

REPORT TO THE DUKE UNIVERSITY BOARD OF TRUSTEES

PRESIDENT NANNERL O. KEOHANE

Feb. 23, 1996

Thank you, Mr. Chairman. I'm pleased to welcome members of the board back to campus -- and particularly to welcome all of you to this mild early spring weekend, more typical of Duke than the weather we've experienced so far in 1996.

Weather

This winter, unusually severe for North Carolina, with its two record-breaking snow and ice storms, brought out the best from hospital workers, grounds keepers, bus drivers, public safety, food service people and all the others who had to keep the university operating. Fortunately, students were out for their winter break at the time of the first storm, although sorority rush had to be delayed to avoid putting students at risk trying to get back to campus.

Nowhere was the effect of that first storm, which dumped seven inches of snow on campus, more dramatic than inside the hospital. Clinicians bathed and fed patients, administrators performed the entire range of support duties, and other employees pitched in to keep the hospital running smoothly. More than 400 medical center workers were picked up in four-wheel-drive vehicles and vans with chains and driven to work. Many hospital employees worked 12 to 16 hour shifts, slept in the hospital or a nearby motel, and ate in the cafeteria.

The second major storm over the first weekend of this month resulted in a heavy coating of ice on trees and roads, topped by more snow. Grounds crews worked around the clock from Friday through Monday and spread more than 75 tons of salt and twice as much sand on roads and walkways. The storm also took its toll on trees. About 150 trees fell around campus under the weight of the ice. All dining services remained open, buses ran as scheduled on most routes, and no power, heat or water problems were reported anywhere on campus, although much of the surrounding area was without power for extended periods of time. We were able to help out the city of Durham by providing temporary 911 service in our own facilities in a rapid transition made possible by the quick work of our public safety and OIT folks.

The winter has also brought some lovely and unusual sights and experiences to this part of the world. It turns out that the Duke Golf Course makes a great cross-country ski terrain, and we were not surprised to discover that staunch fans walked several miles to cheer on the men's basketball team during the game against Georgia Tech, when all roads were virtually impassable. However, people who were recruited to Duke on the promises of mild winters and early springs, like EVP Tallman Trask, are accusing us of misrepresentation.

Primate Center

One of the saddest aspects of the severe weather, of course, was the loss of three lemurs during the extreme cold that hit us February 5. Because of the weather forecast, all the lemurs had been brought in from their normal natural habitat areas to pens with heated shelters. Primate Center personnel and volunteers, including Director Ken Glander, were working round the clock to bring them in and watch over them, but unfortunately, for some reason, two crowned lemurs -- not naturally used to seeking shelter from the cold -- left the pen and died of exposure. The temperature hovered around zero at the time, one of the coldest temperatures ever recorded here. Then the next day, a slender loris died of hypothermia due to a malfunction in the heating system. The primate

center is redesigning its outdoor shelters to improve the protection for the tropical animals. The new shelters will be available for next winter and in the meantime, primate center employees are taking extraordinary measures to guard against more problems should the weather turn very cold again.

On a happier note for the Primate Center, before the cold struck Duke donated a dozen rare lemurs to the Philadelphia Zoo to replace those lost in a Christmas Eve fire that destroyed the zoo's primate building. Dean White, who is a native of Philadelphia, came up with the idea for Duke to come to the rescue. We will send them two blue-eyed black lemurs, six ring-tailed lemurs, two black and white ruffed lemurs and two mongoose lemurs as soon as the rebuilt facility at the zoo becomes available. Philadelphia Mayor Edward Rendell said the offer was a wonderful blessing for the new year. The zoo fire and the bitter cold reminded us how precarious the future is for these endangered animals.

Medical Research

Researchers at the Duke Cancer Center have crossed another hurdle in the effort to find the cause of inherited breast cancers, which account for about one in 20 breast cancer cases. Duke's Andrew Futreal and a scientist at the Institute for Cancer Research in England announced in late December that they had located a second breast cancer susceptibility gene. Dr. Futreal was also involved in discovering the first breast cancer gene last year. The two discoveries pave the way for the development of commercial genetic tests for both genes. The question now is how to best counsel women found to be at risk for the disease. And of course the Duke Cancer Center is working on that issue.

In another significant research development at the medical center, scientists report that they have deleted the gene for a crucial molecular component of a mouse's nervous system and created an animal that, in essence, mimics a person constantly high on illicit drugs. Marc Caron, a Howard Hughes Medical Institute investigator and professor of cell biology at Duke, says initial studies with the mice have yielded surprising insights that challenge conventional theories about drug addiction and Parkinson's disease. Alan Leshner, director of the National Institute on Drug Abuse, notes that this finding provides a fundamentally new scientific tool to understand and ultimately break the addictive power of drugs. Moreover, the studies may provide the first realistic model for testing new treatments for psychiatric disorders.

Financial Projections

At the end of the first six months of the current fiscal year, university operations were 5.5 million dollars favorable to budget. This is especially important because it means that our need to withdraw from academic discretionary reserves to help meet the unfunded building costs of new facilities, particularly the Levine Science Research Center, will be considerably reduced. You have the details in your packets, but I'll touch on the highlights.

All divisions of the university have controlled operating costs, and education and general expenses are favorable to budget. Undergraduate and graduate enrollment was slightly higher than budgeted, increasing tuition revenue, which was offset to some extent by higher financial aid costs. Income from The Duke Endowment is higher than budgeted by about \$1 million. This results from the addition to the corpus of the Endowment of the trust fund from the estate of Doris Duke.

In looking ahead, we have several problem areas, but none is large enough to have a serious impact on the year's financial results. For example, we're spending more on student transportation because we've added a third bus on the West-Central-Trent-East route to deal with overcrowding and safety concerns, and late night weekend service has been expanded for safety reasons. Licensing revenues are reported somewhat unfavorable

to budget and we'll continue to watch them closely for the remainder of the year.

At the hospital, operations for July through December resulted in 1.8 million dollars more than budgeted. Inpatient days were slightly higher than anticipated, and discharges were under budget. Length of stay continued to decrease, from 7.4 days last year to 7.2 days this year. This, however, was longer than the 7.0 days on which our budget was based. The trend toward more outpatient care continued, although it slowed significantly in December. Emergency room visits have started to level off and are now below budget. The hospital management's initiatives to control expenses continue, but expenses during the first six months of the year mirrored the increased patient volume, as would be expected, and exceeded budget. On balance, the first six months' performance at the hospital points toward a favorable financial performance for the year.

The Duke Endowment

We recently received from The Duke Endowment a package of grants totalling just over 5 million dollars. This is splendid news on many important fronts. The grants completed funding for the Mary D.B.T. and James H. Semans Professorship in Drama, awarded last year to Professor Richard Riddell, as well as initial funding for the third of the five Semans chairs, to support distinguished international visitors. The Endowment grants provide additional funding for the Benjamin N. Duke Program, which helps us recruit and support students from the Carolinas, and funding for a number of vital special needs consistent with our long-range plan, including minority graduate fellowships, technology enhancements in Perkins Library, campus computing networks and the strengthening of the chemistry department. We are very grateful for this crucial special support, as well as for the critical ongoing partnership with The Duke Endowment in providing funds for our fundamental operating costs.

Visitors

The campus celebrated the life of Martin Luther King Jr. last month with a variety of events highlighted by the address of Ebony magazine editor Lerone Bennett Jr. at a service in Duke Chapel. Secretary of the Interior Bruce Babbitt visited campus January 24 to plug the Endangered Species Act, which comes up for renewal before Congress later this year. Chairman Reed Hundt of the Federal Communications Commission visited the law school February 9 to speak at the law schools's 27th annual administrative law conference. The timing couldn't have been better because the ground-breaking new telecommunications act was signed into law the day before. And on February 13, Donald Keough, the immediate past president and chief operating officer of The Coca-Cola Company, spoke at the Terry Sanford Institute of Public Policy as part of the Hart Leadership Program's Distinguished Lecture Series.

Commencement

We announced in January that Jane Alexander, chair of the National Endowment for the Arts, will deliver the 1996 commencement address on May 12. Ms. Alexander, as you know, is one of the most accomplished actors of our times. She has performed in 40 films, more than 100 plays and numerous television programs. She also is an eloquent and dedicated advocate for the arts and for public support of the arts. And under her leadership, the NEA worked with the Corporation for National Service to create the Writers Corps as part of the national force of AmeriCorps volunteers. I know she'll have a thought-provoking message to share with the Class of 1996 and their families.

Arts

And speaking of the arts, we've had a busy winter season on campus. The Institute of the Arts sponsored a week of performances last month of Joyce Carol Oates' play "Tone Clusters" as well as an appearance by the well-known author at Reynolds Industries Theater on January 26. She read from her current work and hosted a discussion at the performance of "Tone Clusters." Also last month, an exhibition of the works of a new generation of Russian conceptual artists opened at the Duke University Museum of Art. The exhibition reflects the changes in the art world that took place during the turbulent period leading to the collapse and break-up of the Soviet Union. The 13th annual North Carolina International Jazz Festival under the leadership of Paul Jeffrey kicked off its new season at Baldwin Auditorium January 26 with a performance by drummer Michael Carvin. Broadway at Duke brought the acclaimed two-act play "Angels in America" to Duke, and on February 2, modern dance choreographer Elizabeth Streb brought her acrobatic dancers to Page Auditorium in a show called "PopAction." Rounding out the great variety of events on campus in January and February is an exhibit at the Center for Documentary Studies of Robert Frank's landmark photographs, "The Americans." The show opened February 2 and will continue through March 29.

Landfill

There have some new developments on the landfill front since we last met. On January 10, the Landfill Owners Group voted 5 to 2 to request that the governing bodies of Carrboro, Chapel Hill, Hillsborough and Orange County approve part of the site in Duke Forest as the location for the next landfill. Chapel Hill, Hillsborough and Orange County agreed February 12 and Carrboro's leaders will take up the issue next week. Also on January 10, a state advisory committee to the National Register for Historic Places voted unanimously to support the listing of the Alexander Hogan Plantation on the National Register. The Hogan plantation, as you know, lies within the area selected for the landfill. This decision, of course, adds support to our effort to oppose the landfill. The site's importance as a research and educational resource makes it far too valuable to be destroyed by a trash dump.

Community Relations

We announced last month that Sandy Ogburn, an eight-year veteran of the Durham City Council, will serve as interim director of community affairs and will assume many of the responsibilities that were handled by Garrick Francis before he left to take a public relations position in Raleigh. In addition, Bill Bell, a member of the Durham County commissioners for 22 years and chairman for 12, will serve as a consultant to the university to help Duke develop long-range plans for its relationship with the local community. The Office of Government Relations and Community Affairs will present a formal plan for the university's community relations objectives to Senior Vice President John Burness and me this summer. We are very fortunate to be able to draw on Sandy Ogburn and Bill Bell's great knowledge of Durham and their long experience in working with local decision makers.

Informing Our Alumni

Early in 1995, we distributed to all Duke alumni living in this country copies of the summary of "Shaping Our Future," the university's strategic plan. That summary was developed as a companion piece to our annual financial report. This year we are following a similar process, and in just a few weeks, alumni will receive copies of a Report from the President, highlighting some of the university's major achievements of the past year and examining some of the challenges that lie ahead. I know from conversations with alumni and from their correspondence that we have a receptive audience for news about Duke and its activities, and I believe these annual reports will prove helpful in keeping alumni informed and involved in the life of the campus.

Of course, no printed report can take the place of personal visits, and John Piva and Laney Funderburk and their staffs continue to arrange opportunities for me to meet with alumni across the country. Next week I will attend two alumni events in South Carolina, and later in the semester I will be travelling to Cincinnati and Nashville for Duke Club events.

And that, Mr. Chairman, concludes my report.

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