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

March 20, 1998

A meeting of the Executive Committee of the Trustees of the University of Pennsylvania was convened at 2:05 p.m., Friday, March 20, 1998, in the Club Room of the Faculty Club. Trustees present were Gilbert Casellas, Susan Catherwood, Gloria Chisum, Elsie Sterling Howard, Donald Langenberg, Andrea Mitchell, John Neff, James Riepe (via proxy), Judith Rodin (ex officio), Alvin Shoemaker, Myles Tanenbaum, and P. Roy Vagelos (chair). Others attending included Michael Burton, Margie Fishman, Caroline Ford, John A. Fry, John Fuller, Shelley Z. Green, Jason E. Horger, William N. Kelley, Michael Masch, Rosemary McManus, Stephen Schutt, Leonard Shapiro, Duncan Van Dusen, and Michael Wachter.

I. Call to Order - Dr. Vagelos

A. The minutes of the meeting of December 12, 1997 were approved as distributed.

II. President's Report - Dr. Rodin

A. Comments

President Rodin stated that Penn has been making substantial progress in the area of national research funding. She reported that several weeks ago the Chronicle of Higher Education ranked Penn tenth in research funding expenditures for 1995 and 1996. In particular, three of the University's schools received excellent news in terms of federal research funding by category: the School of Nursing was ranked first, the schools of Medicine and Veterinary Medicine were ranked third, and the Dental School was ranked fourth. The president noted that these strides in increased funding are a tribute to Penn's great faculty and extraordinarily encouraging deans.

On the topic of financial aid, the president noted that Penn is very close to announcing specific strategies on how the University intends to keep its financial aid program as competitive as its peers. She stated that Penn is committed to keeping the University accessible to all outstanding students and to having some of the most innovative programs for supporting students in need. President Rodin said that Penn will continue to bolster its financial aid endowment, and this remains one of Penn's highest priorities.

Finally, the president reported that the suspected perpetrator of the shooting that took place in front of the Palestra is in custody. As in the past, the University will cooperate aggressively with the District Attorney's prosecutorial efforts to see that the criminal proceedings are carried out to their just conclusion. In the meantime, President Rodin commented that John La Bombard, the Penn student injured in the incident, is well on his way to a full recovery.

C. Academic Report - Dr. Wachter

1. Comments

Interim Provost Wachter remarked that he announced the names of this year's five Thouron Award recipients at the February 20 Stated Meeting. Subsequently, a sixth Penn student was accorded a Thouron:
Andrea Ritchie, a senior in the College of Arts and Sciences, is applying to study international relations at Oxford University.

The provost announced the appointment of Dr. Michael Rose as Managing Director of the Annenberg Center for the Performing Arts. Previously, Dr. Rose served as the Executive Director of the Glassboro Center for the Arts at Rowan College. He has a Ph.D. in Comparative Literature and a M.B.A., as well as two other masters degrees. Provost Wachter noted that Dr. Rose is exactly the kind of person that Penn needs to take on the leadership of the Annenberg Center, and his appointment follows an internal review of the Annenberg Center and a national search mounted last fall. As Managing Director, Dr. Rose will continue to accentuate the Center's strengths in dance and children's theater and also begin to develop broader programming that will appeal to the Penn community and the greater Philadelphia community. Dr. Rose began at Penn on Monday.

**Action............ 2. The Provost introduced and asked for approval of a Resolution on Faculty Appointments and Promotions printed at pp. 1-20 of the meeting book, which was approved.**

**D. Financial Report - Mr. Fry**

Mr. Fry presented a brief financial report on the University's performance through January 31, 1998. He stated that through the first seven months of FY'98, the University, excluding the Health System-Health Services Component, increased its net assets by approximately $135 million, for a total of $3.544 billion. Most of this increase is the result of non-operating contributions, investment income, and gain reported on investments over the seven month period. Significant increases in asset totals were seen for contributions receivable and plant, which were 25.4% and 7.9% respectively. As of January 31, cash and cash equivalents totaled almost $300 million, an increase of 149% since the close of last fiscal year. This increase reflects the receipts of the proceeds from the $200 million PHEAA Series A bonds issued in January 1998. Through January 1998, operating revenue increased by 7% over the comparable period last year. Overall, tuition and fees increased 4.5%, reflecting our 1998 rate increase of 5.3%, offset by some decreases in the number of graduate students enrolled at the University. Penn continues to see significant increases in revenue derived from contributions in sponsored programs; sponsored program revenue increased over 9% from the previous seven month period in FY'97, to a total of $137 million. This increase reflects an almost 11% increase in new awards received over this period in FY'97. The University also recorded a 26% increase in combined operating and non-operating contributions from 1997 to 1998. Overall expenditures increased 6.8%, primarily the result of increased sponsored program activity. Mr. Fry noted that the University is not projecting any significant deviation from planned budgeted performance for any of the schools or resource centers.

Regarding the Health System through January 31, 1998, the Health Services Component of the Health System had a gain of earnings before interest, depreciation, and amortization of $34.2 million, which was $10.2 million better than budget.

**E. Health System Report - Dr. Kelley**

Dr. Kelley was pleased to announce that Russ Molloy, Esq. will be joining the Health System as Associate Executive Vice President for Government Relations. Mr. Molloy was formerly in a similar position with UMDNJ for the past several years, and he also has significant experience with the Governor's Office and the state legislature of New Jersey. Mr. Molloy will help the Health System to develop important relationships in New Jersey, which will complement the strengths that already exist in Washington and Harrisburg.

**III. Trustee Committee Reports**

**A. Budget and Finance Report - Mrs. Catherwood**
Action........1. 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 Wissahickon Hospice, Phoenixville Hospital, The Contributors of Pennsylvania Hospital, Benjamin Franklin Clinic, affiliate of Pennsylvania Hospital and others. 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.

Action........2. A Resolution on Tuition, Fees, and Other Student Charges for Academic Year 1998-1999 was approved as follows:

Intention:

The administration proposes to establish the following tuition, fees and other student charges for academic year 1998-1999:

For undergraduates, tuition, fees, room and board will total $30,490. This includes tuition of $20,870, a general fee of $1,944, a technology fee of $440, an average room rate in the residence halls of $4,560, and a dining charge for the 15 meal plan of $2,676. For graduate students, tuition and fees will total $24,200. This includes tuition of $22,716 and a general fee of $1,484. 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 $1,170.

RESOLVED, that for academic year 1998-1999, total undergraduate charges will be $30,490, including tuition of $20,870, a general fee of $1,944, a technology fee of $440, an average room rate in the residence halls of $4,560, and a dining charge for the 15 meal plan of $2,676; tuition and fees for graduate students will be $24,200; 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 $1,170; and part-time tuition and fees rates will be determined administratively and will increase proportionately.

Action........3. A Resolution Authorizing the Funding of Renovations for an Internal Medicine Practice in the Rittenhouse Square Area from the Fiscal Year 1998 Capital Budget General Authorization for the University of Pennsylvania Health System - Health Services Component was approved as follows:
Intention:

On June 20, 1997, and subsequently on September 23, 1997, the University Trustees approved the Fiscal Year 1998 Capital Budget authorizations for the University of Pennsylvania Health System - Health Services Component (UPHS) in the combined amount of $102,619,000, with implementation dependent on the Health System leadership's assessment of the level of achievement realized against the operating performance objectives incorporated in the Fiscal Year 1998 operating budget. Included in this authorization was a General Authorization of $30,000,000.

Health System leadership recommends the utilization of the General Authorization to incur renovation costs of $1,134,000 in connection with the planned office space for seven physicians recruited to UPHS from Internal Medical Associates (IMA), which is currently based at Graduate Hospital. The outpatient practice site will be comprised of approximately 8,500 square feet in a leased building. The requested capital will fund the construction of the medical offices, and the purchase and installation of equipment, furniture and telephone and data systems.

The recruitment of these physicians and the establishment of this Center City practice location are supportive of the Health System's education, research and patient care missions. The benefits from this recruitment include the immediate establishment of a successful primary care practice in Center City without expenditure of capital to purchase the practice, the opportunity to develop a multi-specialty practice model over time and significant enhancement to the Department of Medicine's medical education and training programs. The IMA physicians will have admitting privileges at all UPHS Hospitals, but Presbyterian Medical Center (PMC) will be their principal hospital affiliation.

The Health System Trustee Board Executive Committee has previously approved this funding authorization.

RESOLVED, that this itemized expenditure for $1,134,000 for the creation of an Internal Medicine Practice in the Rittenhouse Square area, recommended by the Trustee Budget and Finance Committee, be and the same is approved and 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 the resolution.

Action........4. A Resolution Authorizing Funding for an Electronic Medical Records System from the Fiscal Year 1998 Capital Budget for the University of Pennsylvania Health System - Health Services Component was approved as follows:

Intention:

On June 20, 1997, and subsequently on September 23, 1997, the University Trustees approved the Fiscal Year 1998 Capital Budget authorizations for the University of Pennsylvania Health System - Health Services Component (UPHS) in the combined amount of $102,619,000, with implementation dependent on the Health System leadership's assessment of the level of achievement realized against the operating performance objectives incorporated in the Fiscal Year 1998 operating budget. Included in this authorization was a General Authorization of $30,000,000.

The University of Pennsylvania Health System currently has 11 Health and Disease Management programs implemented in over 50 practice locations, with an additional 14 programs in active
development. The Fiscal Year 1998 Capital Budget included $1.5 million for a Disease Management Information System, of which $400,000 has been obligated to date for creating an outcomes tracking system and deploying the programs via the UPHS intranet. However, the full potential of the Health and Disease Management programs is expected to be realized only once the programs are deployed as an integral part of a comprehensive, ambulatory electronic medical records system. With such a system, all providers will interact directly with the Disease Management guidelines and reminders as a normal part of documenting the clinical encounter on the computer. The Epic Electronic Medical Record (EMR) System is intended to fulfill this vision, and the planned pilot of the Epic EMR System at three practices in Calendar Year 1998 will include the effective use of Health and Disease Management programs as a key success criteria. This pilot will cost $1.8 million and will be funded from the remaining $1.1 million in the Disease Management Information System Capital Budget, with the balance coming from the General Authorization.

The Health System Trustee Board Executive Committee has previously approved this funding authorization.

RESOLVED, that this itemized expenditure for $1,800,000 for the purchase and installation of an Electronic Medical Records System, recommended by the Trustee Budget and Finance Committee, be and the same is approved and 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 the resolution.

Action....5. A Resolution on the Purchase and Installation of a 900 Megahertz Magnet for the School of Arts and Sciences Chemistry Department was approved as follows:

Intention:

The School of Arts and Sciences Chemistry Department has developed a world class biological nuclear magnetic resonance spectroscopy facility. One NMR system is in operation in the basement of the 1973 Chemistry Building and a second one is needed to maintain the program's prominence and to enable it to procure future research funding from the federal government and other sources. The magnet is estimated to cost $3.2 million and will be paid from government grants and private donors.

RESOLVED, that the purchase of the 900 megahertz magnet for the School of Arts and Sciences Department of Chemistry, estimated to cost $3.2 million, 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....6. A Resolution on the Renovations to 3914 Locust Walk and 3905 Spruce Street, Rear was approved as follows:

Intention:

As part of the Perelman Quadrangle project, the interior of Houston Hall will be renovated to create appropriate facilities for student programs. The extent of this work requires the relocation
of the building’s occupants. Two residential scale buildings in Hamilton Village, 3914 Locust Walk and 3905 Spruce Street, rear, formerly occupied by the University Police will be adapted to house the Houston Hall programs. The scope of work includes upgrade of building systems, repartitioning of interior spaces and new lighting and finishes. Upon completion of the Houston construction the two buildings will continue to house academic related programs. The project is estimated to cost $1.2 million and will be paid from the Perelman Quadrangle relocations budget.

RESOLVED, that the construction of the renovations to 3914 Locust Walk and 3905 Spruce Street, rear, estimated to cost $1.2 million, 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.

B. Investment Report - Mr. Neff

Mr. Neff commented that as of the end of February 1998, the market value of the Associated Investments Fund (AIF) was over $2 billion, and the total endowment stood at approximately $2.9 billion. He attributed the excellent performance to a bull market that continues along in a “merry, if not mindless way.” At 24 times earnings, the market is as rich as its ever been and is a credit, in some part, to the $29 per month per capita that are invested in equity mutual funds. Mr. Neff continued by saying that Penn has reached a point at which it needs to seriously consider whether it should be investing 44% of its portfolio into domestic equities in a market that many think to be overvalued. He noted that there is “some complacency in the CPI,” which is up 1.7%; many pundits predict that the CPI will increase less in ensuing years. Mr. Neff asserted that this assessment was “not true,” and he predicted that the CPI would be up 2.5-3% by year’s end. Overall, Mr. Neff judged the market as "complacent," and he stated that the 44% equities portion of the portfolio would be a primary topic at the next meeting of the Investment Board.

IV. Overseer and Other Boards

Action........A. A Resolution on the Appointment of Adele K. Schaeffer as the Chair of the Annenberg Center Board of Advisors was approved as follows:

RESOLVED, that Adele K. Schaeffer be appointed as the Chair of the Annenberg Center Board of Advisors for a three-year term, effective March 20, 1998.

Action........B. A Resolution on Appointment of Yener Yilmaz to the Board of Overseers of the University of Pennsylvania Museum of Archaeology and Anthropology was approved as follows:

RESOLVED, that Yener Yilmaz be appointed to the Board of Overseers of the University of Pennsylvania Museum of Archaeology and Anthropology for a three-year term, effective March 20, 1998.

Action........C. A Resolution on Appointment of Lawrence C. Nussdorf, Esq. to the Board of Overseers of the Graduate School of Education was approved as follows:

RESOLVED, that Lawrence C. Nussdorf, Esq. be appointed to the Board of Overseers of the Graduate School for Education for a three-year term, effective March 20, 1998.

There being no further business to come before the meeting, it was adjourned at 2:55 p.m.
Respectfully submitted,

Rosemary McManus
Secretary of the University