

**THE PENNSYLVANIA STATE UNIVERSITY  
BOARD OF TRUSTEES**

**COMMITTEE ON FINANCE, BUSINESS AND CAPITAL PLANNING  
MINUTES OF MEETING  
VOLUME FBCP 19**

**February 22, 2018**

A meeting of the Committee on Finance, Business & Capital Planning was held in Executive Conference Rooms I & II of the Penn Stater Conference Center Hotel in State College, Pennsylvania, beginning at 9:30 a.m.

The following committee members, constituting a quorum, were present: Don Cotner, Valerie Detwiler, Barbara Doran, Robert Fenza, Abe Harpster, Alex Hartzler, Anthony Lubrano and Mary Lee Schneider.

Ex-Officio member Mark Dambly, Emeriti Trustee Alvin Clemens, Faculty Representative Matthew Woessner, Student Representative Katie Jordan, and the following administration members were also present: Eric Barron, Mary Beahm, Madeline Cantu, Joseph Doncsecz, Jennifer Eck, David Gray, Frank Guadagnino, Craig Hillemeier, Nicholas Jones, Kurt Kissinger, Zack Moore, Mary Lou Ortiz, John Papazoglou, Neil Sharkey, Bill Sitzabee, Crystal Straw, and Eric Strucko.

The meeting was called to order by Chairman Robert Fenza. Chairman Fenza advised the Committee that actions and recommendations by the Committee would be reported to the full Board of Trustees for their consideration at the February 23, 2018 meeting.

The Committee unanimously approved the minutes of the November 9, 2017 meeting of the Committee.

The Committee unanimously approved with Trustees Doran and Hartzler abstaining the following resolution for the Proposed Appointment of Non-University Employee to the Penn State Investment Council:

RESOLVED, That J. Alex Hartzler, non-University employee and voting member of the Board of Trustees, is appointed to the Penn State Investment Council for a term ending in 2020.

The Committee unanimously approved the following resolutions for the Proposed Appointment of an Architect, Henning Building Replacement, University Park:

RESOLVED, That the Officers of the University are authorized to employ HOK of New York City, New York, to design the Henning Building Replacement at University Park.

FURTHER BE IT RESOLVED, Final plans for the project will be brought to the Board of Trustees for approval when design and costs have been established.

The Committee unanimously approved the following resolutions for the Proposed Final Plan Approval and Authorization to Expend Funds, East Halls Renovation – Phase 1c, University Park:

RESOLVED, That the final plans for the East Halls Renovation – Phase 1c at University Park, as designed by Clayco, Inc., of St. Louis, Missouri, are approved.

FURTHER BE IT RESOLVED, That authorization to expend funds to accomplish the project is approved in the amount of \$84,500,000.

The Committee unanimously approved the following resolutions for the Proposed Final Plan Approval and Authorization to Expend Funds, Children’s Hospital Overbuild, Penn State Health Milton S. Hershey Medical Center:

RESOLVED, That the final plans for the Children’s Hospital Overbuild at Penn State Health Milton S. Hershey Medical Center, as designed by Payette Associates of Boston, Massachusetts, are approved.

FURTHER BE IT RESOLVED, That authorization to expend funds to accomplish the project is approved in the amount of \$148,100,000.

The Committee unanimously approved the following resolution for the Proposed Changes in Room and Board Charges for 2018-19 Academic Year:

RESOLVED, That room and board charges at all locations be increased as shown on Schedules I through V attached hereto and which are a part of this resolution.

(See Appendix I)

Informational reports on the following items were presented by those noted below.

- Report on Status of Commonwealth Appropriation Request (Zack Moore)
- Update on Cryo-Electron Microscope (Neil Sharkey)

In addition, Rob Fenza led a discussion on Intercollegiate Athletics Oversight and Mary Lee Schneider led a discussion on the FBCP Operating Guidelines.

The Committee on Finance, Business & Capital Planning meeting was adjourned at 10:40 a.m.

The Committee then went into executive session to discuss privileged matters.

Respectfully submitted,

Crystal K. Straw  
Assistant Secretary  
Board of Trustees

## Proposed Residence Hall Room Rates and Undergraduate Apartment Rates

Rate/Person/Semester

Room Description	Number of Occupants	2017/18 Current Rate	2018/19 Proposed Operating Increase	2018/19 Proposed Capital Assessment	2018/19 Proposed Rate	2018/19 Proposed Increase
Standard Double	2	\$3,090	\$33	\$62	\$3,185	\$ 95
Standard Double/Bath	2	3,255	35	65	3,355	100
Renovated Double	2	3,380	42	68	3,490	110
Small Double	2	2,315	24	46	2,385	70
Triple	3	2,780	29	56	2,865	85
Triple/Bath	3	3,090	33	62	3,185	95
Quad	4	2,780	29	56	2,865	85
Quad/Bath	4	3,090	33	62	3,185	95
Quad as Triple	3	3,090	33	62	3,185	95
Standard Single	1	4,210	36	84	4,330	120
Standard Single/Bath	1	4,295	39	86	4,420	125
Renovated Single	1	4,295	39	86	4,420	125
Eastview Single/Bath	1	5,360		70	5,430	70
Eastview Large Single/Bath	1	5,760		70	5,830	70
RA Rate	1	1,935	16	39	1,990	55
Standard Double Suite	2	3,650	42	73	3,765	115
Standard Double Suite as Triple	3	3,085	38	62	3,185	100
Standard Single Suite, 1/bedroom	4	4,265	40	85	4,390	125
Double Suite	2	3,920	42	78	4,040	120
Single Suite	1	5,165	42	103	5,310	145
<b>University Park, Nittany Apartment</b>						
<i>Rate/Person/Semester*</i>						
2 Bedroom Garden	4	\$3,745	\$40	\$75	\$3,860	\$115
4 Bedroom Garden	4	4,210	36	84	4,330	120
4 Bedroom Townhouse	4	4,360	48	87	4,495	135
<b>Erie, Behrend Apartment</b>						
<i>Rate/Person/Semester*</i>						
2 Bedroom Garden	4	3,745	40	75	3,860	115
<b>Harrisburg &amp; Abington Apartment</b>						
<i>Rate/Person/Semester*</i>						
Apartments-Bedroom Single	4	4,470	46	89	4,605	135
Apartments-Bedroom Double	6	3,930	41	79	4,050	120
Apartments-Bedroom Triple	9	3,540	34	71	3,645	105
<b>Beaver, Greater Allegheny, Hazleton, &amp; Mont Alto</b>						
Standard Double	2	3,090	0	0	3,090	0
Standard Double Suite	2	3,650	0	0	3,650	0
Townhouse Double	2	3,255	0	0	3,255	0

Supplemental assignments will be priced at a 20 percent discount from the applicable suite or room rate. Single occupancy of rooms intended for double occupancy will be priced at 25 percent more than the double occupancy rate for that room type.

**University Park Graduate Apartment Rates***No change required for 2018/19*

<b>Room Description</b>	<b>2018/19 Rate</b>
<b>University Park, Graduate Family Apartment</b>	
<i>Rate/Month*</i>	
White Course 1 Bedroom	\$1,125
White Course 2 Bedroom	1,275
White Course 3 Bedroom	1,430
White Course 3 Bedroom w/Half Bath	1,445
<b>University Park, Graduate Apartment</b>	
<i>Rate/Person/Month*</i>	
White Course 4 Bedroom	905

*\*Apartment rate includes utilities*

**Proposed Board Plan  
Rates/Semester**

<b>Meal Plan</b>	<b>2017/18 Current Rate</b>	<b>2018/19 Proposed Rate</b>	<b>2018/19 Proposed Increase</b>	<b>2018/19 Dining Dollars</b>
Plan 1	\$1,985	\$2,025	\$40	\$ 640
Plan 2	2,305	2,345	40	\$ 960
Plan 3	2,550	2,600	50	\$ 1,215

**History of Double Room and Mid-Level Meal Plan Rates 2000–2019**

<b>Year</b>	<b>Semester Rate</b>	<b>Semester Increase</b>	<b>Percent Increase</b>
<b>2018/19 Proposed</b>	\$5,530	\$135	2.50%
2017/18	\$5,395	\$165	3.15%
2016/17	\$5,230	\$155	3.05%
2015/16	\$5,075	\$190	3.89%
2014/15	\$4,885	\$200	4.27%
2013/14	\$4,685	\$190	4.23%
2012/13	\$4,495	\$125	2.86%
2011/12	\$4,370	\$185	4.42%
2010/11	\$4,185	\$100	2.45%
2009/10	\$4,085	\$250	6.52%
2008/09	\$3,835	\$245	6.82%
2007/08	\$3,590	\$165	4.82%
2006/07	\$3,425	\$160	4.90%
2005/06	\$3,265	\$150	4.82%
2004/05	\$3,115	\$145	4.88%
2003/04	\$2,970	\$140	4.95%
2002/03	\$2,830	\$180	6.79%
2001/02	\$2,650	\$195	7.94%
2000/01	\$2,455	\$110	4.69%

**UNIVERSITY MANOR APARTMENTS**

**CURRENT vs. PROPOSED MONTHLY RENTAL RATES**

<b>Type Occupancy</b>	<b>No. Units</b>	<b>Current Rates Per Apt.</b>	<b>Proposed Rates Per Apt.</b>	<b>Amount Increase</b>
<b>University Manor East</b>				
1 Bedroom (with Washer/Dryer)	24	\$ 945	\$ 965	\$ 20
2 Bedroom (with Washer/Dryer)	208	\$ 1,124	\$ 1,150	\$ 26
3 Bedroom (with Washer/Dryer)	16	\$ 1,273	\$ 1,298	\$ 25
<b>University Manor West</b>				
4 Bedroom (furnished) *	31	\$ 2,248	\$ 2,300	\$ 52

\* NOTE: Proposed monthly increase per bedroom is \$13.

## MONTHLY RENTAL RATE COMPARISON

## UNIVERSITY MANOR vs. PRIVATE APARTMENT COMPLEXES

The rental rates that follow are the proposed University Manor rental rates as compared to the current rates for private apartment complexes in the Hershey area. The average private rental rate has been adjusted to include utility expenses where none previously existed in the rental rate. This then provides an “apples-to-apples” rate comparison.

The average difference between the proposed University Manor rates and the current private apartment rates are:

DIFFERENCES BETWEEN UNIVERSITY MANOR  
AND PRIVATE APARTMENT RENTAL RATES

	<u>Average Private Rates</u>	<u>University Manor Proposed Rates</u>	<u>Difference</u>
1 Bedroom	\$1,036	\$ 965	\$ 71
2 Bedroom	\$1,197	\$1,150	\$ 47
3 Bedroom	\$1,460	\$1,298	\$162
4 Bedroom	\$2,880	\$2,300	\$580

All University Manor Apartments have air-conditioning, modern kitchen appliances, wall-to-wall carpeting, draperies/mini-blinds, and washers/dryers (only applies to UME). All utilities are included except Cable TV and long-distance telephone service. Additionally, high-speed wired and wireless Internet service is provided in all University Manor East and West apartments. A fire detection/suppression sprinkler system installation project in University Manor East was completed in July 2007. University Manor West apartment fire detection/suppression sprinkler system installation was completed in August 2011.

## **2018/19**

### **Room and Board Rate Proposal Housing and Food Services**

- Budget Planning Factors
- Expense Increases
- Proposed Room and Board Rates
- History of Double Room and Meal Plan Rates



**PennState**



## Budget Planning Factors for 2018/19

Housing and Food Services is a self-supporting auxiliary enterprise. As such, monies paid by students and guests for food and lodging are the only funds available to pay all operating expenses, building loans, and interest payments as well as costs for major maintenance and facility renewal. Neither state funds nor tuition dollars are used for construction, maintenance of facilities, or the operations of the housing and dining program.

Housing and Food Services continues to make progress with the construction and renovation plan to improve residential living for students. This will be year six of the fifteen-year renewal plan.

In fall 2018, a new residence hall, Martin Hall, will open at University Park, adding 415 bed spaces to East Halls. The renovations to Stuart, McKean, and Pennypacker Halls will be completed for fall occupancy. By fall 2018, University Park will have renovated 819 bed spaces in East Halls, and added 1067 new bed spaces through the construction of Martin, Earle, and Robinson Halls.

At the Penn State Behrend campus, Trippe Hall will open in fall 2018, adding capacity for 250 residential students. New housing facilities were opened in fall 2017 at Abington and Brandywine, and are meeting their occupancy projections.

The room and board rates provided in this proposal apply a new market-driven approach to housing rates at several of the Commonwealth campuses. To support the University's commitment to address affordability for our students, there will be no increase in on-campus housing rates for students attending the Mont Alto, Hazleton, Greater Allegheny, or Beaver campus. In addition, Housing and Food Services is offering a housing discount of \$1,000 per semester at the Hazleton campus for the 2018/19 year. This action is taken, in partnership with the Office of the Vice President for Commonwealth Campuses, as a pilot program to assess the impact to enrollment at the campus by establishing tiered, market-driven housing rates, similar to the tuition rate tier structure.

The Pittsburgh Promise, a private scholarship program for graduates of Pittsburgh high schools, has asked Penn State to partner with them to reduce the cost of living on-campus. To support this effort, Housing and Food Services has pledged to provide a subsidy of \$1,000 per semester for housing costs for those Pittsburgh Promise students who elect to attend either the Beaver, Greater Allegheny, Hazleton, or Mont Alto campus.

Housing and Food Services is proud to participate in these programs to support the University's efforts to encourage student recruitment at the Commonwealth campuses.

## EXPENSES

### Payroll and Related

The financial plan for salary expense has provided for an increase of 2.50 percent at the recommendation of the University Budget Office. The salary expense for bargaining unit employees is planned to increase 2.25 percent, in compliance with the contract. The fringe benefit expense is budgeted to increase by 3.90 percent.

### Food Costs

Food costs for 2018/19 are expected to increase by 1.50 percent. This is less than the anticipated change in the CPI of 2.0 percent, and is achieved by purchasing directly from manufacturers, and through consolidated purchasing for dining operations statewide. Economies of scale are also possible by combining purchasing for other units within Auxiliary and Business Services, which include Hospitality Services and the Bryce Jordan Center.

### Utilities and Other Operating Expenses

The utility budget for existing facilities is anticipated to be stable for the coming year, due in part to consumption containment initiatives. Additional provision is included for the new facilities coming on line in 2018/19.

### Residence Life

The fee for services provided by the Office of Residence Life will increase by \$453,000 to cover increases in operating costs, anticipated salary increases, and room and board charges for resident assistants at all campuses.

## OVERHEAD EXPENSES

### Housing and Food Services Administration and Support Services

Administration and support services are expected to increase by \$122,000.

### University Overhead

The budget for University administrative services is expected to increase by \$1,511,000. Housing and Food Services pays for central administrative services as a percentage of gross revenue. This rate is expected to be 5.0 percent for 2018/19.

## PROPERTY EXPENSES

### Debt Service

As our new and renovated residence halls come on line, debt service will increase by \$4,300,000 for 2018/19 to \$42,600,000.

### Deferred Maintenance and Facility Renewal

The budget provides \$34,829,000 for facility renewal, deferred maintenance, and emergency reserves. Annual maintenance includes items such as furniture and equipment replacement, elevator and roofing repairs, painting, and security upgrades for all facilities statewide.

**Capital Assessment**

Housing and Food Services will enter the sixth year of the fifteen year H&FS capital plan, which includes the renovations of East and Pollock Halls at University Park. This impacts 23 buildings with a total of 6,362 bed spaces, representing nearly 50 percent of the total University Park bed capacity. To support a project of this scale, the Board of Trustees approved a multi-year capital assessment, which is applied to all room rates for a ten-year period. For 2018/19, the assessment will be 2.0 percent of the room rate, and will generate an additional \$2,520,000 to meet the financial requirements of the capital plan.

**INCOME**

The room and board rate for a student living in a standard double room, and choosing the mid-level meal plan, will increase in 2018/19 by 2.50 percent over the prior year. The rate for a renovated double room, along with the mid-level meal plan, will increase by 2.64 percent more than the prior year. The recommended rate increases will generate the \$14,320,000 to maintain progress with our capital plan, support the University's initiatives on affordability, and maintain operations.

The increase of 2.50 percent for housing and the meal plan is the lowest increase required in the last eight years, and the second lowest increase since 2000/01.

## Expense Increases for 2018/19

	2017/18 Budget	Proposed 2018/19 Budget	2018/19 Increase	2018/19 % Change
Payroll & Related	\$56,918,000	\$57,997,000	\$1,079,000	1.90%
Food Costs	30,624,000	31,372,000	748,000	2.44%
Utilities	18,921,000	19,071,000	150,000	.79%
Other Operating Expenses	32,779,000	33,760,000	981,000	2.99%
H&FS Admin. & Support	2,440,000	2,562,000	122,000	5.00%
University Overhead	10,240,000	11,751,000	1,511,000	14.76%
Property	80,355,000	90,084,000	9,729,000	12.11%
<b>Total Expense</b>	<b>\$232,277,000</b>	<b>\$246,597,000</b>	<b>\$14,320,000</b>	<b>6.17%</b>

**Proposed Residence Hall Room Rates and Undergraduate Apartment Rates***Rate/Person/Semester*

<b>Room Description</b>	<b>Number of Occupants</b>	<b>2017/18 Current Rate</b>	<b>2018/19 Proposed Operating Increase</b>	<b>2018/19 Proposed Capital Assessment</b>	<b>2018/19 Proposed Rate</b>	<b>2018/19 Proposed Increase</b>
Standard Double	2	\$3,090	\$33	\$62	\$3,185	\$ 95
Standard Double/Bath	2	3,255	35	65	3,355	100
Renovated Double	2	3,380	42	68	3,490	110
Small Double	2	2,315	24	46	2,385	70
Triple	3	2,780	29	56	2,865	85
Triple/Bath	3	3,090	33	62	3,185	95
Quad	4	2,780	29	56	2,865	85
Quad/Bath	4	3,090	33	62	3,185	95
Quad as Triple	3	3,090	33	62	3,185	95
Standard Single	1	4,210	36	84	4,330	120
Standard Single/Bath	1	4,295	39	86	4,420	125
Renovated Single	1	4,295	39	86	4,420	125
Eastview Single/Bath	1	5,360		70	5,430	70
Eastview Large Single/Bath	1	5,760		70	5,830	70
RA Rate	1	1,935	16	39	1,990	55
Standard Double Suite	2	3,650	42	73	3,765	115
Standard Double Suite as Triple	3	3,085	38	62	3,185	100
Standard Single Suite, 1/bedroom	4	4,265	40	85	4,390	125
Double Suite	2	3,920	42	78	4,040	120
Single Suite	1	5,165	42	103	5,310	145
<b>University Park, Nittany Apartment</b>						
<i>Rate/Person/Semester*</i>						
2 Bedroom Garden	4	\$3,745	\$40	\$75	\$3,860	\$115
4 Bedroom Garden	4	4,210	36	84	4,330	120
4 Bedroom Townhouse	4	4,360	48	87	4,495	135
<b>Erie, Behrend Apartment</b>						
<i>Rate/Person/Semester*</i>						
2 Bedroom Garden	4	3,745	40	75	3,860	115
<b>Harrisburg &amp; Abington Apartment</b>						
<i>Rate/Person/Semester*</i>						
Apartments-Bedroom Single	4	4,470	46	89	4,605	135
Apartments-Bedroom Double	6	3,930	41	79	4,050	120
Apartments-Bedroom Triple	9	3,540	34	71	3,645	105
<b>Beaver, Greater Allegheny, Hazleton, &amp; Mont Alto</b>						
Standard Double	2	3,090	0	0	3,090	0
Standard Double Suite	2	3,650	0	0	3,650	0
Townhouse Double	2	3,255	0	0	3,255	0

Supplemental assignments will be priced at a 20 percent discount from the applicable suite or room rate. Single occupancy of rooms intended for double occupancy will be priced at 25 percent more than the double occupancy rate for that room type.

**University Park Graduate Apartment Rates***No change required for 2018/19*

Room Description	2018/19 Rate
<b>University Park, Graduate Family Apartment</b>	
<i>Rate/Month*</i>	
White Course 1 Bedroom	\$1,125
White Course 2 Bedroom	1,275
White Course 3 Bedroom	1,430
White Course 3 Bedroom w/Half Bath	1,445
<b>University Park, Graduate Apartment</b>	
<i>Rate/Person/Month*</i>	
White Course 4 Bedroom	905

*\*Apartment rate includes utilities*

**Proposed Board Plan  
Rates/Semester**

<b>Meal Plan</b>	<b>2017/18 Current Rate</b>	<b>2018/19 Proposed Rate</b>	<b>2018/19 Proposed Increase</b>	<b>2018/19 Dining Dollars</b>
Plan 1	\$1,985	\$2,025	\$40	\$ 640
Plan 2	2,305	2,345	40	\$ 960
Plan 3	2,550	2,600	50	\$ 1,215

**History of Double Room and Mid-Level Meal Plan Rates 2000–2019**

<b>Year</b>	<b>Semester Rate</b>	<b>Semester Increase</b>	<b>Percent Increase</b>
<b>2018/19 Proposed</b>	\$5,530	\$135	2.50%
<b>2017/18</b>	\$5,395	\$165	3.15%
<b>2016/17</b>	\$5,230	\$155	3.05%
<b>2015/16</b>	\$5,075	\$190	3.89%
<b>2014/15</b>	\$4,885	\$200	4.27%
<b>2013/14</b>	\$4,685	\$190	4.23%
<b>2012/13</b>	\$4,495	\$125	2.86%
<b>2011/12</b>	\$4,370	\$185	4.42%
<b>2010/11</b>	\$4,185	\$100	2.45%
<b>2009/10</b>	\$4,085	\$250	6.52%
<b>2008/09</b>	\$3,835	\$245	6.82%
<b>2007/08</b>	\$3,590	\$165	4.82%
<b>2006/07</b>	\$3,425	\$160	4.90%
<b>2005/06</b>	\$3,265	\$150	4.82%
<b>2004/05</b>	\$3,115	\$145	4.88%
<b>2003/04</b>	\$2,970	\$140	4.95%
<b>2002/03</b>	\$2,830	\$180	6.79%
<b>2001/02</b>	\$2,650	\$195	7.94%
<b>2000/01</b>	\$2,455	\$110	4.69%