



Via Federal Express and Email

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Mr. John Kniery, Administrator
Illinois Health Facilities and Services Review Board ("HFSRB")
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

Re: Permit Alteration Request for Permit #22-017

Dear John:

Pursuant to Section 1130.750 of the HFSRB rules, The Methodist Medical Center of Illinois d/b/a Carle Health Methodist Hospital ("Methodist Hospital") seeks an alteration to Permit No. 22-017 to increase the project cost, sources of funding and square footage of the project.

As you are aware, on July 19, 2022, Methodist Hospital received HFSRB approval to establish a 44-bed child and adolescent behavioral health campus at 2223 W. Heading Avenue in West Peoria. Since permit approval, construction costs in central Illinois have been trending upward due to the extremely busy construction market and the relatively small supply of contractors in the area. This trend has caused Carle's pricing on all construction projects to be higher than expected. Also, anti-ligature requirements for this project were priced higher than originally quoted, particularly for the HVAC system, door hardware (security/access control), and electrical. Anti-ligature furniture requirements were similarly priced higher than originally anticipated. In total, the alterations amount to a \$1,142,827 (3.9%) increase in project costs.

Methodist Hospital also seeks to alter the permit by adding a sally port near the entrance of the intake unit, which would result in an increase of non-clinical space by approximately 1,199 square feet. The sally port will provide a secure, controlled entryway into the intake unit located near the back of the building. This alteration would increase the total gross square footage of the project (clinical and non-clinical space) from 149,875 to 151,074 square feet (0.8%).

For your review, I have attached the following:

- Revised Project Costs and Sources of Funds tables;
- Revised Cost Space Requirements table (Attachment- 9);
- Evidence of current A bond rating of the Permit Holder

I have also enclosed a check for \$3,514.22 made payable to the Illinois Department of Public Health for the Post-Permit Alteration Processing Fee. This fee reflects the fact that project costs increased by \$1,142,827.

I believe this request complies with the State Board's standards and request that the State Board Chairwoman approve the alteration as a desk review.

Thank you for your time and consideration of this application. If you have any questions or need any additional information to complete your review, please feel free to contact me as needed.

Sincerely,

A handwritten signature in black ink, appearing to read 'Collin Anderson', written over a light gray rectangular background.

Collin Anderson
Strategic Planning Coordinator II
Carle Health

Project Costs and Sources of Funds

Use of Funds	Clinical	Nonclinical	Total
Preplanning Costs	\$114,000	\$186,000	\$300,000
Site Survey and Soil Investigation	\$7,600	\$12,400	\$20,000
Site Preparation	\$38,000	\$62,000	\$100,000
Off Site Work	\$19,000	\$31,000	\$50,000
New Construction Costs	\$0	\$0	\$0
Modernization Contracts	\$5,926,895	\$9,670,198	\$15,597,093
Contingencies	\$343,938	\$561,162	\$905,099
Architectural/Engineering Fees	\$390,849	\$637,702	\$1,028,551
Consulting and Other Fees	\$302,075	\$492,859	\$794,934
Movable and Other Equipment (not in construction contracts)	\$1,016,502	\$1,658,503	\$2,675,006
Bond Issuance Expense (Project related)	\$0	\$0	\$0
Net Interest Expense During Construction (Project related)	\$0	\$0	\$0
Fair Market Value of Leased Space or Equipment	\$0	\$0	\$0
Other Costs to be Capitalized	\$0	\$0	\$0
Acquisition of Building or Other Property (Excluding land)	\$3,420,000	\$5,580,000	\$9,000,000
Total Uses of Funds	\$11,578,860	\$18,891,823	\$30,470,683

Source of Funds	Clinical	Nonclinical	Total
Cash and securities	\$3,978,860	\$6,491,823	\$10,470,683
Pledges	\$0	\$0	\$0
Gifts and Bequests	\$6,460,000	\$10,540,000	\$17,000,000
Bond Issues (project related)	\$0	\$0	\$0
Mortgages	\$0	\$0	\$0
Leases (FMV)	\$0	\$0	\$0
Governmental Appropriations	\$0	\$0	\$0
Grants	\$1,140,000	\$1,860,000	\$3,000,000
Other funds and Sources	\$0	\$0	\$0
Total Sources of Funds	\$11,578,860	\$18,891,823	\$30,470,683

Attachment 9- Cost Space Requirements

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE							
Adolescent Unit AMI	\$4,351,009	22,396			22,396		
Child Unit AMI	\$1,980,063	10,192			10,192		
Therapies	\$1,511,857	7,782			7,782		
Consultation	\$1,135,350	5,844			5,844		
2nd Floor - Outpatient	\$2,050,779	10,556			10,556		
Intake	\$549,802	2,830			2,830		
Total Clinical	\$11,578,860	59,600			59,600		
NON-REVIEWABLE							
Administrative	\$1,139,408	5,517			5,517		
Community Space	\$551,633	2,671			2,671		
Public	\$391,368	1,895			1,895		
Administrative Tenant Space- B Wing	\$8,017,367	38,820				38,820	
Basement	\$2,696,000	13,054				13,054	
Family Visiting	\$25,816	125			125		
Staff Lounges	\$580,753	2,812			2,812		
Food Service, Environment, etc.	\$2,780,676	13,464			5,284	8,180	
Area D- Second Floor	\$663,983	3,215				3,215	
Vertical Circulation	\$1,797,195	8,702				8,702	
Sally Port	\$247,626	1,199			1,199		
Total Non-clinical	\$18,891,823	91,474			19,503	71,971	
TOTAL	\$30,470,683	151,074			79,103	71,971	

Bond Rating

Below is evidence of the permit holder's bond rating (AA- from Fitch Ratings (June 13, 2022)):

6/13/22, 10:44 PM

Fitch Affirms Carle Foundation (IL)'s IDR at 'AA-'; Outlook Stable



RATING ACTION COMMENTARY

Fitch Affirms Carle Foundation (IL)'s IDR at 'AA-'; Outlook Stable

Mon 13 Jun, 2022 - 4:47 PM ET

Fitch Ratings - Chicago - 13 Jun 2022: Fitch Ratings has affirmed Carle Foundation, (IL)'s (Carle) Issuer Default Rating (IDR) at 'AA-'. Fitch has also affirmed the 'AA-' rating on revenue bonds issued by the Illinois Finance Authority (IFA) on behalf of Carle.

The Rating Outlook is Stable.

SECURITY

Debt payments are secured by a security interest in the gross receipts of the Obligated Group (OG). The OG includes the Carle Foundation parent, the Carle Foundation Hospital flagship inpatient facility in Urbana, Carle Health Care Incorporated (which includes the Carle Physician Group), Carle Retirement Centers, Inc., Carle West Physician Group, and the four affiliate hospitals. There is no mortgage or property pledge or debt service reserve fund. The health plans are not members of the OG.

ANALYTICAL CONCLUSION

Carle's 'AA-' rating reflects its distinctly leading market position over a broad service area, and Fitch's expectation that the system will sustain its strong capital-related ratios in the context of the system's midrange revenue defensibility and strong operating risk profile assessments. The Stable Outlook illustrates Fitch's belief that Carle's fundamental operating platform remains strong despite facing multiple macro headwinds that compressed margins in fiscal 2021 and 1Q fiscal 2022. Moreover, Carle's balance sheet strength affords the organization time to weather the current economic challenges, and long-term capital-related ratios should remain strong even in a stress case scenario.

While hospital operators that own large health plans tend to have comparatively more modest operating margins, Fitch believes that Carle's health plans enhance the system's operating profile, particularly given the longevity and degree of integration of the plan and track-record over time.