

**BOARD OF REGENTS  
MINUTES OF THE MEETING  
Board of Regents Central Office  
Pierre, South Dakota  
November 7, 2013**

The Board of Regents convened via teleconference at 1:00 p.m. on November 7, 2013 with the following members in attendance:

**ROLL CALL:**

Dean Krogman – PRESENT  
Randy Schaefer – PRESENT  
Randy Morris – PRESENT  
Terry Baloun – PRESENT  
Harvey Jewett – PRESENT  
Kathryn Johnson – PRESENT  
Joe Scharz – PRESENT  
Kevin Schieffer – PRESENT  
Bob Sutton – ABSENT

Also present were Jack Warner, Executive Director and CEO; Monte Kramer, System Vice President of Finance and Administration; James Shekleton, General Counsel; Janelle Toman, Director of Communications; Molly Weisgram, System Director of Student Affairs and Executive Administrative Assistant to the CEO and Board; .

Regent President Krogman called the public meeting of the Board of Regents to order and declared a quorum present.

**APPROVAL OF THE AGENDA**

IT WAS MOVED by Regent Morris, seconded by Regent Johnson to approve the agenda as published.

**ROLL CALL:**

Krogman - AYE  
Schaefer - AYE  
Morris - AYE  
Baloun - AYE  
Jewett - AYE  
Johnson - AYE  
Scharz - AYE  
Schieffer - AYE  
Sutton - ABSENT

The MOTION CARRIED.

**HOUSING AND AUXILIARY REVENUE BONDS, SERIES 2014A, INCLUDING THE REFUNDING OF SDBOR SDSU HOUSING AND AUXILIARY FACILITIES REVENUE BONDS, SERIES 2004**

Dr. Monte Kramer explained that the 2014A Housing and Auxiliary Revenue Bond Series will provide the necessary financing for two new projects in the revenue system, replacement housing at BHSU and an expanded and remodeled student wellness center at SDSM&T. The series also includes the refunding of a 2004 series revenue bond for SDSU and an additional \$7.0M for the remodel of Brown Hall.

He explained that approval of this agenda item will account for total bond proceeds of about \$40.8M. Money for new projects, related capitalized interest and issuance costs account for and estimated 22.2M. The issue also includes a refunding of SDSU 2004 bonds for a total estimated cost of \$18.6M including financing costs.

The proceeds of the bonds are supplemented with \$5,361,352 of private and local funds to complete a total of \$27,082,653 in auxiliary projects.

He said final Board approval was given to the BHSU New Residence Hall Facility in August of 2013. The facility is estimated to cost \$11,182,653. Bond proceeds will yield approximately \$8,021,301, supplemented with \$2,161,352 coming from the auxiliary system Renewals/Replacement/Reserve funds, and another \$1,000,000 coming from university funds related to the transfer of Pangburn Hall to the academic side of the operation. Debt service for the BHSU portion of the 25 year bonds and operating costs will be covered by student rent revenues and parking fees. In April 2013, the Board approved a 5% increase to all of BHSU residence hall rates, a 7% increase to the apartment rates and a 34% increase to parking fees for FY14. BHSU will have similar increases in rates for FY15 to support the funding for the project.

Final Board approval was given to the SDSM&T Wellness and Receptions Center Addition and Remodel project in October of 2013. The facility is estimated to cost \$8,900,000. Bond proceeds will yield approximately \$6,700,000, with the balance coming from a generous private donation of \$2,200,000. Debt service for the SDSM&T portion of the 25 year bonds and operations funding will come from the \$10.00 per credit hour general activity fee increase approved by the Board in April 2013.

The Board approved the Preliminary Facility Statement and the Facility Program Plan for the remodel of Brown Hall at the October 2013 meeting. The cost of the project is estimated at \$7.0M. Bond proceeds will yield \$7.0M, which is a change in plans since the October meeting. Originally the planning was to get \$5.0M in bond proceeds from refinancing savings and extension of repayment terms along with \$2.0M from redirected M&R funds. SDSU and board staff has agreed that bonding for the full \$7.0M is appropriate and provides for the remaining RRR dollars to be used for other M&R projects and not on new projects. The term of debt service for the SDSU refunding will not be extended and will go through 2024. The term for the new money portion will be through 2026. Debt service of the bonds will continue to be from rent revenues and a rate increase that will be requested for the remodeled hall.

At this time the plan is to do a pre-pricing call at the beginning of December after the rating agency(s) have rated the bonds and closing the sale in early January. Preliminary financial estimates show the NPV savings related to just the portion of the financing allocated to the refunding is \$1.7 million or 9.57% of refunded bonds. This is based on market rates from 10/23/13. The new money portion of the bonds Total All In Cost is around 4.6% and the refinancing is around 3.3%.

IT WAS MOVED by Regent Jewett, seconded by Regent Schaefer to authorize the issuance of an additional series of Bonds under the Amended and Restated Bond Resolution adopted by the Board on October 21, 2004 (the "*Original Resolution*") to finance:

- (i) the BHSU Project, the SDSMT Project and the SDSU Project;
- (ii) capitalized interest during construction for the SDSMT Project;
- (iii) the refunding of the Refunded Series 2004 SDSU Bonds, but only if (a) the net present value of the savings from the portion of the Bonds attributable to the refunding shall be at least \$540,000 and (b) the aggregate debt service on the portion of the Bonds attributable to the refunding does not exceed the aggregate debt service on the Refunded Series 2004 SDSU Bonds; and
- (iv) costs of issuance of the Bonds (Attachment II—Ninth Supplemental System Revenue Bond Resolution);

ROLL CALL:

Krogman - AYE  
Schaefer - AYE  
Morris - AYE  
Baloun - AYE  
Jewett - AYE  
Johnson - AYE  
Schartz - AYE  
Schieffer - AYE  
Sutton - ABSENT

The MOTION CARRIED.

IT WAS MOVED by Regent Jewett, seconded by Regent Schaefer to approve the contract with the underwriter, BMO Capital Markets GKST Inc., who will market the Bonds for the Board; *provided, however*, that the aggregate principal amount of Bonds sold pursuant thereto shall not exceed \$43,000,000, shall mature not later than April 1, 2039, shall bear interest at a true interest cost not exceeding 5.00%, and shall be sold at an underwriter's discount of not more than 0.625% of the proceeds of the Bonds (Attachment III—Bond Purchase Agreement);

ROLL CALL:

Krogman - AYE  
Schaefer - AYE  
Morris - AYE  
Baloun - AYE  
Jewett - AYE  
Johnson - AYE  
Schartz - AYE  
Schieffer - AYE  
Sutton - ABSENT

The MOTION CARRIED.

IT WAS MOVED by Regent Jewett, seconded by Regent Schaefer to approve an escrow agreement with First Bank & Trust, Brookings, South Dakota, the Bond Registrar for the Series 2004 SDSU Bonds, to provide for the defeasance of the Series 2004 SDSU Bonds maturing on or after April 1, 2015. (Attachment IV—Escrow Agreement);

ROLL CALL:

Krogman - AYE  
Schaefer - AYE  
Morris - AYE  
Baloun - AYE  
Jewett - AYE  
Johnson - AYE  
Schartz - AYE  
Schieffer - AYE  
Sutton - ABSENT

The MOTION CARRIED.

IT WAS MOVED by Regent Jewett, seconded by Regent Schaefer to approve the distribution of the preliminary official statement and the official statement to reflect the actual terms of the transaction once they are determined and the Bonds are ready for sale (Attachment V—draft Preliminary Official Statement);

ROLL CALL:

Krogman - AYE  
Schaefer - AYE  
Morris - AYE  
Baloun - AYE  
Jewett - AYE  
Johnson - AYE  
Schartz - AYE  
Schieffer - AYE

Sutton - ABSENT

The MOTION CARRIED.

IT WAS MOVED by Regent Jewett, seconded by Regent Schaefer to authorize the President of the Board, the President of Black Hills State University, the President of the South Dakota School of Mines and Technology, the President of South Dakota State University, the Executive Director of the Board and other Board officials to perform those acts and to execute those documents necessary to complete the Bond issue, the Ninth Supplemental Bond Resolution, the Bond Purchase Agreement and the Escrow Agreement (Attachment I—Board action to approve the issuance of revenue bonds).

ROLL CALL:

Krogman - AYE  
Schaefer - AYE  
Morris - AYE  
Baloun - AYE  
Jewett - AYE  
Johnson - AYE  
Schartz - AYE  
Schieffer - AYE  
Sutton - ABSENT

The MOTION CARRIED.

A copy of Housing and Auxiliary Revenue Bonds, Series 2014A, Including the Refunding of SDBOR SDSU Housing and Auxiliary Facilities Revenue Bonds, Series 2004 can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

**SOUTH DAKOTA BUILDING AUTHORITY REVENUE BONDS, SERIES 2013B AND 2013C**

Dr. Kramer explained that the proposed Series 2013B and 2013C bonds to be issued by South Dakota Building Authority will support thirteen projects from the 2012 Ten-Year Plan plus the USD Arena project. The 2013C bonds are the taxable bonds related to financing the \$10.0M portion of the Arena deemed to involve private use, and the 2013B are the tax-exempt bonds related to the HEFF projects and the remaining portion of the Arena. The Arena project is to be financed over a 20-year period and the balance of the bonds are 25 years.

The proceeds of the bond funds are intended to complete \$56,960,000 of HEFF supported projects, \$24,700,000 of Other funds bond supported projects (Arena and Cow Calf Unit), supplemented with \$13,434,000 of HEFF M&R funds and \$43,651,800 of cash commitments from donors and the Foundations, and \$4,806,000 of local campus funds. Total projects to be completed will be \$143,551,800.

Preliminary financial estimates show the taxable bonds Total All In Financing Cost at 2.06%. The tax-exempt bonds reflect a 4.37% Total All In Financing Cost. The taxable bonds were scheduled to mature within five years to get a better overall yield on the issue.

The Building Authority, at the request of the Board of Regents, has agreed to finance the Projects through the issuance of revenue bonds ("*Revenue Bonds*"), which Revenue Bonds will consist of both a tax-exempt series of bonds (to be designated "*Series 2013B*") and a taxable series of bonds (to be designated "*Series 2013C*").

The construction, completion, furnishing, equipping, and maintaining of, including heating, air conditioning, plumbing, water, sewer, electric facilities, sidewalks, parking, landscaping, architectural and engineering services, and such other services or actions as may be required to complete the Black Hills State Projects, the Dakota State Project, the NSU Projects, the SDSMT Project, the SDSU Projects, and the USD Projects for lease from the South Dakota Building Authority to the South Dakota Board of Regents (the "*Board of Regents*") are collectively referred to herewith as the "*Projects*."

The USD Arena Project was authorized by SB 8 (chapter 94 of the 2013 Session Laws), with up to \$22,700,000 of the costs thereof to be financed through the issuance of revenue bonds by the South Dakota Building Authority (the "*Building Authority*"). The Projects other than the USD Arena Project were all authorized by HB 1051 (chapter 107 of the 2012 Session Laws), as modified by HB 1016 (chapter 87 of the 2103 Session Laws), with financing to be provided through revenue bonds to be issued for such purpose by the Building Authority in an aggregate amount not to exceed \$58,960,000.

The Building Authority advised the Board staff that the Revenue Bonds are expected to be priced and sold within the following parameters:

- (i) In the case of the Series 2013B tax-exempt Revenue Bonds, the principal amount of such Revenue Bonds shall not exceed an amount which will finance construction costs not to exceed \$81,660,000 (decreased by the amount of construction costs being financed with proceeds of the Series 2013C taxable Revenue Bonds), the last stated maturity date of the Series 2013B Revenue Bonds will not be later than June 1, 2038, the yield on the Series 2013B Revenue Bonds for arbitrage purposes will not exceed 6.0%, the purchase price of the Series 2013B Revenue Bonds to be paid by the underwriter will be not less than 99.0% of the principal amount of the Series 2013B Revenue Bonds and the underwriter's discount (as measured as a percentage of total proceeds of the Series 2013B Revenue Bonds) shall not exceed 0.60%.
- (ii) In the case of the Series 2013C taxable Revenue Bonds, the principal amount of such Revenue Bonds shall not exceed \$12,000,000, the last stated maturity date of the Series 2013C Revenue Bonds will not be later than June 1, 2026, the yield on the Series 2013C Revenue Bonds for arbitrage purposes will not exceed 6.0%, the purchase price of the Series 2013C Revenue Bonds to be paid by the underwriter will be not less than 99.0% of the principal amount of the Series 2013C Revenue Bonds and the underwriter's discount (as measured as a percentage of total proceeds of the Series 2013C Revenue Bonds) shall not exceed 0.60%.

The Board is being asked to adopt a single resolution on roll call vote, that will (1) request the Building Authority to go forward with the Projects, (2) authorize the formal transfer of jurisdiction over the necessary property or structures to the Building Authority, and (3) amend the lease agreement between the Board and the Building Authority to reflect the new transactions.

Property transferred to the Building Authority as collateral for the Revenue Bonds will be reconveyed to the Board once the construction bonds, or refinancing instruments, have been discharged.

Regent Kathryn Johnson noted that a few of the campuses have been successful at fundraising for their projects and in fact have exceeded the authorized amounts in the legislation. Regent Johnson wondered if the higher amounts were reflected in the bond issue.. Dr. Kramer noted that the BHSU and NSU projects have both exceeded their total authority, but that has to do with the private funds portion of the projects and the action today only approved the bonded portion.

Dr. Kramer explained that the USD Arena project includes bond proceeds that will be debt financed by a gift from Sanford Health System of \$1 million each year over 20 years. In addition about \$750,000 annually would come from rental agreements and corporate sponsorships to service the debt.

Regent Schieffer asked how the revenue stream of \$1 million a year is guaranteed. General Counsel James Shekleton said that the Sanford Health Board will need to approve the \$1 million a year each year, but he explained that bond counsel reviewed this and agreed to go forward considering the historical success of these types of gifts.

Regent Jewett noted that spreading the gift over many years is often done for tax purposes and is pretty common. Regent Baloun further explained that the pledge is communicated throughout the organization via the board minutes and the commitment is fully understood by all parties.

IT WAS MOVED by Regent Jewett, seconded by Regent Morris to adopt Special Resolution No. 35-2013, which will:

- A. Request the Building Authority to proceed with the issuance of revenue bonds ("*Revenue Bonds*") to finance costs of the Projects defined below, together with such additional amount of bonds as shall be required to pay costs of issuance of such bonds
- B. Authorize the President of the Board and the Executive Director to execute an instrument of transfer to effect the transfer of jurisdiction over the affected real property for the Projects.
- C. Authorize the President of the Board and the Executive Director to execute a supplement to the existing lease between the Board and the Building Authority. This lease establishes the basis for the continued occupancy and use of the premises by the Board and outlines the conditions of payment to the Building Authority for such occupancy and use.

D. Authorize the officers of the Board and the Executive Director to take such other actions and to execute such other documents as may be required to carry out the actions approved pursuant to such special resolutions.

**ROLL CALL:**

Krogman - AYE  
Schaefer - AYE  
Morris - AYE  
Baloun - AYE  
Jewett - AYE  
Johnson - AYE  
Schartz - AYE  
Schieffer - AYE  
Sutton - ABSENT

The MOTION CARRIED.

A copy of South Dakota Building Authority Revenue Bonds, Series 2013B and 2013A can be found on pages \_\_\_\_ to \_\_\_\_ of the official minutes.

**ADJOURN**

IT WAS MOVED by Regent Morris, seconded by Regent Baloun to adjourn the meeting of the full board at 1:25 p.m.

**ROLL CALL:**

Krogman - AYE  
Schaefer - AYE  
Morris - AYE  
Baloun - AYE  
Jewett - AYE  
Johnson - AYE  
Schartz - AYE  
Schieffer - AYE  
Sutton - ABSENT

The MOTION CARRIED. Meeting adjourned.