A Meeting of the Executive Committee of the Trustees of the University of Pennsylvania was convened on Thursday, May 15, 2003 at 3:15 p.m., in the Golkin Room, Houston Hall.

Trustees present were: Madlyn Abramson, Christopher Browne, Gilbert Casellas, Susan Catherwood, L. John Clark, David Cohen, Paul Kelly, Natalie Koether, William Mack, James Riepe, Judith Rodin, Leonard Shapiro, and Michael Tarnopol. Others present were: Robert Barchi, Craig Carnaroli, Carolyn Dube, Bonnie Gibson, Leslie Kruhly, Marguerite Miller, Ralph Muller, Susan Phillips, Molly Roth, Arthur Rubenchel, and Clifford Stanley.

The complete texts of all resolutions passed in the course of the meeting are appended to this document and are to be considered part of the official record of this meeting.

I. Call to Order-Mr. James Riepe

Mr. Riepe welcomed all to the meeting and expressed his hope that those present would be able to participate in some of the Alumni Weekend and Commencement activities.

A. The minutes of the meeting of March 20, 2003, were approved as previously distributed.

Mr. Riepe advised the members of the Executive Committee of the upcoming resolution to amend the statutes requiring trustee authorization for the merger and closing of departments, divisions, and similar entities within schools. Next he introduced the resolution to establish procedures for proxy voting, which was approved (full resolution text is appended).

Action 1. Resolution for Establishing Procedures for Proxy Voting

II. President's Report-Dr. Judith Rodin

Dr. Rodin introduced and welcomed Ralph Muller, the new CEO of Penn Medicine. She also announced that Michael Delli Carpini would become the new Dean of the Annenberg School and Les Hudson would be appointed Vice Provost for Strategic Initiatives.

Dr. Rodin proudly announced that Penn was the recipient of the inaugural William T. Grant Foundation Award for Youth Development. The award was given for Penn's university-assisted community school programs. Penn was selected from a pool of 300 nominees.

B. Academic Report-Dr. Robert Barchi

Dr. Barchi described the accomplishments of Les Hudson, the new Vice Provost for Strategic Initiatives. Dr. Hudson will be in charge of formulating plans for the University in areas including technology transfer, corporate relations, and regional economic development.
Dr. Barchi commented on the success of the first annual Arts Day, put together by Deputy Provost Peter Conn and the Provost's Council on the Arts. The all-day event brought together overseers and representatives of the various arts centers on campus, and allowed them to share insights and experience the breadth of arts activity at Penn. He stated that he hoped this event would continue in the years to come.

In closing Dr. Barchi cited students and faculty of Wharton and SAS who had recently received recognition of their achievements.

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

Action 1. Resolution on Faculty Appointments, Leaves and Promotions

A trustee mentioned Penn's inclusion on USA Today's All-American Team. A discussion of admissions and yield for the next year ensued.

C. Financial Report-Major General Clifford Stanley

Maj. Gen. Stanley presented a brief review of the financial results for the nine months ended March 31, 2003. He reported that consolidated university total net assets decreased $156.9 million or 3.0% to $5 billion, principally due to a net loss on investments both realized and unrealized. Net assets from operations increased $1.8 million compared to a decrease of $4.3 million for the prior nine-month period. Total operating revenue increased by $178.7 million or 7.3% to $2.623 billion. Total expenses increased by $172.7 million or 7.1% to $2,621 billion.

Maj. Gen. Stanley reported that, for the academic component, total net assets decreased by $133.7 million or 2.9% to $4.537 billion, principally due to a net loss on investments both realized and unrealized. Net assets from operations increased to $6.4 million compared to a $13 million decrease for FY 2002. Total revenue and other support increased 8.9% over the same period in FY 2002 to a total of $1.261 billion, principally due to increases in tuition, fees, and sponsored program activities. Total expenses increased 7.1% to a total of $1.255 billion. Contributions, both operating and non-operating, posted increases of $3.8 million and $27.8 million, respectively, an overall increase of $31.7 million or 23.3%.

Maj. Gen. Stanley concluded by reporting on the health services component. At the four owned hospitals, overall utilization remained strong with adult in-patient admissions increasing 3.8%. Overall outpatient activity, including outpatient visits, ambulatory surgeries, and ER visits increased as well. Year-to-date excess of revenue over expenses from operations totaled $3.1 million and was lower than the prior fiscal year by $8.2 million, principally due to unfavorable third-party settlements of $13.5 million. Year-to-date excess of revenue over expenses totaled $22 million and was lower than the prior year by $27.1 million. This decline was driven by both the unfavorable third-party settlements and the receipt of a large unrestricted bequest in FY 2002, which did not reoccur in the current fiscal year. Overall unrestricted liquidity declined slightly as days-cash-on-hand declined from 86.6 to 75.3 days. Days-in-accounts-receivable remained consistent at 76.5 days.
D. Penn Medicine Report-Dr. Arthur Rubenstein

Dr. Rubenstein reported on the incoming Medical School class. This class will have more women than men and 20% of the class will be under-represented minorities. He commented that the admissions challenge was becoming more difficult as the general excellence of the pool increased. He also reported that Penn Medicine had maintained its position as second in NIH funding for FY 2002 with grants of $347 million.

A trustee enquired about the attrition rate. Dr. Rubenstein answered that it was less than 1%.

III. Committee Reports

A. Audit and Compliance-Mr. Paul Kelly

Mr. Kelly reported that the Audit and Compliance Committee had met that morning with members of the university and the health system to review their financial statements for the nine-month period ending March 31, 2003. The office of Audit and Compliance gave a report regarding their year-to-date activities and their oversight of the University's financial control systems. Action was taken to amend the committee's charter and endorse new management operating policies that comply with the Sarbanes-Oxley Act of 2002.

B. Budget and Finance-Mr. L. John Clark

Mr. Clark reported that the Budget and Finance Committee had met that morning. Unaudited financial reports for the university and the health system were reviewed, as well as actual-versus-budget performance for the nine months ending March 31, 2003. The School of Engineering and Applied Sciences gave a presentation on its financing, outlook, and challenges. The presentation was followed by a lively discussion.

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

1. Resolution to Authorize Campus Dining Improvements in the Amount of $4.49 Million (p. 31)
2. Resolution to Authorize the Design and Construction of Parking Garage 7 Structural Repairs in the Amount of $2.0 Million (p. 32)
3. Resolution to Authorize the Design and Construction of the 3401 Walnut Street, 3rd Floor "C" Wing Psychology Renovations in the Amount of $1.175 Million (p. 33)
4. Resolution Authorizing the Renewal of the University's Guarantee of a $1.6 Million Loan to Caring Center, Inc., by Citizens Bank of Pennsylvania (p. 34)
Action 5. Resolution to Authorize the Leasing of Space at 3615 Civic Center Boulevard (Abramson Medical Research Building) from Children's Hospital of Philadelphia with a Present Value of $2.6 Million

The meeting was adjourned at 3:35 p.m.

Respectfully submitted,

Leslie Kruhly