BenchMarks 2008, December 12

The Rockefeller University

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Announcements

Flu shots are available. Occupational Health Services is administering flu shots free of charge to all interested members of campus, including employees of the Aaron Diamond AIDS Research Center, Howard Hughes Medical Institute and the Population Council who work on the Rockefeller campus. Shots are available in room 318 of The Rockefeller University Hospital daily 10 a.m. to 4 p.m. For more information, call x5414.

Sustainability Web site launches. Communications and Public Affairs, in conjunction with the Green Task Force, has launched Sustainability at The Rockefeller University, a web site created to communicate information about green initiatives set in place across campus. For more information, visit www.rockefeller.edu/sustainability.

Holiday Lectures are December 29. Professor Sanford M. Simon will give this year’s Rockefeller University Holiday Lectures on Science for High School Students. The topic will be “Life, through a Lens: What You Can Learn about Biology Simply by Looking.” Over 400 students from more than 30 area high schools have signed up to attend.

Secure wireless network launches. The campus wireless network has been upgraded to make it possible to access restricted university resources without using the virtual private network (VPN). The new network, RU/WirelessSecure, allows laptop users to establish a secure, encrypted connection to the network and the internet. To connect, use the username and password you use to log in to e-mail, central file store (CFS) and other electronic services on the campus network. RUWirelessSecure allows university employees and students access to the university’s short-term needs and its long-term health. “We need to keep calm during this crisis,” Dr. Nurse says, “so that we can make considered and careful assessments of the plans we already have in place for 2009 and beyond in the light of the changed circumstances. We have the strong benchmarks to discuss.

Announcements for this page may be submitted to them@rockefeller.edu.

Finance

World financial crisis impacts university budget

FY2009 budgeted revenues: $307.8M • 3.0 percent from fiscal year 2008

Endowment income $193.8M • 11.1 percent from 2008
Private grants and contracts $41.5M • 10.9 percent from 2008
Private gifts $24.3M • 8.1 percent from 2008
Debt service $12.7M • 2.2 percent from 2008
Auxiliaries (incl. food serv., housing, press) $30.2M • 2.0 percent from 2008
Government grants and contracts $73.1M • 10.6 percent from 2008
Other income (incl. rent, fees, royalties) $18.2M • 9.9 percent from 2008
Research and education $189.4M • 1.0 percent from 2008
Facilities and administrative overhead $58.4M • 3.4 percent from 2008
Development gifts $38.6M • 1.7 percent from 2008

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University funds temporarily frozen during banking crisis

As distress in the markets that buy and sell credit reached its crescendo in late September, the university’s finance office received some sudden news: On September 26, a short-term investment fund in which the university held some $45 million in operating capital would be frozen.

The affected account, which paid a modest interest rate and was used to hold university money for short-term needs like paying vendors and employees, was virtually inaccessible for several weeks. During this time, the university relied on funds in its checking account and accessed an emergency line of credit, set up several years ago, to meet its immediate obligations.

The problems began when a string of bank failures and forced sales, spurred by widespread instability in the credit markets, led to fears that some banks might be unable to meet their obligations to depositors. In late September, these fears extended to Wachovia Bank, which was then considering being acquired by either Wells Fargo or Citizens group (it reached a deal on October 9 to merge with Wells Fargo).

Like many other institutions, Rockefeller University had funds invested with a nonprofit investment management firm catering specifically to colleges, universities and private secondary schools, Commonfund. One of the firm’s products was a fund, known as the Short Term Fund, designed specifically to provide return on working capital. As of mid-September, the Short Term Fund managed approximately $9.3 billion on behalf of over 1,000 clients, and it had provided yields surpassing the average three-month Treasury Bill continuously since its inception in 1974. “It is a well-managed, conservative fund run by a highly regarded firm,” says Jim Lapple, the university’s treasurer and vice president for finance.

The Short Term Fund, however, used Wachovia Bank as its trustee, allowing the bank to run the day-to-day operations of the fund including buying and purchasing the underlying securities and processing deposits and withdrawals. On September 26, fearinig significant withdrawals from the fund as a result of
support of our trustees and we will not be making any hasty decisions which might appear to be more negative in a significant way on Rockefeller research in the long term.”

About one-third of the university’s revenue comes from proceeds of the endowment, valued at its peak at the end of 2007 at $2.19 billion. The university’s investments office, led by Chief Investment Officer Lisa Dang, follows a strategy designed to protect the endowment in lean times. Still, with some financial markets down by 50 percent or more over the past several months, losses in the endowment have been felt. The endowment’s market value has fallen 17.4 percent between June 30 and October 31 (see chart, top right). The endowment spending rate, which dictates how much of the endowment’s funds are available for operating expenses, each year, has been increased over the past few years, and in fiscal year 2010 it will be six percent of the average market value of the endowment over the previous 12 quarters. “This system, which takes into account fluctuations going back three years, is designed to help smooth out short-term gains and losses in the endowment and provide a more stable source of revenue,” says Mr. Lapple. “The effect of this climate is that the impact of a declining endowment will be felt less intensely, but over a longer period.”

Funding from federal and private grants makes up another third of the university’s income, and it is dependent on both the budgets of the organizations that fund the university — particularly the National Institutes of Health — and on the success individual faculty members have in their efforts to secure grants. Though the university’s scientists have competed well in an increasingly tight climate, government grants have fallen slightly over the past three years (see chart, bottom right), largely due to the decrease in spending on research by senior faculty members. “Grants from private foundations have picked up some of the slack, but private grants do not include nearly as much funding for administrative costs and overhead, which help pay for essential services like electricity and heating reservoirs. In an increasingly tight climate, governments have even if individual labs maintain their funding, the university as a whole remains under pressure.”

The final third of the university’s operating revenue is derived from fundraising, auxiliary enterprises and other sources, such as rents, royalties and income related to food service, housing and subscriptions to Rockefeller University Press. Support for the university in these areas has remained strong even if individual labs maintain their funding, the university as a whole remains under pressure.”

The Development Office has been formulating a plan for fundraising during the recession, and one of our objectives is to raise additional unrestricted and flexible current-use gifts. While fundraising during today’s economic climate is daunting, Rockefeller remains a philanthropic priority for our trustees and for many other generous benefactors,” says Marne Imhoff, vice president for development.

“The university has a much broader base of support than we did five years ago, and individuals and foundations tend to invest in excellence, innovation and the best people during times of more limited resources. These are the characteristics that define The Rockefeller University,” says Dr. Nurse. In an initial response to the financial downturn, there has been preliminary discussion among the trustees and the administration about operating with a budget deficit for a limited period of time. No firm decisions have yet been made, but the university has always on the endowment to allow some flexibility in times of financial difficulty.

The concern, however, is that this plan alone will not be a sufficient response. When income falls, reductions in expenses also become necessary. To help address this issue, the university’s administration has already begun implementing a series of cost-containment measures designed to help position the university to better withstand lean economic times. These measures include:

- Revising vacant administrative positions. Beginning October 30, all vacant non-laboratory staff positions are being referred to a special staffing review committee consisting of the vice president for faculty and scientific operations, the vice president for finance and the vice president for human resources. The committee reviews the justifications for recruiting new personnel and holds vacant any positions that are not essential to the university’s operations until the financial situation improves. To date, 16 vacant positions have not been filled.

- Limiting future salary increases. Annual salary increases in past years have averaged three to four percent. The administration will consider a reduction of up to 15 percent for fiscal year 2010 in the coming months, including providing a smaller than usual increase.

- Assessing supplemental lab funding. Every effort will be made to preserve the lab-funding formula that has been in place over the last several years. However, the administration will look very carefully at the costs of bridging laboratories when grants don’t come through, and at special projects and start-up fees. Costs and charges back for resources centers will also be assessed.

- Minimizing future maintenance projects. With the construction on the Collaborative Research Center well under way, modern new lab space will be coming on line in approximately 18 months. There may, therefore, be some maintenance projects that can be deferred without causing significant inconveniences. A planned renovation of Welch Hall and the Markus Library will be deferred until we have a new lab made specifically for it. If one gift already made will be used to repair the façade, which will reduce maintenance costs. Both the major construction projects under way on campus — the Collaborative Research Center and the Collaborative Bioscience Center — will continue as planned.

The administration hopes that by this time some stability will have entered the financial markets and the group will know whether they need to plan for additional cost reductions to ensure the university’s future prosperity.

In addition to future updates in Bench-Marks, Dr. Nurse plans a series of “town hall” meetings — the first of which will take place on February 4 — to keep the community informed. “I’m hopeful that the markets may stabilize and that president-elect Barack Obama’s administration will be more committed to science than the current one,” says Dr. Nurse. “But it’s important to be prepared for whatever economic conditions develop over the next months and years. It is important to be open about the university’s finances and to discuss these issues not only with the Board, the faculty and the administration, but with the entire community at Rockefeller so that we are all engaged in looking for solutions to the present problems. By continuing to aggressively pursue grants and other funding opportunities, by supporting the efforts of our Develop-ment Office to attract donations and by making sensible decisions about spending, we can all help the university weather these difficult times.”

### World financial crisis impacts university budget

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### Funds temporarily frozen during banking crisis

(continued from page 1)

rumors swirling about the bank’s future, Wachovia made a decision to freeze the fund’s assets and begin an “orderly liquidation.” “This decision, which Wachovia is legally allowed to make, under the terms of its agreement with Commonfund, had the effect of preserving the value of the fund’s securities that it might otherwise have been forced to sell at a loss,” says Mr. Lapple. “Unfortunately, it also meant that the assets held in the fund would be temporarily unavailable.”

Because the fund held mostly short-term debt — primarily loans made to the government or to companies with excellent credit — many of the securities have already reached their maturity dates. As of November 24, 65 percent of the fund’s assets have become liquid and have been made available for withdrawal. Most of the remaining balance will become available in 2009. The university has since transferred the withdrawn money to a new account at JP Morgan Chase & Co., has begun repaying the line of credit it recently accessed, and is working with members of the Board of Trustees to identify other ways to invest its working capital in the short term. The cost, some several hundred thousand dollars in unexpected interest payments, will need to be absorbed in this fiscal year.

“The situation appears to be re- solved,” says Mr. Lapple. “We have suf- ficient working capital liquidity to meet our ongoing obligations and we are able to respond to various challenges ahead. We are continuing to monitor cash flow on a daily basis and are looking at all our options about how best to manage our operating cash in this difficult environ- ment.”
The position of security operations manager, left vacant in March by the departure of 31-year university veteran Michael John, has been filled by Michael J. Murphy, former lieutenant commander detective with the New York Police Department. Mr. Murphy, who directly oversees daily operations, personal deployment and electronic surveillance systems on campus, began at Rockefeller University June 1.

Mr. Murphy entered the New York City Police Academy in 1987. He later studied psychology at Rockland County Community College and earlier this year received a bachelor’s degree in criminal justice administration from Empire State College. From his first beat as patrol officer with the 32nd Precinct in the Bronx, Mr. Murphy was promoted to detective in 2006 and lieutenant commander detective in 2008. He worked in various specialized units, including both the gang investigation unit — called the internal affairs bureau, and has vast experience in managing large staffs, conducting crime pattern analysis and acting as liaison to community groups.

His final position with the NYPD was as commanding officer of the Central Park Precinct and 28th Precinct Detective Squads. He earned 32 commendations during his service, including a Commander’s Award for his role in the record-setting 21 percent decrease in overall crime in the 28th Precinct, which covers central Harlem. “I met Mike on September 11, 2001,” says Director of Security James Rogers. “I quickly learned that he is a conscientious and driven individual who knows how to get things done efficiently and effectively. He is a proven leader with exceptional investigative skills, but his greatest quality is his genuine concern for people. The departure of Michael John left a void that I am confident Michael ‘John’ Murphy can fill.”

Taking advantage of the NYPD’s 20-year retirement program, Mr. Murphy decided to shift his career into the private sector, where Rockefeller University is his first position. In addition to coordinating daily security operations and managing a staff of 35, Mr. Murphy is responsible for the university’s closed-circuit video surveillance system and oversees maintenance of the building access system, the ID-card scanners investigation are building doors across campus. He is also Security’s point person for major events held on campus, including Convocation support staff,” says Mr. Murphy.

“With 21 years with the NYPD, I’m very happy to start the new phase of my career at Rockefeller. The people I’ve met here are friendly and very easy to work with; it’s great to be part of such an exceptional team,” says Mr. Murphy.
Awards:

Jan L. Breslow, the 2008 Senior Scholar in Aging Award from The Ellison Medical Foundation, for a project to determine the link between the nuclear hormone receptor PXR and aging processes. Dr. Breslow is head of the Laboratory of Biochemical Genetics and Metabolism.

Michela Di Virgilio and Ivan Marazzi, American-Italian Cancer Foundation Postdoctoral Research Fellowships, in the amount of $90,000 each. Dr. Di Virgilio is postdoctoral associate in Michel C. Nussenzweig’s Laboratory of Molecular Immunology. Dr. Marazzi is a postdoctoral fellow in the laboratory of Tarakhovsky’s Laboratory of Lymphocyte Signaling.

Howard C. Wang, an Exploratory/Development Grant from the National Institutes of Health. The grant, in the amount of $373,000, is for a project on chemical reporter for the analysis of histone methylation in epigenetics. Dr. Wang is head of the Laboratory of Chemical Biology and Microbial Pathogenesis.

David D. Ho, an honorary doctor of science degree from the University of Hong Kong, for his research and advocacy in the cause of HIV/AIDS victims. The degree was awarded at the university’s 17th convocation ceremony, October 4. Dr. Ho, who is chief executive director and CEO of the Aaron Diamond AIDS Research Center, is one of three honorees this year, with President William J. Clinton and Yao Ming of the Houston Rockets.

Barbara Juncosa, a Robert D. Watkins Graduate Research Fellowship from the American Society for Microbiology, for her work on the streptococcal adaptive response to the host cell environment. The fellowship, which comes with a $21,000 annual stipend for three years, was established to increase the numbers of graduate students from underrepresented groups completing doctoral degrees in the microbiological sciences. Ms. Juncosa, a student in Vincent A. Fischetti’s Laboratory of Bacterial Pathogenesis and Immunology, is one of five winners this year.

Tom W. Muir, a 2008 Blavatnik Award for Young Scientists from the New York Academy of Sciences. The award, established last year with funds from the Blavatnik Charitable Foundation, comes with an unrestricted cash prize of $25,000. Dr. Muir, who is head of the Selma and Lawrence Rubin Laboratory of Synthetic Protein Chemistry, was one of three faculty winners of the 2008 National Academy of Sciences and the City Gala on November 17.

President Paul Nurse, a 2008 Global Creative Leadership Award from the Louise Blouin Foundation, presented at a gala dinner and ceremony September 23. The foundation is a nonprofit organization dedicated to addressing challenges in diverse areas including international trade, foreign policy, education and aging one’s thoughts but by guiding them into a productive trajectory,” says Günter Blobel, head of the Laboratory of Cell Biology and a former postdoc in Dr. Palade’s lab, who won his own Nobel Prize in 1999 for work based on Dr. Palade’s discoveries.

Nobel Laureate George E. Palade, 95

by TALLEY HENNING BROWN

At the presentation of his Nobel Prize in 1974, George Emil Palade was described as "largely responsible for the creation of modern cell biology." The man whose research played a crucial part in bringing electron microscopy to the study of biological cells was an integral member of The Rockefeller University for nearly 30 years, and his scientific and intellectual influence is still apparent in several laboratories in operation today. Professor Emeritus Palade, who resigned from the university in 1973, passed away Friday, October 7, at his home in Del Mar, California. Dr. Palade was born November 19, 1922 in Iasi, Romania, to Emil Palade and Constanza Cantemir-Palade. It was during medical school, at the University of Bucharest, that Dr. Palade developed an intense interest in basic research, and following military service during World War II, he moved to the United States to continue his studies at New York University. Later that year, 1946, he met Albert Claude, one of the first scientists to apply transmission microscopy to the study of living cells, and subsequently came to work in Dr. Claude’s laboratory at Rockefeller.

Dr. Palade’s work in the Claude laboratory centered mainly on cell fractionation, the breaking apart of cells to study their individual components. In the early 1950s, Dr. Palade moved to the lab of then-president Herbert S. Gasser, where he began to focus on electron microscopy with the aim of improving live tissue preparation techniques. He and his colleagues developed methods that revealed entirely new subcellular structures, thus opening new avenues of study. In the mid-1950s, Dr. Palade combined his work with cell fractionation and electron microscopy and subsequently showed that microsomes, previously thought to be mitochondrial fragments, are actually endoplasmic reticulum, a component discovered in 1949 by Dr. Claude, Keith Porter and Ernest Fullham.

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