

Board of Trustees  
Committee on Finance, Business and Capital Planning  
Minutes of Meeting  
Volume FBCP 5  
May 8, 2014

A meeting of the Committee on Finance, Business & Capital Planning was held in Room 204 of the Penn Stater Conference Center Hotel, beginning at 9:00 a.m.

The following committee members, constituting a quorum, were present: Mark Dambly, Donald Cotner, Clifford Benson, Barbara Doran, William Oldsey, Paul Silvis, and Linda Strumpf. Emeriti Members Ted Junker and Robert Metzger were also present.

Faculty Representative Jonna Kulikowich, student representative Danielle Rhubart, and the following staff members were also present: Rodney Erickson, Susan Basso, David Branigan, Madeline Cantu, Joseph Doncsecz, David Gray, Frank Guadagnino, Nicholas Jones, Donna Newburg, Greg Scott, Rachel Smith, and Ford Stryker.

The meeting was called to order by Chairman Dambly. Chair Dambly advised the Committee that actions and recommendations by the Committee would be reported to the full Board of Trustees for their consideration at the May 9, 2014 meeting.

The Committee unanimously approved the minutes of the March 6, 2014 meeting of the Committee.

The Committee reviewed the following consent agenda items and unanimously approved action items p and q.

Consent Agenda Items:

Information Items –

- a) Pattee-Paterno Library Sprinkler and Egress Upgrades, University Park
- b) West Pattee Library Floor Slab Upgrades, University Park
- c) Sackett Building Window Replacement, University Park
- d) Willard Building General Purpose Classroom Renovations, University Park
- e) Field Hockey Complex Turf Replacement, University Park
- f) Lighting Upgrades in Various Buildings, University Park
- g) Energy Savings Project at Food Science, Willard, Leonhard, and Thomas Buildings, University Park
- h) Energy Savings Project at Agricultural Science, Forest Resources, Wartik, and Earth and Engineering Sciences Buildings, University Park
- i) Carnegie Building and Pattee Library Roof Replacement, University Park
- j) Henderson Utility Upgrades, University Park
- k) Williams Building Electrical and HVAC Upgrades, Penn State Fayette
- l) Science/Technology Laboratory Building Lab Renovation and Replacement of Windows and Exterior Doors, Penn State Mont Alto
- m) Naming of Rooms, Portions of Buildings, and Plazas
- n) Purchase of Property at 225 Rosedale Avenue, Penn State Harrisburg
- o) Status of Major Construction Programs and Borrowing

Action Items –

- p) Summary of Revisions to Existing Scholarships, Fellowships, etc.
- q) Acknowledgement of Endowments and Other Major Commitments

The Committee reviewed the proposed naming of the Hazleton Administration Building, “Pasco L. Schiavo Hall,” at Penn State Hazleton and unanimously approved the following resolution:

RESOLVED, That the Hazleton Administration Building at Penn State Hazleton is named “Pasco L. Schiavo Hall.”

The proposed Interim Maintenance and Operating Budget for the University for the Fiscal year beginning July 1, 2014 was presented by Rachel Smith. The Committee unanimously approved the following resolution:

RESOLVED, That pending adoption of a new budget to reflect clarification of the amount and form of the State appropriation, and subsequent decision regarding the amount of tuition charges, adjustments to salaries, wages, and employee benefits, and provisions for fuel and utilities and other cost increases, the Board of Trustees approves continuation for the interim period beginning July 1, 2014, total budget amounts at the level of the adjusted 2013-14 budget as follows:

	<b><u>University Park and Other Locations</u></b>	<b><u>College of Medicine</u></b>	<b><u>Pennsylvania College of Technology</u></b>	<b><u>Total University</u></b>
General Funds	\$1,796,937,000	\$114,823,000	\$104,710,000	\$2,016,470,000
Agricultural Federal Funds	19,778,000			19,778,000
Restricted Funds	534,975,000	85,000,000	14,733,000	634,708,000
Auxiliary Enterprises <sup>a</sup>	357,819,000	3,874,000	27,059,000	388,752,000
Total	\$2,709,509,000	\$203,697,000	\$146,502,000	\$3,059,708,000
Milton S. Hershey Medical Center				1,365,716,000
Total Funds				\$4,425,424,000

<sup>a</sup>Includes increase in room and board charges as approved by the Board of Trustees, March 7, 2014.

The proposed appointment of a Design Build Team for the Greenberg Renovation at University Park was presented by Ford Stryker. The Committee unanimously approved the following resolutions:

RESOLVED, That the Officers of the University are authorized to employ PJ Dick of Pittsburgh, Pennsylvania, to design and build the Greenberg 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 proposed Final Plans and Authorization to Award Contracts for the Steidle Building Addition and Renovation at University Park was presented by Ford Stryker. The committee unanimously approved the following resolutions:

RESOLVED, That the final plans for the Steidle Building Addition and Renovation at University Park, as designed by the firm of EYP Architecture & Engineering, P.C. of Albany, New York, are approved.

FURTHER BE IT RESOLVED, That authorization to award contracts to accomplish the project be approved in the amount of \$52,000,000.

The proposed Final Plans and Authorization to Award Contracts for the McCoy Natatorium Pool Renovation and Air Handling Unit Replacement at University Park was presented by Ford Stryker. The committee unanimously approved the following resolutions:

RESOLVED, That the final plans for the Pool Renovation and Air Handling Unit Replacement at McCoy Natatorium, University Park, as designed by the firm of Cannon Design of Baltimore, Maryland, are approved.

FURTHER BE IT RESOLVED, That authorization to award contracts to construct the project be approved at a cost of \$6,000,000.

The proposed Authorization to Proceed with Huntingdon Playfields at Penn State Abington was presented by Ford Stryker. The committee unanimously approved the following resolutions:

RESOLVED, That the Board of Trustees approves, consistent with the long-term lease agreement between the University and Abington School District, proceeding with construction of improvements to the Huntingdon Playfields, located adjacent to the Penn State Abington campus, at a cost to the University of \$6,200,000.

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.

A brief informational report on the Status of Commonwealth Appropriation Request was given by Rachel Smith.

David Branigan presented the proposed Resolution Updating the University's Endowment Spending and Investment Policies. The committee unanimously approved the following resolutions:

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

WHEREAS, The Officers of the University have recommended an amendment of such policies as hereinafter set forth.

NOW, THEREFORE, BE IT RESOLVED, That the University's Endowment Spending and Investment Policies for Endowment and General University Funds be changed as follows:

(1) Chairman, Senior Vice President for Finance and Business/Treasurer, Executive Director, Office of Investment Management, and five to nine non-University members (at least one of whom shall be a member [either voting or emeriti] of the Board of Trustees), each serving three-year staggered, renewable terms, is hereby authorized to administer the spending and investment policies hereinafter adopted by the Board of Trustees and to report periodically concerning the same to the President of the University and to the Committee on Finance, Business, and Capital Planning of the Board of Trustees. In such administration, the Investment Council may delegate appropriate functions to properly designated University Officers and other University Personnel.

(2) That in order to preserve the purchasing power of endowment and endowment-like funds, spending from each such fund over time should be limited to a percentage of the market value of such fund, set at a level anticipated to preserve over time the funds real (inflation-adjusted) value after consideration of investment returns.

(3) That endowment and endowment-like funds should be invested to attempt to achieve a real (inflation-adjusted) total return over time sufficient to support a spending rate limited in accordance with (2) above, while providing for growth of the endowment base sufficient to accommodate an assumed rate of inflation.

(4) That endowment and endowment-like funds (e.g., the Long-Term Investment Pool) should be invested primarily by independent investment managers selected by the Investment Council. A primary investment attribute to be employed in managing the Long-Term Investment Pool shall be prudent diversification achieved through flexible yet disciplined implementation of a mix of investments and strategies. Among these shall be: Fixed Income investments which shall comprise no less than 10% of the Long-Term Investment Pool, with a minimum of 5% in investment grade securities (principally U.S. Treasury notes, government agency obligations, and investment grade corporate bonds); Equity investments (principally global market-traded equities, hedged strategies, and private equity investments); and Real Assets investments (principally real estate, timber, energy, and commodity investments). The specific construction of the portfolio with regard to strategies employed and managers utilized will be determined by, and under the overall supervision of, the Investment Council, which shall be guided by its written Investment Policies, Objectives and Guidelines. Investment processes and results shall be carefully monitored by the Investment Council to insure compliance with such policies, objectives, and guidelines. For comparative purposes, the results of other professionally-managed funds, market benchmarks, and other customized performance standards deemed appropriate shall be considered. A detailed investment report shall be made to the Board of Trustees semi-annually.

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

(6) Non-Endowed University funds should be invested to provide liquidity for working capital over the annual operating cycle of the University, and to serve the interim and longer term needs of the University for plant renewals and replacements, debt service and capital additions. Non-Endowed funds will be invested in a manner that emphasizes capital preservation and meets the cash flow requirements of future University liabilities, while achieving modest growth in the principal value to accommodate future inflation. For current working capital and short-term investments, maturities of securities shall not exceed 13 months per money market fund guidelines and will generally be 90 days or less. Typical instruments include money market funds, certificates of deposit, U.S. government/agency securities, repurchase agreements, and high quality commercial paper. Intermediate and long-term asset categories will be invested principally in readily marketable investment grade securities with no less than 85% of non-endowed fixed income securities rated investment grade. Non-physical derivatives are not permitted for speculative purposes. For long-term assets approved for commingling with the University's Long-Term Investment Pool

(LTIP) by the Board of Trustees, such investments will follow LTIP policies overseen by the Penn State Investment Council.

(7) With the prior approval of the Chairperson of the Committee on Finance, Business, and Capital Planning, or in the absence of the Chairperson, the Vice Chairperson of the Committee on Finance, Business, and Capital Planning, the Investment Council is authorized to make interim revisions in the above-mentioned policies, subject to subsequent review and approval by the Board of Trustees of substantive revisions.

In the interest of time, a Photo Report on Selected Construction Projects was not given.

The public session of the Committee on Finance, Business & Capital Planning was adjourned at 9:40 a.m.

The Committee on Finance, Business & Capital Planning then went into executive session.

Respectfully submitted,

Donna J. Newburg  
Assistant Secretary  
Board of Trustees