

FCR 2

Office of the President
May 9, 2014

Members, Board of Trustees:

ESTABLISHMENT OF COLDSTREAM RESEARCH CAMPUS QUASI-ENDOWMENT FUND

Recommendation: that the Board of Trustees approve the establishment of the Coldstream Research Campus Quasi-Endowment Fund to provide for future capital projects and infrastructure improvements; and authorize the executive director of the Coldstream Research Campus, in consultation with the Executive Vice President for Finance and Administration:

- The option to reinvest distributions from the endowment not spent in a particular year;
- The option to invest future positive cash flow from operations of CRC into the endowment; and
- The option to withdraw up to 20% or \$400,000, whichever is greater, of the current balance of the endowment if needed to fund an unforeseen capital project. A 30 day notice will be given prior to any withdrawals. Withdrawals, however, shall not create a market value of less than \$500,000 without approval from the Board of Trustees.

Background: In 1992 the Lexington Fayette Urban County Government passed an ordinance changing the Coldstream Farm zoning from Agricultural Urban to an Office Industry and Research Park (P-2) to permit the development of the Coldstream Research Campus (CRC). Since that time, through the collection of ground rent, CRC has accumulated a current fund balance of over \$1,275,000. This fund balance is used to pay for capital projects and infrastructure improvements on the research campus. Examples of recent investments include building roads to access new buildings, extending utilities to lot lines, expanding the internal pedestrian trail system, and building a natural filtration system to prevent erosion and cleanse storm water before it enters Cave Run Creek.

The executive director of CRC has requested that \$800,000 of the current fund balance be used to establish a quasi-endowment fund. This initial principal will generate annual distributions that could be added to funds already generated from ground lease revenue that are used for CRC's future capital projects and infrastructure needs.

Action taken: Approved Disapproved Other _____