

**THE PENNSYLVANIA STATE UNIVERSITY
BOARD OF TRUSTEES**

**COMMITTEE ON FINANCE, BUSINESS AND CAPITAL PLANNING
MINUTES OF MEETING
VOLUME FBCP 29**

February 20, 2020

A meeting of the Committee on Finance, Business & Capital Planning was held in Room 208 of the Penn Stater Conference Center Hotel in State College, Pennsylvania, beginning at 9:05 a.m.

The following committee members, constituting a quorum, were present: Abe Amoros, Valerie Detwiler, Lynn Dietrich, Barbara Doran, Robert Fenza, Abe Harpster, Alex Hartzler, Mary Lee Schneider, and Brandon Short.

Ex-Officio member Mark Dambly, Faculty Representative Elizabeth Seymour, Student Representative Laura McKinney, and the following administration members were also present Eric Barron, Madeline Cantu, Joseph Doncsecz, Steve Dunham, Jennifer Eck, Lorraine Goffe, David Gray, Frank Guadagnino, Madlyn Hanes, Shannon Harvey, Nick Jones, Kurt Kissinger, Zack Moore, Mary Lou Ortiz, John Papazoglou, Bill Sitzabee, 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 21, 2020 meeting.

The Committee unanimously approved the minutes of the November 14 meeting of the Committee.

The Committee unanimously approved the following resolution for the Proposed Naming of the Guion S. Bluford Building at Innovation Park:

RESOLVED, That the 230 Building at Innovation Park be named the "Guion S. Bluford Building."

The Committee unanimously approved the following resolution for the Proposed Renaming of the Centre County/Penn State Visitor Center at University Park "Centre County Visitor Center":

RESOLVED, That the Centre County/Penn State Visitor Center a University Park be renamed "Centre County Visitor Center."

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

RESOLVED, That James Brandau, non-University employee, is appointed to the Penn State Investment Council for a term ending in 2022.

The Committee unanimously approved the following resolutions for the Proposed Final Plan Approval and Authorization to Expend Funds, East Halls Renovation – Phase 2B, University Park:

RESOLVED, That the final plans for the East Halls Renovation – Phase 2B 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 \$82,500,000.

The Committee unanimously approved the following resolutions for the Proposed Final Plan Approval and Authorization to Expend Funds, Ostermayer Laboratory Renovation, Penn State Greater Allegheny:

RESOLVED, That the final plans for the Ostermayer Laboratory Renovation, as designed by Turner Construction Company of Pittsburgh, Pennsylvania, are approved.

FURTHER BE IT RESOLVED, That authorization to expend funds and award contracts to accomplish the project is approved in the amount of \$14,700,000.

The Committee unanimously approved the following resolutions for the Proposed Final Plan Approval and Authorization to Expend Funds, Beaver Community Center Expansion, Penn State Berks:

RESOLVED, That the final plans for the Beaver Community Center at Penn State Berks, as designed by Atkin Olshin Schade Architects of Philadelphia, Pennsylvania, are approved.

FURTHER BE IT RESOLVED, That authorization to expend funds to accomplish the project is approved in the amount of \$30,400,000.

The Committee unanimously approved the following resolutions for the Proposed Final Plan Approval and Authorization to Expend Funds, Lehigh Valley Expansion, Penn State Lehigh Valley:

RESOLVED, That the final plans for the Lehigh Valley Expansion at Penn State Lehigh Valley, as designed by Spillman Farmer Architects of Bethlehem, Pennsylvania, are approved.

FURTHER BE IT RESOLVED, That authorization to expend funds to accomplish the project is approved in the amount of \$14,400,000.

The Committee unanimously approved the following resolution for the Changes in Room and Board Charges for 2020-21 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.

- Annual Capital Plan Update – Bill Sitzabee
- Report on Status of Commonwealth Appropriation Request – Zack Moore
- Operating Risks Associated with Increasing Retirement and Healthcare Costs – David Gray, Joe Doncsecz, Lorraine Goffe

The Committee on Finance, Business & Capital Planning meeting was adjourned at 10:50 a.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*

Room Description	Number of Occupants	2019/20 Current Rate	2020/21 Proposed Operating Increase	2020/21 Proposed Capital Assessment	2020/21 Proposed Rate	2020/21 Proposed Increase
Standard Double	2	\$3,277	\$84	\$66	\$3,427	\$150
Standard Double/Bath	2	3,455	90	69	3,614	159
Renovated Double	2	3,628	127	73	3,828	200
Small Double	2	2,455	64	49	2,568	113
Triple	3	2,950	77	59	3,086	136
Triple/Bath	3	3,280	81	66	3,427	147
Quad	4	2,950	77	59	3,086	136
Quad/Bath	4	3,280	81	66	3,427	147
Quad as Triple	3	3,280	81	66	3,427	147
Standard Single	1	4,460	116	89	4,665	205
Standard Single/Bath	1	4,550	119	91	4,760	210
Renovated Single	1	4,550	163	92	4,805	255
Eastview Single/Bath	1	5,540	144	111	5,795	255
Eastview Large Single/Bath	1	5,945	156	119	6,220	275
RA Rate	1	2,050	64	41	2,155	105
Standard Double Suite	2	3,875	102	78	4,055	180
Standard Double Suite as Triple	3	3,280	81	66	3,427	147
Standard Single Suite, 1/bedroom	4	4,520	120	90	4,730	210
Double Suite	2	4,160	107	83	4,350	190
Single Suite	1	5,415	142	108	5,665	250
University Park, Nittany Apartment						
<i>Rate/Person/Semester*</i>						
2 Bedroom Garden	4	3,975	105	80	4,160	185
4 Bedroom Garden	4	4,460	116	89	4,665	205
4 Bedroom Townhouse	4	4,630	122	93	4,845	215
Erie, Behrend Apartment						
<i>Rate/Person/Semester*</i>						
2 Bedroom Garden	4	3,975	105	80	4,160	185
Harrisburg & Abington Apartment						
<i>Rate/Person/Semester*</i>						
Apartments-Bedroom Single	4	4,785	169	96	5,050	265
Apartments-Bedroom Double	6	4,210	146	84	4,440	230
Apartments-Bedroom Triple	9	3,790	134	76	4,000	210
Beaver, Greater Allegheny, Hazleton, & Mont Alto						
Standard Double	2	3,090	0	60	3,150	60
Standard Double Suite	2	3,650	0	75	3,725	75
Townhouse Double	2	3,255	0	65	3,320	65

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

2020/21 Rates approved by the Board of Trustees in September 2019

Room Description	2019/20 Rate	2020/21 Rate
University Park, Graduate Family Apartment		
<i>Rate/Month*</i>		
White Course 1 Bedroom	\$1,145	\$1,168
White Course 2 Bedroom	1,295	1,321
White Course 3 Bedroom	1,430	1,459
White Course 3 Bedroom w/2 Bath	1,445	1,474
University Park, Graduate Apartment		
<i>Rate/Person/Month*</i>		
White Course 4 Bedroom	\$920	\$938

**Apartment rate includes utilities*

**Proposed Board Plan
Rates/Semester**

Meal Plan	2019/20 Current Rate	2020/21 Proposed Rate	2020/21 Proposed Increase	2020/21 Dining Dollars
Plan 1	\$2,070	\$2,100	\$30	\$655
Plan 2	2,399	2,449	50	1,004
Plan 3	2,665	2,732	67	1,287

History of Double Room and Mid-Level Meal Plan Rates 2011 through 2021

Year	Semester Rate	Semester Increase	Percent Increase
2020/21	\$5,876	\$200	3.52%
2019/20	5,676	146	2.64%
2018/19	5,530	135	2.50%
2017/18	5,395	165	3.15%
2016/17	5,230	155	3.05%
2015/16	5,075	190	3.89%
2014/15	4,885	200	4.27%
2013/14	4,685	190	4.23%
2012/13	4,495	125	2.86%
2011/12	4,370	185	4.42%
2010/11	4,185	100	2.45%

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>
University Manor East				
1 Bedroom (with Washer/Dryer)	24	\$ 985	\$ 995	\$ 10
2 Bedroom (with Washer/Dryer)	208	\$ 1,172	\$ 1,190	\$ 18
3 Bedroom (with Washer/Dryer)	16	\$ 1,320	\$ 1,340	\$ 20
University Manor West				
4 Bedroom (furnished) *	31	\$ 2,352	\$ 2,420	\$ 68

* NOTE: Proposed monthly increase per bedroom is \$ 17.

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	\$ 1,100	\$ 995	\$ 105
2 Bedroom	\$ 1,251	\$ 1,190	\$ 61
3 Bedroom	\$ 1,437	\$ 1,340	\$ 97
4 Bedroom	\$ 3,120	\$ 2,420	\$ 700

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.

2020/2021

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 2020/21

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 quality living experiences 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 fifteen-year residential capital renewal plan which included renovations to the East and Pollock residence halls at University Park. Over the past eight years, three new residence halls have been constructed. Re-opening this fall will be Sproul and Geary halls, completing the renovations to 79% of the bed spaces in East Halls.

EXPENSES

Payroll and Related

The financial plan for 2020/21 provides for an increase of 2.50 percent for salaries at the recommendation of the University Budget Office. The fringe benefit rate is budgeted to increase by 4.33 percent.

Food Costs

Food costs for 2020/21 are estimated to increase 2.00 percent based on review of our key purchases and the outlook for those price changes. Cost containment initiatives have been undertaken, including inventory turnover and the reduction of food waste. Purchasing power is leveraged by combining food procurement with other Auxiliary and Business Services' units including The Nittany Lion Inn, The Penn Stater and the Bryce Jordan Center.

Utilities and Other Operating Expenses

The utility budget is estimated to increase by approximately one percent. As renovated buildings come online in East Halls, utility consumption will be monitored to determine benefit from energy saving construction.

Residence Life

The fee for services provided by the Office of Residence Life will increase by \$14, or 3.95 percent, to \$368 per student per semester to cover increases in operating costs, anticipated salary increases, and room and board changes for resident assistants at all campuses.

OVERHEAD EXPENSES

University Administrative Fee

Housing and Food Services pays for central administrative services as a percentage of gross revenue, exclusive of the capital assessment. This rate is expected to remain at 5.0 percent for 2020/21.

Deferred Maintenance and Facility Renewal

The budget provides \$27,288,000 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 eighth year of the residential capital renewal plan. The Board of Trustees approved the multi-year capital assessment which is applied to all room rates for a ten-year period. For 2020/21, the assessment will remain at 2.0 percent, and will generate an additional \$2,754,000 to support the capital plan.

Debt Service

Sproul and Geary residence halls will re-open for Fall 2020, increasing annual debt service by \$3,842,000 to \$51,260,000.

INCOME

The proposed rate increases will generate \$4,769,000 to maintain progress with our capital plan, support the University's initiatives on affordability, and maintain operations. The room and board rate for a student living in a standard double room, and choosing the mid-level meal plan, will increase in 2020/21 by 3.52 percent over the prior year.

Expense Increases for 2020/21

Proposed Budget Increase HFS Annual Room and Board Rate Planning

	2019/20 Approved Budget	2020/21 Proposed Budget	2020/21 Increase	2020/21 % Change
Revenue	\$252,786,000	\$257,555,000	\$4,769,000	1.89%
Food	28,483,000	29,050,000	567,000	1.99%
Payroll and Related	58,969,000	61,198,000	2,229,000	3.78%
Utilities	17,991,000	18,135,000	144,000	0.80%
Maintenance, Supplies, Services	26,236,000	26,573,000	337,000	1.28%
Residence Life Programming	13,562,000	13,997,000	435,000	3.21%
Subtotal	\$145,241,000	\$148,953,000	\$3,712,000	2.56%
Operating Margin	\$107,545,000	\$108,602,000	\$1,057,000	
University Administrative Fee	12,300,000	12,000,000	(300,000)	-2.44%
Deferred Maintenance & Capital	47,827,000	45,342,000	(2,485,000)	-5.20%
Debt Service	47,418,000	51,260,000	3,842,000	8.10%
Subtotal	\$107,545,000	\$108,602,000	\$1,057,000	0.98%
Net Margin	\$0	\$0	\$0	

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