

FCR 10

Office of the President
December 5, 2023

Members, Board of Trustees:

INITIATION OF THE FACILITIES RENEWAL AND MODERNIZATION 2 AND ASSET PRESERVATION POOL 2022-2024 CAPITAL PROJECTS AND A RESOLUTION PROVIDING FOR THE AUTHORIZATION, ISSUANCE AND SALE OF APPROXIMATELY \$125,000,000 GENERAL RECEIPTS OBLIGATIONS OF THE UNIVERSITY OF KENTUCKY, PURSUANT TO THE TRUST AGREEMENT DATED AS OF NOVEMBER 1, 2005

Recommendation: that the Board of Trustees approve:

Capital Projects:

1. initiation of the Facilities Renewal and Modernization 2 capital project which includes but is not limited to: Charles E. Barnhart Building – Construction, Scovell Hall Renovation and the campus enabling infrastructure
2. initiation of year two of the Asset Preservation Pool 2022-2024 capital project, which includes but is not limited to: White Hall Classroom Building Renovation – Construction and various infrastructure and building systems renovation projects

Debt Resolution:

3. a resolution authorizing the issuance, in one or more installments, of approximately \$125,000,000 of University of Kentucky General Receipts Obligations, to be designated as “University of Kentucky General Receipts Bonds” with such series designation or designations that are appropriate to the order of issuance thereof (the “Modernization 2 Project Bonds”) and to be dated as of a date determined by the treasurer, or, in lieu of issuing the Modernization 2 Project Bonds, to enter into a Financing Agreement (the “Financing Agreement”) with the Kentucky Asset/Liability Commission (“ALCo”) or a lease (the “Lease”) with the State Property and Buildings Commission of the Commonwealth of Kentucky (“SPBC”) (the obligations authorized by the resolution and evidenced by the Modernization 2 Project Bonds, Financing Agreement or Lease being referred to herein collectively as the “Modernization 2 Project Obligations”).

The resolution approves the issuance of the Modernization 2 Project Bonds for the purpose of financing the project identified in House Bill 1 of the General Assembly of the Commonwealth of Kentucky, 2022 Regular Session, as enacted, as “Facilities Renewal and Modernization 2,” (the “Project”). The amount authorized for project costs is \$125,000,000 (the authorization allows for issuance costs, capitalized interest, and an allowance for original issue discount in the sale price for the Project). As an alternative to issuing the Modernization 2 Project Bonds to finance the Project, the resolution

authorizes (i) entering into the Financing Agreement with ALCo, or (ii) entering into the Lease with SPBC, with such Financing Agreement or Lease to be in the form prescribed by ALCo or the SPBC, as applicable.

The resolution also approves the offering for sale of the Modernization 2 Project Obligations in one or more installments, on a date or dates to be determined by the treasurer of the university, upon the advice of the financial advisor to the university. The resolution further authorizes the acceptance of the bid or bids for the sale of the Modernization 2 Project Obligations by the treasurer. The exact principal amount of the Modernization 2 Project Obligations to be sold will be determined on the date or dates of sale as the amount required to (i) pay the budgeted costs of the Project, (ii) fund any capitalized interest determined to be appropriate by the treasurer of the university and (iii) pay the costs of issuing the Modernization 2 Project Obligations.

Approval of the resolution declares the Board of Trustees' official intent that the proceeds of the Modernization 2 Project Obligations will be used, in whole or in part, to reimburse authorized expenditures for the proposed project, to be located on the campus of the university, made prior to the issuance of such Modernization 2 Project Obligations.

Background:

Capital Projects:

Pursuant to Administrative Regulation 8:2, any capital project with an estimated scope of \$1,000,000 or more must be approved by the Board prior to initiation.

The Facilities Renewal and Modernization 2 capital project is the continuation of a multi-phase effort to renew and modernize buildings that make up the core of the central campus as well as buildings south of the central campus associated with the Martin-Gatton College of Agriculture, Food, and Environment. By rehabilitating, restoring and modernizing these facilities and the campus enabling infrastructure, the university can better preserve its heritage, conserve energy, create an environment for more efficient and effective teaching, and attract and retain world-class researchers. This phase of the modernization initiative will include improvements to existing buildings on campus that will provide needed space for teaching and learning such as the Charles E. Barnhart Building and Scovell Hall and the campus enabling infrastructure.

The Asset Preservation Pool 2022-2024 capital project is a multi-phase effort to preserve existing campus buildings and enabling infrastructure so that they continue to serve their intended functions well into the future. This phase of the Asset Preservation initiative will include renovations to the White Hall Classroom Building, as well as campus utility infrastructure and building systems projects.

The scope of the Facilities Renewal and Modernization 2 capital project is \$123,000,000, which will be funded with agency bonds. The scope of the Asset Preservation Pool 2022-2024 capital project is \$100,228,000, which will be funded with \$77,098,000 of state bonds and \$23,130,000 of agency bonds. Both capital projects were authorized by the 2022 Session of the Kentucky General Assembly and are within the total legislative authorizations of \$375,000,000 for the

Facilities Renewal and Modernization 2 capital project and \$200,456,000 for the Asset Preservation Pool capital project. Pursuant to the University of Kentucky Debt Policy, the Debt Management Committee has reviewed the financing plans and supports the proposed recommendation.

Debt Resolution:

At its September 2005 meeting, the Board of Trustees adopted a resolution approving a Trust Agreement dated as of November 1, 2005 (the "Trust Agreement") authorizing the issuance, from time to time, of Obligations (as defined in the Trust Agreement) to finance capital projects. The Modernization 2 Project Obligations will be issued under the Trust Agreement. Obligations include agency bonds, financing agreements with ALCo and lease agreements with SPBC. The attached resolution authorizes the issuance of the Modernization 2 Project Obligations, in one or more installments, establishes certain specific terms of the Modernization 2 Project Obligations; provides for a competitive sale of the Modernization 2 Project Obligations - including approval of the forms of a Notice of Bond Sale, Official Terms and Conditions of Bond Sale, Official Bid Form and Official Statement; and authorizes Supplemental Trust Agreements and Continuing Disclosure Agreements related to the Modernization 2 Project Obligations.

At the June 2022 Board of Trustees meeting, the Board approved a resolution authorizing the issuance of \$171,260,000 General Receipts Obligations ("Preservation and Modernization Obligations") of the university in one or more installments to finance the projects identified in House Bill 1 of the General Assembly of the Commonwealth of Kentucky, 2022 Regular Session, as enacted, as (i) "Asset Preservation Pool 2022-2024" and (ii) "Facilities Renewal and Modernization Additional Authorization". It also declared its official intent that proceeds of the Preservation and Modernization Obligations will be used, in whole or in part, to reimburse authorized expenditures for the proposed project, to be located on the campus of the university, made prior to issuance of such Obligations.

Pursuant to the income tax regulations of the Internal Revenue Service, in order for expenditures made for a public project prior to the issuance of revenue bonds to be reimbursed upon the issuance of such bonds, it is necessary that the issuer express its official intent to issue such bonds or to have such bonds issued on its behalf and to reimburse such expenditures made prior to the issuance of such bonds.

Action taken: Approved Disapproved Other _____