

**THE PENNSYLVANIA STATE UNIVERSITY  
BOARD OF TRUSTEES**

**COMMITTEE ON FINANCE, BUSINESS AND CAPITAL PLANNING  
MINUTES OF MEETING  
VOLUME FBCP 35**

**November 12, 2020**

A ZOOM meeting of the Committee on Finance, Business & Capital Planning was held on November 12, 2020 beginning at 8:30 a.m.

The following committee members, constituting a quorum, were present: Abe Amoros, Valerie Detwiler, Lynn Dietrich, Barbara Doran, Robert Fenza, Abe Harpster, Alex Hartzler, Mary Lee Schneider, and Brandon Short.

Ex-Officio member Mark Dambly, Faculty Representative Elizabeth Seymour, Student Representative Lexy Pathickal and the following administration members were also present Eric Barron, Madeline Cantu, Joe Cullen, Joseph Doncsecz, Stephen Dunham, Jennifer Eck, David Gray, Frank Guadagnino, Shannon Harvey, Tracy Irvin, Nick Jones, Kurt Kissinger, Mary Lou Ortiz, Tom Penkala, Bill Sitzabee, Marv Smith and Crystal Straw.

The meeting was called to order by Chair Mary Lee Schneider. Chair Schneider advised the Committee that actions and recommendations by the Committee would be reported to the full Board of Trustees for their consideration at the November 13, 2020 meeting.

The Committee unanimously approved the minutes of the September 17, 2020 meetings of the Committee.

The Committee unanimously approved the following resolution for the Proposed Authorization to Expend Funds, Forker Laboratory Renovation, Penn State Shenango:

WHEREAS, Article V, Section 5.09(a)(iii)(7) requires the approval of the Board of Trustees for capital projects under \$10 million in cost that are bond-financed; and

WHEREAS, The proposed Forker Laboratory Renovation is recommended by the Administration to be funded with bond financing.

THEREFORE, BE IT RESOLVED, That authorization to expend funds for the Forker Laboratory Renovation, as designed by BHDP Architecture of Pittsburgh, Pennsylvania, is approved in the amount of \$7,900,000.

The Committee unanimously approved the following resolution for the Proposed Amendment to Fiscal Year 2018-19 to Fiscal Year 2022-23 Capital Plan:

WHEREAS, At its September 15, 2017 meeting the Board of Trustees authorized a five-year plan of capital expenditures by the University and its controlled affiliate, Penn State Health, for the period FY2018-19 to FY 2022-23 ("the Capital Plan"); and

WHEREAS, As part of the Capital Plan, total Penn State Health and College of Medicine capital commitments between July 1, 2018 and June 30, 2023 were approved by the Board of Trustees for up to \$1.447 billion; and

WHEREAS, In connection with Penn State Health being established as a separate obligated group, at its November 15, 2019 meeting, the Board of Trustees amended the Capital Plan to remove capital expenditures attributable solely to Penn State Health, resulting in a decrease in planned capital expenditures from \$1.447 billion to \$775 million for projects relating to the College of Medicine for University-owned or controlled projects that benefit either the College of Medicine and/or both the College of Medicine and Penn State Health (collectively, "COM/PSH Projects"); and

WHEREAS, Upon further review and evaluation, Administration now recommends deferring certain College of Medicine capital projects from the Capital Plan, including the proposed Innovation Pavilion, and instead including upgrades to existing Education and Animal Facility spaces on the Hershey campus.

THEREFORE, BE IT RESOLVED, That total capital commitments under the Capital Plan for COM/PSH Projects for the period of Fiscal Year 2018-19 to Fiscal Year 2022-23 are hereby further reduced from \$775 million to \$526.3 million, resulting in a revised total Capital Plan of \$3.816 billion.

The Committee unanimously approved the following resolution for the Proposed Amendment to Borrowing Authority for The Pennsylvania State University:

WHEREAS, At its September 15, 2017 meeting the Board of Trustees authorized \$2.2 billion of borrowing and guaranty of indebtedness to support the University's capital plan for the University and its controlled affiliate, Penn State Health, for the period FY2018-19 to FY 2022-23 (the "2017 Borrowing Resolution"); and

WHEREAS, In connection with Penn State Health being established as a separate obligated group, at its November 15, 2019 meeting the Board of Trustees amended the 2017 Borrowing Resolution to reduce the authorized Obligations (as defined therein) to support the Fiscal Year 2018-19 to Fiscal Year 2022-23 capital plan from \$2.2 billion to \$2.012 billion (the "2019 Amended Borrowing Resolution"); and

WHEREAS, At its March 19, 2020 and April, 14, 2020 meetings the Board of Trustees authorized an increase in the borrowing authority in the amount not to exceed \$1.127 billion to be used solely to fund a one-time advance contribution to the State Employees' Retirement System and associated costs thereof (the "SERS Borrowing Resolutions"); and

WHEREAS, To provide greater flexibility to the University to meet its financial needs, at its June 23, 2020 meeting, the Board of Trustees expanded the use of the \$2.012 billion of capital plan borrowing authority to include working capital needs as determined by the officers of the University (the "2020 Amended Borrowing Resolution"); and

WHEREAS, The Administration is now proposing a reduction in the borrowing authority associated with a reduction in capital commitments in the Capital Plan for the Penn State College of Medicine; and

WHEREAS, Article V, Section 5.09(a)(ii)(5) requires approval by the Board of Trustees for the "Authorization to borrow money."

THEREFORE, BE IT RESOLVED, That, excluding the borrowing authority relating to the SERS Borrowing Resolutions, the total borrowing authority for the period of Fiscal Year 2018-19 to Fiscal Year 2022-23 is hereby reduced from \$2.012 billion to \$1.888 billion, with allocation for COM/PSH Projects reduced from \$400 million to \$275.8 million.

The Committee unanimously approved the following resolutions for the Proposed Water Reclamation Facility Land for Perpetual Easement Swap with State College Borough:

RESOLVED, That the Board of Trustees, approves the exchange of a fee simple transfer of a University-owned 0.35-acre parcel for a perpetual easement over a 0.42-acre Borough of State College-owned parcel, both located on University Drive in the Borough of State College, Centre County, Pennsylvania.

FURTHER BE IT RESOLVED, That the Officers of the University are authorized and directed to take such steps as are necessary to make effective these resolutions.

The Committee unanimously approved the following resolutions for the Proposed Acquisition of 101 North Atherton Street, State College, Centre County:

RESOLVED, That the Board of Trustees, approves the acquisition of 101 North Atherton Street, Borough of State College, Centre County, Pennsylvania, comprised of 0.26 acres and one building totaling 6,222 gross square feet from D&P of Ohio for an amount not to exceed \$2,850,000.

FURTHER BE IT RESOLVED, That the Officers of the University are authorized and directed to take such steps as are necessary to make effective these resolutions

The Committee unanimously approved the following resolution for the Proposed Amendment and Restatement of the University's Long-Term Investment Pool ("LTIP") Spending Policy and the Investment Policies for LTIP and Non-Endowed Funds ("NEF"):

WHEREAS, The Board of Trustees on November 6, 1986, adopted a resolution regarding the University's Endowment Spending and Investment Policies for Endowment and General University Funds and subsequently approved revisions to such policies on March 18, 1995; July 12, 1996; September 8, 2000; November 22, 2002; November 19, 2004; May 18, 2007; September 11, 2009; September 17, 2010; and May 12, 2014; and

WHEREAS, The Officers of the University have recommended amending and restating such policies as presented to the Board of Trustees at this meeting and as hereinafter set forth.

THEREFORE, BE IT RESOLVED, That the University's LTIP Spending Policy and the Investment Policies for LTIP and Non-Endowed Funds are hereby amended and restated in their entirety as follows:

(I) The Penn State Investment Council ("PSIC"), consisting of the Senior Vice President for Finance and Business/Treasurer, as Chairperson of PSIC, the Chief Investment Officer, Office of Investment Management, and five to nine non-University members (at least one of whom shall be a member [either voting or emeriti] of the Board of Trustees), each serving three-year staggered, renewable terms, is hereby authorized to administer the spending and LTIP investment policies hereinafter adopted by the Board of Trustees and to report as requested concerning the same to the President of the University and to the Committee on Finance, Business, and Capital Planning of the Board of Trustees. In such administration, PSIC may delegate appropriate functions to properly designated University Officers and other University personnel.

(II) In order to preserve the purchasing power of LTIP, spending over time should be limited to a percentage of the market value of LTIP, set at a level anticipated to preserve over time LTIP's real (inflation-adjusted) value after consideration of investment returns.

(III) LTIP should be invested to attempt to achieve a real (inflation-adjusted) total return over time sufficient to support a spending rate limited in accordance with (II) above, while providing for growth of the LTIP base sufficient to accommodate an assumed rate of inflation.

(IV) A primary investment attribute to be employed in managing the LTIP shall be prudent diversification achieved through flexible yet disciplined implementation of a mix of investments and strategies. The specific construction of the portfolio with regard to strategies employed and managers utilized will be determined by, and under the overall supervision of PSIC, which shall be guided by its written Investment Policies, Objectives and Guidelines. Investment processes and results shall be carefully monitored by PSIC to ensure compliance with such policies, objectives, and guidelines.

(V) In performing its duties delegated under this resolution, PSIC shall be guided solely by fiduciary principles. PSIC shall consider only financial criteria in formulating investment policies or in proxy voting unless specifically directed to do otherwise in a definitive manner by the Board of Trustees.

(VI) NEF should be invested to provide liquidity for working capital over the annual operating cycle of the University, and to serve the interim and longer-term needs of the University for plant renewals and replacements, debt service and capital additions. NEF will be invested in a manner that emphasizes capital preservation and meets the cash flow requirements of future University liabilities, while achieving modest growth in the principal value to accommodate future inflation. The specific construction of the NEF portfolio(s) with regard to strategies employed and managers utilized will be determined by, and under the overall supervision of, the Office of Investment Management ("OIM"), which shall be guided by written Investment Policies, Objectives and Guidelines approved by the

Senior Vice President for Finance and Business/Treasurer and the Corporate Controller's Office (CCO). Investment processes and results shall be carefully monitored by OIM to ensure compliance with such policies, objectives, and guidelines.

(VII) Long-term assets approved for commingling with LTIP by the Board of Trustees will follow LTIP policies overseen by PSIC.

The Committee on Finance, Business & Capital Planning meeting was adjourned at 9:09 a.m.

Respectfully submitted,

Crystal K. Straw  
Assistant Secretary  
Board of Trustees