THE EXECUTIVE BOARD
OF THE
TRUSTEES OF THE UNIVERSITY OF PENNSYLVANIA
April 12, 1976
DISCUSSION SESSION

A meeting of the Executive Board of the Trustees of the University of Pennsylvania was held for the purpose of discussion on Monday, April 12, 1976 at 11:00 a.m. in the Board Room of Merrill Lynch & Co., 165 Broadway, New York, New York 10006.

Present were: Mr. Donald T. Regan, Chairman, Mr. Robert G. Dunlop, Mr. John W. Eckman, President Martin Meyerson, Mr. Wesley A. Stanger, Jr., Robert L. Treacher, Esq., Stephen Burbank, Esq., Mr. Paul O. Gaddis, Mr. Mark S. Levitan, Mr. Harold E. Manley, Dr. Eliot Stellar, Dr. Jon C. Strauss, Mr. E. Craig Sweeten, and Mr. Donald T. Sheehan (Secretary).

Mr. Meyerson announced an attempt would be made to schedule a meeting of the Select Committee on the Budget and the Executive Board in Philadelphia on May 10.

Mr. Gaddis addressed the University's financial performance vs. budget in the present fiscal year. He singled out some of the notable variances:

- Tuition and general fee income: $250,000 (Unfavorable)
- Investment Income: $393,000 (Favorable)
- Over-recovery of employee benefits: $220,000 (Favorable)
- Pennsylvania Higher Education Assistance Agency: $225,000 (Favorable)
- General Expense (Principally insurance and interest): $950,000 (Unfavorable)

Mr. Gaddis then concluded that, net of all variances to date, the general University budget still appears to be in the black, by the modest amount of $460,000; that the Graduate Hospital performance budget is questionable, but will probably come within the $454,000 budgeted deficit; and that the High Rise Residences will probably end this year within the budgeted
deficit of $403,000. He said that the Veterinary School's projected loss of $853,000 was included within the general University figures. He pointed out that our staff does not foresee threats to the current year performance from unidentified variances, but that we still have reason to watch carefully the known negative variance situations, such as the Veterinary School and the Graduate Hospital.

Mr. Strauss reported that the current budget is balanced only because of a number of one-time effects, such as, deferring salary increases saved $2.1 million; carrying forward capital gains provided $1.13 million; employee benefits treatment provided $1 million. For the 1977 Fiscal Year budget to be balanced, it must deal with all the normal inflation and growth factors and solve the $4.23 million starting problem.

He pointed out that there is a potential problem in the School of Public and Urban Policy of $100,000 caused in part by a poorly formed budget. In the Veterinary School, there is a $1,100,000 problem after application of $280,000 in discretionary subvention. In addition, there are a total of more than $800,000 in other problems in the School resulting from an overcommitment of subvention to final planned salary increases.

Mr. Meyerson recalled that at earlier meetings this year of the Executive Board questions have arisen regarding the ties between the University and some of the institutes, centers, and other organizations, as well as between the University and certain affiliated institutions. It was the opinion of the Board, which he shared, that the nature of these ties should be periodically reviewed. Accordingly, an ad hoc committee, chaired by Mr. Trescher will undertake such a review.

Mr. Meyerson informed the Board that the name of James M. Beattie, Dean of the School of Agriculture of Pennsylvania State University, would be submitted in June for appointment as a member of the Board of Overseers for the School of Veterinary Medicine.

Salary guidelines, effective July 1, 1976 were outlined as follows: (1) represented people and non-exempt employees and
certain exempt employees would receive across the board increases of 6%, and (2) administration and other exempt employees with salaries over $14,000 would receive discretionary increases.

The establishment, by the Chairman, of a special committee, headed by Mr. Trescher, to review executive compensation was announced.

Mr. Gaddis reported that $8,000,000 was in hand from Commonwealth Funds for construction of a small animal clinic at the Small Animal Hospital Veterinary School. Another $5,000,000 is needed and attempts to obtain these funds from Federal sources have not been successful. It now appears that we must look to private sources for funding.

Mr. Levitan provided the Board with an updated report on the progress of establishing Graduate Hospital as a free-standing Graduate Hospital institution and the various alternatives in this regard.

Adjourned.

Donald T. Sheehan
Secretary of the Corporation