Minutes of the Stated Meeting
of the
Executive Committee of the Trustees of the University of Pennsylvania
7 December 1990

A meeting of the Executive Committee was held on Friday, 7 December 1990, in the Tea Room of the Faculty Club. Trustees attending were: Richard P. Brown, Jr.; Susan W. Catherwood; Richard J. Censits; Gloria Twine Chisum (vice chairman); G. Morris Dorrance, Jr.; Robert A. Fox; Sheldon Hackney (ex officio); Stephen J. Heyman; John B. Neff; Sara S. Senior; and Myles H. Tanenbaum. Others present were: Michael Aiken; Michael Carroll; Richard Clelland; John Gould; Shelley Green; Eileen Heron; William Kelley; Gail Levin; Rick Nahm; Peter Spiegel; Duncan Van Deusen and Marna Whittington.

I. Call to Order

Dr. Chisum, Acting Chairman in the absence of Mr. Shoemaker, called the meeting to order and the minutes of the 21 September meeting were approved as written by the secretary.

II. Report of the Chairman

Dr. Chisum had no report.

III. Report of the President

A. President Hackney reported progress on efforts to diversify the mix of students who live at the center of campus on Locust Walk. He noted that the committee he constituted last spring to make recommendations to him met this week for the third time. "I have every hope and confidence that [the committee chaired by Vice Provost Kim Morrison and Professor David Pope] will do a thorough job of hearing and considering all of the views on campus and from the alumni body as to how we should proceed," he said. He referred members of the Executive Committee to his letter of 6 December 1990 in The Daily Pennsylvanian for his further thoughts on the matter.

Following several weeks of intellectual and ceremonial programs, the University's 250th anniversary celebration will conclude on December 12th with a Winter Festival on the College Green, the president said. He extended a "final thanks" to Paul Miller and Martin Meyerson for their "fine effort in co-chairing the planning and execution of this wonderful set of events" and he acknowledged the "job well done" by Claire Wofford and her staff. The president invited all the Trustees and other friends to join the campus community at this 250th finale.

Dr. Hackney also announced the appointment of Stephen T. Golding as Executive Director for the Office of Resource Planning and Budget. Mr. Golding formerly served as Secretary of Finance for the State of Delaware. The president commented that Gail Levin, currently Associate Secretary of the University, has agreed to serve as Acting Secretary while the search for a Secretary of the University continues.

In his concluding remarks, Dr. Hackney extended congratulations to the Women's Volleyball team, which captured the Ivy League title this season, and the Philomathean Society, which received an invitation to debate the Diagnostic Society of the University of Edinburgh.

B. Academic Report
Provost Aiken announced the resignation of William Klein, director of the Morris Arboretum for the past 13 years, to assume the directorship of the Fairchild Tropical Garden in Miami, the only tropical garden in the continental United States. Under Mr. Klein's leadership, he said, the Arboretum has developed into one of the premier arboreta in the nation. The provost added that a search committee, chaired by William Hurster, has been named.

Dr. Aiken then reviewed the status of the Institute for Advanced Science and Technology project (IAST), noting that a second hearing of an architectural subcommittee of the Philadelphia Historical Preservation Commission is scheduled on 18 December to consider the University's request to raz Smith Hall (which has historic status) on the site of the projected IAST building. The provost explained that a number of dislocations will occur as a result of this construction project and related renovation projects, including relocation of both the Department of History and Sociology of Science and the Department of Fine Arts. In addition, he reported that offices currently located in Logan Hall will be moved for approximately one year while extensive renovations are made to that building and that the Offices of the President and the Provost will be temporarily relocated during removal of their wing in College Hall.

The provost reported that a new fund to replace the previous Undergraduate Education Fund has been established. The Undergraduate Initiatives Fund, he said, is intended to foster innovation and experimentation in undergraduate education. Dr. Aiken indicated that he is encouraging proposals that focus on four areas: (1) strengthening the freshman year; (2) incorporating undergraduate research experiences into the junior and senior years; (3) encouraging the instructional use of computing and the development of computer-intensive courses; and (4) furthering the internationalization of the undergraduate academic experience. He added that a subcommittee of the Academic Planning and Budget Committee will be appointed to review proposals and advise him on the selection of recipients.

In an update on international activities, the provost mentioned a number of planning efforts by the Provost's Council of International Programs, including a proposal to Moscow State University and a recent agreement establishing a summer program in Budapest. In addition, Dr. Aiken noted the reconstitution of the Lindback Society, which will help to organize activities around the award and suggest ways to strengthen and enhance teaching on campus. He reported that Dr. Humphrey Tonkin, president of the University of Hartford and former professor of English at Penn, will address the Society in February. Turning to faculty honors, the provost noted that Professor Adrian Morrison of the School of Veterinary Medicine has been selected for the Scientific Freedom and Responsibility Award by the American Association for the Advancement of Science for his courage and leadership in confronting animal rights extremists.

1. Action. A Resolution on Changing the Name of the Department of Otorhinolaryngology and Human Communication was approved as follows:

INTENTION:

The majority of otorhinolaryngology departments in the United States now include the words "Head and Neck Surgery" in their titles, as do the two leading journals in the field, and the academy of the discipline. In keeping with this trend, the Department of Otorhinolaryngology and Human Communication proposes changing its name to the Department of Otorhinolaryngology: Head and Neck Surgery. This move is supported by the Dean of the School of Medicine, the Executive Committee of the Trustee Board of the Medical Center, and the Standing Committee of Department Chairmen and Directors of Centers and Institutes of the School of Medicine.
RESOLVED, that the name of the Department of Otorhinolaryngology and Human Communication shall be and hereby is changed to the Department of Otorhinolaryngology: Head and Neck Surgery, effective 1 January 1991.

2. Action. A Resolution on Changing the Name of the Department of Physical Medicine and Rehabilitation was approved as follows:

INTENTION:

To reflect the aspirations of the department and recent trends in the names for rehabilitation-oriented departments in the United States, the Department of Physical Medicine and Rehabilitation proposes changing its name to the Department of Rehabilitation Medicine. This move is supported by the Dean of the School of Medicine, the Executive Committee of the Trustee Board of the Medical Center, and the Standing Committee of Department Chairmen and Directors of Centers and Institutes of the School of Medicine.

RESOLVED, that the name of the Department of Physical Medicine and Rehabilitation shall be and hereby is changed to the Department of Rehabilitation Medicine, effective 1 January 1991.

3. Action. A Resolution on Appointments, Leaves, and Promotions was approved as found on pages 1 through 21 of the meetingbook.

The provost called special attention to the appointment with tenure of Mark Y. Liberman as Trustee Professor of Phonetics in Linguistics. Dr. Aiken described Professor Liberman as one of the world's leading researchers in speech recognition.

C. Financial Report

Senior Vice President Whittington reported that "as of October 31, 1990, we are projecting a general University surplus of $150,000 after approved, budgeted, discretionary allocations." On the unrestricted side, she said, "we expect all schools and centers at break-even performance with the exception of the Graduate School of Education, which we are currently projecting at a surplus of $250,000." On the restricted side, she continued, endowment and grant and contract expenditures increased by 9.4 percent and 7.5 percent, respectively. Gift fund expenditures decreased by 5.3 percent.

Dr. Whittington also reported that the Hospital continues to strengthen its financial position. As of September 31, 1990, HUP's excess of revenue over expenses of $4,871,000 was $3,174,000 better than budget. Turning to the Clinical Practices, she noted that as of September 30, 1990, CPUP's excess of revenue over expenses was $1,058,000, which is $234,000 worse than budget.

IV. Trustee Committee Reports

A. Budget and Finance Committee

Mr. Fox noted that the Budget and Finance Committee had discussed and approved five resolutions, which it recommended to the Trustees.

I. Action. A Resolution on the Acceptance of an Interest-Free Loan from the Pew Charitable Trusts was approved as follows:

Intention:

As part of its Program Related Investment effort, the Pew Memorial Trust makes interest-free loans to certain charitable institutions with the income earned by the investment of the loan principal to be used for programmatic initiatives. The Pew Memorial Trust has proposed to make such a loan to the University in December 1990 in the amount of $10,000,000. The principal of the loan will be payable in January 1996. Income earned on the loan amount by the University will be counted as part of the Pew Charitable Trusts' contributions to the Campaign for Penn.
RESOLVED, that the acceptance of the interest-free loan from the Pew Memorial Trust be and the same hereby is approved and that the Senior Vice President or other appropriate officers of the University be and they hereby are authorized to execute and deliver such documents and to take such actions as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

2. Action. A Resolution for Tax-Exempt Financing Through the Quakertown General Authority for Various University Projects was approved as follows:

Intention:

The administration has been considering the use of tax-exempt financing to pay the costs of one or more components of projects (the "Projects") required to be undertaken by the University, consisting of the construction and equipping of a facility for the Institute for Advanced Science and Technology, the Neonatal ICU at New Bolton Center, and the renovation and re-equipping of the Furness Building, 1920 Dining Commons, Nichols House Entrance, Residential Showcase at Graduate Towers, Kings Court/English House, and the Department of Anesthesiology, or other capital projects to be designated to in substitution thereof by the Senior Vice President or Treasurer of the University.

To provide funding for the Projects the administration recommends and requests approval to borrow up to $20,000,000 from a pooled tax-exempt financing program of the Quakertown General Authority (the "Authority"), for a term ending December 31, 2005, at a fixed or variable interest rate.

While the University as a result of the enactment of the Internal Revenue Code of 1986, as amended (the "Code") is generally not able to utilize tax-exempt financing (except for $6,500,000 exempted under a tax transition rule) for non-hospital projects because of a $150,000,000 limit on 501(c)(3) organization non-hospital tax-exempt bonds (the "Cap") set forth in the Code; it is able to borrow from the Authority because the bonds funding this loan were issued prior to the effective date of the Cap (the Cap applies to bonds issued after August 15, 1986) and as such, are not subject to the Cap.

RESOLVED, that the Senior Vice President and/or Treasurer or other appropriate officer is hereby authorized to borrow on behalf of the University from the Authority or other governmental issuer up to $20,000,000 at a variable or fixed interest rate, for a term ending December 31, 2005, and to use the proceeds to pay or reimburse the University for the costs of the Projects, including the payment of attorneys' fees, bank and letter of credit fees, Authority fees, financial advisory costs, and other related expenses that may be incurred in connection with the borrowing, and other capital expenditures.

FURTHER RESOLVED, that the Senior Vice President and/or Treasurer or other appropriate officer is authorized to file an application with the Authority and if required, the letter of credit bank securing the Authority's bonds and to take such further action in consultation with counsel to the University, including but not limited to the approval of the (a) loan features, loan documents, issuer fees and charges; and (b) the pledging of University assets and revenues to secure the loan, as in the judgment of the particular officer, is required to effectuate the borrowing of funds by the University for the purposes of this resolution.

BE IT FURTHER RESOLVED, that the Senior Vice President and/or Treasurer or other appropriate officer is hereby authorized and directed to execute, acknowledge, and deliver and the Secretary of the University or other appropriate officer is hereby authorized and directed to affix and attest the corporate seal of the University to such documents as may be necessary or advisable to carry into effect the intent of this resolution, all in the form approved by the Senior Vice President, Treasurer or other appropriate officer, the execution and delivery thereof by authorized officers to be conclusive evidence of approval thereof.
BE IT FURTHER RESOLVED, that the Senior Vice President and/or the Treasurer or other appropriate officer is authorized to take such further action, including the power to substitute other capital projects for identified components of the Projects, as may in the judgment of such officer upon the advice of counsel be necessary or advisable to carry into effect the intent of this resolution and the transactions contemplated hereby.

BE IT FURTHER RESOLVED, that all resolutions or parts of resolutions insofar as they are inconsistent herewith are hereby repealed.

3. Action. A Resolution on the Leasing of Space at 3440 Market Street from the University City Science Center was approved as follows:

Intention:

Certain capital projects, including the proposed construction of the Institute for Advanced Science and Technology, the Revlon Center and the renovation of College Hall and Logan Hall, have created the need for a significant amount of "swing space" for the next several years. After a review of alternatives, the administration has determined that leasing approximately 60,840 square feet of available space in 3440 Market Street from the University City Science Center represents the best solution to this need.

Beginning January 1, 1991, approximately 40,730 square feet of space will be leased for three years with an option for an additional fourth year. Also beginning January 1, 1991, approximately 20,110 square feet of space will be leased for eight years.

Initial lease costs will be approximately $11.79/square foot/year. Estimated total lease costs, assuming maximum cost increases and full exercise of the fourth year option on the larger block of space, are $4,148,500. Costs will be covered by project, University or school funds as appropriate.

RESOLVED, that the leasing of approximately 60,840 square feet at 3440 Market Street from the University City Science Center according to the terms described above, with estimated maximum lease costs of $4,148,500, be and the same hereby is approved and that the Senior Vice President or other appropriate officers of the University be and they hereby are authorized to take such actions, execute such agreements, incur such expenses and obligations — not, however, substantially in excess of the estimated cost of such leasing as presented to the Budget and Finance Committee — as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

4. Action. A Resolution on Increase in Cost for the Magnetic Resonance Imaging (MRI) Facility at the Hospital of The University of Pennsylvania was approved as follows:

Intention:

On January 19, 1990 the Trustees approved the Fiscal Year 1990 Capital Budget for the Medical Center previously approved by the Medical Center Trustees. That budget included an MRI Facility with an estimated project cost of $9,403,000, which was to be funded by the Hospital of the University of Pennsylvania and the Department of Radiology.

After a complete survey of site conditions, construction bidding and a subsequent value engineering effort, it has been determined that the project cost will be $10,999,610, an increase of 17% over the previously approved cost. The Medical Center Trustees have approved the project at this increased cost. The Department of Radiology will provide the additional funds. In accordance with policy the administration is bringing this project back to the Trustees for review and recommends approval at the new cost level.
RESOLVED, that the construction of an MRI Facility at a revised cost of $10,999,610 be and the same hereby is approved and that the Senior Vice President, or other appropriate officers of the University be and they hereby are authorized to take such actions, proceed with such construction, execute such contracts, and incur such expenses and obligations — not, however, substantially in excess of the estimated cost of such construction as presented to the Budget and Finance Committee — as may in their judgment be necessary or desirable to accomplish the purposes of this resolution.

5. Action. A Resolution on the Kings Court Exterior Renovations Phase II was approved as follows:

Intention:

The University has established a continuing program for the maintenance of the windows and facades of its older residential buildings. The Kings Court exterior renovation is part of this program. The objective of this program is to reduce air and water infiltration through building facades and windows. The scope of work includes re-pointing of bricks, repair of window bays, installation of energy efficient windows and related repairs. The construction work at Kings Court has been divided into four phases, each phase covering a section of the building's exterior that can be completed over a summer. Phase I, the north facade, was completed in the summer of 1990. Phase II, the west facade, is scheduled for completion by the end of the summer of 1991. Phase II's estimated project cost is $320,925 and will be paid for from the Residential Life Reserve fund.

RESOLVED, that the Phase II exterior renovations to Kings Court, estimated to cost $320,925, be and the same hereby are approved and that the Senior Vice President or other appropriate officers of the University be and they hereby are authorized to take such actions, proceed with such renovations, execute such contracts and incur such expenses and obligations — not, however, substantially in excess of the estimated cost of such renovations 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 reported that the Associated Investments Fund (AIF) continued to do poorly in the present market. He noted that year to date the common stock portion of the Fund has depreciated 24.1 percent (total return) versus a total return decrease of 5.8 percent for the Standard and Poor 500 Stock Average (S&P). "That is our poorest performance in the last 10 years," he said. He expressed frustration "at least until this week" by the unwillingness or inability of the market to differentiate between the "good survivors under a testy environment"—the financial intermediaries that are substantial companies having good capital to start with, an environment where capital is going to continue to grow, cutting edge technology, and the critical mass to execute—and the less viable financial intermediaries.

He indicated that the first 4 days of December showed a slight [positive] change at the marketplace, adding that he is "at least a little bit encouraged that the financial intermediaries seem to be getting a little better judgment." Noting the declining price of oil, he mentioned the possibility of "returning some equilibrium" to the market. He suggested that the consumer is not going to be "quite as devastated as is the popular expectation" and that, if a recession occurs, "it is going to be mild and life goes on." He observed that "the market level is not exactly a devastated one" and confirmed that "for the most part we kept a low equity representation, at 52 percent at the end of November with a license to go up to 65-70." He noted that overall assets are $639,000,000, down from the highs of $700,000,000 at the end of the year and mid-year. He also noted that the current yield of the common stocks at the end of the year of '89 was 5.3 percent, currently is 7.3 percent, and "we have gotten there the hard way."
However, he continued, "we are in for the long haul and we will execute accordingly."

Adjourned.

Respectfully submitted,

Gail C. Levin
Acting Secretary of the University