Minutes of the Stated Meeting

of the
Executive Committee of the trustees of the University of Pennsylvania
15 December 1989


I. Call to Order

The chairman called the meeting to order and the minutes of 15 September 1989 were approved as written by the secretary.

II. Report of the Chairman

Mr. Shoemaker had no report.

III. Report of the President

A. President Hackney called the Executive Committee’s attention to the latest publication from the committee planning the celebration of the University’s 250th Anniversary. He noted that the brochure, an official invitation, captures the flavor and excitement of the birthday events scheduled over the next year. “The focus is on the centerpiece events during the week following Commencement,” the president observed, and he said that he had no doubt that the University “would deliver not only a festive celebration but a week full of intellectual and academic stimulation.” He noted, in particular, that the faculty alumni exchanges will involve some of Penn’s best informed and most experienced alumni and its leading professors, “who will conduct a series of discussions about careers, culture, civic issues, finance, health, international matters, and much more.” The colloquia, Dr. Hackney pointed out, will focus on critical issues and will feature leading scholars and public officials from across the nation and around the world. He noted that there would be a gala evening on Saturday, 19 May, in which nationally-known entertainers will share the stage with Penn performers.

Turning to other matters, the president reported that he had been asked by the Ford Foundation to join seven other university presidents in forming the foundation’s Advisory Panel on the Race Relations and Diversity Initiative. He said the group was preparing an essay on campus race relations and diversity, which will form the basis for Ford Foundation’s projects to improve campus race relations and to foster intellectual and cultural diversity at American colleges and

Secretary
The foundation will fund the best of these initiatives.

**B. Action.** A Resolution on Commencement and Authorization for Conferring Honorary Degrees was approved as follows:

RESOLVED, that a mandamus be issued by the Corporation to the president, provost, and professors for the conferring of degrees on 14 May 1990 and at any special convocations called during the year 1990.

RESOLVED, that the Executive Committee be authorized to select candidates for receipt of honorary degrees at the May Public Commencement and other convocations that may be scheduled during the year 1990.

**C. Academic Report**

1. Provost Aiken reported that the administration had promulgated a code of misconduct in research. "It is sad," he observed "that we need to have rules and regulations about what occurs when and if researchers falsify data or otherwise conduct themselves in a way that is not consistent with the pursuit of truth, but misconduct does happen, and our code will be effective 1 January 1990."

Dr. Aiken further noted that the Academic Planning and Budget Committee has been reviewing planning reports to synthesize various elements for a five-year plan. "We are quite confident that we will have a draft of that document by the end of the academic year," he said.

The provost went on to report that the Penn Automated Registration and Information System, known by the acronym PARIS, was successfully implemented in November. He explained that the new system permits students to register for classes, as well as drop and add courses, over the telephone. He further noted that the administration had established a new position of vice provost for graduate education whose occupant will carry out the important recommendations of the working group on Ph.D. education. "The search committee will be put together in the next three to four weeks," he said, "and we hope to have the new vice provost in place by the fall."

Finally, the provost called the attention of the Trustees to the proposed appointment of William R. LaFleure as a professor of oriental studies. He noted that Dr. LaFleure is a scholar of Japanese religion and culture who specializes in medieval Buddhist literature. He received his Ph.D. from the University of Chicago and comes to Penn from the University of California at Los Angeles where he is currently a professor in the department of East Asian languages and culture, according to Dr. Aiken. His most recent prizes and awards include the Sasakawa Grant for the study of philosophy in modern Japan, the Watuji Tetsura Prize for Japanese scholarship, and the American Academy of Religion Prize for Excellence. The provost observed that the University administration was particularly pleased that Dr. LaFleure would be joining the faculty because of interest in establishing a Far Eastern Studies Institute.

2. **Action.** A Resolution on Appointments, Leaves, and Promotions was approved as found on pages 1 through 17 of the meetingbook.
D. Financial Report

Senior Vice President Whittington reported that as of 30 November 1989, the administration continues to project a general University surplus of $50,000 for the fiscal year ending 30 June 1990 after approved, budgeted, discretionary allocations to the Undergraduate Development Fund, the Research Fund, and the campaign and after the budgeted, mandated Graduate Hospital deficit amortization. "On the unrestricted side," she said, "the positive factors are graduate tuition, indirect cost recoveries, and savings in salary expense and non-guaranteed student aid and utility costs. The negative factors are summer and special tuition, special programs and fee revenues, gift and sales revenue, general University tuition, current expense, and non-guaranteed student aid expense. On the unrestricted side," the senior vice president continued, "grant endowment and gift and contract expenditures increased by 33.8 percent, 13.4, and 10.6 percent, respectively. The amount available at year end for grant and contract expenditures was 8.6 percent greater on 30 November 1989 than on 30 November 1988," she said.

Dr. Whittington also reported that for the first four months of the fiscal year the Hospital had an excess of revenues over expenditures of $5,226,000, which is $3,265,000 better than budget. She noted that the Clinical Practices continue to report on a quarterly basis, so there is no new information on their financial performance from what was reported to the Trustees at the October meeting: an excess of revenues over expenses of $1,682,000, which is $275,000 better than budget, and a net decrease in the Education and Development Fund balance of $318,000.

IV. Trustee Committee Reports

A. Budget and Finance

Mr. Fox reported that the committee has discussed and approved ten resolutions, which it recommended to the Trustees.

1. Action. A Resolution on the Furness Building Renovation, Phase IIA was approved as follows:

Intention:

The University is committed to completing the restoration of the Furness Building as funds become available. The firm of Venturi Rauch and Scott Brown, Architects has been commissioned to implement this important project. The Trustees have previously approved funds and construction has been completed for Phase IIA - Exterior Envelope, and Phase IIB - Renkstark Building and related work.

The architects have completed the bidding documents for all of Phase II, which will be implemented in two stages. Phase IIA includes the interior renovation/restoration of the reading room with air-conditioning, the complete replacement of the heating, plumbing and electrical systems of the entire building, and the completion of the life safety work and fire suppression system. Phase IIB consists of the interior restoration of the remainder of the spaces including seminar/classrooms and Duhring Wing renovation.

The projected cost of all of Phase II is $6.7 million and is included in the Capital Budget for fiscal year 1990 with construction scheduled to commence in December 1989. At this time, the administration proposes to start the construction on that portion of the scope of work of
Phase IIA for which it has received bids. The value of this portion of work is $5,049,810 and covers the replacement of all plumbing, electrical, and mechanical systems in the building, demolition of the reading room slab and restoration of the scar left behind by the removal, air conditioning for the reading room, and installation of the sprinkler system, as well as furnishings for the reading room and architectural fees. Funds will come from fund-raising and deferred maintenance funds for fiscal year 1989 and 1990.

After the remainder of Phase IIA is bid in January of 1990, additional approval will be requested before commencement of construction. The construction of Phase IIB will take place only when funds become available.

RESOLVED, that the construction of Phase IIA in the renovation of the Furness Building, estimated to cost $5,049,810, be and the same hereby is approved and that the Senior Vice President, Treasurer or other appropriate officers of the University be and they hereby are authorized to take such actions, execute such contracts and incur such expenses and obligations -- not, however, substantially in excess of the estimated cost of such construction as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

P. Action. A Resolution on the Renovation of HUP's Dulles 7 for the Department of Anesthesia was approved as follows:

Intention:

The administration proposes to undertake renovation of 1943 square feet of existing office and laboratory space on the seventh floor of the Dulles Building. The proposed renovation is part of the commitment made to Dr. David Longnecker during his recruitment as incoming chairman of the Department of Anesthesia. The project was included in the Capital Budget for fiscal year 1989 and will be funded by the Medical School Building Fund.

RESOLVED, that the renovation of HUP's Dulles 7 for the Department of Anesthesia estimated at $548,735, 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 take such actions, proceed with such renovations, execute such contracts and incur such expenses and obligations -- not, however, substantially in excess of the estimated cost of such renovations presented to the Budget and Finance Committee -- as may, in their judgment, be necessary or desirable to accomplish the purposes of this resolution.

3. Action. A Resolution on the Purchase of an Ardent P3 Computer System for LRSM was approved as follows:

Intention:

As part of the LRSM three year renewal program, a commitment has been made to enhance the computing facility through the acquisition of a mini-supercomputer. LRSM has determined that an Ardent P3 processor based system, costing $277,510, will best satisfy their requirements. Due to a severe time constraint involved in obtaining a 68% discount for this system, the purchase order had to be processed prior to submission to the Budget and Finance Committee. The purchase, however, was approved by Capital Council before being processed. Funding for the system will be from LRSM grant funds as well as non-LRSM grant funds provided by many individual researchers.

RESOLVED, that the purchase of the Ardent P3 Computer System for LRSM for a cost of $277,510, be and the same hereby is approved and that the Senior Vice President, Treasurer or other appropriate officers of the University be and they hereby are authorized to take such actions, execute such contracts and incur such expenses and obligations -- not, however, substantially in excess of the cost as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to
accomplish the purposes of this resolution.

FURTHER RESOLVED, that the actions of the above officers on or before the date of this resolution in effecting the above-described purchase are hereby ratified, affirmed and approved.

4. Action. A Resolution on the Construction of the Center of Animal Health and Productivity at the New Bolton Center was approved as follows:

Intention:

The administration proposes to construct a new building at New Bolton, adjacent to the old research building, to house faculty offices and classrooms for the Center of Animal Health and Productivity. This building will enable the center to function out of one central location, which will house computer equipped classrooms as well as facilities for field teams. The project cost is estimated at $918,400 and the project has been bid. The project is included in the Capital Budget for fiscal year 1990. Funds for this project have been appropriated by the Commonwealth of Pennsylvania.

RESOLVED, that the construction of the building to house the Center of Animal Health and Productivity, estimated to cost $918,400, be and the same hereby is approved and that the Senior Vice President, Treasurer, or other appropriate officers of the University be and they hereby are authorized to take such actions, execute such contracts and incur such expenses and obligations -- not, however, substantially in excess of the estimated cost of completing such construction as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

5. Action. A Resolution on the New Bolton Center Transformer and Electrical Power Capacity Upgrade was approved as follows:

Intention:

The University intends to increase the electrical power capacity at its School of Veterinary Medicine facility at New Bolton Center. The additional capacity will meet the increased power needs that will be generated by the ICU Neonatal unit now under construction. The scope of work includes installing a new transformer in the substation and related work. The cost of the project is estimated at $307,000. Project costs will be covered through a plant advance that will be repaid in annual installments by the School of Veterinary Medicine.

RESOLVED, that the installation of a new electrical power transformer and related work at New Bolton Center estimated to cost $307,000, 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 take such actions, proceed with such design, execute such contracts and incur such expenses and obligations -- not, however, substantially in excess of the estimated cost of such construction as presented to the Budget and Finance Committee -- as may, in their judgment, be necessary or desirable to accomplish the purposes of this resolution.

6. Action. A Resolution on the Renovations to the Class of 1920 Dining Commons, Phase IIB was approved as follows:

Intention:

On 13 March 1987, the Trustees approved the first phase of renovations to the Class of 1920 Dining Commons in the estimated amount of $1,800,000. An increase in project cost to $2,200,000 was approved by the Trustees on 11 December 1987 to include additional utility work in Locust Walk and the addition of a glass enclosed dining space on the west side of the building. On 23 June 1989, the Trustees approved Phase IIA of the project at a cost of approximately $1,300,000. Due to construction logistics, portions of the intended scope of Phase IIA have been deferred to Phase IIB; the revised IIA estimate is $1,070,000.
The administration proposes to undertake Phase IIB of the project at a cost of approximately $3,100,000. The work, which is scheduled for completion in the summer of 1990, includes renovations to the food service areas on two floors and the construction of a new food service area on the second floor. Sprinklers and related life safety improvements will also be completed. At this time, the administration requests approval to begin Phase IIB. This project is included in the Capital Budget for 1990. Present costs will be covered by a plant advance to be amortized over a period of five years and paid from Dining Services revenues.

RESOLVED, that Phase IIB of renovations to the Class of 1920 Dining Commons, estimated at $3,100,000, 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 take such actions, proceed with such renovations, execute such contracts 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 judgment, be necessary or desirable to accomplish the purposes of this resolution.

7. A Resolution on the Rehabilitation of Lot 14 Parking Garage at 38th and Spruce Streets was approved as follows:

Intention:

The University intends to rehabilitate the Lot 14 parking garage at 38th and Spruce Streets. The scope of work includes concrete repairs, replacement of expansion joints, and new deck coating and painting. The estimated cost of the project is $453,842. Project costs will be covered through the Parking Facility Fund.

RESOLVED, that the rehabilitation of the Lot 14 parking garage estimated to cost $453,842, 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 take such actions, proceed with such design, execute such contracts and incur such expenses and obligations -- not, however, substantially in excess of the estimated cost of such construction as presented to the Budget and Finance Committee -- as may, in their judgment, be necessary or desirable to accomplish the purposes of this resolution.

8. Action. A Resolution on the Rehabilitation of the Penn Tower Parking Garage was approved as follows:

Intention:

The University intends to rehabilitate the Penn Tower parking garage. The scope of work includes major structural repairs and reconditioning and sealing the roof level parking deck. The estimated cost of the project is $467,238. Project costs will be covered through the Parking Facility Fund.

RESOLVED, that the rehabilitation of the Penn Tower parking garage estimated to cost $467,238, 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 take such actions, proceed with such design, execute such contracts and incur such expenses and obligations -- not, however, substantially in excess of the estimated cost of such construction as presented to the Budget and Finance Committee -- as may, in their judgment, be necessary or desirable to accomplish the purposes of this resolution.

9. Action. A Resolution on the University's Guarantee of a $7.4 Million Loan to University City Associates, Inc. by Mellon Bank (East), N.A. was approved as follows:

Intention:

In conjunction with the planned debt restructure of University City Associates, Inc. (UCA), the University has arranged for interim financing for UCA in the amount of $7.4 million. This loan will be used to
refinance an existing 12.5% mortgage with Meritor Mortgage in addition to loans from Philadelphia National Bank and the University, which bear interest at the prime rate. By guaranteeing the loan, the University is able to release the real estate securing the Meritor and Philadelphia National Bank loans and improve cashflow to UCA through a reduction in the borrowing rate to UCA.

RESOLVED, that the Senior Vice President or Treasurer of the University be and the same hereby are authorized to execute and deliver such documents and to take such actions as are required to effect the University's guarantee of University City Associates, Inc.'s $7.4 million loan from Mellon Bank and

FURTHER RESOLVED, that the actions of the above officers on or before the date of this resolution in effecting the above-described guarantee are hereby ratified, affirmed and approved.

10. Action. A Resolution on the Purchase of 3428-3436 Sansom Street was approved as follows:

Intention:

The administration proposes to purchase five contiguous properties, 3428-3436 Sansom Street, from two different owners. These properties have a total of 18,396 square feet of residential and commercial space including the site of the former Restaurant La Terrasse. The purchase price is $435,000 for 3428 Sansom Street and $2,740,000 for 3430-3436 Sansom Street. This price includes assumption of existing building and materials contracts, the right to the name Restaurant La Terrasse and the existing liquor license for the restaurant. Final settlement on these purchases is expected in January 1990. Renovations estimated at $715,000 will be required to prepare some of the space for leasing. Costs will be covered from general University funds.

RESOLVED, that the purchase and renovation of 3428-3436 Sansom Street, estimated at $3,910,000, be and the same hereby is approved and that the Senior Vice President, Treasurer or other appropriate officers of the University be and they hereby are authorized to take such actions, execute such contracts and incur such expenses and obligations -- not, however, substantially in excess of the estimated costs as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

FURTHER RESOLVED, that the actions of the above officers on or before the date of this resolution in effecting the above-described purchase are hereby ratified, affirmed and approved.

D. Medical Center Board

Mr. Brown observed that not only was the Medical Center moving forward in terms of getting its financial house in order but, even more importantly, with the arrival of William Kelley on the first of October as the new dean and executive vice president and the arrival of his colleague, Bud Pittinger, as the executive director of the Hospital, it has "a routine in place. They hit the beach running and they have very interesting plans," Mr. Brown said. He noted in particular that Dr. Kelley had produced a detailed proposal for restructuring of the Medical Center organization and management, which had recently been reviewed by the Health Services Committee of the Trustee Board of the Medical Center. "It's a very thoughtful and well organized rearrangement," the chairman of the Medical Board observed. He went on to note that Dr. Kelley would make a full scale presentation of his short- and long-range plans to the Trustees at a
plenary session the 17th of January. "I strongly urge those of you who have any interest in this important aspect of the University to the meeting," Mr. Brown concluded.

C. Investment Board

Mr. Neff observed that since the start of FY'90, the Associated Investments Fund (AIF) hadn't done especially well. He pointed out that AIF common stocks are up only a little over 2 percent (total return) compared to a slightly more than 10-percent rise for the Standard and Poor 500 Index (S&P). "It is about as bad a spell as we have had in some time," the Investment Board chairman commented. He noted that since 31 December 1988, AIF equities trailed the S&P by nearly 10 percentage points, with an 18.8-percent advance (total return) compared to 28.5-percent total return appreciation in the S&P 500.

The chairman of the Investment Board went on to say that in his view, "the marketplace has been somewhat irrational. There has been a lot of lip service paid to a so-called soft landing in the economy, principally in 1990 when some people look for a recession and others, including ourselves, look for moderate growth, but people haven't been voting that way in the marketplace. Super safe areas, such as consumer non-durables and consumer non-cylicals, including food, beverages, telephones, household products, media, entertainment, and drugs, which make up 28 percent of the S&P, have appreciated 44 percent year-to-date. Even though they are not typically growth areas, they have been appointed," he said. "It seems the market can be a captive of momentum for a period of time and then all of a sudden, things hit a wall and shatter and then everything goes the other way. It is something you have to live with. But right now, some of our areas, even those that have measured up fundamentally, have not been embraced and smiled upon. There is a lot of group think out there and a lot of technical momentum. It is a little tough sometimes to go against the flow or argue with the tape, but we think we are on the right track. One of these meetings, and probably sooner rather than later, the results will look a little better."

Mr. Neff observed that the market itself "looks a bit on the high side. Earnings have obviously rolled over and are heading south, and while probably not at a sharp rate, they are tailing off. At 57 percent, the portion of the portfolio we have invested in equities is a bit down from more recent levels. A market that is 14 times 1990 earnings is not outrageous," he concluded, "but its kind of pushy, if you don't have much thrust out there, and we don't see it."

V. Overseers and Other Boards

A. Action. A Resolution on Appointments to the Board of Overseers of the School of Dental Medicine was approved as follows: