

**Minutes of the Meeting of the Executive Committee of the
Trustees of the University of Pennsylvania
September 26, 2002**

A meeting of the Executive Committee of the Trustees of the University of Pennsylvania was convened at 2:00 p.m. on Thursday, September 26, 2002, in the Woodlands C&D Ballrooms, Inn at Penn, 3600 Sansom Street.

Trustees present were: Madlyn Abramson, Susan Catherwood, L. John Clark, David Cohen, Paul Kelly, Natalie Koether, William Mack, James Riepe (chair), and Judith Rodin (ex officio). Others present were: Robert Barchi, Craig Carnaroli, Glen Gaulton, Leslie Laird Kruhly, Susan Phillips, Pedro Ramos, Madlen Read, Molly Roth, Arthur Rubenstein, Rachel Velcoff, Wendy White, and Rick Whitfield.

Agenda

I. Call to Order – Mr. James Riepe

The minutes of the meeting of May 9, 2002, were approved as previously distributed.

II. President's Report – Dr. Judith Rodin

A. University Report

Dr. Rodin commented on the sense of enthusiasm and optimism in the air as Penn entered the new school year. She reported that convocation had been held on September 4th and that US Marine Major General Clifford Stanley had been named the new Executive Vice President and would assume that role in mid-October. She also expressed her pleasure at the recognition of Penn's excellence in the latest *US News & World Report* rankings.

Dr. Rodin acknowledged the exceptional support of the Annenberg Foundation, which recently announced a one-hundred-million-dollar gift to the Annenberg School.

Dr. Rodin discussed the involvement of the University with the Sadie Tanner Mossell Alexander University of Pennsylvania Partnership School, fondly called the "Sadie" School. She also reported on University plans to

expand involvement with three additional public elementary schools in West Philadelphia: the Lea School, the Bryant School, and the Wilson School. She noted that the Bridge Cinema would have its Grand Opening in November and that the 40th Street corridor continued to develop.

Dr. Rodin also discussed the opening of the Pottruck Fitness Center and the Carriage House re-opening as the University Center for Lesbian, Gay, Bisexual, and Transgender Students. She noted that Vice President Richard Cheney would speak at the dedication of the Wharton School's Huntsman Hall in October.

Finally, Dr. Rodin celebrated the 150th anniversary of the School of Engineering and Applied Sciences.

B. Academic Report – Dr. Robert Barchi

Dr. Barchi reported that Penn was one of three schools that took top honors for their community service education programs in the latest *US News & World Report* rankings.

He reported on the expansion of the Graduate School of Education's Executive Doctorate Program. He noted that Professor Robert Boruch of the Graduate School of Education, in collaboration with others, was awarded a major grant from the Department of Education to establish a "What Works Clearinghouse." The purpose of the "Clearinghouse" would be to evaluate the efficacy of various programs and strategies to enhance educational achievement.

Dr. Barchi reported that the School of Nursing had matriculated 70 BSN students and 87 non-traditional students, a class with record academic credentials. The School of Nursing had been a major source of information for the media on the countrywide nursing shortage and had been quoted in articles for the *New York Times*, *USA Today*, *US News & World Report*, and the *Philadelphia Inquirer*.

Next Dr. Barchi reported on issues from the Provost's Office. This year as part of the Middle States accreditation process, most of the attention would be focused on Graduate Education. A self-study would be undertaken to examine issues and recommendations raised in the Strategic Plan. Walter Licht, Professor of History and Associate Dean of SAS, would chair the Executive Committee formed.

Dr. Barchi commented that the College Houses were operating at full capacity, with a waiting list for housing for the fourth consecutive year. Interior and exterior renovations to the Quadrangle were almost completed. Renovations had begun on the first of the high rises, Hamilton College House. There were nine new residential programs in the College houses this year. All were well received.

The following resolution was presented and approved (full resolution text is appended).

Action 1. Resolution on Faculty Appointments, Leaves, and Promotions

C. Financial Report – Mr. Craig Carnaroli

Mr. Carnaroli reported that during fiscal year 2002 the University academic component achieved positive financial performance despite the volatility in both the economy and financial markets following 9/11. Total revenues grew approximately 7.1%, predominately due to growth in sponsored programs accounting for over 70% of the growth.

The expenses grew at a slightly faster rate of 9%, fueled principally by growth of salaries and wages and employee benefit costs. The growth in employee benefit costs is predominantly due to the growth in medical inflation. Some of the redesign planned for implementation in FY03 should help to moderate this growth going forward.

The University achieved overall net asset growth or equity growth of approximately 90 million dollars fueled partly by growth in operations and partly by growth in our non-operating activity, particularly contributions and investment income. The most notable point of the balance sheet is that the endowment did not falter, and the overall liquidity was stable and slightly increased. The overall investment in Property, Plant and Equipment was more than 200 million dollars, predominantly for Huntsman Hall, the Pottruck Fitness Center, and the Quadrangle renovations. During FY02, the rating services revised the University's outlook from negative to stable.

The health services component achieved an income from operations of 25 million dollars. The financial management of the health system characterizes FY02 as a year of continued improvement, the second year in a row to yield income from operations. Operating cash flow improved by

70 million dollars and days of accounts receivable fell to 75 days. This represents more than a 40% improvement over the 1999 figure of 132 days. The liquidity in the health system improved modestly to 87 days.

D. Penn Medicine Report – Dr. Arthur Rubenstein

Dr. Rubenstein reported that the Medical School had 148 new students, one quarter of which are from Pennsylvania. Penn's dedicated efforts towards diversity were reflected in the 16.8% of the class comprised of underrepresented minorities. Women total 51% of the class. Maintaining this level of diversity is a focus of the strategic planning effort.

He noted that the financial performance was positive with a net operating revenue for fiscal year 2002 of \$27.3 million.

He concluded by reporting on the success of the research programs and the development of new research partnership models that will enable them to partner more effectively with industry.

III. Trustee Committee Reports

Dr. Rodin introduced and welcomed Molly Roth, recently appointed Director of Trustees Affairs, to the administration's leadership team.

Mr. Riepe reported that the state had amended the requirements for exemption from sales tax. A provision is now required that no individual inurement may result from the sale or dissolution of the institution. The Trustees will have to amend the statutes to include the required language prohibiting private inurement to assure Penn's continued sale-and use-tax exemption from the Commonwealth of Pennsylvania. The resolution to amend the statutes would be presented to the full board on November 1, 2002.

A. Investment Board – Mr. Craig Carnaroli

In the absence of Chair Howard Marks, Mr. Carnaroli reported that the Investment Board met in New York on September 12th to review the FY02 results. The AIF finished the fiscal year up .1%, outperforming its composite benchmark by 680 basis points. Over the same period, the Wilshire 5000 lost 16.6%, and NASDAQ lost 32%. What accounted for most of this gain, he reported was Penn's performance in diversified assets, essentially hedge funds and

investment-grade bonds. The endowment performance in FY02 should place us in the top quartile of endowments over \$1 billion.

Mr. Carnaroli stated that the first two months of this fiscal year have been difficult, largely due to the volatility of the markets. Since the beginning of FY03 Penn's endowment was down 3.1% relative to a benchmark down 3.7%.

B. Budget & Finance Committee – Mr. John Clark

Mr. Clark reported that the Budget and Finance Committee had met earlier in the day to review the preliminary pre-audit University financial report for FY02 and University of Pennsylvania health system health services component for the same period. Also reviewed was the performance of the University's investments. The committee heard a presentation on FY03 University information technology initiatives. Mr. Clark concluded his report by stating that the committee had no resolutions to present for approval at this meeting.

IV. Appointments to Overseer and Other Boards – Mr. James Riepe

The following resolutions were presented and approved (full resolution texts are appended).

- Action 1.* Resolution on Appointment of Madlyn K. Abramson to the Penn Medicine Executive Committee.
- Action 2.* Resolution on Appointment of Jerome H. Grossman, M.D., to the Penn Medicine Board.
- Action 3.* Resolution on Appointment of Jeffrey Leiden, M.D., Ph.D., to the Penn Medicine Board.
- Action 4.* Resolution on Appointment of Rosemary Mazanet, M.D., Ph.D., to the Penn Medicine Board.
- Action 5.* Resolution on Appointment of Eve Lloyd Thompson to the Board of Overseers of the School of Veterinary Medicine.

- Action 6.* Resolution on Reappointment of Lawrence J. Schoenberg as Chair of the Board of Overseers of the University Libraries.
- Action 7.* Resolution on Reappointment of Richard A. Collier, Esq., as Chair of the Board of Overseers of the School of Dental Medicine.
- Action 8.* Resolution on Reappointment of John C. Hover II as Chair of the Board of Overseers of the University of Pennsylvania Museum of Archaeology and Anthropology.
- Action 9.* Resolution on Reappointment of the Honorable Marjorie O. Rendell as Chair of the Board of Overseers of the School of Nursing.
- Action 10.* Resolution on Reappointment of Jon M. Huntsman, Sr., as Chair of the Board of Overseers of the Wharton School.

V. Adjournment

There being no further business before the Executive Committee, Mr. Riepe adjourned the meeting at 2:30 PM

Submitted by,

Leslie Laird Kruhly
Secretary