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

June 19, 1998

A stated meeting of the Trustees of the University of Pennsylvania was convened at 2:05 p.m. on Friday, June 19, 1998 in Alumni Hall of the Faculty Club. Trustees present were Madlyn Abramson, Samuel Ballam, Lynda Barness, Gordon Bodek, Gilbert Casellas, Susan W. Catherwood, Richard Censits, Gloria Twine Chisum, L. John Clark, Robert Fox (via proxy), Mary Ann Greenawalt, Norman P. Hetrick, John Hover II, Elsie Sterling Howard, Reginald Jones, Edward Kane, Paul K. Kelly (via proxy), Natalie Koether, Edwin Krawitz, Arnold Levine (via proxy), Robert Levy, Carolyn Lynch, Jerry Magnin, Paul F. Miller, Jr., John Neff, Russell Palmer, Egbert Perry, David Pottruff (via proxy), Pamela Petre Reis, Marjorie Rendell, Judith Rodin (ex officio), Adele Schaeffer, William Schawbel, Leonard Shapiro, Alvin Shoemaker, Myles Tanenbaum, Robert Trescher, P. Roy Vagelos (chair), Lawrence Weinbach, Raymond Welsh, Charles K. Williams II, Charles Wolf, and Richard Worley.


I. Call to Order - Dr. Vagelos

A. The Rev. William Christian Gipson offered the invocation for the meeting.

B. The minutes of the meeting of February 20, 1998 were approved as distributed.

II. Chair’s Report - Dr. Vagelos

A. Comments

Dr. Vagelos congratulated President Judith Rodin, the faculty, staff, administration and students on a most productive year and expressed his and the trustees’ appreciation for an extraordinary year. The chairman also announced a change in the name of the Trustees’ Audit Committee to the Trustees’ Audit and Compliance Committee.

Action............1. A Resolution on Naming of Silverman Hall for the Law School was approved as follows:
Intention:

As an expression of profound gratitude for the magnificent gift from Henry R. Silverman (L'64) to the University of Pennsylvania Law School, the School will rename its Cope and Stewardson architectural landmark building at 3400 Chestnut Street, Silverman Hall. Mr. Silverman's benevolence will provide for the restoration of the building's Great Hall and the repair of the original 34th Street entrance with its historic Flemish-bond brickwork, carved stonework, ornamental wrought-iron fence and gates, and surrounding brick wall and piers. Dedicated on February 22, 1900, the structure was the Law School's first home on Penn's campus. Today, incorporating the latest in communications technology within its majestic spaces, it is an inspiring, efficient, and invaluable asset for the Law School and University. Housing classrooms, a faculty library, a lounge, a conference center, and the Gittis Center for Clinical Legal Studies, it is the University community's location of choice for important scholarly presentations and ceremonial occasions. Mr. Silverman's beneficence will also provide endowment to create a law professorship and to support legal scholarship.

RESOLVED, that the restored building at 3400 Chestnut Street, the historic home of the Law School and an essential element of the School's sustained strength and leadership, be named Silverman Hall in grateful recognition of the vision, loyalty, and superb generosity of its benefactor, Henry Silverman.

B. Nominating Committee Report

The chairman presented the following resolutions, which were moved, seconded, and approved.

Action............1. A Resolution on Reelection of P. Roy Vagelos as Chair of the Board of Trustees was approved as follows:

RESOLVED, that Dr. P. Roy Vagelos be reelected chair of the Board of Trustees of the University of Pennsylvania for a one-year term, effective July 1, 1998.

Action............2. A Resolution on Reelection of Susan W. Catherwood and Gloria Twine Chisum as Vice Chairs of the Board of Trustees was approved as follows:

RESOLVED, that Mrs. Susan W. Catherwood and Dr. Gloria Twine Chisum be reelected vice chairs of the Board of Trustees of the University of Pennsylvania for one-year terms, effective July 1, 1998.

Action............3. A Resolution on Election of Executive Committee was approved as follows:
RESOLVED, that the following Trustees be elected members of the Executive Committee for one-year terms effective July 1, 1998: Judith Roth Berkowitz, Gilbert F. Casellas, Susan W. Catherwood, Gloria Twine Chisum, Robert A. Fox, Elsie Sterling Howard, Natalie I. Koether, Donald N. Langenberg, Arnold J. Levine, Andrea Mitchell, John B. Neff, Russell E. Palmer, James S. Riepe, Alvin V. Shoemaker, Saul P. Steinberg, Myles H. Tanenbaum, P. Roy Vagelos (chair), Lawrence A. Weinbach, and Richard B. Worley.

Action............4. A Resolution on the Appointment of the Investment Board was approved as follows:

RESOLVED, that the following persons be elected as members of the Investment Board of the Trustees of the University of Pennsylvania for a term of one year, effective July 1, 1998, and until their successors are elected or appointed and qualified: Christopher H. Browne; Carol B. Einiger; Howard S. Marks; Paul F. Miller, Jr.; James S. Riepe; Myles H. Tanenbaum; and Richard B. Worley.

III. President’s Report - Dr. Rodin

A. Comments

President Rodin thanked the trustees for their guidance and support, and she led her colleagues in a round of applause.

President Rodin officially announced that Penn signed an agreement to enter into a partnership with the School District of Philadelphia and the Philadelphia Federation of Teachers to establish a University-assisted pre-K through eighth grade public school in West Philadelphia. She observed that nothing is more important to the well-being and vitality of the community than the quality of its public schools. Penn has been involved deeply for two decades with its neighborhood public schools, including Turner, Shaw, Sulzberger, Wilson, and others. The new school will draw on the strength of Penn's academic community and will house innovative and comprehensive community services with the potential to include health services, adult education, day care, recreational, and other social and neighborhood services, all delivered in partnership with the surrounding community. In addition, Dean Fuhrman of the Graduate School of Education and Dr. Ira Harkavy, Director of the Center for Community Partnerships at Penn, will play key leadership roles in the West Philadelphia and University City clusters.

With deep respect and gratitude, President Rodin thanked Jon Huntsman and his family for their extraordinary commitment to Penn as witnessed by their $40 million pledge to the Wharton School, the largest single donation ever made to a business school.

President Rodin commented that the next undergraduate class would be arriving on campus in a couple of months, and again, the class profile is most impressive; she remarked that
Dean Stetson would be reporting more completely on the incoming Class of 2002, projected at a size of 2,380 superlative students.

Finally, President Rodin proudly announced the appointment of Dr. David Brownlee, Professor of Art History, as Director of College Houses and Academic Services. In addition, Professor Brownlee will serve as Faculty Master of Harnwell College House and Chair of the Residential Faculty Council.

The president presented the following four resolutions for approval. She noted that she was particularly pleased that four members of the Murray family were in attendance at the meeting: Steve's wife, Barbara; her son, Craig; and Steve's parents, Robert and Harriet Murray.

Action............1. A Memorial Resolution for Mr. Steven D. Murray (September 20, 1946 - April 16, 1998) was approved as follows:

Steven Daniel Murray (WG'82) was devoted to Penn and his long and tireless efforts on behalf of the University will continue to benefit generations of students and members of the faculty and the staff.

Steve came to the University in 1974 as Director of Transportation and Communications. He was a 1968 graduate of the University of New Hampshire, where he received a bachelor's degree in political science. Steve received a master's degree through Wharton’s Executive M.B.A. program in 1982 and was promoted to Director of Business Services in that same year. He became Associate Vice President in 1987 and Vice President for Business Services in 1992. Under his leadership and guidance, the Division of Business Services experienced continuous growth, establishing itself as an effective and innovative organization that provided high-quality service to the campus community.

Steve continually demonstrated a unique ability to accept responsibility for areas in financial and organizational distress and make them successful, in spirit as well as in a fiduciary sense. That is precisely why the Division of Business Services now encompasses the University of Pennsylvania Book Store, Computer Connection, Dining Services, Housing Services, the Ice Rink, Mail Services, the Morris Arboretum, Penn's Children Center, Penntrex, PennCard Center, Publication Services, the Sheraton University City Hotel, Telecommunications, Transportation and Parking, and Voicemail.

His accomplishments at Penn were many. Among the most recent are the new Food Services model that will dramatically enhance our food service programs and facilities, the Residential Operations Department that will oversee the implementation of the College House Program, and the development of the University of Pennsylvania Bookstore and The Inn at Penn at Sansom Common.

RESOLVED, that the Trustees of the University of Pennsylvania express their deep sorrow over the death of their friend and colleague, Steven D. Murray, and in recording this official minute, wish to convey to his family their personal affection and esteem for him, as well as the enduring gratitude of the University community.
FURTHER RESOLVED, that the Trustees of the University of Pennsylvania approve the name "Steve Murray’s Way" for the new street to be constructed from Chestnut to Sansom. This will be a fitting tribute to a man whose contribution to the University was enormous.

**Action...............2. A Resolution of Appreciation for Gregory C. Farrington was approved as follows:**

With vision and innovation, Dr. Gregory C. Farrington has led the School of Engineering and Applied Science at the University of Pennsylvania since 1990.

During his stellar tenure as dean, Greg has been a pioneer in the introduction of technology into education at Penn. He has long foreseen the implications of technology on how we teach and how we learn. An advocate of technology as another interpersonal dimension of education, Greg developed the first Web-based course at SEAS and was on the vanguard of e-mail communication with students. In 1996, he spearheaded the 50th-anniversary celebration of ENIAC and bookended the commemoration with conferences on higher education in the Information Age.

During Greg’s deanship, the student academic profile at SEAS has stood among the highest of Penn's schools, and he led fund-raising efforts that doubled the number of fully endowed chairs and tripled the endowment of SEAS in six years.

A catalyst for interdisciplinary teaching and research, Greg was a driving force behind the creation of the Institute for Medicine and Engineering and the Center for Bioinformatics and the establishment of multiple interdisciplinary graduate and undergraduate courses.

Greg's deanship has been a great success, and his vision of SEAS's future will guide us even after he has moved on.

RESOLVED, that the Trustees of the University of Pennsylvania express their deep appreciation to Dr. Gregory C. Farrington, an extraordinary scholar and talented administrator, for his leadership of the School of Engineering and Applied Science and his service to the University. We thank him for his superb work as dean of SEAS, and we wish him all the best as he assumes the presidency of Lehigh University.

The trustees accorded Dean Farrington a warm round of applause as the chairman presented the resolution to the dean.

**Action...............3. A Resolution on Reappointment of Norma M. Lang as Dean of the Nursing School was approved as follows:**

RESOLVED, that Norma M. Lang be reappointed Dean of the Nursing School for an additional five-year term beginning January 1, 1999.
Action............4. A Resolution on Appointment of Thomas M. Seamon as Vice President for Public Safety was approved as follows:

RESOLVED, that Thomas M. Seamon be appointed Vice President for Public Safety, effective July 1, 1998.

The trustees, administration, and guests accorded a round of applause to Mr. Seamon on his new appointment.

B. Academic Report - Dr. Wachter

Interim Provost Michael Wachter announced the implementation of the new College House System, which will go on-line when the students arrive on September 5. He added his thanks to the president's to David Brownlee for his new leadership role. The provost remarked that the implementation of a comprehensive college house system, remarkably, has been managed through better use of existing staff and with no additional administrative costs.

Following the trustees' plenary session in February, the Provost Committee on Distributed Learning published an extensive report in Almanac. The committee, which Dr. Wachter chaired, made five specific recommendations to help the University and the schools develop and integrate distributed learning into Penn's and the schools' strategic planning for the Agenda for Excellence. He stated that we are looking forward to working with the schools and the faculty senate this fall in moving ahead with this important initiative. This spring, the Graduate School of Education external review was completed, which brings the total number of schools reviewed to four. The School of Dental Medicine was reviewed during the fall semester and the Schools of Social Work and Nursing were reviewed in the prior academic year. This semester, we also completed the internal review of one of our resource centers, the Institute for Contemporary Art. Last year, we reviewed the Annenberg Center for the Performing Arts. We are confident that these internal reviews will help us maintain fiscal stability for our resource centers by also providing increased high levels of excellence in our programming. Next year, the Law School and the School of Engineering and Applied Sciences will be reviewed externally, while the Library will undergo an internal review. These reviews have been extremely helpful to us and to the deans and directors in our strategic planning, and we do expect them to contribute substantially to our success in meeting the critical goals of Agenda for Excellence.

Finally, as mentioned in the Academic Policy Committee meeting earlier in the day, the Geology faculty unanimously requested that its department's name be changed to the Department of Earth and Environmental Science. This new name more accurately reflects the intellectual direction of the department which for the past twenty-five years has focused on questions of environmental quality and paleobiology. Because this department's name change does not involve significant changes in the department's program or faculty, it only requires the provost's approval in order to be implemented; Dr. Wachter noted that he has approved the change, which will go into effect on July 1.
C. Financial Report - Mr. Fry

Mr. Fry reported that through the first ten months of FY98, the University increased its net assets, which are unrestricted, temporarily restricted, and permanently restricted, by approximately $400 million to a total of $3.81 billion. Most of this increase is the result of non-operating contributions, investment income, and gains recorded on investments over the ten-month period. Since June 30, 1997, the University recorded significant net increases in contributions receivable and plant assets, increases of 25% and 11%, respectively. As of April 30, cash and cash equivalents totaled almost $300 million, an increase of 157% since the beginning of the fiscal year. This increase reflects receipt of the proceeds from the $200 million PHEFA Series 1998 bonds issued in January 1998. Through April 1998, operating revenue has increased 6.6% over the comparable period in FY97. Overall, tuition and fees increased 4.8%, reflecting the FY98 rate increase of 5.3%, offset by some decreases in the number of graduate students enrolled. The University continues to see significant increases in revenue derived from sponsored programs and contributions; sponsored program revenue increased almost 12% over the comparable ten-month period in FY97 to a total of over $211 million. The University also recorded an increase of over 25% in combined operating and non-operating contributions from FY97 to FY98. Overall, expenditures increased 8.7%, primarily the result of the increase in sponsored program activities. Mr. Fry stated that the University is not projecting any significant deviations from planned budgeted performance for any of the University's schools or resource centers at this time.

For the Health System - Health Services Component, Mr. Fry reported that through April 30, 1998, the Health Services Component of the Health System, excluding Pennsylvania Hospital, had a gain in Earnings Before Interest Depreciation and Amortization (EBITDA) of $50.4 million, a $12.6 million favorable variance to budget. Operating revenue totaled $1.062 billion, a $15.5 million favorable variance to budget resulting from increases in patient activity, third party settlements, Penn Tower revenue, and capitated premium revenue. Operating expenses before interest, depreciation and amortization totaled $1.012 billion, a $2.9 million unfavorable variance to budget resulting primarily from an increase in Blue Cross denials offset by a favorable variance in malpractice expenses.

D. Health System Report - Dr. Kelley

Dr. Kelley reported that over the past year the Health System has come close to completing its building program from a programmatic perspective. As a result, the Health System will move into another era as it increases its focus on operations. He remarked that ambulatory visits throughout the Health System increased this year by 34%, bringing the total volume of ambulatory visits for the fiscal year to over 2.2 million visits. Dr. Kelley projected that by the end of the summer, Penn will be providing health care to 20% of the population of southeastern Pennsylvania and southern New Jersey.

E. Admissions Report - Dean Stetson
Dean Stetson reported that Penn received a robust number of applications this year—nearly 17,000 applications—an 8% increase over last year. He commented that the increase represents continued strength for Penn and is an excellent sign that the University is in very good shape for the Class of 2003, the process for which has already begun in earnest. The dean stated that the yield for this year's class held at 50%, a 1% increase over last year. In terms of performance, the incoming students ranked in the top 3% of their high school classes and scored an average of 26 points higher on the SAT I, a record year by any definition and certainly in comparison with recent years. Forty-eight states are represented in this year's class, and the dean noted that his staff is already working on finding prospective students in the two missing states—Mississippi and Arkansas—to bring the representation level back up to fifty. Dean Stetson remarked that sixty-two countries on six continents are represented in the class. Thirty-seven percent of the incoming class are students of color, and 11% are children of alumni. Several states realized all-time highs in representation, including California, Maryland, and Arizona, and a number of others have shown large increases. Forty percent of the incoming students are from private schools, whereas 60% are from public high schools. Penn's popularity is growing, even locally, as Philadelphia numbers increased 20%, including additional Mayor's Scholars. Overall, the dean noted the admissions year was particularly successful, and Penn is well-prepared and well-positioned for the next class of prospective students.

IV. Committee Reports

A. Academic Policy Committee - Judge Rendell

Judge Rendell, reporting on behalf of Committee Chairman Arnold Levine, stated that the morning meeting of the Committee focused on the new school external review process, established two years ago in response to, and to further, the Agenda for Excellence. It is intended to help the University and each of the schools assess the school's progress in achieving its strategic plan. As described by Interim Provost Michael Wachter, each school's external review includes a self-study undertaken by the school, the appointment of a blue ribbon committee of three to five faculty and deans from leading universities with comparable schools or disciplines, and the development of a charge that asks specific questions that are related to the school's plan and its strategies for meeting the goals of that plan. Prior to the visit, the review committee receives the self-study and the charge. The committee spends two-and-one-half days on campus, meeting with faculty, students and administrators; afterward, the committee writes and submits its final report. The Dean has the opportunity to discuss the report with the faculty and to write a response. Two of the deans of the schools reviewed to date, namely, Dr. Raymond Fonseca of the School of Dental Medicine and Mr. Ira Schwartz of the School of Social Work, shared with the Committee the impact of the external reviews on the work of their schools.

The review committee for the School of Dental Medicine verified that the School was one of the leaders and innovators in the field of dental education and dental health care delivery and recognized the importance of the leadership of Dean Fonseca. The review committee suggested that the most important criteria for determining the ranking for the School was the quality of its research programs, as evidenced by research support and the caliber of the students it attracted. Based on these criteria the committee concluded that Penn clearly ranks among the top five dental schools in the United States. It also considered the presence of a first-rate faculty in the basic
biological sciences to be a key contributor to the quality of the School's program and an important
collection to the University, as well.

Judge Rendell commented that the review of the School of Social Work was equally
helpful. As with the Dental School review, it validated the goals and strategies the Dean and the
faculty of the School of Social Work had developed and found the school to be "good, very good,
and getting better". This conclusion was largely based on the fact that the school's faculty and
research capabilities have been strengthened considerably. Research has grown by 80%. The
school has been quite successful in obtaining major Federal grants, and there is increased
collaboration with the faculties of other schools of the University. These efforts have in turn
resulted in an increase in the enrollment of high quality students and the successful recruitment of
top-ranked faculty. Dean Schwartz reported that during the review, the School was able to use
the review committee as a consultative group to help the School restructure its curriculum. His
one regret is that the review process is too short; next year, Dean Schwartz intends to invite the
committee back to briefly assess the School's progress and to consult with the committee about
where the school should be heading in the future.

B. Audit and Compliance Committee - Mr. Palmer

Mr. Palmer stated that the Committee heard from the Vice President of the Office of Audit
and Compliance, Mr. Rick N. Whitfield, who reported on strategic initiatives, certain
construction, internal audit activities, and internal review procedures on risk assessment. Other
members of the Office of Audit and Compliance presented reports on annual plans for internal
audit and the University's information systems, the Health System, and corporate compliance.
Penn's external auditors reported to the Committee on its audit plan including certain IRS auditing
and Y2K compliance. An executive session followed with external and internal auditors during
which no additional items of concern were raised.

C. Budget and Finance - Dr. Vagelos

Chairman Vagelos presented the Budget and Finance report on behalf of Mr. Fox, and Dr.
Vagelos noted that the following actions are to be recorded as actions of the Executive
Committee.

Action............1. A Resolution on the Williams Hall Pathways Infrastructure Project was
approved as follows:

Intention:

The University proposes to install pathway/raceway systems with associated wiring for
tele/data/security connections throughout Williams Hall. This project will also include the
replacement and retrofit of existing lighting, improvements to the heating/ventilation/air
conditioning system, and general improvements to several classrooms. The initiative
supports administrative functions as well as research and teaching objectives of the School
of Arts and Sciences. The project is estimated to cost $2.4 million and will be funded by
the University's facilities renewal (deferred maintenance) program, the Provost's Office
and the School of Arts and Sciences.
RESOLVED, that the Williams Hall pathways project, estimated to cost $2.4 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...............2. A Resolution on the Perelman Quadrangle-Williams Hall Addition/ Renovation was approved as follows:*

Intention:

The University proposes to modify the Williams Hall entrance and plaza to create a 24-hour study lounge for students as part of the Perelman Quadrangle project. This addition/renovation is estimated to cost $5.5 million, and will be completed concurrently with the Williams Hall pathways infrastructure initiative. This project will be funded by gifts and an internal University loan to be repaid by central University resources.

RESOLVED, that the Perelman Quadrangle - Williams Hall addition/renovation project, estimated to cost $5.5 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...............3. A Resolution on the Operating Budget for the University of Pennsylvania for Fiscal Year 1999 was approved as follows:*

Intention:

The Trustee Budget and Finance Committee has reviewed the operating budget proposed for the University of Pennsylvania for Fiscal Year 1999 and recommends its approval.

RESOLVED, that the operating budget for the University of Pennsylvania for Fiscal Year 1999 recommended by the Trustee Budget and Finance Committee be and the same hereby is approved.
**Action ..........4.** A Resolution on the Capital Budget for the University of Pennsylvania for Fiscal Year 1999 was approved as follows:

**Intention:**

The Trustee Budget and Finance Committee has reviewed and recommends for approval the Capital Budget proposed for the University of Pennsylvania for Fiscal Year 1999, representing estimated project costs of $307.8 million, as follows:

- Central Utilities $71.3 million
- Equipment Purchase $1.9 million
- Information Systems $1.9 million
- New Construction $150.4 million
- Property Acquisition $37.3 million
- Renovation $45.0 million

Each project within the Capital Budget costing $1 million or more will be presented to the Trustees for approval.

RESOLVED, that the Capital Budget for the University of Pennsylvania for Fiscal Year 1999, representing estimated project costs of $307.8 million, recommended by the Trustee Budget and Finance Committee be and the same hereby is approved.

**Action ..........5.** A Resolution Authorizing the Fiscal Year 1999 Operating Budget for the University of Pennsylvania Health System - Health Services Component for Fiscal Year 1999 was approved as follows:

**Intention:**

The Trustee Budget and Finance Committee has reviewed the operating budgets proposed for the University of Pennsylvania Health System - Health Services Component: the Clinical Practices of the University of Pennsylvania, the Clinical Care Associates, the Hospital of the University of Pennsylvania, Presbyterian Medical Center, Phoenixville Hospital, Pennsylvania Hospital, Wissahickon Hospice and Managed Care/Full Risk Capitation for Fiscal Year 1999 and recommends their approval. These operating budgets were previously approved by the Health System Trustee Board Executive Committee.

RESOLVED, that the operating budgets for the University of Pennsylvania Health System - Health Services Component for Fiscal Year 1999 recommended by the Trustee Budget and Finance Committee be and the same hereby are approved.
Action.........6. A Resolution Authorizing the Fiscal Year 1999 Capital Budget for the University of Pennsylvania Health System - Health Services Component was approved as follows:

Intention:

The Trustee Budget and Finance Committee has reviewed the capital budget authorization proposed for the University of Pennsylvania Health System - Health Services Component: the Clinical Practices of the University of Pennsylvania, the Clinical Care Associates, the Hospital of the University of Pennsylvania, Presbyterian Medical Center, Phoenixville Hospital, Pennsylvania Hospital, Wissahickon Hospice and Managed Care/Full Risk Capitation for Fiscal Year 1999, at a not-to-exceed amount of $92.1 million, and recommends its approval. This capital budget authorization was previously approved by the Health System Trustee Board Executive Committee with the understanding that itemization of specific projects comprising this capital authorization will be developed for presentation to the Trustees at the October 1998 meetings. In order to provide maximum flexibility in establishing these priorities, each of the operating entities of the Health Services Component will be required to fund their depreciation expense into a central capital authorization fund out of which priority projects will be funded. This approach to establishing a central capital authorization fund has also been reviewed by the respective trustee boards of the Clinical Care Associates, Presbyterian Medical Center, Phoenixville Hospital, and Pennsylvania Hospital, whom have recommended it for approval.

RESOLVED, that the establishment of a Fiscal Year 1999 consolidated UPHS - Health Services central capital authorization fund for new capital items with a not-to-exceed amount of $92.1 million recommended by the University of Pennsylvania Trustee Budget and Finance Committee be and the same hereby are approved and that the Executive Vice President or other appropriate officer 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 the resolution.

Action............7. A Resolution on the Incurrence of Indebtedness by the University of Pennsylvania Health System was approved as follows:

Intention:

By resolution adopted on February 20, 1998 (the "February Borrowing Resolution"), the Trustees of the University authorized a borrowing by the University of Pennsylvania Health System (the "Health System") to, among other things, refinance certain outstanding indebtedness of various components of the Health System, and to borrow up to $50,000,000 to pay the cost of a capital project at Pennsylvania Hospital of the University of Pennsylvania Health System ("Pennsylvania Hospital"). The capital project at the Pennsylvania Hospital is not proceeding as quickly as originally contemplated, and, in the interim, certain other components of the Health System including the Hospital of the
University of Pennsylvania ("HUP"), Presbyterian Medical Center of the University of Pennsylvania Health System ("PMC"), and Phoenixville Hospital of the University of Pennsylvania Health System ("Phoenixville") also have capital needs. The Health System Trustees Executive Committee adopted a resolution dated June 8, 1998 authorizing the administration of the Health System to apply the $50,000,000 of indebtedness for capital projects as it deems appropriate among PMC, Phoenixville, HUP, and Pennsylvania Hospital in accordance with each institutions' needs and has recommended to the University Trustees that it amend its earlier resolution to permit such an application. The Health System Trustees Executive Committee, in the resolution, also expressed its intent to apply the proceeds of the borrowing to reimburse the institutions for amounts expended for the capital project within 60 days of the adoption of its June 8, 1998 resolution.

RESOLVED, that the Trustees of the University hereby authorize the use of the funding allocable to a capital project at Pennsylvania Hospital for capital expenditures at PMC, Phoenixville, HUP, and Pennsylvania Hospital, including any reimbursement expenditures, and authorize the Chief Executive Officer of the University of Pennsylvania Medical Center and Health System, or his designee, to determine how such funds should be applied with respect to each institution.

FURTHER RESOLVED, that the Trustees hereby ratify and confirm the Health System Trustees Executive Committee's expression of intent to utilize the proceeds of borrowings to reimburse PMC, Phoenixville, HUP, and Pennsylvania Hospital for expenditures incurred during the period commencing 60 days prior to the date of adoption of its resolution through the date of such borrowing.

FURTHER RESOLVED, that the February Borrowing Resolution is hereby ratified and confirmed in all other respects and this resolution and the February Borrowing Resolution shall be read as one.

Action............8. A Resolution on the School of Veterinary Medicine New Bolton Center Dormitory and Alumni Hall Renovation was approved as follows:

Intention:

The University intends the alteration and renovation of the School of Veterinary Medicine's New Bolton Center dormitory and Alumni Hall. This renovation project will include replacement and retrofit to the heating/ventilation/air conditioning systems, plumbing, automatic sprinklers, electric power and lighting, security, voice and data connections throughout the dormitory and Alumni Hall. The project is estimated to cost $2.3 million and will be funded by the University's facilities renewal (deferred maintenance) program and School of Veterinary Medicine gifts and operating funds.
RESOLVED, that the New Bolton Center dormitory and Alumni Hall renovations, estimated to cost $2.3 million, 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, 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............9. A Resolution on Additional Costs for the Renovation of 3432-36 Sansom Street was approved as follows:

Intention:

In June 1996, the Trustees approved the development of a commercial restaurant project at 3432-36 Sansom Street for a cost of $1,610,000. Additional expenditures of $582,000 were required to address unforeseen field conditions which compromised the structural integrity of the building as well as other conditions not identified in pre-construction investigations, and increases in project scope requested by the lease holder and approved by University City Associates. The additional costs will be paid by University general resources, and the intention is that these costs will be reimbursed by net rental income generated by the lease holder.

RESOLVED, that additional costs of $582,000 for the renovation of 3432-36 Sansom Street project be, and the same hereby are approved, and that any 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.

D. Development - Mr. Shoemaker

Mr. Shoemaker, on behalf of the Development Committee, reported that subscriptions for the year are up significantly. Fundraising totals as of May 31 stood at $285 million, a 55% increase over last year and more than $25 million ahead of the goal for FY98. Year-end results are projected at $300 million, and current receipts are $160 million, up 17% from last year.

Mr. Shoemaker noted that 1998 has been a particularly important year for additions to the University's endowment. As of May, $61.8 million in fundraising receipts had been added to the endowment, and the University anticipates concluding the year at about $65 million—a major single-year increase that was exceeded only in FY94 when the $120 million Annenberg gift was received. These positive results indicate real progress in meeting Agenda for Excellence priorities, for which Penn has received $367 million to date.

During its meetings this year, the Development Committee concentrated its attention on areas where gifts are having transformational impact on teaching and research. Mr. Shoemaker remarked that, at its morning meeting, the Committee heard about two interdisciplinary programs, the Huntsman Program in International Studies and Business and the Vagelos
Molecular Life Sciences Program, which are helping to define a new standard of excellence in undergraduate education at Penn. Vital to the success of these programs has been increased financial aid funding for the most talented students. More than any other of the many successes this year in addressing core Agenda priorities, undergraduate financial aid has captured the imagination and attention of donors. Since the initiation of the Agenda for Excellence, Penn raised $42 million for financial aid, which means that at least 200 additional students will benefit each year from named scholarships.

Mr. Shoemaker commented that the Trustees Challenge is a special initiative that the trustees, as a group, are undertaking to encourage other donors to give to financial aid. A goal of $15 million was established to create a challenge grant to match contributions to undergraduate endowed scholarships and Penn Pal gifts at a 1:2 ratio. If successful, the Trustees Challenge will leverage an additional $30 million for financial aid. Trustee leadership is a proven incentive for others to give, and the Development Committee urges each trustee to support the Trustees Challenge.

On behalf of the Development Committee, Mr. Shoemaker thanked the entire Penn community for its enthusiastic support for the Agenda for Excellence.

E. Facilities and Campus Planning - Mr. Tanenbaum

Mr. Tanenbaum reported that the Facilities and Campus Planning Committee met to provide a complete airing of the plans for the proposed new Wharton School building; Dean Tom Gerrity led the presentation. The plans for the new building previously have been reviewed and approved by the Design Review Committee. After a thorough presentation to the trustees and to the Committee, the dean and the architect fielded questions from the trustees, who were overwhelmingly positive in their comments.

F. Investment Board - Mr. Miller

Mr. Miller explained that he was appearing in a very temporary seat, as Mr. James S. Riepe had agreed to serve as chairman of the Investment Board, following Mr. John Neff’s retirement from the chairmanship after many years of dedicated service and outstanding returns to the University. He presented the following resolution on the downsizing of the Investment Board membership, which has been recommended as a result of the shift from Investment Board management of the endowment to that of a wide variety of specialized, outside fund managers.

Action............1. A Resolution Amending Article 6.4 of the Statutes unanimously was approved as follows:

Intention:

Article 6.4 of the University Statutes provides that "The chairman of the Investment Board shall appoint an executive committee of the Investment Board from among its members. This executive committee shall have primary responsibility to carry out the business of the Investment Board on a day-to-day basis." During the past three years, there have been several structural changes in the management of the endowment. These
changes include the movement of a majority of the portfolio's equity allocation to external managers, the reduction in the size of the Investment Board, and changes in the role and configuration of the staff. Due to these changes, the Investment Board and the University administration believes that an executive committee is not currently needed. Therefore, they propose modifying the language in Article 6 to reflect that an executive committee may be appointed and to provide more flexibility as to the role of the committee.

RESOLVED, that Article 6.4 of the Statutes be revised to read in full as follows:

6.4 The chairman of the Investment Board may appoint an executive committee of the Investment Board from among its members to carry out such business of the Investment Board as the Investment Board determines.

Mr. Miller noted that the University has periodically recognized Mr. Neff's contributions of time and expertise, and he proceeded to read yet another expression of thanks for Mr. Neff's extraordinary service, the below resolution of appreciation for John B. Neff. The trustees accorded Mr. Neff a very warm round of applause.

Action............2. A Resolution of Appreciation for Retiring Investment Board Chairman John B. Neff was approved as follows:

WHEREAS, Mr. John B. Neff (H’84) has served diligently as Chairman of the Investment Board for over eighteen years and has been largely responsible for the endowment's outstanding investment performance and its growth to a current value of approximately $3 billion from less than $200 million in 1980. Mr. Neff’s significant contributions to the Investment Board will have an enduring value as the University's growing endowment has led to its increased financial security.

RESOLVED, that the Trustees of the University of Pennsylvania on behalf of themselves, the students, the faculty, the alumni and the staff of the University, express their utmost gratitude to Mr. John B. Neff for his invaluable contributions to the greater good of the University as Investment Board Chairman and look forward to his continued involvement in University activities.

Action............3. A Resolution of Appreciation for Retiring Investment Board Members Joseph B. Glossberg and Richard A. Hopkins was approved as follows:

WHEREAS, Mr. Joseph B. Glossberg (W’63, WG’65) and Mr. Richard A. Hopkins (WG’57) have served diligently as members of the Investment Board and have participated in the endowment's outstanding investment performance and its growth to a current value of approximately $3 billion. Mr. Glossberg's and Mr. Hopkins' contributions to the Investment Board will have an enduring value as the University’s growing endowment has led to its increased financial security.
RESOLVED, that the Trustees of the University of Pennsylvania on behalf of themselves, the students, the faculty, the alumni and the staff of the University, express their gratitude to Mr. Joseph B. Glossberg and Mr. Richard A. Hopkins for their valuable contributions as Investment Board members and look forward to their continued involvement in University activities.

In his formal report to the Board of Trustees, Mr. Miller noted that over the past 19 years, the endowment has grown from $200 million to its current total of over $3 billion. He stated that this growth reflected approximately a 16% compounded rate of return; however, over the years Penn has "drawn down" 5% or so over the 19 years, so the 16% figure is somewhat deceiving. Mr. Miller explained it thusly: through investment results, the endowment has gained 16% gross and spent 5%, for an 11% net gain; the spent funds have been replaced through development, ending up with the 16% compounded rate of return. For the short term, Mr. Miller was hopeful that the $3 billion figure would remain intact through June 30, but he noted that the struggle was a "moment-by-moment fight," given the volatility of the security markets. Mr. Miller reviewed some of the current allocation percentages, enumerating that common stocks were 59% of the portfolio, including 7% resting in emerging markets and 10% in international equity securities. With U.S equity securities, Penn has not outperformed the market in the year-to-date, which has hurt the endowment in recent months, largely a result of the University's value orientation in a growth-oriented marketplace. Mr. Miller commented that Penn's Fixed Income Fund continues to perform well, as does the High Yield Fund. Finally, Mr. Miller noted that the Associated Investments Fund's projected annual income is nearly $80 million, an increase of 8.5% compared to December 31, 1997. Regardless of shaky recent performance, the state of the endowment looks quite favorable over the next decade.

G. Neighborhood Initiatives - Mr. Casellas

Mr. Casellas reported that the exciting work of the Neighborhood Initiatives Committee included an in-depth discussion of the University's education initiatives, including the new pre-K through eighth grade public school. The discussion began with an update on the context of the new school, which includes Penn's assuming the leadership of the two clusters, University City and West Philadelphia, under the leadership of Susan Fuhrman, Dean of the Graduate School of Education, and Dr. Ira Harkavy, Director of the Center for Community Partnerships. The cluster relationship will allow Penn to coordinate its many activities in the schools and in the clusters and will lead to more joint curriculum development, expanded school-to-work opportunities, and new after school programming, among others. The Committee also heard about Penn's involvement in community schools, which provide education and services for students, parents, and community members. Mr. Casellas reiterated that Penn currently supports community schools at Turner, Shaw, and Sulzberger Middle Schools. Through these initiatives, Penn plans to develop community school programming at a total of ten schools, including the nearby Lee, Powell, and Drew Elementary Schools and the new pre-K through eighth grade public school, to create a network of community schools. The Committee discussed the new pre-K through eighth grade public school, its implications for the neighborhood, and the academic program it will offer. Mr. Casellas remarked that members of the Committee were most enthusiastic about Penn's leadership in this area.
Later in the meeting, the Committee was joined by Mr. Kenneth Bacon, Fannie Mae's Senior Vice President for the Northeast Region, who described the important partnership between Fannie Mae and Penn that will provide major support to the University's community revitalization efforts. The discussion included strategies for dealing with single- and multi-family properties in West Philadelphia.

**H. Student Life Committee - Dr. Chisum**

Dr. Chisum reported that the entire agenda of the Student Life Committee was devoted to an update of the programmatic activities involved in the implementation of the new College House System. Interim Provost Michael Wachter; Professor David Brownlee, Director of Office of College Houses and Faculty Master of Harnwell House; Faculty House Masters Professor James O'Donnell of Hill House, Professor Howard Stevenson of Dubois House, and Professor Neil Shubin of Hamilton House; and Vice Provost Valerie Swain-Cade McCoullum discussed various aspects of the College House program, which will be in effect in September.

Programming in each of the houses will result in a blurring of the line between the intellectual and social aspects of students' lives. All students, whether residing on campus or not, will be associated with a college house. Smaller communities with academic and student activity support services will enhance a student's ability to deal with this very large institution. Facilities will include study spaces, computer labs, seminar rooms, people-friendly lounge spaces, "concierge centers," and staff housing. Non-residential faculty are being recruited to be associated with each of the houses as faculty associates, so that nearly all faculty will have some involvement in a substantial way with the house system.

As an example of the programmatic aspect of the college house system, Professor Shubin described the planning for Hamilton House, which will house 830 students. Programs are expected to include many small scale programs that will generally address three spheres: the academic social sphere, a career sphere, and a fellowship sphere. To illustrate, Dr. Chisum described fly fishing as an academic social program in which students not only learn the art of casting, but also the biological conservation and ecological aspects of streams and many other intellectual insights. Fellowship programming might include introducing students to former Fulbright and other Fellows and informing students of the processes of selection and what they might anticipate in the fellowship application process. Dubois and Hill Houses are older and many of the programmatic features are already in place, many having been identified by the student residents. The programs are described as fluid, and dependent in part on the current cohort of students and the house staff. Orientation for new students has been built around the College House System, and the anticipation of the full operation of the system was patent in the presentation to the committee.

**I. Alumni Report - Mrs. Howard**

Mrs. Howard marked with regret the impending departure of Martha Stachitas from her position as Director of Alumni Relations and Executive Secretary of the University of Pennsylvania Alumni Society (UPAS); however, the UPAS is moving forward with the strategic plan in which Ms. Stachitas has played such a vitally important role in framing and implementing over the past three academic years. Mrs. Howard noted that the UPAS continues to make its
vision for the Agenda for Excellence an active reality through increasing numbers of programs (99 last year versus 200 this year), growth and participation (including a 35% increase in attendance during Alumni Weekend), expansion of its publications (a 28% increase in Gazette circulation), and national recognition (three awards from the Council for Advancement and Support of Education-- known as CASE--two for the Gazette and one for the Omnibus). Responding to the clear message we have heard from Penn alumni that they want to be connected to their University and to each other, we have begun production of Penn's first all-alumni directory since 1922, which will be available in late fall in both print and electronic version.

Mrs. Howard announced that the current issue of the Gazette presents the names of Alan Hassenfeld (C’70) and David Montgomery (C’68, WG’70) as nominees for alumni trusteeship representing the Northeast and Metropolitan Philadelphia regions, respectively. She continued and noted that at Commencement, the Alumni Society honored Chantal Francois, Steven Morgan Friedman, Rajeev S. Ramchandran, and Ari M. Silverman with the Alumni Society Student Award of Merit. Mrs. Howard also announced that the following alumni will receive Awards of Merit during Homecoming festivities this coming October: Howard Berkowitz (W’62), Priscilla Chung (CGS’71, GR’77), D. Michael Crow (C’68, WG’70), Josephine Deubler (V’38, GR’44), Gerald McGinley (W’52), Irving Mendelson (W’41), and Robert Sandler (W’52). On behalf of the UPAS, Mrs. Howard invited the entire University community to join in honoring the above-mentioned individuals, who have made important contributions to Penn over the years.

V. Appointments to Overseer and Other Boards

Action..........1. A Resolution for Approval of the Membership of the Clinical Care Associates of the University of Pennsylvania Health System was approved as follows:

Intention:

WHEREAS, Section 4.02 of the Clinical Care Associates of the University of Pennsylvania Health System ("CCA") Bylaws provides for review and approval of the membership of the Trustee Board of CCA by the Health System Executive Committee and the University of Pennsylvania Board of Trustees.

RESOLVED, that this Executive Committee The University of Pennsylvania Board of Trustees approves the membership of the Trustee Board of Clinical Care Associates of the University of Pennsylvania Health System consisting of the following members:

Robert J. Butera, Esq.
Richard Censits
Joel W. Eisner, M.D.
Mark A. Kelley, M.D. (Ex-Officio)
William N. Kelley, M.D. (Ex-Officio)
John C. S. Kepner, Esq. (Ex-Officio)
David E. Longnecker, M.D. (Ex-Officio)
Action............2. A Resolution Approving Appointments to the Board of Directors of First Health - The Health System of Pennsylvania Hospital was approved as follows:

Intention:

First Health – The Health System of Pennsylvania Hospital is a Pennsylvania nonprofit corporation which is the parent of The Benjamin Franklin Clinic. Its sole member is The Trustees of the University of Pennsylvania. The Board members of First Health remaining in office after the merger of The Contributors to the Pennsylvania Hospital into The Pennsylvania Hospital of the University of Pennsylvania Health System ("Pennsylvania Hospital") are John R. Ball, M.D., J.D., President of the Hospital, and Charles J. Wolf, M.D., President of the Hospital's Professional Staff, who serve by virtue of their respective offices. Under the Bylaws of First Health, vacancies on the Board are filled by the Board. Accordingly, Drs. Ball and Wolf have appointed the current members of the Board of Managers of Pennsylvania Hospital to join them on the Board of First Health, subject to the approval of the University Board, in accordance with University policy. The University of Pennsylvania Health System Trustee Board Executive Committee has recommended that the University of Pennsylvania Trustee Board approve such appointments.

ACCORDINGLY, IT IS HEREBY RESOLVED, that the University of Pennsylvania Trustee Board hereby approves the appointment of the following individuals to the Board of Directors of First Health – The Health System of Pennsylvania Hospital, to fill vacancies on such Board:

Thomas E. Beeman    David E. Longnecker, M.D.
Morris Cheston, Jr., Esq.    Terrence R. Malloy, M.D.
Gail W. Hearn, Ph.D.    Martha H. Marsh
Mark A. Kelley, M.D.    John P. Wynne, Jr.
Harry R. Kimball, M.D.

RESOLVED, that, pursuant to the foregoing resolution, the University of Pennsylvania Trustee Board hereby approves the delegation of authority to the Chief Executive Officer of the University of Pennsylvania Medical Center and Health System/Dean of the School of Medicine, or his designee, to take such action and approve and execute such documents on behalf of The Trustees of the University of Pennsylvania as are necessary or appropriate in order to effectuate the intent of the foregoing resolution.
Action............3. A Resolution on Appointment of Brian H. Dovey to the Board of Managers of the Wistar Institute was approved as follows:

RESOLVED, that Brian H. Dovey be appointed to the Board of Managers of the Wistar Institute on an interim basis, effective June 19, 1998, until such time as the full Board of the Wistar Institute for 1999 is elected.

Action............4. A Resolution on Appointment of Judith Roth Berkowitz as the Chair of the Board of Overseers of the Graduate School of Education was approved as follows:

RESOLVED, that Ms. Judith Roth Berkowitz be appointed as Chair of the Board of Overseers of the Graduate School of Education for a three-year term, effective June 19, 1998.

Action............5. A Resolution on Appointment of Mitchell I. Quain as the Chair of the Board of Overseers of the School of Engineering and Applied Science was approved as follows:

RESOLVED, that Mr. Mitchell I. Quain be appointed as the Chair of the Board of Overseers of the School for Engineering and Applied Science for a three-year term, effective June 19, 1998.

Action............6. A Resolution on Appointment of Katherine Sachs as the Chair of the Board of Advisors of the Institute of Contemporary Art was approved as follows:

RESOLVED, that Mrs. Katherine S. Sachs be appointed as Chair of the Advisory Board of the Institute of Contemporary Art for a three year term, effective June 19, 1998.

Action............7. A Resolution on Reappointments of Andrea M. Baldeck, Michael R. DeLuca, Laura Fisher, and Melissa C. Freeman to the Board of Overseers of the University of Pennsylvania Museum of Archaeology and Anthropology was approved as follows:

RESOLVED, that Dr. Andrea M. Baldeck, Mr. Michael R. DeLuca, Ms. Laura Fisher and Ms. Melissa C. Freeman be reappointed to the Board of Overseers of the University of Pennsylvania Museum of Archaeology and Anthropology after a one-year sabbatical, for three-year terms, effective June 19, 1998.

Action............8. A Resolution on Appointments of David D. Elliman and Raymond K.F. Ch'ien to the Board of Overseers of the School of Arts and Sciences was approved as follows:
RESOLVED, that Mr. David D. Elliman and Mr. Raymond K.F. Ch’ien be appointed to the Board of Overseers of the School of Arts and Sciences for three-year terms, effective June 19, 1998.

**Action............9.** A Resolution on Appointments of John K. Castle, Elizabeth J. Coleman, Stephen A. Cozen, James J. Sandman, and Robert C. Sheehan to the Board of Overseers of the Law School was approved as follows:


**Action............10.** A Resolution on Appointment of Jean-Pierre Rosso to the Board of Overseers of the Wharton School was approved as follows:

RESOLVED, that Mr. Jean-Pierre Rosso be appointed to the Wharton School Board of Overseers for a three-year term, effective June 19, 1998.

**Action............11.** A Resolution on Appointments of George W. Connell and Paul Thompson, III to the Athletics Advisory Board was approved as follows:

RESOLVED that Mr. George W. Connell and Mr. Paul Thompson, III be appointed to the Advisory Board of the Division of Recreation & Intercollegiate Athletics for three-year terms, effective June 19, 1998.

**Action............12.** A Resolution on Appointment of Marvin S. Brown to the Board of Trustees of the University of Pennsylvania Press, Inc. was approved as follows:

RESOLVED that Mr. Marvin S. Brown be appointed to the Board of Trustees of the University of Pennsylvania Press, Inc. for a three-year term, effective June 19, 1998.

**Action............13.** A Resolution on Appointment of Nancy Bessey to the Advisory Board of the Institute of Contemporary Art was approved as follows:

RESOLVED that Mrs. Nancy Bessey be appointed to the Advisory Board of the Institute of Contemporary Art for a three-year term, effective June 19, 1998.

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

Rosemary McManus
Secretary of the University