

SOUTH DAKOTA BOARD OF REGENTS

Budget and Finance

AGENDA ITEM: 7 – F

DATE: October 4-6, 2016

SUBJECT: HEFF Cash Flow Statement

The primary source of dollars to support university academic facilities is the tuition dollars placed into the Higher Education Facilities Fund (HEFF). Starting in FY17, the percentage contributed to HEFF is 11.5% of all tuition dollars, with the exception of the first \$875,000 of medical school tuition revenue. The reduction from 20% to 11.5% reflects the payoff of the HEFF Series 2008 bond (\$8,612,640) and redirecting the \$704,077 payment to the tuition freeze, and increasing the tuition fee base by rolling the university support fee into tuition. While the percentage is reduced, the 11.5% produces the same amount of revenue to support HEFF debt and maintenance and repair as it previously did. HEFF supports new construction as well as the M&R needs of the universities.

Attachment I is a cash flow statement for the Higher Education Facilities Fund. The statement presents actual and planned revenues and expenditures for FY15 through FY30. The statement includes the following data and assumptions:

- FY15-FY16 are actuals, and FY17 through FY30 are projections;
- FY17 tuition revenue assumes a 3.5% tuition increase for non-residents and off-campus, a freeze for residents, and the reduction of \$704,077 in HEFF revenue that was redirected to the tuition freeze;
- FY17 – issue \$13M of bonds for the SDSU Performing Arts Center and pay only principal until FY22 (SDSU to pay interest) and then pick up both principal and interest;
- FY18 tuition revenues are frozen at the FY17 levels considering our budget request;
- Interest earnings of 3% on the unobligated cash balance plus \$4.0M of unspent maintenance and repair funds;
- FY19 and beyond assumes a 2% tuition increase and stable enrollments;
- An inflation increase to M&R expenditures of 2% for FY19 and thereafter;
- Bonding \$7.5M in capital projects in FY22 at 4.0% for 25 years.
- Bonding \$15.5M in capital projects in FY24 at 4.0% for 25 years.

(Continued)

INFORMATIONAL ITEM

HEFF Cash Flow Statement

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Any reductions in credit hours or increases in tuition and fees that are less than the projected 2% will have a major impact on the statement. The cumulative effect of a change in any year can significantly alter the cash flows.

The cash flow statements all show a fairly large unobligated balance at the end of each year even with additional debt financing plans. Because annual revenues do not come in until September, the cash balance at fiscal year-end must be sufficient to pay approximately one-half of the annual lease payment which is due in August. Projection of debt capacity and cash flows must both be considered prior to issuing new debt. We would only fund projects when capacity is available to debt service the leases and when sufficient cash is available to meet the annual payment.

The remaining projects on the 2012 Ten-Year Plan can be found in Attachment II.

Board of Regents
HEFF Cash Flow Statement
October 2016

<u>Fiscal Year</u>	<u>Beginning Balance July</u>	<u>Net 20% Tuition</u>	<u>M&R Fee Revenue</u>	<u>Interest Revenue</u>	<u>Total Revenue</u>	<u>FY M&R Expenditures</u>	<u>Lease Payment</u>	<u>Total Expenditures</u>	<u>Obligated Unexpended</u>	<u>Ending Cash</u>	<u>Unobligated Funds</u>
2015	25,153,483	26,735,351	2,200,871	640,690	29,576,912	11,112,788	16,233,090	27,345,878	12,256,752	27,384,517	15,127,765
2016	27,384,517	27,962,164	2,201,902	716,848	30,880,913	13,732,226	16,960,075	30,692,300	14,707,915	27,573,130	12,865,215
2017	27,573,130	27,728,645	0	505,956	28,234,601	29,863,902	14,300,803	44,164,705	0	11,643,027	11,643,027
2018	11,643,027	27,728,645	0	469,291	28,197,935	15,154,668	14,303,839	29,458,506	0	10,382,455	10,382,455
2019	10,382,455	28,283,217	0	431,474	28,714,691	15,474,212	14,289,736	29,763,948	0	9,333,198	9,333,198
2020	9,333,198	28,848,882	0	399,996	29,248,878	15,800,109	14,285,123	30,085,232	0	8,496,845	8,496,845
2021	8,496,845	29,425,859	0	374,905	29,800,765	16,132,941	13,751,165	29,884,106	0	8,413,503	8,413,503
2022	8,413,503	30,014,377	0	372,405	30,386,782	16,473,856	14,577,342	31,051,197	0	7,749,088	7,749,088
2023	7,749,088	30,614,664	0	352,473	30,967,137	16,822,376	14,558,969	31,381,346	0	7,334,879	7,334,879
2024	7,334,879	31,226,957	0	340,046	31,567,004	17,175,035	15,600,028	32,775,063	0	6,126,820	6,126,820
2025	6,126,820	31,851,497	0	303,805	32,155,301	17,537,300	15,407,843	32,945,143	0	5,336,978	5,336,978
2026	5,336,978	32,488,527	0	280,109	32,768,636	17,903,373	15,411,599	33,314,972	0	4,790,642	4,790,642
2027	4,790,642	33,138,297	0	263,719	33,402,016	19,471,522	14,226,923	33,698,445	0	4,494,213	4,494,213
2028	4,494,213	33,801,063	0	254,826	34,055,889	19,854,075	13,613,493	33,467,568	0	5,082,535	5,082,535
2029	5,082,535	34,477,084	0	272,476	34,749,560	20,244,279	13,605,053	33,849,332	0	5,982,763	5,982,763
2030	5,982,763	35,166,626	0	299,483	35,466,109	20,642,287	12,616,009	33,258,296	0	8,190,576	8,190,576

Assumptions:

1. 3.0% interest earnings calculation based on the ending cash balance plus \$4,000,000 for unexpended M&R funds.
2. Stable enrollments for FY16 and beyond.
3. Tuition freeze for residents in FY17 and FY18 and a 2% increase per year thereafter.
4. Assumes \$13M in capital projects bonded in FY17 with SDSU paying all interest through FY21 and then HEFF picking up principal and interest starting in FY22.
5. Additional capital projects of \$7.5M would be bonded for in FY22 and \$15.5M in FY24. This would complete the 2012 Ten-Year Capital Plan.
6. All figures for periods after June 30, 2016 (FY16) are estimates.

2012 Ten-Year Plan Proposed Funding Schedule

September 2016

Project		Fund Sources				Proposed HEFF Bonding			
		HEFF Bonds	Other Bonds	Other Funds	Project Total	FY2014	FY2015	FY2017	TBD
Infrastructure Projects**									
BHSU	Infrastructure Repair and Upgrade	\$4,000,000		\$500,000	\$4,500,000	\$4,000,000			\$0
DSU	Energy Efficiency and ADA Compliance	\$1,275,000		\$0	\$1,275,000	\$1,275,000			\$0
NSU	Street Improvements	\$600,000		\$0	\$600,000	\$600,000			\$0
SDSM&T	Utility Infrastructure	\$2,740,000		\$500,000	\$3,240,000	\$2,740,000			\$0
SDSU	Utility Tunnel, Steam/Condensate Infrastructure Repair & Modernization	\$7,000,000		\$10,434,000	\$17,434,000	\$7,000,000			\$0
SDSU	Utility Repairs & Upgrades - Water, Sanitary Sewer, Storm Sewer	\$5,000,000		\$5,043,000	\$10,043,000	\$0			\$5,000,000
USD	Mechanical Overhaul & Modernization	\$8,000,000		\$2,000,000	\$10,000,000	\$8,000,000			\$0
		\$28,615,000		\$18,477,000	\$47,092,000	\$23,615,000	\$0	\$0	\$5,000,000
** Other funds will come from campus HEFF M&R allocations.									
Building Projects									
BHSU	Jonas Science Renovation	\$1,250,000		\$2,950,000	\$4,200,000	\$1,250,000			\$0
BHSU	E. Y. Berry Library Renovation	\$3,000,000		\$1,500,000	\$4,500,000	\$0			\$3,000,000
DSU	Information Systems Building	\$6,000,000		\$5,400,000	\$11,400,000	\$0	\$6,000,000		\$0
NSU	Johnson Fine Arts Center Renovation and Addition	\$5,000,000		\$8,800,000	\$13,800,000	\$5,000,000			\$0
SDSM&T	Chemistry/Chemical Engineering Renovation **	\$6,040,000		\$519,000	\$6,559,000	\$0	\$6,040,000		\$0
SDSU	New Headhouse & Greenhouses	\$1,000,000		\$3,414,000	\$4,414,000	\$1,000,000			\$0
SDSU	Architecture, Math & Engineering	\$10,000,000		\$7,082,800	\$17,082,800	\$10,000,000			\$0
SDSU	Visual Arts Facility	\$7,500,000		\$4,900,000	\$12,400,000	\$0			\$7,500,000
SDSU	Performing Arts Center	\$13,000,000		\$20,103,713	\$33,103,713	\$0		\$13,000,000	\$0
SDSU	New Cow-Calf Research & Education Unit - Volga	\$900,000	\$2,000,000	\$806,000	\$3,706,000	\$900,000			\$0
USD	Science, Health, and Research Lab Building*	\$8,695,000		\$3,405,000	\$12,100,000	\$8,695,000			\$0
USD	Patterson Hall Renovation	\$6,500,000		\$0	\$6,500,000	\$6,500,000			\$0
USD	Dakota Hall	\$7,500,000		\$0	\$7,500,000	\$0			\$7,500,000
		\$76,385,000	\$2,000,000	\$58,880,513	\$137,265,513	\$33,345,000	\$12,040,000	\$13,000,000	\$18,000,000
Total Infrastructure Plus Building Projects		\$105,000,000	\$2,000,000	\$77,357,513	\$184,357,513	\$56,960,000	\$12,040,000	\$13,000,000	\$23,000,000