

**THE PENNSYLVANIA STATE UNIVERSITY  
BOARD OF TRUSTEES**

**COMMITTEE ON FINANCE, BUSINESS AND CAPITAL PLANNING  
MINUTES OF MEETING  
VOLUME FBCP 24**

**February 21, 2019**

A meeting of the Committee on Finance, Business & Capital Planning was held in was held in Room 207 of the Penn Stater Conference Center Hotel in State College, Pennsylvania, beginning at 4:00 p.m.

The following committee members, constituting a quorum, were present: Donald Cotner, Valerie Detwiler, Barbara Doran, Robert Fenza, Abe Harpster, Bill Oldsey, Brandon Short and Mary Lee Schneider.

Faculty Representative Michael Bérubé, Student Representative Cody Heaton, and the following administration members were also present: Madeline Cantu, Joseph Doncsecz, Steve Dunham, Jennifer Eck, David Gray, Frank Guadagnino, Nicholas Jones, Kurt Kissinger, Zack Moore, Mary Lou Ortiz, John Papazoglou, Bill Sitzabee, Neil Sharkey and Crystal Straw.

The meeting was called to order by Chair Mary Lee Schneider. Chair Schneider advised the Committee that actions and recommendations by the Committee would be reported to the full Board of Trustees for their consideration at the February 22, 2019 meeting.

The Committee unanimously approved the minutes of the November 8 meeting of the Committee.

The Committee unanimously approved the following resolutions for the Proposed Appointment of an Architect, College of Engineering Research and Teaching Space 1, University Park:

RESOLVED, That the Officers of the University are authorized to employ Payette of Boston, Massachusetts, to design the College of Engineering Research and Teaching Space 1, 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 resolutions for the Proposed Appointment of an Architect, College of Engineering Research and Teaching Space 2, University Park:

RESOLVED, That the Officers of the University are authorized to employ Payette of Boston, Massachusetts, to design the College of Engineering Research and Teaching Space 2, 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 resolutions for the Proposed Appointment of a Design Build Team, Ostermayer Laboratory Renovation, Penn State Greater Allegheny:

RESOLVED, That the Officers of the University are authorized to employ Turner Construction Company of Pittsburgh, Pennsylvania, to design the Ostermayer Laboratory Renovations, Penn State Greater Allegheny.

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, East Halls Renovation – Phase 2a, University Park:

RESOLVED, That the final plans for the East Halls Renovation – Phase 2a at University Park, as designed by Clayco of St. Louis, Missouri, are approved.

FURTHER BE IT RESOLVED, That authorization to expend funds to accomplish the project is approved in the amount of \$60,800,000.

The Committee unanimously approved the following resolutions for the Proposed Final Plan Approval and Authorization to Expend Funds, Water Reclamation Facility, University Park:

RESOLVED, That the final plans for the Water Reclamation Facility at University Park, as designed by The Haskell Company of Pittsburgh, Pennsylvania, are approved.

FURTHER BE IT RESOLVED, That authorization to expend funds to accomplish the project is approved in the amount of \$65,200,000.

The Committee unanimously approved the following resolutions for the Relocation of Applied Research Laboratory Steam Plant, Benner Township:

RESOLVED, That the final plans for the Relocation of the Applied Research Laboratory Steam Plant to Benner Township, as designed by Hoffman Leahey Architects of Boalsburg, Pennsylvania, are approved.

FURTHER BE IT RESOLVED, That authorization to expend funds to accomplish the project is approved in the amount of \$14,500,000.

The Committee unanimously approved the following resolution for the Proposed Changes in Room and Board Charges for 2019-20 Academic Year:

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

(See Appendix I)

Informational reports on the following items were presented.

- Status of Commonwealth Appropriation Request – Zack Moore

- The Framework for Capital Projects informational report was delayed until the May FBCP Committee meeting.

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.

Respectfully submitted,

Crystal K. Straw  
Assistant Secretary  
Board of Trustees

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

<b>Room Description</b>	<b>Number of Occupants</b>	<b>2018/19 Current Rate</b>	<b>2019/20 Proposed Operating Increase</b>	<b>2019/20 Proposed Capital Assessment</b>	<b>2019/20 Proposed Rate</b>	<b>2019/20 Proposed Increase</b>
Standard Double	2	\$3,185	\$29	\$63	\$3,277	\$ 92
Standard Double/Bath	2	3,355	33	67	3,455	100
Renovated Double	2	3,490	68	70	3,628	138
Small Double	2	2,385	22	48	2,455	70
Triple	3	2,865	28	57	2,950	85
Triple/Bath	3	3,185	31	64	3,280	95
Quad	4	2,865	28	57	2,950	85
Quad/Bath	4	3,185	31	64	3,280	95
Quad as Triple	3	3,185	31	64	3,280	95
Standard Single	1	4,330	43	87	4,460	130
Standard Single/Bath	1	4,420	42	88	4,550	130
Renovated Single	1	4,420	42	88	4,550	130
Eastview Single/Bath	1	5,430	0	110	5,540	110
Eastview Large Single/Bath	1	5,830	0	115	5,945	115
RA Rate	1	1,990	20	40	2,050	60
Standard Double Suite	2	3,765	35	75	3,875	110
Standard Double Suite as Triple	3	3,185	31	64	3,280	95
Standard Single Suite, 1/bedroom	4	4,390	42	88	4,520	130
Double Suite	2	4,040	39	81	4,160	120
Single Suite	1	5,310	0	105	5,415	105
<b>University Park, Nittany Apartment</b>						
<i>Rate/Person/Semester*</i>						
2 Bedroom Garden	4	3,860	38	77	3,975	115
4 Bedroom Garden	4	4,330	43	87	4,460	130
4 Bedroom Townhouse	4	4,495	45	90	4,630	135
<b>Erie, Behrend Apartment</b>						
<i>Rate/Person/Semester*</i>						
2 Bedroom Garden	4	3,860	38	77	3,975	115
<b>Harrisburg &amp; Abington Apartment</b>						
<i>Rate/Person/Semester*</i>						
Apartments-Bedroom Single	4	4,605	88	92	4,785	180
Apartments-Bedroom Double	6	4,050	79	81	4,210	160
Apartments-Bedroom Triple	9	3,645	72	73	3,790	145
<b>Beaver, Greater Allegheny, Hazleton, &amp; Mont Alto</b>						
Standard Double	2	3,090	0	0	3,090	0
Standard Double Suite	2	3,650	0	0	3,650	0
Townhouse Double	2	3,255	0	0	3,255	0

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

**Approved University Park Graduate Apartment Rates**

The following 2019/20 rates were approved by the Board of Trustees in September 2018.

<b>Room Description</b>	<b>2018/19 Rate</b>	<b>2019/20 Rate</b>
<b>University Park, Graduate Family Apartment</b>		
<i>Rate/Month*</i>		
White Course 1 Bedroom	\$1,125	\$1,145
White Course 2 Bedroom	1,275	1,295
White Course 3 Bedroom	1,430	1,430
White Course 3 Bedroom w/2 Bath	1,445	1,445
<b>University Park, Graduate Apartment</b>		
<i>Rate/Person/Month*</i>		
White Course 4 Bedroom	905	920

*\*Apartment rate includes utilities*

**Proposed Board Plan  
Rates/Semester**

<b>Meal Plan</b>	<b>2018/19 Current Rate</b>	<b>2019/20 Proposed Rate</b>	<b>2019/20 Proposed Increase</b>	<b>2019/20 Dining Dollars</b>
<b>Plan 1</b>	\$2,025	\$2,070	\$45	\$655
<b>Plan 2</b>	2,345	2,399	54	984
<b>Plan 3</b>	2,600	2,665	65	1,250

**History of Double Room and Mid-Level Meal Plan Rates 2010–2020**

<b>Year</b>	<b>Semester Rate</b>	<b>Semester Increase</b>	<b>Percent Increase</b>
<b>2019/20</b>	\$5,676	\$146	2.64%
<b>2018/19</b>	\$5,530	\$135	2.50%
<b>2017/18</b>	\$5,395	\$165	3.15%
<b>2016/17</b>	\$5,230	\$155	3.05%
<b>2015/16</b>	\$5,075	\$190	3.89%
<b>2014/15</b>	\$4,885	\$200	4.27%
<b>2013/14</b>	\$4,685	\$190	4.23%
<b>2012/13</b>	\$4,495	\$125	2.86%
<b>2011/12</b>	\$4,370	\$185	4.42%
<b>2010/11</b>	\$4,185	\$100	2.45%
<b>2009/10</b>	\$4,085	\$250	6.52%

## 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	\$ 965	\$ 985	\$ 20
2 Bedroom (with Washer/Dryer)	208	\$ 1,150	\$ 1,172	\$ 22
3 Bedroom (with Washer/Dryer)	16	\$ 1,298	\$ 1,320	\$ 22
<b>University Manor West</b>				
4 Bedroom (furnished) *	31	\$ 2,300	\$ 2,352	\$ 52

\* NOTE: Proposed monthly increase per bedroom is \$13.00.

## MONTHLY RENTAL RATE COMPARISON

## UNIVERSITY MANOR vs. PRIVATE APARTMENT COMPLEXES

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

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

DIFFERENCES BETWEEN UNIVERSITY MANOR  
AND PRIVATE APARTMENT RENTAL RATES

	<u>Average Private Rates</u>	<u>University Manor Proposed Rates</u>	<u>Difference</u>
1 Bedroom	\$1,068	\$ 985	\$ 83
2 Bedroom	\$1,220	\$1,172	\$ 48
3 Bedroom	\$1,488	\$1,320	\$168
4 Bedroom	\$2,910	\$2,352	\$558

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



**2019/20**

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

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



## Budget Planning Factors for 2019/20

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

Housing and Food Services is committed to the goals of providing a quality living experience for students in well maintained facilities, while adhering to the financial plan to minimize increases to student expenses.

The need to renovate aging facilities led to the adoption of a capital renewal plan, which included renovations to the East and Pollock residence halls at University Park. Over the past seven years, three new residence halls have been constructed, and by Fall 2019, six will be completely renovated. Re-opening this fall will be Brumbaugh, Tener, and Pinchot halls, completing the renovations to 55 percent of the bed spaces in East Halls.

The Harrisburg Campus has acquired additional housing capacity through the purchase of Nittany Village Apartments. This acquisition added 264 beds to the Harrisburg campus inventory, increasing capacity from 8 percent to 14 percent of enrollment, and helping to support on-campus living at this growing campus.

### EXPENSES

#### Payroll and Related

The financial plan for 2019/20 provides for an increase of 2.50 percent for salaries at the recommendation of the University Budget office. The salary expense for bargaining unit employees will increase by 2.75 percent, in compliance with the contract. The fringe benefit rate is budgeted to decrease by 2.4 percent.

#### Food Costs

Food costs for 2019/20 are expected to increase by an estimated 2.25 percent based on review of our key purchases and the outlook for those price changes. Initiatives have also been undertaken to address inventory turnover and to reduce food waste, encouraging the use of best practices in our dining units. The purchasing power is leveraged by combining food procurement with other units within Auxiliary and Business Services, which includes Hospitality Services and the Bryce Jordan Center.

#### Utilities and Other Operating Expenses

The utility budget for existing facilities is estimated to increase by approximately 4 percent. As renovated buildings come on line in East Halls, the changes in utility consumption will be monitored to determine the benefit of current energy saving construction.

#### Residence Life

The fee for services provided by the Office of Residence Life will increase by \$14 per student per semester to cover increases in operating costs, anticipated salary increases, and room and board changes for resident assistants at all campuses.

## **UNIVERSITY OVERHEAD EXPENSES**

Housing and Food Services pays for central administrative services as a percentage of gross revenue. This rate is expected to remain at 5.0 percent for 2019/20. The budget for University administrative services is expected to increase by \$549,000.

## **PROPERTY EXPENSES**

### **Debt Service**

As new and renovated residence halls come on line, debt service will increase by \$4,817,000 in 2019/20 to a total of \$47,418,000.

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

The budget provides \$32,527,000 for facility renewal, deferred maintenance, and emergency reserves. Annual maintenance includes items such as roof replacement, plumbing repair, elevator maintenance, furniture, painting, equipment, and technology and security upgrades.

### **Capital Assessment**

Housing and Food Services will enter the seventh year of the current capital plan. The Board of Trustees approved the multi-year capital assessment which is applied to all room rates for a ten-year period. For 2019/20, the assessment will be 2.0 percent and will generate an additional \$2,646,000 for a total of \$15,300,000 to support the capital plan.

## **INCOME**

The room and board rate for a student living in a standard double room, and choosing the mid-level meal plan, will increase in 2019/20 by 2.64 percent over the prior year. The rate for a renovated double room, along with the mid-level meal plan, will increase by 3.29 percent more than the prior year. The recommended rate increases will generate the \$6,189,000 to maintain progress with our capital plan, support the University's initiatives on affordability, and maintain operations.

## Proposed Budget Increase

### H&FS Annual Room and Board Rate Planning

	2018/19 Budget	Proposed 2019/20 Budget	2019/20 Increase	2019/20 % Change
Revenue	\$246,597,000	\$252,786,000	\$6,189,000	2.51%
Food Costs	27,756,000	28,483,000	727,000	2.62%
Payroll and Related	57,997,000	58,969,000	972,000	1.68%
Utilities	17,290,000	17,991,000	701,000	4.05%
Maintenance, Supplies, Services	25,621,000	26,236,000	615,000	2.40%
Residence Life Program	12,751,000	13,562,000	811,000	6.36%
Sub Total	\$141,415,000	\$145,241,000	\$3,826,000	2.71%
Operating Margin	\$105,182,000	\$107,545,000	\$2,363,000	
University Overhead	11,751,000	12,300,000	549,000	4.67%
Def Maint & Capital	50,830,000	47,827,000	(3,003,000)	(5.91%)
Debt Service	42,601,000	47,418,000	4,817,000	11.31%
Sub Total	\$105,182,000	\$107,545,000	\$2,363,000	2.25%
Net Margin	\$0	\$0	\$0	

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**Proposed Board Plan  
Rates/Semester**

<b>Meal Plan</b>	<b>2018/19 Current Rate</b>	<b>2019/20 Proposed Rate</b>	<b>2019/20 Proposed Increase</b>	<b>2019/20 Dining Dollars</b>
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<b>2012/13</b>	\$4,495	\$125	2.86%
<b>2011/12</b>	\$4,370	\$185	4.42%
<b>2010/11</b>	\$4,185	\$100	2.45%
<b>2009/10</b>	\$4,085	\$250	6.52%