

FCR 12

Office of the President
March 7, 2006

Members, Board of Trustees:

ESTABLISHMENT OF CHANDLER MEDICAL CENTER UNIVERSITY HOSPITAL
QUASI-ENDOWMENT FUND

Recommendation: that the Board of Trustees authorize the establishment of the University Hospital Quasi-Endowment Fund and approve the transfer of up to a maximum of \$150,000,000 from University Hospital reserve funds currently on deposit with the State Treasurer for participation in the Endowment investment pool.

Background: The UK HealthCare Patient Care Facility Phase IA project, with an authorized scope of \$450,000,000, is a multi-phased project over an estimated five-year period to replace the original hospital structure. The Board of Trustees authorized the issuance of University of Kentucky General Receipts Project Notes, 2005 Series A, in the amount of \$107,540,000 as partial funding for the project and plans to issue additional bonds or notes in the approximate amount of \$150,000,000. The UK HealthCare administration intends to maintain a minimum of \$200,000,000 in cash balances and general reserves for asset/liability management, liquidity requirements, and to support a high level (Aa3) credit rating for the bonds and/or notes.

Transfer of the Hospital reserve funds to a quasi-endowment account will permit a longer-term investment objective and greater diversification of investments. Over time, the latter is expected to result in higher returns than shorter-term fixed-income investments, thereby providing additional resources to support the capital and operational needs of the University Hospital.

Kentucky's Secretary of the Finance and Administration Cabinet, Robbie Rudolph, has approved the request to invest the University Hospital funds in the University of Kentucky Endowment Investment Pool. Additions to and/or withdrawals from the University Hospital Quasi-Endowment Fund shall require the approval of the Board of Trustees.

Action taken: Approved Disapproved Other _____