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

2 December 1983

A stated meeting of the Executive Committee was held on Friday, 2 December 1983. Trustees attending included: Walter G. Arader; Samuel H. Ballam, Jr.; Richard P. Brown, Jr.; Gloria Twine Chisum; G. Morris Dorrance; John W. Eckman (vice chairman); Sheldon Hackney; John P. Hellwege; Carl Kayser; Margaret R. Mainwaring; Paul F. Miller, Jr. (chairman); John B. Neff; and D. Robert Yarnall, Jr. Among others present were: Vicki Bernstein; James Bishop; Stuart Carroll; Richard Carter, Richard Clelland, Lauren Coleman, Karen Gaines, Paul Gazzerro, Jr.; Shelley Green; Arthur Hirsch; Stanley Johnson; Thomas Langfitt; Marshall Ledger; Lynne Manko; Denise McGregor; Kenneth Meyers; Mary Ann Meyers; Helen O'Bannon; and Dilys Winegrad.

I. Call to Order
The chairman called the meeting to order and the minutes of the 9 September 1983 meeting were approved as written by the secretary.

II. Report of the Chairman
A. Mr. Miller reported that the Development Committee was being expanded in hopes of putting even more emphasis on development activities. He noted that so far FY '84 gifts and subscriptions total $19.7 million which is 29 percent ahead of last year's pace. "Interestingly," he said, "support from non-alumni friends is 80 percent greater than support from alumni. There is even more of a difference in the size of the average gift," he continued. "It's $2,510 for non-alumni friends and $300 for alumni." Foundation support, which in October was running 36 percent behind that time last year, is now only 5 percent behind, Mr. Miller said. The shift results largely from a $1,465,000 subscription from the Connelly Foundation to the School of Veterinary Medicine's Second Century Fund. The chairman noted that the grant was made at the behest of Christine Connelly, a member of the School's board of overseers, and he pointed out that the University has received $720,000 as the first payment on it.

The chairman went on to say that at $3.6 million, gifts for faculty support are running two and one half times ahead of last year. Gifts for endowment, he observed, total $5.8 million and are five times ahead of last year. Cash receipts, which in October were 6 percent behind October of 1982, are now 7 percent ahead of December 1982. In conclusion, Mr. Miller noted that the University would be able to announce several major gifts in January.

SECRETARY
Action: A Resolution on Amendment of the Resolution of 19 April 1963 on University Representatives on the Joint Committee of the Trustees of the Annenberg School and the University of Pennsylvania was approved as follows:

Intention: The University of Pennsylvania and The Annenberg School of Communications entered into their Original Operating Agreement on December 15, 1958, their Second Operating Agreement on March 11, 1966, and their Third Operating Agreement on June 30, 1982. The Original Agreement established "a Joint Committee of eight members, four members to be appointed by the School from its Board of Trustees and four members by the University from its Trustees" to facilitate cooperation between the School and the University. On April 19, 1963, the Trustees passed a resolution authorizing the chairman of the Trustees to appoint "four trustees to serve as representatives of the University on the Joint Committee" with four Annenberg School trustees. The resolution called for the "four University members" to "act on behalf of the Trustees in instructing the members of the University administration who serve as the Operating Committee under the Agreement." Since that time, the Operating Committee was eliminated, with the "day-to-day administration" of the School instead placed "in the hands of the Dean" who "shall report to the University through its Provost." The Third Operating Agreement established a Joint Committee of "not less than eight members, four members to be appointed by the School from its Board of Trustees and four members by the University from its Trustees." It further stated that "the Joint Committee membership may be increased from time to time as determined by the Joint Committee provided that its total membership, at all times, shall be composed equally of trustees from the School and the University." To bring the resolution of April 19, 1963 into accord with the Third Agreement, therefore, it should be amended to read as follows:

RESOLVED, that the Chairman of the Trustees of the University be and hereby is authorized to appoint not fewer than four Trustees to serve as the representatives of the University on a Joint Committee with not less than four members from The Annenberg School of Communications for the purpose of discharging the responsibility of the Trustees of the University in the joint administration of the educational program conducted under the direction of the Joint Committee, excepting the amendment of the Agreement.

III. Report of the President

A. Dr. Hackney observed that the University was moving rapidly forward on the Penn Plan, and expected to have the new financial aid program in place next fall. He said it had been well received by the press and had resulted in some very favorable publicity for the University. "It's going to be a very useful tool," he added. "It will aid us in attracting students from across the country."

The president went on to say that the administration was in conversation with several major computer vendors about what they might do to help the University create, on campus, a broad-based computing network. These talks should be concluded by early next year, he noted, and the results reported shortly thereafter.

Dr. Hackney then observed that the report of the committee reviewing judicial procedures has been published and will be
subject to wide-spread discussion in various campus forums. "I'm very hopeful," he said, "that we will end up with changes in the judicial system that will make it more efficient and enable us to realize justice in a higher percentage of cases."

Action: A Resolution on Commencement and Authorization for Confering Honorary Degrees was approved as follows:

RESOLVED, that a mandamus be issued by the Corporation to the president, provost, and professors for the conferring of degrees on 21 May 1984 and at any special convocations called during the year 1984.

RESOLVED, that the Executive Committee be authorized to select candidates for receipt of honorary degrees at the May Public Commencement and other convocations which may be scheduled during the year 1984.

Action: A Resolution on Naming the Nurses Residence Building was approved as follows:

Intention:

Having received authorization from the Trustees at the 21 October 1983 meeting, the University will acquire the former Philadelphia General Hospital Nurses Residence Building for use as an academic and research facility for the School of Medicine, Hospital, and other programs. The administration proposes that the building be named Blockley Hall.

The name Blockley comes from Blockley Farm, the land on which the Philadelphia General Hospital (PGH) was initially constructed in 1832 and on which the University of Pennsylvania erected its first four buildings upon relocation to West Philadelphia in 1872. Naming the Nurses Residence Building Blockley Hall will memorialize the distinguished history of PGH and link it to the University's own past.

RESOLVED, that the former Philadelphia General Hospital Nurses Residence Building, upon its acquisition by the University, be named Blockley Hall.

D. Academic Report

In the absence of the provost, Dr. Clelland presented a Resolution on Appointments, Promotions, and Leaves. He mentioned that the single tenure case before the Executive Committee was that of Janice Radway in American Civilization.

"She has been undergraduate chairman of the department for the past four years," the deputy provost said, "and she is co-editor of The American Quarterly as well as a Lindback Award winner. Her first book on ethnographic technique and literary theory will be out shortly, and it has received very fine pre-publication reviews."

Action: The resolution offered by Dr. Clelland was approved as found on pp. 1-11 of the meeting book for the period from October 13, 1983 to November 11, 1983.

SECRETARY
E. Financial Report

Mrs. O’Bannon reported that four months into FY ’84, the University was predicting a surplus at year end of $503,000 after taking care of the mandated deficit amortizations for the High Rises and Graduate Hospital. She went on to note that compared with other institutions, the University began the year with very optimistic budget projections as regards tuition and failure to meet these projections is the cause of some short falls. "We're taking action in each school where there are deficits," she said, "and we're trying to resolve the problems." HUP is running ahead of budget projections, the senior vice president noted. She said that while revenues are down slightly, the hospital has been able to adjust expenses to the lowered level of activity. In conclusion, she reported that the Clinical Practices were showing a surplus of $785,000.

IV. Reports of Trustee Committees

A. Budget and Finance

Mr. Eckman introduced two resolutions that had received the approval of the Budget and Finance Committee.

Action: A Resolution on the Gutman Center Barn was approved as follows:

Intention:

At their 21 January 1983 meeting, the Trustees approved the renovation of the barn at the Gutman Center in Upper Makefield Township, Bucks County, Pennsylvania, for use as artists' studios. Funds for the project, estimated to cost $451,138, were derived from a gift of $500,000 from the Gutman Foundation. Since undertaking the renovation, however, additional work for a sewer disposal system, water storage tank, and emergency generator, which was not previously anticipated, has been found to be necessary, and the administration proposes that an additional $48,862 be authorized to pay for it.

RESOLVED, that the additional expenditure of $48,862, which is substantially in excess of the estimated cost of the renovation previously approved by the Trustees, be and the same hereby is approved.

FURTHER RESOLVED, that all costs and expenses incurred in carrying out the renovation project authorized by the foregoing resolution which are not funded from the sources specifically cited to the Budget and Finance Committee or by gifts expressly designated for such purpose be paid, or, if previously paid or discharged out of operating funds, reimbursed out of the proceeds of the sale of a contemplated issuance of tax-exempt notes which it is proposed will be effected through a government agency to finance capital projects. To the extent the project is thus financed through issuance of tax-exempt notes, the retirement of the debt principal and associated interest expense shall be the responsibility of the Graduate School of Fine Arts, to be discharged within the established amortization period for the financing.

Action: A Resolution on the Quadrangle Dormitory Renovation Program: Utilities Systems III was approved as follows:
Intention:

The Quadrangle dormitories consist of 39 houses. The first buildings were built in 1896 and the complex was completed over the next several decades. The present renovation program began in 1977.

In Phases I through III, the University completed renovation of 14 houses: (1) Ware College House (incorporating Memorial Tower, N.Y. Alumni, Carruth, Lippincott, Smith, Hopkinson, Pitler, and Baird), $3.0 million (1977 $) funded by gifts and $1.1 million PHEFA loan; and (2) Kresge House (incorporating McKean, Baldwin, '87, Craig, Poederer, and Franklin) $2 million (1979 $) funded by Kresge ($ .25), private gifts ($1.3), and University Capital Budget ($ .45).

Phase IV, consisting of the rehabilitation of five houses (Leidy, Brooks, Bodine, Morgan, and Wilson), was approved by the Trustees in January of 1983. It is to be completed during the summer 1984, and includes: energy-saving measures; a new electrical distribution system, including emergency lighting; new plumbing and replacement or repair of showers and other fixtures; pointing of brick and masonry; and plastering and painting of rooms and corridors.

As part of the overall renovation program, the Quad's electrical and steam heating utilities systems are being upgraded in phases. The administration proposes to complete the last phase of the systems renovation during the summer 1984 at an estimated project cost of $1.14 million.

RESOLVED, that the last phase of the renovation of the Quadrangle's electrical and steam heating utilities, in accordance with the proposal presented to the meeting, be and the same hereby is approved and the vice president for finance or other appropriate officers of the University be and they hereby are authorized to proceed with such renovation and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of such renovation as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to effect such renovation.

FURTHER RESOLVED, that all costs and expenses incurred in carrying out the renovation project authorized by the foregoing resolution which are not funded from the sources specifically cited to the Budget and Finance Committee or by gifts expressly designated for such purpose be paid or, if previously paid or discharged out of operating funds, reimbursed out of the proceeds of the sale of a contemplated issuance of tax-exempt notes which it is proposed will be effected through a government agency to finance capital projects. To the extent the project is thus financed through issuance of tax-exempt notes, the retirement of the debt principal and associated interest expense shall be the responsibility of the Residences.

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

Mr. Ballam reported that HUP had received an estimate from Turner Construction Company on a fixed-price contract for Phase IV of the hospital renovation program. "We propose to go forward and sign the contract," he said, "and we anticipate receiving the approval of the Hospital Authority and Philadelphia City Council within the next two weeks. The cost of the project will be some $113 million and, as you know, we're going to finance it with 30-year tax-free bonds."
ACTION: The chairman of the HUP Board then introduced a Resolution on Reappointments and Reelections to the Trustee Board of the Hospital of the University of Pennsylvania which was approved as follows:

RESOLVED, that Samuel H. Ballam be reappointed as chairman of the Trustee Board of the Hospital of the University of Pennsylvania and that the following trustees be reappointed as members for one-year terms, effective 2 December 1983: Charles D. Dickey, Jr., G. Morris Dorrance, Jr., Margaret K. Mainwaring, and Anthony S. Minisi; and

FURTHER RESOLVED, that W.W. Keen Butcher and William J. Shaw be reelected as members for five-year terms, effective 2 December 1983.

C. Investment Board

Mr. Neff reported that the market had been churning. "But we've managed to progress a bit," he said. "The per share value of the Associated Investment Fund (AIF), on a total return basis, has increased 5.5 percent since 30 June. Bonds, again on a total-return basis, are up 4.5 percent. By comparison, the Standard and Poor 500 Stock Average is ahead less than 1 percent for the period and the same is true of the Salomon Brothers High Grade Bond Index."

Noting that the AT&T divestiture is underway, Mr. Neff said the University was doing "a little bit of optimizing. At least we hope that in selling the new telephone stock, when issued, and buying more regional operating company stock, which sells on a yield basis of about 9.1 to 10 percent, we'll find our purchase quite serviceable. This will be particularly true if there is a move in interest rates, and I don't think you'll see much activity in the total marketplace until those rates start downward. We've made the easy money. The correction in the underevaluation of financial assets has pretty well been accomplished and we're going to have to progress on a more modest scale. But I remain reasonably confident."

Commenting on longer-term results, Mr. Neff said that in less than four years, the per share value of the AIF has more than doubled on a per-share basis. "It's appreciated 105 percent while the common stock portion of the fund has risen 150 percent," he pointed out. "In that same period, the S&P had risen 88 percent. Furthermore, AIF bonds are up 62.8 percent since 31 December 1979 compared with a 46.0 percent rise in the Salomon Brokers Index."

He added that the market value of the AIF is now about $275 million whereas four years ago the value was $134 million. "There is another $45 million in endowment that is included in the Fund,"
Mr. Miller said, "We're approaching $320 to $325 million in total endowment."

Adjourned.

Respectfully submitted,

Mary Ann Meyers
Secretary of the University