

FCR 5

Office of the President
December 13, 2011

Members, Board of Trustees:

LEASE/PURCHASE OF MEDICAL EQUIPMENT

Recommendation: that the Board of Trustees approve the \$10 million UK HealthCare Enterprise Medical Equipment Lease Pool for 2011-12 and declare official intent to reimburse capital expenditures for the Healthcare Enterprise Medical Equipment from a future debt obligation, to be located within the various facilities of UK HealthCare, including but not limited to Chandler Medical Center and Good Samaritan Hospital.

Background: At the September 11, 2007 meeting, the Board delegated to the Executive Vice President for Finance and Administration the responsibility for managing University debt related to the lease/purchase of equipment and information technology items costing less than \$200,000. However, acquisitions of major equipment and information technology items costing \$200,000 or more where the method of procurement involves debt in the form of capitalized lease obligations will be submitted to the Board for approval.

U.S. Department of Treasury regulations related to 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 tax-exempt debt proceeds.

The University’s Debt Committee reviews these acquisitions to assess the impact on the university’s debt capacity. The Debt Committee has determined that acquisition of these items is consistent with the University’s Debt Policy.

The medical equipment pool will allow funding flexibility with regard to various capital medical equipment purchases initiated by the HealthCare Enterprise during the 2011-12 fiscal year. This pool is required for cash-flow management purposes as UK HealthCare proceeds with several cash-intensive projects such as the construction and eventual build-out of the Patient Care Facility, various ambulatory care initiatives, and other major projects/initiatives. The medical equipment that may be purchased includes but is not limited to: surgical, radiologic, patient monitoring/bedding, laboratory analyzers/instruments, information technology, and other procedure specific equipment. The pool will be funded by the UK HealthCare Clinical Enterprise.

Action taken: Approved Disapproved Other _____