A Stated Meeting of the Trustees was held on Friday, June 21, 1991, in the Arthur Ross Gallery of the Furness Building. Trustees attending included: Arlin M. Adams; Gustave Amsterdam; Leonore Annenberg; Gordon S. Rodde; Richard P. Brown, Jr.; Christopher H. Brown; Richard J. Camiet; Gloria Twine Chisum; D. Michael Crow; G. Morris Dorrance; John W. Eckman; Melvyn J. Estrin; Richard L. Fisher; Robert A. Fox; Joseph B. Glassberg; Bruce J. Graham; John G. Harkins, Jr.; Sheldon Hackney (ex officio); Stephen J. Heyman; A. Leon Higginbotham, Jr.; Reginald H. Jones; Donald N. Langenberg; Leonard A. Lauder; Robert P. Levy; A. Bruce Mainwaring; Margaret R. Mainwaring; Paul F. Miller, Jr.; Anthony S. Minisi; John P. Mulroney; John B. Neff; James S. Riepe; Michael R. Sandler; Adele K. Schaeffer; Sara S. Senior; Myles H. Tanenbaum; Jacqueline G. Wexler; Sandra D. Williamson; Charles S. Wolf; and Richard B. Worley. Former trustees attending included: David C. Auten; Michael E. Gilson; James W. Gray, Jr.; Linda White Hall. Others present included: Michael Aiken; Richard Clelland; Carol Farnsworth; Joseph R. Gaeta; Stephen Golding; Michael Goldstein; John Gould; Shelley Green; Eileen S. Heron; Benjamin T. Hoyle; Samuel Hughes; Linda Hyatt; Suman Golden Jacobson; Carole Karschi; David A. Kaufman; Marguerite F. Miller; Kim Morrison; Rick Nahm; Patricia Pancost; Allison Ross; Jay Saddington; John M. Scott; Benjamin S. Shen; Louise P. Shoemaker; Larry Singer; Willis J. Stetson; Barbara R. Stevens; Duncan W. Van Dusen; Marna Whittington, and Mitchell I. Winston.

I. Call to Order

In the absence of Chairman Shoemaker, Vice Chairman Gloria Twine Chisum called the meeting to order. An invocation was offered by the Reverend John Scott. The minutes of the January 25, 1991 meeting were approved as written by the secretary.

II. Chairman's Report

A moment of silence was observed in memory of Howard Butcher, III.

A. Action. A Memorial Resolution for Howard Butcher, III was approved as follows:

Intention:

Howard Butcher, III was already familiar with the University of Pennsylvania when he became a freshman, after he graduated from The Hill School in 1919. His father was an 1898 graduate of Penn and had served the University with distinction.

Mr. Butcher's service to the University of Pennsylvania spanned 72 years including 32 years as a trustee. Mr. Butcher received an A.B. degree in 1923 and continued to serve the University as an alumnus, financier and entrepreneur. In 1959 he received the Alumni Award of Merit and later that year was elected a trustee. In January 1972 Mr. Butcher became a trustee emeritus. For many of those years he was responsible for the University's financial investments and in addition served as chairman of Alumni Annual Giving and as chairman of the Board of Graduate Hospital. When Mr. Butcher received an honorary LL.D. degree from Penn on May 22, 1967, the citation stated: "His astute advice in myriad educational concerns has been complemented by the sustained quality of his leadership, while his spirited, knowledgeable assistance to sports activities, in which he himself excels, adds verve to his competence."

Mr. Butcher's financial contributions to the University include the primary gift for the Class of 1923 Ice Rink, the Butcher Dormitory, the Butcher Professorship, and the Butcher Family Loan Fund. Many members of Mr. Butcher's family also have graduated from the University of Pennsylvania including his three sons: Howard Butcher IV (C'59), McBee Butcher (C'61), and Jonathan Butcher (C'63); his nephew, Joseph J. Hill (C'61) and two grandchildren.
All these family members have also served the University well; one of Mr. Butcher's sons, McBee, served as president of the General Alumni Society and subsequently as alumni trustee.

The Trustees lost their colleague on June 19, 1991.

RESOLVED that the Trustees of the University of Pennsylvania express their deep sorrow for the death of their colleague and friend, and in recording this official minute in memory of Howard Butcher III, ask the secretary to convey to his family their affection and enduring gratitude for sharing with the University of Pennsylvania the firm and wise counsel of a respected colleague.

B. Action. A Memorial Resolution for William S. Fishman was approved as follows:

Intention:

William S. Fishman had a distinguished career as a co-founder in 1959 of ARA Services and as a Philadelphia philanthropist. He served ARA for 25 years, retiring from full time duties in 1984. Mr. Fishman's contribution to education included serving as chair of BLOCS (Business Leadership Organized for Catholic Schools), as a fellow of Brandeis University where he established a chair in economics, as an organizer of several trade schools in Israel, as a founder of the Museum of American Jewish History, and as a director of the Philadelphia Museum of Art, the Franklin Institute, and the Academy of Music. During Mr. Fishman's tenure at BLOCS over $45 million was raised to support educational programs for children. Mr. Fishman was honored by the Roman Catholic Church when in 1988 a wing of the Landsdale Catholic High School, the William S. Fishman Science Center, was dedicated.

ARA honored Mr. Fishman and the other co-founder of ARA, Devre Davidson, with the establishment in 1982 of the Fishman-Davidson Center for the Study of the Service Sector at the Wharton School.

The Trustees lost their friend and supporter on June 15, 1991.

RESOLVED that the Trustees of the University of Pennsylvania express their deep sorrow for the death of their friend and in recording this official minute in memory of William S. Fishman, ask the secretary to convey to his family their affection and enduring gratitude.

C. Action. A Resolution of Appreciation to Arlin M. Adams and the Designation of Judge Adams as a Trustee Emeritus was approved as follows:

Intention:

Judge Arlin M. Adams came to the University of Pennsylvania in 1941 after receiving a Bachelor of Science degree from Temple University and a scholarship to the Penn Law School. His legal education was interrupted by naval service with Fleet Air Wing Four in the North Pacific between 1942 and 1945. He then resumed his legal studies at Penn and served as editor-in-chief of the Law Review before receiving an LL.B. degree in 1947. After graduation from law school, Judge Adams served as law clerk to Pennsylvania Supreme Court Justice Horace Stern. He then joined the Philadelphia law firm of Schnader, Harrison, Segal and Lewis where he served until he was appointed to the Federal Appeals Court in 1969. In 1950 he earned an M.A. in Economics from Temple. Between 1963 and 1966 Judge Adams served as Secretary of Public Welfare in the cabinet of Governor Scranton.

Professionally, Judge Adams served as president of many distinguished legal organizations including chancellor of the Philadelphia Bar Association and president of the American Judicature Society. He also is chairman of the Commission for Supreme Court Fellows and special prosecutor for the very important and difficult problems in the Department of Housing and Urban Development.
Judge Adams' service to the community includes being trustee and chairman of the Albert Einstein Medical Center, a trustee of the William Penn Foundation, President of the Annenberg Research Institute, and vice-president of the American Philosophical Society.

In addition, Judge Adams has been an author of award-winning books and articles and has served for 23 years as a lecturer in the Law School. Other service to the University includes responsibilities as chairman of the Board of Trustees of the Fels Institute (1967-77), since 1965 as a Law School Overseer and currently chairman, as a School of Social Work Overseer (1965-67), as a Wharton School Overseer (1975-84), as a member of the Board of Advisors of Penn's Center for Law and Economics and as Trustee of the University since June 21, 1985. Judge Adams has also served as a trustee of Bryn Mawr College and the Medical College of Pennsylvania. Judge Adams' knowledge of a broad spectrum of disciplines has brought incisive ideas and a depth of human understanding to his Penn activities.

RESOLVED, that the Trustees of the University of Pennsylvania, on behalf of themselves and the administration, faculty, students, and alumni of the University, record their grateful appreciation to Judge Arlin Marvin Adams for his distinguished services, and be it FURTHER RESOLVED, that they designate their colleague and friend, trustee emeritus.

D. Action. A Resolution of Appreciation to Jacqueline G. Wexler and the Designation of Mrs. Wexler as a Trustee Emeritus was approved as follows:

Intention:

Jacqueline Grennan Wexler graduated cum laude with an A.B. in mathematics from Webster College, St. Louis, Missouri in 1948. She then taught English and mathematics in two of the Sisters of Loretto high schools. After receiving an M.A. in English from Notre Dame in 1957, she began teaching at Webster College. She was appointed President of Webster in 1965, but relinquished her presidential duties in 1969 after marrying Paul J. Wexler of the Penn Class of 1941. Mrs. Wexler was named President of Hunter College in 1970. She served in that capacity until 1979 with such distinction that the college library was named in her honor. In 1982 Mrs. Wexler became president of the National Conference of Christians and Jews. Numerous honorary degrees have been conferred on her, including an L.H.D. from Penn on May 21, 1979. Throughout her career, Mrs. Wexler has been an active public servant, a thoughtful writer, and a stimulating speaker. She has stated "my role in life has always been to get more and more people to deal with complexities of life and make moral decisions in that complexity."

Mrs. Wexler was elected a term trustee of the University of Pennsylvania on January 17, 1971, and a charter trustee in 1979. During her years as trustee, Mrs. Wexler served as chair of the Trustee External Affairs Committee and as chair of the Board of Overseers of the School of Social Work. She also served on the Trustee Academic Policy Committee, the Honorary Degree Committee, the University Responsibility Committee and the Long Range Planning Council. She has enriched the University of Pennsylvania with her creative ideas, humane insight, and her understanding of the role of women in higher education.

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 Jacqueline Grennan Wexler for her twenty years of devoted service as trustee, and be it FURTHER RESOLVED, that they designate their colleague and friend, trustee emeritus.
E. Nominating Committee - Mr. Miller

Mr. Miller noted the extraordinary contributions of Mrs. Wexler and Mr. Adams as Charter Trustees of the University and expressed his sorrow about Mr. Butcher's death. He emphasized the need to bring new members onto the Board, and asked the Board to suggest to the nominating committee individuals for consideration.

1. Action. A Resolution on the re-election of John P. Mulroney as a Term Trustee was approved as follows:
RESOLVED, that John P. Mulroney be re-elected a term trustee, for a five year term, effective 21 June 1991.

2. Action. A Resolution on the election of Stephen J. Heyman as a Term Trustee was approved as follows:
RESOLVED, that Stephen J. Heyman be elected a term trustee for a five year term, effective 21 June 1991.

3. Action. A Resolution on the re-election of Alvin V. Shoemaker as chairman of the Trustees was approved as follows:
RESOLVED, that Alvin V. Shoemaker be re-elected chairman of the Trustees of the University of Pennsylvania for a one year term, effective 1 July 1991.

4. Action. A Resolution on the re-election of Gloria Twine Chisum and the election of Susan W. Catherwood as vice chairman of the Trustees was approved as follows:
RESOLVED, that Gloria Twine Chisum be re-elected and Susan W. Catherwood be elected vice chairman of the Trustees of the University of Pennsylvania for one year terms, effective 1 July 1991.

5. Action. A Resolution on the election of the Executive Committee was approved as follows:
RESOLVED, that the following Trustees be elected members of the Executive Committee for one year terms, effective 1 July 1991: Susan W. Catherwood, Richard J. Censits, Gloria Twine Chisum, G. Morris Dorrance, Jr., Robert A. Fox, Stephen J. Heyman, Donald N. Langenberg, Paul F. Miller, Jr., John B. Neff, Sara S. Senior, Saul P. Steinberg, and Myles H. Tanenbaum.

III. President’s Report

A. In his opening remarks President Hackney noted that "although it has been a difficult year for all of higher education, many things are going right at Penn".

The president noted that thousands of Pennsylvanians returned to campus for Alumni Weekend and for Penn’s 225th Commencement when 5,000 new graduate and undergraduate Pennsylvanians were added to the ranks of the alumni. He went on to say that he had spoken about political correctness at Commencement and wanted to re-emphasize his conclusion that "there is political correctness at Penn and that it does not go unchallenged." Dr. Hackney pointed to the vigorous debate on Penn’s campus as "the crucial sign that Penn is still open to all views."

Dr. Hackney reported that the outcome of the indirect costs issue "is likely to prove less positive for Penn." He stated that voluminous transactions coupled with a complex accounting process caused some charges to go astray. However, press reports based on the testimony of the inspector general of the Department of Health and Human Services before Congressman Dingell, "exaggerated the amount at issue," placing the amount at approximately $950,000, when in fact it was less than $200,000. Dr. Hackney added that "this amount pales in comparison with the $7 million in indirect costs of research that are not reimbursed because the negotiated rate allowed by the government does not accurately reflect Penn's indirect cost rate of 70%."
Dr. Hackney went on to say that he had confidence in the system Penn uses to monitor indirect costs. However, he voiced concern about our future indirect cost rates and noted that scientific research costs will increase at the same time Penn's indirect cost recoveries in all probability will decrease. The president felt that it was important to recognize the "probability" of a reduction "as we monitor our FY92 budget and plan for FY93."

President Hackney reported that another cloud over Penn's budget "has more of silver lining than when we last met." He credited this to the efforts of "so many trustees, overseers, alumni, students, faculty and friends of the University who are working hard to heighten the awareness of the governor and the General Assembly of Penn's importance to the Commonwealth." The president noted that he and Dr. Whittington have been visiting with key legislators and the Governor to convey the same message. "It appears that we have begun to convince some doubters," said Dr. Hackney, and he expressed the hope that everyone would "continue efforts in Harrisburg."

In closing, the president noted that Penn's heavyweight crew distinguished itself on East Fork Lake in Cincinnati, winning the National Collegiate Rowing Championship in early June. Dr. Hackney was proud to announce that the crew will compete on an international level at the famed Henley Regatta in England. He stated that he will host a picnic for coach and crew to express Penn's appreciation and to wish them bon voyage.

B. Action. A Resolution on the Boards of Associate Alumni Trustees was approved as follows:

Intention:

To strengthen the University's outreach to regional alumni, the administration has proposed the establishment of volunteer groups named the Boards of Associate Alumni Trustees. The resolution creating the first such group and establishing policy for the creation of future groups was approved by the Trustees on June 21, 1985. In order to further standardize the mission and criteria of these Boards the following terms are proposed:

Board of Associate Alumni Trustees

Mission

1. Recruit alumni leaders in the particular geographical area
2. Assist the recruitment of students (secondary schools)
3. Assist the Development Office in raising funds
4. Advise local alumni groups
5. Be self-supporting in dollars and time
6. Coordinate all activities with University's Alumni Relations Office

Criteria for Individuals Joining a B.A.A.T.

1. BFS donor
2. Annual dues (for graduates up to ten years, $125; for graduates ten years and above, $250)
3. History of involvement in University activities
4. Recommendation by two existing members
5. Active participation in one of three committees (secondary school, development or alumni groups) for at least two years in order to earn Associate Trustee status (unless requirement is waived by the General Alumni Society Executive Board).

6. Approval by the General Alumni Society Executive Committee for title of Associate Trustee of the University; individual approval is required by the Trustees.

7. Terms of office shall be for one, three or five years.

RESOLVED: that the mission and criteria for Boards of Associate Alumni Trustees as stated in the intention are approved.

C. A Resolution on the Board of Associate Alumni Trustees (Washington, D.C. Region) was approved as follows:

Intention:

To strengthen the University's outreach to regional alumni, the administration proposes the establishment of a Washington, D.C. volunteer group named the Board of Associate Alumni Trustees (Washington, D.C. Region). The function of the organization is to assist the University in enhancing communications and various activities in the Washington, D.C. region, including admissions, alumni relations, athletic recruitment, public relations, and development efforts. Board members would serve five, three, and one years at the personal invitation of the Chairman of the Trustees and the President of the University, after election by the Regional Board's Board of Directors. Membership shall consist of no less than 15 and no more than 75 undergraduate and graduate alumni. Members of the Washington, D.C. Regional Board would be designated Associate Trustees of the University of Pennsylvania, with all the privileges and responsibilities of that office. The president, provost, and other senior administrators would periodically meet with the Regional Board, appropriate events would be held on campus, and efforts would be made to communicate with and consult with the members of the Board. As a regional organization persons of recognized accomplishment, demonstrated leadership capacity, and community prestige, the University of Pennsylvania Board of Associate Alumni Trustees (Washington, D.C. Region) can help the University to establish a strong and visible presence in the Washington, D.C. Region and to gain the favor and respect of alumni and friends.

RESOLVED, that the Trustees of the University of Pennsylvania approve the creation of the University of Pennsylvania Board of Associate Alumni Trustees (Washington, D.C. Region) and that they hereby authorize the president to make all necessary provisions for the effective execution of the Regional Board's mission.

D. Academic Report - Provost Aiken

1. The provost reported that Russell Palmer, the former dean of the Wharton School, had tendered his resignation as a faculty member, effective June 30, 1991 to pursue his new business activities on a full-time basis.

Dr. Aiken said he was pleased to announce that Dr. Patrick Harker, associate professor of decision sciences and systems at the Wharton School, was one of 16 White House Fellows appointed by President Bush. Dr. Harker, who is currently director of Wharton's Fishman-Davidson Center for the Study of the Service Sector, will become a full professor July 1, 1991, "becoming the youngest full professor ever appointed at Wharton".

The provost stated that Dr. Peter Nowell, professor of pathology and laboratory medicine, and Dr. Charles O'Brien, professor and vice chairman of psychiatry, have been elected members of the Institute of Medicine of the National Academy of Sciences.
Before moving on to the approval of the resolutions, Dr. Aiken called attention to the fact that 18 of the University's brightest junior faculty have been recommended for tenure since the Board last met. Six are from the School of Arts and Sciences; one is from the Law School; six are from the School of Medicine; three are from the School of Veterinary Medicine and two are from the Wharton School. As an example of an outstanding junior faculty member, the Provost referred to Dr. Alan Filreis of the English department, who on a scale from 1 to 4 for teaching, consistently receives 4's and who has already published three books.

Dr. Aiken also called attention to the appointment of Dr. Edward Holmes as the Frank Wister Thomas Professor of Medicine in the Standing Faculty of the School of Medicine and the secondary appointment of Dr. Holmes as Professor of Medicine in Human Genetics. The provost stated that Dr. Holmes' appointment will provide the strong academic leadership needed in the Department of Medicine.

The provost continued by referring to the appointment of Dr. Judith Lea Swain as Herbert C. Rorer Professor of Medical Sciences in Medicine in the Standing Faculty of the School of Medicine and the secondary appointment of Dr. Swain as professor of medicine in human genetics. Dr. Aiken stated that Dr. Swain is held in highest esteem by leaders in cardiovascular research and as a molecular cardiologist, and is ranked among the top four internationally in cellular and molecular cardiology. "She will bring a new element of expertise to cardiovascular research programs in the School's Department of Medicine."

In closing, Dr. Aiken called attention to the appointment of Dr. Elizabeth E. Bailey, a preeminent scholar in industrial organization and the economics of regulation, as the John C. Hower Professor of Public Policy and Management in the Standing Faculty of the Wharton School. The provost reported that for the last decade and a half, Dr. Bailey served as vice chairman of the Civil Aeronautics Board and dean of the Graduate School of Industrial Administration at Carnegie Mellon University.

2. Action. Resolution on the Suspension or Termination of Faculty for Just Cause was approved as follows:

Intention:

1. Action to suspend or terminate the appointment of a member of the Standing Faculty may be taken for just cause, which shall mean:

   a. Failure or refusal without adequate justification of a faculty member to perform his or her academic obligations such as but not exclusively repeated failure to meet classes or carry out major assigned duties; or

   b. Such flagrant disregard of the rules of the University or of the customs of scholarly communities as to render the faculty member unfit to continue as a member of the academic staff, such as, but not exclusively plagiarism; misuse of University funds; fraud in the conduct of research; harassment of, providing illegal drugs to or physical assault upon a member of the University community; violation of the University's conflict of interest policy; certain violations of law; or

   c. Incapacity or disability, whether physical or otherwise. This can only be implemented when the faculty member is deemed eligible to participate in the University's disability income protection program. Suspension may be only for the period of the disability.

Suspension, termination, or threat thereof, may not be used to restrain or interfere with faculty members in their exercise of academic freedom or other rights of citizenship.

2. Formal proceedings for suspension or termination of a member of the Standing Faculty shall be preceded by discussions between the faculty member and appropriate University academic administrative officers looking towards a mutually agreeable settlement.
The offices of the University Ombudsman may be employed for this purpose.

3. Procedures for determination of the existence of just cause for suspension or termination of a member of the Standing Faculty shall be as follows:

   a. Definitions. As used in this Statement of Procedures:

      (1) "Administration" shall mean the President, Provost or other relevant executive officers of the University.

      (2) "Board" shall mean the Executive Committee of the Trustees or the Full Trustees (at the discretion of the chairman).

      (3) "Committee" shall mean the Committee on Academic Freedom and Responsibility elected by a faculty.

      (4) "Complainant" shall mean either a member of the University Administration (as specified below) or a Group for Complaint (as specified below).

      (5) "Counsel" shall mean either an attorney-at-law or a non-lawyer adviser (either a colleague of the faculty member or otherwise) chosen by the party.

      (6) "Dean" shall mean the dean of a faculty.

      (7) "Statutes" shall mean the Statutes of the Trustees as revised.

      (8) "Faculty Member" shall mean a member of the Standing Faculty who holds tenure or an appointment for a fixed term.

4. Suspension or Termination for Just Cause

   a. Action to suspend or terminate the appointment of a faculty member shall be prosecuted by either:

      (1) A member of the University administration, who shall normally be the dean of the school in which the faculty member's primary appointment lies, but who may, in unusual circumstances, be another dean or the president; or

      (2) a Group for Complaint, elected and acting under the circumstances described below.

   The dean and the president may act personally or through a delegate.

   b. Should a question arise concerning possible suspension or termination, the dean or the president will normally interview the faculty member in the presence of the department chair concerned, if any, and will afford opportunity for informal adjustment of the matter. Thereafter, the dean or the president may initiate proceedings for suspension or termination if:

      (1) the matter is not adjusted informally;

      (2) he or she has conducted an investigation of the matter; and

      (3) he or she has consulted with members of the faculty concerned (other than members of the committee) to aid in determining whether there is substantial reason to believe that just cause exists for suspension or termination.

   c. If a faculty has by resolution requested its dean to examine a question concerning possible suspension or termination and, within two months following the date such resolution was adopted:
(1) the dean has not initiated proceedings for suspension or termination and neither another dean nor the president has initiated such proceedings;

(2) the dean either has not reported to the faculty on the matter or has reported that proceedings for suspension or termination will not be initiated; and

(3) the reasons, if any, given by the dean for not initiating such proceedings are not deemed satisfactory by the faculty, it may elect from its own members a Group for Complaint which, by the fact of its election, shall be empowered to take action for suspension or termination pursuant to these procedures. Members of the faculty's Committee on Academic Freedom and Responsibility shall withdraw from faculty meetings when the foregoing matters are considered and shall not be eligible for membership on the Group for Complaint. The Group shall promptly conduct an investigation of the question of possible suspension or termination and may initiate proceedings for suspension or termination if it determines that there is substantial reason to believe that just cause exists therefor. A determination by the Group not to initiate proceedings shall be reported to the faculty, with the Group's reasons for making such determination, and no further action shall be taken by the faculty.

d. A faculty member shall not be suspended during the above mentioned proceedings unless immediate harm to himself, herself, or others is threatened by continuance. Any such suspension shall be with salary.

e. If the complainant determines that action should be taken for suspension or for termination, the complainant shall promptly send to the Committee on Academic Freedom and Responsibility of the faculty concerned a written statement which sets forth in as much detail as is practicable the grounds for the proposed suspension or termination. The committee shall immediately consider the statement and report within 20 working days. In the process of arriving at its conclusion at this stage of the proceedings, the committee shall afford the complainant opportunity to present oral and written argument, but shall not hold a hearing to receive evidence. If the committee concludes that the grounds stated, if true, would not constitute just cause for suspension or termination, it shall so report in writing and shall send to the complainant a copy of its report. The complainant may appeal to the faculty concerned. If the complainant does not appeal or the faculty affirms the committee's conclusion, the proceedings against the faculty member shall be discontinued. If the committee, or the faculty on appeal from the committee, concludes that the grounds stated, if true, might constitute just cause for suspension or termination, the committee shall conduct further proceedings as hereinafter provided.

f. Whenever further proceedings are taken, the committee shall send to the faculty member:

(1) a copy of the complainant's statement of the grounds for suspension or termination;

(2) written notice that the faculty member may request a hearing before the committee by submitting such request in writing to the chairman of the committee within 20 working days from the faculty member's receipt of such notice;

(3) a summary statement of the evidence proposed to be presented by the complainant, a list of witnesses to be called by the complainant and copies of extracts from the Statutes of the Trustees, the standing resolutions, this memorandum, and other University documents relevant to the faculty member's procedural rights in the matter, all of which shall have been supplied by the complainant to the committee for that purpose.
g. If the faculty member does not request a hearing before the committee, the complainant shall nevertheless present his or her testimony to the committee. The faculty member’s failure to request a hearing before the committee shall be a waiver of his or her right to appeal to the faculty pursuant to paragraph (1) below and to request a hearing before the Board provided by paragraph (m). The committee shall make a written report of its findings, recommendations and reasons therefor and shall send a copy of its report and a transcript of the testimony (prepared as in j below) to the complainant and the faculty member within 20 working days after receiving the transcript of the complainant’s testimony. If the committee concludes that the complainant has not shown convincing evidence of just cause for suspension or termination, the complainant may appeal to the faculty concerned by submitting an appeal in writing to the secretary of that faculty within 10 working days of the complainant’s receipt of the committee’s decision. If the complainant does not appeal or if the faculty affirms the committee’s conclusion, the action against the faculty member shall be discontinued. If the committee, or the faculty on appeal by the complainant, concludes that the complainant has shown convincing evidence of just cause for suspension or termination, the committee shall promptly send a transcript of the testimony and a copy of its report, and the faculty shall promptly send a record of the faculty action, if any.

h. If the faculty member requests a hearing before the committee, he or she shall accompany this request with a written answer to the complainant's statement of the grounds for the proposed suspension or termination. Within five working days of the Committee's receipt of the faculty member's request for a hearing, the chair of the committee shall notify the parties in writing of the date and place of the hearing, which shall be held not less than 15 working days from the date the chair shall send to the parties notice of such date and place.

i. The faculty member and the complainant shall be entitled to move to disqualify, for prejudice, any member of the committee. Such motion shall be made in writing, which shall set forth the reasons therefor and shall be delivered to the chair of the committee not later than 10 working days prior to the date set for the hearing. Such motion shall be decided by the remaining members of the committee. If the remaining members decide that the disqualification is proper, an alternate member, if any, shall serve as a substitute for the disqualified member. If an alternate member is not available, the remaining members shall select a substitute.

j. If a hearing is held at the request of the faculty member, it shall be private except that (a) the faculty member shall have the right to invite as observers representatives of national professional academic associations concerned with matters of academic freedom and tenure, and (b) other observers may be invited to attend the hearing if the parties mutually consent to such invitation. A transcript of the hearing shall be taken by a stenographer furnished by the University. The complainant has the burden of proving by a preponderance of the evidence that there is just cause for suspension or termination of the faculty member. Both the faculty member and the complainant may appear personally throughout the hearing; both may have the assistance of counsel. The faculty member shall have the right to be confronted by the witnesses against him or her and to question the witnesses personally or through counsel. He or she may call witnesses on his or her own behalf and shall receive the cooperation of the University administration in securing their attendance of witnesses on his or her behalf. The committee shall afford the faculty member and the complainant opportunity to present oral and written argument.

k. After the hearing, the committee shall deliberate privately. The committee shall determine solely on the basis of the information adduced at the hearing whether or not the complainant has established that there is just cause for suspension or termination. The committee may also recommend sanctions other than suspension or termination of appointment.
Such sanctions may be less stringent than suspension. The committee shall decide the matter promptly as possible and shall send to the complainant and the faculty member a transcript of the proceedings and a copy of its report, in which it shall set forth its findings, recommendation and reasons therefor.

1. Either the faculty member or the complainant may appeal to the faculty. A faculty member's failure to appeal shall not be a waiver of the right to request the hearing before the board provided by paragraph (m) below. The faculty member or the complainant may initiate such appeal by sending to the secretary of the faculty, within 30 working days of his or her receipt of the committee's report, a written request that the faculty review the decision of the committee. The dean shall call a meeting of the faculty for this purpose, to be held within 15 working days following the secretary's receipt of the faculty member's request. The committee shall submit to the faculty, in advance of the meeting, the transcript of the proceedings and its report, which shall be available to all members of the faculty and to all parties in interest. If he or she so desires, the faculty member or the complainant may submit to the faculty a written counterstatement in advance of the meeting. Both the faculty member and the complainant may appear personally at the faculty meeting; both may have the assistance of counsel. The chair of the committee shall read the committee's report of its findings, recommendations and reasons; the faculty member may read his or her counterstatement. Both parties may make oral statements. The faculty member, complainant and committee shall then withdraw and the faculty shall vote to affirm, reverse or modify the findings or recommendations of the committee. The faculty shall decide the matter solely on the basis of the information adduced at the hearing before the committee and the statements of the parties at the faculty meeting. If the faculty votes to reverse or modify the findings or recommendation of the committee, it shall adopt a resolution setting forth its reasons for such reversal or modification. In all cases, the faculty shall promptly send to the faculty member a record of its action, including a copy of any such resolution of reversal or modification. If the committee concludes that the appointment of the faculty member should not be suspended or terminated and there is no appeal to the faculty, or if the faculty so concludes on appeal from the committee, the proceedings shall be discontinued. If the committee concludes that the faculty member's appointment should be suspended or terminated and there is no appeal to the faculty, or if the faculty so concludes on appeal from the committee, the committee shall send to the board (through administrative channels) a transcript of the proceedings and copy of its report and the faculty shall similarly send to the board a record of the faculty's action, if any.

m. The faculty member may appeal to the board directly from the report of the committee unless an appeal has been taken to the faculty, in which case the faculty member may appeal to the board from the faculty's action. The faculty member may appeal on one or more of the following grounds: (a) that there has been a defect of procedure, (b) that the complainant has failed to prove, by a preponderance of the evidence, the existence of just cause, (c) that the term "just cause" has been misinterpreted and (d) that the recommended sanction is unreasonably severe under the circumstances. The faculty member may initiate such appeal by sending to the secretary of the University within 30 working days following his or her receipt of the committee's report (or, if an appeal has been taken to the faculty, within 30 working days following the date on which he or she was notified in writing of the faculty's action on the appeal), a written request that he or she be accorded a hearing before the board. The board shall then afford the faculty member, the complainant and the committee opportunity to appear personally before it and to present oral and written statements. The faculty member and the complainant may have the assistance of counsel.
n. Whenever a committee or a faculty shall recommend suspension or termination, and whether or not the faculty member has appealed to the board, the board shall take action to suspend or terminate solely on the basis of the information set forth in the transcript of the proceedings, the report of the committee, the statement of faculty action, if any, and statements of the parties at the hearing, if any, before the board. The board shall decide whether or not (a) there has been a defect of procedure, (b) the complainant has failed to prove, by a preponderance of the evidence, the existence of just cause, (c) the term "just cause" has been misinterpreted or (d) the recommended sanction is unreasonably severe under the circumstances. The board may direct that the proceedings be discontinued; may affirm the committee's recommendations (unless the recommendations of the faculty on appeal shall differ from those of the committee, in which case it may affirm the faculty's recommendations) or may substitute a lesser penalty for that recommended by the committee or the faculty. If the board decides that additional evidence should be received or that further proceedings are otherwise required, it shall remand the matter to the committee. In that event the committee may receive additional evidence, shall send the parties written notice of hearings at least one week before they are to be held and shall accord the parties the procedural rights provided in paragraph (j) above. The parties may again appeal to the faculty and the faculty member may appeal to the board as provided above. The board shall furnish all parties in interest with copies of a report of its decision, in which it shall set forth its reasons therefor.

o. A faculty member's salary shall be continued for one year from the date of receipt of notification by the board of termination of his or her appointment, or if the faculty member holds an appointment for a term which ends in less than one year from the date of receipt of such notification, the faculty member's salary shall be continued until the end of his or her term of appointment, unless, in either case, the committee shall find that the faculty member has engaged in such gross personal misconduct as unfit him or her for association with members of the University community and shall include in its report a recommendation either that his or her salary be terminated immediately upon his or her receipt of notification of termination or that it be continued for some stated period less than the period stated above.

p. A decision by the board made pursuant to these procedures shall be final within the University.

q. Public statements about proceedings by persons within the University, whether parties to the proceedings or otherwise, should be avoided until the proceedings have been completed.

RESOLVED:

That the University's policy entitled "Suspension or Termination of Faculty for Just Cause" be approved as revised.

3. Action. A Resolution on Appointments, Leaves, and Promotions was approved as found on pages 1 through 21 in the meeting book.

4. Profile of the Class of 1995 - Dean Stetson

Dean Stetson reported that the applicant pool for the Class of 1995 totaled about 10,000 students, which was 8% smaller than the previous year. The Office of Admissions will be looking into the reasons behind the decline but contributing factors might be financial concerns, demographic shifts and the fact that Penn has become more selective over the last number of years. However, Dean Stetson reported that it was still the strongest applicant group Penn has had academically. It was also diverse ethnically, racially and geographically. "Our target was 2250 students, but our yield went up about 2%, so we could have close to 2300 students this year, which is a good sign that Penn continues to be a school of choice."
Dean Stetson noted that the number of students from the international community is up to 11% (an all time high at the undergraduate level); minority presence is currently at 32% (about the same level as last year). Within this, Asian presence has increased to about 22%, and the number of black students entering this year has decreased from 135 last year to 112. Alumni children represent 12% of the class and the Benjamin Franklin scholars group is about 200, which Dean Stetson commented was "a very strong showing of the best and the brightest students."

E. Financial Report - Dr. Whittington

Dr. Whittington projected a break even performance for FY91 after all the approved and budgeted expenditures. She explained that on the unrestricted side the positive factors in Penn's performance are graduate tuition, summer and special tuition, special programs and fees, General University indirect cost recovery, utilities, Temporary Investment Fund income, and savings in salary expense and direct centers' current expense. The major negative factor this year was the 3.5% abatement of the Commonwealth appropriation. By school and center on the unrestricted side, the School of Veterinary Medicine is projected to have a deficit of $200,000, attributable to the Commonwealth's appropriation abatement. The Graduate School of Education is projecting a surplus of $650,000. The Wharton School is projecting a deficit of $475,000 and the Graduate School of Fine Arts is projecting a deficit of $300,000. On the restricted performance side, endowment and grant and contract expenditures increased by 16.3% and 8.2% respectively. Gift fund expenditures decreased by 6.2%. The amount available at year end for grant and contract expenditures was 9.9% greater on May 31, 1991 than on May 31, 1990.

Dr. Whittington also reported that for the first 10 months of the fiscal year the Hospital had an excess of revenues over expenses of $23,348,000, which is $16,862,000 better than budget. She noted that as of April 30, 1991, the Clinical Practices had an excess of revenues over expenses of $2,661,000 better than budget and a net decrease in the Education and Development Fund balance of $3,274,000.

F. Operating Budget for Fiscal Year 1992 - Mr. Golding

In a slide presentation, Mr. Golding reviewed the University's budget for FY92 as adopted by the Trustee executive committee at its May meeting. The budget is projected at $1.347 billion representing a 10.2% increase over FY91. Mr. Golding pointed out that in the ten years prior, Penn's budget grew at an average of 13% per annum.

He noted that the Hospital and the Clinical Practices are the fastest growing portion of the budget. The Hospital is growing at over 17% and the Clinical Practices at 10%, together accounting for 56% of the overall growth in the FY92 budget. The schools are increasing at 8.4% (including a $11.6 million transfer from Health Services to the School of Medicine); without transfers, the Schools are increasing at 6.4%. Overall, the Hospital, the Clinical Practices and the School of Medicine account for 50% of the total budget and $92.4 million of the roughly $125 million of growth in the FY92 budget.

Mr. Golding explained that of the $125 million increase approximately one third or $40 million is attributable to the schools, with the School of Medicine the fastest growing component, in large part due to the transfer for capital construction from Health Services to the School.

Mr. Golding described the factors supporting the $125 million increase as follows: unrestricted revenues, which are growing about 3.1%, represent $15.3 million; restricted revenues, which are growing at about 8.4%, represent $22.1 million; endowment income, which is growing by about 16.9% or $5.2 million, and sponsored research, which is growing at about 9.1% or $14.9 million.
Mr. Golding also pointed out that the $125 million increase reflects a $16 million deficit, which is driven by two factors. First, the accounting principals for Universities and Hospitals do not allow Penn to recognize as revenues in a given fiscal year monies collected in a prior fiscal year. Therefore the financial statements show the transfer from Health Services to the School of Medicine described above as an expenditure; cash accrued from prior year operations will be transferred to cover it. The second is the Commonwealth's proposed $18.6 million appropriation reduction. This proposed cut represents 49% of the University's FY91 unabated appropriation and 48.2% or $8.6 million of the direct line appropriations to the School of Medicine, the School of Veterinary Medicine and the School of Dental Medicine. The remainder is part of the University's general subvention pool. Mr. Golding emphasized that the University's strategy to absorb this enormous cut, should it be necessary, had as its first priority to spread the cost of the deficit in such a way as to preserve the academic core of the University.

In building the budget, efforts were made to ensure that the allocation of resources supported Penn's priorities. These include supporting the Five Year Academic Plan, maintaining salary competitiveness, sustaining the University's need-blind admissions policy, supporting increased campus security and limiting the growth of administrative costs. Other priorities include the continued funding of the Campaign for Penn and complying with government regulations in such areas as environmental health and safety, trash removal and recycling.

Mr. Golding pointed out that recent experience indicates that revenue growth has been slowing. Endowment is the leader in the growth which is a result of growth in AIF per share value and the effect of the spending rule. Tuitions have experienced slower growth in recent years; the 6.7% increase in tuition and fees, although higher than the University would have liked, nevertheless equals the FY91 increase which was the lowest increase in over 15 years.

Mr. Golding continued that a break out of the unrestricted side of the budget reveals that the University is actually spending more unrestricted dollars on financial aid than in 1982, and that spending by the auxiliaries is up slightly. The schools and resource centers show reduced growth from unrestricted funds, which means they are being supported more from restricted funds than they were in 1982. This reflects a clear strategy of the University. In terms of total resources, however, each of the units, i.e., schools, resource centers, auxiliary enterprises, administration etc. consumes the same share of total University resources in 1992 as it did in 1982.

Education and General Revenue is projected to total $738 million or a 6.5% increase; tuition and sponsored programs, combined, total about two thirds of the budget. Education and General Expenditure, which excludes auxiliary enterprises and is known as the academic budget, is projected to total $744 million, a 7.4% increase. This rate is slightly less than what has been seen historically and is reflective of the impact of the Commonwealth budget, and the strategy that the Schools have imposed in order to bring their budgets in line with FY92 revenues. At the same time, the proportionate growth of the Schools in the Education and General budget exceeds that of the other budgetary units, moving from 69.6% in FY91 to 70.5% in FY92. Even with the schools growth as a percentage of the Education and General budget, however, they still constitute the same proportion of the total University budget (excluding HUP and CPUP) as they did in FY82. The growth of schools in the Education and General budget is partly due to the transfer of funds from Health Services to the School of Medicine, but is also due to the greater degree to which the administrative budgets were reduced to absorb the Commonwealth cut. Reallocating the transfer to the School of Medicine, the School of Arts and Sciences remains the largest School. The Graduate School of Education is the fastest growing overall (over 20%); the Graduate School of Fine Arts is projected to be smaller in size.
In FY92 research is budgeted to grow 9.1% for a total of $178.2 million; the expenditure growth is supported by new awards which through April 30, 1991 were up 13.4%. The projections assume that Penn's negotiated indirect cost rate will remain at 65%. This will generate $53.2 million in unrestricted revenues.

Undergraduate enrollments are projected to be stable as are graduate enrollments overall. The endowment AIF value at July 1, 1991 is projected to be $750 million with a total endowment of $820 million. The spending rule will generate $19.25 per share which, together with the growth in spending rule shares will yield an increase of close to 2%.

Mr. Golding concluded his report by saying the budget addressed the particular effects of the Commonwealth's appropriation reduction while at the same time maintaining the University's commitment to the Academic Five Year Plan and the priorities of education and research.

IV. Trustee Committee Reports

A. Budget and Finance - Mr. Fox

Mr. Fox reported that the Budget and Finance Committee had discussed and approved ten resolutions, which he recommended to the Trustees for approval. Dr. Chisum commented that the resolutions will be recorded as action by the Executive Committee of the Trustees.

1. Action. A Resolution on the Renovation of Space at 3440 Market Street for the Temporary Relocation of the Budget Office and Certain Offices in the College of General Studies and the School of Arts and Sciences was approved as follows:

Intention:

The repair and rehabilitation of the facades and structures of College and Logan Halls requires the temporary relocation of certain building occupants. The executive and administrative offices of the College of General Studies, certain administrative offices in the School of Arts and Sciences, and the Budget Office will move to approximately 15,655 square feet of renovated space at 3440 Market Street. The renovation includes re-partitioning the space to create necessary offices and working spaces, modifications to the heating, ventilation and air conditioning systems, new ceilings and lighting, and floor and wall finishes.

This project, which was included in the Fiscal Year 1992 Capital Budget, is estimated to cost $700,000. It will be financed from the University's deferred maintenance program budget for the College Hall and Logan Hall rehabilitation projects.

RESOLVED, that the renovation of space at 3440 Market Street for the Budget Office and certain offices in the College of General Studies and the School of Arts and Sciences, estimated to cost $700,000, 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.

2. Action. A Resolution on the Exterior Rehabilitation of Evans Building, School of Dental Medicine, Phase IIA was approved as follows:

Intention:

In June 1990 the Trustees approved Phase I of the exterior rehabilitation of the Evans Building.
The entire rehabilitation project will include roof replacement, exterior masonry restoration, lintel repair and replacement, and repair of windows throughout the building quadrangle. The administration proposes to begin Phase IIA of the rehabilitation during the summer of 1991. This Phase includes work on the east end of the south wing of the Evans Building.

Phase IIA of this project is estimated to cost $1,210,000, and will be financed from deferred maintenance funds.

RESOLVED, that Phase IIA of the exterior rehabilitation of Evans Building, estimated to cost $1,210,000, 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 rehabilitation, execute such contracts, and incur such expenses and obligations -- not, however, substantially in excess of the estimated cost of such rehabilitation 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 Construction of Plant Growth Chambers, Kaplan building, School of Arts and Sciences was approved as follows:

Intention:

The School of Arts and Sciences proposes to construct a plant growth chambers facility in the Kaplan Building as part of its effort to provide modern research facilities for faculty in the Department of Biology.

This project, which was included in the Fiscal Year 1991 Capital Budget, is estimated to cost $486,698. It will be funded by the School of Arts and Sciences.

RESOLVED, that the construction of the plant growth chambers in the Kaplan Building, estimated to cost $486,698, 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 construction, 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.

4. Action. A Resolution on the Renovation of English House was approved as follows:

Intention:

The University intends to proceed with renovations to English House. The scope of work includes construction of a new kitchen facility to replace the one lost due to the Law Library construction, a new Penn Card controlled entrance on Sansom Street and renovation of the building's public spaces for student use.

This project is estimated to cost $5,997,000, and will be funded by a University loan which will be repaid by Residential Life and Dining Services.

RESOLVED, that the renovation of English House, estimated to cost $5,997,000, 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.
5. **Action.** A Resolution on the Exterior Rehabilitation of College Hall, Phase II was approved as follows:

Intention:

In June 1990 the Trustees approved Phase I of the exterior rehabilitation of College Hall. The entire rehabilitation project will include roof replacement, repairs to the interior face of the exterior wall, reconstruction and restoration of masonry walls, and repair of windows.

The administration proposes to begin Phase II of the rehabilitation during the summer of 1991. This Phase includes work on the south central section of the building. Phase II of the project is estimated to cost $3,200,000 and will be financed from deferred maintenance funds.

RESOLVED, that Phase II of the exterior rehabilitation of College Hall, estimated to cost $3,200,000, 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 rehabilitation, execute such contracts, and incur such expenses and obligations -- not, however, substantially in excess of the estimated cost of such rehabilitation 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 Demolition of the Law School Dormitories and Stern Dining Commons was approved as follows:

Intention:

Construction of the new Law School Library requires demolition of the Law School dormitory facilities (Pepper and Roberts Halls) and Stern Dining Commons.

This demolition (including related work) is estimated to cost $912,500, and will be financed from Law School construction funds.

RESOLVED, that the demolition of the Law School dormitories and Stern Dining Commons, estimated to cost $912,500, 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 demolition, execute such contracts, and incur such expenses and obligations -- not, however, substantially in excess of the estimated cost of such demolition 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 Renovation of 300 South 36th Street was approved as follows:

Intention:

In connection with the rehabilitation of Logan Hall, the University intends to relocate temporarily the executive and administrative offices of the College of Arts and Sciences to approximately 6200 square feet of space on the mezzanine floor of 133 South 36th Street. This space will require renovation, including repartitioning to create necessary offices and working spaces, modifications to the heating, ventilation and air-conditioning systems, and installing new ceilings, lighting, and floor and wall finishes. The estimated project cost is $300,000 and will be paid for from the University's Deferred Maintenance program budget for the Logan Hall rehabilitation project.

RESOLVED, that the renovation of the mezzanine floor of 133 South 36th Street for offices of the College of Arts and Sciences, estimated to cost $300,000, be and the same hereby is approved and that the Senior Vice President or other appropriate officers of the University be and they
8. **Action.** A Resolution on the Renovation of the Caster Building, School of Social Work was approved as follows:

**Intention:**

The University intends to create three new classrooms in the un-excavated basement of the Caster Building in order to meet the School of Social Work’s growing need for instructional facilities. The scope of work includes excavating a portion of the unfinished basement, upgrading and extending the heating, ventilation and air conditioning systems to the new facilities and providing code required egress to the spaces.

This project, which was included in the Fiscal Year 1992 Capital Budget, is estimated to cost $275,835, and will be paid for by the School of Social Work and the University’s general fund.

**RESOLVED,** that the renovation of the Caster Building, estimated to cost $275,835, 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.

9. **Action.** A Resolution on the Construction of a Central HVAC System for the Northwest Wing, John Morgan Building, School of Medicine was approved as follows:

**Intention:**

The School of Medicine proposes to install a central HVAC system in the northeast wing of the John Morgan Building as part of its efforts to provide modern biomedical research laboratories and the services required to support such laboratories.

This project is included in the Fiscal Year 1992 Capital Budget. Project costs are estimated at $1,399,604 and will be funded by the School of Medicine.

**RESOLVED,** that the construction of a central HVAC system for the northeast wing of the John Morgan Building, estimated to cost $1,399,604, 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 construction, 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.

10. **Action.** A Resolution on the Selection of an Alternate Energy Supply Program was approved as follows:

**Intention:**

For several years, the administration has been conducting a study of alternate energy supply programs. The objectives of such a program are to ensure long-term steam availability and reliability and also to develop mechanisms to moderate increases and improve the predictability of steam and electric energy costs. Several trustees were asked to monitor progress and evaluate the results of the study prior to a final recommendation for action.
After extensive analysis, including a review of similar energy supply programs at other schools, a Request for Proposal was developed in June 1990. Six developer teams were invited to submit proposals. In consultation with several trustees, the administration identified three developer teams for consideration and has entered into simultaneous negotiations with each team. It was intended that a decision should be reached by the end of this fiscal year. In view of the possible need for approval of an alternate energy supply program within a short time, it is suggested that an Ad Hoc Committee be granted the power to act for the Trustees.

RESOLVED, that the Trustees of the University of Pennsylvania approve the selection of an alternate energy supply program if such is in the best long-term interests of the University.

FURTHER RESOLVED, that, pursuant to Section 4.01 of the Statutes of the University there is hereby created an Ad Hoc Committee of the Trustees to consist of and be composed of G. Morris Dorrance, Jr., Robert A. Fox, Paul F. Miller, Jr., and John B. Neff, and there is hereby delegated to such Committee, to the extent necessary, the full power of the Trustees to act on behalf of the University with respect to matters referred to in the foregoing resolution.

B. Development - Mr. Miller

Mr. Miller reported that the Development Campaign and Campaign Steering Committee had very good news to report. Campaign receipts are in excess of $400 million, and current fiscal year subscriptions are about $150 million or $15 million beyond the 1991 fiscal year end total that had been projected. Endowment receipts were record breaking at $42 million with $45 million in sight before the end of the month. Mr. Miller noted the widespread spirit of enthusiasm about the Campaign. He concluded by thanking all members of the Development Office for a superb job. "We could not have gotten anywhere near where we are without their help."

C. Facilities and Campus Planning - Mr. Tanenbaum

Mr. Tanenbaum reported that the committee met and reviewed three new construction projects. The first was the construction of a utility plant to be located on the north side of Walnut Street between 32nd and 33rd Streets. He explained that the purpose of the plant is to provide cool air for the IAST Building, the new Law School Building and the addition to English House as well as to the planned Revlon Campus Center. Mr. Tanenbaum made special note that the plant had a design feature that involved the creation of ice to keep the water cool. This feature would enable the University to take advantage of the evening low rates, and produce significant savings in operating costs. He stated that it was "important for the trustees to understand that the design feature was a recommendation which came from Penn's facilities staff and that it was important to appreciate the quality of the people who are involved in the planning process for the University." He continued his report by explaining that the second project concerns the construction of a research structure over the utility plant located at the rear of the "Medical Complex," to be known as Biomedical Building #1, and the third project is a garage to be constructed at 40th and Walnut Streets. Mr. Tanenbaum concluded his report by noting that the three projects "generated some lively discussions." The programs will proceed, integrating as appropriate the advice and comments of the committee.

D. Investment Board - Mr. Neff

1. Mr. Neff opened the discussion by referencing the Investment Report and commenting on the recent equity transactions that have been completed in the Associated Investment Fund (AIF or the Fund). Transactions were more heavily weighted toward sales than purchases as the Fund has been an aggressive seller of stocks in the auto industry. The AIF's General Motors position was liquidated and its Ford Motor Company position was virtually eliminated.
In addition, profits have been taken in the basic commodity cyclical stocks (Dow Chemical and Federal Paper Board) and in the airlines. A portion of the proceeds generated from those sales was invested in the Fund's newest area of interest, natural gas. Mr. Neff explained the appeal of exposure to natural gas despite the warm winters that the Northeast has been experiencing in recent years.

He noted that sales, without any significant matching purchases, have contributed to a reduction in the percentage of common stock holdings in the AIF. Common stock accounted for 46% of the AIF as of June 12, 1991, down significantly from 53% at December 31, 1990. Mr. Neff termed this current level of holdings as "a bit cowardly for us." It is considerably lower than the 54% level at the end of last fiscal year (June 30, 1990) and the 58% held at December 31, 1979. Mr. Neff noted that the all-time high for common stock holdings in the Fund was 65%-67%, a level that he believes is too aggressive for an endowment fund. This relatively low common stock percentage reflects Mr. Neff's belief that the stock market's high level is not supported by fundamentals.

Mr. Neff explained that the liquidity generated from the stock sales mentioned above was invested primarily in the bond market. This is reflected in the Investment Report, as the percentage of fixed income securities in the AIF has increased from 41% at calendar year-end to 48% as of June 12, 1991. Mr. Neff mentioned that the percentage is probably closer to 50% as of the date of this meeting. He explained that with a mild recovery in the economy and inflation under control, the bond market appears to provide a better investment value than the stock market.

Referring to the Investment Report, Mr. Neff noted that the AIF's performance has improved recently. Since calendar year-end, AIF common stocks increased +67.0% on a total return basis versus +15.6% for the Standard & Poor's 500 (S&P 500). This improvement began in October, but the results for the NACUBO (Fiscal) Year, which ends June 30, 1991, will still lag the overall market. For this Fiscal Year, AIF stocks have improved +1.8% versus 8.7% for the S&P 500. Mr. Neff stated, "We have turned the year that was going to be a disaster into one that is below average, but one that looks a little better than it did a while back."

2. Action. A Resolution on Membership of the Investment Board was approved as follows:

RESOLVED, that the following persons be elected as members of the Investment Board of the Trustees of the University of Pennsylvania for a term of one year, effective July 1, 1991 and until their successors are elected or appointed and qualified: Samuel H. Ballam, Jr., Julian S. Bers, Christopher H. Browne, Henry M. Chance, II, Joseph B. Glossberg, H. Samuel Greenawalt, Jr., Samuel M. V. Hamilton, Adolph B. Kurz, Robert P. Levy, Paul F. Miller, Jr., F. Stanton Moyer, John B. Neff (chairman), Wesley A. Stanger, Jr., Richard B. Worley and D. Robert Yarnall, Jr.

E. Medical Center - Mr. Brown

1. Mr. Brown began his report by indicating that it was his last report as chairman of the Board of Trustees of the Medical Center, hence he wanted to review "where we have been, where we are now, and where I think we are going."

Mr. Brown noted that in 1986, under the direction of Dean Stemmler, the School of Medicine, the Hospital and Clinical Practices (CPUP) were combined into one Medical Center, in order to integrate the functions of teaching, research and patient care at Penn. "At that time the hospital budget was about 40% of the University's budget. Due mainly to the high cost of delivering tertiary care and because third party reimbursement was inadequate, the hospital's bottom line was deteriorating." Mr. Brown continued, "During my tenure as chairman I have come to better understand the relationship of the hospital to the academic mission of the University. For example, if it were not for the teaching and the
clinical research which goes on in the hospital, there would be no need for the hospital to be owned and controlled by the University, but because of these functions, the hospital is essential to the academic mission of the University." He stated that during the fifteen years of Dean Stemmler and Acting Dean Asbury's stewardship, a number of cost containment measures were put into effect and when "Dr. William Kelley and a new management team arrived, the Medical Center was reorganized. CPUP was made part of the School of Medicine; two subsidiary boards of the Medical Center board were created - the Board of Trustees of HUP and a new Board of Overseers of the School of Medicine. An Executive Committee of the Trustee Board was created, which includes University trustees and senior management of the Medical Center and the University."

Mr. Brown noted, "Since 1990, the financial picture of the hospital has improved dramatically, from an operating deficit of almost $12 million in 1988 and over $14 million in 1989 to an operating surplus in 1990 of over $6 million, and we project a surplus of over $17 million for 1991 and $18.6 million for fiscal year 1992. Those changes were the result of cost containment measures, new efficiencies in management, and increased effort by the physicians to generate more admissions."

Mr. Brown went on to say, "The physical plant of the Medical Center has also changed, with the addition of the Clinical Research Building, the expansion of the out-patient or so called ambulatory facilities in Penn Tower, the rehabilitation of several floors in the older hospital buildings and the recent renaming of the Medical Education Building now called Stemmler Hall.

Changes in third party reimbursement, the development of some sort of national health plan, less emphasis on in-patient care and more emphasis on out-patient ambulatory care, demographic changes, which may require more satellite medical facilities in outlying areas, and replacement of obsolete physical facilities at the hospital will all occupy the attention of the Medical Center Trustees and senior management in the future. (The trustees) may expect to hear about the unveiling of a Master Site and Facilities Plan, a health services strategic plan, new information systems for the Medical Center and the hospital, including a central system of patient registration and admissions, a central financial and management system, a new Biomedical Research building, the first of two or three, and the announcement of a very large Medical Center capital campaign."

In closing, Mr. Brown expressed his confidence in the new leadership of Susan Catherwood as Medical Center Board Chairman, Myles Tanenbaum as Hospital Board Chairman and John Harkins as Chairman of the Overseers of the School of Medicine and the managerial leadership of Dr. William Kelley, Dr. Marna Whittington, Mr. Bud Pittinger and their respective staffs. "I have every confidence that within the next few years we will go a long way towards making the University of Pennsylvania Medical Center into what Bill Kelley has called the gold standard of academic medicine and health care in the United States."

2. Action. A Resolution on Appointments to the Medical Center Board of Trustees was approved as follows:


F. General Alumni Society – Mr. Censits

Mr. Censits reported that he had received three nominations for alumni trustee positions, two at-large and one for the mid-Atlantic region. He noted that approximately 5500 people returned to campus for alumni weekend and that nearly 50 alumni-faculty exchanges were offered, providing an intellectual center for alumni weekend.
Mr. Censits concluded his report by stating that the Council of Recent Graduates, a newly formed alumni organization of 120 younger undergraduates, representing undergraduate, graduate and professional school classes, had completed successfully its first year of operation.

V. Overseers and Other Boards

A. Board of the Overseers of the University
Museum - Mr. Mainwaring

Mr. Mainwaring began his report by noting that the Museum campaign was over the $15 million mark, "which is 5/6ths of the goal of $18 million." He stated that 82% of the Museum's Board of Overseers solicited agreed to make campaign gifts, accounting for 63.6% or $9.5 million of the total; $9.5 million has been contributed for endowment; and four gifts of $1 million or more have been made, accounting for $6.05 million of the total.

Mr. Mainwaring reported that Susan Catherwood, after years of chairing the Museum Board was stepping down to chair the Medical Center Board, adding that "the Museum’s loss is the Medical Center’s gain." He noted that Dr. Dyson and his staff continue to manage the Museum well and that they have met all financial challenges in 1991, despite the loss of over $40,000 from the Commonwealth.

Mr. Mainwaring went on to state that the Museum "continues its goal to enhance its international research reputation." He stated that in recent months the Museum has concentrated on the publication of past expeditions and excavations, most notable of which was the award winning publication of the Tikal Excavations in Guatemala by Dr. William Coe.

Mr. Mainwaring concluded his report by inviting all to the Museum’s new fall exhibit called "Gift of Birds," also known as the "Feathers Exhibit."

B. Action. A Resolution on Appointments to the Advisory Board of the Institute of Contemporary Art was approved as follows:

RESOLVED, that Elsie Sterling Howard, Carolyn Korman Jacobs, Joel Rubin, Alice Saligman, Janet M. Shein and Benjamin Strauss be appointed to three year terms, effective 21 June 1991.

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

RESOLVED, that Clive S. Cummis, Marcia D. Greenberger, Arthur G. Raynes, Michael J. Rotko and Dolores K. Sloviter be appointed to the Board of Overseers of the School of Law for a three year term, effective 21 June 1991.

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

RESOLVED, that Vivian Weyerhaeuser Piascik be appointed Chairman of the Board of Overseers of the School of Nursing for a three year term, effective 21 June 1991.

E. Action. A Resolution on Appointments to the Board of Overseers of the University Libraries

RESOLVED, that Harris N. Hollin and Harold S. Prince be appointed to the Board of Overseers of the University Libraries for three year terms, effective 21 June 1991.

F. Action. A Resolution on an Appointment to the Board of Overseers of the School of Veterinary Medicine was approved as follows:
RESOLVED, that Mary Lehman MacLachlan be appointed to the Board of Overseers of the School of Veterinary Medicine for a three year term, effective 21 June 1991.

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

RESOLVED, that Stanley Goldstein, Ronald Lauder and Lawrence A. Weinbach be appointed to the Board of Overseers of the Wharton School for three year terms, effective 21 June 1991.

H. Action. A Resolution on an Appointment to the Board of Managers of the Wistar Institute was approved as follows:

RESOLVED, that Ruth Sliwinski be appointed to the Board of Managers of the Wistar Institute for a term expiring on January 24, 1992.

Adjourned.

Respectfully submitted,

Barbara R. Stevens
Secretary of the University