Minutes of the Executive Committee Meeting of the Trustees of the University of Pennsylvania
March 18, 2004

An Executive Committee Meeting of the Trustees of the University of Pennsylvania was convened on Thursday, March 18, 2004, at 2:30 pm in Woodlands B of the Inn at Penn.

Trustees present at the meeting were: James Riepe (chair), Chris Browne, Gil Casellas, John Clark, David Cohen, Paul Kelly, James Kim, Judith Rodin, and Michael Tarnopol. Administrators and guests present were: Robert Barchi, Craig Carnaroli, Michael Delli Carpini, Lori Doyle, Bonnie Gibson, Jack Heuer, Phyllis Holtzman, Leslie Kruhly, Marguerite Miller, Jon Passaro, Susan Phillips, Molly Roth, Arthur Rubenstein, and Wendy White.

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.

Chair’s Report

Mr. Riepe called the meeting to order and welcomed everyone. He commented on the popular response on campus to the announcement of Bono as the commencement speaker. The minutes of the September 11, 2003, meeting were approved as distributed.

President’s Report

Dr. Rodin congratulated the Penn management and the trustees on the University’s Moody rating being upgraded from A1 to Aa3. She commented that Moody’s had focused on Penn’s strong strategic planning and the mechanisms through which academics, finances, and the health system had been integrated.

Dr. Rodin announced that Paul Hendrikson and Susan Stewart, of the University’s English department, were both winners of this year’s National Book Critics Circle Award.

Dr. Rodin also announced the launch of the Urban Institute at Penn. She noted that the response from Philadelphians, city officials, urban planners, and foundation leaders has been very enthusiastic.

Academic Report

Dr. Barchi commented on the announcement of Richard Leventhal’s appointment as the Williams Director of the Museum of Archaeology and Anthropology. He also voiced the University’s gratitude for the ten years of service and accomplishments of Jeremy Sabloff during his tenure. Dr. Barchi also noted that Sam Preston would step down as the Dean of SAS at the end of the year, and thanked him for his many contributions to the University.
Dr. Barchi announced that Mathematics Professor Dennis DeTurck had been named as the first Evan C. Thompson Professor for Excellence in Teaching. He stated that Dr. DeTurck had been nominated and elected by a university-wide committee comprising faculty and students.

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

- Resolution on Faculty Appointments, Leaves and Promotions (page 1)

Financial Report

Mr. Carnaroli submitted the financial report as presented at the Budget & Finance Committee meeting. Dr. Rodin asked that it be read into the minutes of this meeting as follows:

CONSOLIDATED UNIVERSITY - (ACADEMIC & HEALTH SYSTEM):

Total net assets (unrestricted, temporarily restricted and permanently restricted) increased $401.9 million (+7.5%) to $5.730 billion since June 30, 2003. Net assets from operations decreased $4.4 million compared to a decrease of $5.8 million for the prior fiscal year. Total operating revenue increased by $148.7 million (+7.3%) to $2.189 billion. Total expenses increased $147.4 million (+7.2%) to $2.194 billion. Net assets from non-operating activities increased by $406.4 million compared to a loss of $117.5 million in the prior year, principally due to improved investment performance. Total endowment as of January 31, 2004 is estimated at $3.924 billion, an increase of $377 million since June 30, 2003. Plant assets, net of depreciation, increased $25.3 million (+0.9%) since June 30, 2003. Cashflow from operating activities increased by $26.4 million (+10.2%) as compared to the prior fiscal year.

ACADEMIC COMPONENT:

Total net assets increased $339.7 million (+7.0%) to $5.171 billion principally due to investment activity. Net assets from operations decreased $32.8 million compared to a $6.2 million increase for the prior fiscal year, principally due to improvements in the expense accrual process relative to last fiscal year. Total revenue and other support increased 3.9% over FY 2003 to a total of $1.022 billion, principally due to growth in sponsored program activities and tuition and fees. Total expenses increased 7.9% over FY 2003 to a total of $1.055 billion. Net assets from non-operating activities increased $372.4 million compared to a loss of $101.8 million in the prior fiscal year. Total contributions (operating and non-operating) declined $39.7 million (-27.4%). Total endowment (University only) increased $353.1 million (+11.7%) to $3.371 billion since June 30, 2003. Plant assets, net of depreciation, increased $30.4 million (+1.5%) since June 30, 2003. Cashflow from operating activities increased $43.6 million (+20.2%) compared to the prior fiscal year. Cash and investments held for current operations increased $141.0 million (+30.0%) compared to the levels held on June 30, 2003.
HEALTH SYSTEM COMPONENT:

At the four owned hospitals, overall utilization remained strong with adult inpatient admissions increasing 3.4% compared to the prior fiscal year and an overall increase in outpatient activity of 2.9% (includes outpatient visits, ER visits and ambulatory surgeries). Total net assets increased $62.2 million (+12.5%) since June 30, 2003 to $559.1 million. Operating revenue of $1.181 billion was favorable compared to prior year results by $112.7 million (+10.6%) principally due to growth in patient activity, an increase in charges and intensity of service, favorable third party settlements and restoration of Medicaid Community Access Funds. Total operating expense of $1.147 billion was higher than the comparable prior year period by $69.9 million (+6.5%), principally due to higher compensation costs and increased supply expenses related to growth in volume. Excess of revenues over expenses from operations totaled $33.9 million and was higher than the prior fiscal year by $42.8 million. Non-operating revenue totaled $14.5 million, which was $3.9 million (-21.1%) lower than the comparable prior-year period. Excess of revenue over expenses (before transfers) totaled $46.8 million and was higher than the prior year by $40.1 million. Plant assets, net of depreciation, decreased $5.1 million (-0.8%) since June 30, 2003. Overall unrestricted liquidity declined from the period ended June 30, 2003 as days-cash-on-hand declined from 78.5 to 65.2 days due to an increase in accounts receivable and growth in operating expenses. The amount due the University decreased from $7.8 million to $6.9 million consistent with our internal agreement. Days-in-accounts-receivable increased from 73.6 days (for the period ending June 30, 2003) to 77.7 days due to HIPAA billing related data set conversion issues, which are anticipated to be solved by year’s end.

Penn Medicine Report

Dean Rubenstein reported that it was Match Day for the medical school and that 149 of the 155 students had applied for residencies. He explained that those students who hadn’t applied for residencies, were in dual degree programs and were entering the business world in positions related to medicine. He noted that twenty-four of the students were staying at the University’s hospitals for their residencies.

Dean Rubenstein commented on other special events that had taken place at Penn Medicine. The Institute for Neurological Sciences celebrated its 50th Anniversary with a day-long symposium and an evening program at which Dr. Barchi was awarded an endowed chair. He noted that the school had also hosted a symposium on diabetes, which focused on developing an integrated approach to diabetes and cardiovascular diseases.

Committee Report

Budget and Finance

Mr. Clark reported that the committee had reviewed the University and Health System’s unaudited financial statements for the previous seven-month period ending January 31, 2004. He also reported that the committee had reviewed a presentation on tuition, fees,
and other charges for the academic year 2004-2005 and several other facilities-related resolutions. He noted that all resolutions were approved by the committee to be put before the Executive Committee for a vote.

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

- Resolution on Tuition, Fees, and Other Student Charges for Academic Year 2004-2005 (p. 10)

- Resolution to Authorize the Vivarium and Laboratory Floor Fit-out–School of Veterinary Medicine Teaching and Research Building–in the Amount of $20.0 Million (p. 11)

- Resolution to Authorize the Design and Construction of University of Pennsylvania Museum MEP Infrastructure Upgrade Phase 1A in the Amount of $5.3 Million (p. 12)

- Resolution to Authorize the Design and Construction of the School of Veterinary Medicine Ryan Hospital 2nd Floor Renovation Project in the Amount of $1.2 Million (p. 13)

The meeting was adjourned at 3:00 pm.

Respectfully submitted,

Leslie Kruhly
Secretary of the University