

June 2014

VICE PRESIDENT, BUDGET AND CAPITAL RESOURCES, UNIVERSITY OF CALIFORNIA, OFFICE OF THE PRESIDENT

ACTION UNDER ADMINISTRATIVE APPROVAL - AMENDMENT OF THE BUDGET AND SCOPE, CLINICAL AND TRANSLATIONAL RESEARCH INSTITUTE BUILDING, SAN DIEGO CAMPUS

EXECUTIVE SUMMARY

The campus is requesting a budget augmentation of \$5,188,000 (1.9%) for the Clinical and Translational Research Institute Building project. The budget augmentation consists of an increase in Hospital Reserves (\$4,922,000), Gift Funds (\$2,162,000), Student Affairs Funds (\$200,000), and School of Medicine Funds (\$187,000) and a decrease in Campus Funds (\$2,283,000). The campus is also requesting approval of an amendment to scope that will build out 5,200 gross square feet (2,800 assignable square feet) to accommodate a magnetic resonance imaging (MRI) suite for translational imaging.

The Vice President for Budget and Capital Resources is being asked to approve the revised project budget of \$274,188,000 to be funded from external financing (\$249,000,000), School of Medicine funds (\$10,187,000), Pre-Occupancy Indirect Cost Recovery (\$7,000,000), Hospital Reserves (\$4,922,000), Gift funds (\$2,162,000), Campus funds (\$717,000), and Student Affairs funds (\$200,000).

BACKGROUND

The Clinical and Translational Research Institute (CTRI) Building, now under construction in the East Campus neighborhood of the San Diego campus, will provide a new building of approximately 189,000 assignable square feet (ASF) of space. The building will include research laboratories, core, office, and administrative support space primarily for the Clinical and Translational Research Institute, an interdisciplinary program that draws from and supports a range of Health Sciences departments, such as Medicine, Neurosciences, Pathology, and Pharmacology, as well as other non-Health Sciences departments such as Bioengineering; and offices to accommodate faculty physicians and staff associated with the Sulpizio Cardiovascular Center. In addition to the building, the project includes the following two additional components: 1) increase in chilled water, high temperature hot water, and emergency power capacity on the East Campus to support the new building and 2) an extension of the utilities to the new building and completion of the coordinated distribution system being implemented to support the increasing development on the East Campus.

In November 2010, the project was approved by the Regents at a total project cost of \$269,000,000, funded with external financing (\$249,000,000) School of Medicine funds

(\$10,000,000), Pre-Occupancy Indirect Cost Recovery (\$7,000,000) and campus funds (\$3,000,000). In January 2012, the Regents approved the design following action pursuant to the California Environmental Quality Act and Amendment of the Long Range Development Plan.

Approval of this action will allow the campus to build out approximately 5,200 gross square feet (GSF) to accommodate an MRI suite (2,800 ASF) for translational imaging. The remaining space would be built out at a later time as a separate project that will be bid and contracted separately.

The project is approximately 35 percent complete and is scheduled for completion in January 2016, an approximately six month delay from the November 2010 approval.

AUGMENTATION AND SCOPE AMENDMENT REQUEST

As a result of the building design and resulting geometries, there is an opportunity to capture approximately 9,400 additional GSF in the lowest two basement levels of the building. This space was not programmed or part of the originally approved project. The campus proposes to build out a portion of this space (5,200 GSF) on the lowest basement level to accommodate a magnetic resonance imaging (MRI) suite for translational imaging.

MRI is a test that uses a magnetic field and pulses of radio wave energy to make pictures of organs and structures inside the body. In many cases, MRI gives different information about structures in the body than can be seen with an X-ray, ultrasound, or computed tomography (CT) scan. MRI also may show problems that cannot be seen with other imaging methods.

The proximity of the MRI suite to clinical research space in the CTRI building creates new scientific opportunities for collaboration among researchers. The MRI would be collocated with investigators for musculoskeletal and brain research and would be in close proximity to the research clinic where clinical trials will occur and biological samples will be obtained. These adjacencies would make the space highly efficient and convenient for research subjects and staff.

The MRI suite would comprise approximately 2,800 ASF and would include space for imaging, human research subjects, support and staff and faculty spaces. Human research subjects would have access to the imaging room containing the MRI magnet, as well as consultation, waiting, patient changing and preparation spaces. A control room and equipment room would directly serve the imaging room. In addition, there would be support spaces, such as restrooms and Clean and Soiled Utility areas. A small amount of office space for data processing and image analysis would be provided for faculty and staff researchers. The proposed space program for the MRI suite would be as follows:

Magnet and magnet service space, including subject holding area	1,540 ASF
Human subject areas, including waiting and reception	660 ASF
Support areas	280 ASF
Faculty and staff office areas	<u>320 ASF</u>
Total	2,800 ASF

The proposed MRI suite would require mechanical system changes that would impact a small amount of programmed space (130 ASF) on lower level two of the building, converting a storage room to circulation space. The current building foundation and shear wall designs, as well as a portion of the exterior concrete façade design would require modifications to accommodate the magnet and overall imaging suite. Making these construction modifications after the concrete is in place would be cost prohibitive, if in fact it is even feasible.

The remaining shelled space (4,200 GSF) would be built out at a later time, for additional wet or dry laboratory space as the need arises. The cost change (\$5,988,000) to the CTRI Building is attributed to the construction cost of the MRI suite (\$2,925,000), related soft costs (\$547,000), and equipment for the MRI suite (\$2,516,000).

Reconciliation of Amount of Square Feet to be Constructed

The space program approved in November 2010 totaled 189,000 ASF of space. Through value engineering, some single-occupant closed offices were redesigned to more efficient open workstations. Open offices offer a greater density of work spaces than closed private offices, there is less space used by walls, and more workstations can be accommodated in less assignable square footage. This results in a small reduction of assignable square feet of space. Combined with the proposed addition of an MRI suite, the resulting program would total approximately 188,300 ASF of space.

The overall gross square footage of the CTRI building has increased by 15 percent, from 311,000 GSF to 358,400 GSF, as a result of various factors, including the building geometry, covered bridge connections, and a below grade, partially covered loading dock. The overall efficiency for the building decreased from 61% to 53%. The design and geometry of the CTRI building resulted from the goal to create a highly sustainable building with quality spaces on a complex parklands site. As the site's edges face both the public community and the Health Sciences Campus, the service functions of the building are concealed at a below grade loading dock to maintain the integrity of the East Campus Health Sciences Neighborhood. This loading dock will be partially covered which also resulted in an increase in GSF.

A primary goal of the project is to create a collaborative research environment located around a courtyard giving the CTRI a central interactive area for informal gathering of researchers and staff. This courtyard configuration supports the secondary goal of providing daylight to the majority of programmed spaces to increase the quality of the space while decreasing energy consumption and achieving LEED and sustainability goals. Bridge connections will encourage collaboration between the various research areas.

Funding Update

The original budget was approved for \$269,000,000, to be funded from external financing (\$249,000,000), School of Medicine funds (\$10,000,000), Pre-Occupancy Indirect Cost Recovery (\$7,000,000), and campus funds (\$3,000,000). The proposed budget of \$ 274,188,000

will be funded from external financing (\$249,000,000), School of Medicine Funds (\$10,187,000), Pre Occupancy Indirect Cost Recovery (\$7,000,000), Campus Funds (\$717,000), Gift Funds (\$2,162,000), Hospital Reserves (\$4,922,000), and Student Affairs (\$200,000). The following table compares the approved and proposed funding sources for each of the three project components:

**Clinical and Translational Research Institute Building
Fund Source Comparison by Project Element**

Fund Sources	Nov. 2010 (\$000)				Current without MRI (\$000)				Plus MRI (\$000)			
	CTRI Building	ECUP Exp.	EC Utility Imp.	Total Previously Approved	CTRI Building	ECUP Exp.	EC Utility Imp.	Total	Change from Nov 2010	CTRI Building Increase	Total Proposed	Change from Nov 2010
External Financing	\$235,225	\$2,500	\$11,275	\$249,000	\$234,191	\$7,173	\$7,636	\$249,000	\$0	-	\$249,000	\$0
School of Medicine	-	\$10,000	-	\$10,000	\$3,441	\$758	-	\$4,199	(\$5,801)	\$5,988	\$10,187	\$187
Pre-Occupancy ICR	\$6,500	\$500	-	\$7,000	\$1,931	\$5,069	-	\$7,000	\$0	-	\$7,000	\$0
Campuswide	-	-	\$3,000	\$3,000	-	-	\$717	\$717	(\$2,283)	-	\$717	(\$2,283)
Gift	-	-	-	-	\$2,162	-	-	\$2,162	\$2,162	-	\$2,162	\$2,162
Hospital Reserves	-	-	-	-	-	-	\$4,922	\$4,922	\$4,922	-	\$4,922	\$4,922
Student Affairs	-	-	-	-	-	-	\$200	\$200	\$200	-	\$200	\$200
Total	\$241,725	\$13,000	\$14,275	\$269,000	\$241,725	\$13,000	\$13,475	\$268,200	(\$800)	\$5,988	\$274,188	\$5,188
Total Project	\$269,000				\$268,200							

As a result of bid savings, the total cost of the East Campus Utilities Improvements decreased by \$800,000. In addition, funding commitments were adjusted to reflect appropriate responsibilities resulting from the overall East Campus Utilities Improvements Master Plan, of which this project element is a part. As shown in the table above, The School of Medicine funds are re-directed from fully funding the East Campus Utility Plant (ECUP) towards supporting a portion of the costs associated with the building (\$3,441,000), the full cost of the proposed MRI suite (\$5,988,000), and a small portion of the ECUP (\$758,000). This funding change has required an additional \$187,000 of School of Medicine funds towards the project. The remaining costs associated with the ECUP will be funded with External Financing (\$7,173,000) and Pre-occupancy Indirect Cost Recovery (\$5,069,000).

Additional funding changes associated with the project include the following: a portion of external financing has been re-directed, reducing the funding commitment from \$11,275,000 to \$7,636,000 for the East Campus Utility Improvements; Student Affairs' funding of \$200,000 has been added to cover their share of the costs associated with the East Campus Utilities Improvements in support of the east campus recreation area; and \$4,922,000 of Hospital Reserves is for the Medical Center's share of the utility improvements in support of the Medical Center facilities on the East Campus. Additionally, the campus has successfully received pledges in the amount of \$2,162,000, to be on hand when construction is completed. These would be backstopped by School of Medicine sponsored program indirect cost recovery funds.

Days Cash on Hand

Per the Summary of Financial Feasibility (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 2013 was 72 days.

Environmental Impact Summary

The changes described in this item do not change the conclusions in the environmental analysis of the Mitigated Negative Declaration (MND) prepared in accordance with the California Environmental Quality Act (CEQA), nor does it change the corresponding Mitigation Monitoring Program and Findings.

ATTACHMENTS:

- Attachment 1: Project Budget
- Attachment 2: Funding Plan
- Attachment 3: Previous Actions
- Attachment 4: Funding Distribution by Project Component
- Attachment 5: Summary of Financial Feasibility

OFFICE OF THE PRESIDENT:

Accordingly, under the authority delegated to me, I approve the following actions:

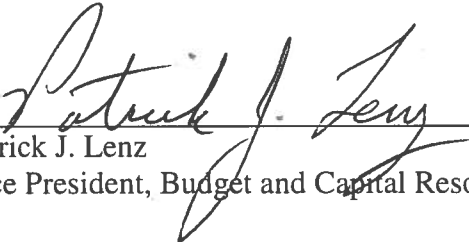
- 1) Amend the 2013-14 Budget for Capital Improvements and the Capital Improvement Program as follows:

From: San Diego: Clinical and Translational Research Institute Building – preliminary plans, working drawings, construction, and equipment – \$269,000,000 to be funded from external financing (\$249,000,000), School of Medicine funds (\$10,000,000), Pre-Occupancy Indirect Cost Recovery (\$7,000,000) and campus funds (\$3,000,000).

To: San Diego: Clinical and Translational Research Institute Building – preliminary plans, working drawings, construction, and equipment – \$274,188,000 to be funded from external financing (\$249,000,000), School of Medicine funds (\$10,187,000), Pre-Occupancy Indirect Cost Recovery (\$7,000,000), Hospital Reserves (\$4,922,000), Gift funds (\$2,162,000), Campus funds (\$717,000), and Student Affairs funds (\$200,000).

- 2) Approve a change in scope that will build out 2,800 ASF (5,200 GSF) to accommodate a magnetic resonance imaging (MRI) suite for translational imaging.

The campus is hereby authorized to transfer up to \$187,000 of School of Medicine funds, \$4,922,000 of Hospital Reserves, \$2,162,000 of Gift funds, and \$200,000 of Student Affairs funds to the plant expenditure ledgers for construction at this time. The campus is also allowed to revert \$2,283,000 of campus funds.



Patrick J. Lenz
Vice President, Budget and Capital Resources

6-24-14
Date:

**PROJECT BUDGET
CLINICAL AND TRANSLATIONAL RESEARCH INSTITUTE BUILDING
SAN DIEGO CAMPUS
CCCI 5542**

<u>Cost Category</u>	<u>Approved Budget Nov-10</u>	<u>Amendment Request¹</u>	<u>Proposed Budget May-14</u>	<u>% of Total</u>
Site Clearance	\$ 591,000	\$ 44,000	\$ 635,000	0.2%
Building Construction	167,247,000	7,956,000	175,203,000	66.1%
Exterior Utilities	15,979,000	(7,785,000)	8,194,000	3.1%
Site Development	4,694,000	780,000	5,474,000	2.1%
A/E Fees	21,146,000	1,356,000	22,502,000	8.5%
Campus Administration	7,418,000	387,000	7,805,000	2.9%
Surveys, Tests, Plans, Specs	2,200,000	137,000	2,337,000	0.9%
Special Items (excl. financing)	8,295,000	(329,000)	7,966,000	3.0%
Financing Costs	25,500,000	--	25,500,000	9.6%
Contingency	9,430,000	126,000	9,556,000	3.6%
<i>Total P-W-C</i>	<u>\$262,500,000</u>	<u>\$2,672,000</u>	<u>\$265,172,000</u>	100.0%
Groups 2 & 3 Equipment	<u>\$6,500,000</u>	<u>\$2,516,000</u>	<u>\$9,016,000</u>	
<i>Total Project¹</i>	<u>\$269,000,000</u>	<u>\$5,188,000</u>	<u>\$274,188,000</u>	

Project Statistics (CTRI Building only):

	<u>Approved Nov-10</u>	<u>Proposed May-14</u>
GSF	311,000	358,400
ASF	189,000	188,300
Efficiency Ratio: ASF/GSF	61%	53%
Building Cost/GSF	\$503	\$488

¹ The scope amendment to include an MRI Suite would increase the CTRI Building budget by \$5,988,000. The overall budget of the East Campus Utilities Improvements project decreased by \$800,000 due to favorable bids. The net total project increase would be \$5,188,000. Redistribution of costs among line items was the result of actual bids as well as more accurate budget categorization. For example, all electrical distribution equipment and installation previously included in exterior utilities is now more accurately included in building construction.

**FUNDING PLAN
CLINICAL AND TRANSLATIONAL RESEARCH INSTITUTE BUILDING**

	Approved <u>Nov-10</u>	Change From <u>Last Approved</u>	Proposed <u>April-14</u>
Funding Schedule			
Preliminary Plans	\$11,813,000	\$119,000	\$11,932,000
Working Drawings	\$14,437,000	\$147,000	\$14,584,000
Construction	\$236,250,000	\$2,406,000	\$238,656,000
Equipment	\$6,500,000	\$2,516,000	\$9,016,000
Total	\$269,000,000	\$5,188,000	\$274,188,000
Funding Sources			
External Financing	\$249,000,000	--	\$249,000,000
School of Medicine Funds ¹	\$10,000,000	\$187,000	\$10,187,000
Pre-occupancy Indirect Cost Recovery	\$7,000,000	--	\$7,000,000
Hospital Reserves ²	--	\$4,922,000	\$4,922,000
Gift Funds ³	--	\$2,162,000	\$2,162,000
Campus Funds ⁴	\$3,000,000	(\$2,283,000)	\$717,000
Student Affairs Funds	--	\$200,000	\$200,000
Total	\$269,000,000	\$5,188,000	\$274,188,000

¹ Represents the School of Medicine's commitment for the MRI suite, and backstop for gifts pledged but not in hand.

² Represents the UC San Diego Health System's share of the extension of utility distribution systems on East Campus.

³ Gifts in hand at project completion.

⁴ Represents the campuswide share of the extension of utility distribution systems on East Campus.

PREVIOUS ACTIONS

November 2010: Regental approval of the budget of \$269,000,000 and external financing of \$249,000,000 for the project.

January 2012: Regental approval of design following action pursuant to the California Environmental Quality Act and Amendment of the Long Range Development Plan

CTRI: Funding Distribution by Project Component

COST CATEGORY	BUILDING			EAST CAMPUS UTILITY PLANT			EAST CAMPUS UTILITY IMPROVEMENTS		
	Oct 2010	Jan 2014	Change	Oct 2010	Jan 2014	Change	Oct 2010	Jan 2014	Change
Site Clearance	\$436,000	\$436,000	\$0	\$90,000	\$90,000	\$0	\$65,000	\$109,000	\$44,000
Building Construction*	\$156,458,000	\$159,161,000	\$2,703,000	\$10,264,000	\$10,264,000	\$0	\$525,000	\$5,778,000	\$5,253,000
Exterior Utilities*	\$5,507,000	\$5,507,000	\$0	\$65,000	\$65,000	\$0	\$10,407,000	\$2,622,000	-\$7,785,000
Site Development	\$4,654,000	\$4,654,000	\$0	\$25,000	\$25,000	\$0	\$15,000	\$795,000	\$780,000
A/E Fees	\$19,800,000	\$20,174,000	\$374,000	\$756,000	\$756,000	\$0	\$590,000	\$1,572,000	\$982,000
Campus Administration	\$6,768,000	\$6,894,000	\$126,000	\$320,000	\$320,000	\$0	\$330,000	\$591,000	\$261,000
Surveys, Tests, Plans, Specs	\$1,845,000	\$1,874,000	\$29,000	\$213,000	\$213,000	\$0	\$142,000	\$250,000	\$108,000
Special Items (excl. financing)	\$5,905,000	\$5,923,000	\$18,000	\$745,000	\$745,000	\$0	\$1,645,000	\$1,298,000	-\$347,000
Financing Costs	\$25,500,000	\$25,500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contingency	\$8,352,000	\$8,574,000	\$222,000	\$522,000	\$522,000	\$0	\$556,000	\$460,000	-\$96,000
Total P-W-C	\$235,225,000	\$238,697,000	\$3,472,000	\$13,000,000	\$13,000,000	\$0	\$14,275,000	\$13,475,000	-\$800,000
Groups 2 & 3	\$6,500,000	\$9,016,000	\$2,516,000	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL	\$241,725,000	\$247,713,000	\$5,988,000	\$13,000,000	\$13,000,000	\$0	\$14,275,000	\$13,475,000	-\$800,000

* Changes to Line Items 1, 2, 4, and 5 for "East Campus Utilities Improvements" are explained as follows:

- The original CIB was done in October 2010 before the project was bid. The current CIB reflects bid savings of \$800,000.
- The original CIB showed line item 1, "Building Construction", as \$525,000 which represented the cost of the building itself without electrical equipment. All distribution equipment and installation was included in line item 2. The current CIB accounts for all equipment to be housed in the building in line item 1. Therefore, line item 1 increased and line item 2 decreased.
- Line item 4, "Site Development", increased by \$780,000 because costs previously in line item 2, such as existing site lighting, an earth wall, asphalt and concrete, and landscaping, were more appropriately included in line item 4.
- Distribution of costs among the line items reflect updated costs through design and construction of the project.

SUMMARY FINANCIAL FEASIBILITY ANALYSIS

Project Title: UCSD Clinical and Translational Research Institute Building, San Diego Campus

Total Estimated Project Cost: \$274,188,000

Proposed Sources of Funding:

External Financing	\$249,000,000
School of Medicine Funds	\$10,187,000
Pre-Occupancy Indirect Cost Recovery	\$7,000,000
Hospital Reserves	\$4,922,000
Gifts	\$2,162,000
Campus Funds	\$717,000
Student Affairs Funds	\$200,000
Total	\$274,188,000

UC San Diego Medical Center Financial Proforma (Dollars in Thousands)*:

	Actual FY 2013	Projected					
		FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Income available for debt service:							
Net income	\$137,049	\$123,094	\$105,352	\$120,673	\$66,075	\$84,753	\$108,679
Interest	8,964	8,760	8,353	8,238	33,657	33,228	32,763
Capitalized interest	1,963	20,744	27,376	27,376	2,500	2,500	2,500
Depreciation	52,315	56,097	59,820	62,990	93,856	94,613	93,449
Income available for debt service	200,291	208,695	200,901	219,277	196,089	215,095	237,390
Debt service:							
Interest	8,964	8,760	8,353	8,238	33,657	33,228	32,763
Capitalized interest	1,963	20,744	27,376	27,376	2,500	2,500	2,500
Principal	15,346	14,612	14,256	16,927	17,208	16,571	17,244
Total debt service	\$26,273	\$44,116	\$49,985	\$52,541	\$53,365	\$52,299	\$52,507
Debt service coverage	7.6	4.7	4.0	4.2	3.7	4.1	4.5
Days cash on hand	72	63	71	65	61	72	82

*In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, effective for the fiscal year starting July 1, 2013, and Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for the fiscal year starting July 1, 2014. The University will be implementing both GASB Statement Nos. 67 and 68 for the fiscal year ending June 30, 2014, and will be restating the financial statements for the Medical Centers for the fiscal year ended June 30, 2013. Currently, the Medical Centers do not report an obligation to UCRP. However, under GASB No. 68, the Medical Centers will be reporting their proportionate share of the UCRP obligation.