Minutes of the Stated Meeting
of the
Executive Committee of the Trustees
of the
University of Pennsylvania
December 13, 1991

A meeting of the Executive Committee was held on Friday, December 13, 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; Karen Gaines; Stephen Golding; John Gould; Eileen S. Heron; Kim Morrissom; Rick Nahm; Jay Saddington; Louise Shoemaker; Larry Singer; Barbara R. Stevens; Duncan Van Dusen; and Marna Whittington.

I. Call to order

Chairman Shoemaker called the meeting to order. The minutes of the September 19, 1991 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 on the success of the second annual holiday party in Levy Park held December 9, 1991, which included refreshments, crafts, and a light show. He said that the festivities brought together hundreds of Penn and neighborhood community members and "rekindled the spirit of some of our 250th celebrations." The president thanked Dr. Marna Whittington and her staff for putting together "such a fine occasion."

The president reported that "there are some clouds on Penn's horizon rolling in from Harrisburg." He stated that the Governor had frozen $130 million this fiscal year, including $230,000 in state funds which would have come to Penn for educational equipment (and may come yet), and that the entire $400,000 appropriation for the Morris Arboretum is being withheld. President Hackney said that while it was too soon to tell if Penn may be facing another season of budget uncertainty, the outlook is not promising "for maintaining or increasing our support from the Commonwealth."

The president stated that "like the Commonwealth appropriation," Penn's various revenue streams, such as research indirect cost recoveries and tuition are "under pressure." The president cautioned that "we will need to enhance our careful management of resources throughout the University in order to maintain our momentum."
President Hackney moved on to the issue of campus safety and security, noting a number of recent Penn developments to help reduce crime in the surrounding off-campus community, including attention to the security needs of several University offices temporarily located on Market Street. The president reported that Mr. Kuprevich, Commissioner of Public Safety, is meeting regularly with security forces of other West Philadelphia institutions, particularly those in the University City area, as well as with leaders of the 18th Police precinct to coordinate resources and improve communication. He noted that the commissioner is also working with representatives of the community, staff and students to implement a list of safety improvements, such as new vandal-resistant blue light security phones to be installed in eight community locations over the next several months, and a combined city and private effort to improve illumination in nearby community areas. The president also stated that there are plans to address the problem of trash-littered public and private property near the University.

B. Action. A Resolution on the Appointment of Norma M. Lang as Fourth Dean of the School of Nursing was approved as follows:

RESOLVED, that Norma M. Lang be appointed Margaret Bond Simon Dean of the School of Nursing for a term of seven years, effective March 1, 1992.

Before asking the Executive Committee to act on the following resolution on Administrative Elections and Responsibilities, President Hackney noted that changes in responsibility and title were initiated in response to Dr. Robert Zemsky's desire to step down as planning officer for the University to devote all of his time to his position as director of the Institute for Research on Higher Education.

C. Action. A Resolution on Administrative Elections and Responsibilities was approved as follows:

RESOLVED, that Frederick C. Nahm be elected Senior Vice President for Planning and Development, effective January 1, 1992.

RESOLVED, that Barbara R. Stevens be elected Vice President and Secretary of the University, effective January 1, 1992.

RESOLVED, that Marna C. Whittington be elected Executive Vice President of the University, effective January 1, 1992.

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

RESOLVED, that a mandamus be issued by the Trustees to the president, provost, and faculty for the conferring of degrees on May 18, 1992 and at any special convocations called during the year 1992.

FURTHER RESOLVED, that the Trustees Honorary Degrees Committee be authorized to select candidates for receipt of honorary degrees at the May 18th Public Commencement and other convocations that may be scheduled during the year 1992.
E. Academic Report

1. Provost Aiken reported that he had been meeting with deans and heads of resource centers to prepare the budget for FY93. He said it was "the most painful and difficult process I have been involved in since I have been at Penn" due to Penn's attempt to bring down its rate of growth in tuition and the fact that the University may have a lowered rate of overhead recovery. The provost stated that he "believes we will be able to manage a balanced budget at the end of this process, but it has been a difficult challenge."

The provost stated that Deputy Provost Richard Clelland, because of his impending retirement, will be stepping down from his post at the end of the current academic year. Provost Aiken said that after conferring with the University Committee on Consultation, he had appointed a search committee to identify a replacement for Dr. Clelland. He listed committee members as: Professor Ivar Berg, School of Arts and Sciences; Professor Edward Bowman, Chair, Wharton School; Professor Helen Davies, School of Medicine; Professor Oscar Gandy, Annenberg School for Communication; Professor Frank Goodman, School of Law; Pamela Inglesby, a graduate student, Annenberg School for Communication; Professor Paul McDermott, Graduate School of Education; Professor Ann Strong, Graduate School of Fine Arts; and Professor Frank Warner, School of Arts and Sciences. In addition, one undergraduate student will soon to be appointed.

Provost Aiken explained that Penn has a new on-line information service about the Penn campus called "Penn Info." He said the system is now operating and can be accessed by computer users around the world who wish to have information about Penn's cultural activities, official University policies, leaders of student organizations, and available research grants. Eventually catalogue materials for the undergraduate and graduate schools will be included on the system.

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

F. Financial Report - Dr. Whittington

Dr. Marna Whittington stated that "as of October 31, 1991 we are projecting a general University surplus of $25,000 after approved budgeted discretionary allocations." She reported that on the unrestricted side, positive factors are graduate tuition, summer and special tuition, special programs and fees, General University annual giving, and savings in salary and utility expenses. Negative factors are indirect cost recovery and other income items. Dr. Whittington stated that the Wharton School is expected to finish the year with a deficit of $750,000 and the Graduate School of Fine Arts with a deficit of $425,000, "both of which we are working vigorously with the Provost to solve." The Graduate School of Education is projected to have a surplus of $550,000. All other schools and service centers are projected to break even. On the restricted side, grants and contract expenditures have increased 11% to date this year. Endowment and gift fund expenditures decreased by 0.3% and 14.4%.
respectively. Dr. Whittington said that the numbers to date this year in terms of research contracts awarded "have been remarkable." She also reported that the Hospital of the University of Pennsylvania statements were for three months ending September 30, 1991, and that HUP has an excess of revenue over expenses of $21,055,000 which is $13,794,000 better than budget. The Clinical Practices showed an excess of revenues of $1,862,000, which is $1,058,000 better than budget.

IV. Trustee Committee Reports

A. Budget and Finance - Mr. Fox

Mr. Fox reported that the Budget and Finance Committee had discussed and approved eight resolutions which he recommended to the Trustees.

1. Action. A Resolution Authorizing Acquisition of Premises Located at 4001-4013 Walnut Street and 120-122 South 40th Street, Philadelphia, PA was approved as follows:

Intention:

The administration proposes that the University acquire from University City Associates, Inc. ("UCA") the land and improvements located at 4001-4013 Walnut Street and 120-122 South 40th Street (the "40th Street Premises"), Philadelphia, Pennsylvania, together with all contents, licenses, leases and other property rights pertaining thereto (all of which are collectively referred to as the "Properties") upon such terms and conditions as may seem necessary or appropriate to the Senior Vice President or any other officer of the University in her, his or their judgment. The 40th Street Premises are part of the collateral for a $1,039,339.19 loan from Fidelity Bank to UCA and therefore are subject to a mortgage in favor of that bank (the "Mortgage"). If UCA is unable to obtain a release of the 40th Street Premises from the lien of the Mortgage, the 40th Street Premises may be conveyed subject to the Mortgage.

RESOLVED, that the acquisition of the Properties 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, but not required, to proceed with such acquisition and execute such contracts and incur such expenses and obligations as may, in their judgment, be necessary or desirable to accomplish such acquisition.

FURTHER RESOLVED, that the Senior Vice President or any other officer of the University, acting either alone or with the joinder of any other officer or officers of the University, is authorized to execute and deliver on behalf of the University, in connection with the acquisition of the Properties, all notes, mortgages, assumption agreements, pledge agreements, collateral assignments, leases, indemnifications, guarantees, releases, affidavits or any other documents, or amendments to the foregoing documents, on terms and conditions acceptable to said officer or
officers in the discretion of said officer or officers and to take all such other actions as may be necessary or appropriate in his, her or their judgment to consummate such acquisition and to insure title to the Properties, and the execution by such officer or officers of these documents shall be conclusive proof of the approval of the terms thereof by and on behalf of the University.

2. **Action.** A Resolution on the Sale of 427 North Market Street, Opelousas, Louisiana was approved as follows:

Intention.

The University received as a gift for the Department of Anesthesiology a one and three-quarter acre property, operating as a Bed and Breakfast Inn, located at 427 North Market Street in Opelousas, Louisiana, in July 1987. At the time of the gift, the donor suggested that the Bed and Breakfast operation could be continued profitably and that a future sale of the property would provide more funds. With the concurrence of the Department of Anesthesiology, the Bed and Breakfast operation was maintained. Market conditions, however, proved adverse and after an accumulated deficit, the Bed and Breakfast operation was closed in June 1988. Since that time, adverse market conditions have also hindered the University’s ability to sell the property. An offer to purchase the property for $150,000 was received and its acceptance approved by the Trustees in March 1989, but the buyer was later unable to complete the purchase.

The University has recently received an offer to purchase the property for $90,000, contingent upon the buyer’s ability to obtain financing. Proceeds from the sale of this property, less the accumulated deficit, will go to the Department of Anesthesiology.

RESOLVED, that the Senior Vice President or any other appropriate officers of the University be and they hereby are authorized to proceed with the sale and conveyance of the said property for a purchase price of $90,000, and to proceed with the execution and delivery of the deed and all necessary affidavits and other documents required in connection with such sale and conveyance, and that any actions heretofore taken by such officers in furtherance of the purposes of this resolution are hereby ratified and affirmed.

3. **Action.** A Resolution on the Renovation of the Basement of the John Morgan Building for the Department of Otorhinolaryngology: Head and Neck Surgery, School of Medicine was approved as follows:

Intention:

The University proposes to renovate 3,875 net square feet in the basement of the John Morgan Building for the Department of Otorhinolaryngology: Head and Neck Surgery. The renovations will provide the Department with modern laboratories for biomedical research.
This project is included in the Capital Budget for Fiscal Year 1992. The total project cost is estimated to be $1,345,000, and it will be funded by the School of Medicine.

RESOLVED, that the renovation in the basement of the John Morgan Building for the Department of Otorhinolaryngology, estimated to cost $1,345,000, 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.

4. Action. A Resolution on the Renovation of the Fifth Floor of the Dulles Building for the Department of Obstetrics and Gynecology, School of Medicine was approved as follows:

Intention:

The University proposes to renovate approximately 2,050 net square feet of the fifth floor of the Dulles Building. The renovations will provide the Division of Reproductive Biology of the Department of Obstetrics and Gynecology with modern laboratories necessary for biomedical research.

This project is in the Capital Budget for Fiscal Year 1992. The total project cost is estimated to be $650,000, and it will be funded by the School of Medicine.

RESOLVED, that the renovation of the fifth floor of the Dulles Building for the Department of Obstetrics and Gynecology, estimated to cost $650,000, 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 Rehabilitation of the Exterior of Kings Court, Phase III was approved as follows:

Intention:

In March 1990 and December 1990, the Trustees approved Phase I and Phase II, respectively, of the renovations to the exterior of Kings Court. The University now intends to proceed with Phase III renovations to the exterior of Kings Court. The scope of work will include window and door replacement, window-bay repair, re-pointing, masonry repair, painting, and related minor repairs to the southern corner of the building.
This project, estimated to cost $396,000, is in the Capital Budget for Fiscal Year 1992. Funds will come from Residential Maintenance reserves.

RESOLVED, that the renovation of the exterior of Kings Court, Phase III, estimated to cost $396,000, 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.

6. Action. A Resolution on the Rehabilitation of the Exterior of Mayer Residence Hall, Phases II and III were approved as follows:

Intention:

In March 1991, the Trustees approved Phase I of the renovation of the exterior of Mayer Hall. The University now intends to proceed with both Phase II and Phase III renovations of Mayer Hall. The scope of work will include window and door replacement, re-pointing, masonry repair, painting, and related minor repairs to the south, east and west facades.

This project, estimated to cost $858,000, is in the Capital Budget for Fiscal Year 1992. Funding will come from Residential Maintenance reserves.

RESOLVED, that the renovation of the exterior of Mayer Residence Hall, Phases II and III, estimated to cost $858,000, 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.

7. Action. A Resolution on the Acquisition of Tri-Institutional Nursing Education Building, 420 Guardian Drive, Philadelphia, Pennsylvania was approved as follows:

Intention:

The administration proposes to purchase from the Philadelphia Authority for Industrial Development the Tri-Institutional Nursing Education Building located at 420 Guardian Drive, Philadelphia, Pennsylvania. This eight-story building contains approximately 165,600 square feet of space. Currently the building is leased by the University from the City of Philadelphia and is used primarily by the School of Nursing. The University's lease term began in 1977 and would expire July 1, 2033. The Children's Hospital of Philadelphia has a sublease from
the University for 3,700 square feet of space in the building. The purchase price for the building is $2,400,000.

RESOLVED, that the purchase of the Tri-Institutional Nursing Education Building at 420 Guardian Drive, Philadelphia, Pennsylvania at a purchase price of $2,400,000 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 proceed with such contracts and incur such expenses and obligations — not, however, substantially in excess of the estimated cost of such acquisition as presented to the Budget and Finance Committee — as in their judgment may be necessary or desirable to complete such purchase.

FURTHER RESOLVED, that the Senior Vice President or any other officer of the University is hereby authorized to execute any indemnifications, affidavits, certificates, deeds, or other agreements or documents deemed necessary or appropriate by such officer to consummate the transaction authorized by this resolution, including, without limitation, any such documents necessary or desirable to ensure the transfer of the title to the premises.

8. Action. A Resolution on Additional Funding for the Faculty Mortgage Assistance Program was approved as follows:

Intention:

In December 1987, the Trustees approved an allocation of $5,000,000 of unrestricted funds to serve as start-up funding for an enhanced mortgage program for faculty recruitment. This program, which provides deferred interest second mortgage funding, has proven to be a successful recruiting tool and almost all of the initial $5,000,000 has been allocated. Annual interest payments from sponsoring schools and departments have offset any loss of unrestricted operating revenue. The administration now requests an allocation of an additional $5,000,000 to continue the program.

RESOLVED, that the allocation of $5,000,000 of unrestricted funds to be used as additional funding for an enhanced faculty mortgage assistance program, 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 proceed with this program with such terms and conditions as they deem necessary or desirable to effectuate the intent of this resolution.

B. Investment Report - Mr. Neff

Mr. Neff began by referring to the Investment Report and commenting on the asset allocation of the Associated Investments Fund (AIF or the Fund). As of November 29, 1991, common stocks accounted for approximately 42% of the Fund, the AIF’s lowest level of equity participation in Mr. Neff’s memory. He noted that the stock market has retrenched 5-6% recently, creating several opportunities to add shares to existing equity positions. During December, the Fund purchased approximately $11 million
of common stocks, thereby raising the Fund’s equity participation to 44%. Of that $11 million, 46% was invested in aluminum stocks, 25% in natural gas, 15% in airlines and 14% in financial intermediaries. Mr. Neff indicated that if the stock market retracts another 15-20%, the AIF’s common stock participation may return to the 50-55% vicinity.

As the Fund’s equity participation has decreased, Mr. Neff noted that its proportion of fixed income securities has increased. The Equity Fund purchased approximately $25 million of Treasury bonds in June, 1991. During December, approximately $12 million of those bonds were sold, realizing a 7% gain. Mr. Neff stated that although this gain was not noteworthy, it was better than could be obtained in the equity markets, and the Fund earned nearly a 9% yield to maturity while it was holding the bonds.

Mr. Neff stated that although the economy was making a moderate recovery, Fortune 1000 companies that would normally add personnel are continuing to purge employees. He felt that these latest cutbacks were more "democratic" because middle management employees have been laid off as well as blue-collar workers. He stated that previous middle management purges involved employees opting for early retirement who were able to maintain purchasing power. However, recent layoffs have greatly affected younger employees who are not only considerable consumers, but also confidence-builders for the economy. Service companies, such as law, accounting and public relations firms, have been especially affected by cutbacks. Mr. Neff noted that the only segment that appears to be doing well is the investment community.

Mr. Neff stated that the economy may improve after Christmas because retail sales could be slightly better than expected, generating new inventory orders. However, he believes that the biggest risk to the economy’s recovery is intervention by politicians in Washington, citing the administration’s commentary on interest rate control for credit cards as an example. In his opinion, the preservation of free markets is crucial.

Commenting on the Fund’s performance, Mr. Neff mentioned that the AIF has done "so-so" since June 30, 1991. AIF common stocks increased only 0.7% on a total return basis during this time period, as compared to 2.5% for the Standard & Poor’s 500 Index (S&P 500). Since the end of the calendar year, the AIF common stocks have risen 22.7%, much better than the 17.1% achieved by the S&P 500. Overall, Mr. Neff stated, "we aren’t being intimidated by our short term lack of success, and we are marching back in where we see market price opportunities."

Besides performance, another concern for the Fund has been the large number of dividend cuts which have been prevalent not only in the financial intermediaries, but also for the basic industrials. Mr. Neff mentioned that the auto industry has been especially prone to dividend decreases. He noted that the Fund currently only holds shares in Chrysler, after eliminating its large positions in Ford and General
Motors. Because those two stocks have decreased in value by 25% since they were sold, Mr. Neff commented that the cash received from those transactions appears "pretty good relative to that."

V. Overseer and Other Boards

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

RESOLVED, that Lawrence Kessler, D.M.D. and Louis Rossman, D.M.D. be appointed to the Board of Overseers of the School of Dental Medicine for three-year terms, effective December 13, 1991.

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

RESOLVED, that Leslie Gallery, Susan Maxman, Hisao Koyama, Katsuo Fukushi and Tadahiro Yoshida be appointed to the Board of Overseers of the Graduate School of Fine Arts for three-year terms, effective December 13, 1991.

C. Action. A Resolution on an Appointment to the Board of Overseers of the University Libraries was approved as follows:

RESOLVED, that Robert Stovall be appointed to the Board of Overseers of the University Libraries for a three-year term, effective December 13, 1991.

D. Action. A Resolution on Appointments to the Board of Advisors of the Annenberg Center was approved as follows:

RESOLVED, that Edward L. Collier, Jacqueline Farina and David Locke Pennington be appointed members of the Board of Advisors of the Annenberg Center for a three-year term, effective December 13, 1991.

E. Action. A Resolution on an Appointment to the Advisory Board of the Cancer Center was approved as follows:

RESOLVED, that Herbert Barnes be appointed to the Advisory Board of the Cancer Center for a three-year term, effective December 13, 1991.

Adjourned.

Respectfully submitted,

[Signature]

Barbara R. Stevens
Secretary of the University