



**Copley Health Systems, Inc.**  
528 Washington Highway, Morrisville, VT 05661  
(802) 888-8888  
livewellamoille.com | [copleyvt.org](http://copleyvt.org)

July 14, 2023

Donna Jerry, Senior Health Policy Analyst  
Green Mountain Care Board  
114 State Street  
Montpelier, VT 05620

RE: Request for amendment to Certificate of Need  
Docket No. GMCB-007-22con

Dear Donna,

Thank you for speaking with me about our project last week. Per our Certificate of Need, project condition # 8, I am writing to request an increase in the above-mentioned project since costs have increased by more than 10% indicating a material change as defined in 18 V.S.A. 9432 (11).

**MATERIAL CHANGES:**

Copley Hospital is requesting the Green Mountain Care Board to amend its projected budget for the certificate of need (CON) docket no. GMCB-007-22con. In August 2022, Copley received approval for a CON to construct a new medical office building in Waterbury Vermont for a total cost of \$5,903,747. Copley is requesting the project budget be increased to \$7,625,047 to accommodate adjustments due to inflation of construction materials, labor, interest and administration costs.

It is imperative to note that the project scope has not changed.

**PROJECT DESCRIPTION AND SCOPE:**

The project involves the construction of a new building to replace the Mansfield Orthopaedics medical office building located in Waterbury. The project is needed because the current medical office building is too small and antiquated for the contemporary delivery of orthopedic services.

Copley Hospital is a nonprofit community hospital located in Morrisville. Copley's orthopedic department operates as Mansfield Orthopaedics, which has two locations, one in Morrisville and one in Waterbury. The total capital cost of the project was approved at \$5,903,747 on 08/17/2022.

**PROJECT COST VARIANCES:**

**Cost Increases Due to Construction Bids:**

Due to construction inflation rates and construction labor shortages Copley's bids have come in 45% over the 2022 approved budget. Upon receiving the bids, Copley immediately started a value engineering process to guarantee the lowest cost without sacrificing functionality.



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### **Construction Increases:**

1. **Division 15 – Mechanical / Sprinklers:** This covers the supply and installation of the mechanical and air conditioning services. To balance, adjust and test heating and cooling systems, air-moving equipment, air distribution, exhaust air systems and other systems. Overall costs have increased by \$597K from the 2022 approved budget.
2. **Division 16 – Electrical:** This covers various aspects of electrical systems, such as materials, methods, power, lighting, communications, and controls, including organization and standardization of the electrical requirements. Overall costs have increased by \$315K from the 2022 approved budget.
3. **Division 9 – Interior Finishes:** Covers the installation of building finish systems including gypsum, plaster, ceiling grid, acoustical tile, finished flooring, paint or stain, and wall coverings. Overall costs have increased by \$218K from the 2022 approved budget.
4. **Divisions 2 – Site Related Work:** The scope of work related to the exterior of the project. Surveying, grading, excavation, site utilities, paving, concrete work and landscaping. Overall costs have increased by \$107K from the 2022 approved budget.
5. **All Other Construction Costs:** Divisions 1, 3-8 and 10-12 as well as contingencies are going up \$328K from the 2022 approved budget.

### **Cost Increases Due to Administrative Expenses:**

Securing a United States Department of Agriculture (USDA) loan is a complex and lengthy process. Specific requirements need to be met before your application can even be considered. You must gather and provide necessary information about your business to obtain USDA-backed funds. Still, USDA loans are incredibly beneficial. To navigate this process and secure financing, Copley saw its administrative expenses increase by \$150K due to unanticipated outside consultant costs.

### **Cost Increases Due to Capitalized Interest:**

Initially capitalized interest came in at \$98K which was based on a rate of 3% (prime rate – 1%) and capital costs budgeted at \$3.8 million. A year later (July 2023) the prime rate doubled so the rate needs to be 7% (prime rate – 1%) and construction costs have increased to \$5.2 million. This increased our overall debt financing cost by 123% or \$121K.

### **Cost Increase Due to Payment and Performance Bond:**

The USDA requires that the contractor secure a performance and payment bond (P&P Bond). P&P Bonds provide assurance to the project owner if a contractor fails to complete the work specified in the contract within the allotted time frame. When the CON was approved, expenses related to USDA requirements were not included in the project budget. The P&P Bond increased our costs by \$76K.



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**Cost Decrease Due to Diagnostic Imaging Vendor Selection:**

Due to the delay in construction, Copley was able to request additional proposals from other vendors. The original vendor's proposal came in unchanged, but a competitor was able to submit a proposal that mirrors the original vendor's submission and was \$191K less.

**SUMMARY OF BUDGET INCREASES:**

Copley is requesting that the project budget be raised to \$7,625,047 to accommodate adjustments due to inflation of construction materials, labor, interest and administration costs.

<b>Approved CON (August 2022)</b>	<b>\$5,903,747</b>
Construction Inflation:	
Mechanical/Sprinklers	\$597,067
Electrical	\$314,628
Interior Finishes	\$218,496
Site Work	\$107,298
All Other Construction	\$327,641
Administrative Costs	\$149,601
P&P Bond	\$76,452
Capitalized Interest	\$121,187
Major Movable Equipment	<b>(\$191,070)</b>
<b>Requested Amended CON (July 2023)</b>	<b>\$7,625,047</b>

**PROJECT FUNDING:**

As mention above Copley was able to secure funding through USDA.

<b>Source:</b>	
USDA Rural Development Loan	\$5,569,500
USDA Emergency Rural Health Care Grant	\$1,000,000
Applicant Contributions*	\$1,055,547
<b>Total Project Funding</b>	<b>\$7,625,047</b>

\* Planned to be provided through fundraising contributions and hospital operations.

**CONCLUSION:**

Due to inflation of construction materials, labor, interest and administration costs Copley has a material change as defined in 18 V.S.A. 9432 (11) and needs to amend its projected budget for the certificate of need docket no. GMCB-007-22con. Copley is requesting the project budget be increased to \$7,625,047.



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Again, in spite of these cost increases, the project scope has not changed.

Please respond with any questions or concerns ([jhebert@chsi.org](mailto:jhebert@chsi.org)). Thank you in advance for your prompt attention in this matter.

Sincerely,

Jeff Hebert, CFO  
Copley Hospital

**Attachments**

GMCB Table 1 "PROJECT COSTS"  
Verification Under Oath

# Copley Hospital

## Waterbury Medical Office Building

### PROJECT COSTS

Table 1

	Approved	Requested	Variance	
			Amount	%
<b>Construction Costs</b>				
1. New Construction	\$ 2,304,498	\$ 4,005,281	\$ 1,700,783	74%
2. Renovation	-	-	-	0%
3. Site Work	906,951	1,014,106	107,155	12%
4. Fixed Equipment	-	-	-	0%
5. Design/Bidding Contingency	10,200	10,200	-	0%
6. Construction Contingency	353,848	198,947	(154,901)	-44%
7. Construction Manager Fee	194,616	240,263	45,647	23%
8. Other (please specify)	-	-	-	0%
Subtotal	<b>\$ 3,770,113</b>	<b>\$ 5,468,797</b>	<b>\$ 1,698,684</b>	<b>45%</b>
<b>Related Project Costs</b>				
1. Major Moveable Equipment	\$ 676,040	\$ 484,970	\$ (191,070)	-28%
2. Furnishings, Fixtures & Other Equip.	176,934	219,628	42,694	24%
3. Architectural/Engineering Fees	554,680	383,500	(171,180)	-31%
4. Land Acquisition	540,000	563,000	23,000	4%
5. Purchase of Buildings	-	-	-	0%
6. Administrative Expenses & Permits	87,800	285,785	197,985	225%
7. Debt Financing Expenses (see below)	98,180	219,367	121,187	123%
8. Debt Service Reserve Fund	-	-	-	0%
9. Working Capital	-	-	-	0%
10. Other (please specify)	-	-	-	0%
11. Other (please specify)	-	-	-	0%
12. Other (please specify)	-	-	-	0%
Subtotal	<b>\$ 2,133,634</b>	<b>\$ 2,156,249</b>	<b>\$ 22,615</b>	<b>1%</b>
<b>Total Project Costs</b>	<b>\$ 5,903,747</b>	<b>\$ 7,625,047</b>	<b>\$ 1,721,300</b>	<b>29%</b>
<b>Debt Financing Expenses</b>				
1. Capital Interest	\$ 98,180	\$ 194,367	\$ 96,187	98%
2. Bond Discount or Placement Fee	-	-	-	0%
3. Miscellaneous (i.e. issuance costs)	-	25,000	25,000	0%
4. Other	-	-	-	0%
Subtotal	<b>\$ 98,180</b>	<b>\$ 219,367</b>	<b>\$ 121,187</b>	<b>123%</b>
<b>Less Interest Earnings on Funds</b>				
1. Debt Service Reserve Funds	\$ -	\$ -	\$ -	0%
2. Capitalized Interest Account	-	-	-	0%
3. Construction Fund	-	-	-	0%
4. Other	-	-	-	0%
Subtotal	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Debt Financing Expenses</b>	<b>\$ 98,180</b>	<b>\$ 219,367</b>	<b>\$ 121,187</b>	<b>123%</b>

To line 7 above





**VERIFICATION UNDER OATH**

**STATE OF VERMONT  
GREEN MOUNTAIN CARE BOARD**

In re: Copley Hospital, Inc. )  
Replacement Medical Office Building ) Docket No. GMCB-007-22con  
)  
)

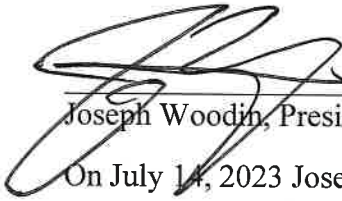
Verification Under Oath to file with Certificate of Need Application, correspondence and additional information subsequent to filing an Application

Joseph Woodin, being duly sworn, states on oath as follows:


1. My name is Joseph Woodin. I am the President and Chief Executive Officer of Copley Hospital Inc. I have reviewed the revisions to the application for a certificate of need for a replacement medical office building.
2. Based on my personal knowledge and after diligent inquiry, I attest that the information contained in the revised application for a certificate of need for a replacement medical office building is true, accurate and complete, does not contain any untrue statement of a material fact, and does not omit to state a material fact.
3. My personal knowledge of the truth, accuracy and completeness of the information contained in the revised application for a certificate of need for a replacement medical office building is based upon either my actual knowledge of the subject information or upon information reasonably believed by me to be true and reliable and provided to me by the individuals identified below in paragraph 4. Each of these individuals has also 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.
4. The following individuals have provided information or documents to me in connection with the revised application for a certificate of need for a replacement medical office building and each individual has certified, based either upon his or her actual knowledge of the subject information or, where specifically identified in such certification, based on information reasonably believed by the individual to be reliable, that the information or documents 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:

Jeff Hebert, Chief Financial Officer

5. In the event that the information contained in the revised application for a certificate of need for a replacement medical office building becomes untrue, inaccurate or incomplete in any material respect, I acknowledge my obligation to notify the Green Mountain Care Board and to supplement the revised application for a certificate of need for a replacement medical office building as soon as I know, or reasonably should know, that the information or document has become untrue, inaccurate or incomplete in any material respect.

  
\_\_\_\_\_  
Joseph Woodin, President & CEO

On July 14, 2023 Joseph Woodin appeared before me and swore to the truth, accuracy and completeness of the foregoing.

  
\_\_\_\_\_  
Notary public

My commission expires on: 1/31/2025

[seal]



  
\_\_\_\_\_  
Jeff Hebert, Chief Financial Officer

On July 14, 2023 Jeff Hebert appeared before me and swore to the truth, accuracy and completeness of the foregoing.

  
\_\_\_\_\_  
Notary public

My commission expires on: 1/31/2025

[seal]

