25-009

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

RECEIVED
FEB 14 2025
HEALTH FACILITIES & SERVICES REVIEW BOARD

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name:	TARGET Health Cooperative Partnership Medical Clinics Building
Street Address:	5525 South Pulaski Road
City and Zip Code:	Chicago, IL 60629
County: Cook	Health Service Area: VI Health Planning Area: A-03

Applicant(s) [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name:	The Board of Trustees of the University of Illinois, a state body corporate and politic of the State of Illinois
Street Address:	364 Henry Administration Building (MC364) 506 S. Wright St.
City and Zip Code:	Urbana, IL 61801
Name of Registered Agent:	Dedra M. Williams, Secretary to the Board of Trustees
Registered Agent Street Address:	364 Henry Administration Building (MC364) 506 S. Wright Street
Registered Agent City and Zip Code:	Urbana, IL 61801
Name of Chief Executive Officer:	Timothy Killeen, President, University of Illinois
CEO Street Address:	364 Henry Administration Building (MC364) 506 S. Wright Street
CEO City and Zip Code:	Urbana, IL 61801
CEO Telephone Number:	217/333-3070

Type of Ownership of Applicants

☐	Non-profit Corporation	☐	Partnership
☐	For-profit Corporation	X	Governmental
☐	Limited Liability Company	☐	Sole Proprietorship ☐ Other

- Corporations and limited liability companies must provide an **Illinois certificate of good standing.**
- Partnerships must provide the name of the state in which they are organized and the name and address of each partner specifying whether each is a general or limited partner.

APPEND DOCUMENTATION AS ATTACHMENT 1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Primary Contact [Person to receive ALL correspondence or inquiries]

Name:	Jacob M. Axel
Title:	President
Company Name:	Axel & Associates, Inc.
Address:	348 Chicory Lane Buffalo Grove, IL 60089
Telephone Number:	847/776-7101
E-mail Address:	jacobmaxel@msn.com
Fax Number:	

Additional Contact [Person who is also authorized to discuss the application for exemption]

Name:	none
Title:	
Company Name:	
Address:	
Telephone Number:	
E-mail Address:	
Fax Number:	

Post Permit Contact

[Person to receive all correspondence subsequent to permit issuance-**THIS PERSON MUST BE EMPLOYED BY THE LICENSED HEALTH CARE FACILITY AS DEFINED AT 20 ILCS 3960]**

Name:	Sandi McCullough, RN, MBA
Title:	Senior Director, Clinical Operations
Company Name:	UI Health at 55th & Pulaski Health Collaborative
Address:	840 South Wood, Suite 113 CSB M/C 510 Chicago, IL 60612
Telephone Number:	312/492-0029
E-mail Address:	sm99@uic.edu
Fax Number:	

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: The Board of Trustees of the University of Illinois, a state body corporate and politic of the State of Illinois
Address of Site Owner: 364 Henry Administration Building (MC364) 506 S. Wright Street Urbana 61801
Street Address or Legal Description of the Site: 5525 South Pulaski Road Chicago, IL 60629 **Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease.**
APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

[Provide this information for each applicable facility and insert after this page.]

Exact Legal Name: please see ATTACHMENT 3
Address: NOTE: Medical Clinics Buildings are not licensed by IDPH

☐	Non-profit Corporation	☐	Partnership	
☐	For-profit Corporation	X	Governmental	
☐	Limited Liability Company	☐	Sole Proprietorship	☐
	Other			

- Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.
- Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.
- **Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.**

APPEND DOCUMENTATION AS ATTACHMENT 3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Organizational Relationships

Provide (for each applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.

APPEND DOCUMENTATION AS ATTACHMENT 4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2006-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements, please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at www.FEMA.gov or www.illinoisfloodmaps.org. **This map must be in a readable format**. In addition, please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2006-5 (http://www.hfsrb.illinois.gov).
APPEND DOCUMENTATION AS ATTACHMENT 5, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.
APPEND DOCUMENTATION AS ATTACHMENT 6, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

DESCRIPTION OF PROJECT

1. Project Classification

[Check those applicable - refer to Part 1110.20 and Part 1120.20(b)]

Part 1110 Classification:

☐ Substantive

X Non-substantive

2. Narrative Description

In the space below, provide a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms**, **NOT WHY** it is being done. If the project site does NOT have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

The proposed project is a cooperative effort between UI Health Physicians Group ("UIPG"), Alivio Medical Center ("Alivio"), Friend Family Health Center ("Friend"), and Mile Square Health Center ("Mile Square"), with the project being led by UIPG.

The applicant is The Board of Trustees of the University of Illinois, a state body corporate and politic of the State of Illinois, with the proposed outpatient facility to be operated by TARGET Health Cooperative ("TARGET"). The applicant has acquired a building at the intersection of West 55th Street and South Pulaski Road, intending to operate the building as a medical clinics building ("MCB"). The building formerly housed outpatient services operate by Mercy Hospital & Medical Center, which were discontinued in 2021.

This is the second CON application to be filed addressing this project. A CON Permit for the project was approved in March, 2022, and the associated Permit was withdrawn in January 2025. The original project was designed to be completed in phases. This second Certificate of Need ("CON") Permit is being sought because the additional costs to be incurred exceed the 7% allowable increase in the original Permit.

Programmatically, a number of services not included in the initial project are being added, including surgical oncology and sports medicine clinics and a telemedicine program. The telemedicine program is designed to address space capacity issues, and is intended to also provide services to the patients of a number of rural FQHCs.

The MCB became operational in February 2022 with the initiating of selected specialty clinic services, with additional services becoming operational throughout 2022, 2023 and 2024. During the 12-month period ending January 17, 2025 nearly 38,000 patient visits were provided.

Funding for the project is being provided through two grants from the Illinois Department of Healthcare and Family Services ("DHFS") to the TARGET Health Cooperative ("Transforming the Gage Park/West Elston Community Through Partnership"), which, as noted above, is led by UI Health and includes as partners Alivio Medical Center, Friend Family Health Center, and UI Health's Mile Square Health Center, each of which is a FQHC operating in the area. The initial grant was for $17,272,028 and the second grant is for $6,544,000 to address the project's capital costs.

UI Health Physician Group will provide specialty services. In addition, the UIC College of Applied Health Sciences will provide physical and occupational therapy services and nutrition services, and the UIC Office of Community Engagement and Neighborhood Health Partnerships will address social determinants of health.

The UI Health specialty services and the care coordination services were initiated in February 2022, immediate care services were initiated in July of 2022, behavioral health services in September 2022, radiology services in April 2023, rehabilitation services in September 2023, and limited dental services were initiated in September 2025.

This is a non-substantive project as a result of all patient services being provided on an outpatient basis.

PROJECT COST AND SOURCES OF FUNDS

	Reviewable	Non-Reviewable	Total
'roject Cost:			
'replanning Costs	$ 101,500	$ 43,500	$ 145,000
;ite Survey and Soil Investigation			
;ite Preparation	$ 297,500	$ 127,500	$ 425,000
)ff Site Work			
lew Construction Contracts			
/lodernization Contracts	$ 5,686,740	$ 2,375,665	$ 8,062,405
;ontingencies	$ 380,780	$ 213,220	$ 594,000
\rchitectural/Engineering Fees	$ 455,064	$ 194,166	$ 649,230
;onsulting and Other Fees	$ 427,000	$ 183,000	$ 610,000
/lovable and Other Equipment (not in construction contracts)	$ 7,249,310	$ 1,279,290	$ 8,528,600
let Interest Expense During Construction Period			
'air Market Value of Leased Space			
'air Market Value of Leased Equipment			
)ther Costs to be Capitalized	$ 5,802,720	$ 2,486,880	$ 8,289,600
\cquisition of Building or Other Property	$ 4,820,888	$ 2,066,095	$ 6,886,983
TOTAL USES OF FUNDS	**$ 25,221,502**	**$ 8,969,316**	**$ 34,190,818**
;ources of Funds:			
;ash and Securities	$ 7,262,353	$ 3,112,437	$ 10,374,790
'ledges			
;ifts and Bequests			
3ond Issues (project related)			
/lortgages			
.eases (fair market value)			
3overnmental Appropriations			
3rants	$ 16,671,220	$ 7,144,808	$ 23,816,028
)ther Funds and Sources			
TOTAL SOURCES OF FUNDS	**$ 23,933,573**	**$ 10,257,246**	**$ 34,190,818**

GRANTS AWARDED TO FUND PROJECT

The primary funding of the project is in the form of two grants awarded by the Illinois Department of Healthcare & Family Services ("DHFS"). The first grant, in the amount of $15,000,000 (subsequently increased to $17,272,028, was the primary funding source for the project approved by the HFSRB in March 2022. The second grant, also from DHFS, was approved in December 2024, and is the amount of $6,544,000. The primary capital costs to be addressed through the second grant, and the initial cost estimates for those project components include:

parking lot improvements	$348,000
door actuators for toilets	$145,000
dental clinic expansion	$514,000
1st floor Bas controls	$131,000
rooftop AHU replacement	$2,316,000
duct return system	$157,000
roof replacement	$716,000
purchase of parking lot	$500,000
telehealth system	$950,000
EMR system	$500,000
misc./other	$267,000
	$6,544,000

Dear Dr. Prendergast:

The Illinois Department of Healthcare & Family Services (HFS) is pleased to inform you that after further review, we have decided to fund your proposal and would like to discuss next steps.
Preliminarily, HFS approves your funding request of $14.2 million for the first year. The total funding request approved is for up to $15 million over three years. The continuation of this funding will be based upon your meeting key performance measures, milestones and other terms and conditions of the funding agreement. In the meantime, if you wish to do publicity about this preliminary award, please coordinate with evan.d.fazio@illinois.gov.

We invite you to participate in a WebEx meeting (details below). This discussion may encompass possible adjustments to components of your proposal, including modifications of funding levels.

You will also have an opportunity to ask any questions that you may have about the process and next steps. Please be prepared to discuss your proposed implementation strategy and timeline and any needs that you may have associated therewith.

Please ensure that representatives who can thoroughly address all elements of your proposal will be participating, as well as representatives from each of your collaborating partners.
As requested during our previous meeting, please send the names, titles, company names, email addresses and phone numbers of those who will be attending, including any collaborating partners, within 48 hours before the meeting. This will be a closed meeting consisting of the HFS negotiation team and the applicant only. Final award decisions will be made after these upcoming discussions.
We appreciate your commitment to improving the health and wellness in the communities you serve and look forward to further discussions.

Target Health HTC Award Meeting
https://hes32-ctp.trendmicro.com:443/wis/clicktime/v1/query?url=https%3a%2f%2fillinois.webex.com%2fillinois%2fj.php%3fMTID%3dm0f476e1e40da48356d7edac1f8bcc742&umid=d79ab3ea-eb1f-4a35-aaff-ac1fef1ca231&auth=cb8e2e5f0380db52462dcdd50199f593f72a1c1e-bca4393808844055ca0375b3e8c9d1b499c591e5
Wednesday, Jul 21, 2021 11:30 am | 1 hour | (UTC-05:00) Central Time (US & Canada)
Meeting number: 177 787 1288
Password: 43EzyMWKXW8

Kimberly E. McCullough-Starks

Kimberly E. McCullough-Starks
Deputy Director
Illinois Department of Healthcare & Family Services
401 South Clinton, 7th Floor
Chicago, Illinois 60607
Office: 312-793-4792
Cell: 312-639-0353
Fax: 312-793-0269
Email Address: kim.mccullough@illinois.gov
Website Address: https://www.illinois.gov/hfs

HFS

We Improve Lives

Illinois Department of Healthcare and Family Services

"If you talk to a man in a language he understands, that goes to his head. If you talk to him in his language, that goes to his heart."
---Nelson Mandela

all illinois
#allinillinois

Join the pledge here.

Get the help you need.
Illinois: united against COVID-19

Follow us for real-time

Outlook

55th & Pulaski: approved for funding

From Lava, Jesse W <Jesse.Lava@Illinois.gov>
Date Mon 12/2/2024 4:18 PM
To McCullough, Sandi <sm99@uic.edu>; hprender <hprender@uic.edu>
Cc Parker, James <jpark406@uillinois.edu>; Ford-Davenport, Tanya L. <Tanya.Ford-Davenport@Illinois.gov>; Seliger, Matthew <Matthew.Seliger@illinois.gov>; Diewald, Susan <diewald2@uillinois.edu>; hap111 <hap111@comcast.net>; Winick, Ben <Ben.Winick@Illinois.gov>

Sandi and Heather — HFS is granting 55th & Pulaski (aka Target) an extension of its funding agreement for two years to run through calendar year 2026. You are approved for $6,544,000 during that period. This amount covers your most recent proposal of $8,807,005, excluding the telehealth system, purchase of a parking lot, and building clinical director. We will be in touch shortly with an amendment to the funding agreement; I wanted to get you the news when I had it. Please be sure to notify your board, HTC members, legal support, fiscal agent, and any other relevant parties. — Jesse

Jesse Lava
He, him
Special Assistant to the Director
Phone: +1 847-347-0650
jesse.lava@illinois.gov

HFS
Illinois Department of
Healthcare and Family Services

We improve lives.

Related Project Costs

Provide the following information, as applicable, with respect to any land related to the project that will be or has been acquired during the last two calendar years:

Land acquisition is related to project INCLUDED IN PURCHASE PRICE OF BUILDING Purchase Price: $__50,000_________ (purchase of parking lot) Fair Market Value: $__50,000_______________
The project involves the establishment of a new facility or a new category of service ☐ Yes X No If yes, provide the dollar amount of all **non-capitalized** operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100. Estimated start-up costs and operating deficit cost is $ _____N/A __________.

Project Status and Completion Schedules

For facilities in which prior permits have been issued please provide the permit numbers.
Indicate the stage of the project's architectural drawings: ☐ None or not applicable ☐ Preliminary X Schematics ☐ Final Working
Anticipated project completion date (refer to Part 1130.140): ___December 31, 2026_____
Indicate the following with respect to project expenditures or to financial commitments (refer to Part 1130.140): PLEASE SEE NARRATIVE DESCRIPTION ☐ Purchase orders, leases or contracts pertaining to the project have been executed. ☐ Financial commitment is contingent upon permit issuance. Provide a copy of the contingent "certification of financial commitment" document, highlighting any language related to CON Contingencies ☐ Financial Commitment will occur after permit issuance.
APPEND DOCUMENTATION AS <u>ATTACHMENT 8,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

State Agency Submittals [Section 1130.620(c)]

Are the following submittals up to date as applicable: X Cancer Registry X APORS X All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted X All reports regarding outstanding permits **Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.**

Cost Space Requirements

Provide in the following format, the **Departmental Gross Square Feet (DGSF)** or the **Building Gross Square Feet (BGSF)** and cost. The type of gross square footage either **DGSF** or **BGSF** must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the departments or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

Not Reviewable Space [i.e., non-clinical]: *means an area for the benefit of the patients, visitors, staff, or employees of a health care facility and not directly related to the diagnosis, treatment, or rehabilitation of persons receiving services from the health care facility. "Non-clinical service areas" include, but are not limited to, chapels; gift shops; newsstands; computer systems; tunnels, walkways, and elevators; telephone systems; projects to comply with life safety codes; educational facilities; student housing; patient, employee, staff, and visitor dining areas; administration and volunteer offices; modernization of structural components (such as roof replacement and masonry work); boiler repair or replacement; vehicle maintenance and storage facilities; parking facilities; mechanical systems for heating, ventilation, and air conditioning; loading docks; and repair or replacement of carpeting, tile, wall coverings, window coverings or treatments, or furniture. Solely for the purpose of this definition, "non-clinical service area" does not include health and fitness centers.* [20 ILCS 3960/3]

		Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area	**Cost**	**Existing**	**Proposed**	**New Const.**	**Modernized**	**As Is**	**Vacated Space**
REVIEWABLE							
Medical Surgical							
Intensive Care							
Diagnostic Radiology							
MRI							
Total Clinical							
NON-REVIEWABLE							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL							

APPEND DOCUMENTATION AS ATTACHMENT 9, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert the chart after this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which data is available. Include observation days in the patient day totals for each bed service.** Any bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

FACILITY NAME:	**University of Illinois Hospital & Clinics**		**CITY: Chicago**		
REPORTING PERIOD DATES:		**From:**		**to:**	
Category of Service	**Authorized Beds**	**Admissions**	**Patient Days**	**Bed Changes**	**Proposed Beds**
Medical/Surgical	240	10,061	70,763	none	240
Obstetrics	36	2,101	4,839	none	36
Pediatrics	20	388	2,800	none	20
Intensive Care	65	2,603	18,811	none	65
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness	47	584	12,363	none	47
Neonatal Intensive Care	30	548	4,844	none	30
General Long-Term Care					
Specialized Long-Term Care					
Long Term Acute Care					
Other ((identify)					
TOTALS:	438	16,285	114,420	none	438

CERTIFICATION

The Application must be signed by the authorized representatives of the applicant entity. Authorized representatives are:

- in the case of a corporation, any two of its officers or members of its Board of Directors;
- in the case of a limited liability company, any two of its managers or members (or the sole manager or member when two or more managers or members do not exist);
- in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- in the case of a sole proprietor, the individual that is the proprietor.

This Application is filed on the behalf of _The Board of Trustees of the University of Illinois, a state body corporate and politic of the State of Illinois__* in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this Application on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the fee required for this application is sent herewith or will be paid upon request.

Joanna Groden

SIGNATURE

Joanna Groden

PRINTED NAME

Vice Chancellor for Research

PRINTED TITLE

2/4/25

Paul N. Ellinger

SIGNATURE

Paul N. Ellinger

PRINTED NAME

Comptroller

PRINTED TITLE

Kristen Scheurich 2/4/2025

Comptroller Delegate Date

Kristen Scheurich

Assistant Director, Proposals

Office of Sponsored Programs

*Insert the EXACT legal name of the applicant

Criterion 1110.110(b) & (d)

PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other relevant area, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.
4. Cite the sources of the documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals **as appropriate**.

For projects involving modernization, describe the conditions being upgraded, if any. For facility projects, include statements of the age and condition of the project site, as well as regulatory citations, if any. For equipment being replaced, include repair and maintenance records.

NOTE: Information regarding the "Purpose of the Project" will be included in the State Board Staff Report.

APPEND DOCUMENTATION AS <u>ATTACHMENT 12,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-6) MUST BE IDENTIFIED IN ATTACHMENT 12.

ALTERNATIVES

1) Identify <u>**ALL**</u> the alternatives to the proposed project:

   Alternative options <u>**must**</u> include:

   A) Proposing a project of greater or lesser scope and cost.

   B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes.

   C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and

   D) Provide the reasons why the chosen alternative was selected.

2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality, and financial benefits in both the short-term (within one to three years after project completion) and long-term. This may vary by project or situation. **FOR EVERY ALTERNATIVE IDENTIFIED, THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**

3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

APPEND DOCUMENTATION AS <u>ATTACHMENT 13,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IV. PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE

Criterion 1110.120 - Project Scope, Utilization, and Unfinished/Shell Space

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive. **This must be a narrative and it shall include the basis used for determining the space and the methodology applied.**

2. If the gross square footage exceeds the BGSF/DGSF standards in Appendix B, justify the discrepancy by documenting one of the following:

   a. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies and certified by the facility's Medical Director.

   b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that delineates the constraints or impediments.

   c. The project involves the conversion of existing space that results in excess square footage.

   d. Additional space is mandated by governmental or certification agency requirements that were not in existence when Appendix B standards were adopted.

Provide a narrative for any discrepancies from the State Standard. A table must be provided in the following format with Attachment 14.

SIZE OF PROJECT				
DEPARTMENT/SERVICE	PROPOSED BGSF/DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?

APPEND DOCUMENTATION AS <u>ATTACHMENT 14,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PROJECT SERVICES UTILIZATION:

This criterion is applicable only to projects or portions of projects that involve services, functions, or equipment for which HFSRB <u>has established</u> utilization standards or occupancy targets in 77 Ill. Adm. Code 1100.

Document that in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in 1110.Appendix B. **A narrative of the rationale that supports the projections must be provided.**

A table must be provided in the following format with Attachment 15.

UTILIZATION					
	DEPT./ SERVICE	HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.	PROJECTED UTILIZATION	STATE STANDARD	MEET STANDARD?
YEAR 1					
YEAR 2					

APPEND DOCUMENTATION AS <u>ATTACHMENT 15,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

UNFINISHED OR SHELL SPACE:

not applicable...no shell space included in project

Provide the following information:

1. Total gross square footage (GSF) of the proposed shell space.

2. The anticipated use of the shell space, specifying the proposed GSF to be allocated to each department, area, or function.

3. Evidence that the shell space is being constructed due to:
   a. Requirements of governmental or certification agencies; or
   b. Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.

4. Provide:
   a. Historical utilization for the area for the latest five-year period for which data is available; and
   b. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

APPEND DOCUMENTATION AS ATTACHMENT 16, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

ASSURANCES:

not applicable...no shell space included in project

Submit the following:

1. Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time or the categories of service involved.

2. The estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and

3. The anticipated date when the shell space will be completed and placed into operation.

APPEND DOCUMENTATION AS ATTACHMENT 17, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

M. Criterion 1110.270 - Clinical Service Areas Other than Categories of Service

1. Applicants proposing to establish, expand and/or modernize Clinical Service Areas Other than categories of service must submit the following information:

2. Indicate changes by Service: Indicate # of key room changes by action(s):

Service	# Existing Key Rooms	# Proposed Key Rooms
☐ general radiology	1	1
☐ CT	1	1
☐ ultrasound	1	1
☐ mammography	1	1

3. READ the applicable review criteria outlined below and **submit the required documentation for the criteria:**

Project Type	Required Review Criteria
New Services or Facility or Equipment	(b) – Need Determination – Establishment
Service Modernization	(c)(1) – Deteriorated Facilities
	AND/OR
	(c)(2) – Necessary Expansion
	PLUS
	(c)(3)(A) – Utilization – Major Medical Equipment
	OR
	(c)(3)(B) – Utilization – Service or Facility
1APPEND DOCUMENTATION AS ATTACHMENT 31, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

The following Sections DO NOT need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18-month period prior to the submittal of the application):

- **Section 1120.120 Availability of Funds – Review Criteria**
- **Section 1120.130 Financial Viability – Review Criteria**
- **Section 1120.140 Economic Feasibility – Review Criteria, subsection (a)**

VII. 1120.120 - AVAILABILITY OF FUNDS

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable [**Indicate the dollar amount to be provided from the following sources]:**

____	a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
____	b) Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated timetable of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
____	c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated timetable of receipts;
____	d) Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment;

	5) For any option to lease, a copy of the option, including all terms and conditions. e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent; f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt; g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
	TOTAL FUNDS AVAILABLE

APPEND DOCUMENTATION AS ATTACHMENT 34, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VIII. 1120.130 - FINANCIAL VIABILITY

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:

1. "A" Bond rating or better
2. All the project's capital expenditures are completely funded through internal sources
3. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
4. The applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor.

Proof of "A" bond rating provided

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT 35, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which **audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion.** When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

	Historical 3 Years			Projected
Enter Historical and/or Projected Years:				
Current Ratio				
Net Margin Percentage				
Percent Debt to Total Capitalization				
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

Variance

Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

APPEND DOCUMENTATION AS ATTACHMENT 36, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IX. 1120.140 - ECONOMIC FEASIBILITY

This section is applicable to all projects subject to Part 1120.

A. Reasonableness of Financing Arrangements

not applicable

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or

2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:

   A) A portion or all the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or

   B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Conditions of Debt Financing

not applicable

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

1) That the selected form of debt financing for the project will be at the lowest net cost available;

2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;

3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

1. Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
	A	B	C	D	E	F	G	H	
Department (list below)	Cost/Square Foot New	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	Circ.*	Const. $ (A x C)	Mod. $ (B x E)	Total Cost (G + H)
Contingency									
TOTALS									

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

E. Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

APPEND DOCUMENTATION AS <u>ATTACHMENT 37,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION X. SAFETY NET IMPACT STATEMENT

SAFETY NET IMPACT STATEMENT that describes all the following must be submitted for ALL SUBSTANTIVE PROJECTS AND PROJECTS TO DISCONTINUE HEALTH CARE FACILITIES [20 ILCS 3960/5.4]:

not applicable

1. The project's material impact, if any, on essential safety net services in the community, *including the impact on racial and health care disparities in the community,* to the extent that it is feasible for an applicant to have such knowledge.

2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.

3. How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant.

Safety Net Impact Statements shall also include all of the following:

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.

2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.

3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service.

A table in the following format must be provided as part of Attachment 37.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			
Charity (cost in dollars)			
Inpatient			
Outpatient			
Total			
MEDICAID			
Medicaid (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			
Medicaid (revenue)			
Inpatient			
Outpatient			
Total			

APPEND DOCUMENTATION AS ATTACHMENT 38, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION X. CHARITY CARE INFORMATION

NOT APPLICABLE, APPLICANT IS NOT A LICENSED HEALTH CARE FACILITY

Charity Care information MUST be furnished for ALL projects [1120.20(c)].

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **audited** fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.

2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.

3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer (20 ILCS 3960/3). Charity Care must be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 39.

CHARITY CARE			
Net Patient Revenue			
Amount of Charity Care (charges)			
Cost of Charity Care			

APPEND DOCUMENTATION AS ATTACHMENT 39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION XI -SPECIAL FLOOD HAZARD AREA AND 500-YEAR FLOODPLAIN DETERMINATION FORM

In accordance with Executive Order 2006-5 (EO 5), the Health Facilities & Services Review Board (HFSRB) must determine if the site of the CRITICAL FACILITY, as defined in EO 5, is located in a mapped floodplain (Special Flood Hazard Area) or a 500-year floodplain. All state agencies are required to ensure that before a permit, grant or a development is planned or promoted, the proposed project meets the requirements of the Executive Order, including compliance with the National Flood Insurance Program (NFIP) and state floodplain regulation.

1. Applicant: _The Board of Trustees of the University of Illinois a state body corporate and politic of the State of Illinois 364 Henry Administration Building (MC364) 506 S. Wright Street
(Address)
(City)Urbana (State) IL (ZIP Code) 61801 (Telephone Number) 217/333-3070

2. Project Location: 5525 South Pulaski Road
Chicago, IL (Address (City)
Cook
(County) (Township) (Section)

3. You can create a small map of your site showing the FEMA floodplain mapping using the FEMA Map Service Center website (https://msc.fema.gov/portal/home) by entering the address for the property in the Search bar. If a map, like that shown on page 2 is shown, select the ***Go To NFHL Viewer*** tab above the map. You can print a copy of the floodplain map by selecting the icon in the top corner of the page. Select the pin tool icon and place a pin on your site. Print a FIRMETTE size image.

   If there is no digital floodplain map available select the **View/Print FIRM** icon above the aerial photo. You will then need to use the Zoom tools provided to locate the property on the map and use the **Make a FIRMette** tool to create a pdf of the floodplain map.

IS THE PROJECT SITE LOCATED IN A SPECIAL FLOOD HAZARD AREA:

Yes____ No _X__

IS THE PROJECT SITE LOCATED IN THE 500-YEAR FLOOD PLAIN?

If you are unable to determine if the site is in the mapped floodplain or 500-year floodplain, contact the county or the local community building or planning department for assistance.
If the determination is being made by a local official, please complete the following:

FIRM Panel Number:____________________ Effective Date:________

Name of Official:____________________ Title: __________

Business/Agency:____________________ Address:

(City) (State) (ZIP Code) (Telephone Number)

Signature:____________________ Date:

NOTE: This finding only means that the property in question is or is not in a Special Flood Hazard Area or a 500-year floodplain as designated on the map noted above. It does not constitute a guarantee that the property will or will not be flooded or be subject to local drainage problems.

If you need additional help, contact the Illinois Statewide Floodplain Program at 217/782-4428

STATUS OF APPLICANT

By law, the applicant is exempt from having to obtain a Certificate of Good Standing.

ATTACHMENT 1

CHICAGO TITLE & TRUST.

Chicago Title and Trust Company
10 South LaSalle Street, Suite 3100
Chicago, IL 60603
312-223-2173

Disbursement Statement

Settlement Date:	October 18, 2021
Disbursement Date:	October 18, 2021
Order Number:	CCHI2101969LD
Escrow Officer:	Laurel Arlis
Buyer:	University of Illinois
Seller:	MERCY HOSPITAL AND MEDICAL CENTER, AN ILLINOIS NOT FOR PROFIT CORPORATION
Property:	5525 South Pulaski Road Chicago, IL 60629

	Buyer		Seller	
	Debit	Credit	Debit	Credit
Total Consideration				
Purchase Price	4,950,000.00			4,950,000.00
Personal Property and Equipment	35,000.00			35,000.00
Prorations/Adjustments				
Proration for 2021 Taxes Non-Exempt Parcels		9,373.24	9,373.24	
Proration for 2021 Taxes Leased Parcel		9,162.79	9,162.79	
,roration for Parking Lease Paid through October	1,983.48			1,983.48
Title/Escrow Charges $8,550.00				
Owner's Policy and Endorsements Coverage: $4,950,000.00 Version: ALTA Owner's Policy 2006			3,850.00	
Deed and Money Escrow	750.00		750.00	
Policy Update Fee	150.00			
New York Closing Fee (GAP Coverage)	250.00		250.00	
Commitment Update Fee			150.00	
Endorsement Package for Billing	1,975.00			
Estimated Recording Fees	250.00			
E Recording and Service Fees	25.00			
Overnight/Express Delivery Service Fee	75.00			
Schedule B Document Copies			75.00	
Miscellaneous Charges				
Chicago Water Certificates (2) Fees to MGR Title Services			300.00	
Real Estate Taxes 19-14-100-068 to MGR Title Services fbo Cook County Treasurer			1,803.69	
ɘal Estate Taxes 19-15-207-030 to MGR Title Services fbo Cook County Treasurer			1,364.65	

ATTACHMENT 2

Disbursement Statement

	Buyer Debit	Buyer Credit	Seller Debit	Seller Credit
Miscellaneous Charges (continued)				
Real Estate Taxes 19-15-207-031 to MGR Title Services fbo Cook County Treasurer			1,326.10	
Real Estate Taxes 19-15-207-032 to MGR Title Services fbo Cook County Treasurer			1,364.65	
Real Estate Taxes 19-14-100-074 to MGR Title Services fbo Cook County Treasurer			5,816.85	
Duplicate Tax Bill Fee to MGR Title Services fbo Cook County Treasurer			35.00	
RE Tax Payment Fee to MGR Title Services $51 per parcel			255.00	
ALTA/NSPS to Bock and Clark Corporation			3,000.00	
Commission to Transwestern Commercial Services			120,000.00	
Commission to Lynch Realty, Inc.			99,000.00	
Legal Counsel Fees to Barnes & Thornburg			26,680.07	
Subtotals	4,990,458.48	18,536.03	284,557.04	4,986,983.48
Balance Due FROM Buyer		**4,971,922.45**		
Balance Due TO Seller			**4,702,426.44**	
Totals	4,990,458.48	4,990,458.48	4,986,983.48	4,986,983.48

See signature page to follow

ATTACHMENT 2

BUYER:

The Board of Trustees of the University of Illinois,
a public body corporate and politic of the State of Illinois

By: Paul N. Ellinger

Name: Paul N. Ellinger

Title: Interim VP, CFO & Comptroller

Chicago Title Insurance Company
File No: NCS CCHI2101969LD

SIGNATURE PAGE TO MASTER STATEMENT

SELLER:

MERCY HOSPITAL AND MEDICAL CENTER,
an Illinois not-for-profit corporation

By: ______________________
Name: Jeffrey R. Mathis
Title: Secretary

ATTACHMENT 2

BUYER

University of Illinois

By:______________________________
Name:______________________________
Its:______________________________

SELLER

MERCY HOSPITAL AND MEDICAL CENTER, AN ILLINOIS NOT FOR PROFIT CORPORATION

By:______________________________
Name:______________________________
Its:______________________________

Chicago Title and Trust Company

BY:______________________________
Chicago Title and Trust Company

ATTACHMENT 2

NOTE ON OPERATING ENTITY/LICENSEE

The Board of Trustees of the University of Illinois owns the University of Illinois Medical Center at Chicago and several other healthcare providers across the state. These providers, pursuant to 210 ILCS 85/3(A)(2), are not subject to the licensure requirements of the Illinois Hospital Licensure Act. The Hospital was established under the University of Illinois Hospital Act (110 ILCS 330).

The Illinois Department of Public Health does not license medical clinics buildings.

The day-to-day operations of the MCB will be directed by the TARGET Health Cooperative Partnership, which is led by UI Physician Group.

Chancellor and Vice President

Access and Equity
Government Relation- d Advocacy
Intercollegiate Athlet
Senate Office

Vice Chancellor for Academic Affairs and Provost

ts:
cademic and Enrollment Services
ouncil on Teacher Education
aculty Affairs
Center for the Advancement of Teaching Excellence
lobal Engagement
nnovation Center
ocial Justice Initiative
Indergraduate Affairs and Academic Programs
lleges:
rchitecture, Design and the Arts
Business Administration
Education
gineering
duate College
nors College
JIC School of Law
Liberal Arts & Sciences
Library
Jrban Planning & Public Affairs

Vice Chancellor for Administrative Services

Units:
Campus Architect
Environmental Health and Safety
Facilities Management
Building Maintenance
Building Operations
Environmental Services for Hospital & Clinics
Mail Services
Transportation and Grounds
Heat, Light and Power
Parking
Planning, Sustainability, and Project Management
Preparedness & Response
University Police
Utility Operations

Vice Chancellor for Advancement

Units:
Operations and Talent
College & Unit Advancement
Communications
Corporate & Foundation Relations
Annual Giving
Donor Relations
UIC Alumni Association

Vice Chancellor for Budget, Human Resources, and Financial Administration

Units:
Budget and Financial Analysis
Human Resources
Institutional Research
UIC Purchasing

Vice Chancellor Diversity, Equity, and Engagement

Units:
Office of Diversity
Diversity Education
Community Collaboration
Community Relations
Student Inclusion
Faculty Initiatives
Centers for Cultural Understanding and Social Change (CCUSC)
African American Cultural Center
Arab American Cultural Center
Asian American Resource and Cultural Center
Disability Cultural Center
Gender and Sexuality Center
Latino Cultural Center Heritage Garden
Women's Leadership and Resource Center
Campus Advocacy Network
Early Outreach Program

Vice Chancellor for Health Affairs

Units:
Institute for Healthcare Delivery Design
Community Engagement and Neighborhood Health Partnerships
UI Cancer Center
Urban Health Programs
Colleges:
Applied Health Sciences
Dentistry
Medicine
Nursing
Pharmacy
Public Health
Social Work
Clinical Services:
UI Hospital/OCC
Mile Square Health Center
External Clinics

Vice Chancellor for Innovation

Units:
Technology Solutions Corporate Partnerships
Extended Campus
Technology Innovation Lab
West Loop Innovations

Vice Chancellor for Research

Units:
Division of Specialized Care f Children
Postdoctoral Affairs
Research Administration Cent
Business Services
Research Compliance
Animal Care & Institutional Biosafety
Clinical Research Oversight
Clinical Trials Oversight
Protection of Research Subjec
Research Data Initiatives and Information
Research Development
Research Integrity
Conflict of Interest and Commitment
Export Controls
Research Support Services
Biologic Resources Laboratory
Research Resources Center
Sponsored Programs
Research Centers:
Collaborative for Advanced Des Research, and Exploration
Institute for Environmental Scie Policy
Software Technologies Researcl Center
UIC Army Research Laboratory Collaborative

Note: Organization chart updated November 2021.

ATTACHMENT 4

Illinois Health Facilities and
Services review Board
Springfield, Illinois

To Whom It May Concern:

I hereby confirm that the project proposed in this Certificate of Need application, that being the establishment of a medical clinics building at 5525 South Pulaski Road in Chicago, complies with the requirements of Executive Order #2006-5. A map confirming such, and provided by FEMA, is attached.

Sincerely,

Scott E. Jones
Chief Ambulatory Operations Officer

Notarized:

GUADALUPE ALMANZA
OFFICIAL SEAL
Notary Public - State of Illinois
My Commission Expires
November 16, 2025

1-26-22

ATTACHMENT 5

FEMA
(//www.fema.gov/)

FEMA Flood Map Service Center: Search By Address

Navigation

Search

Languages

MSC Home (/portal/)

MSC Search by Address (/portal/search)

MSC Search All Products (/portal/advanceSearch)

MSC Products and Tools (/portal/resources/produ

Hazus (/portal/resources/hazu

LOMC Batch Files (/portal/resources/lomc

Product Availability (/portal/productAvailab

MSC Frequently Asked Questions (FAQs) (/portal/resources/faq)

MSC Email Subscriptions (/portal/subscriptionHome)

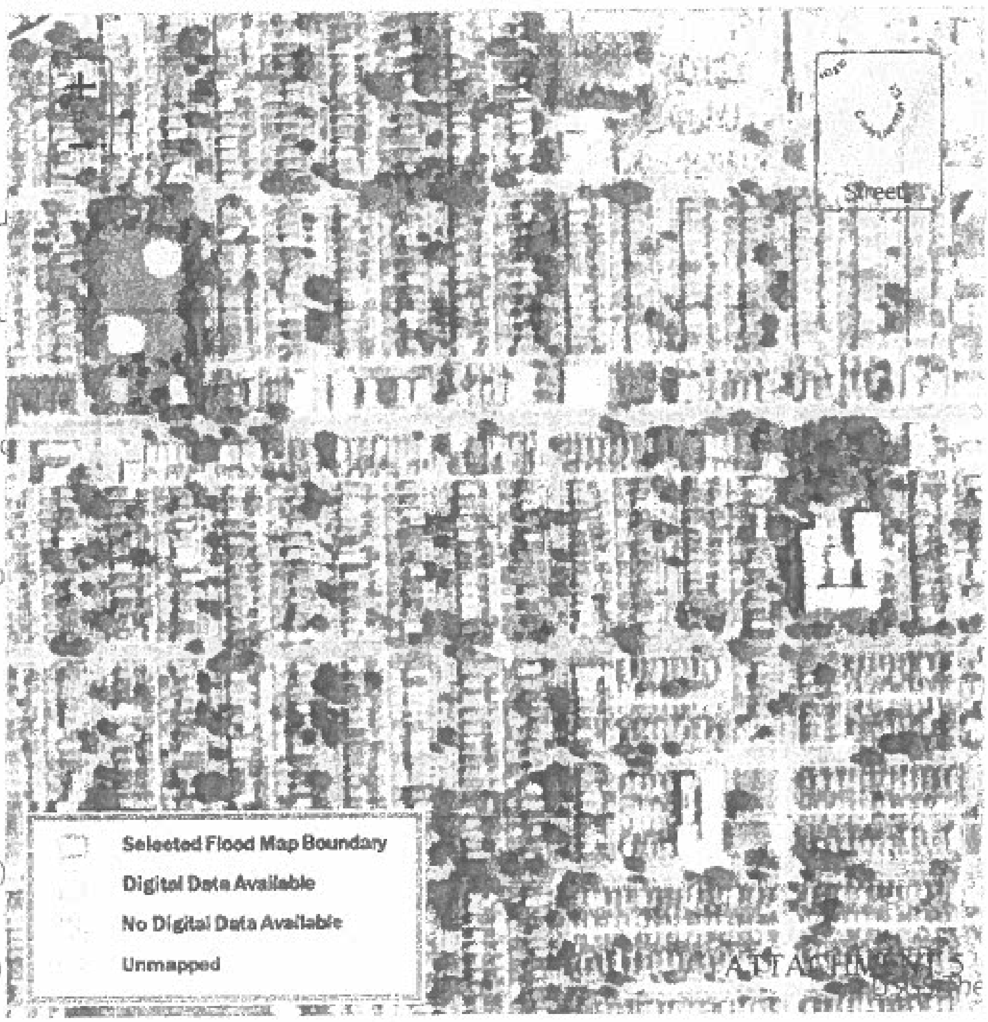
Contact MSC Help (/portal/resources/contact)

Enter an address, place, or coordinates:

5525 South Pulaski Road Chicago, IL 6062 | Search

Whether you are in a high risk zone or not, you may need flood insurance (https://www.fema.gov/national-flood-insurance-program) because most homeowners insurance doesn't cover flood damage. If you live in an area with low or moderate flood risk, you are 5 times more likely to experience flood than a fire in your home over the next 30 years. For many, a National Flood Insurance Program's flood insurance policy could cost less than $400 per year. Call your insurance agent today and protect what you've built.

Learn more about steps you can take (https://www.fema.gov/what-mitigation) to reduce flood risk damage.



Axel & Associates, Inc.

MANAGEMENT CONSULTANTS

January 12, 2022

Illinois Dept. of Natural Resources
Illinois State Historic Preservation Office
ATTN: Review and Compliance/Old State Capitol
1 Old State Capitol Plaza
Springfield, IL 62701

RE: Proposed Renovation to Medical Office Building
5525 South Pulaski Road
Chicago

To Whom It May Concern:

I am in the process of developing a Certificate of Need application, to be filed with the Illinois Health Facilities Services and Review Board, and I am in need of a determination of applicability from your agency.

The project involves the renovation of approximately 30,000 square feet of the above-identified medical office building ("MOB"). The building is approximately 45 years old. There do not appear to be any structures of historical significance near the site, the exterior of the buildings will not be altered in any significant way, and the project will have no impact on surrounding buildings.

I have enclosed a map of the site and pictures of the hospital and the MOB, as well as surrounding buildings. The area is generally a mix of retail and office buildings, with portions of the area currently under development.

A letter from your office, confirming that the Preservation Act is not applicable to this project would be greatly appreciated.

Should you have any questions, I may be reached at the phone number below.

Sincerely,

Jacob M. Axel
President

enclosures

ATTACHMENT 6

675 North Court, Suite 210
Palatine, Illinois 60067

Phone (847) 776-7101
Fax (847) 776-7004

PROJECT COST AND SOURCES OF FUNDS

Project Costs

Preplanning Costs				
building evaluation	$ 115,000			
environmental eval.	$ 10,000			
other, misc.	$ 20,000			
		$ 145,000		
Site Preparations				
parking resurfacilng	$ 349,000			
exterior lighting	$ 18,000			
exterior signage	$ 18,000			
other, misc.	$ 40,000			
		$ 425,000		$ 385,000
Modernization Contracts				
please see ATT. 36		$ 8,062,405		
Contingencies				
please see ATT. 36		$ 594,000		
Architectural & Engineering				
phase 2 design	$ 454,461			
phase 1 design	$ 127,249			
other, misc.	$ 67,520			
		$ 649,230		
Consulting and Other Fees				
project management	$ 375,000			
equipment planning	$ 60,000			
legal	$ 60,000			
bldg. commissioning	$ 25,000			
printing	$ 15,000			
other, misc.	$ 75,000			
		$ 610,000		

PROJECT COST AND SOURCES OF FUNDS

Movable Equipment		
telehealth	$ 1,140,000	
EMR	$ 600,000	
imaging	$ 3,260,400	
specialty clinics	$ 1,288,800	
dental clinic	$ 316,100	
echocardiology	$ 323,300	
PT/OT	$ 150,000	
IT	$ 600,000	
communications syst.	$ 300,000	
furniture	$ 350,000	
misc./other	$ 200,000	
		$ 8,528,600
Other Costs to be Capitalized		
HVAC replacement	$ 3,294,000	
sprinkler system	$ 840,000	
plumbing system	$ 517,200	
rooftop repairs/replace.	$ 3,638,400	
		$ 8,289,600
Acqiusition of Building	$ 6,386,983	
Acquisition of Parking Lot	$ 500,000	
		$ 6,886,983
Total		**$ 34,190,818**

Sources of Funds

Cash from U of I or Related Entity	$ 10,374,790
Grant	$ 23,816,028
Total	**$ 34,190,818**

Cost Space Requirements

		Gross Square Feet		Amount of Proposed Total Square Feet That is:			
Dept./Area	Cost	Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
Reviewable							
Mammography	$ 1,336,740		885		885		
Gen'l Radiology	$ 1,488,069		870		870		
CT	$ 2,396,043		1,300		1,300		
Ultrasound	$ 353,101		183		183		
Urgent Care	$ 2,396,043		1,690		1,690		
Dental	$ 1,790,727		1,449		1,449		
Behavioral Health	$ 252,215		187		187		
Care Coordination	$ 428,766		360		360		
Lab	$ 731,424		530		530		
Echocardiography	$ 428,766		295		295		
U of I Specialty Clinics	$ 10,794,803		7,810		7,810		
PT/OT/Nutrition	$ 2,824,808		3,480		3,480		
	$ 25,221,502		19,039		19,039		
Non-Reviewable							
CS & Gen'l Storage	$ 950,747		1,123		1,123		
Comm. Education	$ 959,717		1,058		1,058		
Staff Areas	$ 941,778		1,038		1,038		
Patient Registration	$ 484,343		517		517		
Mechanical Areas	$ 1,139,103		1,512		1,512		
Administrative	$ 502,282		430		430		
Lobbies	$ 2,089,851		2,466		2,466		
Pub. Areas/Gen. Circ	$ 1,659,323		2,200		2,200		
Houskeeping	$ 206,294		275		275		
Security	$ 35,877		42		42		
	$ 8,969,316		10,661		10,661		
TOTAL	$ 34,190,818		29,700		29,700		

ATTACHMENT 9

BACKGROUND

With the signatures provided on the Certification page of this Certificate of Need ("CON") application, the applicant attests that, to the best of its knowledge, no adverse action has been taken against any health care facility owned and/or operated by it, during the three years prior to the filing of this CON application. Further, with the signatures provided on the Certification page of this CON application, the applicant authorizes the Health Facilities and Services Review Board and the Illinois Department of Public Health access to any documents which it finds necessary to verify any information submitted, including, but not limited to official records of IDPH or other State agencies, and records of nationally recognized accreditation organizations.

PURPOSE OF PROJECT

The primary purpose of the proposed project is to improve access to health care services for a largely financially disadvantaged Latino population residing on the southwest side of Chicago. Access was significantly compromised with the 2021 closing of a large hospital-operated outpatient center that occupied the building addressed in this application. As such, the health care and well-being of the market area population to be served by the project will be improved.

The primary service area ("PSA") population consists of the residents (children and adults) residing in the ZIP Code areas located within four miles of the project's site. There are eleven residential ZIP Code areas (and one commercial ZIP Code area), with a population of 516,653 in the PSA, per SearchBug. Those ZIP Code areas are identified below:

60629	Chicago
60499	Bedford Park*
60652	Chicago
60636	Chicago
60632	Chicago
60456	Hometown
60638	Chicago
60459	Burbank
60805	Evergreen Park
60621	Chicago
60620	Chicago
60609	Chicago

*commercial with no population

The disease burden is distressingly high in the service area, compared to state and national averages. Service area residents are subject to high rates of diabetes prevalence and mortality, adult and childhood obesity, cancer morbidity and mortality, and adverse pre- and perinatal indicators. Behavioral health issues such as substance abuse are also significant in the area, and indicators. Behavioral health issues such as substance abuse are also significant in the area, and access to oral health care is also a challenge. Additionally, the area/neighborhoods surrounding the project suffer from the low number of primary care providers compared to other parts of Chicago or the state as a whole.

Historically, though located seven miles to the northeast of the site, and due in part to its liberal charity care policies and lack of medical care alternatives in the area, UI Health including Mile Square outpatient center has served as a primary provider of health care services to area residents.

The goal of the proposed project is to have all clinical services operational by the project completion date.

ALTERNATIVES

With the understanding that the purpose of the proposed project is to improve accessibility to high-quality medical care for the residents of a largely lower income and Latino population residing on the southwest side of Chicago, two alternatives were considered.

The first alternative considered was the construction of a new building in the general vicinity of the proposed project. Aside from the recognition that the construction cost would exceed the renovation cost estimated for the proposed project, and because the size of a newly-constructed building is unknown, the alternative's capital cost is unknown, but assumed to be greater than the proposed project's building purchase and renovation costs. Had this alternative been selected, the associated operating costs, accessibility for area residents, and quality of care would be very similar to that of the proposed project.

The second alternative considered would be the locating of the proposed project on or in very close proximity to the UI Medical Center campus. This alternative was immediately dismissed because it would not provide the level of accessibility sought for the target population. The capital/construction cost associated with this alternative, if a suitable location were identified, was not sought. Had this alternative been selected, accessibility for the target patient population would have been significantly diminished, while the operating costs and the quality of care would be very similar to that of the proposed project.

SIZE OF PROJECT

The proposed project involves space allocated for the provision of four clinical services having HFSRB-adopted space standards, as documented in Section 1110, APPENDIX B; and the amount of space proposed to be assigned to each of those services is consistent with the above-referenced standards. The project is limited to the renovation of an existing building, and as a result, the allocation of space is somewhat driven by the building's existing design. The allocated space (please see ATTACHMENT 9) is viewed by the applicant as being necessary and not excessive; and those functions having HFSRB-adopted space standards are identified in the table below.

DEPARTMENT/SERVICE	PROPOSED DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?
Gen'l Radiology (1)	870	1,300	(430)	YES
Mammography (1)	885	900	(15)	YES
CT (1)	1,300	1,800	(500)	YES
Ultrasound (1)	183	900	(717)	YES

In addition to the functions having HFSRB-adopted space standards, the facility will have a total of 26 examination/procedure rooms, located in the following areas:

- Urgent Care: 5 rooms
- Dental Clinic: 4 rooms
- Ophthalmology Clinic: 10 rooms
- Specialty Clinics: 7 rooms

PROJECT SERVICES UTILIZATION

The proposed project does not involve any HFSRB-identified "Categories of Service", but does include four fixed-site imaging modalities (general radiology, CT, ultrasound, and mammography) having HFSRB-adopted utilization standards, as identified in Section 1110, APPENDIX B. However, and consistent with HFSRB practices, because only one unit will be provided for each of the above-identified modalities, the minimal utilization standards are not applicable.

2024 was the first full year during which the imaging services were being provided. In order to minimize the effect of the modalities' "ramp up" period, historical data for the last six month of 2024 has been extrapolated (July-December utilization X 2) in order to estimate historical utilization in the table below, and projected utilization has conservatively been projected to increase by 2% per year through 2027.

Modality & Units	Historical Procedures	Projected Procedures	STATE STANDARD	MET STANDARD?
Mammography (1)	1,792	1,901	5,000	N/A
CT (1)	2,596	2,755	7,000	N/A
Ultrasound (1)	2,044	2,169	3,100	N/A
Gen'l Radiol. (1)	2,168	2,301	8,000	N/A

In addition to the services/programs to be provided that have HFSRB-adopted utilization standards, adult and pediatric physical and occupational services and a variety of outpatient clinics are provided. During 2024 (extrapolated per above) 1,908 PT/OT patient visits were provided, with utilization projected to increase to approximately 2,025 patient visits by 2027.

ATTACHMENT 15

A broad scope of adult and pediatric medical, surgical, OB/Gyn and behavioral health clinics are also provided at the facility, with many of the clinics operated by the University of Illinois College of Medicine/UI Physician Group. During 2024 (extrapolated per above) 13,356 patient visits were provided through the specialty clinics, and utilization is projected to increase to 14,173 visits by 2027.

Among the specialty clinics provided are:

- cardiology
- colorectal surgery
- dermatology
- endocrinology
- ENT
- general surgery
- genetics
- internal medicine
- nephrology
- neurology
- ophthalmology
- orthopedics
- pediatric cardiology
- pediatric endocrinology
- pediatric hematology
- pulmonary medicine
- rheumatology
- women's health
- wound care

CLINICAL SERVICE AREAS
OTHER THAN CATEGORIES OF SERVICE

The project addressed in this Certificate of Need application includes four imaging modalities that have not been identified by the HFSRB as "categories of service": general radiology, CT, ultrasound, and mammography. The physical size and projected utilization for each of the modalities are addressed in ATTACHMENTS 14 and 15, respectively. As identified in ATTACHMENT 14, the size of each modality is consistent with the HFSRB standard, and as noted in ATTACHMENT 15, because each of the modalities is limited to one unit, and consistent with HFSRB practices, the utilization standards for each modality are not applicable to this project.

The outpatient clinic building is located to the east of Midway Airport in the southwestern quadrant of Chicago; with it's purpose being to provide services to a largely-minority patient population living in the area, having limited access to primary care and specialty services, and having a higher incidence of numerous health care issues, such as obesity, diabetes, and heart disease than found in the region, as a whole. The building, until 2021, housed a variety of outpatient services provided by Mercy Hospital. When the building was abandoned, access to services in the area was greatly diminished, with the University of Illinois Medical Center (approximately seven miles to the East of the site) likely becoming one of the most-used sources of health care for the patient population previously relying on the Mercy center.

Below is a patient origin analysis, identifying the ten ZIP Code areas accounting for the greatest number of patient visits during the 12-month period ending January 17, 2025; and confirming that the neighborhoods in the general vicinity of the proposed facility account for a majority of its patients. A majority of the patients currently utilizing the center are residents of the Chicago neighborhoods located closes to the center, such as Elsdon, Englewood, West Englewood, clearing, Archer Heights and Gage Park.

ZIP Code	Location	% of Pt. Visits	Cumulative %
60629	Chicago	15.5%	15.5%
60632	Chicago	9.7%	25.2%
60609	Chicago	5.3%	30.5%
60623	Chicago	3.8%	34.3%
60620	Chicago	3.6%	37.9%
60608	Chicago	3.3%	41.2%
60638	Chicago	3.3%	44.5%
60652	Chicago	3.2%	47.7%
60617	Chicago	3.0%	50.7%
60619	Chicago	2.9%	53.6%
	other	46.4%	100.0%

Last, it is not anticipated that the provision of services at the facility has/will have a material impact on other providers, with the possible exception of the University of Illinois Medical Center.

UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Annual Financial Report

June 30, 2023

(With Independent Auditor's Report Thereon)

ATTACHMENT 34

UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Annual Financial Report

June 30, 2023

Table of Contents

ATTACHMENT 34

UNIVERSITY OF ILLINOIS SYSTEM

Office of the Vice President, Chief Financial Officer and Comptroller

January 19, 2024

Holders of University of Illinois
Health Services Facilities System Revenue Bonds
and The Board of Trustees of the University of Illinois:

I am pleased to transmit the Annual Financial Report of the University of Illinois Health Services Facilities System for the fiscal year ending June 30, 2023. This report supplements the Annual Financial Report of the University of Illinois.

The Health Services Facilities System has emerged from the COVID-19 pandemic with solid financial results in fiscal year 2023. Patient volume has exceeded pre-pandemic levels, pandemic-related costs related to personal protective equipment, facility modifications and patient care have been significantly reduced, and improved revenue cycle functions helped to offset inflationary impacts and labor costs. Health Services Facilities System leadership, medical professionals and staff remain committed to its mission of advancing health for everyone through outstanding clinical care, education, research and social responsibility.

The 2023 financial statements and accompanying notes appearing on pages 5 through 38 have been audited by RSM US LLP, Independent Certified Public Accountants, as special assistants to the Auditor General of the State of Illinois, whose report on the financial statements appears on pages 2 through 4.

Respectfully,

SIGNED ORIGINAL ON FILE

Paul Ellinger
Vice President, Chief Financial Officer and Comptroller

349 Henry Administration Building • 506 South Wright Street • Urbana, Illinois 61801
Office (217) 333-1560 • Fax (217) 244-8108

RSM

Independent Auditor's Report

RSM US LLP

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Trustees
University of Illinois

Report on the Audit of the Financial Statements

Opinion

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of the University of Illinois Health Services Facilities System (System), a segment of the University of Illinois, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the System, a segment of the University of Illinois, as of June 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University of Illinois, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note 1, the financial statements of the System are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the University of Illinois that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of the University of Illinois as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements of the System, in Fiscal Year 2023, the System adopted Governmental Accounting Standards Board's Statement No. 96, *Subscription-Based Information Technology Arrangements*. The adoption of this statement resulted in the restatement of opening net position and the inclusion of intangible right-to-use assets and a subscription liability. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Schedule of University of Illinois Health Services Facilities System Proportionate Share of the Net Pension Liability and the Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the University Officials page and Transmittal Letter but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2024, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
January 19, 2024

UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Statement of Net Position

June 30, 2023

Assets and Deferred Outflow of Resources		
Current assets:		
Claim on cash and on pooled investments	$	410,746,635
Restricted claim on cash and on pooled investments		1,038,992
Restricted cash and cash equivalents		71,216
Accrued investment income		1,333,406
Patient accounts receivable, net		163,943,176
Other receivables, net		12,480,236
Inventories		11,253,612
Prepaid expenses, deposits, and other assets		5,107,521
Total current assets		605,974,794
Noncurrent assets:		
Restricted claim on cash and on pooled investments		17,533,966
Other receivables		64,630
Capital assets, nondepreciable		25,955,565
Depreciable and amortizable capital assets, net		464,335,789
Total noncurrent assets		507,889,950
Deferred outflow of resources		814,774
Total assets and deferred outflow of resources	$	1,114,679,518
Liabilities, Deferred Inflow of Resources, and Net Position		
Current liabilities:		
Accounts payable	$	95,888,613
Accrued payroll		28,125,269
Accrued interest payable		1,277,605
Estimated third-party settlements		55,400,942
Current maturities of bonds payable		4,360,000
Current maturities of finance purchases payable		2,124,692
Current maturities of leases and subscriptions payable		6,413,161
Current portion of accrued compensated absences		4,453,599
Total current liabilities		198,043,881
Noncurrent liabilities:		
Bonds payable, net of current maturities		85,416,920
Finance purchases payable, net of current maturities		148,014,413
Leases and subscriptions payable, net of current maturities		12,083,926
Accrued compensated absences, net of current portion		30,722,284
Derivative instrument – swap liability		84,804
Total noncurrent liabilities		276,322,347
Deferred inflow of resources		345,673
Total liabilities and deferred inflow of resources		474,711,901
Net investment in capital assets		226,352,916
Restricted:		
Expendable for capital projects and equipment		17,210,958
Expendable for debt service		323,008
Unrestricted		396,080,735
Total net position		639,967,617
Total liabilities, deferred inflow of resources, and net position	$	1,114,679,518

See accompanying notes to financial statements.

ATTACHMENT 34

UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2023

Operating revenues:	
Net patient service revenue	$ 1,141,969,712
Other revenues	79,661,872
Total operating revenues	1,221,631,584
Operating expenses:	
Salaries, wages and benefits	479,406,956
On-behalf for fringe benefits	68,161,825
Special funding situation for fringe benefits	46,666,128
Supplies and general expenses	615,975,800
Administrative services	22,290,113
Depreciation and amortization	42,054,874
Total operating expenses	1,274,555,696
Operating loss	(52,924,112)
Nonoperating revenues (expenses):	
On-behalf for fringe benefits	68,161,825
Special funding situation for fringe benefits	46,666,128
State appropriations	40,549,258
Transfer to the University of Illinois Hospital Services Fund	(31,000,000)
Net increase in fair value of investments	1,835,703
Interest on capital asset related debt	(8,278,393)
Investment income (net of related expenses)	7,503,593
Gain on sale/disposal of capital assets	94,184
Other nonoperating revenues, net	2,385,392
Net nonoperating revenues	127,917,690
Increase in net position	74,993,578
Net position, beginning of year	564,190,810
Restatement, change in accounting principle	783,229
Net position, beginning of year, as restated	564,974,039
Net position, end of year	$ 639,967,617

See accompanying notes to financial statements.

ATTACHMENT 34

UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Statement of Cash Flows

Year ended June 30, 2023

Cash flows from operating activities:	
Patient services	$ 1,112,393,939
Payments to suppliers	(586,630,442)
Payments for administrative services	(22,290,113)
Payments to employees and for benefits	(454,628,492)
Other receipts	43,301,341
Net cash provided by operating activities	92,146,233
Cash flows from noncapital financing activities:	
State appropriations	9,549,258
Other receipts	1,104,147
Net cash provided by noncapital financing activities	10,653,405
Cash flows from capital and related financing activities:	
Purchases of capital assets	(56,076,706)
Proceeds from the sale of capital assets	1,495,257
Principal paid on capital debt, leases, and subscriptions	(12,705,586)
Interest paid on capital debt, leases, and subscriptions	(7,949,311)
Net cash used in capital and related financing activities	(75,236,346)
Cash flows from investing activities:	
Interest and other earnings on investments	6,792,720
Pooled cash allocated from University related to unrealized gains	1,835,704
Net cash provided by investing activities	8,628,424
Net increase in cash and cash equivalents	36,191,716
Cash and cash equivalents, beginning of year	393,199,093
Cash and cash equivalents, end of year	$ 429,390,809

UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Statement of Cash Flows

Year ended June 30, 2023

Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$	(52,924,112)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization		42,054,874
Provision for uncollectible accounts		(18,439,557)
On-behalf for fringe benefits		68,161,825
Special funding situation for fringe benefits		46,666,128
Changes in assets, liabilities, and deferred inflow of resources:		
Patient accounts receivable		(4,551,525)
Other receivables		(1,246,925)
Inventories		(592,351)
Prepaid expenses, deposits, and other assets		(1,175,401)
Accounts payable and accrued expenses		21,335,359
Advance from Centers for Medicare and Medicaid Services		(15,086,086)
Estimated third-party settlements		8,501,395
Accrued compensated absences		(421,913)
Deferred inflow of resources - leases portion		(135,478)
Net cash provided by operating activities	$	92,146,233
Noncash investing, capital, and financing activities:		
On-behalf for fringe benefits	$	68,161,825
Special funding situation for fringe benefits		46,666,128
State appropriations		31,000,000
Transfer to the University of Illinois Hospital Services Fund		(31,000,000)
Other increases in capital assets		1,476,391
Decrease of capital asset obligations in accounts payable		(4,157,668)
Capital assets acquired through financed purchase, lease, or subscription		162,683,005
Disposal of capital assets		(1,401,073)

See accompanying notes to financial statements.

ATTACHMENT 34

UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Required Supplementary Information
Year Ended June 30, 2023

Schedule of University of Illinois Health Services Facilities System Proportionate Share of the Net Pension Liability

Measurement Date	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
(a)	0%	0%	0%	0%	0%	0%	0%	0%	0%
(b)	$0	$0	$0	$0	$0	$0	$0	$0	$0
(c)	$2,722,736,087	$2,627,941,908	$2,685,929,039	$2,445,838,023	$2,325,669,476	$2,068,800,122	$2,016,718,081	$1,770,601,518	$1,546,893,194
Total (b) + (c)	$2,722,736,087	$2,627,941,908	$2,685,929,039	$2,445,838,023	$2,325,669,476	$2,068,800,122	$2,016,718,081	$1,770,601,518	$1,546,893,194
(d)	$360,104,021	$332,786,958	$320,699,826	$300,473,375	$288,314,036	$274,251,179	$265,271,833	$253,062,776	$260,376,968
(e)	756.10%	789.68%	837.52%	813.99%	806.64%	754.35%	760.25%	699.67%	594.10%
(f)	43.65%	45.45%	39.05%	40.71%	41.27%	42.04%	39.57%	42.37%	44.39%

(a) Proportion Percentage of the Collective Net Pension Liability
(b) Proportion Amount of the Collective Net Pension Liability
(c) Portion of Nonemployer Contributing Entities' Total Proportion of Collective Net Pension Liability associated with the System
(d) Employer defined benefit Covered Payroll*
(e) Proportion of Collective Net Pension Liability associated with the System as a percentage of defined benefit covered payroll
(f) SURS Plan Net Position as a Percentage of Total Pension Liability

* GASB Statement #82 amended GASB Statements #67 & #68 to require the presentation of covered payroll, defined as payroll on which contributions to a pension plan are based, and ratios that use that measure. For the SURS plans, the covered payroll are those employees within the defined benefit plan.

ATTACHMENT 34

(Continued)

61

UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Notes to Required Supplementary Information
June 30, 2023

The pension schedules above are presented to illustrate the requirements of the Governmental Accounting Standards Board's Statement No. 68 to show information for 10 years. However, until a full 10-year trend is compiled, the University will only present available information measured in accordance with the requirements of Statement No. 68.

Changes of benefit terms. There were no benefit changes recognized in the Total Pension Liability as of June 30, 2022.

Changes of assumptions. In accordance with *Illinois Compiled Statutes*, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of SURS. An experience review for the years June 30, 2017 to June 30, 2020 was performed in Spring 2021, resulting in the adoption of new assumptions as of June 30, 2021. These assumptions are listed below and remained the same for the June 30, 2022, actuarial valuation.

- Salary increase. Change in the overall assumed salary increase rates, ranging from 3.00 percent to 12.75 percent based on years of service, while maintaining the underlying wage inflation rate of 2.25 percent.

- Investment return. Decrease the investment return assumption to 6.50 percent. This reflects decreasing the assumed real rate of return to 4.25 percent and maintaining the underlying assumed price inflation of 2.25 percent.

- Effective rate of interest. Decrease the long-term assumption for the effective rate of interest for crediting the money purchase accounts to 6.50 percent.

- Normal retirement rates. Establish separate rates for members in academic positions and non-academic positions to reflect that retirement rates for academic positions are lower than for non-academic positions.

- Early retirement rates. Establish separate rates for members in academic positions and non-academic positions to reflect that retirement rates for academic positions are lower than for non-academic positions.

- Turnover rates. Change rates to produce slightly lower expected turnover for most members, while maintaining a pattern of decreasing termination rates as years of service increase.

- Mortality rates. Change from the RP-2014 to the Pub-2010 mortality tables to reflect the latter's higher applicability to public pensions. Update the projection scale from the MP-2017 to the MP-2020 scale.

- Disability rates. Establish separate rates for members in academic positions and non-academic positions and maintain separate rates for males and females.

- Plan election. Change plan election assumptions to 75 percent Tier 2 and 25 percent Retirement Savings Plan (RSP) for non-academic members. Change plan election assumptions to 55 percent Tier 2 and 45 percent Retirement Savings Plan (RSP) for academic members.

S&P Global
Ratings

RatingsDirect®

University of Illinois Board of Trustees University of Illinois Health Services Facilities System; Hospital; Joint Criteria; System

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Table Of Contents

ATTACHMENT 34

University of Illinois Board of Trustees University of Illinois Health Services Facilities System; Hospital; Joint Criteria; System

Credit Profile		
US$66.135 mil hlth svcrs facs sys rfdg rev bnds (University of Illinois) ser 2023 due 10/01/2042		
Long Term Rating	A-/Positive	New
Illinois Finance Authority, Illinois		
Provident Group - UIC Surgery Center LLC, Illinois		
Illinois Fin Auth (Provident Grp - UIC Surgery Ctr LLC) sys		
Long Term Rating	BBB+/Positive	Outlook Revised
University of Illinois Board of Trustees, Illinois		
University of Illinois Health Services Facilities System, Illinois		
University of Illinois Brd of Trustees (University of Illinois Hlth Svcs Fac Sys) hosp		
Long Term Rating	A-/Positive	Outlook Revised
University of Illinois Brd of Trustees (University of Illinois Hlth Svcs Fac Sys) JOINTCRIT		
Long Term Rating	AA/A-1	Affirmed
Unenhanced Rating	A-(SPUR)/Positive	Outlook Revised

Credit Highlights

- S&P Global Ratings revised the outlook to positive from stable and affirmed its 'A-' long-term rating on the University of Illinois Board of Trustees' series 2013 revenue bonds and its underlying rating on the board's series 2008 revenue refunding bonds, issued for the University of Illinois Health Services Facilities System (UIHSFS, or the system).
- At the same time, S&P Global Ratings assigned its 'A-' long-term rating to the board's $66.135 million series 2023 refunding revenue bonds, issued for UIHSFS.
- S&P Global Ratings also affirmed its 'AA/A-1' dual rating on the board's series 2008 revenue refunding bonds.
- We base the 'AA/A-1' rating on the application of our joint criteria. The 'AA' long-term component of the rating is jointly based on the rating on the obligor, UIHSFS, and the long-term rating on the letter of credit provider, Wells Fargo Bank N.A. The rating's 'A-1' short-term component reflects solely the short-term rating on Wells Fargo Bank.
- As a result of the outlook revision on UIHSFS, we also revised the outlook to positive from stable on the Illinois Finance Authority's series 2020 bonds, issued for Provident Group UIC--Surgery Center LLC (Provident), and affirmed the 'BBB+' long-term rating on the bonds.
- The positive outlook reflects UIHSFS's continued solid operating performance amid ongoing industry labor headwinds, strong maximum annual debt service (MADS) coverage, and balance-sheet metrics that are increasingly aligned with a higher rating. The outlook also incorporates the successful completion of recent capital expenditure projects on time and on budget, although UIHSFS is considering additional infrastructure projects over the outlook period.

ATTACHMENT 34

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Security

Proceeds from the new issue will be used to refund the system's 2013 series, as well as pay for the cost of issuance.

The bonds, including series 2023, are secured by net system revenue, the University of Illinois College of Medicine's tuition receipts, and the University of Illinois' faculty medical service plan. The University of Illinois does not formally guarantee UIHSFS's debt.

The bonds issued for Provident are secured by a leasehold mortgage as well as lease payments made by the Board of Trustees of the University of Illinois and UIHSFS for the use of the Specialty Care Building (SCB). Our starting point for the analysis of the Provident bonds is our rating on UIHSFS. The one-notch differential to 'BBB+' reflects the fact that the debt is not on par with UIHSFS's senior obligations, and that lease payments are made only once these senior obligations have been met.

Credit overview

The rating reflects our view of UIHSFS's position as an essential service provider in the competitive Chicagoland area, along with the benefits of a solid medical staff and the ongoing support received from the University of Illinois and the state. We view favorably ongoing strategic initiatives to improve quality and operational performance, and successes so far to upgrade the infrastructure, and expand and strengthen the system.

The rating also reflects UIHSFS's solid operating performance and robust MADS coverage, which we expect will continue during the outlook period, albeit at a lower level, and that benefits from significant state support for certain expenses and revenues. As well, the rating incorporates the system's solid debt profile, which is expected to improve over the outlook period, as well as adequate days' cash on hand (DCOH), which remain thin for the rating. That said, we understand that although a number of key capital investments are complete, management is evaluating additional capital spending needs. Finally, the rating incorporates a one-notch positive adjustment to the anchor rating from the benefit UIHSFS derives from its relationship with the University of Illinois.

Recently, UIHSFS opened its Specialty Care Building (SCB) on time and on budget, which enhanced the system's ability to conduct outpatient surgeries, optimized the use of the hospital's existing operating rooms for more complex surgeries, and improved the overall care setting for its patients. In addition, UIHSFS completed this year the remodeling of the hospital's atrium lobby, which it financed with cash. We believe that the completion of these larger projects, along with the successful systemwide rollout of Epic in late 2020, has improved UIHSFS's infrastructure and enhanced the system's longer-term competitive position. As mentioned above, over the outlook period, management expects to undertake additional capital expenditure projects to increase capacity and improve the existing infrastructure, although the scope and timing of certain projects has yet to be finalized. While we believe some ongoing spending at higher levels could be managed at the higher rating, maintenance of healthy cash flow will be a key factor.

In 2023, UIHSFS generated robust operating margins, aided by increasing surgical volume spurred by the opening of the SCB, higher payer rates, and a one-time gain associated with the reversal of bad debt reserves. For fiscal 2024, management expects operating performance will remain solid, albeit weaker, as higher salaries and benefits along with inflation pressure margins. We view these expectations as reasonable and also note that management has historically been conservative in its performance expectations.

The 'A-' rating reflects our opinion of:

- UIHSFS's status as an essential service provider in the system's primary service area (PSA), and an improving position in the competitive Chicagoland;
- Continued clinical support from the University of Illinois, which operates one of the largest medical schools in the nation based on number of students;
- Healthy financial performance, which benefits from financial support from the state, with minimal reliance on agency nurses over the last couple of years, generating solid MADS coverage; and
- Additional bond security from the University of Illinois College of Medicine's tuition and faculty practice plan revenue.

Partially offsetting the above strengths, in our view, are UIHSFS's:

- Continued light DCOH for the rating, with potentially higher continued capital spending over the next few years;
- Payer mix skewed toward governmental payers, including a high reliance on Medicaid, as well as some reliance on disproportionate share funds. Dependency on these funds remains a risk, especially in times of budgetary pressures.
- Reliance on the state of Illinois to continue to support payment of pension and other postemployment benefit (OPEB) expenses and appropriations; and
- Competitive service area, with the presence of several large and clinically strong academic medical centers and health systems.

Environmental, social, and governance

We consider UIHSFS's overall social risks to be elevated, owing to the system's payer mix, which is highly reliant on government payers. In addition, most of UIHSFS's nurses are part of the Illinois Nurses Association, with the current contract set to expire in August 2024. Although we don't expect meaningful disruption from the contract negotiations, any work stoppages as part of the contract negotiating process could negatively affect operating performance.

Although UIHSFS's has benefitted from state support to date, we also view the reliance on state support, such as appropriations and pension costs borne by Illinois, as raising governance risk because it could be subject to volatility in the event of budgetary pressures.

We also note that UIHSFS is overseen by the Board of Trustees of the University of Illinois, which is not self-perpetuating, rather than by its own board, although we believe that this structure has not hampered the system's ability to execute its strategies. Finally, we view environmental risk as neutral in our credit rating analysis.

Outlook

The positive outlook reflects our view of UIHSFS's improving competitive position in a highly fragmented PSA, ongoing strong relationship with the University of Illinois, and our expectation of continued profitability in fiscal 2024, albeit at a lower level. The outlook also incorporates the expectation that no significant debt will be issued over the outlook period, and that balance-sheet metrics, including DCOH, will remain at least at current levels.

both refer higher-acuity cases to the hospital and serve lower-acuity cases within the community.

Downside scenario

We could revise the outlook to stable if operating performance deteriorates and the system is unable to generate cash flow that supports upcoming spending plans, or if balance-sheet metrics progressively weaken to levels no longer supportive of an 'A-' rating. A significant new money debt issuance to execute potential strategic initiatives without commensurate improvement in the balance sheet would pressure ratings. Although unlikely at present, we could also lower the UIHSFS rating if lowered the University of Illinois 'AA-' rating to a level equal to that of UIHSFS.

Upside scenario

We could raise the rating if UIHSFS is able to sustain solid operating performance and cash flow to continue to invest strategically. We would also view favorably strengthening of the system's balance-sheet metrics, particularly DCOH, and clarification of larger capital spending plans and funding of those plans. A higher rating would also be contingent on UIHSFS maintaining or improving its solid enterprise profile.

Credit Opinion

Enterprise Profile: Strong

University of Illinois Health Services Facilities System

UIHSFS, a separate operating component of the University of Illinois, was established Jan. 22, 1997, by a bond resolution by the University's Board of Trustees to allow a pledge of revenues to secure the system's debt. UIHSFS is composed of the University of Illinois Hospital and several outpatient clinics. It does not include the operations of the University of Illinois' Medical Service Plans or College of Medicine.

The hospital, a 445-bed tertiary-care facility, is located within the Illinois Medical District, a 560-acre special-use zoning district approximately two miles west of the Loop, in Chicago. The district is also home to the Jesse Brown VA Medical Center, Rush University Medical Center, and the John H. Stroger, Jr. Hospital of Cook County.

PSA remains competitive

UIHSFS's PSA is composed of 56 zip codes in Cook County, and serves a population of almost 3 million. Chicago remains a very competitive and fragmented market and has experienced consolidation in recent years. UIHSFS competes with several academic medical centers in its PSA, including Loyola University Medical Center, Northwestern Memorial Hospital, Rush University Medical Center, and the University of Chicago Medical Center. UIHSFS's latest market share increased to 4.8%, with the expectation that the recent opening of the SCB and the new hospital atrium will further solidify the system's competitive position.

Within its PSA, UIHSFS remains particularly present in areas such as transplants, hematology, neurosurgery, and ophthalmology where it holds robust market share, and is a leader in robotic surgery. That said, unlike the other academic medical centers in the Chicagoland area, UIHSFS does not benefit from a community hospital network to

Completion of the SCB and atrium lobby

In fall 2022, UIHSFS completed on time and on budget the construction of a six-story, 200,000-square-foot SCB that is linked to the hospital by a two-story bridge. The facility was designed to meet the increasing demand for outpatient surgery, relieve capacity constraints on UIHSFS's existing surgery department, and allow for backfill of more complex inpatient surgeries. The facility houses outpatient surgery, as well as the ophthalmology, otolaryngology, gastroenterology, transplant, and urology clinics; imaging services; and a pharmacy. UIHSFS also completed in early 2023 the construction of a new 12,000-square-foot atrium lobby addition to the hospital at a cost of about $18 million.

The SCB project was structured such that Provident was responsible for the development and construction, with UIHSFS subleasing the building from Provident on completion. Provident is simultaneously leasing the land on which the SCB is situated for a period of 40 years from the Board of Trustees. The project was financed with the series 2020 bonds (par value of about $150 million) issued by the Illinois Finance Authority with Provident as the borrower, along with $40 million from UIHSFS investments and internally earmarked for capital projects, and $10 million from philanthropy. The Provident debt is secured by a leasehold mortgage as well as by lease payments made by UIHSFS under a lease agreement. The Board of Trustees will become owner of the building at the end of the lease term with Provident.

Changes to the management team

UIHSFS's chief executive officer (CEO), Michael Zenn, stepped down from his position on Sept. 15, 2023, to become a part-time senior advisor for enterprise strategic initiatives in the Office of the UIC Vice Chancellor for Health Affairs. He was replaced by Dr. Mark Rosenblatt, Executive Dean of the UI College of Medicine, who will serve as interim CEO. In addition, Scott Jones was named interim chief operating officer, while Janet Lin, M.D., was appointed chief strategy officer, a new position within the organization.

Table 1

University of Illinois Health Services Facilities System--Enterprise statistics

	--12 months ended June 30--	--Fiscal year ended June 30--		
	2023	2022	2021	2020
PSA population (no.)	N.A.	2,875,459	2,891,842	2,863,098
PSA market share (%)	N.A.	4.8	4.2	4.4
Inpatient admissions (no.)	16,709	16,386	16,343	16,587
Equivalent inpatient admissions (no.)	35,895	34,511	32,817	32,976
Emergency visits (no.)	47,773	46,363	41,412	45,089
Inpatient surgeries (no.)	4,758	4,637	4,780	4,165
Outpatient surgeries (no.)	11,531	10,814	9,986	8,909
Medicare case mix index	2.2100	2.1800	2.1500	2.1000
FTE employees (no.)	4,200	4,041	3,881	3,755
Active physicians (no.)	770	785	793	782
Based on net/gross revenues	Net	Net	Net	Net
Medicare (%)	24.5	27.2	28.0	24.0
Medicaid (%)	50.3	44.9	48.0	41.0

ATTACHMENT 34

Table 1

University of Illinois Health Services Facilities System--Enterprise statistics (cont.)

	--12 months ended June 30--	--Fiscal year ended June 30--		
	2023	2022	2021	2020
Commercial/Blues (%)	20.7	22.4	20.0	24.0

Note: Inpatient admissions exclude normal newborn, psychiatric, rehabilitation, and long-term care facility admissions. PSA--Primary service area. FTE--Full-time equivalent. N.A.--Not available.

Financial Profile: Adequate

Operating performance remains robust

Despite industry headwinds, UIHSFS's financial performance in fiscal 2023 remains robust, spurred by higher volumes, particularly outpatient surgeries, which benefitted from the opening of the SCB, along with increasing clinical and emergency room visits. Payer rate increases, as well as the recognition of a one-time $25 million reversal of accounts receivable reserves, also contributed to the solid operating performance, while no CARES Act or other pandemic relief funds were recognized during that year. Management expects the system will remain profitable in fiscal 2024, albeit at a lower level, as it contends with increasing salary and wage pressures, inflation, and the absence of major one-time benefits to revenues.

UIHSFS has historically reported strong MADS coverage above rating medians, and coverage is expected to remain appropriate for the rating during the outlook period. MADS include the lease payments associated with the SCB project.

Solid liquidity although DCOH remains thin for the rating

UIHSFS's liquidity, as measured by unrestricted DCOH at the end of the fiscal period, is sound, having improved from 2021 levels where the system was completing several large capital expenditure projects, including the purchase of medical equipment for the SCB and the completion of the atrium lobby. Management expects DCOH will remain at similar levels over the outlook period.

The system's cash, as well as certain investments, are pooled with other university funds to maximize returns and provide equitable distribution of investment returns. As of June 2023, unrestricted reserves totaled about $400 million, which is higher relative to rating medians. We view UIHSFS's asset allocation strategy as very conservative, as only 6% of reserves were in equities, while 65% were allocated in fixed income, 24% were in cash, and 5% in alternative investments. This asset allocation, which has been relatively unchanged to date, allows for the liquidation of 95% of unrestricted reserves within seven days.

Capital expenditures for fiscal 2024 are expected to total $75 million-$85 million, or approximately 185%-215% of depreciation and amortization. Projects being considered include the construction of a clinical decision unit to enhance UIHSFS's emergency medicine capabilities along with its capacity to serve the local community, as well as various other projects to address existing capacity constraints and the aging of part of its infrastructure.

ATTACHMENT 34

Robust debt profile, with manageable contingent liabilities

Total debt outstanding on the system's balance sheet consists of the series 1997B, 2008, and 2013 bonds. Our analysis of UIHSFS's debt profile also incorporates the debt issued by Provident for the SCB, as it is secured by the system's lease payments and is of strategic importance to UIHSFS, with the financing structure a mechanism to optimize the development of the project. Using this approach, we view the debt profile as robust, with leverage in line with rating medians, while contingent liabilities-to-long-term debt and debt burden being low for the rating. As the new 2023 debt issuance is a refinancing of the series 2013 bonds, it does not affect our view of UIHSFS's debt profile. No additional debt issuance is expected over the outlook period.

We consider series 1997B and 2008 variable-rate demand bonds as contingent debt given the presence of acceleration provisions. However, we believe that there is sufficient liquidity to cover any potential acceleration payments because 24% of unrestricted reserves could be received the same business day, and cover contingent liabilities more than 5.0x.

The university contributes to the State Universities Retirement System of Illinois, a cost-sharing, multiple-employer, defined-benefit plan, with a special funding situation whereby the state makes substantially all actuarially determined required contributions on behalf of the participating employers.

The university's OPEB obligations are also considered a special funding situation, with the State of Illinois the sole legal entity responsible to make the OPEB contributions. The administration of these benefits and calculation of them is under the purview of the Illinois Department of Central Management Services. Every year, UIHSFS recognizes in its financial statements the proportionate share of the state's pension and OPEB relative to the system in expenses as a special funding situation along with the recognition of an equal amount as nonoperating revenue. The impact on the system's net position is therefore zero.

UIHSFS has one interest rate swap with a notional amount of about $12.85 million. It has no collateral posted and a mark to market of negative $85 thousand as of June 30, 2023.

Table 2

University of Illinois Health Services Facilities System--Financial statistics

	--12 months ended June 30--	--Fiscal year ended June 30--		
	2023	2022	2021	2020
Financial performance				
Net patient revenue ($000s)	1,141,970	1,005,600	848,921	780,015
Total operating revenue ($000s)	1,262,181	1,118,744	1,040,097	912,189
Total operating expenses ($000s)	1,198,899	1,066,871	983,705	915,895
Operating income ($000s)	63,282	51,873	56,392	(3,706)
Operating margin (%)	5.0	4.6	5.4	(0.4)
Net nonoperating income ($000s)	9,877	1,338	13,845	11,154
Excess income ($000s)	73,159	53,211	70,237	7,448
Excess margin (%)	5.8	4.8	6.7	0.8
Operating EBIDA margin (%)	8.8	8.0	8.6	2.7
EBIDA margin (%)	9.6	8.1	9.8	3.8
Net available for debt service ($000s)	121,492	90,690	103,520	35,455

ATTACHMENT 34

Table 2

University of Illinois Health Services Facilities System--Financial statistics (cont.)	--12 months ended June 30--	--Fiscal year ended June 30--		
	2023	2022	2021	2020
Maximum annual debt service ($000s)	17,176	17,176	17,176	17,176
Maximum annual debt service coverage (x)	7.1	5.3	6.0	2.1
Operating lease-adjusted coverage (x)	7.1	4.8	5.3	2.0
Liquidity and financial flexibility				
Unrestricted reserves ($000s)	400,741	354,573	311,044	311,428
Unrestricted days' cash on hand	126.2	125.1	118.8	127.3
Unrestricted reserves/total long-term debt (%)	163.2	374.3	328.5	314.1
Unrestricted reserves/contingent liabilities (%)	2,171.5	1,565.1	1,165.0	1,017.7
Average age of plant (years)	9.4	10.8	12.1	14.1
Capital expenditures/depreciation and amortization (%)	150.4	118.6	184.0	298.7
Debt and liabilities				
Total long-term debt ($000s)	245,515	94,738	94,683	99,157
Long-term debt/capitalization (%)	28.3	14.9	16.2	19.7
Contingent liabilities ($000s)	18,455	22,655	26,700	30,600
Contingent liabilities/total long-term debt (%)	7.5	23.9	28.2	30.9
Debt burden (%)	1.35	1.53	1.63	1.86
Defined-benefit plan funded status (%)	N.A.	N.A.	N.A.	N.A.
Pro forma ratios*				
Unrestricted reserves ($000s)	N/A	354,573	311,044	N/A
Total long-term debt ($000s)	N/A	244,537	244,537	N/A
Unrestricted days' cash on hand	N/A	125.1	118.8	N/A
Unrestricted reserves/total long-term debt (%)	N/A	127.9	127.2	N/A
Long-term debt/capitalization (%)	N/A	32.2	33.3	N/A
Miscellaneous				
Medicare advance payments ($000s) §	0	15,086	67,867	75,354
Short-term borrowings ($000s) §	0	0	0	0
CARES Act grants recognized ($000s)	0	1,275	89,183	27,972
Risk based capital ratio (%)	N/A	N/A	N/A	N/A
Total net special funding ($000s)	117,245	358,997	480,374	339,563

*Pro forma for fiscal years 2021 and 2022 include the debt from Provident Group UIC - Surgery Center LLC. For fiscal 2023, the Provident debt is included in UIHSFS's long-term debt. §Excluded from unrestricted reserves, long-term debt, and contingent liabilities. N.A.--Not available. N/A--Not applicable.

Credit Snapshot

- Organization description: The UIHSFS is composed of the University of Illinois Hospital and associated clinical facilities providing patient care at the University of Illinois Medical Center. The system is a tertiary-care facility in Chicago offering a full range of clinical services. It does not include the operations of the University of Illinois'

Medical Service Plans or College of Medicine. The University of Illinois is responsible for system management.

Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

ATTACHMENT 34

Rating Action: Moody's assigns A2 to University of Illinois' (IL) Health Services Facilities System's revenue bonds; outlook stable

27 Sep 2023

New York, September 27, 2023 – Moody's Investors Service has today assigned an A2 rating to University of Illinois, IL's Health Services Facilities System Refunding Revenue Bonds, Series 2023 with a proposed par amount of approximately $71 million. Moody's also maintains Aa2 ratings on the university's issuer rating, Auxiliary Facilities System revenue bonds, Certificates of Participation (COPS), Academic Lease revenue bonds, and an A2 rating on outstanding Health Services Facilities System (HSFS) bonds. Total direct debt outstanding was approximately $1.4 billion at June 30, 2022. The outlook is stable.

RATINGS RATIONALE

Maintenance of University of Illinois' (U of I) Aa2 issuer rating reflects the university's excellent market strength, supported by its membership in the Big 10 Academic Alliance, flagship and land grant status, and large operating scope including significant healthcare operations. The university system enrolled nearly 95,000 students in fall 2022 across three campuses in Urbana-Champaign, Chicago, and Springfield. U of I continues to generate strong revenue growth and recorded robust operating revenue of over $7 billion (including on-behalf payments from the state and hospital system revenue) in fiscal 2022. The university and its related organizations held substantial total cash and investments of over $7 billion at June 30, 2022, of which a large portion is unrestricted.

The assignment and maintenance of the A2 rating on the HSFS bonds incorporates sound cash flow and good debt service coverage despite a challenging market, as well as potential for additional debt for capital projects.

The Aa2 rating for the AFS and COPs incorporates the broad nature of each individual revenue pledge, including gross tuition and fees. For the COPs, the rating also reflects limited risk of nonpayment due to significant available funds in the event of non-appropriation of funds by the state.

The Aa2 rating on lease revenue bonds reflect the credit characteristics of the Aa2 issuer rating and broad nature of the pledge, including all available funds.

RATING OUTLOOK

The stable outlook reflects Moody's expectations of continued steady operating performance. It also incorporates our expectations of continued sound debt service coverage for each individual revenue pledge.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Organic strengthening of operations and revenue diversification over multiple years, significantly lessening the university's overall reliance on state funding support for operations

- Substantial growth in balance sheet reserves further mitigating the university's exposure to state credit deterioration

- For the HSFS bonds, sustained improvement in the hospital's brand and strategic positioning in the competitive health care market with an increase in liquid reserves and sustained improvement in operating performance

ATTACHMENT 34

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Deterioration of the State of Illinois' credit quality, or substantial reduction or significant delay in state funding

- Sustained weakening in federal funding for research or healthcare reimbursement

- Significant erosion of pledged revenue coverage of the AFS or HSFS bonds over multiple years

LEGAL SECURITY

Proposed and outstanding Health Services Facilities System (HSFS) bonds are secured by (1) net revenue of the system; (2) Medical Service Plan (MSP) revenue (faculty practice plan), net of bad debt expense; and (3) College of Medicine net tuition revenue (subordinated to the pledge of tuition and fees to the AFS Bonds). Although the health system net revenue of $66 million (fiscal 2022) provides the first source of security, the pledges from MSP and the College of Medicine provide enhancement. The pledge of MSP revenue and medical school tuition is up to maximum annual debt service. Unaudited fiscal 2023 pledged revenue totaled $472 million compared to MADS of $9.5 million.

The Auxiliary Facilities System (AFS) bonds are payable from net revenue of the AFS, which is a closed system not accessible to fund general operating expenses, and student tuition and fees. There is an additional bonds test and a rate covenant that require net system revenue and student tuition and fees to be at least 2.0x maximum annual net debt service. Fiscal 2022 pledged revenue were $1.5 billion compared with MADS of $91 million.

The Certificates of Participation (COPS) are payable from legally available non-appropriated funds on a subordinate basis from revenue pledged to other bonds. U of I covenants to include the required debt service in its annual budget requests. The purchase contract and the university's obligation to make installment payments can be terminated in the event of both non appropriation by the state and the absence of other legally available funds to pay debt service.

Academic Facilities Lease Revenue Bonds are secured by lease payments paid by University of Illinois from all available funds directly to the bond trustee to fund debt service. Payments are not subject to diminution, abatement, suspension or other reductions. The payments are from legally available non-appropriated funds, similar to the COPs. There is no debt service reserve fund.

In addition, the University of Illinois has outstanding lease obligations associated with Provident Group - UIC Surgery Center LLC - University of Illinois totaling nearly $150 million. The bonds are legally payable by lease payments made by HSFS under a triple net lease agreement. Lease payments are payable from the surplus revenue of HSFS, which consists of the HSFS revenue remaining after all required payments for HSFS revenue bonds are paid.

USE OF PROCEEDS

The proceeds of the Series 2023 Bonds will be used to current refund all or a portion of the HSFS Series 2013 bonds and to pay the costs of issuance.

PROFILE

University of Illinois benefits from a national market position as the flagship and Land Grant institution in the State of Illinois and membership in the Big Ten Academic Alliance. One of the nation's largest comprehensive universities, total revenues of over $7 billion in fiscal 2022. U of I had nearly 95,000 students enrolled in fall 2022 at its Urbana-Champaign, Chicago, and Springfield campuses. It also has an extensive healthcare operation that includes an academic medical center and multiple health clinics in the City of Chicago.

METHODOLOGY

The principal methodology used in this rating was Higher Education Methodology published in August 2021 and available at https://ratings.moodys.com/rmc-documents/72158. Alternatively, please see the Rating Methodologies

ATTACHMENT 34

page on https://ratings.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the issuer/deal page for the respective issuer on https://ratings.moodys.com.

The rating has been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

This rating is solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website https://ratings.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1288235.

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the EU and is endorsed by Moody's Deutschland GmbH, An der Welle 5, Frankfurt am Main 60322, Germany, in accordance with Art.4 paragraph 3 of the Regulation (EC) No 1060/2009 on Credit Rating Agencies. Further information on the EU endorsement status and on the Moody's office that issued the credit rating is available on https://ratings.moodys.com.

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ATTACHMENT 34

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UNIVERSITY OF ILLINOIS
HEALTH SERVICES FACILITIES SYSTEM

Notes to Financial Statements

June 30, 2023

(1) Organization and Summary of Significant Accounting Policies

Organizational Background and Basis of Presentation

The University of Illinois Health Services Facilities System (System) comprises the University of Illinois Hospital (Hospital) and Hospital-based clinics providing patient care at the University of Illinois - Chicago (UIC). The Hospital is a tertiary care facility located in Chicago, Illinois offering a full range of clinical services. Management of the System is the responsibility of the University of Illinois (University).

The System was established by a Bond Resolution (Resolution) of the Board of Trustees of the University of Illinois (Board) adopted on January 22, 1997. These financial statements have been prepared to satisfy the requirements of the Series 1997B, 2008 and 2013 bond indentures. The financial balances and activities of the System are also included in the University's financial statements. The financial statements of the System are prepared in accordance with United States (U.S.) generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The System is not a separate legal entity and has not presented management's discussion and analysis.

Significant Accounting Policies

(a) Financial Statement Presentation and Basis of Accounting

The System prepared its financial statements as a business type activity, as defined by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, using the economic resources measurement focus and the accrual basis of accounting. Business type activities are those financed in whole or in part by fees charged to external parties for goods and services.

Under the accrual basis, revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

(b) Cash and Cash Equivalents

The Statement of Cash Flows details the change in the cash and cash equivalents balances for the fiscal year. Cash and all liquid investments with original maturities of ninety days or less are defined as cash and cash equivalents.

(c) Investments

Investments are reported at fair value in accordance with guidelines defined by GASB Statement No. 72, *Fair Value Measurement and Application*. Fair value is determined for the System's investments based upon a framework described in Note 2(f). Bank deposits and money market funds are recorded at cost.

Changes in fair value during the reporting period are reported as a net increase (decrease) in the fair value of investments. Net investment income includes interest, dividends, and realized gains and losses.

(d) Inventories

Inventories of pharmaceutical and other supplies are stated at the lower of cost or market with cost determined using the first-in, first-out method.

(e) *Capital Assets*

Capital assets, which are or will be owned by the University, are recorded at cost or, if donated, at acquisition value at the date of the gift. Intangible right-of-use lease and subscription assets are recorded at cost based on the present value of expected payments over the term of the respective lease or arrangement plus any payments made to the lessor or provider at or before the commencement of the lease or arrangement term and certain direct costs that are ancillary charges necessary to place the lease or subscription asset into service. Depreciation and amortization of capital assets is calculated on a straight-line basis over the estimated useful lives (see below) of the assets, or over the shorter of the estimated useful lives or the lease or arrangement term for intangible right-of-use lease or subscription assets. The System's policy requires the capitalization of land and collection purchases regardless of cost, equipment and intangible right-of-use lease assets over $5,000, right-of-use subscription assets at $25,000, purchased or internally developed software, easements, buildings and improvements over $250,000 and purchased or internally developed infrastructure over $1,000,000. The System does not capitalize collections, such as works of art or historical treasures, which are held for public exhibition, education, or research in furtherance of public service rather than capital gain, unless they were previously capitalized as of June 30, 1999. Proceeds from the sale, exchange or other disposal of any item belonging to a collection must be applied to the acquisition of additional items for the same collection.

Estimated useful lives for capital assets are as follows:

	Useful life (in years)		Useful life (in years)
Buildings:		Improvements other than buildings:	
Shell	50	Site improvements	20
Service systems	25	Infrastructure	25
Fixed equipment	15		
Remodeling	25		
Intangibles:		Moveable equipment:	
Software	5 – 10	Equipment	3 – 20
Right-of-use	Shorter of the estimated useful lives or the lease or arrangement term		

(f) *Deferred Outflow of Resources*

Losses on refundings for the System's bonds are reported as deferred outflow of resources on the accompanying Statement of Net Position. The losses on refundings are amortized over the life of the debt using the straight-line method. The unamortized deferred loss on refunding at June 30, 2023 was $814,774.

(g) *Deferred Inflow of Resources*

Under hedge accounting, the University has determined that the interest rate swap agreement on the System's bonds payable, as a hedging derivative instrument, is an effective hedge. Accordingly, changes in the fair value of the interest rate swap, since being associated with the related outstanding bonds, is reported as a deferred inflow of resources of $169,565 on the accompanying Statement of Net Position. Additionally, an interest rate swap reassigned to new debt, after a refunding of debt that the swap previously hedged, normally has an other than zero fair value upon the reassociation. For a swap with a fair value of other than zero upon reassociation with a hedgeable item, the fair value is amortized as an adjustment to interest expense in a systematic manner.

Deferred inflow of resources of $176,108 related to leases in which the System is lessor is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. The deferred inflow of resources is recognized as revenue over the term of the lease.

(h) Compensated Absences

Accrued compensated absences for System personnel are charged as an operating expense, using the vested method, based on earned and unused vacation and sick leave days including the System's share of Medicare taxes.

(i) Premiums

Premiums for the System's bonds are reported within long-term debt and amortized over the life of the debt issue using the effective interest method.

(j) Net Position

The System's resources are classified into net position categories and reported in the Statement of Net Position. These categories are defined as (a) Net investment in capital assets – capital assets net of accumulated depreciation and amortization and related outstanding debt balances attributable to the acquisition, construction, or improvement of those assets, (b) Restricted – net position subject to externally imposed restrictions that can be fulfilled by actions of the System pursuant to those stipulations or that expire by the passage of time, and (c) Unrestricted – net position not subject to externally imposed stipulations but may be designated for specific purposes by action of management or the Board. The System first applies resources included in restricted net position when an expense or outlay is incurred for purposes for which resources in both restricted and unrestricted net positions are available.

(k) Classification of Revenues

The Statement of Revenues, Expenses and Changes in Net Position classifies the System's fiscal year activity as operating and nonoperating. Operating revenues generally result from exchange transactions such as payments received for providing goods and services.

Certain revenue sources that the System relies on for operations including on-behalf for fringe benefits, special funding situation for fringe benefits and investment income are defined by GASB Statement No. 35 as nonoperating. In addition, transactions related to capital and financing activities are components of net nonoperating revenues.

Other operating revenues of the System include capitation payments from Health Maintenance Organizations (HMO) and Preferred Provider Organizations (PPO) to provide medical services to subscribers, revenues from laboratory services provided to external organizations, cafeteria/gift shop sales and other sources.

In fiscal year 2023, the System specified $31,000,000 of its State appropriation for transfer to the University of Illinois Hospital Services Fund, which is a special fund established in the State Treasury pursuant to the State Finance Act, 30 ILCS 105/6z-30. This fund is owned and operated by the Illinois Department of Healthcare and Family Services for the purpose of making payments to the System for services rendered to Medicaid recipients. It is not part of or a related organization of the University.

(l) ***Patient Services Revenue***

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates, discounted charges and per diem payments. Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated adjustments under reimbursement agreements with third-party payors, some of which are subject to audit by administrating agencies. These adjustments are accrued on an estimated basis and are adjusted in future periods. See note 8 for the impact of such changes in estimate for fiscal year 2023.

The System provides allowances for uncollectible accounts receivable based upon management's best estimate of uncollectible accounts, considering type, age, collection history, and other appropriate factors.

(m) ***Charity Care***

The policy of the System is to treat patients in immediate need of medical services without regard to their ability to pay for such services. The System provides care without charge or at amounts less than its established rates to patients who meet the criteria of its charity care policy. This policy defines charity care and provides guidelines for assessing a patient's ability to pay. Eligibility is based on patient qualification, financial resources and service criteria. Because the System does not pursue collection of amounts determined to be charity care, they are not reported as revenue.

The System maintains records to identify and monitor the level of charity care provided. These records include the amount of estimated costs for services rendered and supplies furnished under its charity care policy. The estimated cost of charity care using the System's cost-to-charge ratio was $22,216,193 for fiscal year 2023. The ratio of costs to charges is calculated based on the System's total operating expenses. Unreimbursed costs of providing care to Medicare and Medicaid patients are not included as charity care.

(n) ***Classification of Expenses***

The majority of the System's expenses are exchange transactions which GASB defines as operating expenses for financial statement presentation. Nonoperating expenses include transfers to the University of Illinois Hospital Services Fund and capital financing costs.

(o) ***On-Behalf for Fringe Benefits***

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the System has reported outside sources of financial assistance provided by other entities on behalf of the System during the year ended June 30, 2023, as described below.

Substantially all active employees participate in group health insurance plans provided by the State and administered by the Illinois Department of Central Management Services (CMS). The State contributed, on-behalf of the System, an estimated $68,161,825, which is reflected as both nonoperating revenues and operating expenses within the Statement of Revenues, Expenses and Changes in Net Position.

(p) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the State Universities Retirement System (SURS) and additions to/deductions from SURS fiduciary net position has been determined on the same basis as they are reported by SURS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For financial reporting purposes, the State and its public universities and community colleges are under a special funding situation. A special funding situation exists when a non-employer entity (the State) is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity (the University, including the System) and the non-employer (the State) is the only entity with a legal obligation to make contributions directly to a pension plan. The System recognizes its proportionate share of the State's pension expense relative to the System's employees as nonoperating revenue and special funding situation for fringe benefits operating expense.

(q) Other Postemployment Benefits (OPEB)

The State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375) authorizes the State Employees Group Insurance Program (SEGIP), which includes activity for both active employees and retirees, as a single-employer defined benefit OPEB plan not administered as a trust. Substantially all State and state public universities' unit employees become eligible for these OPEB plan benefits when they become annuitants of one of the State sponsored pension plans. CMS administers these benefits for the annuitants with the assistance of the public retirement systems sponsored by the State - General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees Retirement System (SERS), Teachers' Retirement System (TRS), and SURS.

In order to fund SEGIP's pay-as-you-go obligations for both current employees and retirees, the Act (5 ILCS 375/11) requires contributions based upon total employee compensation paid from any State fund, including the University's State Appropriations Funds. Pursuant to State Statute, the State covers the contributions for employees who are compensated from the System's operating funds. This relationship may be modified through the enactment of a Public Act by the State's highest level of decision-making authority exercised by the Governor and the General Assembly pursuant to the State's Constitution.

The University has two separate components of OPEB administered within SEGIP. The (1) State of Illinois and its public universities are under a special funding situation for employees who are not paid from gift, grant, and other similar funds, while (2) the University is responsible for OPEB employer contributions when University employees are paid from gift, grant, and other similar funds. The System is under a special funding situation since its employees are not paid from gift, grant, and other similar funds.

A special funding situation exists when a non-employer entity (the State) is legally responsible for making contributions directly to an OPEB plan that is used to provide OPEB to the employees of another entity (the University, including the System) and the non-employer (the State) is the only entity with a legal obligation to make contributions directly to an OPEB plan. The System recognizes the proportionate share of the State's OPEB expense relative to the System's employees as nonoperating revenue and special funding situation for fringe benefits operating expense.

(r) ***Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(s) ***New Accounting Pronouncements***

The System adopted the provisions of GASB Statement No. 91, *Conduit Debt Obligations*, which was effective for periods beginning after December 15, 2021. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations and related note disclosures. The Statement achieves those objectives by clarifying the existing definition of conduit debt obligation, establishing that a conduit debt obligation is not a liability of the issuer, establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations and improving required note disclosures. Implementation of this pronouncement did not materially impact the System's financial statements.

The System adopted the provisions of GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which was effective for periods beginning after June 15, 2022. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, *Leases*, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of an service concession arrangement. This Statement provides accounting and financial reporting requirements for all other PPPs. Implementation of this pronouncement did impact the System's financial statements since the agreement disclosed in Note 6(a) is a PPP that meets the definition of a lease. The University followed Statement No. 87 and reported this PPP as a financed purchase.

The System adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which was effective for periods beginning after June 15, 2022. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The System has included subscription assets and liabilities within the Statement of Net Position and interest expense related to SBITAs within the Statement of Revenues, Expenses and Changes in Net Position. See note 1(t) for impact to the beginning net position for fiscal year 2023 related to implementation of this pronouncement.

The System adopted the provisions of GASB Statement No. 99, *Omnibus 2022*, which was effective for periods beginning after June 15, 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. This Statement addresses a variety of topics and includes specific provisions about derivatives, leases, PPPs, SBITAs, London Interbank Offered Rate, distribution of benefits, nonmonetary transactions, pledges of revenues, clarification of provisions related to the focus of the government-wide financial statements, terminology updates related deferred inflows and outflows and terminology related to resource flows statements. Implementation of this pronouncement did not materially impact the System's financial statements.

(t) Change in Accounting Principles

Effective for the fiscal year ended June 30, 2023, the System adopted GASB Statement No. 96, *Subscription Based Information Technology Arrangements*, (GASB 96). Under this statement, the System generally should recognize a right-of-use subscription asset (an intangible asset) and a corresponding subscription liability. The adoption of GASB 96 has been reflected as of July 1, 2022. As reported on the Statement of Revenues, Expenses, and Changes in Net Position, beginning net position as of July 1, 2022, was restated for the effects of the System's adoption of GASB 96.

Balances, including beginning net position, impact by the System's adoption of GASB 96, as of July 1, 2022, were as follows:

	July 1, 2022 as Previously Stated	GASB 96 Impact	July 1, 2022 as Restated
Current assets	$ 538,064,594	$ -	$ 538,064,594
Noncurrent assets	332,104,696	8,164,621	340,269,317
Total assets	870,169,290	8,164,621	878,333,911
Deferred outflow of resources	1,291,170		1,291,170
Total assets and deferred outflows of resources	$ 871,460,460	$ 8,164,621	$ 879,625,081
Current liabilities	$ 180,017,500	$ 2,516,812	$ 182,534,312
Noncurrent liabilities	126,940,564	4,864,580	131,805,144
Total liabilities	306,958,064	7,381,392	314,339,456
Deferred inflow of resources	311,586		311,586
Net position	564,190,810	783,229	564,974,039
Total liabilities, deferred inflow of resources, and net position	$ 871,460,460	$ 8,164,621	$ 879,625,081

(2) Cash, Cash Equivalents and Investments

The System has cash and certain investments that are pooled with other University funds for the purpose of securing a greater return on investment and providing an equitable distribution of investment return. Income is distributed based upon average quarterly balances invested in the investment pool.

Nearly all of the University's investments are managed by external professional investment managers, who have full discretion to manage their portfolios subject to investment policy and manager guidelines established by the University, and in the case of mutual funds and other commingled vehicles, in accordance with the applicable prospectus or limited partnership agreement.

The Board follows the State of Illinois Uniform Prudent Management of Institutional Funds Act, 760 ILCS 51/1-11, when managing the University's investments. The Board fulfills its fiduciary responsibility for the management of investments, including endowment farm real estate, by adopting policies to maximize investment return with a prudent level of risk.

The following details the carrying value of the System's cash, cash equivalents, and investments as of June 30, 2023:

Money market funds	$ 71,216
Claim on cash and on pooled investments	429,319,593
Total cash, cash equivalents and investments	$ 429,390,809

(a) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the University employs multiple investment managers, of which each has specific maturity assignments related to the operating funds. The funds are structured with different layers of liquidity. Funds expected to be used within one year are invested using the Barclay's Capital 90-Day and Bank of America Merrill Lynch 12-month Treasury Bill Index as performance benchmarks. Core operating funds are invested in longer maturity investments. Core operating funds investment managers' performance benchmarks are the Barclays Capital one-year to three-year Government Bond Index, the Barclays Capital one-year-to-three-year Government Credit Bond Index, the Barclays Capital Intermediate Government Credit Bond Index and the Barclays Capital Intermediate Aggregate Bond Index.

The System's non-pooled investments of $71,216, reported as cash equivalents, as of June 30, 2023, were invested in money market funds with maturities of less than one year.

Claim on cash and on pooled investments represents the System's share of participation in the University's operating internal investment pool. At June 30, 2023, the University's operating internal investment portfolio had an effective duration for its interest-bearing securities of 1.4 years.

(b) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy requires that the University's short-term operating funds be invested in fixed income securities and other short-term fixed income instruments (e.g., money markets). Fixed income securities shall be rated investment grade or better by one or more nationally recognized statistical rating organizations. Securities not covered by the investment grade standard are allowed if, in the manager's judgment, those instruments are of comparable credit quality. Securities that fall below the stated minimum credit requirements subsequent to initial purchase may be held at the manager's discretion.

The University reports the credit ratings of fixed income securities and short-term instruments using Standard and Poor's and Moody's ratings. Securities with split ratings or with a different rating assignment are disclosed using the rating indicative of the greatest degree of risk. At June 30, 2023, the University's operating internal investment pool primarily consisted of securities with credit ratings of A or better. The System's non-pooled money market funds have a credit rating of AAA.

(c) ***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the University and are not registered in the University's name. The University's investment policy does not limit the value of investments that may be held by an outside party. At June 30, 2023, the System's investments and deposits had no custodial credit risk exposure.

(d) ***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University's investment policy provides that the total operating funds portfolio will be broadly diversified across securities in a manner that is consistent with fiduciary standards of diversification. Issuer concentrations are limited to 5% per issuer of the total market value of the portfolio at the time of purchase, or in the case of securitized securities, an individual issuance trust. These concentration limits do not apply to investments in money market funds, tri-party repurchase agreements or obligations of, or issues guaranteed by, the U.S. Treasury, U.S. agencies or U.S. government sponsored enterprises.

As of June 30, 2023, not more than 5% of the University's total investments were invested in securities of any one issuer, excluding money market funds, tri-party repurchase agreements or obligations of, or issues guaranteed by, the U.S. Treasury, U.S. agencies or U.S. government sponsored enterprises.

(e) ***Foreign Currency Risk***

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University does not have an overarching policy related to foreign currency risk; however, under each investment manager's respective fund agreement, the portfolio's foreign currency exposure may be unhedged or hedged back into U.S. dollars. The University's operating fund investments generally are not exposed to foreign currency risk.

The University invests in non-U.S. developed and emerging markets through commingled funds invested in non-U.S. equities, fixed income, private equity and absolute return strategies. As these funds are reported in U.S. dollars, both price changes of the underlying securities in local markets and changes to the value of local currencies relative to the U.S. dollar are embedded in investment returns.

(f) ***Investments and Fair Value Measurements***

GASB standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is as follows:

Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the System has the ability to access as of the measurement date. Level 1 inputs would also include investments valued at prices in active markets that the System has access to where transactions occur with sufficient frequency and volume to provide reliable pricing information.

Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect a reporting entity's own assumptions about what market participants would use in pricing an asset or liability.

The System's non-pooled investments of $71,216 as of June 30, 2023 are invested in money market funds that are reported at cost.

(3) Patient Accounts Receivable

Patient accounts receivable as of June 30, 2023, reported as current assets, consisted of the following amounts:

Patient accounts receivable, net of contractual allowances and charity care:	
Medicaid managed care	$ 108,322,359
Blue Cross	44,964,913
Medicare managed care	41,960,027
HMO/PPO	33,357,486
Medicaid	24,112,637
Medicare	14,900,568
Commercial insurance	11,027,028
Self-pay and other	9,377,405
Total	288,022,423
Less allowance for uncollectible accounts	(124,079,247)
Total patient accounts receivable, net	$ 163,943,176

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at June 30, 2023 was as follows:

Medicaid managed care	39.1 %
Blue Cross	16.2
Medicare managed care	15.2
HMO/PPO	12.0
Medicaid	7.2
Medicare	5.4
Commercial insurance	4.0
Self-pay and other	0.9
	100.0 %

(4) Capital Assets

The capital assets of the System are not pledged to secure outstanding indebtedness of the Board. The System records right-of-use lease and subscription assets based on the present value of expected payments over the term of the respective leases and arrangements. The expected payments are discounted using the interest rate charged on the lease or arrangement, if available, and are otherwise discounted using the System's incremental borrowing rate. The System does not have any leases subject to a residual value guarantee.

Capital asset activity for the year ended June 30, 2023 is summarized as follows:

Capital Assets	Beginning balance, restated	Additions	Retirements	Transfers	Ending balance
Nondepreciable capital assets:					
Land	$ 770,917	$	$	$	$ 770,917
Construction in process	36,589,912	44,104,016		(55,509,280)	25,184,648
Total nondepreciable capital assets	37,360,829	44,104,016	—	(55,509,280)	25,955,565
Depreciable capital assets:					
Buildings	311,922,026	150,275,359	(2,302,675)	24,156,254	484,050,964
Leasehold improvements	2,320,152				2,320,152
Equipment	153,747,871	8,612,006	(1,442,630)	29,200,865	190,118,112
Software	144,312,371			2,152,161	146,464,532
Total depreciable capital assets	612,302,420	158,887,365	(3,745,305)	55,509,280	822,953,760
Less accumulated depreciation:					
Buildings	166,786,496	12,288,187	(1,174,364)		177,900,319
Leasehold improvements	2,320,150				2,320,150
Equipment	117,591,794	11,534,077	(1,169,868)		127,956,003
Software	60,348,846	10,805,868			71,154,714
Total accumulated depreciation	347,047,286	34,628,132	(2,344,232)	—	379,331,186
Total depreciable capital assets, net	265,255,134	124,259,233	(1,401,073)	55,509,280	443,622,574
Amortizable capital assets:					
Right-of-use buildings	2,519,459	1,135,650			3,655,109
Right-of-use equipment	6,379,576	3,427,586	(357,791)		9,449,371
Right-of-use subscriptions	8,164,621	8,523,816			16,688,437
Total amortizable capital assets	17,063,656	13,087,052	(357,791)	—	29,792,917
Less accumulated amortization:					
Right-of-use buildings	62,986	410,553			473,539
Right-of-use equipment	1,947,765	2,483,958	(357,791)		4,073,932
Right-of-use subscriptions		4,532,231			4,532,231
Total accumulated amortization	2,010,751	7,426,742	(357,791)	—	9,079,702
Total amortizable capital assets, net	15,052,905	5,660,310	—	—	20,713,215
Total depreciable and amortizable capital assets, net	$ 280,308,039	$ 129,919,543	$ (1,401,073)	$ 55,509,280	$ 464,335,789

(5) Bonds Payable

During fiscal year 1997, the University issued $25,000,000 of Health Services Facilities System Revenue Bonds Series 1997B. The bonds are variable rate bonds which bear interest at a rate determined weekly and paid monthly. Proceeds from the bonds were used to finance the costs of a new ambulatory care facility in Chicago, a medical office building in Rockford, Illinois and to pay costs incidental to the issuance of the bonds.

During fiscal year 2008, the University issued $41,215,000 Variable Rate Demand Health Services Facilities System Revenue Refunding Bonds, Series 2008. The bonds are variable rate bonds which bear interest at a rate determined weekly. Proceeds from the bonds funded the redemption of the Variable Rate Demand Health Services Facilities System Revenue Refunding Bonds, Series 2007 on July 28, 2008 and paid costs incidental to the issuance of the bonds. The difference between the reacquisition price and net carrying amount of the old debt, loss on refunding, was $4,485,000. This loss is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. The unamortized deferred loss on refunding is disclosed in Note 1(f).

During fiscal year 2014, the University issued $70,785,000 Health Services Facilities System Revenue Bonds, Series 2013. The bonds are fixed rate bonds which bear interest payable on April 1 and October 1 of each year. Proceeds from the bonds were used to finance the costs of certain construction, renovation and equipment purchases for the System and to pay costs incidental to the issuance of the Series 2013 Bonds. The original bond premium, $591,216, is deferred and amortized over the remaining life of the issue.

Bonds payable and other obligations activity for the year ended June 30, 2023 was as follows:

Bonds Payable and Other Obligations

Series	Rate on June 30 outstanding debt	Fiscal year maturity dates	Beginning balance	Additions	Deductions	Ending balance	Current portion
Bonds payable:							
1997B	Variable	2024 – 2027	$ 6,800,000	$	$ (1,300,000)	$ 5,500,000	$ 1,300,000
2008	Variable	2024 – 2027	15,855,000		(2,900,000)	12,955,000	3,060,000
2013	5% to 6.25%	2028 – 2043	70,785,000			70,785,000	
			93,440,000	—	(4,200,000)	89,240,000	4,360,000
Unamortized premium			542,722		(5,802)	536,920	
Total bonds payable			$ 93,982,722	$ —	$ (4,205,802)	$ 89,776,920	$ 4,360,000

The bonds do not constitute obligations of the State. Bond principal and interest payments are funded from revenues pledged from (a) System net revenues, principally consisting of all charges, income and revenues received from the continued use and operation of the System remaining after providing sufficient funds for the reasonable and necessary cost of currently maintaining, repairing, insuring and operating the System, (b) Medical Service Plan (MSP) revenues net of bad debt expense and contractual allowances and (c) UIC College of Medicine tuition revenue.

These revenues for the year ended June 30, 2023 were as follows:

System net revenues	$ 114,101,032
Adjusted MSP revenues	304,005,932
UIC College of Medicine student tuition	53,656,717
Total	$ 471,763,681

ATTACHMENT 34

The table below shows the amount of revenues pledged for future principal and interest payments on the bonds:

Pledged revenues					
Bond issue(s)	Purpose	Source of revenue pledged	Future revenues pledged[1]	Term of commitment	Debt service to pledged revenues (current year)
Series 1997B, 2008 and 2013	Additions to System and Refunding	System net revenues, MSP revenues net of bad debt and contractual allowances, College of Medicine tuition	$ 147,315,529	2043	1.92%

[1] Total estimated future principal and interest payments on bonds

The resolutions authorizing the bonds provide for the establishment of separate funds as follows: Revenue Fund, Project Fund, Repair and Replacement Reserve, Equipment Reserve, Bond and Interest Sinking Fund and Development Reserve. All income and revenues received from the continued use and operation of the System, as provided for by the Bond Resolution, are to be deposited in the Revenue Fund and used to pay necessary operation and maintenance expenses of the System. In the event of default, the bond owners may sue to command performance. The Bond Resolution also requires transfers to funds as follows:

Project Fund – at the discretion of the University Comptroller, amounts not needed to complete construction and renovation projects specified in the Bond Resolution are required to be transferred either to the Repair and Replacement Reserve or to the Bond and Interest Sinking Fund.

Repair and Replacement Reserve – an amount calculated as specified in the Bond Resolution to provide for the cost of unusual maintenance and repairs.

Equipment Reserve – an amount approved by the Board for the acquisition of movable equipment to be installed in the facilities constituting the System. The reserve may not exceed 20% of the book value of the movable equipment of the System.

Bond and Interest Sinking Fund – amounts transferred into the Bond and Interest Sinking Fund sufficient to pay principal and interest as it becomes due on the outstanding bonds.

Development Reserve – an amount approved by the Board for System development. No transfers were authorized by the Board during the year ended June 30, 2023, and there was not a balance in the reserve at June 30, 2023.

The System made all required transfers for the year ended June 30, 2023.

After fulfillment of the provisions described above, the surplus, if any, remaining in the Revenue Fund may be used at the Board's option (a) to redeem bonds of the System which are subject to early redemption, (b) to improve or add facilities to the System, or (c) for any other lawful purpose.

Assets restricted by Bond Resolution were held for the following purposes at June 30, 2023:

Restricted assets:		
Cash equivalents and claim on cash and pooled investments	$	18,533,966
Purpose:		
Repair and replacement reserve	$	17,210,958
Bond and interest sinking fund		1,433,216
Total assets limited as to use		18,644,174
Less amounts required for current liabilities		(1,110,208)
Total for long-term use	$	17,533,966

(a) *Health Services Facilities System Variable Rate Debt and Interest Rate Swap Agreement*

Demand Provisions

The System's Series 1997B and 2008 bonds mature serially through October 2026. These bonds have variable interest rates that are adjusted periodically (i.e., daily, weekly, or monthly), generally with interest paid at the beginning of each month. The bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days' notice and delivery to the University's remarketing agents. The University pays the remarketing agent fees on the outstanding bond balance. If the remarketing agent is unable to resell any bonds that are "put" to the agent, the University has letter of credit agreements with a liquidity facility entity. The fees on the letters of credit are based on outstanding bonds plus pro forma interest. The University, in the event a liquidity facility is utilized, has reimbursement agreements with associated financial entities. If a liquidity advance has not been reimbursed for 90 days, the letter of credit automatically converts to a term loan. The term loan is required to be repaid in five equal quarterly installments, at an interest rate based on whether it was an outstanding advance or an event of default. The outstanding advance interest rate would be the base rate which is the greater of prime plus 1%, Federal Funds plus 2% or 7% and the event of default interest rate would be the base rate plus 3%. The due date of the initial payment on the term loan is one year from the conversion date. The letter of credit agreements contain provisions that the University may terminate and replace the letter of credit agreement so long as the University has paid all of the obligations owed to the liquidity facility entity. In the event of default, the liquidity facility entity may cause the bonds to be subject to a mandatory tender.

The required future interest payments for these variable rate bonds have been calculated using the current interest rate, based upon short-term tax-exempt rates, or the synthetic fixed rate, as illustrated in the table below. Certain parties and terms of the remarketing and liquidity facility agreements are disclosed in the table below:

Variable rate bonds at June 30, 2023

Bond issues	Interest rate at June 30, 2023	Remarketing agent	Remarketing fee	Liquidity facility: Bank	Expiration	Insured by	Fee
HSFS, Series 1997B	4.00%	JPMorgan Securities	0.07%	Wells Fargo	May 30, 2024	Letter of Credit	0.59%
HSFS, Series 2008	3.72	Goldman Sachs	0.07	Wells Fargo	May 30, 2024	Letter of Credit	0.59

ATTACHMENT 34

Interest Rate Swap Agreement

In fiscal year 2009, the University entered into a variable-to-fixed interest rate swap agreement (swap) with Loop Financial Products I LLC (Loop). The purpose of this interest rate swap was to hedge the Series 2008 debt by effectively changing the variable interest rate on the bonds to a synthetic fixed rate. In May 2022, Loop exercised an option in the agreement to assign the swap to its credit support provider, Deutsche Bank AG (DBAG).

When the swap was entered, the notional amount was $40,875,000. In accordance with the swap, the University makes monthly payments to the counterparty (DBAG) equal to 3.534% of the notional amount and receives monthly payments from DBAG equal to 68% of the one-month London Interbank Offered Rate (LIBOR). The swap will terminate in October 2026. As of June 30, 2023, the notional amount of the swap was $12,850,000.

The University engaged a third-party consultant to determine the fair value of the swap. The fair value provided by the consultant was derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant market conditions. The fair value (Level 2 measurement) is recognized as a noncurrent liability and was $84,804 as of June 30, 2023.

In connection with the swap, the University may be exposed to various types of risk:

Credit Risk: As of June 30, 2023, the University was not exposed to credit risk because the swap had a negative fair value. If interest rates change and the fair value of the swap becomes positive, the University would be exposed to credit risk in the amount of the derivative's fair value. The counterparty may have to post collateral in the University's favor in certain conditions, and the University would never be required to post collateral in the counterparty's favor.

Interest Rate Risk: During fiscal year 2023, rising interest rates exposed the University to interest rate risk, which positively affected the fair value of the swap.

Termination Risk: The swap is scheduled to terminate in October 2026. The University has the option to terminate the swap early. The University or Loop may terminate the swap if the other party fails to perform under the terms of the contract. The University may terminate the swap if both credit ratings of the counterparty (DBAG) fall below BBB+ as issued by Standard & Poor's and Baa1 as issued by Moody's Investors Service. As of June 30, 2023, the DBAG credit rating by Standard & Poor's was A- and by Moody's Investors Service was A2.

If the swap is terminated, the Series 2008 variable-rate bonds would no longer carry a synthetic fixed interest rate. In addition, if at the time of termination, the swap has a negative fair value, the University would be liable to DBAG for a payment equal to the swap's fair value.

Basis Risk: The swap exposes the University to basis risk should the relationship between LIBOR and the variable weekly rate determined by the remarketing agent change, changing the synthetic rate on the bonds. If a change occurs that results in the difference in rates widening, the expected cost savings may not be realized.

Other Risks: Since the swap extends to the maturity of the Series 2008 bonds, it does not expose the University to rollover risk. In addition, the University is not exposed to foreign currency risk associated with this swap. The University is not exposed to market access risk as of June 30, 2023. However, if the University decides to issue refunding bonds and credit is more costly at that time, it could be exposed to market access risk.

(b) Debt Service Requirements

Future estimated debt service requirements for the Series 1997B, 2008 and 2013 Bonds at June 30, 2023 were as follows:

		Principal		Interest
2024	$	4,660,000	$	4,817,770
2025		4,525,000		4,651,700
2026		4,695,000		4,481,364
2027		4,575,000		4,312,314
2028		2,725,000		4,188,413
2029 - 2033		16,250,000		18,312,681
2034 - 2038		21,955,000		12,610,750
2039 - 2043		29,855,000		4,700,537
Total debt service		89,240,000	$	58,075,529
Unamortized premium		536,920		
Total bonds payable	$	89,776,920		

The required debt service for the variable rate Series 1997B and 2008 Bonds has been calculated using the current interest rate of 4.00% and 3.72%, respectively, over the remaining life of the bonds.

Using the actual rate in effect as of June 30, 2023 (3.72% for Series 2008), debt service requirements of the Series 2008 variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will also vary.

Health Services Facilities System Revenue Refunding Bonds, Series 2008
Variable-Rate Debt Service Requirements

		Variable rate bonds			Interest rate		
		Principal		Interest		swaps, net		Total
2024	$	3,060,000	$	406,038	$	(20,138)	$	3,445,900
2025		3,225,000		288,114		(14,288)		3,498,826
2026		3,295,000		166,408		(8,249)		3,453,159
2027		3,375,000		41,850		(2,074)		3,414,776
Total	$	12,955,000	$	902,410	$	(44,749)	$	13,812,661

(6) Finance Purchases, Leases and Software Subscriptions

(a) Finance Purchase Arrangements

The System has finance purchase arrangements with external parties related to hospital space and equipment with remaining lease terms ranging from three years to thirty-three years. The renewal and termination options are not included in the assets or liability balance until they are reasonably certain of exercise. The term does not include periods of a finance purchase that include a mutual termination option. Variable payments that are not fixed in nature and non-rent charges are not included in the finance purchase payable. The System did not have any finance purchases with variable lease payments as of June 30, 2023.

One of these finance purchase arrangements is a private-public partnership. The University entered into several agreements with private enterprises to construct the UI Health Specialty Care Building (SCB), which includes an outpatient surgery center and five specialty clinics. The University has partnered with Provident Group-UIC Surgery Center LLC (Provident) and a developer, UIH ASC Development, LLC (Developer). Through agreements among the parties, Provident was responsible for the design, development, and construction of the SCB. The Illinois Finance Authority (IFA) issued $149,845,000 of tax-exempt bonds with fixed interest rates of 4.00% and 5.00% in August 2020 and loaned the proceeds to Provident to fund a portion of the SCB project cost. The University leased the land on which the SCB was built to Provident over a period of 40 years and has entered a sublease with Provident to lease the SCB facility from Provident. Upon the termination or expiration of the land lease, the SCB, any improvements, fixtures, equipment, and all personal property attached to or within the SCB shall be owned by the University.

Finance purchase payable activity for the year ended June 30, 2023 was as follows:

Finance Purchase Payable	Beginning balance	Additions	Deductions	Ending balance	Current portion
Finance purchase payable	$ -	$ 150,275,359	$ (136,254)	$ 150,139,105	$ 2,124,692

As of June 30, 2023, the scheduled fiscal year maturities of finance purchase liabilities and related interest are as follows:

	Principal	Interest
2024	$ 2,124,692	$ 6,312,664
2025	2,227,996	6,205,360
2026	2,336,417	6,092,814
2027	2,350,000	5,974,650
2028	2,465,000	5,854,275
2029-2033	14,305,000	27,244,375
2034-2038	18,225,000	23,271,400
2039-2043	22,405,000	19,051,100
2044-2048	27,265,000	14,098,900
2049-2053	33,175,000	8,073,500
2054-2056	23,260,000	1,420,000
	$ 150,139,105	$ 123,599,038

(b) *Lessee Arrangements*

The System leases warehouse space and equipment from external parties with remaining lease terms ranging from less than one year to ten years. The renewal and termination options are not included in the right-of-use assets or lease liability balance until they are reasonably certain of exercise. The lease term does not include periods of a lease that include a mutual termination option. Variable payments that are not fixed in nature and non-rent charges are not included in leases payable. The System did not have any leases with variable lease payments as of June 30, 2023.

Leases payable activity for the year ended June 30, 2023 was as follows:

Leases Payable					
	Beginning balance	Additions	Deductions	Ending balance	Current portion
Leases payable	$ 6,882,236	$ 4,500,348	$ (2,680,876)	$ 8,701,708	$ 2,302,703

As of June 30, 2023, the scheduled fiscal year maturities of lease liabilities and related interest are as follows:

	Principal	Interest
2024	$ 2,302,703	$ 183,251
2025	2,092,776	137,686
2026	1,246,673	96,100
2027	1,063,564	67,913
2028	468,212	47,395
2029-2033	1,527,780	80,410
	$ 8,701,708	$ 612,755

(c) Lessor Arrangements

The System leases space within and attached to its buildings to external parties. These arrangements have terms ranging from less than one year to three years. In accordance with GASB 87, the System records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the interest rate charged on the lease. During the fiscal year ended June 30, 2023, the System recognized revenues related to these lease agreements totaling $147,213, including interest and other related revenues. Of these amounts recognized during the fiscal year ended June 30, 2023, the System recognized no revenue related to variable receipts that were not previously included in the measurement of the lease receivable.

(d) Subscription-Based Information Technology Arrangements

The System has many subscription-based information technology agreements (SBITAs) with remaining terms ranging from less than one year to seven years. The renewal and termination options are not included in the subscription asset or subscription liability balance until they are reasonably certain of exercise. The SBITA term does not include periods that include a mutual termination option.

Certain System SBITAs contain both fixed and variable subscription payments. These exist primarily within the agreements based on the consumer price index (fixed in substance) or other maintenance costs, which are paid based on actual costs incurred by the vendor (not fixed). The remaining SBITA do not contain variable lease payments. Variable payments that are not fixed in nature and non-subscription charges are not included in the subscription liability. The total expenditures for variable payments not previously included in the measurement of the subscription liability during the fiscal year ended June 30, 2023, were $795,287.

Additionally, the System recognized termination penalties for SBITAs held at June 30, 2023. These amounts were not included in the measurement of the subscription liability and were minimal. There were no commitments for SBITAs that have not yet commenced.

Subscription payable activity for the year ended June 30, 2023 was as follows:

	Subscription Payable				
	Beginning balance, restated	Additions	Deductions	Ending balance	Current portion
Subscriptions payable	$ 7,381,392	$ 8,102,443	$ (5,688,456)	$ 9,795,379	$ 4,110,458

As of June 30, 2023, the scheduled fiscal year maturities of subscription liabilities and related interest are as follows:

	Principal	Interest
2024	$ 4,110,458	$ 266,147
2025	2,677,726	164,291
2026	1,246,653	90,239
2027	893,313	53,239
2028	446,343	25,744
2029-2033	420,886	12,801
	$ 9,795,379	$ 612,461

(7) Accrued Compensated Absences

Accrued compensated absences includes earned and unused vacation and sick leave, including the System's share of Medicare taxes, valued at the current rate of pay.

Section 14a of the State Finance Act (30 ILCS 105/14a) provides that employees eligible to participate in the State Universities Retirement System or the Federal Retirement System are eligible for compensation at time of resignation, retirement, death or other termination of System employment for one-half (1/2) of the unused sick leave earned between January 1, 1984 and December 31, 1997. Any sick leave days that were earned before or after this period of time are noncompensable.

Changes in Compensated Absences Balance	
Balance, beginning of year	$ 35,597,796
Additions	3,551,926
Deductions	(3,973,839)
Balance, end of year	35,175,883
Less current portion	(4,453,599)
Balance, end of year – noncurrent portion	$ 30,722,284

(8) Net Patient Service Revenue

Approximately 95% of the System's net patient service revenue was derived from Medicare, Medicaid and managed care programs for the year ended June 30, 2023. Reimbursement under these programs provided payments to the System at amounts different from its established rates, based on a specific amount per case, or a contracted price, for rendering services to program beneficiaries. The System records contractual allowances in the current period representing the difference between charges for services rendered and the expected payments under these programs and adjusts them in future periods as final settlements through cost reports or other means as determined.

Net patient service revenue for the year ended June 30, 2023 was derived from the following payers:

Medicaid managed care	$ 1,257,627,726
Medicare managed care	537,579,794
Medicare	515,048,956
Blue Cross	400,021,978
HMO/PPO	371,468,302
Self-pay and other	211,789,635
Medicaid	188,799,514
Commercial insurance	48,095,422
Total gross revenue	3,530,431,327
Contractual allowances	(2,408,945,913)
Provision for uncollectible accounts	20,484,298
Net patient service revenue	$ 1,141,969,712

A summary of the payment arrangements with major third-party payers follows:

Medicare and Medicare Managed Care: Inpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient services are paid at prospectively determined rates that are based on the patients' diagnosis. Outpatient payments to the Hospital are based on a predetermined package rate based on services provided to patients. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The System's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2018.

Medicaid and Medicaid Managed Care: Services are reimbursed at prospectively determined rates. Medicaid payment methodologies and rates for services rendered are subject to change and the amount of funding available to the University of Illinois Hospital Services Fund. Such changes could have a significant effect on the System's revenues.

HMO/PPO: The System has payment agreements with certain HMOs and PPOs. The basis for payment under these agreements includes prospectively determined rates-per-discharge, discounts from established charges, prospectively determined daily rates and capitated per-member per-month rates.

For the year ended June 30, 2023, changes in estimates have been recognized as an increase in net patient service revenue of approximately $890,000 as a result of settled cost reports and changes in estimates related to services rendered in previous years.

(9) Retirement and Postemployment Benefits

(a) Defined Benefit Pension Plan

General Information about the Defined Benefit Pension Plan

Plan Description: The University contributes to SURS, a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of State universities, certain affiliated organizations, and certain other State educational and scientific agencies and for survivors, dependents and other beneficiaries of such employees. SURS is considered a component unit of the State's financial reporting entity and is included in the State's Annual Comprehensive Financial Report as a pension trust fund. SURS is governed by Chapter 40, Act 5, Article 15 of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.surs.org.

Benefits Provided: A traditional benefit plan was established in 1941. Public Act 90-0448 enacted effective January 1, 1998, established an alternative defined benefit program known as the portable benefit package. The traditional and portable plan Tier 1 refers to members that began participation prior to January 1, 2011. Public Act 96-0889 revised the traditional and portable benefit plans for members who begin participation on or after January 1, 2011, and who do not have any other eligible reciprocal system service. The revised plan is referred to as Tier 2. New employees are allowed six months after their date of hire to make an irrevocable election whether to participate in either the traditional or portable benefit plans. A summary of the benefit provisions as of June 30, 2022 can be found in the Financial Section of SURS Annual Comprehensive Financial Report.

Contributions: The State is primarily responsible for funding SURS on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a statutory funding plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members within the System to reach 90% of the total Actuarial Accrued Liability by the end of fiscal year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2022 and fiscal year 2023, respectively, was 12.32% and 12.83% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary except for police officers and fire fighters who contribute 9.5% of their earnings. The contribution requirements of plan members and employers are established and may be amended by the State's General Assembly.

Participating employers make contributions toward separately financed specific liabilities under Section 15-139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of "affected annuitants" or specific return to work annuitants), Section 15-155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period), and Section 15-155 (j-5) (relating to contributions payable due to earnings exceeding the salary set for the Governor).

Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Defined Benefit Pensions

Net Pension Liability: The net pension liability (NPL) was measured as of June 30, 2022. At June 30, 2022, the SURS reported a NPL of $29,078,053,857.

Employer Proportionate Share of Net Pension Liability: The amount of the proportionate share of the NPL to be recognized for the System is $0. The proportionate share of the State's NPL associated with the System is $2,722,736,087. This amount is not recognized in the System's financial statements. The NPL and total pension liability as of June 30, 2022 was determined based on the June 30, 2021 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to the SURS during fiscal year 2021.

Defined Benefit Pension Expense: At June 30, 2022, SURS defined benefit plan reported a collective net pension expense of $1,903,314,699.

Employer Proportionate Share of Defined Benefit Pension Expense: The employer proportionate share of collective defined benefit pension expense is recognized as nonoperating revenue with matching operating expense (special funding situation for fringe benefits) in the financial statements. The basis of allocation used in the proportionate share of collective defined benefit pension expense is the actual reported pensionable contributions made to the SURS during fiscal year 2021. As a result, the University recognized revenue and defined benefit pension expense of $872,498,244 from this special funding situation during the year ended June 30, 2023, of which $178,217,641 was related to the System.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Defined Benefit Pensions: Deferred outflows of resources are the consumption of net position by the SURS that is applicable to future reporting periods. Conversely, deferred inflows of resources are the acquisition of net position by SURS that is applicable to future reporting periods.

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources

		Deferred Outflows of Resources		Deferred Inflows of Resources
Difference between expected and actual experience	$	31,973,496	$	28,674,599
Changes in assumption		279,362,441		982,954,268
Net difference between projected and actual earnings on pension plan investments		31,628,935		
Total	$	342,964,872	$	1,011,628,867

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expenses

Year Ending June 30		Net Deferred Outflows and Inflows of Resources
2023	$	(332,941,204)
2024		(528,966,820)
2025		(249,290,775)
2026		442,534,804
2027		
Thereafter		
Total	$	(668,663,995)

Assumptions and Other Inputs

Actuarial assumptions: The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period June 30, 2017 through June 30, 2020. The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	3.00 to 12.75 percent, including inflation
Investment rate of return	6.50 percent

Mortality rates were based on the Pub-2010 employee and retiree gender distinct tables with projected generational mortality and a separate mortality assumption for disabled participants.

The long-term expected rate of return on defined benefit pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant and actuary.

For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2022, these best estimates are summarized in the following table:

Defined Benefit Plan	Strategic Policy Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Traditional Growth		
Global Public Equity	38.0%	7.62%
Stabilized Growth		
Public Credit Fixed Income	9.0%	4.20%
Credit Real Assets	4.5%	4.98%
Options Strategies	2.5%	4.91%
Private Credit	1.0%	7.45%
Non-Traditional Growth		
Private Equity	10.5%	11.91%
Non-Core Real Assets	2.5%	9.43%
Inflation Sensitive		
U.S. TIPS	5.0%	1.23%
Principal Protection		
Core Fixed Income	8.0%	1.79%
Crisis Risk Offset		
Systematic Trend Following	10.0%	4.33%
Alternative Risk Premia	5.0%	3.59%
Long Duration	4.0%	2.16%
Total	**100.0%**	**6.08%**
Inflation		**2.25%**
Expected Arithmetic Return		**8.33%**

ATTACHMENT 34
(Continued)

16L

Discount Rate: A single discount rate of 6.39% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 6.50% and a municipal bond rate of 3.69% (based on the Fidelity 20-Year Municipal GO AA Index as of June 30, 2022). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under SURS funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2076. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2076, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the SURS Net Pension Liability to Changes in the Discount Rate: Regarding the sensitivity of the NPL to changes in the single discount rate, the following presents the State's NPL, calculated using a single discount rate of 6.39%, as well as what the State's NPL would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 5.39%	**Current Single Discount Rate Assumption 6.39%**	**1% Increase 7.39%**
$35,261,802,968	$29,078,053,857	$23,928,731,076

Additional information regarding the SURS basic financial statements, including the plan's net position, can be found in SURS Annual Comprehensive Financial Report by accessing the website at www.SURS.org.

(b) Defined Contribution Pension Plan

General Information about the Defined Contribution Pension Plan

Plan Description: The University contributes to the Retirement Savings Plan (RSP) administered by SURS, a cost-sharing multiple-employer defined contribution pension plan with a special funding situation whereby the State makes substantially all required contributions on behalf of the participating employers. SURS was established July 21, 1941 and provides retirement annuities and other benefits for staff members and employees of State universities, certain affiliated organizations, and certain other State educational and scientific agencies and for survivors, dependents and other beneficiaries of such employees. SURS is governed by Chapter 40, Act 5. Article 15 of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.surs.org. The RSP and its benefit terms were established and may be amended by the State's General Assembly.

Benefits Provided: A defined contribution pension plan, originally called the Self-Managed Plan, was added to SURS benefit offerings as a result of Public Act 90-0448 effective January 1, 1998. The plan was renamed the RSP effective September 1, 2020, after an extensive plan redesign. New employees are allowed six months after their date of hire to make an irrevocable election whether to participate in either the traditional or portable defined benefit pension plans or the RSP. A summary of the benefit provisions as of June 30, 2022, can be found in SURS Annual Comprehensive Financial Report – Notes to the Financial Statements.

Contributions: All employees who have elected to participate in the RSP are required to contribute 8.0% of their annual covered earnings. Section 15-158.2(h) of the Illinois Pension Code provides for an employer contribution to the RSP of 7.6% of employee earnings. The State is primarily responsible for contributing to the RSP on behalf of the individual employers. Employers are required to make the 7.6% contribution for employee earnings paid from "trust, federal, and other funds" as described in Section 15-155(b) of the Illinois Pension Code. The contribution requirements of plan members and employers were established and may be amended by the State's General Assembly.

Forfeitures: Employees are not vested in employer contributions to the RSP until they have attained five years of service credit. Should an employee leave SURS-covered employment with less than five years of service credit, the portion of the employee's RSP account designated as employer contributions is forfeited. Employees who later return to SURS-covered employment will have these forfeited employer contributions reinstated to their account, so long as the employee's own contributions remain in the account. Forfeited employer contributions are managed by SURS and are used both to reinstate previously forfeited contributions and to fund a portion of the State's contributions on behalf of the individual employers. The vesting and forfeiture provisions of the RSP were established and may be amended by the State's General Assembly.

Pension Expense Related to Defined Contribution Pensions

Defined Contribution Pension Expense: For the year ended June 30, 2022, the State's contributions to the RSP on behalf of individual employers totaled $89,770,940. Of this amount, $80,902,699 was funded via an appropriation from the State and $8,868,241 was funded from previously forfeited contributions.

Employer Proportionate Share of Defined Contribution Pension Expense: The employer proportionate share of collective defined contribution pension expense is recognized as nonoperating revenue with matching operating expense (special funding situation for fringe benefits) in the financial statements. The basis of allocation used in the proportionate share of collective defined contribution pension expense is the actual reported pensionable contributions made to the RSP during fiscal year 2022. The University's share of pensionable contributions was 56.0744%. As a result, the University recognized revenue and defined contribution pension expense of $50,338,541 from this special funding situation during the year ended June 30, 2023, of which $10,282,314 was related to the System. The amount that constituted forfeitures for the University was $4,972,815.

(c) Other Postemployment Benefits

Plan description: The State Employees Group Insurance Act of 1971 (Act), as amended, authorizes the SEGIP to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the University's full-time employees are members of SEGIP. Members receiving monthly benefits from the GARS, JRS, SERS, TRS, and SURS are eligible for these other post-employment benefits ("OPEB"). The eligibility provisions for the SURS members were defined within Note 9(a).

The State recognizes SEGIP OPEB benefits as a single-employer defined benefit plan, which does not issue a stand-alone financial report.

Benefits provided: The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's and the State universities' employees in accordance with limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. Coverage through SEGIP becomes secondary to Medicare after Medicare eligibility has been reached. Members must enroll in Medicare Parts A and B to receive the subsidized SEGIP premium available to Medicare eligible participants. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time, the benefit amount becomes $5,000.

Funding policy and annual other postemployment benefit cost: OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retirement members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of CMS shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the State's General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

For fiscal year 2023, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $12,636 ($6,990 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $14,646 ($5,882 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

Special funding situation of OPEB: The proportionate share of the State's OPEB expense relative to the System's former employees or retirees was estimated to be ($141,833,827) during the year ended June 30, 2023. The amount of the total proportionate share of the total OPEB liability to be recognized by the System related to the special funding situation is $0.

Actuarial Methods and Assumptions: The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on GARS, JRS, SERS, TRS, and SURS active, inactive, and retiree data as of June 30, 2021, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2021.

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.25%
Projected Salary Increases*	2.50% - 12.75%
Healthcare Cost Trend Rate:	
Medical & Rx (Pre-Medicare - QCHP**)	Trend rates start at 8.00% in 2024, decreasing by 0.25% per year to an ultimate trend rate of 4.25% in year 2039.
Post-Medicare - MAPD***	Trend rates are 0.00% in years 2024 to 2028, 19.42% from 2029 to 2033, then 5.77% in 2034 decreasing ratably to an ultimate trend rate of 4.25% in 2039.
Retirees' share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single coverage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2022 and 2023 are based on actual premiums. Premiums after 2023 were projected based on the same healthcare cost trend rates applied to per capita claim costs.

Note: the above actuarial assumptions were used to calculate the OPEB liability as of the current year measurement date and are consistent with the actuarial assumptions used to calculate the OPEB liability as of the prior year measurement date except for the following:

Healthcare Cost Trend Rate:	
Medical & Rx (Pre-Medicare & Post-Medicare)	1.80 % grading up 6.20% in the first year to 8.00%, then grading down 0.25% per year to an ultimate trend of 4.25% in year 2038. There is no additional trend rate adjustment due to the repeal of the Excise Tax.
Medical & Rx (Post-Medicare)	-7.56% grading up 15.56% in the first year to 8.00%, then grading down 0.25% per year to an ultimate trend of 4.25% in year 2038.
Dental and Vision	3.75% grading up 0.25% in the first year to 4.00% through 2038.

*Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed.

**Quality Care Health Plan

***Medicare Advantage Prescription Drug

ATTACHMENT 34
(Continued)

Additionally, the demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2021 valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	Retirement age experience study^	Mortality^^
GARS	July 2018 - June 2021	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, scaling factors of 99% for males and females and generational mortality improvements using MP-2018 two-dimensional mortality improvement scales
JRS	July 2018 - June 2021	Pub-2010 Above-Median Income General Healthy Retiree Mortality table, sex distinct, scaling factors of 102% for males and 98% for females and generational mortality improvements using MP-2018 two-dimensional mortality improvement scales
SERS	July 2018 - June 2021	Pub-2010 General and Public Safety Healthy Retiree mortality table, sex distinct, with rates projected to 2018 generational mortality improvement factors were updated to projection scale MP-2018
TRS	July 2017 - June 2020	RP-2010 with future mortality improvements on a fully generational basis using projection table MP-2020
SURS	July 2017 - June 2020	Rates based on Pub-2010 Healthy Retiree Mortality tables and the most recent MP-2020 projection scale. Teachers table was used for Academic members and General

^ The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined.

^^ Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.

Discount Rate: Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 1.92% at June 30, 2021, and 3.69% at June 30, 2022, was used to measure the total OPEB liability.

(10) Related-Party Transactions

The University charged the System for administrative and other services totaling $22,290,113 in fiscal year 2023. These charges represent a portion of the estimated administrative and other service costs incurred by the University in support of the System. An additional $34,978,128 was paid by the University on behalf of the System for salaries and other costs for the year ended June 30, 2023, in exchange for System services and facilities provided, and are recognized as operating expenses (salaries and general) and operating revenues.

The System provides funds to the UIC College of Medicine to support programmatic initiatives that benefit the System's strategic goals and to pay for salaries of physicians and staff in the College of Medicine who serve as medical directors and physician leaders of the System under various agreements. During fiscal year 2023, approximately $57.3 million was recognized in salaries and wages and supplies and general expenses by the System under these agreements.

The System provides funds to the University's College of Pharmacy under various arrangements to pay for salaries of clinical pharmacists, faculty and residents and to support programs that benefit the System's clinical operations. During fiscal year 2023, approximately $17.8 million was recognized in salaries and wages and supplies and general expenses under these arrangements.

The System contracts with the College of Pharmacy to provide certain pharmacy services related to the Federal drug discount program under Section 340b of the Public Health Service Act, under which the System is a covered entity and purchases drugs for dispensing to eligible outpatients. During fiscal year 2023, the System paid approximately $17.6 million to the College of Pharmacy for these services.

The College of Pharmacy also provides various community benefit programs to patients and constituents of the System. During fiscal year 2023, the System paid approximately $8.1 million to the College of Pharmacy to support these programs.

Most healthcare services rendered by physicians at the University are charged, billed and collected through the MSP. For Hospital-based ambulatory care services, there is a charge for both professional and technical components. Based on the underlying agreements between the MSP and the System, the System remits certain net technical revenue to the MSP. Total MSP remittances from the System for the year ended June 30, 2023 relating to the delivery of ambulatory care were approximately $14.4 million.

During 2023, various departments within the College of Medicine agreed to reimburse the System for a portion of the expenses related to the resident and fellowship training program. This reimbursement, which totaled $3.5 million, has been reflected in the financial statements as a reduction of the related expenses.

(11) Commitments and Contingencies

(a) Commitments

At June 30, 2023, the System had commitments on various construction projects and contracts for repairs and renovation of health services facilities of $21,355,108, commitments on software projects of $33,579,201, and commitments on equipment of $4,058,067.

(b) Contingencies

The University (including the System) is involved in regulatory audits arising in the normal course of business.

In 2023, the System received notices from Medicare and other payers requiring that it provide documentation for certain claims as part of audit programs. The System has responded to these requests. Review of claims through these Medicare and other payer audit programs may result in a liability to Medicare and other payers which could have a material impact on the System's net patient service revenue.

The University (including the System) is a defendant in a number of legal actions primarily related to medical malpractice. These legal actions have been considered in estimating the University's accrued self-insurance liability, which covers hospital and medical professional/general liability, estimated general and contractual liability, and workers' compensation liability. At June 30, 2023, the University's total accrued self-insurance liability was $281,930,993.

The University's accrued self-insurance liability includes $186,012,440 at June 30, 2023, for the most probable and reasonably estimable ultimate cost of medical malpractice liabilities. Ultimate cost consists of amounts estimated by the University's risk management division and actuaries for asserted claims, unasserted claims arising from reported incidents, expected litigation expenses and amounts determined by actuaries using relevant industry data and System specific data to cover projected losses for claims incurred but not yet reported. The System contributes to the University's self-insurance reserve through annual assessments (approximately $12.4 million in fiscal year 2023). Therefore, no liability related to medical malpractice claims is included in the System's financial statements, but the entire self-insurance liability is reflected in the University's financial statements.

The System utilizes classes of medical devices and x-ray machines that have legally imposed costs associated with their eventual disposal. The System does not have sufficient information available to reasonably estimate the timing and/or cost related to these future retirement obligations.

(12) Subsequent Events

The variable rate HSFS Revenue Bonds, Series 2008 are synthetically hedged with a floating to fixed interest rate swap agreement. As mentioned in Note 5(a), from the initiation of the swap agreement, the swap counterparty pays to the University 68% of LIBOR, with the University paying a fixed interest amount of 3.534% to the counterparty in monthly settlements. This LIBOR rate ceased official publishing on June 30, 2023. Effective with the settlement on the swap agreement beginning August 5, 2023, and expected to continue to the swap agreement's termination date on October 1, 2026, reference rate fallback protocols as defined by the International Swap Dealers Association (ISDA) are to be relied upon. Under this fallback protocol, the floating rate payor's obligation is determined by the Secured Overnight Financing Rate (SOFR). The swap counterparty's settlement will be calculated as 68% of (SOFR + 11.448 bps), as defined by ISDA actions taken with respect to the sunset of publishing the US Dollar LIBOR indices.

On August 1, 2023, the University executed an optional redemption of $300,000 principal of the HSFS 1997B bonds, as governed by the bond resolution. The optional redemption was selected from principal with a maturity date of October 1, 2026.

In October 2023, the System issued HSFS Refunding Revenue Bonds Series 2023 in the amount of $68,325,000. The bonds, which have fixed interest rates of 5.00% and 5.50%, mature serially from 2027 through 2042. Proceeds from the Series 2023 bonds will be used to (i) refund all the HSFS Revenue Bonds, Series 2013, and (ii) pay costs of issuing the Series 2023 bonds and refunding the Series 2013 bonds.

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

	Cost/Sq. Ft.		DGSF		DGSF				
	New	Mod.	New	Circ.	Mod.	Circ.	New Const. $	Modernization $	Total Cost
Reviewable									
Mammography		$ 325.00			885			$ 287,625	$ 287,625
Gen'l Radiology		$ 340.00			870			$ 295,800	$ 295,800
CT		$ 375.00			1,300			$ 487,500	$ 487,500
Ultrasound		$ 315.00			183			$ 57,645	$ 57,645
Urgent Care		$ 320.00			1,690			$ 540,800	$ 540,800
Dental		$ 280.00			1,449			$ 405,720	$ 405,720
Behavioral Health		$ 300.00			187			$ 56,100	$ 56,100
Care Coordination		$ 275.00			360			$ 99,000	$ 99,000
Lab		$ 315.00			530			$ 166,950	$ 166,950
Echocardiography		$ 320.00			295			$ 94,400	$ 94,400
U of I Specialty Clinics		$ 320.00			7,810			$ 2,499,200	$ 2,499,200
PT/OT/Nutrition		$ 200.00			3,480			$ 696,000	$ 696,000
contingency		$ 20.00						$ 380,780	$ 380,780
		$ 318.69			19,039			$ 6,067,520	$ 6,067,520
Non-Reviewable									
& Gen'l Storage		$ 225.00			1,123			$ 252,675	$ 252,675
,nm. Education		$ 240.00			1,058			$ 253,920	$ 253,920
Staff Areas		$ 240.00			1,038			$ 249,120	$ 249,120
Patient Registration		$ 250.00			517			$ 129,250	$ 129,250
Mechanical Areas		$ 200.00			1,512			$ 302,400	$ 302,400
Administrative		$ 300.00			430			$ 129,000	$ 129,000
Lobbies		$ 225.00			2,466			$ 554,850	$ 554,850
Pub. Areas/Gen. Circ		$ 200.00			2,200			$ 440,000	$ 440,000
Houskeeping		$ 200.00			275			$ 55,000	$ 55,000
Security		$ 225.00			42			$ 9,450	$ 9,450
contingency		$ 20.00			10,661			$ 213,220	$ 213,220
								$ 2,588,885	$ 2,588,885
PROJECT TOTAL		$ 291.46			29,700			$ 8,656,405	$ 8,656,405

ATTACHMENT 37C

PROJECTED OPERATING COSTS and
TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS

TARGET Medical Clinics Building

Year 2 projected patient visits		23,324
Year 2 projected operating costs:		
staffing costs	$ 1,826,792	
medical supplies	$ 3,765,666	
	$ 5,592,458	
per patient visit:		$ 239.77
Year 2 projected capital costs:		
dep/amort/interest:	$ 1,055,000	
per patient visit:		$ 45.23

After paginating the entire completed application indicate, in the chart below, the page numbers for the included attachments:

INDEX OF ATTACHMENTS