

SOUTH DAKOTA BOARD OF REGENTS

Budget and Finance

AGENDA ITEM: 6 – S
DATE: December 4-6, 2018

SUBJECT

Transfer of Current ADRDL Buildings to the Animal Industry Board

CONTROLLING STATUTE, RULE, OR POLICY

[SDCL 5-12-10](#) – Transfer of state property to authority.

BACKGROUND/DISCUSSION

The available funding for the new Animal Disease Research and Diagnostic Laboratory (ADR&DL) building is \$61,442,000 (\$2,600,000 from the Livestock Disease Emergency & Animal Remedy Funds; \$1,167,000 from ADRDL cash balance; \$1,575,000 from the Livestock Disease Research Fund; \$50,100,000 from bond proceeds; \$6,000,000 from SDSU/ADRDL cash). In order to meet the available funds, the new building footprint was refined and made more efficient, and the remodeling needs of the current buildings were prioritized and only the essential needs were retained. The bond funds of \$50,100,000 were dedicated to cover costs related to the new building. The one-time funds were used to cover design costs of \$2,742,000, leaving \$8,600,000 for the renovation of the current buildings.

Today, the total cost for the new building is estimated at \$47,289,696 including contingency funds and design costs, and the remodel cost of the current buildings is estimated at \$6,243,126, including contingency funds and design costs. Remaining funds from the bond proceeds are estimated to be a minimum of ~~at~~ \$2,810,304, and from the remodel funds is estimated to be a minimum of \$2,356,874, for a total of at least \$5,167,178 available to address elements previously taken out of the remodeling project plan.

Because the bond proceeds were originally isolated to the new building, the jurisdiction of the current buildings were not transferred to South Dakota Building Authority (SDBA). In order for any bond proceeds to be spent on the current buildings, the Board and the Governor would need to approve the transfer of the buildings. While this transfer is fairly

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DRAFT MOTION 20181204_6-S:

I move to transfer title of the current Animal Disease Research and Diagnostic Laboratory buildings built in 1968 and 1994 to the Animal Industry Board, with the provision that the assets are transferred back to Board of Regents upon satisfaction of the lease obligations related to the improvements. Further, I move authorization of legislation, if necessary, to accomplish the transfer.

routine, a secondary issue related to the holder of the debt and the title of the asset has proven more difficult to overcome.

Normally, the transfer of jurisdiction of an asset to SDBA and the related accounting is pretty straightforward; the bonds are issued to support a project and the asset and debt are part of the entities' financial statements. This one is complicated by the fact that the BOR owns the current facilities and the Animal Industry Board owns the new building, and we are asking to use the bond proceeds on both buildings. The State is requiring that the asset be reflected alongside the debt on the Primary Government's balance sheet and not on the Board's Component Unit financial statement. It has been determined that the only way to accomplish this financial statement structure is to formally transfer title of the asset to AIB. AIB will then transfer jurisdiction to SDBA allowing the bond proceeds to be spent on the current building. Upon satisfaction of the debt, the title to all buildings would be transferred back to the Board.

IMPACT AND RECOMMENDATIONS

In order to utilize remaining bond proceeds on the current facilities, the asset must be transferred to AIB and then AIB will transfer jurisdiction to SDBA.

The transfer of the asset has an immaterial impact to the SDSU financial statements and their HLC ratios. The depreciated value of the asset on the financial statements today is \$3.1 million with no associated debt. SDSU has also determined the loss of indirect overhead related to research conducted in the building is no more than \$10,000 per year.

ATTACHMENTS

None