Minutes of the Stated Meeting of the Executive Committee of the Trustees of the University of Pennsylvania

March 18, 1994

A meeting of the Executive Committee was convened at 2:15 p.m. on Friday, March 18, 1994, in the Tea Room of the Faculty Club. Trustees attending were Susan Catherwood, Gloria T. Chisum, Claire M. Fagin (ex officio), Robert A. Fox, Stephen J. Heyman, Donald Langenberg, John B. Neff, John N. Reardon, Alvin V. Shoemaker (chairman) and Myles H. Tanenbaum. Others attending included Barbara Beck, Karen C. Gaines, Stephen T. Golding, John W. Gould, Shelley Z. Green, Janet Hale, Phyllis Holtzman, Benjamin Hoyle, Samuel Hughes, Linda S. Hyatt, William N. Kelley, Trudy J. Kuehner, Marvin S. Lazerson, Steven Sanford, Stephen P. Steinberg, Barbara R. Stevens and Duncan W. Van Dusen.

I. Call to Order

Chairman Shoemaker called the meeting to order. The minutes of the December 10, 1993, meeting were approved as written by the secretary.

II. Chairman’s Report

Mr. Shoemaker had no report.

III. President’s Report - Interim President Fagin

A. Comments

Before beginning her formal report, Dr. Fagin announced that a rally for the Men’s Basketball Team would be held in Blanche Levy Park at Noon on Monday, March 21st, celebrating the team’s 90-80 win over Nebraska the prior evening in the first round of the NCAA tournament.

Minority Permanence “Whistle-Stop” Fundraising Tour. Dr. Fagin reported that she had just returned from the first part of a nationwide “whistle-stop” tour to raise funds for Penn’s minority permanence goals. To date, over $29 million (or 84%) has been raised toward the $35 million Campaign goal for Minority Permanence. On this trip, Dr. Fagin visited Miami, Washington, Atlanta, North Carolina, and Puerto Rico in search of funds for minority permanence, to strengthen Penn’s linkages with minority alumni and parents, and to increase the involvement of minority alumni with our students. Dr. Fagin reported that the trip was very successful and will help lead to definite achievement of those three goals at a high level over the next year.

Anonymous $1.7 Million Gift for Minority Permanence. Dr. Fagin reported that another milestone in Penn’s fundraising efforts to support minority permanence at Penn occurred earlier this month with the anonymous gift of $1.7 million to endow the Fontaine Fellowship program, which supports outstanding minority doctoral students and a variety of other educational outreach programs.

Town Meeting on Undergraduate Education. Dr. Fagin described the prior month’s town meeting on undergraduate education, sponsored by SCUE and the President’s office, as extraordinary. The core issue of faculty-student interaction “popped out right at the start and we never left it,” she said. The meeting was superbly moderated by Kathleen Jamieson. Videotapes are being shown all around the campus, including the residences, and are available for borrowing.
Commission on Strengthening the Community. Dr. Fagin reported that the implementation strategy of the Commission’s preliminary report has been receiving daily attention. She expressed her delight with the vigorous debate and discussion the preliminary report was generating. She stressed that it is the Commission’s report, not the University administration’s, and that it is a preliminary report for comment, not a final document. The final report is expected to be released at the end of this month, at which time the administration will have to make firm decisions on whether and how to implement each of the recommendations. In the meantime, the administration is proceeding to implement only those recommendations to which it is already committed, independent of the Commission’s report. For the rest, Linda Hyatt in the President’s Office is working with groups across the University to lay the groundwork for future implementation, without prejudging the outcome of the Commission’s process. Dr. Fagin again expressed the University’s deep gratitude and appreciation to Gloria Chisum for her extraordinarily capable and energetic leadership.

Philadelphia Parents’ Reception. Dr. Fagin reported that in February she had hosted a first-ever reception for the parents of current Penn students from the City of Philadelphia. The event received fairly good parent turn-out for a first-time event, and extraordinary turn-out from a wide variety of Penn staff, who joined with Dr. Fagin and the Provost to answer questions about the University and its many relationships to Philadelphia and its citizens. Dr. Fagin has heard from many of the parents who attended, many of them seeking more information on and more involvement with the University.

FY’95 Budget and Commonwealth Budget Outlook. The University administration anticipates proposing a balanced budget for Fiscal Year 1995 and one which avoids increases in the rate of tuition growth. As to the Commonwealth budget actions in Harrisburg, the University administration is guardedly optimistic that Penn will do at least as well or better than in FY’94, because unlike in previous years, this year the Governor has included the University in his budget request to the state legislature.

B. Academic Report - Interim Provost Lazerson

1. Comments

U.S. News and World Report. Dr. Lazerson reported that in the U.S. News and World Report annual ranking of graduate schools issued earlier in the week, Penn’s Law School had risen from 11th to 9th, while the School of Medicine rose from 8th to 7th. Wharton, however, fell one rank from last year to 4th, with Stanford being ranked first, followed by MIT and Harvard. While noting that one could make too much of these rankings, the Provost observed that the rankings for the Law School and the School of Medicine probably reflect accurately the trajectories of those schools; Wharton’s rankings reflect the extreme competition that School faces.

Athletic Director. Dr. Lazerson noted that, as he had announced just prior to spring break, Steven Bilsky has been appointed as Director of Recreation and Intercollegiate Athletics and Assistant to the Provost, effective July 1st. Mr. Bilsky is a graduate of the Wharton School and is currently the Athletic Director at George Washington University. He is also a former Penn basketball star, and his appointment is “a coup for Penn,” Dr. Lazerson noted, saying that Mr. Bilsky is probably the finest Athletic Director in the country.

Other Searches. Dr. Lazerson reported that the search for a new Director and Associate Director of the Lauder Institute is nearing completion, and that an announcement is expected to be made in the next few weeks. The search for a new Director of the University Museum is also moving toward completion.

Honors. The Provost announced that he had just learned that morning that five members of the Penn community had been named Fellows of the American Academy of Arts and Science: E. Digby Baltzell, Claire Fagin, Drew Gilpin Faust, Frank Furstenberg and William N Kelley. Dr. Fagin has also recently been accorded two other honors. She received the 1994 Hildegard Peplau Award by the American Nursing Association, which recognizes nurses who have made significant contributions to psychosocial and psychiatric nursing through clinical practice, research and policy development. In addition, in a moving
ceremony held earlier in the week at Ellis Island, she received the Lillian D. Wald Spirit of Nursing Award presented to those who have “single-handedly affected major change in the way we receive health care.”

2. Action. A Resolution on Appointments and Promotions was approved as shown on pages 1-20 of the meeting book.

C. Financial Report - Ms. Hale

Ms. Hale reported that as of February 28, 1994, the University is continuing to project an unrestricted University loss of $2 million due to a General University loan to the School of Veterinary Medicine for which resources are currently being identified. This is after the budgeted, discretionary allocations to the Research Fund of $1.3 million and the budgeted, mandated Graduate Hospital deficit amortization of $97,000.

On the unrestricted side, positive factors are graduate tuition, summer and special tuition, special program and fee revenue, indirect cost recovery, gift income and savings in salary, direct centers’ current expense and utility expense. Negative factors continue to be sales revenue, graduate student aid expense, General University tuition, unfunded University loan to the School of Veterinary Medicine, temporary investment fund income and several other expense categories.

As to unrestricted performance at the schools and centers, the Annenberg Center is projected with a deficit of $200,000. The Graduate School of Education is projected with a net surplus of $100,000 and the School of Social Work with a net surplus of $250,000. All other schools and centers are projected at breakeven performance.

On the restricted side, gift and grant and contract fund expenditures increased by 12.7%, 0.3% and 6.4%, respectively. The amount available at February 28, 1994, for grant and contract expenditures is 0.4% less than at February 28, 1993. Months of expendable awards are 6.4% less than at February 28, 1993.

Statements for the Hospital of the University and the Clinical Practices of the University are for the seven months ended January 31, 1994. HUP's excess of revenue over expenses was $80 million, $46 million better than budget, and CPUP's was $3.2 million, $810,000 better than budget for that period.

D. Health System - Dr. Kelley

Administration. Dr. Kelley reported that the Health System recently successfully recruited Mr. Donald Snell as Chief Operating Officer and Deputy Executive Director of the Hospital. Mr. Snell will be responsible for the day-to-day operations of the Hospital. He has most recently served as acting president & CEO of the Grady Health System in Atlanta.

Philadelphia Magazine. One hundred thirty-two of the School’s faculty were listed in Philadelphia Magazine’s March “Top Docs” issue, which is not only a large percentage of the School’s faculty in the clinical departments but is also more than the next three academic health centers’ combined number of listings.

Philadelphia Health Care Community. Dr. Kelley reported that the Philadelphia health care community continues to see dramatic changes. The hospitals in this region are pursuing different strategies to respond to the dynamic health care environment. Most recently, Independence Blue Cross announced that it is merging with the Graduate Health System. If this proceeds, it would make Blue Cross a provider organization. Such a development—if extended nationwide—would change the country more dramatically than even the Clinton bill. This move essentially signals all health insurance companies that they should move toward becoming provider organizations so they can protect their patient base.

Dr. Kelley stated that the Health System’s own health services strategic planning began late in 1991, came to completion Fall 1992, and was formalized in the Summer of 1993. The Medical Center’s
planning speaks well to its ability to anticipate developments, he said. Recent events affirm that the Health System’s plan to build a primary care network is exactly the way to deal with the changing environment, and the fact that others are now emulating Penn is a compliment that speaks well to the wisdom of the strategy.

Clinical Care Associates. Dr. Kelley reported that implementation of the physician network, Clinical Care Associates, is proceeding rapidly. The Health System has approached in excess of 400 primary care physicians; 150 of these physicians have signed confidentiality agreements and are now proceeding through the negotiation process. The process is moving faster than was initially anticipated, but Dr. Kelley noted that it is very important to move this along even more rapidly, given the increasingly severe competitive environment.

IV. Trustee Committee Reports

A. Budget and Finance - Mr. Fox

1. Action. Mr. Fox presented a Resolution on Tuition and Fees for Academic Year 1994-95, which he noted reflected a 5.7% increase over the current year’s tuition, a percentage increase that is smaller than the increase from 1992-93 to 1993-94. He reported that the Budget and Finance Committee had engaged in lengthy discussion on this subject at its meeting earlier in the morning, based on which Mr. Fox could say that it is the sentiment of the Trustees that it is important to keep tuition increases as low as possible and as close as possible to cost of living increases. The Committee will work hard next year to continue to decrease the rate of increase, he said, stressing that this is a strong commitment for the Trustees. The resolution was approved as follows.

The administration proposes to establish the following tuition and fees for academic year 1994-1995:

For undergraduates, the tuition and mandatory fees will total $18,856, including a general fee of $1,586, a technology fee of $250 and tuition of $17,020; for graduate students, tuition will be $18,530 and the general fee will be $1,210, totaling $19,740; for professional school students, the general fee will be $954.

RESOLVED, that for academic year 1994-1995, the undergraduate tuition and mandatory fees rate will be $18,856; the tuition and general fee for graduate students will be $19,740; the professional school student general fee will be $954; the tuition for professional school students will be determined administratively to reflect budget requirements of the various schools; and part-time tuition and fees rates will be determined administratively and will increase proportionately.

2. Action. A Resolution on Design Fees for the Biomedical Research Building II, School of Medicine, was approved as follows:

The School of Medicine proposes to develop a 384,000 gross square foot biomedical research building on PGH Parcel 4. The School's plans are to design and construct the 211,000 gross square foot Biomedical Research Building II and to leave the Biomedical Research Building III as undesigned shell space. The building will meet programmatic needs as identified in the Life Sciences Report. The design work is estimated to cost $7,800,000 and will be funded by the School of Medicine.

RESOLVED, that the architectural and engineering fees for Biomedical Research Building II, estimated to cost $7,800,000, be and the same hereby are approved and that the Executive Vice President or other appropriate officers of the University be and they hereby are authorized to take such actions, proceed with such design, execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of such design fees as presented to the Budget and Finance Committee.
Committee - as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

3. Action. A Resolution on Renovations to the Emergency Services Facility of the Veterinary Hospital, School of Veterinary Medicine, was approved as follows:

The School of Veterinary Medicine proposes to renovate the Emergency Services area of the Veterinary Hospital, which occupies approximately 2,100 square feet in that facility. The renovations are intended to optimize use of the existing space, to provide for the advanced technical care currently required for patients and to facilitate the development of a Center for Veterinary Critical Care. This project, which is estimated to cost $404,500, was included in schedule 2 of the Capital Budget for Fiscal Year 1994 and will be financed through project funding sources.

RESOLVED, that renovations to the Emergency Services area of the Veterinary Hospital of the School of Veterinary Medicine, estimated to cost $404,500, be and the same hereby are approved and that the Executive Vice President or other appropriate officers of the University be and they hereby are authorized to take such actions, execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of such renovations 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 Residential Communication Wiring Program, Phase II, was approved as follows:

The University has established ResNet, a program providing students in its campus residences access to PennNet, cable television and telecommunications systems. Phase II of this program proceeds with work in Harrison House and Harnwell House. This phase includes the design and construction of communication pathways and the installation of wiring and electronics. This project is included in the approved Capital Budget. The estimated cost of Phase II is $2,416,200, exclusive of construction for the video component, and will be paid from project funding sources.

RESOLVED, that the Residential Communication Wiring Program, Phase II, estimated to cost $2,416,200, be and the same hereby is approved in accordance with the proposals presented, and that the Executive Vice President or other appropriate officers of the University be and they hereby are authorized to take such actions, proceed with such work, execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of Phase II of the project 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 Design Fees for the Structural Rehabilitation of the East Upper and Lower Grandstand of Franklin Field was approved as follows:

The University is executing a phased program to repair and rehabilitate Franklin Field Stadium. The latest phase addresses structural problems in the East Upper and Lower Grandstand, the adjoining concourse and other areas. The scope of the work includes replacing wood seating with aluminum benches, repairing concrete on the upper and lower decks and applying a protective coating to grandstand flooring areas. This project was included in the Capital Budget for Fiscal Year 1994. The architectural/engineering fees associated with this rehabilitation are estimated to be $352,000 and will be paid from project funding sources.
RESOLVED, that the architectural and engineering fees for the rehabilitation of the East Upper and Lower Grandstands of Franklin Field, estimated to cost $352,000, be and the same hereby are approved and that the Executive Vice President or other appropriate officers of the University be and they hereby are authorized to take such actions, proceed with such design, execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of such design fees 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 Acquisition of Properties Located at 3936-38 and 3940-42 Chestnut Street and 115-23 South 40th Street, Philadelphia, Pennsylvania, was approved as follows:

The administration proposes to purchase from the National Board of Medical Examiners the land and improvements located at 3936-38 and 3940-42 Chestnut Street and at 115-23 South 40th Street, Philadelphia, Pennsylvania, together with all contents, licenses, leases and other property rights pertaining thereto (all of which are collectively referred to as the "Properties"). The premises at 3936-38 Chestnut Street is a four-story office building containing approximately 49,095 square feet. The premises at 3940-42 Chestnut Street are two single-story buildings which together contain a total of approximately 10,850 square feet. The premises at 115-23 South 40th Street is a 10,117 square foot parking lot. The total purchase price for the Properties is $3,400,000.

RESOLVED, that the acquisition of the Properties for a total purchase price of $3,400,000 be and the same hereby is approved and that the Executive 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 Executive 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.

7. Action. A Resolution on the Sale of Properties in Citrus County, Florida was approved as follows:

In 1993 the University received as a beneficiary under an estate a fifty percent interest in three parcels of land in Citrus County, Florida (collectively, the "Properties"). Two of the parcels are undeveloped and the remaining parcel includes a single family residence. The University and the other fifty percent beneficiary of the estate, West Jersey Health System, received an offer at auction to purchase the Properties for a total purchase price of $72,270. The University's fifty percent share of the net proceeds from the sale will go to the School of Nursing.

RESOLVED, that the Executive 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 Properties for a total purchase price of $72,270 (of which the University will receive fifty percent of the net proceeds) and to proceed with the execution and delivery of the
8. **Action.** A Resolution Authorizing Borrowing by the University to Fund Capital Projects was approved as follows:

The University expects to renovate, rehabilitate, improve and equip existing University facilities, construct new facilities and acquire the following properties:

College Hall Exterior Rehabilitation, Logan Hall Exterior Rehabilitation, Franklin Field Rehabilitation, IAST Construction, Revlon Center Construction, Central Utility Plan #6 Construction, Parking Garage at 38th and Walnut Streets Construction, University Fire and Safety Code Compliance Program Implementation and Property Acquisitions (the "Project").

To finance the costs of the Project, the administration recommends that it be authorized to borrow up to $120 million from the proceeds of tax-exempt bonds or taxable indebtedness, the terms of which would be approved by the Bond Ad Hoc Committee (the "Ad Hoc Committee") previously appointed by the Trustees of the University for such purposes.

**RESOLVED,** that the Trustees of the University hereby approve the borrowing of up to $120 million to fund the costs of the Project.

**FURTHER RESOLVED,** that the Executive Vice President, Vice President for Finance or Treasurer are hereby authorized and empowered to obtain funding for the Project, and if public issued debt is to be utilized, to choose an underwriter and to determine the method of sale and to take all action in connection therewith subject, however, to the approval of the exact amount of indebtedness, the rates of interest, the terms thereof and security for the indebtedness by the Ad Hoc Committee.

**FURTHER RESOLVED,** that the Executive Vice President, Vice President for Finance or Treasurer be and they hereby are authorized and empowered to take such action and execute such documents as shall be necessary to effectuate the borrowing authorized by this resolution subject however, to the approval of the terms and details thereof by the Ad Hoc Committee.

### B. **Investment Report - Mr. Neff**

Mr. Neff reported that the biggest news since last meeting is that the bond market has deteriorated a fair bit, the possibility of which he’d mentioned in the past. There has been a 110 basis point retracement in long bond rates, from as low as 5.75% on governments to almost 7%. This, he said, was reflective of pressures beginning to be raised by inflation. Mr. Neff noted that he had reported in recent months that some areas were already tight and had experienced quantum jumps in prices (lumber, oil and gas, etc.); some areas that were moribund have since increased, including copper, aluminum, and agriculture, which is up about 25% over last summer’s lows as result of poor crops resulting from the summer’s Midwestern floods. This is starting to work its way through the food chain, being seen now in meats and expected to be seen soon in cereals and bread products, so that supermarket prices will be rising. Labor costs, two thirds of corporate costs, have been quiescent, but pressures are starting to be seen there, too. Many Americans are not qualified to participate in today’s economy, and the hourly work-week in manufacturing is longer than it has been since World War II. The bond market is perceptively showing these pressures.

The stock market has for the most part resisted these pressures. Penn has increased its investment in regional banks since January and has done well in some of the technology areas in which it has invested. Referring to the Investment Report, Mr. Neff noted that Penn’s common stocks have had a total return of 1.3% since year-end versus no return for the S&P 500. After the very good past week, the 1.3% figure
would be 2% if brought up to date. Penn’s common stocks have returned 10.7% since June 30, 1993, and 18.8% annualized since December 31, 1979, versus 4.9% and 15.2%, respectively, for the S&P 500. The 360 basis-point edge Penn has been able to maintain has manifested itself most spiritedly in the market value of the AIF, which increased from $133.9 million to $1.076 billion since December 31, 1979. The market value of the total endowment, including the separately administered trusts, is now $1.295 billion.

The Investment Board has put some of Penn’s cash to work, reducing Cash and Cash Equivalents from 14% of the AIF at December 31st to 8% at March 10th. A little of that is in the common stock side, which has been increased from 44% of the AIF to 46% since December 31st, but more attention has been paid to increasing the high yield portion, from 10% to 15%. The Board believes it will earn at least coupon there, and those rates are about 400 basis points higher than the government markets. As the economy expands, some of these companies with high-yield debt are becoming more liquid. In short, the stock market has not quite shown the pressure that has been seen in the bond market, where pressures have returned interest rates to about where they should be. The Investment Board continues to look for promising opportunities in the stock market.
V. Overseer and Other Boards

The following resolutions on appointments to overseer and other boards were approved upon motion duly made and seconded:

RESOLVED, that Pamela Petre Reis be appointed to the Board of Overseers of the School of Arts and Sciences for a three-year term, effective March 18, 1994.

RESOLVED, that Charles C. Butt and Andrew M. Saul be appointed to the Board of Overseers of the Wharton School for a three-year term, effective March 18, 1994.

RESOLVED, that James L. Vincent be appointed to the University of Pennsylvania Health System Trustee Board and its Executive Committee, effective March 18, 1994.

RESOLVED, that Virginia B. Clark, Ronald Saldo and Christine Riesenfeld, Esq. be appointed to the Advisory Board of Managers of the Morris Arboretum, effective March 18, 1994.

There being no further business to come before the meeting, it was adjourned.

Respectfully submitted,

Barbara R. Stevens
Vice President and
Secretary of the University