Minutes of the Stated Meeting
of the
Executive Committee of the Trustees of the University of Pennsylvania

18 March 1982

A stated meeting of the Executive Committee was held on Thursday, 18 March 1982. Trustees attending included: Samuel H. Ballam, Jr.; Richard P. Brown, Jr.; John W. Eckman; Sheldon Hackney; Margaret R. Mainwaring; Paul F. Miller, Jr.; John B. Neff; and Robert L. Trescher. Others present were Stuart Carroll; Richard Clelland; Elizabeth Cooper; Robin Davis; Thomas Ehrlich; Karen Gaines; Arthur Hirsch; Edward Jordan; Phoebe Leboy; Steven Ludwig; Lynn Manko; Edward McFall; Denise MacGregor; Anthony Marx; Mary Ann Meyers; William Owen; Frances Rozinski; and Donald Sheehan.

I. Call to Order

Mr. Miller called the meeting to order. The minutes of the 17 December 1981 meeting were approved as written by the secretary.

II. Report of the Chairman

Mr. Miller reported that subscriptions as of 12 March amounted to $25.3 million.

III. Report of the President

A. Dr. Hackney observed that he and others are spending a good deal of time to ensure that the right administrators are found for key positions. Noting that a search for a new dean of Dental Medicine is underway, he said search committees were being formed to identify candidates for the Wharton and FAS deanships and the position of Vice Provost for University Life. The latter committee, he pointed out, needed to finish its work quickly, and he said he hoped it would be ready to make recommendations later in the spring.

"The happy results of three completed searches are before you today," the president continued. He and Provost Ehrlich praised the thorough work of the committees which looked for a director of the University Museum and a dean of the Law School, and the president then noted that the recommendation for promoting Arthur Hirsch from acting vice president to vice president for operational services was presented with Ed Jordan's and his own hearty endorsement.

1. **Action**: A Resolution on the Appointment of a Director of the University Museum was approved as follows:

   RESOLVED, that Robert H. Dyson, Jr. be appointed director of the University Museum, effective 1 July 1982, for a seven-year term, ending in 1989.

2. **Action**: A Resolution on the Appointment of a Dean of the Law School was approved as follows:

   RESOLVED, that Robert H. Mundheim be appointed dean of the Law School, effective 1 April 1982, for a seven-year term, ending in 1989.
3. Action: A Resolution on the Appointment of a Vice President for Operational Services was approved as follows:

RESOLVED, that Arthur F. Hirsch be appointed vice president for operational services, effective 1 April 1982.

B. Academic Report

Mr. Ehrlich noted that although University administrators were consumed by an array of extremely difficult financial problems related to the FY'82 and the FY'83 budgets, academic planning efforts were going forward with good results. He observed that the University's faculty was its most important resource. Turning to the single tenure appointment before the Executive Committee, he said Marc Nerlove, proposed for appointment as professor of economics, was a "superstar in any league." Currently Cook Professor of Economics at Northwestern, Dr. Nerlove did his undergraduate work at the University of Chicago and took his Ph.D. at Johns Hopkins. The provost pointed out that he had been a full professor at Stanford, then Yale, then Chicago before taking his present post.

Mr. Ehrlich added that Dr. Nerlove will bring "a very distinguished department even more remarkable distinction."

Mr. Eckman asked why Robert Zemsky was changing his affiliation from the Faculty of Arts and Sciences to the School of Education. The provost replied that while Dr. Zemsky had begun his academic career as a historian, he had become increasingly interested in the planning, analysis, and financing of higher education. "Much of our University-wide planning effort," he added, "has benefited immensely from Bob's work."

Action: A Resolution on Appointments, Promotions, and Leaves for the period from 18 December 1981 to 11 February 1982 was approved as found on page 1 through 22 of the meeting book.

C. Financial Report

Mr. Jordan reported that the budget for FY'82 remains in balance and that there is the likelihood of a modest surplus of a few hundred thousand dollars. This pleasant prospect, he went on to say, masks two "emerging trends which are essentially unpleasant." One is that the cost of operating the schools and centers continues to be an increasing one in variance from their budgets. The other is that the rate of recovery of indirect costs from grants is slowing down. Fortunately, the executive vice president continued, money for capital projects has had to be spent more slowly than we anticipated and interest rates on short-term investments were higher than we anticipated; therefore, these trends were offset temporarily. "We worry," he concluded, "about next year." Mr. Neff asked if, in making budget projections for FY'83, the University took into account such changing conditions as the falling price of oil. Mr. Jordan answered that it did, and that projected utility expenditures (roughly $20 million) in relation to the so-called "steam loop" and the electrical rates, reflected fuel oil costs which, he said, are expected to remain flat. But the University anticipates an increase in electrical rates based on proposals Philadelphia Electric now has before the Pennsylvania Utilities Commission, the executive vice president added. "Rates have
quadrupled in the past five years," he said, "although the expectation for next year is for less than 15 percent. The extent to which tuition has been driven up by utility prices, therefore, is less a function of future inflationary increases than of past ones." Mr. Eckman observed that the compound rate of tuition increase over the past 10 years has been 9.4 percent.

IV. Reports of Trustee Committees

A. Budget and Finance Because Mr. Brown had to leave to represent a client in court, Mr. Eckman gave his report immediately preceding the provost's Academic Report, and the Resolution on Tuition and Fees was voted upon then.

Mr. Eckman reported that the Budget and Finance Committee had reviewed the University's fiscal performance to date against the FY'82 budget and had looked into the development of the FY'83 budget, particularly assumptions about income and expense. Items discussed in the category of income included tuition and fees, investment income, development efforts, overhead recoveries, sales and services, and the state appropriation. In the category of expense were student aid, faculty and administrative salaries, employee benefit rates, and utilities. "We came to the reluctant conclusion," the chairman said, "that bringing the FY'83 budget in balance would require a tuition and fees increase of 15.9 percent in addition to room-rate increases of 12.4 percent and an estimated total board increase of 11.6 percent for an overall increase in student expenses of 13.8 percent." He added that the proposed increase in tuition and fees would put the University about in the middle of those institutions with which it usually compares itself, neither the highest nor the lowest priced.

Action: A Resolution on Tuition and General Fee for FY'83 was approved as follows:

RESOLVED, that for fiscal year 1983, the undergraduate tuition rate will be $7,320 and the undergraduate general fee will be $680;

that, the tuition and general fee for graduate students will increase by a proportionate amount;

that, the tuitions and general fees for professional students will be determined administratively to reflect budget requirements of the various schools; and

that, part-time tuition and general fee rates will increase proportionately.

B. Investment Board

Mr. Neff reported that since 31 December 1981 the value of AIF common stocks has declined 4.9 percent while the Standard & Poor 500 Stock Average is down 8 percent. "At least we're on the positive side of a negative environment," he said, noting further that the value of AIF bonds has increased 4.6 percent as compared with a 2.3-percent increase in the Solomon Brothers Composite Index. The chairman then observed that since 31 December 1979 the value of the common stock portion of the AIF has risen 37.9 percent, on a total return basis, while the S & P has increased only 14 percent. During the same period, Mr. Neff continued, the value of AIF bonds has risen 11.7 percent versus a 0.5 percent decline in the Solomon Brothers Composite Index. The AIF per share value has appreciated by 27.3 percent. "Those are
hardly box-car numbers," he observed, "but they're not bad in a hostile environment."

The chairman went on to note that equities represented 66 percent of the University's current investments as compared with 70 percent at the end of December. "Our right of center representation in banks, utilities, and food stocks has been a considerable aid to the portfolio," he added. Then, observing that "electronics and oils have been pummelled lately," he said "the University has returned to that fray in a minor way with a 2.5 percent investment in the likes of Halliburton and Smith International."

Mr. Neff concluded by recalling his prediction that the low point in the economy would come in January. "There's been a 1.6 percent upturn in February," he said, "and while I don't think the economy is going to come sprinting back, I continue to think it will come back gradually. Final demand has held up well, and I would look for it to increase. If so, we will be able to show you a little better total market value. It's now $160.2 million versus $133.9 million two years ago. But in fairness, contributions are responsible for some part of the increase."

V. Overseers and Other Boards

A. Action: A Resolution on Appointments to the Board of Overseers of the School of Arts and Sciences was approved as follows:

RESOLVED, that David C. Auten, Christopher H. Browne, Robert Sheldon Evans, Philip Schlein, and Ione B. Apfelbaum Strauss be appointed to the Board of Overseers of the School of Arts and Sciences for three-year terms, beginning 19 March 1982.

B. Action: A Resolution of Appointments to the Board of Overseers of the Graduate School of Fine Arts was approved as follows:

RESOLVED, that Michael L. Ainslee, James A. Jarvis, Lawrence F. Levy, and C. David Robinson be appointed to the Board of Overseers of the Graduate School of Fine Arts for three-year terms, beginning 19 March 1982.

C. Action: A Resolution of Appointment to the Board of Overseers of the University Museum was approved as follows:

RESOLVED, that Alfred G. Zantzinger be appointed to the Board of Overseers of the University Museum for a three-year term, beginning 19 March 1982.

D. Action: A Resolution of Appointments to the Board of Overseers of the School of Nursing was approved as follows:

RESOLVED, that Mary Ann Arty, Aron Broches, Roscoe C. Brown, Jr., and Bernard J. Korman be appointed to the Board of Overseers of the School of Nursing for three-year terms, beginning 19 March 1982.

E. Action: A Resolution of Appointments to the Board of Trustees of the University Press was approved as follows:

RESOLVED, that William W. Bodine, Jr., Martin P. Levin, Martin Meyerson, and Franklyn L. Rodgers be appointed to the Board of Trustees of the University Press for three-year terms, beginning 19 March 1982.

Adjourned.

Respectfully submitted,

Mary Ann Meyers
Secretary of the University