

Pima County FY 2004/05 Recommended Budget

Kino Community Hospital

University Physicians, Inc. (UPI), a nonprofit corporation, will take over a 25-year lease to operate Kino Community Hospital starting June 16, 2004, under an agreement that the Pima County Board of Supervisors unanimously approved on April 27, 2004. The Kino Community Hospital Enterprise Fund will cease to exist as a Pima County accounting/budgeting entity. Accordingly, no other budget schedules or reports are included in this section, and this notice will not appear in future Recommended Budget books.

The 25-year lease with UPI for the management, provision, and expansion of services at the hospital provides for the payment of a services fee to UPI for the first ten years of the lease. This fee will be in an amount equal to the cost of providing these services less the revenue generated by them. The yearly fee shall not exceed the amounts reflected below:

Year 1	\$25,833,333
Year 2	\$19,791,667
Year 3	\$14,791,667
Year 4 through 7	\$10,000,000
Year 8	\$ 9,958,333
Year 9	\$ 8,958,333
Year 10	\$ 7,666,667

The services fee for the first “year” of the lease, which actually covers the period of June 16, 2004 to July 1, 2005, or 12.5 months, includes \$24,791,667 for fiscal year 2004/05. This fee is budgeted in the Department of Institutional Health.

In addition to the services fee, the lease requires the County to complete a number of capital projects, including completion of mold abatement and replacement of cooling equipment. It is estimated that \$526,000 of General Fund support will be required in fiscal year 2004/05 to complete the projects that are not covered by 1997 bond funds. Several other projects, which will require additional funds of approximately \$1,000,000 will not be complete until fiscal year 2005/06 and will require an appropriation in that year’s budget.

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