Minutes of the Stated Meeting
of the
Executive Committee of the Trustees
of the
University of Pennsylvania
March 22, 1991

A meeting of the Executive Committee was held on Friday, March 22, 1991, in the Tea Room of the Faculty Club. Trustees attending included: Susan W. Catherwood; Richard J. Censits; Gloria T. Chisum; G. Morris Dorrance; Robert A. Fox; Stephen J. Heyman; Sheldon Hackney (ex officio); Donald N. Langenberg; John B. Neff; Sara S. Senior; Alvin V. Shoemaker; and Myles H. Tenenbaum. Others present included: Michael Aiken; Marcy Bevan; Richard Clelland; Robert Davies; Jean Dykstra; Karen Gaines; Stephen Golding; John Gould; Eileen G. Heron; Scott Lederman; Gail Levin; Kim Morrisson; Rick Nahm; Roxanne Patel; Almarin Phillips; Rosemary Ranck; Jay Saddlington; Louise Shoemaker; Larry Singer; Barbara R. Stevens; Duncan Van Dusen; and Dilys Winegrad.

I. Call to Order

Chairman Shoemaker called the meeting to order. The minutes of the 25 January meeting were approved as written by the Acting Secretary.

II. Chairman’s Report

Mr. Shoemaker announced that because Mr. Robert Fox, Chairman of the Budget and Finance Committee, had to leave the meeting early he would take his report on the resolution on tuition and fees out of order.

Mr. Fox noted that earlier in the day the Budget and Finance Committee had discussed the whole issue of costs of higher education and their impact on all students and in particular on middle income families in this country. Mr. Fox also reflected on the great sensitivity among Board members as to how the University can maintain a "broad spectrum of students." He reported that the Committee had approved a tuition increase of 6.7% that would result in undergraduate tuition of $14,347, general fee of $1,297, and a technology fee of $250, for a total undergraduate tuition and fees of $15,894. Mr. Fox pointed out that approval of a 6.7% increase in tuition instead of the previously discussed 6.9% increase would result in the University budget showing a $6.7 million deficit instead of the proposed $6 million deficit. Mr. Fox reported that the Budget and Finance Committee and the Trustees would work with the president and the administration "to make every effort to bring the budget into balance in the 1992-93 year."

Mr. Shoemaker commented that an increase in tuition was "a very sensitive issue to a lot of people." "The ability of students and parents to continue to carry the burden", was of great concern to the trustees and the administration. He expressed confidence that the administration and trustees would work together to find ways to absorb successfully the difference.

1. Action. A Resolution on Tuition and Fees for Academic Year 1991-1992 was approved as follows:

Intention:

The administration proposes to establish the following tuition and fees for academic year 1991-92:
For undergraduates, the tuition and mandatory fees will total $15,894, including a general fee of $1,297 and tuition of $14,347; for graduate students, tuition will be $15,619 and the general fee will be $965, totalling $16,584; for professional students, the general fee will be $756.

RESOLVED, that for academic year 1991-92 the undergraduate tuition and mandatory fees rate will be $15,894; that the tuition and general fee for graduate students will be $16,584; that the professional general fee will be $756; that the tuition for professional students will be determined administratively to reflect budget requirements of the various schools; and that part-time tuition and fee rates will be determined administratively and will increase proportionately.

Chairman Shoemaker thanked Mr. Fox for his efforts and returned to the agenda.

A. Action. A Resolution of Appreciation to Dr. Gail C. Levin was approved as follows:

Intention:

Gail C. Levin has been associated with the University of Pennsylvania for over twenty years as a student, an administrator of the University of Pennsylvania Press, and as assistant secretary, associate secretary, and acting secretary of the University. Graduated Phi Beta Kappa from Wheaton College in Norton, Massachusetts in 1970, she came to Penn on a Phi Beta Kappa Scholarship for Graduate Study. After receiving a Ph.D. in English in 1974, Dr. Levin joined the University of Pennsylvania Press, where she served as an assistant to the director and subsequently as assistant director. In 1981 she was appointed assistant secretary and judicial administrator of the University. Subsequently Dr. Levin was promoted to associate secretary, serving most recently as acting secretary. Her principal responsibility has been to service the University Boards of Overseers. During Dr. Levin's stewardship the number of Boards of Overseers increased from five to fourteen and the number of overseers from 75 to over 400. In addition she coordinated the dean's searches for five schools and the University Libraries. During the past twenty years Dr Levin has been an exemplary University citizen. She has served Penn, the Trustees, and the Overseers with intelligence and care. The Trustees look forward to her future involvement in the Penn community as a respected alumna.

RESOLVED, that the Trustees of the University of Pennsylvania, on behalf of themselves, the Overseers, administration, faculty, students, and alumni of the University, express their gratitude to Gail C. Levin for her twenty years of devoted service and her outstandingly successful efforts on behalf of the University of Pennsylvania.

III. Report of the President

A. President Hackney expressed his own appreciation to Gail Levin, noting that she had been "an extraordinary performer" not only in the few months she served as Acting Secretary of the University, but "throughout her entire time at Penn." Dr. Hackney went on to say how delighted he was that Barbara R. Stevens, who in her past association with the University had built a very strong foundation, had rejoined Penn as Secretary of the University.

President Hackney discussed the crisis the University faces because of the Governor of Pennsylvania's proposed 49% cut in Penn's appropriation for fiscal year 1992. He discussed the strategy that was "real, that protected the academic enterprise to the extent possible, that was balanced and judicious, and did not inflict harm on any part of the University, especially on the core programs of the educational and research efforts." He noted the Trustees concern for the level of tuition that Penn's students and families are required to pay,
exhibited by their action to keep the tuition increase to the level in the current year. He also noted his appreciation that the Trustees recognize the delicate situation of Penn’s budget by allowing the University to plan a deficit of $6.7 million for 1992. He went on to say that while we will all feel the effects of the deficit, it was important to "make very careful and calculated cuts to the expenditures to the University without doing long term damage." Dr. Hackney stated that everything possible would be done to convince the legislature to restore the proposed cuts, to maintain the strong momentum of the University, and above all, to protect Penn’s academic core and its quality.

Dr. Hackney indicated how thankful everyone was that the war in the Middle East was over and that the loss of American and allied lives was minimal, although acknowledging the tragic devastation suffered by many peoples and countries of the region. He said he was "particularly thankful that the response of the campus was so good in this period of tension. The emphasis on tolerance, civility, and respect for the differing views of other members of the community established a higher standard for us all. Everyone who contributed to that achievement should be commended." Dr. Hackney expressed the hope that we can continue to learn from one another in that same spirit of community.

The President turned his attention to the mail referendum on Penn’s workplace charitable campaign. Almost 9000 ballots were mailed to employees solicited in the campaign, with 3000 responses received to date. Dr. Hackney noted that the advisory referendum, which will guide him in making the final determination on the form of Penn’s charitable campaign, asked two questions: First, should the University continue to have a workplace charitable campaign and second, if there is a campaign, should it be a United Way Campaign with Donor Option, or a Combined Campaign. The President stated that he hoped to announce his decision at or before the April 10 meeting of University Council.

Dr. Hackney moved on to the annual Safety and Security Information Report which appeared in the March 5 issue of the Almanac. He noted that while the three-year crime statistics indicated a significant decrease in reports of some kinds of crimes on campus, he wished to make it clear that the statistics referred to the "formal campus" and "not the neighborhood around us." While the trend is encouraging, Dr. Hackney emphasized that safety and security remain a real concern and "we will be meeting with neighborhood leaders" to achieve further reductions in crime.

The President continued his report by commenting on the "Castle on Locust Walk." He stated that Vice Provost for University Life, Kim Morrison, with the advice of the Locust Walk Committee, had recommended that the Castle be used next fall as a "pluralistic living-learning residence;... a place where students, faculty and staff can explore key issues of service and community involvement." The President announced his acceptance of the recommendation and indicated that this "new living-learning" model residence can exemplify and extend Penn’s commitment to the community.

Dr. Hackney observed that as part of our commitment to the community we are planning a West Philadelphia Day celebration on campus, Thursday, April 25, "to highlight the resources that Penn and West Philadelphia offer each other." A special West Philadelphia housing fair, featuring residential rental and purchase information will be an important component of the celebration.

It was with sorrow that President Hackney reported on the deaths of two Penn students, Matthew Blau and Jennifer Koons, members of the Penn Singers and Penny Loafers, enroute to Epcot Center in Florida when their car was involved in a collision. A third student, Thomas Easton, president of the Penn Band, was injured.
In his concluding remarks, the President announced that College senior, Theresa E. Simmonds, who earlier in the year was named a Rhodes Scholar, was among 20 undergraduates named to USA Today's All-USA Academic First Team. Ms. Simmonds was selected from among 854 scholars from across the country and will receive a $2,500 cash prize.

B. Academic Report

1. Provost Aiken announced the appointment of Janice Madden as Vice Provost for Graduate Education. Dr. Madden currently is the Robert C. Daniels Foundation Term Professor of Urban Studies. Her appointment becomes effective July 1, although she will not be assuming the position until September 1.

Dr. Aiken also reported on the resignation of Hugo Sonnenschein as Dean of Arts and Sciences to become Provost of Princeton University on June 1. Professor Walter Wales, long-time associate dean in the School of Arts and Sciences and Acting Dean prior to the appointment of Dr. Sonnenschein has agreed to serve as Acting Dean, effective June 1. A search committee for the new dean is "fast at work," chaired by Professor Lawrence Bernstein of the Music Department with trustee Gloria Chisum among its members. The committee hopes to have a new Dean in place by September 1.

The Provost stated that the term of Michael Austin's appointment as Dean of the School of Social Work is almost over and that a review committee with Professor Howard Arnold of the School of Social Work as chair, has been named to consider whether Dr. Austin's appointment should be renewed.

In an update on the Moscow State Student Exchange program, the Provost noted that thirteen Soviet students are currently visiting the University and in May, thirteen Penn students will complete the exchange with a trip to the U.S.S.R.

It was with distress that Dr. Aiken reported on two faculty deaths. Nora Magid, who was with the English Department for twenty years, and who was the first recipient of the Provost's Award for Distinguished Teaching in the Non-Health Area, died over the spring holiday. Ms. Magid was often referred to as Penn's "unofficial one-woman journalism department." Some of her former students are among the top magazine writers and editors in the nation. Diane Hunter, Director of Freshman English and a doctoral candidate in the Department, also died over spring break. Mrs. Hunter joined Penn in 1986 and won an SAS teaching award in her first year as a graduate student. "We regret the loss of both of these remarkable members of our community."

Provost Aiken announced the appointment of Dr. Peter Patton as Vice Provost for Information Systems and Computing, effective April 1. Dr. Patton is currently chief scientist and director of the Communications and Systems Division of the National Technology Transfer Center in West Virginia.

2. Action. A Resolution Reaffirming Maintenance of an Endowed Discretionary Fund for Area and International Studies was approved as follows:

Intention

In 1986, through the generosity of the William and Flora Hewlett Foundation, the University of Pennsylvania established an endowed discretionary fund for area and international studies at the University. Recently Penn has been awarded a second challenge grant from the Hewlett Foundation, in the amount of $300,000, to be matched three-to-one by funds the University will seek to raise during the next three years. These monies will supplement the endowed discretionary fund for international studies.
On September 14, 1984, the University of Pennsylvania Board of Trustees passed a resolution affirming that the endowment would be maintained for the purposes intended, as set forth in the Foundation's guidelines dated April 5, 1982. Copies of these guidelines and the Penn Trustees' 1984 resolution are enclosed. The Foundation has now requested that the University's Trustees approve another resolution, to reassert the original one and to reconfirm the purposes of the endowment.

In brief, the Foundation's guidelines stipulate that the discretionary fund shall not substitute for any items that regularly belong in the budget, such as regular salaries, student tuition or physical plant. Appropriate use would be initiation of projects or experimental programs whose long term continuation will be supported from other sources. Examples may include visiting faculty appointments, symposia, seed funding for research projects, release time for course development, student or faculty travel, and special acquisitions for the library.

RESOLVED that the University of Pennsylvania will apply the $300,000 challenge grant from the William and Flora Hewlett Foundation, and matching funds raised to meet this challenge, to supplement the existing endowed discretionary fund for area and international studies at the University. Furthermore, the University of Pennsylvania reaffirms that the endowment will be maintained for the purposes intended, as set forth in the Foundation's guidelines of April 5, 1982.

3. Action. A Resolution on Appointments, Leaves, and Promotions was approved as found on pages 1 through 30 of the meeting book.

C. Financial Report

Mr. Scott Lederman, Treasurer of the University, in the absence of Senior Vice President Marna Whittington reported that "as of February 28, 1991 we are projecting a General University deficit of $750,000." This is primarily due to the Commonwealth of Pennsylvania's 3.5% appropriation abatement. Mr. Lederman stated, "We are still working on ways to come in with a balanced budget." On the unrestricted side, positive factors include gains in summer and special tuition, General University indirect cost recovery, utilities temporary investment fund income, and savings in salary expense and direct centers' current expense. Negative factors include the Commonwealth appropriation abatement, projected shortfalls in graduate tuition, special programs and fees revenue, direct centers indirect cost recovery, gift and sales revenue, General University Tuition and Aid, non-guaranteed student aid expense and several other expense categories. With regard to school performance, Mr. Lederman projected that due to the Commonwealth's appropriation abatement, the School of Veterinary Medicine will show a deficit of $300,000. The Wharton school is also projecting a deficit of $650,000, "due in part to a fall off in MBA admissions this year". On the brighter side, he observed, the Graduate School of Education is projecting a surplus of $650,000 and all other schools and centers are anticipated to break-even. With regard to restricted performance, the endowment, and grant and contract expenditures increased by 16.7% and 8.0% respectively. Gift fund expenditures decreased by 5.6%. The amount available for grant and contract expenditures as of February 28, 1991 is "8.5% ahead of where we were last year at the same time."

Mr. Lederman also reported that the Hospital of the University of Pennsylvania continues to do very well. For the seven months ended January 31, 1991, the Hospital had an excess of revenue over expenses of $14,552,000 which was $10,222,000 better than budget. Adult admissions for the same period of time totaled 15,507, which was 46 higher than budget.
Turning to the Clinical Practices, he remarked that for the seven months ended January 31, 1991 they are showing an excess of revenue over expenses of $1,941,000 better than budget, and that the Education and Development Fund balances decreased, net, by $2,982,000 for the period July 1, 1990 to December 31, 1990.

IV. Trustee Committee Reports

A. Budget and Finance Committee

On behalf of Mr. Fox, Mr. Shoemaker indicated that the Budget and Finance Committee had discussed and approved additional resolutions, which it recommended to the Trustees.

2. Action. A Resolution on the Renovation of Biomedical Research Laboratories for the Division of Molecular Cardiology, School of Medicine was approved as follows:

Intention:

The School of Medicine proposes to renovate approximately 2,922 square feet of teaching laboratories on the first floor of the Johnson Pavilion into research laboratories for the Division of Molecular Cardiology.

This project resulted from a recent major recruitment effort and was not included in the Fiscal Year 1991 Capital Budget. Project costs are estimated at $763,000, and will be funded by the School of Medicine.

RESOLVED, that the renovation of laboratory space on the first floor of the Johnson Pavilion, estimated to cost $763,000, 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 renovation, execute such contracts, and incur such expenses and obligations -- not, however, substantially in excess of the estimated cost of such renovation as 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 Renovation of Biomedical Research Laboratories for the Department of Pharmacology, School of Medicine was approved as follows:

Intention:

The School of Medicine proposes to renovate approximately 2,700 square feet of biomedical research laboratories on the first floor of the John Morgan Building as part of its programmatic development efforts for the Department of Pharmacology.

This project was included in the Fiscal Year 1991 Capital Budget and is estimated to cost $1,277,000. It will be funded by the Research Facilities Development Fund and/or the School of Medicine.

RESOLVED, that the renovation of research laboratories on the first floor of the John Morgan Building, estimated to cost $1,277,000, 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 renovation as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.
4. Action. A Resolution on the Design of the Biomedical Research Building for the School of Medicine was approved as follows:

Intention:

In September 1987, the Trustees approved the construction of the Module 5 Chilled Water Plant to service the south side of the campus. The Plant was designed to accommodate future construction on top of the Plant structure. The School of Medicine now proposes to develop an approximately 182,297 gross square foot Biomedical Research Building on top of the Plant. This building will meet programmatic needs of the Departments of Anatomy, Biochemistry and Biophysics, Human Genetics, Medicine (including the Institute for Aging), Pathology and Laboratory Medicine and multi-disciplinary programs for Human Gene Therapy. The building satisfies recruitment commitments to the Chairpersons of the Departments of Biochemistry and Biophysics and Medicine and will enable the School to proceed with the recruitment of Chairpersons for the Departments of Anatomy and Human Genetics.

This project was developed as part of a recently completed planning effort and was not included in the Fiscal Year 1991 Capital Budget. The design work for this project is estimated to cost $3,880,700 and will be funded by the School of Medicine.

RESOLVED, that the design of the Biomedical Research Building, estimated to cost $3,880,700, 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 design 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 Phase I of the Renovation of the Exterior of Mayer Hall was approved as follows:

Intention:

The University intends to proceed with Phase I of the exterior renovation of Mayer Hall. This Phase will consist of the rehabilitation of one face of the building's facade. The scope of work will include repainting bricks, repairing flashings, installing new energy-efficient windows, and related work.

This project was included in the Fiscal Year 1991 Capital Budget and is estimated to cost $529,525. Funds for this project will come from Residential Maintenance Funds.

RESOLVED, that Phase I of the renovation of the exterior of Mayer Hall, estimated to cost $529,525, 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 renovation, execute such contracts, and incur such expenses and obligations -- not, however, substantially in excess of the estimated cost of such renovation 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 Renovation of the Fourth Floor of Penn Tower for Medical Center Development and Alumni Relations Offices was approved as follows:

Intention:

The University proposes to create approximately 8,000 square feet of office space on the fourth floor of Penn Tower to house the Medical Center Development and Alumni Relations offices.
The scope of work will include repartitioning the space, modifications to the HVAC system, and the installation of new ceilings, lighting and floor and wall finishes.

This project was developed as part of a recently completed planning effort and was not included in the Fiscal Year 1991 Capital Budget. Project costs are estimated at $407,084, and will be funded by the University Relations operating budget and by an advance from general University funds which will be repaid over a four year period from unrestricted bequests.

RESOLVED, that the renovation of space on the fourth floor of Penn Tower, estimated to cost $407,084, 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 renovation, execute such contracts, and incur such expenses and obligations -- not, however, substantially in excess of the estimated cost of such renovation 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. Action. A Resolution on the University's Guarantee of a $1.5 Million Loan to Caring Center, Inc. by Mellon Bank (East), N.A. was approved as follows:

Intention:

Caring Center, Inc., a Pennsylvania not-for-profit corporation (CCI), intends to construct and operate a new day care facility for approximately 120-160 children at 31st and Spring Garden Streets. Because a substantial number of the children at this new center have parents who are University employees, the University intends to assist CCI by guaranteeing its $1.5 million site acquisition and construction loan from Mellon Bank (East), N.A.

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 Caring Center, Inc.'s $1.5 million loan from Mellon Bank (East) National Association and as may in their judgment be necessary or desirable to accomplish the purposes of this resolution; 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.

B. Investment Report

Mr. Neff began his discussion noting that the performance of AIF stocks had improved relative to the market for the calendar year to date. Through March 13, 1991, AIF stocks provided a total return of 21.1% versus 14.2% for the Standard & Poor's 500 (S&P). He noted that the Fund's bounce from its October lows was reflective of relatively strong performance in its sizable financial intermediary and basic commodity cyclical holdings. While the performance of AIF stocks still lags the S&P for the fiscal year, or NACUBO year to date (AIF stocks -3.0% vs. S&P +7.4%), the market appears to be recognizing the Fund's holdings of late.

Mr. Neff believes that "the market is kind of happy, a little bit out of character with the basic (economic) backdrop." He elaborated that the market's current price/earnings ratio (P/E) of approximately 17X, is "pretty aggressive capitalization," particularly when corporate earnings growth is slow and the bond market is relatively strong.
He explained that reflecting the bond market's present attractiveness relative to stocks, AIF stocks have been pared back to 47% of the Fund from 53% at December 31 and 54% at June 30, 1990. He noted that the market value of the AIF is back over $700 million, at $731 million.

Mr. Neff explained that interpreting the future direction of the economy and the market are major challenges at present. He reported the improvement in consumer confidence since the end of the Persian Gulf War. However, this was not evidenced in the auto sales report for the first ten days of March (at a 5.9 million annual rate), although truck sales increased modestly. Nevertheless, single family home sales have shown significant improvement from their depressed levels, spurred on by low interest rates and, a related factor, improved housing affordability. Troublesome, however, are the projected poor first quarter corporate earnings reports that have been announced by some blue chip companies such as IBM. Mr. Neff noted that this has "taken a bit of a toll out of the market already." In the case of IBM, which projected first quarter earnings to be 50% below the first quarter of 1990, the stock declined 10% in one day, or approximately $7 billion in total capitalization. In this environment, the AIF has adopted a relatively defensive posture. Mr. Neff explained, "we would like to enhance our $730 million, but we would like to keep a fair share of it too."

V. Overseers and Other Boards

A. Action. A Resolution on Appointments to the Trustee Board of the Medical Center and the Board of Overseers of the School of Medicine was approved as follows:

RESOLVED, that David W. Martin, Jr. and Ronald O. Perelman be appointed to the Trustee Board of the Medical Center for three-year terms, effective 22 March 1991, and to the Board of Overseers of the School of Medicine for a term concurrent with the Trustee Board appointment.

B. Action. A Resolution on Appointments to the Board of Overseers of the School of Arts and Sciences was approved as follows:

RESOLVED, that Nicholas E. Chimicles, Elliot S. Jaffe, Mary Ann Meyers, and David M. Silfen be appointed to the Board of Overseers of the School of Arts and Sciences for three-year terms, effective 22 March 1991.

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

RESOLVED, that Patricia Denner Cayne be appointed to the Board of Overseers of the Graduate School of Education for a three-year term, effective 22 March 1991.

D. Action. A Resolution on Appointments to the Board of Overseers of the School of Social Work was approved as follows:

RESOLVED, that Harold S. Goldman and Thomas M. McKenna be appointed to the Board of Overseers of the School of Social Work for three-year terms, effective 22 March 1991.
C. Action. A Resolution on an Appointment to the Board of Overseers of the Wharton School was approved as follows:

RESOLVED, that Ira A. Lipman be appointed to the Board of Overseers of the Wharton School for a three-year term, effective 22 March 1991.

Adjourned.

Respectfully submitted,

Barbara R. Stevens
Secretary of the University