A meeting of the Executive Committee was held on Friday, April 26, 1991, in the Tea Room of the Faculty Club. Trustees attending included: Richard P. Brown, Jr.; Susan W. Catherwood; Gloria Twine Chisum; G. Morris Dorrance; Stephen J. Heyman; Sheldon Hackney (ex officio); John B. Neff; Alvin V. Shoemaker; and Myles H. Tanenbaum. Others present included: Michael Aiken; Richard Clelland; Robert Davies; Stephen Goldberg; Shelley Green; Eileen S. Heron; Scott Lederman; Marguerite Miller; Kim Morrison; Rick Nahm; Almarin Phillips; Judy Rogers; Jay Saddleton; Louise Shoemaker; Larry Singer; Stephen Steinberg; Barbara R. Stevens; Duncan Van Dusen; and Marna Whittington.

I. Call to order

Chairman Shoemaker called the meeting to order. The minutes of the 22 March meeting were approved as written by the secretary.

II. Chairman's Report

Mr. Shoemaker had no report.

III. Report of the President

A. President Hackney noted that although the academic year is winding down, this is a hectic time of year. A number of external issues crowd our agenda, chief among them money matters. The outlook for the restoration of the state appropriation from the level recommended by the Governor in his budget message "remains quite cloudy." Dr. Hackney reported that "we are meeting with state legislative leaders" and that Penn alumni, faculty and staff are being encouraged to write letters in support of Penn to their own legislators.

President Hackney mentioned that while the congressional indirect cost investigations remained focused on other universities, auditors from the Department of Health and Human Services as well as Penn's own financial officers were in the process of reviewing Penn's records to head off any "unwelcome surprises." As there are thousands of transactions coded each year, it is hard to rule out the possibility that some end up in the wrong category. However, Dr. Hackney expressed confidence that there would be no major problems, while acknowledging the difficult public relations aspect of this issue.

The President turned his attention to the previous week's annual meeting of the full Faculty Senate and the president and the provost, which concerned itself with the size of the administration. Dr. Hackney stated that the discussion was extremely productive and demonstrated that the dire inferences drawn by the Senate Committee on Administration were unwarranted. The President was encouraged by the sense of cooperation between the faculty and the administration and noted that "we will go into next year working together to understand the costs better and determine what to do about them." Dr. Hackney added that there was a working group already in place, headed by Marna Whittington, consisting of associate deans from across the University "analyzing our activities, function by function" and "assessing the appropriate degree of centralization and decentralization," with the notion of determining how to re-engineer each function in the most efficient manner.

Dr. Hackney continued his report by commenting on a University policy of not contributing University funds to non-profit organizations, unless a waiver was signed by him as President. He explained the reason behind the policy was that we solicit gifts from donors and funding agencies for use
by the University for education and research and that it was not appropriate to transfer those funds to other organizations, no matter how noble their missions. He went on to state that "in light of the current budgetary situation," the policy was going to be re-published in the Almanac with an indication that "in the future there will no longer be exceptions to this policy."

President Hackney moved on to Penn's charitable workplace campaign. He explained that the employee advisory referendum considered two question: whether the University should continue to have a workplace charitable campaign and if so, whether it should be a United Way Campaign with Donor Option or a combined campaign. The president indicated that there was a committee headed by Dean Ray Fonseca working to structure next year's campaign.

Dr. Hackney was happy to announce that Penn's first "West Philadelphia Day" celebration on campus was a huge success. The weather was perfect and crowds of people filled Locust Walk all day. The President was also pleased that the event was covered by local television stations.

On the administrative side, the president announced the appointment of Mr. Barry Stupine as acting vice president for human resources, replacing Dr. Barbara Butterfield, who will be leaving for Stanford in June. Mr. Stupine is currently associate dean for administration in the School of Veterinary Medicine and director of the Small Animal Hospital of the University of Pennsylvania. He has been associated with Penn for many years and brings extensive administrative experience to the position. Mr. Stupine will serve as acting vice president until a permanent successor for Dr. Butterfield is found.

Dr. Hackney concluded his remarks by commenting on this, the 97th Penn Relay Weekend. He also noted that the Penn Relays are a "cultural and social event of the first order on the East coast." He was delighted that for the first time, the Relays were being shown on ESPN and that many star athletes are participating.

B. Action. A Resolution on the Appointment of Patricia Conway as Dean of the Graduate School of Fine Arts was approved as follows:

RESOLVED, that Patricia Conway be appointed Dean of the Graduate School of Fine Arts for a seven-year term, effective 1 July 1991.

C. Action. A Resolution on the Appointment of Selimo C. Rael as Vice President for Finance was approved as follows:

RESOLVED, that Selimo C. Rael be appointed Vice-President for Finance, effective 1 August 1991.

D. Academic Report

1. Provost Aiken was pleased to announce that Penn was among nine institutions, each of which will receive a grant of $600,000 a year for five years from the Mellon Foundation to effect changes in graduate education. The universities were chosen on the basis of having attracted the largest number of recipients of Mellon Graduate Fellowships in the Humanities since the program's inception in 1983. In addition, Dr. Aiken announced that Penn received $1.5 million from the Pew Charitable Trust for the development of an interdisciplinary curriculum initiative at the undergraduate level. Up to nine interdisciplinary courses will be established over the next three years. The courses will be open to first and second year students and based in the student residences. The provost remarked that this was "very important because it will mean some new courses within the general education requirements of all the undergraduate schools."
The provost reported that three University-wide term chairs have been established by the classes of 1970 and 1940 to honor faculty who teach undergraduate students and who have made, or have the potential to make a significant contribution to scholarship and teaching at Penn. The three recipients are: Madeleine Joullie, professor of chemistry; Risa Lavizzo-Mourey, assistant professor of medicine; and Jan Van der Spiegel, associate professor of electrical engineering.

It was with pleasure that the provost announced the names of three faculty members who have been awarded Guggenheim Fellowships for the coming year. They are: Mark Greene, professor of pathology and laboratory medicine; Susan Naquin, professor of history; and Liliane Weissberg, associate professor of German.

Further honor to one of Penn’s faculty was given in the form of a Sloan Research Fellowship to Dr. Arjun Yodh, assistant professor of physics.

In addition, the Provost announced the names of eight Lindback and two Provost’s Award recipient for distinguished teaching. The eight Lindback recipients are: Fay Ajzenburg-Selove, professor of physics; Dennis DeTurck, professor of mathematics; Lois Evans, associate professor of nursing; Steven Galetta, assistant professor of neurology; Gary Gottlieb, associate professor of psychiatry; Madeleine Joullie, professor of chemistry; Norman Smith, associate professor of music; Raymond Sweeney, assistant professor of veterinary medicine. The two recipients of the Provost’s Award for distinguished teaching by non-standing faculty are: Elaine Simon, assistant director of urban studies and Arnold Weisgold, clinical professor of dental medicine.

2. Action: A Resolution on Maintenance of an Endowed Discretionary Fund for Undergraduate Education was approved as follows:

Intention:

The William and Flora Hewlett Foundation has invited the University of Pennsylvania to submit a proposal for a challenge grant to create an endowed Discretionary Fund for Undergraduate Education at the University. A grant of $300,000 from the Foundation is to be matched three-to-one by funds the University will seek to raise during the next three years.

In its guidelines, the Foundation explains that "discretionary" means the institution shall have complete control over the application of the available money each year. Participation in this program, however, requires commitment to the following principles. First, the fund is not to be used for activities typically in the college’s budget such as regular instructional or administrative salaries, standard faculty sabbaticals, faculty research, except as it relates to undergraduate teaching responsibilities, plant construction, or maintenance, nor is it designed to carry on any activity indefinitely. Appropriate use would be programs or projects designed for renewal; for example, for planning and evaluation studies, experimentation, program initiation, or a response to special opportunities not funded within the undergraduate college's normal budget.

Furthermore, the Foundation requests that the proposal include satisfactory evidence (for example, a trustee resolution) that the endowment will be maintained for the purposes intended.

The University’s proposal will be considered by the Foundation’s Board at its next meeting, in July 1991.

RESOLVED: that the University of Pennsylvania will create with a challenge grant of $300,000 from the William and Flora Hewlett Foundation an Endowed Discretionary Fund for Undergraduate Education at the University. The endowment will be maintained for the purposes intended, as set forth in the Foundation’s guidelines of March, 1991.
The grant and matching funds raised by the University will be invested in the Associated Investments Fund (A.I.F.).

Prior to moving on to the resolution on appointments, leaves and promotions the Provost called attention to Nina Auerbach, professor of English; Myra Jehlen, professor of English; and Lynn Hunt, professor of history, three women faculty members who are being given chairs. Dr. Aikenfelt that these honors reflected the efforts of the trustees and distinguished alumni who have contributed to the University and that the chairs were tangible evidence of one of the effects of the campaign.

3. Action. A Resolution on Appointments, Leaves, and Promotion was approved as found on pages 1 through 13 of the meeting book.

E. Financial Report

Marna Whittington, Senior Vice-President, reported that "as of March 31st we are projecting a General University deficit of $650,000 after the approved budgeted discretionary allocations, due to the Commonwealth of Pennsylvania's appropriation reduction of 3.5 percent retroactive to July 1, 1990." On the unrestricted side, positive factors include graduate tuition, summer and special tuition, and General University indirect cost recovery. Negative factors include the abatement of the Commonwealth appropriation, special programs and fees revenue, and indirect cost recovery. With regard to school performance, Dr. Whittington expects all schools and centers to break even with the exception of the School of Veterinary Medicine which will have a deficit of $300,000 and the Wharton School which is projecting a deficit of $650,000. The Graduate School of Education is projected at a surplus of $650,000. On the restricted side, the endowment, and grant and contract expenditures decreased by 7.8%. The amount available for grant and contract expenditures is 14% more than it was March 31, 1990.

Dr. Whittington also reported that the Hospital of the University of Pennsylvania had an excess of revenues over expenses of $17,150,000 which was $12,335,000 better than budget. Turning to the Clinical Practices, she remarked that for the eight months ended February 28, 1991 they are showing an excess of revenue over expenses of $5,571,000 better than budget and that the Education and Development Fund balances decreased net by $2,982,000.

Mr. Shoemaker commented that the report on the hospital and the medical center was "really encouraging," and commended the chairman of the Trustee Board of the Medical Center Richard P. Brown, Jr., Esq. and his colleagues for their efforts.

IV. Trustee Committee Reports

A. Budget and Finance Committee

1. Action. A Resolution to Acquire Letters of Credit for Insurance Coverage was approved as follows:

Intention:

In connection with the University's insurance program, it is necessary for the University to acquire letters of credit to underwrite risks taken on behalf of the University by insurance carriers. These letters of credit renew automatically from year to year, unless cancelled. To offset the liabilities of the insurance carriers in connection with the University's first layer of medical professional insurance coverage, the University currently has in place irrevocable letters of credit in an amount up to $85 million and in an amount up to $10 million. The role of the insurance carriers in the University's insurance program is mandated by the Pennsylvania Medical Liability Insurance Catastrophe Loss Fund.
The University also currently has in place an irrevocable letter of credit in an amount up to $2,210,000, as required for the University's general liability insurance coverage.

RESOLVED, that the Senior Vice President or any other appropriate officers of the University be and they hereby are authorized to request and cause the issuance of irrevocable, unsecured letters of credit by such financial institutions as such officers deem acceptable, in amounts up to $28 million, $10 million, and $2,210,000, respectively, for the account of the University and for the benefit of certain insurance carriers, together with any amendments, extensions and renewals of such letters of credit, or change in financial institutions issuing such letters, as such officers deem appropriate, and to take such action and to execute and deliver any and all agreements, documents, and instruments required by such financial institutions in connection therewith, and that any actions heretofore taken by said officers in furtherance of the purposes of this resolution are hereby ratified and affirmed.

2. Action. A Resolution for Tax-Exempt Financing of Various University Capital Projects was approved as follows:

Intention:

In March of 1989 the University borrowed $12,100,000 (the "1989 Loan") from a pooled tax-exempt program of The Pennsylvania Higher Educational Facilities Authority ("PHEFA") for a term of approximately 10 years and at a variable interest rate (the "Financing Program"). PHEFA is currently restructuring the Financing Program to provide up to $12,000,000 of additional funds, which it is willing to lend to the University pursuant to the same terms and conditions as the 1989 Loan. Previous authorization was obtained for $20,000,000 through the Quakertown General Authority, however, the Authority will only commit to $12,000,000 at this time. Therefore, the administration desires to borrow up to $12,000,000 from the PHEFA Financing Program to fund a project ("Project") consisting of IAST and Logan or other capital undertakings to be designated in substitution thereof by the Senior Vice President or other appropriate officer of the University.

RESOLVED, that the Senior Vice President or other appropriate officer is hereby authorized to borrow up to $12,000,000 on behalf of the University from the PHEFA Financing Program at a variable interest rate, for a term of up to ten years, and to use the proceeds to pay or reimburse the University for the cost of the Project, including the payment of attorney fees, authority fees, financial advisory costs and other related expenses that may be incurred in connection with the borrowing or implementation of this Resolution.

FURTHER RESOLVED, that the Senior Vice President or other appropriate officer is authorized to file an application with respect to the Financing Program and to take such further action in consultation with counsel to the University as in the judgement of the applicable officer is required to effectuate the borrowing from the Financing Program including but not limited to the approval of the (a) loan features, loan documents, issuers fees and charges, and (b) the pledging of University assets and revenues to secure the borrowing.

BE IT FURTHER RESOLVED, that the Senior Vice President or other appropriate officer is hereby authorized and directed to execute, acknowledge and deliver the Secretary of the University or other appropriate officer is hereby authorized and directed to affix and attest the corporate seal of the University to such documents as may be necessary or advisable to carry into effect the intent of the foregoing Resolutions, all in the form approved by the Senior Vice President or other appropriate officer, the execution and delivery thereof by the authorized officers to be conclusive evidence of approval thereof.
3. Action. A Resolution on the Renovation of the Fifth Floor, Ravdin Building, for the Department of Dental Medicine, Hospital of the University of Pennsylvania was approved as follows:

Intention:

The Hospital proposes to convert approximately 2,300 square feet of office space on the fifth floor of the Ravdin Building to clinical space for the Department of Dental Medicine as part of a departmental expansion program.

This project, which has been approved by the Medical Center Trustees, will be part of the Fiscal Year 1992 capital budget for the Hospital and is presented now to expedite construction. Project costs are estimated to be $605,000, and will be funded by practice inpatient revenues generated by the new facilities.

RESOLVED, that the renovation of space on the fifth floor of the Ravdin Building, estimated to cost $605,000, 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 & Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

4. Action. A Resolution on the Sale of Condominium Units in the Heritage Village Condominium, Southbury, Connecticut was approved as follows:

Intention:

In December 1990 the University completed a bargain sale acquisition of two condominium units (Units 518A and 518B) in the Heritage Village Condominium, Southbury, Connecticut for $180,000. The administration now proposes to sell these condominium units. The University has already signed a sales agreement for one of the units according to which the sale price will be $115,000.

RESOLVED, that the Trustees of the University of Pennsylvania hereby approve the sale and conveyance of the said condominium units and hereby direct and authorize the Senior Vice President or other appropriate officers of the University to proceed with the execution and delivery of the deed and all necessary affidavits and other documents required in connection with such sale and conveyance, and hereby further approve, confirm, and ratify all other actions taken by such officers or their designees in connection with or which are necessary or convenient to the accomplishment of such sale and conveyance.

B. Investment Report

Mr. Neff began by highlighting the improvement in the Associated Investment Fund's (AIF's) performance since October. He explained that the market had "recovered dramatically from the October lows" and that the Fund's sizeable financial intermediary holdings had performed very well during this period, with some holdings more than doubling in price.

Referring to the Investment Report, he noted that since calendar year-end, AIF common stocks increased +30.0% versus +19.3% for the Standard & Poor's 500 (S&P 500). He added, however, that AIF stocks still lagged the S&P 500 for the Fiscal year to date (+4.2% versus +12.1%). For the long term, since 12/31/79, AIF stocks outperformed the S&P 500 by a significant margin (+679.3% versus +479.3%).

Economic indicators reported since the end of the Persian Gulf War have produced mixed signals. While single family home sales have recovered significantly reflecting improved housing affordability, car sales have continued to decline.
General retail sales look pretty good, particularly for the good merchandisers. Airline traffic has also recovered nicely. Consumer confidence, as measure in consumer polls, is mixed: the consumer generally perceives others as recovering, but himself as not.

The S&P 500, with a Price/Earning ratio of 17.2-17.5 times 1991 earnings and a current yield of only 3%, appears over-valued in this environment. By comparison, intermediate and long-term Treasury Notes provide a current yield of 8.25-8.50%, and corporate bonds about 100 basis points higher. The 550-650 basis point yield advantage offered by bonds relative to stocks is sizable by historical standards and should be reflected in the market at some future point. As a result, AIF stocks have been sold into strength and have been reduced to 48% of the Fund.

Mr. Neff ended his discussion noting that the AIF, at $758 million, "isn't a billion... but we're back at our all-time high."

V. Overseers and Other Boards

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

RESOLVED, that Paul G. Rogers, Esq. be appointed to the Trustee Board of the Medical Center and the Board of Overseers of the School of Medicine for a three-year term effective April 26, 1991.

B. Action. A Resolution on an Appointment to the Board of Overseers of the School of Engineering and Applied Science was approved as follows:

RESOLVED, that Mitchell I. Quain be appointed to the Board of Overseers of the School of Engineering and Applied Science for a three-year term effective April 26, 1991.

Adjourned.

Respectfully submitted,

Barbara R. Stevens
Secretary of the University