

SOUTH DAKOTA BOARD OF REGENTS

Budget and Finance
Consent

AGENDA ITEM: 5 – O
DATE: October 4-5, 2023

SUBJECT

HEFF Cash Flow Statement

CONTROLLING STATUTE, RULE, OR POLICY

[SDCL § 13-51-2](#) – Educational Facilities Fund

[SDCL § 13-53-15](#) – Receipt by State Treasurer of Institutional Moneys

[SDCL § 13-53-15.3](#) – Medical School Funds

BACKGROUND / DISCUSSION

The primary source of dollars to fund construction, maintenance, and renovation of 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, except for the first \$1,521,740 of medical school tuition revenue, which is not subject to HEFF. HEFF is also assessed on all self-support credit hours as of 2009. The reduction from 20% to 11.5% reflects the pay-off 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 was reduced from 20% to 11.5%, the same amount of revenue to support HEFF debt and maintenance and repair is generated because it is assessed on a much larger base.

Attachment I is a cash flow statement for the Higher Education Facilities Fund as of October 2023. The statement presents actual and planned revenues and expenditures for FY18 through FY35. The statement includes the following data and assumptions:

- FY18 through FY23 are actuals and FY24 through FY35 are projections.
- FY24 tuition revenue estimates and beyond are based upon FY23 actuals with no tuition increase in FY24 and stable enrollments.
- Interest earnings of three percent on the unobligated cash balance for FY24 including \$3.0M to \$4.0M of unspent maintenance and repair funds thereafter.
- A change from principal only payments on the SDSU Performing Arts Center to principal and interest in FY22, results in a \$510,000 increase in HEFF obligations.
- Bonding \$10.5M in capital projects in FY22 and \$12.5M in FY27 at four percent interest for 25 years. This bonding would complete the 2012 Ten-Year Capital Plan.

(Continued)

INFORMATIONAL ITEM

The 11.5% of tuition revenues generated for FY23 were \$339,133 lower than the projection from October 2022 – a variance of approximately 1.3%

The ending cash assumes that the campuses will catch up on their M&R expenditures in FY24 by spending all the obligated funds except \$3,000,000. The drop in ending cash from 2023 to 2024 reflects that assumption. 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. 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 debt payment.

IMPACT AND RECOMMENDATIONS

The remaining projects on the 2012 Ten-Year Plan can be found in Attachment II. Based on current assumptions and revenues, \$10.5M of projects were bonded in FY22 and \$12.5M will be bonded in FY27. If this timeline holds true, it will have taken us 15 years to complete the projects that we originally thought we had the cash flow to complete in 10 years.

Since both the USD Allied Health Facility (\$7.5M) and the E.Y Berry Library (\$3.0M) projects were approved during the 2020 legislative session and those projects were already in progress, we moved forward with a \$10.5M bond issuance in FY22. In FY22, the fund also picked up the interest costs portion of the debt service for the SDSU Performing Arts Center, of around \$510,000 per year. The remaining SDSU projects totaling \$12.5M will not be bonded until FY27 based on current projections.

ATTACHMENTS

Attachment I – HEFF Cash Flow Statement (October 2023)

Attachment II – 2012 Ten-Year Plan

Board of Regents
HEFF Cash Flow Statement
October 2023

A	B	C	D	E	F	G	H	I	J	K
				= C + D			= F + G	= B + E - H		= I - J
Fiscal Year	Beginning Balance July	Net 11.5% Tuition	Interest Revenue	Total Revenue	FY M&R Expenditures	Lease Payment	Total Expenditures	Ending Cash	Obligated Unexpended	Unobligated Funds
2018	27,584,821	27,015,890	533,255	27,549,144	14,624,633	14,075,654	28,700,287	26,433,678	16,921,710	9,511,968
2019	26,433,678	26,619,716	460,852	27,080,568	16,873,736	14,009,610	30,883,346	22,630,899	15,149,664	7,481,235
2020	22,630,899	26,165,832	654,245	26,820,078	18,990,746	14,013,347	33,004,093	16,446,884	11,226,940	5,219,944
2021	16,446,884	26,211,930	1,071,199	27,283,129	11,910,638	14,414,703	26,325,341	17,404,672	13,130,991	4,273,681
2022	17,404,672	25,387,307	605,547	25,992,854	9,735,780	15,909,499	25,645,280	17,752,246	13,268,116	4,484,131
2023	17,752,246	25,226,658	354,083	25,580,741	8,374,921	16,228,877	24,603,798	18,729,189	17,270,292	1,458,897
2024	18,729,189	25,731,191	561,876	26,293,067	21,270,292	16,404,759	37,675,051	7,347,205	3,000,000	4,347,205
2025	7,347,205	26,245,815	220,416	26,466,231	12,000,000	16,374,383	28,374,383	5,439,053	3,000,000	2,439,053
2026	5,439,053	26,770,731	163,172	26,933,903	11,500,000	16,160,058	27,660,058	4,712,897	3,000,000	1,712,897
2027	4,712,897	27,306,146	141,387	27,447,533	12,000,000	15,774,487	27,774,487	4,385,943	3,000,000	1,385,943
2028	4,385,943	27,852,269	131,578	27,983,847	12,500,000	15,128,004	27,628,004	4,741,786	3,000,000	1,741,786
2029	4,741,786	28,409,314	142,254	28,551,568	12,500,000	15,086,455	27,586,455	5,706,898	3,000,000	2,706,898
2030	5,706,898	28,977,500	171,207	29,148,707	13,500,000	14,055,431	27,555,431	7,300,174	4,000,000	3,300,174
2031	7,300,174	29,557,050	219,005	29,776,056	15,500,000	13,524,645	29,024,645	8,051,585	4,000,000	4,051,585
2032	8,051,585	30,148,191	241,548	30,389,739	17,500,000	13,462,771	30,962,771	7,478,552	4,000,000	3,478,552
2033	7,478,552	30,751,155	224,357	30,975,512	20,500,000	10,539,450	31,039,450	7,414,614	4,000,000	3,414,614
2034	7,414,614	31,366,178	222,438	31,588,617	21,500,000	10,486,539	31,986,539	7,016,692	4,000,000	3,016,692
2035	7,016,692	31,993,502	210,501	32,204,003	22,500,000	9,479,973	31,979,973	7,240,722	4,000,000	3,240,722

Notes:

1. Fiscal years 2018-2023 are actuals.
2. 3.0% interest earnings calculation based on the ending cash balance plus unexpended M&R funds.
3. FY24 and each year thereafter, tuition revenue is increased by 2.0% due to increased enrollments.

Board of Regents
HEFF Cash Flow Statement
October 2023

A	B	C	D	E = C + D	F	G	H = F + G	I = B + E - H	J	K = I - J
<u>Fiscal</u> <u>Year</u>	<u>Beginning</u> <u>Balance July</u>	<u>Net 11.5%</u> <u>Tuition</u>	<u>Interest</u> <u>Revenue</u>	<u>Total</u> <u>Revenue</u>	<u>FY M&R</u> <u>Expenditures</u>	<u>Lease</u> <u>Payment</u>	<u>Total</u> <u>Expenditures</u>	<u>Ending</u> <u>Cash</u>	<u>Obligated</u> <u>Unexpended</u>	<u>Unobligated</u> <u>Funds</u>

4. Additional capital projects of \$12.5M would be bonded in FY27. This would complete the 2012 Ten-Year Capital Plan.

5. All figures for periods after FY23 are estimates.

6. Reduction of "Reserve" balance to \$3.0M for FY22-FY29. This also includes reductions in HEFF allocations for those years.

2012 Ten-Year Plan Proposed Funding Schedule
10/1/2022

Project		Fund Sources				Bonded				Proposed Bonding
		HEFF Bonds	Other Bonds	Other Funds	Project Total	FY14	FY15	FY17	FY22	FY27
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	\$0	\$5,000,000
Building Projects										
BHSU	Jonas Science Renovation	\$1,250,000		\$2,900,000	\$4,150,000	\$1,250,000				\$0
BHSU	E. Y. Berry Library Renovation	\$3,000,000		\$1,500,000	\$4,500,000	\$0			\$3,000,000	\$0
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		\$9,108,648	\$14,108,648	\$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		\$5,755,142	\$15,755,142	\$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		\$35,391,807	\$48,391,807	\$0		\$13,000,000		\$0
SDSU	New Cow-Calf Research & Education Unit - Volga	\$900,000	\$2,000,000	\$1,732,500	\$4,632,500	\$900,000				\$0
USD	Science, Health, and Research Lab Building*	\$9,695,000		\$3,904,085	\$13,599,085	\$8,695,000				\$0
USD	Patterson Hall Renovation	\$5,500,000		\$250,000	\$5,750,000	\$6,500,000				\$0
USD	Allied Health Facility	\$7,500,000		\$0	\$7,500,000	\$0			\$7,500,000	\$0
		\$76,385,000	\$2,000,000	\$74,775,182	\$153,160,182	\$33,345,000	\$12,040,000	\$13,000,000	\$10,500,000	\$7,500,000
Total Infrastructure Plus Building Projects		\$105,000,000	\$2,000,000	\$93,252,182	\$200,252,182	\$56,960,000	\$12,040,000	\$13,000,000	\$10,500,000	\$12,500,000

** Other funds will come from campus HEFF M&R allocations.