

An Update for Fulton and DeKalb County Officials:

**Funding for Grady Health System's
Center for Advanced Surgical Services,
Inpatient Bed Expansion and
Infectious Disease Center Expansion & Renovation**

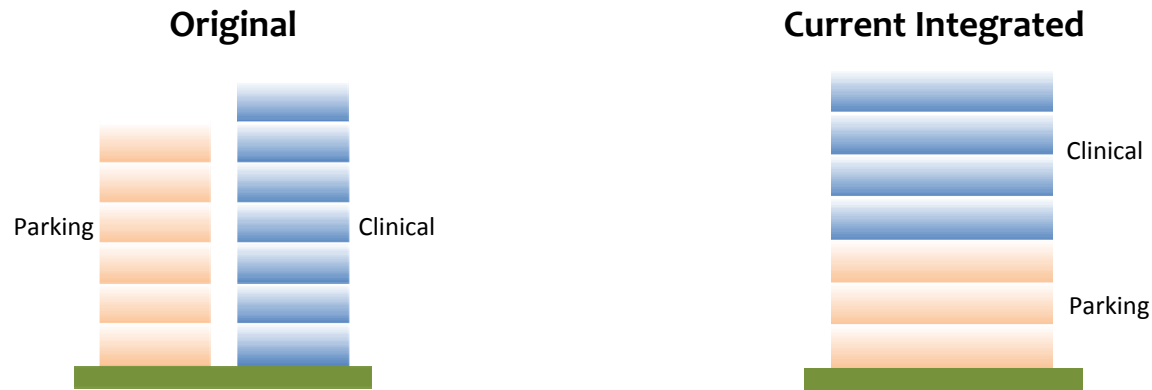
Recap of Previous Discussions & Actions

- Grady is at full capacity driving the need for patient beds, operating rooms, expanded outpatient clinic capacity and expanded cancer treatment space on the Grady Memorial Hospital campus and for additional space for the treatment of HIV & AIDS at the Infectious Disease Center on Ponce.
- Grady has proposed three critical projects to address these significant capacity constraints and to ensure the ability to grow and meet the needs of the community:
 - A new Center for Advanced Surgical Services to increase capacity, efficiency and volume for essential surgical services, outpatient clinics and cancer treatment.
 - An expansion of the Ponce Center to amplify our community's ability to respond to and stem metro Atlanta's HIV/AIDS epidemic.
 - Addition of 40-50 inpatient beds at Grady Memorial Hospital to meet the needs of a growing population.
- On August 2, 2017, the Fulton County Board of Commissioners voted unanimously to support these projects through the issuance of bonds, not to exceed \$60M. On September 14, 2017, the DeKalb County Board of Commissioners also voted unanimously to support these projects through the issuance of bonds, not to exceed \$30M.
- At that time, the projected cost of the projects was estimated to be \$203.0M with the counties providing \$90M in bond funding and Grady funding the remainder through, philanthropy, New Market Tax Credits and cash reserves thus creating a private/public partnership to fund these necessary projects for the citizens of Fulton and DeKalb counties.

Project Update: Size & Scope

Functional space planning commenced following the endorsement of the projects by the counties. Several key findings emerged from the more intense level of planning related to the Center for Advanced Surgery (CASS) facility:

- Integrated building design – The CASS and parking deck have been integrated into one building, rather than building two separate structures, in order to maximize space available for clinical functions within the building and to maximize use of the available land.



Project Update: Size & Scope

- **Increased building size** – the building increased in size from 197,000 square feet to 225,000 square feet, an increase of 28,000 square feet. The additional square footage is the recommendation of the functional programmers and includes:
 - Two shelled operating rooms to be activated within five to eight years of facility opening and providing capacity for 2,000 – 2,400 additional surgeries per year
 - Cancer Center program and support to align all cancer center activities in one location (i.e., mammography, high dose radiation, clinical support)
 - Optic shop for alignment with the Eye Center
 - Pharmacy to support access for patients of the programs in the CASS
- **Construction cost inflation** – the Atlanta market has experienced significant increases in construction costs over the past 12 months. Atlanta is experiencing unprecedented building growth creating a shortage in several building trades and increased cost of building materials.
 - Overloaded Concrete Market—the Atlanta market is still booming post-stadium construction
 - Concrete parking structures doubled in price per sq. foot since 2014
 - Shortage of subcontractors in the mechanical, electrical, and plumbing markets is driving up labor costs
 - Metro Atlanta MEP & Structural trades have doubled or tripled in cost

Project Update: Cost

- The FINAL estimated cost of the three proposed projects has increased from \$203.0M to \$231.3M, an increase of \$28.3M:
 - Increase in square footage \$8.5M
 - Construction cost inflation \$10.5M
 - Integrated building design \$9.3M
 - Increased Project Costs \$28.3M

Proposed Project Budget and Funding Summary

A Public/Private Partnership

FUND SOURCE	
Proposed Fulton County Project Funding	\$74.2M
Proposed DeKalb County Project Funding	\$37.1M
Grady Health Foundation Philanthropic Funding	\$90.0M
Grady Health System Direct Funding	\$30.0 M
TOTAL – CASS, Ponce Center and Bed Expansion	\$231.3 M
USES OF FUNDS:	
CASS PROJECT COSTS	
Construction Costs	\$151.6 M
Equipment, Technology and Land	\$36.5 M
Subtotal – Center for Advanced Surgical Services	\$188.1 M
OTHER PROJECT COSTS	
Ponce Center/Infectious Disease Program (IDP)	\$23.0 M
Inpatient Beds	\$20.2 M
Subtotal – Other Projects	\$43.2 M
TOTAL – CASS, Ponce Center and Bed Expansion	\$231.3 M

Proposed Funding Strategy

A Public/Private Partnership

Over the past decade, over \$400 million in private support has been invested to fuel Grady's transformation:

- Marcus Stroke & Neuroscience Stroke Center
- Correll Cardiac Center
- Marcus Trauma & Emergency Center
- Best-in-class electronic medical records system
- System-wide upgrades and improvements
- Revitalized Women's & Infants' Center

The Center for Advanced Surgical Services and Ponce Center renovations continue that philanthropic legacy and magnify the public sector's first capital investment in Grady in 25 years.

CASS AND PONCE CENTER PHILANTHROPIC SUPPORT (as of 8/1/18)	AMOUNT
Total Grady Health Foundation Philanthropic Support	\$90.0 M
Board of Directors – GMHC and GHF	\$3.8 M
Family Foundations	\$63.0 M
Corporations	\$9.7 M
Individuals	\$.8 M
Committed: Pending or In Process	\$12.7 M

Project Update: Funding

- In the spirit of the agreed upon 50/50 public/private partnership, Grady is respectfully requesting Fulton and DeKalb counties increase their commitment to these three essential projects as will Grady Health System:
 - Fulton county to increase their commitment from \$60M to \$74.2M
 - DeKalb County to increase their commitment from \$30M to \$37.1M

Public Funding – Counties	\$111.3M (48%)
Private Funding – Grady	<u>\$120.0M (52%)</u>
Total Project Funding/Cost	\$321.3M

Existing Bond Commitments*

	Remaining	Annual Cost	End Date
Fulton	\$84.1 million	\$16-19 million	2023
DeKalb	\$14.9 million	\$7.5 million	2020

* From the \$336 million bond issuance in 1993 to fund a major addition and expansion of the hospital. At the time, this investment represented the first upgrade and expansion since 1954.

Annual Debt Service Impact

This schedule assumes repayment of the bonds, including principal and interest, begins in 2019.

FULTON	2019	2020	2021	2022	2023	2024	2025+
Indigent Care	42.5	42.5	42.5	42.5	42.5	42.5	42.5
Existing Debt Service	17.4	17.4	17.5	17.7	19.7	0	0
New Debt Service	2.5	3.8	3.8	3.8	3.8	5.3	5.3
Total	62.4	63.7	63.8	64	66	47.8	47.8

DEKALB	2019	2020	2021	2022	2023	2024	2025+
Indigent Care	12.9	12.9	12.9	12.9	12.9	12.9	12.9
Existing Debt Service	7.5	7.5	0	0	0	0	0
New Debt Service	1.3	1.9	3.2	3.2	3.2	3.2	3.2
Total	21.7	22.3	16.1	16.1	16.1	16.1	16.1

Progress to Date:

CASS Architect and Contractor Selection

A competitive RFP process was utilized and broadly advertised to garner interest in the CASS project by healthcare architects and contractors. All bidders were required to submit their plan for achieving the goal of 20% MWBE participation per the operating agreement between Grady and the counties. Collectively, over 20 bids were received.

- **FUNCTIONAL PROGRAMMERS:** NBBJ, a specialty healthcare architecture firm specializing in functional programming, was selected to perform the functional programming for the CASS and Infection Disease Center projects. NBBJ is a WBE firm.
- **ARCHITECT:** HOK was selected as the architect for the CASS project. HOK is a global architectural firm with offices in Atlanta and is the largest architectural and engineering firm in the world. HOK was the architect for both the Center for Civil & Human Rights and Mercedes-Benz Stadium. HOK has extensive experience related to the design of projects similar to the CASS. HOK is committed to meeting the MWBE goals for the project.
- **CONSTRUCTION MGR AND CONTRACTOR:** A joint venture between H.J. Russell Construction and Skanska Construction was selected to serve as the construction manager and contractor for the CASS project. H.J. Russell has been a long-term partner to Grady and is the largest minority owned construction firm in the US. Skanska is a global construction firm with a major presence in Atlanta and also a long-term partner to Grady. Russell/Skanska is committed to meeting the MWBE goals for the project.

APPENDIX

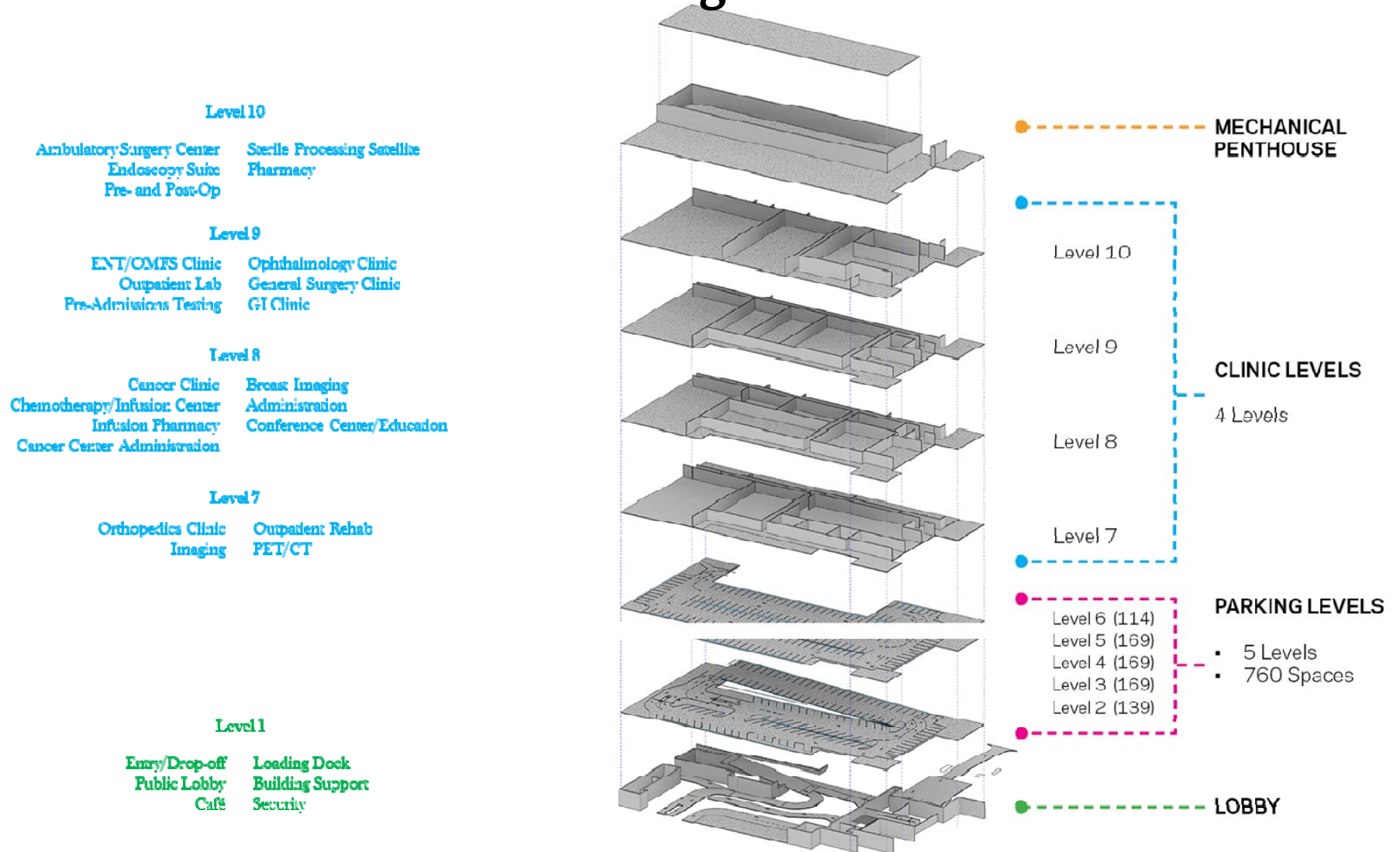
Center for Advanced Surgical Services: Value Proposition

- Expands Grady's clinic capacity by 45%, increasing patient efficiency, volume and training
- Increases total operating room volume by 25% and creates more patient-centered environment
- Allows growth in strategic service lines
- Frees space for 40 – 50 new inpatient beds
- Diversifies our payor mix to further support our mission and expands Medicare market
- Increases Grady's operating margins and improves days cash on hand, ultimately providing financial flexibility for the health system



Center for Advanced Surgical Services

Building Plan



The Need to Expand and Transform Grady's Ponce Center for Treatment of HIV/AIDS

Atlanta is at the epicenter of the urgent HIV epidemic that has gripped the Southern United States – and Grady is on the frontlines of this crisis.

- Grady operates one of the largest and most impactful HIV/AIDS clinics in the country, known as the Ponce Center. More than 6,000 men, women and children are served annually, 80% of whom reside in Fulton and DeKalb Counties (***the two counties with the highest HIV prevalence in Georgia and among the highest in the U.S.***)
- The Ponce Center has not had major updates since it was opened in the early days of the AIDS crisis, though treatment models have changed drastically
- Current space is inadequate to handle the growing patient base, and the outdated facility does not support team-based, efficient care
- When the Center opened, the top two floors were left as shell space to allow for future growth when needed – and the need has never been more pressing

Transforming Grady's Ponce Center for Treatment of HIV/AIDS

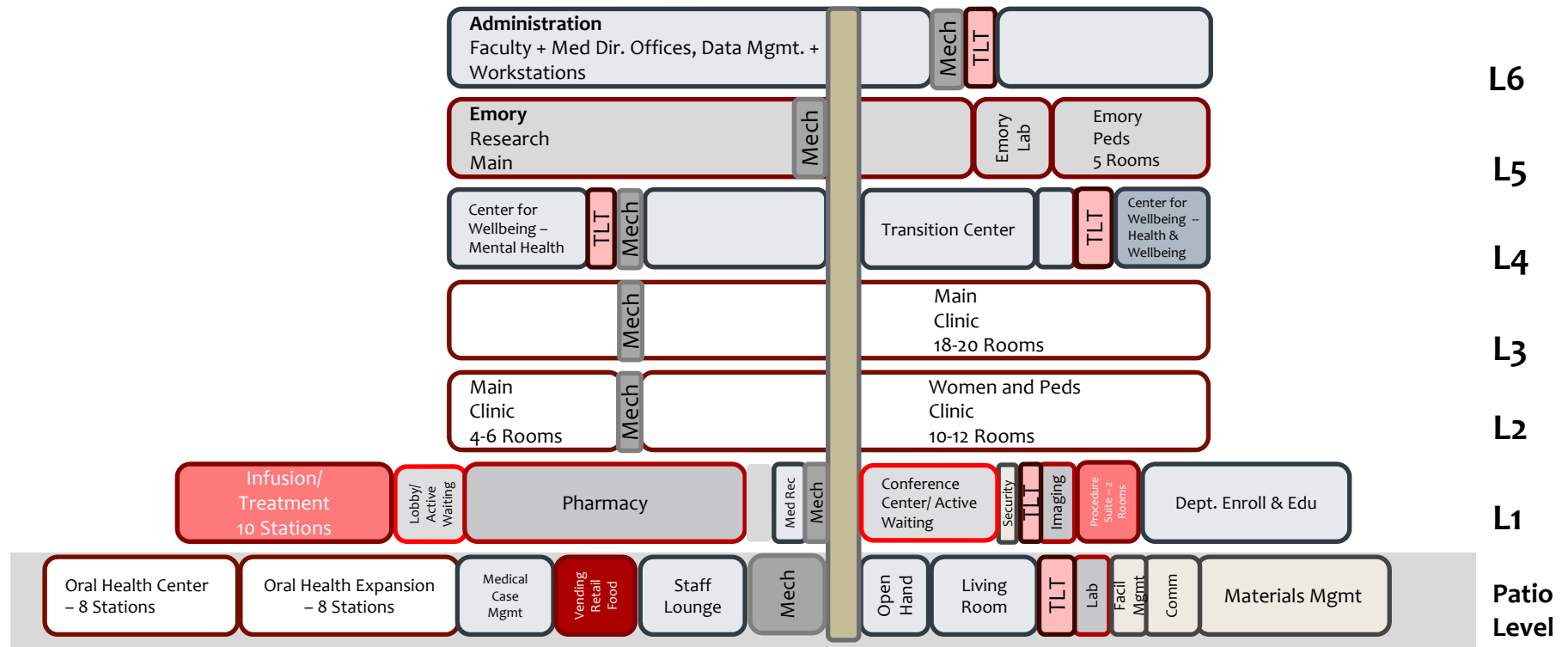
- The Ponce Center will be expanded and revitalized so that we can serve more patients, conduct more groundbreaking research and develop new programs. The transformed building will:
 - Significantly expand treatment areas for primary and specialty care
 - Improve patient-centered care by streamlining key services
 - Increase patient support with dedicated education and wellness areas
 - Create a welcoming environment that maximizes privacy
 - Incorporate advanced technology to improve outcomes and communication
 - Support discovery with an expanded, dedicated space for research

The transformed Ponce Center will amplify our community's ability to help stem and respond to metro Atlanta's HIV/AIDS epidemic.

Ponce de Leon Center

Building Plan

- Functional and space programming is underway for the Ponce Center. This phase will be complete in November



Impact on Our Patients



VIRGINIA S. is covered by Medicare. She's been waiting for more than one year for a life-changing hip replacement that would allow her to walk and work again.

RUSSELL M. came to Grady not knowing he had HIV, let alone that it had progressed to AIDS. Once diagnosed, Grady began treatment immediately, using the doctors with not only the knowledge to care for him, but the empathy.



LILLY W. is disabled and covered by Medicaid. She is a diabetic and has been diagnosed with retinopathy. Without access to treatment, Lilly risks full blindness and will no longer be able to see her grandchildren or live the self-sufficient life she enjoys. Grady successfully treats many patients like Lilly each year, but there are many more who need treatment.



The Future of Grady

Grady has learned from its past—there is danger in getting behind the curve on capacity and the ability to diversify payor mix.

The community depends on Grady to respond to its needs and be equipped to serve effectively and efficiently.



Your understanding of Grady's unparalleled role in the health of our community continues to advance our transformation, raises the bar for excellence and quality care for all, and has carried us to where we stand today. Your partnership is essential on this next critical step that will shape our community's future.