

# FCR 15

Office of the President  
June 24, 2016

Members, Board of Trustees:

## RENOVATE/UPGRADE UK HEALTHCARE FACILITIES (PHASE I-I) CAPITAL PROJECT (FIT-UP 12<sup>TH</sup> FLOOR AND OTHER IMPROVEMENTS)

**Recommendation:** that the Board of Trustees approve the initiation of the Renovate/Upgrade UK HealthCare Facilities (Phase I-I) Capital Project (Fit-up 12<sup>th</sup> Floor and Other Improvements) and declare its official intent to reimburse capital expenditures from a future debt obligation for the capital project.

**Background:** The Albert B. Chandler Hospital Facilities Development Plan (Development Plan) provides for the systematic replacement and renovation of patient care facilities. Since the opening of the first two patient care floors in Pavilion A of the new patient care facility in May 2011, UK HealthCare (UKHC) has continued to experience strong patient demand for the delivery of its hospital system services. This volume increase has placed substantial capacity and throughput pressures on the hospital system operations, requiring continued fit-out of Pavilion A and the renovation of Pavilions H, HA, and G to provide adequate facilities for patient care.

Pursuant to Administrative Regulation 8:2, any capital project with an estimated cost of \$600,000 or more must be approved by the Board prior to initiation. In addition, projects with an estimated cost of \$600,000 or more must be authorized by the Kentucky General Assembly. With a scope of \$113,600,000, the Renovate/Upgrade UK Healthcare Facilities (Phase I-I) Capital Project of the Development Plan includes the following components:

- Fit-up of additional patient floor (12<sup>th</sup> floor) in Pavilion A
- Phase 2 Radiology Services in Pavilion A
- Interventional Services fit-up in Pavilion A and renovations in Pavilions H and G
- Obstetrical Services renovations in Pavilions HA and H

In February 2016, the Board approved the Fit-up of the Fifth Floor in the Patient Care Facility Capital Project (Phase I-H) with a scope of \$37,000,000. Phase I-H was originally approved to be part of the Patient Care Facility legislative authorization and to be funded with agency funds. By this action, the fund source and identified legislative authorization for Phase I-H, which has not yet been initiated, will be changed to agency bonds authorized by the 2016 General Assembly.

The total estimated scope of Phase I-H (\$37,000,000) and Phase I-I (\$113,600,000) is \$150,600,000 and will be funded with \$150,000,000 of agency bonds authorized by the 2016 General Assembly and \$600,000 of agency funds. The bonds will be repaid with UK HealthCare patient care revenues.

With the initiation of Phase I-I, the Board will have approved a total \$1,025,700,000 investment in the Development Plan. The Development Plan has been implemented using two legislative authorizations, the Patient Care Facility and the Renovate/Upgrade HealthCare Facilities. These two legislative authorizations, which reflect consolidation of various authorizations over several years, provide for the investment not to exceed \$1,180,000,000. A summary of the approved UK HealthCare patient care facilities projects (listed by legislative authorization) and a map displaying the location of Pavilions A, H, and HA are attached.

U.S. Department of Treasury regulations related to the use of proceeds of tax-exempt bonds or notes require that the borrower make a Declaration of Official Intent to reimburse itself for capital expenditures made prior to the issuance of the debt (also known as a “Reimbursement Resolution”) if the issuer intends to reimburse itself from the tax-exempt debt proceeds.

Pursuant to the University of Kentucky Debt Policy, the Debt Management Committee has reviewed the financing plan and supports the proposed recommendation.

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Action taken:  Approved       Disapproved       Other \_\_\_\_\_

**UK HealthCare Patient Care Facilities Projects  
by Legislative Authorization  
as of June 2016**

**Patient Care Facility (PCF)**

**Legislatively Authorized Scope: Up to \$750,000,000**

Board of Trustees Meeting	Description
December 2004	Approved initiation of Patient Care Facility (PCF) Capital Project (Phase I-A).
October 2005	Consolidated PCF Capital Project (Phase I-A) with several infrastructure projects. Approved project scope \$450,000,000.
September 2007	Approved adding two shelled bed floors to PCF.
September 2008	Approved consolidation of existing authorizations and increased approved scope to \$532,300,000.
June 2010	Approved initiation of Operating Room Suite and Related Support Space Capital Project (Phase I-B). Approved project scope increase of \$37,700,000; cumulative approved project scope \$570,000,000.
February 2011	Approved initiation of Data Center and Related Support Space Capital Project (Phase I-C). Approved project scope increase of \$5,600,000; cumulative approved project scope \$575,600,000.
June 2013	Approved initiation of Fit-up of Eighth Floor and Pharmacy Capital Project (Phase I-D). Approved project scope increase of \$31,500,000; cumulative approved project scope \$607,100,000.
September 2013	Approved planning and design of the Fit-up of the Clinical Decision Unit Capital Project. Approved project scope increase of \$500,000; cumulative approved project scope \$607,600,000.
January 2014	Approved initiation of the Fit-up of the Clinical Decision Unit Capital Project (Phase I-E). Approved project scope increase of \$5,500,000; cumulative approved project scope \$613,100,000.
February 2016	Approved initiation of the Fit-up of the Fifth Floor in the Patient Care Facility (Phase I-H). Approved project scope increase of \$37,000,000; cumulative approved project scope \$650,100,000.
June 2016	Recommend moving previously approved Phase I-H project to Renovate/Upgrade HealthCare Facilities legislative authorization (see below). <b>Recommendation reduces approved project scope for this legislative authorization by \$37,000,000; cumulative recommended project scope \$613,100,000.</b>

**UK HealthCare Patient Care Facilities Projects  
by Legislative Authorization  
as of June 2016**

**Renovate/Upgrade HealthCare Facilities  
Legislatively Authorized Scope: Up to \$430,000,000**

Board of Trustees Meeting	Description
June 2014	Approved initiation of the Renovate/Upgrade HealthCare Facilities Capital Project (Phase I-F). Includes fit-up of additional floors in the PCF, replace the kitchen and cafeteria, relocate the MRI to Pavilion A, add a central chiller plant, and relocate the Neonatal Intensive Care Unit from Pavilion H to Pavilion HA. Approved project scope \$150,000,000.
March 2015	Approved initiation of the Renovate/Upgrade HealthCare Facilities 2 Capital Project (Phase I-G), and consolidated project with Renovate/Upgrade HealthCare Facilities Capital Project. Includes fit-up of an additional floor in the PCF, relocation and expansion of radiology to Pavilion A, relocation of the Blood Bank to Pavilion A and continued fit-out of new operating rooms. Approved project scope \$75,000,000; cumulative project scope \$225,000,000.
September 2015	Approved a \$37,000,000 scope increase to fully fund the Kentucky Children’s Hospital (KCH) including the NICU (\$23,000,000); additional project components of the Albert B. Chandler Hospital Facilities Development Plan for Phases I-F to I-G (\$12,000,000); and to fund planning activities for future project phases of the Development Plan (\$2,000,000). Approved scope increase \$37,000,000; cumulative project scope \$262,000,000.
June 2016	Recommend the Renovate/Upgrade HealthCare Facilities Capital Project authorized by the 2016 Session of the Kentucky General Assembly to include previously approved Phase I-H (above) and initiate Phase I-I of the Development Plan which includes: fit-up of additional patient floor (12) in Pavilion A; Phase 2 of Radiology Services in Pavilion A; fit-up of Interventional Services in Pavilion A and renovations in Pavilions H and G; and renovations in Obstetrical Services in Pavilions HA and H. <b>Recommend total approved scope increase of \$150,600,000; cumulative recommended project scope \$412,600,000.</b>



