

FCR 10

Office of the President
June 19, 2020

Members, Board of Trustees:

FUNDING REVISION TO RENOVATE/UPGRADE UK HEALTHCARE FACILITIES
(FIT-UP 5TH AND/OR 12TH FLOOR) CAPITAL PROJECTS (PHASES 1-H AND 1-I)

Recommendation: that the Board of Trustees approve the use of both agency bonds and agency funds to fund the Renovate/Upgrade UK HealthCare Facilities (Fit-up 5th and/or 12th Floor) Capital Projects (Phases 1-H and 1-I).

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 constraints 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.

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 an investment not to exceed \$1,180,000,000. To date, the Board has approved a total \$1,025,700,000 investment in the Development Plan.

The Development Plan continues to be implemented in phases. Three projects were completed and/or are expected to be complete under budget including the Neonatal Intensive Care Unit (NICU) relocation project (Phase I-F approved in June 2014), the Continuation of Fit-out of New Operating Rooms project (Phase 1-G approved in March 2015), and the Interventional Services Fit-Up project (Phase I-I approved in June 2016). These projects were funded with debt proceeds from the 2015 Series A Bonds and the 2018 Series A Bonds. By this action, the remaining debt proceeds from these projects will be used, along with agency funds, to fund the 5th Floor Fit-Up project (Phase 1-H approved in February 2016) and/or the 12th Floor Fit-Up project (Phase I-I approved in June 2016). The remaining debt proceeds from the three projects are not expected to exceed \$10,000,000.

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. The Board approved such a declaration for all phases of the Renovate/Upgrade UK HealthCare Facilities Capital Project in June 2014, which will allow for reimbursement of expenses related to the above projects.

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

Action taken: Approved Disapproved Other _____

