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

September 13, 1996

A meeting of the Executive Committee of the Trustee of the University of Pennsylvania was held at 2:45 p.m. Friday, September 13, 1996, in the Club Room, Faculty Club. Trustees present were Susan W. Catherwood, Robert A. Fox, Elsie Howard, Natalie Koether, Andrea Mitchell, James Riepe, Judith Rodin (ex officio), Myles H. Tanenbaum, and P. Roy Vagelos (chair). Others attending included Andrea Ahles, Jennifer Baldino, Patricia Brennan, Michael Burton, Stanley Chodorow, Bill Danks, John A. Fry, Karen Gaines, Tal Golomb, Constance C. Goodman, Shelley Z. Green, Gary Heller, Jason E. Horger, William N. Kelley, John Lourdusamy, Derek Smith, Barbara R. Stevens, and Duncan Van Dusen.

I. Call to Order - Dr. Vagelos

A. The minutes of the meeting of May 16, 1996 were approved as distributed.

II. President's Report - Dr. Rodin

A. Comments

President Judith Rodin announced the appointment of Walter Wales, professor of physics, as the interim dean of the School of Arts and Sciences. He will lead SAS as Penn searches for a new dean to succeed Rosemary Stevens, who announced her resignation last week. Professor Wales has served twice as associate dean of SAS and twice as the acting dean; he also served as the deputy provost of the University from 1992 to 1995. The president expressed gratitude to Dean Stevens for all that she has done for Penn in her five years as dean.

The president reported that Penn has made significant progress on several major projects over the summer. The strategic plan, the Agenda for Excellence, has moved forward and will be presented to the full board in October. Construction projects have also proceeded apace including work on the Roy and Diana Vagelos Laboratories of the Institute for Advanced Science and Technology, breaking ground for Biomedical Research Building 2, renovations to Locust House, the new home to the Penn Women's Center, work on several Title IX projects for women athletes including the Boat House and the Palestra, and replacing the bluestone pathways on Levy Park. The president stated that the provost and she have created and posted Web pages over the summer, and she invited everyone to look them up at http://www.upenn.edu/president/ and http://www.upenn.edu/provost/.

President Rodin described the Class of 2000 as "stunning," and she predicted that they would add significantly to the atmosphere on campus with their intellect and energy.
President Rodin announced that the University, along with Princeton and Harvard, has reached a settlement with the bankruptcy trustee for the New Era Foundation; however, a small group of charities has filed an appeal from that settlement, so it may be some time before there is a final resolution of the New Era situation. In addition, the Prudential Insurance Company has begun third-party litigation against a large number of non-profit organizations including the University.

Finally, President Rodin asked for action on a resolution on the naming of the Charles Addams Fine Arts Hall for the Graduate School of Fine Arts in appreciation of Barbara Lady Colyton's generous gift to the School and to Penn.

Action........ 1. The Resolution on the Naming of the Charles Addams Fine Arts Hall for the Graduate School of Fine Arts was approved as follows:

Intention:

Barbara Lady Colyton, in generously providing for the renovation of the former Asbury Methodist Church on Chestnut Street, has created an inspiring new home for the University's Department of Fine Arts at the Graduate School of Fine Arts. In tribute to her late former husband Charles Addams, an artist who gave immortal life to many a Gothic inspiration, the Lady Colyton has breathed new life into this landmark Victorian building. With its preservation, and the addition of modern studios, classrooms, a gallery, and skylights, the Gothic and Romanesque structure will do justice to the GSFA's distinguished past while setting the stage for an exciting future.

RESOLVED, that the renovated structure at 3317 Chestnut Street be designated the Charles Addams Fine Arts Hall for the Graduate School of Fine Arts, in appreciation of the art of Charles Addams and in fond memory of his student days at Penn, and in gratitude to Barbara Lady Colyton, a true friend to artists and to this University.

B. Academic Report - Dr. Chodorow

1. Comments

Provost Stanley Chodorow announced the appointment of the Reverend William Christian Gipson as the Chaplain and Special Advisor to the President; after an extensive national search, Reverend Gipson was appointed during the summer, and he took office in August.

Among faculty honors, Professor Martin Seligman has been elected as the new President-elect of the American Psychological Association. Professor of Physics Burt Ovrut has been nominated for a Humboldt Research Award for Senior U.S. Scientists. The provost also reported on student honors including the Pi Phi sorority's receipt of the Best New Chapter award during its national conference in July; the chapter also received recognition for its high GPA.
In other noteworthy news, the Office of Institutional Research is now reporting to the provost, and there is a national search underway for a new director. The new student disciplinary system has been approved and is in place, and Penn is in the process of constructing a temporary mediation program. The provost has appointed a committee that will develop a permanent mediation program.

Provost Chodorow reported that work on the 21st Century Project has proceeded over the summer, and he will be reporting on all aspects of the project to the University community and the Trustees. Bids for constructing the interior of Logan Hall--a part of the new Perelman Quadrangle--will be going out next week.

The provost asked for action on the resolution on faculty appointments and promotions.

*Action*........2. The *Resolution on Faculty Appointments and Promotions* printed at pp. 2-35 of the meeting book was approved.

The chairman noted that the report of the Budget and Finance Committee would be heard at this time, followed by the resolutions for appointment and reappointment to overseer and other boards.

**III. Trustee Committee Reports**

**A. Budget and Finance - Mr. Fox**

*Action*........1. A *Resolution on the Implementation of the Lighting Energy Reduction Program, Phase I* was approved as follows:

**Intention:**

The University proposes to implement a lighting energy cost savings program over a five year period. The program will install state of the art energy savings lighting fixtures and ballasts in all interior campus lighting fixtures not so equipped. The program is estimated to cost $7,500,000 over five years. When completed, the program will yield an annual energy cost savings of approximately $3,500,000.

The initial phase of the program, to be implemented in the current fiscal year, is estimated to cost $1,500,000 million based on bids. Phase I project costs will be paid from central University funds and will be reimbursed within three years from energy cost savings. This project is included in the University's Fiscal Year 1997 Capital Budget.

RESOLVED, that Phase I of the Lighting Energy Reduction Program, estimated to cost $1,500,000, be and the same hereby is approved, and that the Executive Vice President or other appropriate officers of the University be and hereby are authorized to take such actions, proceed with such work, execute such contracts and incur such expenses and obligations -- not, however, in excess of 110% 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.......2. A Resolution on the Renovation of the Elementary Particle and Astrophysics Laboratories in the David Rittenhouse Laboratory for the School of Arts and Sciences was approved as follows:

Intention:

The School of Arts and Sciences proposes to renovate the Elementary Particle and Astrophysics Laboratories in the David Rittenhouse Laboratory. The project will upgrade the mechanical and electrical services in the space and reconfigure the interior space to conform to contemporary research practices. The end result will be a state of the art laboratory that will house world class research. The project is estimated to cost $3,080,000 based on bids, and will be funded by a $1,200,900 award from the National Science Foundation and School of Arts and Sciences and central University funds. This project is included in the University's Fiscal Year 1997 Capital Budget.

RESOLVED, that the renovation of the Elementary Particle and Astrophysics Laboratories in the David Rittenhouse Laboratory, estimated to cost $3,080,000, 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 work, execute such contracts, and incur such expenses and obligations -- not, however, in excess of 110% 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 Borrowing for the Purchase of the Property at 36th and Chestnut Streets in Philadelphia, Pennsylvania (Sheraton University City) was approved as follows:

Intention:

The University has entered into an agreement to purchase the Sheraton Hotel at 36th and Chestnut Streets in Philadelphia, Pennsylvania. To finance such acquisition, the Administration recommends that the University be authorized to borrow up to $15,000,000 from CoreStates Bank, N.A. ("CoreStates") for a term of 10 years, at a variable interest rate based upon LIBOR or the CoreStates prime rate, as designated from time to time by the University and with the right of the University to convert the interest rate to a fixed rate under certain circumstances.

RESOLVED, that the Trustees of the University hereby authorize the borrowing by the University of up to $15,000,000 from CoreStates for a term of 10 years and at a variable interest rate.
FURTHER RESOLVED, that the Vice President for Finance and/or Treasurer or other appropriate officer of the University be and they hereby are authorized to approve the terms and conditions of a loan from CoreStates, provided that the amount of the borrowing shall not exceed $15,000,000 and the term shall not exceed 10 years, and to approve, execute and deliver any documentation required to be entered into between the University and CoreStates in connection with such loan, such approval to be conclusively evidenced by the execution and delivery of particular documents by any such officer.

FURTHER RESOLVED, that the Vice President for Finance and/or Treasurer or other appropriate officer of the University be and they hereby are authorized to take such further action and to do such other things as shall be necessary to implement the intent of this resolution.

Action........4. A Resolution on the Sale of 440 North 32nd Street, Philadelphia, Pennsylvania was approved as follows:

Intention:

In 1992, the University acquired the property at 440 North 32nd Street in Philadelphia, Pennsylvania (the "Property") for $5,000. The Property comprises approximately 1,750 square feet and is the site of a single family residence. The Property was subsequently rehabilitated by students enrolled in the Entrepreneurial Inner City Housing Markets Class of the Dynamics of Organization Program. The University has received an offer to purchase the Property for $68,000. Proceeds from the sale of the Property will be used to fund future acquisition and rehabilitation activities of the Entrepreneurial Inner City Housing Markets Class.

RESOLVED, that the Executive Vice President or any appropriate officer of the University be and they hereby are authorized to proceed with the sale and conveyance of the Property for a sale price of $68,000 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.

Action........5. A Resolution Authorizing the Tax-Exempt Lease of a Helicopter for the Hospital of the University of Pennsylvania was approved as follows:

Intention:

The University of Pennsylvania Health System is seeking to acquire a new Penn Star helicopter for hospital use, replacing the current helicopter which is eleven years old. Increasing down time and maintenance costs due to age make the replacement necessary. Management has structured an operating lease with GE Capital Finance, Inc. for the new helicopter, with GE being considered the owner of the asset. To keep the cost of this
replacement as low as possible, management requests approval to convert the operating lease to a seven year tax-exempt capital lease, with UPHS being the owner of the asset. The structure of the tax-exempt transaction would involve the purchaser, GE, leasing the helicopter to the Pennsylvania Higher Education Facilities Authority ("PHEFA"), and PHEFA subleasing the asset to the University at a tax-exempt rate of 5.90% per annum.

Conversion from an operating lease to a tax-exempt capital lease will result in an annualized cost savings of approximately $320,000. The helicopter will have an estimated capitalized cost of $3,800,000, and is expected to have an estimated salvage value of $2,800,000 at the end of the lease term. The Health System Trustee Board Executive Committee has previously approved this transaction.

RESOLVED, that the tax-exempt capital lease for the Penn Star helicopter, at an estimated capitalized cost of $3,800,000, and bearing interest at a tax-exempt rate of 5.90% per annum, be and the same hereby is approved, and that the management of the University of Pennsylvania Health System or other appropriate officers of the University be and hereby are authorized to take such actions, execute such contracts and incur such expenses and obligations -- not, however, in excess of 110% 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.........6. A Resolution on the University's Guaranty of Workers' Compensation Obligations of Subsidiary Corporations was approved as follows:

Intention:

Pursuant to a resolution of the Trustees adopted in September, 1994, the University's Workers’ Compensation Insurance is provided on a self-insurance basis with a Letter of Credit as security for the payment of workers' compensation claims. This self-insurance program is being expanded to cover the employees of various subsidiaries of the University, including:

- Presbyterian Medical Center of the University of Pennsylvania Health System,
- Courtland Foundation D/B/A New Ralston House,
- University City Apothecary,
- Anesthesiology Foundation,
- Presbyterian Personal Care Residence,
- Presbyterian Medical Services Corporation,
- Radiology Foundation of P-UPMC, and
- Presbyterian Multi-Specialty Group Practice Foundation.

As a condition of expanding the self-insurance program to cover the University's subsidiaries, the Commonwealth of Pennsylvania requires that the University guarantee the
workers' compensation liabilities of University subsidiaries covered by the self-insurance program.

RESOLVED, that the Executive Vice President or any other appropriate officer of the University be, and they hereby are, authorized from time to time in the name and on behalf of the University to execute and deliver instruments whereby the University shall guarantee the payment by any one or more of the subsidiaries of the University (including within the term "subsidiaries of the University" any and all companies or corporations which corporations are controlled directly or indirectly by the University) of all compensation payable to employees, dependents or others entitled thereto, or legal representatives thereof, under the Workers' Compensation Act, as amended, such guaranty to be in such form as the duly constituted public authorities of the Commonwealth of Pennsylvania shall require and the officers executing same shall approve.

IV. Overseer and Other Boards

Dr. Vagelos introduced the following resolutions for appointments and reappointments to overseer and other boards:

Action....... A. A Resolution on the Reappointment of Mrs. Susan W. Catherwood as the Chairman of the Trustee Board of the University of Pennsylvania Health System, the Health System Trustee Board Executive Committee, and the University of Pennsylvania Medical Center Trustee Board was approved as follows:

RESOLVED, that Susan Catherwood be reappointed as the Chairman of the Trustee Board of the University of Pennsylvania Health System, the Health System Trustee Board Executive Committee, and the University of Pennsylvania Medical Center Trustee Board for three-year terms, effective September 13, 1996.

Action....... B. A Resolution on the Reappointment of John G. Harkins, Jr., Esq. as the Chairman of the School of Medicine Board of Overseers was approved as follows:

RESOLVED, that John G. Harkins, Jr., Esq. be reappointed as the Chairman of the School of Medicine Board of Overseers for a three-year term, effective September 13, 1996.

Action....... C. A Resolution on the Reappointment of Myles H. Tanenbaum, Esq. as the Chairman of the Trustee Board of the Hospital of the University of Pennsylvania was approved as follows:

RESOLVED, that Myles H. Tanenbaum, Esq. be reappointed as the Chairman of the Trustee Board of the Hospital of the University of Pennsylvania for a three-year term, effective September 13, 1996.
A Resolution for Filling Vacancies in the Membership of the Board of Directors of Franklin Physician Services, Inc. (FPS) and Electing Ms. Judith Roth Berkowitz to the FPS Board was approved as follows:

Intention:

Section 4.3 of Franklin Physician Services, Inc. of the University of Pennsylvania Health System ("FPS") requires that vacancies in the Board of Directors shall be filled by the Health System Executive Committee acting as the sole shareholder.

The Health System Executive Committee has identified Ms. Judith Roth Berkowitz as a superb candidate for the Board of Directors. As a member of the FPS Board, she would serve with the already existing Board members as follows:

Raymond H. Welsh  (Chairman)
William N. Kelley, M.D.  (Ex-officio)
John C.S. Kepner, Esquire  (Ex-officio)
John P. Wynne, Jr.  (Ex-officio)
Leslie A. Dengler  (Ex-officio - without vote)

RESOLVED, that the University of Pennsylvania Trustee Executive Committee elects Ms. Judith Roth Berkowitz to the Board of Directors of Franklin Physician Services, Inc. to fill a vacancy in such Board, effective September 13, 1996.

A Resolution on the Appointment of Dr. Edward T. Anderson to the Athletics Advisory Board was approved as follows:

RESOLVED, that Edward T. Anderson be appointed to the Athletics Advisory Board for a three-year term, effective September 13, 1996.

A Resolution on the Appointment of Mr. Bernard Poussot to the Board of Overseers of the School of Dental Medicine was approved as follows:

RESOLVED, that Bernard Poussot be appointed to the Board of Overseers of the School of Dental Medicine for a three-year term, effective September 13, 1996.

A Resolution on the Appointments of Melvyn Cantor, Esq. and Jeanne Olivier, Esq. to the Board of Overseers of the School of Law was approved as follows:
RESOLVED, that Melvyn Cantor and Jeanne Olivier be appointed to the Board of Overseers of the School of Dental Medicine for three-year terms, effective September 13, 1996.

Action........ H. A Resolution on the Appointment of Mr. Robert Essner to the Board of Overseers of the School of Nursing was approved as follows:

RESOLVED, that Robert Essner be appointed to the Board of Overseers of the School of Nursing for a three-year term, effective September 13, 1996.

The chairman asked President Rodin for the remaining portions of her report, and the president called on Mr. John Fry for the Financial Report.

C. Financial Report - Mr. Fry

Mr. Fry presented his report highlighting the financial performance of the University's restricted budget and covering key statistical data on the performance of Penn’s restricted endowed and quasi-endowed funds, gift funds, and grant and contract funds for the year ending June 30, 1996. In addition, the report covered the operating performance of the Health Services component of the University of Pennsylvania Health System for the same time period.

Mr. Fry stated that Coopers and Lybrand, the University's independent accountant, is completing the audit of Penn's consolidated financial statements, which are prepared in accordance with Statement of Financial Accounting Standards Numbers 116, 117 and 124. The draft audited statements will be reviewed with, and approved by the Trustee Committee on Audit at a meeting to be held subsequent to the October 1996 full board meeting. The financial statements, as approved, will be mailed to members of the Trustee board and presented at the next scheduled Budget and Finance Committee Meeting.

University - Unrestricted. Mr. Fry reported that operations for the fiscal year ended June 30, 1996 generated an excess of revenue over expenditures of $48,000. Collectively, the schools and centers had a deficit of $2,495,000 with the SAS, the Annenberg Center, and Intercollegiate Athletics ending the year with deficits. All other schools and centers achieved breakeven performance.

University - Restricted. Restricted expenditures for the twelve-month period increased by 6% as compared with the same period last year. Endowment, gift, and grant and contract fund expenditures increased by 2.5%, 21.4%, and 5%, respectively. The current balance available for grant and contract expenditures of $200 million is 0.5% lower than at the same time last year, and projected on a straight-line expenditure basis, represents eight months of expendable awards.

Health System - Health Services Component. For the twelve months ended June 30, 1996, the Health Services (which consists of HUP, Presbyterian Medical Center, CPUP, Clinical Care Associates and Franklin Physician Services) generated an excess of revenue over expenses of
$75.3 million. The Physician Practices reported a deficit of $5.7 million while the Hospitals reported an excess of revenues over expenses of $80.9 million.

D. Health System Report - Dr. Kelley

Dr. William N. Kelley noted his pleasure at the passage of the resolution approving funds for the leasing of a new helicopter. He also commented that he was pleased that the Health System finished the fiscal year better than budget.

Dr. Kelley stated that the key to the development of the Health System is the primary care network which finished the year with 181 primary care physicians in Clinical Care Associates (CCA) plus the 30 additional primary care physicians in the Clinical Practices of the University of Pennsylvania (CPUP). The Health System now has one of the largest primary care networks in the country.

Having attended to all other business and reports before the committee, Chairman Vagelos asked Mr. Myles Tanenbaum for the Investment Report.

B. Investment Report - Mr. Tanenbaum

Mr. Tanenbaum reported that the total endowment exceeded $2 billion by the end of June, as was predicted. The endowment held above the $2 billion mark, notwithstanding a poor summer in the securities market, and the AIF exceeded most benchmarks for the current fiscal year. Mr. Tanenbaum hoped that all investments would perform as well for the balance of the year.

There being no further business to come before the meeting, it was adjourned at 3:00 p.m.

Respectfully submitted,

Barbara R. Stevens
Vice President and Secretary of the University