Joint Meeting
Finance and Facilities Committee
Board of Governors
University of Minnesota Hospitals and Clinics
December 6, 1976

Present: Harry Atwood, Board Chairman
David Cost
Robert Dickler
Orville Evenson
Jeanne Givens
Stanley Holmquist, Finance Chairman
Thomas Jones
Frederick Kottke, M.D.
Mary Lebedoff
John Quistgard, Finance Co-Chairman
John Tiede, Facilities Chairman
Timothy Vann
Donald VanHulzen
John Westerman

Staff: Diane Banta
John Diehl
Clifford Fearing
Johnelle Foley
Ronald Klemz

The joint meeting of the Finance and Facilities Committees of the Board of Governors was called to order by Dr. Tiede at 4:00 p.m., in Room 626 of the Campus Club.

I. The State of Existing Physical Facilities; The Master Plan for Future Facilities Development

Dr. Tiede explained that the Facilities Committee had met prior to this joint meeting and had reviewed the Ten Year Master Facilities Plan. He reported that the Facilities Committee planned to recommend approval by the Board of Governors of Step 1 of that plan. He noted that Step 1 involved the moving of the Medical Records Department and the Fiscal Services Office to Unit B/C at an estimated cost of $1.4 mil.

Dr. Tiede then called on Mr. Jones to review the Master Plan with the two committees. Mr. Jones presented the committees with a handout (attached) and noted that it defined current University Hospitals' facilities problems and presented solutions to those problems. He explained that the plan was conceptual in style and that it dealt with

corrective actions in terms of stages. In discussing the Introduction, he pointed out that in a sense, facility deficiences are an indication of a viable operation and although a deficiency list, by definition, tends to be critical the Hospital is providing a high level of patient care. Mr. Jones commented that the University Hospitals deficiences could be thought of as two seperate groupings with one set of deficiences being caused by inadequate space to meet the needs of technological advances in medicine. The second set of deficiences are caused by age, making the facility functionally obsolete. Mr. Jones added that this was most generally true of the nursing units in Mayo where it is becoming increasingly difficult to deliver optimum care. Along with this, he noted that although the facilities were built to code, those codes are changing and becoming increasingly difficult to address. He referred the committees to page 5 of the handout which listed the ages of the various Hospitals' buildings. He also pointed out pages 13 and 14 which compares the square footage of University Hospitals' areas to national standards. He commented that on the whole, University Hospitals is 50% spatially deficient.

Mr. Jones then examined with the committees, the Ten Year Plan as presented on page 15 of the handout. He explained that the major categories included addressing support department space deficiences, life-safety code corrective action and replacement for obsolence.

Mr. Holmquist asked when the JCAH report would be available. It was mentioned that the report was expected in December or January and that there was confidence that the surveyors had an understanding of University Hospitals' plans to address Life-Safety Code deficiences. He also asked if the matter of Medical Staff office space was addressed in the plan. Mr. Dickler noted that Unit B/C will affect some relief of office space needs but added that the matter was primarily a Medical School issue. He commented that approximately half of the space in Unit B/C belongs to the Medical School Dr. Kottke mentioned that such office space and lab areas for the Medical School were based on the minimum standards of the rest of the University. Mr. Westerman and Mr. Jones explained that needs in terms of

Medical Staff office space are not necessarily under the jurisdiction of the Hospitals' Facilities Committee but that the Hospitals' facilities planning must be melded with Health Sciences planning and University planning. Such office space concerns come from the Medica School through the Health Sciences to the University. Dr. Tiede commented that the Facilities Committee is aware of these concerns and looks forward to greater in-put as the shelled space in Unit B/C is addressed. Mr. Holmquist further inquired about the validity of the national standards depicting University Hospitals as 50% deficient in space. Mr. Jones explained that the standards are somewhat idealistic, contain different groupings of areas which make comparison difficult, but are generally helpful in providing a gross indication of space requirements.

II. Status of Approved or Recurring Capital Projects

Mr. Fearing reviewed with the committees the estimated project costs, funding, and estimated remaining financial obligations for various capital projects. (handouts attached) He noted certain aspects of the projects pointing out that equipment purchases under recurring needs are exclusive of B/C. He added that B/C equipment includes the mechanical transport system. In addressing computer hardware, he stated that University Hospitals' now views the purchase of computers to be of more financial benefit than leasing. He explained that it was also financially sound for University Hospitals to purchase the entire radiopaging system and lease elements of the system to the other participating hospitals. He listed Projects Under Construction as involving the nutrition remodeling, remodeling in surgical pathology and the air-conditioning and mechanical upgrading of floors 6 and 7 in the Mayo complex.

Mr. Fearing then pointed out the estimated available funds and their sources for capital projects. He explained that within Reserve Balances, $4 million was required to be depoisited as guaranteed premiums to obtain malpractice insurance and an estimated $500,000 is due third parties for prior year reimbursement adjustments. He concluded that of the $33.6 million of remaining obligations for near term projects, $26.9 million can be funded leaving $6.7 million in additional funds required. He added that with the Surgical/Pediatric Modernization and Replacement Project in Unit K/E, the total

estimated funds required for all current projects would equal $26 million.

Mr. Atwood asked to what extent the Legislature could be of assistance in securing these needed funds. Mr. Fearing explained that historically the Legislature has been most helpful but that their level of commitment to this particular program was uncertain. He stated that University Hospitals should consider how they might secure these funds themselves. Mr. Van Hulzen suggested that the bond market and borrowing trends could be investigated by University Hospitals. It was noted that a $15 per day increase would be required if capital funding needs were charged to the patient. This figure would be $40 per day if the $75 million required for a new hospital on the Powell Hall site were added to the requirements.

Both Mr. Fearing and Mr. Van Hulzen explained that the listing of projects and costs was an identification of needs with estimated costs. The picture may change and thus, the plan must remain flexible. In terms of a plan, they noted that they were considering strategy only at this point. Mr. Van Hulzen sited for instance, that inevestigations with Ernst and Ernst of maximum debt service would be one consideration but before any final package is implemented, appropriate approval will be obtained and central administration will make the final decision.

Mr. Holmquist commented on the Board's concern over increasing rates to patients. Mr. Van Hulzen stated that it is hoped tht the Legislature will be of assistance in providing these funds but added that it was imperative to consider alternative paths. He suggested that the Legislature could be helpful in terms of interim financing. Consideration of an annual Legislative request for interest and debt service offset rather than submitting one total request was mentioned. He voiced his preference in considering the bond market as worthy of exploration for the future.

Dr. Tiede also commented on the general Board consensus to avoid increasing patient rates. Mr. Van Hulzen noted that 91% of the charges to patients were covered by third party reimbursement. Ms. Lebedoff inquired as to what per cent University Hospitals'

request would be of the total University request to the Legislature. It was explained that the University's request is divided into an operating budget and capital request. The present capital request for the biennium was estimated at $45 million which would make the Hospitals' request, if $26 million, approximately 50% which would be seen as considerable. Ms. Givens questioned the historical perspective of the Legislature. Mr. Westerman responded that in the past, many of the capital needs of the Hospitals were financed by private capital. He noted that this scene was changing, that perhaps the Legislature may not be totally prepared for their State hospitals' request and most likely they will view the capital funding needs as overwhelming. He added that this was why it was important to begin to prepare for making a request or considering other options.

The question was also asked as to the impact the Board of Governors may have on the Regents or the Legislature in this matter. Mr. Westerman stated that he saw the Boards presence as valuable and noted that he was sure that Dr. French would welcome Governors' support and impetus. Mr. Atwood added that the Board was of value in its wide representation and many helpful contacts. He also requested further explanation of the $4 million premium guarantee. Mr. Van Hulzen explained that it was uncertain as to how long that money would be tied up. He added that the intent of INA was to be sure University Hospitals has sufficient funds for the settlement of the claim in 1980. He reiterated that it was important to consider the worst possible financial picture when investigating alternatives to solution. Ms. Givens commented on the importance of clearly and carefully articulating the Hospitals needs to the University and the Legislature.

Mr. Cost asked where the committees go from this point in working with the funding problems for capital projects. Mr. Van Hulzen explained that as capital plans become more definite, determinations can be made on the best option to address funding. He noted that next, staff will be involved in a feasibility study regarding borrowing and will be consulting with banks on terms. He added that the Legislature will be assessed in terms of their commitment and serveral other options will be studied and reported

that the present represented a planning period with decision-making coming in the Spring.

Mr. Evenson asked what involvement other agencies had in the deicision-making on capital projects. Mr. Jones and Mr. Dickler responded that a Certificate of Need from the local HSA was required before a building project could be implemented. It was noted that before a Certificate application was submitted, Board approval would be required, and therefore both parties have in-put with neither having sole control.

It was also mentioned that the HSA is concerned with community health care needs but have also been made aware of University Hospitals' needs. Mr. Jones stated that in the past, University Hospitals has applied for 27 such Certificates or requests for waiver and has never been denied. He added that the results of applications will be reported back to the Board of Governors. Ms. Lebedoff suggested that should a request be made to the Legislature, it should be made in total rather than in a piece-meal fashion.

In conclusion, Mr. Holmquist stated that the Finance Committee will be meeting at 9:00 A.M., on December 15, 1976, and the Facilities Committee will meet at 10:00 A.M., on that date. There being no further business, the joint committee meeting was adjourned to dinner at 5:45 p.m.

Respectfully submitted,

Johnelle Foley

Johnelle Foley
Secretary

UNIVERSITY OF MINNESOTA HOSPITALS

A BRIEF SUMMARY FOR THE FACILITIES COMMITTEE

THE STATE OF EXISTING PHYSICAL FACILITIES;
THE MASTER PLAN FOR FUTURE FACILITIES DEVELOPMENT.

ALSO PRESENTED TO A JOINT MEETING OF THE FACILITIES AND FINANCE COMMITTEE ON DECEMBER 6, 1976

BY: THE PLANNING STAFF
UNIVERSITY OF MINNESOTA HOSPITALS

TOM JONES, ASSOCIATE DIRECTOR
LEE LARSON, PLANNING ASSOCIATE
KATHY HOKANSON, NURSE PLANNER

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INTRODUCTION

THIS REPORT IS A SUMMARY OF THE SALIENT CHARACTERISTICS OF OUR PHYSICAL FACILITY NEEDS AND MASTER PLANNING EFFORTS WHICH WE HAVE BEEN DISCUSSING OVER THE PAST SEVEN MONTHS. IT IS INTENDED ONLY AS A BRIEF OUTLINE OF THE HIGHLIGHTS OF THOSE DISCUSSIONS AND AS A GUIDE FOR FUTURE DISCUSSIONS.

NO ATTEMPT HAS BEEN MADE TO INCLUDE AN EXHAUSTIVE LIST OF DEFICIENCIES IN THIS SUMMARY. WE HAVE ONLY CITED ONLY THOSE DEFICIENCIES WHICH ARE MOST CRITICAL WITH RESPECT TO THE OBSOLESCENCE OF OUR CURRENT FACILITIES.

PROBLEM STATEMENT

AS WE AT UNIVERSITY HOSPITALS CONTINUE TO REVIEW THE SERVICE ROLES WHICH OUR INSTITUTION PERFORMS FOR THE LOCAL COMMUNITY, THE STATE, AND THE NATION WE SEE THAT THERE WILL BE A LONGTERM CONTINUED SERVICE ROLE DEMANDED OF US.

FROM THE STANDPOINT OF PATIENT CARE WE ARE CONTINUING TO TREAT PATIENTS FOR WHOM COMPARABLE MEDICAL CARE IS NOT AVAILABLE AT OTHER INSTITUTIONS ON THE SCOPE AND SCALE REQUIRED BY AND ACCESSIBLE TO THE PATIENTS NEEDING THAT CARE. IN GENERAL, THE GEOGRAPHIC AREAS FROM WHICH OUR PATIENTS ARE REFERRED TO THIS INSTITUTION FOR THEIR CARE AND TREATMENT ARE, AREAS WHICH ARE PREDICTED TO UNDERGO GRADUAL CONTINUED GROWTH OR REMAIN STABLE IN NUMBERS OF POPULATION. THEREFORE THERE IS EVERY REASON TO BELIEVE THAT WE WILL CONTINUE TO BE CALLED UPON TO MEET THE HEALTH CARE NEEDS, WHICH CANNOT BE MET LOCALLY, OF THOSE POPULATIONS.

FROM THE STANDPOINT OF EDUCATION, THE UNIVERSITIES PROFESSIONAL HEALTH CARE SCHOOLS HAVE RESPONDED TO INCREASED DEMAND FOR TRAINED HEALTH CARE PROFESSIONALS BY EXPANDING AND INTENSIFYING THEIR PROGRAMS. ALTHOUGH OTHER HEALTH CARE INSTITUTIONS CAN AND DO ACT AS A RESOURCE FOR THOSE PROFESSIONAL TRAINING PROGRAMS, THERE IS A CONTINUED AND INTENSIFIED NEED FOR UNIVERSITY HOSPITALS TO MAKE ITS UNIQUE RESOURCES AVAILABLE TO THOSE PROGRAMS. OUR LOCATION AND LEVEL

OF PATIENT CARE ARE ABSOLUTELY NECESSARY FOR THESE PROGRAMS TO CONTINUE: FIRST IN ORDER FOR THEM TO ATTRACT THE BEST AND MOST SKILLED PRACTITIONERS FOR TEACHING; AND SECONDLY TO OFFER A COMPLEX, EASILY ACCESSIBLE SOURCE OF PATIENTS FOR CARE, TREATMENT, AND STUDY WHICH IS NOT AVAILABLE IN A COMMUNITY HOSPITAL SETTING IN SUFFICIENT NUMBERS FOR INSTRUCTIONAL PURPOSES.

FROM THE STANDPOINT OF RESEARCH, WE CONTINUE TO BE A FOCAL POINT FOR THE DEVELOPMENT OF NEW TREATMENT METHODOLOGIES AND TECHNIQUES WHICH ARE PASSED ON AND BECOME A PART OF THE GENERAL LEVEL OF EXPERTISE AVAILABLE TO PATIENTS IN THEIR OWN COMMUNITIES. ANY DIMUNITION IN THIS ROLE OF UNIVERSITY HOSPITALS WOULD ADVERSELY AFFECT THE RATE AT WHICH THESE NEW DEVELOPMENTS CAN OCCUR AND BE MADE MORE GENERALLY AVAILABLE.

THEREFORE WE SEE BOTH A REAL NEED AND A CONTINUED DEMAND FOR THE UNIVERSITY HOSPITALS TO CONTINUE PERFORMING ITS SERVICE ROLES IN PATIENT CARE, EDUCATION, AND RESEARCH WELL INTO ANY FORESEEABLE FUTURE. HOWEVER OUR ABILITY TO ADEQUATELY PERFORM THOSE ROLES IS BECOMING INCREASINGLY AND SERIOUSLY THREATENED BY THE LIMITATIONS OF OUR CURRENT PHYSICAL FACILITIES.

ALTHOUGH WE HAVE AND WILL CONTINUE TO COPE WITH THE PROBLEM OF FUNCTIONAL OBSOLESCENCE THROUGH BOTH MINOR AND EXTENSIVE REDESIGN AND REMODELING OF OUR EXISTING FACILITIES, WE ARE RAPIDLY APPROACHING THE TIME WHEN WE CAN NO LONGER MAKE DO IN OUR PRESENT BUILDINGS.

PROBLEM STATEMENT

SERIOUS SPACE SHORTAGES AND MAJOR PHYSICAL LIMITATIONS IN THOSE BUILDINGS CAN NO LONGER BE OVERCOME IN ORDER TO ACHIEVE EVEN MINIMALLY ACCEPTABLE LEVELS OF OPERATION.

PATIENT CARE TECHNOLOGY AND THE ACCUITY LEVEL OF OUR CURRENT PATIENTS WHICH COULD NOT HAVE BEEN FORSEEN 25-60 YEARS AGO WHEN MOST OF OUR FACILITIES WERE DESIGNED, HAVE PLACED PHYSICAL DEMANDS UPON THE FACILITIES WHICH OUTSTRIP THE FACILITIES' DESIGN CAPABILITIES.

AS A RESULT THE UNIVERSITY HOSPITALS HAVE DEVELOPED A MASTER PLAN OF BUILDING DEVELOPMENT WHICH INCORPORATES THE ADDITION OF NEW BUILDINGS AS WELL AS THE RENOVATION OF EXISTING SPACE. THIS PLAN IS BASED UPON DETAILED ANALYSIS OF OUR NEEDS ALONG WITH REALISTIC OPPORTUNITIES FOR SPATIAL EXPANSION. A REVIEW OF OUR FUNCTIONAL PROGRAMMATIC, AND SPATIAL DEFICIENCIES IDENTIFIES THE NEED TO EXPAND SPACE IN ORDER TO CONTINUE OPERATION AT OUR PRESENT LEVELS OF PATIENT LOAD. - NO EXPANSION IN THE NUMBERS OF HOSPITAL BEDS NEEDED FOR PATIENT CARE IS REQUIRED NOR JUSTIFIED.

THE BUILDINGS AND AGES

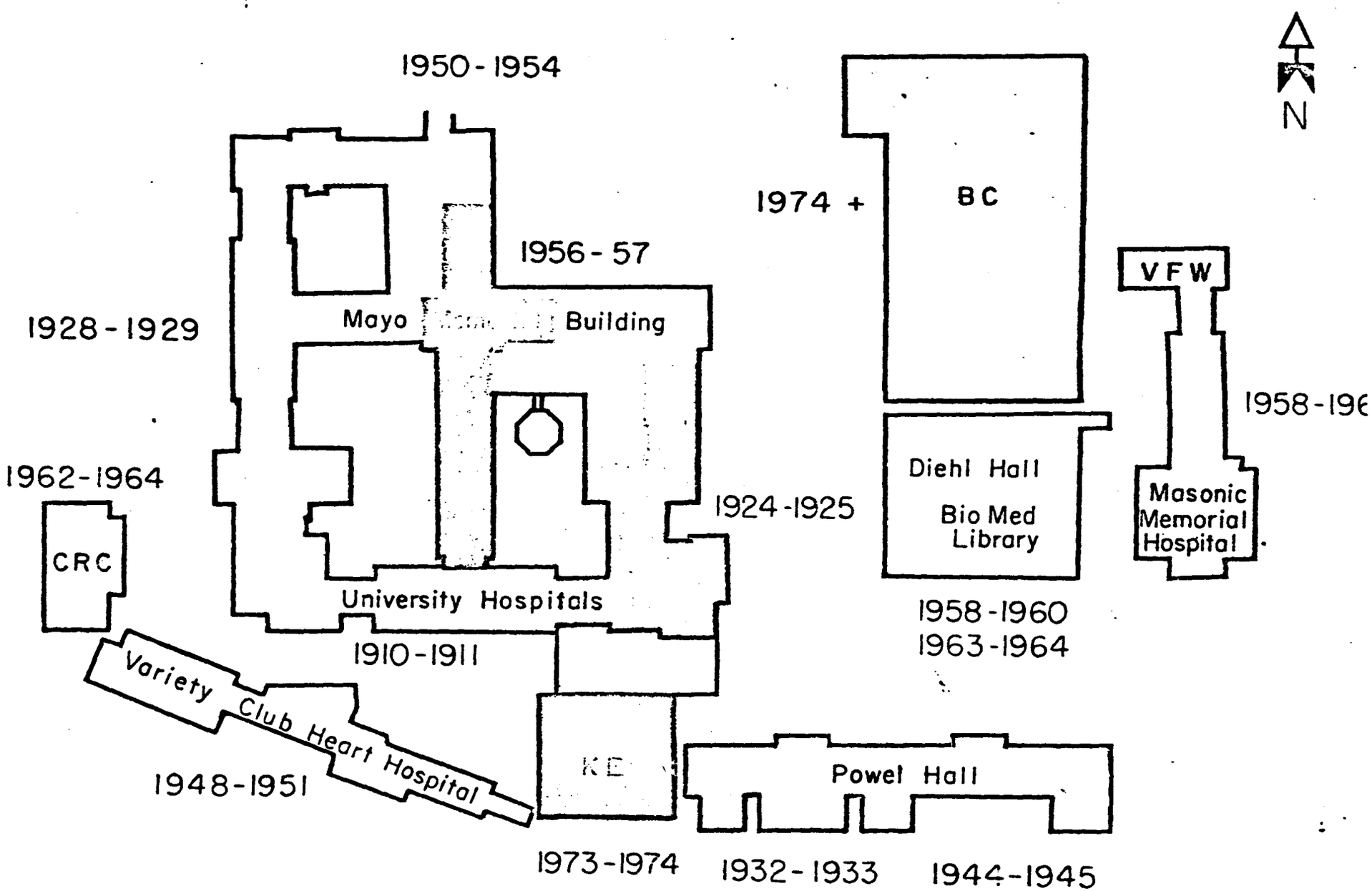
THE UNIVERSITY OF MINNESOTA HOSPITALS IS COMPRISED OF THE FOLLOWING HOSPITAL BUILDINGS:

- MAYO HOSPITAL
- VARIETY CLUB HEART HOSPITAL
- CHILDREN'S REHABILITATION CENTER
- MASONIC MEMORIAL HOSPITAL
- POWELL HALL (PORTION HOUSES COMPUTER, FEW DEPT. OFFICES, CAFETERIA, AND MOTEL FACILITY)
- K.E. BUILDING (PORTION HOUSES RECEIVING AND NUTRITION STORAGE)
- B.C. BUILDING (UNDER CONSTRUCTION, PORTION TO HOUSE O.P. CLINICS AND FEW DEPTS.)

THE GROWTH AND DEVELOPMENT OF THE COMPLEX, AGE OF THE FACILITIES, AND SERVICES BY LOCATION ARE AS FOLLOWS:

	COMMENCE	COMPLETION
ELLIOT	1910	1911
TODD	1924	1925
EUSTIS	1928	1929
POWELL HALL	1932	1933
POWELL HALL ADDITION	1944	1945
VARIETY HEART HOSPITAL	1948	1951
MAYO HOSPITAL	1950	1954
MAYO (7TH FL. ADDITION)	1956	1957
MASONIC MEMORIAL HOSPITAL	1958	1960
CHILDREN'S REHAB CENTER	1962	1964
K.E. BUILDING	1972	1975

TRADITIONALLY 40 YEARS WAS CONSIDERED TO BE THE MAXIMUM USEFUL LIFE OF HOSPITAL FACILITIES. CURRENT THINKING PLACES THAT FIGURE AT CLOSER TO 30 YEARS.



University Hospitals Building Development

SUMMARY OF FUNCTIONAL DESIGN DEFICIENCIES

I. PHYSICAL FACILITIES

A. BUILDING CONFIGURATION

1. SINGLE LOADED CORRIDOR ("SINGLE RACE-TRACK CORRIDOR")

   A. TRAFFIC PATTERNS ARE INEFFICIENT
   B. CONGESTION
   C. TRAFFIC FLOWS THROUGH UNITS UNNECESSARILY
   D. INCREASED LEVELS OF NOISE AND DISRUPTION - LACK OF PATIENT PRIVACY
   E. INADEQUATE WIDTHS
   F. FREE CIRCULATION OF AIR - INABILITY TO CONTROL AIRBORN CONTAMINATION

2. STAIRWAYS AND EXITS

   A. INSUFFICIENT IN NUMBER AND LOCATION FOR REQUIRED 2 MEANS OF EGRESS FROM NURSING UNITS.
   B. DO NOT LEAD TO OUTSIDE
   C. UNACCEPTABLE WIDTHS AND CONFIGURATION

B. TRANSPORTATION AND CIRCULATION

1. ELEVATORS

   A. TOO FEW AND POORLY LOCATED
   B. CANNOT BE EFFECTVELY USED IN A MANNER SO AS TO RETAIN A CLEAN AND DIRTY SEPARATION OF MATERIALS AND PEOPLE.

2. SOILED LINEN CHUTES

   A. DO NOT COMPLY WITH REQUIREMENTS DESIGNED TO REDUCE CONTAMINATION

C. STORAGE AND SPACE CONFIGURATION (REFER ALSO TO THE TABLE OF SPACE DEFICIENCIES BY DEPARTMENT)

1. CONSEQUENCES OF INADEQUATE SPACE

A. MISUSE OF CORRIDORS FOR STORAGE IN VIOLATION OF CODES, ORDINANCES, AND GOOD PRACTICE

B. ADDS TO OVERALL WORKLOAD

C. INCREASES DIFFICULTY IN ATTAINING APPROPRIATE ASCEPTIC TECHNIQUE AND PRACTICE.

D. CREATES INEFFICIENT METHODS OF STORAGE AND RESUPPLY.

D. HEATING, VENTILATION, AND AIR CONDITIONING

1. MANY FRAGMENTED SYSTEMS IN USE

A. LITTLE POSSIBILITY FOR CENTRALIZED AND COORDINATED CONTROL

B. INABILITY TO CONFORM TO CURRENT REQUIREMENTS AND REGULATIONS

C. ONLY MINIMUM LEVELS OF PATIENT COMFORT ARE ACHIEVABLE.

2. FREE CIRCULATION OF AIR

A. INABILITY TO CONTROL THE FLOW OF AIR IN ORDER TO REDUCE AIRBORN CONTAMINATION OR EFFECTIVELY ISOLATE CLEAN AND DIRTY AREAS OF MATERIALS.

E. PATIENT ROOMS AND FACILITIES

1. SIZE

A. MANY ARE OF AWKWARD SIZE AND INEFFICIENT DIMENSIONS

B. NON-CONFORMANCE TO MINIMUM REQUIREMENTS

1. 24% BELOW SPACE MINIMUMS
2. 75% BELOW ONE OR MORE DIMENSIONAL STANDARDS
3. 12% HAVE NO ADJOINING TOILET
4. MAJORITY DO NOT CONTAIN SPACE FOR ADEQUATE STORAGE OF SUPPLIES AND PATIENT BELONGINGS

2. LACK OF FACILITIES FOR:

A. PATIENT DAY ACTIVITIES

B. WAITING/VISITING AREAS

C. PRIVATE CONSULTATIONS

D. INSTRUCTION AND PROFESSIONAL DEVELOPMENT

3. ISOLATION

A. CURRENTLY NO ROOMS CONFORM TO STANDARDS FOR MAXIMUM ISOLATION - 19 ARE REQUIRED

SUMMARY OF NURSING CARE PROGRAMMATIC DEFICIENCIES

I. DIRECT PATIENT CARE CONSIDERATIONS

A. SAFETY HAZARDS

1. INADEQUATE PATIENT/FAMILY LOUNGE AREAS. PATIENTS AND VISITORS WALK/CONGREGATE IN CONGESTED CORRIDORS USED FOR ALL TRANSPORT.

   PARENTS APPREHENSIVE TO LEAVE CHILDREN. INADEQUATE PLAY AREAS - CHILDREN PLAY IN CORRIDORS. NO SPACE FOR SUPERVISED PLAY PROGRAMS.

   NO PARENT WAITING AREAS - PARENTS WAIT AND SLEEP IN HALLWAYS. PEDIATRIC ADMISSIONS INTERVIEWS IN HALLWAYS. DETREMENTAL TO DELIVERY OF CARE-PRIMARY NURSING.

   NO RELATIVE/VISITORS LOUNGES. NO PRIVACY FOR TIMES OF EMOTIONAL STRESS. SMALL AREA ON ANOTHER STATION.

2. GROUPING OF PATIENTS.

   A. INFECTIOUS DISEASE CONTROL - ISOLATION BEDS
   B. "OFF-SERVICE" PATIENTS ON ALL STATIONS. NURSING CANNOT HAVE EXPERTISE ON ALL "OFF-SERVICE" PATIENTS.
   C. LACK OF ISOLATION ROOMS.
   D. INAPPROPRIATE GROUPING OF PATIENTS - NEUROLOGICAL BEHAVIORAL PROBLEMS WITH CRITICALLY ILL.

3. POOR AIR VENTILATION

   A. FROM CONTAMINATED TO CLEAN AREAS
   B. LACK OF CONSTANT TEMPERATURE AND HUMIDITY
   C. POOR ISOLATION FACILITIES

B. LACK OF PRIVACY

1. LACK OF PRIVACY - LARGE 4 BED AREA IN ICU
2. LACK OF PRIVACY - OLDER CHILDREN
3. WARD SITUATIONS
4. I.C.U. PATIENTS
5. INADEQUATE FAMILY/VISITOR LOUNGE, WAITING AREAS AND TOILET FACILITIES
6. INADEQUATE PRIVATE CONFERENCE AREAS FOR COMMUNICATION BETWEEN FAMILY AND PHYSICIANS

C. INADEQUATE TOILET AND BATHING FACILITIES FOR PATIENTS

D. INADEQUATE SPACE IN ALL UNITS

1. DIFFICULT TO MEET PATIENT CARE REQUIREMENTS IN LIMITED SPACE PER PATIENT AT EACH BEDSIDE. CANNOT ACCOMMODATE NECESSARY EQUIPMENT.
2. DIFFICULT TO RESPOND IN EMERGENCY SITUATIONS (ICU)
3. COMPLICATES PATIENT CARE TECHNIQUES
4. PAR - SUPPLIES STORED IN WINDOWSILLS
5. DIFFICULT TO RESPOND IN EMERGENCY SITUATIONS - PROVOKING FOR PATIENTS. (PAR)
6. LACK OF PEDS FEEDING AREAS. PRESENTLY FED IN CONGESTED HALLWAYS. MAKES IT DIFFICULT TO MEET NUTRITIONAL NEEDS OF ILL PEDS PATIENTS.
7. LACK OF SPACE FOR NEW EQUIPMENT TO MEET PATIENT CARE NEEDS

II. PHYSICAL FACILITIES

A. TOO MUCH UNNECESSARY TRAFFIC THROUGH PATIENT CARE AREAS. SECURITY IS DIFFICULT TO MAINTAIN.

B. SHARED FACILITIES WITH OTHER STATIONS (I.E. UTILITY, TREATMENT, EXAM ROOMS)

C. INADEQUATE NUMBER OF TREATMENT AND EXAM ROOMS - OFTEN DONE AT BEDSIDE.

D. INADEQUATE STORAGE AREA FOR EQUIPMENT, SUPPLIES, LITTERS, WHEELCHAIRS, LINEN, ETC. HALLWAYS ARE USED, FIRE HAZARD (ICU, PAR, AND PEDIATRICS)

E. LACK OF STORAGE AREAS FOR PATIENT'S PERSONAL BELONGINGS THEFT'S OCCUR.

F. OVERCROWDED AND COMBINED MEDICATION-SUPPLY AREAS. (PAR, ICU)

G. COMBINED CLEAN/DIRTY UTILITY AREAS.

H. INADEQUATE SUPPLY SYSTEM - NO SPACE

I. INADEQUATE ELECTRICAL WIRING

A. FOR EQUIPMENT B. USE OF EXTENSION CORDS

J. HALLWAY AND DOOR WIDTH ARE TOO SMALL TO EASILY ACCOMMODATE PATIENT TRANSFERS ON LITTERS OR BEDS.

K. POOR COMMUNICATION SYSTEMS WITHIN EACH STATION AND BETWEEN RELATED AREAS (I.E. NO INTERCOM)(PAR- NO INTERCOM BETWEEN PAR'S AND O.R.'S CENTRAL DESK)

III. STAFF DEVELOPMENT

A. INADEQUATE CHARTING/READING AREAS FOR NURSING AND MEDICAL STAFF.

B. LACK OF INSERVICE/CONFERENCE AREAS, NURSES LOCKER/LOUNGE TOILET FACILITES.

C. LACK OF PHYSICIAN OFFICE, ON-CALL, AND SLEEPING AREA.

-- FOR A 750 BED TEACHING HOSPITAL --

Department	Exist. Depart. Gross Sq. Feet ("DGSF")	Gross Sq. Footage Standard	Recommended Depart. Gross Sq. Feet	Difference Square Feet	*One	*Two	*Three
Emer. Room	5,550	17 sq. ft./bed	12,750	-7,200	44%	-57%	-130%
Cystoscopy Suite (4 rooms)	4,330	1,400 sq. ft./bed	5,600	-1,270	77%	-23%	-29%
Inpat. Surg. Suite (14 O.R.'s)	19,130	45 sq.ft./bed (or) 1,900 sq.ft./room	33,750 (or) 26,600	-14,620/ - 7,470	57%/ 72%	-43%/ -28%	-76%/ -39%
Diag. Radiology (17 rooms)	16,065	1,450 sq. ft./room	24,650	-8,585	65%	-35%	-53%
Nuclear Medicine	3,740	10 sq.ft./bed	7,500	-3,760	50%	-50%	-101%
Radiation Therapy	5,240	13 sq.ft./bed	9,750	-4,510	54%	-46%	-86%
Respir. Therapy	1,200	5 sq.ft./bed	3,750	-2,550	32%	-68%	-213%
Gen. Lab Areas	24,300	32 sq.ft./bed	24,000	+ 300	101%	+01%	+01%
Blood Bank	3,000	Stand. unknown	3,000 +				
E.K.G.	3,240	5 sq. ft./bed	3,750	- 510	86%	-14%	-16%
E.E.G.	1,120	3 sq. ft./bed	2,250	-1,130	50%	-50%	-101%
Pulmonary Function	1,950	5 sq.ft./bed	3,750	-1,800	52%	-48%	-92%
Heart Catheterization	7,480	stand. unknown	7,480				
Pathology	3,130	13 sq.ft./bed	9,750	-6,620	32%	-68%	-212%
Inpatient Pharmacy	4,880	11 sq. ft./bed	8,250	-3,370	59%	-41%	-69%
Social Service	1,730	3 sq. ft./bed	2,250	- 520	77%	-23%	-30%
Central Sterile & Supply	10,400	13 sq.ft./bed	9,750	+ 650	107%	+07%	+06%

DEPARTMENT	EXIST. DEPART. GROSS SQ. FEET ("DGSF")	GROSS SQ. FOOTAGE STANDARD	RECOMMENDED DEPT. GROSS SQ. FEET	DIFFERENCE SQ. FEET	*ONE	*TWO	*THREE
NUTRITION & DIET.	13,360	50 SQ.FT./BED	37,500	-24,140	36%	-64%	-181%
COFFEE SHOP	1,300	STAND. UNKNOWN	1,300 +				
CANTEEN	2,500	" "	2,500				
ENG. & MAITENANCE	4,080	13 SQ.FT./BED	9,750	- 5,670	42%	-58%	-139%
ENVIR. SERVICES	2,620	7 SQ.FT./BED	5,250	- 2,630	50%	-50%	-100%
PERSONNEL	1,600	3 SQ.FT./BED	2,250	- 650	71%	-29%	- 41%
ADMINISTRATION	2,410	7 SQ.FT./BED	5,250	- 2,840	46%	-54%	-118%
BUSINESS OFFICE	5,190	16 SQ.FT./BED	12,000	- 6,810	43%	-57%	-131%
MEDICAL RECORDS	5,840	13 SQ.FT./BED	9,750	- 3,910	60%	-40%	- 67%
ADMITTING	2,390	6 SQ.FT./BED	4,500	- 2,110	53%	-47%	- 88%
COMM. CENTER-MAIL ROOM	1,220	3 SQ.FT./BED	2,250	- 1,030	54%	-46%	- 84%
SUPPORT DEPT. TOTALS	158,995		264,280 + OR 257,130 +	105,285 OR 98,135	60%/ 62%	-40%/ -38%	- 66%/ - 62%
MAYO COMPLEX NSG. STA. (510 BEDS ONLY)	170,500	450 SQ.FT./BED	229,500	-59,000	74%	-26%	- 35%
TOTAL FOR DEF. AREAS	329,425		493,780 + OR 486,630 +	-164,285 OR -157,135	67%	-33%/ -32%	- 50%/ - 48%

* COLUMN "ONE" = EXIST. AS A PERCENT OF RECOMMENDED "DGSF"
"TWO" = DIFFERENCE AS A PERCENT OF RECOMMENDED "DGSF"
"THREE" = DIFFERENCE AS A PERCENT OF EXISTING "DGSF"

10 YEAR - MASTER PLAN

University of Minnesota Hospitals

	Project Grouping	Estimated Cost of Construction	Estimated Start of Construction	Estimated Occupancy
I.	Completion Phase I: Health Sciences Development Program: University Hospitals Support Services			
	Step 1: Medical Records/Fiscal Services Office to Unit B-C	$1,400,000	April 1977	January 1978
	Step 2: Remodel Vacated Mayo Space (Laboratories, Radiology C.S.P., Pharmacy et.al.)	$3,000,000	February 1978	January 1979
II.	Life-Safety Program			
	Step 1: Fire Alarm-Means of Egress	$3,500,000	June 1977	June 1978
	Step 2: Warehouse	$1,500,000	June 1977	January 1978
III.	Bed and Selected Support Replacement Program			
	Step 1: Surgical Suite/Pediatrics (Unit K-E)	$25,000,000	January 1978	September 1981
	Step 2: Mayo Bed Replacement plus Selected Support Services (possible Powell site)	*$75,000,000	*1980's	

*Cost estimate is dependent upon an early 1980's start of construction. However, this date is dependent upon many factors such as the completion of earlier elements of the University Health Sciences Master Plan and the availability of sufficient funds to undertake the project. Delay in the start of this project would necessarily increase the cost.

Completion Phase I

Health Sciences Development Program

University Hospital Support Services

Step 1: Relocate Medical Records and Fiscal Services Departments to Unit B-C

- Complete construction of shell space planned for these two hospital units in the original 1967 Health Sciences Master Plan.

- Rationale

  Relocate closer to most frequent point of service location - outpatient

  Provide needed space in Mayo

Step 2: Remodel the Vacated Mayo Space

- Vacated Medical Record space is adjacent to both the Pharmacy and Central Sterile Products Departments which have serious spatial deficiencies

- Vacated Fiscal Service space is adjacent to the Hospitals central laboratories and Diagnostic Radiology which have serious spatial deficiencies

Life Safety Program Elements

Fire Alarm and Means of Egress - Meet 1973 NFPA code requirements

- Egress

  eliminate dead end corridors
  upgrade materials to 2 hour fire rating

- Fire Separation and Smoke Zones

  upgrade doors
  install fire/smoke dampers in ventilation
  create additional smoke zones

- Doors

  modify patient room doors and others in violation of code
  modify chute system and doors

- Hardware

  modify hardware catches, latches and closing mechanisms

- Interior Finishes, Construction, etc.

  upgrade corridor wood finishes
  modify partitions

- Fire Extinguishers

  install additional units

- Fire Hose Cabinets

  upgrade to conform to code

- Exit Marking

  revise signs to conform to approved egress plan

- Standpipes

  extend existing system
  provide additional outlets

- Sprinklers

  add to hazardous areas
  add to corridors

- Fire Alarm System

  upggrade existing system
  extend system to uncovered areas
  add audible alarms
  add smoke detectors to corridors and patient rooms
  install central monitoring system

Warehouse - reduce storage congestion and competition for space

- Construct or acquire/remodel a storage facility
- Revise materials handling system to utilize warehouse and support minimum on-site stocking and storage
- Provide space for expanded computer service

Bed and Selected Support Replacement Program

Step 1: Surgical Suite/Pediatrics

- Relocate Pediatric Beds onto Unit K-E

  Replacement of most seriously deficient bed units
  Centralize the pediatric program
  Improve separation of pediatric and adult patient bed units
  Provide expansion space in Mayo for support services

- Relocate Surgical Intensive Care Unit and Post Anesthesia Recovery Area to Unit K-E

  Replacement of most seriously deficient patient care units
  Improve relationship to the operating suite
  Place two related highly intensive care units adjacent to each other

- Expand and Remodel the Existing Operating Room Suite

  Replace four obsolete operating rooms
  Provide four additional operating rooms
  Provide additional storage and support space
  Provide adequate sterile, clean, dirty separation
  Improve control and coordination over activities

Step 2: Mayo Bed Replacement Plus Selected Support Services (Possible Powell Site)

Replace obsolete Mayo patient bed units
Relocate closely related support services

Diagnostic Radiology
EEG, ECG, etc., laboratories which must make measurements directly from the patient

This element completes the program which addresses current and foreseen major facility problems into the next century.

UNIVERSITY OF MINNESOTA HOSPITALS
STATUS OF APPROVED OR RECURRING CAPITAL PROJECTS
JULY 1, 1976 THROUGH JUNE 30, 1980

	Estimated Project Cost 7/1/76	Amount Funded 7/1/76	Estimated Remaining Obligation 7/1/76
Near Term Projects			
Recurring Capital Needs			
Anticipated Equip Purchases	$10,100,000		$10,100,000 (1)
Annual Renovations	2,599,000		2,599,000 (2)
Life Safety Requirements	3,500,000	100,000	3,400,000
Short Term Support Projects			
Building BC Phase I	6,600,000	3,815,696	2,784,304
Building BC Phase II	1,400,000	106,090	1,293,910
Building BC Equipment	3,500,000	500,000	3,000,000
Building BC Operating Reserve	300,000		300,000
Warehousing	1,500,000		1,500,000
Computer Hardware	1,500,000		1,500,000
Radiopaging System	850,000		850,000
Mayo Remodeling/Labs,Radiology,CSP	3,000,000		3,000,000
Projects Under Construction	3,983,000	666,558	3,316,442
Total Near Term Projects	$38,832,000	$ 5,188,344	$33,643,000
Estimated Available Funds			
Reserve Balances	$14,852,637	$ 4,500,000 (3)	$10,352,637
Gift Funds	560,000		560,000
Est. Cash Flows	16,000,000		16,000,000 (1)
Total Estimated Available Funds	$31,412,637	$ 4,500,000	$26,912,637
Additional Near Term Funds Required			$ 6,731,019
Surgical/Pediatric Modernization & Replacement (K-H)	$25,000,000		$25,000,000
Estimated Available Funds (K-H)			
Endowments	$ 7,493,109	$(1,900,000 (4)	$ 5,593,109
Additional K-H Funds Required			$19,406,891
Total Estimated Funds Required			$26,137,910 (5)

(1) For period 7/1/76 through 6/30/80.
(2) For period 7/1/76 through 6/30/80 plus carry forward obligation from prior years of $619,000.
(3) $4,000,000 was required to be deposited as guaranteed premiums to obtain malpractice insurance and an estimated $500,000 is due third parties for prior year reimbursement adjustments.
(4) Helen Jane Atkinson Fund cannot be committed without a guarantee for funding of existing Health Sciences commitments.
(5) Does not include borrowing covenants requirements or future undefined needs.

Minutes
Joint Meeting
Finance and Facilities Committees
University of Minnesota Hospitals and Clinics
Board of Governors
May 18, 1977

Present: David Brown, M.D.
David Cost
Orville Evenson
Debbie Gruye
Clint Hewitt
Stanley Holmquist, Finance Chairman
Clint Johnson, Asst. Vice President (representing Don Brown, Asst. V.P.)
Tom Jones
Cheri Perlmutter
John Quistgard, Finance Vice Chairman
John Tiede, Facilities Chairman
Timothy Vann
Lawrence Weaver
Ron Werft
John Westerman
Don Van Hulzen

Absent: Michael Eisenberg, M.D.
Jeanne Givens
Frederic Kottke, M.D.
Dave Preston
Joe Resch, M.D.

Guests: Robert Baker
Diane Banta
Harry Brekhus
Robert Dickler
Russ Farrell
Cliff Fearing
Johnelle Foley
Judy Kaegy
Ron Klemz
Lee Larson
Nehls Larson
Merle McGrath
Michael McKee
Dick Pierson
Shirley Sudduth

The joint meeting of the Finance and Facilities Committees of the Board of Governors was called to order by Chairman Stanley Holmquist of the Finance Committee at 12:30 p.m. in the Dale Shepherd Room of the Campus Club.

I. Introduction to Purpose of Debt Capacity Study - Don Van Hulzen

Mr. Van Hulzen began his comments by reviewing the history and progress of the capital development program for University Hospitals. He commented that a previous study had been conducted with Herman Smith Associates at which time the Clinical Chiefs examined future priorities, medical developments and space requirements. He noted that the situation since that study has changed slightly but that the logic of the present debt capacity study for capital development is similar.
He mentioned that for a period of time University Hospitals deferred its capital planning promotions to facilitate the advancement of Unit F as the Health Sciences number one priority. Now, he reported, Vice Presidential clearance has been received to proceed in certain areas. Mr. Van Hulzen stated that the present debt capacity study is being conducted to determine University Hospitals ability to borrow and repay to support its programmatic and facility needs. He suggested that the study process is being explained at this meeting so that the study results will be more easily comprehensible when they are presented. He commented that the scope of the study was defined in January and presented for bids to outside consultants. He reported that Ernst and Ernst was awarded the contract and began the study process in March. Mr. Van Hulzen concluded that he hoped today's meeting would create a sense of urgency in terms of preparing for meeting University Hospital's capital needs in the face of potential government imposed restrictions.

II. Components of the Study

A. Demand Studies Historic/Prospective - Tom Jones

Mr. Jones introduced the demand studies as a key component of the debt capacity study because they translate into the activity which University Hospitals can expect to experience in the future and the general areas where that activity will occur. He described the studies as a continuous analysis of demands for the purpose of appropriate programmatic, fiscal, and facility planning. He explained that the initial effort of a demand study involves an examination of the service area, the population trends, its growth patterns and historic hospital utilization data in

order that future admissions may be projected. He noted that this is especially difficult in a multi-hospital community, and more difficult for a referral institution where so much depends on physician-physician relationships and research and education programs. Mr. Jones further explained that the conventional approach to demand studies in teaching hospitals is to review all salient demographic and service trends with the Clinical Chief of each service and to project admission and length of stay as a result of these discussions. He reported that at this point, University Hospitals appears to be in good shape with the Clinical Chiefs projecting a continued strong demand and a 13% growth in admissions. He added that with the expected decrease in average length of stays from 9.3 days to 8.3 days, patient days will probably remain at their current level of 210,000 days per year.

B. Program Space Planning - Lee Larson

Mr. Larson explained that, from the future project lists, space requirements are determined, methods of depreciation are investigated, and assignments of costs are considered. He further explained that for the purpose of this study the projected demands and requirements will be assessed and analyzed at three points: currently, at the completion of the K/E addition, and when Unit J, the bed replacement project, is in place.

C. Staffing Projects - Cliff Fearing

Mr. Fearing stated that when the previously mentioned aspects of the study are completed a more detailed financial analysis occurs at the three points to assess what the budget will look like at those points with projected estimates of staffing patterns included. He explained that the projected budgets will then be presented to Ernst and Ernst who will challange management's program assumptions, priority setting, and norms used in their development. He noted that Ernst and Ernst will examine the University Hospitals financial viability after the acquisition of debt.

D. Project List and Financial Requirements - Cliff Fearing

Mr. Fearing then referred the Committees to the listing of future capital projects, their funding obligations, and the schedule for meeting those obligations. He explained that Ernst and Ernst will provide alternatives on how to best plan for the financing of the various projects, hopefully by the Fall. In response to questions, he stated that Unit K/E includes Pediatrics, Operating Room, Post Anesthesia Recovery Rooms and Surgical Intensive Care facilities and that Unit J is the in-patient bed replacement facility.

E. Financial Scenarios - Don Van Hulzen

Mr. Van Hulzen suggested that the debt capacity study be viewed as a series of fine tuning which involves continuous rechecking of assumptions and expectations. He commented that the alternatives which Ernst and Ernst will provide will be comprised of mixes of funding sources to make the capital development program possible and that these alternatives will range from conservative to liberal expectations about non-operating sources. He concluded that Ernst and Ernst will develop about 9 different financial scenarios and added that the alternatives will be reviewed to evaluate the feasibility of the alternatives.

F. President's Hospital Cost Containment Program Status/Impact - Don Van Hulzen

Mr. Van Hulzen noted that he wised he did not have to put a damper on the meeting's discussions but informed the Committees that the Hospital Cost Containment Bill which is being considered by Congress contains a provision which would cut capital expenditures in the hospital industry in half. A figure, which he explained, when assessed per state, would provide the State of Minnesota about $50 million per year in capital projects needing certification of need. It was noted that perhaps teaching hospitals would be exempted from this restriction. Again Mr. Van Hulzen stressed the urgent need for proceeding with the capital program planning and financing. He mentioned that before becoming too pessimistic, more information regarding the legislation must be acquired.

Mr. Cost noted that today was the first time he had heard any reference to fund raising. Mr. Baker explained that it was a new and uncertain approach for University Hospitals as a whole. He mentioned that the University had conducted a feasibility study on their potential in fund raising, the results of which were unknown, but would be investigated. Chairman Holmquist inquired as to how much of the financial obligation for capital needs the patient could reasonably bear. Mr. Fearing commented that United Hospitals will experience a cost of $40 per day and added that the rising cost of construction is a considerable factor.

Chairman Holmquist commented on the quality of the meeting and staff's presentations. He then explained that the Finance Committee had that morning again reviewed the budget and the rate increase request for fiscal year 1977-78 and had confirmed their original tentative approval of those items. He now moved that the Finance and Facilities Committees jointly recommend final approval by the full Board of Governors of the opeating and capital budgets for 1977-78 and the proposed rate increase of 6.61%. Chairman Tiede of the Facilities Committee seconded the motion and it was passed.

It was suggested that another joint meeting of the Finance and Facilities Committees be planned upon completion of the debt capacity study possibly in September. It was estimated that a financial plan for capital funding could be in place by the end of the calendar year.

Before adjourning Mrs. Vann commented on an open house that day at the Cathedral in St. Paul where she would be hostessing tours. She invited all present to attend and view the beautiful architecture of the building.

The meeting was adjourned at 1:30 p.m.

Respectfully submitted,

Johnelle Foley

Johnelle Foley
Secretary

(TO JANUARY 31, 1977)

Updated 5/1/77

	Obligation	Previously Funded	Funded This F.Y.	Remaining Cash Obligation 3rd-4th Qtr 76-77	Fiscal 77-78	Fiscal 78-79	Fiscal 79-80	Later
Recurring Capital Needs								
Equipment	$ 9,938,924		$ 604,831	$ 900,000	$ 2,138,924	$2,400,000	$ 2,500,000	$1,395,169
Remodeling								
Prior Years	$ 550,000		$ 309,805	$ 180,146	$ 60,049			
76-77	480,000		77,451	42,549	240,000	$ 120,000		
77-78	343,290				125,000	218,290		
78-79	500,000					125,000	$ 250,000	$ 125,000
79-80	500,000						125,000	375,000
Total Remodel.	$ 2,373,290		$ 387,256	$ 222,695	$ 425,049	$ 463,290	$ 375,000	$ 500,000
Total Recurring Needs	$ 12,312,214		$ 992,087	$1,122,695	$ 2,563,973	$2,863,290	$ 2,875,000	$1,895,169
Short-Term Support Projects								
Nutrition	$ 2,275,000	$ 421,558	$ 200,000	$1,653,442				
Surg Pathology	500,000	50,000		100,000	$ 350,000			
Bacteriology	100,000	25,000		20,000	55,000			
Mayo 6th & 7th A/C	1,108,000	170,000	250,000	688,000				
Bldg B/C Phase I	6,600,000	3,815,696			2,784,304			
Bldg B/C Phase II	1,400,000	73,200	32,890		1,293,910			
Bldg B/C Mech. Trans.	950,000		514,101	85,899				
Bldg B/C Equipment	3,150,000			1,000,000	2,500,000			
Bldg B/C Oper. Reserve	300,000				300,000			
Warehouse	2,000,000				2,000,000			
Computer Hardware/Space	3,500,000				3,500,000			
Radiopaging Syst.	1,075,000				1,075,000			
Mayo Remod/Labs, Rad, CSP	3,000,000				1,000,000	2,000,000		
Life Safety Requirements	3,700,000		150,000		1,700,000	1,850,000		
Total Short-Term Support Proj.	$ 29,658,000	$4,555,454	$1,146,991	$3,547,341	$16,558,214	$3,850,000		
Unit K/E Devel.	$ 25,000,000				$25,000,000			
Unit J	75,000,000						$75,000,000	
TOTAL	$141,970,214	$4,555,454	$2,139,078	$4,670,036	$44,122,187	$6,713,290	$77,875,000	$1,895,169

MINUTES
Joint Meeting
Finance and Facilities Committees
March 15, 1978

Present: Mr. Harry Atwood
Mr. David Cost
Mr. Al France
Ms. Debbie Gruye
Ms. JoAnne Lutz
Mr. John Westerman
Mr. Don Van Hulzen
Mr. Cliff Fearing
Ms. Johnelle Foley
Dr. Seymour Levitt
Ms. Timothy Vann
Ms. Jeanne Givens
Dr. Paul Quie
Mr. Tom Jones
Mr. Bob Dickler
Mr. Clint Hewitt
Mr. Nels Larson
Mr. Lee Larson
Mr. Ron Klemz
Ms. Terry Rosecke
Ms. Diane Banta
Mr. Mike McKee

Absent: Dr. David Brown
Mr. David Preston
Mr. John Diehl
Mr. Clint Johnson
Dr. Michael Eisenberg
Mr. Joseph Resch
Ms. Cheri Perlmutter

The Joint Meeting of the Finance and Facilities Committees of the Board of Governors was called to order by Mr. David Cost, Vice Chairman of the Finance Committee, at 1:00 p.m. in the Terrace of the Campus Club.

I Capital Project Status Report

Mr. Larson presented a brief status report on each of the short-term support and major facility replacement projects identified on Exhibit C, also refer to Exhibit E which is a hospital site plan.

Unit B-C Related Projects

These projects all related to the construction of Unit B-C which has been approved by the Board of Governors. received a Certificate of Need, and construction is proceeding on schedule. The project is broken down into five categories for accounting purpose.

Warehouse

This project has been approved by the Board of Governors and has received a Certificate of Need. The project is out for bid and the exact cost will not be known until the bids are opened and awarded. The building will occupy a site on University owned land in the vicinity of 29th Street S.E. and Como Avenue.

Surgical Pathology

This project has been approved by the Board of Governors and received a Certificate of Need. It consists of remodeled space on the first floor of the Owre-Jackson-Millard-Lyon complex and will house the cytology and histology sections of the surgical pathology laboratory. The project will be completed this month.

Life Safety

This project has been approved by the Board of Governors, received a Certificate of Need, and is proceeding under construction on schedule. The project was necessary to bring our buildings into conformance with the 1973 fire and life safety codes as well as the Joint Commission Accreditation of Hospital requirements.

Computer Related Projects

These projects relate to planned computer expansion over the next five to six years. As elements of this planned expansion are needed they will be brought to the Board of Governors for approval.

Radio Paging System

This project has been approved by the Board of Governors and has received a Certificate of Need. The bids have not yet been awarded.

Mayo Remodeling - Laboratories, Radiology, CSP

This project will be brought to the Board of Governors for approval in the future. It involves the remodeling of space vacated by departments moving to Unit B-C in order to meet the needs of laboratories, radiology, central sterile processing and inpatient admissions. The Hospitals' planners are currently working out details with University planners to identify the spaces which will be assigned to the hospital.

Linear Accelerator

This project will be brought to the Board of Governors for approval in the next year. It involves the replacement of an existing linear accelerator which is at the end of its useful life.

Unit KEH

This project involves the replacement of badly outmoded and undersized inpatient facilities for pediatrics,neo-natal intensive care, anesthesia recovery and surgical intensive care as well as expansion and remodeling

in the operating room suite. The project has been reviewed by the University Central Administration and is being presented to the Board of Regents and the legislature for permission to proceed with design development. The Board of Governors has been apprised of the status of this project and the planning process leading up to this project. The final project will be brought to the Board of Governors for approval as design development and working drawings are completed. We will continue to make progress reports to the Board through this development.

Unit J.

This project is only in the early planning stages at this time but involves the replacement of inpatient adult beds and "hands-on-patient support" services on the Powell Hall site along with the recycling of the Mayo Complex to house all other support units. Future developments will be brought to the Board of Governors' attention as they occur.

II Capital Financing Status Report

Mr. Fearing noted that in December, 1976, the last time a joint meeting was held, it was brought to the committees' attention that the 1977-78 year would require capital expenditures of approximately $25 million related to KEH. This will not happen this year due to the timing of the project being delayed for at least another year, but other projects have escalated in cost and it was decided to bring the capital financing up to date. He then stated that some important assumptions have been made which are:

1. That reimbursement and rate regulations will allow for cash flows of approximately $4,000,000 per year.
2. That the expense vs revenue status of UMH&C will remain such to allow for this level of annual cash flow.
3. That the existing and planned projects estimated costs will not change significantly.
4. That no other major projects will increase these requirements.
5. That existing commitments of reserves will not significantly change due to malpractice requirements, etc.
6. That endowment funds will remain available at existing levels.

Mr. Fearing then referred the committee members to Exhibits A and B which are for the committees' information. These exhibits were part of the December, 1976 joint meeting. He noted that in Exhibit C the cash obligations are estimates and can change due to the timing of the projects. Going on to Exhibit D, Mr. Fearing pointed out that as of January 31, 1978, we have total reserves of $15,536,622 of which $4,715,492 is committed to the malpractice insurance reserve and we have an operating reserve designated by Administration of $2,500,000 which leaves a net reserve available of $8,321,130. He added that we project cash flows for the year of $4,082,000. Total cash available

is $12,403,130. This year we have expended $1,960,437 and expect an additional $14,075,354 for a total of $16,035,791 in cash outflows for capital projects which leaves us $3,632,661 short of what our total reserves and anticipated cash flows are. Mr. Fearing then referred to Footnote B. He stated that the KEH needs of $750,000 probably will not be spent in this fiscal year and in regard to the operating reserve of $2,000,000, a decision could be made stating that we will not have any contingency reserves. He added that we need approximately $300,000 for reserve funds for operationalizing Unit B/C which would leave a net shortfall this year of $682,661. Between $700,000 and $3,650,000 will be the amount of cash requirements this year which will require borrowing. Mr. Fearing stated that we will be dealing with Central University to borrow the money on a short term basis through the University's line of credit and eventually this short term credit will be converted into a long term bond issue which we are expecting for Unit KEH. He added that the total amount of that bond issue cannot be determined yet because we don't know what covenants will be required. He informed the committee that the Ernst and Ernst study should be completed the first week in April and will give us some indication of our total borrowing capacity through Unit KEH and also in 1987 with Unit J.

In summary, Mr. Fearing stated that if the projects are completed on schedule, we will have a net shortfall this year in cash funds pertaining to capital projects which will require short term financing until the long term financing of Unit KEH is completed.

UNIVERSITY OF MINNESOTA
TWIN CITIES

University Hospitals and Clinics
420 Delaware Street S.E.
Minneapolis, Minnesota 55455

March 15, 1978

TO: Board of Governors Finance and Facilities Committees

FROM: Clifford P. Fearing
Controller

SUBJECT: Status of Anticipated Capital Requirements
January 1, 1978 to June 30, 1981

In December of 1976, UMH&C advised you that $44,122,187 of capital expenditures were planned in 1977-78. These expenditures would require $24,175,707 of external resources (i.e., borrowing) to provide the necessary funds to meet these obligations during fiscal 1977-78. (See attached exhibits A & B).

These estimates included $25,000,000 for Unit KEH which will not be required during 1977-78. However, the projection did not provide for an operating reserve for Unit B/C nor did it provide a strategic financial plan for University Hospitals capital financial needs beyond 1977-78.

The attached schedules C&D compare the projected expenditure status of capital projects which have current approval with the available and projected resources for the period January 1, 1978 through June 30, 1981.

In preparing this summary several key assumptions have been made which, if circumstances change, will alter this report. These assumptions are:

1. That reimbursement and rate regulations will allow for cash flows of approximately $4,000,000 per year.

2. That the expense vs revenue status of UMH&C will remain such to allow for this level of annual cash flow.

3. That the existing and planned projects estimated costs will not change significantly.

4. That no other major projects will increase these requirements.

5. That existing commitments of reserves will not significantly change due to malpractice requirements, etc.

6. That endowment funds will remain available at existing levels.

Should any or all of these assumptions change, it will affect this schedule and may require adjustments to the hospital rate structure to compensate and complete these requirements.

CPF/tr

enc.

(TO JANUARY 31, 1977)

EXHIBIT A

	Obligation	Previously Funded	Funded This F.Y.	Remaining Cash Obligation 3rd-4th Qtr 77	Fiscal 77-78	Fiscal 78-79	Fiscal 79-80	Later
Equipment	$10,100,000		$ 604,831	$ 900,000	$ 2,500,000	$2,400,000	$ 2,500,000	$1,395,169
Remodeling								
Prior Years	$ 500,000		$ 309,805	$ 180,146	60,049			
76-77	480,000		77,451	42,549	240,000	120,000		
77-78	500,000				125,000	250,000	125,000	
78-79	500,000					125,000	250,000	125,000
79-80	500,000						125,000	375,000
Total Remodel.	$ 2,530,000		$ 387,256	$ 222,695	$ 425,049	$ 495,000	$ 500,000	$ 500,000
Short-Term Support Projects								
Nutrition	$ 2,275,000	$ 421,558	$ 200,000	$1,653,442				
Surg. Pathology	500,000	50,000		100,000	350,000			
Bacteriology	100,000	25,000		20,000	55,000			
Mayo 6th & 7th A/C	1,108,000	170,000	250,000	688,000				
Bldg B/C Phase I	6,600,000	3,815,696			2,784,304			
Bldg B/C Phase II	1,400,000	73,200	32,890		500,000	793,910		
Bldg B/C Mech. Trans.	600,000		514,101	85,899				
Bldg B/C Equipment	3,500,000			1,000,000	2,500,000			
Bldg B/C Oper. Reserve	300,000				300,000			
Warehouse	1,500,000				1,500,000			
Computer Hardware	3,000,000				3,000,000			
Radiopaging Syst.	1,075,000				1,075,000			
Mayo Remod/Labs, Rad, CSP	3,000,000				1,000,000	2,000,000		
Life Safety Requirements	3,700,000		150,000		1,700,000	1,850,000		
	$28,658,000	$4,555,454	$1,146,991	$1,547,341	$14,764,304	$4,643,910		
Unit K/E Devel	25,000,000				25,000,000			
Unit J	75,000,000						75,000,000	
TOTAL	$141,288,000	$4,555,454	$2,139,078	$4,670,036	$42,489,353	$7,538,910	$78,000,000	$1,895,169

EXHIBIT B

UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS
PROJECTED ANNUAL CAPITAL PROJECT CASH FLOWS
7/1/76 THROUGH 6/30/80

1976-77 Remaining Requirements/Reserve	$11,556,394	$ 4,670,036
Cash Flows Feb through June, 1977		(1,267,288)
Reserve Requirements	(3,402,748)	$ 3,402,748
Balance 6/30/77	$ 8,153,646	
1977-78 Requirements		$42,489,353
Less Cash Flows		(4,000,000)
Reserve		(8,153,646)
Endowments		(5,600,000)
Gifts		(560,000)
Unfunded Requirements Through 6/30/78		$24,175,707
1978-79 Requirements		$ 7,538,910
Cash Flow		4,000,000
Unfunded Requirements 1978-79		$ 3,538,910
Total Unfunded Requirements Through 6/30/79		$27,714,617
1979-80 Requirements		$78,000,000
Cash Flows		4,000,000
Unfunded Requirements 1979-80		$74,000,000
Total Unfunded Requirements Through 6/30/80		$101,714,617

UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS
ANALYSIS OF PROJECTED CAPITAL NEEDS
AS OF 1/1/78

Exhibit C
Updated 3/7/78

	Obligation	Funded in Prior Periods	Funded This Fiscal Year	Remaining Cash Obligations: 3rd & 4th Quarter 1977-78	Fiscal 78-79	Fiscal 79-80	Fiscal 80-81	Later
Recurring Capital Needs								
Equipment	$ 10,072,437		$1,262,716	$ 1,009,721	$ 2,400,000	$2,600,000	$2,800,000	
Remodeling								
Prior Years	$ 493,466	$ 25,000	$ 351,203	$ 87,947	$ 29,316			
77-78	343,290		53,495	23,995	159,420	$ 106,300		
78-79	500,000				125,000	250,000	$ 125,000	
79-80	500,000					125,000	250,000	$ 125,000
80-81	500,000						125,000	375,000
Total Remodeling	$ 2,336,756	$ 25,000	$ 404,698	$ 111,942	$ 313,736	$ 481,380	$ 500,000	$ 500,000
Total Recurring Needs	$ 12,409,193	$ 25,000	$1,667,414	$ 1,121,663	$ 2,713,736	$3,081,380	$3,300,000	$ 500,000 (1)
Short Term Support Projects								
Unit B/C Phase I	$ 6,600,000	$3,988,441		$ 2,611,559				
Unit B/C Phase II	1,400,000	332,373	$ 255,251	412,376	$ 400,000			
Unit B/C Mech Transport	950,000	629,524	32,772	287,704				
Unit B/C Phase I Equip	3,150,000			3,150,000				
Unit B/C Phase II Equip	300,000				300,000			
Warehouse	1,500,000		5,000	745,000	750,000			
Surgical Pathology	489,552	150,000		339,552				
Life Safety	4,100,000	350,000		3,700,000	50,000			
Computer Hardware	4,485,000				428,849	$ 442,435	$ 660,287	$ 2,953,429
Lab Computer	350,000				350,000			
Computer Space	1,000,000				350,000	650,000		
Radiopaging System	1,250,000			937,500	312,500			
Mayo Remodeling-Lab,Rad,CSP	5,500,000			20,000	3,288,000	2,192,000		
Linear Accelerator	1,500,000				375,000	1,125,000		
Total Short Term Support Proj	$ 32,574,552	$5,450,338	$ 293,023	$12,203,691	$ 6,604,349	$4,409,435	$ 660,287	$ 2,953,429
Major Facility Replacement								
Unit KEH	$ 25,000,000			$ 750,000	$24,250,000			
Unit J	140,000,000							$140,000,000
Total	$209,983,745	$5,475,338	$1,960,437	$14,075,354	$33,568,085	$7,490,815	$3,960,287	$143,000,000

(1) This represents future obligations on projects started in 1979-80 & 1980-81 only.

EXHIBIT D

UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS
1977-78 - 1980-81 ANALYSIS OF CASH SOURCES & REQUIREMENTS
FOR CAPITAL PROJECTS

Total Reserve Balance 1/31/78		$15,536,622	
Less Insurance Reserve		4,715,492	
Operating Reserve		2,500,000	(A)
Net Reserves Available 1/31/78		$ 8,321,130	
Projected 1977-78 Cash Flows		4,082,000	
Total Cash Available 6/30/78		$12,403,130	
1977-78 Requirements			
Currently Funded	1,960,437		
To be Funded	14,075,354		
		16,035,791	
Projected 1977-78 Cash Needs		$ 3,632,661	(B)
1978-79 Estimated Capital Requirements		$33,568,085	
1978-79 Estimated Cash Flows		4,000,000	
Projected 1978-79 Additional Cash Needs		$29,568,085	
1979-80 Estimated Capital Requirements		$ 7,490,815	
1979-80 Estimated Cash Flows		4,000,000	
Projected 1979-80 Additional Cash Needs		$ 3,490,815	
1980-81 Estimated Capital Requirements		$ 3,960,287	
1980-81 Estimated Cash Flows		4,000,000	
Projected 1980-81 Cash Surplus		$ 39,713	(D)

(A) Minimum level of operating reserve that should be maintained.

(B) Approach to financing in view of longer term needs must be ascertained.

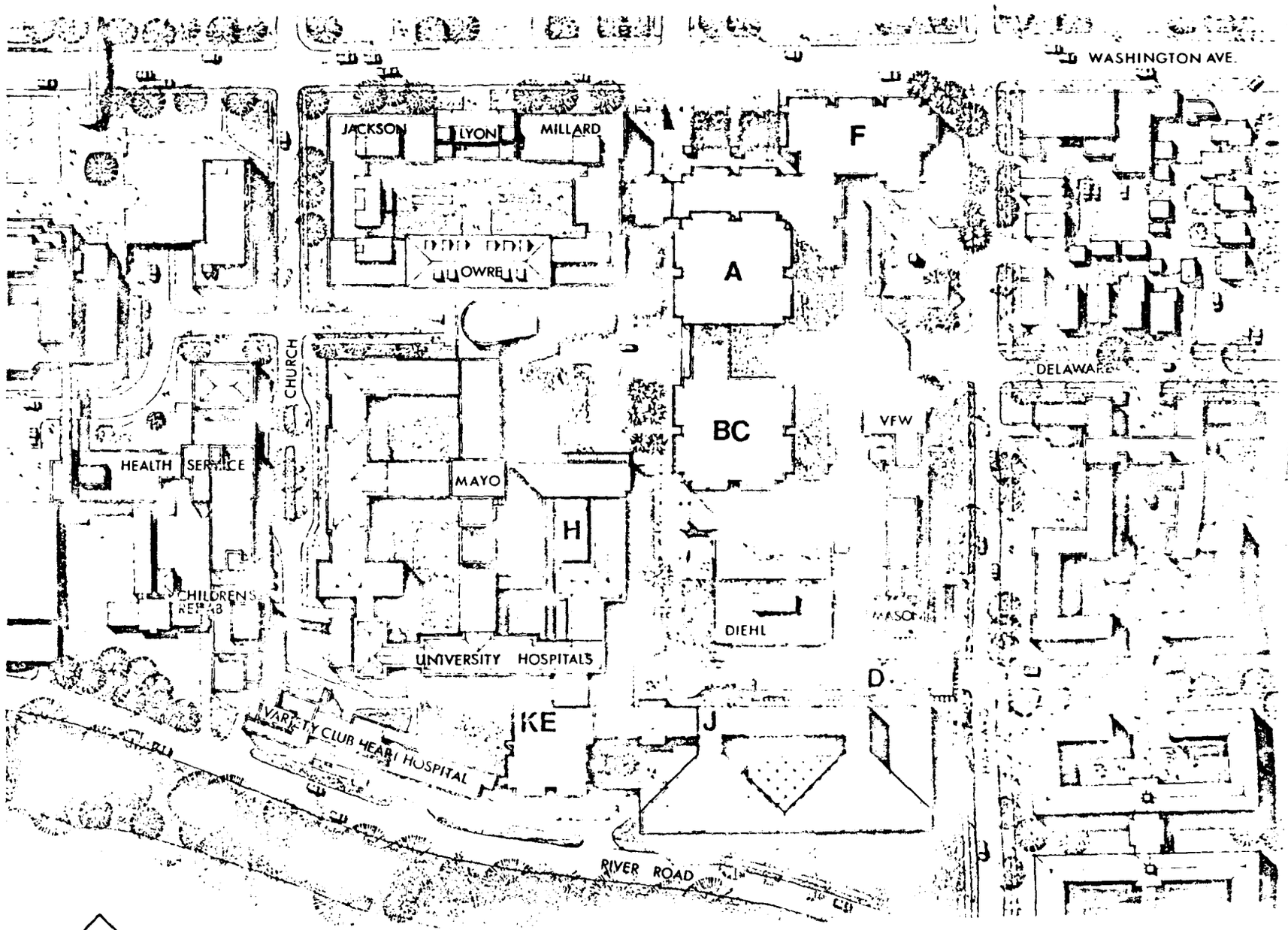
Above shortfall could be reduced by:

Unit KEH needs	$ 750,000
Operating Reserve (retain B/C reserve)	2,200,000
	$2,950,000
Net Shortfall	$ 682,661

Shortfall borrowing of from $700,000 to $3,650,000 is currently being discussed with Central Administration.

(C) These additional cash needs are exclusive of bond covenants and endowments which may be available to reduce indebtedness or satisfy covenants.

(D) Net of required debt amortization.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