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

11 March 1983

A stated meeting of the Executive Committee was held on Friday, 11 March 1983. Trustees attending included: Walter G. Arader; Samuel H. Dallam, Jr.; Charles D. Dickey, Jr.; G. Morris Dorrance; John W. Eckman (vice chairman); Sheldon Hackney; Margaret R. Mainwaring; Paul F. Miller, Jr. (chairman); John B. Neff; and Sara S. Senior. Others present were June Axinn; Peter Canellos; Stuart Carroll; Richard Clelland; Thomas Ehrlich; Karen Gaines; Paul Gazzarro, Jr.; Shelley Green; Arthur Hirsch; Thomas Langfitt; Marshall Ledger; Stephen Ludwig; Lynne Manko; Edward McFall; Denise McGregor; Mary Ann Meyers; Gary Posner; Frances Rozinski; Pamela Seidenman; Larry Singer; Glen Stine; Ross Webber.

I. Call to Order

The chairman called the meeting to order and the minutes of the 10 December 1982 meeting were approved as written by the secretary. Mr. Miller then asked for the reports of trustee committees, as Mr. Eckman had to leave to participate in a meeting of the Advisory Committee of the Center for the History of Chemistry.

II. Reports of Trustee Committees

A. Budget and Finance

Mr. Eckman reported that at a meeting of the Budget and Finance Committee on 10 March, members had discussed four resolutions which they were recommending for Trustee approval.

1. Action: A Resolution on Tuition and Fees was approved as follows:

RESOLVED, that for fiscal year 1984, the undergraduate tuition rate will be $8,125 and the undergraduate general fee will be $755;

that the tuition for graduate students will be $8,850 and the graduate general fee will be $555;

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

that part-time tuition and fee rates will be determined administratively and will increase proportionately.

2. Action: A Resolution on the Designation of the McCabe Fund as a Fund Functioning as Endowment was approved as follows:

Intention: The Thomas B. McCabe and Jeannette E. Laws McCabe Fund since its inception has been administered as a fund
functioning as an endowment. This resolution reaffirms the intention of Thomas B. McCabe and the Trustees of the University of Pennsylvania to continue administering this fund as a fund functioning as an endowment, and that the additions to such fund from the residuary trust be added to the principal of the fund.

RESOLVED, that the Thomas B. McCabe and Jeannette E. Laws McCabe Fund has been and will continue to be administered as a fund functioning as an endowment, and that monies from the residuary trust be added to the principal of that fund.

3. In introducing the Resolution on the Purchase of Redevelopment Authority Parcel 1-3400 Walnut Street, Mr. Eckman noted that while the property would be paid for out of the University General Fund, the Fund would be reimbursed upon development of the site. Action: The resolution was approved as follows:

Intention: In accordance with the 10 November 1967 resolution of the Executive Board of the Trustees, the University is proceeding with the purchase of the Redevelopment Authority University City Urban Renewal Area No. 4, Parcel No. 1, located at the corner of 34th and Walnut Streets and consisting of 1.22 acres. It is one of the last three parcels of land covered under the 1 December 1966 agreement between the University and the Redevelopment Authority of the City of Philadelphia.

The administration is currently in the process of selecting a developer to assist in the development of the property. The scheduled date of property acquisition is 7 April 1983. The estimated costs are $695,000 plus settlement fees. Purchase will be funded from the University General Fund.

RESOLVED, that the Vice President for Finance or other appropriate officers of the University be authorized to proceed with the purchase of Redevelopment Authority Parcel 1-3400 Walnut Street.

4. Action: A Resolution on the Establishment of a Law School Student Loan Program with First Pennsylvania Bank was approved as follows:

Intention: The University administration together with the administration of the Law School are discussing with First Pennsylvania Bank the development of an educational loan program to be offered to Law School students.

The program will provide a maximum loan of $20,000 for each academic year per student at the bank's prime rate plus 1 percent, with interest payable monthly while the student is attending school. A grace period of six months is further provided each student following graduation and/or termination from the Law School, at which time principal and interest (including interest during the grace period) will be repayable over the next ten years.

The University will establish an interest-bearing Loss Reserve with the bank and maintain a balance equal to 15 percent of the total outstanding loans. Funding for this Reserve will be provided by the McKean Memorial Loan Fund which is restricted for use by the Law School.

Appropriate policies and procedures will be developed to ensure effective monitoring by both the Law School and University administration, and these policies and procedures will be consistent with the details of this loan agreement, which are to be finalized with First Pennsylvania Bank.
It is understood that should the University develop a more encompassing loan program that would be equal to this program, this program would be merged into a new arrangement.

RESOLVED, that the vice president for finance or other appropriate officers of the University be authorized to proceed, with advice of counsel, with the establishment of a Law School student loan program with First Pennsylvania Bank.

B. Audit Committee

Mr. Dickey reported that the Audit Committee had met on 24 February 1983 and reviewed the recommendations of Coopers & Lybrand. He noted that a check had been made to determine if the fees paid to the University's outside auditors were in line with those paid to auditors by other educational institutions, and it was found that they were comparable.

1. Action: A Resolution on the Appointment of Auditors was approved as follows:

RESOLVED, that Coopers & Lybrand be and hereby is appointed as accountant to audit the books of the University for Fiscal Year 1983.

C. Investment Board

Mr. Neff reported that since 31 December 1982, the per share value of the Associated Investment Fund was up 6.5 percent on a total-return basis. During the same period, the value of the common stocks portion of the Fund has increased 9.6 percent (total return) compared with an 8.5 percent rise in the Standard and Poor 500 Stock Average. The chairman went on to point out that AIF bonds have increased 3.4 percent (total return) versus a 2.5 percent rise in the Salomon Brothers High Grade Corporate Bond Index, and he reminded members of the Executive Committee that the maturity of Penn's bonds was much less than that of Salomon Brothers' bonds. "That gets into risk, risk tolerance, and the unusual nature of our fixed side," Mr. Neff said. He then noted that the portfolio carries a 10 percent liquidity. "If you phase that into the calculation of total performance, by weighting the S & P and Salomon Brothers indices," he observed, "the per share value of the AIF is up 6.5 percent compared with a 6.4 percent rise for the other two. But it's not all bad," he continued, "because the current market is one with some risk in it, and we've kept our head reasonably well. We've a little dry powder, as I've noted, so eventually we should have the opportunity we've been waiting for."

Mr. Miller noted that the total market value of the endowment on 8 March was $231 million, "and that," he said, "is the highest the AIF has ever been. The per-share value of the Fund is also the highest it's ever been, so to have done a shade better than the market in an up market is very gratifying."
D. Trustee Board of the Hospital of the University of Pennsylvania

Mr. Ballam reported that Mark Levitan had departed for his new job as president of Shared Medical Systems and that Delores Brisbon was in charge of hospital activities. He said a search committee was actively seeking a replacement for the executive director. At its meeting on 7 March 1983, the chairman continued, the HUP Board formally approved proceeding with Phase IV of the hospital reconstruction program. It will bring a resolution to the Trustees in the fall, after the administration has a chance in June to share reconstruction plans with board members.

III. Report of the Chairman

Mr. Miller reported that the development effort to date looks amazingly good. "Subscriptions and gifts, at $40.3 million, are up 26 percent over the year-earlier period," he said, and receipts of cash and securities are up 21 percent to $30.5 million. The only time in the University's history when subscription and receipt totals were ahead of their current level at this time of year was during the last two years of the Program for the Eighties campaign," he added.

Individual gifts and subscriptions are 56 percent ahead of last year, with support from alumni up 32 percent and support from non-alumni friends of the University up 83 percent. "In a year when we've had the worst recession since the Thirties," the chairman continued, "corporate gifts and subscriptions are now running nearly 50 percent ahead of FY'82 and only $500,000 behind the FY'81 all time record. Corporate receipts are up 63 percent from last year," he said.

Penn has received three foundation gifts in the $1-to-$2 million range during the last two months which have closed most of the gap between this year and 1982. "But we do not expect this year's foundation results to equal last year's," the chairman noted, "since last year we benefited from a June gift of $4 million from The Pew Memorial Trust."

Mr. Miller went on to observe that new subscriptions and gifts for faculty support and student aid, at $10.5 million, are 70 percent ahead of one year ago. Receipts for those two purposes are more than 100 percent ahead of the FY'82 pace. And Annual Giving receipts are 7 percent, or $243,000, ahead of last year's campaign, he added.

The chairman then introduced June Axinn, chair-elect of the Faculty Senate.
IV. Report of the President

A. Dr. Hackney began by assuring the members of the Executive Committee of how very seriously the administration viewed the incident which was alleged to have taken place recently in a campus fraternity house. "It has touched the conscience of the community," he said, "and I would like to read you a statement issued by George Koval, the acting vice provost.

In recent days, there have been reports in the press about an alleged incident occurring in one of our fraternity houses. Lest there be any confusion, I want to assure members of our community that a full investigation has been proceeding in accordance with well-established procedures. I expect that a report will be issued to me in the next few days as soon as that investigation is complete.

As members of the University community we have an obligation to treat each other fairly and to be guided by the highest standards of decency and respect. In the interests of fairness to all parties concerned, I want to emphasize that it is inappropriate to comment in the press or elsewhere, until University procedures have been followed and the facts are known.

B. Action: A Resolution on the Extension of the Term of Louise P. Shoemaker as Dean of the School of Social Work was approved as follows:

Intention: Dr. Louise P. Shoemaker has served as dean of the School of Social Work since 10 April 1973. During Dean Shoemaker's decade of leadership, the School has introduced curriculum innovations which respond to a variety of student needs, initiated a long-term exchange program with the University of Ibadan in Nigeria, organized a center to develop grant proposals for social work research, and begun a five-year development campaign whose culmination in 1985 will coincide with the School's 75th anniversary.

RESOLVED, that Dr. Louise P. Shoemaker be reappointed dean of the School of Social Work for a term beginning 1 July 1983 and ending on 30 June 1985.

C. Academic Report

Mr. Ehrlich observed that the "strengthening of the academic enterprise goes forward in terms of people, programs, and planning."

1. Action: A Resolution on the Designation of the Chairman of the Department of Medicine as the Francis C. Wood Professor was approved as follows:

Intention: Dr. Francis C. Wood is a distinguished emeritus professor in the School of Medicine who served for many years as chairman of the Department of Medicine in that school. His colleagues and friends have already established the Francis C. Wood Professorship to honor him. It is now recommended that this professorship be designated as a chair to be held by the chairman of the Department of Medicine to place further emphasis upon a particularly notable phase of Dr. Wood's career.

RESOLVED, that the Francis C. Wood Professorship of Medicine be and henceforth is designated as a chair to be held by the
chairman of the Department of Medicine of the School of Medicine.

2. A Resolution on Academic Appointments and Promotions for the period from January 7, 1983, to February 18, 1983, as found on pages 1 to 16 of the meeting book, was approved.

D. Financial Report

Mr. Gazzerro reported that as of 28 February, the administration projected a general University surplus of some $603,000. "This amount is exclusive of the $347,000 mandated and planned to cover the High Rise and Graduate Hospital deficit amortizations," he said. "The factors which continue to contribute significantly to the surplus are utility cost savings due to both our energy conservation program and the extraordinarily mild winter, gains in temporary investment fund income, and the gains created by the Fiscal 1982 accelerated writeoffs, which were budgeted in Fiscal 1983."

The vice president for finance went on to note that the schools and resource centers project a deficit of $1 million, which represents a $250,000 improvement over the projected deficit previously reported. "The greatest contributing factor to this improvement," he said, "has been the indirect cost recoveries related to our research effort. Shortfalls in graduate and special tuition income and fees remain the principal cause of the school deficits," he continued, "although to a degree these are tempered by savings in salary expenditures."

Mr. Gazzerro said that the director of the budget and the Comptroller's Office have met with all of the schools and resource centers to discuss current year performance. Together they identified a series of possible mid-course corrections. These are being implemented and the vice president for finance said he believes they will reduce the overall center problems.

He noted that restricted expenditures show a nominal increase of 1.1 percent. Most of the increase is in the category of endowment funds, while grant and contract expenditures decreased slightly. The current balance available in grants and contracts of $60 million is 5.2 percent greater than at the same time last year.

Mr. Gazzerro said that the latest financial statements for HUP are for the six months which ended on 31 December 1982. During that period, the Hospital had an excess of revenue over expenses of $4.6 million, which was $2.5 million greater than budget and included nearly $2.2 from operations and more than $2.4 of non-operating revenue comprised of unrestricted gifts and endowment income. An increase in net patient service revenue and
non-operating revenue, a reduction in contractual allowances, and the favorable settlement of the 1978 Blue Cross and 1980 Medicare cost reports are contributing factors to the substantial improvement in HUP's performance, he noted. The latest financial statements for the clinical practices are also for the six months which ended on 31 December 1982, and for that period, Mr. Gazzerro said the Clinical Practices had an excess of revenue over expense of $3.3 million and increased their education and development fund balances from $6.3 million to $7.3 million.

Mr. Miller noted that thanks to Mr. Gazzerro and Mr. Beers the Budget and Finance Committee was now receiving a much-improved monthly statement of the University's financial condition relative to the budget. The vice president for finance added that he wished to emphasize that the projection of a University surplus was exactly that, a projection, which was subject to many known and unknown variables. "It's only .01 percent of the overall budget," Mr. Dickey observed. Mrs. Mainwaring asked if the projected surplus included HUP, and Mr. Gazzerro said it did not. "That should always be made clear," she said, "because the University cannot use Hospital surpluses in any way." The vice president noted that for this very reason he presented a three-part financial report.

V. Overseers and Other Boards
A. Action: A Resolution on Appointment to the Board of Overseers of the School of Engineering and Applied Science was approved as follows:

RESOLVED, that Arno A. Penzias be appointed to the Board of Overseers of the School of Engineering and Applied Science for three years, effective 12 March 1983.

Respectfully submitted,
Mary Ann Meyers
Secretary of the University