A meeting of the Executive Board of the Trustees of the University of Pennsylvania was held on Monday, September 9, 1974 at 10:00 a.m. in the Board Room of the Fidelity Bank.

Present were: Mr. Donald T. Regan (Chairman pro tem) Mr. Samuel H. Ballam, Jr., Mr. Henry M. Chance, II, Mr. Charles D. Dickey, Jr., Mr. John W. Eckman, Bernard G. Segal, Esq., Robert L. Trescher, Esq., President Martin Meyerson, Provost Eliot Stellar, Mr. Paul O. Gaddis, Mr. William Richard Gordon, Dr. D. Bruce Johnston, Dr. Thomas W. Langfitt, Mr. Harold E. Manley, Mr. Curtis R. Reitz, Mr. E. Craig Sweeten and Mr. William G. Owen (Secretary). John Ames Ballard, Esq. attended as Counsel.

The Chairman expressed appreciation to Mr. Ballam for the courtesies extended to the board by the Fidelity Bank.

The minutes of the July 1, 1974 meeting were approved.

In his report, President Meyerson addressed himself initially to University fiscal affairs as follows:

The budget in 1972-73 was balanced and the 1973-74 budget resulted in an unexpected deficit, for which the Executive Board will be asked to confirm the action taken by the Finance Committee of applying the remaining proceeds received from the sale of Valley Forge property against the deficit. Such action would leave a remaining deficit for 1974 of approximately $200,000; in addition, the deficit incurred in operation of the high-rise residence halls exceeded the scheduled amount by approximately $100,000, primarily because of the impact of energy costs. In addition, reserve funds in the Graduate Hospital have been exhausted and a deficit of approximately $400,000 was incurred.

For fiscal 1975, the Trustees approved a budget with a deficit on the order of $500,000; the administration intends to make every effort to eliminate this projection although it must be recognized that while there will be additional monies received from the Commonwealth this year, the reduced
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Income on investments will be a counteracting influence on the final results. The academic deans and all budget administrators will be asked to prepare contingency plans calling for savings of 3 per cent, in budgets by the end of the year. This proposal has been reviewed by the deans along with a proposed formula for handling deviations from budget goals in the responsibility centers. The initial response by the deans was gratifying.

It was noted by Mr. Gaddis that serious attention will be given to passing along to dormitory residents the impact of utility costs through either a fuel surcharge or a redefinition of rentals on perhaps a twice yearly basis.

Mr. Manley explained that the University received $2,500,000 from the sale of the Valley Forge property; $900,000 was used for the purchase of Uni-Coll stock, leaving a balance of $1,600,000 as free money. He said that there is a balance of approximately $500,000 remaining from indirect cost roll-forward funds which have not yet been allocated.

Upon presentation by Mr. Chance, on behalf of the Finance Committee, the following resolution was adopted:

RESOLVED, That the following action taken by the Finance Committee be affirmed: The remaining proceeds received by the University from the sale of its property in Valley Forge be applied against the uncovered deficit for fiscal 1974, with the understanding that any balance remaining will be declared as an uncovered deficit.

President Meyerson introduced the subject of Commonwealth relationships by noting that the central problem faced by the University is that of how to expand this financial base and still retain our independence. Mr. Sweeten delineated the special problem faced by the University in being grouped as a state-aided institution with a number of other dissimilar institutions; he expressed the hope that in some way a unique status for the University could be formulated. Mr. Reitz addressed the question of our annual concern for the instability of the maintenance grant received by suggesting that perhaps the Commonwealth would
be willing to establish a floor on the maintenance grant and permit the University to participate in the scholarship and institutional grant-in-aid programs.

Discussion ensued about the recurring question of entering into contracts with the Commonwealth for services rendered by particular schools like dental medicine, and veterinary medicine or perhaps for all post-graduate education. President Meyerson identified certain problems which are presented in these options. He emphasized the need to formulate a rational basis by which the amount of state monies received can be determined, possibly by relating what the University receives to that of the state-related universities. He noted that in order to establish such a rational approach, it would likely be necessary to favor in-state students to some extent in admissions, and in tuition charges or in financial aid awards, and through the provision of other services to the Commonwealth.

It was suggested by Mr. Eckman that possibly the term "state-resource institution" might be applicable to the desired relationship. Cautions were expressed by several trustees about the timing of any change in order to minimize its impact on fund-raising efforts in the private sector. The point was made by Mr. Ballam that, in a very real sense, the University is at a crossroads and must face the issue of whether to continue to plead for its state appropriation every year or else attempt to lessen its dependence on the Commonwealth. Mr. Meyerson acknowledged that this is the central question to be considered and that we must study carefully all possible options. Mr. Regan concluded the discussion by stating that continued study should be given to a type of separate identification for the University within the Commonwealth system and to the possibility of entering into contracts for services rendered.

Reaction was given to a draft document on the financial state of the University which is intended for dissemination to the media.

Dr. Langfitt directed attention to several documents relating to construction of the Silverstein Pavilion and noted that the
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schematic drawing development phase of planning is proceeding on schedule; within the next few months it is expected that the amount of borrowing capacity of the University for this project will become known. He presented data also on a proposed Medical Education Building, which represents a three-story structure bearing a total cost of $9,874,000, for which a grant from H.E.W. has been approved in the amount of $5,700,000, with the balance to come from the private sector. At the same time, he noted, the medical school development plan calls for a nine-story structure at a total cost of $16 million, which would essentially comprise the three-story building as described plus six-shelled floors, for which the individual medical departments would raise the necessary funds to fill in the space. Mr. Sweeten said that these fund-raising plans in the health affairs division would be presented within the framework of the total prospective funding effort at the time of the October trustees' meetings.

Upon presentation by Messrs. Chance and Ballam, the following resolutions were adopted:

RESOLVED, That the additional sum of $141,000 be advanced from operating cash (making a total advance of $366,000) to cover the cost of the next stage in the development of the Silverstein Pavilion, with the understanding that this advance will be repaid from gifts toward the project, proceeds from the sale of tax exempt bonds, or from other sources.

RESOLVED, That the sum of $150,000 be appropriated from Capital Campaign Fund - Medical for preliminary expenses of the proposed Medical Education Building.

In a brief status report on current Blue Cross negotiations, Dr. Langfitt said that the University and other teaching hospitals have joined together in agreeing to accept a "porous" ceiling on costs, which constitutes the major issue still unresolved; in general, he said, negotiations are going well and hopefully a contract will be signed within a few weeks.

It was noted by the President that a decision is expected within the near future from the prime candidate who has been under consideration for the deanship of medicine.
At the request of the President, Mr. Ballard discussed the provisions of the new Sunshine Law, which requires governing boards of governmental agencies and state-aided colleges to open their meetings to the public. He said that the legislation clearly applies to the University and to all meetings of the trustees and the Executive Board at which "formal action" is taken. In the case of standing committees, he said that those sessions will not need to be public so long as formal actions are later ratified by the trustees in a public meeting. The law provides for the drawing up of such rules and regulations by the institution as may be necessary for the conduct of its meetings.

President Meyerson expressed the hope for meetings with the new administration in Washington by the Ivy Group presidents.

Upon the recommendation of President Meyerson, approval was given to the appointment of Dr. Paul Nemir, Jr. as Chairman of Surgery at Graduate Hospital with the understanding that the public announcement of this appointment will include a realistic statement about the University's intentions concerning the future of Graduate Hospital, such statement to be reviewed by Messrs. Ballam and Chance.

On presentation by Provost Stellar, academic appointments and promotions for the period from June 19 to June 30, 1974 were approved.

On presentation by the Provost, the following resolution was approved:

WHEREAS, John Bartram was a distinguished Philadelphian, botanist, and horticulturist of the Revolutionary era; and

WHEREAS, the University of Pennsylvania through the Department of Biology, the Department of Landscape Architecture, and the Murieux Arboretum, maintains a strong continued interest in botanical and horticultural sciences, be it therefore

RESOLVED, That the Trustees of the University of Pennsylvania establish during the tenure of Professor Hui-Lin Li the John Bartram Professorship for teaching and research in these areas, such appointment of Professor Li to be effective July 1, 1974.
Attention was directed by Mr. Gaddis to a statement on
definition of financial responsibility for the period 1974-79.
He encouraged trustees to send along their comments on this
private working document, which hopefully responds to various
concerns about fiscal responsibility. Mr. Regan suggested that
the document be left with the Executive Board and that possibly
in January or May a final version can be placed before the full
board.

Mr. Gaddis gave a progress report on problems associated with
the 3401 Walnut Street development, and Mr. Ballard responded to
questions concerning certain of the legal issues involved.

At the request of the President, Mr. Sweeten described plans
for discussion at the October meetings of a future fund-raising
effort, in which he expressed the hope that the University's
academic priorities would be in good order by that time and that
decisions could be made concerning magnitude and needs. In
referring to the nucleus fund, he identified a primary issue of
giving desires on the part of individuals and current ability to
give as a result of economic factors. The Chairman reiterated
the desire to present to the Trustees in October an identification
of needs and a prospective on steps to be taken in a fund effort.
The point was made by President Meyerson that the five-year effort
which has been envisioned for the University during the period
1975 to 1980 will constitute essentially an act of faith in the
American economy, it being recognized that in the absence of a
major rebound by the economy, private institutions will not survive.

Discussion ensued about Mr. Eckman's suggestion that possibly
solicitation in any fund effort should be predicated upon the
pledging of a number of shares of stock for future delivery rather
than upon the customary identification of dollar gifts. There
was discussion also of the feasibility of asking trustees to make
their gifts for unrestricted purposes.

Upon presentation by Mr. Chance, the following resolutions
were adopted:

RESOLVED, That the sum of $87,500 be advanced
from University General Fund for the purchase
(including settlement costs) of 3934 Spruce
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Street, with the understanding that University General Fund will be repaid with interest at 8% over a period of 20 years from the net income of the property.

WHEREAS, the market value of the University's Associated Investments Fund, a common trust fund maintained pursuant to Section 7581 of the Non-Profit Corporation Law of 1972, amounted, as of June 30, 1974 (the end of the last fiscal year of the University), to $89,236,308; and

WHEREAS, the income from this common trust fund received during the fiscal year, determined in accordance with rules generally applicable to the determination of income, amounted to $3,652,358; and

WHEREAS, under the provisions of clause (c) of Section 7550 of the Pennsylvania Non-Profit Corporation Law of 1972, the Trustees of the University are authorized, by resolution enacted within 120 days of the close of the said fiscal year, to allocate from net realized capital gains accumulated in the AIF to income an amount which when added to all other income received from the AIF during the year as above set forth will not exceed 9% of the market value of the AIF after deducting the amount so allocated; and

WHEREAS, the net accumulated realized capital gains in the AIF, as of June 30, 1974, amounted to $25,528,651 and even after deduction of unrealized losses such realized gains as of such date would exceed $4,017,512; and

WHEREAS, it is the judgment of the Finance Committee of the Trustees of the University - after reviewing indicated results of operations for previous years, including particularly the fiscal year 1973-74 and the projected budgeted figures for the current fiscal year and having given due consideration to the opinions of the Investment Committee with respect to current and prospective market values of the AIF - that there should be allocated from net capital gains accumulated in the AIF to income for the fiscal year ended June 30, 1974 the full amount authorized and permitted by the provisions of clause (c) of Section 7550 of the Non-Profit Corporation Law as above described: therefore be it

RESOLVED, That the Finance Committee recommends to the Executive Board of the Trustees that, pursuant to the provisions of clause (c) of Section 7550 of the Pennsylvania Non-Profit Corporation Law, there be allocated from accumulated net capital gains previously realized in the AIF to income for the fiscal year ended June 30, 1974 the amount of $4,017,512.

Reporting for the chairman of the Investment Committee,

Mr. Gordon said that recent results in the AIF have been a little better than those achieved by comparable funds and that the investment managers are maintaining liquidity and continuing to eliminate certain items from the portfolio.

For the Health Affairs Committee, Mr. Ballam said that the members are reviewing proposals formulated by the deans and their 3934 Spruce Street

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faculties in the several schools and that the new Executive
Director of the hospitals is moving rapidly in carrying out his
responsibilities. The following resolutions were approved:

RESOLVED, That the following persons be
reappointed to the Trustees' Health Affairs
Committee for the terms indicated and
re-elected Associate Trustees:

Mr. W. W. Keen Butcher 1973-1978
Samuel S. Logan, Jr., Esq. 1974-1979
Mr. Kurt Solmssen 1974-1979

RESOLVED, That Julian S. Bers be nominated
to stand for election as a trustee of the
Presbyterian-University of Pennsylvania
Medical Center effective in September 1974.

For the Development Committee, Mr. Eckman reported that total
gifts and bequests of $24.58 million set another new high for
the University. Helping to make this possible was a record
$3,050,000 from 27,355 donors (up 800) to Annual Giving. This
is the ninth consecutive year that total gift support exceeded
$20 million. These records were reached despite a decline in the
number of major gifts in both Annual Giving and other areas. The
report for the fiscal year to date shows a total of $3.2 million
received over the summer; last year at this same time we were
about at the $2 million level.

Upon presentation by the Secretary, the following resolution
was adopted:

RESOLVED, That the following persons be
reappointed to the Board of Trustees of
the University of Pennsylvania Press, Inc.
for a term of three years:

Richard W. Foster
David R. Goddard
Joseph W. Lippincott
William R. Scott

The Treasurer submitted the following annual statement:

In accordance with the Act of the General Assembly
of the Commonwealth of Pennsylvania approved the seventeenth
day of July 1935, entitled "An act to amend Section 306 of
the Act approved the fifth day of May 1933, (P.L. 289),
et c., I hereby report and certify that The Trustees
of the University of Pennsylvania, a Pennsylvania
Corporation, keeps accurate accounts of all trust funds
separate and apart from the other funds of the Corporation,
and, unless the terms of the particular trust department

Secretary
provide otherwise, the said Corporation makes an annual report, signed by the Treasurer, to the members of the Corporation concerning the trust funds held under the said Section, and the use made of such funds and of the income therefrom.

Respectfully submitted,

Wm. Richard Gordon
Treasurer

Adjourned.

William G. Owen
Secretary