

1:30 p.m. -

1. **Roll Call**
2. **Approval of the Minutes of Previous Meetings**

Will the Board of Trustees approve the minutes of the meeting of the Board held on January 18, 2013?

3. **President's Report**
4. **Update on The Milton S. Hershey Medical Center**

Harold L. Paz, M.D., Senior Vice President for Health Affairs, Dean, College of Medicine, and Chief Executive Officer, the Penn State Milton S. Hershey Medical Center will provide an update on the medical center.

5. **Reports from Standing Committees**

Discussion of action and/or information items by the Standing Committees for consideration by the Board of Trustees:

**A. Committee on Academic Affairs and Student Life - Marianne E. Alexander, Chair**

- 1) **Discussion of Consent Agenda Items Provided for Information or Approval of the Committee on Academic Affairs and Student Life:**

Information Item -

- a) Information on Undergraduate Programs

(See Appendix I)

- 2) **Recommendation for Approval of Administrative Appointment**

Will the Committee on Academic Affairs and Student Life recommend to the Board of Trustees adoption of the following resolution:

RESOLVED, That the Board of Trustees approves President Rodney A. Erickson's appointment of Susan Basso as Vice President for Human Resources effective immediately.

- 3) **Informational Report on Personalized Medicine**

Daniel Notterman, M.D., Vice Dean for Research and Graduate Education, and James R. Broach M.D., Chair, Department of Biochemistry and Molecular Biology and Director of the Institute for Personalized Medicine will present information on Personalized Medicine.

**B. Committee on Audit and Risk - John P. Surma, Chair**

- 1) **Proposed Application for an Off-Premises Catering Permit for the Nittany Lion Inn**

Will the Committee on Audit and Risk recommend to the Board of Trustees adoption of the following resolutions:

5. **Reports from Standing Committees** (Continued)

B. **Committee on Audit and Risk** (Continued)

1) **Proposed Application for an Off-Premises Catering Permit for the Nittany Lion Inn** (Continued)

WHEREAS, The Pennsylvania State University owns and controls liquor license H-4730 issued by the Pennsylvania Liquor Control Board for use at the Nittany Lion Inn; and

WHEREAS, the Pennsylvania Liquor Code authorizes the Pennsylvania Liquor Control Board to issue Off-Premises Catering Permits to holders of a hotel liquor license to sell, subject to certain conditions, alcoholic beverages at places other than the locations where the licenses are located; and

WHEREAS, The Pennsylvania State University desires that all service of alcoholic beverages at authorized events sponsored by the various clients, colleges and departments be done in full compliance with law employing the highest standards of care by beverage professionals.

THEREFORE BE IT RESOLVED, that an application for an Off-Premises Catering Permit be filed with the Pennsylvania Liquor Control Board on behalf of the Nittany Lion Inn; and

FURTHER BE IT RESOLVED, that David J. Gray, Senior Vice President for Finance & Business/Treasurer and/or Joseph J. Doncsecz, Corporate Controller is/are authorized to execute the applications and any other papers required by the Pennsylvania Liquor Control Board, and to take such other actions as may be required in connection with the applications.

C. **Committee on Finance, Business and Capital Planning** - Linda B. Strumpf, Chair

1) **Discussion of Consent Agenda Items Provided for Information or Approval of the Committee on Finance, Business and Capital Planning:**

Information Items -

- a) Arboretum Children's Garden, University Park
- b) Atherton Hall Bathroom Renovations, University Park
- c) East Residence Halls Parking and Service Area Rehabilitation, University Park
- d) Parking Lot Reconstruct, Penn State Beaver
- e) Ground Floor Radiology Fit Out - Phase C, The Milton S. Hershey Medical Center
- f) Naming of Rooms, Portions of Buildings, and Plazas
- g) Purchase of Property at 222-224, 226-230, and 232-236 East Wopsononock Avenue, Penn State Altoona
- h) Status of Major Construction Programs and Borrowing
- i) Investment Review of Endowment and Similar Funds
- j) Summary and Designation of Gifts Received

Action Items -

- k) Summary of Revisions to Existing Scholarships, Fellowships, Etc.
- l) Acknowledgment of Endowments and Other Major Commitments

(See Appendix II)

5. Reports from Standing Committees (Continued)

C. **Committee on Finance, Business and Capital Planning** (Continued)

2) **Proposed Naming of the New Residence Hall in the South Halls Complex "Chace Hall," University Park**

The Facilities Naming Committee has recommended that the Board of Trustees name the new South Halls Complex residence hall, scheduled for completion in August 2013, "Chace Hall." All of the existing buildings in that area are named for women who have held various leadership positions within Penn State. Mrs. Chace was the director of the Department of Home Economics from 1918 through 1937 and was instrumental in moving the Department of Home Economics into the newly formed School of Education.

Will the Committee on Finance, Business, and Capital Planning recommend to the Board of Trustees adoption of the following resolution:

RESOLVED, That the new residence hall in the South Halls Complex at University Park is named "Chace Hall."

(See Appendix II.A)

3) **Proposed Appointment of an Architect, Intramural Building Expansion Future Phases, University Park**

In January 2011 the Board of Trustees appointed Moody Nolan Inc. of Columbus, Ohio to design the final plans of the Intramural Building expansion and renovation. Part of their charge was to develop a master plan for the Intramural Building which could be implemented in phases.

Final plans for Phase One of the Intramural Building Expansion were approved by the Board of Trustees at the January 2013 meeting. Since then, the Student Facilities Fee Advisory Committee has endorsed funding for the next phase, which includes three basketball courts, extension of the running track, and installation of multi-activity court flooring in the center court area. The Subcommittee on Architect/Engineer Selection will make a report and recommendation to appoint Moody Nolan, Inc. for design of the future phases of the Intramural Building Expansion.

Will the Committee on Finance, Business, and Capital Planning recommend to the Board of Trustees adoption of the following resolution:

RESOLVED, That the Officers of the University are authorized to employ the firm of Moody Nolan, Inc. of Columbus, Ohio as architects for the future phases of the Intramural Building Expansion at University Park.

4) **Proposed Purchase of Property at 3110 Research Drive, Cato Park**

The University has the opportunity to acquire property from Torron Group, L.P. located at 3110 Research Drive, State College, Ferguson Township, Centre County. The acquisition provides the University with strategic expansion opportunities of its Libraries archive operations.

5. **Reports from Standing Committees** (Continued)

C. **Committee on Finance, Business and Capital Planning** (Continued)

4) **Proposed Purchase of Property at 3110 Research Drive, Cato Park** (Continued)

The 3.12 acre property includes an approximate 30,215 square foot commercial warehouse facility and parking improvements that have been leased by the University Libraries since November, 2007. The property has been offered to the University as a bargain sale for \$3,648,000. The acquisition shall be contingent upon the property being determined to be in acceptable condition by campus representatives and the Office of Physical Plant.

Will the Committee on Finance, Business, and Capital Planning recommend to the Board of Trustees adoption of the following resolutions:

RESOLVED, That the Board of Trustees approves the acquisition of the property containing 3.12 acres located at 3110 Research Drive, State College, Ferguson Township, Centre County, Pennsylvania, from Torron Group, L.P for \$3,648,000.

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

5) **Proposed Changes in Room and Board Charges for the 2013 Fall Semester, The Pennsylvania State University**

**Schedules I - IV and Appendix III included herein replace and supersede those mailed with the agenda.**

It will be necessary to increase room and board charges effective for the 2013 Fall Semester because of increased operating and facility maintenance costs. Appendix III provides details of the Housing and Food Service Budget Presentation for 2013-14, as well as the proposed rates at University Manor, The Milton S. Hershey Medical Center.

Will the Committee on Finance, Business and Capital Planning recommend to the Board of Trustees adoption of the following resolution:

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

(See Appendix III)

6) **University Upgrade and Enhancements to Radio Communication System**

In 1992, Penn State and the Borough of State College jointly purchased an 800 MHz five channel trunked radio system for use by public safety agencies and for use by certain non-public safety units within the University. With radio equipment and antennas based at Ford Building on the University Park Campus, the system satisfied the needs of the University and the Borough for the past twenty years. Since that time, the system has encountered increased functional and maintenance problems and, most recently, used components were purchased to make repairs to keep the system operating. The need for and doing considerable work in the area of emergency preparedness for the University community, and the importance of a dependable and better functioning emergency communication system, capable of connecting multiple user disciplines, had become paramount.

**5. Reports from Standing Committees** (Continued)**C. Committee on Finance, Business and Capital Planning** (Continued)**6) University Upgrade and Enhancements to Radio Communication System**  
(Continued)

A report prepared for Centre County in 2008, recommended that Centre County's radio system and the Penn State/Borough radio system be combined into a single, digital, radio system that would re-use the existing licensed 800 MHz. frequencies. It was further recommended that the radio system satisfy common public safety radio communications standards for first-responders and homeland security/emergency response professionals. The Borough of State College elected to join in the proposed Centre County radio system.

With this information, Penn State conducted a study to consider various options to replace the radio system in order to enhance its capabilities and establish greater reliability. Four viable options were presented, with one suggesting a separate radio system for University use only, while the other three involved sharing in some fashion a joint system with Centre County. Each option related to the County System offered capabilities to the University, which were otherwise not feasible with a stand-alone system. All four options required the replacement of existing University-owned, hand-held radios, as well as improvements to facilities at the Ford Building.

After consideration, the University decided to join with Centre County in order to enjoy a county-wide public safety radio system, which provides for full and complete roaming capability anywhere in the county and in neighboring counties, including Huntington County where Stone Valley is located. The system will also provide for

complete, high volume, interoperability in the County, which will be extremely useful on home football Saturdays at Beaver Stadium. In addition, the University's participation in the new radio system will significantly enhance our communication capabilities during a major emergency or critical incident as University first responders, University non-public safety units, and county first responders will be able to communicate effectively during such incidents.

In June 2012, the University signed a Memorandum of Understanding (MOU) with Centre County agreeing to reimburse the County for a portion of the cost of a new county-wide 800 MHz digital radio system that is compliant with first-responder and homeland security/emergency response professional standards. As part of the MOU, Penn State is providing \$4,000,000 to Centre County as its portion of the overall system cost. Penn State is responsible to provide accommodations for new transmitter equipment in the Ford Building, along with supporting infrastructure, and to upgrade and replace current portable and mobile radios in use by a number of Penn State departments. University funding of \$1,600,000 is required for these portions of the communication system upgrade.

Will the Committee on Finance, Business and Capital Planning recommend to the Board of Trustees adoption of the following resolution:

RESOLVED, that the officers of the University are authorized to make effective Penn State's joining the Centre County Radio Communication System, as well as to make improvements to the Ford Building to accommodate the System's on-campus needs, and acquire portable and mobile radios for University use for an amount of \$5,600,000.

5. **Reports from Standing Committees** (Continued)

C. **Committee on Finance, Business and Capital Planning** (Continued)

7) **Report on Status of Commonwealth Appropriation Request**

8) **Photo Report on Selected Construction Projects**

A photo report on the progress of selected construction projects will be presented at the meeting.

D. **Committee on Governance and Long-Range Planning** - James S. Broadhurst, Chair

E. **Committee on Legal and Compliance** - Keith W. Eckel, Chair

F. **Committee on Outreach, Development and Community Relations** - Mark H. Dambly, Chair

3:45 p.m. -

6. **Public Comment**

7. **Report on The Corporation for Penn State**

A report on the activities of The Corporation for Penn State is included as Appendix IV. Dr. Rodney A. Erickson, President and Chief Executive Officer of the Corporation, will be available to answer any questions.

(See Appendix IV)

8. **Election of Members of the Executive Committee**

Article 4, section (1) of the *Bylaws* of the University specifies that "Not less than seven (7) nor more than eleven (11) members of the Board of Trustees to be chosen by ballot of the members present at the stated meeting of the Board in January each year together with the president and the secretary of the corporation shall constitute an executive committee to serve for a period of one year and until their successors are chosen. The president of the corporation shall be chairman of the executive committee, and the secretary of the corporation the recording secretary of the executive committee. The number of elected members of the executive committee, within the above limitations, shall be determined by the Board of Trustees at each said stated meeting."

It is recommended that the Executive Committee be composed of up to thirteen (13) members, including the ex officio members, and the Committee on Governance and Long-Range Planning nominates the following Trustees to membership on the committee:

Marianne E. Alexander	Edward R. Hintz, Jr.
James S. Broadhurst	Ira M. Lubert
Mark H. Dambly	Keith E. Masser
Stephanie N. Deviney	Karen B. Peetz
Keith W. Eckel	Linda B. Strumpf
Rodney A. Erickson	John P. Surma
Kenneth C. Frazier	

Will the Board of Trustees elect members to the Executive Committee for 2013?

**9. Election of Directors of The Corporation for Penn State**

According to the *Bylaws* of The Corporation for Penn State, the members of the Corporation shall meet annually for the purpose of electing directors.

Will the Board of Trustees adopt the following resolution:

RESOLVED, That the following persons be elected to the Board of Directors of The Corporation for Penn State:

Marianne E. Alexander  
James S. Broadhurst  
Mark H. Dambly  
Stephanie N. Deviney  
Keith W. Eckel  
Rodney A. Erickson

David J. Gray  
Edward R. Hintz, Jr.  
Keith E. Masser  
Robert N. Pangborn  
Harold L. Paz  
Linda B. Strumpf

**10. Announcements by the Chairman of the Board of Trustees**

## Proposed Room and Board Rates

*The Pennsylvania State University*

*Effective Fall 2013*

### Undergraduate Residence Hall Room

#### Rates/Person/Semester

*(Meal Plan Required)*

Room Description	Number of Occupants	Current Rate	Proposed Rate	Proposed Increase
Standard Double	2	\$2,455	\$2,595	\$140
Standard Double/Bath	2	2,625	2,780	155
Standard Double/Air Conditioning	2	n/a	2,780	
Small Double	2	1,830	1,940	110
Triple	3	2,200	2,330	130
Triple/Bath	3	2,455	2,595	140
Quad	4	2,200	2,330	130
Quad/Bath	4	2,455	2,595	140
Quad as Triple	3	2,455	2,595	140
Standard Single	1	3,335	3,530	195
Standard Single/Bath	1	3,390	3,590	200
Eastview Small Single/Bath	1	3,815	4,030	215
Eastview Single/Bath	1	4,255	4,495	240
Eastview Large Single/Bath	1	4,530	4,810	280
RA Rate	1	1,625	1,725	100
Standard Double Suite	2	2,890	3,060	170
Standard Double Suite as Triple	3	2,455	2,595	140
Standard Single Suite	4	3,365	3,565	200
Double Suite	2	3,110	3,285	175
Single Suite	1	4,125	4,370	245

Supplemental assignments will be priced at a 20% discount from the applicable suite or room rate.

Single occupancy of rooms intended for double occupancy will be priced at 25% more than the double occupancy rate for that room type.



## Proposed Room and Board Rates Continued

The Pennsylvania State University

Effective Fall 2013

### University Park Nittany Apartment Rates/Person/Semester\*

Room Description	Number of Occupants	Current Rate	Proposed Rate	Proposed Increase
2 Bedroom Garden	4	\$2,965	\$3,140	\$175
4 Bedroom Garden	4	3,335	3,530	195
4 Bedroom Townhouse	4	3,450	3,655	205

\*Room rate includes utilities.

### Erie, Behrend Apartment Rates/Person/Semester\*

Room Description	Number of Occupants	Current Rate	Proposed Rate	Proposed Increase
2 Bedroom Garden	4	\$2,965	\$3,140	\$175

\*Room rate includes utilities.

### Harrisburg Apartment Rates/Person/Semester\*

Room Description	Number of Occupants	Current Rate	Proposed Rate	Proposed Increase
Apartments-Bedroom Single	4	\$3,540	\$3,750	\$210
Apartments-Bedroom Double	6	3,115	3,300	185
Apartments-Bedroom Triple	9	2,805	2,970	165

\*Room rate includes utilities.

## Proposed Room and Board Rates Continued

The Pennsylvania State University

Effective Fall 2013

### University Park Graduate Family Apartment Rates/Month\*

Room Description	Number of Occupants	Current Rate	Proposed Rate	Proposed Increase
White Course 1 Bedroom	N/A	\$970	\$990	\$20
White Course 2 Bedroom	N/A	1,105	1,130	25
White Course 3 Bedroom	N/A	1,255	1,270	15
White Course 3 Bedroom w/Half Bath	N/A	1,255	1,280	25

\*Room rate includes utilities.

### University Park Graduate Apartment Rates/Person/Month\*

Room Description	Number of Occupants	Current Rate	Proposed Rate	Proposed Increase
White Course 4 Bedroom Apartment	4	\$770	\$795	\$25

\*Room rate includes utilities.

### Board Plan Rates/Semester

Meal Plan	Dining Dollars	Current Rate	Proposed Rate	Proposed Increase
Plan 1	\$650	\$1,895	\$1,945	\$50
Plan 2	735	1,980	2,030	50
Plan 3	795	2,040	2,090	50
Plan 4	905	2,145	2,200	55
Plan 5	985	2,225	2,280	55
Plan 6	1,155	2,390	2,450	60

## UNIVERSITY MANOR APARTMENTS

## CURRENT vs. PROPOSED MONTHLY RENTAL RATES

<u>Type Occupancy</u>	<u>No. Units</u>	<u>Current Rates Per Apt.</u>	<u>Proposed Rates Per Apt.</u>	<u>Amount Increase</u>
<b>University Manor East</b>				
1 Bedroom (with Washer/Dryer)	24	\$ 878	\$ 890	\$ 12
2 Bedroom (with Washer/Dryer)	208	\$ 1,026	\$ 1,046	\$ 20
3 Bedroom (with Washer/Dryer)	16	\$ 1,146	\$ 1,174	\$ 28
<b>University Manor West</b>				
4 Bedroom (furnished) *	31	\$ 2,044	\$ 2,092	\$ 48

\* NOTE: Proposed monthly increase per bedroom is \$12

1. Information on Undergraduate Programs

A. College of Agricultural Sciences

1) Bachelor of Science in Agroecology: Phase-out of Major

The Agroecology major is being phased out and will become an option within the new Bachelor of Science in Plant Sciences. The phase-out will be effective Summer 2013.

2) Bachelor of Science in Horticulture: Phase-out of Major

The Horticulture major is being phased out and will become an option within the new Bachelor of Science in Plant Sciences. The phase-out will be effective Summer 2013.

B. College of Engineering

1) Agricultural and Biological Engineering Minor to Biological Engineering Minor: Change in Name

The name change is being made to be consistent with the Biological Engineering major. The name change will be effective Summer 2013.

**1. Arboretum Children's Garden, University Park**

The latest addition to the H. O. Smith Botanic Gardens will be a donor funded garden targeted to children ages 3 to 12. The dominant theme will be central Pennsylvania's geomorphology and its particular flora, fauna, and culture. The project includes an entry court with a bio-filtration system for three pools, a glass house, and recreations of a fossil ridge, mushroom hollow with discovery tree, and a limestone grotto. The cost estimate for this new garden is \$3,600,000.

(See Appendix II.1)

**2. Atherton Hall Bathroom Renovations, University Park**

The University intends to renovate one quarter of the 1939 era bathrooms in Atherton Hall. Four existing common bathrooms in the northeast wing of the building will be replaced by twenty-three new shared private bathrooms. Vestibules with sinks and lockers will also be provided. The balance of the existing bathrooms will be addressed in subsequent phases. The cost estimate for this project is \$1,400,000.

(See Appendix II.2)

**3. East Residence Halls Parking and Service Area Rehabilitation, University Park**

The University intends to reconstruct the three student parking lots between Brumbaugh Hall, Stuart Hall, Hastings Hall and Park Avenue. The project includes the installation of new waterlines and stormwater facilities, new sidewalks, new parking lot and pedestrian lighting, and improvements to the service area between Brumbaugh Hall and Tener Hall. Additionally, the existing parking lot between Tener Hall and Bigler Road will be resurfaced. The cost estimate for this project is \$1,600,000.

(See Appendix II.3)

**4. Parking Lot Reconstruct, Penn State Beaver**

The University intends to reconstruct a deteriorated parking lot at Penn State Beaver. The project scope includes stormwater system improvements, reconstruction of a portion of University Drive leading to the lot, surrounding landscape improvements, and reconfigurations to improve accessibility. The cost estimate for this project is \$1,250,000.

(See Appendix II.4)

**5. Ground Floor Radiology Fit Out - Phase C, The Penn State Milton S. Hershey Medical Center**

The Penn State Milton S. Hershey Medical Center intends to renovate 5,500 square feet of recently vacated Radiology MRI/CT spaces to create a new outpatient waiting/reception area, a new office suite, and a new image reading room. The project scope also includes a child play area and a new staff lounge. It will be connected to the newly constructed MRI/CT Suites through a new egress corridor. All mechanical, plumbing, fire protection, and electrical services will be upgraded to support the new spaces. The cost estimate for this project is \$2,984,380.

(See Appendix II.5)

**6. Naming of Rooms, Portions of Buildings and Plazas**

The Facilities Naming Committee has made certain recommendations to the President on the naming of rooms, portions of buildings and plazas. In accordance with the Policy on Naming University Facilities, the Board of Trustees is hereby informed that the President has approved the following naming actions:

- A. Name the art gallery in the Conference Center (Room 201) at Penn State Great Valley in recognition of a commitment from Joseph and Marilyn Henry. The recognition plaque will read:

*"Joseph and Marilyn Henry Gallery"*

- B. Change the name of a space in the Penn State Harrisburg Library at the request of the donor, Mrs. Linda Schwab, from the "Schwab Family Holocaust Reading Room" to the "Linda Schwab Holocaust Reading Room."
- C. Name a faculty office (Room 127) in the Carnegie Building for deceased faculty member Jeanne L. Hall in recognition of memorial gifts donated in her memory. The recognition plaque will read:

*"127  
Jeanne L. Hall  
Faculty Office*

*In Memory of  
Jeanne L. Hall"*

**7. Purchase of Property at 222-224, 226-230, and 232-236 East Wopsononock Avenue, Penn State Altoona**

Standing Order V., Paragraph (4) (c), entitled "Real estate purchases less than \$1 million in value" provides for such purchases to be presented to the Board of Trustees for information. The Board of Trustees is advised of the following property transaction:

In February, 2013, the University purchased 3 adjoining parcels totaling .61 acres, including a vacant commercial building and 2 vacant residences in close proximity to Penn State Altoona, located at 222 - 236 East Wopsononock Avenue, Altoona, Blair County, from George and Sandra Zlupko as a bargain sale for \$350,000. The purchase provides strategic expansion for campus police operations.

(See Appendix II.6)

**8. Status of Major Construction Programs and Borrowing**

(See Appendix II.7)

**9. Investment Review of Endowment and Similar Funds**

Appendix II.8 is a report of the University's endowment and similar funds as of December 31, 2012.

(See Appendix II.8)

**10. Summary and Designation of Gifts Received by the University**

Appendix II.9 is a summary of gifts received during the period July 1, 2012 through January 31, 2013.

(See Appendix II.9)

**11. Summary of Revisions to Existing Scholarships, Fellowships, Etc. (For the period December 17, 2012 through February 15, 2013)**

Will the Committee on Finance, Business, and Capital Planning recommend to the Board of Trustees adoption of the following resolution:

RESOLVED, That the conditions governing certain existing scholarships, fellowships, awards, and similar funds previously established at the University be revoked and that the Officers of the University are authorized to put into effect the revised regulations as requested by the donors.

**12. Acknowledgments of Endowments and Other Major Commitments**

The Committee on Finance, Business, and Capital Planning is advised that for the period December 17, 2012, through February 15, 2013, 56 new funds totaling approximately \$9,088,110 were accepted by the University, including scholarships, fellowships, etc. All of these items conform to established University policies and regulations.

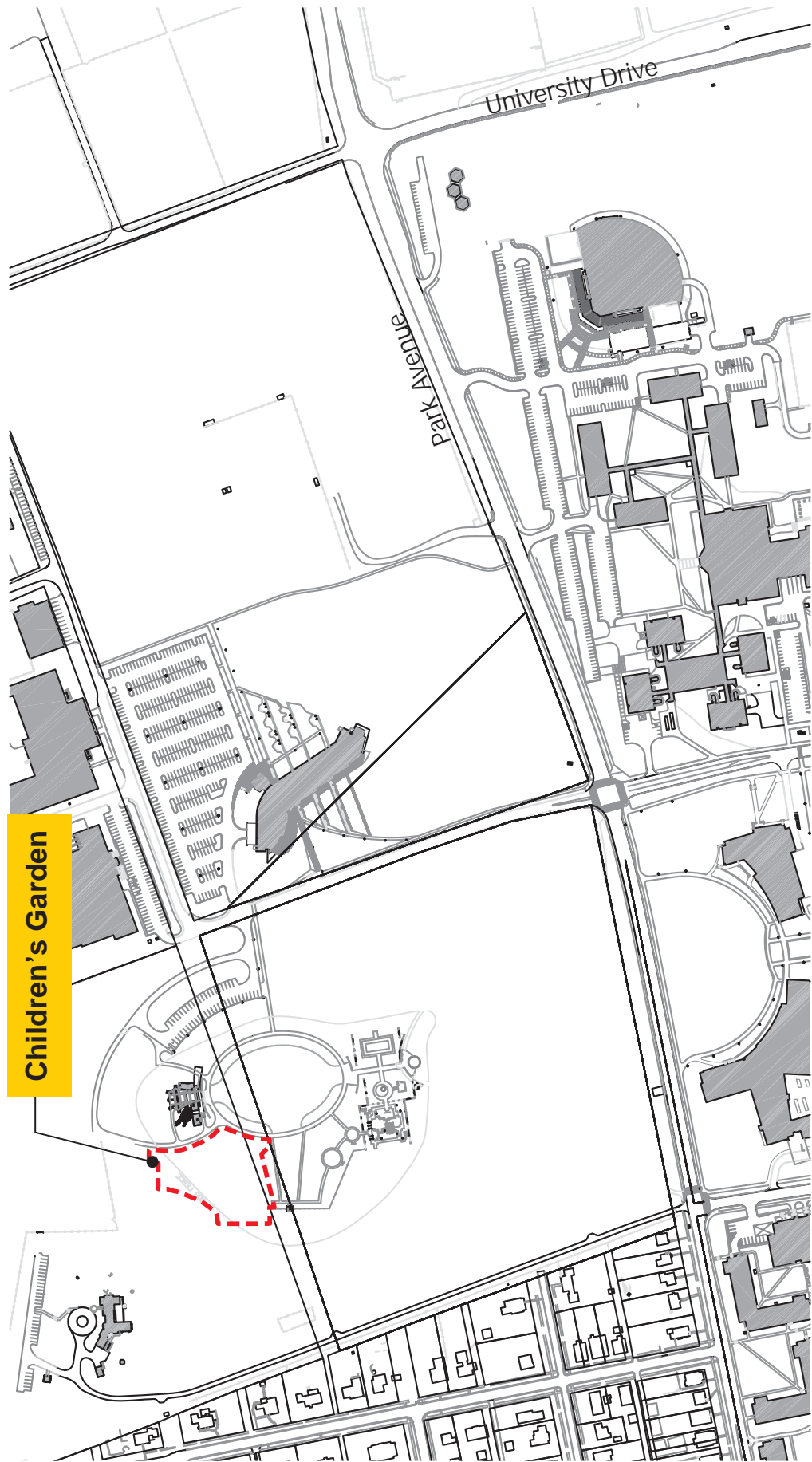
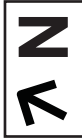
For the period November 1, 2012 through December 31, 2012, 49 major commitments were accepted by the University totaling approximately \$20,008,343.

Will the Committee on Finance, Business, and Capital Planning recommend to the Board of Trustees adoption of the following resolutions:

RESOLVED, That the Board of Trustees gratefully acknowledges the generous contributions of the many friends of the University in support of endowments, funds, and other major commitments as reported to the Committee on Finance, Business, and Capital Planning at its meeting of March 15, 2013.

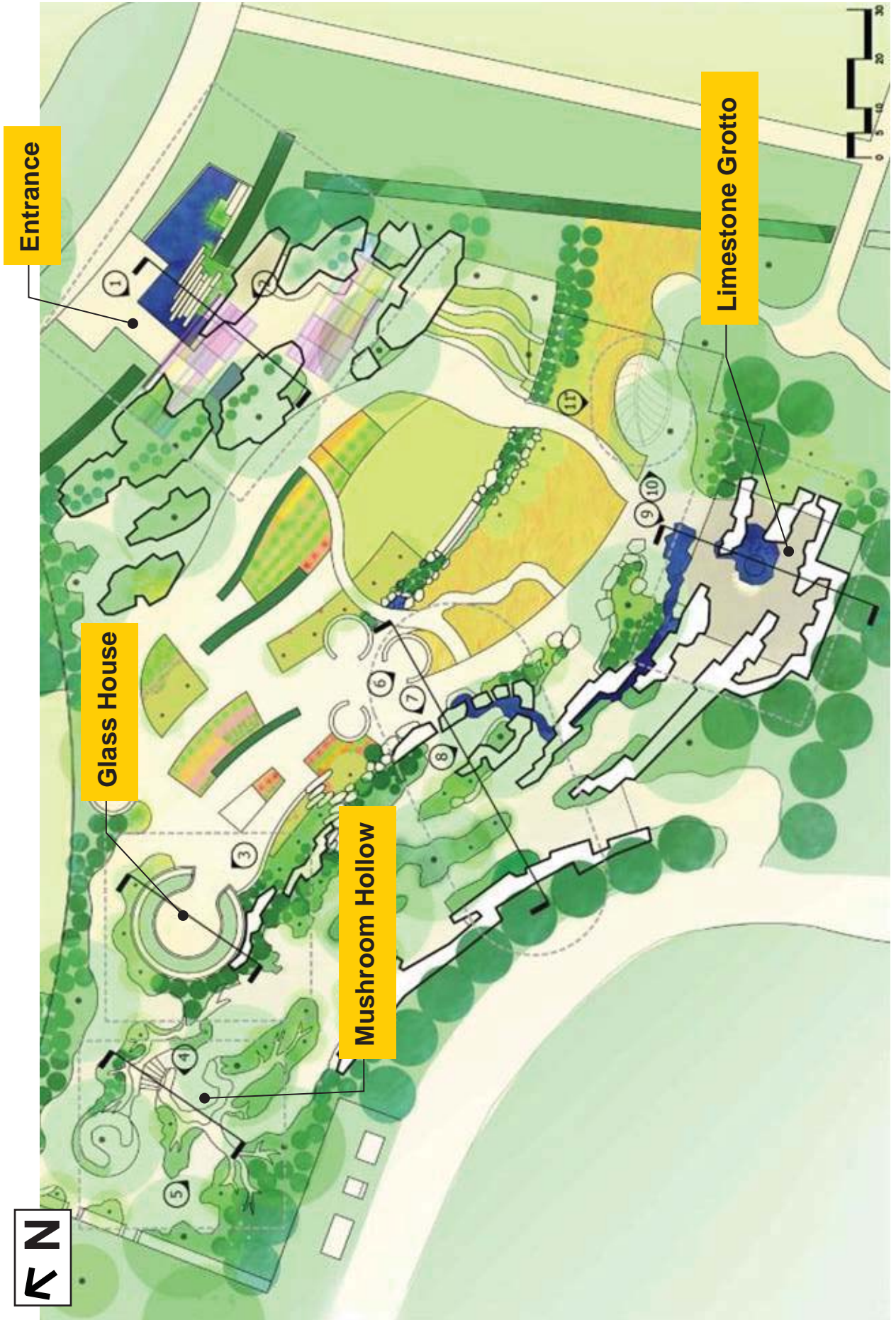
FURTHER BE IT RESOLVED, That the Officers of the University are authorized to convey the Board's appreciation to these generous benefactors who provide opportunities for many students to receive a quality education.

# University Park





# University Park

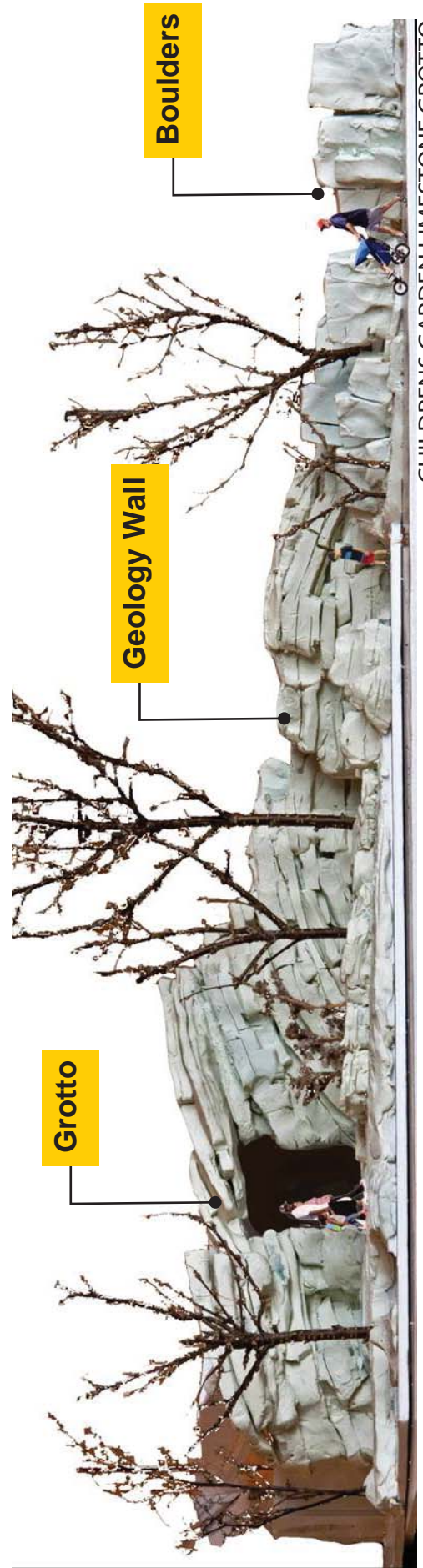
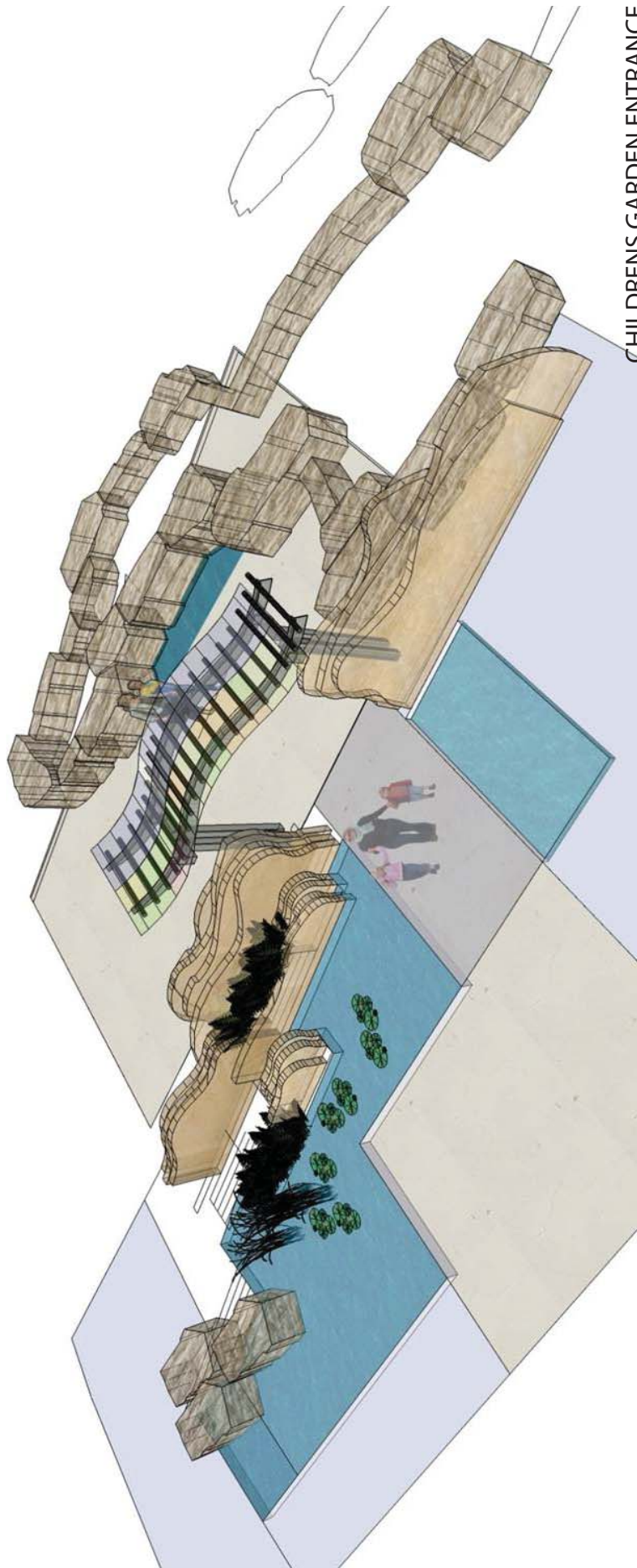




# University Park

3/15/2013

FB&CP



(Appendix II.1)

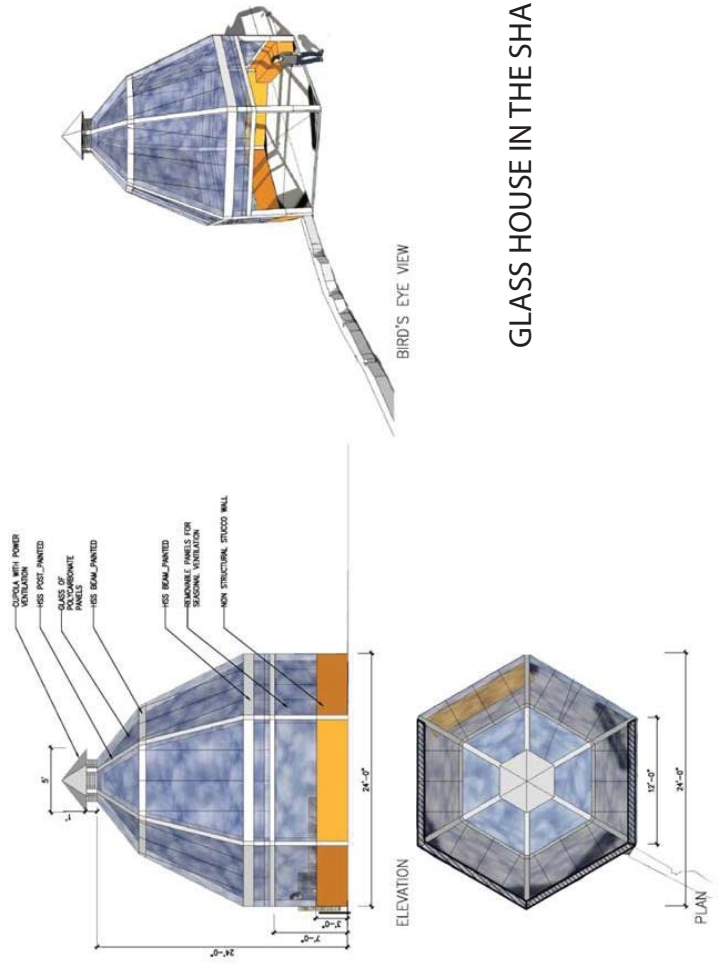
# University Park

3/15/2013

FB&CP



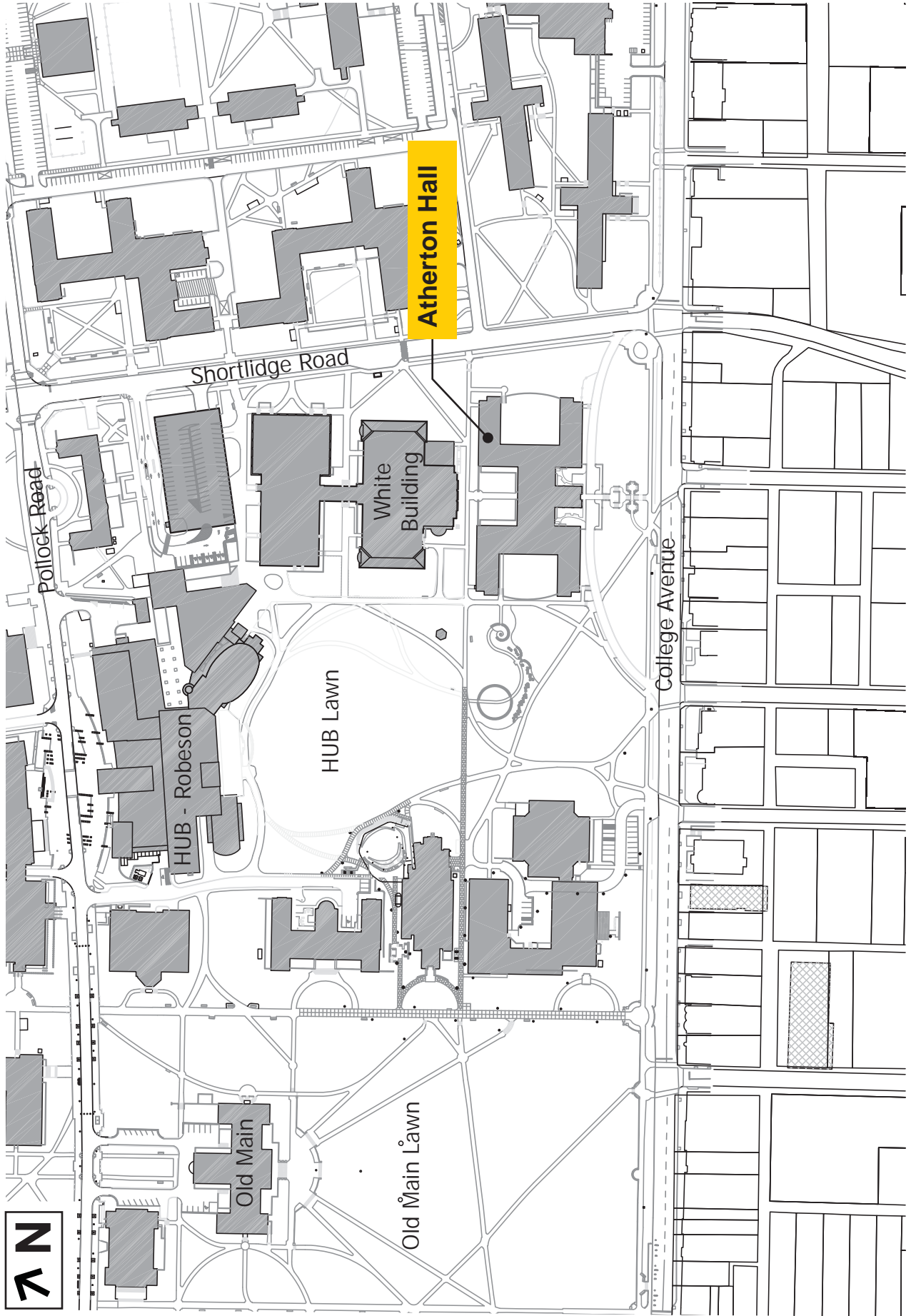
MUSHROOM HOLLOW



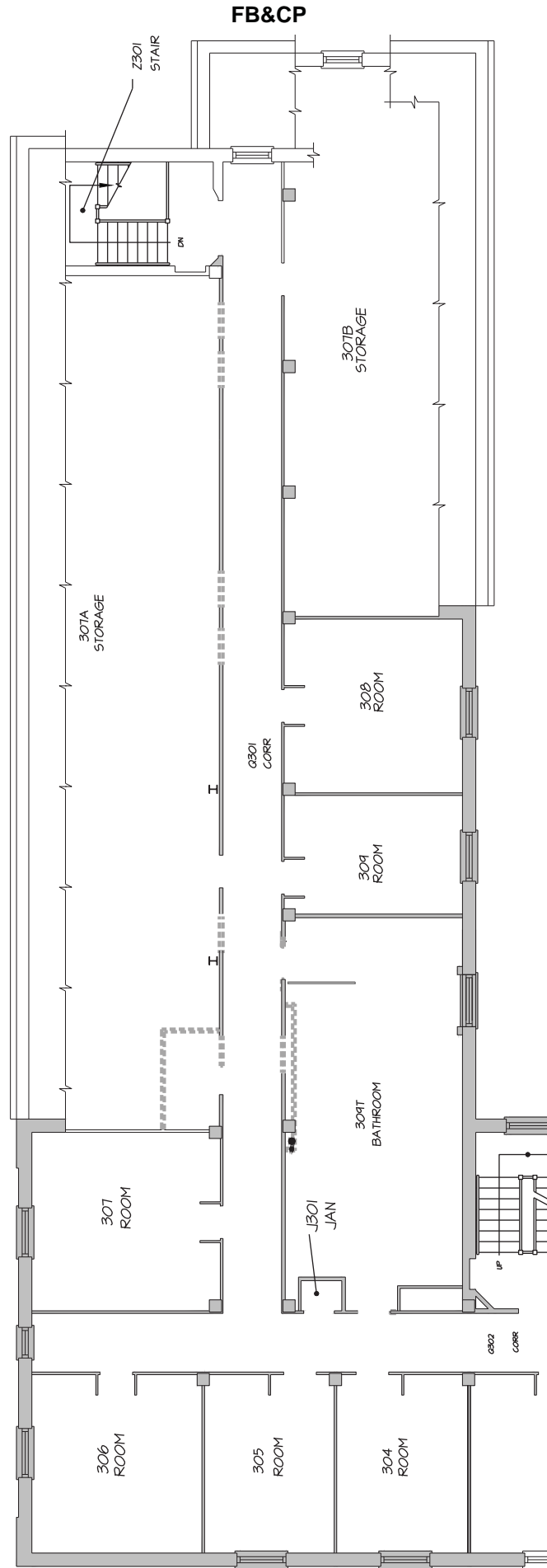
GLASS HOUSE IN THE SHAPE OF A GARDEN CLOCHE



# University Park

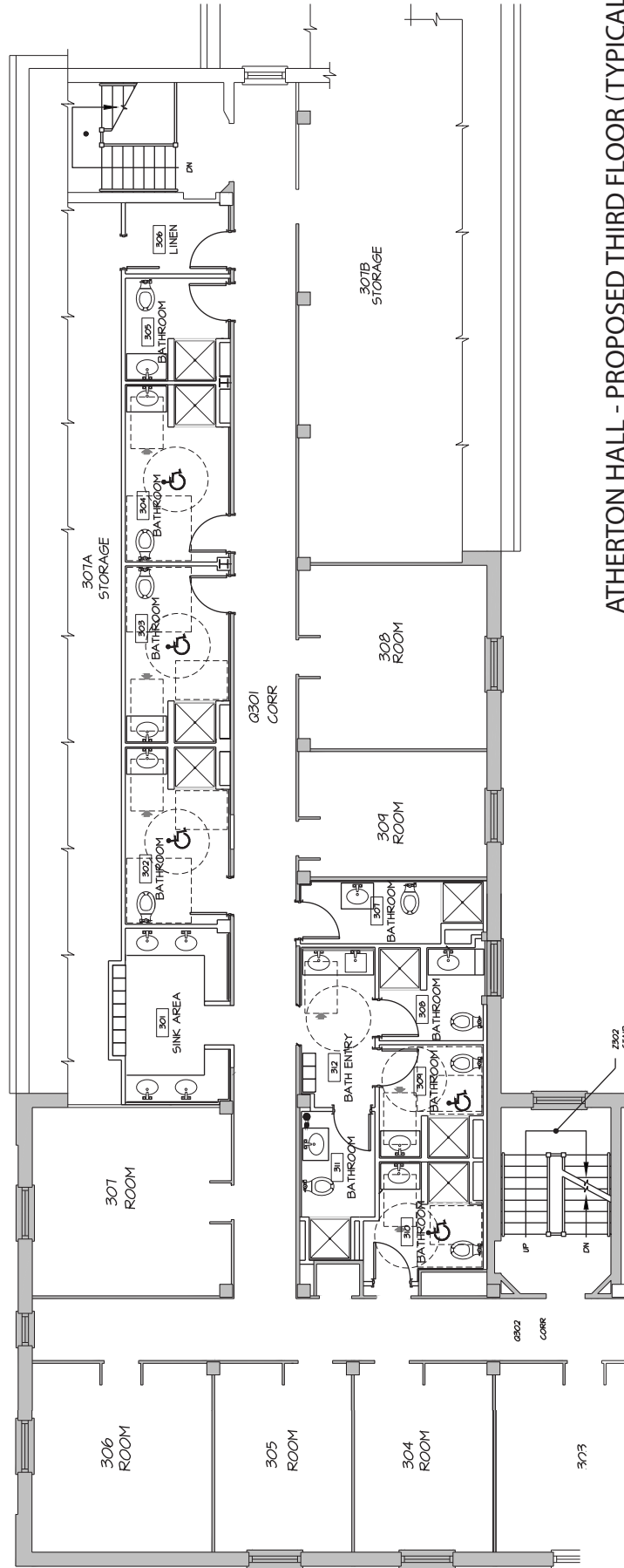


# University Park



ATHERTON HALL - EXISTING THIRD FLOOR (TYPICAL)

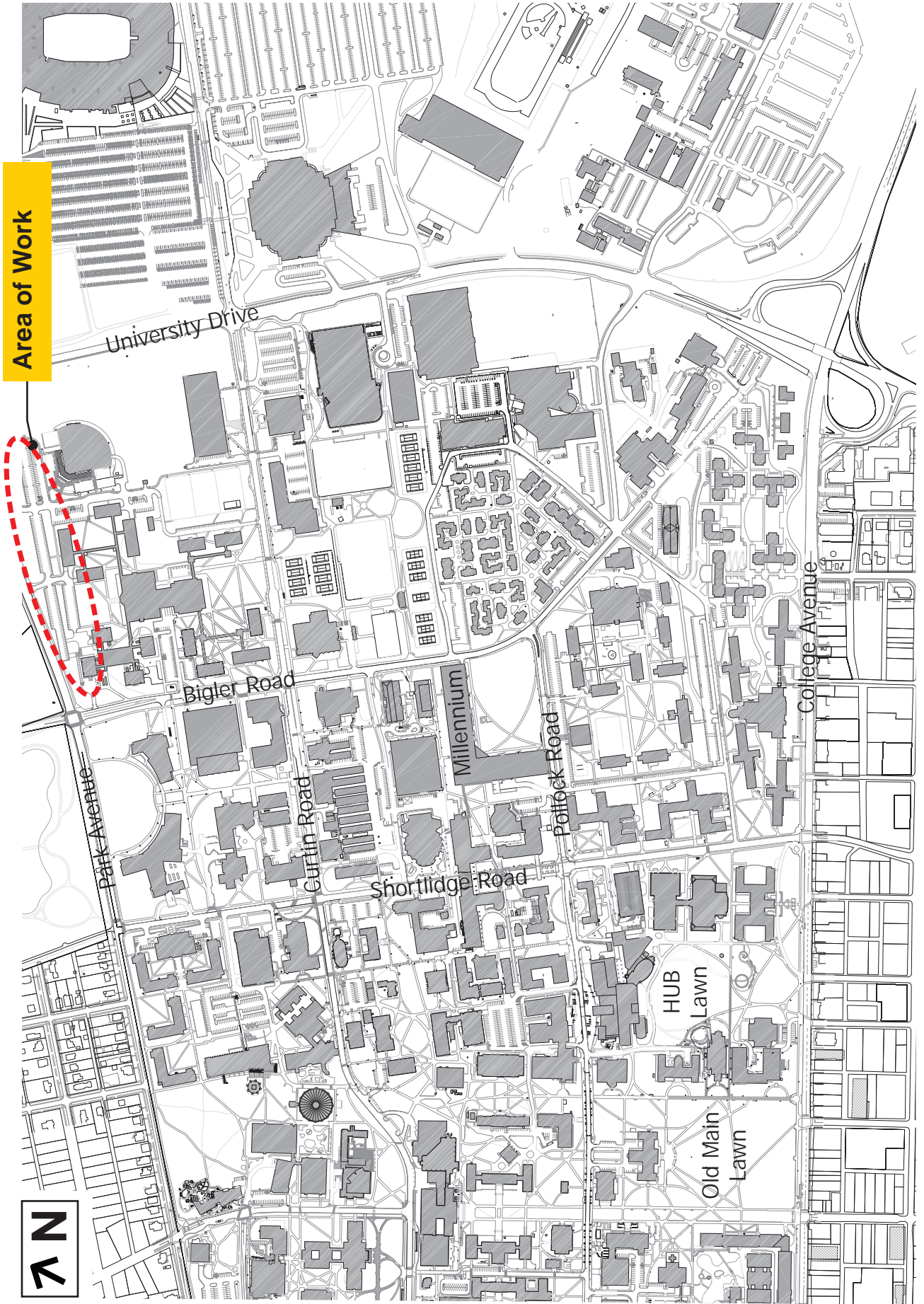
# University Park



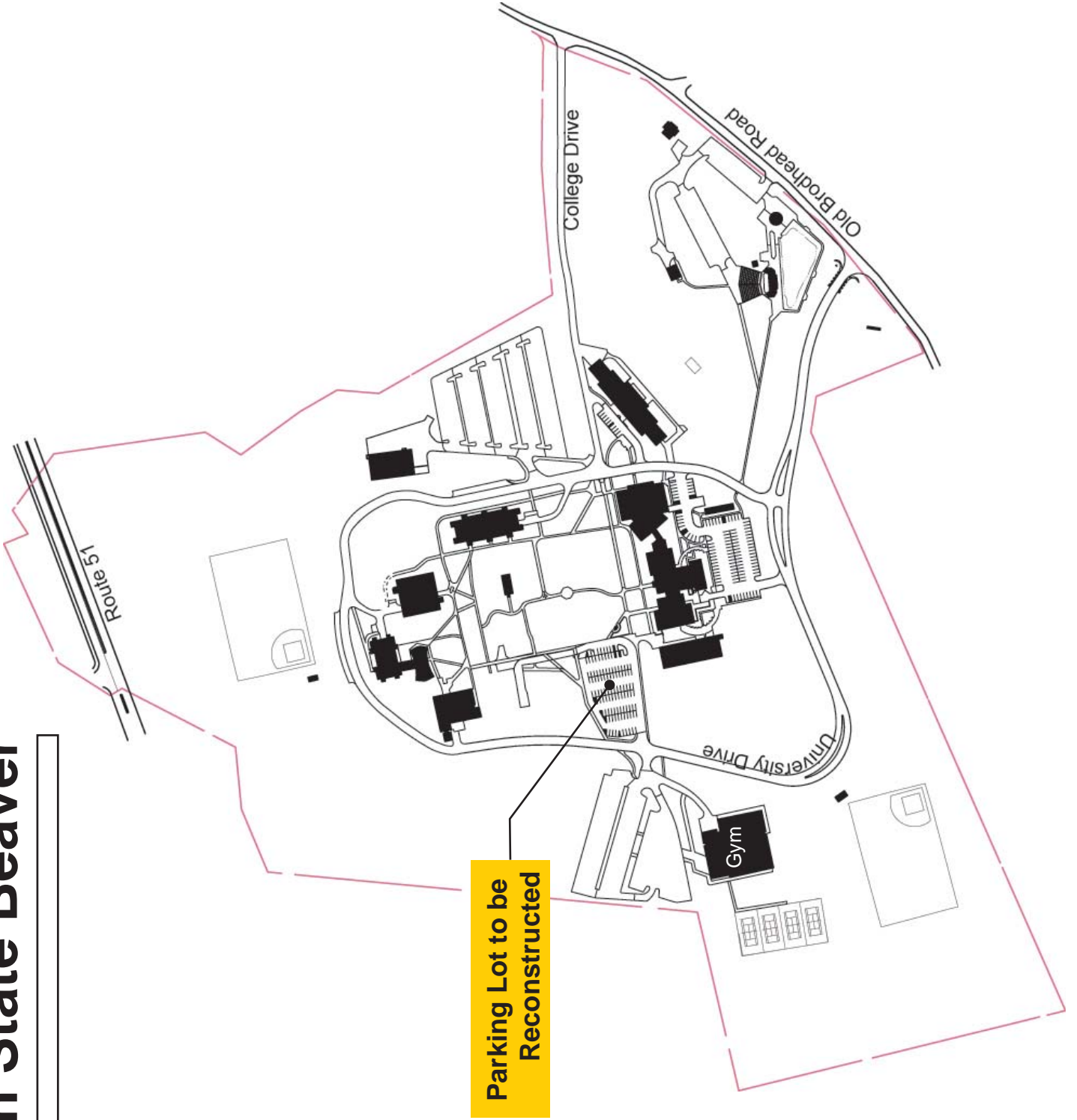
ATHERTON HALL - PROPOSED THIRD FLOOR (TYPICAL)



# University Park

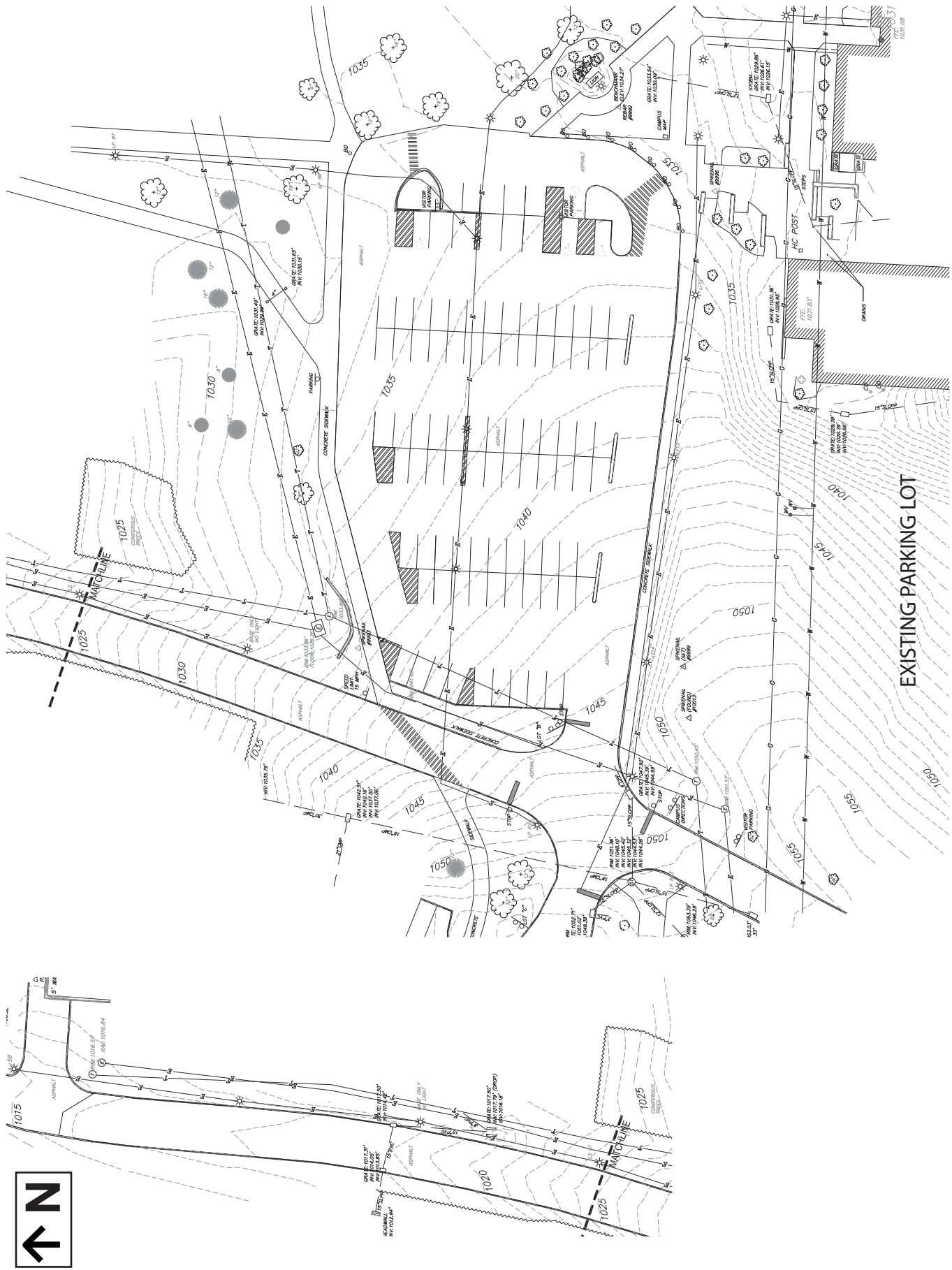


# Penn State Beaver



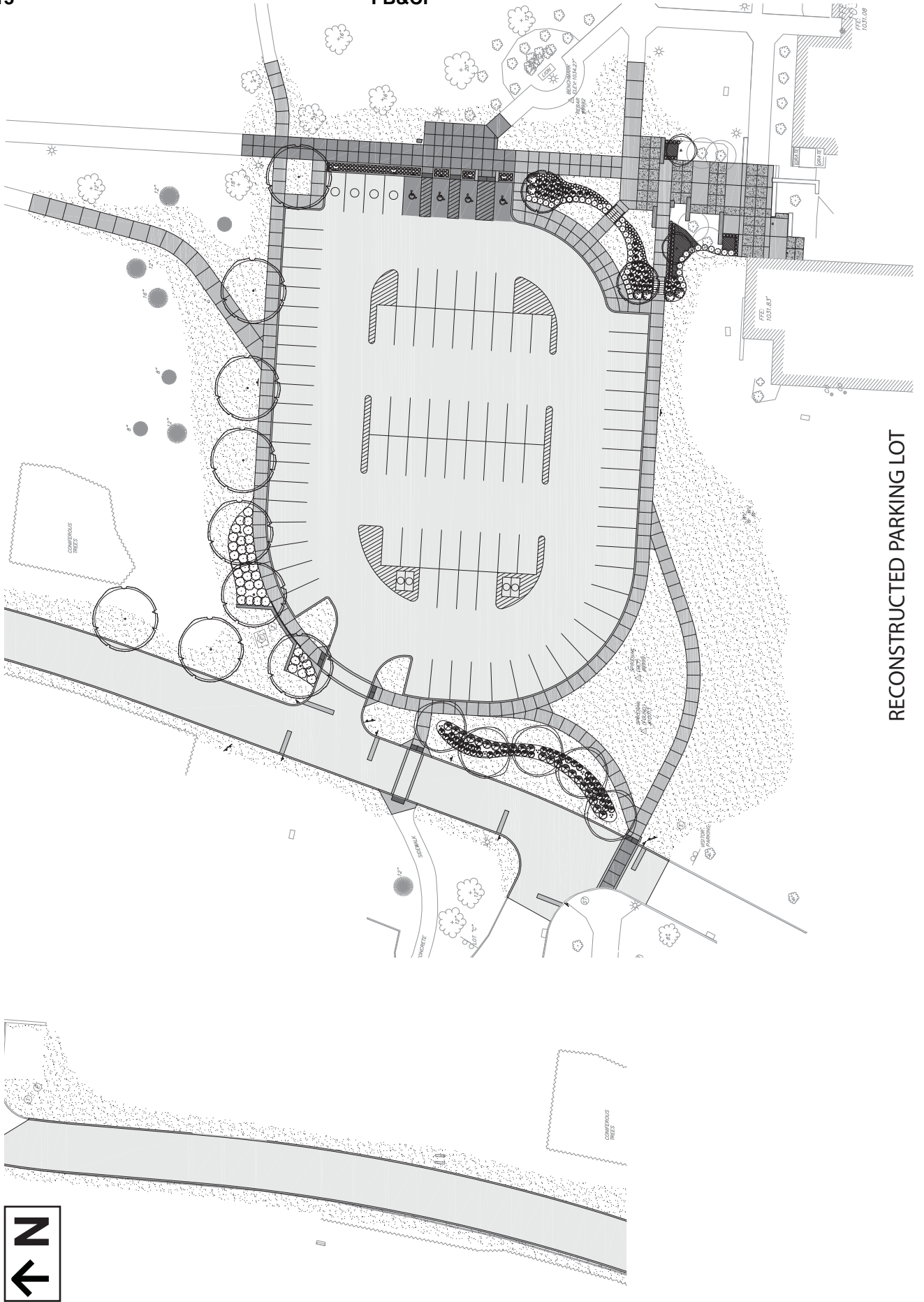


# Penn State Beaver



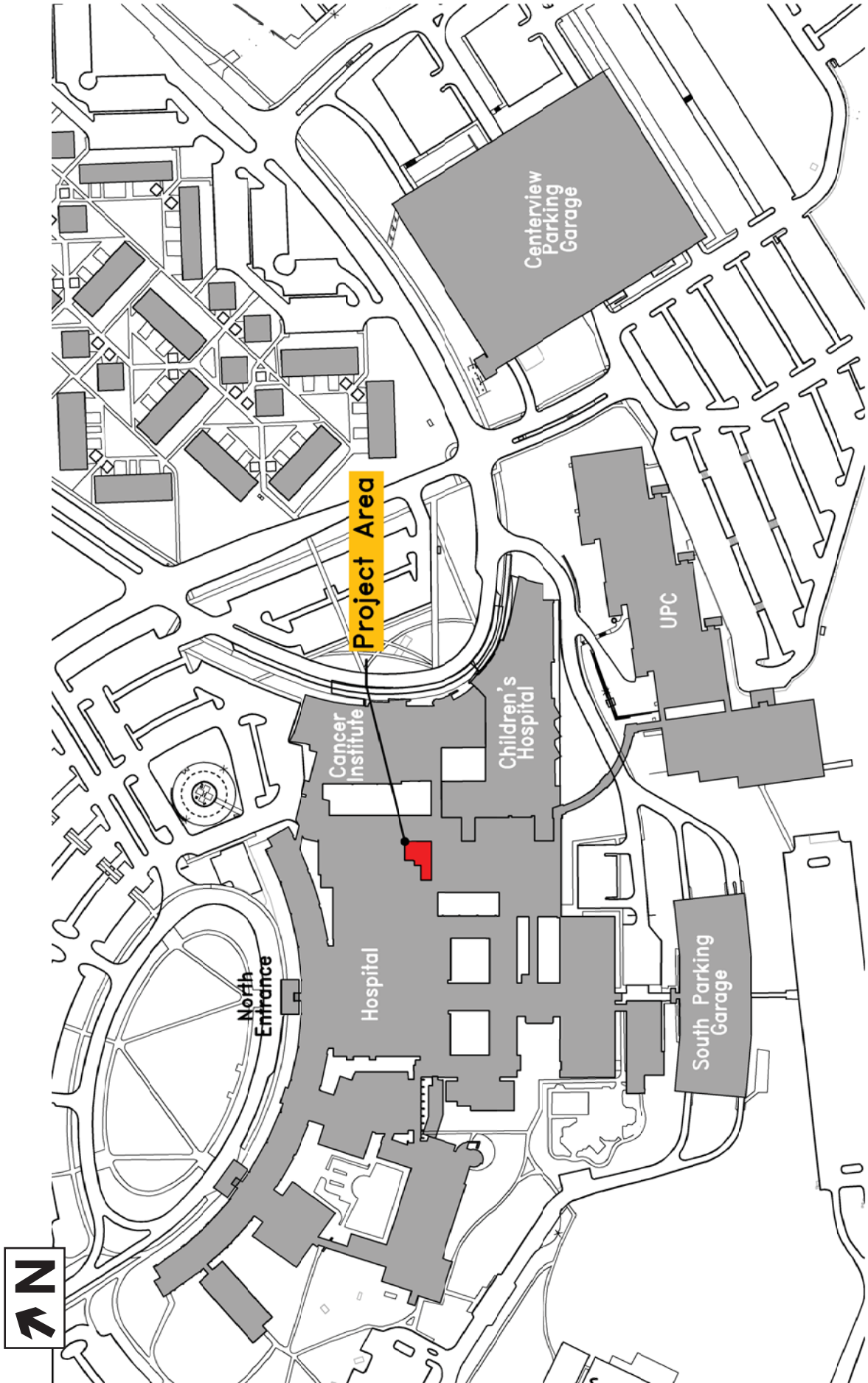
(Appendix II.4)

# Penn State Beaver



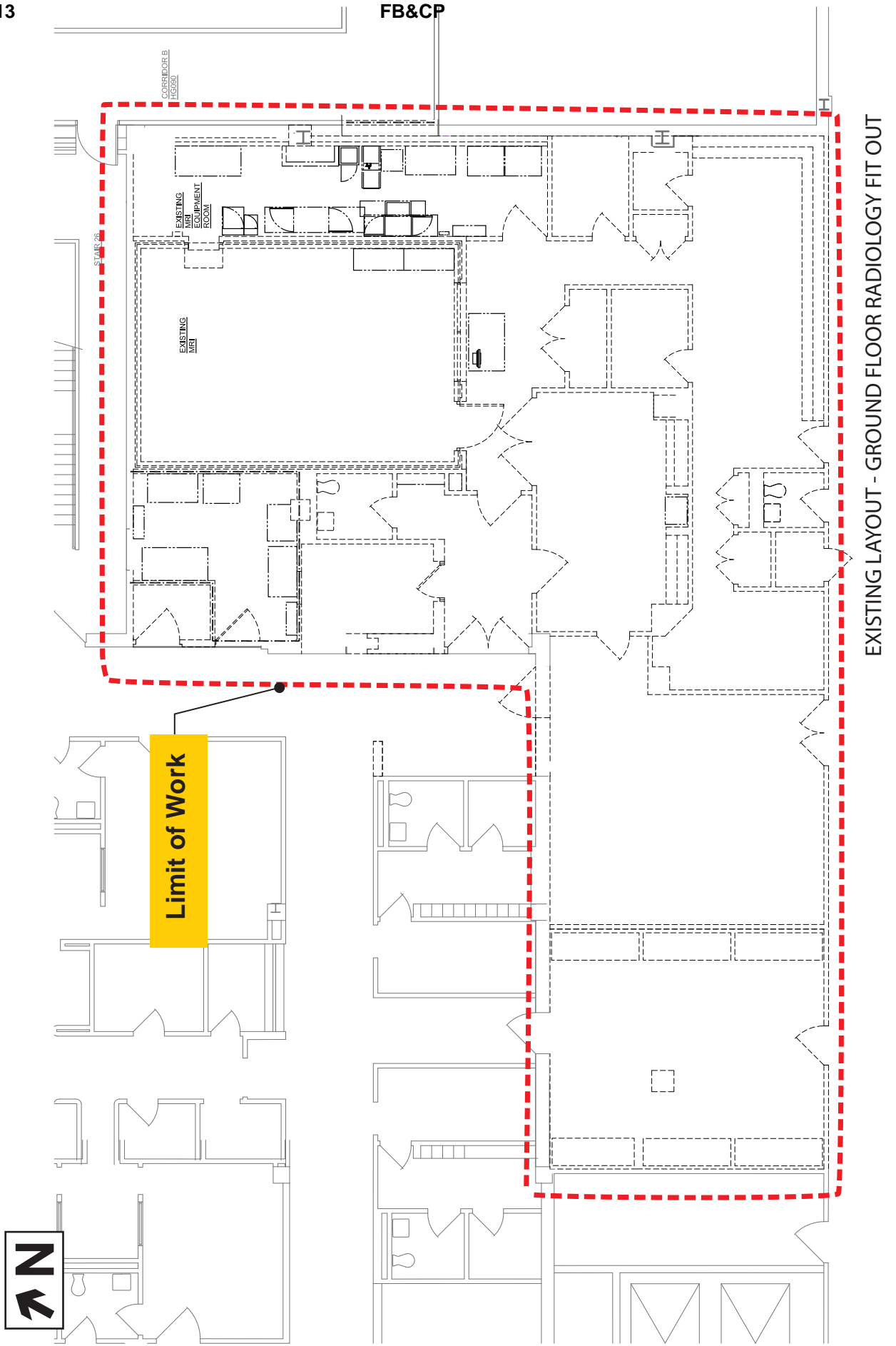
RECONSTRUCTED PARKING LOT

# The Milton S. Hershey Medical Center



# The Milton S. Hershey Medical Center

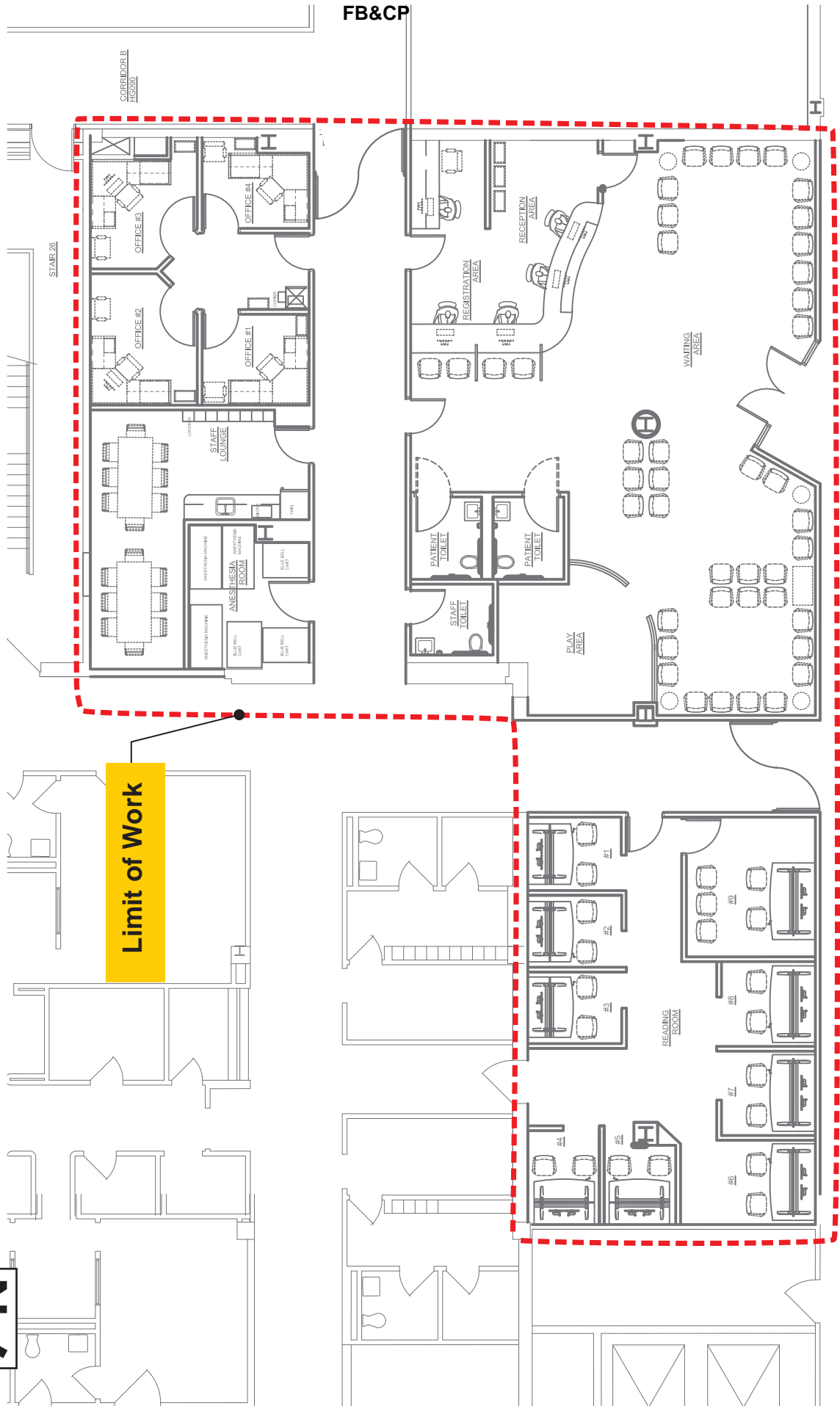
3/15/2013



(Appendix II.5)

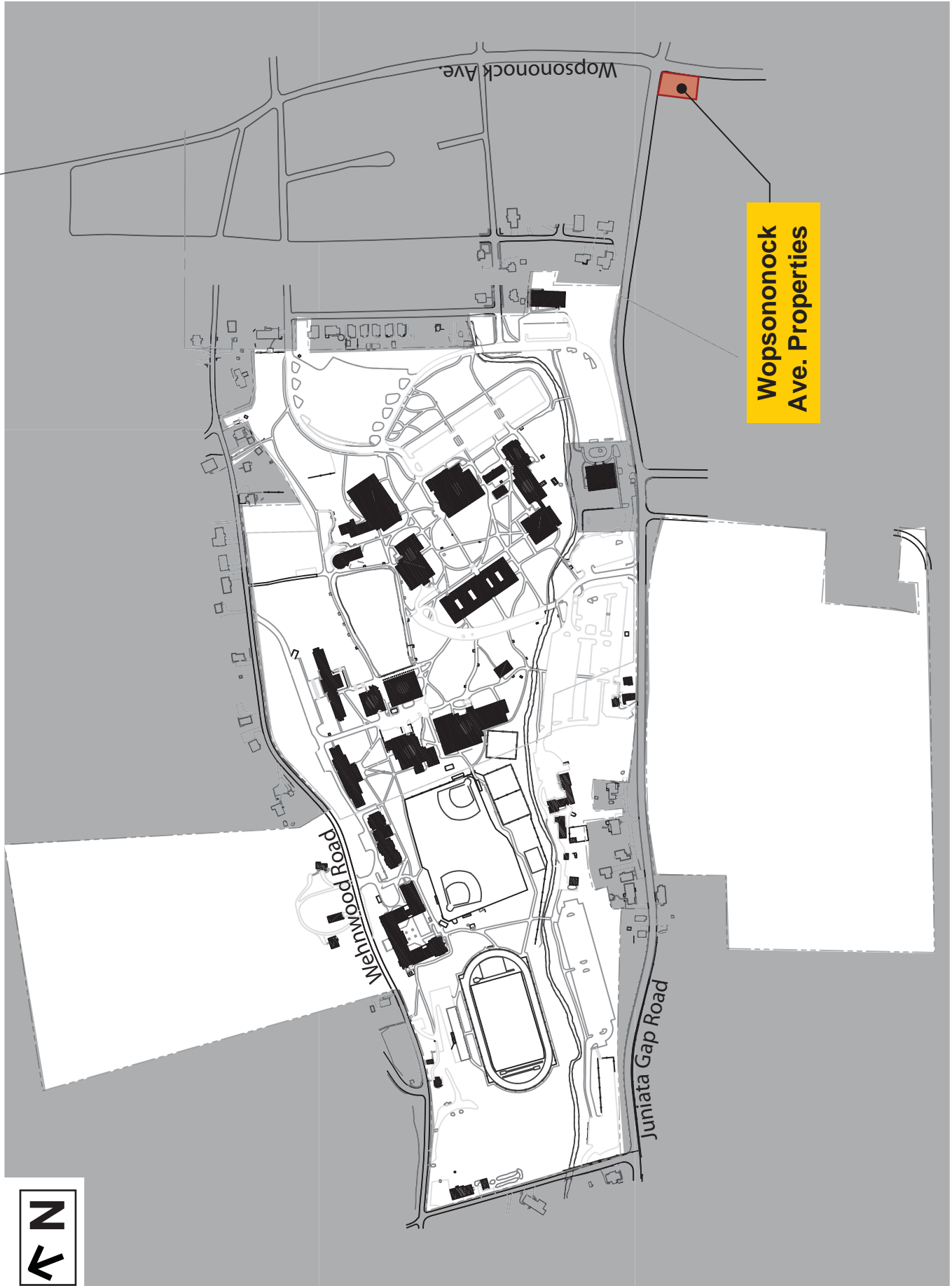


# The Milton S. Hershey Medical Center



PROPOSED LAYOUT - GROUND FLOOR RADIOLOGY FIT OUT

# Penn State Altoona





# Penn State Altoona







Front of residence at 226 -230 E. Wopsonnock Avenue

**Penn State Altoona**



Rear of residence at 226-230 E. Wopsonnock Avenue





Front of residence at 226 -230 E. Wopsonnock Avenue

**Penn State Altoona**



Rear of residence at 226-230 E. Wopsonnock Avenue



Front of commercial building at 232 -236 E. Wopsonnock Avenue

**Penn State Altoona**



Rear of commercial building at 232 -236 E. Wopsonnock Avenue

STATUS OF MAJOR CONSTRUCTION PROGRAMS AND BORROWING (> \$5 Million)  
February 28, 2013

3/15/2013

FB&CP

Campus	Project Data			Commonwealth Funding	Gift Amount	BOT Milestones		Construction		Notes
	Project Name	Budget Amount	Project Name			Arch/Eng Selection	Final Plan Approval	Start Date	Completion Date	
Abington	Woodland Building Renovation	\$7,000,000		\$0	01/13	11/13	01/14	12/14	Project in design.	
Brandywine	Brandywine Main Building Renovation	\$9,500,000	\$0	\$0	01/12	05/12	05/12	08/13	Construction is approximately 55% complete.	
Harrisburg	Educational Activities Building	\$19,500,000	\$0	TBD	11/11	01/13	02/13	05/14	Project construction to commence in February 2013.	
Philadelphia	EEB Hub, Building 661 and 7R, Philadelphia Navy Yard	\$39,000,000	\$30,000,000	\$0	09/11	01/13	02/13	02/14, 05/14 *	Project construction to commence in February 2013.	
	Beaver Stadium Video Boards / Sound System	\$10,000,000	\$0	\$0	07/11	09/13	12/13	08/14	Work to be completed for 2014 Season.	
	BioBehavioral Health Building	\$48,100,000	\$40,000,000	\$0	01/08	07/10	12/10	02/13	Construction is substantially complete.	
	Burrows Building Renovation	\$37,800,000	\$0	\$0	05/12	01/14	02/14	08/15	Project in design.	
	CEDAR Building Renovations	\$9,500,000	\$6,840,000	\$0	03/11	01/12	03/12	04/13	Construction is approximately 90% complete.	
	East Campus Steam Line	\$13,500,000	\$11,000,000	\$0	N/A	03/11	06/11	04/13	Construction is approximately 93% complete.	
	Environmental Improvements BFP Installations	\$10,500,000	\$7,000,000	\$0	N/A	N/A	06/08	08/14	Project program is approximately 70% complete.	
	Essential Services Program	\$11,950,000	\$3,000,000	\$0	N/A	N/A	12/05	12/14	Project program is approximately 68% complete.	
	Eva J. Pell Laboratory for Advanced Biological Research	\$23,000,000	\$0	\$0	11/07	11/10	09/11	06/13	Construction is approximately 70% complete.	
	Health and Human Development Building	\$58,500,000	\$52,300,000	\$0	01/08	11/12	03/13	05/15	Project preparing for bidding.	
	HUB Addition	\$44,100,000	\$0	\$0	03/11	05/13	05/13	05/15	Project bidding in progress.	
	IM Building Addition	\$26,110,000	\$0	\$0	01/11	01/13	02/13	04/14	Construction commenced on February 4, 2013.	
	Moore Building Renovation	\$21,900,000	\$18,900,000	\$1,200,000	07/08	01/12	03/12	08/13	Construction is approximately 60% complete.	
	MRL Renovations	\$10,000,000	\$8,200,000	\$0	N/A	05/13	05/13	08/14	Project in design.	
	Mueller Laboratory Renovations	\$18,000,000	\$0	\$0	03/12	11/13	05/14	07/15	Project in design.	
	Old Main Building Systems Renovation Phase I	\$11,000,000	\$0	\$1,500,000	09/11	11/12	01/13	10/13	Construction is approximately 5% complete.	
	Pegula Ice Arena	\$90,100,000	\$0	\$89,000,000	11/10	01/12	01/12	09/13	Construction is approximately 65% complete.	
	Recreation Hall Air Conditioning	\$5,500,000	\$0	\$0	01/12	11/12	02/13	08/13	Project construction to commence in February 2013.	
	South Frear Third Floor Renovations	\$6,110,000	\$2,460,000	\$0	N/A	03/11	05/11	01/13	Construction is substantially complete.	
	South Frear Phase II Renovations	\$18,100,000	\$0	\$0	01/12	01/13	02/13	07/14	Project bidding in progress.	
	South Halls Renovations and New Building	\$94,100,000	\$0	\$0	3/11, 11/11	03/12	05/12	12/14	Construction is approximately 25% complete.	
	Stieble Renovation	TBD	\$0	\$0	03/12	01/14	TBD	TBD	Project in programming.	
	Transformer Replacement Program	\$9,600,000	\$1,000,000	\$0	N/A	N/A	06/07	12/13	Project program is approximately 70% complete.	
	Water Treatment Plant	\$30,000,000	\$25,000,000	\$0	01/11	03/14	TBD	TBD	Project in design.	
	WCSP Steam Turbine Replacement	\$8,600,000	\$0	\$0	01/11	01/13	11/13	05/14	Project bidding in progress.	
	WCSP Steam Production Modifications	\$48,300,000	\$0	\$0	01/11	11/12	03/13	12/17	Equipment procurement in progress.	
	West Campus Chilled Water Plant 3000 Ton Chiller	\$16,200,000	\$0	\$0	01/12	09/12	11/12	08/14	Equipment procurement in progress.	
	Whitmore Laboratory Renovations	TBD	\$0	\$0	03/12	03/14	TBD	TBD	Project in programming.	

\* 02/14 completion for Building 661 and a 05/14 completion for Building 7R (EEB Hub)

Summary of University Long-Term Debt - \$(000) (excluding PCT)

Total Bonds, Notes and Capital Leases as of June 30, 2012	\$1,011,857
Bonds, Notes, and Capital Leases Issued Year to Date Fiscal Year 2012/13	10,000
Year to Date Principal Payments and Premium Amortizations	(\$143,482)
<b>Total Bonds, Notes and Capital Leases as of February 28, 2013</b>	<b>\$878,375</b>
* Related Interest Expense Totals Approximately	\$34,661

Authorized Borrowing Status - \$(000) (excluding PCT)

Borrowing Authority per May 2007 Board of Trustees	\$600,000
Capital Leases, Bonds, & Notes Issued	(\$331,305)
Future Capitalized Leases & Other Anticipated Commitments	(\$5,100)
Estimated Authority Remaining	\$263,595

## Endowment & Similar Funds

Investment Review for Calendar 2012

Submitted March 2013

*This cover page provides a summary overview of the Pennsylvania State University Endowment and Similar Funds for Calendar Year 2012. The second page summarizes Endowment-related data that is discussed on the remaining pages, along with Endowment performance analysis.*

### Executive Overview

#### Endowment Performance

Annualized *net* investment returns for the Penn State University Endowment (adjusted for the impact of gifts and spending, and after external investment management expenses) are shown below for periods ending December 31, 2012:

<u>Calendar 12</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
14.0%	10.6%	3.3%	8.8%

#### Endowment & Similar Funds Market Value (pg 3)

Penn State University's Endowment was valued at \$1,859 million as of December 31, 2012, with an additional \$94 million in Similar Funds.

#### Review of Investment Markets (pg 4)

The graph below compares respective returns for 12-months ending December 31, 2012 and December 31, 2011 for the S&P 500, MSCI All Country World (ACW) ex-US, 91-day US Treasury Bills, Barclays Aggregate Bonds, and publicly-traded Real Estate Investment Trusts (REITs) Indexes. As shown below, both US and non-US public equity returns for calendar 2012 surpassed their 2011 performances, while domestic real estate (REITs) outperformed all other asset classes shown below. For both years, bonds were positive while T-Bill returns were again negligible.

#### Investment Diversification and Asset Mix (pg 5)

At calendar year-end, 41% of Endowment assets were invested in public equities (domestic and foreign) and 15% in private equity/venture capital, representing 56% of total assets. In addition, 19% was invested in fixed income/cash, 16% in real return assets (TIPS, real estate, natural resources/commodities), and 9% in diversifying strategies, including hedge funds.

#### Comparative Fund Performance (pg 6)

Penn State's Endowment returned 14.0% net for the year ending December 31, 2012 versus 13.2% for the Passive Policy Portfolio, while the Endowment's 3- and 5-yr relative performance was somewhat better than the respective passive benchmarks.

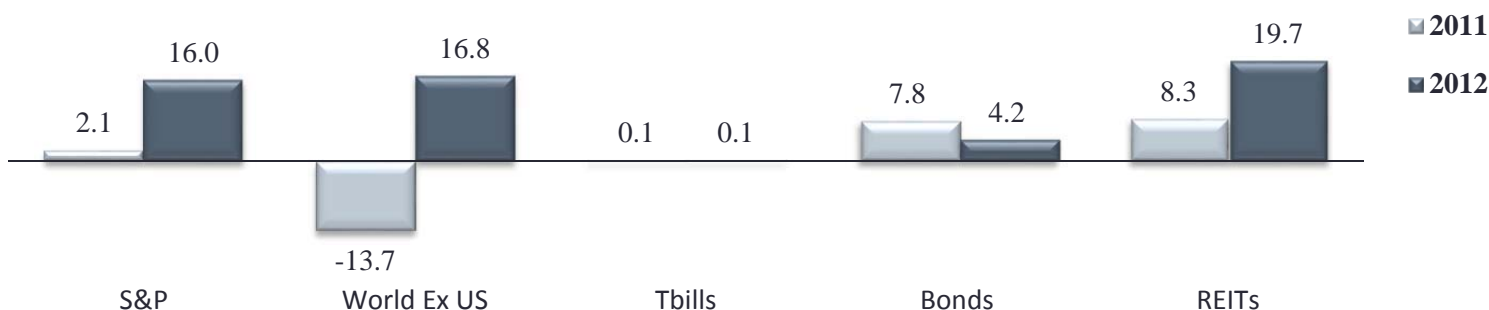
#### Endowment Liquidity (pg 7)

With more than one-half of assets convertible to cash in a matter of days, the Endowment maintains adequate liquidity to satisfy anticipated cash requirements.

#### Endowment Performance and Spending (pg 8)

The Penn State Endowment's average annual net returns of 8.8% and 8.4% over the last 10 and 20 years, respectively, have allowed the Endowment to maintain inflation-adjusted spending while achieving long-term intergenerational equity.

**Investment Market Returns  
Calendar Years Ending December 31**





## 5-Year Endowment Facts and Figures

	Annual Periods Ending December 31				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b><i>Investment Performance</i></b>					
Endowment <sup>1</sup> (annualized net returns)	14.0%	3.9%	14.1%	13.0%	-22.7%
<b><i>Market Values</i> (\$ millions)</b>					
Endowment <sup>1</sup>	1,859.0	1,669.1	1,545.8	1,356.5	1,216.4
<u>Similar Funds</u> <sup>2</sup>	<u>94.3</u>	<u>89.7</u>	<u>116.5</u>	<u>103.2</u>	<u>90.4</u>
Endowment and Similar Funds	1,953.3	1,758.8	1,662.3	1,459.7	1,306.8
Gifts & Other Additions (\$ mils)	52.6	139.1	71.4	63.4	63.6
Current Spending (\$ mils)	71.2	66.4	62.5	64.3	62.4
<p>1) Endowment assets over which Penn State's Office of Investment Management (OIM) has investment responsibility, as approved by the Penn State Investment Council (PSIC).</p> <p>2) Similar Funds — includes donor-restricted and deferred gifts, plus funds in transit to Endowment.</p>					

## Penn State Investment Council (PSIC) Meetings

August 24, 2012:

- Committing \$20 million to Oaktree Real Estate Opportunities VI, L.P.
- Committing \$15 million to WaterStreet Healthcare Partners III, L.P.

October 26, 2012:

- Investing \$50 million in Matthews Asia Dividend Fund
- Investing \$25 million in Jamison Capital Partners: Koppenberg Macro Commodity Fund
- Investing \$25 million in Astenbeck Commodities Fund II
- Investing \$25 million in Invesco Balanced-Risk Commodity Fund
- Committing \$25 million to Energy & Minerals Group Fund II, L.P.

December 14, 2012:

- Committing \$20 million to EnCap Energy Capital Fund, L.P.
- Committing \$10 million to Atlas IX, L.P.

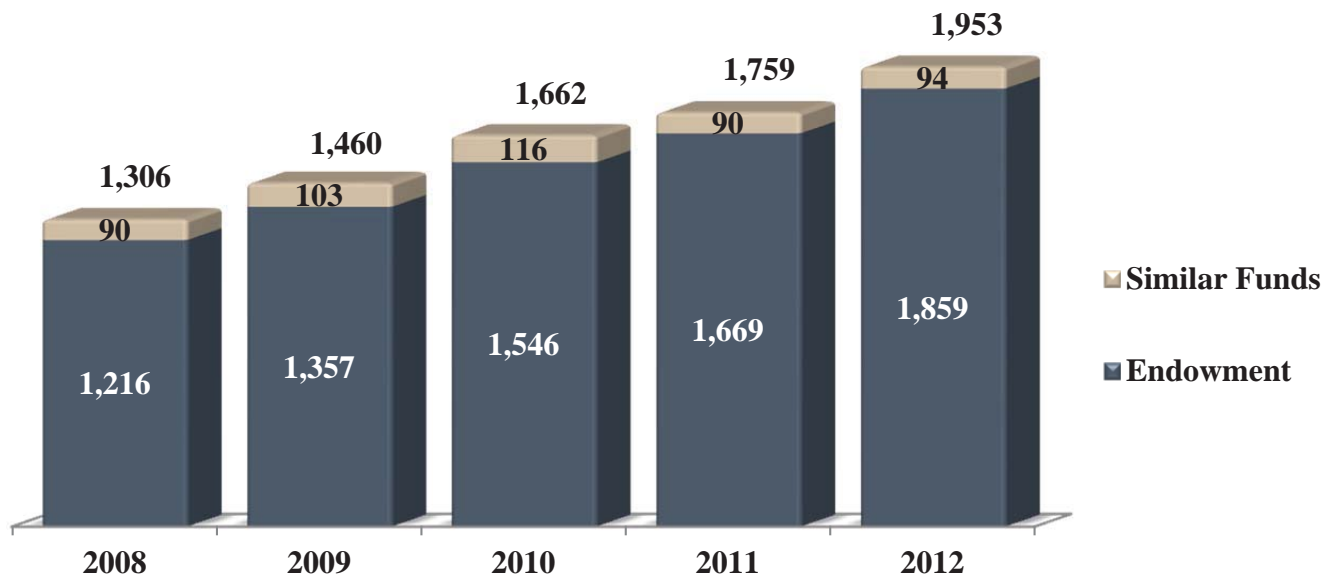
Please note that commitments made to Limited Partnerships (LPs) are not immediately invested and are called (paid in) over several years until commitment is satisfied, except as noted.



## Endowment and Similar Funds Market Value

As of December 31, 2012, Penn State's Endowment was valued at \$1,859.0 million. Non-pooled assets — charitable remainder trusts, charitable gift annuities, and other life income funds in addition to some donor restricted funds, as well as cash in transit to the Endowment — accounted for an additional \$94.3 million, bringing Penn State's Endowment and Similar Funds to \$1,953.3 million. The annual market values for the University's Endowment and Similar Funds for each of the last five calendar years ending December 31 are shown below:

**Endowment and Similar Funds Market Value**  
**Calendar Years Ending December 31**  
 (\$ millions)



### From the graph above:

The Endowment and Similar Funds' total value increased by \$194.5 million during calendar 2012. As seen in the table on page 2, new gifts added to the Pool over the last 12 months totaled \$52.6 million, while Endowment program support (spending) amounted to \$71.2 million.

The total Endowment's \$647.3 million increase over the last five years reflects new gift contributions and reinvested investment earnings, *after* providing cumulative program support of \$326.8 million.

Inflows of new gifts, along with positive investment returns, have resulted in a cumulative 49.6% increase in the Endowment's value, net of spending, from December 31, 2008 to December 31, 2012.

## Review of Investment Markets in Calendar 2012

Following a year of weak single-digit gains, global equities in calendar 2012 outdistanced fixed income returns, whilst non-US indexes edged US equity markets. The performance of investment markets that directly impact Penn State University's Endowment is discussed below.

### US Equities

The S&P 500 returned 16.0% for the 12 months ending December 31, 2012, compared to 2.1% for calendar 2011, while the more broadly-based Russell 3000 Index returned 16.4% and 1.0%, respectively. Small-capitalization stocks, as measured by the Russell 2000 Index, returned 16.3% versus -4.2% last year. The Nasdaq Index's return of 15.9% essentially matched the broad domestic indexes in calendar 2012, and likewise improved appreciably on its 2011 return of -1.8%.

### Non-US Equities

Equities outside the United States outpaced those in the US as the Morgan Stanley All Country World (ACW) Index ex-US returned 16.8% for the 12-month period ending December 31, 2012. This was sharply higher than its calendar 2011 return of -13.7%. Emerging market equities in developing countries returned 18.2% over the last 12 months, far above their -18.4% return in calendar 2011.

### Fixed Income

Barclays Capital Aggregate Bond Index (various maturities of US Government and non-government domestic bonds) returned 4.2% in calendar 2012 versus 7.8% in 2011. US Long-Term Treasury Bonds returned 3.6% in calendar 2012 versus 29.9% a year earlier.

91-day Treasury Bills remained flat at 0.1% for calendar 2011 and 2012. Global Treasury Inflation Protected Securities (TIPS) returned 8.5% in calendar 2012 compared to 10.2% in calendar 2011.

### Real Estate

Publicly-traded Real Estate Investment Trusts (REITs) returned 19.7% for the calendar year ended December 31, 2012 more than double its 2011 return of 8.3%. Privately-held real estate investment partnerships, as measured by the largely commercial property NCREIF Index, returned 11.0% in calendar 2012 compared to 16.1% in 2011.

### Alternatives

Private Equity Buyouts and Venture Capital earned returns (time-weighted) of 14.9% and 7.5%, respectively, for the 12 months ending September 30, 2012 (private capital partnerships are reported on a 3-month lag). In the previous 12-month period ending September 2011, Private Equity returned 13.4%, while Venture Capital was at 20.9%. By comparison, the Russell 2000 Index of small-capitalization stocks returned 31.9% for the 12 months ending September 30, 2012 and -3.5% for the year ending September 30, 2011.

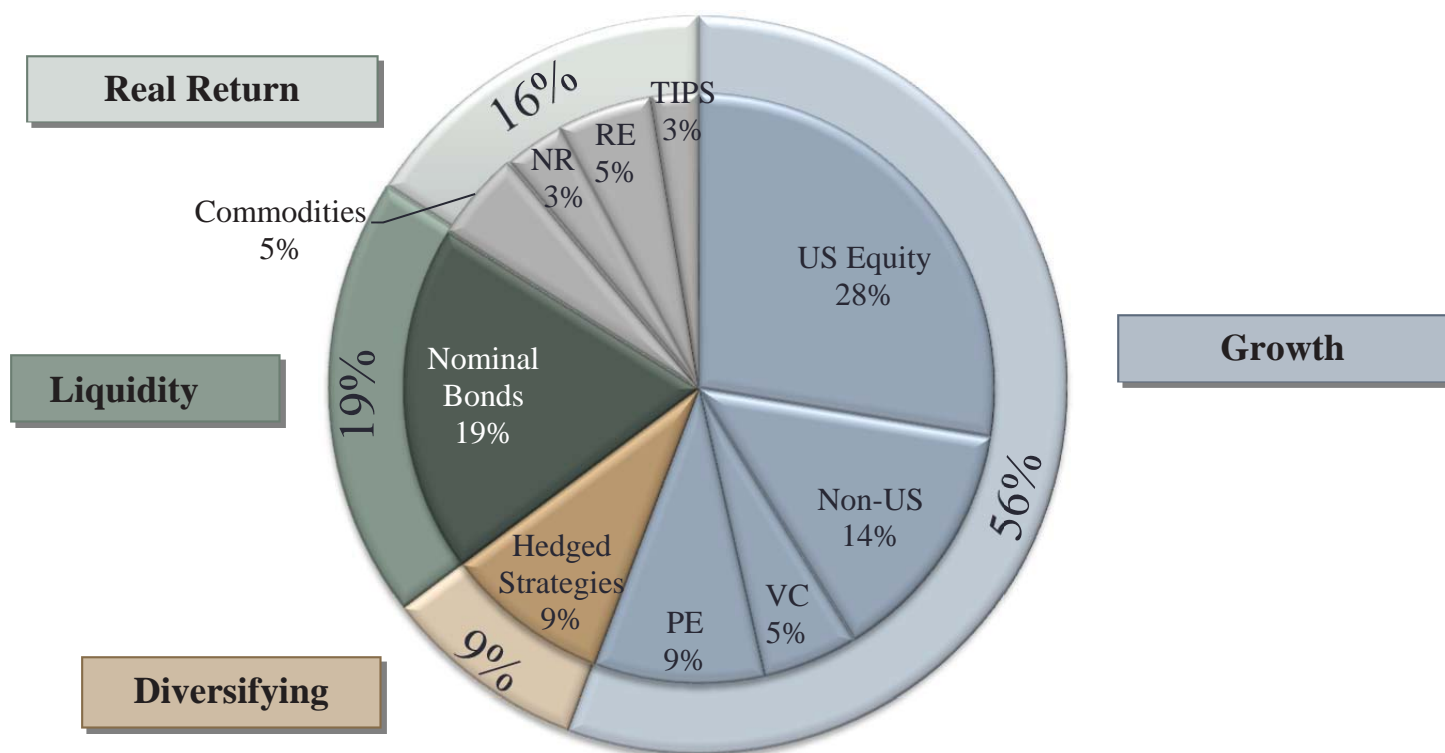
### Economic and Market Outlook

In the 12 months ending December 31, 2012, global equity markets rebounded relative to 2011, with non-US equities outpacing US indexes. Fixed income markets provided a sixth consecutive year of positive returns, as the Federal Reserve Bank continued to hold down interest rates to try and spur economic growth as well as alleviate credit market distress and accompanying consumer deleveraging. Looking ahead, expectations for domestic corporate profits are leveling off in the face of a slowly recovering world economy, especially in the European developed countries.

Penn State's well-diversified Endowment portfolio — consisting of public equities, private partnerships, bonds, and hedge funds in addition to inflation-sensitive "real assets" — continues to be the most appropriate investment approach for long-term growth and sustainable spending.

## Investment Diversification and Asset Mix

Asset allocation is a primary determinant of investment performance and risk control. The Endowment's asset mix combines four broad investment strategies – growth (economic-sensitive), real (inflation-sensitive), diversifying (low sensitivity to economic/investment-market fluctuations), and liquidity (defensive) – to maximize potential returns, while tempering volatility. Reflecting a desire to support generous spending and the need to preserve future purchasing power in light of changing market and economic conditions, the Penn State Investment Council (PSIC) regularly reviews the Endowment's investment policy. In the graph below, the four macro investment strategies are shown in the outermost ring with their December 31, 2012 allocations of 56%, 9%, 19% and 16%, respectively.



At a more granular level, the Endowment's diversified portfolio includes a variety of traditional asset classes that comprise the four macro strategies, as shown by the slices within the inner pie (percentages are rounded):

- Growth (56%): 28% in publicly-traded US and 14% in non-US common stocks, as well as 5% in venture capital and 9% private equity funds.
- Real Return (16%): 3% in Global Treasury Inflation Protected Securities (TIPS), as well as several private partnerships- real estate (5%), natural resources (3%), commodities (5%).
- Liquidity (19%): nominal bonds (largely US government and investment grade corporate bonds).
- Diversifying (9%): absolute return (1%), opportunistic (6%), and directional (2%) hedged strategies.

The individual asset classes above represent market values as of December 31, 2012; however, the percentages fluctuate over time depending on market trends and allocations approved by the Penn State Investment Council.

The approximately 72% currently allocated to growth and inflation sensitive strategies is intended to take advantage of capital growth and purchasing power protection offered by equity-type investments. The 19% invested in liquidity (fixed income) and 9% in various hedged strategies is intended to provide stability and diversification, respectively, during times of market turbulence and uncertain economic conditions.

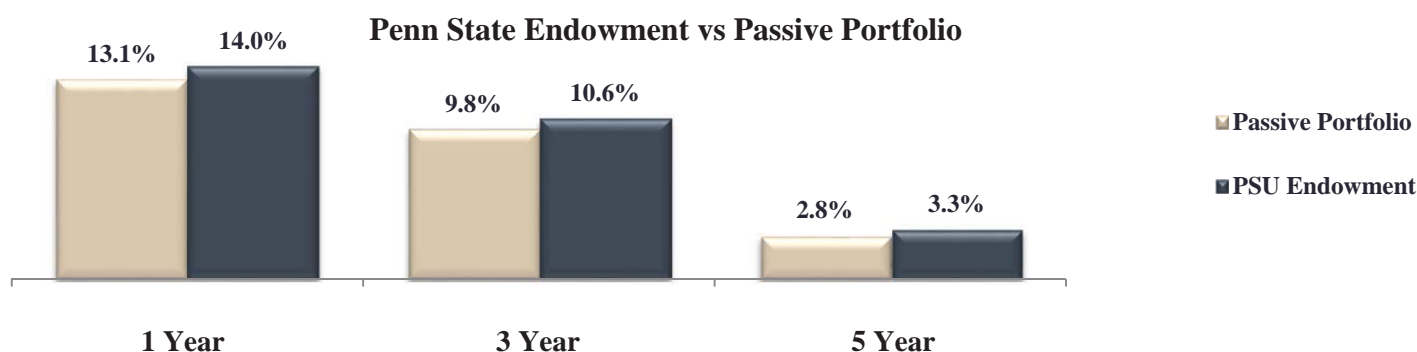
## Endowment Performance Compared to Passive Portfolio

The Endowment's investment performance is measured against a hypothetical *Passive Portfolio*, comprised of three broad asset categories: Public Equities, Private Capital, and Fixed Income. This passive portfolio serves as a blended benchmark against which the performance of the actual, actively-managed Endowment is monitored. This analysis is separate from the previous page where the described strategies do not have measurable benchmarks and represent a conceptual, top-down approach to asset allocation that is updated and reviewed regularly.

In the table below, the respective static weightings of three traditional major asset categories and sub categories are associated with corresponding market benchmarks and their respective index returns to generate *Passive Portfolio* returns over 1-, 3-, and 5-year horizons:

<u>Asset Class</u>	<u>Benchmark</u>	<u>% Weighting</u>	<u>Annualized % Benchmark Returns</u>		
			<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>
Public Equities (listed on stock exchanges)					
US Equities	Russell 3000 Index	40	16.4	11.2	2.0
Non-US Equities	MSCI All Country World ex US Index	15	16.8	3.9	-2.9
Private Capital (non-marketable alternatives)					
Private Equity	CA Private Equity Composite	15	14.9	15.5	5.8
Venture Capital	CA Venture Capital Composite	5	7.5	12.2	4.0
Private Real Estate	NCREIF Index	5	11.0	10.9	2.3
Fixed Income/Cash					
Total US Bonds	Barclays Aggregate Bond Index	<u>20</u>	<u>4.2</u>	<u>6.2</u>	<u>5.9</u>
<b>Total Passive Portfolio (net)</b>		<b>100%</b>	<b>13.1%</b>	<b>9.8%</b>	<b>2.8%</b>

Note: the above categories / sub-categories are very broad and are assumed to be constant over the entire 5-yr period, much like a traditional balanced portfolio whose periodic weights vary as a result of fluctuating market returns as well as the periodic hiring and firing of investment managers.



As shown above, Penn State's Endowment returned 14.0% net for calendar 2012, exceeding the 13.1% return of the Passive Portfolio. For the trailing 3- and 5-years, the Passive Portfolio would have realized annualized returns of 9.8% and 2.8%, respectively.

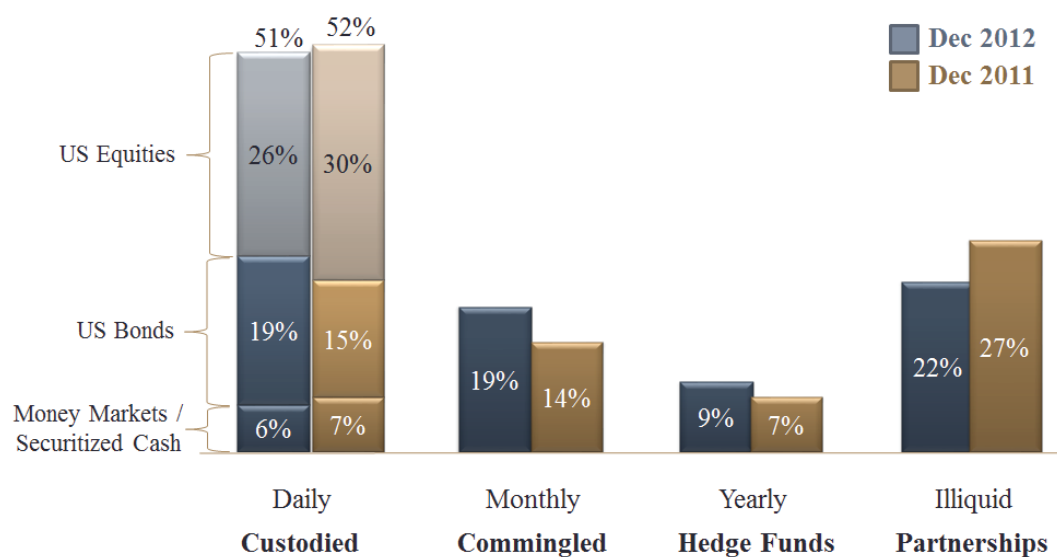
By comparison, the Endowment's actual 3- and 5-year returns netted 10.6% and 3.3%, respectively. Overall, this indicates that the Endowment's investment managers augmented performance relative to passive benchmarks.

The Passive Portfolio provides a guidepost to help achieve long-term results that are consistent with the twin objectives of purchasing-power preservation, along with stable endowment spending. The Endowment's performance varies from the *static* Passive Portfolio as a consequence of several factors, including but not limited to the timing of cash-flows, tactical shifts in asset mix, and individual investment manager performance and turnover.

## Endowment Liquidity

The financial crisis that erupted in 2008 was characterized, among other considerations, by lack of liquidity. Many institutions were unable to meet current obligations due to lack of available cash. This was exacerbated by their inability to readily convert some assets to cash because of reduced trading volumes in various financial instruments.

In the graph below, Endowment assets are classified according to how quickly they can be converted to cash. Most securities listed on exchanges or traded over-the-counter, and held at our custodian bank in separately managed accounts, can be liquidated on a daily basis (typically 1- and 3-day settlement for bonds and stocks, respectively). Commingled portfolios, i.e., collectively-managed investment pools of publicly-traded securities, are eligible for purchase or sale at least once a month. Hedge fund partnerships are typically open for at least partial liquidation once a year, with some having more and/or less frequent liquidity “windows.” Non-marketable partnerships are considered illiquid primarily because of the inherent inability of limited partners to transact at will.



Observations from the blue (left) bars of each of the four pairs above for the period ending December 31, 2012:

- 51% percent of Endowment assets are invested in stocks and bonds that can be converted to cash in a matter of days. Of this, about 1% is held in money market accounts, along with approximately 5% in “securitized cash” (i.e., fully collateralized equities/treasuries futures), which can be readily converted to cash in order to satisfy day-to-day and/or unforeseen cash requirements.
- Commingled portfolios, primarily non-US public equity, comprise 19% of Endowment assets and can be converted to cash within 30 days or, in some cases, sooner.
- 9% of Endowment assets are invested in various diversifying hedge fund partnerships and can be at least partially converted to cash annually or in many cases quarterly.
- 22% percent of Endowment assets are invested in more than 100 different partnership funds or other non-marketable investments which are conservatively considered illiquid because underlying holdings are typically not readily marketable, as well as uncertain timing of future cash distributions.

The foregoing indicates that the Endowment maintains sufficient liquidity to satisfy anticipated cash requirements.

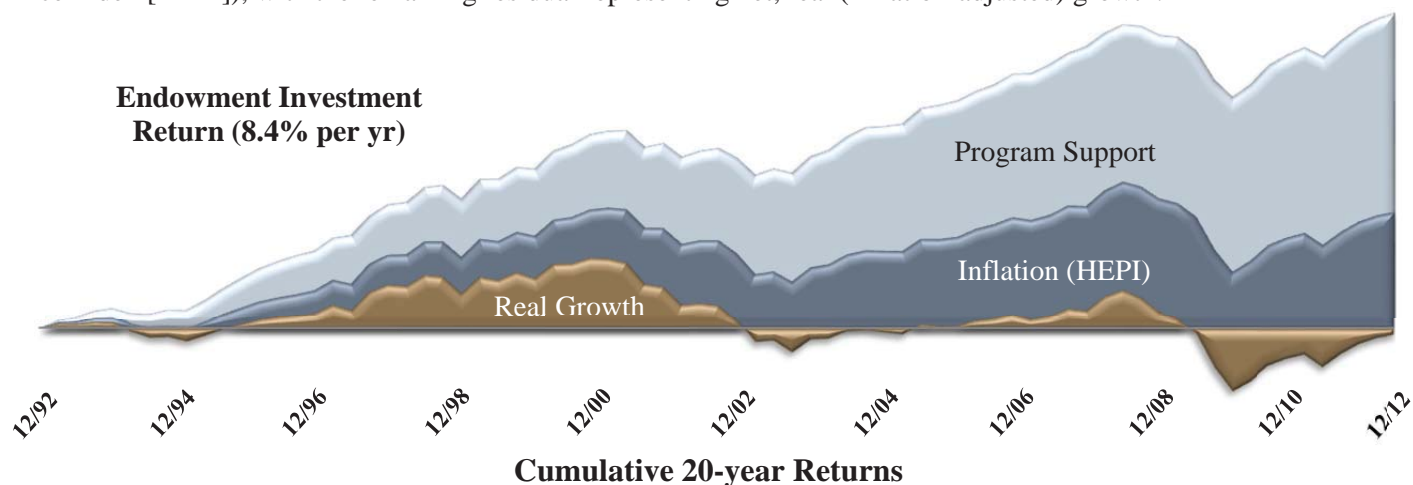
### Liquidity Trends

As shown above, the liquidity profile of Penn State’s Endowment changed slightly from the end of calendar 2011 (tan bars) to the end of calendar 2012 (grayish-blue bars). Daily liquidity remained about the same (from 52% to 51%), while monthly liquidity increased from 14% to 19% and yearly liquidity increased from 7% to 9%. On the other hand, illiquid non-marketable alternative assets decreased from 27% to 22%, owing primarily to the growth of the total investment pool.



## Long-Term Endowment Growth and Spending

In the chart below, the top line represents the cumulative net investment return of the Penn State Endowment over the last 20 years, during which the Endowment's investment return averaged 8.4% per year. The layers illustrate investment return apportioned to program support (spending) and inflation (as measured by the Higher Education Price Index [HEPI]), with the remaining residual representing net, real (inflation-adjusted) growth.



The Endowment's primary investment goal is to earn a long-term rate of return sufficient to support *current* spending and to preserve *future* purchasing power. This two-pronged objective is illustrated by apportioning total nominal (i.e., before adjusting for inflation) investment return (top line above) into discrete layers, representing program support and inflation, along with a residual layer corresponding to net *real* growth. Because investment returns periodically fluctuate (illustrated by the jagged topography above), real growth, which nets out program support and inflation from total endowment return, oscillates across the horizontal "intergenerational equity" line. While market fluctuations have caused the growth layer to swing positive and negative, "intergenerational equity" has largely been achieved.

### Two Very Different Decades of Market Performance

The variable nature of investment returns is characterized in the table below which bifurcates the last 20 years into two successive 10-year periods, whose respective investment returns differed widely. The 10 years ending December 2002 (second row) benefitted from an extended equity bull market during the 1990's, while the 10 years ending December 2012 (first row) suffered large sell-offs in equities, before rebounding over the last 3.8 years. The return disparity is reflected by comparing the S&P 500's 10-year average return for the decade ending December 31, 2012 (7.1%) versus December 31, 2002 (9.4%) below:

<b>10-Year Periods</b>	<b>Annual Nominal Returns</b>			<b>HEPI</b>	<b>Annual Real Returns</b>		
	<b>S&amp;P 500</b>	<b>Bond Index</b>	<b>Endowment</b>		<b>S&amp;P</b>	<b>Bonds</b>	<b>Endowment</b>
<b>Ending December 31</b>							
2002 to 2012	7.1%	5.2%	8.8%	3.0%	4.1%	2.2%	5.8%
1992 to 2002	9.4	7.5	8.1	3.4	6.0	4.1	4.7
<b>Diff (percentage points)</b>	<b>-2.3%p</b>	<b>-2.3%p</b>	<b>0.7%p</b>	<b>-0.4%p</b>	<b>-1.9%p</b>	<b>-1.9%p</b>	<b>1.1%p</b>

As shown by the negative differentials for the S&P and Bonds in the third row above, market index returns for the most recent 10 years lagged those for the previous 10 years. The Endowment's 8.8% annualized return for the 10 years ending December 31, 2012 bested its prior 10-year period return of 8.1% by 0.7%p (percentage points), net of fees. At the same time, the S&P 500's 7.1% annualized return was hampered by two severe bear markets and trailed its 9.4% pace for the 10-year period ending December 2002 by 2.3%p. Barclays Aggregate Bond Index returned 5.2% for the December 31, 2012 10-year period versus 7.5% for the prior 10-year period.

On an inflation-adjusted basis relative to HEPI (boxed column in middle of above table), the Endowment's net *real* return difference was 1.1%p, compared to *real* differences of -1.9%p for both stocks and bonds (last row of the right three columns above). Over the past decade, decreased public equity exposure along with increased "alternative investments" has enabled the Endowment to outperform both stocks and bonds (nominal and real) for the 10 years ending December 2012, when overall investment returns were significantly lower than the prior 10-year period.

THE PENNSYLVANIA STATE UNIVERSITY  
 OFFICE OF UNIVERSITY DEVELOPMENT  
 YEAR TO DATE REPORT - ALL SOURCES  
 TYPE DONOR REPORT (GIFTS)

THROUGH JANUARY 2013

	This Year Year-To-Date (As of 1/31/13)		Last Year Year-To-Date (As of 1/31/12)		Change Year-To-Date (From 2012 - 2013)		Last Fiscal Year Grand Totals (7/01/11 - 6/30/12)	
	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars
<b>ALUMNI</b>	72,957	65,071,360	75,721	52,658,104	(2,764)	12,413,256	136,124	70,971,260
<b>FRIENDS</b>	90,417	16,069,071	92,234	19,757,065	(1,817)	(3,687,994)	168,420	33,925,786
<b>CORPORATIONS</b>	6,802	40,622,630	6,709	32,847,971	93	7,774,659	13,529	60,528,272
<b>FOUNDATIONS</b>	948	20,615,981	720	13,762,455	228	6,853,526	1,355	21,860,335
<b>ORGANIZATIONS</b>	2,152	13,189,670	1,698	8,382,446	454	4,807,224	3,970	21,503,448
<b>TOTALS</b>	<b>173,276</b>	<b>\$155,568,712</b>	<b>177,082</b>	<b>\$127,408,041</b>	<b>(3,806)</b>	<b>\$28,160,671</b>	<b>323,398</b>	<b>\$208,789,101</b>

YEAR TO DATE REPORT - ALL SOURCES  
PURPOSE OF GIFT

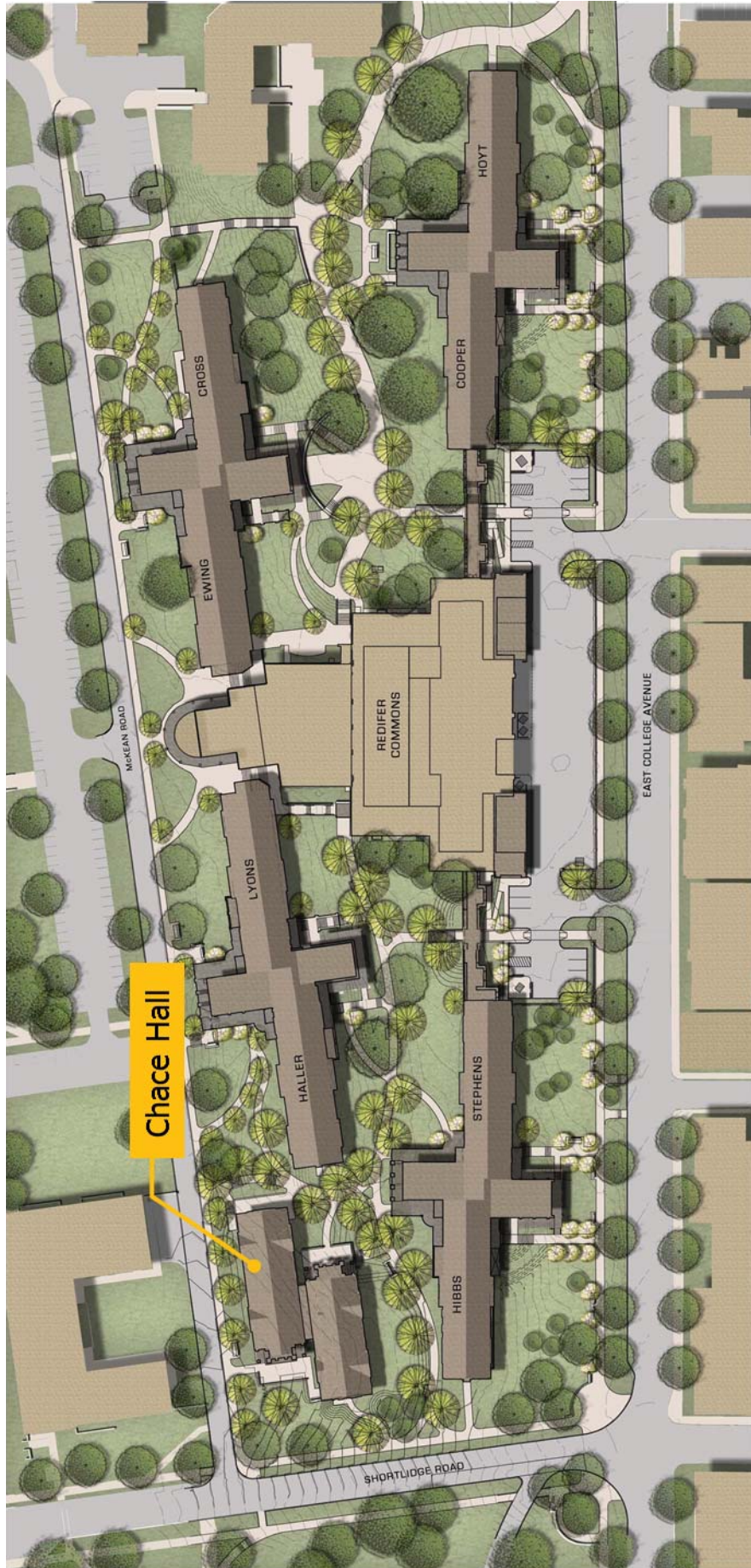
THROUGH JANUARY 2013

	This Year Year-To-Date (As of 1/31/13)		Last Year Year-To-Date (As of 1/31/12)		Change Year-To-Date (From 2012 - 2013)		Last Fiscal Year Grand Totals (7/01/11 - 6/30/12)	
	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars
<b>UNRESTRICTED</b>	5,446	1,986,791	5,795	1,424,273	(349)	562,518	8,167	1,699,575
<b>ACADEMIC DIVISIONS</b>	9,561	2,444,112	9,969	3,012,219	(408)	(568,107)	17,211	4,891,999
<b>FACULTY RESOURCES</b>	237	4,223,623	378	2,730,807	(141)	1,492,816	601	4,234,676
<b>RESEARCH</b>	2,185	22,046,023	1,933	17,840,288	252	4,205,735	4,009	30,430,296
<b>PUBLIC SVC &amp; EXT</b>	12,392	2,749,438	12,917	1,965,660	(525)	783,778	22,649	4,745,189
<b>LIBRARY</b>	900	193,766	976	217,131	(76)	(23,365)	1,618	410,669
<b>PHYS. PLANT MAINT.</b>	79	23,314	70	11,382	9	11,932	247	18,149
<b>STUDENT AID</b>	31,102	34,770,511	30,612	29,084,269	490	5,686,242	53,106	46,806,681
<b>SCHOLARSHIPS</b>	9,741	22,246,049	9,685	14,476,227	56	7,769,822	17,431	23,373,915
<b>STUDENT LOANS</b>	52	107,093	353	85,284	(301)	21,809	410	140,745
<b>GRADUATE FELLOWSHIPS</b>	376	887,953	458	1,970,684	(82)	(1,082,731)	758	3,040,645
<b>ATHLETIC GRT-IN-AID</b>	20,933	11,529,416	20,116	12,552,074	817	(1,022,658)	34,507	20,251,376
<b>PROP/BLDGS/EQUIP</b>	3,616	51,192,526	3,134	47,513,717	482	3,678,809	8,736	70,289,831
<b>OTHER PURPOSES</b>	107,758	35,938,608	111,298	23,608,295	(3,540)	12,330,313	207,054	45,262,036
<b>TOTALS</b>	<b>173,276</b>	<b>\$155,568,712</b>	<b>177,082</b>	<b>\$127,408,041</b>	<b>(3,806)</b>	<b>\$28,160,671</b>	<b>323,398</b>	<b>\$208,789,101</b>

THE PENNSYLVANIA STATE UNIVERSITY  
 OFFICE OF UNIVERSITY DEVELOPMENT  
 YEAR TO DATE REPORT - ALL SOURCES  
 DEVELOPMENT OFFICER'S GOAL REPORT  
 THROUGH JANUARY 2013

	This Year-To-Date (As of 1/31/13)		Last Year-To-Date (As of 1/31/12)		Change in YTD Totals (From 2012 - 2013)		Last Fiscal Year Grand Totals (7/01/11 - 6/30/12)	
	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars
ABINGTON	801	550,132	740	423,007	61	127,125	1,161	903,125
AGRICULTURAL SCIENCES	3,808	4,696,284	3,032	5,385,332	776	(689,048)	4,704	7,641,148
ALTOONA	1,295	493,531	1,491	1,233,910	(196)	(740,379)	2,413	1,570,888
ARTS & ARCHITECTURE	3,593	2,188,158	4,186	2,059,029	(593)	129,129	6,342	3,010,069
BEAVER	530	151,351	540	105,045	(10)	46,306	911	242,361
BEHREND	2,165	9,003,600	2,310	1,626,513	(145)	7,377,087	3,931	3,793,925
BERKS	786	252,867	842	249,017	(56)	3,850	1,399	428,733
BRANDYWINE	408	263,307	481	167,549	(73)	95,758	1,029	506,173
COMMUNICATIONS	994	973,525	966	952,883	28	20,642	1,455	1,381,639
DICKINSON SCHOOL OF LAW	488	728,496	551	800,951	(63)	839	1,614	1,614,493
DUBOIS	687	365,129	643	197,496	44	167,633	892	356,528
EARTH & MINERAL SCIENCES	2,071	2,948,481	2,410	10,074,335	(339)	(7,125,854)	3,507	14,906,522
THE EBERLY COLLEGE OF SCIENCE	3,255	8,942,533	3,512	3,541,294	(257)	5,401,239	4,954	5,647,237
EDUCATION	2,563	1,993,130	2,864	1,195,776	(301)	797,354	4,079	1,941,639
EDUCATIONAL EQUITY	360	122,693	515	206,299	(155)	(83,606)	753	304,688
ENGINEERING	6,026	8,252,516	6,759	11,618,823	(733)	(3,366,307)	9,886	23,826,553
FAYETTE, THE EBERLY CAMPUS	243	137,063	277	148,814	(34)	(11,751)	502	237,652
GREAT VALLEY	285	66,023	260	51,900	25	14,123	468	132,767
GREATER ALLEGHENY	631	163,358	669	137,288	(38)	26,070	929	182,376
HARRISBURG	1,681	1,171,203	1,851	683,132	(170)	488,071	2,728	941,422
HAZLETON	484	786,119	524	384,158	(40)	401,961	817	724,431
HEALTH & HUMAN DEVELOPMENT	3,409	5,479,897	3,724	5,268,097	(315)	211,800	5,696	8,404,985
HERSHEY	70,414	21,471,535	70,917	16,478,119	(503)	4,993,416	145,491	31,348,423
INFORMATION SCIENCES & TECHNOLOGY	337	7,493,510	355	3,737,504	(18)	3,756,006	574	7,343,032
INTERCOLLEGIATE ATHLETICS	23,880	37,214,382	21,771	38,681,010	2,109	(1,466,628)	38,449	51,241,473
LEHIGH VALLEY	416	132,218	379	315,400	37	(183,182)	786	410,616
LIBERAL ARTS	3,424	2,693,401	3,795	4,453,776	(371)	(1,760,375)	5,727	6,404,629
MONT ALTO	844	289,202	945	434,027	(101)	(144,825)	1,506	579,744
NEW KENSINGTON	380	226,372	538	202,683	(158)	23,689	815	439,385
OUTREACH	13,071	3,205,676	14,006	2,422,855	(935)	782,821	24,614	6,618,599
RESEARCH & GRADUATE SCHOOL	343	3,433,233	400	971,772	(57)	2,461,461	576	1,857,739
SCHREYER HONORS COLLEGE	772	627,056	796	1,693,772	(24)	(1,066,716)	1,489	2,016,745
SCHUYLKILL	529	720,656	609	320,605	(80)	400,051	1,024	382,825
SHENANGO	382	349,665	361	245,287	21	104,378	549	298,018
THE SMEAL COLLEGE OF BUSINESS	4,653	4,750,157	5,304	3,466,728	(651)	1,283,429	7,753	5,509,172
STUDENT AFFAIRS	4,176	459,794	5,657	924,525	(1,481)	(464,731)	8,528	1,323,453
UNDERGRADUATE EDUCATION	1,683	6,520,608	1,812	2,005,155	(129)	4,515,453	2,697	2,839,440
UNIVERSITY LIBRARIES	2,695	676,910	2,584	1,250,988	111	(574,078)	3,908	2,433,131
UNIVERSITY WIDE	6,874	14,696,718	5,840	2,605,744	1,034	12,090,974	16,522	7,938,699
WILKES-BARRE	560	133,963	598	142,464	(38)	(8,501)	1,002	258,158
WORTHINGTON SCRANTON	564	310,789	579	245,272	(15)	65,517	959	325,368
YORK	716	433,471	689	299,707	27	133,764	1,034	521,098
<b>TOTAL</b>	<b>173,276</b>	<b>\$155,568,712</b>	<b>177,082</b>	<b>\$127,408,041</b>	<b>(3,806)</b>	<b>\$28,160,671</b>	<b>323,398</b>	<b>\$208,789,101</b>

# University Park





# 2013–2014

## **BUDGET PROPOSAL** *The Pennsylvania State University*

### Housing and Food Services

- Housing Capacities
- Academic Year Occupancy Percentages
- Comparison Room and Board Rates  
Academic Year 2012–2013

### Budget Proposal

- 2013–2014 Budget Planning Factors
- 2013–2014 Expense Increases
- Double Room and Meal Plan 3 Rate  
2008–2013
- Proposed Room and Board Rates  
2013–2014

## Housing Capacities for Fall 2013

	Undergraduate Halls	Single Student Apts.	Subtotal	University Apts.	Total
<b>University Park</b>	13,297	300	13,597	124	13,721
<b>Altoona</b>	901		901		901
<b>Beaver</b>	212		212		212
<b>Berks</b>	805		805		805
<b>Erie</b>	1,368	283	1,651		1,651
<b>Greater Allegheny</b>	210		210		210
<b>Harrisburg</b>	99	332	431		431
<b>Hazleton</b>	456		456		456
<b>Mont Alto</b>	438		438		438
<b>TOTAL</b>	17,786	915	18,701	124	18,825

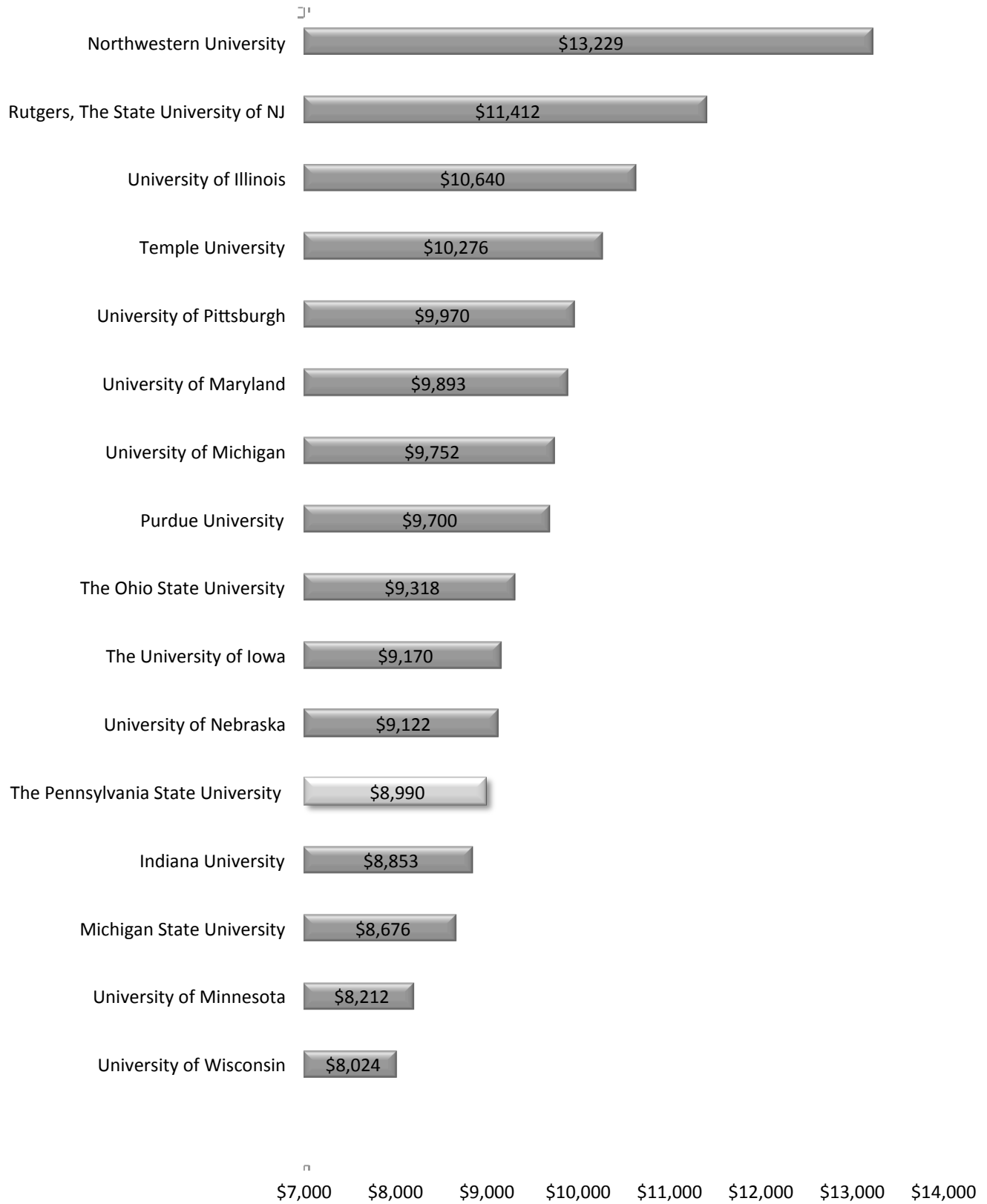
## Academic Year Occupancy Percentages

	08-09	09-10	10-11	11-12	12-13 <i>est.</i>
<b>University Park</b>					
Single Student Housing	102.7	103.3	103.0	102.3	102.0
Apartments	96.8	97.4	95.2	97.0	94.0
<b>Altoona</b>	97.8	98.8	98.7	100.5	99.6
<b>Beaver</b>	93.9	80.8	82.0	89.5	73.5
<b>Berks</b>	98.9	99.6	99.2	99.4	96.0
<b>Erie</b>	101.9	100.3	99.7	98.5	97.5
<b>Greater Allegheny</b>	96.2	95.1	93.7	91.0	78.1
<b>Harrisburg</b>	99.3	99.2	98.9	98.7	94.2
<b>Hazleton</b>	102.5	101.8	100.5	100.7	97.0
<b>Mont Alto</b>	98.2	95.3	95.0	87.9	70.6

# Comparison Room and Board Rates

Academic Year 2012-2013

Double Room and Board



## Budget Planning Factors for 2013-2014

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. State funds are not used for construction, maintenance of facilities, or the operations of the housing and dining program.

The room and board rates proposed for 2013-2014 will meet the operating needs of our multi-campus residential program, provide for the necessary maintenance of our facilities, continue the major renewal plan begun with the renovation of North and South Halls, and support the strategic direction for Abington and Brandywine.

### **EXPENSES**

#### **Food Costs**

Food costs for 2013-2014 are expected to increase by 1.9 percent. Initiatives for contracting directly with suppliers and a back-hauling program have produced savings which help to achieve this low increase in food cost.

#### **Salaries and Wages**

Monies are included for anticipated inflationary increases for staff and technical service employees.

#### **Utilities and Other Operating Expenses**

Utility rates are expected to rise by 5.8 percent in the aggregate. Increases are planned for maintenance (2.0 percent), supplies (2.0 percent), and services (2.5 percent).

#### **Residence Life**

The Office of Residence Life is requesting that the counseling fee be increased by 2.2 percent, from \$282.25 to \$288.50 per student per semester. This increase will generate an additional \$290,000 to compensate for increases in operating costs, anticipated salary and employee benefit increases, and room and board for resident assistants at all campuses.

### **OVERHEAD EXPENSES**

#### **Housing and Food Services Administration and Support Services**

Administration and support services are provided with an allocation of \$2,135,000.

#### **University Overhead**

The budget provides \$7,374,000 for University administrative costs. Housing and Food Services pays a percentage of gross revenue to the University for central support, and this rate is expected to increase from 3.75 percent to 4.0 percent for 2013-2014.

### **PROPERTY EXPENSES**

#### **Debt Service**

The annual debt service for 2013-2014 will remain at the current level of \$29,492,000.

### **Deferred Maintenance and Facility Renewal**

In total, this budget provides \$30,994,000 for facility renewal, deferred maintenance, emergency reserves and strategic new construction for housing and foods facilities across the commonwealth.

Each year, aging residence halls and dining commons require more funds for major maintenance that includes roof replacements, elevator repairs, heating, plumbing, electrical repairs, and technology upgrades. We are responsible for more than 6 million square feet of space in housing and dining areas across the commonwealth. Of our undergraduate residence hall buildings, 77 percent are at least 25 years old and 52 percent are at least 43 years old.

Focusing on University Park, the average age of the bed space is 52 years, with the oldest residence hall having been built in 1923. When the renovation to South Halls is completed in December of 2014, only 27 percent of the University Park inventory will be new or renovated since 1966, the year that East Halls was finished. A first year student assigned to East or Pollock Halls this fall will be moving into buildings that are 47 to 53 years old and have not seen any major upgrades during that time, except for basic infrastructure and safety requirements.

Students and their families have expectations of college living that are much different now from what they were when our facilities were first built. Although location is still a major consideration in a student's decision-making process regarding living on or off campus, privacy, amenities, and cost are other critical factors. For on-campus living to remain attractive to potential and returning students, especially with the proliferation of off-campus apartments, monies must be earmarked for the systematic renewal of our facilities over and above deferred maintenance needs.

Given the demographics of the commonwealth and the market in the Abington and Brandywine area, there is support to transition these campuses from commuter to residential locations as an investment in their future and Penn State overall. Studies done by two different external consultants suggest that these locations can benefit from a University-managed housing and dining operation. Although there are many steps yet to be taken in this process, the rate structure needs to be adjusted now to ensure monies are available to accommodate the potential expansion of the Housing and Food Services operation in the near future.

### **INCOME**

Meal Plan 3 provides about twelve to thirteen meals per week and most closely approximates the average board plan selected. A student living in a standard double room who selects Meal Plan 3 will pay 4.23 percent more for room and board in 2013-2014. The recommended rate increases for housing, food services and conferences at Penn State University Park and the campuses will generate the required \$7,020,000 in additional income.



## 2013-2014 Expense Increases

	<u>2012–2013 % of Budget</u>	<u>2013–2014 % of Budget</u>	<u>2012–2013 Budget</u>	<u>2013–2014 Increase</u>	<u>2013–2014 Proposed</u>
<b>Food Costs</b>	14.4%	14.2%	\$26,589,000	\$505,000	\$27,094,000
<b>Payroll &amp; Related</b>	25.0%	24.6%	45,972,000	1,094,000	47,066,000
<b>Utilities</b>	9.2%	9.4%	16,986,000	991,000	17,977,000
<b>Other Operating Expenses</b>	15.5%	15.2%	28,434,000	690,000	29,124,000
<b>HFS Admin. &amp; Support</b>	1.1%	1.1%	2,073,000	62,000	2,135,000
<b>University Overhead</b>	3.6%	3.8%	6,715,000	659,000	7,374,000
<b>Property</b>	31.2%	31.7%	57,579,000	3,019,000	60,598,000
<b>TOTAL EXPENSE</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$184,348,000</b>	<b>\$7,020,000</b>	<b>\$191,368,000</b>

## Double Room and Meal Plan 3 Rate

<b>Year</b>	<b>Semester Rate</b>	<b>Semester Increase</b>	<b>Percent Increase</b>
<b>2008</b>	\$3,835	\$245	6.82%
<b>2009</b>	\$4,085	\$250	6.52%
<b>2010</b>	\$4,185	\$100	2.45%
<b>2011</b>	\$4,370	\$185	4.42%
<b>2012</b>	\$4,495	\$125	2.86%
<b>2013</b>	\$4,685	\$190	4.23%

**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>Proposed Rates</u>
1 Bedroom	\$ 909	\$ 19 less
2 Bedroom	\$ 1,090	\$ 44 less
3 Bedroom	\$ 1,355	\$ 181 less
4 Bedroom	\$ 2,500	\$ 408 less

University Manor Apartments

All University Manor Apartments are provided with: air-conditioning, modern kitchen appliances, wall-to-wall carpeting, draperies/mini-blinds, and a fire detection/suppression sprinkler system. All utilities are included in the rent except for Cable TV and long-distance telephone service.

*University Manor East (UME):*

UME apartments are unfurnished except for washers and dryers and University-provided high-speed wired and wireless Internet service.

*University Manor West (UMW):*

The thirty-one (31) UMW four-bedroom apartments are completely furnished with a centralized coin-operated laundry facility and University-provided high-speed wired and wireless Internet service.