

**University of Pennsylvania Board of Trustees
Stated Meeting**

Meeting of February 28, 2014

MINUTES

A Stated Meeting of the Trustees of the University of Pennsylvania was convened at 11:31 a.m. in the Woodlands ABCD room, Inn at Penn.

Trustees present: Allan C. Bell, Robert S. Blank, Scott L. Bok, Judith Bollinger, Richard P. Brown, David Brush, Gilbert F. Casellas, William W.M. Cheung, David L. Cohen, L. John Clark, Susan F. Danilow, Lee Spelman Doty, Connie Duckworth, David Ertel, Jay S. Fishman, Robert A. Fox, Sarah W. Fuller, Michael Gerber, Perry Golkin, Joel M. Greenblatt, James H. Greene, Vahan H. Gureghian, Amy Gutmann, Janet F. Haas, Andrew R. Heyer, Stephen J. Heyman, Osagie O. Imasogie, James Johnson, Michael J. Kowalski, Susanna Lachs, Andrea Berry Laporte, Charles B. Leitner, M. Claire Lomax, Bruce Mainwaring, Deborah Marrow, Marc F. McMorris, Andrea Mitchell, Kenneth Moelis, Egbert L.J. Perry, Julie Beren Platt, Andrew S. Rachleff, Ramanan Raghavendran, Ann Nolan Reese, James S. Riepe, Marie A. Savard, Julie Seaman, John P. Shoemaker, David M. Silfen, Martin J. Silverstein, Mark B. Werner, and Mark O. Winkelman.

Administrators and other guests present: Laura Bellet, Stephanie Berrong, Elise Betz, Mary Lee Brown, Craig Carnaroli, Jeffrey Cooper, Bonnie Gibson, Stephen Golding, Jack Heuer, Charles Howard, J. Larry Jameson, Leslie Laird Kruhly, Amy Leach, Mary Ellen Lovejoy, Stephen MacCarthy, Afaf Meleis, Leslie Mellet, Marguerite Miller, Joann Mitchell, Fola Onofade, Medha Narvekar, Anne Papageorge, Susan Phillips, Vincent Price, Peter Rockett, Gregory S. Rost, Maureen Rush, Hoopes Wampler, Wendy White, Marie Witt, and John H. Zeller.

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 David L. Cohen welcomed all in attendance and called the meeting to order. University Chaplain Reverend Charles Howard presented the invocation. The minutes of the November 8, 2013 and December 12, 2013 meetings of the Trustees were approved as distributed.

Chair's Report

Mr. Cohen announced that today's meeting marked the ten-year anniversary of President Amy Gutmann's election, noting that it had been an amazing decade for Penn. He added that he and the Board looked forward to her continued outstanding leadership, particularly with the much-anticipated execution of Penn Compact 2020 in the years ahead.

President's Report

President Gutmann reported that the reopening celebration for the beautifully renovated Arts, Research, and Culture House, the ARCH, was a great success, with participation by students, faculty, alumni, and staff, and in the spirit of how the ARCH brings the Penn community together to support and collaborate with one another.

President Gutmann announced that on July 1, Dr. Antonia Villarruel, Associate Dean of Research and Global Affairs, University of Michigan School of Nursing, will become the next dean of Penn's School of Nursing. President Gutmann stated that Dr. Villarruel, a collaborative leader committed to academic excellence and diversity, will be an ideal successor to Dean Afaf Meleis. She commended Dean Meleis for her years of leadership in bringing the School of Nursing to eminence in nursing education and science, as well as in its public policy outreach.

Stating that the wellbeing of Penn students is always of paramount concern, President Gutmann said that she and Provost Price had recently announced the formation of a new Task Force on Student Psychological Health and Welfare. The Task Force will examine challenges confronting students that may affect their psychological health, review and assess current Penn resources, and offer recommendations to improve the quality and safety of student life. Rebecca Bushnell, former Dean of the School of Arts and Sciences, and Anthony Rostain, Professor of Psychiatry and Pediatrics and Director of Education for the Department of Psychiatry at the Perelman School of Medicine will co-chair, and the Task Force and its working groups will engage broadly with members of the Penn community, calling on faculty experts, administrators, staff, and students with interest and experience in this area. President Gutmann noted that the Task Force has been charged to implement recommended new policies and practices as they are identified, and will submit a report of findings and recommendations in early 2015.

President Gutmann stated that the Penn Commission on Student Safety, Alcohol, and Campus Life, formed in 2013 and chaired by Dr. Charles O'Brien, had released a report on its findings and recommendations. The Commission found the University to be proactive and inventive in its efforts to reduce the abuse, and consequences thereof, of alcohol and other drugs. The Commission's recommendations were threefold: first, to create a full-time staff position focused on education and outreach, which is being immediately implemented. The Commission also recommended periodic assessments to assure that efforts remain effective, and that the University should continue to create and refine efforts to ensure reaching the widest possible audience of students. President Gutmann noted that as Penn continues to address these critical student health concerns, success requires that all members of the community, particularly students, take deliberate steps to ensure a healthy, productive, and safe campus environment.

Referring to the recent update on Penn's Action Plan for Faculty Diversity and Excellence, President Gutmann noted early successes as the appointment of the most recent Penn Integrates Knowledge (PIK) professors and five Presidential Term Professorships, including former faculty member Wendell E. Pritchett returning to the School of Law. President Gutmann reported that there is steady progress across the University in recruiting underrepresented minority and women faculty, and while there is still much to accomplish, she and the Provost look forward to continuing this important work in close collaboration with the deans and faculty.

President Gutmann then discussed how Penn will build on its post-campaign momentum, particularly through the Penn Compact 2020 Presidential Initiatives to leverage fundraising in key areas across the University. The first initiative, the President's Men and Women of Pennsylvania Challenge Fund, will begin immediately and conclude at the end of calendar year 2014, offering \$1 million in matching funds to the first five donors of \$1 million each, toward a matching fund pool to support Penn's all-grant, no-loan financial aid. The creation of this \$10 million matching pool will incentivize additional donors, making for a virtuous cycle of undergraduate aid philanthropy with a goal of an additional \$240 million and a total of \$600 million raised since the beginning of the *Making History* campaign.

In closing, President Gutmann announced that the 2014 University Commencement speaker will be multiple Grammy award-winner and Penn alumnus John Legend, and added that graduates will certainly enjoy hearing from this talented artist and advocate of positive social change.

Academic Report

Provost Price announced that the University's self-study report had been submitted to the Middle States Commission on Higher Education as part of its ongoing reaccreditation process. In April, Penn will host a three-day visit from a team of distinguished leaders and higher education experts, chaired by Georgetown University's President John J. DeGioia, who will issue their own report with the Commission's formal recommendation on reaccreditation to come later this year.

With reference to the search now underway for a successor to Steve Bilsky as the new Director of Recreation and Intercollegiate Athletics, the Provost noted that the advisory committee, which he co-chairs with Executive Vice President Craig Carnaroli, is working closely with Parker Executive Search, and added that a dedicated page on the Provost Office website welcomes comments and nominations from the Penn community.

The Provost concluded his remarks, noting that Penn's Institute of Contemporary Art is marking its 50th anniversary in 2014 with 50 presentations of contemporary art over six months. Micro-exhibits will open every two weeks until mid-August, including 18 works commissioned specifically for this anniversary.

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

- Resolution on Faculty Appointments, Leaves and Promotions..... Appendix

Financial Report

Mr. Carnaroli reported total net assets for the consolidated University of \$12.3 billion at December 31, 2013, an increase of \$2 billion over previous year's results and \$1 billion above budget. These results were driven largely by strong investment performance and pension valuations. Net operating income was \$130 million, \$5 million higher than the previous year, and \$75 million above budget. Total revenue was \$56 million above budget and expenses were \$19 million below budget. Cash and invested cash totaled \$3.9 billion as of December 31, compared to a budget of \$3.4 billion, and \$3.4 billion on December 31, 2012. For the academic component, net operating income totaled \$5 million, \$59 million below the prior year but \$16 million above budget. Revenue was \$35 million, 2.7 percent above budget. Expenditures were \$19 million above budget, principally due to sponsored program activity. New contributions, operating and non-operating, totaled \$168 million, a decrease of \$93 million over the prior year at the close of the *Making History* campaign, but still above budget. Year-to-date capital expenditures decreased from \$164 million in prior year to \$113 million for December 31, 2013. Capital expenditures were approximately \$46 million below budget.

For the Health System, year-to-date net operating income totaled \$149 million, \$83 million above budget and \$70 million above the prior year. Operating revenue increased by \$193 million, from \$1.7 to \$1.9 billion, and expenses increased by \$123 million, from \$1.7 to \$1.8 billion. Adjusted admissions for the first six months were higher than budget and the prior year by 9.2 percent and 14.1 percent, respectively. In-patient admissions were consistent with budget, with mixed results for out-patient activity and high-intensity services. Chester County Hospital activity of 8,568 adjusted admissions and 4,036 in-patient admissions were included in these figures. Finally, capital

expenditures increased from \$103 million in the prior year to \$128 million, a \$25 million increase. In addition the Chester County transaction resulted in a contribution of \$120 million in property, plant and equipment.

Penn Medicine Report

Executive Vice President for the Health System and Dean of the Perelman School of Medicine Dr. J. Larry Jameson reported that while Penn Medicine continues to do well financially, it also continues to do well for the community, with an estimated \$817 million of community benefit in FY2013, which includes under-compensated and free care, community programs, and physician training. In a broader view, Penn Medicine’s estimated economic benefit for the Commonwealth of Pennsylvania was \$6.5 billion; for the Philadelphia area, \$3.7 billion, and for the State of New Jersey, about \$1 billion. Dr. Jameson added that medical students are currently entering into the “matching process” for residency programs, and Penn Medicine, with 1,200 residents, is in the selection process for its residency programs. Dr. Jameson concluded his remarks by noting that during the span of these Trustee meetings, Penn Medicine had seen 25 babies safely delivered, 400 critically ill people attended to in the Emergency Room, over 200 surgeries performed, and about \$2 million expended for research.

Academic Policy

Committee Chair Scott Bok stated that the Academic Policy Committee met in joint session with the Ad Hoc Committee on Diversity to discuss progress and challenges in diversifying Penn’s faculty. Vice Provost for Faculty Anita Allen provided an overview and reviewed inclusion initiatives that have resulted in more diverse searches, built a stronger pool of candidates, and helped to increase the overall diversity of the Penn faculty. Mr. Bok indicated that discussion had centered on how best to achieve, assess and report future progress.

Mr. Bok then noted that two resolutions, to establish a doctorate in nursing practice based in the Nursing School and for the School of Arts and Sciences to establish a Master of Chemical Sciences in the College of Liberal and Professional Studies, were discussed and approved by the committee.

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

- Resolution to Establish a Doctor of Nursing Practice in the School of Nursing..... page 1
- Resolution to Establish a Master of Chemical Sciences in the School of Arts and Sciences page 2

Audit & Compliance

Audit and Compliance Chair Jay S. Fishman indicated that the committee had received reports from the chair of the Penn Medicine Audit and Compliance Committee and that Associate Vice President for Audit, Compliance and Privacy Mary Lee Brown had also provided a report with respect to recent activities and open audit issues, with good progress with respect to both. The committee then heard and discussed briefings regarding the Office of Global Support Services and International Risk Management and efforts to ensure the safety and well-being of Penn community members when they travel and on a recent proposal from the Committee on Sponsoring Organizations with respect to the procedures and processes related to internal controls. The committee also received reports on significant accounting and reporting matters that are contained in the second quarter financial statements and an update from John Mattie of PricewaterhouseCoopers. The committee also met in executive session to review and approve one resolution.

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

- Resolution on the Engagement of the Independent Accountant for Fiscal Year 2014 page 3

Budget & Finance

Chair Andrew Heyer reported that the committee had received reports on University and Health System financial results as of December 31, 2013, and the University’s recommendation for undergraduate tuition and fees for the coming academic year. The committee is presenting a resolution to approve a 3.9% increase for undergraduate tuition fees and total charges, with freshman tuition fees, room and board set for \$61,132 for 2014-2015. Mr. Heyer added that Vice President of Finance and Treasurer Steve Golding had presented the academic five-year financial planning model. Given current model assumptions, the overall balance sheet is expected to remain strong, with operating margins projected to be slim, cash and liquidity at or above targeted levels, and debt ratios continuing to improve.

Mr. Heyer noted that the committee had received an informative presentation from Dean Andy Porter on the Graduate School of Education. Under Dean Porter’s leadership, the school’s ranking improved from 13 to seven among schools of education. GSE, with 1,613 students and 173 faculty and staff, operates on a local, national, and global scale, from close involvement with the Penn Alexander and the Lea Schools in University City, to Teach for America, and engagement in global research.

The Committee also reviewed and approved several resolutions.

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

- Resolution to Authorize Tuition, Fees, and Other Student Charges for Academic Year 2014-2015 page 4
- Resolution to Authorize Lease Renewal for the Vice Provost for University Life, Student Health Services; Total Lease Obligation \$5,660,000..... page 5
- Resolution to Authorize Steinberg Hall-Dietrich Hall Air Handling Unit 3,4 & 5 Renewal for an Additional \$1,630,000 (Total Revised Budget of \$6,630,000) page 6
- Resolution to Authorize Huntsman Hall Classroom and Group Study Room Renovations in the Amount of \$7,184,000..... page 7
- Resolution to Authorize Gregory College House Renovations for an Additional \$9,000,000 (Total Revised Budget of \$14,000,000) page 8
- Resolution to Authorize Design and Construction of the Mod 7 Chilled Water Plant Expansion for an Additional \$62,900,000 (Total Revised Budget of \$81,600,000)..... page 9
- Resolution to Authorize and Approve the Expansion and Development of an Additional Two Floors of the Ambulatory Care Building for Penn Presbyterian Medical Center, including the

Use of \$11.2 Million of Fiscal Year 2015 Capital Funds; Total Lease Obligation for the Additional Two Floors (Net Present Value) \$19.3 Million page 10

- Resolution to Authorize \$130 Million of Capital Funds for Development and Construction for Completion of the South Pavilion Tower of the Perelman Center for Advanced Medicine)..... page 13
- Resolution to Authorize the Refinancing of Certain University of Pennsylvania Health System Indebtedness and the Financing of Certain Capital Projects for the University of Pennsylvania Health System page 15
- Resolution to Authorize the Joinder of The Chester County Hospital and Health System as a Member of the Obligated Group of the University of Pennsylvania Health System page 18

Development

Development Committee Chair Lee Spelman Doty reported that the meeting had focused on plans to unveil strategic themes to illustrate impact and increase interest for Penn Compact 2020 and its initiatives for faculty support, financial aid, and local, national, and global engagement. The themes will integrate traditional funding categories and engagement goals into a focused, comprehensive program that fosters philanthropic support for existing and emerging priorities. Ms. Doty added that the committee also received reports on strategic planning and priorities from Vice President for Development and Alumni Relations John Zeller and Dean of the School of Arts and Sciences Steve Fluharty. The committee also discussed the valuable role of Penn’s volunteer leadership, particularly the University Development and Alumni Relations Leadership Council and the new Undergraduate Financial Aid Council, and how best to engage their membership in these new efforts.

Facilities & Campus Planning

Chair Egbert L.J. Perry indicated that the committee heard two presentations. The first presentation outlined plans for the proposed South Tower extension to the Perelman Center for Advanced Medicine, to be built above the Jordan Medical Education Center currently under construction. The extension, scheduled for June 2016 occupancy, will add seven floors, including space for the Center for Advanced Cellular Therapeutics, Abramson Cancer Center teams, dry laboratories, and facilities for outpatient services, at an estimated total cost of \$130 million.

The second presentation highlighted the new master plan for the South Bank, supporting campus growth and expansion of Penn’s technology transfer and commercialization efforts. This plan highlights gateway opportunities for the Penn campus, and aligns with the city’s emerging lower Schuylkill master plan. The South Bank will be anchored by the Pennovation Center, the new business incubator and accelerator that will provide lab space and a hub for collaboration, creativity, and the exchange of ideas from innovators from all disciplines.

Local, National & Global Engagement

Chair Marc F. McMorris summarized three reports presented to the committee: an update on Penn’s involvement with China through the Center for the Study of Contemporary China and development of the new Wharton China Center; Penn’s community efforts, including successful and productive relationships with the Penn Alexander and Lea Schools in University City, and from the Executive Editor of *The Daily Pennsylvanian* on the challenges and successes for Penn’s student newspaper.

Mr. McMorris noted the excellent work of the students who write and work at the *DP*, and particularly its role in fostering campus dialogue on critical issues.

Student Life

Student Life Committee Chair Claire Lomax reported that the committee had heard from members of the Commission on Student Safety, Alcohol, and Campus Life on the Commission’s process, key findings, and recommendations. With the committee, they shared data about student alcohol and drug use and its consequences, and explored related issues such as off-campus activities and parental notification.

Senior staff of Counseling and Psychological Services (CAPS) also led a discussion about student mental health, outlining national college-age population data and issues facing universities nationwide, the rising utilization of services, and ongoing and new outreach efforts, including peer-to-peer initiatives. It was also noted that the University has established a new Task Force on Student Psychological Health and Welfare charged with examining the psychological challenges confronting students, reviewing existing resources and the efficacy of Penn’s efforts in this area, and making recommendations on programs, policies, and practices to improve the quality and safety of student life.

Penn Alumni Report

Penn Alumni President Julie Beren Platt welcomed three new Alumni Trustees: Connie Duckworth, James Johnson, and Ramanan Raghavendran. She noted that at their meeting, Alumni Trustees had received an update on how Alumni Relations is working to facilitate a lifelong Penn connection through educational, travel, and career networking programs. Ms. Platt added that the Penn Alumni Board would hold its annual retreat during the upcoming weekend to learn more about University priorities and activities and strategize on programming to engage and add value for the alumni community. Penn Alumni will also be presenting the first Faculty Award of Merit to Dean Afaf Meleis of Penn Nursing. Ms. Platt concluded her remarks, noting that Penn to You events will be held March 20 in San Francisco and April 1 in London, and that the Alumni Picnic and Parade will be held in Penn Park for the first time. Registration for Alumni Weekend on May 16-19 begins March 3.

Appointments to Penn Medicine, Overseer and Other Boards

Mr. Cohen thanked all the chairs for their reports. As the final order of business, the following resolutions were presented and approved (full resolution text is appended):

- Resolution to Appoint Carol Sutton Lewis and Michael B. Lowenstein to the Board of Overseers of the School of Arts and Sciences page 19
- Resolution to Appoint L. John Clark as an Emeritus Member of the Athletics Board of Overseers page 20
- Resolution to Appoint Lawrence M. Korman to the Board of Overseers of the School of Design page 21
- Resolution to Appoint Lloyd W. Howell, Jr. to the Board of Overseers of the School of Engineering and Applied Science page 22

- Resolution to Appoint Richard D’Avino, Wifredo A. Ferrer, and Seth P. Plattus to the Board of Overseers of the Law School page 23
- Resolution to Appoint Jeffrey A. Hechtman to the Board of Overseers of the University Libraries..... page 24
- Resolution to Reappoint Richard T. Clark, Jr., Mariann T. MacDonald, Leslie A. Miller, Esq., and Mark O. Winkelman to the Penn Medicine Board as Term Members page 25
- Resolution to Appoint Barbara McNeil Jordan to the Penn Medicine Board as a Term Member page 26
- Resolution to Appoint Dorrance Hill Hamilton as an Emerita Member of the Board of Managers of the Morris Arboretum of the University of Pennsylvania page 27
- Resolution to Appoint Lawrence O. Graham and Hope Gittis Sheft to the Board of Overseers of the School of Veterinary Medicine page 28
- Resolution to Appoint the 2014 Slate of The Wistar Institute Board of Trustees page 29

The meeting was adjourned at 12:10 pm.

Respectfully submitted,

Leslie Laird Kruhly
 Vice President and University Secretary