

SOUTH DAKOTA BOARD OF REGENTS

Budget and Finance

AGENDA ITEM: 7 – BB

DATE: December 6-8, 2016

SUBJECT: SDSU Performing Arts Center Phase II Funding Change

In order for a capital project to move forward to legislation, the funding sources must be identified. In December of 2015, the Board approved a financing plan for the Performing Arts Center that provided HEFF bonding, and payment of principal only through FY21, and then principal and interest thereafter. The balance of the funds were guaranteed by a funding letter from the SDSU Foundation in the amount of \$35,392,807. The funding letter is attached.

SDSU is now requesting a change in the funding plan identified in December 2015. The funding sources expressed in the Facility Design Plan in December 2015 and the requested change follow:

<u>Fund Source</u>	<u>December</u> <u>2015</u>	<u>December</u> <u>2016</u>
HEFF Bonded Funds	\$13,000,000	\$13,000,000
Private Donations and Gifts	\$35,391,807	\$29,349,807
University Funds*	\$0	\$6,042,000
Total Funding	\$48,391,807	\$48,391,807

*Tuition and business income through the allocated budget of tuition in the strategic reinvestment fund planning process.

SDSU has also committed to covering the HEFF interest payments through FY21 related to the Performing Arts Center, and possibly through FY22, which will be another estimated \$1.7M. The interest payments will come from dollars captured in the university’s Strategic Investment and Risk Management funds.

The Building Committee approved the Guaranteed Maximum Price for the project on December 2, 2016. Changes in funding sources for a capital improvement may only be approved by action of the full Board of Regents. It is necessary for the Board of Regents to approve this

(Continued)

DRAFT MOTION 20161206_7-BB: I move to approve the funding sources for the Performing Arts Center to be \$13,000,000 from HEFF bonding, \$29,349,807 from private donations and gifts, and no more than \$6,042,000 from university funds.

SDSU Performing Arts Center Phase II Funding Change

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change for the project to proceed. This will enable the university to proceed directly to bidding and construction of the project.

December 1, 2015

David L. Chicoine, Ph.D.
President, South Dakota State University
Administration Building 222
South Dakota State University
Brookings, SD 57006

Dear President Chicoine:

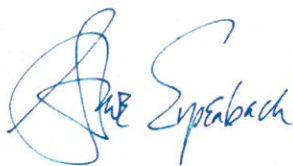
Thanks to generous donors and a strong partnership with the University, the South Dakota State University Foundation has experienced tremendous success in fundraising for the Performing Arts Center Expansion (PAC-II).

The Foundation and its leadership want to see the PAC-II move forward and will continue to actively fundraise for this project. To that end, the Foundation accepts the responsibility to guarantee up to \$35,291,807 -- which represents the most recent total cost estimate of the PAC-II. It is understood that the actual cost will not be known until bids for the project are received.

It is also understood that this pledge allows the University to proceed in the capital project process, including the Board of Regents' consideration of the PAC-II at its December 2015 meeting. If acted upon favorably, the Regents will submit the PAC-II to the 2016 Legislature and Governor for authorization, according to South Dakota law.

Please contact us if you have any questions.

Sincerely,



Steve Erpenbach
President & CEO
SDSU Foundation



Tim Dwire
VP of Finance & Operations
SDSU Foundation

cc: Laurie Nichols, Provost, SDSU
Wesley G. Tschetter, Vice President of Finance, SDSU
Dean Kattelmann, Assistant VP for Facility & Services, SDSU
Keith Mahlum, VP for Development, SDSU Foundation