

FCR 15

Office of the President
April 24, 2026

Members, Board of Trustees:

IMPROVE CENTRAL PLANTS AND CONSTRUCT/IMPROVE UTILITIES
INFRASTRUCTURE UK HEALTHCARE (UNIVERSITY UTILITIES EXPANSION AND
UPGRADES) CAPITAL PROJECT

Recommendation: that the Board of Trustees approves a scope increase for the Improve Central Plants and Construct/Improve Utilities Infrastructure UK HealthCare (University Utilities Expansion and Upgrades) capital project and authorize the Executive Vice President for Finance and Administration to negotiate and execute all documents necessary to create a viable Public-Private Partnership (P3), including both third party financing and agency funds.

Background: Pursuant to Administrative Regulation 8:2, the Board must approve any capital project with an estimated cost of \$1,000,000 or more prior to initiation, and any scope increase of more than 15 percent of a previously approved amount.

On September 13, 2024, the Board approved the initiation of the Improve Central Plants and Construct/Improve Utilities Infrastructure UK HealthCare (University Utilities Expansion and Upgrades) P3 capital project. This project addresses the technological improvements and mechanical upgrades needed to existing utility plants and distribution systems to better serve the University's current and future needs as the University expands and builds new facilities to address Kentucky's rising healthcare, research and academic needs, (These facilities include the expansion of the Chandler Patient Care Facility, the new Cancer Treatment and Ambulatory Care Facility, the Rankin Health Education Building and the new Martin-Gatton College of Food and the Environment Agriculture Research Facility 1.) Through this project, the University has been exploring an opportunity for a holistic approach to utility infrastructure upgrades that will significantly improve our infrastructure systems' efficiencies and sustainability and support needed growth.

The initial approved scope of the project was \$400,000,000. After conducting a lengthy, multi-phased competitive procurement process, the University has identified a preferred respondent developer team able to design, construct, finance, operate and maintain both a new central plant (CUP) providing chilled water for cooling and steam for heating more efficiently as well as assist with a campus-wide supply optimization to reduce annual spending needed for district cooling.

The scope of the project has increased in scale since the Board's September 2024 approval for the following reasons:

- The scope of work has grown to include several enabling projects that the University would have had to complete in tandem with the central plant construction. After thorough exploration and cost-benefit analysis, the University found that including this work within the P3 offered better long-term value, alignment with overall schedule requirements, and risk transfer for the benefit of the institution. These scope additions include:
 - Emergency Backup Power Generators and Fuel Tanks for Chandler Expansion
 - Infrastructure including the road around the new central plant and demolition of existing buildings on the site
 - Larger plant building shell space with room to expand in the future for a lower cost
 - Additional thermal distribution piping to connect north and south of the new CUP
 - Modernization of existing chilled water systems that are past useful life to enable system optimization and energy cost savings
- Construction prices have increased more than expected, especially for major equipment such as generators and electrical switchgear, driven largely by surging demand from data center development across the country. The 2026 pricing that the partner received from suppliers in the competitive bid process was significantly higher than the previously assumed cost, which was based on an engineering study from 2023.

The revised scope of this project is now expected not to exceed \$600,000,000 and would still be well within the total legislative authorizations from the 2024 Kentucky General Assembly of \$800,000,000. Consistent with those authorizations, it will be funded with third-party financing from the P3 partner group under KRS Chapter 45A and a significant amount of agency funds. Pending Board approval, the University will seek approval of the project from the Capital Projects and Bond Oversight Committee pursuant to KRS Chapter 45A.

Action taken: Approved Disapproved Other _____