

1. **Discussion of Consent Agenda Items Provided for Information or Approval of the Committee on Finance and Physical Plant:**

Information Items -

- 1) Naming of Rooms, Portions of Buildings and Plazas
- 2) Status of Major Construction Programs and Borrowing
- 3) Summary of New Funds
- 4) Summary of Major Commitments

Action Items -

- 5) Summary of Revisions to Existing Scholarships, Fellowships, Etc. (For the period February 26, 2007 through April 20, 2007)
- 6) Acknowledgments of Endowments and Other Major Commitments

(See Appendix I)

2. **Proposed Lease of Land with U.S. Government at University Park Airport, University Park**

In May 2005, the Board of Trustees approved a 6.36 acre land lease with the U.S. Government for a Pennsylvania Army National Guard Training facility at University Park Airport, Benner Township, Centre County, for a term to commence in 2005, terminating in 2040 and including three (3) consecutive five (5) year renewal options. The Board further approved extending the existing adjoining 22.62 acre land lease with the U.S. Government for the Pennsylvania Air National Guard Training facility to coincide with these terms. Both land leases reflect facilities being developed on the respective sites by the U.S. Government, a lease rate of \$1 over the life of each lease, including renewal options, and the University retaining ownership at lease termination.

Due to delays in the development and construction of the newest training facilities, the U.S. Government and the University have agreed to reestablish the base lease term of each to March 1, 2007 through February 28, 2042, including the provision for three (3) consecutive five (5) year renewal options.

Will the Committee on Finance and Physical Plant recommend to the Board of Trustees adoption of the following resolutions:

RESOLVED, That the Board of Trustees approves reestablishing the term of a 6.36 acre land lease with the U.S. Government, as well as the existing 22.62 acre land lease, to reflect a commencement of March 1, 2007 through February 28, 2042 and three (3) consecutive five (5) year renewal options, for Pennsylvania Air & Army National Guard training facilities at University Park Airport, Benner Township, Centre County.

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.

3. **Consideration of Proposed Interim Maintenance and Operating Budget for the University for the Fiscal Year Beginning July 1, 2007**

In order for the University to have an approved fiscal operating plan for the year beginning July 1, 2007, it is proposed that an interim budget be adopted.

Due to the pending status of the State appropriation, it is recommended that no action be taken at this time on changes in tuition, salaries and wages, employee benefits, or other necessary expense increases. A final budget will be submitted at the July 12-13, 2007 Board of Trustees meeting when the State appropriation is clarified.

Will the Committee on Finance and Physical Plant recommend to the Board of Trustees adoption of 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, 2007, total budget amounts at the level of the adjusted 2006-07 budget as follows:

	University Park and Other <u>Locations</u>^a	College of <u>Medicine</u>	Pennsylvania College of <u>Technology</u>	Total <u>University</u>
General Funds	\$1,375,144,000	\$79,801,000	\$91,567,000	\$1,546,512,000
Agricultural Federal Funds	18,362,000			18,362,000
Restricted Funds	465,005,000	67,000,000	26,858,000	558,863,000
Auxiliary Enterprises ^b	267,795,000	4,374,000	17,833,000	290,002,000
Total	\$2,126,306,000	\$151,175,000	\$136,258,000	\$2,413,739,000
Milton S. Hershey Medical Center				\$808,892,000
Total Funds				\$3,222,631,000

^aIncludes Dickinson School of Law.

^bIncludes increase in room and board charges as approved by the Board of Trustees, November 17, 2006.

4. Proposed Agreement with Centre Area Transportation Authority, University Park

In order to improve overall vehicular traffic flow on Curtin Road and continue public bus transportation services at the University Park campus, it is proposed that the University enter into an agreement with the Centre Area Transportation Authority (CATA) to construct a transit center and bus stop along Curtin Road.

The agreement stipulates that the University shall retain title to its real property, which is located on Curtin Road near Pattee Library; however, CATA, as a federal and state grantee, is required to assure satisfactory continuing control and appropriate use of the grant-funded assets. Therefore, it is proposed that the University agrees to grant CATA continued use of the property for the transit center and bus stop for a period of thirty (30) years, the estimated useful life of the facilities.

Will the Committee on Finance and Physical Plant recommend to the Board of Trustees adoption of the following resolutions:

RESOLVED, That the proposal whereby the University in an Agreement with the Centre Area Transportation Authority will grant continued use of the transit center and bus stop on Curtin Road at Pattee Library for a period of thirty (30) years is approved.

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.

(See Appendix II)

5. Report on Status of Commonwealth Appropriations Request**6. Proposed Resolution Updating the University's Endowment Spending and Investment Policies**

In November 1986, the Board of Trustees adopted a resolution which established broad guidelines and a policy for investment of endowed and non-endowed funds of the University. Subsequent revisions to this investment policy were approved by the Board of Trustees on March 18, 1995; July 12, 1996; September 8, 2000; November 22, 2002; and November 19, 2004.

At its September 8, 2000 meeting, the Board of Trustees approved the creation of the Penn State Investment Council to be comprised of the Senior Vice President for Finance and Business/Treasurer, as Chairman, Executive Director, Office of Investment Management, Corporate Controller, Vice President for Development and Alumni Relations, and five non-University members, each serving one year renewable terms. Over the past seven years, this nine-member Council has functioned well in administering the spending and investment policies for endowment and endowment like funds as adopted by the Board of Trustees. It is being proposed that restructuring the size of the Council membership from a fixed number of nine members to a membership range of seven to nine members would provide for some flexibility to appoint new members when there is an opportunity to do so. Additionally, assuming membership would be more than the minimum of seven, the immediate replacement of a member wishing not to continue would not be required. In order to implement this change, it is being proposed that the Corporate Controller and Vice President for Development and Alumni Relations, while being encouraged to attend Investment Council meetings, no longer be members of the Investment Council.

6. **Proposed Resolution Updating the University's Endowment Spending and Investment Policies** (Continued)

Will the Committee on Finance and Physical Plant recommend to the Board of Trustees adoption of the following resolution:

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; and November 19, 2004; 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 membership of the Penn State Investment Council, as stated in the University's Endowment Spending and Investment Policies for Endowment and General University Funds, paragraph (1), be amended as follows:

(1) That the Penn State Investment Council, comprised of the Senior Vice President for Finance and Business/Treasurer, as Chairman, Executive Director, Office of Investment Management, ~~Corporate Controller, Vice President for Development and Alumni Relations~~, and five **to seven** non-University members, each serving one-year 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 and Physical Plant of the Board of Trustees. In such administration, the Investment Council may delegate appropriate functions to properly designated University Officers and other University Personnel.

~~Abc~~ Indicates deletion.

Abc Indicates addition.

7. **Proposed Approval of Long-Term Borrowing for the University**

Will the Committee on Finance and Physical Plant recommend to the Board of Trustees adoption of the following resolutions:

WHEREAS, by resolutions adopted on November 19, 2004, the Board of Trustees authorized borrowing of up to Three Hundred Fifty Million (\$350,000,000) Dollars for capital projects approved by the University's Board of Trustees to award construction contracts prior to January 1, 2008 (the "2004 Resolution");

WHEREAS, approximately Two Hundred Million (\$200,000,000) Dollars of the funds authorized to be borrowed under the 2004 Resolution have been borrowed;

WHEREAS, it is in the financial interests of the University to extend the date for the Board of Trustees' approval to award construction contracts under the 2004 Resolution from January 1, 2008 to June 30, 2013;

7. Proposed Approval of Long-Term Borrowing for the University (Continued)

WHEREAS, the University and its affiliated organization, The Milton S. Hershey Medical Center (the "Medical Center") have studied their capital needs and plan to make capital expenditures for depreciable assets, or to reimburse their other funds for capital expenditures already made, in an amount approximately equal to Six Hundred Million (\$600,000,000) Dollars during the period until June 30, 2013;

WHEREAS, the University may be required to provide its guaranty of obligations issued by the Medical Center for the payment of costs of capital projects of the Medical Center;

WHEREAS, it is in the financial interests of the University and the Medical Center to pay for depreciable assets over a period which does not exceed the useful lives of such depreciable assets or such longer period as is permitted by Federal tax law;

WHEREAS, depending on the stage of development of the various capital projects, it may be in the financial interests of the University and the Medical Center to incur obligations for the payment of the cost of capital projects at one time or in part from time to time;

WHEREAS, the specific timing of University borrowing or guarantees by the University of indebtedness of the Medical Center in light of trends in the financial markets can make a significant difference to the University, the Medical Center and their constituents in the cost of borrowing for capital projects;

WHEREAS, the decisions as to price, timing, interest rates, terms, serialization and tax exempt or taxable status of such borrowing of the University and the form of any guarantees by the University of indebtedness of the Medical Center can be made by the officers of the University in a more flexible, timely and efficient fashion than would be the case if it were necessary to postpone a financing until the next scheduled meeting of the University's Board of Trustees;

WHEREAS, it may be advantageous to refund or otherwise refinance certain outstanding obligations of the University from time to time or, prior to, concurrently with or subsequent to the issuance of obligations of the University, to enter into agreements relating to bond insurance, letters of credit or other credit or liquidity facilities (collectively, "Credit Enhancement") or agreements relating to interest rate swaps or other forms of interest rate hedge or similar agreements associated with such obligations (collectively, "Hedge Agreements") and such decisions can be made by the officers of the University in a more flexible, timely and efficient fashion than would be the case if it were necessary to postpone such actions until the next scheduled meeting of the Board of Trustees;

WHEREAS, the University may from time to time issue its obligations directly or indirectly through other qualified governmental entities, and rate subsidies or other benefits may be available if the University's obligations are issued through certain Commonwealth of Pennsylvania public authorities and the proceeds of such obligations are loaned by the issuing public authorities to the University or to the Medical Center (with such loans to the Medical Center guaranteed by the University, if appropriate), and decisions regarding the form of such obligations and borrowing can be made by the officers of the University in a more flexible, timely and efficient

7. Proposed Approval of Long-Term Borrowing for the University (Continued)

fashion than would be the case if it were necessary to postpone such actions until the next scheduled meeting of the Board of Trustees.

NOW, THEREFORE, BE IT RESOLVED, that the authority to borrow the remaining funds not yet borrowed under the 2004 Resolution shall be extended to capital projects approved by the University's Board of Trustees to award construction contracts prior to June 30, 2013;

FURTHER RESOLVED, that the Board of Trustees of the University acknowledges that decisions regarding the form of University obligations and borrowing of the University and as to the other aspects of such obligations and borrowing described in the recitals to these resolutions may be most effectively made from time to time by officers of the University as hereafter described and that, for purposes of these resolutions, the term "officers of the University" shall mean the persons holding the positions of the President, the Senior Vice President for Finance and Business/Treasurer, the Vice President for Finance and Business, and the Corporate Controller, or any two of them, acting from time to time pursuant to the authority granted by these resolutions.

FURTHER RESOLVED, that officers of the University are authorized to cause the University to issue, in addition to the extended borrowing authority under the 2004 Resolution: 1. Bonds of The Pennsylvania State University and 2. Guarantees of indebtedness of The Milton S. Hershey Medical Center in an aggregate principal amount not to exceed Six Hundred Million (\$600,000,000) Dollars (collectively, the "Obligations") to be issued at any time or from time to time in one or more series, bearing such fixed or variable rate or rates of interest, having such other terms and provisions, including, without limitation, original issue discount or premium, and secured by such security, including, without limitation, trust indentures, mortgages, security agreements, pledges of revenue or of the general credit of the University, as the officers of the University shall deem to be necessary or appropriate to the University.

FURTHER RESOLVED, that the officers of the University are authorized to execute, in the name and on behalf of the University, such agreements, contracts, bonds, official statements, trust indentures, mortgages, deeds of trust, security and pledge agreements, guarantees, loan agreements, bond purchase agreements, interest rate management agreements, investment contracts and other agreements and documents of every nature and description which are necessary or appropriate to accomplish the foregoing or in connection with the issuance of the Obligations.

FURTHER RESOLVED, that the officers of the University are authorized to cause such Obligations to be issued directly by the University and also by and through public authorities of the Commonwealth of Pennsylvania, including, without limitation, The Pennsylvania Higher Educational Facilities Authority, or the Centre County Higher Education Authority, with the proceeds of such indebtedness of such public authorities being loaned to the University, or to the Medical Center, as the case may be.

7. Proposed Approval of Long-Term Borrowing for the University (Continued)

FURTHER RESOLVED, that the officers of the University are authorized to refund or otherwise refinance the Obligations and other outstanding indebtedness of the University from time to time and, prior to, concurrently with or subsequent to the issuance of indebtedness of the University, to execute any agreements (including any amendments or supplements thereto or thereof) which are required in connection with Credit Enhancement or Hedge Agreements, all on such terms and conditions as the officers of the University shall deem necessary or appropriate.

FURTHER RESOLVED, that this resolution is intended to be a reimbursement resolution within the meaning of Treasury Regulation Section 1.150-2 and, in implementation hereof, the officers of the University may approve specific capital expenditures to be reimbursed from the proceeds of obligations later to be issued, and the funds from which such capital expenditures shall be paid, as required by the said Regulation.

FURTHER RESOLVED, that the borrowing of the University or guarantees of indebtedness of the Medical Center under these resolutions shall be limited to capital projects approved by the University's Board of Trustees to award construction contracts prior to June 30, 2013.

FURTHER RESOLVED, that the officers of the University are hereby authorized and directed to execute and deliver such other agreements and documents and to take such other action as may be necessary or appropriate in order to effectuate the foregoing resolutions.

8. Review of Physical Plant at Penn State York

A brief review of the existing Physical Plant at Penn State York, site of the July 12-13, 2007, meetings of the Board of Trustees, will be presented.

9. Photo Report on Selected Construction Projects

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

10. Pending Legal Matters

An informational report will be presented on pending legal matters relating to policies normally considered by the Committee on Finance and Physical Plant.

5/18/2007

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The following agenda item was presented to the Trustees as a white sheet item at the meeting of the Committee on Finance and Physical Plant.

Proposed Naming of the Botanical Gardens in the Arboretum at Penn State

Will the Committee on Finance and Physical Plant recommend to the Board of Trustees adoption of the following resolutions:

RESOLVED, That the botanical gardens in the Arboretum at Penn State be named the "H.O. Smith Botanic Gardens" in recognition of Charles "Skip" Smith's generous philanthropic support.

RESOLVED, That within the H.O. Smith Botanic Gardens, the event lawn path is named the "Kathryn E. Smith Event Lawn Path," the demonstration garden path is named the "Joan M. Smith Demonstration Garden Path," and the water feature is named the "Margery E. Smith Water Feature."