Minutes of the Stated Meeting of the Executive Committee of the Trustees of the University of Pennsylvania September 19, 1991

A meeting of the Executive Committee was held on Thursday, September 19, 1991, in the Tea Room of the Faculty Club. Trustees attending included: Susan W. Catherwood; Richard J. Censits; G. Morris Dorrance; Robert A. Fox; Sheldon Hackney (ex officio); Stephen J. Heyman; John B. Neff; Sara S. Senior; Alvin V. Shoemaker; and Myles H. Tanenbaum. Others present included: Michael Aiken; Richard Clelland; Karen Gaines; Stephen Golding; John Gould; Shelley Green; Eileen S. Heron; George Koval; Christine Lutton; Kim Morrisson; Joseph Nash; Rick Nahm; Barbara R. Stevens; Duncan Van Dusen; Dilys Winegrad; and Marna Whittington.

I. Call to order

Chairman Shoemaker called the meeting to order. The minutes of the May 24th 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 reported that the University formally welcomed the Class of 1995 at Freshman Convocation the beginning of September. The president stated that the orientation emphasized "the University's commitment to the diversity of the community and to the issue of safety and security on and around the campus." He also spoke of the addition of The Bacchae project, proposed by Dr. Norman Adler, associate dean of the College of Arts and Sciences, to give incoming freshmen "a hint of the intellectual richness of Penn." President Hackney also said that while it is a university tradition to welcome undergraduate students formally, September 1991 marked the first time that a separate ceremony had been held to welcome graduate and professional students. The president commented that the event was well attended and "thanks to the leadership of Michael Goldstein, the current chair of GAPSA, I think we have begun a worthy new tradition at Penn."

President Hackney turned his attention to the restoration of Penn's State appropriation for FY92 to the FY91 unabated level. He noted that the approval by the General Assembly and the Governor of the tax package and the budget that support the University "represents a real vote of confidence in what Penn does for the Commonwealth." He thanked trustees, faculty, staff, students, alumni and friends who wrote to their representatives in Harrisburg; it was an important effort. President Hackney stated that the additional state funds would ease the pressure on the School of Veterinary Medicine, which was facing a 40% reduction in its base budget, and restore other line item appropriations to the School of Dental Medicine and the School of Medicine. He stated that new construction projects which had been postponed had been "unfrozen", and funds for deferred maintenance had been fully restored. The president also noted that the restored funds would allow "the resumption of important initiatives by the Provost" such as Trustee Professorships, the Undergraduate Initiatives Fund, and the Research Foundation.

President Hackney also said that the restored state funding "will help assure that, as in the past 15 years, Penn will maintain a balanced budget." He stated that the deans, directors and central administration had developed a FY92 budget that would allow for "some modest growth." However, he noted that the Commonwealth's FY92 funding included no increase over the previous year's unabated level and this combined with projections for slow revenue growth in other areas means that times will continue to be tight.
"Penn must continue to look for efficiencies and cost-containment measures across the University in ways that will not damage the academic strength of the University." He noted that this is a "high priority."

The President turned his attention to the final report of the Committee to Diversify Locust Walk, headed by Dr. Kim Morrison and Dr. David Pope. He stated that the report provides "a framework of objectives and recommendations" for diversifying the Walk. These plans will be included in the master planning effort for the campus. In closing, Dr. Hackney noted that some progress on the Walk had already been made with the creation of a Community House "which will bring many new groups that exemplify Penn's commitment to public service to the Walk."

B. Action. A Resolution on the Appointment of Rosemary A. Stevens as Dean of the School of Arts and Sciences was approved as follows:

RESOLVED, that Rosemary A. Stevens be appointed Dean of the School of Arts and Sciences for a seven-year term, effective September 1, 1991.

C. Academic Report

1. Provost Aiken reported that two new deans had assumed their positions over the summer: Mrs. Patricia Conway in the Graduate School of Fine Arts and Dr. Rosemary Stevens in the School of Arts and Sciences. He noted that the search for a dean in the School of Nursing was nearing a conclusion and that a search committee was being established to identify a replacement for Michael Austin, dean of the School of Social Work, who will be stepping down in the summer of 1992. Dr. Aiken also stated that he was looking forward to working with Dr. Janice Madden, who had recently been appointed Penn's new vice provost for graduate education.

In the undergraduate admissions area, the provost commented that "this class was one of the strongest and best prepared first year classes in Penn's history, with 175 students receiving the designation of Benjamin Franklin Scholar and another 23 being named University Scholar." He went on to say that the students come from 46 states and 52 nations including a young man from Moscow who has served as a full-time translator in both the Soviet Union and the United States, a young woman from Moscow, who is the first Soviet woman to attend Penn, and a national physics scholar from Bulgaria.

Dr. Aiken also stated that 32 percent of the freshman are of racial minority groups and some 44 percent are women. He also mentioned that the School of Engineering and Applied Science registered the largest class in its history, some 27 percent larger than last year. The Provost attributed this increase to an aggressive video marketing program to potential students with follow-up telephone calls from faculty members. The provost continued, "we really see this as the model that we will ask all our undergraduate schools to pursue next year in attempting to get a higher yield."

Provost Aiken turned his attention to the faculty noting that Dr. Kyle Vanderlick, an Assistant Professor in the School of Engineering and Applied Science was among twenty young faculty members across the country to be awarded a Packard Fellowship, which will provide her $100,000 per year for five years, with $10,000 going to the University for its unrestricted use.

Dr. Aiken also mentioned that Dr. Joseph Bordogna, former dean of the School of Engineering and Applied Science, has taken a two year leave of absence to head the engineering directorate of the National Science Foundation in Washington, D.C. The provost noted that one of Dr. Bordogna's primary tasks will be "to help forge a coalition of industry, academy and government to find, educate and nurture the next generation of American engineers, scientists and university researchers."

In closing, Provost Aiken noted that Dr. Elijah Anderson of the department of sociology has been named William L. Day Professor.

2. Action. A Resolution on Appointments, Leaves, and Promotions was approved as found on pages 1 through 22 of the meeting book.
D. Financial Report

Dr. Marna Whittington, senior vice-president, stated that the financial report was "the final report for FY91 which ended June 30, 1991" and that it showed an excess of revenues of $25,000 after approved discretionary expenditures. On the unrestricted side, positive factors include graduate tuition, summer and special tuition, General University indirect cost recoveries and temporary investment fund income. Dr. Whittington noted that a major negative factor affecting the budget was the abatement of the Commonwealth appropriation. With regard to school performance, Dr. Whittington said that the School of Veterinary Medicine ended the year with a deficit of $300,000, as a result of the Commonwealth abatement. The Graduate School of Education ended the year with a surplus of $806,000 and the Amenberg Center with a deficit of $53,000. On the restricted side, the endowment and grant and contract expenditures increased by 23.4% and 1.1% and 6.3% respectively, and the amount available for grant and contract expenditures is 11.3% more than it was June 30, 1990.

Dr. Whittington also reported that the Hospital of the University of Pennsylvania had an excess of revenues over expenses from operations of $26,551,000 of which $18,437,000 was the result of normal operations and $8,114,000, an unexpected payment from the State Plan Funds for Medicaid patients. Non-operating revenue represent $12,243,000. Turning to the Clinical Practices, she remarked that the gain from operations was $3,194,000 and the investment income was $5,791,000 which represents a variance of $1,794,000 from budget. In her concluding remarks, Dr. Whittington said that FY91 would end showing a balanced performance. She noted however, that because tuition revenue, which is one of Penn's major sources of income, cannot yet be estimated, that the first financial report for FY92 would be given at next month's meeting.

IV. Trustee Committee Reports

A. Budget and Finance Committee

1. Action. A Resolution on the Renovation of Space at 3440 Market Street for the Temporary Relocation of the Departments of Folklore & Folklife, History of Art, Philosophy and International Relations for 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 Renovation of the 8th Floor, C Tower, Richards Building, for the Division of Cardiology, Department of Medicine, School of Medicine was approved as follows:

*Intention:*

The University proposes to renovate approximately 560 net square feet on the 8th floor, C Tower, of the Richards Building to provide modern large animal research laboratories for the Division of Cardiology in the Department of Medicine.

This project was included in the Fiscal Year 1991 Capital Budget and is estimated to cost $277,628. It will be funded by the School of Medicine.

**RESOLVED,** that the renovation of the 8th floor, C Tower, Richards Building, for the Division of Cardiology, Department of Medicine, estimated to cost $277,628, be and the same hereby is approved and that the Senior Vice President or other appropriate officers of the University be and they hereby are authorized to take such actions, proceed with such renovation, execute such contracts, and incur such expenses and obligations -- not, however substantially in excess of the estimated cost of such renovation as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

3. **Action.** A Resolution on the Design of Swing Space for the Hospital of the University of Pennsylvania was approved as follows:

*Intention:*

The Hospital of the University of Pennsylvania proposes to develop a 132,000 gross square foot building on the Piersol site to function as swing space during a multi-year facilities upgrade and modernization project. It is anticipated that there will be 56 to 84 inpatient beds as well as clinical and clinical support activity located in the facility. The objective is to maintain normal operations and minimize interruption during the multi-year facilities upgrade and modernization program.

This project has been approved by the Medical Center Trustees. The architect and engineers’ fees for work are estimated to cost $2,500,000 and will be funded by the Hospital.

**RESOLVED,** that the design of swing space for the Hospital of the University of Pennsylvania, estimated to cost $2,500,000, be and the same hereby is approved and that the Senior Vice President or other appropriate officers of the University be and they hereby are authorized to take such actions, proceed with such design, execute such contracts, and incur such expenses and obligations -- not, however substantially in excess of the estimated cost of such construction as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

4. **Action.** A Resolution on the Construction of the Law School Library was approved as follows:

*Intention:*

The University intends to construct a new Law School Library on the site of the Law School dormitories and Stern Dining Commons. The Trustees approved design fees for the project on March 23, 1990 and the demolition of the Law School dormitories and the Stern Dining Commons on June 21, 1991. The University administration now requests approval for the construction of an 107,000 gross square foot building for a state-of-the-art library and related support facilities, classrooms, student journal offices, seminar rooms, and student lounges.

The estimated project total cost is $27,900,000, including previously approved fees and demolition costs. The Law School will pay for this project with funds on hand and gifts to be raised.
RESOLVED, that the construction of the Law School library, estimated to cost $27,900,000, 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 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.

5. Action. A Resolution on the Relocation Costs Associated with the Proposed Construction of the Biomedical Research Building for the School of Medicine was approved as follows:

Intention:

On March 22, 1991, the Trustees approved the design of the 182,297 gross square foot Biomedical Research Building to be built over the existing Module 5 Chiller Plant. To accommodate the proposed construction, the University Employment office will have to be relocated from the first floor to the second floor of Blockley Hall and an MRI magnet located at the site will have to be temporarily relocated.

The relocation costs are estimated at $1,000,000, and will be funded by the School of Medicine as part of the total project cost for the Biomedical Research Building.

RESOLVED, that the relocation costs associated with the construction of the Biomedical Research Building, estimated to cost $1,000,000, be and the same hereby are 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 designs, execute such contracts, and incur such expenses and obligations -- not, however substantially in excess of the estimated cost of such renovation as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

6. Action. A Resolution on the Landscaping of 37th Street Between Locust Walk and Spruce Street was approved as follows:

Intention:

The University proposes to landscape approximately one block of 37th Street between Locust Walk and Spruce Street to provide finished walkways, planting, lighting, seating areas and a service area.

This project is estimated to cost $1,350,000 and initially will be funded by cash on hand and an advance from general University funds to be repaid by fund-raising.

RESOLVED, that the landscaping of 37th Street, between Locust Walk and Spruce Street, estimated to cost $1,350,000, 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.

B. Medical Center - Mrs. Catherwood

Mrs. Catherwood reported that the Medical Center would be presenting a master site overview at the next meeting of the full board of the trustees. With respect to the Hospital's excess of operating and non-operating revenues over expenditures, she noted that "if averaged over the last four years, the results are less than $9.4 million to the black." With respect to the Hospital's excess of operating revenues over expenditures for this time period, she said that the results were $1.5 million. Nevertheless, she stated that "the direction is absolutely wonderful and we anticipate that the direction will continue."
C. Investment Report - Mr. Neff

Mr. Neff began the discussion by referring to the Investment Report and remarking on the asset allocation of the Associated Investments Fund (AIF or the Fund). As of August 31, 1991, the AIF's market value was slightly greater than three-quarters of a billion dollars, or more specifically, $778.2 million. Because the equity market continues to appear highly valued, with the Dow Jones Industrial Average hovering around the 3,000 mark since late February or early March, the Fund's equity participation has remained at a "cowardly" level of 44%. Fixed income securities represented the largest proportion of the AIF's holdings, accounting for approximately 40% of the Fund. During the past year, the Fund has further diversified the AIF portfolio, with commitments of $25 million to two separate distressed investment funds. In mid-late calendar 1990, the Fund invested $15 million in a leveraged buyout pool and recently, $10 million has been committed to a distressed real estate fund. Mr. Neff commented that both of these investment areas have been undervalued in the market place, but the Investment Board was not confident that it could invest in distressed obligations as well as advise with expertise in these fields. The leveraged buyout fund's investments in the junk bond market, particularly the lower-rated bonds, have performed very well as this market has turned upward.

Commenting on the overall market and the economy, Mr. Neff mentioned that the Standard & Poor's 500 Index (S&P) was valued at 16.5 times calendar 1992 earnings, based on a current level of 395.43. He is projecting 82% for the S&P's 1992 earnings which is about 10% higher than the estimate for 1991. Preliminary estimates by others have been more aggressive, but they are now decreasing in light of the more modest economic recovery. Mr. Neff stated that the economy is growing "ever so moderately" over its base in the Spring, but consumer demand is constrained at best. Auto sales over the last 40-day period indicate an annual sales rate of approximately 6 million cars, well below the encouraging 7 million level achieved earlier in the year. August is traditionally a big back-to-school retail month, but retail sales figures were only lackluster at best, particularly for K Mart, J.C. Penney and Sears, although Walmart and GAP continued to perform well. Since these retail spending reports are generally viewed as a precursor for Christmas, Mr. Neff is not optimistic for a robust selling season.

Despite these negative reports, Mr. Neff still considers a moderate economic recovery to be the most likely outcome. However, he does not believe that the stock market can maintain its relatively high level because it lacks a driving force. Corporate earnings reports have been disappointing and the leveraged buyout phenomenon, which propelled the market several years ago, has disappeared. Long bond rates, which recently moved 50 points downward, are about as low as can reasonably be expected. The AIF took advantage of an opportunity in this market and invested in several long-term Treasury issues.

Mr. Neff described the overall investment environment as a market where the investor must "pick and choose." He noted that the AIF has typically performed well in this type of market. As shown in the Investment Report, AIF common stocks increased 30.8% on a total return basis since calendar year-end, versus 22.4% for the S&P. Mr. Neff remarked that this 8.4% difference reflects performance through August 31, 1991. If performance were measured as of the date of this meeting, the difference would be approximately 10.5%. Mr. Neff stated that he is gratified by this performance and that he will look for price opportunities in the future if the market eases.

V. Overseer and Other Boards

A. Action. A Resolution on the Appointment of Bruce J. Graham as Chairman Emeritus of the Board of Overseers of the Graduate School of Fine Arts was approved as follows:

RESOLVED, that Bruce J. Graham be appointed Chairman Emeritus of the Board of Overseers of the Graduate School of Fine Arts effective September 19, 1991.
B. Action. A Resolution on the Appointment of A. Eugene Kohn as Chairman of the Board of Overseers of the Graduate School of Fine Arts was approved as follows:

RESOLVED, that A. Eugene Kohn be appointed Chairman of the Board of Overseers of the Graduate School of Fine Arts effective September 19, 1991.

C. Action. A Resolution on the Appointment of Ehrman B. Mitchell, Jr. as Emeritus Overseer of the Board of Overseers of the Graduate School of Fine Arts was approved as follows:


D. Action. A Resolution on the Appointment of Margaret R. Mainwaring as Chairman Emeritus of the Board of Overseers of the School of Nursing was approved as follows:

RESOLVED, that Margaret R. Mainwaring be appointed Chairman Emeritus of the Board of Overseers of the School of Nursing effective September 19, 1991.

E. Action. A Resolution on an Appointment to the Trustee Board of the Medical Center and the Board of the Hospital of the University of Pennsylvania was approved as follows:

RESOLVED, that Robert H. Campbell be appointed to the Trustee Board of the Medical Center and the Board of the Hospital of the University of Pennsylvania for a three-year term effective September 19, 1991.

F. Action. A Resolution on Appointments to the Board of Overseers of the University Museum of Archeology and Anthropology was approved as follows:

RESOLVED, that Ruth Radbill Scott, Michael R. DeLuca and Laura Fisher be appointed to the Board of Overseers of the University Museum of Archeology and Anthropology for a three-year term effective September 19, 1991.

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

RESOLVED, that Dr. Francine Camitta, Dr. Steven Huberman, Dr. David McDonnell, and Dr. Carrolle Fair Perry be appointed to the Board of Overseers of the School of Social Work for three-year terms, effective September 19, 1991.

H. Action. A Resolution on the Appointment of Charles S. Wolf as Chairman Emeritus of the Board of Overseers of the School of Veterinary Medicine was approved as follows:

RESOLVED, that Charles S. Wolf be appointed Chairman Emeritus of the Board of Overseers of the School of Veterinary Medicine effective September 19, 1991.

I. Action. A Resolution on the Appointment of William Schawbel as Chairman of the Board of Overseers of the School of Veterinary Medicine was approved as follows:

RESOLVED, that William Schawbel be appointed chairman of the Board of Overseers of the School of Veterinary Medicine effective September 19, 1991.

J. Action. A Resolution on the Appointment to the Advisory Board of the David J. Mahoney Institute of Neurological Sciences was approved as follows:
RESOLVED, that Hildegarde E. Mahoney be appointed to the Advisory Board of
the David J. Mahoney Institute of Neurological Sciences for a three-year

Adjourned.

Respectfully submitted,

Barbara R. Stevens
Secretary of the University