
DELIVERED ELECTRONICALLY

June 15, 2023

Mr. Eric Miller, SVP and General Counsel
The University of Vermont Medical Center
462 Shelburne Road, Suite 301
Burlington, VT 05401

RE: Docket No. GMCB-003-22con, Relocation of UVMMC's Existing Outpatient Dermatology and Ophthalmology Practices to 350 Tilley Drive, Project Cost: \$38,550,950

Dear Mr. Miller:

Thank you for your letter dated May 25, 2023, notifying the Board of a non-material change to the project that was approved on February 24, 2023, in the above referenced docket. On June 7, 2023, and June 13, 2023, we received additional information from you regarding the change in capitalized interest.

Your letter states that total project costs have risen to \$38,550,950, which constitutes a \$3,304,850 or 9.38% increase over the \$35,246,100 approved in the CON. UVMMC states that line items for Construction, Site Work, Construction Manager Fee, Furnishings, Fixtures and Other Equipment (FF&E), and Land Acquisition have increased over what was represented in financial Table 1 of the application.

UVMMC also described several adjustments to costs in the letter. First, the construction contingency has decreased now that final construction documents have been issued and the job has been bid. Second, the building purchase price had been overstated because the estimated construction cost of the new addition was included under the "Purchase of Buildings" line item and should have been included in the "Construction Costs" line item instead. Finally, UVMMC identified an error in the Capitalized Interest Cost line item in financial Table 1 of the application; Capitalized Interest was recorded as \$325,461 for leasing the building as originally planned instead of the revised amount of \$1,455,604 to reflect UVMMC's ultimate decision to purchase the land and building.

UVMMC states that it will use cash on hand to pay for fit-up of the existing building and construction of the addition, a 15-month construction period, and an interest rate of 4.1% for a



total fit-up/construction cost of \$21.0 million. UVMMC represents that the capitalized interest on the purchase of the land and building of \$967,397 assumes a 15-month construction period, and financing through a line of credit at an interest rate of 5.31%. As described above, because UVMMC will purchase the land and building, the capitalized interest is \$1,455,604.

In summary, total project costs have increased \$3,304,850 or 9.38% due in part to the escalation of certain project costs and in part to the Capitalized Interest error in Table 1 of the application. Because this increase is slightly less than the 10% threshold that would trigger a material change, it is non-material and will not be reviewed. As you are aware, however, UVMMC must notify the Board immediately of any further changes, including further increases in cost, which may require or warrant further review.

If you have any questions, please do not hesitate to contact me at 802-760-8162.

Sincerely,

s/ Donna Jerry
Senior Health Policy Analyst
Green Mountain Care Board

cc. Laura Beliveau, Staff Attorney, GMCB

