EXECUTIVE BOARD OF THE TRUSTEES
OF THE UNIVERSITY OF PENNSYLVANIA
MINUTES OF THE STATED MEETING
20 March 1980

A stated meeting of the Executive Board was held on Thursday, 20 March 1980. Those attending included: Paul F. Miller, Jr. (chairman); David C. Auten, Samuel H. Ballam, Jr., Richard P. Brown, Jr., Henry M. Chance II, John W. Eckman, Carl Kaysen, Martin Meyerson, John B. Neff, Jacqueline G. Wexler, Shelley Green, Vartan Gregorian, Matthew Hall, Thomas Langfitt, Marshall Ledger, Robert Lorndale, Randy Marks, William Owen, Mitchell Portnoy, Joyce Randolph, Donald Sheehan, Benjamin Shen, Jon Strauss, and Barbara Wiesel.

I. Call to Order

No motion was presented for the approval of the minutes of the meeting of 6 December 1979. A motion for their approval will be made at the next meeting.

II. Report of the Chairman

A. General Comments

Mr. Miller reported that he had appointed Anthony S. Minisi to the Trustee Board of the Hospital of the University of Pennsylvania.

B. Campaign Progress Report

1. Mr. Miller noted that with gifts of $234.5 million as of 14 March the University had reached 91 percent of its $255 million goal.

2. The chairman also pointed out that participation in Annual Giving was up by 2,700 donors this year over last year. Gifts total about $3.4 million, and he expressed optimism that Penn will reach its $6 million Annual Giving goal. A telephone solicitation program, which is still underway, has resulted in gifts from many persons who might not otherwise have responded to the University's fund appeal.

III. Report of the President

A. General Comments

Mr. Meyerson reported that since the last meeting of the Executive Board, he and other University officials had met in Harrisburg with state government officials to urge an increase in state appropriations to the University for the next fiscal year. At this time, it appears that the legislature will provide only a 3 percent increase in the level of Commonwealth support, and the University is attempting to persuade members of the Assembly to increase aid, particularly for the School of Veterinary Medicine.

Mr. Meyerson further noted that since the meeting in Harrisburg, President Carter had proposed unspecified cuts in the federal budget which are certain to have both direct and indirect effects on the amount
of government money available to universities. "As an institution greatly
affected by inflation, we applaud efforts to curb inflation", he said. "But
at the same time, we will be severely disadvantaged by such efforts".
The president concluded that there will be increasing pressure on the
University to review its allocation of man/woman power in the months
ahead.

B. Budget Update
Dr. Strauss commented that while the University had entered FY '80 with
balanced budget, the unpleasant surprise it received in the form of a
surcharge on energy posed an immediate $4 million problem. To solve it,
Penn will have to utilize reserves originally earmarked for repayment of
a debt incurred to finance new residences, though, Dr. Strauss
emphasized that the University remained resolved to pay off its loan
completely in the years ahead. In 1980-81, he continued, the University
faces a projected deficit of $2 to $5 million. Plans to avoid it, involve
consultation with the deans of schools and directors of centers which will
take place within the month. A greater increase in tuition than was
previously considered is also necessary, and the vice president for budget
and finance said it will be essential to hold down administrative costs.
Dr. Strauss concluded, however, that he is confident that a realistically
balanced budget for FY'81 will be presented to the Trustees in June.

C. Greater Philadelphia Organization for Clinical Trials (GPOCT)
Dr. Langfitt gave the background of the University's participation as a
founding member in the Greater Philadelphia Organization for Clinical
Trials. He explained that it was a cooperative venture between several
medical centers, the Greater Philadelphia partnership, and the local
pharmaceutical industry to facilitate clinical trials of new drugs.

GPOCT involves no financial commitment on the part of the University,
at this time. Mr. Eckman characterized it as a "pioneer undertaking"
which maximizes city resources and should attract new business.

Action: Resolution on University Participation as a Founding Member in
the Greater Philadelphia Center for Clinical Trials.

INTENTION:
The University proposes to become an initial member of the Greater
Philadelphia Organization for Clinical Trials, a corporation to be
established under the non-profit corporation law of the Commonwealth
of Pennsylvania for the purpose of conducting pharmaceutical research
including the clinical testing of pharmaceutical compounds. The initial
members of the corporation, in addition to the University, are to be:
Greater Philadelphia Partnership; Thomas Jefferson University; Temple
University; Medical College of Pennsylvania; Hahnemann Medical
College and Hospital; and Philadelphia College of Osteopathic Medicine.
The Corporation is being established to improve the efficiency of testing
new pharmaceuticals through coordination of the medical resources in
Philadelphia. No University financial commitment, actual or contingent,
will be required. The costs of operating the Greater Philadelphia
Organization for Clinical Trials will be met from fees paid from
pharmaceutical companies desiring clinical trials of their products and
from research grants and contracts. Initial financing will be provided by

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several local and regional firms.

The draft Articles of Incorporation and By-laws of the Greater Philadelphia Organization for Clinical Trials have been reviewed by University Counsel. Counsel has judged the University to be adequately protected against potential liability by virtue of its membership in the Corporation by adding Greater Philadelphia Organization for Clinical Trials as a named insured on the University's liability insurance policy. Activities carried out by the University staff on behalf of the Greater Philadelphia Organization for Clinical Trials shall conform to all applicable University regulations, including those monitored by the Committee on Studies Involving Human Beings.

RESOLVED, that the University of Pennsylvania become a member of the Greater Philadelphia Organization for Clinical Trials and that appropriate University officers be authorized to undertake those steps necessary to effect University membership, provided that adequate provision is made to protect the University against liability.

Action: Resolution on Appointment of University Nominees to the Board of Trustees of the Presbyterian-University of Pennsylvania Medical Center was adopted as follows:

In anticipation of increasingly closer interinstitutional ties in medical education and the delivery of health services, an agreement reached in 1965 between the University of Pennsylvania and Presbyterian Hospital of Philadelphia provided that the hospital's name be changed to Presbyterian-University of Pennsylvania Medical Center and that the University nominate up to one-third of its Board of Trustees. As there are 39 members on the Board of Trustees of Presbyterian-University of Pennsylvania Medical Center, the University is eligible to nominate 13 to the Board.

RESOLVED, that the following individuals be designated as University of Pennsylvania nominees on the Presbyterian-University of Pennsylvania Medical Center Board of Trustees: In the Class of 1980: Mr. James G. Calhoun, Mr. Richard L. Duffield, Mr. Clifford E. Frishmuth, Mr. Charles Kenkelen, Mr. Harry G. Kuch, Dr. Paul M. Pitts, Mr. Laird H. Simons, Jr., Geoffrey Stengel, Esquire, Mr. Robert G. Ward; Class of 1981: Mr. Richard G. Dunlop, and Mr. Maximilian Martin; Class of 1982: Mrs. Lillian S. Brunner and Thomas W. Langfitt, M.D.

IV. Report of the Provost

Dr. Gregorian began by reviewing the discussion held in University Council (UC) on United Way. It came up because the local press recently called to public attention a five-year-old pact between the Archdiocese of Philadelphia and the umbrella organization whereby United Way of Southeastern Pennsylvania agreed not to fund charities whose activities are in opposition to Church beliefs. Like other public and private institutions, Pennsylvania facilitates contributions to United Way through payroll deductions. The provost said that in their discussion, UC members expressed opposition to the idea that any member-organization should have veto power over United Way's allocation of gifts and questioned a pattern of giving which appeared to discriminate against groups perceived by United Way as marginal. But it was pointed out to members that the leadership of United Way would review the organization policy in a meeting on 26 April so they referred the matter to Steering Committee.

They also referred to Steering Committee the question of foreign research guidelines. Dr. Gregorian said.

Turning to other matters, he reported that his office was developing budgetary

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guidelines as a basis for discussions with deans and directors, which will be held prior to the presentation of budget for FY '81 to the Budget and Finance Committee of the Trustees.

Dr. Gregorian then asked and received approval of two resolutions.

Action: The Resolution on Appointments and Promotions was approved with a correction on page 3, changing the heading "Graduate School of Fine Arts" to "The Graduate School of Education."

Action: The Resolution on Departmental Name Change was approved as follows:

Intention:
The chairman and faculty of the Department of Chemical and Biochemical Engineering have requested a name change for their department. They feel that the name change would better reflect the instruction and research actually being pursued.

RESOLVED, that the department presently known as the Department of Chemical and Biochemical Engineering be changed to The Department of Chemical Engineering.

V. Trustee Committee Reports

A. Trustee Board of the Hospital of the University of Pennsylvania

Mr. Ballam reported that for seven months ending 31 January 1980, the hospital had an excess of revenue over expenses of approximately $900,000, which is some $265,000 over budget. The increased revenues, he said, are primarily the result of very high activity at the hospital. For the first seven months of the current fiscal year, both admissions and patient days are in excess of the budgeted figures and above the activity level for the same period last year.

Mr. Ballam also reported that the hospital is moving forward with Phase III and Phase IV of its long-range construction programs. Phase III has been approved by the local Health Systems Agency and the Commonwealth's Department of Health. The plans will be going out for bids soon.

The chairman further reported that the Joint Commission on Accreditation of Hospitals had accredited the Hospital for another year. Recommendations formulated as the result of a survey made by the Commission in September have been circulated to hospital personnel for corrective action, where appropriate. The hospital has received a licensure renewal from the Commonwealth on the basis of another survey conducted in February 1980.

Mr. Ballam said that higher fuel cost passed on to the University by the Philadelphia Electric Company will raise the hospital's energy costs for FY'80 approximately $1.4 million over budget. To minimize the effects of the increase, the hospital has raised prices charged to patients and initiated a major energy conservation program.

The chairman also reported that the hospital has received a $56,000 grant from the W.W. Smith Charitable Trust to support medical programs for the poor.

He went on to say that the Trustee Board had recently approved a policy of public meetings in fulfillment of the requirements of the Sunshine Act.
Mr. Ballam concluded his report by noting that in November the House of Representatives had defeated a hospital cost containment act opposed by the hospital industry on the basis of its perceived implications for improvements in the delivery of health care. A substitute measure which was passed by the House reaffirmed the ongoing voluntary effort of hospitals to control costs. The Trustee Board has reviewed and approved HUP's commitment to the 1980 goals of the voluntary restraint program.

B. Committee on Budget and Finance

1. Mr. Eckman reported that the major policy decision before the committee was the amount of tuition and fees for 1980-81. He called upon President Meyerson who explained the University's dilemma was how to keep increases in tuition as low as possible while keeping increases in wages and salaries as high as possible. "It is with great sadness," he said, "that we recommend the figures we do for next year." Mr. Eckman pointed out that the committee had given the most serious consideration to where changes in Penn's charges stood in relation to disposal income and to the tuition and fees of other institutions to which the University compares itself. "Is there any other way," Mrs. Wexler asked, "to balance costs and income? Could Penn take a few more students without affecting the quality of its educational offerings?" Mr. Meyerson replied that a significant change in the number of students would change the character of the University in such a way that in the end no one present would countenance them. But what is clear, he said, is that some of the services provided by the administration will not be able to be provided in the future. We must have "manning tables" for every segment of the University, he continued, and we must continuously review them with the greatest care. It is essential, he concluded, for Penn to think imaginatively about its problems. Consideration must be given to what kind of private financing we will need after the conclusion of the Program for the Eighties and to what we can do in collaboration with other institutions.

Action: Recommendation on tuition and fees for 1980-81 was approved as follows:

INTENTION:
It is necessary to increase tuition and fee rates for Academic Year 1980-81 to cover escalating costs of education.

RESOLUTION:
RESOLVED, that the tuition and fee rates listed below be approved:
Undergraduate Tuition and Fees: $6,000 (up 13.89% from $5,720)
Graduate Tuition and Fees: $6,300 (up 13.62% from $5,545)
(and serving as a floor for all professional tuition and fees)

The tuitions for professional students in the schools of Dental Medicine, Medicine, and Veterinary Medicine will be determined administratively to reflect budget requirements now being developed and will be announced on or before 15 April. Part-time tuition and fee rates will be increased proportionately from those of academic year 1979-80. The now completed tuition and fee structure can be found in the Appendix to the Minutes.

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2. Mr. Eckman next introduced a recommendation on the sale of Wharton Econometric Forecasting Associates (WEFA) to Ziff Corporation, superseding the one in the Gray Book. He explained that the terms of sale were not explicit because the agreement was a very complex one involving many variables which would, however, provide a return greater than the University's investment. Mr. Miller recalled how WEFA had been set up 17 years ago by Professor Lawrence Klein as a non-profit, non-commercial research institute. "He intended it to benefit Pennsylvania, not himself," the chairman of the Trustees said. "Now its sale will benefit the University by providing resources which would not otherwise be available. We all have a deep sense of obligation to Larry Klein." President Meyerson asked that the University's gratitude to the Wharton economist be put in the record, and assured the Trustees that arrangements are being made to maintain a continuing relationship with WEFA.

Action: The Recommendation of the Budget and Finance Committee to accept the Ziff Corporation proposal for WEFA was adopted as follows:

RESOLVED, that the proper officers of the University be and hereby are empowered, with guidance of counsel, to enter into binding agreements with Ziff Corporation or its designated subsidiary for the sale of Wharton Econometric Forecasting Associates, substantially in accord with the terms of the offer received from Ziff.

3. Mr. Eckman then introduced a resolution on the sale of Uni-Coll to the RAC Corporation. He said that the University would retain access to its services for three years at discount rates. Lengthy negotiations were completed to the satisfaction of Drexel and other institutions, which hold 48 percent interest to Penn's 52 percent interest in the computing service. The sale was characterized as another example of turning a University investment over to private enterprise at a profit.

Action: The recommendation of the Budget & Finance Committee for the sale of Uni-Coll was adopted as follows:

RESOLVED, that the officers of the University are authorized with the guidance of counsel to consummate the sale of the University's interest on Uni-Coll on terms in substantial conformance with those discussed at the meeting.

C. Investment Board

1. Mr. Neff reported that the total market value of the Associated Investment Fund (AIF) on 18 March 1980 was $123.2 million or $172.59 per share. Equities represent 59 percent of investment, and cash, bonds, convertibles, and residual assets combined represent 41 percent. It is estimated that gross investment income for the next 12 months will be approximately $10.27 million, or 8.3 percent of current market value.

Mr. Neff went on to say that $135,000 has been added to the Fund since 1 January 1980. The number of participating units has also increased, hence the per share net asset value and projected income figures are directly comparable. On a per share basis, the AIF is 3.2 percent below
its value on 28 February 1979. The common stock portion of the Fund, adjusted for transactions, has risen 9.3 percent in that time, however, which compares to a 0.9 percent decline by the Dow Jones Industrial Average and an 8.1 percent gain by the Standard & Poore (S & P) 500 Stock Average.

In the period since 31 December 1979 the AIF per share value has decreased by 8.1 percent while the common stock portion, adjusted for transactions, has declined 6.9 percent. The Dow Jones Industrial Average is down 4.4 percent while the S & P is down 3.6 percent for the same period. Since 29 February 1980 the AIF per share value has declined 3.6 percent. The common stock section, adjusted for transactions, has decreased by 6.0 percent while the Dow Jones Industrial and the S & P 500 Averages are down 7.1 percent and 8.4 percent, respectively.

2. Mr. Miller requested and received the unanimous consent of the Executive Board for the suspension of Article XV of the Statutes, thus allowing for the nomination of F. Stanton Moyer to the Investment Board.

Action: Resolution on Nomination of F. Stanton Moyer to the Investment Board was adopted as follows:

RESOLVED, that the number of members of the Investment Board of the University be increased from 11 to 12 and that Mr. F. Stanton Moyer be elected as an additional member of the Investment Board.

FURTHER RESOLVED, that the number of members of the Board of Directors of Franklin Investment Company be increased from 11 to 12 and that Mr. Moyer be and he hereby is elected as a member of the said Board of Directors to serve until the next annual meeting thereof and until his successor is elected and qualified.

FURTHER RESOLVED, that (in view of the fact that the University of Pennsylvania is the sole member of Franklin Investment Company), the foregoing resolution will be deemed and considered as having been adopted at a meeting of the Franklin Investment Company.

Adjourned.

Respectfully submitted,

Mary Ann Meyers
Secretary