THE EXECUTIVE BOARD
OF THE
TRUSTEES OF THE UNIVERSITY OF PENNSYLVANIA
July 21, 1977

DISCUSSION SESSION

A meeting of the Executive Board of the Trustees of the University of Pennsylvania for the purpose of discussion was held on Thursday, July 21, 1977 at 2:15 p.m. in the Club Room of the Faculty Club.

Present were: Mr. Donald T. Regan, Chairman, presiding, Mr. Samuel H. Ballam, Jr., Mr. Henry M. Chance, Jr., Mr. Charles D. Dickey, Jr., Mr. John W. Eckman, Mr. Charles D. Dickey, Jr., Bernard G. Segal, Esq., Mr. Wesley A. Stanger, Jr., Robert L. Trescher, Esq., President Martin Meyerson, Mr. Stuart H. Carroll, Mr. Paul O. Guddie, Mr. Jack H. Hamilton, Mr. William Hickey, Mr. J. Jerrold Jackson, Dr. D. Bruce Johnstone, Dr. Thomas W. Langfitt, Mr. Harold E. Manley, Dr. Patricia A. McFate, Mr. Gerald L. Robinson, Mr. Fred A. Shabel, Miss Janis I. Somerville, Dr. Jon C. Strauss, Mr. E. Craig Sweeten, and Mr. Robert G. Lorndale, Associate Secretary. Mr. John Ballard represented counsel.

Dr. Langfitt commented on renovation plans for University Hospital, indicating that the cost of renovations is expected to run about $55 million, to be accomplished over a 20-year period. He stated that the initial work will be undertaken in radiology and obstetrics-gynecology, with the cost for the former renovation estimated at $4.065 million and for the latter project $4.102 million. He noted that funds available for radiology amount to $2.8 million and for obstetrics-gynecology $1.2 million. He observed that there are therefore $4 million available toward a combined cost of $8.167 million for the two projects, leaving a balance to be obtained of more than $4 million. He explained that the proceeds from defeasing the Silverstein Pavilion bonds should amount to slightly less than $2 million and that application of this amount to the cost of renovation would still leave a balance of more than $2 million still to come. He indicated that recommendations on this score would be made to the Executive Board in September via the Health Affairs and Finance and Operations Committees.
Dr. Langfitt commented that the extent of the renovation needs in University Hospital has raised a question as to whether the Trustees would be willing to borrow the requisite funds or whether the hospital would be in a better position to borrow the funds if given a more autonomous corporate status. He observed that these questions suggest that the time is appropriate for a review of the governance of University Hospital.

In discussion, Mr. Ballard and Mr. Ballam indicated that defeasance of the Silverstein bonds would be pursued without regard to the question of governance. Mr. Ballam noted that he would meet with Mr. Dickey, President Meyerson, and Mr. Regan on the governance issue.

Mr. Gaddis reviewed a three-year comparison of selective financial data, drawing particular attention to the major variances from budgets in key categories over these years. He stressed that the result for the fiscal year 1977, for which a deficit of $352,000 is likely, was achieved in the face of extreme difficulties through the diligence of those in the Comptroller's Office and in the deans' offices who were frequently able to bring negative variances under control.

Reviewing the labor situation, Mr. Robinson commented that the dining service employees, represented by AFSCME, have a contract expiring on July 1, 1980; the contract of the operating engineers, represented by their own union, expires on June 1, 1978; the building service employees, now represented by the Teamsters, have a contract expiring on August 1, 1977; and the contract of the library employees, represented by AFSCME, expires on November 1, 1977. He observed that all labor areas had been carefully examined with a view to reducing expenditures and that in the building services and housekeeping area, the personnel had been reduced substantially. He stated that, beyond this, it would appear to be more economical to have the housekeeping functions performed by outside services. He explained that these considerations have created some animosity among the 343 building services employees, who have thus far refused to meet on the question of using outside services. He noted that, with the contract due to expire on August 1, every effort will be made to meet with union representatives in order to arrive at an acceptable solution but that the outlook appears bleak and a strike likely.
stressed that preparations are being made so that operations may be con-
tinued to the largest extent possible during a strike.

Mr. Ballam remarked that University Hospital employees had rejected
by a vote of two to one a move for representation by a strong national union.

Dr. Strauss recalled that in June a budget for the fiscal year 1978
had been approved with an anticipated deficit of $600,000. He stated that,
since that time, the centers were approached with a view to establishing a
contingency fund and that the result has been that the budget now shows a pro-
jected surplus, with a contingency fund which is expected to reach $2.2 million.

Mr. Sweeten reported that the impasse continues on budgetary discussions
in the General Assembly and that the situation is being carefully monitored
so that any appropriate moves may be taken toward maximizing the Commonwealth
appropriation to the University.

Dr. Langfitt explained the need to authorize a loan of up to $1
million to Graduate Hospital in order to make up the $1 million in the
Pepper Fund which the hospital is having to apply against the bond
issue for the $35 million renovation project. He further explained that
the loan would be offset by reducing the ten year contingency guarantee
of $3 million correspondingly.

Dr. Johnstone commented on the resolution regarding the proposed
Annenberg Center for Visual Communications which would be presented for
action in the open session. He noted that the resolution would call for
agreement in principle on the establishment of such a visual archive of
man's achievements in the arts and sciences, subject to the development of
a feasible plan and a favorable ruling by the Internal Revenue Service.

Adjourned.

Robert G. Lorndale
Associate Secretary