

**UWHC  
American Center  
Capital Revisions  
February 5, 2014**

**Background:**

In December of 2012 the Board approved a capital investment in the American Center in the amount of \$215m. The initial project cost came in at \$233m. Management reduced this by \$18m as a result of less square footage, more shelled space and the elimination of a parking garage.

**Current:**

The project is now 100% bid and the medical equipment and information technology plans have been established more thoroughly. Additionally faculty offices and garages for the ambulance bay have been added. Development of the operating room and emergency room volumes suggest a need to reevaluate the shelled space in the Universal Care Center. A number of value engineering and program changes have been approved to bring the cost of the project down. However due to a number of factors, the revised project cost for the American Center will come in at \$235m.

**Assessment:**

There are several reasons for the increase in the capital budget:

- As mentioned there have been an increase in the scope related to the operating rooms, east wing and basement
- Costs related to the addition of the ambulance garage and faculty offices
- The requirements for building code and LEED increased capital costs
- There were unexpected needs in groundwater site issues and structural requirements
- Combinations of adding costs for contingency, equipment and general construction inflation

American Center – Revised Costs - January 20, 2014

Category	Original (in millions)	Revised	Variance (unfavorable)
Construction	\$156,857	\$156,177	\$680
Design	12,000	12,036	36
Equipment/Furnishings	36,547	43,301	6,764
Information Technology	10,000	11,732	1,732
Totals	\$215,404	\$223,246	\$7,842 (3.6%)

Additional Requirements:

Ambulance Garages	\$366
Faculty Offices & Equipment	3,170
Universal Care Center Shell & Equipment	1,370
Construction Contingency	<u>6,500</u>
Subtotal	<u>\$11,406</u>
 Total Project Costs (with additional requirements and contingency)	 <b><u>\$234,652</u></b>
 Variance from Original Budget	 \$ 19,248 (8.9%)

**Recommendation:**

Management is recommending an increase in the capital investment for the American Center from \$215m to \$235m. Approximately half of the \$19m increase is due to firming up the original estimates and the other half is the result of the increase scope and addition of the garage and faculty offices not originally provided for in the project. We believe these investments will ensure that the American Center has the ability to provide our patients with the appropriate level of care, service and satisfaction.

The \$19m increase will be reduced by approximately \$1m from the UW Medical Foundation as their contribution to the faculty offices. The remaining \$18m will be provided through our operating cash.

**Formal Recommendation:**

The Finance Committee/Board approves the recommendation by management to increase the project funding of the American Center up to \$235m or an \$18m increase. The \$18m will be funded from cash from operations.