University of Pennsylvania Board of Trustees
Executive Committee

Meeting Minutes

Meeting of September 19, 2013

A meeting of the Trustees of the University of Pennsylvania was convened at 12:36 p.m. in the Class of 49 Auditorium, Houston Hall.

Trustees present:

Administrators and other guests present:

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

Chair David Cohen welcomed all in attendance for the first Executive Committee meeting of the new academic year. He spoke briefly about the activity on campus as students began a new term and then turned to President Gutmann for her report.

President’s Report

President Gutmann noted that at the recent Convocation marking the beginning of the 274th year of the University, she had welcomed the most selective class in Penn’s history. She commended Dean of Admissions Eric Furda and his team for their work in the formulation of the Class of 2017.

Indicating that Dr. Steve Fluharty was moving forward with great energy and vision in his new role as Dean of the School of Arts and Sciences, President Gutmann stated that dean’s searches are now underway for the Graduate School of Education, School of Nursing, the School of Social Policy & Practice and Wharton, with consultative committees at work identifying candidates who will advance Penn’s strong commitment to excellence and diversity. Each school remains in the capable hands of its current dean as these searches are conducted.

President Gutmann also announced that the long-awaited formal opening of Penn’s new Singh Center for Nanotechnology was set for October 4. The Center brings together basic research, applied technology, and interdisciplinary inquiry at the nanoscale in a beautiful building that enhances the eastern gateway to campus. She added that the Center will surely inspire even greater local engagement
with new industry and community partnerships that will make the Singh Center a regional nanotech powerhouse.

In closing, President Gutmann indicated that a number of prestigious honors and awards had recently been garnered by Penn faculty, including Laurie Olin, the Practice Professor of Landscape Architecture at Penn Design, being presented with the National Medal of Arts by President Barack Obama. The medal, stewarded by the National Endowment for the Arts, is the nation’s highest civic honor for excellence in the arts. She added that Professor Olin has taught at Penn for 35 years, and has been a key advisor on Penn Connects, the master plan for Penn’s campus.

**Academic Report**

President Gutmann then called on Provost Vince Price for the Academic Report. Provost Price indicated that in addition to the recent appointment of Professor Anita Allen as Vice Provost for Faculty, on July 1 Professor Dawn Bonnell of the School of Engineering and Applied Science succeeded Steve Fluharty as Vice Provost for Research. Professor Bonnell is a pioneer in the field of nanotechnology and the founding director of Penn’s Nano/Bio Interface Center.

The Provost announced that the academic theme year, the Year of Sound, was underway and as part of this University-wide exploration, the Penn Museum has launched a new exhibit, “Hollywood in the Amazon,” which features the world’s first anthropological film with live sound recordings. The film documented a 1931 Penn Museum expedition to the Amazon jungle. He invited all to see and hear the exhibit in the coming months.

The following resolution was presented and approved:

- Resolution on Faculty Appointments, Leaves and Promotions

**Financial Report**

President Gutmann then called on Executive Vice President Craig Carnaroli for the Financial Report.

Mr. Carnaroli reported that for the fiscal year ending June 30, 2013, total net assets for the consolidated University was approximately $11.3 billion, representing an increase of $1.6 billion over June 30, 2012. This was fueled primarily by strong investment and operating performance as well as excellent philanthropic activity. The total increase in net assets from operating activities was $295 million, $45 million higher than the prior year and $170 million above budget. Investment performance was also strong, with a return for Fiscal Year 2013 of 14.4% versus 6.5% budget and higher than the previous year. The endowment now stands at approximately $7.7 billion.

With reference to the academic component, the increase in net assets from operating activities totaled $147 million, also above prior year and above budget. Mr. Carnaroli noted that this was the result of a strong close to the Making History campaign, as well as the conclusion in June of a royalty monetization for Juxtapid™. Total contributions, including pledges and new gifts, were $440 million, an increase of $62 million or 16% over the prior fiscal year.
For the Health System, Mr. Carnaroli indicated that the operating margin totaled $185 million for the year, slightly below FY2012 but consistent with budget. Focus on activity and cost control in the last half of the fiscal year contributed to an overall strong financial performance. Adjusted admissions of 125,000 visits were less than budgeted and declined over the prior year, but were offset by strong outpatient activity.

**Penn Medicine Report**

President Gutmann called on Executive Vice President for the Health System and Dean of the Perelman School of Medicine, Dr. Larry Jameson, for the Penn Medicine report.

Dr. Jameson indicated that this year’s entering class of 168 is comprised of about half men and half women and is quite diverse, including artists, journalists, teachers, athletes and three Fulbright scholars. At the beginning of classes, the new students participated in off-campus team building exercises first employed by the Wharton School.

Dr. Jameson reiterated that the Health System remains strong operationally and financially, as reported earlier by Mr. Carnaroli. It is aware and prepared to face the challenges brought by changes in the external environment, as evidenced by the years of preparation for the implementation of the Affordable Care Act. He added that Penn Medicine had fared well despite the effect of sequestration on the National Institute of Health’s funding and the school’s faculty is well positioned to compete for grants going forward.

Dr. Jameson added that Penn Medicine had recently “raised the beam” on the new Jordan Medical Education Center, with three generations of the Jordan family in attendance for the ceremony. The building is set for completion by the School’s 250th anniversary in 2015.

In conclusion, Dr. Jameson noted that Pennsylvania Governor Tom Corbett had visited Penn Medicine the prior week to celebrate the success of the CURE funding provided by the tobacco settlement in support of biomedical research at Penn and other academic institutions across the state. The Governor toured laboratories to view some of the very advanced technologies being pioneered at Penn.

**Audit and Compliance Committee**

The Chair called on committee Chair Jay Fishman to present the report of the Committee on Audit and Compliance. Mr. Fishman noted that at its meeting, the committee had focused on the fiscal year just completed, receiving a report from Vice President of Finance and Treasurer Steve Golding and discussing the financial statements as well as other accounting and reporting matters. The committee also heard from John Mattie of PricewaterhouseCoopers with respect to its completed review.

Mr. Fishman then presented the following resolution, as discussed and approved by the Audit and Compliance Committee, for approval:

- Resolution to Approve the Audited Financial Statements for Fiscal Year 2013
The resolution was approved.

Budget and Finance Committee

The Chair then called on committee Chair Andrew Heyer for the report from the Budget and Finance Committee.

Mr. Heyer indicated that the committee had heard reports from Vice President for Budget and Management Analysis Bonnie Gibson, Senior Vice President and Health System CFO Keith Kasper and Steve Golding with reference to University and Health Systems financial results as of June 30, 2013, as summarized by Mr. Carnaroli above. Vice President for Facilities and Real Estate Services Anne Papageorge also presented an update of the University’s electric energy purchasing program.

Mr. Heyer stated that just over three years ago, Penn had registered as a Load Serving Entity (LSE) to purchase and redistribute electricity in the wholesale market and had initiated a hedging strategy that allowed for contracts mitigating the risk of future price volatility. The University remains committed to the use of hedges to ensure price stability while acknowledging that changes in market conditions call for flexibility in implementation. He noted that annual reports will be prepared and presented to executive leadership to assess results and strategy going forward.

Mr. Heyer presented the following resolutions, which had been discussed and approved by the Budget and Finance Committee, for approval:

- Resolution to Authorize Development and Construction of an Office Building at 3901-03 Walnut Street in the Amount of $11,900,000 page 32
- Resolution to Authorize Design and Construction of a New College House on Hill Square for an Additional $114,000,000 (Total Revised Budget of $125,000,000) page 33

The resolutions were approved.

Chair Cohen then presented three resolutions relating to overseer and other board appointments, noting the good work of the Office of the Secretary in working with deans and center directors to bring forward appropriate candidates for the boards.

- Resolution to Appoint Allison D. Powell, Milton G. Strom, and Marla Weinstein Wasserman to the Board of Overseers of the Annenberg Center for the Performing Arts page 34
- Resolution to Appoint Christopher H. Gadsden and James A. Morrissey to the Board of Managers of the Morris Arboretum of the University of Pennsylvania and to Appoint Jane Korman as an Emerita Member of the Board of Managers of the Morris Arboretum of the University of Pennsylvania page 36
- Resolution to Appoint Nelson J. Chai and Eric T. Levin to the Board of Overseers of the School of Arts and Sciences and to Appoint Kunho Cho as an Emeritus Member of the Board of Overseers of the School of Arts and Sciences page 38
All resolutions were approved. There being no further business to conduct, the meeting was adjourned at 12:49 p.m.

Respectfully submitted,

Leslie Laird Kruhly
Vice President and University Secretary