



Strategic Planning Committee

Master Facility Plan Options

June 18, 2008



Parkland On-Campus Strategic Priorities

Parkland

Health & Hospital System

Parkland’s strategic planning process has developed and prioritized facility planning strategies designed to position Parkland to meet its current mission, to attract and retain a top-tier medical staff and clinical workforce, and to participate effectively in a competitive health care market. These strategies are summarized in order below:

- 1. *New Inpatient Facility:* The present hospital is outdated, does not meet current code requirements, compromises patient safety, and has not met the growth of the needy in Dallas County; further, the present hospital would not be viable in a privatized health care environment.**
- 2. *New Campus Based Clinics:* New outpatient clinic space should be integrated with the new inpatient space to optimize patient care, maintain efficient operating and project costs, improve patient safety, and provide physician office space.**
- 3. *Support Office Space:* Support personnel are currently housed in numerous office spaces; co-locating support personnel would improve their productivity and performance.**
- 4. *Parking:* Additional parking is necessary to support the growth of the hospital and clinic capacity.**



Original Assumptions for BASELINE

Parkland
Health & Hospital System

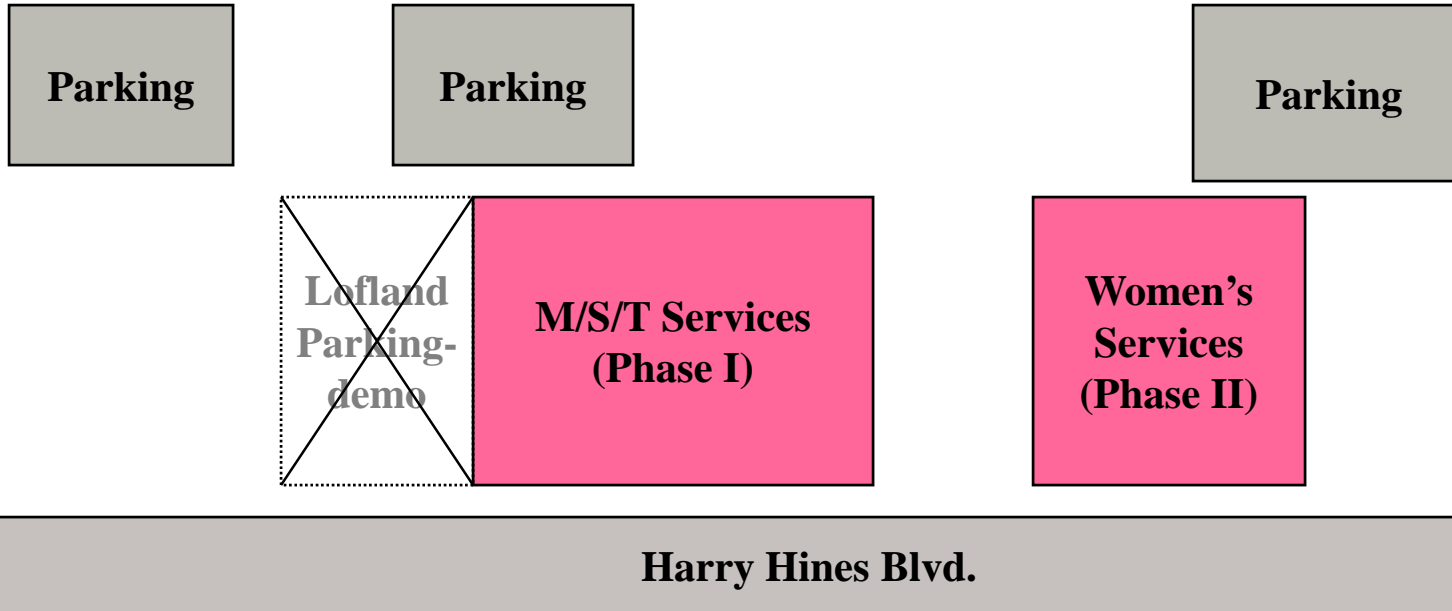
- **Mandate and mission baseline bed need** **826 beds**
 - **Medical/surgical/trauma** **546 beds** (*assumed to be in Phase I of construction*)
 - **Women/infants** **280 beds** (*assumed to be in Phase II of construction*)
 - **Includes Jail unit**
- **Programmatic investments** **36 beds**
 - **GCRC**
 - **Social unit**

Total bed need	862 beds
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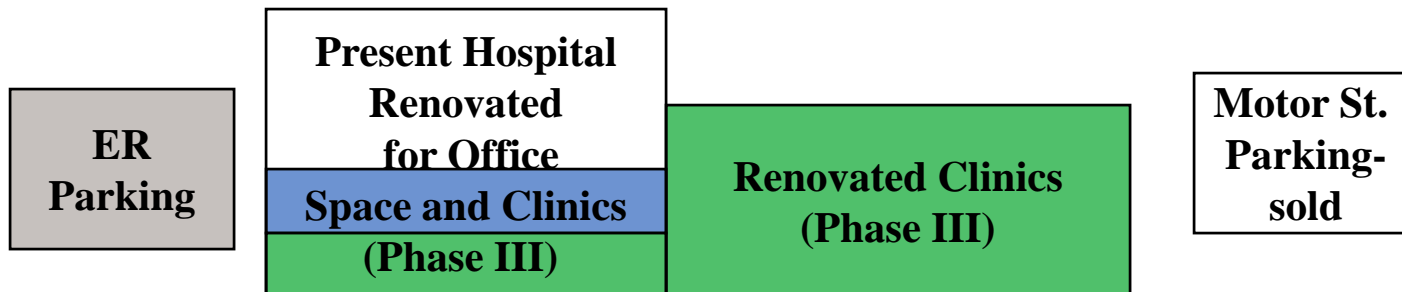
- **Teaching clinics in renovated PMH** (*assumed to be in Phase III of construction*)
- **New administrative office building** (*assumed to be in Phase III of construction*)
- **Parking for each component** (*assumed to be third-party financed*)
- **Partial demolition and replacement of cooling towers on PMH.**



Master Facility Plan Option BASELINE: Original Total Project



**All new inpatient facilities on the north side of Harry Hines Blvd.
Renovated clinics and office space in Phase III.**





Master Facility Plan Option BASELINE: Original Total Project

New Replacement Hospitals

582 adult beds, 1.24 million square feet, open April 2013 \$ **754 million (55%)**
280 adult beds, .60 million square feet, open April 2015 **406 million (30%)**

<i>Adult bed complement:</i>	<u>Completed</u>	<u>Shelled</u>	<u>Total</u>
Current	675	0	675
Proposed	<u>816</u>	<u>46</u>	<u>862</u>
Capacity Increase	141 (21%)	46	187 (28%)

Clinic Buildings

377,000 square feet, open April 2016 **105 million (8%)**

Office Buildings

141,000 square feet, open April 2016 **26 million (2%)**

Parking **66 million (5%)**

Net Land Purchases, Sales, Demolition, etc. **14 million (1%)**

Total Project Costs **\$ 1,371 million**



Parking (BASELINE)

Parking: Garage

New parking garages	3,896 spaces	\$ 66 million
ER garage	<u>1,644</u>	<u>0</u>
Total Parking	5,540 spaces	\$ 66 million

New parking garages include necessary spaces calculated based upon 1 per 475 sqft. of hospital space and 1 per 200 sqft. of clinic/office space; these calculations were been reduced 15% as an estimate of DART mass transit impact.



Net Land Purchases, Sales, Demolition, etc. (BASELINE)

Parkland

Health & Hospital System

Land purchases:

North side of Harry Hines	\$ 26 million
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Land sales:

Maple property	(22) million
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Amelia Court property	(17) million
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Motor Street garage, Building B	(6) million
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Demolition/Moving/Tunnels:

Cooling Towers, Tunnels and Bridges	25 million
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Briggs Weaver, Lofland Garage	<u>8 million</u>
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Total	\$ 14 million
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Note: Present PMH hospital facility and land remain as surplus assets.



Master Facility Plan Baseline Project

(Dollars in Millions)	BASELINE Original <u>Total Project</u>
Hospital	\$ 1,160
Clinics	105
Office Buildings	26
Parking	66
Net Land Purchases, Sales, Demolition, etc.	<u>14</u>
Total Project Costs	\$ 1,371
<u>Bond Proceeds:</u>	
Series 2009	\$ 940
Series 2011	0
Philanthropy	150
Interest on Proceeds	63
Cash reserves	<u>218</u>
Total Project Costs	\$ 1,371
Bond Size	\$ 950
Bond Tax Support	3.5 cents
*Tax on Median Homeowner	\$46.23

Note: Source of funds updated with new tax base and interest rate assumptions.

*** - Operations support tax of 1 cent, if required, would add \$13.21.**



BASELINE: Original Total Project

Parkland
Health & Hospital System

Advantages:

- **Maximizes patient safety through all new or renovated facilities meeting all code requirements.**
- **Maximizes staff recruitment and retention through all new facilities optimally laid out to minimize travel distances and promote effective adjacencies.**
- **Eliminates future construction escalation risks.**

Disadvantages:

- **Division of medical/surgical/trauma services from women/infant services results in redundant ancillaries and higher project costs.**
- **Separates inpatient and clinical services across Harry Hines Blvd, resulting in duplication of ancillaries.**
- **Clinics would be unacceptable if privatized health care was enacted.**
- **Significant physician dissatisfaction, productivity drain due to separation of hospital and clinics.**
- **Difficult and costly to operate, maintain and secure present hospital building only used partially.**



Background for APPROVED PROJECT

Parkland

Health & Hospital System

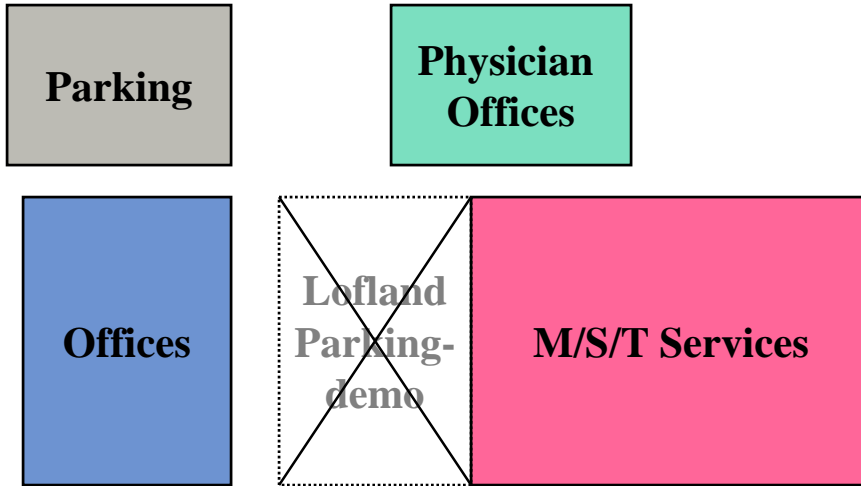
- **Review of Financial Implications for Parkland**
 - **Significant increases in net income, cash during past five years.**
 - **Progress on HIM, PFS and supply chain initiatives.**
 - **Negative economy: recession concerns, credit market turmoil, declining real estate market for property valuations.**
 - **Increasing Texas state budget pressure, Medicaid restrictions, indigent care demands.**
 - **Loss from operations increasing steadily during past five years.**
 - **Potential losses to Parkland from UPL, Medicare, Medicaid cuts.**
- **Review of Financial Uncertainties**
 - **Continued patient volumes, average length of stay, payer mix?**
 - **Philanthropy success?**
 - **Operating costs?**
- **Board approved Phase I project in March totaling \$844 million.**



Master Facility Plan Option

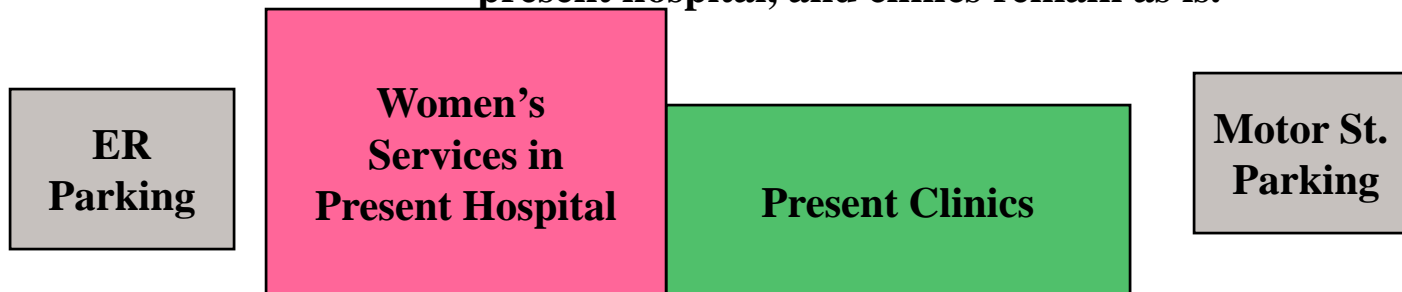
APPROVED PROJECT: M/S/T services, Office, Medical Office, Parking

Parkland
Health & Hospital System



Harry Hines Blvd.

**New M/S/T services on the north side of Harry Hines Blvd.
New offices and physician offices. Women's services continue in present hospital, and clinics remain as is.**





Master Facility Plan Option

APPROVED PROJECT: M/S/T services, Office, Medical Office, Parking

Parkland

Health & Hospital System

New Replacement M/S/T Hospital

582 adult beds, 1.24 million square feet, open April 2013 \$ 754 million (89%)

<i>Adult bed complement:</i>	<u>Present</u>	<u>New</u>	<u>Shelled</u>	<u>Total</u>
Current	675	0	0	675
Proposed	<u>280</u>	<u>536</u>	<u>46</u>	<u>862</u>
Capacity Increase		141 (21%)	46	187 (28%)

Medical Office Building

150,000 square feet, open April 2013 30 million (4%)

Office Buildings

250,000 square feet, open January 2011 42 million (5%)

Parking 18 million (2%)

Net Land Purchases, Sales, Demolition, etc. 0 million (0%)

Total Project Costs \$ 844 million



Parking (APPROVED PROJECT)

Parkland

Health & Hospital System

Parking: Garage

New parking garages	1,500 spaces	\$ 18 million
ER garage	1,644	0
Motor street garage	<u>929</u>	<u>0</u>
Total Parking	4,073 spaces	\$ 18 million



Net Land Purchases, Sales, Demolition, etc. (APPROVED PROJECT)

Parkland
Health & Hospital System

Land purchases:

North side of Harry Hines	\$ 26 million
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Land sales:

Maple property	(22) million
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Amelia Court property	(17) million
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Demolition/Moving/Tunnels:

Briggs Weaver, Lofland Garage	<u>13 million</u>
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Total	\$ 0 million
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Note: Present PMH hospital facility and land remain as surplus assets.



Master Facility Plan Options Comparison of Baseline and Approved Project

Parkland
Health & Hospital System

(Dollars in Millions)	BASELINE Original <u>Total Project</u>	APPROVED PROJECT <u>M/S/T Hosp.</u>
Hospital	\$ 1,160	\$ 754
Clinics	105	30
Office Buildings	26	42
Parking	66	18
Net Land Purchases, Sales, Demolition, etc.	<u>14</u>	<u>0</u>
Total Project Costs	\$ 1,371	\$ 844
<u>Bond Proceeds:</u>		
Series 2009	\$ 940	\$ 534
Series 2011	0	0
Philanthropy	150	150
Interest on Proceeds	63	27
Cash reserves	<u>218</u>	<u>133</u>
Total Project Costs	\$ 1,371	\$ 844
Bond Size	\$ 950	\$ 540
Bond Tax Support	3.5 cents	2.0 cents
*Tax on Median Homeowner	\$46.23	\$26.42

Note: Source of funds updated with new tax base and interest rate assumptions.

*** - Operations support tax of 1 cent, if required, would add \$13.21.**



APPROVED PROJECT: M/S/T Services, Office, Medical Office, Parking

Parkland

Health & Hospital System

Advantages:

- **Improves patient safety for some services through new hospital meeting all code requirements.**
- **Certain inpatient staff, support staff recruitment and retention improved.**
- **Accommodates future geographical dispersion of inpatient activities.**

Disadvantages:

- **Separates inpatient and clinical services across Harry Hines Blvd, resulting in duplication of emergency, surgery and ancillaries.**
- **Keeps women/infant services and clinics in outdated, suboptimal conditions, impacting patient safety and employee morale for those employees in old space, or have to transit across Harry Hines Blvd.**
- **Women/infant services and clinics would be unacceptable if privatized health care was enacted.**
- **Places physician offices at a significant distance from their clinics.**



Single Hospital Concept Areas of Efficiencies Identified

	<u>Adult Beds</u>	<u>Square Feet</u>	<u>Project Costs</u>	<u>% Reduced</u>
<i><u>Original Total Project Hospitals:</u></i>				
Medical/surgical/trauma	582	1.24	\$ 754	
Women/infant	<u>280</u>	<u>0.60</u>	<u>406</u>	
Baseline Scenario	862	1.84	1,160	
<i><u>Efficiencies Identified:</u></i>				
Redundant services	0	(.11)	(44)	(4)%
Most cost efficient facility type	0	(.05)	(20)	(2)
Construction acceleration	<u>0</u>	<u>(.00)</u>	<u>(43)</u>	<u>(3)</u>
Revised Hospital	862	1.68	1,053	(9)%

Significant cost savings result from building one efficient hospital, rather than phasing inpatient services.



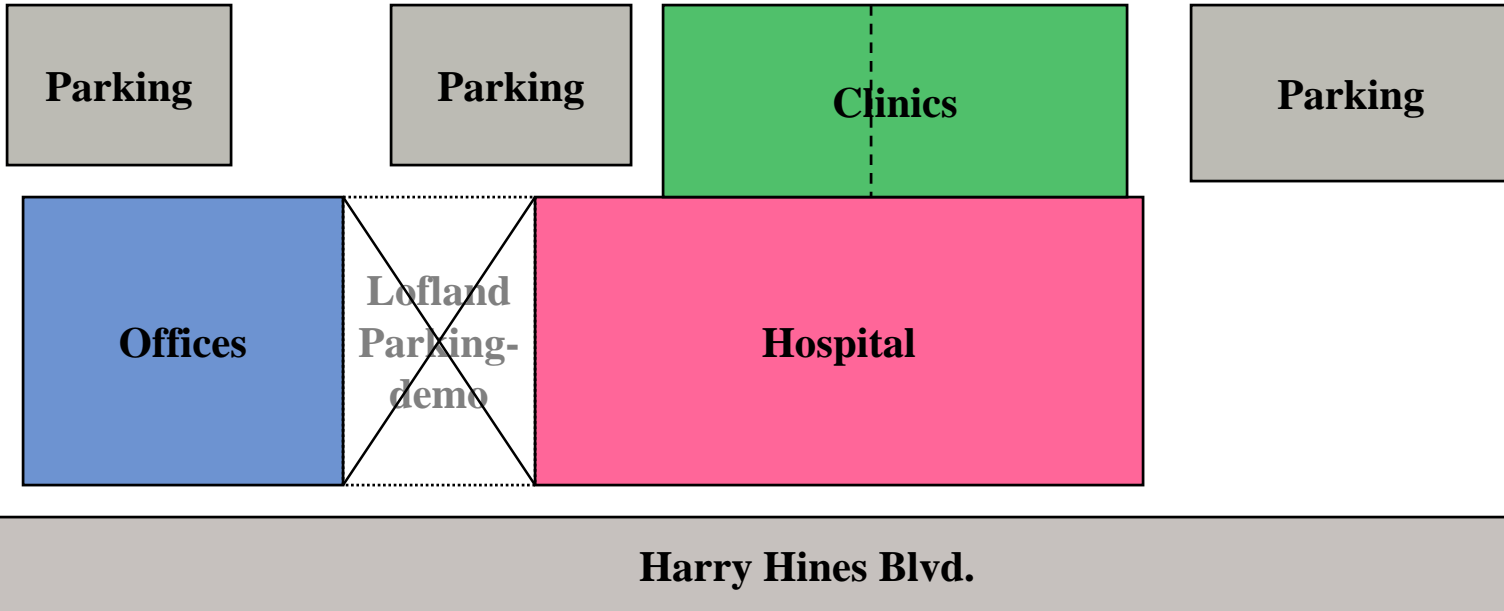
Revised Parking/Land Concept Areas of Efficiencies Identified

	<u>Parking Spaces</u>	<u>Project Costs</u>	<u>% Reduced</u>
<u>Baseline Parking:</u>			
New parking garages	3,896	\$ 66	
ER garage	<u>1,644</u>	<u>0</u>	
Baseline Scenario	5,540	66	
<u>Efficiencies Identified:</u>			
Additional spaces required	224	4	6%
Keep Motor St. garage, sell ER garage	0	12	18
Surface park 2,800 spaces	<u>0</u>	<u>(40)</u>	<u>(60)</u>
Revised Parking	5,764	\$ 42	(36)%

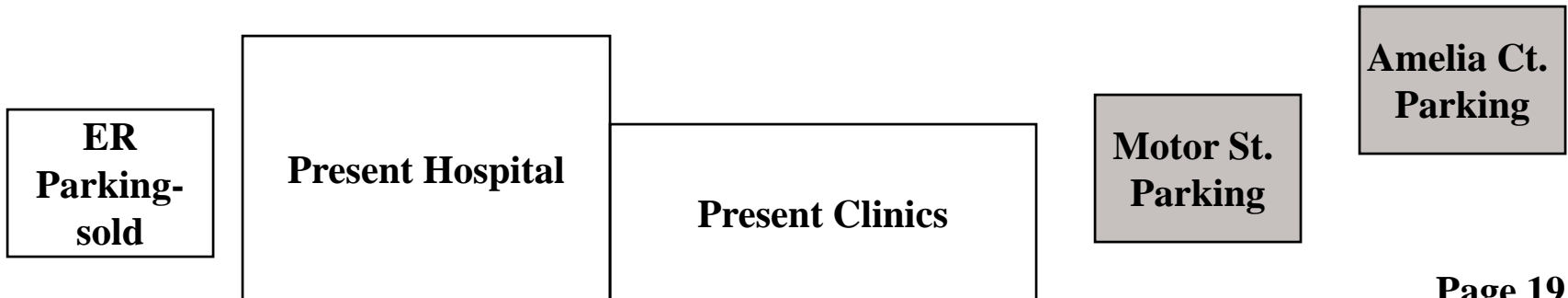
Significant cost savings result from surface parking on available Maple and Amelia Court land, rather than selling land as originally assumed. And, land is retained for future needs/opportunities.



Master Facility Plan Option OPTION A: Revised Total Project



**All new facilities on the north side of Harry Hines Blvd.
Single efficient hospital, space moved to lowest cost facilities.**





Master Facility Plan Option OPTION A: Revised Total Project

New Replacement Hospitals

862 adult beds, 1.68 million square feet, open April 2014 \$ 1,053 million (83%)

<i>Adult bed complement:</i>	<u>Completed</u>	<u>Shelled</u>	<u>Total</u>
Current	675	0	675
Proposed	<u>816</u>	<u>46</u>	<u>862*</u>
Capacity Increase	141 (21%)	46	187 (28%)

Clinic Buildings

387,000 square feet, open April 2014 105 million (8%)

Office Buildings

269,000 square feet, open January 2011 50 million (4%)

Parking 42 million (3%)

Net Land Purchases, Sales, Demolition, etc. 21 million (2%)

Total Project Costs \$ 1,271 million

* - 862 beds, plus 60 beds for an expanded PMR service and 46 beds for enhanced inpatient services, equals the 968 beds per the PwC/Blue Ribbon Panel study. The new replacement hospital also includes 117 newborn and 96 NNICU beds.



Parking (OPTION A)

Parkland
Health & Hospital System

Parking: Garage

New parking garages	2,035 spaces	\$ 34 million
Motor street garage	<u>929</u>	<u>0</u>
	2,964	34

Parking: Surface, new

Front of hospital	300 spaces	1 million
Maple	1,000	3
Amelia Court	<u>1,500</u>	<u>4</u>
	<u>2,800</u>	<u>8</u>
Total Parking	5,764 spaces	\$ 42 million

Parking includes necessary spaces calculated based upon 1 per 475 sqft. of hospital space and 1 per 200 sqft. of clinic/office space; these calculations were been reduced 15% as an estimate of DART mass transit impact.



Net Land Purchases, Sales, Demolition, etc. (OPTION A)

Parkland

Health & Hospital System

Land purchases:

North side of Harry Hines \$ 26 million

Land sales:

ER garage (16) million

Demolition/Moving/Tunnels:

Briggs Weaver, Lofland Garage 11 million

Total \$ 21 million

Note: Present PMH hospital facility and land remain as surplus assets.



Master Facility Plan Options Summary Comparison with Option A

Parkland
Health & Hospital System

(Dollars in Millions)	BASELINE	APPROVED	OPTION A1	OPTION A2
	Original <u>Total Project</u>	PROJECT <u>M/S/T Hosp.</u>	Revised <u>Total Project</u>	Revised <u>Total Project</u>
Hospital	\$ 1,160	\$ 754	\$ 1,053	\$ 1,053
Clinics	105	30	105	105
Office Buildings	26	42	50	50
Parking	66	18	42	42
Other	<u>14</u>	<u>0</u>	<u>21</u>	<u>21</u>
Total Project Costs	\$ 1,371	\$ 844	\$ 1,271	\$ 1,271
<u>G. O. Bond Proceeds:</u>				
Series 2009	\$ 940	\$ 534	\$ 534	\$ 534
Series 2011	0	0	299	163
Revenue Bond Proceeds	0	0	0	42
Philanthropy	150	150	150	150
Interest on Proceeds	63	27	38	32
Future Cash	0	0	0	100
Cash reserves	<u>218</u>	<u>133</u>	<u>250</u>	<u>250</u>
Total Project Costs	\$ 1,371	\$ 844	\$ 1,271	\$ 1,271
G. O. Bond Size	\$ 950	\$ 540	\$ 840	\$ 705
G. O. Bond Tax Support	3.5 cents	2.0 cents	3.0 cents	2.5 cents
*Tax on Median Homeowner	\$46.23	\$26.42	\$39.63	\$33.03

* - Operations support tax of 1 cent, if required, would add \$13.21.



OPTION A: Revised Total Project

Parkland

Health & Hospital System

Advantages:

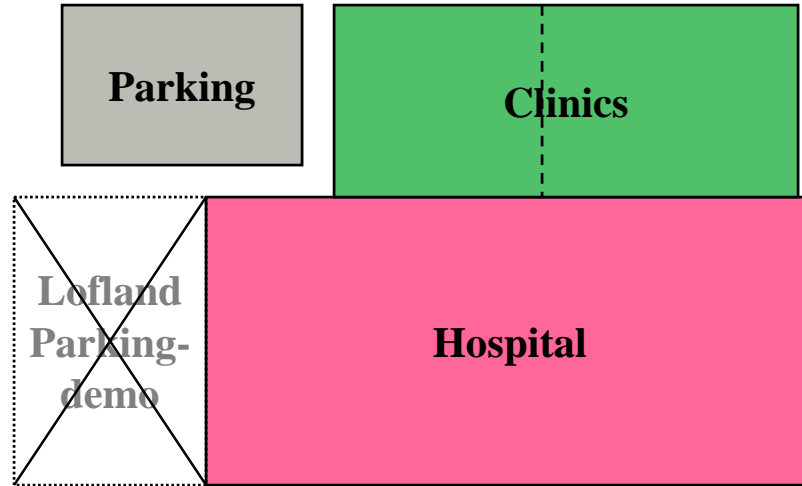
- **Allows for complete comprehensive construction of replacement facilities on campus, with optimal adjacencies, patient and staff flow, traffic patterns, etc.**
- **Maximizes patient safety through all new facilities meeting all code requirements.**
- **Eliminates ancillary redundancies by building one efficient hospital for all inpatient services.**
- **Places functions in the most efficient building types, such as office occupancy functions in much larger office building rather than in hospital, reducing project costs.**
- **Maximizes staff recruitment and retention through all new facilities optimally laid out to minimize travel distances and promote effective adjacencies.**
- **Eliminates future construction escalation risks.**
- **Keeps Maple, Amelia Court land for future needs/opportunities.**
- **All new facility crucial if privatized health care is enacted.**

Disadvantage:

- **Higher cost option than approved project.**
- **Surface parking.**

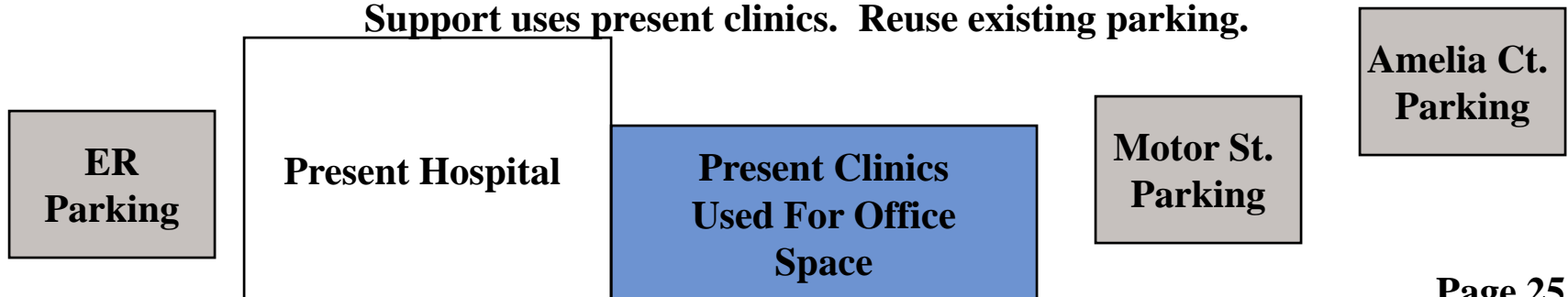


Master Facility Plan Option OPTION B: Hospital and Clinics



Harry Hines Blvd.

**New hospital and clinics on the north side of Harry Hines Blvd.
Single efficient hospital, space moved to lowest cost facilities.
Support uses present clinics. Reuse existing parking.**





Master Facility Plan Option OPTION B: Hospital and Clinics

Parkland
Health & Hospital System

New Replacement Hospitals

862 adult beds, 1.68 million square feet, open April 2014 \$ 1,053 million (82%)

<i>Adult bed complement:</i>	<u>Completed</u>	<u>Shelled</u>	<u>Total</u>
Current	675	0	675
Proposed	<u>816</u>	<u>46</u>	<u>862</u>
Capacity Increase	141 (21%)	46	187 (28%)

Clinic Buildings

387,000 square feet, open April 2014 105 million (9%)

Office Buildings

207,000 refurbished square feet, open April 2015 22 million (2%)

Parking 14 million (1%)

Net Land Purchases, Sales, Demolition, etc. 37 million (3%)

Total Project Costs \$ 1,231 million



Parking (OPTION B)

Parkland
Health & Hospital System

Parking: Garage

New parking garages	391 spaces	\$ 6 million
ER garage	1,644	0
Motor street garage	<u>929</u>	<u>0</u>
	2,964	6

Parking: Surface, new

Front of hospital	300 spaces	1 million
Maple	1,000	3
Amelia Court	<u>1,500</u>	<u>4</u>
	<u>2,800</u>	<u>8</u>
Total Parking	5,764 spaces	\$ 14 million

Parking includes necessary spaces calculated based upon 1 per 475 sqft. of hospital space and 1 per 200 sqft. of clinic/office space; these calculations were been reduced 15% as an estimate of DART mass transit impact.



Net Land Purchases, Sales, Demolition, etc. (OPTION B)

Parkland

Health & Hospital System

Land purchases:

North side of Harry Hines \$ 26 million

Demolition/Moving/Tunnels:

Briggs Weaver, Lofland Garage 11 million

Total \$ 37 million

Note: Present PMH hospital facility and land remain as surplus assets.



Master Facility Plan Options Summary Comparison of Options

(Dollars in Millions)	BASELINE Original <u>Total Project</u>	APPROVED PROJECT <u>M/S/T Hosp.</u>	OPTION A1 Revised <u>Total Project</u>	OPTION A2 Revised <u>Total Project</u>	OPTION B Hospital and Clinics
Hospital	\$ 1,160	\$ 754	\$ 1,053	\$ 1,053	\$ 1,053
Clinics	105	30	105	105	105
Office Buildings	26	42	50	50	22
Parking	66	18	42	42	14
Other	<u>14</u>	<u>0</u>	<u>21</u>	<u>21</u>	<u>37</u>
Total Project Costs	\$ 1,371	\$ 844	\$ 1,271	\$ 1,271	\$ 1,231
<u>G. O. Bond Proceeds:</u>					
Series 2009	\$ 940	\$ 534	\$ 534	\$ 534	\$ 534
Series 2011	0	0	299	163	259
Revenue Bond Proceeds	0	0	0	42	0
Philanthropy	150	150	150	150	150
Interest on Proceeds	63	27	38	32	38
Future Cash	0	0	0	100	0
Cash reserves	<u>218</u>	<u>133</u>	<u>250</u>	<u>250</u>	<u>250</u>
Total Project Costs	\$ 1,371	\$ 844	\$ 1,271	\$ 1,271	\$ 1,231
G. O. Bond Size	\$ 950	\$ 540	\$ 840	\$ 705	\$ 800
G. O. Bond Tax Support	3.5 cents	2.0 cents	3.0 cents	2.5 cents	2.8 cents
*Tax on Median Homeowner	\$46.23	\$26.42	\$39.63	\$33.03	\$36.98

* - Operations support tax of 1 cent, if required, would add \$13.21.



OPTION B: Hospital and Clinics

Parkland

Health & Hospital System

Advantages:

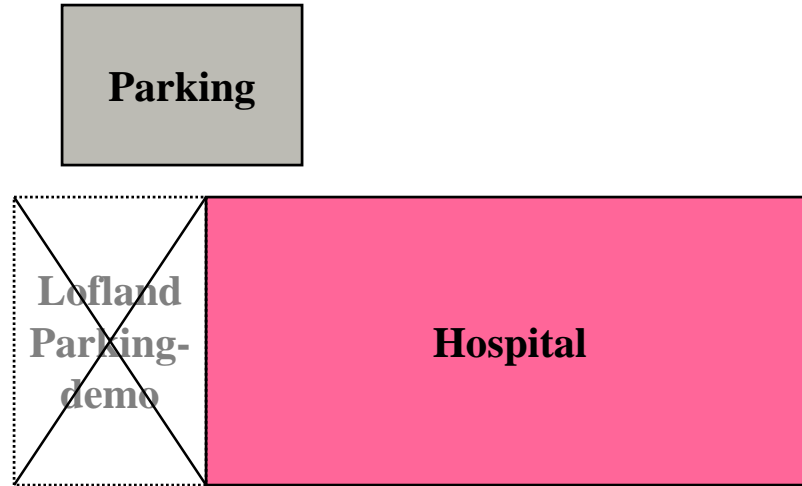
- **Allows for complete comprehensive construction of clinical facilities on campus, with optimal adjacencies, patient and staff flow, traffic patterns, etc.**
- **Support staff housed in low cost surplus building space.**
- **Maximizes patient safety through all new clinical facilities meeting all code requirements.**
- **Aids clinical staff recruitment and retention through all new facilities optimally laid out to minimize travel distances and promote effective adjacencies.**
- **Keeps Maple, Amelia Court land for future needs/opportunities.**
- **All new facility crucial if privatized health care is enacted.**

Disadvantages:

- **Support staff recruitment and retention may be negatively impacted by condition and location of office space.**
- **Project sequencing issues, as support staff must vacate prior to hospital construction, requiring additional lease and relocation costs.**
- **Surface parking.**

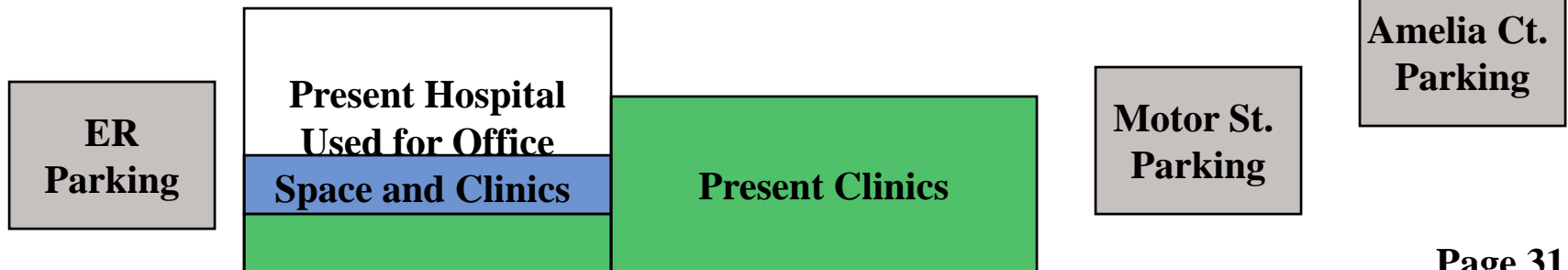


Master Facility Plan Option OPTION C: Hospital Only



Harry Hines Blvd.

**New hospital only on the north side of Harry Hines Blvd.
Single efficient hospital, space moved to lowest cost facilities.
Support uses present hospital. Reuse existing parking, clinics.**





Master Facility Plan Option OPTION C: Hospital Only

New Replacement Hospitals

862 adult beds, 1.68 million square feet, open April 2014 \$ 1,053 million (90%)

<i>Adult bed complement:</i>	<u>Completed</u>	<u>Shelled</u>	<u>Total</u>
Current	675	0	675
Proposed	<u>816</u>	<u>46</u>	<u>862</u>
Capacity Increase	141 (21%)	46	187 (28%)

Clinic Refurbishment

134,000 square feet, open April 2014 31 million (3%)

Office Buildings

207,000 refurbished square feet, open April 2015 41 million (3%)

Parking 14 million (1%)

Net Land Purchases, Sales, Demolition, etc. 35 million (3%)

Total Project Costs \$ 1,174 million



Parking (OPTION C)

Parkland
Health & Hospital System

Parking: Garage

New parking garages	391 spaces	\$ 6 million
ER garage	1,644	0
Motor street garage	<u>929</u>	<u>0</u>
	2,964	6

Parking: Surface, new

Front of hospital	300 spaces	1 million
Maple	1,000	3
Amelia Court	<u>1,500</u>	<u>4</u>
	<u>2,800</u>	<u>8</u>
Total Parking	5,764 spaces	\$ 14 million

Parking includes necessary spaces calculated based upon 1 per 475 sqft. of hospital space and 1 per 200 sqft. of clinic/office space; these calculations were been reduced 15% as an estimate of DART mass transit impact.



Net Land Purchases, Sales, Demolition, etc. (OPTION C)

Parkland

Health & Hospital System

Land purchases:

North side of Harry Hines \$ 26 million

Demolition/Moving/Tunnels:

Briggs Weaver, Lofland Garage 9 million

Total \$ 35 million

Note: Present PMH hospital facility and land remain as surplus assets.



Master Facility Plan Options Summary Comparison of Options

Parkland
Health & Hospital System

(Dollars in Millions)	BASELINE Original Total Project	APPROVED PROJECT M/S/T Hosp.	OPTION A1 Revised Total Project	OPTION A2 Revised Total Project	OPTION B Hospital and Clinics	OPTION C Hospital Only
Hospital	\$ 1,160	\$ 754	\$ 1,053	\$ 1,053	\$ 1,053	\$ 1,053
Clinics	105	30	105	105	105	31
Office Buildings	26	42	50	50	22	41
Parking	66	18	42	42	14	14
Other	<u>14</u>	<u>0</u>	<u>21</u>	<u>21</u>	<u>37</u>	<u>35</u>
Total Project Costs	\$ 1,371	\$ 844	\$ 1,271	\$ 1,271	\$ 1,231	\$ 1,174
<u>G. O. Bond Proceeds:</u>						
Series 2009	\$ 940	\$ 534	\$ 534	\$ 534	\$ 534	\$ 534
Series 2011	0	0	299	163	259	205
Revenue Bond Proceeds	0	0	0	42	0	0
Philanthropy	150	150	150	150	150	150
Interest on Proceeds	63	27	38	32	38	35
Future Cash	0	0	0	100	0	0
Cash reserves	<u>218</u>	<u>133</u>	<u>250</u>	<u>250</u>	<u>250</u>	<u>250</u>
Total Project Costs	\$ 1,371	\$ 844	\$ 1,271	\$ 1,271	\$ 1,231	\$ 1,174
G. O. Bond Size	\$ 950	\$ 540	\$ 840	\$ 705	\$ 800	\$ 750
G. O. Bond Tax Support	3.5 cents	2.0 cents	3.0 cents	2.5 cents	2.8 cents	2.7 cents
*Tax on Median Homeowner	\$46.23	\$26.42	\$39.63	\$33.03	\$36.98	\$35.66

* - Operations support tax of 1 cent, if required, would add \$13.21.



OPTION C: Hospital Only

Parkland
Health & Hospital System

Advantages:

- **Provides all new inpatient hospital for all services.**
- **Improves patient safety through new hospital meeting all code requirements.**
- **Inpatient staff recruitment and retention improved.**
- **Keeps Maple, Amelia Court land for future needs/opportunities.**

Disadvantages:

- **Separates inpatient and clinical services across Harry Hines Blvd, resulting in duplication of ancillaries.**
- **Keeps clinics and office space in outdated, suboptimal conditions, impacting patient safety and staff recruitment and retention for those employees in old hospital, or those required to transit across Harry Hines Blvd.**
- **Clinics would be unacceptable if privatized health care was enacted.**
- **Significant physician dissatisfaction, productivity drain due to separation of hospital and clinics.**
- **Difficult and costly to operate, maintain and secure present hospital building only used partially.**
- **Surface parking.**



Overall Financing Plan

The Financing Plan adds two elements not included in prior scenarios: subsequent bond issue in 2011 and identification and challenge to accomplish operational improvements.

- ***Bond Proceeds:* Initial 2009 bond issue of \$540 million requiring 2 cents tax support. Subsequent 2011 bond issue sized after:**
 - **Results of financial operations and philanthropy for 2008, 2009 and 2010 are known;**
 - **Project design contingencies are identified and potentially project costs have been reduced;**
 - **Three years potential growth in Dallas County tax base has occurred.**
- ***Operational Improvements:* Improvements in patient service revenues through improved pricing, contracting and collection, coupled with improvements in productivity and salary and benefit costs. Such improvements will minimize and may eliminate need for additional operating tax support of new facility.**
- ***Capital Funds:* Categorize all funds over 120 days hospital expenses as capital funds, which would total approximately \$250 million at the end of 2007; maintain the majority of such funds throughout the project timeline as a cushion against adverse changes in financial results and project costs.**

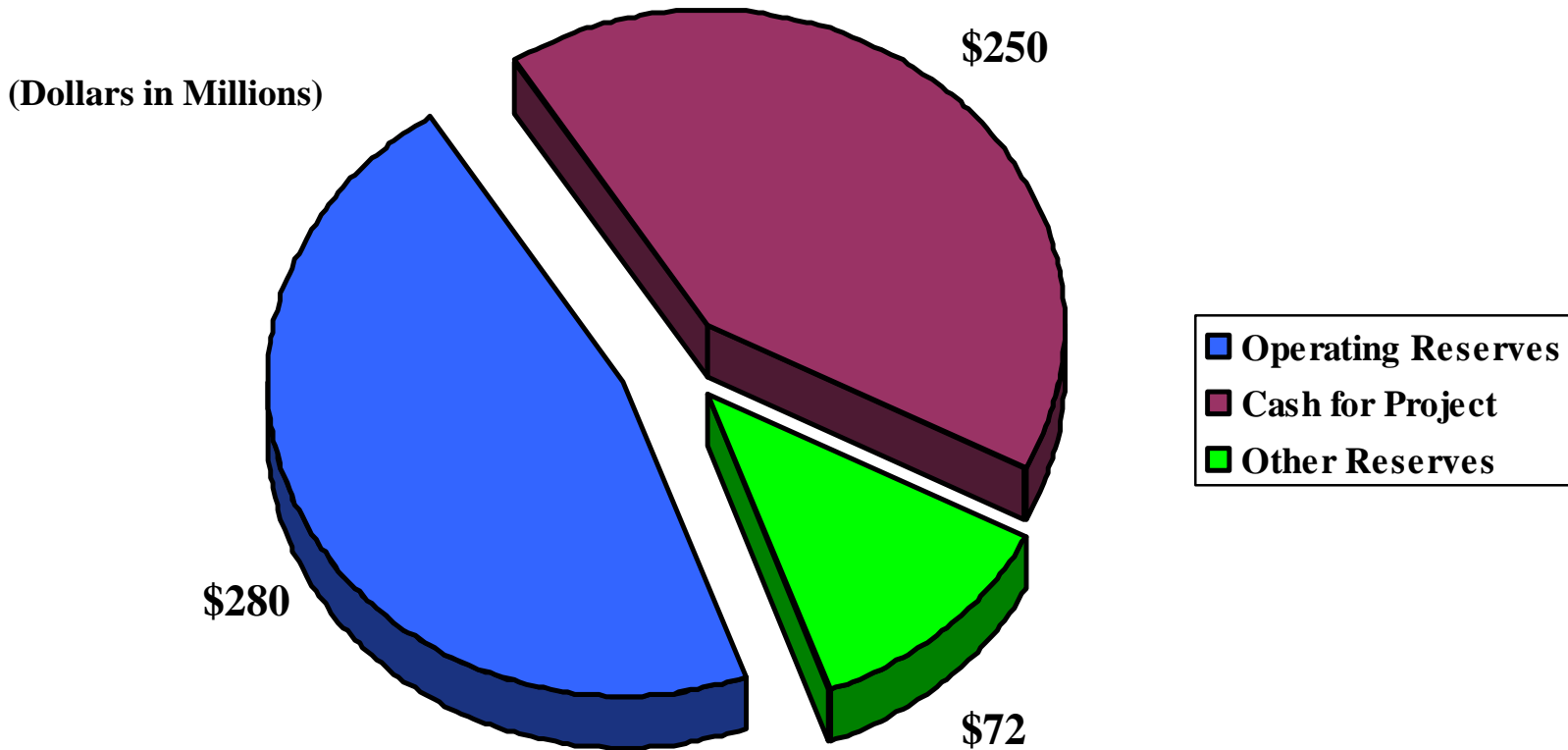


Projected 2008 Cash and Investments

Parkland

Health & Hospital System

Projected cash and investments at the end of 2008 total \$602 million. \$280 million of operating reserves are required to achieve Moody's A2 median range minimum of 107 days. Should \$250 million be committed to the master facility plan, an additional reserve of \$72 million remains. Note: the impact of regional UPL, if approved, is not included in the financial projections.



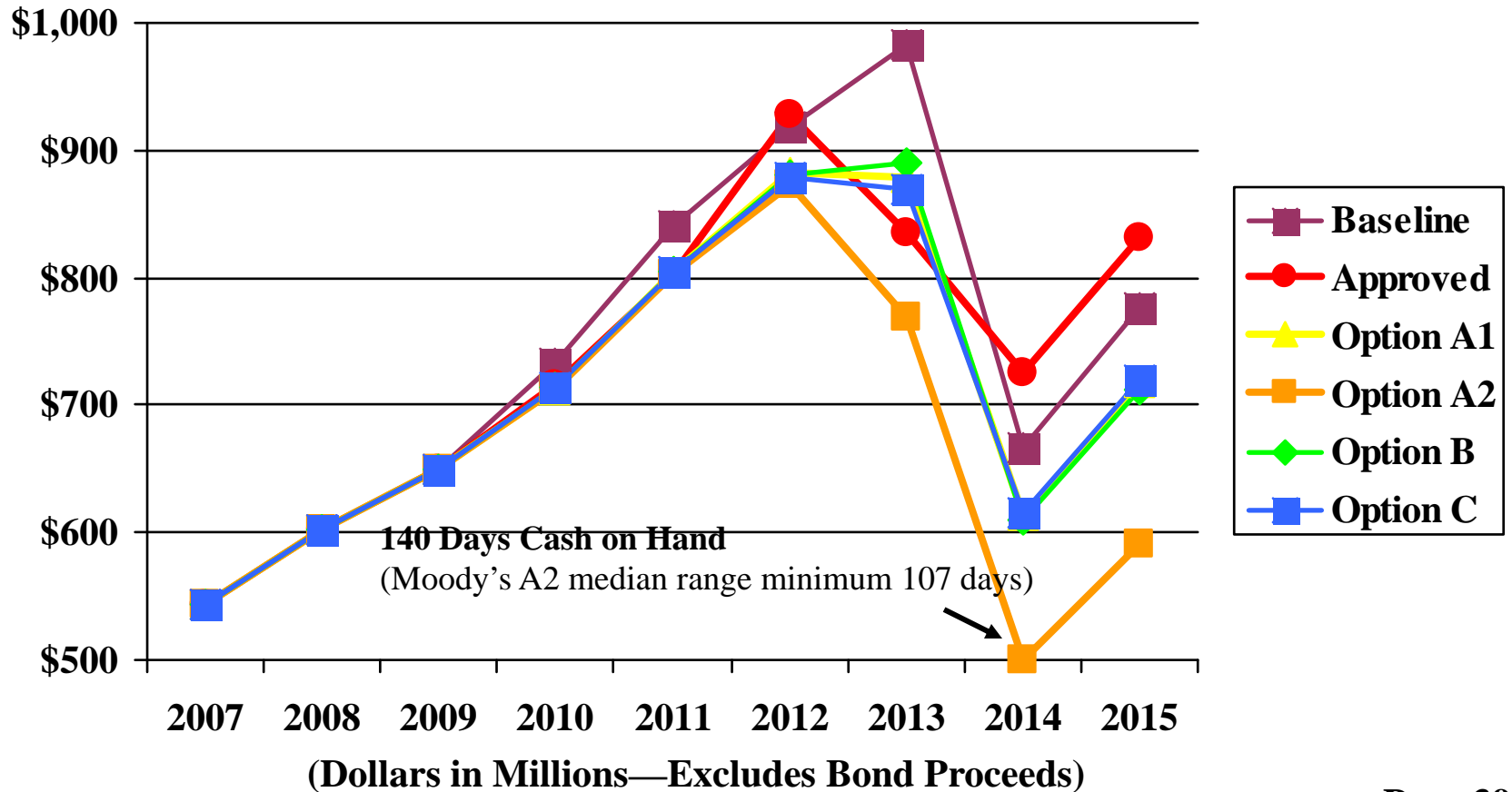
Investment of \$250 million in operating cash reserves reduces tax support required due to reduced bond size by 1 cent, saving median homeowner \$13.21.



Projected Cash and Investments

Parkland
Health & Hospital System

Projected cash and investments grow very consistently for all master facility plan options, as the source of funds variable is the size of the bond issuance. Projected growth would be enhanced with achievement of operational improvements.





Additional Operating Tax Support Operational Improvements

Parkland

Health & Hospital System

An additional 1 cent for operating support is projected beginning in 2014 for all options presented. However, operational improvements such as those listed below may minimize or eliminate the need for additional operating tax support.

Revenue Enhancements:

Improved medical records coding, price increases in excess of inflation rate, strategic pricing of patient services, improved managed care contracting rates:

Averages \$12.8 million per year (2.5%) for 2009-2014 \$ 77 million

Productivity and Expense Improvements:

Improved employee productivity, maintenance of low benefit cost percentages, pay rate increases in line with market:

Averages \$12.5 million per year (1.7%) for 2009-2014 75 million

Total Six Year Operational Improvements \$ 152 million



Master Facility Plan Options

Comparative Income Statements: Fiscal 2015

Parkland
Health & Hospital System

	BASELINE	APPROVED	OPTION A1	OPTION A2	OPTION B	OPTION C
	Original	PROJECT	Revised	Revised	Hospital	Hospital
	<u>Total Project</u>	<u>M/S/T Hosp.</u>	<u>Total Project</u>	<u>Total Project</u>	<u>and Clinics</u>	<u>Only</u>
<u>Revenues:</u>						
Net Patient Revenues	\$ 609	\$ 609	\$ 609	\$ 609	\$ 609	\$ 609
Tax Revenues*	605	575	595	585	591	589
DSH, UPL, Trauma	189	189	189	189	189	189
Investment Income	25	27	23	19	23	23
Other Revenues	<u>132</u>	<u>132</u>	<u>132</u>	<u>132</u>	<u>132</u>	<u>132</u>
	1,560	1,532	1,548	1,534	1,544	1,542
<u>Expenses:</u>						
Operating Costs	1,350	1,350	1,350	1,350	1,350	1,350
Depreciation	141	109	135	135	133	129
Interest Expense	<u>39</u>	<u>22</u>	<u>34</u>	<u>31</u>	<u>33</u>	<u>31</u>
	<u>1,530</u>	<u>1,481</u>	<u>1,519</u>	<u>1,516</u>	<u>1,516</u>	<u>1,510</u>
Total Margin	\$ 30	\$ 51	\$ 29	\$ 18	\$ 28	\$ 32

* - includes additional 1 cent ad valorem tax for operations support.

(Dollars in Millions)



Financial Risk Caveats

These financial projections are based upon the realization of the assumptions summarized in this presentation, many of which are outside management's control and influence. Changes in any of the following may materially alter these financial projections:

- ***DSH, UPL, Trauma Revenue:*** Net patient service revenues do not cover the costs of care. DSH, UPL, trauma and tobacco funds are necessary to fund operations.
- ***Medicare/Medicaid Program:*** Most net patient service revenues are generated through services to Medicare or Medicaid patients.
- ***Ad Valorem Tax Revenues:*** Parkland must be able to continue building cash reserves; operating tax support must be maintained such that, with operational improvements, Moody's A2 median range financial ratios are met.
- ***Market Conditions:*** Bond interest rates, as well as investment earnings rates, may change to alter these financial projections.



Financial Flexibility Considerations

Source of Funds

Parkland

Health & Hospital System

- ***General Obligation Bond Election:*** Recommend seeking authorization for voter approval of total amount of bonds approximately \$50 million greater than amount contemplated by the option selected, to provide a cushion for changes in financial market conditions.
- ***Subsequent Bond Issuance:*** Based upon the option selected, the financing plan may call for a subsequent bond issue of up to \$300 million in 2011; depending upon 2008, 2009 and 2010 financial and fund raising results and property valuation changes, the size of this bond issue can be adjusted.
- ***Cash Reserves:*** Parkland had additional cash reserves over 120 days cash on hand of \$250 million at the end of 2007, which can be placed in the project fund immediately upon project approval; the financial projections, which do not include any operational improvements, result in total cash at the end of the project (fiscal 2014) in the range of \$600 million.
- ***Operational Improvements:*** Achievement of operational improvements are highly desirable to mitigate the need for an additional 1 cent operating tax support beginning in 2014.



Financial Flexibility Considerations

Project Costs

Parkland

Health & Hospital System

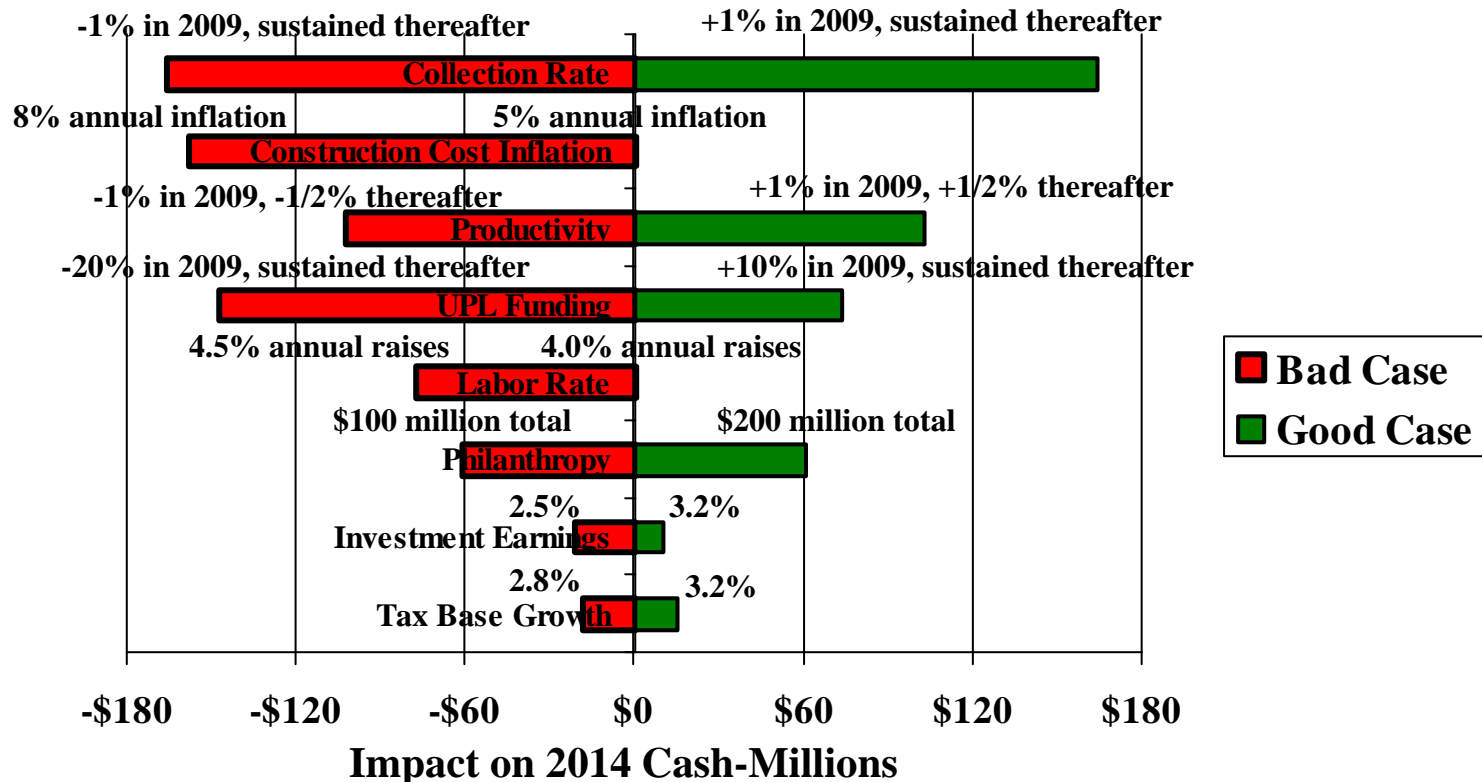
- ***Project Cost Contingencies:*** Design and project contingencies of 10% are included in project costs. By 2011, the time at which the subsequent bond issue is sized, all of the design contingencies and a significant portion of the project contingencies will be known and may potentially result in reduced project costs and a lower subsequent bond size.
- ***COPC and CSC Expansion:*** Routine capital spending in the accompanying financial projections assume construction of 4 additional COPCs and 2 CSCs during the projection period at a total project cost, assuming municipal participation of 50%, of \$45 million. The full expansion plans for these projects could be deferred to support the main campus project.



Sensitivity Analysis Summary

Parkland
Health & Hospital System

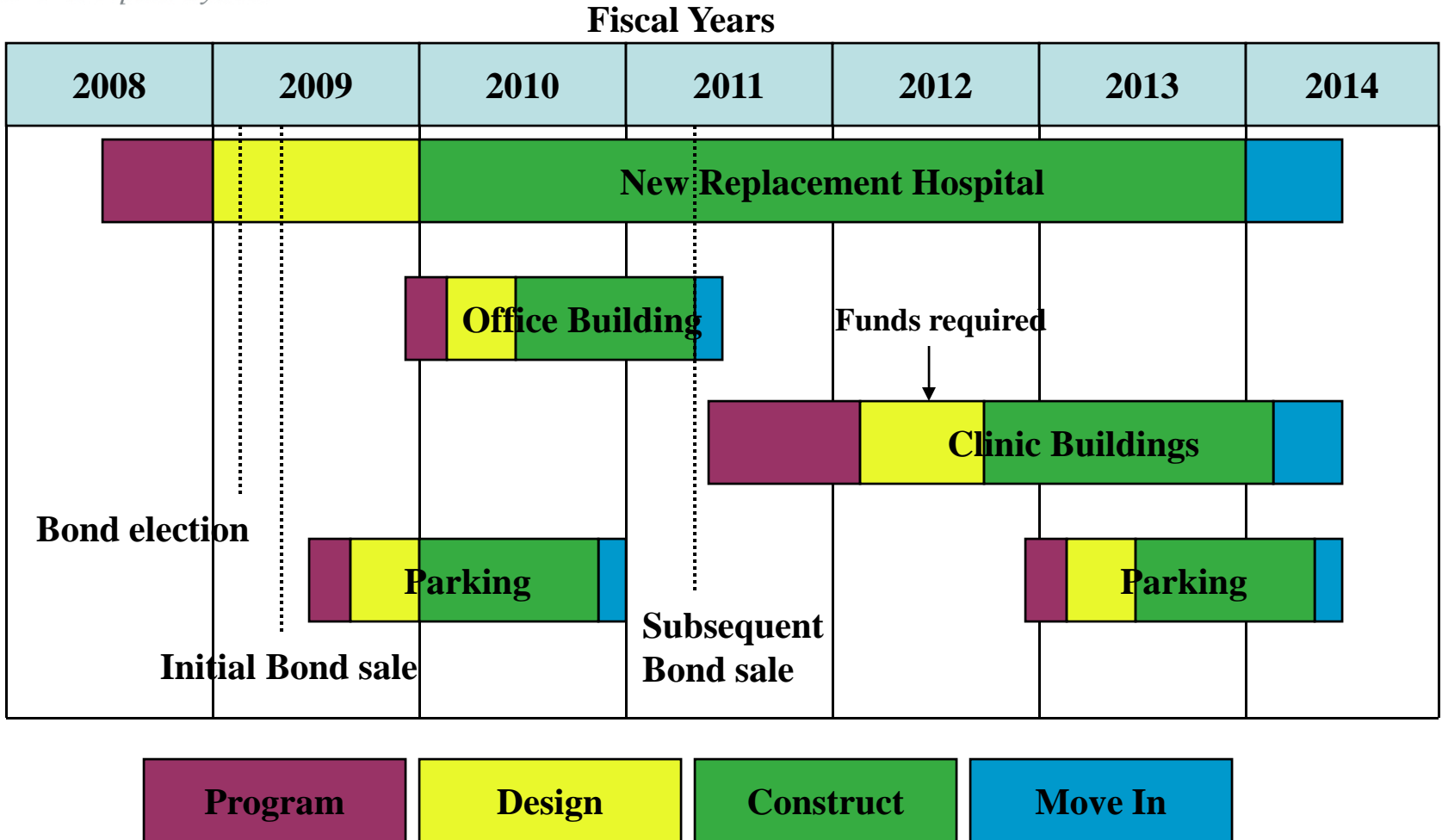
The sensitivity analysis demonstrates the impact of changes in financial assumptions on the ending 2014 cash balances. Two of the three most sensitive assumptions, collection rate and productivity, are primarily under management control.





Timeline (Option A)

Parkland
Health & Hospital System





Master Facility Plan Option Recommendations

Parkland

Health & Hospital System

Based upon the analyses and evaluation of criteria presented, management recommends the following:

- **OPTION A, Revised Total Project, having been assessed as the best option for Dallas County, be adopted by the DCHD Board of Managers, with a total project cost not to exceed \$1,271 million.**
- **The maximum amount of bonds will be based on the assumptions outlined, specifically:**
 - 1. \$105 million of the estimated clinic will not be paid for from bond proceeds, but will be constructed from and paid for with available cash reserves when and as available.**
 - 2. Annual hospital system revenues of the District will be set aside and applied to pay the debt service on at least \$42 million of bonds issued for the purposes of providing parking facilities.**
 - 3. \$250 million of existing cash reserves will be applied to a portion of the planned improvements.**
 - 4. Philanthropic gifts will be received by the District in the amount of \$150 million for the purpose of paying a portion of the project costs.**