**Section 1126.APPENDIX B Financial and Economic Review Standards**

a) Reasonableness of Project and Related Costs Standards

1) Preplanning Costs shall not exceed 1.8% of construction and modernization contracts, plus contingencies, plus equipment costs.

2) Site Survey and Preparation Costs shall not exceed 5% of construction and contingency costs.

3) New Construction and Modernization Costs per Gross Square Foot (GSF) SMHRF cost standards are derived from the RSMeans Building Construction Cost Data (Means) publication (RSMeans, 63 Smiths Lane, PO Box 800, Kingston MA 02364-9988, 800/334-3509; 2015, no later amendments or editions included) and will be adjusted (for inflation and location) for each project to the current year (www.rsmeans.com).

HFSRB NOTE: HFSRB staff will review the cost per square foot data submitted in the application to determine compliance with the latest available cost standards of the RSMeans publication.

HFSRB NOTE: Modernization includes the build out of leased space and shall include the cost of all capital improvements contained in the terms of the lease. These standards are based on 2008 data.

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| **Type of Facility** | **New Construction** | **Modernization** |
| SMHRF | Adjusted Means 3rd Quartile | 70% of Adjusted Means 3rd Quartile |

4) Contingencies

Contingency costs for projects (or for components of projects) are based on a percentage of new construction or modernization costs and are based on the status of a project's architectural contract documents.

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| **Status of Project** | **New Construction** | **Modernization** |
| Contract Documents | Components | Components |
| Schematics | 10% | 10-15% |
| Preliminary | 7% | 7-10% |
| Final | 3-5% | 5-7% |

5) New Construction or Modernization Fees and Architectural & Engineering (A&E) Fees

Current fees for services for projects or components of projects involving new construction or modernization (total amount of construction and contingencies, A&E fees for SMHRFs and total fees for site work) can be found in the Centralized Fee Negotiation Professional Services and Fees Handbook (available at www.cdb.state.il.us or by contacting the Capital Development Board, 401 South Spring Street, Springfield, Illinois 62706). HFSRB shall, for all calculations, consider the latest version of the handbook as released on the Capital Development Board website.

A) Projects or Components of Projects Involving New Construction

|  |  |
| --- | --- |
| **Total Amount of Construction and Contingencies** | **SMHRF** |

|  |  |
| --- | --- |
| under $100,000 | 10.59-15.89% |
| $       200,000 | 9.99-14.99% |
| $       300,000 | 9.48-14.22% |
| $       400,000 | 9.03-13.55% |
| $       500,000 | 8.65-12.99% |
| $       700,000 | 8.21-12.33% |
| $       900,000 | 7.89-11.85% |
| $    1,000,000 | 7.79-11.69% |
| $    1,250,000 | 7.62-11.44% |
| $    1,500,000 | 7.49-11.25% |
| $    1,750,000 | 7.36-11.06% |
| $    2,500,000 | 7.06-10.60% |
| $    3,000,000 | 6.89-10.35% |
| $    5,000,000 | 6.42-9.64% |
| $    7,000,000 | 6.11-9.17% |
| $    9,000,000 | 5.94-8.92% |
| $  10,000,000 | 5.90-8.86% |
| $  15,000,000 | 5.76-8.66% |
| $  20,000,000 | 5.64-8.48% |
| $  25,000,000 | 5.52-8.28% |
| $  30,000,000 | 5.37-8.07% |
| $  40,000,000 | 5.12-7.68% |
| $  50,000,000 | 4.86-7.30% |
| $100,000,000 | 3.59-5.39% |
| and over |  |

B) Projects or Components of Projects Involving Modernization

|  |  |
| --- | --- |
| **Total Amount of Construction and Contingencies** | **A&E Fees for SMHRF** |

|  |  |
| --- | --- |
| under $100,000 | 10.76-16.16% |
| $       200,000 | 10.16-15.26% |
| $       300,000 | 9.65-14.49% |
| $       400,000 | 9.20-13.80% |
| $       500,000 | 8.81-13.23% |
| $       700,000 | 8.36-12.56% |
| $       900,000 | 8.04-12.06% |
| $    1,000,000 | 7.93-11.91% |
| $    1,250,000 | 7.76-11.66% |
| $    1,500,000 | 7.63-11.45% |
| $    1,750,000 | 7.50-11.26% |
| $    2,000,000 | 7.40-11.12% |
| $    2,500,000 | 7.19-10.79% |
| $    3,000,000 | 7.02-10.54% |
| $    5,000,000 | 6.54-9.82% |
| $    7,000,000 | 6.22-9.34% |
| $    9,000,000 | 6.04-9.08% |
| $  10,000,000 | 6.00-9.02% |
| $  15,000,000 | 5.87-8.81% |
| $  20,000,000 | 5.74-8.62% |
| $  25,000,000 | 5.62-8.44% |
| $  30,000,000 | 5.48-8.22% |
| $  40,000,000 | 5.21-7.83% |
| $  50,000,000 | 4.95-7.43% |
| $100,000,000 | 3.65-5.49% |
| and over |  |

6) Capital Equipment Not Included in Construction Contracts

Standards for capital equipment not included in construction contracts are established by type of facility and are derived from the third quartile costs of previously approved projects for which data are available. The standards apply only to the following types of projects: establishment of new facilities, expansion of existing facilities (e.g., bed additions), and modernization of existing facilities involving replacement of existing beds, relocation of existing facilities, etc. The standard in this subsection (a)(6) is calculated for the year 2013.

HFSRB NOTE: Modernization includes the build out of leased space and shall include the cost of capital equipment included in the terms of the lease.

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| **SMHRFs per Bed** |
| $7,524.83 |

7) Inflation Factor

Costs for construction and modernization contracts and equipment are to be adjusted for projected inflation. The projected inflation rate is to be calculated to the midpoint of construction. For construction midpoint of up to 3 years, the inflation rate shall be an average of the previous 3 years annual inflation rates for construction as determined by RSMeans. For construction midpoints beyond 3 years, the inflation rate shall be the lesser of this rate or 3% for the period of time beyond 3 years.

b) Financial Viability Standards

1) Current Ratio = Current Assets/Current Liabilities

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| **Type of SMHRF** | | **Current Ratio** |
|  | |  |
| Not-For-Profit, System | 1.5 or more | |
| Not-For-Profit, Non-System | 1.5 or more | |
| For-Profit, System | 1.5 or more | |
| For-Profit, Non-System | 1.5 or more | |
| Governmental | 1.5 or more | |

2) Net Margin Percentage = (Net Income/Net Operating Revenues) X 100

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| --- | --- | --- |
| **Type of SMHRF** | | **Net Margin** |
|  | |  |
| Not-For-Profit, System | 2.5% or more | |
| Not-For-Profit, Non-system | 2.5% or more | |
| For-Profit, System | 2.5% or more | |
| For-Profit, Non-system | 2.5% or more | |
| Governmental | 0% or more | |

HFSRB NOTE: Net Margin Percentage for For-Profits is before the provision for income taxes. Net income is the excess of revenues over expenses from operations, before non-recurring income or expense.

3) Long-Term Debt to Capitalization = (Long-Term Debt/Long-Term Debt plus Net Assets) X 100

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| --- | --- | --- |
| **Type of SMHRF** | | **Long Term Debt to Capitalization** |
|  | |  |
| Not-For-Profit, System | 80% or less | |
| Not-For-Profit, Non-system | 80% or less | |
| For-Profit, System | 50% or less | |
| For-Profit, Non-system | 50% or less | |
| Governmental | NA | |

HFSRB NOTE: For SMHRFs and for-profit facilities, the applicant shall explain the rationale of the use of debt rather than the issuance of stock (if this is the case).

4) Projected Debt Service Coverage = Net Income plus (Depreciation plus Interest plus Amortization)/Principal Payments plus Interest Expense for the Year of Maximum Debt Service after Project Completion

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| --- | --- | --- |
| **Type of SMHRF** | | **Project Debt Service Coverage** |
|  | |  |
| Not-For-Profit, System | 1.5 or more | |
| Not-For-Profit, Non-system | 1.5 or more | |
| For-Profit, System | 1.5 or more | |
| For-Profit, Non-system | 1.5 or more | |
| Governmental | 1.5 or more | |

HFSRB NOTE: Net Income is the excess of revenues over expenses from operations, before non-recurring income or expense.

5) Days Cash on Hand = (Cash plus Investments plus Applicant Board Designated Funds)/(Operating Expense less Depreciation Expense)/365 days

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| --- | --- | --- |
| **Type of SMHRF** | | **Days Cash on Hand** |
|  | |  |
| Not-For-Profit, System | 45 or more days | |
| Not-For-Profit, Non-system | 45 or more days | |
| For-Profit, System | 45 or more days | |
| For-Profit, Non-system | 45 or more days | |
| Governmental | 45 or more days | |

HFSRB NOTE: The Days Cash on Hand requirement can be met by a combination of cash and investments held by the facilities or available funds from the backup line of credit.

6) Cushion Ratio = (Cash plus Investments plus Board Designated Funds)/(Principal Payments plus Interest Expense for the Year of Maximum Debt Service after Project Completion)

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| **Type of SMHRF** | | **Cushion Ratio** |
|  | |  |
| Not-For-Profit, System | 3.0 or more | |
| Not-For-Profit, Non-system | 3.0 or more | |
| For-Profit, System | 3.0 or more | |
| For-Profit, Non-system | 3.0 or more | |
| Governmental | NA | |

HFSRB NOTE: The applicant may also include in the numerator the amount of funds available from an existing or proposed backup line of credit. If the applicant includes funds available from a line of credit, it shall provide documentation regarding the terms and conditions of the line.