does not have medical surgical/ICU beds.

[2] $917/GSF for Jacobs Medical Center does not include approximately $40 million in kitchen construction costs, contractor fees for Thornton Hospital renovations and Central Utility Plant Addition, UCIP, Builder's Risk, OSHPD fees – all of which are included in CIB Tower column line one.

PROJECT BUDGET APPROVAL HISTORY AND FUNDING PLAN
JACOBS MEDICAL CENTER
SAN DIEGO CAMPUS

APPROVAL	External Financing	Gifts	Hospital Reserves	Children's Hospital Bonds	Capitalized Leases	TOTAL
May 2007: **Preliminary Plans** - *Regents Approval*						
Action	$ -	$ -	$ *12,000,000*	$ -	$ -	$ *12,000,000*
Approved Budget	$ -	$ -	$ 12,000,000	$ -	$ -	$ 12,000,000
Number of Completed Beds: 125-150						
March 2010: **Budget Approval (PWCE)** - *Regents Approval*						
Action	$ *356,800,000*	$ *131,000,000*	$ *60,000,000*	$ *69,000,000*	$ *35,000,000*	$ *651,800,000*
Approved Budget	$ 356,800,000	$ 131,000,000	$ 72,000,000	$ 69,000,000	$ 35,000,000	$ 663,800,000
Number of Completed Beds: 185						
February 2012: **Budget Amendment** - *Administrative Item*						
Action	$ -	$ -	$ *34,100,000*	$ -	$ -	$ *34,100,000*
Approved Budget	$ 356,800,000	$ 131,000,000	$ 106,100,000	$ 69,000,000	$ 35,000,000	$ 697,900,000
Number of Completed Beds: 185						
July 2013: **Budget Amendment and Increase in External Financing** - *Regents Approval*						
Action	$ *143,200,000*	$ -	$ *(1,740,000)*	$ -	$ -	$ *141,460,000*
Approved Budget	$ 500,000,000	$ 131,000,000	$ 104,360,000	$ 69,000,000	$ 35,000,000	$ 839,360,000
Number of Completed Beds: 245						
July 2014: **Budget Amendment** - *Regents Approval*						
Proposed Action	$ -	$ -	$ *20,000,000*	$ -	$ -	$ ***20,000,000***
Proposed Budget	$ 500,000,000	$ 131,000,000	$ 124,360,000	$ 69,000,000	$ 35,000,000	$ **859,360,000**
Number of Completed Beds: 245						
January 2016: **Proposed Budget Amendment** - *Regents Approval*						
Proposed Action	$ *70,350,000*	$ *13,080,000*		$ -	$ -	$ ***83,430,000***
Proposed Budget	$ 570,350,000	$ 144,080,000	$ 124,360,000	$ 69,000,000	$ 35,000,000	$ **942,790,000**
Number of Completed Beds: 245						

ATTACHMENT 3

Jacobs Medical Center
Comparison of Space Program (ASF of Space)

Space Type	Function (as proposed)	Approved July 2014		Proposed January 2016		Change in ASF		Explanation for Change
		New Tower	Thornton Renov.	New Tower	Thornton Renov.	New Tower	Thornton Renov.	
Inpatient Beds (excluding Women & Infants)	*New Tower:* Medical Surgical and Intermediate Medical Unit, 108 beds Intensive Care Unit, 36 beds	126,800	0	126,800	0	0	0	No change
Women & Infants Inpatient Beds	*New Tower:* Neonatal Intensive Care Unit, 52 bassinets Labor, Delivery, Recovery, Postpartum, 11 beds Ante-Partum, 6 beds Post-Partum, 32 beds	79,800	0	78,300	0	(1,500)	0	NICU MRI will be shelled, therefore, ASF in Tower decreases.
Diagnostic & Treatment	*New Tower:* Imaging, Pharmacy, Respiratory Therapy, Surgery Post Anesthesia Care Unit/Invasive Hub, Anatomic Pathology (AP) Lab, Cardiac Rehabilitation Program *Renovation:* Acute Dialysis, Laboratory (includingFrozen Section and Autopsy), Patient Intake Center	106,350	21,700	109,150	3,561	2,800	(18,139)	More shelled space will be built out for Cardiac Rehab, therefore, ASF in Tower increases. Separate renovation projects in Thornton Hospital, outside of JMC project: Acute Dialysis, Patient Intake Center
Support Services	*New Tower:* Biomedical Engineering, Patient Transportation, Sterile Processing Department/Central Supply *Renovation:* Food Service/Dining, Kitchen,Housekeeping/Environmental Services, Materials Management	22,900	41,200	22,900	25,867	0	(15,333)	Separate renovation projects in Thornton Hospital, outside of JMC project: Housekeeping/EVS, Materials Management
Administrative Services	*New Tower:* Administration, Care Coordination, Medical Education, Security, Spiritual Care *Renovation:* Information Technology, On-Call	29,570	3,100	29,570	0	0	(3,100)	Separate renovation projects in Thornton Hospital, outside of JMC project: Information Technology, On-Call
Lobby	*Renovation:* Gift Shop, Lobby	6,600	1,100	6,600	1,100	0	0	No change
	Total - Built Out (New Construction)	**372,020**	--	**373,320**	--	**1,300**	--	See notes above for NICU MRI and Cardiac Rehab.
	Total - Shelled Space (New Construction)	**10,980**	--	**9,680**	--	**(1,300)**	--	Net reduction in shelled space due to: Cardiac Rehab larger (-2,800), NICU MRI now shelled (+1,500).
	Total - Renovation	--	**67,100**	--	**30,528**	--	**(36,572)**	Part of Thornton renovations will be done as separate projects outside of JMC project (see notes above).

Note: An additional 1,500 square feet of shelled space will be built out for a distributed antenna equipment room. This square footage is not accounted for above because it is non-assignable.

ATTACHMENT 4

SUMMARY FINANCIAL FEASIBILITY ANALYSIS

Project Title: Jacobs Medical Center, San Diego Campus

Proposed Total Estimated Project Cost: $942,790,000

Proposed Sources of Funding:

External Financing	$570,350,000
Gifts	$144,080,000
Hospital Reserves	$124,360,000
Children's Hospital Bonds	$69,000,000
Capitalized Leases	$35,000,000
Total	$942,790,000

Proposed New Long-term Financing: $70,350,000

Projected Financing Terms:

Interest Rate	6.0%
Term	30 years
Average Annual Debt Service	$5,084,000

Existing Hospital System Long-term Debt June 30, 2015: $710,283,000

Estimated Total Hospital System Long-term Debt July 1, 2017: $770,857,000

Estimated Combined Annual Debt Service (Dollars in Thousands):

	Actual	Projected			
	FY2015	FY2016	FY2017	FY2018	FY2019
Income available for debt service:					
Net income	$197,209	$135,313	$74,632	$82,186	$99,646
Interest	8,064	8,010	29,701	40,284	41,006
Capitalized interest	27,247	25,760	12,380	2,580	1,500
Depreciation	56,647	60,768	86,403	104,386	104,052
Income available for debt service	289,167	229,851	203,116	229,436	246,204
Debt service:					
Interest	8,064	8,010	29,701	40,284	41,006
Capitalized interest	27,247	25,760	12,380	2,580	1,500
Principal	14,737	17,727	19,496	19,653	21,235
Total debt service	$50,048	$51,497	$61,577	$62,517	$63,741
Debt service coverage	5.8	4.5	3.3	3.7	3.9

Projected Financial Performance

Detailed financial projections for UC San Diego Health are included in this attachment. These projections are based on assumptions from the Office of the President, where available, local assumptions for years beyond 2015, the opening of the project in fiscal year FY 2017 and opening of the Outpatient Pavilion in 2018. The local assumptions are based on a review of: (1) UC San Diego Health's recent service mix and financial performance; (2) the occupancy and outpatient volume levels experienced in the past few years; (3) projections of continued revenue/program enhancements, including those provided by the project; (4) estimates of the impact of the Affordable Care Act on patient volumes, payer mix and reimbursement; (5) projections of increased patient volume due to the area's population based on data provided by the San Diego Association of Governments; and (6) forecasted increased demand for outpatient services.

Average inpatient daily census is projected to increase from 451 in 2015 to 556 in 2019 as a result of continued program enhancements including those provided as a result of the opening of the project in 2016 and projected population growth in UC San Diego Health System's service area. Ambulatory clinic and emergency room visits are projected to increase from 710,000 in 2015 to 884,000 by 2019 as a result of population growth, new programs, increased utilization of existing ambulatory space, and expanded clinical capacity as a result of opening of the Outpatient Pavilion in 2018.

Total revenue is projected to increase from $1.49 billion in 2015 to $1.81 billion in 2019 as a result of an ongoing strategy to optimize reimbursement, projected patient volume growth, and increased market share in select service lines and changes in payor mix resulting from the Medi-Cal expansion and introduction of Covered California on January 1, 2014. The forecasted revenue also includes estimates of future Medi-Cal funds available under the current and subsequent Medicaid waivers, supplemental Medi-Cal managed care funds expected to be available under the Rate Range Intergovernmental Transfer (IGT) program, funds expected to be available under the Medi-Cal Hospital Fee Program, and estimates of the impact of the Affordable Care Act on Medicare payments.

Projected operating expenses are expected to increase from $1.29 billion in 2015 to $1.68 billion in 2019 due to increase in patient volumes, the impact of inflation, and increased depreciation expense. Salary expense is projected to increase 4.5 percent annually over the projection period with pension expense under Governmental Accounting Standards Board (GASB) 68 based on assumptions provided by Office of the President. Inflation on medical and other supplies, as well as pharmaceuticals and blood products, are projected to be 3.5 percent annually over the projection period.

In 2013 the organization began an operational improvement initiative that has yielded annual savings of $200 million through 2015 and is expected to generate an additional $100 million of annual savings by 2018. Financial improvements to-date were achieved through organizational restructuring that realigned staff to reduce redundancies, process improvements that yielded efficiencies in staffing and improved management of overtime use, and product standardization and contract renegotiations that resulted in supply cost savings. Additional financial

improvements were also realized from initiatives focused on improving patient flow and capacity in the inpatient units as well as perioperative, ambulatory procedure areas, and infusion.

Net income is projected to decrease from $197.2 million in 2015 (13.3 percent margin) to $135.3 million (8.8 percent margin) in 2016, the year before the opening of the project, primarily as a result of approximately $30 million of one-time prior year income adjustments in 2015 and one-time pre-opening costs in 2016. Net income is projected to decrease to $74.6 million (4.7 percent margin) in 2017 as a result of additional interest and depreciation expense incurred when the project opens.

Net income is projected to increase to $99.6 million (5.5 percent margin) in 2019 due to the incremental growth resulting from the project and incremental margin provided by opening of the Outpatient Pavilion in 2018.

The financial projection also includes the costs and benefits of future capital projects associated with the UC San Diego Health's capital plans, including the cost of ongoing facilities improvements, medical equipment, and information technology capital. The plan includes projects which have not yet been approved, and which would be regularly re-evaluated as to need, scope and cost. Future projects would be deferred or eliminated as appropriate and necessary to ensure UC San Diego Health's financial viability.

Throughout the projection period, margin and debt service coverage remains 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 decreases from 119 days in 2015 to 77 days in 2017, and is projected to remain stable through 2019.

Key Assumptions for Projections

Fiscal Years 2015-2019

- Utilization
  - Average daily census is projected to increase from 451 in 2015 to 556 in 2019. This will be driven by demographic changes in San Diego County, healthcare reform and associated changes in the delivery of health care, program enhancements, growth in outpatient clinic and emergency room visits that drive inpatient care, and a larger referral base for high-complexity cases.
  - The San Diego Association of Governments projects that the County's population will grow five percent from 2015 to 2020, with the age group of 65 and older growing 19 percent over the same five-year time period. Increased age is associated with significantly higher procedure and hospitalization rates, particularly in specialties such as Cancer and Orthopedic Surgery.
  - The Jacobs Medical Center will bring not only new capabilities but also much needed bed capacity. The average daily census at Thornton Hospital rose steadily each year, from an 80 percent annual average occupancy rate in FY 2008 to 98 percent in FY 2015.
  - The Jacobs Medical Center will also offer a dramatically improved experience for patients. The Women and Infants Pavilion is expected to attract more pregnant women compared with the current site and referring providers will be more likely to send women

with difficult pregnancies or transfer infants requiring neonatal care. The Cancer Pavilion, together with the Moores UCSD Cancer Center, establishes a monumental presence in regional cancer care. The expansion in operating room and Intensive Care Unit (ICU) capacity and capability will draw both surgeons and patients to UC San Diego.

- Ambulatory clinic visits, a key driver of inpatient admissions, will increase from 636,000 in FY 2015 to 797,000 by 2019. Robust market growth is expected throughout the region. UC San Diego strategies include recent investment in outpatient capacity in La Jolla, Encinitas, and Oceanside, and opening of the Outpatient Pavilion in 2018.
- Regional efforts to serve the needs of community physicians and hospitals are underway. The UC San Diego Health Physician Network has added strong community physicians and formal relationships have been initiated with community hospitals including Tri city Hospital in Oceanside, Temecula Valley Hospital, and El Centro Regional Medical Center.
- The Outpatient Pavilion will provide 83,400 additional assignable square feet of clinical space to provide disease-specific centers aligned with clinical programs targeted for aggressive growth. Services programmed in the project, including outpatient surgeries and procedures, radiology and diagnostic imaging, apheresis, and infusion, drive high margins and will contribute to the financial performance of UC San Diego Health
- Emergency room visits, another driver of inpatient admissions, will increase from 74,000 in 2015 to 87,000 by 2019. The emergency room at UC San Diego Health Hillcrest campus recently underwent a remodel and the emergency room the at the Thornton Hospital was replaced and significantly expanded as part of the Sulpizio Family Cardiovascular Center/Thornton Expansion project. With both Hillcrest and Sulpizio operating at high-occupancy rates, the opening of the project is expected to decompress the Emergency Department immediately, reducing wait times and attracting more patients.

- Revenue
  - Net patient service revenue reflects projected patient volume growth and payor mix changes due to the aging of the population, expanded coverage of the uninsured, and increased market share in select service lines. In addition, it reflects ongoing strategies to optimize reimbursement through strategic pricing and contracting efforts.
  - In the second quarter of 2015, UC San Diego Health began a significant revenue cycle redesign and optimization project that resulted in incremental cash collections in 2015 of $102 million compared to 2014 and a reduction in days in accounts receivable from 70 in 2014 to 52 in 2015. Additional improvements are expected in 2016 through targeted efforts to increase the financial clearance rate, reduce denials, enhance charge capture, and redesign hospital coding and medical records operations. In addition to these local initiatives, incremental improvements are expected through the UC Leveraging Value From Scale Revenue Cycle Project. The estimated costs and benefit from this initiative are included in the projection.
  - Includes management's estimate of Medi-Cal funding through Section 1115 of the current California Medicaid waiver which expired on October 31, 2015 and estimates of funding to be available under a new five-year successor waiver effective November 1, 2015.
  - Assumes Rate Range IGT funding levels that allow for optimal Disproportionate Share Hospital (DSH) claiming.

- Assumes that the federally matched senior and persons with disabilities intergovernmental transfer (SPD-IGT) B funding program will be continued and the obligation for non-federally matched SPD-IGT A will continue throughout the projection period.
- Projected Medi-Cal DSH reduction under the CMS proposed rule dated May 13, 2013 and subsequently delayed by two years in a CMS noticed dated December 27, 2013 results in a DSH payment reduction of 2.8 percent in FY 2017 increasing to 20.3 percent by 2019.
- Assumes increased funding for the Medi-Cal Hospital Fee Program effective July 1, 2015 pursuant to hospital industry agreement negotiated with the State.
- Assumes funding under AB915 continues through the projection period.
- Assumes Health Information Technology funds (HIT) made available under the American Recovery and Reinvestment Act sunset after FY 2015.
- SB1732 funds of approximately $1.7 million annually continue throughout the projection period.
- Medicare reimbursement includes Affordable Care Act reductions to Medicare market basket and DSH payments based on FY 2016 final rule; budget sequestration reductions, readmission and Value Based Purchasing adjustments are based on estimates provided by the California Hospital Association.

♦ Operating Expense
- Labor inflation for nursing and other clinical staff is projected to average 4.5 percent annually throughout the projection period.
- Employee health care inflation is projected to mirror the rate of labor inflation.
- Pension contribution remains at the FY 2015 rate of 14.0 percent of eligible salary costs throughout the projection period. Pension expense under GASB 68 is based on assumptions provided by Office of the President.
- Medical supply and pharmaceutical inflation of 3.5 percent annually is projected.
- Utility and all non-medical supply/expense inflation of three percent annually is projected.
- Depreciation expense includes the impact of the opening of the project in 2017 and opening of the Outpatient Pavilion in 2018.

♦ Financing
- Includes annual debt service payments on new bonds for the project of $5,084,000 based on long term debt of $70,350,000 amortized over 30 years at the rate of six percent.
- Routine financing of radiology and other major equipment through equipment leases in the amount of $4 million annually.

♦ Capital Investments
- $55 million of annual capital investments in facilities renovations and improvements, information technology, and equipment.
- One-time investments to renovate Thornton and Hillcrest hospitals and surrounding ambulatory care center after opening of the project.
- An additional $15 million annually in strategic investments to promote the growth strategies of the UC San Diego Health strategic plan.

UC SAN DIEGO HEALTH SYSTEM
PROJECTED FINANCIAL PERFORMANCE
PATIENT VOLUMES

	Actual	Projected			
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Discharges	27,913	28,761	30,515	32,377	33,704
Average length of stay	5.89	6.02	6.02	6.02	6.02
ADC	451	473	503	534	556
Patient payor mix - percent					
Medicare	31.8%	31.8%	31.8%	31.8%	31.8%
Medi-Cal	36.5%	36.5%	36.5%	36.5%	36.5%
Commercial	29.7%	29.7%	29.7%	29.7%	29.7%
Indigent/Uninsured	2.0%	2.0%	2.0%	2.0%	2.0%
	100%	100%	100%	100%	100%
Ambulatory visits	636,118	644,619	683,296	737,960	796,997
Emergency room visits	74,280	77,551	80,653	83,879	87,234
Total	710,398	722,170	763,949	821,839	884,231

UC SAN DIEGO HEALTH
PROJECTED FINANCIAL PERFORMANCE
STATEMENT OF REVENUES AND EXPENSES
(Dollars in Thousands)

	Actual	Projected			
	FY2015	FY2016	FY2017	FY2018	FY2019
Operating revenue					
Net patient revenue	$1,423,546	$1,461,372	$1,530,872	$1,655,872	$1,734,094
Other operating revenue	63,095	71,699	73,850	76,804	79,876
Total operating revenue	1,486,641	1,533,071	1,604,722	1,732,676	1,813,970
Operating expenses					
Operating expense	1,235,574	1,336,770	1,422,027	1,517,027	1,580,257
Depreciation and amortization	56,647	60,768	86,403	104,386	104,052
Total operating expenses	1,292,221	1,397,538	1,508,430	1,621,413	1,684,309
Net operating income	194,420	135,533	96,292	111,263	129,661
Non-operating income	2,789	(220)	(21,660)	(29,077)	(30,015)
Net income	$197,209	$135,313	$74,632	$82,186	$99,646
Total margin	13.1%	8.8%	6.0%	6.4%	7.1%

UC SAN DIEGO HEALTH

PROJECTED FINANCIAL PERFORMANCE

STATEMENT OF NET ASSETS

(Dollars in Thousands)

	Actual	Projected			
	2015	2016	2017	2018	2019
Assets					
Cash and cash equivalents	$402,045	$318,005	$299,079	$312,344	$327,605
Patient accounts receivable	202,929	208,195	218,097	235,905	247,049
Other receivables and prepaid assets	98,621	97,894	81,703	63,523	63,629
Inventory	24,207	30,018	28,535	28,514	30,394
Total current assets	727,802	654,112	627,414	640,286	668,677
Capital assets, net	1,284,776	1,622,013	1,722,713	1,728,813	1,724,763
Restricted assets	73,643	9,330	0	0	0
Other assets	8,518	17,681	18,462	19,249	19,542
Total assets	2,094,739	2,303,136	2,368,589	2,388,348	2,412,982
Deferred outflows of resources	211,728	211,728	211,728	211,728	211,728
Liabilities					
Accounts payable and accrued expenses	162,360	175,317	177,130	185,987	198,473
Current portion of LT debt	16,873	20,824	18,626	20,178	20,899
Total current liabilities	179,233	196,141	195,756	206,165	219,372
Long-term debt and capital leases	693,410	750,033	735,162	730,162	713,610
Other long-term liabilities	501,574	572,443	647,094	663,078	680,813
Total liabilities	1,374,217	1,518,617	1,578,012	1,599,405	1,613,795
Deferred inflows of resources	203,140	203,140	203,140	203,140	203,140
Net Assets					
Invested in capital assets	574,493	851,156	968,925	978,473	990,254
Restricted	73,643	9,330	0	0	0
Unrestricted	80,974	(67,379)	(169,760)	(180,942)	(182,479)
Total net assets	$729,110	$793,107	$799,165	$797,531	$807,775

UC SAN DIEGO HEALTH
PROJECTED FINANCIAL PERFORMANCE
STATEMENT OF CASH FLOW
(Dollars in thousands)

	Actual	Projected			
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Beginning cash	$254,660	$402,045	$318,005	$299,079	$312,344
Cash from operations:					
Net income	197,209	135,313	74,632	82,186	99,646
Change in operating receivables/payables	36,318	64,313	83,456	24,468	16,798
Add: depreciation	56,647	60,768	86,403	104,386	104,052
Cash provided from operations	290,174	260,394	244,491	211,040	220,496
Debt proceeds	32,971	74,350	4,000	14,000	4,000
Cash used for capital/other					
Routine facilities/equipment	(225,194)	(407,005)	(187,150)	(110,500)	(100,000)
Principal payments on debt	(14,737)	(17,727)	(19,496)	(19,653)	(21,235)
Transfers to/from University	6,559	(8,500)	(8,000)	(8,000)	(8,000)
Gifts/other capital appropriations	15,219	30,135	17,900	6,378	-
Change in restricted assets	143,044	64,313	9,330		-
Health System Support	(100,651)	(80,000)	(80,000)	(80,000)	(80,000)
Total cash used for capital/other	(175,760)	(418,784)	(267,416)	(211,775)	(209,235)
Net change in cash	147,385	(84,040)	(18,925)	13,265	15,261
Ending Cash	$402,045	$318,005	$299,079	$312,344	$327,605
Days cash on hand	119	87	77	75	76

UC SAN DIEGO HEALTH
PROJECTED FINANCIAL PERFORMANCE
KEY FINANCIAL RATIOS
(Dollars in Thousands)

	Actual	Projected			
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Net income	$197,209	$135,313	$74,632	$82,186	$99,646
Total Margin	13.3%	8.8%	4.7%	4.7%	5.5%
EBIDA ($000's)**	$261,920	$204,091	$190,736	$226,856	$244,704
Days Cash on Hand	119	87	77	75	76
Debt Service Coverage	5.8	4.5	3.3	3.7	3.9

** Earnings before interest, depreciation, and amortization.