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

March 14, 1997

A meeting of the Executive Committee of the Trustees of the University of Pennsylvania was
convened at 2:05 p.m. Friday, March 14, 1997 in the Club Room of the Faculty Club. Trustees
present were Gloria Twine Chisum, Robert A. Fox, Natalie I. Koether, Donald Langenberg, Andrea
Mitchell, John Neff, James Riepe (via proxy), Judith Rodin (ex officio), and P. Roy Vagelos (chair).
Others attending included Jennifer Baldino, Michael Brus, Stanley Chodorow, John Fuller, John A. Fry,
Stephen Golding, Constance C. Goodman, Shelley Z. Green, Jason E. Horger, William N. Kelley,
Stephen Schutt, Barbara R. Stevens, and Duncan Van Dusen.

I. Call to Order - Dr. Vagelos

A. The minutes of the meeting of December 13, 1996 were approved as distributed.

II. President's Report - Dr. Rodin

A. Comments

In the interest of time, President Rodin did not present any comments, and she asked her
colleagues to report primarily on newsworthy and/or action items.

B. Academic Report - Dr. Chodorow

Provost Chodorow announced that Dr. Ruzena Bajcsy, Professor of Computer and Information
Science in the School of Engineering and Applied Science, was recently elected into the National
Academy of Engineering (NAE), a great honor for her and for Penn. The provost also announced the
appointment of Ms. Valerie De Cruz as the Director of the Greenfield Intercultural Center. Ms. De
Cruz served most recently as the Assistant Dean of Students for Multicultural Affairs at Princeton
University, and she has distinguished herself as an eloquent spokesperson for all students, particularly
students of color, in matters of student life and activities.

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

Action........1. The Resolution on Faculty Appointments and Promotions printed at pp. 1-24 of the
meeting book was approved.

C. Financial Report - Mr. Fry
Mr. Fry reported that there has been no material change in the University's projected financial performance, updated through January 1997, from those figures reported at the January 29, 1997 meeting of the Trustees. As such, the unrestricted operations are projected to be in balance for the FY after a net transfer of $975,000 to designated funds. All schools with the exception of SAS, with a $2.1 million deficit, and the Annenberg Center, with a $250,000 deficit, are projected to be in balance after a transfer to and from restricted funds. Mr. Fry noted that he would be providing a more detailed update through the third quarter of FY'97 at the May meeting of the Budget & Finance Committee. For the Health System for the first seven months ending January 31, 1997, the Health Services Component had a gain from operations of $11.7 million, which was $925,000 less than budget; after non-operating revenue, the Health Services Component had an overall excess of revenue over expenses of $30.7 million, $5.6 million better than budget.

D. Health System Report - Dr. Kelley

Dr. Kelley reported that with the Board's hopeful approval of a proposed resolution, the Health System will have final approval for the completion of BRB II and BRB III, an important, milestone event in the history of the University. He also noted that he was pleased with the proposal to bring the Wissahickon Hospice into the University.

In response to a query by Dr. Vagelos, Dr. Kelley stated that BRB II and III are attached structures which were originally planned as separate buildings. As planning progressed, it became clear that combining BRB II and III into an integrated structure would save the Health System and the University a great deal of expense.

III. Trustee Committee Reports

A. Budget and Finance - Mr. Fox

*Action*........1. A Resolution on Tuition, Fees and Other Student Charges for Academic Year 1997-1998 was approved as follows:

**Intention:**

The administration proposes to establish the following tuition, fees and other student charges for academic year 1997-1998:

For undergraduates, tuition, fees, room and board will total $29,354. This includes tuition of $19,970, a general fee of $1,860, a technology fee of $420, an average room rate in the residence halls of $4,428, and a dining charge for the 15 meal plan of $2,676. For graduate students, tuition and fees will total $23,158. This includes tuition of $21,738 and a general fee of $1,420. For professional schools, tuition will be determined administratively to reflect the budget requirements of the various schools. The general fee for professional school students will be $1,120.
RESOLVED, that for academic year 1997-1998, total undergraduate charges will be $29,354, including tuition of $19,970, a general fee of $1,860, a technology fee of $420, an average room rate in the residence halls of $4,428, and a dining charge for the 15 meal plan of $2,676; tuition and fees for graduate students will be $23,158; professional school tuition will be determined administratively to reflect the budget requirements of the various schools and the general fee for professional school students will be $1,120; and part-time tuition and fees rates will be determined administratively and will increase proportionately.

Action.........2. A Resolution on the Itemization of the Fiscal Year 1997 Capital Budget General Authorization for the University of Pennsylvania Health System - Health Services Component was approved as follows:

Intention:

In June 1996, the Trustees approved a capital budget authorization of $72,060,000 for the University of Pennsylvania Health System - Health Services Component for Fiscal Year 1997. This authorization included non-itemized routine capital budget authorizations of $6,000,000 and $4,000,000 for the Hospital of the University of Pennsylvania and the Presbyterian Medical Center, respectively. The University of Pennsylvania Health System Executive Committee proposes the approval of specific capital budget items comprising this total of $10,000,000.

RESOLVED, that the itemization of the previously approved routine capital budget authorization of $10,000,000 for the University of Pennsylvania Health System - Health Services Component for Fiscal Year 1997 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, execute such contracts, and incur such expenses and obligations -- not, however, in excess of 110% of the estimated cost of such items 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 Construction of Biomedical Research Building III, Phase 2 and Vivarium for the School of Medicine was approved as follows:

Intention:

In March 1996, the Trustees approved construction of Biomedical Research Building II ("BRB II"), a fourteen story facility, to provide modern facilities for the continued growth of the School of Medicine's research programs. The scope of that project included the fit-out of five...
floors of laboratory and support space. In June 1996, the Trustees approved construction of the first phase of Biomedical Research Building III ("BRB III"), consisting of the fit-out of three more floors of laboratory space in the building, mechanical infrastructure, and the construction of the east wing auditorium, seminar rooms, bridges, a shelled vivarium and a faculty lounge.

The School of Medicine now proposes to fit-out three additional floors of laboratory space as Phase 2 of BRB III. The School also seeks approval to fit-out the vivarium that was shelled in Phase 1. The project is estimated to cost $19,800,000 based on bids, and will be funded by the School of Medicine. This will represent the final phase of the BRB II/III project.

RESOLVED, that the construction of Biomedical Research Building III, Phase 2 and the vivarium, estimated to cost $19,800,000, 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, 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........4. A Resolution on Wissahickon Hospice was approved as follows:

Intention:

As part of the merger of Presbyterian Medical Center of Philadelphia into Presbyterian Medical Center of the University of Pennsylvania Health System ("PMC"), the Health System acquired a hospice program ("PMC Hospice Program"), an operating division of PMC.

The Trustees of the University of Pennsylvania (the "University"), owner and operator of the University of Pennsylvania Health System ("UPHS"), plans to assume corporate control of the Wissahickon Hospice, a Pennsylvania non-profit corporation, and recognized provider of hospice services, such that Wissahickon Hospice will become a wholly-owned subsidiary of the University. This change in corporate control will be accomplished by the Wissahickon Hospice Board voting to amend its Articles of Incorporation and Bylaws such that the University shall become the sole member of the Wissahickon Hospice. Subsequent to the change in corporate control, the University shall cause PMC to transfer to Wissahickon Hospice the business and assets of the PMC Hospice Program, and the PMC Hospice Program will cease to exist.

The Wissahickon Hospice and PMC Hospice Program have endowment funds totaling approximately $700,000 and $200,000, respectively. UPHS plans to contribute an additional $500,000 as capital to the endowment. These endowment funds will be used to support the mission of the Wissahickon Hospice.
RESOLVED, that the transactions described in the foregoing Intention be and the same hereby are approved, and that the Chief Executive Officer of the University of Pennsylvania Medical Center and Health System/Dean of the School of Medicine is hereby authorized to approve and execute such documents on behalf of UPHS and take such actions as may be necessary or desirable to accomplish the purposes of this resolution.

Action........5. A Resolution on the Renovation of Van Pelt-Dietrich Library Center, Phase III was approved as follows:

Intention:

In Fiscal Year 1996, the University initiated a four-phase project to renovate Van Pelt-Dietrich Library Center, with the goal of providing a functional and aesthetically pleasing environment to better serve the needs of the University community. The first two phases, including the renovation of the second floor of Lippincott and the creation of an information processing center on the first floor, have been completed. The University now proposes to proceed with Phase III, which will upgrade the public service areas for reference and microforms. Phase III is estimated to cost $2,017,400 based on bids, and will be funded by the Library.

RESOLVED, that the renovation of Van Pelt-Dietrich Library Center, Phase III, estimated to cost $2,017,400, 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, execute such contracts and incur such expenses and obligations -- not, however, in excess of 110 percent 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 Additional Costs for the Renovation of Lewis Hall for the Law School was approved as follows:

Intention:

In December 1995, the Trustees approved the renovation of the Lewis Hall at an estimated cost of $7,339,000. Additional funding of $1,200,000 is required to cover the removal of asbestos not identified in pre-construction investigations, unanticipated field conditions which required correction and an expansion in the project scope requested by the Law School. The additional costs will be paid by the Law School and the University.
RESOLVED, that additional costs of $1,200,000 for the Lewis Hall renovation project be and the same hereby are approved, and that any and all actions heretofore taken by the Executive Vice President or other appropriate officers of the University in furtherance of the purposes of this resolution are hereby ratified and affirmed.

Action........7. A Resolution on Sale of Unit 810-811A, Elkins Park House, 7900 Old York Road, Elkins Park, Pennsylvania was approved as follows:

Intention:

In 1996, the University acquired property known as Unit 810-811A Elkins Park House at 7900 Old York Road, Elkins Park, Pennsylvania (the "Property") as a gift from Dr. Alfred Sellers. The Property is a two bedroom, residential condominium unit. The University has received an offer to purchase the Property for $65,000. Proceeds from the sale of the Property will be directed to the University of Pennsylvania Health System.

RESOLVED, that the Executive Vice President or any other 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 $65,000, and to proceed with the execution and delivery of a Deed and all necessary affidavits, agency agreements, powers of attorney and any 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........8. A Resolution on Design Fees and Related Costs for the Gateway Building for the School of Dental Medicine was approved as follows:

Intention:

The School of Dental Medicine intends to construct a clinical treatment, educational and research facility which will link its two main buildings -- the Evans Building and the Levy Center for Oral Health Research. The new facility, to be known as the "Gateway Building," will be located on 40th Street between Spruce and Locust Streets. The Gateway Building will house several programs now located in other School facilities and will permit an expansion and upgrading of these programs. The University is ready to design the facility and has established a budget of $1,745,000 for fees and related expenses. The design fees budget will be funded by the School of Dental Medicine and an external loan to be repaid by the School.

RESOLVED, that design fees and related expenses for the Gateway Building, estimated to cost $1,745,000, be and the same hereby are approved, and that the Executive Vice President 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 percent 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. Neff

Mr. Neff reported that the total market value of the endowment, including the separately administered trusts, is over $2.355 billion; the value of the Associated Investments Fund (AIF) stands at $1.72 billion. He noted that the S&P has been up 16.5% annually since December 1979, a fact which has "formed a rather good wind" to the University's back. Looking at the AIF's asset allocation, Mr. Neff commented that the domestic equity securities comprise 40% of the total allocation, a great deal smaller than the 58% of December 1979. Mr. Neff also noted that international equities and emerging market securities are 10% and 7%, respectively, which when added to the 40% of domestic equities totals 57%, a total allocation in equities that is not that much different than 17 years ago. Mr. Neff described recent performance as "somewhat lackluster" since the end of the year with AIF equities up 5.2% versus the S&P increase of 7.1%; Penn also trails for the fiscal year-to-date. He described the "trail" as resulting from overweighting basic commodity cyclicals such as steels, aluminums, chemicals, and paper stocks, exposure to Japan--which is down--, and cash. Mr. Neff remarked that there is not a particularly good index for comparison of our current portfolio as the S&P 500 is domestic, and the University's equity investments have a much larger international component than they had traditionally.

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 Appointment of Peter Skirkanich to the Board of Overseers of the School of Engineering and Applied Science was approved as follows:

RESOLVED, that Peter Skirkanich be appointed to the Board of Overseers of the School for Engineering and Applied Science for a three-year term, effective March 14, 1997.

Action.........B. A Resolution on the Appointment of Harry Gruber to the Board of Overseers of the School of Arts and Sciences was approved as follows:

RESOLVED, that Harry Gruber be appointed to the Board of Overseers of the School of Arts and Sciences for a three-year term, effective March 14, 1997.

Action.........C. A Resolution on the Appointments of Peter C. Madeja and Susan C. Taylor to the Board of Overseers of the Graduate School of Education was approved as follows:
RESOLVED, that Peter C. Madeja and Susan C. Taylor be appointed to the Board of Overseers of the Graduate School of Education for three-year terms, effective March 14, 1997.

There being no further business to come before the meeting, it was adjourned at 2:20 p.m.

Respectfully submitted,

Barbara R. Stevens  
Vice President and Secretary of the University