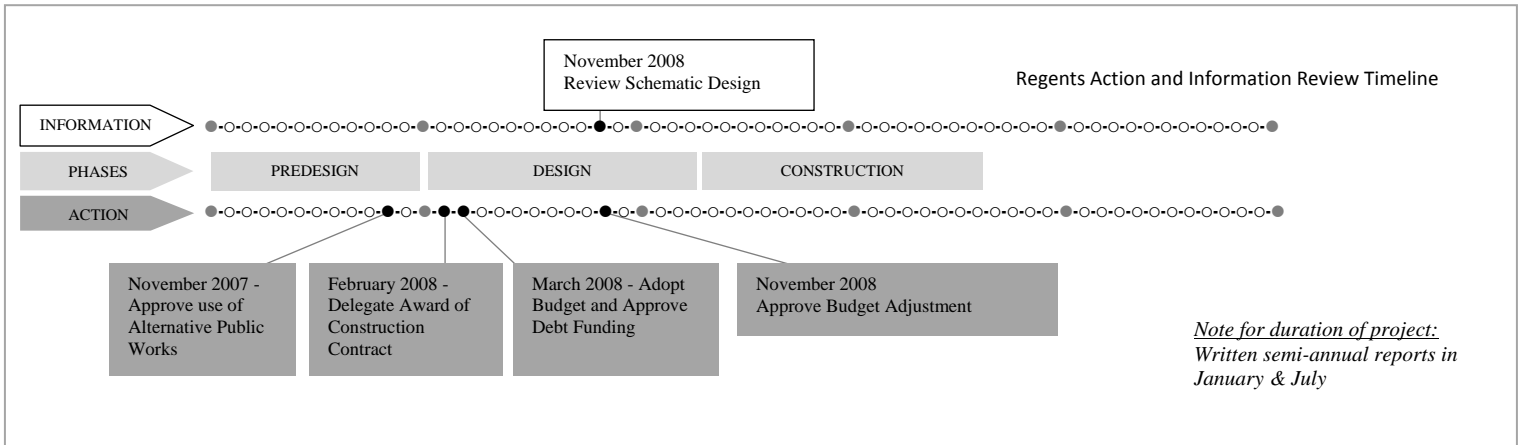


VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Washington Dental Service Building for Early Childhood Oral Health – Approve Budget Adjustment and Review Schematic Design



RECOMMENDED ACTION:

It is the recommendation of the administration and the Finance, Audit and Facilities Committee that the Board of Regents approve revising the previously approved project budget for the Washington Dental Service (WDS) Building for Early Childhood Oral Health (ECO) from \$17,276,000 to \$19,769,000.

The Schematic Design phase of the project is complete and is being presented for information only.

PROJECT DESCRIPTION:

The project will renovate Building 25 at Sandpoint into a pediatric dental clinic and treatment center. Building 25 is an art deco building of approximately 28,000 gross square feet, formerly used as a Navy administration building.

PREVIOUS ACTIONS:

In August 2005 ,the Board of Regents approved the award of an architectural contract to ARC Architects for the design of this project. Following a prolonged pause, during which an affiliation agreement was completed between the UW and Children’s Hospital, the use of Alternative Public Works utilizing the GC/CM approach was authorized by the Board of Regents in November 2007. The award of the GC/CM contract to Bayley Construction was approved by the Board of Regents in February 2008. In March 2008, the Board of Regents approved the project budget and method of financing.

VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Washington Dental Service Building for Early Childhood Oral Health – Approve Budget Adjustment and Review Schematic Design (continued p. 2)

SCOPE OF THE PROJECT:

Building 25, a four-story building (includes daylight basement) of approximately 28,000 gross square feet, was constructed in three phases between 1927 and 1940. The exterior project scope includes installation of a new roof, cleaning and sealing of the masonry, selective window replacement and minor site work including accessibility issues. Renovation of the interior will include removal of existing mechanical, electrical, plumbing, communication systems, non-structural partitions, and all hazardous materials.

In addition to upgrading the building exterior, the project includes the installation of all new plumbing, electrical, and HVAC systems as well as the life/safety, circulation systems, accessibility issues, and partitions and finishes required for the dental clinic. The dentistry clinic will be the sole occupant of the building, with 100% of the interior renovation of the building serving its needs.

PROJECT SCHEDULE:

The terms of the Affiliation Agreement between the University of Washington and Children's Hospital require that the Washington Dental Service Building for Early Childhood Oral Health be ready for occupancy in September 2010.

Key project milestones are as follows:

Architect Selection	Completed August 2005
Predesign	Completed December 2007
Design Completion	March 2009
Construction	April 2009 through August 2010
Occupancy and Use	September 2010

PROJECT BUDGET:

This action item requests an increase in the project budget of approximately \$2.5 million. Roughly \$1 million of the increase can be attributed to various existing building conditions in this historic structure that have been discovered by the GC/CM in the current preconstruction phase. The CG/CM has conducted selective demolition, testing and investigations that have revealed such things as a need for unanticipated seismic bracing, beefing up existing foundations and more extensive exterior masonry restoration than was anticipated. The remaining \$1.5

VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Washington Dental Service Building for Early Childhood Oral Health – Approve Budget Adjustment and Review Schematic Design (continued p. 3)

million of the overrun reflects a lack of a clear understanding, at the time the budget was set, of the operational and infrastructure needs of this ground-breaking program, and the costs of accommodating those needs within the constraints of the existing historic Navy building.

PROJECT FINANCING PLAN:

This project is being funded by contributions from Washington Dental Service and Children's Hospital, and new debt:

Sources and Uses of Funds

Sources of funds:

Washington Dental Service	5,000,000
Children's Hospital	1,000,000
ILP loan (including cap. interest & COI)	12,300,000
Equipment (separate financing)	2,600,000
Total sources of funds	<u>20,900,000</u>

Uses of funds:

Renovation of Bldg 25 & equipment	19,800,000
Capitalized interest & cost of issuance	1,100,000
Total uses of funds	<u>20,900,000</u>

Washington Dental Service's \$5,000,000 contribution will be received in increments during FY2008-FY2011. The University has received an initial \$2,000,000 payment and will receive separate \$1,000,000 payments in FY2009, FY2010, and FY2011. The Children's Hospital \$1,000,000 payment will be received in FY2012.

The bonds will be repaid from patient revenues and annual payments from Children's Hospital for partial occupancy of the building. Children's Hospital has also agreed to contribute \$500,000 for patient outreach expenses and to fund 30 percent of operating revenue shortfalls up to an aggregate total of \$1,000,000. Project equipment will be financed separately under delegated authority.

The Treasury Office has performed a revised analysis of the ten-year facility revenue proforma and believes that patient revenues and annual Children's Hospital payments will be sufficient to service the new debt. Expected project revenues have increased from the earlier proforma approved by the Board of

VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Washington Dental Service Building for Early Childhood Oral Health – Approve Budget Adjustment and Review Schematic Design (continued p. 4)

Regents, based on revised revenue projections of operating room income. Children's Hospital and Washington Dental Service have also analyzed the proforma in detail as part of the due diligence review for their financial participation in the project.

The primary financial risk to the facility is from patient revenues less than projected, but the facility sponsors have identified a pool of potential patients that has been confirmed by several sources, including the State, Children's Hospital, Washington Dental Service, and in the regional academic literature on pediatric dentistry. The \$500,000 patient outreach contribution from Children's Hospital, combined with a proposed ongoing program marketing expenditure, will support patient recruitment and retention efforts for the facility.

INTERNAL REVIEW AND APPROVALS:

The project financing plan has been reviewed and approved by the Senior Vice President for Finance and Facilities and the Vice Provost for Planning and Budgeting.

SIGNIFICANT CONSTRUCTION RISKS AND OPPORTUNITIES:

This project is historically significant and therefore subject to review and approval by local and state agencies. The challenge will be to meet the historical review requirements while meeting the programmatic and space requirements of the pediatric dentistry clinic.

The project presents a tremendous opportunity for the University, in partnership with Children's Hospital and Regional Medical Center, to contribute to dramatic improvements in early childhood oral health, by implementing new clinical methods, expanding clinical services and providing greater visibility and accessibility to the community.

Attachments

1. Budget
2. Proforma

**UNIVERSITY OF WASHINGTON
CAPITAL PROJECTS OFFICE • SUMMARY PROJECT BUDGET**

PROJECT: WDS Early Childhood Oral Health (ECOH)

Project Number: 200786

ESTIMATED DATE OF COMPLETION: July 2010

Current Approved Budget	Forecast Cost at Completion
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BUDGET SUMMARY:

A. ACQUISITION	0	0
B. CONSULTANT SERVICES		
1. PREDESIGN	\$ 168,000	\$ 151,000
2. BASIC DESIGN SERVICES	\$ 938,000	\$ 934,000
3. EXTRA SERVICES/REIMBURSABLES	\$ 294,000	\$ 342,000
4. OTHER SERVICES	\$ 128,000	\$ 110,000
5. DESIGN SERVICES CONTINGENCY	\$ 342,000	\$ 333,000
TOTAL CONSULTANT SERVICES	\$ 1,870,000	\$ 1,870,000
C. PRIMARY CONSTRUCTION CONTRACTS		
1. MAX.ALLOW.CONST.COST (MACC)	\$ 7,698,000	\$ 9,091,000
2. GC/CM OR DB COSTS	\$ 1,390,000	\$ 1,926,000
3. SALES TAX ON CONSTRUCTION	\$ 809,000	\$ 991,000
GUARANTEED CONTRACT COST	\$ 9,897,000	\$ 12,008,000
4. CONSTRUCTION CONTINGENCY	\$ 1,540,000	\$ 1,818,000
5. SALES TAX ON CONTINGENCY	\$ 137,000	\$ 164,000
TOTAL CONSTRUCTION COSTS	\$ 11,574,000	\$ 13,990,000
D. EQUIPMENT	\$ 2,649,000	\$ 2,636,000
E. ARTWORK	0	0
F. OTHER COSTS	\$ 159,000	\$ 225,000
G. PROJECT ADMINISTRATION	\$ 1,024,000	\$ 1,048,000
H. RELATED PROJ/MITIGATION	0	0
TOTAL PROJECT BUDGET	\$ 17,276,000	\$ 19,769,000
Included in Above:		
**Escalation	\$ 1,187,000	\$ 518,436
SOURCE OF FUNDS:		
UW BUILDING ACCOUNT/BRF		
STATE GEN'L FUND GO BONDS/NOTES		
UW NON-STATE REVENUE	\$ 17,276,000	\$ 19,769,000
TOTAL SOURCE OF FUNDS	\$ 17,276,000	\$ 19,769,000

WDS Bldg - Early Childhood Oral Health (ECOH)
Project Budget = \$19,768,579
November 5, 2008

	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>	<u>FY 2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Gross income	6,937	10,761	11,675	12,280	13,168	13,686	14,230	14,802	15,402	16,032
Total expenses	(4,268)	(7,393)	(7,890)	(8,390)	(8,802)	(9,202)	(9,621)	(10,060)	(10,520)	(11,002)
Net income (Before debt service & capital reserves)	2,669	3,368	3,785	3,890	4,366	4,484	4,609	4,742	4,882	5,030
Debt service	(1,203)	(1,203)	(1,203)	(1,203)	(1,203)	(1,203)	(1,203)	(1,203)	(1,203)	(1,203)
Capital reserve	(196)	(202)	(208)	(214)	(221)	(228)	(234)	(241)	(249)	(256)
Annual income (After debt service & capital reserves)	1,269	1,963	2,374	2,473	2,942	3,054	3,172	3,297	3,430	3,571
Beginning fund balance	-	1,269	3,233	5,607	8,079	11,022	14,075	17,247	20,544	23,975
Ending fund balance	1,269	3,233	5,607	8,079	11,022	14,075	17,247	20,544	23,975	27,546
Debt service coverage (DSC)	2.22	2.80	3.15	3.23	3.63	3.73	3.83	3.94	4.06	4.18