

SOUTH DAKOTA BOARD OF REGENTS

Budget and Finance
Consent

AGENDA ITEM: 5 – L
DATE: May 12, 2020

SUBJECT

SDSU Lease Purchase Agreement Amendment

CONTROLLING STATUTE, RULE, OR POLICY

[SDCL 13-49-15](#) Purchasing and Contracting For Institutions
[SDCL 13-49-16](#) Contracts Let in Accordance with Public Agency Procurement Law
[BOR Policy 5:3](#) Agreements and Contracts
[Chapter 122 of the 2018 Session Laws](#) Sell Existing Property in Pennington County and Acquire Real Property in Pennington County (SB53)
[SB44 \(2019\)](#) Sell Existing Property and Appropriate Funds for Acquisition of Real Property in accordance with SB53

BACKGROUND / DISCUSSION

South Dakota State University requests the Board of Regents’ authorization to enter into a revised Lease-Purchase Agreement with the SDSU Foundation, Inc. for improved property in Pennington County for the use and benefit of the SDSU West River Agriculture Center. At the [June 26-28, 2018](#) meeting of the Board, the university previously requested approval of a Lease-Purchase Agreement for this real property with item 9-G. The Board approved, however, that Lease-Purchase Agreement was not executed due to changes in financing terms.

The Board subsequently approved a revised version of the Lease-Purchase Agreement at its [April 2019](#) meeting, which had the effect of aligning the agreement terms with the commercial financing obtained by the SDSU Foundation, Inc. for their underlying purchase of the real property, which was 4.75% for the first 5 years, and refinancing of the remaining principal with designation of a new interest rate every 5 years thereafter.

(Continued)

DRAFT MOTION 20200512_4-O:

I move to grant the System Vice President for Finance the authority to finalize and execute the First Amendment to the Lease Purchase Agreement between the South Dakota Board of Regents and South Dakota State University Foundation in substantially similar form to that set forth in Attachment I.

As a result of changing market conditions, the SDSU Foundation, Inc. is able to refinance for 3.75%, which has necessitated the need for the attached First Amendment to the Lease-Purchase Agreement (see Attachment I).

IMPACT AND RECOMMENDATIONS

The current lease interest rate is 4.75% for the first 5 years, with the interest rate repricing every 5 years. Approving the attached First Amendment to the Lease-Purchase Agreement will adjust the interest rate down to the 3.75% for the remainder of the first 5 year term (through September 7, 2023), which will have the net effect of saving SDSU \$78,170.

Staff recommends approval.

ATTACHMENTS

Attachment I – Lease Purchase Agreement Amendment

