

Minutes of the Special Called Session of the Executive Committee of the Board of Trustees of the University of Kentucky, Thursday, August 12, 1965

The Executive Committee of the Board of Trustees of the University of Kentucky met in special called session at 4:30 p. m. , Eastern Standard Time, on Thursday, August 12, 1965, in the Board Room of the Administration Building on the campus with the following members present: Dr. Ralph Angelucci, Chairman, Judge James A. Sutherland, Secretary, and Dr. H. B. Murray. Mr. Robert Hillenmeyer and Mr. Smith Broadbent were unable to attend. Vice Presidents A. D. Albright and Robert F. Kerley represented the administration and members of the press were present.

A. Meeting Opened

Dr. Angelucci called the meeting to order at 4:35 p. m. and, having determined that a quorum was present, declared the meeting officially open for the conduct of business.

B. Student Residence Complex Financing--Loan Agreement with HHFA Authorized

Dr. Angelucci explained that the meeting was called for the purpose of authorizing Mr. Robert F. Kerley, Vice President-Business Affairs, to enter into an agreement with the Housing and Home Finance Agency for financing the construction of the first phase of the dormitory complex. He then requested Mr. Kerley to present the recommendation and background statement.

Mr. Kerley read the following recommendation:

Recommendation: that the Vice President-Business Affairs and Treasurer be authorized to execute, on behalf of the University of Kentucky, an agreement between the University of Kentucky and the Housing and Home Finance Agency of the federal government, under which agreement the Housing and Home Finance Agency commits itself to the purchase of bonds, when issued by the University of Kentucky, in an amount up to \$8,000,000 and bearing the legal rate of interest and containing other conditions governing such bond purchases by the Housing and Home Finance Agency, the proceeds derived from such bonds, when issued, to be used for the purpose of partial financing of the student residence complex previously authorized by the Board of Trustees.

Bids for the initial elements for Phase I of the Dormitory Complex were

opened at 2:00 o'clock on Thursday, August 12, in the office of Mr. Felix Joyner of the State Department of Finance. A letter from the federal government is expected on Friday, August 13, which will indicate an agreement to enter into a loan agreement with the University of Kentucky for the purpose of partial financing of the student residence complex previously authorized by the Board of Trustees. This letter with Trustees action recommended will permit the Department of Finance to award bids. The next step will be the execution of the loan agreement, for which authority is being requested, and this will be done as soon as it can be put together.

Mr. Kerley indicated that a proposed trust indenture would be presented to the full Board at a later meeting, explaining that while it is presently in the hands of the federal government for final, detailed review, all matters of substance have already been settled. It will consolidate all previous bond issues into a single issue and will also provide for additional financing. This will be known as the University of Kentucky Housing and Dining System and will be in an amount of \$28,000,000 or \$29,000,000. This issue will include the following series of bonds:

Series A-G for \$8,135,000 of new bonds to be issued in exchange for bonds presently held by HHFA.

Series H for \$3,732,000 of new bonds to be used to refund or escrow bonds held by private individuals and an estimated \$1,500,000 for costs the federal government will not recognize in its participation. Where it is to the advantage of the Trustees to call bonds, they will be called and the premium paid; where it is not to their interest to call the bonds, the proceeds will be invested in the hands of trustee banks to retire the bonds when they come due.

Series I for \$16,000,000 (or whatever amount the final bids require) to be sold as follows: \$8,000,000 to HHFA, under loan agreement to be authorized today, and \$8,000,000 or balance to private investors on the open market.

Mr. Kerley summarized the proposed financing as follows: a total of \$16,135,000 will be in the hands of HHFA with the balance of approximately \$13,000,000 being in the hands of private investors. The advantages of the consolidated bond issue are (1) the bonds are more attractive on the market because they have the strength of the revenue of the entire operation which should have a good effect upon the interest rate; (2) the University can move on to additional financing with added strength of the consolidation; (3) as the cost of living moves up, dormitory rates can be increased to meet costs and the entire strength of the price increase can go into the issue. Presently, increases in rates are applicable only for the dormitory concerned; and (4) increases immediate bonding capacity in excess of \$20,000,000 and provides a mechanism for continuous financing of additional facilities.

In answer to a question by Dr. Angelucci, Mr. Kerley explained that this method had been used before by the federal government in refinancing certain projects but never on such a large scale. The plan follows generally the pattern used recently by Western Kentucky State College in its financing of housing facilities but it goes beyond that and provides innovations which were not included in that particular agreement.

It is hoped that the University of Kentucky Housing and Dining System bond issue can be marketed about October 15 with December 1 as the target date for the Trustees to deliver the bonds. In order to bring this bond issue to the attention of investors and obtain widespread bidding on the bonds, it is planned for representatives of the University to go on a "road tour", making trips to New York, Chicago, and perhaps Los Angeles and San Francisco.

In answer to a question by a member of the press, Mr. Kerley outlined the proposed phasing of the dormitory complex as follows:

Phase I - Will cost approximately \$8,000,000 and will include five low-rise buildings housing 176 students each, a central dining facility, and costs of site preparation and bringing of major utilities from Rose Street. The timing calls for the five low-rise buildings to be ready by September 1966, the dining facility by December 1966.

Phase II - Will cost approximately \$8,000,000 and will include two 23-story buildings housing approximately 656 students each, three additional low-rise buildings for 176 students each, and costs of landscaping, etc. The timing for this calls for completion by September 1967.

In addition, in September Crane and Gorwic, Planning Consultants, will present a report containing a definitive site recommendation for additional housing for approximately 1,000 students and another dining facility somewhere in the area east of Haggin Hall. The completion date for this facility is set for September 1968.

Mr. Kerley emphasized that the proposed indenture will in no way preclude the development of student housing by private enterprise, either independently or under the situation where the building is constructed by private enterprise and leased to the University. It does, however, protect the bondholder in that the Trustees are obligated to fill "system" housing and dining facilities first.

Dr. Angelucci thanked Mr. Kerley for his presentation and reminded the members of the Executive Committee that the purpose of the meeting was limited to the authorization for Mr. Kerley to enter into an agreement with HHFA, thus permitting the Department of Finance to proceed with the awarding of bids on Phase I of the dormitory complex.

On motion by Judge Sutherland, seconded by Dr. Murray, and so ordered by the chairman, the recommendation presented by Mr. Kerley was approved and he was authorized to execute the proposed loan agreement with HHFA.

C. Meeting Adjourned

Dr. Angelucci having first determined that there was no further business to come before the meeting, called for a motion to adjourn. On motion duly made, seconded, and carried, the special called meeting adjourned at 4:55 p. m.

Respectfully submitted,

James A. Sutherland, Secretary  
Board of Trustees