THE
University of Vermont
MEDICAL CENTER

<u>*By Courier & Email*</u> *Office of the General Counsel*

February 9, 2018

Donna Jerry
Senior Health Policy Analyst
Green Mountain Care Board
89 Main Street, Third Floor, City Center
Montpelier, VT 05620

Re: Letter of Intent and Certificate of Need Application
for the Acquisition of Real Estate in South Burlington

Dear Donna:

On behalf of The University of Vermont Medical Center, I am pleased to submit the following documents in connection with our Certificate of Need application for the acquisition of certain leased real estate on Tilley Drive in South Burlington, Vermont (the "Project"):

1. Letter of Intent, requesting expedited review;
2. Verification under Oath, signed by John Brumsted, MD;
3. Certificate of Need Application with:
    a. A Narrative Description of the Project;
    b. A detailed response to the applicable CON criteria, including the HRAP CON standards;
    c. Financial Tables; and
    d. Applicable attachments to the CON application.

The Project involves the refiling of a prior CON application (*Docket No. GMCB-015-14con*) that was withdrawn in accordance with GMCB CON Rule 4.000, Section 4.302(4). Since this application replaces the prior application, we are hopeful that the $20,000 application fee previously paid can be credited towards the cost of any filing fee associated with this application. Finally, since we are requesting expedited review, we understand that your office will take care of the public notice requirements in accordance with 18 V.S.A. § 9440(c)(5).

We look forward to receiving your decision on our request for expedited review and to working closely with you during the review process. If you or any members of the GMCB staff have questions concerning our application materials, please feel free to contact me any time.

Thank you.

Very truly yours,

Steven J. Klein, Esq.
Director of Legal Affairs & General Counsel

By Courier & Email *Office of the General Counsel*

February 9, 2018

Donna Jerry
Senior Health Policy Analyst
89 Main Street, Third Floor, City Center
Montpelier, VT 05620

Re: Letter of Intent for the Acquisition of Real Estate in South Burlington

Dear Donna:

In accordance with 18 V.S.A. § 9440(c)(5) and the Certificate of Need Program Rule 4.000 ("Rule 4"), The University of Vermont Medical Center ("UVM Medical Center") is filing this Letter of Intent and the enclosed Certificate of Need application, seeking expedited approval, without a hearing and with such other abbreviated process as the Green Mountain Care Board determines is appropriate, of a project to purchase certain leased real estate on Tilley Drive in South Burlington, Vermont (the "Project").

Under 18 V.S.A. § 9440(c)(5) and Rule 4, a request for expedited review may be granted if the project is likely to be (a) uncontested and (b) does not substantially alter services. Because this proposal simply involves a conversion of leased property to owned property in locations currently occupied by UVM Medical Center, it is very unlikely that the project will be contested.

Under § 4.304 of Rule 4, a CON project does not "substantially alter services" if:

(a) The project raises no significant health care policy or planning concerns; and
(b) The expenditures associated with the proposed project do not have a significant impact on the services provided, the cost of health care, or the financial strength of the applicant.

The Project is purely a financial transaction. Its purpose is to *reduce* occupancy costs, as it is less expensive to own than lease the two buildings that are the subject of this application. The Project does not involve the construction or development of new buildings or improvements, the acquisition of any equipment, or the initiation of any new health care services.

Although the Project's capital cost is $22.1M, the financing plan described in the application will result in immediate financial savings, strengthening our financial condition and ability to reinvest health care dollars for needed patient care initiatives. Since the Project raises no significant health care policy concerns and will actually strengthen UVM Medical Center's financial condition, we believe it is appropriate for expedited review.

Accordingly, under Rule 4, we believe the Green Mountain Care Board may declare this application uncontested and issue written notice granting a Certificate of Need without any further process, and we respectfully request that the Board do so.

In accordance with 18 V.S.A. § 9440(c)(2) and the underlying CON regulations and guidelines, we provide the following information concerning the Project, which is amplified in the enclosed application:

Project Scope:	The Project involves the purchase of a 62 and 192 Tilley Drive in South Burlington, the sites of UVM Medical Center's Cardiology Program, Endocrinology Program, Center for Pain Management, and Orthopedic Specialty Center, for a total capital cost of $22.1M which will be financed over a 15-year borrowing term.
Project Rationale and Objectives:	The Project will not involve the initiation or alteration of any health services. It is simply a financial transaction with the goal of reducing operating expenses by converting two leased properties to ownership, consistent with UVM Medical Center's goal of reducing health care costs.
Need to be Addressed:	The Project will enable UVM Medical Center to continue providing high-quality outpatient care at existing sites, but with reduced occupancy costs beginning almost immediately.
Cost, Access, Quality:	The Project will provide continued patient access to existing sites, without any significant increase in our costs or charges.
Location:	The Project involves the acquisition of 62 and 192 Tilley Drive in Mountain View Business Park in South Burlington.
Service Area:	Vermont and the New York counties of Essex, Warren, Washington, Clinton, Franklin and St. Lawrence, with a combined population of approximately one million persons.
Projected Expenditures:	$21,122,010

We look forward to working with you and your staff during the review process for this application.

Very truly yours,

Steven J. Klein, Esq.
Director and Assistant General Counsel

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re:	The University of Vermont Medical Center Inc.	)
	Application for Certificate of Need to Acquire	)
	Real Estate in South Burlington	)
	Capital Expenditure: $22.1 million	)

JOHN R. BRUMSTED, M.D., being duly sworn, states on oath as follows:

1. My name is John R. Brumsted, M.D. I am the Chief Executive Officer of The University of Vermont Medical Center Inc. and President and Chief Executive Officer of The University of Vermont Health Network Inc. I have reviewed the foregoing Certificate of Need Application.

2. Based on my personal knowledge, after diligent inquiry, the information contained in the Application is true, accurate and complete, does not contain any untrue statement of a material fact, and does not omit to state a material fact necessary to make the statement made therein not misleading, except as specifically noted herein.

3. My personal knowledge of the truth, accuracy and completeness of the information contained in the Application is based upon either my actual knowledge of the subject information or, where identified below, upon information reasonably believed by me to be reliable and provided to me by the individuals identified below who have certified that the information they have provided is true, accurate and complete, does not contain any untrue statement of a material fact, and does not omit to state a material fact necessary to make the statement made therein not misleading.

4. I have evaluated, within the 12 months preceding the date of this affidavit, the policies and procedures by which information has been provided by the certifying individuals identified below, and I have determined that such policies and procedures are effective in ensuring that all information submitted or used by The University of Vermont Medical Center Inc. in connection with the Certificate of Need program is true, accurate, and complete. I have disclosed to the Board of Trustees all significant deficiencies, of which I have personal knowledge after diligent inquiry, in such policies and procedures, and I have disclosed to the Board of Trustees any misrepresentation of facts, whether or not material, that involves management or any other employee participating in providing information submitted or used by The University of Vermont Medical Center Inc. in connection with the Certificate of Need program.

5. The following certifying individuals have provided information or documents to me in connection with the Application, and each such individual has certified, based on his or

her actual knowledge of the subject information or, where specifically identified in such certification, based on information reasonable believed by the certifying individual to be reliable, that the information or documents they have provided are true, accurate and complete, do not contain any untrue statement of a material fact, and do not omit to state a material fact necessary to make the statement made therein not misleading:

(a) Leif D. Keelty, Director, Facilities, Planning and Development, UVM Medical Center. This individual certified to the accuracy of the description of the Project and the facilities on Tilley Drive in South Burlington that are proposed to be purchased by UVM Medical Center, as described in the Application, including all information regarding the purchase price of the properties and current lease terms.
(b) Marc Stanislas, Vice President, Treasury and Finance, UVM Health Network. This individual certified to the accuracy of all financial information submitted with the Application, including the CON Financial Tables, the Cash Flow Analysis, and the underlying financial assumptions associated with the Project financing.

6. In the event that the information contained in the Application becomes untrue, inaccurate or incomplete in any material respect, I acknowledge my obligation to notify the Green Mountain Care Board, and to supplement the Application, as soon as I know, or reasonably should know, that the information or document has become untrue, inaccurate or incomplete in any material respect.

JOHN R. BRUMSTED, M.D.

On February 9 2018, JOHN R. BRUMSTED, M.D. appeared before me and swore to the truth, accuracy and completeness of the foregoing.

Karrie A. Rich
Notary Public
My commission expires 2-10-19.

KARRIE RICH
NOTARY PUBLIC
State of Vermont
My Comm. Expires Feb. 10, 2019

NOTARIAL SEAL
KARRIE RICH
NOTARY PUBLIC
State of Vermont
My Comm. Expires Feb. 10, 2019

STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

CERTIFICATE OF NEED APPLICATION BY THE UNIVERSITY OF VERMONT MEDICAL CENTER, INC. TO ACQUIRE REAL ESTATE IN SOUTH BURLINGTON

Dated February 9, 2018

Spencer R. Knapp
Sr. V.P. & General Counsel

Steven J. Klein
Assistant General Counsel

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SECTION I
PROJECT OVERVIEW

A. Description of the Project

The University of Vermont Medical Center, Inc. ("UVM Medical Center") hereby submits this Certificate of Need ("CON") application in accordance with 18 V.S.A. Section 9440(c)(2)(B), seeking approval for the purchase of two buildings now leased by UVM Medical Center in South Burlington, for a total capital cost of $22,122,010 (the "Project"). Because the Project will not substantially alter services and is unlikely to be contested, UVM Medical Center is seeking expedited review of the application, pursuant to 18 V.S.A. Section 9440(c)(5).

The Project is purely a financial transaction. Its purpose is to reduce occupancy costs, as it is less expensive to own than lease the two buildings. The Project does not involve the construction or development of new buildings or improvements, the acquisition of any equipment, the creation of any new health care facilities, or the initiation of any new health services.

The buildings to be purchased are 62 and 192 Tilley Drive in Mountain View Business Park. They are now leased entirely by UVM Medical Center and are two of our most expensive leased properties.[1] A summary description of the properties follows:

> <u>62 Tilley Drive</u>: This 28,069 square foot, two-story medical office building hosts UVM Medical Center's Cardiology Program, Cardiac Rehabilitation Program, Endocrinology Program and Center for Pain Management. UVM Medical Center has leased the building from its owner, Pizzagalli Properties, LLC, since September 2004, when the building was constructed for our occupancy. The current annual base rent for the building is $588,152, plus a building management fee of $18,339 per year and approximately $205,860 per year in operating expenses as reimbursement for the property owner's costs to maintain and operate the building (e.g., property taxes, utilities, insurance, etc.). The Lease Agreement continues until February 2021, and it gives UVM Medical Center an option to purchase the building during the term of the lease.
>
> <u>192 Tilley Drive</u>: This 53,600 square foot, two-story medical office building hosts UVM Medical Center's Orthopedic Specialty Center (Orthopedic Trauma, Pediatric Orthopedics, Spine Institute of New England, Sports Medicine, Foot, Ankle, Hand, Knee and Shoulder clinics), as well as related radiology services. UVM Medical Center has

[1] UVM Medical Center only has one real estate lease that is more expensive than the two Tilley Drive leases: 40 IDX Drive in South Burlington. However, the 40 IDX Drive Lease encompasses substantially more square footage than either of the Tilley Drive Leases, and it also has a much lower square footage rental rate.

leased the building from Pizzagalli Properties, LLC since December 1, 2007, when it was constructed for our occupancy. The current annual base rent for the building is $1,292,245, plus a building management fee of $32,160 per year and approximately $341,400 as reimbursement for the property owner's operating expenses. The Lease Agreement continues until December 2022, and it gives UVM Medical Center an option to purchase the building during the term of the lease.

The elements of Project costs are indicated in the table below:

Project Element	**Nature of Costs**	**Amounts**
62 Tilley Drive, a 28,069 sq. ft. building hosting several outpatient physician specialty clinics.	Fixed purchase price, determined by contract[2]	$6,941,787
192 Tilley Drive, a 53,600 sq. ft. building hosting UVM Medical Center's Orthopedics Specialty Center.	Fixed purchase price, determined by contract[3]	$14,603,181
Acquisition Costs	Due diligence costs, closing costs and financing expenses[4]	$577,042
	Total Purchase Price	$21,544,968
	Total Project Cost (including acquisition costs)	**$22,122,010**

The Project will be financed through conventional commercial financing with a 15 percent down payment by UVM Medical Center.[5] The capital costs of the Project are included in the capital budgets UVM Medical Center has presented to the Green Mountain Care Board. The Project will not increase the cost of health care in Vermont and over time, will permit UVM Medical Center to reduce its occupancy costs by substituting less costly ownership costs for more costly lease expenses.

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[2] The purchase price was reached through a fair market value appraisal process.

[3] *Id.*

[4] Due diligence and closing costs of $577,042 include: (1) lender financing fees and legal costs ($160,000); (2) estimated property transfer taxes ($312,402); (3) the CON fee ($20,000), and (4) title search fees, title insurance premiums and a small contingency to cover any additional closing costs ($84,640).

[5] UVM Medical Center has assumed financing with an interest rate of 4.00%, but as interest rates are currently lower (approximately 3.5%), it may be possible to obtain the financing at lower rates, depending on when closing occurs.

B. Prior CON Proceedings

On June 22, 2014, UVM Medical Center (then "Fletcher Allen Health Care") submitted a CON Application (Docket No. GMCB-015-14con) for a more substantial project that included acquisition of the two buildings that are the subject of this application, two other buildings and five vacant lots in the Mountain View Business Park, and an adjoining 38-acre parcel known as the O'Brien Farm, for a total project cost of $52,641,971. On November 3, 2014, the Board granted our request to suspend review of that application while regulatory review was underway for the Inpatient Bed Replacement project.[6] UVM Medical Center ultimately chose not to proceed with the prior application, as originally filed, and it was deemed by the Board to have been withdrawn under CON Rule 4.000, Section 4.302(4).

Now that implementation of the Inpatient Bed Replacement is well underway, as is UVM Medical Center's recently approved Electronic Health Record Replacement project,[7] after careful consideration, we have decided to substantially narrow the scope of the property acquisition in South Burlington, limiting it to the two buildings we now occupy in the Mountain View Business Park and reducing the capital cost of the Project from $52.6M to $22.1M.

C. Project Rationale

The business rationale for this acquisition is straightforward: by converting leased properties to owned properties, UVM Medical Center will reduce its long-term operating expenses, consistent with its mission of serving as a low-cost, high-quality health care provider. Of UVM Medical Center's 36 leased facilities, 62 and 192 Tilley Drive are two of its most expensive leases, with combined annual rental payments of $1,880,397 and operating expenses of $1,145,019. These expenditures do not count towards equity, nor are they paying for a capital asset; they simply continue for as long as UVM Medical Center leases the buildings. Since the buildings are relatively new and were constructed for UVM Medical Center's use, we plan to occupy them for the long-term. If UVM Medical Center does not execute the purchase options, the rental costs for these two buildings will continue to increase over time.

The proposed acquisition will not have any impact on existing services offered by UVM Medical Center and will "serve the public good," consistent with the CON law, by reducing the long-term costs of health care.

If the CON application is approved, UVM Medical Center would use existing capital dollars to pay for the acquisition costs but would finance 85 percent of the purchase price through conventional commercial financing over a 15-year borrowing term. Financing a significant portion of the purchase price would allow UVM Medical Center to preserve its capital for other pressing needs and take advantage of the low interest rates currently available.

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[6] *Docket No. GMCB-021-14con*

[7] *Docket No. GMCB-001-17con*

Even with financing 85 percent of the purchase price for the two buildings, the cash flow for the buildings turns favorable in the second year after the acquisition.[8] In Year 2, UVM Medical Center will have a positive cash flow of $440,368, increasing to $482,118 in Year 3. This is because the current annual lease payments and operating payments for the two buildings ($2,087,480[9]) are more costly than the annual mortgage payments and operating expenses UVM Medical Center will incur after it purchases the properties ($1,647,111).

The cumulative cash flow turns favorable in Year 8 ($413,634), by which time the positive annual cash flow in Years 2 – 8 has more than covered the cost of the initial 15 percent down payment and closing costs in Year 1. Once the mortgage is retired in 15 years, the annual mortgage payment of $1,647,111 will terminate, substantially increasing the positive cash flow associated with the acquisition. By Year 30, the positive cumulative cash flow is estimated to be $54.3M, and given the current age of the buildings, it is likely UVM Medical Center will still be using the buildings in 30 years.

A detailed annual and cumulative cash flow analysis for the acquisition is attached as Exhibit 2. The analysis shows the current costs UVM Medical Center is incurring for the lease of the two buildings, and compares the current costs with the projected costs of the acquisition over a 30-year period.

D. Consistency with CON Criteria and Standards

The proposed Project meets the statutory criteria set forth in Section 9437 of the Vermont Certificate of Need law, and is consistent with the Health Resource Allocation Plan published on July 1, 2009 ("HRAP") and the applicable HRAP CON standards, as explained in detail in Parts II and III of this Application.

SECTION II
CONSISTENCY WITH THE HRAP CON STANDARDS

Only one HRAP CON Standard is applicable to this Project. The applicable HRAP CON Standard is **bolded** below followed by an explanation as to how the Project is consistent with the standard.

CON STANDARD 3.4: Applicants subject to budget review shall demonstrate that a proposed project has been included in hospital budget submissions or explain why inclusion was not feasible.

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[8] The negative cash flow in Year 1 is due to the one-time payments associated with the 15 percent purchase price down payment and the closing costs.

[9] This is the Year 2 amount for the rent and other pass-through expenses that will terminate upon UVM Medical Center's acquisition of the buildings, exclusive of fees that will continue (e.g., utilities, maintenance, property insurance, etc.).

The cost for this Project was included in UVM Medical Center's approved capital budget, which was submitted to GMCB.

SECTION III
CONSISTENCY WITH 18 V.S.A. § 9437

This Application demonstrates, and the GMCB should find, that the Project complies and is fully consistent with the statutory criteria set forth in 18 V.S.A. Section 9437

The statutory language contained in Section 9437 is **bolded** below followed by UVM Medical Center's explanation of how the Project is consistent with each requirement.

1. The Application is consistent with the HRAP.

As indicated in Section II, the Project is consistent with the only applicable HRAP CON standard.

2. The cost of the project is reasonable, because:

A. the applicant's financial condition will sustain any financial burden likely to result from completion of the project;

The cash flow analysis included as Exhibit 2 demonstrates that over time, it will be less costly to own than to lease the two buildings, and as a consequence, the Project has a net favorable financial benefit to UVM Medical Center. Because the Project will be favorable from a financial standpoint, it will not create a "financial burden" for UVM Medical Center.

B. the project will not result in an undue increase in the costs of medical care. In making findings under this subdivision, the Green Mountain Care Board shall consider and weigh relevant factors, including:

i. the financial implications of the project on hospitals and other clinical settings, including the impact on their services, expenditures, and charges;

ii. whether the impact on services, expenditures, and charges is outweighed by the benefit of the project to the public; and

This Project will not result in an increase in the costs of medical care. As described above, the conversion of leased real estate to owned real estate results in net favorable financial benefits to UVM Medical Center. In particular:

1. *Annual operating expenses are lower for owned property.* Owned real estate eliminates the requirement for UVM Medical Center to pay a commercial landlord's property taxes.

Mortgage payments are also lower than rental payments, given today's low interest rates for financing real estate. These benefits produce immediate savings.

2. *Cash flows are favorable in the long-run.* The favorable cash flows, over an 8-year period, pay for the acquisition (i.e., by which time the initial capital outlay for the down payment and closing costs are more than offset by the positive annual cash flow). Moreover, once the mortgage is paid off, UVM Medical Center will realize an additional savings of over $1.6 million per year due to the elimination of the annual mortgage payments.
3. *This acquisition is affordable.* The Project has been included in UVM Medical Center's multiyear capital framework and its costs are affordable and reasonable. Further, the acquisition will produce future cost savings as UVM Medical Center will be able to reduce its reliance on commercial real estate leases. The Project will also enable UVM Medical Center to avoid paying higher rental rates as property values for the buildings would only continue to escalate over time.

The Project will not have any financial impact on other hospitals or any impact on services, expenditures or charges, apart from an overall net positive financial benefit to UVM Medical Center.

C. less expensive alternatives do not exist, would be unsatisfactory, or are not feasible or appropriate;

The only alternative to acquiring the two buildings is to continue to lease them at higher costs. That is an unfavorable, more expensive alternative.

3. There is an identifiable, existing, or reasonably anticipated need for the proposed project which is appropriate for the applicant to provide;

UVM Medical Center needs the two buildings to meet its current and future space needs for Cardiology and Orthopedics.

4. The project will improve the quality of health care in the state or provide greater access to health care for Vermont's residents, or both;

The Project is purely a financial transaction. It is unrelated to the quality of patient care. However, the financial savings associated with the Project will free up financial resources for UVM Medical Center to continue to reinvest in patient care and quality improvement initiatives, such as the Miller Building project now under construction and the implementation of the unified Epic Electronic Health Record system across four UVM Health Network hospitals.

5. The project will not have an undue adverse impact on any other existing services provided by the applicant;

The Project will not have an impact on any other existing services offered by UVM Medical Center. All existing services will continue to be provided by UVM Medical Center.

6. The project will serve the public good;

By lowering UVM Medical Center's occupancy costs, translating to lower operating costs for the State's largest health care provider, the Project will serve the public good.

7. The applicant has adequately considered the availability of affordable, accessible patient transportation services to the facility.

The Project is purely a financial transaction related to existing leased buildings, and this criterion is not relevant. To the extent it may be considered relevant, UVM Medical Center has had subsidized public transportation to Mountain View Business Park since shortly after it began offering clinical services in South Burlington. Through an agreement with Chittenden County Transportation Authority (CCTA) and Special Services Transportation Agency (SSTA), UVM Medical Center participated in setting up a shuttle service to ensure that public transportation to Mountain View Business Park is available for all patients who need it. This service is evaluated by UVM Medical Center on an ongoing basis to ensure that it meets the needs of our patients. UVM Medical Center will continue to assess the public transportation that is provided to its clinical sites in South Burlington and will work with CCTA and SSTA to make any necessary service adjustments as ridership increases.

CONCLUSION

Based upon the information contained in this Application, UVM Medical Center respectfully asks that the Application be APPROVED expeditiously and that a CON for the project be issued.

Dated at Burlington, Vermont this 9th day of February, 2018.

THE UNIVERSITY OF VERMONT MEDICAL CENTER, INC.

By: **/s/ Spencer Knapp______**
Spencer R. Knapp
Sr. V.P and General Counsel

And: **/s/ Steven Klein______**
Steven Klein
Assistant General Counsel

INDEX OF EXHIBITS

CON Table 1
62 + 192 Tilley Drive, the Leased Properties

Construction Costs

1	New Construction	$	-
2	Renovation	$	-
3	Site Work	$	-
4	Fixed Equipment	$	-
5	Design/Bidding Contingency	$	-
6	Construction Contingency	$	-
7	Construction Manager Fee	$	-
8	Other	$	-
	Subtotal	$	-

Related Project Costs

1	Major Moveable equipment		
2	Furnishings, Fixtures, and Other Equipment	$	-
3	Architectural / Engineering Fees	$	-
4	Land Acquisition	$	-
5	Purchase of Buildings	$	21,544,968
6	Due Diligence + Closing Costs	$	397,042
7	Debt Financing Expenses	$	160,000
8	Other: CON Filing Fee	$	20,000
	Subtotal	$	22,122,010

Total Project Costs	$	22,122,010

University of Vermont Medical Center
62 + 192 Tilley Drive, the Leased Properties

TABLE 2

DEBT FINANCING ARRANGEMENT, SOURCES & USES OF FUNDS

Sources of Funds

1. Financing Instrument*	Bond/Loan			
a. Interest Rate	4.00%			
b. Loan Period	2018	To:	2032	
c. Amount Financed				$18,313,223
2. Equity Contribution				$0
3. Other Sources				
a. Working Capital				$3,808,787
b. Fundraising				$0
c. Grants				$0
d. Other				$0
Total Required Funds				**$22,122,010**

Uses of Funds

Project Costs (from Table 1)		
1	New Construction	
2	Renovation	
3	Site Work	
4	Fixed Equipment	
5	Design/Bidding Contingency	
6	Construction Contingency	
7	Construction Manager Fee	
8	Major Moveable equipment	
9	Furnishings, Fixtures, and Other Equipment	
10	Architectural / Engineering Fees	
11	Land Acquisition	$0
12	Purchase of Buildings	$21,544,968
13	Due Diligence + Closing Costs	$397,042
14	Debt Financing Expenses	$160,000
15	Other: CON Filing Fee	$20,000
Total Uses of Funds		**$22,122,010**

	UNIVERSITY OF VERMONT MEDICAL CENTER BALANCE SHEET ($ in 000's) December 31, 2017 Unaudited UVMMC
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 139,078
Patient and Other Trade Accounts Receivable, Net	148,227
Due from Related Parties	12,381
Short Term Investments	12,426
Inventory	27,099
Current portion of restricted assets	26,133
Estimated Receivables from Third Party Payors	703
Prepaids and Other Current Assets	25,459
Total Current Assets	**391,506**
Assets whose use is limited or restricted:	
Board Designated Assets	550,548
Funds Held by Trustee	4,723
Restricted Assets	759
Donor Restricted Assets for Specific Purposes	35,871
Donor Restricted Assets for Permanent Endowment	29,954
Total Assets Whose Use is Limited or restricted	**621,855**
Property and Equipment, Net	504,251
Other Assets:	
Long Term Investments	-
Notes & Other Receivables	23,405
Swap Valuation	-
Investment in Affiliated Companies	41,060
Pledges Receivable (net)	3,662
Total Other Assets	**68,127**
TOTAL ASSETS	**$ 1,585,739**
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Current Installment of Long Term Debt	$ 17,046
Accounts Payable	16,291
Accrued Expenses	58,091
Accrued Payroll and Related Benefits	69,555
Estimated Third Party Payor Settlements	3,602
Est. Incurred but Unreported Medical Claims	6,792
Total Current Liabilities	**171,377**
Long Term Debt, excluding current installments	465,392
Malpractice and Workers Compensation Claims, Net	-
Pension and Other Postretirement Benefit Obligations	2,588
Long-term - Estimated third-party payer settlements	14,891
Other Long-Term Liabilities	14,015
Total Liabilities	**668,263**
Commitments and Contingent Liabilities	
Net Assets:	
Unrestricted	845,466
Temporarily Restricted	42,056
Permanently Restricted	29,954
Retained Earnings	-
Total Net Assets	**917,476**
TOTAL LIABILITIES AND NET ASSETS	**$ 1,585,739**

University of Vermont Medical Center
62 + 192 Tilley Drive, the Leased Properties
TABLE 5A
STATEMENT OF CASH FLOWS
WITHOUT PROJECT (current state)

	Proposed Year 1 2018	**Proposed Year 2 2019**	**Proposed Year 3 2020**	**Proposed Year 4 2021**	**Proposed Year 5 2022**	**Proposed Year 10 2027**	**Proposed Year 15 2032**	**Proposed Year 20 2037**	**Proposed Year 25 2042**	**Proposed Year 30 2047**
Beginning Cash	**$ -**	**$ (2,046,549)**	**$ (4,134,028)**	**$ (6,263,258)**	**$ (8,435,071)**	**$ (19,963,322)**	**$ (32,691,442)**	**$ (46,744,315)**	**$ (62,259,822)**	**$ (79,390,196)**
Operations										
Change in Other operating exps	(2,046,549)	(2,087,480)	(2,129,229)	(2,171,814)	(2,215,250)	(2,445,815)	(2,700,378)	(2,981,435)	(3,291,745)	(3,634,353)
Interest expense	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-		-	-	-	-	-	-
Excess revenues over expenses	(2,046,549)	(2,087,480)	(2,129,229)	(2,171,814)	(2,215,250)	(2,445,815)	(2,700,378)	(2,981,435)	(3,291,745)	(3,634,353)
Depreciation / Amortization	-	-	-	-	-	-	-	-	-	-
(Increase)/Decrease Patient A/R										
(Increase)/Decrease Other Changes										
Subtotal Cash from Operations	**$ (2,046,549)**	**$ (2,087,480)**	**$ (2,129,229)**	**$ (2,171,814)**	**$ (2,215,250)**	**$ (2,445,815)**	**$ (2,700,378)**	**$ (2,981,435)**	**$ (3,291,745)**	**$ (3,634,353)**
Investing Activity										
Capital Spending										
Capital	-									
Capitalized Interest										
Change in accum depr less depreciation										
(Increase) Decrease in capital assets	-	-								
Subtotal Capital Spending	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
(Increase) / Decrease										
Funded Depreciation	-	-	-	-	-	-	-	-	-	-
Other LT assets & escrowed bonds & other	-	-	-	-	-	-	-	-	-	-
Subtotal (Increase) / Decrease	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Subtotal Cash from Investing Activity	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Financing Activity										
Debt (increase) decrease										
Bonds & mortgages	-	-	-	-	-	-	-	-	-	-
Repayment	-	-	-	-	-	-	-	-	-	-
Capital lease & other long term debt	-	-	-	-	-	-	-	-	-	-
Subtotal Cash from Financing Activity	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Other Changes (please describe)										
Manual adjustment	-	-	-	-	-	-	-	-	-	-
Other										
Change in fund balance less net income	-	-	-	-	-	-	-	-	-	-
Other										
Subtotal Other Changes	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Net Increase (Decrease) in Cash	**$ (2,046,549)**	**$ (2,087,480)**	**$ (2,129,229)**	**$ (2,171,814)**	**$ (2,215,250)**	**$ (2,445,815)**	**$ (2,700,378)**	**$ (2,981,435)**	**$ (3,291,745)**	**$ (3,634,353)**
Ending Cash	**$ (2,046,549)**	**$ (4,134,028)**	**$ (6,263,258)**	**$ (8,435,071)**	**$ (10,650,321)**	**$ (22,409,137)**	**$ (35,391,819)**	**$ (49,725,750)**	**$ (65,551,567)**	**$ (83,024,549)**

University of Vermont Medical Center
62 + 192 Tilley Drive, the Leased Properties
TABLE 5B
STATEMENT OF CASH FLOWS
NET CHANGE PROJECT HAS ON CASH FLOW

	Proposed Year 1 2018	Proposed Year 2 2019	Proposed Year 3 2020	Proposed Year 4 2021	Proposed Year 5 2022	Proposed Year 10 2027	Proposed Year 15 2032	Proposed Year 20 2037	Proposed Year 25 2042	Proposed Year 30 2047
Beginning Cash	**$ -**	**$ (3,575,502)**	**$ (3,135,134)**	**$ (2,653,016)**	**$ (2,128,313)**	**$ 1,164,380**	**$ 5,656,943**	**$ 18,062,704**	**$ 33,578,212**	**$ 50,708,586**
Operations										
Change in Other operating exps	1,880,397	2,087,480	2,129,229	2,171,814	2,215,250	2,445,815	2,700,378	2,981,435	3,291,745	3,634,353
Change in Interest expense	(732,529)	(695,946)	(657,899)	(618,330)	(577,179)	(345,375)	(63,350)	-	-	-
Change in Depreciation	(1,474,801)	(1,474,801)	(1,474,801)	(1,474,801)	(1,474,801)	(1,474,801)	(1,474,801)	-	-	-
Excess revenues over expenses	(326,933)	(83,267)	(3,470)	78,683	163,270	625,639	1,162,226	2,981,435	3,291,745	3,634,353
Depreciation / Amortization	1,474,801	1,474,801	1,474,801	1,474,801	1,474,801	1,474,801	1,474,801	-	-	-
(Increase)/Decrease Patient A/R	-	-	-	-	-	-	-	-	-	-
(Increase)/Decrease Other Changes	-	-	-	-	-	-	-	-	-	-
Subtotal Cash from Operations	**$ 1,147,868**	**$ 1,391,534**	**$ 1,471,330**	**$ 1,553,483**	**$ 1,638,071**	**$ 2,100,440**	**$ 2,637,027**	**$ 2,981,435**	**$ 3,291,745**	**$ 3,634,353**
Investing Activity										
Capital Spending										
Capital	-	-	-	-	-	-	-	-	-	-
Capitalized Interest	-	-	-	-	-	-	-	-	-	-
Change in accum depr less depreciation	-	-	-	-	-	-	-	-	-	-
(Increase) Decrease in capital assets	(22,122,010)	-	-	-	-	-	-	-	-	-
Subtotal Capital Spending	$ (22,122,010)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
(Increase) / Decrease										
Funded Depreciation	-	-	-	-	-	-	-	-	-	-
Other LT assets & escrowed bonds & other	-	-	-	-	-	-	-	-	-	-
Subtotal (Increase) / Decrease	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Subtotal Cash from Investing Activity	**$ (22,122,010)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Financing Activity										
Debt (increase) decrease										
Bonds & mortgages	18,313,223	-	-	-	-	-	-	-	-	-
Repayment	(914,583)	(951,166)	(989,212)	(1,028,781)	(1,069,932)	(1,301,736)	(1,583,761)	-	-	-
Capital lease & other long term debt	-	-	-	-	-	-	-	-	-	-
Subtotal Cash from Financing Activity	**$ 17,398,640**	**$ (951,166)**	**$ (989,212)**	**$ (1,028,781)**	**$ (1,069,932)**	**$ (1,301,736)**	**$ (1,583,761)**	**$ -**	**$ -**	**$ -**
Other Changes (please describe)										
Manual adjustment	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Change in fund balance less net income	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Subtotal Other Changes	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Net Increase (Decrease) in Cash	**$ (3,575,502)**	**$ 440,368**	**$ 482,118**	**$ 524,702**	**$ 568,139**	**$ 798,704**	**$ 1,053,266**	**$ 2,981,435**	**$ 3,291,745**	**$ 3,634,353**
Ending Cash	**$ (3,575,502)**	**$ (3,135,134)**	**$ (2,653,016)**	**$ (2,128,313)**	**$ (1,560,175)**	**$ 1,963,084**	**$ 6,710,209**	**$ 21,044,139**	**$ 36,869,957**	**$ 54,342,938**

University of Vermont Medical Center
62 + 192 Tilley Drive, the Leased Properties
TABLE 5C
STATEMENT OF CASH FLOWS

	Proposed Year 1 2018	Proposed Year 2 2019	Proposed Year 3 2020	Proposed Year 4 2021	Proposed Year 5 2022	Proposed Year 10 2027	Proposed Year 15 2032	Proposed Year 20 2037	Proposed Year 25 2042	Proposed Year 30 2047
Beginning Cash	**$ -**	**$ (5,622,050)**	**$ (7,269,162)**	**$ (8,916,273)**	**$ (10,563,385)**	**$ (18,798,942)**	**$ (27,034,499)**	**$ (28,681,610)**	**$ (28,681,610)**	**$ (28,681,610)**
Operations										
Net operating exps	(166,152)	-	-	-	-	-	-	-	-	-
Interest expense	(732,529)	(695,946)	(657,899)	(618,330)	(577,179)	(345,375)	(63,350)	-	-	-
Depreciation	(1,474,801)	(1,474,801)	(1,474,801)	(1,474,801)	(1,474,801)	(1,474,801)	(1,474,801)	-	-	-
Excess revenues over expenses	(2,373,482)	(2,170,746)	(2,132,700)	(2,093,131)	(2,051,980)	(1,820,176)	(1,538,151)	-	-	-
Depreciation / Amortization	1,474,801	1,474,801	1,474,801	1,474,801	1,474,801	1,474,801	1,474,801	-	-	-
(Increase)/Decrease Patient A/R										
(Increase)/Decrease Other Changes										
Subtotal Cash from Operations	**$ (898,681)**	**$ (695,946)**	**$ (657,899)**	**$ (618,330)**	**$ (577,179)**	**$ (345,375)**	**$ (63,350)**	**$ -**	**$ -**	**$ -**
Investing Activity										
Capital Spending										
Capital	-									
Capitalized Interest										
Change in accum depr less depreciation										
(Increase) Decrease in capital assets	(22,122,010)	-								
Subtotal Capital Spending	$ (22,122,010)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
(Increase) / Decrease										
Funded Depreciation	-	-	-	-	-	-	-	-	-	-
Other LT assets & escrowed bonds & other	-	-	-	-	-	-	-	-	-	-
Subtotal (Increase) / Decrease	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Subtotal Cash from Investing Activity	**$ (22,122,010)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Financing Activity										
Debt (increase) decrease										
Bonds & mortgages	18,313,223	-	-	-	-	-	-	-	-	-
Repayment	(914,583)	(951,166)	(989,212)	(1,028,781)	(1,069,932)	(1,301,736)	(1,583,761)	-	-	-
Capital lease & other long term debt	-	-	-	-	-	-	-	-	-	-
Subtotal Cash from Financing Activity	**$ 17,398,640**	**$ (951,166)**	**$ (989,212)**	**$ (1,028,781)**	**$ (1,069,932)**	**$ (1,301,736)**	**$ (1,583,761)**	**$ -**	**$ -**	**$ -**
Other Changes (please describe)										
Manual adjustment	-	-	-	-	-	-	-	-	-	-
Other										
Change in fund balance less net income	-	-	-	-	-	-	-	-	-	-
Other										
Subtotal Other Changes	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Net Increase (Decrease) in Cash	**$ (5,622,050)**	**$ (1,647,111)**	**$ (1,647,111)**	**$ (1,647,111)**	**$ (1,647,111)**	**$ (1,647,111)**	**$ (1,647,111)**	**$ -**	**$ -**	**$ -**
Ending Cash	**$ (5,622,050)**	**$ (7,269,162)**	**$ (8,916,273)**	**$ (10,563,385)**	**$ (12,210,496)**	**$ (20,446,053)**	**$ (28,681,610)**	**$ (28,681,610)**	**$ (28,681,610)**	**$ (28,681,610)**

EXHIBIT 2 - Purchase Versus Lease Analysis - 62 & 192 Tilley Drive

Purchase Price (to be financed)	$	21,544,968
One-time Closing/Misc Costs (cash)	$	417,042
One-time Financing Costs (cash)	$	160,000
Total	$	22,122,010
Cash Down Payment (15%)	$	3,231,745
Amount Financed (85%)	$	18,313,223
	$	21,544,968
Estmated Payment: 15 yr term @ 4.00%		$1,647,111
Current Lease Payments	$	1,880,397
Estimated Property Tax Savings (PILOT)	$	166,152
Annual Inflation Factor		2.00%

15 Year Loan		Cost to Rent		Cost to Own		Annual Cash Flow Diff. Buy Vs Lease		Cumulative Cash Flow Buy Vs Lease
Year 1	$	2,046,549	$	5,622,050	$	(3,575,501)		
Year 2	$	2,087,480	$	1,647,111	$	440,368	$	(3,135,133)
Year 3	$	2,129,229	$	1,647,111	$	482,118	$	(2,653,015)
Year 4	$	2,171,814	$	1,647,111	$	524,702	$	(2,128,313)
Year 5	$	2,215,250	$	1,647,111	$	568,139	$	(1,560,174)
Year 6	$	2,259,555	$	1,647,111	$	612,444	$	(947,730)
Year 7	$	2,304,746	$	1,647,111	$	657,635	$	(290,096)
Year 8	$	2,350,841	$	1,647,111	$	703,730	$	413,634
Year 9	$	2,397,858	$	1,647,111	$	750,747	$	1,164,381
Year 10	$	2,445,815	$	1,647,111	$	798,704	$	1,963,084
Year 15	$	2,700,378	$	1,647,111	$	1,053,266	$	6,710,210
Year 20	$	2,981,435	$	-	$	2,981,435	$	21,044,140
Year 25	$	3,291,745	$	-	$	3,291,745	$	36,869,958
Year 30	$	3,634,353	$	-	$	3,634,353	$	54,342,939
	$	83,024,549			$	54,342,939		

NOTES: - Purchase is cash flow positive versus leasing. Negative cash flow in Year 1 is because of the down payment for the loan.
- Cumulative cash flow reaches break-even in Year 8.
- Cumulative savings accelerate after the loan is paid off in Year 15.