EXECUTIVE BOARD OF THE TRUSTEES
OF THE UNIVERSITY OF PENNSYLVANIA
MINUTES OF THE STATED MEETING
28 April 1980


I. Call to Order and Approval of Minutes
The minutes of the meeting of 20 March 1980 were approved as written by the Secretary.

II. Report of the Chairman
A. Campaign Progress Report
1. Mr. Miller stated that the University had reached 95 percent of its $255 million goal for the Program for the Eighties. Since the Executive Board meeting on 19 March, he noted that campaign receipts had increased by $18 million to a total of $241.3 million. Cash received amounts to $165 million, and the projection is for close to $175 million in cash by 30 June.

2. Mr. Miller also pointed out that Annual Giving now totals $3.5 million. Receipts are ahead of last year, he said, but they are slowing down a bit, so the University continues to need help in reaching its goal of $5.5 million. A telephone/mail solicitation program, which is still underway, has resulted in gifts of $4.5 million.

B. General Comments
The chairman announced that following the stated meeting members of the Executive Board would meet with the Consultative Committee for the Selection of a President to hear a progress report on the status of the search.

III. Report of the President
A. President
1. General Comments
Mr. Meyerson told the board that, as the members knew, Arthur E. Humphrey, dean of the School of Engineering and Applied Science, had announced his intention to resign this summer to accept the position of provost and vice president of Lehigh University. "We will miss him very much," the president said. He added that after review with the Council and the Faculty of Engineering and Applied Science...
and with the Executive Board, he and the provost had appointed Joseph Bordogna, associate dean for graduated education and research, as acting dean. "As the provost points out," Mr. Meyerson continued, "Dr. Bordogna's appointment in no way prejudices his candidacy in the search process. We are delighted that he has agreed to take on this assignment."

The president further reported that the University has a patent policy which calls for the establishment of an internal research foundation by the fall term. "We hope," he said, "that seed money will be found for it within the Program for the Eighties. As time goes on," he continued, "the money will be supplemented by other sources, including returns on patents." The president further noted that the patent policy developed by the University is one that shares returns between Penn and the inventor on a sliding scale starting with 50 percent and going down to 10 percent. "We have no illusions that there will be vast returns in the next several years," he said, "but there can be pleasant surprises. Had we been more diligent at the time of ENIAC a generation or two ago, we might well be the richest University in the world."

"Or lost the world's biggest patent suit to IBM," Mr. Miller interjected.

The president went on to distribute the University statement on United Way which was derived from discussions taking place in the University Council. He said he had been informed by United Way that it would have a new policy by 8 May and it is apt "to be one the University Council will find agreeable."

Mr. Meyerson then reported that the Steering Committee of Council had been given the assignment (which it, in turn, had passed on to a group of students) of finding a "superior way" to choose baccalaureate and commencement speakers. Some variation of the present policy will be developed before the end of the academic year. A good deal of the difficulty plaguing the selection of speakers in 1980, Mr. Meyerson said, stemmed from the failure of students to honor their pledges of confidentiality.

2. **Budget Update**

Dr. Strauss reported that at the Budget and Finance Committee meeting scheduled for 14 May a detailed review would be made of the University's fiscal 1980 performance to date, as well as of the basis for and the current progress on the 1981 budget. "Right now we fully expect that the fiscal 1980 budget will be balanced," he said. "As for the fiscal 1981 budget, we are approaching closure, and we have not found it necessary yet to commit the federal roll-forward funds we had set aside to retire the accumulated deficit."

Secretary
The vice president for budget and finance went on to say that the University has several major problems. "Certainly, the effect of the impending recession on our budget needs further investigation," he observed. "Also, we are very dependent on our state appropriation, and that almost surely will not be passed until we have to finalize our budget. We are worried," he said, "about President Carter's budget for next year, particularly its impact on research support and capitation support for education and training in the health areas. The last problem," Dr. Strauss noted, "is the cost of utilities. Based on projections made by Philadelphia Electric Company (PECO), the University has been budgeting a significant contingency for next year, and that is fortunate," he concluded, "as in the past month the unit cost of steam is up 15 percent above the figure PECO used in projecting the cost of steam for FYI."

3. HUP Capital Program Update

Dr. Langfitt reported that Phase III of the HUP Capital Program has been presented to the HUP Board and to the Budget and Finance Committee. Both groups passed it. But there have been changes in the $13.5 million renovation program, and the vice president for health affairs turned to Mark Levitan for an update.

Mr. Levitan reminded the Executive Board that Phase III dealt with four major goals: 1) ambulatory care for departments which cannot be accommodated in the Silverstein Pavilion; 2) additional space and facilities for the pathology department; 3) major upgrading of the mechanical systems for the Gates Building and the White Building; and 4) preparation for Phase IV, the construction phase of the capital program, by vacating the Administration Building and the Medical Building (the original hospital buildings concealed now by Gates), which will be demolished in accord with the master plan. "Phase III has been approved by the Health Systems Agency of Southeaster Pennsylvania and the state," the HUP director said, "but the process took longer than originally anticipated." Now HUP is some 12 months behind in the construction cycle. The appointment of a new chairman of pathology during Phase III planning has resulted, furthermore, in programmatic changes in the area of pathology, which will mean some additional costs. The hospital has applied to the Hospitals Authority of Philadelphia for a $5.5 million loan. It is reviewing the budget for Phase III and will update it in the next 60 days. Some increase above the originally projected cost is expected, but intentions are to take it all out of HUP funds. A revised financing plan will be presented to the Budget and Finance Committee and the Executive Board within the next several months. Meanwhile, architectural and engineering work is going ahead.

Dr. Langfitt then summarized the situation by saying that while there was "some slippage, resulting in additional costs," the University plans to cover them out of funds generated by operation.
of the hospital. "We do not," he emphasized," intend to borrow any more money than we stated in the first instance."

Mr. Miller asked Mr. Levitan for a brief update on hospital operations. The HUP director said it had been an active year with projected patient days exceeded by about 4,000 days or about two percent. He added that HUP had budgeted an excess of revenue over expenditures of $2.5 million, and it looks as if the hospital revenues will exceed expenses by another half million dollars.

4. Appointments to the Boards of Overseers

a. Action: Mr. Meyerson asked for and received approval of an appointment to the Board of Overseers of the Wharton School as follows:

RESOLVED, that Samuel M. Harrell be appointed to the Board of Overseers of the Wharton School for a term of three years, effective April 1, 1980.

b. The president announced that Trustees G. Morris Dorrance Jr. and Frank K. Tarbox had agreed to Chairman Miller's request that they serve on the Board of Overseers of the Faculty of Arts and Science.

5. Mr. Meyerson commented on the success of student and faculty liaison appointments to trustee committees. A discussion of length of terms ensued in which it became clear that an inherent problem is how to strike a balance between the "memory" facilitated by extended terms and what Mrs. Mainwaring called the "freshness" which is the product of the more rapid turnover. Dr. Kaysen observed that there was an advantage—in terms of trustees and faculty learning from one another—of having as many of the faculty as is feasible serve on trustee committees. But as far as student liaisons are concerned, Mrs. Wexler said the board should be careful not to sacrifice the qualitatively different involvement possible as the result of experience. Related to the liaison issue, Mr. Meyerson said, was the contention of some former young alumni trustees that the University had failed to make good use of them once they went off the Board of Trustees. "They suggested we appoint them to boards of overseers," he continued,"and I think it is a very good idea, just as is the idea of having emeritus trustees serve on boards of overseers."

Action: The Resolution on Liaison Members to Trustee Committees was approved as follows:

RESOLVED, that the faculty members and students be named as non-voting members of appropriate Trustee committees, following in principle the recommendations of the 1978 Task Force on University Governance.

B. Report of the Provost

1. General Comments

Dr. Gregorian noted that the University had come a long way from a $7 million budgetary problem to a $2 million problem. "And we intend to eliminate that, too" he said, "without acrimony and with good
humor." He further noted that he and the president had a letter from the librarian thanking them for increasing library's purchasing power by 20 percent.

2. Appointments and Promotions

The provost called attention to the fact that there had been only one FAS tenure appointment scheduled for approval at the meeting, but as the professor had resigned, there were no tenured appointments to be made. "In 1977," he said, "we made 19 tenure appointments and since I became provost in 1978 we have made only 22 new appointments in a faculty of 1500. The figures show that in the past three years the largest gain in tenure appointments in the University has been in the Wharton School, so you see FAS has not received preferential treatment by its first dean."

The provost then asked and received approval for a resolution on appointments and promotions from the period February 21, 1980 to March 7, 1980, amended to exclude FAS reappointments.

**Actions:** The Resolution on Appointments and Promotions was approved as amended.

IV. Report of the Investment Board

Mr. Neff reported that, as everyone knew, markets continue volatile, but that at least Penn was on the right side of that volatility. "Between 31 March and 24 April," he said, "the AIF rose 6.5 percent and the common stocks rose 5 percent against a Standard and Poor (S & P) advance of 2.3 percent. Since the end of the year," he continued, "the AIF is down 3 percent and common stocks are down 3.1 percent as compared with an S & P down 3.3 percent. But that's really not too bad," Mr. Neff observed, "if you consider the amount of restructuring we've done and the costs therein—for friction if nothing else." He reminded the Executive Board that he had previously reported movement out of oils, defense, drugs, and machinery and into banks and retail. "Now we've broadened that somewhat to include even some lower-yielding equities in the fast food area. They involve a high growth rate and moderate yield. There is a moderate risk as well, but we still have most of the rest of the portfolio moored in what many people would call conservative equity investments. We've also delved a bit into the basic cyclical area, establishing a significant aluminum position and broadened both the paper and chemical entries. For the first time," he continued, "we moved out of a very non-dynamic area, namely electrical utilities. This is an area where you have a fascinating yield, but a very difficult task to convince your constituency that you need a significant price increase. Since the year's end," he concluded, "we've increased the income of the AIF by about 12 percent. Our progress from now on will be more moderate, but not unmeaningful, and we've accomplished all this without losing the growth dynamic in the portfolio."
Adjourned.

Respectfully submitted,

Mary Ann Meyers
Secretary