

FCR 2

Office of the President
February 22, 2019

Members, Board of Trustees:

FACILITIES RENEWAL, MODERNIZATION, AND DEFERRED MAINTENANCE
(PHASE-II) CHEMISTRY/PHYSICS PHASE II CAPITAL PROJECT

Recommendation: that the Board of Trustees approve the initiation of the Chemistry/Physics Phase II Capital Project and declare official intent to reimburse the capital expenditures from a future debt obligation.

Background: The Board of Trustees authorized the first phase of modernization of the Chemistry-Physics Building in October 2017. Phase I included providing centralized state of the art laboratories, offices, and collaboration spaces on the third floor and is scheduled to be completed in Fall 2021. This second phase will include replacement of the building exterior, stair tower, freight elevator, and roof; construction of a new loading dock and entrance additions; and mechanical upgrades in the penthouse.

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. This \$26,000,000 project, authorized by the 2018 Session of the Kentucky General Assembly, is well within the total legislative authorization of \$250,000,000 for modernization projects. The project may be financed with a combination of various institutional sources including agency bonds, agency funds, or an internal loan. Agency funds or an internal loan may be partially or fully reimbursed by University bond proceeds as deemed appropriate, with any allocation of bond proceeds or execution of an internal loan approved by the Debt Management Committee in accordance with the University's debt and internal loan program policies.

The United States Department of Treasury regulations related to the use of proceeds of tax-exempt bonds or notes require that borrowers 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. This recommendation includes such a Declaration of Official Intent.

Action taken: Approved Disapproved Other _____