

OFFICE OF THE TREASURER AND CHIEF FINANCIAL OFFICER

July 11, 2019

The Honorable Eric J. Holcomb
Governor of the State of Indiana
State House
Indianapolis, IN 46204

Dear Governor Holcomb:

At its meeting on June 14, 2019, the Purdue University Board of Trustees approved the planning, financing, construction and award of construction contracts for the Veterinary Medicine Teaching Hospital at the Purdue West Lafayette Campus.

The project will provide a new Veterinary Medicine Teaching Hospital that consists of equine, small animal and farm animal hospitals, totaling approximately 164,500 GSF. The facility will meet the standards of accreditation by the American Veterinary Medical Association Council on Education and provide state-of-the-art teaching environments, while accommodating larger class sizes and caseloads. This \$108,000,000 project will be funded by fee replaced debt of \$73,000,000, operating funds-reserves of \$26,832,506 and gift funds of \$8,167,494.

Subject to review by the Commission for Higher Education and recommendation by the State Budget Committee and the Budget Agency, we request your approval to proceed with this project. Attached are the completed forms that the Commission has prescribed for its review of such projects. We will be happy to answer any questions you or your staff may have or to provide any additional information that is needed.

Sincerely,



William E. Sullivan
Treasurer and Chief Financial Officer

Attachments

- c: Alecia Nafziger, Associate Commissioner and Chief Financial Officer, Indiana
Commission for Higher Education
Zachary Jackson, Director, Indiana State Budget Agency
Kathleen Thomason, Comptroller, Purdue University
Anthony Hahn, Director, State Relations & Policy Analysis, Purdue University

PROJECT COST SUMMARY

Veterinary Medicine Teaching Hospital

Institution:	<u>Purdue University</u>	Budget Agency Project No.:	<u>B-1-20-1-02</u>
Campus:	<u>West Lafayette</u>	Institutional Priority:	<u>N/A</u>
Previously approved by General Assembly:	<u>Yes</u>	Previously recommended by CHE:	<u>Yes</u>
Part of the Institution's Long-term Capital Plan:	<u>Yes</u>		

Project Size:	<u>164,500</u> GSF (1)	<u>94,078</u> ASF (2)	<u>0.571902736</u> ASF/GSF
Net change in overall campus space:	<u>164,500</u> GSF	<u>94,078</u> ASF	

Total cost of the project (3):	<u>\$ 108,000,000</u>	Cost per ASF/GSF:	<u>656.53495</u> GSF
Total cost of the demolition:	<u>\$ -</u>		<u>1147.9836</u> ASF
Funding Source(s) for project (4):	Amount	Type	
	<u>\$ 73,000,000</u>	<u>Fee-Replaced Debt</u>	
	<u>\$ 26,832,506</u>	<u>Operating Funds - Reserves</u>	
	<u>\$ 8,167,494</u>	<u>Gift Funds</u>	
Estimated annual debt payment (6):	<u>\$5,371,468</u>		
Are all funds for the project secured:	<u>Yes</u>		
Project Funding:			
Project funding will come from Fee-Replaced Debt, Operating Funds-Reserves and Gift Funds. Unsecured Gift Funds will be backstopped by the College of Veterinary Medicine.			

Project Cost Justification
This project costs more than the one included in the comparable project section, and that is due to the differing project scopes and building types.

Estimated annual change in cost of building operations based on the project:	<u>\$ 1,427,220</u>
Estimated annual repair and rehabilitation investment (5):	<u>\$ 1,620,000</u>

(1) Gross Square Feet (GSF)- Sum of all area within the exterior envelope of the structure.

(2) Assignable Square Feet (ASF)- Amount of space that can be used by people or programs within the interior walls of a structure. Assignable square feet is the sum of the 10 major assignable space use categories: classrooms, laboratories, offices, study facilities, special use facilities, general use facilities, support facilities, health care facilities, residential facilities and unclassified facilities. For information on assignable space use categories, see Space-Room Codes tab.

(3) Projects should include all costs associated with the project (structure, A&E, infrastructure, consulting, FF&E, etc.)

(4) Be consistent in the naming of funds to be used for projects. If bonding, note Bonding Authority Year (1965, 1929, 1927, etc.)

(5) Estimate the amount of funding the institution would need to set aside annually to address R&R needs for the project. CHE suggests 1.5% of total construction cost

(6) If issuing debt, determine annual payment based on 20 years at 4.75% interest rate

- If project is a lease-purchase or lease, adjust accordingly. Note the total cost of the lease in the project cost, and annual payments in project description

PROJECT DETAILED DESCRIPTION - ADDITIONAL INFORMATION
Veterinary Medicine Teaching Hospital

Institution:	<u>Purdue University</u>	Budget Agency Project No.:	<u>B-1-20-1-02</u>
Campus:	<u>West Lafayette</u>	Institutional Priority:	<u>N/A</u>

Description of Project

This project will construct a new 164,500 GSF Veterinary Medicine Teaching Hospital complex that consists of a 78,500 GSF equine hospital, a 62,000 GSF small animal hospital and a 24,000 GSF farm animal hospital.

The facility will be located on the south end of the West Lafayette campus adjacent to the existing Lynn Hall of Veterinary Medicine, which will continue to be occupied by the College of Veterinary Medicine upon completion of the new facilities.

The new hospitals will house receiving, waiting rooms, exam rooms, surgery, anesthesia, radiology, cardiology, physiology, physical therapy, internal medicine, ophthalmology, soft tissue, orthopedics, intensive care unit, intermediate care, therio, recovery and supply space.

Need and Purpose of the Program

The Purdue University College of Veterinary Medicine (PVM) is the only veterinary college in the state of Indiana and is one of only four veterinary colleges in the United States that educates the entire veterinary team.

The most recent American Veterinary Medical Association Council on Education (AVMA COE) accreditation visit in October 2018 was increasingly critical of the college for the poor quality of the facilities for teaching and clinical functions. Inadequacies in the college's ability to provide appropriate safety or biosecurity and teaching in hospital space approaching 60 years old have been noted on multiple occasions.

The new Veterinary Medicine Teaching Hospital will meet the standards of accreditation by the American Veterinary Medical Association Council on Education, provide state-of-the-art facilities and teaching environments and have the capability to remain adaptive to technology advancements in veterinary medicine.

The new facilities provide the opportunity for an increased class size (from 84 to 120), caseload growth, greater teaching opportunities and additional clinical revenue for hospital operation.

Space Utilization

Upon completion of the new facilities, some large animal and small animal functions will remain in the Lynn Hall of Veterinary Medicine. The remainder of the space will either be renovated or demolished in the future

Comparable Projects

- There are no directly comparable projects in the Purdue University system. The project below has some correlations but also key differences.
 - o Centaur Regional Equine Diagnostic and Surgical Center (2015)
 - 19,000 square feet
 - Smaller and differing architectural style than the West Lafayette campus
 - \$8.8M
 - Located in Shelbyville, IN convenient to Indiana Downs to administer emergency medical services to equines (surgery, diagnostic imaging, internal medicine, etc.)
 - The equine center is comparable to an urgent care while the new Veterinary Medical Teaching Hospital is truly a hospital

Background Materials

CAPITAL PROJECT REQUEST FORM
INDIANA PUBLIC POSTSECONDARY EDUCATION
INSTITUTION CAMPUS SPACE DETAILS FOR Veterinary Medicine Teaching Hospital

	Current Campus Totals				Capital Request		
(INSERT PROJECT TITLE AND SBA No.)	Current Space in Use	Space Under Construction (1)	Space Planned and Funded (1)	Subtotal Current and Future Space	Space to be Terminated (1)	New Space in Capital Request (2)	Net Future Space
A. OVERALL SPACE IN ASF							
Classroom (110 & 115)	331,337	-	-	331,337			331,337
Class Lab (210,215,220,225,230,235)	618,037	56,497	68,518	743,052			743,052
Non-class Lab (250 & 255)	1,611,875	7,701	(17,963)	1,601,613			1,601,613
Office Facilities (300)	2,249,946	8,324	24,708	2,282,978		4,177	2,287,155
Study Facilities (400)	400,281	12,918	6,171	419,370			419,370
Special Use Facilities (500)	1,215,997	4,493	-	1,220,490			1,220,490
General Use Facilities (600)	926,226	44,900	200	971,326			971,326
Support Facilities (700)	3,011,944	-	(134)	3,011,810			3,011,810
Health Care Facilities (800)	88,753	-	-	88,753		89,901	178,654
Resident Facilities (900)	2,570,466	175,550	-	2,746,016			2,746,016
Unclassified (000)	31,815	-	-	31,815			31,815
B. OTHER FACILITIES (Please list major categories)				-			-
TOTAL SPACE	13,056,677	310,383	81,500	13,448,560	-	94,078	13,542,638

Notes:

(1) Identify in a footnote the specific facilities that are included in the data in these columns. Do not include pending approval, non-submitted projects or non-funded projects

- Space/Room codes based on Postsecondary Ed Facilities Inventory and Classification Manual (2006)

Space under construction includes: MJIS Addition, STEM Teaching Lab Facility, ABE Renovation/Addition, Meredith South, Third Street North

Space planned and funded includes: Engineering and Polytechnic Gateway Building

CAPITAL PROJECT COST DETAILS

Veterinary Medicine Teaching Hospital

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Campus:	<u>West Lafayette</u>	Institutional Priority:	<u>N/A</u>

ANTICIPATED CONSTRUCTION SCHEDULE

	<u>Month</u>	<u>Year</u>
Bid Date	<u>January</u>	<u>2020</u>
Start Construction	<u>March</u>	<u>2020</u>
Occupancy (End Date)	<u>March</u>	<u>2022</u>

ESTIMATED CONSTRUCTION COST FOR PROJECT

	Cost Basis (1)	Estimated Escalation Factors (2)	Project Cost
<u>Planning Costs</u>			
a. Engineering			\$ 4,627,575
b. Architectural			\$ 5,141,750
c. Consulting			\$ 514,175
<u>Construction</u>			
a. Structure			\$ 44,090,284
b. Mechanical (HVAC, plumbing, etc.)			\$ 20,041,038
c. Electrical			\$ 16,032,831
<u>Movable Equipment</u>			\$ 1,600,000
<u>Fixed Equipment</u>			\$ 450,000
<u>Site Development/Land Acquisition</u>			\$ 9,800,000
<u>Other (Project Management, IT, Insurance, Etc.)</u>			\$ 5,702,347
TOTAL ESTIMATED PROJECT COST	\$ -	\$ -	\$ 108,000,000

CAPITAL PROJECT OPERATING COST DETAILS

Veterinary Medicine Teaching Hospital

<u>Institution:</u>	<u>Purdue University</u>	<u>Budget Agency Project No.:</u>	<u>B-1-20-1-02</u>
<u>Campus:</u>	<u>West Lafayette</u>	<u>Institutional Priority:</u>	<u>N/A</u>

				<u>GSF OF AREA AFFECTED BY PROJECT</u>	<u>164,500</u>
<u>ANNUAL OPERATING COST/SAVINGS (1)</u>					
	Cost per GSF	Total Operating Cost	Personal Services	Supplies and Expenses	
1. Operations	0.98	161,947.04	152,182.70	9,764.35	
2. Maintenance	3.29	541,537.78	427,977.99	113,559.79	
3. Fuel	-				
4. Utilities	4.40	723,735.00	102,639.00	621,096.00	
5. Other	-				
TOTAL ESTIMATED OPERATIONAL COST/SAVINGS	8.68	1,427,220	682,800	744,420	

Description of any unusual factors affecting operating and maintenance costs/savings.