

**THE PENNSYLVANIA STATE UNIVERSITY
BOARD OF TRUSTEES**

**COMMITTEE ON FINANCE, BUSINESS AND CAPITAL PLANNING
MINUTES OF MEETING
VOLUME FBCP 25**

May 2, 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, Alex Hartzler, Bill Oldsey, Brandon Short and Mary Lee Schneider.

Ex-Officio member Mark Dambly, Faculty Representative Michael Bérubé, Student Representative Laura McKinney, and the following administration members were also present: Sandy Barbour, Eric Barron, Madeline Cantu, Joseph Doncsecz, Steve Dunham, Jennifer Eck, Mark Faulkner, David Gray, Frank Guadagnino, Craig Hillemeier, Kurt Kissinger, Steve Massini, Mary Lou Ortiz, Bill Sitzabee, Eric Strucko 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 May 3, 2019 meeting.

The Committee unanimously approved the minutes of the February 21 meeting of the Committee.

The Committee unanimously approved the following resolution for the Consideration of Proposed Interim Operating Budget for the University for the Fiscal Year Beginning July 1, 2019:

RESOLVED, That pending adoption of a new budget to reflect clarification of the amount and form of the State appropriation, and subsequent decisions 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, 2019, total budget amounts at the level of the adjusted 2018-19 budget as follows:

	<u>University Park and Other Locations</u>	<u>College of Medicine</u>	<u>Pennsylvania College of Technology</u>	<u>Total University</u>
General Funds	\$ 2,508,326,000	\$ 178,865,000	\$ 115,501,000	\$ 2,802,692,000
Agricultural Federal Funds	21,885,000			21,885,000
Restricted Funds	587,361,000	95,000,000	12,524,000	694,885,000
Auxiliary Enterprises ^a	459,263,000	3,758,000	28,373,000	491,394,000
Total	\$ 3,576,835,000	\$ 277,623,000	\$ 156,398,000	\$ 4,010,856,000
Penn State Health System				2,498,043,000
Total Funds				\$ 6,508,899,000

Includes increase in room and board charges as approved by the Board of Trustees, February 22, 2019.

The Committee unanimously approved the following resolutions for the Proposed Appointment of an Architect, Arboretum Art Museum, University Park:

RESOLVED, That the Officers of the University are authorized to employ Allied Works Architecture of Portland, Oregon, to design the Arboretum Art Museum at University Park.

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

The Committee unanimously approved the following resolutions for the Proposed Appointment of an Architect, Lasch Football Building/Holuba Hall/Nittany Outdoor Football Practice Fields Renovations, University Park:

RESOLVED, That the Officers of the University are authorized to employ HOK of Philadelphia, Pennsylvania, to design the Lasch Football Building, Holuba Hall, and Nittany Outdoor Football Practice Fields Renovations at University Park.

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

The Committee unanimously approved the following resolutions for the Proposed Appointment of an Architect, Erie Hall, Penn State Behrend:

RESOLVED, That the Officers of the University are authorized to employ Sasaki Associates of Watertown, Massachusetts, to design Erie Hall, Penn State Behrend.

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, West Campus Steam Plant Combined Heat and Power System Expansion, University Park:

RESOLVED, That the final plans for the West Campus Steam Plant Combined Heat and Power System Expansion, as designed by McGough Construction Company of St. Paul, Minnesota, are approved.

FURTHER BE IT RESOLVED, That authorization to expend funds to accomplish the project is approved in the amount of \$49,000,000.

The Committee unanimously approved the following resolution for the Proposed Authorization to Expend Funds, Lofstrom Library Renewal, Penn State Hazleton:

WHEREAS, Article V, Section 5.09(a)(iii)(7) requires the approval of the Board of Trustees for capital projects under \$10 million in cost that are bond-financed, and

WHEREAS, The proposed Lofstrom Library Renewal is recommended by the Administration to be funded with bond financing;

THEREFORE, BE IT RESOLVED, That authorization to expend funds for the Mary M. and Bertil E. Lofstrom Library Renewal, as designed by KSS Architects of Philadelphia, Pennsylvania, is approved in the amount of \$7,600,000.

The Committee unanimously approved the following resolution for the Proposed Authorization to Expend Funds, 2019 Roof Replacement and Fall Protection on Various Buildings, University Park:

WHEREAS, Article V, Section 5.09(a)(iii)(7) requires the approval of the Board of Trustees for capital projects under \$10 million in cost that are bond-financed, and

WHEREAS, The proposed 2019 Roof Replacement and Fall Protection program is recommended by the Administration to be funded with bond financing;

THEREFORE, BE IT RESOLVED, That authorization to expend funds for the 2019 Roof Replacement and Fall Protection on Various Buildings at University Park, as designed by Office of Physical Plant Design Services, is approved in the amount of \$7,200,000.

The Committee unanimously approved the following omnibus resolution for the Proposed Authorization for Penn State Health to Incur Debt as a Separate Obligated Group:

WHEREAS, Historically, pursuant to the long-term borrowing authority approved by the Board of Trustees, the University would periodically incur debt on its own behalf and/or on behalf of its controlled subsidiaries, including The Milton S. Hershey Medical Center and Penn State Health;

WHEREAS, Such controlled subsidiaries repaid the University annually for the costs of any bonds issued or other indebtedness incurred on its behalf;

WHEREAS, Section 5.09(a)(ii)(i) of the University's Bylaws provides that the Board of Trustees must approve any change in existing, major University fiscal policies;

WHEREAS, The Board of Trustees has determined that it would be in the best interests of the University and Penn State Health for Penn State Health to incur debt as the exclusive obligation and credit of Penn State Health and its designated subsidiaries and affiliates as a separate obligated group (the "PSH Obligated Group") and to pledge the revenues of the PSH Obligated Group to repay such debt;

WHEREAS, The Board of Trustees has adopted amendments to the University's Bylaws to clarify that the business and affairs of the University's direct and indirect subsidiaries shall be governed in accordance with the articles of incorporation, bylaws and other governing documents of such subsidiaries, subject to any reserved powers of the University contained in each subsidiary's governing documents; and

WHEREAS, The Board of Trustees now desires to take action to facilitate the intent of the foregoing amendments.

NOW, THEREFORE BE IT RESOLVED, That the Board of Trustees hereby authorizes Penn State Health, acting through its Board of Directors ("PSH Board of Directors"), to incur debt upon the exclusive obligation and credit of the PSH Obligated Group, and to pledge the revenues of the PSH Obligated Group to repay such debt, subject to the following parameters:

(a) Penn State Health and its subsidiaries and affiliates that make up the PSH Obligated Group shall be the entities obligated to repay such debt and are authorized to pledge their revenues for the repayment thereof.

(b) The University shall not be obligated to repay the debt of the PSH Obligated Group and the debt shall be without recourse to the revenues and assets of The Pennsylvania State University and its affiliates (other than Penn State Health and its subsidiaries);

(c) The Academic Support Payment and any occupancy fees owed by Penn State Health to the University pursuant to the Master Facility Use Agreement between the University and Penn State Health are treated as operating expenses that are payable before debt service pursuant to the terms governing any PSH Obligated Group debt;

(d) The terms and conditions governing any PSH Obligated Group debt are approved by the University's Senior Vice President for Finance and Business;

(e) The amount or terms and conditions of any PSH Obligated Group indebtedness does not violate any provision of the Bylaws of Penn State Health; and

(f) The PSH Board of Directors certifies to the Board of Trustees that the amount and terms of such indebtedness complies with the terms of this resolution.

WHEREAS, In furtherance of the foregoing resolution, the Board of Trustees has determined that it is in the best interest of the University and Penn State Health to (i) transfer certain real property and improvements to Penn State Health; and (ii) amend the Bylaws of Penn State Health to grant additional reserved powers to the University; and

WHEREAS, With respect to (i) above, the Board of Trustees has determined that it is in the best interests of the University and Penn State Health to transfer four

parcels of real estate (together with improvements thereon) owned by the University, comprising what is described as the East Campus of the Milton S. Hershey Medical Center Campus (shown as lots 4, 6, 7 and 8 on the "PSHMC and College of Medicine Lot Layout Plan with Site Plan, dated 5-5-07", as presented to the meeting of the Board of Trustees), to Penn State Health or its controlled designee, under and subject to restrictions as set forth in the Bylaws of Penn State Health in consideration for the payment of \$18 million.

NOW, THEREFORE BE IT RESOLVED, That the officers of the University are hereby authorized to enter into such agreements and execute such deeds as are necessary to convey the parcels identified as lots 4, 6, 7 and 8 on the Lot Layout Plan for the Milton S. Hershey Medical Center campus as referenced in Appendix I, to Penn State Health or a designee controlled by Penn State Health, under and subject to restrictions set forth in the Bylaws of Penn State Health in consideration for the payment of \$18 million.

AND BE IT FURTHER RESOLVED, That the Bylaws of Penn State Health are hereby amended by inserting the underlined subsections (d), (e) and (f) within Section 2.2 thereof:

(Appendix I)

ARTICLE 2 MEMBERS AND RESERVED POWERS

Section 2.1 Members. The members of the Corporation are PSU and HH (each a "Member" and collectively, the "Members"). Subject to Sections 2.2 and 2.3, the Members shall have the right and power to give such approvals and take such other actions as are specifically reserved to members of Pennsylvania nonprofit corporations under the NPCL.

Section 2.2 Reserved Powers of PSU. In addition to and in furtherance of those powers held by a member of a nonprofit corporation under the NPCL, PSU shall have the following rights and powers with respect to the Corporation:

- (a) to determine the number of Directors that will comprise the Board of Directors of the Corporation (subject to Section 2.3 hereof and Section 4.9 of the Affiliation Agreement), and to elect and remove, with or without cause, any and all Directors of the Corporation other than the HH Directors (as defined below);
- (b) subject to Sections 2.3 and 9.1 hereof, to approve amendments, alterations and modifications to or repeals of the Articles of Incorporation and Bylaws of the Corporation;
- (c) subject to Section 2.3 hereof, to approve all fundamental change transactions and all other transactions not in the ordinary course of business, including without limitation, all mergers, consolidations, divisions, sales of substantially all assets, and the liquidation or dissolution of the Corporation;
- (d) subject to Section 2.3 hereof, to approve any indebtedness of PSH or its controlled affiliates that would cause the debt to capitalization ratio of PSH on a consolidated basis to be at 35% or higher;
- (e) to approve capital projects of \$10 million or more that either:(i) apply to a PSU-owned asset; or (ii) utilize PSU funds or funds obtained through PSU financing;

(f) subject to Section 2.3 hereof, to approve any sale, lease, transfer or other disposition of any land or buildings located on the campus of The Milton S. Hershey Medical Center which were conveyed by the PSU to Penn State Health or its controlled designee (hereinafter the "East Campus"), or to approve the use of any portion of the East Campus land or buildings that does not further the purposes of PSH as set forth in Section 1.2 of these bylaws.;

(g) in its capacity as successor trustee of the MSHMC Trust, to approve: (i) any change in the mission of The Milton S. Hershey Medical Center, a Pennsylvania nonprofit corporation ("MSHMC"); (ii) a transfer of all or any portion of an interest in MSHMC; or (iii) the dissolution of MSHMC;

WHEREAS, The Board of Trustees has determined that it would be in the best interests of the University to authorize the officers of the University to enter into a Master Affiliation Agreement between the University and Penn State Health to memorialize commitments to support the Penn State College of Medicine, establish the role of the Dean of the Penn State College of Medicine in the functions of Penn State Health, and facilitate the success of Penn State Health, incorporating the terms presented to the Board of Trustees.

NOW, THEREFORE BE IT RESOLVED, That the officers of the University are hereby authorized to enter into a Master Affiliation Agreement with Penn State Health incorporating the terms presented to the Board of Trustees and such other terms and conditions such officers deem necessary or desirable to effectuate the foregoing purposes.

The Committee unanimously approved the following resolutions for the Proposed Acquisition of 1771 Pine Hall Road, Ferguson Township, Centre County, Pennsylvania:

RESOLVED, That the Board of Trustees approves the acquisition of 1771 Pine Hall Road, Ferguson Township, Centre County, Pennsylvania, comprised of 7.585 acres and one building totaling 34,917 gross square feet, from Karch-Taylor LLC at a price not to exceed \$6,900,000.

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

An informational report on the following item was presented.

- Strategic Budget Task Force – Mary Lou Ortiz

The Committee on Finance, Business & Capital Planning meeting was adjourned at 5:29 p.m.

Respectfully submitted,

Crystal K. Straw
Assistant Secretary
Board of Trustees

