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

2 March 1984

A stated meeting of the Executive Committee was held on Friday, 2 March 1984. Trustees attending included: Walter G. Arader; Gloria Twine Chisum; Charles D. Dickey, Jr.; G. Morris Dorance, Jr.; John W. Eckman (vice chairman); Sheldon Hackney; John P. Hellwege; Carl Kaysen; and D. Robert Yarnall, Jr. Among others present were: Ann Bailey; James Bishop; Stuart Carroll; Richard Clelland; Peter Conn; Ann Duffield; Thomas Ehrlich; Ellen Flax; Karen Gaines; Paul Gazzerro, Jr.; Shelley Green; Marshall Ledger; Robert Lorrndale; Edward McFall; Denise McGregor; Kenneth Meyers; Mary Ann Meyers; Helen O'Bannon; Glen Stine; and Edward Szczepkowski. Also in attendance were members of various fraternities.

I. Call to Order

In Mr. Miller's absence, Mr. Eckman chaired the meeting. He called it to order and the minutes of the 2 December 1983 meeting were approved as written by the secretary.

II. Report of the Chairman

Mr. Eckman reported that gifts and subscriptions for the fiscal year to date total $44,182,608 which is a 17-percent increase over the amount received during the first eight months of FY'83. Receipts, he pointed out, are up 16 percent over last year. Annual Giving is up 14 percent, the number of donors has increased 10 percent, and the average gift is 4 percent larger than last year.

III. Report of the President

A. Dr. Hackney commented upon the recent visit to the campus made by a group of distinguished academics from other institutions in connection with the Middle States Association's accreditation review of the University. Noting that they had been asked to focus on Penn's planning process, he said that the visitors had reaffirmed the administration's sense of how well the process was going while making some useful suggestions for improving it.

B. Academic Report

Mr. Ehrlich called attention to the appointment to tenure of Gerald L. Faulhaber as an associate professor of public policy and management in the Wharton School. A Princeton Ph.D. who has been director of strategic planning at AT&T, Dr. Faulhaber was described by the provost as a "major scholar in the field of regulatory management." Mr. Ehrlich also mentioned Martin Lesser, a native of Sweden and a Cornell Ph.D., who is joining the faculty
of the School of Engineering and Applied Science as chairman and professor of mechanical engineering and applied mechanics; Morris S. Arnold, a legal historian who returns to the Law School from the University of Arkansas where he held a distinguished professorship; and Thomas Naff, director of the Middle East Research Institute, whose appointment as a tenured associate professor of Oriental Studies in the School of Arts and Sciences, is being confirmed.

C. Financial Report

Mrs. O'Bannon announced the appointment of Frank Claus, formerly vice president of New Jersey National Bank, as director of the Penn Plan Agency. She reported that her office was in the process of receiving tuition benefit option statements from all University employees eligible to choose between the old and new benefit plans. The senior vice president also said that the "administration was projecting a very modest surplus of $541,000 in its unrestricted operating budget at year end. A six-months performance report from the Hospital," she continued, "shows that while revenues are down slightly, HUP has succeeded in reducing expenses and since 31 December 1983 has had an excess of revenue over expenses of $3.8 million. The Clinical Practices," she noted, "had an excess of revenue over expenses of $1.8 million for the first six months of 1984."

Mr. Eckman commented that the projected $541,000 surplus in the University's unrestricted operating budget represented two-tenths of one percent of that budget.

IV. Trustee Committee Reports

A. Budget and Finance

Mr. Eckman introduced nine resolutions which had previously been endorsed by the Budget and Finance Committee.

1. Action: A Resolution on Tuition and Fees for Academic Year 1984-85 was approved as follows:

Intention:

The administration proposes to establish the following tuition and fees for the academic year 1984-85:

For undergraduates, the tuition will be $8,790 and the general fee will be $810, totaling $9,600; for graduate students, tuition will be $9,565 and the general fee will be $595, totaling $10,160.

RESOLVED, that for the academic year 1984-85, the undergraduate tuition rate will be $8,790 and the undergraduate general fee will be $810; that the tuition for graduate students will be $9,565 and the graduate general fee will be $595; that the tuition 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.

SECRETARY
2. Action: A Resolution on the Renovation of Clinics in the School of Dental Medicine was approved as follows:

Intention:

The administration proposes to renovate a clinic and convert a classroom to a clinic on the second floor of the Evans Building. Recent accreditation review by the American Dental Association requires the School of Dental Medicine to renovate its main clinic to accommodate modern dental educational techniques. To accomplish the renovation without disturbing the educational program, the administration also proposes to convert classroom S-9 into a general dentistry clinic. After completion of the renovations, the School of Dental Medicine expects its conditional accreditation status will be advanced to full accreditation.

The School of Dental Medicine and the administration view these renovations as a short-term solution to the problem of adequate clinical facilities. In the longer run, the administration continues to plan for a new facility on the Philadelphia General Hospital Site to house the School of Dental Medicine.

The cost of renovations is estimated at $2,506,000. Of this amount, $956,900 is for construction; $205,100 for fees; $1,200,000 for equipment; and $144,000 for contingency. It is quite possible that the final cost may exceed this estimate by 10 - 12 percent, although every effort will be exerted to hold this project within budget. The administration proposes to advance $2,506,000 from general University funds and to amortize the advance over ten years. The School of Dental Medicine has identified funds to repay the amortization. These funds will come from savings on rental of dental clinic space, earnings on the proceeds of the sale of the Evans Collection, and current operations.

RESOLVED, that the renovation of the classroom and clinic on the second floor of the Evans Building, in accordance with the proposals 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 accomplish such renovation.

FURTHER RESOLVED, that all costs and expenses incurred in carrying out the renovation 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 School of Dental Medicine, to be discharged within the established amortization period for the financing.
3. Action: A Resolution on the Renovation of Certain Laboratory for Research on the Structure of Materials Facilities for Its Materials Research Program was approved as follows:

Intention:

The University's Laboratory for Research on the Structure of Matter (LRSM) is one of 10 nationally funded materials research laboratories (MRL) established by the National Science Foundation (NSF). It provides a collaborative base for 37 faculty from the School of Arts and Sciences (SAS) and the School of Engineering and Applied Science (SEAS).

In accord with NSF/MRL policy calling for grantees to consolidate resources around selective areas of excellence, the present NSF/MRL grant, which has recently been renewed for three years, requires the establishment of three new facilities: a High-Resolution X-Ray Facility, a Molecular Optics Facility, and a Surface Analysis Facility. It is important to the University's chances for subsequent renewal of the NSF/MRL grant that space be provided to house them.

The administration proposes renovating space in the LRSM building that previously housed the now unused magnet laboratory, its equipment, and the motor generator. The cost of the renovation is estimated at $801,350. The administration proposes advancing $801,350 from general University funds and amortizing the renovation over five years. Amortization agreements with SAS, SEAS, and designated central University resources are currently being negotiated.

RESOLVED, that the renovation of facilities that previously housed the magnet laboratory at the Laboratory for Research on the Structure of Matter, in accordance with the proposals 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 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 accomplish such renovation.

FURTHER RESOLVED, that all costs and expenses incurred in carrying out the renovation 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 School of Engineering, the School of Arts and Sciences and the designated Central University resources, to be discharged within the established amortization period for the financing.

4. Action: A Resolution on the Sale of the Berkshire Apartments Located at 4101-03 Spruce Street was approved as follows:

SECRETARY
Intention:

The University purchased this four-story, 68 unit apartment building on January 7, 1966, to house students prior to the construction of the high-rise complex. The property has a book value of $590,036, consisting of building value of $497,088 and contents of $93,948.

The property has been managed by University City Associates since its purchase and is presently the only taxable apartment building recorded on the books of the University.

The administration recommends that the Berkshire Apartments, 4101-03 Spruce Street, Philadelphia, Pennsylvania, be sold to University City Associates, by an installment sale agreement, at the book value recorded on the University's books of account at the date of settlement. It is no longer part of the University residential system.

RESOLVED, that the Trustees of the University of Pennsylvania hereby approve the sale and conveyance of the said property at the book value as recorded on the University accounts, and further hereby approve, confirm, and ratify all actions taken in connection with such sale and the acceptance of the purchase price, and hereby direct and authorize the vice president for finance or other appropriate officers of the University to proceed with the execution and delivery of the deed, all necessary affidavits and other documents required in connection with such sale and conveyance, and all other actions taken by such officers or their designees necessary or convenient to the accomplishment of said sale and conveyance of the property.

5. Action: A Resolution on the Sale of 3907 Pine Street was approved as follows:

Intention:

This property, purchased by the University on January 27, 1958, is located adjacent to the Veterinary School Small Animal Hospital. Occupied during the Small Animal Hospital construction period by engineers of the General State Authority, it has been vacant since completion of construction.

The administration has been successful in having the zoning restriction changed from residential to office use and proposes that 3907 Pine Street, Philadelphia, Pennsylvania, be sold to University City Associates at the book value of $33,740 as recorded on the University's books of account at the date of settlement.

RESOLVED, that the Trustees of the University of Pennsylvania hereby approve the sale and conveyance of the said property to University City Associates at the book value as recorded on the University accounts, and further hereby approve, confirm, and ratify all actions taken in connection with such sale and the acceptance of the purchase price, and hereby direct and authorize the vice president for finance or other appropriate officers of the University to proceed with the execution and delivery of the deed, all necessary affidavits and other documents required in connection with such sale and conveyance, and all other actions taken by such officers or their designees necessary or convenient to the accomplishment of said sale and conveyance of the property.

6. Action: A Resolution on the Sale of 114-116 South 40th Street was approved as follows:
Intention:

The University purchased this 14,500 square foot property, formerly the Alpha Sigma Phi Fraternity, on January 24, 1978. The building was subsequently razed and the property together with two other adjacent properties, one owned by the University and the other by University City Associates, have been used since that period by the University Parking Office for commercial parking.

The administration proposes that 114-116 South 40th Street, Philadelphia, Pennsylvania, be sold to University City Associates at its book value of $105,344, thereby consolidating these similarly used parcels under single University-related ownership.

RESOLVED, that the Trustees of the University of Pennsylvania hereby approve the sale and conveyance of the said property to University City Associates at the book value as recorded on the University accounts, and further hereby approve, confirm, and ratify all actions taken in connection with such sale and the acceptance of the purchase price, and hereby direct and authorize the vice president for finance or other appropriate officers of the University to proceed with the execution and delivery of the deed, all necessary affidavits and other documents required in connection with such sale and conveyance, and all other actions taken by such officers or their designees necessary or convenient to the accomplishment of said sale and conveyance of the property.

7. Action: A Resolution on the Sale of 4020-12 Sansom Street was approved as follows:

Intention:

The University purchased this 2,275 square foot property on June 16, 1967. This property together with two adjacent parcels, one of 14,500 square feet owned by the University and the other of 23,925 square feet owned by University City Associates, have been used since the late 1970's as a commercial parking lot operated by the University Parking Office.

The administration proposes that 4010-12 Sansom Street, Philadelphia, Pennsylvania, be sold to University City Associates at the book value of $48,219, thereby consolidating these similarly used parcels under single University-related ownership.

RESOLVED, that the Trustees of the University of Pennsylvania hereby approve the sale and conveyance of the said property to University City Associates at the book value as recorded on the University accounts, and further hereby approve, confirm, and ratify all actions taken in connection with such sale and the acceptance of the purchase price, and hereby direct and authorize the vice president for finance or other appropriate officers of the University to proceed with the execution and delivery of the deed, all necessary affidavits and other documents required in connection with such sale and conveyance, and all other actions taken by such officers or their designees necessary or convenient to the accomplishment of said sale and conveyance of the property.
8. In introducing the Resolution on the Purchase of 3539 Locust Walk, Mr. Eckman explained that the University has need of a facility to house the Joseph H. Lauder Institute of Management and International Studies. He noted that the administration has been involved in discussions with the alumni of Phi Kappa Sigma Fraternity for the past year over the purchase of the fraternity house which is located in Blanche Levy Park. After inspecting various properties in the surrounding West Philadelphia area, the Phi Kappa Sigma alumni, who hold title to the Locust Walk property, selected 3805-07 Walnut Street, a property owned by University City Associates, as the best available relocation side. A tentative agreement was negotiated whereby the University and the fraternity would exchange houses and the University would commit a maximum of $500,000 toward the cost of renovating and furnishing 3805-07 Walnut Street. But the vice chairman of the Trustees pointed out that there had apparently been some lack of communication between the alumni and the undergraduate members of Phi Kappa Sigma. He said the former favored the move to the new building because "the fraternity could afford the Walnut Street site, while the Locust Walk building was doubtfully affordable."

Mr. Arader, an alumni member of the fraternity, pointed out that the architectural style and the location of the Phi Kappa Sigma house gave it special importance among campus buildings. He added that although he had been unaware of the negotiations over the property, he agreed that the cost of maintaining a 65- or 70-year-old house might be too great for the fraternity. "But until the issue can be resolved between the alumni and the undergraduate members of the house," he concluded, "I would respectfully request the members of the Executive Committee to table the resolution before them and consider it again next month."

Mr. Eckman recognized Mr. Kenneth Meyers, the chair of the Undergraduate Assembly, who commented that tabling the resolution on the Locust Walk property would give the Phi Kappa Sigma brothers and their alumni an opportunity to try to raise needed funds. He said he hoped the actives would not be forced to relocate "without having any input into the process." The president of the fraternity, Stephen Theiss, upon being recognized by Mr. Eckman, also stressed the alumni members' lack of communication with the undergraduates.
The acting chairman then asked for information from the administration about the fraternity's financial ability to maintain its present house. Mrs. O'Bannon responded by noting that the Phi Kappa Sigma alumni had lead the University to believe that it was in the fraternity's long-term interest to exchange houses, giving up the property on Locust Walk for an upgraded, refurbished building off campus. "We have not, to my knowledge, looked at the fraternity's books," she said. Mr. Gazzero added that Phi Kappa Sigma's "inability to repay a debt of $55,000 to $60,000 to the University for renovations made several years ago is indicative of their financial position." Another member of the fraternity, John Jacobs, commented, upon recognition, that some of the repair work on the house had been "shodily done," and the University had failed to respond to its requests for invoices. Mr. Eckman then asked if the administration had any objections to putting off a vote on the resolution before the Executive Committee for one month, and President Hackney said that the University favored the alumni members of Phi Kappa Sigma communicating fully with the undergraduate brothers.

The vice chairman then asked for and received a second to the resolution, whereupon Dr. Kaysen moved to table it until the next meeting. "Perhaps the atmosphere for discussion will be more favorable in April," he said. His motion to table the Resolution on the Purchase of 3539 Locust Walk was seconded and received the approval of the committee. Mr. Yarnall observed that the action did not prevent the University and the fraternity from continuing negotiation. Upon recognition, Michael Greenblatt asked the Trustees to consider during the next month how the campus would look in another 25 or 30 years in relation to the mix of living and learning spaces.

9. **Action:** A Resolution on the Establishment of a Student Educational Loan Program for the Law School with the Provident of Delaware Bank was approved as follows:

**Intention:**

The University administration together with the administration of the Law School are discussing with The Provident of Delaware Bank the development of an Educational Loan Program to be offered to Law School students.

The program will provide a maximum loan of $25,000 for each academic year per student at the Bank's prime rate plus 2 percent, with interest payable monthly by the Law School while the student is attending school. A grace period of four 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 by the student over the next eight 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 by the Law School and approved by the University administration to ensure effective monitoring. These policies and procedures will be consistent with the details of this loan agreement to be finalized with The Provident of Delaware Bank.

It is understood that as the University develops an education financing program under the Penn Plan or other agency, the Law School program will 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 the implementation of this program, with advice of legal counsel.

B. Investment Board

In Mr. Neff's absence, Mr. Yarnall reported that the efforts of the chairman and Richard Worley continued to yield positive results even in the face of recent market declines. "At $275.19 on 28 February 1984, unit value of the Associated Investments Fund (AIF) is almost the same as on 30 December 1983," he said. "On a total return basis, the per share value of the AIF has increased 1.2 percent since year end. The common stock portion of the Fund has appreciated 0.6 percent during this period versus a 7.3 percent decline in the Dow Jones Industrial Average and a 4.2 percent decline in the Standard and Poor 500 Stock Average." Mr. Yarnall went on to say that AIF bonds also had done well during the past two months, increasing 3 percent (total return) as compared to a 0.4 percent rise in the Salomon Brothers High Grade Corporate Bond Index.

"This pattern of positive results is reflected even more impressively since 30 June of 1983," he pointed out. "During the past eight months, the per share value of the AIF rose 6.8 percent (total return) and the common stock portion of the Fund increased 6.4 percent versus a decline of 2.3 percent for the Dow and 4 percent for the S & P. AIF bonds rose 7.5 percent (total return) during this period," he continued, "whereas there was no change in the Salomon Brothers Index."

Since 31 December 1979, Mr. Yarnall noted, the AIF, on a total return basis, has more than doubled in value, appreciating 107.4 percent per share. The common stock portion of the Fund has increased 150.3 percent (total return) versus a 74.8-percent increase in the Dow and a 79.6-percent increase in the S & P during the four-year period. At the same time, AIF bonds also have done well. Mr. Yarnall concluded the Investment Board report...
by observing that since 31 December 1979, they have increased 67.5 percent (total return) compared to a 45.7-percent rise in the Salomon Brothers Index.

V. Overseers and Other Boards

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

RESOLVED, that Robert B. Egelston, Sybil C. Mobley, and Charles S. Sanford, Jr. be appointed to the Board of Overseers of the Wharton School for three-year terms, effective 2 March 1984.

B. Action: A Resolution on Appointments to the Board of Overseers of the School of Dental Medicine was approved as follows:

RESOLVED, that Paul Goldhaber and William D. McHugh be appointed to the Board of Overseers of the School of Dental Medicine for three-year terms, effective 2 March 1984.

C. Action: A Resolution on Appointments to the Advisory Board of the Institute of Contemporary Art was approved as follows:

RESOLVED, that Donald W. McPhail and Allen J. Model be appointed to the Advisory Board of the Institute of Contemporary Art for three-year terms, effective 2 March 1984.

D. Action: A Resolution on Appointments to the Advisory Board of Managers of the Morris Arboretum was approved as follows:

RESOLVED, that W. Russell G. Byers, Richard H. Glanton, William E. Leanard, Robert Naylor, John Wieland Oswald, and James M. Stewart be appointed to the Advisory Board of Managers of the Morris Arboretum for three-year terms, effective 2 March 1984.

Adjourned.

Respectfully submitted,

Mary Ann Meyers
Secretary of the University