

FCR 6

Office of the President
June 30, 2026

Members, Board of Trustees:

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

Recommendation: that the Board of Trustees approve an internal loan to fund a portion of the Improve Central Plants and Construct/Improve Utilities Infrastructure UK HealthCare (University Utilities Expansion and Upgrades) capital project.

Background: Pursuant to the University's Internal Loan Program Policy, any internal loan for capital purposes greater than \$1,000,000 must be approved by the Board.

In September 2024, the Board approved the initiation of the Improve Central Plants and Construct/Improve Utilities Infrastructure UK HealthCare (University Utilities Expansion and Upgrades) public-private partnership (P3) capital project. The initial approved scope of the project was not to exceed \$400,000,000. The project would be funded with third-party financing under KRS Chapter 45A and agency funds.

After conducting a lengthy, multi-phased competitive procurement process, the University identified a preferred respondent developer team able to design, construct, finance, operate and maintain both a new central utility plant (CUP) providing chilled water for cooling and steam for heating more efficiently as well as assist with campus-wide supply modernization and optimization to reduce annual spending needed for district cooling. The scope of the project had increased since the September 2024 approval, and in April 2026, the Board of Trustees approved an increase in scope not to exceed \$600,000,000. The project would be funded with third-party financing from the P3 partner group under KRS Chapter 45A and agency funds provided by the University.

The requested internal loan, which will be repaid with agency funds, will partially fund the campus-wide supply modernization and optimization portion of the P3 project. This scope of work includes installation of three new chillers and related upgrades at Central Plant #2, full campus-wide automation upgrades and implementation of Central Plant Optimization software for predictive, campus-wide optimization. The campus-wide supply modernization and optimization portion of the project is projected to result in an approximately 25% reduction in annual energy needed for district cooling.

The Board is requested to approve an internal loan not to exceed \$25,000,000 for a portion of the project. The remaining \$575,000,000 will be funded with third-party financing from the P3 partner group under KRS Chapter 45A and agency funds. Pursuant to the University's Internal Loan Program Policy, the Debt Management Committee has reviewed and approved this internal loan recommendation.

Action taken: Approved Disapproved Other _____