

**Minutes of the Meeting of the
Executive Committee of the Trustees
of the University of Pennsylvania**

March 23, 2000

A meeting of the Executive Committee of the Trustees of the University of Pennsylvania was convened at 3:00 pm, on Thursday, March 23, 2000, in the Woodlands C Room at the Inn at Penn, 3600 Sansom Street. Trustees present were: Gilbert F. Casellas, Elsie Sterling Howard, Paul K. Kelly, William L. Mack (via proxy), John B. Neff (via proxy), Russell E. Palmer, James S. Riepe (chair), Judith S. Rodin (ex officio), Michael L. Tarnopol, and Lawrence A. Weinbach. Others present included: Robert L. Barchi, Peter C. Erichsen, Michael A. Fitts, John A. Fry, Kimberly Hoover, Michael Masch, Marguerite Miller, Rosemary McManus, Judith K. Rogers, and Peter G. Traber.

I. Call to Order—Mr. James Riepe

A. The minutes of the meeting of September 30, 1999 were approved as previously distributed. Note that Paul K. Kelly was present at the September 30, 1999 meeting, but his presence was erroneously excluded from the minutes.

II. President's Report—Dr. Judith Rodin

A. Comments

Dr. Rodin highlighted some of the recent achievements of Penn's student-athletes. The women's squash team finished the season undefeated and brought the first Howe Cup National Championship to Penn in the history of the women's program. Senior Katie Patrick won the Betty Richey Award for on-court poise and demeanor, skill level, team play, leadership and cooperation with players, coaches and officials. Ms. Patrick was just the second Penn player to receive this award since its inception in 1984. The men's basketball team, this year's Ivy League Champions, entered the NCAA Tournament on Friday, March 17. The Quakers were one of three teams in Division I to finish the 1999-2000 season undefeated in conference play. Unfortunately, the Quakers did not progress further in the tournament, having lost to Illinois by a small margin. However, their season-long, stellar performance is worthy of praise and admiration. This was Head Coach Fran Dunphy's fifth 20-win season at Penn and his fourth undefeated Ivy League season. The Quakers finished the 1999-2000 season with a 21-game Ivy win streak, dating back to February 15, 1999. In addition, Michael Jordan was named Ivy League Player of the Year; Michael Jordan and Matt Langel were unanimously named First Team All-Ivy League; Ugonna Onyekwe was named Ivy League Rookie of the Year; and Geoff Owens and Ugonna Onyekwe were named Second Team All-Ivy League. Also,

the men's wrestling team took the Ivy League title and senior Brett Matter helped propel the team to a ninth-place finish in the NCAA tournament, Penn's highest in 60 years. Brett Matter won the NCAA wrestling championship in the 157-pound weight class, becoming Penn's first NCAA champion since Richard DiBatista in 1942. Captains, senior Bandele Adeniyi-Bada and junior Rick Springman, earned All-American honors. Mr. Springman finished fifth at 174 pounds, and Mr. Adeniyi-Bada finished sixth in the heavyweight class.

Dr. Rodin then introduced Mr. Michael A. Fitts for recommendation for approval as Dean of the Law School. The University is pleased that the search led to this distinguished member of the Penn family. The Provost and President believe the Law School and the University as a whole will reap the benefits of his superb leadership. Michael A. Fitts, Robert G. Fuller, Jr. Professor of Law, has served as a member of the Penn faculty for almost 15 years. Mr. Fitts was born and raised in West Philadelphia. Mr. Fitts received a bachelor's degree from Harvard College in 1975, where he was the recipient of the Detur Prize and elected to Phi Beta Kappa. Mr. Fitts received a J.D. degree from Yale University Law School in 1979, where he was editor of the *Yale Law Journal*. Mr. Fitts served alongside trustee Gilbert Casellas as clerk to the late trustee Judge Leon Higginbotham, U.S. Judge of the Court of Appeals for the Third Circuit. From 1981 to 1985, Mr. Fitts was an attorney advisor in the Office of Legal Counsel at the U.S. Department of Justice, where he received a Special Commendation Award from the Attorney General of the United States for his work. A member of the Penn faculty since 1985, Mr. Fitts was appointed associate professor of law in 1990, professor of law in 1992 and Robert G. Fuller, Jr. Professor of Law in 1996. His teaching at the Law School has included an interdisciplinary approach to administrative law, election law, government institutions, legislation and regulated industries. Mr. Fitts has a superb vita and is the author of many distinguished articles. He has been a true institutional player to Penn in numerous capacities on a variety of university-wide committees.

The Provost and President were delighted to present the resolution on the appointment of Michael A. Fitts as Dean of the Law School at the University of Pennsylvania for approval by the Trustees.

Action.....1. Resolution on Appointment of Michael A. Fitts as Dean of the Law School was approved as follows:

RESOLVED, that Michael A. Fitts be appointed as Dean of the Law School, effective March 23, 2000.

Michael A. Fitts, Robert G. Fuller, Jr. Professor of Law, has served as a member of the Penn faculty for almost 15 years. Mr. Fitts, who was a visiting professor of political science at Swarthmore College during his sabbatical leave last year, was associate dean for academic affairs at the Law School from 1996 to 1998.

Mr. Fitts was born and raised in West Philadelphia. Mr. Fitts received a bachelor's degree from Harvard College in 1975, where he was the recipient of the Detur Prize and elected to Phi Beta Kappa. He was a Harvard National Scholar. Mr. Fitts received a J.D. degree from Yale University Law School in 1979, where he was editor of the *Yale Law Journal*.

Mr. Fitts was law clerk to the late Hon. A. Leon Higginbotham, Jr., U.S. Judge of the U.S. Court of Appeals for the Third Circuit, from 1979 to 1981. From 1981 to 1985, Mr. Fitts was an attorney advisor in the Office of Legal Counsel at the U.S. Department of Justice, where he received a Special Commendation Award from the Attorney General of the United States for his work.

A member of the Penn faculty since 1985, Mr. Fitts was appointed associate professor of law in 1990, professor of law in 1992 and Robert G. Fuller, Jr. Professor of Law in 1996. His teaching at the Law School has included an interdisciplinary approach to administrative law, election law, government institutions, legislation and regulated industries.

Mr. Fitts has written widely on political institutions, separation of powers, the Presidency and Congress, including "Back to the Future: The Supreme Court's Response to the Changing Goals and Functions of Modern Political Parties," which will be included in the forthcoming book, *The Supreme Court and the Electoral Process*.

Mr. Fitts has served Penn in numerous capacities on a variety of university-wide committees, such as the University's Committee on Academic Planning and Budgeting (1995-98). He has been active in organizing a number of interdisciplinary programs between the Law School and other schools within the University.

This resolution was approved by the Trustees.

Dr. Rodin then announced the appointment of Dr. Peter Traber as CEO of the University of Pennsylvania Health System. Dr. Traber served as interim CEO since February 17. In addition to his role as CEO, Dr. Traber will continue serving as interim Dean of the School of Medicine. As University rules require, a committee will be appointed in the future to undertake a nationwide search for a dean. In his month as interim CEO, he has shown the willingness and capacity to guide Penn's Health System in these complicated and difficult times. He is an exceptional researcher and clinician whose knowledge of UPHS is broad and deep. Penn's medical faculty and staff have great confidence in him. Dr. Traber is clearly an able leader who will direct the Health System to future success.

B. Academic Report—Dr. Barchi

1. Comments

Dr. Barchi seconded President Rodin's endorsement and expressed his own enthusiasm for Peter Traber as Penn's new CEO of the Health System and Interim Dean of the Medical School and for Michael Fitts as the new Dean of the Law School. The University has a very talented team of academic leaders assembled and they have our full confidence.

Dr. Barchi gave an update on the College House System. After its second full year, the College House system has good news to report on a number of fronts. The total number of RA applicants has increased this year, up to 200 applicants from 144 received last year at this time. The total number of GA applicants is also rising, up to 96 as of mid-March, as compared to 76 last year at this time. However, the numbers are not nearly as important as the meaning behind them—undergraduate and graduate students are increasingly committed to help create and lead our college house communities—and as we have discussed a number of times, an essential element of their success is the student investment in them. Students are also increasingly choosing to stay in College House communities; about 350 more people have applied to live in College Houses compared to this time last year.

The *Daily Pennsylvanian (DP)* has been running a series this week about our alcohol initiatives one year after the tragic death of Michael Tobin. The coverage has been balanced, and reminds us that while much has been accomplished, much remains to be done. We have known all along that social and cultural change of this magnitude takes time and energy and the commitment of all segments of our community. Dr. Barchi has been very gratified to see undergraduates, graduate students, faculty, staff and alumni step up to the plate and demonstrate a willingness to help create this change. The University is seeing some steady progress in certain areas and will continue to work towards creating the healthiest, safest campus environment it can.

Stephanie Ives, Alcohol Coordinator, will produce an assessments and measurements report after the end of the Spring semester, which will take a careful and candid look at the University's alcohol policy and its implementation after a full academic year. The report will detail areas where the University can both objectively and subjectively measure progress, as well as areas where it needs further refinement to improve the policy. The report will produce a set of recommendations as the University moves into the second year of implementation. Dr. Barchi looks forward to receiving Stephanie's report and sharing it with the University community.

The Provost mentioned a few recent, notable awards given to our faculty and students. Dennis E. Discher received a prestigious Presidential Early Career Award for Scientists and Engineers. Approximately 20 awards are made annually through the National Science Foundation in all scientific, medical, and engineering disciplines to junior faculty throughout the country. Dennis, who is a member of the Departments of

Mechanical Engineering and Applied Mechanics, Chemical Engineering, and Bioengineering as well as the Institute for Medicine and Engineering, the Pennsylvania Muscle Institute, and the LRSM, received this award for research focusing on the adhesion and mechanics of normal and dystrophic muscle cell membranes as a cellular engineering basis for gene therapy. Three Penn undergraduates were named to the USA Today's 2000 All USA College Academic Teams: Andrew March, a College Senior who was also recently named a Marshall Scholar, was named to the first team, one of only 20 students nation-wide; Sarah Zimble, a senior in the College, was selected for third-team honors; and Kristina Herbert, a College senior, received honorable mention. Duare Valenzuela was one of four students nationally who won the Howard Swearer Humanitarian Award given by Campus Compact. David S. Neil Van Leeuwen, a Senior Classics major with minors in Philosophy and German, was awarded the 2000-2001 Pearson Award for work in Classical Studies. Only one is given out to an American or Canadian senior. The award provides for a period of study at an English or Scottish university. Three members of the Iota Chapter of Phi Kappa Psi Fraternity received Solon E. Summerfield Scholarships given out by Phi Kappa Psi National. Jonathan Austrian and John Buchanan received \$1,000 each. Mike Silver, the current chair of the Undergraduate Assembly was selected as the Outstanding Solon E. Summerfield Scholar (first prize) and received \$3,000.

Finally, the Provost presented the resolution on Faculty Appointments, Leaves, and Promotions for approval by the Trustees.

*Action.....*2. A Resolution on Appointments, Leaves and Promotions, as presented in pages 2-24 in the meeting book, was approved by the Trustees.

C. Financial Report—Mr. John Fry

For the seven-month period which ended January 31, 2000, the University's (excluding the Health Services Component and independent operations) net assets (unrestricted, temporarily restricted and permanently restricted) decreased by \$40.7 million to a total of \$4.3 billion. This decrease can be attributed to a net loss on investments of \$157 million since June 30, 1999. This loss is comprised of realized gains of \$83 million and unrealized losses of \$240 million and represents an approximate 5.7 percent decline in the fair value of the University's investments over the first seven months of this fiscal year. This result was due almost entirely to under performance in domestic equities, a lack of technology stocks and the University's overall value orientation strategy. The Investment Board recently took action to invest one-third of the domestic equity portfolio in a broad market index in order to reduce the portfolio's deep value orientation and ensure that some portion of the portfolio achieve market returns. The Investment Board is currently considering to what extent this value bias should be maintained or modified based on our past performance and today's extraordinary market conditions. This loss was partially offset by other non-operating activities, primarily \$98.6 million in contributions to the endowment and various capital projects.

The University increased its plant assets, net of depreciation, by almost \$91 million since June 30, 1999. This is primarily the result of expenditures incurred for Perelman Quad, Sansom Commons, Quadrangle renovations, Huntsman Hall, Annenberg School, and the new chiller. Since June 30, 1999, there has been an increase in accounts receivable of approximately \$25 million, which is entirely attributable to student receivables. Historically, these receivables are higher at mid-year than at fiscal year end.

Through January 2000, operating revenue increased over 9 percent over the comparable period in Fiscal Year 1999. Overall, tuition and fees increased about 6.2 percent reflecting the tuition rate increase, a slight increase in the number of students enrolled and increases in other special program revenue. The University continues to see significant increases in operating revenue derived from contributions and sponsored programs. Sponsored program revenue increased over 11 percent over the comparable period in FY 1999 to approximately \$192 million. This increase reflects the continuing trend that the University has seen over the past several years in the number of new sponsored program awards received. The University also recorded an increase of 19.8 percent in operating contributions from FY 1999 to FY 2000. Overall, expenditures have increased 10.6 percent primarily due to increased sponsored program activities.

While we are still very much concerned about the School of Medicine's finances, we are not anticipating any other significant variances from planned budgeted performance for any of the other schools or resource centers under the budgeting principles of Responsibility Center Management.

For the seven-month period ended which January 31, 2000, the Health Services Component of the Health System had a loss from operations of \$16.4 million, including a non-recurring charge (severance) of \$11.2 million. The loss from operations before the non-recurring charge was \$12 million better than budget. This result was due in part to lower than anticipated patient volume offset by \$30 million of third party settlements for disproportionate share and risk contracts. After accounting for non-operating revenue and before the adjustment for fair value, the Health Services Component had an overall excess of revenue over expenses of \$6.7 million, which was \$6.6 million better than budget. Operating and capital cash decreased by \$99 million, primarily due to payments of accounts payable, continued difficulty with patient receivables, severance payments, and a reduction in the amount owed to the University. We continue to monitor very closely the Health System's remediation plans, cash flows and liquidity position.

D. Health System Report—Dr. Peter Traber

Dr. Traber stated that he was pleased to accept the appointment as CEO of the Health System and looked forward to the challenges. He announced that Dr. Robert Martin has returned to the position of COO of the Health System. Much effort and focus will be placed on the Health System's financial turnaround strategy in health services.

Dr. Traber was pleased to report that the Health System's development campaign raised \$564 million through February 29, 2000 toward its goal of \$600 million.

III. Committee Reports

A. Budget and Finance Committee—Mr. Lawrence Weinbach

Mr. Weinbach introduced the following resolutions for approval by the Trustees:

Action..... 1. A Resolution on Tuition, Fees, and Other Student Charges for Academic Year 2000-2001 (text distributed at the meeting as an addendum to the meeting book) was approved as follows:

The Administration proposes to establish the following tuition, fees and other student charges for Academic Year 2000-2001:

For undergraduates, tuition, fees, room and board will total \$32,996. This includes tuition of \$22,682, a general fee of \$2,026, a technology fee of \$462, an average room rate in the residence halls of \$4,754, and an average meal plan charge of \$3,072. For graduate students, tuition and fees will total \$26,300. This includes tuition of \$24,688 and a general fee of \$1,612. For professional schools, tuition will be determined administratively to reflect the budget requirements of the various schools. The general fee for professional school students will be \$1,272.

RESOLVED, that for Academic Year 2000-2001, total undergraduate charges will be \$32,996, including tuition of \$22,682, a general fee of \$2,026, a technology fee of \$462, an average room rate in the residence halls of \$4,754, and an average meal plan charge of \$3,072; tuition and fees for graduate students will total \$26,300, including tuition of \$24,688 and a general fee of \$1,612; professional school tuition will be determined administratively to reflect the budget requirements of the various schools and the general fee for professional school students will be \$1,272; and part-time tuition and fees rates will be determined administratively and will increase proportionately.

Action..... 2. Resolution on the Ratification of the TC Higher Education Services, Inc. First Amendment to Preliminary Servicing Agreement was approved as follows:

Penn and TC Higher Education Services, Inc. ("TCHES") have executed a Preliminary Servicing Agreement, effective February 18, 1998, (the "PSA Agreement") to maximize service while controlling costs in the management of

the University's facilities and real estate. The PSA Agreement contemplated that TCHES would provide management, consulting, brokerage, and related services to Penn during a one-year period, which was to be followed by a nine-year agreement for similar services. Penn and TCHES now desire to revise the scope of services contemplated by the PSA Agreement, amend the payment and calculation of compensation for such services, and make such other amendments to the PSA Agreement as are necessary or appropriate for the parties. In order to accomplish these goals, Penn and TCHES have executed a First Amendment to the PSA Agreement (the "PSA Amendment") pending ratification.

RESOLVED, that the negotiation, execution, and consummation of the PSA Amendment and all other actions taken by the Executive Vice President, the Vice President of Facilities or other appropriate officers prior to the date hereof concerning the revised transaction contemplated by the University, including, without limitation, all actions taken with respect the PSA Amendment be and the same hereby are approved and ratified and shall be deemed to have been taken with the full and proper authorization of the Trustees.

Action..... 3. Resolution on the Renovation of the Palestra Concourse was approved as follows:

The Division of Recreation and Intercollegiate Athletics wishes to proceed with the design, construction, and renovation of the Palestra Concourse. The project will provide new floor finishes, wall and ceiling painting, and lighting upgrades. The project will also provide exhibits including restoration of existing casework and installation of new casework to provide a museum-type Palestra Hall of Fame effect in the concourse areas. The concourse areas are comprised of 12,670 square feet of space. The project is estimated to cost \$1.8 million and is to be funded entirely through gifts.

RESOLVED, that the renovation, design and construction of the Palestra Concourse, estimated to cost \$1.8 million, be and the same hereby approved and that the Executive Vice President or other appropriate officers of the University be and they hereby are authorized to take such actions, execute such contracts and incur such expenses and obligations—not, however, in excess of 110 percent of the estimated cost as presented to the Budget and Finance Committee—as may, in their judgement, be necessary or desirable to accomplish the purposes of this resolution.

Action..... 4. Resolution on the Relocation of the Penn Children’s Center to 3100 Chestnut Street was approved as follows:

The University intends to relocate the Penn Children’s Center from its present site at 42nd and Spruce Streets to 3100 Chestnut Street (former GE building). This relocation is necessitated by the construction of the new University-assisted public school to be built on the current site of the Penn Children’s Center, as well as the continuing demand for quality child care in the community. The center will be approximately 10,000 square feet and accommodate 106 children. The project is estimated to cost \$2.0 million and it is to be funded by an Internal Capital Project Loan to be repaid by Business Services. Additional information on this project is provided in the attached document, “Penn Children’s Center Relocation and Expansion Program.”

RESOLVED, that the Penn Children’s Center project, estimated to cost approximately \$2.0 million, be and the same hereby is approved and that the Executive Vice President or other appropriate officers of the University be and are hereby authorized to take such actions, execute such contracts and incur such expenses and obligations—not, however in excess of 110 percent of this estimated cost as presented to the Budget and Finance Committee—as may their judgement be necessary or desirable to accomplish of this resolution.

Action..... 5. Resolution Authorizing Certain Loans Secured Only by Mortgages Encumbering University Owned Properties was approved as follows:

In 1980, the Trustees adopted a resolution that delegated to the Budget and Finance Committee the authority to approve and effect certain financial transactions in the amount of \$250,000 or less without further Trustee approval. Subsequently, the Trustees authorized the Administration directly to effect certain financial transactions involving \$250,000 or less without Trustee approval. In 1995, the Trustees expanded such delegated authority to cover transactions in an amount up to (but not including) \$1,000,000, except that the Trustees reserved to the full Board the authority over all dispositions of real estate. The following year, recognizing the need to act expeditiously in the acquisition of real estate in West Philadelphia to complement the University’s land use plan, the Trustees created a body known as the Real Estate Acquisition Group and authorized it to approve certain acquisitions of real estate up to and including a purchase price of \$15,000,000 per parcel. On February 25, 1999, the Trustees authorized the acquisition and disposition by the University of real properties in which the proposed sale price is \$1,000,000 or less. To further permit the University to handle certain real estate transactions expeditiously, the Administration recommends that the Trustees now adopt resolutions authorizing in general certain loans and guarantees of loans subject to University officer approval

provided these are secured only by mortgages on real property and are not general recourse obligations of the University.

RESOLVED, that the Trustees hereby authorize the University to borrow money and/or to guarantee loans of up to \$5,000,000 per transaction with a limit of \$15,000,000 in aggregate outstanding principal balance so long as such loans and/or guarantees are secured only by a mortgage or mortgages on the University's real property (including improvements) and are not general recourse obligations of the University (such transactions are hereinafter referred to as "Mortgage Loans") and provided that each Mortgage Loan is approved in writing by the Executive Vice President and either the Treasurer or the Vice President for Finance. Mortgage Loan transactions approved by the Trustees by a separate specific resolution, either prior to or subsequent to the date of this Resolution, shall not operate to reduce the scope of the general authority granted to the University under this Resolution.

FURTHER RESOLVED, the approval by such officers and the compliance of such Mortgage Loan with the aggregate limits established under this Resolution shall be conclusively evidenced by the signature of two of such officers on the mortgage for the real property securing such Mortgage Loan or by a certificate signed by either the Secretary of the University or by two of such officers stating that such approval has been obtained and that such Mortgage Loan does not exceed the aggregate limits established by this Resolution;

FURTHER RESOLVED, that any of the above named officers of the University are hereby authorized to execute and deliver such contracts, agreements, promissory notes, guarantees, mortgages, deeds, certificates, and other documents as may be necessary or desirable to enter into or conclude any Mortgage Loan authorized in the appropriate manner as set forth above or to carry out the purpose and intent of the foregoing resolutions;

FURTHER RESOLVED, that all actions heretofore taken by such officers in furtherance of the purposes of the resolution are hereby ratified and affirmed.

All of the resolutions were approved by the Trustees.

IV. Overseers and Other Boards

Mr. Riepe presented the following resolution for approval by the Trustees.

Action..... A. Resolution on Reappointment of Phyllis Shearer Jones to the Board of Overseers of the University Museum of Archaeology and Anthropology was approved as follows:

RESOLVED, that Ms. Phyllis Shearer Jones be reappointed to the Board of Overseers of the University of Pennsylvania Museum of Archaeology and Anthropology for a three-year term, effective March 23, 2000.

Ms. Phyllis Shearer Jones received a Bachelor of Science in Economics from the Wharton School and a Bachelor of Arts in Mathematics from the College in 1976. She also holds a Masters in Business Administration from Harvard University. Ms. Jones began her career with IBM in 1976 as a Marketing Representative in the Philadelphia area and then moved to Atlanta, GA, where she held various management and staff positions in Marketing, Business Planning, Market Analysis, and Strategy and Planning. In 1990, Ms. Jones became Program Manager for Public Sector Industry Marketing in Bethesda, MD and, in 1991, became the Program Director for Public Affairs/Trade & Investment at IBM's corporate headquarters in Washington, DC. She left IBM in 1995 to assume a position with the Office of the United States Trade Representative. In 1997, she began her own international marketing firm, Elan International, based in Wheaton, MD.

The resolution was approved by the Trustees.

There being no further business to come before the board, Mr. Riepe adjourned the meeting at 3:20 pm.

Respectfully submitted,

Rosemary McManus
Secretary of the University