Minutes of the Stated Meeting of the Trustees
of the University of Pennsylvania
June 20, 2003

A Stated Meeting of the Trustees of the University of Pennsylvania was convened on Friday, June 20, 2003, at 11:45 AM in Woodlands AB at the Inn at Penn.


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.

Mr. Riepe called the meeting to order and expressed his delight that so many trustees were in attendance. Rabbi Howard Alpert gave the invocation. The minutes of February 20, 2003, were approved as distributed.

Chair’s Report

Mr. Riepe commented on the presentations previously given by Dr. Rodin and Dr. Barchi on the University and Penn Medicine’s strategic plans. He applauded all who have contributed to the effort.

Mr. Riepe also regretfully acknowledged that the Honorable Marjorie O. Rendell was stepping down from the Board of Trustees due to other obligations. He expressed how much she was going to be missed. Judge Rendell thanked Mr. Riepe and the board for their applause.

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

- Resolution to Amend the Statutes of the Trustees of the University of Pennsylvania
Vice Chair's Report

Mr. Riepe reminded the board that there were several annual resolutions to consider at this meeting. He turned the floor over to Mrs. Koether.

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

- Resolution to Reelect James S. Riepe as Chair of the Board of Trustees (page 2)

Mr. Riepe thanked Mrs. Koether and said what an honor and privilege it was to serve the university.

Nominating Committee

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

- Resolution to Reelect Jon M. Huntsman, Sr., Natalie I. Koether, Esq., and Michael L. Tarnopol as Vice Chairs of the Board of Trustees (page 3)

- Resolution to Elect the Executive Committee (page 4)

Mr. Riepe singled out Susan Catherwood for great thanks and appreciation for her almost twenty “heroic” years of service on the Executive Committee. He also welcomed James Kim to the Executive Committee and welcomed Andrea Mitchell on her return to the committee.

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

- Resolution to Appoint the Investment Board (page 5)

- Resolution to Elect Leonard A. Shapiro, Esq., as a Term Trustee (page 6)

- Resolution to Elect Andrew R. Heyer as a Term Trustee (page 7)

President’s Report

Dr. Rodin reported that Arts Day, held on May 8, 2003, had been very successful. Arts Day was an effort to foster closer collaboration amongst the boards of overseers of the university’s arts and cultural institutions. Overseers attended planning sessions and toured several of the university’s art galleries.

Dr. Rodin noted that the university-assisted community school program, developed by the Center for Community Partnerships, won the first Youth Development Award from the William T. Grant Foundation. She said how pleased she was that the work in the
West Philadelphia community was receiving national recognition.

Dr. Rodin reported that the Knowledge Industry Partnership, an effort to attract the brightest students to Philadelphia and ensure that more of them choose to build lives and careers in the city after they graduate, had been launched. She also noted the launch of the Center for Urban Redevelopment Excellence at Penn, a partnership between Penn, the Knight Foundation, and the urban development industry that utilizes professionals from the private sector to revitalize and transform distressed urban communities.

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

- Resolution to Appoint Richard J. Gelles as Dean of the School of Social Work (page 8)
- Resolution to Appoint Marjorie K. Jeffcoat as Dean of the School of Dental Medicine (page 9)
- Resolution to Appoint Michael X. Delli Carpini as Dean of the Annenberg School for Communication (page 10)
- Resolution to Appoint Omar H. Blaik as Senior Vice President for Facilities and Real Estate Services (page 11)
- Resolution to Appoint Craig R. Carnaroli as Senior Vice President for Finance and Treasurer (page 12)
- Resolution to Appoint Wendy S. White, Esq., as Senior Vice President and General Counsel of the University of Pennsylvania and the University of Pennsylvania Health System (page 13)

**Academic Report**

Dr. Barchi reported on the significant success the Law School has had in the last three years in faculty recruitment, with scholars concentrated in areas identified by the strategic plan: law and technology, corporate law, law and medicine, and international. He also noted that the Law School had been ranked third in the country for student satisfaction by *American Lawyer*, and seventh in the nation by *US News & World Report*. Dr. Barchi commented that a new merit scholarship program funded by Paul Levy has contributed greatly to the successful recruitment of top students focused on interdisciplinary studies.

Dr. Barchi noted that the Graduate School of Education is also having great success in recruiting top students. The high level of selectivity and caliber of applicants applying is reflected in the acceptance rate for PhD students, which has dropped from 36% in 1999 to 12% this year. He reported that GSE’s partnership with three low-performing neighborhood schools to improve literacy was yielding results. He reported also on GSE’s participation in the development of the country’s first municipal database for
children, which will allow researchers to examine issues in early childhood development including school readiness, foster care, and the effectiveness of special education and behavioral health services.

Dr. Barchi concluded his report by acknowledging recent recognition received by the faculty of the Nursing School.

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

- Resolution on Appointments, Leaves and Promotions (pages 14-39)

**Financial Report**

General Stanley reported on the financial results for the consolidated university for the ten-month period ending April 2003. The consolidated University total net assets, including unrestricted, temporarily restricted and permanently restricted assets, decreased slightly by $0.6 million to $5.2 million. Net assets from operations increased $11.5 million compared to an increase of $13.6 million for the prior ten-month period. Total operating revenue increased by $206.0 million, or 7.5%, to $2.936 billion. Total expenses increased by $208.0 million, or 7.7%, to $2.925 billion.

General Stanley reported that, for the academic component of the university, total net assets were stable at $4.667 billion, following the improved performance of the endowment in April. Net assets from operations increased by $0.7 million compared to the $2.6 million decrease for FY02. Total revenue and other support increased 8.9% over FY02 to a total of $1.412 billion, principally due to increases in tuition, fees and sponsored program activities. Total expenses increased 8.3% over FY02 to a total of $1.406 billion. Contributions, both operating and non-operating posted increases of $9.3 million and $97.5 million, respectively, an overall increase of $2.5 million or 28% over the ten-month period ended April 30, 2003.

General Stanley concluded by reporting on the Health Service component. Overall utilization of the four owned hospitals remained strong with adult inpatient admissions increasing 3.4% for the ten-months ended April 30, 2003 and overall outpatient activity, including outpatient visits, ambulatory surgeries and ER visits, increasing as well. Year-to-date excess of revenues over expenses from operations totaled $15.7 million and was lower than the prior fiscal year by $22.6 million, due principally to unfavorable third party settlements of $6.8 million. Year-to-date excess of revenue over expenses totaled $37.3 million and was unfavorable to the prior year by $22.6 million. This variance was driven by both the unfavorable third-party settlements, and the receipt of a large bequest in FY02, which did not reoccur in the current fiscal year. Overall unrestricted liquidity declined slightly from the period ended June 3, 2002, as days-cash-on-hand declined from 86.6 to 75.8 days. Days-in-accounts-receivable remained stable at 77.9 days.

**Penn Medicine Report**
Dr. Rubenstein began his report by thanking the trustees for their support of Penn Medicine’s strategic plan. He reported that a recent $10 million gift from GlaxoSmithKline had launched two major research project initiatives in cardio-vascular medicine and cancer.

Dr. Rubenstein next reported on the incoming class. The medical school had a 10% increase in applications. The class had 148 students, over half of whom were women. It was also a more diverse class than in previous years with 20% of the class being under-represented minorities.

Dr. Rubenstein ended his report by sharing the story of a recent heart transplant recipient who returned to HUP to safely deliver a healthy baby boy.

Admissions Report

Dean Stetson reported that the University had its second all-time high this year in the number of applicants: 18,829. The number of students who were admitted was 2440, representing a 64% yield on offers. This yield puts Penn in the top six universities in the country, a significant increase from several years ago when Penn was only in the upper forties. The early-decision group makes ups 46% of the class. He noted that once again Penn had the highest level of international admissions in the Ivy League, 10% of the incoming class. This year women represented 51% of the class. There was a 7% increase in students of color. The average class ranking of the students accepted to Penn was in the 98th percentile. Dean Stetson concluded by commenting on the great energy and enthusiasm of the incoming class.

Committee Reports

Alumni Report

Mr. Shapiro began his last report as President of the University of Pennsylvania Alumni Society by thanking Bob Alig and the rest of the Alumni Office staff for all their support and hard work. He noted that Paul Williams would be succeeding him as president and wished him wonderful success in the new position.

Mr. Shapiro announced the slate of the 2004 Alumni Trustees: William Egan, WG’69, Northeastern Trustee, and Katharine Stein Sachs, Metro Philadelphia Trustee. He also announced the 2003 Alumni Award of Merit recipients, Susan Frier Danilow, CW’74 and G’74; Nadine Landis MHP’46, ED’50 and GNU’65; Robert P. Levy, C’52; Peter C. Noel, M’52, and Marjorie O. Rendell, CW’69. The Alumni award of Merit recipients and the classes of 1943 and 1993 will be honored at a gala on Friday, November 7, 2003, at the National Constitution Center.

Mr. Shapiro reported that there had been an increase in funding for alumni relations in the next year with additions being made to the staff and an opportunity to grow alumni activities.
Mr. Shapiro also reported on the re-branding of the Alumni Society as “Penn Alumni” utilizing the same branding adopted by the University.

**Academic Policy**

Mr. Ehrlich reported that the committee had considered and approved two resolutions, the changing of the Graduate School of Fine Arts to the School of Design and the creation of a Criminology Department in the School of Arts and Sciences (full resolution text is appended).

- Resolution to Change the Name of the Graduate School of Fine Arts to the School of Design (page 40)
- Resolution to Create a Department of Criminology in the School of Arts and Sciences (page 41)

Mr. Ehrlich commented on the spirited discussion held regarding interdisciplinary programs and studies. It was agreed that there needed to be a continued emphasis on encouraging students to explore interdisciplinary interests and supporting faculty who wished to teach these programs.

Mr. Riepe congratulated Dean Preston on the addition of the Criminology Department and commented that Penn is the first Ivy League university to have such a department.

**Audit and Compliance**

Mr. Kelly reported that the committee had reviewed year-to-date activities and approved the work plan for FY04. The committee received a status report on the University’s progress on implementing a university-wide system to prevent financial conflicts of interest and to comply with the requirements of HIPAA (Health Insurance Portability and Accountability Act). The auditors from PriceWaterhouse Coopers reported to the committee on the preliminary progress of the FY03 audit, which was going well.

Mr. Kelly noted that Peter DeAngelis gave a presentation, concerning the methodology employed by the health system in determining its self-insured medical malpractice reserves. Mr. Kelly finished by thanking Peter DeAngelis for the excellent service he has given to the Health System.

**Budget and Finance**

Mr. Clark reported that the committee had reviewed the unaudited financial report for the ten-month period ending April 30, 2003, for the university, the health system and the health services components. The operating and capital budgets were also reviewed for the same time period. He noted that the committee also reviewed presentations on the proposed Gateway properties acquisition, the Eastern Apparatus building and FY04
information systems projects, which included development software and the student borrowing management system.

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

- **Resolution to Authorize the Fiscal Year 2004 Operating Budget for the University of Pennsylvania** (page 42)

- **Resolution to Authorize the Fiscal Year 2004 Capital Plan for the University of Pennsylvania** (page 43)

- **Resolution to Authorize the Fiscal Year 2004 Operating Budget for the University of Pennsylvania Health System-Health Services Component** (page 44)

- **Resolution to Authorize the Fiscal Year 2004 Capital Budget for the University of Pennsylvania Health System-Health Services Component** (pages 45-52)

- **Resolution to Declare the University’s Intent to Reimburse Capital Costs with Proceeds of Borrowings** (pages 53-55)

- **Resolution to Authorize the Advancement System Project-Phase I for $5,700,000** (page 56)

- **Resolution to Authorize the Development of a New Student Borrowing Management System in the Amount of $4.15 Million** (page 57)

- **Resolution to Authorize Old Vet Quad 223E-229E Renovations in the Amount of $1.0 Million** (page 58)

- **Resolution to Authorize Old Vet Quad ULAR Office Renovation in the Amount of $2.3 Million** (page 59)

- **Resolution to Authorize SEAS Graduate Research Wing (GRW) 5th Floor Renovations in the Amount of $1.86 Million** (page 60)

- **Resolution to Authorize the Disposition and Redevelopment of the Property at 126 South 30th Street as Biomedical Research Laboratories** (pages 61-62)

- **Resolution to Authorize the Division of Public Safety $1.2M Loan to In-source the Human Resource Component of its Operating Contract with iXP** (page 63)

- **Resolution to Enter into a Forward Interest Rate Swap or Swaption Contract with a $105,995,000 Notional Amount** (pages 64-65)

- **Resolution to Authorize Acquisition of the Postal Service Complex Located in the Vicinity of 30th and Market Streets in Philadelphia, Pennsylvania** (pages 66-67)
Development

On behalf of Development Chair Mickey Tarnopol, Mr. Kelly reported that Penn fundraising efforts had achieved record-breaking results in excess of $413 million. He congratulated Wharton on having raised $430.6 million, an amount that far exceeded both their original goal and their stretch goal. Mr. Kelly reported that the committee had received an update on the planning for Penn’s next fundraising campaign and the development and acquisition of a new alumni and development database. He concluded by thanking the trustees for their continuing support and assistance.

External Affairs

Mr. Lauder reported that the Penn Center for Community Partnerships and its school community partners were the recipients of the Inaugural Youth Development Prize awarded by the William T. Grant Foundation and the National Academies.

Mr. Lauder noted that Federal Relations Associate Director Melissa Peerless was leaving Penn and would be replaced by Lloyd Horwich, a former member of Senator Christopher Dodd’s staff and an expert in educational affairs. He reported that Dr. Rodin had been spending much time in Washington DC representing the university and that a small office would be opened in the capitol to coordinate all of the university’s various affairs. Regarding Commonwealth matters, he reported that the university had not yet received its appropriation.

Mr. Lauder concluded by commenting on Penn’s “brand product” initiative. He and Alan Hassenfeld will be working with Lori Doyle and her staff to raise the acceptance level of the new branded product initiative.

Facilities and Campus Planning

Mr. Mack reported that the committee had received an update on the retail activity in the University Square and 40th Street areas. New additions will be Anne Taylor Loft on the ground floor of the West Philadelphia Trust Building at the corner of 36th and Walnut streets and the Marathon Grill in the very successful Bridge Cinema complex.

Mr. Mack commented briefly on the university’s acquisition of the US Postal lands at 30th and Market Street. He acknowledged the hard work of Judy Rodin, Al Shoemaker, Myles Tanenbaum, Omar Blaik and John Fry in making this long desired plan a reality.

Neighborhood Initiatives

Mr. Casellas reported that Afaf Meleis, Dean of the Nursing School, had given a presentation on the school’s programs in the West Philadelphia community. He noted that the most impressive was the Living Independently for Elders (LIFE) program, which provided comprehensive care for older adults.
Mr. Casellas also noted Carol Scheman’s report that Penn’s West Philadelphia Initiatives was chosen as the 2003 Regional Community Development Project of the Year by the Delaware Valley Regional Planning Commission.

**Student Life**

Mrs. Catherwood reported that the committee heard two presentations. The first was given by Dr. Michael Diorka, who noted the importance of recreation and intramural sports to the quality of student life and overall community health and well-being. The second presentation, given by Alcohol Policy Initiatives Director Stephanie Ives, focused on the progress of ongoing efforts to minimize alcohol abuse and high-risk drinking among the university’s undergraduate population.

**Investment Board**

Mr. Marks began his report by congratulating Craig Carnaroli on his appointment as Senior Vice President for Finance and Treasury. He reminded the board that FY03 began with the worst quarter for stocks since 1987. The university’s investments were performing on a par with its peer group of approximately thirty universities with endowments of a billion or greater. However, Mr. Marks stated that performance did turn positive this year and that FY03 will close solidly in positive territory.

Mr. Marks was pleased to report that although the last two and a half years had been a very difficult time for investments, the university’s endowment had still increased ten percent over the last three years. He noted that endowments of many in our peer group had shrunk during that time.

**Appointments to Overseer and Other Boards**

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

- Resolution to Appoint Allison B. Weiss and Michael J. Glosserman, Esq., to the Board of Overseers of the Graduate School of Education (page 68)

- Resolution to Appoint Lynda Barness, Deborah Marrow and William L. Wilson and to Reappoint Harvey E. Kroiz to the Board of Overseers of the Graduate School of Design (pages 69-70)

- Resolution to Appoint Cheri Savits Friedman and Christina Weiss Lurie to the Board of Overseers of the Institute of Contemporary Art (page 71)

- Resolution to Appoint Howard Gittis and Myles Tanenbaum as Emeritus Overseers to the Board of Overseers of the Law School (page 72)

- Resolution to Appoint Robert W. Bogle and Gregory Annenberg Weingarten to the
Board of Overseers of the University of Pennsylvania Museum (page 73)

- Resolution to Appoint Gilbert Casellas, Esq., and Alan J. Weber to the Board of Overseers of the School of Nursing (page 74)

- Resolution to Appoint Hital R. Meswani to the Board of Overseers of the School of Engineering and Applied Science (page 75)

- Resolution to Appoint Vernon W. Hill, Sheila Johnson and Thomas Weiner to the Board of Overseers of the School of Veterinary Medicine (page 76)

- Resolution to Appoint Connie K. Duckworth and Randall J. Weisenburger to the Board of Overseers of the Wharton School (page 77)

- Resolution to Appoint Curtis S. Lane to the Penn Medicine Board (page 78)

- Resolution to Appoint Dr. D. James Baker to the Board of Managers of the Wistar Institute (page 79)

Mr. Riepe commented on how pleased he was that so many trustees were becoming more active on the overseer boards. He noted that this was very useful in terms of the University’s overall governance practices.

The meeting was adjourned.

Respectfully submitted,

Leslie Laird Kruhly