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March 13, 2012

**CHAIR OF THE COMMITTEE ON GROUNDS AND BUILDINGS
PRESIDENT OF THE UNIVERSITY**

**ACTION UNDER INTERIM AUTHORITY – AMENDMENT OF THE BUDGET FOR
CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND
AUTHORIZATION FOR EXTERNAL FINANCING OF LEGAL SETTLEMENT,
WESTWOOD REPLACEMENT HOSPITAL, LOS ANGELES CAMPUS**

EXECUTIVE SUMMARY

The Westwood Replacement Hospital project was completed and occupied in 2008. The new 519-bed, 517,000 ASF hospital (1,260,000 GSF including below-grade parking for 300 cars) replaced the 805-bed 542,000 ASF Medical Center, Mattel Children's Hospital and Neuropsychiatric facilities previously located in the Center for Health Sciences (CHS), which suffered significant structural damage as a result of the 1994 Northridge earthquake.

This action requests a budget augmentation of \$39,411,000 (+4.3 percent) due to an increase of \$48,000,000 for the legal settlement that was off-set by a net decrease of \$8,589,000 to reflect actual costs incurred to complete the Westwood Replacement Hospital project. A related action includes approval of external financing to fund a \$48,000,000 construction-related legal settlement paid for via hospital reserves in November 2010. Action under interim authority is requested to preserve the most cost effective financing strategy. The next regularly scheduled meeting of the Committee on Grounds and Buildings is scheduled for March 28, thus leaving insufficient time to implement the financing approval.

RECOMMENDATION

The President recommends that:

Deletions shown by ~~strikeout~~; additions by underscore

1. The 2011-12 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

Los Angeles: Westwood Replacement Hospital – preliminary plans, working drawings, construction and equipment – ~~\$914,300,000~~ \$953,711,000 to be funded from federal

AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND AUTHORIZATION FOR EXTERNAL FINANCING OF LEGAL SETTLEMENT, WESTWOOD REPLACEMENT HOSPITAL, LOS ANGELES CAMPUS

funds (~~\$439,700,000~~ \$439,699,000), State matching funds (~~\$44,100,000~~ \$43,886,000), State lease revenue bond funds (~~\$125,000,000~~ \$126,370,000), State children's hospital grant funds (\$29,827,000), gift funds (~~\$89,285,000~~ \$88,181,000), hospital reserves (\$6,000,000), campus funds (~~\$3,088,000~~ \$820,000), external financing (~~\$170,300,000~~ \$217,814,000), and earnings from previous bond issue (~~\$7,000,000~~ \$1,114,000).

* * *

2. The President be authorized to obtain additional external financing not to exceed \$48,000,000 related to the Westwood Replacement Hospital project, subject to the following conditions:
 - A. As long as the debt is outstanding, the gross revenues of the UCLA Medical Center shall be maintained in amounts sufficient to pay the debt service and to meet related requirements of the authorized financing; and
 - B. The general credit of the Regents shall not be pledged.
3. The President be authorized to execute all documents necessary in connection with the above.

BACKGROUND

This action requests approval of a net budget augmentation of \$39,411,000 for the Westwood Replacement Hospital. A related action includes approval of external financing to fund a \$48,000,000 construction-related legal settlement. In September 2010, the Regents authorized the General Counsel to settle the legal matter. An Interim Action is necessary to meet the time frame for tax-exempt financing of the legal settlement previously paid for by hospital reserves.

Need for Augmentation

This action requests a budget augmentation of \$39,411,000 (+4.3 percent) due to an increase of \$48,000,000 for the legal settlement that was off-set by a net decrease of \$8,589,000 to reflect actual costs incurred to complete the project.

The decrease of \$8,589,000 to complete the previously approved scope of work includes construction (-\$1,787,000); fees (-\$174,000); surveys/tests (-\$146,000); the full amount of budgeted contingency (-\$1,400,000); special items (-\$2,609,000); and Group 2 and 3 equipment (-\$2,506,000). These reductions were off-set by an increase in loan interest (+\$33,000).

The action's proposed funding allocation represents the close-out balances for each source. The increase of State lease revenue bonds represents bond issuance costs charged to the project. The reduction in earnings from the previous bond issue anticipates a reallocation on a proportional basis between the Santa Monica/Orthopaedic Replacement Hospital and Westwood Replacement

*AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT
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Hospital projects. This proposed reallocation is intended to maximize ability to release campus and gift funds.

Financial Feasibility

The financial feasibility analysis is included in Attachment 3.

Approved:

 3/17/12
Hadi Makarechian Date
Chair of the Committee on Grounds and Buildings

 3/13/12
Mark G. Yudof Date
President of the University

ATTACHMENTS:

Attachment 1 – Project Statistics

Attachment 2 – Project Budget History

Attachment 3 – Summary of Financial Feasibility

Financial Feasibility

Approved:




 Mark G. Yudof Date
 President of the University

Attachment 1 – Project Statistics
Attachment 2 – Project Budget History
Attachment 3 – Summary of Financial Feasibility

ATTACHMENT 1

**PROJECT STATISTICS
WESTWOOD REPLACEMENT HOSPITAL
LOS ANGELES CAMPUS
CCCI 3994**

| <u>Cost Category</u> | <u>Costs</u> | <u>% of Total</u> |
|----------------------------|-----------------------|-------------------|
| Site Clearance | \$ 8,723,000 | 0.92% |
| Building | 765,461,000 | 80.34% |
| Exterior Utilities | 658,000 | 0.07% |
| Site Development | 374,000 | 0.04% |
| A/E Fees | 65,284,000 | 6.85% |
| Campus Administration | 29,366,000 | 3.08% |
| Surveys, Tests | 32,114,000 | 3.37% |
| Special Items ¹ | 50,777,000 | 5.33% |
| Contingency | 0 | 0.00% |
| Total | \$ 952,757,000 | 100.00% |
| Group 2 & 3 Equipment | 954,000 | |
| Total Project | \$ 953,711,000 | |

Statistics

| | |
|-------------------------------------------|-----------|
| Gross Square Feet (gsf) ² | 1,260,000 |
| Assignable Square Feet (asf) ³ | 517,000 |
| Ratio asf/gsf (%) | 41% |
| Building Cost/gsf | \$607.51 |

Comparable University Projects at CCCI 3994

There are no comparable projects.

¹ Includes interest during construction and bond issuance costs of \$7,828,000.

² Gross square feet (gsf) is the total area including usable area, stairways, and space occupied by the structure itself.

³ Assignable square feet (asf) is the net usable area.

ATTACHMENT 2

**PROJECT BUDGET HISTORY
WESTWOOD REPLACEMENT HOSPITAL
LOS ANGELES CAMPUS**

May 1997: The Regents reviewed the proposed seismic reconstruction program and approved an amendment to the Budget for Capital Improvements and Capital Improvement Program to include preliminary plans (P) funding for the proposed Westwood Replacement Hospital.

November 1998: The Regents approved an amendment to the Budget for Capital Improvements and the Capital Improvement Program to include the Westwood Replacement Hospital at the total ("PWCE") project cost of \$597.7 million at CCCI 3909/EPI 2502. Concurrently the Regents certified the Final Environmental Impact Report for the project, approved the project design, external financing in the form of hospital revenue bonds to be repaid from operating revenues of the hospital system and interim financing to meet short-term cash flow shortfalls related to Federal Emergency Management Agency (FEMA) reimbursements.

September 2000: The Regents approved an augmentation of \$75 million to be funded from gifts to include medical equipment costs previously anticipated to be funded separately from hospital reserves in the two years prior to the completion of the new hospital. With the inclusion of these equipment costs, the project cost for the Westwood Replacement Hospital was estimated to total \$672.7 million at CCCI 3909/EPI 2502.

Concurrent with the September 2000 budget augmentation approval, The Regents approved changes in the funding sources for the project consisting of the addition of gift funds and of state-sponsored lease revenue bonds (to be made available for the funding of both the Westwood and Santa Monica replacement hospital projects) and the removal of hospital reserves and of long-term external financing in the form of hospital revenue bonds. At that time, the exact allocation of the state lease revenue bonds funds and gift funds between the two hospital projects was subject to adjustment pending the completion of discussions with the Department of Finance regarding the approval of the \$180 million in funding for the two projects. In February 2001, the State Public Works Board approved the allocation of \$125 million in state lease revenue bonds to the Westwood Hospital.

July 2001: The Regents approved an amendment to the Capital Improvement Budget for the project to confirm the amount of state-sponsored lease revenue bonds allocated by the State Public Works board (\$125 million) and the amount of gift funds (\$70.7 million) required to complete project funding. The Regents also approved an amendment to the external financing authorization for the project in order to provide stand-by and interim financing for the gift funds remaining to be raised.

August 2002: The Office of the President approved an amendment to the Capital Improvement Budget to decrease the project cost by \$15 million to reflect the lower realized and expected interest charges on the project due to the success of the fund raising campaign and careful

management of FEMA reimbursements resulting in a total project budget of \$657.7 million at CCCI 3944/EPI 2502.

January 2004: The Regents approved an amendment to the Capital Improvement Budget to increase the project cost by \$20 million to fund the redesign and build-out costs for a portion of the third floor (\$10 million) and additional project contingency (\$10 million), and also approved an additional contingency of \$30 million to fund if necessary additional construction expenditures and other capital expenditures related to the construction of the two hospitals. Concurrently the Regents approved an amendment to the external financing authorization for the project in order to provide long-term financing to fund a portion of the requested budget augmentation and shift gifts from construction to start up costs. Of the total external financing of \$165 million, \$48 million was allocated to the Westwood Replacement Hospital to fund \$18 million of the increased project costs and the \$30 million additional contingency. Subsequently, these bonds were issued in May 2004.

January 2008: The Regents authorized the submission on behalf of the UCLA Medical Center of an application for \$30,000,000 of State Children's Hospital Program grant funds provided through Proposition 61, the Children's Hospital Bond Act of 2004. In October 2005, the UCLA Medical Center submitted an application for reimbursement of expenditures for construction of space for the Mattel Children's Hospital within the larger Westwood Replacement Hospital project. The California Hospital Financing Authority approved UCLA's grant in December 2005 at a total grant amount of \$29,827,000 (reflecting the nominal grant of \$30,000,000 less State issuance and administrative costs). The grant was executed on October 4, 2006.

November 2006: The Regents approved a budget augmentation of \$151,600,000 (including the allocation of the previously approved contingency of \$30,000,000 approved in January 2004) and an increased authorization for external financing of \$122,300,000. Related actions included approval of the allocation of the Children's Hospital Program grant funds (\$29,827,000), additional FEMA grant funds (\$6,800,000), campus funds (\$1,000,000), hospital reserves (\$6,000,000), earnings from previous bond issue (\$7,000,000) and a corresponding reduction of gifts (-\$51,237,000) to fund the requested augmentation.

November 2008: The Regents approved a budget augmentation of \$85,000,000 to be funded from gift funds (+\$82,912,000) and campus funds (+\$2,088,000) that result in a total project budget of \$914,300,000.

September 2010: The Regents authorized that the General Counsel be authorized to settle claims by the construction contractor in the amount of \$48 million.

ATTACHMENT 3

SUMMARY OF FINANCIAL FEASIBILITY

| UCLA Medical Center | |
|-------------------------------|-------------------------------|
| Project Name | Westwood Replacement Hospital |
| Project ID | 945760 |
| Total Estimated Project Costs | \$48,000,000 |

| Proposed Sources of Funding | |
|-----------------------------|--------------|
| External Financing | \$48,000,000 |
| Total | \$48,000,000 |

| Financing Assumptions | |
|------------------------------------------------|---------------------------------------|
| Anticipated Repayment Source | Gross Revenues of UCLA Medical Center |
| Anticipated Fund Source | Gross Revenues of UCLA Medical Center |
| Financial Feasibility Rate | 6.00% |
| First Year of Principal (e.g. year 10) | 2013 |
| Final Maturity (e.g. 30 years) | 35 years |
| Estimated Average Annual Debt Service-New Debt | \$4,803,000 |

| | Actual FY 2011 | Proj. FY 2012 | Proj. FY 2013 | Proj. FY 2014 | Proj. FY 2015 | Proj. FY 2016 |
|-----------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Net income(loss) before other changes in net assets | 289,479,000 | 165,192,944 | 86,712,374 | 40,867,786 | 16,885,575 | 89,972 |
| Depreciation | 89,280,000 | 94,678,000 | 110,769,714 | 123,535,714 | 130,535,857 | 137,677,857 |
| Interest expense ⁽¹⁾ | 35,885,000 | 27,260,000 | 41,569,000 | 40,847,000 | 40,369,000 | 39,861,000 |
| Net Revenue available for Debt Service | 414,644,000 | 287,130,944 | 239,051,088 | 205,250,500 | 187,790,432 | 177,628,829 |
| Proposed financing \$67M⁽²⁾ | | 1,005,000 | 4,803,249 | 4,803,249 | 4,803,249 | 4,803,249 |
| Capital Leases | 9,198,000 | 7,594,323 | 5,559,320 | 4,652,980 | 3,506,290 | 2,200,000 |
| Other Debt Service | 53,627,000 | 44,036,191 | 45,443,888 | 45,453,691 | 45,454,363 | 45,444,620 |
| Total Debt Service | 62,825,000 | 52,635,514 | 55,806,457 | 54,909,920 | 53,763,902 | 52,447,869 |
| Debt Service Coverage Ratio | 6.6 | 5.5 | 4.3 | 3.7 | 3.5 | 3.4 |

Note:

(1) excluding internal loans

(2) assumes all 35 years debt & includes settlement (\$48 million) and two properties (Santa Monica and Van Nuys = \$18.925 million – already approved)

UCLA MEDICAL CENTER PROJECTED FINANCIAL PERFORMANCE

KEY ASSUMPTIONS

Utilization

- Average daily census (ADC) is expected to increase from 721 in 2011 to 755 in 2016. The growth is projected to occur at the Santa Monica-UCLA Medical Center and Orthopaedic Hospital (Santa Monica) because the Ronald Reagan UCLA Medical Center (Ronald Reagan) is at capacity. The increase in ADC is a result of (1) growth of the senior population, the highest utilizers of inpatient care, especially in UCLA's primary service area; (2) continued development of leading edge clinical services and technologies; (3) incremental market share capture due to shrinking acute care capacity, i.e., continued closures or conversion to non-acute care uses of clinically and financially marginal Los Angeles area hospitals; and (4) movement of service lines from Ronald Reagan to Santa Monica.
- Ambulatory clinic and emergency room visits are expected to increase from 928,590 in 2011 to over 1,000,000 by 2016 as a result of (1) population growth; (2) technological advancements and reimbursement incentives that continue to drive appropriate clinical treatment from the inpatient setting to outpatient venues; and (3) local area emergency room closures resulting in higher utilization of the Hospital System's emergency departments.

Revenue

- Net patient service revenue reflects projected patient volume growth. In addition, it reflects ongoing strategies to optimize reimbursement through improved revenue capture and contracting efforts.
- The projection assumes no changes in any of the payors except contracts, which is projected to increase five percent per year.

Operating Expenses

- Total labor (salary and benefits) inflation is six percent per year from FY 2013 to FY 2016.
- Pension funding is budgeted at 10.8 percent in FY 2013; and 12.8 percent for FYs 2014-2016 as approved by Regents at this time.
- Total annual supply inflation of five percent is used during the projection periods.
- All other expenses are projected to increase at three percent annually.

Financing

- A new long-term revenue bond in the amount of \$67 million would be issued in FY 2012 at an interest rate of 6.00 percent for 35 years.

Capital Investments

- Routine equipment including the Electronic Health Record project is projected to be \$118 million in FY 2012, \$135 million in FY 2013, \$110 million in FY 2014, \$100 million in FY 2015 and \$56 million in FY 2016.

Sensitivity Analysis

- Sensitivity analyses were performed to evaluate the impact on income and other key financial indicators of selected changes on revenue and expenses including:
 - One percent reduction in inpatient contract rate increases in FY 2013.
 - One percent increase in pharmaceutical and blood products, and all other medical and non-medical supply inflation in FY 2013.

| | <u>Actual FY 2010</u> | <u>Actual FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>Projected FY 2014</u> | <u>FY 2015</u> | <u>FY 2016</u> |
|----------------------------------------------|---------------------------|---------------------------|----------------|----------------|------------------------------|----------------|----------------|
| Patient Volumes | | | | | | | |
| Discharges | 40,211 | 40,318 | 41,693 | 41,840 | 42,123 | 42,406 | 42,688 |
| Average Length of Stay | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 |
| ADC | 718 | 721 | 735 | 740 | 745 | 750 | 755 |
| Available Beds | 829 | 832 | 813 | 794 | 794 | 794 | 794 |
| Percent Occupancy | 87% | 87% | 90% | 93% | 94% | 94% | 95% |
| <u>Discharge Mix - Inpatient Only</u> | | | | | | | |
| Medicare | 26.7% | 27.7% | 27.6% | 27.6% | 27.6% | 27.6% | 27.6% |
| Medical | 15.6% | 16.1% | 16.3% | 16.3% | 16.3% | 16.3% | 16.3% |
| Contract | 50.3% | 49.2% | 49.3% | 49.3% | 49.3% | 49.3% | 49.3% |
| Capitation | 3.5% | 3.5% | 3.3% | 3.3% | 3.3% | 3.3% | 3.3% |
| Non-Sponsored | 3.8% | 3.5% | 3.4% | 3.4% | 3.4% | 3.4% | 3.4% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| <u>Ambulatory Visits</u> | | | | | | | |
| Hospital Outpatient Visits | 788,287 | 845,508 | 856,260 | 873,385 | 890,853 | 908,670 | 926,843 |
| Emergency Visits | <u>81,383</u> | <u>83,082</u> | <u>84,820</u> | <u>86,516</u> | <u>88,247</u> | <u>90,012</u> | <u>91,812</u> |
| Total Visits | 869,670 | 928,590 | 941,080 | 959,902 | 979,100 | 998,682 | 1,018,655 |

Statement of Revenue and Expenses

| | | | | | | | |
|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Operating Revenue | | | | | | | |
| Net Patient Revenue | 1,527,160 | 1,656,749 | 1,742,442 | 1,799,554 | 1,872,446 | 1,948,694 | 2,030,653 |
| Other Operating Revenue | <u>60,333</u> | <u>63,668</u> | <u>56,564</u> | <u>57,565</u> | <u>58,615</u> | <u>59,677</u> | <u>60,750</u> |
| Net Operating Revenue | 1,587,493 | 1,720,417 | 1,799,006 | 1,857,119 | 1,931,061 | 2,008,371 | 2,091,404 |

| | <u>Actual</u> <u>FY 2010</u> | <u>Actual</u> <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>Projected</u> <u>FY 2014</u> | <u>FY 2015</u> | <u>FY 2016</u> |
|--------------------------------|---------------------------------|---------------------------------|-----------------|-----------------|------------------------------------|-----------------|-----------------|
| Operating Expenses | | | | | | | |
| Operating Expenses | 1,278,033 | 1,357,538 | 1,518,750 | 1,632,833 | 1,740,301 | 1,833,796 | 1,926,565 |
| Depreciation | <u>85,870</u> | <u>89,280</u> | <u>94,678</u> | <u>110,770</u> | <u>123,536</u> | <u>130,536</u> | <u>137,678</u> |
| Total Operating Expense | 1,363,903 | 1,446,818 | 1,613,428 | 1,743,602 | 1,863,837 | 1,964,331 | 2,064,243 |
| Net Operating Gain / (Loss) | 223,590 | 273,599 | 185,578 | 113,516 | 67,225 | 44,040 | 27,161 |
| Non-Operating Income/(Expense) | <u>(11,510)</u> | <u>15,880</u> | <u>(20,385)</u> | <u>(26,804)</u> | <u>(26,357)</u> | <u>(27,154)</u> | <u>(27,071)</u> |
| Net Income / (Loss) | <u>212,080</u> | <u>289,479</u> | <u>165,193</u> | <u>86,712</u> | <u>40,868</u> | <u>16,886</u> | <u>90</u> |
| Operating Margin | 14.08% | 15.90% | 10.32% | 6.11% | 3.48% | 2.19% | 1.30% |
| Total Margin | 13.36% | 16.83% | 9.18% | 4.67% | 2.12% | 0.84% | 0.00% |

Statement of Net Assets

ASSETS

Current Assets

| | | | | | | | |
|---------------------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|
| Cash | 405,965 | 597,924 | 704,004 | 604,054 | 592,581 | 541,794 | 526,163 |
| Accounts Receivable (Net) | 246,970 | 260,950 | 260,950 | 300,950 | 267,950 | 272,950 | 277,950 |
| Other Current Assets | <u>144,850</u> | <u>104,570</u> | <u>98,970</u> | <u>98,970</u> | <u>98,970</u> | <u>98,970</u> | <u>98,970</u> |
| Total Current Assets | 797,785 | 963,444 | 1,063,924 | 1,003,974 | 959,501 | 913,714 | 903,083 |

Other Assets

| | | | | | | | |
|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Cash held by trustee | 62,670 | 71,500 | 30,000 | - | - | - | - |
| Donor restricted | <u>18,640</u> | <u>17,470</u> | <u>17,470</u> | <u>17,470</u> | <u>17,470</u> | <u>17,470</u> | <u>17,470</u> |
| Total Other Assets | 81,310 | 88,970 | 47,470 | 17,470 | 17,470 | 17,470 | 17,470 |

Property, Plant and Equipment

| | | | | | | | |
|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total PP&E | 1,692,670 | 1,728,110 | 1,809,432 | 1,896,862 | 1,893,327 | 1,867,791 | 1,791,113 |
|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|

| | | | | | | | |
|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| TOTAL ASSETS | <u>2,571,765</u> | <u>2,780,524</u> | <u>2,920,826</u> | <u>2,918,306</u> | <u>2,870,298</u> | <u>2,798,975</u> | <u>2,711,666</u> |
|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|

LIABILITIES AND NET ASSETS

Current Liabilities

| | | | | | | | |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Current Portion Long Term Debt | 11,000 | 14,570 | 14,232 | 13,876 | 13,208 | 12,399 | 12,938 |
| Third Party Settlements | 13,020 | 30,350 | 30,350 | 30,350 | 30,350 | 30,350 | 30,350 |
| Other Current Liabilities | <u>225,220</u> | <u>208,910</u> | <u>208,910</u> | <u>208,910</u> | <u>208,910</u> | <u>208,910</u> | <u>208,910</u> |
| Total Current Liabilities | 249,240 | 253,830 | 253,492 | 253,136 | 252,468 | 251,659 | 252,198 |

Total Long Term Debt and Capital Lease, net of current

| | | | | | | | |
|--------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | <u>839,700</u> | <u>811,700</u> | <u>871,286</u> | <u>862,410</u> | <u>853,202</u> | <u>842,803</u> | <u>831,866</u> |
| TOTAL LIABILITIES | <u>1,088,940</u> | <u>1,065,530</u> | <u>1,124,778</u> | <u>1,115,546</u> | <u>1,105,670</u> | <u>1,094,462</u> | <u>1,084,064</u> |
| NET ASSETS | <u>1,482,825</u> | <u>1,714,994</u> | <u>1,796,047</u> | <u>1,802,760</u> | <u>1,764,627</u> | <u>1,704,513</u> | <u>1,627,602</u> |

| | <u>Actual FY 2010</u> | <u>Actual FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>Projected FY 2014</u> | <u>FY 2015</u> | <u>FY 2016</u> |
|-------------------------------------------------|---------------------------|---------------------------|-----------------------|------------------------|------------------------------|------------------------|------------------------|
| Statement of Cash Flow | | | | | | | |
| Cash from Operations | | | | | | | |
| Net Income | 212,080 | 289,479 | 165,193 | 86,712 | 40,868 | 16,886 | 90 |
| Change in Working Capital | (16,640) | 27,310 | 5,600 | (40,000) | 33,000 | (5,000) | (5,000) |
| Add: Depreciation | <u>85,870</u> | <u>89,280</u> | <u>94,678</u> | <u>110,770</u> | <u>123,536</u> | <u>130,536</u> | <u>137,678</u> |
| Cash Provided from Operations | 281,310 | 406,069 | 265,471 | 157,482 | 197,404 | 142,421 | 132,768 |
| Financing Activities: | | | | | | | |
| Proceeds from FEMA, Gift and Other | (84,727) | 20,610 | 41,500 | 30,000 | - | - | - |
| Proceeds from Long Term Borrowing/Capital Lease | <u>146,000</u> | <u>19,820</u> | <u>67,000</u> | - | - | - | - |
| Cash Provided from Financing Activities | 61,273 | 40,430 | 108,500 | 30,000 | - | - | - |
| Total Cash Provided | <u>342,583</u> | <u>446,499</u> | <u>373,971</u> | <u>187,482</u> | <u>197,404</u> | <u>142,421</u> | <u>132,768</u> |
| Uses of Cash | | | | | | | |
| Cash Used for Capital - Routine including EHR | 15,240 | 41,130 | 117,700 | 135,000 | 110,000 | 100,000 | 56,000 |
| Cash Used for Capital - Non Routine | <u>73,980</u> | <u>83,610</u> | <u>58,300</u> | <u>63,200</u> | <u>10,000</u> | <u>5,000</u> | <u>5,000</u> |
| Total Cash Used for Capital | 89,220 | 124,740 | 176,000 | 198,200 | 120,000 | 105,000 | 61,000 |
| Long Term Debt Repayments | 10,791 | 44,250 | 14,692 | 14,232 | 13,876 | 13,208 | 12,399 |
| Transfer to School of Medicine | <u>56,220</u> | <u>85,550</u> | <u>77,200</u> | <u>75,000</u> | <u>75,000</u> | <u>75,000</u> | <u>75,000</u> |
| Total Cash Used for LTD & SOM | 67,011 | 129,800 | 91,892 | 89,232 | 88,876 | 88,208 | 87,399 |
| Total Cash Used | <u>156,231</u> | <u>254,540</u> | <u>267,892</u> | <u>287,432</u> | <u>208,876</u> | <u>193,208</u> | <u>148,399</u> |
| Beginning Cash | 219,613 | 405,965 | 597,924 | 704,004 | 604,054 | 592,581 | 541,794 |
| Net Change in Cash | <u>186,352</u> | <u>191,959</u> | <u>106,079</u> | <u>(99,950)</u> | <u>(11,472)</u> | <u>(50,787)</u> | <u>(15,632)</u> |
| Ending Cash | <u>405,965</u> | <u>597,924</u> | <u>704,004</u> | <u>604,054</u> | <u>592,581</u> | <u>541,794</u> | <u>526,163</u> |
| Key Financial Ratios | | | | | | | |
| Total Margin | 13.36% | 16.83% | 9.18% | 4.67% | 2.12% | 0.84% | 0.00% |
| EBIDA (\$000) * | 317,387 | 414,644 | 287,131 | 239,051 | 205,251 | 187,790 | 177,629 |
| Days Cash on Hand | 115.9 | 160.8 | 169.2 | 135.0 | 124.3 | 107.8 | 99.7 |
| Debt Service Coverage | 5.9 | 6.6 | 5.5 | 4.3 | 3.7 | 3.5 | 3.4 |
| Debt-to-Capitalization | 36.2% | 32.1% | 32.7% | 32.4% | 32.6% | 33.1% | 33.8% |

*Earnings before Interest, Depreciation and Amortization

UCLA Medical Center Sensitivity Analysis Results

| | Actual | Actual | | | Projected | | |
|-----------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|-----------------------|-----------------------|
| | <u>FY 2010</u> | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> | <u>FY 2016</u> |
| BASELINE | | | | | | | |
| Total Margin | 13.36% | 16.83% | 9.18% | 4.67% | 2.12% | 0.84% | 0.00% |
| EBIDA (\$000) | 317,387 | 414,644 | 287,131 | 239,051 | 205,251 | 187,790 | 177,629 |
| Days Cash on Hand | 115.94 | 160.76 | 169.19 | 135.03 | 124.28 | 107.84 | 99.68 |
| Debt Service Coverage | 5.9 | 6.6 | 5.5 | 4.3 | 3.7 | 3.5 | 3.4 |
| Debt-to-Capitalization | 36.15% | 32.12% | 32.67% | 32.36% | 32.59% | 33.09% | 33.82% |
| SENSITIVITY ANALYSIS RESULTS | <u>Actual</u> | <u>Actual</u> | | | <u>Projected</u> | | |
| | <u>FY 2010</u> | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> | <u>FY 2016</u> |
| Total Margin | 13.36% | 16.83% | 9.18% | 4.09% | 0.92% | -0.98% | -2.46% |
| EBIDA (\$000) | 317,387 | 414,644 | 287,131 | 227,986 | 181,960 | 151,421 | 127,000 |
| Days Cash on Hand | 115.94 | 160.76 | 169.19 | 132.32 | 116.67 | 93.28 | 76.16 |
| Debt Service Coverage | 5.9 | 6.6 | 5.5 | 4.1 | 3.3 | 2.8 | 2.4 |
| Debt-to-Capitalization | 36.15% | 32.12% | 32.67% | 32.49% | 33.03% | 34.03% | 35.58% |