

FCR 16

Office of the President
June 30, 2026

Members, Board of Trustees:

CONSTRUCT/IMPROVE MEDICAL/ADMINISTRATIVE FACILITY 3 PHASE 2
(EXPAND PATIENT CARE FACILITY – CONSTRUCTION PHASE 2)
CAPITAL PROJECT

Recommendation: that the Board of Trustees approve the initiation of the Construct/Improve Medical/Administrative Facility 3 Phase 2 (Expand Patient Care Facility – Construction Phase 2) capital project.

Background: Pursuant to University regulations any capital project with an estimated cost of \$1,000,000 or more must be approved by the Board prior to initiation.

Since opening the first three patient care floors in Pavilion A of the Albert B. Chandler Hospital in May 2011, UK HealthCare (UKHC) has experienced strong, consistent growth in inpatient admissions. The fit-out of the last shelled patient floor in Pavilion A was completed in 2023, and these beds are fully utilized. This consistent growth in patient volumes led to the initiation of planning activities for the expansion of the Chandler campus to ensure the future needs of the Commonwealth are met. This expansion will provide additional inpatient beds and clinical support services at the Chandler campus.

- The initiation of the \$180,000,000 design phase of this expansion, funded with agency funds, was approved at the Board's April 2023 meeting.
- The initiation of the \$200,000,000 first phase of construction of this expansion, funded with agency funds and agency bonds, was approved at the Board's September 2025 meeting.

A multi-phased approach to the Chandler expansion project is needed to provide maximum flexibility, given the magnitude, scale, and anticipated overall construction schedule. This project will initiate the second of several construction phases and will include the procurement of long-lead equipment, the construction of new utilities, and the initiation of construction of the diagnostic and treatment podium portion of the facility, as well as components of the core-and-shell tower and associated mechanical, electrical and plumbing equipment.

The scope of this second construction phase is \$1,200,000,000 and will be funded with agency funds and agency bonds. This phase brings the total approved project scope to \$1,580,000,000, including design and the first phase of construction, which is well within the total authorization of \$4,000,000,000 authorized by the 2024 and 2026 Sessions of the Kentucky General Assembly. Pending Board approval, the University will report the

combination of Construct/Improve Medical/Administrative Facility 3 and Construct/Improve Medical/Administrative Facility 3 Phase 2 authorizations to the Capital Projects and Bond Oversight Committee.

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.

Pursuant to the University of Kentucky Debt Policy, the Debt Management Committee has reviewed the financing plan and supports the proposed recommendation.

Action taken: ☒ Approved ☐ Disapproved ☐ Other _____

