

**THE PENNSYLVANIA STATE UNIVERSITY
BOARD OF TRUSTEES**

**COMMITTEE ON FINANCE, BUSINESS AND CAPITAL PLANNING
MINUTES OF MEETING
VOLUME FBCP 17**

September 14, 2017

A meeting of the Committee on Finance, Business & Capital Planning was held in Room 207 of the Penn Stater Conference Center Hotel in State College, Pennsylvania, beginning at 2:30 p.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, Faculty Representative Matthew Woessner, Student Representative Katie Jordan, and the following administration members were also present: Sandy Barbour, Eric Barron, Mary Beahm, Madeline Cantu, Joseph Doncsecz, Jennifer Eck, David Gray, Kurt Kissinger, Andy Reisinger, 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 September 15, 2017 meeting.

The Committee unanimously approved with Trustee Lubrano abstaining the minutes of the July 20, 2017 meeting of the Committee.

The Committee unanimously approved the following resolution for the Proposed Naming of New East Halls Residence Hall "Martin Hall":

RESOLVED, That the Board of Trustees approves the change in name of Penn State Worthington Scranton to Penn State Scranton effective immediately.

The Committee unanimously approved the following resolution for the Proposed Naming of Classroom Building at Shaver's Creek Environmental Center "Donald W. Hamer Classroom Building":

RESOLVED, That a classroom building at Shaver's Creek Environmental Center is named "Donald W. Hamer Classroom Building."

The Committee approved with a vote of six to one the following resolution for the Proposed Renaming of the Gary Schultz Child Care Center at Hort Woods "The Child Care Center at Hort Woods":

RESOLVED, That the Gary Schultz Child Care Center at Hort Woods be renamed "The Child Care Center at Hort Woods."

The Committee unanimously approved the following resolutions for the Appointment of Non-University Employees to the Penn State Investment Council:

RESOLVED, That Gary A. Glynn and J. David Rogers, non-University employees, are appointed to the Penn State Investment Council for terms ending in 2020.

FURTHER BE IT RESOLVED, That Ira M. Lubert, 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 Approval of Fiscal Year 2018-19 to Fiscal Year 2022-23 Capital Plan:

WHEREAS, Both the University and its controlled affiliate, Penn State Health, have studied their capital needs and plan to make capital expenditures for projects consisting of, among other things, land and interests in land, land improvements, buildings, infrastructure, building improvements, renovations, fixtures, equipment, furnishings, information technology assets, and other capital assets and projects serving both the University and Penn State Health's purposes at various locations (collectively, the "Uses"); and

WHEREAS, Both the University and Penn State Health have developed a Capital Plan for the five year period between July 1, 2018 and June 30, 2023; and

WHEREAS, Individual project approvals will continue to be subject to Board of Trustee approvals to the extent required by the Bylaws; and

WHEREAS, The Capital Plan shall consist of the sources and uses of funds described in Appendix I (Schedules 1 and 2);

THEREFORE BE IT RESOLVED, Total Education and General capital commitments between July 1, 2018 and June 30, 2023 are approved up to \$2.131 Billion; and

FURTHER BE IT RESOLVED, Total Self-Supporting Units capital commitments between July 1, 2018 and June 30, 2023 are approved up to \$1.159 Billion; and

FURTHER BE IT RESOLVED, Total Penn State Health and College of Medicine capital commitments between July 1, 2018 and June 30, 2023 are approved up to \$1.447 Billion; and

FURTHER BE IT RESOLVED, That the Officers of the University and Penn State Health may exceed any of the aforementioned capital spending limits by an amount not to exceed five percent (5%) of such limit; and, with the prior approval of the Committee on Finance, Business

and Capital Planning may exceed any of the aforementioned capital spending limits by an amount greater than five percent (5%) but not to exceed ten percent (10%) of such limit; and

FURTHER BE IT RESOLVED, That the Officers of the University may reallocate an amount not to exceed five percent (5%) of any such capital spending limit from one of the three categories of spending (Education and General, Self-Supporting Units and Penn State Health and College of Medicine) to another and, with the prior approval of the Committee on Finance, Business and Capital Planning, may reallocate an amount greater than five percent (5%) but not to exceed ten percent (10%) of any of the aforementioned capital spending limits from one of the three such categories to another, in each case as such Officers determine to be in the best interests of the University.

(See Appendix I)

The Committee unanimously approved the following resolutions for the Borrowing Authority for The Pennsylvania State University:

WHEREAS, The University and its wholly owned subsidiary, Penn State Health ("Penn State Health"), have studied their capital needs and plan to make capital expenditures for projects of the University, Penn State Health and their affiliated organizations included or to be included as part of the capital improvement programs of the University and Penn State Health and consisting of, among other things, land and interests in land, land improvements, buildings, infrastructure, building improvements, renovations, fixtures, equipment, furnishings, information technology assets, and other capital assets and projects serving University or Penn State Health purposes at various locations (collectively, the "Projects"), or to reimburse their other funds for capital expenditures previously made in respect of the Projects, in an amount approximately equal to Two Billion Two Hundred Million (\$2,200,000,000) Dollars during the period until June 30, 2023; and

WHEREAS, The University may be required to provide its guaranty of obligations issued by Penn State Health for the payment of costs of capital projects of Penn State Health; and

WHEREAS, It is in the financial interests of the University and Penn State Health to pay for depreciable assets over a period which does not exceed the useful lives of such depreciable assets or such longer period as is permitted by Federal tax law; and

WHEREAS, Depending on the stage of development of the Projects, it may be in the financial interests of the University and Penn State Health to incur obligations for the payment of the cost of the Projects at one time or in part from time to time; and

WHEREAS, The specific timing of University borrowing or guarantees by the University of indebtedness of Penn State Health in light

of trends in the financial markets can make a significant difference to the University, Penn State Health and their constituents in the cost of borrowing for capital projects; and

WHEREAS, The decisions as to price, timing, interest rates, terms, serialization and tax exempt or taxable status of such borrowing of the University and the form of any guarantees by the University of indebtedness of Penn State Health may be most effectively made by the officers of the University; and

WHEREAS, It may be advantageous to refund or otherwise refinance certain outstanding obligations of the University from time to time or, prior to, concurrently with or subsequent to the issuance of obligations of the University, to enter into agreements relating to bond insurance, letters of credit or other credit or liquidity facilities (collectively, "Credit Enhancement") or agreements relating to interest rate swaps or other forms of interest rate hedge or similar agreements associated with such obligations (collectively, "Hedge Agreements") and such decisions may be more effectively made by the officers of the University; and

WHEREAS, The University may from time to time issue its obligations directly or indirectly through other qualified governmental entities, and rate subsidies or other benefits may be available if the University's obligations are issued through certain Commonwealth of Pennsylvania public authorities and the proceeds of such obligations are loaned by the issuing public authorities to the University or to Penn State Health (with such loans to Penn State Health guaranteed by the University, if appropriate), and decisions regarding the form of such obligations and borrowing may be more effectively made by the officers of the University; and

NOW THEREFORE, BE IT RESOLVED, That the Board of Trustees of the University acknowledges that decisions regarding the form of University obligations and borrowing of the University and as to the other aspects of such obligations and borrowing described in the recitals to these resolutions may be made from time to time by officers of the University as hereafter described and that, for purposes of these resolutions, the term "officers of the University" shall mean the persons holding the positions of the President, the Senior Vice President for Finance and Business/Treasurer, the Associate Vice President for Finance and Corporate Controller, or any two of them, acting from time to time pursuant to the authority granted by these resolutions; and

FURTHER BE IT RESOLVED, That officers of the University are authorized to cause the University (1) to borrow, through the issuance of bonds, notes, leases, installment sale agreements or other forms of debt obligations, including as part of a line of credit or other credit facility, in one or more series or sub-series, fixed rate or variable rate, taxable or tax-exempt, secured or unsecured, senior or subordinate, in a single issuance or from time to time, and (2) to guaranty or become surety for indebtedness of Penn State Health, in an aggregate principal amount not to exceed Two

Billion Two Hundred Million Dollars (\$2,200,000,000) (collectively, the "Obligations"), with such Obligations to be issued and sold at such price in a competitive, negotiated or invited sale and to be of such tenor and otherwise to contain or have the benefit of such terms and provisions, including, without limitation, provisions for redemption or mandatory or optional tender for purchase, maturity, collateral security, covenants, representations and warranties and events of default, as the officers of the University shall deem to be necessary or appropriate to the University; and

FURTHER BE IT RESOLVED, That the officers of the University are authorized to execute, in the name and on behalf of the University, agreements, contracts and instruments of every nature and description which are necessary or appropriate to accomplish the foregoing or in connection with the issuance of the Obligations, including without limitation securities disclosure documents, trust indentures, mortgages, deeds of trust, security and pledge agreements, guarantees, loan agreements, bond purchase agreements, letter of credit reimbursement agreements, issuing and paying agency agreements, dealer agreements, refunding escrow agreements, leases, installment sale agreements, interest rate management agreements, investment contracts, tax compliance agreements and other agreements and documents of every nature and description that are necessary or appropriate to accomplish the foregoing or in connection with the issuance and delivery of the Obligations; and

FURTHER BE IT RESOLVED, That the officers of the University are authorized to cause the Obligations to be issued directly by the University and also by and through any appropriate public authorities of the Commonwealth of Pennsylvania having jurisdiction, including, without limitation, The Pennsylvania Higher Educational Facilities Authority and the Centre County Higher Education Authority, with the proceeds of such indebtedness of such public authorities being loaned to the University, or to Penn State Health, as the case may be; and

FURTHER BE IT RESOLVED, That the officers of the University are authorized to refund or otherwise refinance the Obligations and other outstanding indebtedness of the University from time to time and, prior to, concurrently with or subsequent to the issuance of indebtedness of the University, to execute any agreements (including any amendments or supplements thereto or thereof) which are required in connection with Credit Enhancement or Hedge Agreements, all on such terms and conditions as the officers of the University shall deem necessary or appropriate; and

FURTHER BE IT RESOLVED, That it is hereby declared to be the official intent of the University, as referred to in Section 1.150-2 of the Treasury Regulations promulgated under the Internal Revenue Code of 1986, as amended ("Code"), that the University be reimbursed from the proceeds of the Obligations authorized hereby in a maximum principal amount of \$2,200,000,000 for expenditures for or in respect of the Projects initially paid from other available funds of the University on or after the date which is sixty days prior to the effective date of these resolutions (except

for certain expenditures which are not subject to such time limitation), provided that the issuance of the Obligations providing such reimbursement in any particular case occurs not later than eighteen months after the latest of (i) the date on which the earliest expenditure subject to U.S. Treasury Regulation §1.150-2 is paid, (ii) the date on which the particular Project is placed in service or abandoned, but in no event more than three years after the earliest expenditure is paid, or (iii) the date otherwise permitted by the Code or U.S. Treasury Regulations promulgated thereunder and, in implementation hereof, the officers of the University may approve specific capital expenditures to be reimbursed from the proceeds of Obligations later to be issued, and the funds from which such capital expenditures shall be paid, as required by the said Treasury Regulations; and

FURTHER BE IT RESOLVED, That the borrowing of the University or guarantees of indebtedness of Penn State Health under these resolutions, shall be limited to capital projects approved by the University's Board of Trustees prior to June 30, 2023; and

FURTHER BE IT RESOLVED, That the authority to borrow of the University or Penn State Health for refunding or refinancing existing indebtedness of the University or Penn State Health shall not be limited in principal amount by this resolution and shall not be taken into account when calculating the \$2,200,000,000 amount of indebtedness authorized by this resolution; and

FURTHER BE IT RESOLVED, That the officers of the University are hereby authorized and directed to execute and deliver such other agreements and documents and to take such other action as may be necessary or appropriate in order to effectuate the foregoing resolutions.

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

RESOLVED, That the Officers of the University are authorized to employ Studios Architecture of Washington, D.C., to design the Willard Building Renovation at University Park.

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

The Committee unanimously approved the following resolution for the Proposed Appointment of an Architect, Innovation Pavilion, Penn State College of Medicine:

RESOLVED, That the Officers of the University are authorized to employ HDR of Lawrenceville, New Jersey, to design the Innovation Pavilion for the Penn State College of Medicine.

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

The Committee unanimously approved the following resolutions for the Proposed Appointment of a Design Build Team, West Campus Parking Garage, Penn State Health Milton S. Hershey Medical Center:

WHEREAS, The interview process has been conducted by the University's Office of Physical Plant.

RESOLVED, That the Officers of the University are authorized to employ Clayco, Inc., of St. Louis, Missouri, to design and build the West Campus Parking Garage at Penn State Health Milton S. Hershey Medical Center.

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

The Committee unanimously approved the following resolutions for the Proposed Final Plan Approval and Authorization to Expend Funds, Emergency Department Expansion, Penn State Health Milton S. Hershey Medical Center:

RESOLVED, That the final plans for the Emergency Department Expansion at Penn State Health Milton S. Hershey Medical Center, as designed by Pyramid Construction, are approved.

FURTHER BE IT RESOLVED, That authorization to expend funds to accomplish the project is approved in the amount of \$29,200,000.

The Committee unanimously approved the following resolutions for the Conflict of Interest – Approval of Lease and Lease Renewals with PSRP Developers, Inc. Note: Trustee Lubert was not in attendance for the review and vote on this item.

WHEREAS, Kurt A. Kissinger, associate vice president for finance and business, serves as the responsible official for exercising due diligence in exploring alternatives in real estate matters in accordance with Article VIII, Section 8.05 (a) of the Bylaws of the University; and

WHEREAS, The responsible official has evaluated both on and off-campus office space alternatives for each of the above described leases in consideration of price, quality, amenities, accessibility and timing of availability, among others; and

WHEREAS, The responsible official has concluded that 101 Innovation Boulevard, Suite 114 presents the best alternative to meet the University's contractual obligations to provide sufficient office space to Learfield and that it is in the best interests of the University to enter into the lease on the terms proposed; and

WHEREAS, The responsible official has concluded that 103 Innovation Boulevard, Suite 205 presents the best alternative to meet the Donald P. Bellisario College of Communications' ongoing office space needs and that it is in the best interests of the University to enter into the lease renewal on the terms proposed; and

WHEREAS, The responsible official has concluded that 103 Innovation Boulevard, Suite 212 presents the best alternative to meet the Office of Gift Planning's ongoing office space needs and that it is in the best interests of the University to enter into the lease renewal on the terms proposed; and

WHEREAS, The responsible official has concluded that 103 Innovation Boulevard, Suite 214 presents the best alternative to meet the Finance and Business Information Technology Office's ongoing office space needs and that it is in the best interests of the University to enter into the lease renewal on the terms proposed; and

THEREFORE BE IT RESOLVED, That the proposal to enter into a five-year lease with 2 one-year options at 101 Innovation Boulevard, Suite 114 with PSRP Developers, Inc., totaling 2,616 square feet at the initial annual base rent of \$43,164 is hereby approved; and

THEREFORE BE IT FURTHER RESOLVED, That the proposal to extend the current lease for an additional 24 months, plus two six-month renewal options, at 103 Innovation Boulevard, Suite 205 with PSRP Developers, Inc., totaling 6,977 square feet at the annual base rent of \$140,410 plus annual CPI escalation, until December 31, 2020 is hereby approved; and

THEREFORE BE IT FURTHER RESOLVED, That the proposal to exercise the final five-year option to extend the lease at 103 Innovation Boulevard, Suite 212 with PSRP Developers, Inc., totaling 4,123 square feet at the annual base rent of \$81,429 plus annual CPI escalation until November 30, 2022, is hereby approved; and

THEREFORE BE IT FURTHER RESOLVED, That the proposal to extend the lease for up to two years at 103 Innovation Boulevard, Suite 214 with PSRP Developers, Inc., totaling 3,978 square feet at the annual base rent of \$78,804 plus annual CPI escalation until November 30, 2019 is hereby approved.

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

- Report on Operational Risk – Athletics Financial Model (Sandy Barbour)
- Report on Operational Risk – Financial Funding Risks from External Sources (Zack Moore, Neil Sharkey, Anna Griswold, and Eric Strucko)

The Committee on Finance, Business & Capital Planning meeting was adjourned at 4:52 p.m.

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

FBCP 17

Respectfully submitted,

Crystal K. Straw
Assistant Secretary
Board of Trustees