



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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<b>ITEM NUMBER:</b> D-01	<b>BOARD MEETING:</b> October 30, 2018	<b>PROJECT NUMBER:</b> 16-045
<b>PERMIT HOLDERS:</b> The Carle Foundation and Carle Health Care Inc.		
<b>FACILITY NAME and LOCATION:</b> Champaign SurgiCenter, Inc., Champaign, Illinois		

**DESCRIPTION:** The Permit Holders are requesting an Alteration to Permit #16-045. This is the **first alteration** for this permit.

**STATE BOARD STAFF REPORT  
ALTERATION TO PERMIT  
PERMIT #16-045**

**I. Project Description and Background Information:**

On January 24, 2017 the State Board approved the Permit Holders (The Carle Foundation and Carle Health Care Inc.) for the relocation and expansion of Champaign SurgiCenter (a multi-specialty ASTC) at a cost of \$31,078,943 (Permit #16-045).

**Alteration Request:**

The Permit Holders are requesting to increase the permit amount from \$31,078,943 to \$33,254,469 a \$2,175,526 or 7.00% and increase the size of the project from 44,845 GSF to 47,087 GSF or 2,242 GSF or 5.00%.

**II. Reasons for the Proposed Alteration**

The Applicants stated *“the Permit Holders have engaged in further planning to evaluate space needs and make the Project more operationally efficient. Through these efforts, the Permit Holders determined that project alterations are necessary. Additional square footage and project costs will allow for larger operating rooms and ceiling mounted equipment. Ceiling mounted equipment is consistent with contemporary equipment standards and allows for better re-arrangement of equipment and accommodating operating staff moving around in the OR during procedures. Furthermore, the Permit Holders chose to make the vast majority of the prep/recovery bays more segregated to ensure patient privacy and to improve communication, patient satisfaction and quality. These alterations will result in a 2,242 gross square foot increase in the size of the project, a \$2,175,526 increase in project costs and a \$1,455,300 increase in bond issues (project related).”*

**III. Applicable Rules**

77 IAC 1130.750 – Alteration of Post Permit Projects specifies that a permit is valid only for the project as defined in the application and any change to the project subsequent to permit issuance constitutes an Alteration to the Project. **All alterations** are required to be reported to the State Board before any alteration is executed.

77 IAC 1130.750 b) states the cumulative effect of alterations to a project shall not exceed the following:

- 1) a change in the approved number of beds or stations, provided that the change would not independently require a permit or exemption from HFSRB;
- 2) abandonment of an approved category of service established under the permit;
- 3) any increase in the square footage of the project up to 5% of the approved gross square footage;
- 4) any decrease in square footage greater than 5% of the project;
- 5) any increase in the cost of the project not to exceed 7% of the total project cost. This alteration may exceed the capital expenditure minimum in place when the permit was issued, provided that it does not exceed 7% of the total project cost;

- 6) any increase in the amount of funds to be borrowed for those permit holders that have not documented a bond rating of "A-" or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18 month period prior to the submittal of the application).

#### **IV. Summary of Staff Findings**

- A. State Board Staff finds the proposed alteration appears to be in conformance with the provisions of 77 ILAC 1110 (Part 1110).
- B. State Board Staff finds the proposed alteration appears to be in conformance with the provisions of 77 ILAC 1120 (Part 1120).

#### **V. Project Costs and Sources of Funds**

The Permit Holders were approved to fund the project with cash in the amount of \$10,010,000, bond issue proceeds of \$20,790,000 and the net book value of equipment in the amount of \$278,943 for a total of **\$31,078,943**. The Permit Holders are now requesting to alter the project and increase the amount of cash to \$10,710,700, the bond proceeds to \$22,245,300 and the net book value of the equipment to \$298,469 for a total of **\$33,254,469**. Table One shows the approved amounts and the proposed alteration and the difference.

**TABLE ONE  
PROJECT COSTS AND SOURCES OF FUNDS**

Use of Funds	Permit Amount			Alteration Request			Difference	Percentage
	Reviewable	Non Reviewable	Total	Reviewable	Non Reviewable	Total		
Preplanning Costs	\$200,000	\$276,221	\$476,221	\$214,000	\$295,556	\$509,556	\$33,335	
Site Survey/Soil Investigation	\$55,000	\$150,000	\$205,000	\$58,850	\$160,500	\$219,350	\$14,350	
Site Preparation	\$400,000	\$2,150,000	\$2,550,000	\$428,000	\$2,300,500	\$2,728,500	\$178,500	
Off Site Work	\$0	\$1,237,620	\$1,237,620	\$0	\$1,324,253	\$1,324,253	\$86,633	
New Construction Contracts	\$9,150,00	\$6,945,000	\$16,095,000	\$9,790,500	\$7,431,150	\$17,221,650	\$1,126,650	
Contingencies	\$825,000	\$485,147	\$1,310,147	\$882,750	\$519,107	\$1,401,857	\$91,710	
Architectural/Engineering Fees	\$711,262	\$620,000	\$1,331,262	\$761,750	\$663,400	\$1,425,150	\$93,888	
Consulting and Other Fees	\$160,000	\$160,000	\$320,000	\$171,200	\$171,200	\$342,400	\$22,400	
Moveable & Other Equipment	\$3,550,000	\$1,900,000	\$5,450,000	\$3,798,500	\$2,033,000	\$5,831,500	\$381,500	
Bond Issuance Expense	\$269,561	\$254,629	\$524,190	\$288,431	\$272,453	\$560,884	\$36,694	
Net Interest Expense During Construction	\$283,122	\$267,438	\$550,560	\$302,940	\$286,159	\$589,099	\$38,539	
Other Costs to be Capitalized	\$249,558	\$779,385	\$1,028,943	\$267,027	\$833,942	\$1,100,969	\$72,026	
<b>Total Use of Funds</b>	<b>\$15,853,503</b>	<b>\$15,225,440</b>	<b>\$31,078,943</b>	<b>\$16,963,948</b>	<b>\$16,291,220</b>	<b>\$33,255,168</b>	<b>\$2,176,225</b>	<b>7.00%</b>
Cash and Securities	\$5,071,282	\$4,938,718	\$10,010,000	\$5,426,272	\$5,284,428	\$10,710,700	\$700,700	
Bond Issues (Project-Related)	\$10,532,663	\$10,257,337	20,790,000	\$11,269,949	\$10,975,351	\$22,245,300	\$1,455,300	
Other Funds and Sources (NBV of Existing Equip.)	\$249,558	\$29,385	\$278,943	\$267,027	\$31,442	\$298,469	\$19,526	
<b>Total Source of Funds</b>	<b>\$15,853,503</b>	<b>\$15,225,440</b>	<b>\$31,078,943</b>	<b>\$16,963,248</b>	<b>\$16,291,221</b>	<b>\$33,254,469</b>	<b>\$2,175,526</b>	<b>7.00%</b>

**VI. Size of the Project**

**A) Criterion 1110.120(a) – Size of the Project**

**To document compliance with this criterion the applicants must document that the proposed surgical rooms and recovery stations meet the State Board GSF Standard’s in Section 1110.Appendix B.**

The Permit Holders were originally approved for a total of 26,369 GSF for eight (8) operating rooms (Class C), one (1) procedure room (Class B), eight (8) Stage I and 16 Stage II recovery stations. The State Board Standard is 2,075-2,750 BGSF per operating room and 1,600-2,200 DGSF for procedure rooms. The State Board does not have gross square footage standards for recovery stations for ASTCs. The State Board allows four (4) recovery stations per operating/procedure room or a total of thirty-six (36) recovery stations for the nine (9) operating/procedure rooms.

The Permit Holders are now proposing 27,687 GSF of space for 8 operating rooms one procedure room and eight (8) Stage I and 16 Stage II recovery stations. The State Standard for an ASTC of this size is 32,040 GSF. The Permit Holders are in compliance with the State Board Standard.

**STATE BOARD STAFF FINDS THE PROPOSED ALTERATION IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT (77 ILAC 1110.120 (a))**

**VII. FINANCIAL VIABILITY**

**A) Criterion 1120.120 - Availability of Funds**

**B) Criterion 1120.130 - Financial Viability**

**To demonstrate compliance with this criterion the applicants must provide evidence that sufficient resources are available to fund the project.**

The Permit Holders are proposing to fund this project with a combination of cash in the amount of \$10,710,700, project-related bond proceeds totaling \$22,245,300 and other funds and sources emanating from the net book value of existing equipment totaling \$298,469. The Permit Holders provided proof of an A+ Bond Rating from Standard & Poor’s Global Ratings Service dated July 24, 2017.

**STATE BOARD STAFF FINDS THE PROPOSED ALTERATION TO THE PROJECT IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS AND FINANCIAL VIABILITY (77 IAC 1120.120 and 77 IAC 1120.130)**

**VIII. ECONOMIC FEASIBILITY**

**A) Criterion 1120.140(a) - Reasonableness of Financing Arrangements**

**B) Criterion 1120.140(b) - Terms of Debt Financing**

The Permit Holders are proposing to fund this project with a combination of cash in the amount of \$10,710,700, project-related bond proceeds totaling \$22,245,300 and other funds and sources emanating from the net book value of existing equipment totaling \$298,469.

The bond proceeds are part of Carle's recent issue of 30 year bonds, both tax-exempt and taxable. For both issues combined, the average bond life is 24.151 years and the all-in true interest cost is 3.812568% with an average coupon of 4.280505%. Actual yields on the tax-exempt serial bonds range from 1.71% - 4.05%. The taxable bonds are variable rate with rates reset weekly. For purposes of the issue, a 2.50% average coupon was assumed. [Application for Permit page 133 and additional information dated December 20, 2016]

**STATE BOARD STAFF FINDS THE PROPOSED ALTERATION TO THE PROJECT IN CONFORMANCE WITH CRITERION REASONABLENESS OF FINANCING ARRANGEMENTS TERMS OF DEBT FINANCING (77 IAC 1120.140 (a) (b))**

**C) Criterion 1120.140 (c) - Reasonableness of Project Costs**

The State Board staff applied the reported clinical costs against the applicable State Board standards. As shown in Table Two below the Permit Holders had met all of the State Board requirements for the Criterion Reasonableness of Project Cost.

<b>TABLE TWO</b>						
<b>Approved Project Costs</b>						
<b>Reviewable</b>	<b>Total</b>	<b>%/GSF/Room</b>	<b>State Standard</b>	<b>State Standard %/GSF/Room</b>	<b>Difference</b>	<b>Difference</b>
Preplanning Costs	\$200,000	1.48%	\$243,450.00	1.80%	(\$43,450)	-0.32%
Site Survey/Soil Investigation & Site Preparation	\$455,000	4.56%	\$498,750.00	5.00%	(\$43,750)	-0.44%
New Construction Contracts	\$9,975,000	\$378.29 per GSF	\$10,827,832	\$391.08 per GSF	(\$852,832)	-\$12.79
Contingencies	\$825,000	8.43%	\$979,050	10.00%	(\$154,050)	-1.57%
Architectural/Engineering Fees	\$711,262	7.13%	\$757,103	7.59%	(\$45,841)	-0.46%
Moveable & Other Equipment	\$3,550,000	\$394,444 per room	\$4,279,323	\$475,480 per room	(\$729,323)	-\$81,035.86
Bond Issuance Expense	\$269,561					
Net Interest Expense During Construction	\$283,122					No State Board Standard
Other Costs to be Capitalized	\$249,558					
Consulting and Other Fees	\$160,000					

As shown in Table Three below the Permit Holders had met all of the State Board requirements regarding the Alteration to the Project for Criterion Reasonableness of Project Cost.

**TABLE THREE**  
**Altered Project Costs**

Reviewable	Project Costs	%/GSF/Room	State Standard	State Standard %/GSF/Room	Difference	Difference
Preplanning Costs	\$214,000	1.48%	\$260,492	1.80%	(\$46,492)	-0.32%
Site Survey/Soil Investigation & Site Preparation	\$486,850	4.56%	\$533,663	5.00%	(\$46,813)	-0.44%
New Construction Contracts	\$10,673,250	\$385.50 per GSF	\$10,827,832	\$391.08 per GSF	(\$154,582)	-\$5.58
Contingencies	\$882,750	9.02%	\$979,050	10.00%	(\$96,300)	-0.98%
Architectural/Engineering Fees	\$761,750	7.14%	\$810,100	7.59%	(\$48,350)	-0.45%
Moveable & Other Equipment	\$3,798,500	\$422,056 per room	\$4,279,323	\$475,480 per room	(\$480,823)	-\$53,425
Bond Issuance Expense	\$288,431					
Net Interest Expense During Construction	\$302,940					No State Board Standard
Other Costs to be Capitalized	\$267,027					
Consulting and Other Fees	\$171,200					

**STATE BOARD STAFF FINDS THE PROPOSED ALTERATION TO THE PROJECT IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION (77 IAC 1120.140(c)).**

# 16-045 Champaign SurgiCenter Inc.

