

RQ00
University of Maryland Medical System – Capital

Capital Budget Summary

State-owned Capital Improvement Program
(\$ in Millions)

Projects	Prior Auth.	2021 Request	2022 Est.	2023 Est.	2024 Est.	2025 Est.	Beyond CIP
Comprehensive Cancer Treatment and Organ Transplant Center	\$5.500	\$7.500	\$25.000	\$25.000	\$25.000	\$25.000	\$12.000
R Adams Cowley Shock Trauma Center Renovation – Phase III	4.000	3.000	5.000	4.000	4.000	0.000	0.000
Total State	\$9.500	\$10.500	\$30.000	\$29.000	\$29.000	\$25.000	\$12.000

Fund Source	Prior Auth.	2021 Request	2022 Est.	2023 Est.	2024 Est.	2025 Est.	Beyond CIP
GO Bonds	\$9.500	\$10.500	\$30.000	\$29.000	\$29.000	\$25.000	\$12.000
Nonbudgeted Funds	13.200	14.500	24.500	77.600	55.950	6.250	0.000
Total	\$22.700	\$25.000	\$54.500	\$106.600	\$84.950	\$31.250	\$12.000

CIP: Capital Improvement Program

GO: general obligation

Note: Funds by project show only the State funds supporting each project, while the fund source includes the non-State funds. The 2020 CIP reflects nonbudgeted funds greater than necessary to complete the Comprehensive Cancer Treatment and Organ Transplant Center project based on the State commitment to the project of \$125 million.

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Key Observations

- ***Fiscal 2021 Commitments Lower Than Planned in the 2019 Capital Improvement Program (CIP):*** The 2019 CIP anticipated fiscal 2021 funding for the University of Maryland Medical System (UMMS) totaling \$24 million for two projects. The Maryland Consolidated Capital Bond Loan (MCCBL) of 2020 instead provides \$10.5 million for the two projects. The lower general obligation (GO) bond support in fiscal 2021 reflects changes in the project timelines and language included in the MCCBL of 2019 expressing intent that the State support be matched by UMMS on a yearly basis for the Comprehensive Cancer Treatment and Organ Transplant Center.
- ***Comprehensive Cancer Treatment and Organ Transplant Center Commitment Remains at \$125 Million:*** Language in the MCCBL of 2018 and 2019 expressed intent that the State commitment to the project be \$175 million, \$50 million higher than was stated in the 2018 and 2019 CIP. The 2020 CIP maintains the State commitment to the project at \$125 million.

Summary of Recommended Bond Actions

1. Comprehensive Cancer and Organ Transplant Treatment Center

Approve the \$7.5 million in general obligation bond funding for the Comprehensive Cancer Treatment and Organ Transplant Center.

2. R Adams Cowley Shock Trauma Center – Phase III

Approve the \$3.0 million in general obligation bond funding for the R Adams Cowley Shock Trauma Center Renovation – Phase III.

Budget Overview

The MCCBL of 2020 includes two projects for UMMS. The fiscal 2021 funding for the projects is \$10.5 million in GO bonds, which is \$13.5 million lower than was planned in the 2019 CIP.

Comprehensive Cancer Treatment and Organ Transplant Center

The Comprehensive Cancer Treatment and Organ Transplant Center project includes a new building for an ambulatory care center and a parking expansion on the site of an existing parking garage immediately north of the Pratt/Paca Building. The ambulatory care center includes three levels for heart and vascular medicine, organ transplant, neurology, neurosurgery, and public space. Another level will provide mechanical space. The building will be constructed to allow for a later vertical expansion. The additional parking will consist of five and a half levels for an additional 410 parking spaces. UMMS notes that a sixth level of parking could be added.

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**Authorization Uses
(\$ in Millions)**

Description	Prior Authorization	2021 Request	2022 Estimate	2023 Estimate	2024 Estimate	2025 Estimate
Planning	\$14.500	\$8.500	\$4.000	\$1.500	\$0.000	\$0.000
Construction	2.000	8.000	40.000	72.500	37.250	11.250
Equipment	0.000	0.000	0.000	23.500	42.000	20.000
Total	\$16.500	\$16.500	\$44.000	\$97.500	\$79.250	\$31.250

**Authorization Sources
(\$ in Millions)**

Description	Prior Authorization	2021 Request	2022 Estimate	2023 Estimate	2024 Estimate	2025 Estimate
GO Bond	\$5.500	\$7.500	\$25.000	\$25.000	\$25.000	\$25.000
Nonbudgeted	11.000	9.000	19.000	72.500	54.250	6.250
Total	\$16.500	\$16.500	\$44.000	\$97.500	\$79.250	\$31.250

Note: The 2020 CIP reflects nonbudgeted funds greater than is necessary to complete the Comprehensive Cancer Treatment and Organ Transplant Center project based on the State commitment to the project of \$125 million. This results from UMMS anticipating paying costs for the project, for which it anticipates that the State and philanthropic commitments reimburse.

The project will also include an expansion to the North Hospital (the North Tower) on six floors on the east side of the existing building, renovation to two additional levels, and the addition of one level for office and mechanical space. Two floors of the expansion are intended to be shell space for future development. The first floor renovation included in the project is intended to reorganize program space, add entry locations, and improve public circulation.

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The project is intended to meet a number of needs of UMMS:

- expansion of its Oncology Evaluation and Treatment Center from four to six beds to provide symptom management and triaging of patients;
- development of an outpatient blood and marrow transplant service to allow some patients to receive all or most of their care in an outpatient setting;
- increase of patient access and continuity of care through increasing the number of beds available for oncology-specific units and thereby reducing the number of oncology patients admitted to nononcology units;
- incorporation of evidence-based care into design, including natural light, space for family and guests, multifunctional space for consultation and assessments, and appropriate isolation space;
- incorporation of advanced patient safety tools, including blood pressure and oxygen saturation monitoring and chemotherapy staging; and
- improvements to conference and teaching space.

The total project cost is \$285 million, an increase of \$10 million compared to the 2019 session. The increase in the total cost is the result of moving from conceptual to detailed design and construction cost escalation. The total State commitment to the project remains at \$125 million, consistent with the 2018 and 2019 CIP. The MCCBL of 2018 and 2019 included language expressing intent that the State commitment to the project be \$175 million. The non-State support for the project is expected to total \$160 million, which would come from both internal UMMS funding and debt issuance as well as philanthropy. UMMS originally created a philanthropic goal for the project of \$25 million. In calendar 2019, UMMS reached that goal with a commitment from one donor. As a result, UMMS is considering increasing its philanthropic goal for the project. UMMS expects that any additional fundraising will reduce the need for internal funding and debt issuance. Based on the current amount raised, the project fund split is expected to be:

- \$135 million from UMMS (47.4% of total cost);
- \$125 million from the State (43.9% of total cost); and
- \$25 million from philanthropy (8.8% of total cost).

Although the State commitment to the project has remained the same compared to the 2019 CIP, the timing of portions of the commitment have changed in the 2020 CIP. The changes have occurred for two primary reasons: (1) the MCCBL of 2019 reduced State support for fiscal 2020 and included language that expressed intent that the State commitment be matched on a yearly basis by UMMS; and (2) changes in the overall project timeline. As shown in **Exhibit 1**, the combined impact resulted in a

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decrease of \$12.5 million in the fiscal 2021 State support compared to the amount planned in the 2019 CIP. The reduced funding in fiscal 2020 and 2021 has been added to the end of the project so that the amount of funding beyond fiscal 2024 has increased from \$22.5 million to \$37 million. The \$7.5 million in GO bond funds for this project in fiscal 2021 is expected to be matched by \$9 million in UMMS funding. The State commitment is expected to extend beyond fiscal 2025.

Exhibit 1
Changes in State Funding
2019 CIP Compared to 2020 CIP
(\$ in Millions)

<u>Fiscal Year</u>	<u>2019 CIP</u>	<u>2020 CIP</u>	<u>Difference</u>
2019	\$2.5	\$2.5	
2020	5.0	3.0	-\$2.0
2021	20.0	7.5	-12.5
2022	25.0	25.0	0.0
2023	25.0	25.0	0.0
2024	25.0	25.0	0.0
2025	n/a	25.0	25.0
Beyond CIP	22.5	12.0	-10.5
Total	\$125.0	\$125.0	\$0.0

CIP: *Capital Improvement Program*

Source: Governor’s Fiscal 2020 and 2021 Budget Books

The timeline of spending has been altered, and the project completion has been extended since the 2019 session. During the 2019 session, UMMS assumed an aggressive timeline for approval of the Certificate of Need (CON) by the Maryland Health Care Commission. UMMS submitted the application in February 2019, and the CON application was officially docketed in September 2019. UMMS now anticipates that the CON approval will be granted in spring 2020. This has contributed to the lower anticipated cost in fiscal 2021 and 2022, since construction would still be in the early phases. Project spending is expected to be higher in fiscal 2023 and 2024 as a result. **Exhibit 2** compares the project spending timeline between the 2019 CIP and 2020 CIP. The project spending is expected to be completed in fiscal 2025. State support and additional philanthropic funds provided beyond that time would be used to reimburse costs incurred by UMMS earlier in the project.

Exhibit 2
Changes in Project Cash Flow
2019 CIP Compared to 2020 CIP
(\$ in Millions)

	<u>Prior Auth.</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Beyond CIP</u>
2019 CIP	\$2.5	\$5.0	\$20.0	\$56.8	\$63.0	\$78.5	n/a	\$59.2
2020 CIP	16.5	n/a	16.5	44.0	97.5	79.3	31.3	0.0
Difference	\$14.0	-\$5.0	-\$3.5	-\$12.8	\$34.5	\$0.8	\$31.3	-\$59.2

CIP: *Capital Improvement Program*

Source: Governor’s Fiscal 2020 and 2021 Budget Books

R Adams Cowley Shock Trauma Center Renovation – Phase III

This project supports the third phase of renovations of the R Adams Cowley Shock Trauma Center. The project includes renovation of the Trauma Resuscitation Unit to modernize the unit and equip each bay with updated technology and infrastructure. The project will also colocate the unit with the Critical Care Resuscitation Unit, and it will be near radiology and surgery. The renovations also include a number of other components: (1) building infrastructure upgrades, including replacing or refurbishing air handling units, emergency power, the building fire alarm, and medical gas services; (2) replacing the hyperbaric medicine chamber; (3) relocating the blood bank to a location near the Trauma Resuscitation Unit and other high utilizers; (4) relocating two labs to allow for the expansion of the Trauma Resuscitation Unit; and (5) expanding the Trauma Acute Care unit from 12 to 16 beds,

The scope of the project has been altered since the 2019 session. UMMS indicates that these alterations result from the design phase, which led to the elimination of less critical and cost inefficient projects in favor of more critical clinical and infrastructure projects. The changes did not impact the total project cost, which remains at \$40 million. The State commitment to the project (\$20 million) remains at the same level as the 2019 CIP.

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**Authorization Uses
(\$ in Millions)**

Description	Prior Authorization	2021 Request	2022 Estimate	2023 Estimate	2024 Estimate	2025 Estimate
Planning	\$4.250	\$2.000	\$0.500	\$0.000	\$0.000	\$0.000
Construction	0.850	5.500	8.000	7.600	5.150	0.000
Equipment	1.100	1.000	2.000	1.500	0.550	0.000
Total	\$6.200	\$8.500	\$10.500	\$9.100	\$5.700	\$0.000

**Authorization Sources
(\$ in Millions)**

Description	Prior Authorization	2021 Request	2022 Estimate	2023 Estimate	2024 Estimate	2025 Estimate
GO Bond	\$4.000	\$3.000	\$5.000	\$4.000	\$4.000	\$0.000
Nonbudgeted	2.200	5.500	5.500	5.100	1.700	0.000
Total	\$6.200	\$8.500	\$10.500	\$9.100	\$5.700	\$0.000

The timing of the State commitment is slightly altered from that presented in the 2019 CIP. The 2019 CIP anticipated the State commitment being provided in equal installments (\$4 million) between fiscal 2020 and 2024. The 2020 CIP reduces the fiscal 2021 funding to \$3 million, but the fiscal 2022 funding is increased to \$5 million. The fiscal 2023 and 2024 funding levels were unchanged from the 2019 CIP. UMMS reports that the change is the result of a slightly slower project timeline for planning, design, and coordinating the projects in this phase of renovations. The building infrastructure upgrades, replacement of the hyperbaric chamber, and blood bank are the first portions of the project that are expected to begin construction.

GO Bond Recommended Actions

1. Approve \$7.5 million in general obligation bond funds for the Comprehensive Cancer Treatment and Organ Transplant Center.
2. Approve \$3.0 million in general obligation bond funds for the R Adams Cowley Shock Trauma Center Renovation – Phase III.