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

10 September 1982

A stated meeting of the Executive Committee was held on Friday, 10 September 1982. Trustees attending included: Walter G. Arader; Samuel H. Ballam, Jr.; Richard P. Brown, Jr.; John W. Eckman (vice chairman); Sheldon Hackney; Carl Kaysen; Margaret Mainwaring; Paul F. Miller, Jr. (chairman); John B. Neff; and Sara S. Senior. Others present were Alfred Beers; Peter Cancllos; Stuart Carroll; Richard Clelland; Robin Davis; Ann Duffield; Thomas Ehrlich; Karen Gaines; Paul Gazzerro, Jr.; Murray Gerstenhaber; Shelley Green; William Hickey; Arthur Hirsch; Stanley Johnson; Phoebe Leboy; Marshall Ledger; Robert Lorndale; Steven Ludwig; Lynn Manko; Edward McFall; Denise McGregor; Mary Ann Meyers; Mary Nichols; Marion Oliver; William Owen; Gary Posner; James Robinson; Frances Rozinski; Ross Webber; and Dilys Winegrad.

I. Call to Order

Mr. Miller called the meeting to order.

II. Report of the Chairman

Mr. Miller reported that new subscriptions as of 7 September 1982 amounted to $7.3 million. He noted that the nine-week total is eight percent ahead of the amount raised at this time last year. Receipts of cash and securities stand at $3.5 million, which is about five percent ahead of the 1981 pace. Foundation and corporate support shows the greatest strength, together accounting for 72 percent of new subscriptions and gifts.

"Our new commitments from these two constituencies are running 10 percent ahead of last year's record results," the chairman said, "and the corporate leader so far is IBM, which has given $1 million to our School of Engineering and Applied Science to create a venture fund to be used in large part to study robotics. It is also interesting that three Japanese pharmaceutical firms have given Medicine's department of microbiology a total of $165,000 for cancer-related basic research," Mr. Miller noted. He went on to observe that foundation support has been very broad-based. "For example," he said, "we have received twelve six-figure grants from eight different private foundations for everything from renovations to the University Museum to student aid to research support."

Individual giving is just short of $1.5 million, up 10 percent from last year, Mr. Miller continued, but the mix is quite different. "Alumni support is down 88 percent and friends' support is up 221 percent," he
said. "I don't know what the explanation is, but maybe the vice president for development and alumni relations can enlighten us."

Mr. Webber responded that it was very early in the year and the numbers are relatively small compared to totals. "It's not an indication of how we will fare for the rest of the year," he said. "Indeed, increasing the number of major gifts from alumni is among our prime objectives."

III. Report of the President

A. Dr. Hackney observed that the academic year was off to a very good start. "We had a successful and expanded pre-freshman program," he said, "and move-in and opening exercises went very smoothly." The president then commented briefly on the organizational changes made in light of Edward Jordan's resignation, noting that he was aware that they imposed an increased burden on him and his staff. "One of the ways I hope to cope," he said, "is by enlisting Dr. William Hickey's help in coordinating the activities of the vice presidents of finance, operational services, and human services with whom I will meet weekly."

The president went on to observe that the University soon would submit to the Commonwealth its request for a 1983-84 appropriation of some $26 million, which is 15 percent more money than has been appropriated for the current year. "In light of the many demands on state funds, it will be a challenge," he said, "to see if we can make the legislature understand the importance of the University in Pennsylvania's economy and its importance to the quality of life enjoyed by Commonwealth citizens."

B. Action: A Resolution on the Election of a Vice President of Finance was approved as follows:

RESOLVED, that Paul Gazzerro, Jr. be elected vice president for finance, effective 10 September 1982.

C. Action: A Resolution on the Election of a Vice President for Human Resources was approved as follows:

RESOLVED, that Gary J. Posner be elected vice president for human resources, effective 10 September 1982.

D. Action: A Resolution on the Naming of Steinberg Hall was approved as follows:

Intention:

As a part of the renovation of Dietrich Hall, an addition is being erected paralleling Locust Walk and linking the north/south elements of the existing building. That addition is to be named Steinberg Hall, to honor Saul P. Steinberg, W'59, chairman of the board of Reliance Group Holdings, which made a gift of $4 million toward the renovation. The original building continues to bear the name Dietrich Hall. At the main Locust Walk entrance to Steinberg Hall, which leads through to the
existing entry to Dietrich Hall, the legend "Steinberg Hall-Dietrich Hall" will appear below the Wharton School identification. Within the atrium, Steinberg Hall will be identified, and Dietrich Hall will retain its existing identifying legends.

RESOLVED, that the addition to Dietrich Hall, which is being erected as a part of the renovation of that building, be named Steinberg Hall.

E. Academic Report
Mr. Ehrlich noted that he and his colleagues, Richard Clelland and Marion Oliver, were involved over the summer in academic planning so as to insure that budget considerations are geared to educational priorities. He observed that searches for deans were underway in several schools, and that the search for a vice provost for University Life was continuing as George Koval filled the position on an acting basis. The provost called the attention of the trustees to four nominations for tenure: C. Edwin Baker, one of the major young scholars in constitutional law who is joining the Law Faculty as a professor of law after having been at the University of Oregon Law School; Charles D. Scher, formerly of Harvard Medical School, who is joining the Medical Faculty as professor of pediatrics and becoming director of basic science research at the Cancer Center in Children's Hospital; Leif Tronstead, new professor and chairman of endodontics in the Dental Faculty, who comes from the University of Bergen in Norway; and John B. Watkins, originally from Harvard, who has been an associate professor of pediatrics in the clinician-educator track and is shifting to the standing faculty.

F. Financial Report
Mr. Gazzerro reported that preliminary year-end financial results indicated that for FY'82 the University, excluding HUP, had an operating surplus of $107,000. He attributed this good performance to 1) higher than anticipated interest earnings from temporarily invested funds, 2) the University's ability to avoid borrowing money so it had no interest expenses, and 3) lower than anticipated utility rates. The Hospital, he continued, ended the year with a surplus of approximately $5 million, including $300,000 in operating monies and $4.7 million in gifts and non-operating funds. But when the financial statements of HUP and the University are consolidated, the vice president for finance then noted, the $5 million surplus is reflected as $413,000. This difference of some $4.6 million is due to the way depreciation is handled under generally accepted accounting practices for hospitals and those for universities. The latter accounting practices call for the merger of depreciation with operating costs; therefore, an apparent deficit will continue for as long as a number of planned capital projects are underway at HUP. Mr. Gazzerro went on to observe that a break-even budget is
predicted for FY'83 despite a number of uncertainties. He noted, in particular, that the University is still unable to determine how much it can expect in indirect cost recoveries for federally-sponsored research. "Frankly, we foresee a $900,000 to 41 million problem," he said, "but we also hopefully anticipate that it can be offset by income from temporary investments."

IV. Reports of Trustee Committees
A. Budget and Finance
Mr. Eckman noted that in a meeting on 9 September, the Budget and Finance Committee had discussed all the matters touched on by Mr. Gazzerro in his report.

B. Investment Board
Mr. Neff called attention to the strong bond market. He reported that since 31 December 1981 the value of AIF bonds, on a total return basis, had increased 23.3 percent, virtually the same as the rise in the Salomon Brothers Composite Index. He noted that the common stock portion of the Fund was up 8.6 percent (total return), which was about five percentage points better than the Standard & Poor Stock Average. "The unit value of the AIF has increased 12.8 percent since year end," he went on, "and since 31 December 1979, again on a total return basis, the per share value has appreciated by 46.3 percent for an annual rate of about 15.4 percent. The makeup of that is interesting, too," he continued. "Our common stocks have risen 57.6 percent in two and three-quarter years compared with an S & P increase of 30.1 percent for the same period. AIF bonds are up 31.6 percent against a 19.7 percent increase in the Salomon Brothers Index, and that figure looks even better when you consider that we have not had nearly the long-term maturity exposure of Salomon. Our success here is a tribute to Richard Worley."

Mr. Neff went on to note that the increase in projected investment income per share since 31 December 1981 was only 4.2 percent per year, but that he expected better results in the months ahead. "We have a total of $190 million in the AIF," he said, "and while Penn's endowment does not rank among the highest in the Ivy League, it is certainly more respectable than it was in 1979 when the total was $133.9 million." The chairman also pointed out that $13.2 million has been added to the fund since the first of the year. But much of that money represents the reinvestment of endowment income, he added.

Mr. Neff then observed that the current surge in the market could well be ahead of any improvement in the economy. Noting that retail sales had been "more than a little disappointing" over the summer, while in the month of July the savings rate went up to 8.1 percent, he said that against a backdrop of 9.8 percent unemployment, the
building up of consumer confidence was "clearly going to take a while. But I believe it will happen," the chairman concluded.

V. Overseers and Other Boards

A. Action: The Resolution on Appointments to the Board of Overseers of the Law School was approved as follows:

RESOLVED, that Robert Carswell and Geoffrey C. Hazard, Jr. be appointed to the Board of Overseers of the School of Law for three years, beginning 11 September 1982.

B. Action: Mr. Eckman amended the Resolution on Appointment to the Board of Overseers of the School of Arts and Sciences to include Trustee Gordon Bodek, and it was approved as follows:

RESOLVED, that Gordon S. Bodek and T. Peter Pappas be appointed to the Board of Overseers of the School of Arts and Sciences for three years, beginning 11 September 1982.

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

RESOLVED, that Leonard A. Lauder be appointed to the Board of Overseers of the University Museum for three years, beginning 11 September 1982.

D. Action: The Resolution on Appointments to the Athletic Advisory Board was approved as follows:

RESOLVED, that Doris K. Dannenhirsch and Martha Z. Stachitas be appointed to the Athletic Advisory Board for three years, beginning 11 September 1982.

Adjourned.

Respectfully submitted,

Mary Ann Meyers
Secretary of the University