Trustees of the University of Pennsylvania

Minutes of the Stated Meeting
of the Executive Committee

September 22, 1995

A Stated Meeting of the Trustees' Executive Committee was held at 2:00 pm Friday, September 22, 1995, in the Tea Room, Faculty Club. Trustees attending were Susan W. Catherwood, Gloria Twine Chisum, Stephen J. Heyman, Elsie S. Howard, Natalie I. Koether, Andrea Mitchell, James S. Riepe, Judith Rodin (ex officio), Myles H. Tanenbaum, and P. Roy Vagelos (chair). Others attending included Stanley A. Chodorow, John A. Fry, Karen C. Gaines, Constance C. Goodman, Samuel Hughes, William N. Kelley, Trudy J. Kuehner, Michael Madden, Edward Resovsky, Jay Saddington, Barbara R. Stevens and Duncan W. Van Dusen.

I. Call to Order

Dr. Vagelos called the meeting to order. The minutes of the April 27, 1995 meeting were approved as written by the secretary.

Dr. Vagelos welcomed new Committee members Elsie Howard and Andrea Mitchell, and then called for moment of silence for emeritus trustee Robert G. Dunlop, who died Wednesday evening at age 86. Mr. Dunlop (W’31, H’72) became a trustee of the University in June 1952 and served as a trustee ever since, being elected a trustee emeritus in October 1979. Mr. Dunlop retired as Chairman of Sun Oil in 1974. He served as the Chairman of Penn’s Board of Trustees that year, one of many leadership roles he held here. He was unstinting in his commitment to improving health care delivery and supporting Penn’s programs in medicine and the liberal arts. Dr. Vagelos noted that Mr. Dunlop would be very much missed at Penn, and that his family has the deepest sympathy of the trustees and the entire Penn community. A formal memorial resolution will be presented at the October meeting.

Action........1. A Resolution for Establishing the Number of Members and Filling Vacancies in the Membership of the Board of Franklin Physician Services, Inc. and Appointing Mr. Raymond H. Welsh Chair of the FPS Board was approved as follows:

Section 4.1 of the Bylaws of Franklin Physician Services, Inc. ("FPS") provides that the Health System Executive Committee, acting as the sole shareholder of FPS, has the power to change the number of members of the Board of Directors of FPS. The incorporator of FPS provided that the initial Board of Directors consisted of three (3) members.

Section 4.2 of the Bylaws of FPS requires that the Health System Executive Committee, acting as the sole shareholder of FPS, elect members to the Board of Directors of FPS to fill vacancies in the Board membership. These Elected Directors serve on the Board of Directors of FPS in addition to the following members of the Board of Directors of FPS who serve in an ex officio capacity:
Section 4.5 of the Bylaws of FPS requires that the Chair of the University Executive Committee, in consultation with the Chair of the Health System Executive Committee and the Chief Executive Officer (“CEO”) of the Health System, appoint the Chair of the FPS Board.

The Chair of the Health System Executive Committee has identified Mr. Raymond H. Welsh, University Trustee and member of the Health System Executive Committee, as an individual to serve as a member of the FPS Board and believes that the Health System would benefit greatly from having this individual assume such a position.

The Chair of the Health System Executive Committee has consulted with the CEO of the Health System about the possibility of Mr. Welsh serving as Chair of the FPS Board, and believes that the Health System would benefit greatly from having Mr. Welsh assume such a leadership position.

RESOLVED, that the Board of Directors of FPS shall consist of a maximum of ten (10) members.

FURTHER RESOLVED, Raymond H. Welsh be appointed Chair of the Board of FPS.

Action........2. A Resolution on Designation of Agents to Vote at any Meeting of the Sole Shareholders or to Sign a Consent in Writing was approved as follows:

Section 3.2(d) of the Bylaws of Franklin Physician Services, Inc. (“FPS”) stipulates that in order to vote on behalf of the University as the sole shareholder of the Corporation, the University Executive Committee or the Health System Executive Committee (whichever is authorized to vote on the matter) may designate one or more persons as its agents to vote at any meeting of the sole shareholder or to sign a consent in writing in lieu of any such meeting in accordance with its instructions.

RESOLVED, that Ms. Barbara R. Stevens, Secretary of the University, serve as agent for the University Trustees Executive Committee; and that Mr. Henry Williams, Secretary of the Health System Board, serve as agent for the Health System Executive Committee.

Action........3. A Resolution for Approval of the Membership of the Trustee Board of the Presbyterian Medical Center of the University of Pennsylvania Health System and Appointing Myles H. Tanenbaum, Esq. Chair of the Board was approved as follows:

Section 4.03 of the Presbyterian Medical Center of the University of Pennsylvania Health System (PMC) Bylaws provides that the members of the PMC Trustee Board shall be appointed by the Health System Executive Committee. Section 4.07 of the PMC Bylaws provides that the Chair of the PMC Trustee Board shall be appointed by the Health System Executive Committee Chair in consultation with the CEO and Dean. Since this is the appointment of the initial PMC Trustee Board and Chair, the Health System Executive
Committee wishes to obtain, and hereby recommends, approval by the University of Pennsylvania Trustee Board Executive Committee.

RESOLVED, that the membership of the PMC Trustee Board initially consist of the following members:

David C. Auten, Esq.
W.W. Keen Butcher
William T. Foley (Ex-officio)
William N. Kelley, M.D. (Ex-officio)
Rev. Dr. William J. Shaw
Donald F. Snell (Ex-officio)
Myles H. Tanenbaum, Esq. (Chair)
John P. Wynne, Jr. (Ex-officio)

; and it is further

RESOLVED, that the appointment of Myles H. Tanenbaum, Esq. as the Chair of the PMC Trustee Board is hereby approved.

III. President's Report - Dr. Rodin

A. Comments

Dr. Rodin reported that after a busy and productive summer, the fall semester was well underway. The orientation week had gone exceedingly well. The Penn Reading Project, Freshman Convocation, the Graduate and Professional Students Welcoming Assembly, and all the other activities of New Student Week were well received and handled with exceptional skill and success. The Class of 1999 is one of the most outstanding classes to enter Penn, and more of them made Penn their first choice than ever before.

Budget and Commonwealth Appropriation. Dr. Rodin reported that since the last trustees meeting, the Commonwealth of Pennsylvania approved a $35 million appropriation for the University. The School of Veterinary Medicine will receive $20.7 million of the Commonwealth funds.

Research. Dr. Rodin noted that as the focus had been on undergraduate education last year, this year the focus would be on research issues, including the graduate and professional activities that are an integral part of the University’s research activities and the infrastructure needs associated with being a great university. The Executive Committee will be discussing these issues for the next several months.

National Rankings. Dr. Rodin called attention to Penn’s excellent performance in the study released the prior week by the National Research Council, which placed 15 Penn Ph.D. programs in the top ten in their fields. The details appear in this week’s Almanac. Because the NRC study focuses on the quality of Penn’s faculty and the effectiveness of its doctoral programs, Penn believes it to be far more reliable than the kind of survey published by U.S. News, in which Penn also placed well.
**Appointments.** Dr. Rodin concluded her report by noting several important additions being made to the administrative team.

Penn’s new Managing Director of Public Safety, Mr. Thomas Seamon, will begin next week. He is currently Deputy Commissioner of the Philadelphia Police Department. As such, he is the chief operating officer of the Philadelphia department. He has a reputation as one of the most thoughtful and certainly most progressive police executives in the country. Importantly to Penn, he also has an outstanding academic background, being the first recipient of a Fulbright Fellowship in police studies and an adjunct professor at St. Joseph’s University, where he received his B.A. and M.S. degrees.

Dr. Valarie Swain-Cade McCoullum, a long-time member of the administration, has been appointed Vice Provost for University Life after filling that position in an interim capacity for the past year and a half. Dr. Rodin noted that Dr. McCoullum is well known to many of the trustees from long and successful work together.

**Action**

1. Dr. Rodin next introduced a Resolution on Reappointment of Raymond Fonseca as Dean of the School of Dental Medicine. She noted that Dr. Fonseca has led the School with skill and dedication since his appointment in 1989. He has enhanced the School’s programs of research, professional training, and clinical care, strengthened the faculty, and stimulated increased alumni involvement and commitment. She and the Provost have received the report of the Dean Review Committee, and are confident that under Dr. Fonseca’s continued leadership, the School of Dental Medicine will continue to strengthen its research and professional programs. The following resolution was accordingly approved:

   RESOLVED, that Raymond Fonseca be reappointed dean of the School of Dental Medicine for a five-year term, effective July 1, 1996.

2. Finally, Dr. Rodin introduced a Resolution on the Appointment of H. Clint Davidson, Jr. as Vice President for Human Resources. Currently Associate Chancellor for Human Resources at Vanderbilt, Mr. Davidson brings to Penn 25 years of professional experience in public and private universities. A graduate of the University of Oklahoma, Mr. Davidson has also earned an MBA from Vanderbilt and attended the Harvard Institute for Educational Management and the University of Michigan’s Labor Relations Institute. The following resolution was accordingly approved:

   RESOLVED, that H. Clint Davidson, Jr. be appointed Vice President for Human Resources, effective October 1, 1995.

**B. Academic Report - Dr. Chodorow**

1. **Comments.**

   **Administrative Appointments.** In addition to the appointment of Dr. McCoullum as Vice Provost for University Life which the president had noted, Provost Chodorow reported on four other recent appointments.
Dr. Barbara Lowery, formerly the Chair of the Faculty Senate and a member of the faculty of the School of Nursing, has been named Associate Provost. Her extensive experience as a faculty member, as chair of the Faculty Senate, and as Ombudsman makes her a perfect choice for a position that will focus on academic personnel policy and practices and the individual concerns of faculty who are going through the personnel procedures.

In addition to Dr. Lowery’s appointment, three interim appointments have been made; in all cases search committees to identify permanent candidates are in the process of being appointed.

Ms. Michele Goldfarb, most recently a lecturer in the Law School and supervisor of the Clinical Law program, has been named Acting Judicial Inquiry Officer. Ms. Goldfarb brings to Penn experience in the District Attorney’s office and the U.S. Attorney’s Office and in mediation.

Rev. Frederic C. Guyott, C’71, has been appointed Acting Chaplain. Rev. Guyott is a recent seminary graduate who has been involved at Penn over the past few years as an associated clergy member, working with students through the Christian Association.

Finally, Dr. Ralph Amado, a professor of physics and director of the University Scholars program, has been named Acting Vice Provost for Research, following Prof. Barry Cooperman’s announcement that, having seen the IAST project through to the beginning of construction, he would step down from this position after filling it for 13 years.

Dean Reviews. Provost Chodorow noted that as was the case last year, three deans are in the sixth year of their appointment and would be reviewed this year: Dr. Gregory C. Farrington, Dean of the School of Engineering and Applied Science; Dr. Thomas Gerrity, Dean of The Wharton School; and Dr. William N. Kelley, Dean of the School of Medicine. All three review committees are now in formation and are expected to complete their work during the fall semester.

21st Century Undergraduate Experience. Dr. Chodorow noted that the 21st Century Undergraduate Experience project is now in its second year and has gotten off to an excellent start. This summer the Provost’s Council on Undergraduate Education, which issued its report at the end of the last academic year, transferred to the Council of Undergraduate Deans the job of continuing the work of the project and the implementation of its recommendations. The Council of Undergraduate Deans held a retreat over the summer and outlined the projects to be undertaken this year. Those include curricular projects, research, community service learning, collegiate organizations and internationalization. The Provost will also be working closely with Vice Provost for University Life Valarie Swain-Cade McCoullum about the integration of University Life programs into the 21st Century Undergraduate Experience project. There are 10 implementation goals for this year, and the Provost will report from time to time on how the goals are being met.

Penn Honors. Provost Chodorow reported that of the 12 individuals who will receive the Presidential Medal of Freedom on September 28, three are “Penn people”: trustee and former faculty member the Hon. A. Leon Higginbotham, Jr., H’76; Dr. C. Everett Koop, H’90, formerly director of Children’s Hospital of Philadelphia and a faculty member in the School of Medicine; and the Hon. William T. Coleman Jr., C’41, H’76.

Prof. Hai-Lung Dai of the Department of Chemistry has been named a recipient of the 1995 Philadelphia Section Chemical Award.

The Philadelphia Scholar’s Fund/College Access Program gave its first annual “Giving Forward” award to trustee John B. Neff and his company, Wellington Fund, and has established a $100,000 scholarship in his name.

Dr. Peter Nowell, a Professor of Pathology in the School of Medicine, has been accorded the 1995 Scientific Achievement Award by the American Cancer Society.
Dr. Judith Rodin has been named the recipient of this year’s Philadelphia Society of Clinical Psychologists award, being honored for her significant contributions to the study of human development.

The Penn Printout on-line Web server was one of three finalists in the Apple Computer World award for the new application of digital technology.

Finally, anthropologists from the University of Pennsylvania Museum of Archaeology and Anthropology have discovered at a site on the upper Euphrates River in Syria a fully intact group tomb c. 2500-2250 B.C. This is an extensive cemetery that may contain as many as 150 group tombs. Both the cemetery and the tombs surrounding it promise to yield important new information about the people of ancient northern Mesopotamia, an area important to the development of agriculture.

Action........2. The Resolution on Appointments and Promotions printed at pp. 6-38 of the meeting book was approved upon motion duly made and seconded.

C. Financial Report - Mr. Fry

Mr. Fry presented a financial report highlighting the unrestricted financial performance of the University for the fiscal year ended June 30, 1995; commenting upon the performance of the entities which comprise the Health Services Component of the University of Pennsylvania Health System (HUP, CPUP and CCA) for that period; and presenting key statistical data on the performance of Penn’s restricted endowed and quasi-endowed funds, gift funds, and grant and contract funds as of that date.

Mr. Fry noted that Coopers & Lybrand, Penn’s external auditors, are completing the audit of Penn’s consolidated financial statements, and the draft audited financial statements will be reviewed with the Trustees’ Audit Committee at its October 5, 1995 meeting. The results of operations he would be commenting on are presented on an unconsolidated basis, consistent with the statement presentations during the year.

University - Unrestricted. Mr. Fry reported University operations for the 12 months ended June 30, 1995 generated an excess of revenue over expenditures of $34,000 after approved, budgeted, discretionary allocation to the Research Fund of $1.3 million and after the budgeted, mandated Graduate Hospital deficit amortization of $97,000.

Positive factors affecting performance include graduate tuition, summer and special tuition, special programs and fees, and savings in salary expenses, direct centers’ current expense, graduate student aid and utility expense. Negative factors include downturns in indirect cost recoveries on grants, sales revenue, gift income, General University tuition, the unfunded University loan to the School of Veterinary Medicine and several other expense categories.

Collectively, the schools and centers ended the year with a surplus of $1.6 million, with four schools (Nursing, the Graduate School of Education, the School of Social Work and the Graduate School of Fine Arts) ending with net surpluses; the Annenberg Center and Intercollegiate Athletics ended the year with deficits; and all other schools and centers achieved breakeven performance.

University - Restricted. Endowment, Gift and Grant and Contract Fund Expenditures increased by 2.6% and 10.6% and 7.7%, respectively. The amount available for grant and contract expenditures is 13.8% more than at June 30, 1994, and months of expendable awards 5.7% higher than at June 30, 1994.

Health System - Health Services Component. Mr. Fry noted that statements are unaudited and in accordance with Health Care GAAP for the year ended June 30, 1995. Health Services generated an excess of revenue over expenses of $110.8 million. HUP’s excess of revenue over expenses was $55.3 million better than budget (gain from operations $46 million better than budget and non-operating revenue $9 million better than budget). Physician Practices’ excess of revenue over expenses of $109,000 was $1,136,000 worse than budget.
Health Services’ consolidated financial performance as a result of the differences between GAAP and the University and Health Services, principally in the area of depreciation recognition, the treatment of capital expenditures and debt service of principal payments, the Health Services’ excess of revenue over expenditures is $5.5 million.

Finally, Mr. Fry reported that the AIF spending rule, which the trustees approved in 1980, returned $7.6 million in earned income from the AIF to endowment principal in fiscal 1995, 12.5% of the total income earned. Since the inception of the spending rule, about $125 million of income has been reinvested, or 10% of the AIF market value at June 30, 1995, after adjustment for the fiscal 1995 income reinvestment.

D. Health System Report - Dr. Kelley

Appointments. Dr. Kelley reported on two important senior appointments. Dr. William T. Foley will arrive on October 9 as the new Senior Vice President for Hospital Services. Dr. Foley joins Penn from the St. Joseph’s Health System in Atlanta, where he was CEO for many years and which he built into a very strong and successful health system. Dr. Kelley was also pleased to announce that Dr. Donald F. Snell has been appointed the Executive Director of HUP, effective July 1, 1995.

Presbyterian Merger. The merger with Presbyterian Medical Center was completed June 30, 1995, and its board was appointed earlier in today’s meeting.

Primary Care Network. Dr. Kelley noted that the Health System was continuing to move ahead with implementing the primary care network, and some 150 primary care physicians are either already on board or approved for membership in the network.

Franklin Physician Associates. Dr. Kelley noted that Franklin Physician Associates, the Health System’s management services organization, was also moving along well and had had its board approved earlier in the meeting, as well.

Multispecialty Satellite. Finally, Dr. Kelley noted that the Health System had completed the purchase of a building to house a multispecialty satellite in Radnor, Pennsylvania, and that this facility was in the process of being renovated for ambulatory services. It will open in summer 1996.

IV. Trustee Committee Reports

A. Budget and Finance - Dr. Vagelos

Dr. Vagelos, filling in for Mr. Fox, reported that the Budget and Finance Committee had met that morning and considered the financial report that had just been presented to the meeting. Additionally, it considered and recommended the approval of several resolutions.

Action........1. Dr. Vagelos presented a Resolution on the Capital Budget for the University of Pennsylvania for Fiscal Year 1996, which he noted was extremely important in promoting the president’s strategic vision, and specifically deals with a number of new projects and targets relating to research and science. The three major items contained as new buildings are BRB II for the School of Medicine ($100 million); the Perelman Quad, the planned new centerpiece for the campus ($60 million); and the IAST ($50 million). Between BRB II and the IAST, the budget reflects a wonderful focus on science at Penn. The resolution was approved as follows:

| Capital Renewal | $ 37,527,000 |
| Central Utilities | $ 4,665,000 |

The Trustee Budget and Finance Committee has reviewed and recommends for approval the Capital Budget proposed for the University of Pennsylvania for Fiscal Year 1996, representing estimated project costs of $352,057,000, as follows:
Individual projects within the Capital Budget costing $1,000,000 or more will be presented for approval on a project by project basis.

RESOLVED, that the Capital Budget for the University of Pennsylvania for Fiscal Year 1996, representing estimated project costs of $352,057,000, recommended by the Trustee Budget and Finance Committee be and the same hereby is approved.

Action........2. A Resolution on Renovations to the Van Pelt-Dietrich Library Center, Lippincott Library, Phase I, was approved as follows:

The University proposes to commence a four-phase project to renovate the Van Pelt-Dietrich Library Center. The purpose of the project is to establish a functional and aesthetically pleasing environment which better serves the needs of the University community.

Phase I of the project will renovate the second floor of the Lippincott Library. The work will include new partitions, finishes, lighting, electrical and data wiring, and minor HVAC changes. The estimated cost of Phase I, based on bids, is $1,350,000, and will be funded by gifts.

RESOLVED, that Phase I of renovations to the Van Pelt-Dietrich Library Center, estimated to cost $1,350,000, 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 renovations, execute such contracts, and incur such expenses and obligations -- not, however, substantially in excess of the estimated cost as presented to the Budget and Finance Committee -- as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

Action........3. A Resolution on the Purchase of a 53.8-Acre Parcel in East Marlborough Township, Chester County, Pennsylvania was approved as follows:

The University proposes to acquire a property comprising 53.8 acres located along Township Line Road in East Marlborough Township, Chester County (the "Property"). The Property abuts the University’s New Bolton Center and includes a two story dwelling and detached garage. The proposed purchase price is $1,150,000. Acquisition cost will be funded through the University’s internal resources and will be repaid by the School of Veterinary Medicine.

RESOLVED, that the Executive Vice President or any other appropriate officers of the University be and they hereby are authorized to proceed with the purchase of the Property for a purchase price of $1,150,000 and to proceed with the execution and delivery of a Purchase Agreement as well as all necessary affidavits and other documents required in connection with such purchase, and that any actions heretofore taken by such officers in furtherance of the purposes of this resolution are hereby ratified and affirmed.

Dr. Vagelos noted the superb recent coverage the School of Veterinary Medicine’s New Bolton Center had received in a recent New York Times Magazine photo special on the equine surgery performed there.

Action........4. A Resolution on the Rehabilitation of Franklin Field, Phase V, was approved as follows:
The University is executing a phased program to repair and rehabilitate Franklin Field Stadium. Previous phases approved by the Trustees over the past two years covered the North and South Upper Grandstand, the South Lower Grandstand, the East Upper and Lower Grandstand and other work such as repairing all of the brick arches in the Stadium.

The latest phase, Phase V, addresses rehabilitation work needed in one-third of the North Lower Grandstand. The scope of work includes repair of all deteriorated concrete, application of a protective coating to the repaired concrete and replacement of all wood seating with aluminum bench seating. The project is estimated to cost $1,220,000 and will be funded by General University resources.

RESOLVED, that Phase V of the rehabilitation of Franklin Field, estimated to cost $1,220,000, 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 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 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. Investment Report - Mr. Tanenbaum

Mr. Tanenbaum, who was presenting the Investment Report in Mr. Neff’s absence, directed the meeting’s attention to the Investment Report provided in the meeting book. As that report showed, the endowment passed the $1.8 billion mark earlier in the month; the value of the Associated Investment Fund is now approaching $1.4 billion. The cash holdings have been increasing, reflecting some concerns about the level of the market and taking advantage of an opportunity to be in a position to further invest when circumstances are more favorable.

The Total Return Performance at September 14, 1995 testified to the quality of the management of the fund, Mr. Tanenbaum noted. Measured against all of the relevant market standards, the Equity Fund and AIF common stocks managed by Mr. Neff, both as compared to June 30, 1995 on an annualized basis and as annualized since June 30, 1995, are in excess of all of the other market standards. Likewise, the Fixed Income Fund, which is managed by Miller Anderson, are outperforming these benchmarks. The AIF is in excellent condition, Mr. Tanenbaum stated, and Penn owes much to the people who are doing the management.

V. Overseer and Other Boards

The following resolutions on overseer and other appointments were approved:

RESOLVED, that James Norfleet be appointed a member of the Board of Overseers of the School of Dental Medicine for a three-year term, effective September 22, 1995.

RESOLVED, that Esther Kahn be appointed an Emeritus member of the Board of Overseers of the Graduate School of Fine Arts, effective September 22, 1995.

RESOLVED, that David C. Auten, Esq., be appointed to the Health System Trustee Board for a three-year term, effective September 22, 1995.

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

Respectfully submitted,

Barbara Ray Stevens
Vice President and Secretary
of the University