Minutes of the Stated Meeting
of the
Executive Committee of the Trustees of the University of Pennsylvania
12 May 1989

A meeting of the Executive Committee was held on Friday, 12 May 1989 in the Tea Room of the Faculty Club. Trustees attending were: Richard P. Brown, Jr.; Susan W. Catherwood; G. Morris Dorrance, Jr.; Robert A. Fox; C.F. Fretz; Paul F. Miller, Jr.; John Neff; Alvin V. Shoemaker (chairman); and D. Robert Yarnall, Jr. Others present included: Michael Aiken; Arthur Asbury; Richard Clelland; William Epstein; Karen Gaines; Shelley Green; Sheldon Hackney; George Koval; Robert Lorndale; Mary Ann Meyers; Kim Morrison; David Morse; Rick Nahm; Antonia Oberthaler; Bruce White; and Marna Whittington.

I. Call to Order
The chairman called the meeting to order and the Minutes of the 7 April 1989 meeting were approved as written by the Secretary.

II. Report of the Chairman
Chairman Shoemaker had no report.

III. Report of the President
A. President Hackney expressed his pleasure that searches for deans in two schools had come to a successful conclusion. He said he was delighted that Colin S. Diver, dean of the Boston University Law School, has accepted the position of dean of the University Law School and described Mr. Diver as "a leading scholar of administrative law, who has had a distinguished career in public service."

The president went on to say that he felt "equally good that political communications expert Kathleen Hall Jamieson has accepted appointment as dean of the Annenberg School of Communications." He noted that Dr. Jamieson, who is currently E.B. Dealy Professor of Communications and chair of the speech communications department at the University of Texas, was widely quoted by the national news media during the recent Presidential campaign. Dr. Hackney observed that earlier in the week she had delivered this year's George Gerbner Lecture and "from all accounts, made a spectacular debut. In both the Law School and Annenberg," the president continued, "we have attracted top scholars, distinguished leaders, and good student-oriented people." He thanked the provost for his leadership and the members of the search committees for their diligence and attention.

Dr. Hackney then extended congratulations to the Quaker baseball team, which has captured the Eastern Intercollegiate Baseball League championship for the second year in a row. He also complemented the men's crew for the team's impressive win at San Diego.
B. Action. A Resolution on the Election of Kathleen Hall Jamieson as Dean of the Annenberg School of Communications was approved as follows:

RESOLVED, that Kathleen Hall Jamieson be appointed dean of the Annenberg School of Communications for a seven-year term, effective 1 July 1989.

C. Action. A Resolution on the Election of Colin S. Diver as Dean of the School of Law was approved as follows:

RESOLVED, that Colin S. Diver be appointed dean of the School of Law for a seven-year term, effective 1 July 1989.

D. Academic Report

A. Provost Aiken called the Trustees’ attention to a report in Almanac on the hiring of new faculty. He said it was part of a study of faculty affirmative action that would focus on the departmental level rather than on the school level and would compare Penn faculty numbers, particularly new hires, with the Ph.D.s available in particular fields.

"We intend to update and print this report each year," the provost observed, "and expect it to be helpful in guiding us in our planning for affirmative action."

Turning to the University’s planning initiatives, Dr. Aiken said the ten working groups he had appointed were nearing completion of their task. He noted that the Academic Planning and Budget Committee will be meeting in a retreat at the end of the month to discuss how to proceed in developing a five-year plan that incorporates the group’s recommendations.

The provost went on to say that this year the Senate Committee on the Economic Status of the Faculty had agreed to the administration’s suggestion that no minimum base increment in salaries be established for continuing faculty. "The entire pool available for salary increases is to be allocated on the basis of merit in a one-year experiment," he reported.

Dr. Aiken then called attention to the following faculty honors:

- the election of Jane Menken, professor of sociology, to the National Academy of Sciences;
- the election of Jonathan Rhoads, John Eisenberg, and Albert Stunkard, the new president for the Society of Behavioral Medicine, to the Institute of Medicine of the National Academy of Sciences;
- the award of Guggenheim Fellowships to Michael Klein, professor of chemistry, Douglas Lauffenburger, professor of chemical engineering, James O'Donnell, associate professor of classical studies, and Charles Rosenberg, Janice and Julian Bers Professor of the History and Sociology of Science.
- the naming of David Christianson, assistant professor of chemistry, as a Searle Scholar; and
- the appointment of Dean Joseph Bordogna as chairman of the National Science Foundation Advisory Committee on Engineering.

The provost also mentioned that two Penn undergraduates, Theresa Simonds, College '91, and George Herbert Walker IV, Wharton '91, had been named Truman Scholars.
He then called the attention of the Trustees to the proposals for appointment or promotion to tenure of several faculty: Gerald J. Dolan, a condensed matter physicist with a Ph.D. from Cornell who had been a research scientist at Bell Labs, as a Trustee Professor of Physics; Myra Jehlen, an American Literature scholar with a Ph.D. from the University of California at Berkeley, as a professor of English; Roger E.A. Farmer, an economist with a Ph.D. from Western Ontario University, as an associate professor of economics; and Lawrence F. Brass, a hematologist/oncologist with an M.D. and Ph.D. from Case Western Reserve University, as an associate professor of medicine.

B. Action. A Resolution on Appointments, Leaves, and Promotions was approved as found on pages 1 through 19 in the meetingbook.

C. Financial Report

Dr. Whittington reported that as of 31 March, the administration was continuing to project a University surplus of $250,000 after the approved and budgeted allocations. She said the positive factors in the University's unrestricted performance are special program and fee revenues, indirect cost recoveries, and temporary investment fund income. The negative factors, according to the senior vice president, are graduate tuition, summer and special tuition, gift and sales revenues, and general University tuition. She said that deficits were projected for the School of Engineering and Applied Science and the Annenberg Center, but that all other schools and centers are projecting either a surplus of revenues over expenses or a breakeven performance.

"On the restricted side," Dr. Whittington continued, "endowment, gift, and grant and contract expenditures increased by 14.8 percent, 12.6 percent, and 10.2 percent, respectively, over the first nine months of FY'88. The amount available for grant and contract expenditures was 9.2 percent greater on 31 March 1989 than on 31 March 1988," she said.

Dr. Whittington went on to report that for the first nine months of the fiscal year, the Hospital of the University of Pennsylvania had a deficit of revenues over expenses of slightly more than $4 million, which was $2.9 million worse than budget. She said that for the same period, the Clinical Practices (CPUP) had an excess of revenues over expenses that was $2.4 million better than budget. CPUP's Educational Development Fund balances increased, net, by $5,734,000 for the first seven months of FY'89, the senior vice president observed.

IV. Trustee Committee Reports

A. Mr. Fox reported that the Budget and Finance Committee had reviewed three resolutions and recommended them to the Trustees for favorable action.

1. Action. A Resolution Authorizing a Loan to the Department of Anesthesiology was approved as follows:
Intention:

The administration proposes to lend a maximum of $1,600,000 to the Department of Anesthesiology to assist in the department's reorganization plan. The new plan provides for a streamlining of administration support functions and related expense, a reorganization aimed at increased efficiency and accountability and a renewed focus on the major mission of the department.

Funds will be advanced at the University's cost of funds, floating, as determined by the Office of the Treasurer to maintain the investment return on University unrestricted funds. All principal and interest will be repaid within five years from the date of the initial borrowing.

RESOLVED, that the University is hereby authorized to lend up to $1,600,000 to the Department of Anesthesiology for a period not to exceed five years on such terms and in such amounts as the Senior Vice President, Treasurer or other appropriate University officer may deem necessary or appropriate in her, his or their judgment. The Senior Vice President, Treasurer or any other officer of the University is hereby authorized and empowered to execute any agreement or documents necessary or appropriate to make such loan(s) and to accomplish the purposes of this Resolution.

2. Action. A Resolution on the Reconstruction of River Fields A, B, and Bower South was approved as follows:

Intention:

The River Fields have deteriorated badly over the past decade. A complete reconstruction is proposed in keeping with the University's longstanding commitment to provide athletic facilities for the University community. The scope of work includes grading, soil replacement, automatic irrigation, subdrainage, top soil, and sod.

The administration requests approval for reconstruction of River Fields A, B, and Bower South at an estimated cost of $833,000. The project is included in the five-year capital plan, and will be the responsibility of the Department of Recreation and Intercollegiate Athletics.

RESOLVED, that the Reconstruction of River Fields A, B, and Bower South, estimated to cost $833,000, be and the same hereby is approved and that the Senior Vice President or other appropriate officers of the University be and they hereby are authorized to proceed with such renovations and execute such agreements and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of such renovations as presented to the Budget and Finance Committee - as may, in their judgement, be necessary or desirable to accomplish such renovations.

3. Action. A Resolution on the Completion of Shelled Space at 3401 Walnut Street for Cognitive Science and Computer Science for the School of Engineering and Applied Science was approved as follows:

Intention:

The administration proposes to complete shelled space at 3401 Walnut to accommodate the needs of the School of Engineering and Applied Science (SEAS) and to facilitate the development of the Center for Computer and Cognitive Sciences, an interdisciplinary program of SEAS and SAS. The project will encompass faculty and staff offices, computer lab areas, robotics lab areas, and a seminar room at an estimated cost of $994,000, including the design fees approved by the Trustees on 9 December 1988. This project is proposed for the Fiscal Year 1989 Capital Budget. Costs will be paid from bond proceeds for the School of Engineering and Applied Science, state appropriation equipment funds, and other available funds.

RESOLVED, that the construction to complete the shelled space at 3401 Walnut for Cognitive Sciences and Computer Science for the School of Engineering and Applied Science, estimated to cost $994,000, be and the same hereby is approved and that the Senior Vice President or other
appropriate officers of the University be and they hereby are authorized to proceed with such design work and execute such contracts and incur such expenses - not, however, substantially in excess of the estimated cost of such design work as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such design work.

B. Medical Center

Mr. Brown observed that the University's Hospital and the Clinical Practices continue to be "impacted by the squeeze the Federal government, the state government, and third party payers are imposing on both hospitals and doctors. I don't think the situation is going to let up in the near future," he added. "HUP and CPUP are going to be wrestling with financial problems over the next two or three years."

C. Investment Report

Mr. Neff reported that the Associated Investments Fund (AIF) had not been performing as well as he would have liked since 30 June 1988, which is the beginning of the 12-month period used by colleges and universities for purposes of comparing fund returns. He pointed out that the value of AIF common stocks had appreciated only 14.7 percent (total return) versus a 16.6-percent increase for the Standard & Poor 500 Stock Average (S&P). "For the calendar year to date," Mr. Neff continued, "the value of the equity portion of the portfolio is up 10.7 percent versus a 12.7 percent-rise for the S&P. We are usually on the other side of that ledger," he said, "but not every year is a plus one."

The Investment Board chairman explained that the problem has been the automotive equities. "We deal in concentrations and sometimes concentrations don't always blossom," he said. "But actually some of our areas have been embraced, for example, banks, the airlines, or, believe it or not, the savings and loans, which are purported by the press to be in crisis." Mr. Neff added that the media notwithstanding, retail auto sales, including the sale of light trucks, is only down three percent from 1988. He observed that "last year was an excellent car year; this year is a good one." Earnings for all the big three auto makers were up this quarter, he pointed out, and he expressed confidence that their earnings are going to be up for the year. "Even if they aren't," he noted, "four times earnings seems to discount some adversity out there, so we think our fundamental investment policy is right, market performance notwithstanding."

Mr. Neff went on to report that in recent months, stock purchases reflected the emphasis he placed on the basic cyclical commodity area, including the aluminum, papers, and chemicals. Commenting on the bond market, he said it "seemed to be saying that inflation is quantum jumping and threatens to go back, at some point, to the double digit pace of a few years back. And yet if you looked at the basic commodity cycicals, where prices have increased over the last couple of years," he continued, "the market is saying these prices aren't going to last. The truth," he concluded, "is undoubtedly somewhere in between what each of those markets"
is saying. There is a basic dichotomy between the two markets, and I predict that many of the basic cyclical prices will endure, although, for example, copper, oil, and ethlene will come down." He pointed out that cyclical commodities represent about seven percent of the portfolio.

V. Overseer and Other Boards

A. Action. A Resolution on an Appointment to the Board of Overseers of the School of Law was approved as follows:

RESOLVED, that David Berger be appointed to the Board of Overseers for a three-year term, effective 12 May 1989.

B. Action. A Resolution on Appointments to the Board of Overseers of the University Libraries was approved as follows:

RESOLVED, that D. David Eisenhower, Joseph B. Glossberg, and Lawrence J. Schoenberg be appointed to the Board of Overseers of the University Libraries for three-year terms, effective 12 May 1989.

C. Action. A Resolution on Appointments to the Wistar Institute Board of Managers was approved as follows:

RESOLVED, that Robert C. Gallo and Barbara Piasecki Johnson be appointed to the Wistar Institute Board of Managers for terms effective 12 May 1989 through 18 January 1990.

Adjourned.

Respectfully submitted,

Mary Ann Meyers
Secretary of the University