A Stated Meeting of the Trustees was held on Friday, 22 June 1984. Trustees attending included: Leonore Annenberg; Walter G. Arader; David C. Auten; Samuel H. Ballam, Jr.; Julian S. Bers; Gordon S. Bodek; Richard P. Brown, Jr.; I.W. Burnham II; Howard Butcher; McBee Butcher; Susan W. Catherwood; Henry M. Chance II; Constance E. Clayton; Charles D. Dickey, Jr.; F. Eugene Dixon, Jr.; G. Morris Dorrance, Jr.; Robert G. Dunlop; John W. Eckman; James J. Gavin, Jr.; Joseph H. Glossberg; Donald G. Goldstrom; H. Samuel Greenswalt; Sheldon Hackney; John P. Hellwege; John V. James; Reginald H. Jones; Leonard A. Lauder; Linda White Hall; Robert P. Levy; Edward J. Lewis; William Thomas Lockard; David J. Mahoney; Margaret R. Mainwaring; Paul F. Miller, Jr.; Paul S. Miller; Anthony S. Minisi; John R. Neff; James A. Pappas; John H. Porter; Alvin V. Shoemaker; David L. Simms; Jacqueline G. Wexler; and Charles S. Wolf. Others present included: Jacob Abel; Vicki Bernstein; James Bishop; Grace Brill; Valerie Brodie; Mike Carroll; Richard Clelland; Ann Duffield; Thomas Ehrlich; Gwen Freyd; Karen Gaines; Paul Gazzero; Steven Goldsmithe; Shelley Green; Lal Heneghan; Stanley Johnson; Marshall Ledger; Robert Lomdale; Lynn Manko; Mary Ann Meyers; Helen O'Bannon; William Owen; Gary Posner; Nina Robinson; Randy Schilling; Lee Stetson; and Ross Webber.

I. Call to Order

Chairman Miller called the meeting to order and an invocation was offered by Chaplain Johnson. The minutes of the 22 June 1984 meeting were approved as written by the secretary.

II. Report of the Chairman

A. Mr. Miller reported that as of 19 October, the University had received subscriptions totaling $19 million. Noting further that receipts for the first three and a half months of FY'86 total $9.4 million, he pointed out that there had been a 92-percent increase in corporate support, as well as in foundation support, and a slight decline in support from alumni over mid-October of last year.

B. The chairman then observed that four trustees were completing terms of service on the board. He said their contributions had been extraordinary and he was looking forward to their becoming involved in the University in other ways.

1. Action. A Resolution of Appreciation to McBee Butcher was approved as follows:

Intention: McBee Butcher, a graduate of the College in 1961, has served as an at-large alumni trustee since 1978. But
we benefited from his good sense and willing labor even earlier
when, as president of the General Alumni Society from 1975 to
1977, he served as an ex officio trustee. He ably chaired the
former Alumni Affairs Committee and has lent his counsel as a
member of three other Trustee committees -- Academic Policy,
External Affairs, and Facilities and Campus Planning.

Son of our friend and trustee colleague Howard Butcher, III,
College 1923, and grandson of Howard Butcher, Jr., College 1898,
he was Bowl Man of his graduating class, chairman of the Houston
Hall Board, class vice president, president for Phi Gamma Delta
fraternity, a member of Kite and Key and the Sphinx Senior
Society, and a varsity soccer and squash player. Holder of
leadership roles in Alumni Annual Giving, vice president of the
Organized Classes, and a member of the Executive Committee of
the General Alumni Society, he was recognized as a dedicated
Pennsylvanian through conferral of the Alumni Award of Merit.

RESOLVED, that the Trustees of the University of Pennsylvania,
on behalf of themselves and the administration, faculty,
students, and alumni of the University, express their thanks to
McBee Butcher for his service.

2. Action: A Resolution of Appreciation to Joseph B. Glossberg

was approved as follows:

Intention: A 1963 Wharton School graduate and recipient of
the MBA degree in 1965, Joseph B. Glossberg has ably represented
the alumni of the Central Region as an alumni trustee for the
past five years. His energy and wide-ranging interests were
reflected in his having served as a member of the former
Resources Committee, External Affairs Committee, Development
Committee, Student Life Committee, and Investment Board.

As a student, he was a founding member of Connaissance and a
member of the Hockey Club, Economica, the University Band, and
Zeta Beta Tau fraternity. Since graduation he has continued to
make major contributions to his alma mater as president of the
University of Pennsylvania Club of Chicago, a director of the
Alumni Council on Admissions, annual giving chairman for Chicago
and the midwest region, and a member of the Wharton Graduate
Club of Chicago. His dedication was recognized by conferral of
the Alumni Award of Merit.

RESOLVED, that the trustees of the University of Pennsylvania,
on behalf of themselves and the administration, faculty,
students, and alumni of the University, express their
appreciation to their colleague, Joseph B. Glossberg, for his
service.

3. Action. A Resolution of Appreciation to Donald G. Goldstrom

was approved as follows:

Intention: Donald G. Goldstrom, a 1951 graduate of the
Wharton School, has been an alumni trustee, representing the
alumni of our very key Pennsylvania Region, since 1978. During
this period the Trustees have had the benefit of his sound
judgment and deep interest in sessions of the External Affairs
Committee, the Facilities and Campus Planning Committee, and the
Student Life Committee.

A cadet at West Point prior to entering the University, he
played varsity football at Penn, was a member of the Varsity
Club, the Franklin Society and the Friars Senior Society, as
well as art editor of "Penn Pics" and a senior advisor.

An active alumnus, he has been secondary school chairman and
the very effective president of the University of Pennsylvania
Club of Lancaster. For more than thirty years he has regularly
traveled to Philadelphia to cheer on the Quakers from Franklin
Field stands.
RESOLVED, that the Trustees of the University, on behalf of themselves and the administration, faculty, students and alumni of the University, express their gratitude to their friend, Donald G. Goldstrom, for his service.

4. Action. A Resolution of Appreciation to David L. Simms was approved as follows:

Intention: A 1979 graduate of both the Wharton School and the School of Engineering and Applied Science, David L. Simms has completed a three-year term as a Recently-Graduated Alumni Trustee, representing the young alumni of the undergraduate schools. During this period he has served capably as a member of the Academic Policy Committee and Budget and Finance Committee while, at the same time, taking a law degree and a graduate degree in business at Harvard University and beginning his professional career.

His competence was first exhibited to us by his wide range of activities and accomplishments as a student leader at Penn. He was vice-chair of the Undergraduate Assembly, pharissee of the Sphinx Senior Society, a member of the Steering Committee of the University Council, the engineering Students Activities Council, three University bands, and Phi Kappa Phi fraternity, a member of Hexagon Senior Society, Phi Beta Kappa, and Beta Kappa Sigma, a University Scholar, and a Benjamin Franklin Scholar. An active alumnus, he now serves as a class regional chairman for Annual Giving in Boston and an admissions interviewer.

RESOLVED, that the Trustees of the University of Pennsylvania, on behalf of themselves and the administration, faculty, students, and alumni of the University, express to David L. Simms their appreciation for his service.

C. Action. The Trustees approved Mr. Miller's request for suspension of Article 2, Section 2 (d) (3) of the Statutes.

D. Action. A Resolution of the Extension of the Terms of Recently Graduated Alumni Trustees Linda White Hall and Paul S. Miller was approved as follows:

Intention: The terms of Linda White Hall and Paul S. Miller as recently graduated alumni trustees are due to expire in October 1985 and October 1986, respectively. The Executive Committee of the General Alumni Society believes that it would be more efficient to conduct the nominations and selection process for their successors in the fall rather than during the summer months when it is difficult to obtain faculty references for recently graduated alumni. To inaugurate the new timetable, it is necessary to extend the terms of the present recently-graduated alumni trustees from October to January, and the Society requests the cooperation of the Trustees.

RESOLVED, that the terms of Linda White Hall and Paul S. Miller as recently-graduated alumni trustees be extended from October 1985 and October 1986, respectively, to January 1986 and January 1987, respectively.

III. Report of the President

A. Dr. Hackney called attention to the various celebrations that have taken place at the University this fall, including the 100th Anniversary Convocation of the School of Veterinary Medicine, the dedication of the Thomas S. Gates Seminar Room, the dedication of the David W. Devon Medical Imaging Center, the groundbreaking for Phase IV of the HUP renovation project, a ceremony associated with the establishment of the Louis I. Grossman Professorship of Dental
Medicine, and the ongoing festivities in connection with the tenth anniversary of the founding of the School of Arts and Sciences. He mentioned that a 75th anniversary convocation is planned for the School of Social Work in the spring and that the School of Nursing will hold a convocation next fall in celebration of the 50th anniversary of its founding.

Turning to external affairs, the president observed that following the election there is sure to be a two-pronged Congressional attack on the problem of the national deficit. "In terms of cost containment," he said, "higher education will be viewed by many in Washington as just another special interest group, anxious to keep the trough full so we can feed comfortably at it. But that isn't right," Dr. Hackney continued. "The University of Pennsylvania and her sister institutions represent the best opportunity the country has to invest in the future. We need to make our case very forcibly, and I hope you will help us do it in a very aggressive way. On the revenue enhancement side," he went on, "there is a growing effort to enact tax reform legislation, and among the proposals under consideration is one for a flat tax that would disallow a variety of presently legal deductions. We have a strong interest in making sure that the price of a donation to the University is as low as possible. We need to make certain that the tax system does not discourage or penalize substantial giving to educational institutions."

The president discussed the details of the Bradley-Gephardt Bill, pointing out that it protects charitable deductions at only the 14-percent rate. "The bill could be reformed," he said, "by allowing deductions at the donor's actual tax rate. We need to watch this legislation very closely and, in cooperation with others, see that our interests are well represented in Washington. Congress must understand the importance of the charitable deduction to the higher education and research enterprise and, indeed, to the country at large."

B. Action. A Resolution on the Election of Frederic B. Saxe as Vice President for Facilities Management was approved as follows:

RESOLVED, that Fredric B. Saxe be elected Vice President for Facilities Management, effective 12 November 1984.

C. Academic Report

Mr. Ehrlich commented on the enthusiastic response of the freshmen to New Student Week, including a lecture on memory that Professor Henry Gleitman, the day's luncheon speaker. He noted that the schools and resource centers were refining their five-year plans, adding that within the year the administration expects to publish aspects of that effort. He called attention to the article on University computing by Marshall Ledger in the October issue of The Pennsylvania Gazette. He noted that the Faculty Council on
Undergraduate Education was continuing its work, and "I have high expectations," he said, "that this first of the special challenges identified by the president in Choosing Penn's Future are being vigorously addressed." The provost went on to observe that the second challenge, continued research excellence, was being addressed through several research development and computer funds. "The third challenge, meeting student needs for financial assistance, is moving ahead on the undergraduate level with the Penn Plan," he said, adding that the University was also providing increased support for its graduate fellowship program. Mr. Ehrlich cited the break-in at the School of Veterinary Medicine's animal research laboratory as one of the year's more troubling problems. In conclusion, he observed that a new student judicial system was in operation and will be reviewed as the year progresses.

1. Action. The Resolution Authorizing the Conferral of the Degree of Master of Science in Epidemiology was approved as follows:

   Intention: The School of Medicine has proposed that it be authorized to confer the professional degree of Master of Science in Clinical Epidemiology. To be eligible for this degree, a candidate would have an M.D. degree and successfully complete a course of study and research under the supervision of the faculty in the Clinical Epidemiology Unit of the Department of Medicine.

   The program trains physicians from the United States and developing countries as clinical epidemiologists. The Andrew W. Mellon Foundation provides fellowships to the physician trainees from the United States, and the Rockefeller Foundation provides support for the physicians from developing countries. Penn's clinical epidemiology program is one of three that are funded by the Rockefeller Foundation. The others are at McMaster University in Canada and the University of New Castle, Australia. Both institutions confer the Master of Science degree in recognition of the successful completion of clinical epidemiology training.

   The proposal to grant the professional degree of Master of Science in Clinical Epidemiology at Penn has been approved by the School of Medicine's Long Range Planning Committee and the Medical Faculty Senate. The proposal for granting the degree also was reviewed by external consultants during the summer of 1984. The recommendations of the external consultants read, in part: "The site visitors were enthusiastic about the establishment of this degree program. The Clinical Epidemiology Unit of the University of Pennsylvania has achieved international recognition as an innovative program and established a leadership position in this new field. It is fully qualified to offer this degree program." The proposal is supported by the provost and the president.

   RESOLVED, that, upon the recommendation of the president and provost, the degree of Master of Science in Clinical Epidemiology, as proposed by the School of Medicine, be approved.

2. Action. A Recommendation of Appointments and Promotions was approved as found on pages 1 through 15 of the meeting book.

D. Financial Report

Observing that the recruitment of key personnel had been among her major summer activities, Mrs. O'Bannon introduced Marna
Whittington, the new vice president for finance, and expressed her delight that Frederic Saxe would be joining the administration as vice president for facilities management. The senior vice president noted that she also had appointed a treasurer, director of physical plant, director of purchasing, and director of internal audit. She further pointed out that she had reconstituted the management studies group under the Office of Financial Planning and Analysis, adding three analysts.

Turning to physical changes on the campus, she said that Hillel was moving forward with its annex, construction of the addition to the Annenberg School was underway, renovations of the Franklin Field stands were progressing, a greenhouse was being built in connection with the Physical Science Building, and, as the president had mentioned, ground had been broken for Phase IV of HUP's rehabilitation project. She noted that during the past five months a staff had been put together to order, inventory, test, and deliver more than 2,000 computers. Sales are close to $4 million.

"In the area of personnel," Mrs. O'Bannon went on, "we have begun a wellness program that includes offering encouragement to faculty and staff who are trying to quit smoking, as well as helping them learn CPR, understand the benefits of exercise, and relearn the value of good nutrition." She said a supervisory training program had been instituted and another program begun to help secretaries refresh their skills and understand the office of the future. "We've also started to explore the feasibility of flexible benefits for faculty and staff," she added.

"On the financial side," the senior vice president continued, "the University has begun to look into a way of setting up an equipment-purchase fund that will allow us to reduce the level of leasing from outside vendors by financing leases internally at what we expect will be considerable cost savings." She observed that the administration also was working on trying to improve the capital planning process. She called attention to the FY'84 Financial Report mailed to the Trustees before the fall meeting, noting that the University had ended the year with a $48,000 surplus after transferring $700,000 to the Undergraduate Education Fund. "Three months into FY'85," she said, "we are projecting a modest surplus of $103,000 on a $750 million budget."

IV. Trustee Committee Reports

A. In the absence of Dr. Kaysen, Mrs. Catherwood reported that a meeting of the Academic Policy Committee on 18 October had focused on the School of Arts and Sciences on the occasion of the School's tenth anniversary celebration. She noted that Dean Joel Conarroe and Associate Deans Walter Wales and Ivar Berg had discussed the mission of SAS, its future, and the thinking behind their long-range
planning efforts. Mrs. Catherwood added that Dean Edward Stemmler had briefly reviewed with the committee a Resolution Reaffirming the Important Historic Affiliation between the School of Medicine of the University of Pennsylvania and The Pennsylvania Hospital.

1. Action. The Resolution Reaffirming the Important Historic Affiliation Between the School of Medicine of the University of Pennsylvania and The Pennsylvania Hospital was approved as follows:

   Intention: The School of Medicine of the University of Pennsylvania, the nation's first medical school, and The Pennsylvania Hospital, the nation's first hospital, have provided one another with mutual support and enrichment in pursuit of their individual and shared institutional purposes over the many years of their distinguished histories. The care of patients, the education of generations of physicians and surgeons, and the development of new biomedical knowledge continues to flourish from the close relationship between the University and the Hospital.

   Now, therefore, the Trustees of the University of Pennsylvania are

RESOLVED, that the important historic affiliation that has been mutually beneficial to the joint and individual purposes of the respective institutions be continued and nourished.

Mr. Miller observed that he expected Pennsylvania Hospital's board of trustees to pass a similar resolution. He went on to say that Mrs. Mainwaring had agreed to join him and two members of the Pennsylvania Hospital board in reviewing the relationship between the hospital and the School.

2. Report of the Board of Overseers of the School of Arts and Sciences

Mr. Eckman reported that the Board of Overseers of the School of Arts and Sciences had established committees focusing on the humanities, social sciences, and natural sciences. "Each committee," he said, "meets once a year and the board as a whole has an annual meeting, which, on the 18th, coincided with the SAS tenth anniversary celebration." The chairman then called attention to various events planned as part of the anniversary festivities. He noted that seven honorary degrees were awarded at a special convocation, and Mr. Miller pointed out that Mr. Eckman had been among the honorary degree recipients. (The others were: Carolyn G. Heilbrun, professor of English at Columbia University; Charles Kindleberger, II, emeritus professor of economics at Massachusetts Institute of Technology; Arthur Miller, playwright; Ruth Patrick, senior curator at the Academy of Natural Sciences in Philadelphia; Otto Springer, emeritus University professor of German languages and former dean of the College; and Andre Watts, pianist.) "At the overseers meetings," the chairman of the SAS board continued, "we heard a report from the dean, along with presentations on the School's long-range plan and its development plan." He added that the board also had reviewed a proposal to remodel Irvine Auditorium.
3. Report of the Board of Overseers of the School of Veterinary Medicine

Beginning with the observation that for five years after the School of Veterinary Medicine admitted its first class of 29 students in October of 1884, the faculty, headed by Dean Rush Shippin Huldekopfer, served without compensation. Mr. Wolf went on to point out some of the activities associated with the School's 100th anniversary celebration. He mentioned the awarding of centennial medals, a formal dinner at the University Museum where there is an exhibit tracing the development of the horse, the dog, the cat, and the cow from the wild to the domesticated state, a meeting of the School's Board of Overseers, a three-day symposium for veterinarians, and a dinner at the President's House in honor of the nine persons who received honorary degrees at a special Veterinary School convocation.

The honorees were: Mark Whittier Allam, professor of surgery and former dean of the School; Roger Andrew Caras, naturalist, author, radio and television commentator, and overseer; Fitz Eugene Dixon, Jr., chairman of the Governors of the State System of Higher Education in the Commonwealth of Pennsylvania and a trustee; Rudolf Fankhauser, professor of neuropathology of domestic animals, former rector, and former dean of the School of Veterinary Medicine at the University of Bern; Ainsley Iggo, professor and head of the department of veterinary physiology at the Royal (Dick) School of Veterinary Medicine at the University of Edinburgh and former dean of its veterinary faculty; Susumo Ohno, Ben Horowitz Distinguished Scientist in Reproductive Genetics at the City of Hope Research Institute; Theodora Ayer Randolph, president of the Upperville (VA) Colt and Horse show, former overseer, and former chairman of the National Advisory Committee for the C. Mahlon Kline Orthopedic and Rehabilitation Center; Margaret McGrath Rockefeller, farmer, founder of the American Farmland Trust, and overseer; and Ernest Jackson Lawson Soulsby, professor of animal pathology and head of the department of clinical veterinary medicine at the University of Cambridge. Dr. Soulsby, as Mr. Wolf noted, delivered the convocation address.

The chairman extended the thanks of the Board of Overseers to the director of the University Museum and the chairman of the Museum Overseers for their part in arranging the exhibition on animals coinciding with the centennial celebration. He also expressed appreciation to the president, the provost, the vice president for health affairs, the vice president for development, and the secretary. He complimented Dean Robert Marshak as an "energetic, creative, hard working, personable, and pleasant" administrator.
Finally, Mr. Wolf quoted the following excerpt from the Middle States' evaluation of the School: "The School of Veterinary Medicine is truly extraordinary and very possibly a unique teaching, research, and service institution. The curriculum has a long tradition of excellence yet clearly continues to press on to uncover unfolding new areas and to embrace new pedagogical strategies. The associated veterinary hospitals are totally integrated with the academic program and are models of quality and service to the public. Overarching the instructional and clinical programs is an impressive array of faculty and staff research, well supported by outside sources and well regarded in the peer community."

B. Budget and Finance

Mr. Eckman called the attention of the Trustees to the fact that FY'84 was the ninth consecutive year in which the University had no deficit. He pointed out that the operating budget for FY'85 totaled $748.4 million, including $301 million for unrestricted purposes, $300 million for health affairs, and $147 million for restricted purposes. "It is a more complex budget," he said, "than any of comparable size we have in private industry." The chairman then presented eight resolutions, which he noted had the endorsement of the Budget and Finance Committee. He said they were all capital expenditure requests, and he pointed out that concern had been expressed in the committee that the University seems to lack an "adequate capital budget policy and procedures. Mrs. O'Bannon and her associates are undertaking to rectify the situation," he continued, "and they understand that in the future the Budget and Finance Committee will have to be given more information in respect to capital expenditures."

1. Action. A Resolution on the Renovation of Selected Space in the Richard Building was approved as follows:

Intention: The School of Medicine proposes to renovate 2,000 net square feet of space on the first floor of Richards Tower D to accommodate two researchers from the Howard Hughes Medical Institute. In addition, it intends to renovate approximately 600 net square feet on the first floor of Richards Tower B to provide alternative laboratory space for the Department of Human Genetics. The proposed renovation is expected to cost approximately $650,000. Design, bidding, and construction are expected to take approximately 10 months. The School of Medicine proposes to pay for the renovations as follows: $500,000 from the Howard Hughes Medical Institute and $150,000 from the School of Medicine's Education and Development Fund. The administration supports the proposal.

RESOLVED, that the renovation of space on the first floor of Richards Tower D and on the first floor of Richards Tower B, estimated to cost $650,000, be and the same hereby is approved and that 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 such operating funds be 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 Medicine, to be discharged within the established amortization period for the financing.

2. Action. The Resolution on the Renovation of Laboratory Space in the Anatomy/Chemistry Building was approved as follows:

Intention: The School of Medicine proposes to renovate approximately 8,000 net square feet of laboratory space on the third and fourth floors of the Anatomy/Chemistry Building for the Department of Biochemistry/Biophysics to enable the department to capitalize on new opportunities in basic biochemical and biophysical research. When architectural and engineering fees, plus contingency are included, it is estimated that the project will cost $2,000,000. The School of Medicine intends to finance this project from its Educational and Development Fund. The administration supports the proposal.

RESOLVED, that the renovation of laboratory space on the third and fourth floors of the Anatomy/Chemistry Building, estimated to cost $2,000,000, be and the same hereby is approved and that 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 such operating funds be 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 Medicine, to be discharged within the established amortization period for the financing.

3. Action. The Resolution on the Construction of Biomedical Research Laboratories in the Anatomy/Chemistry Building was approved as follows:

Intention: The Department of Anatomy of the School of Medicine is in need of modern, biomedical research laboratories for several faculty members whose research programs are expanding rapidly. The School of Medicine proposes to remodel 6,000 net square feet of presently vacant space in the basement of the Anatomy/Chemistry Building for these facilities. It is estimated that the project will cost $2,280,000. The School of Medicine intends to finance the project, including all architectural and engineering fees and contingencies, from its Education and Development Fund. The administration supports the proposal.
RESOLVED, that the construction of biomedical research laboratories by the remodeling of 6,000 net square feet of presently vacant space in the basement of the Anatomy/Chemistry Building, estimated to cost $2,280,000, be and the same hereby is approved and that the Vice President for Finance or other appropriate officers of the University be and they hereby are authorized to proceed with such construction and remodeling and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of such construction and remodeling as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such construction.

FURTHER RESOLVED, that all costs and expenses incurred in carrying out the construction authorized by the foregoing resolution, which are not funded from the sources specifically cited to the Budget and Finance Committee or by gifts specifically designated for such purpose, be paid, or if previously paid or discharged out of such operating funds be 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 Medicine, to be discharged within the established amortization period for the financing.

4. Action. The Resolution on the Renovation of the George D. Widener Education Center of the Morris Arboretum was approved as follows:

Intention: The Morris Arboretum proposes to complete renovations in its George D. Widener Education Center and to furnish its visitor orientation theater, classrooms, teaching laboratory, and staff offices. The estimated cost of the project is $250,000. The Arboretum will finance it with a gift from the Pew Memorial Trust. The administration supports the proposal.

RESOLVED, that the renovation of the George D. Widener Education Center, as outlined above, estimated to cost $250,000, be and the same hereby is approved and that 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 other capital construction funds be reimbursed, as additional contributions to the Arboretum's capital campaign become available. The retirement of the debt principal and associated interest expense shall be the responsibility of the Morris Arboretum, to be discharged within the established amortization period for the financing.

5. Action. The Resolution on the Expansion of a Utilities System To Upgrade Water and Electrical Service at the Morris Arboretum was approved as follows:

Intention: The Morris Arboretum proposes to upgrade water and electrical service on the Compton property to accommodate expanding needs at the Widener Education Center and related areas. The estimated initial cost of the project is $100,000. The Arboretum will finance it with a gift from the Pew Memorial Trust. The administration supports the proposal.
RESOLVED, that the construction of an expanded utilities system at the Morris Arboretum as outlined above, estimated to cost $100,000, be and the same hereby is approved and that the Vice President for Finance or other appropriate officers of the University be and they hereby are authorized to proceed with such obligations - not, however, substantially in excess of the estimated cost of such construction as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such construction.

FURTHER RESOLVED, that all costs and expenses incurred in carrying out the expansion 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 other capital construction funds be reimbursed, as additional contributions to the Arboretum's capital campaign become available. The retirement of the debt principal and associated interest expense shall be the responsibility of the Morris Arboretum, to be discharged within the established amortization period for the financing.

6. Action. The Resolution on the Construction of Connecting Roads and Parking at the Morris Arboretum was approved as follows:

Intention: The Morris Arboretum proposes to construct a new entrance off Northwestern Avenue, which will link Bloomfield Farm and the Compton property and provide parking for 130 cars. The estimated cost of the project is $350,000. The Arboretum will finance it with a gift from the Pew Memorial Trust. The administration supports the proposal.

RESOLVED, that the construction of connecting roads and parking at the Morris Arboretum, estimated to cost $350,000, be and the same hereby is approved and that the Vice President for Finance or other appropriate officers of the University be and they hereby are authorized to proceed with such construction and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of such construction as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such construction.

FURTHER RESOLVED, that all costs and expenses incurred in carrying out the construction 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 other capital construction funds be reimbursed, as additional contributions to the Arboretum's capital campaign become available. The retirement of the debt principal and associated interest expense shall be the responsibility of the Morris Arboretum, to be discharged within the established amortization period for the financing.

7. Action. The Resolution on the Purchase of Telephone Equipment was approved as follows:

Intention: The University of Pennsylvania has a central centrex telephone system with 6,500 lines and 8,500 instruments. Our current plan is to keep that central system until at least 1989.

The Telecommunications Office made the decision in 1982 to replace all single line telephones from AT&T with the University-owned ITT instruments. Most of the 5,000 single line telephones on campus have been replaced with University-owned equipment.
The administration proposes to purchase electronic key telephone systems to replace the outdated multibutton telephone instruments, which the University is now renting from AT&T. Electronic systems have several advantages. They are fully modular, programmable, and wired with three-pair wire as compared with twenty-five pair cable. These features make them much more flexible and cost-effective in making moves and changes to individual instruments. These electronic systems are all touchtone.

To replace approximately 2,500 instruments over the next 18 months will cost $1.6 million. The monthly savings in rental fees from AT&T will approximate $33,000. Additionally, we anticipate a $4,000 monthly savings in the costs of moves and changes. The net cost to University departments will remain approximately the same during the next four years. By 1988-89, the telephone instruments will be fully depreciated and the monthly equipment charge could be reduced or eliminated.

RESOLVED, that the purchase and installation of electronic telephone equipment, described above, at an estimated cost of $1.6 million, be and the same hereby is approved and that the Vice President for Finance or other appropriate officers of the University be and they hereby are authorized to proceed with such purchase and installation and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of such purchase and installation as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such purchase and installation.

FURTHER RESOLVED, that all costs and expenses incurred in carrying out the purchase and installation of the equipment authorized by the foregoing resolution, which are not funded from the sources specifically cited to the Budget and Finance Committee or by gifts specifically designated for such purpose, he paid, or if previously paid or discharged out of such operating funds be 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 University's general operating budget, to be discharged within the established amortization period for the financing.

8. Action. The Resolution for the Remodeling of Hill House Kitchen was approved as follows:

Intention: Hill House kitchen equipment is over 20 years old and requires replacement. Furthermore, the serving area in the kitchen is inefficient. Dining Services requested a study to identify new equipment, re-design the serving area, and establish project costs. With this information in hand, the administration supports a proposal to remodel the Hill House kitchen at an estimated cost of $1,450,000. Dining Service intends to finance the renovation from its reserves. If it becomes necessary to borrow from the University, Dining Services will repay the loan from its operating budget over a period of two years.

RESOLVED, that the remodeling of Hill House kitchen, estimated to cost $1,450,000, be and the same hereby is approved and that 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 remodeling authorized by the foregoing resolution, which are not funded from the sources specifically cited to the Budget and Finance Committee or by gifts specifically designated for such purpose, paid, or if previously paid or discharged out of such operating funds be 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 Dining Services, to be discharged within the established amortization period for the financing.

C. Development

Mr. Jones reported that subscriptions for FY'85 were running 25 percent ahead of this time last year and that receipts were up 21 percent. He pointed out that two large gifts from friends, totaling some $2 million, which were received early in FY'84, accounted for the 66-percent decline in support from friends during the first three and a half months of the current fiscal year. He characterized a 5-percent decline in alumni subscriptions as "a figure of marginal significance," adding that it did not include Trustee commitment in connection with Building Penn's Future. The chairman said he expected to see a dramatic change in the alumni constituency comparison by January. "Of the $19.2 million receipt total for the year to-date," he added "$9 million comes from the corporate sector." In that category is $6 million for computer equipment from IBM. "It is the biggest corporate gift in our history," Mr. Jones said, "and you should note that IBM now ranks as the country's largest corporate philanthropist. I think it is very significant that Penn was one of a very few select universities chosen for a major gift from the company." The chairman went on to say that a $1-million gift from alumnus Philip Devon (W'49) provided a welcome early boost to the University's major individual gift effort. "The money was committed toward the construction of the medical imaging center in memory of the donor's brother, David W. Devon, M.D., a 1963 graduate of the School of Medicine," he observed, "and that facility will house one of the most exciting programs of its kind in the world." Turning to foundation gifts, Mr. Jones noted that the Pew Memorial Trust had made a $1.5-million contribution to Penn's library system, as well as other grants totaling $314,000 for projects proposed by the Annenberg Center, the School of Veterinary Medicine, and the Wharton School. "Both the IBM and Pew gifts," he concluded, "relate directly to the objective of Building Penn's Future, and the challenge now is for us as Trustees to commit ourselves to this effort with all the enthusiasm and generosity we can muster."
D. Nominating Committee

Action. Mr. Dorrance offered A Resolution on the Re-election of Richard P. Brown as a Term Trustee, which was approved as follows:

RESOLVED, that Richard P. Brown be reelected a term trustee for a five-year term, effective 26 October 1984.

Mr. Brown requested that the Minutes of the Stated Meeting note his abstention.

E. HUP Board

Noting that questions had been raised as to the impact of DRGs (Diagnostic Related Groups) on the Hospital's operation, Mr. Ballam explained that nation-wide, there has been a sharp decline in the number of patient days and generally a levelling, or in some cases increases, in admissions. "At HUP," he continued, "admission from July 1 through October 14 totaled 7,858, which was a 3-percent increase over admissions for the same period last year." The chairman pointed out that patient days showed a 2.5 percent-decrease over the first three and a half months of FY'84. "The occupancy rate," he went on, "was 81.8 percent for that period as compared with 83.9 percent during the first three and a half months of the previous year." Mr. Ballam said that HUP was running comfortably ahead of budget. He noted that the groundbreaking ceremonies for Phase IV had attracted considerable publicity. He pointed out that the Imaging Center, mentioned by Mr. Jones, housed an outstanding device manufactured by General Electric and was among the premier facilities of its kind in the country. Finally, he observed that in a survey published in Good Housekeeping Magazine, HUP was rated the 11th best out of 7,000 hospitals in the nation evaluated by 250 leading medical administrators.

F. Investment Board

Mr. Neff reported that the current yield on the common stock portion of the Associated investments Fund (AIF) had declined from 7.7 percent on 29 June to 6.7 percent on 22 October. "There has been a modicum of change in the portfolio mix," he said, "but the principal reason for the decrease is the appreciation in the marketplace. The current yield on the whole Fund, including the bond side, has declined from 8.9 to 8.3 percent," he continued, "but it is still formidable." Turning to equity performance, Mr. Neff reported that since 30 December 1983, AIF common stocks have appreciated 13.2 percent on a total return basis versus a total return increase of 5.3 percent for the Standard and Poor 500 Stock Average." In the almost five years since 31 December 1979," he went on, "the common stock part of the Fund has risen 182.5 percent on a total return basis as compared with a 97.5-percent rise for the S&P. If you reduce each of those appreciations to an annual rate, AIF common stocks are up a little more than 22 percent annually versus an S&P increase of about 14 percent. As in the period since year-end 1983, the differential is 8 percentage points, and that is
Mr. Neff said he would be pleased with a 4- or 5-point differential over the next five years. He added that if you calculate an 18- or 19-percent annual rate of increase in the value of our common stocks during that period, the market value of the AIF, which is presently $306 million up from $134 million almost five years ago, could become $500 or $600 million by 1989. Reminding the Trustees that more than $15 million from the Fund is contributed each year to the University's operating budget, the chairman of the Investment Board further noted that his estimation of the total market value of the AIF in 1989 was based on the presumption that the "economy holds together. The one fly in the ointment," he said, "is the $175-billion budgetary deficit down $20 billion from last year. The direction is right," he concluded, "but the interest on the Federal government's borrowed funds increases about $25 billion from one year to the next, and that is a problem. I would hope we could work the deficit down to $100 or even $75 billion three or four years hence. If we do, a $500- or $600-million AIF is not a bad guess."

Mr. Miller pointed out that the reason the University doesn't intend to put all of the $25.4 million in gross investment income currently projected for the next 12 months into its operating budget is its spending rule requiring the reinvestment of a portion of the earnings. "In 1979, when we didn't have a spending rule, the entire investment income of $9.1 million was spent," he said. "Now we have a far healthier situation in which we spend $15 million and reinvest $10 million to guard against inflationary erosion of the corpus."

The chairman of the Trustees further noted that the increase in the total value of the AIF from just under $134 million in December of 1979 to more than $300 million in October of 1984 represents an annual growth rate of 18.7 percent. He added that the University has another $43 million in separately invested fund for a total endowment of some $350 million. "We're closing the gap between ourselves and peer institutions at a good clip," he concluded, "but we still have a ways to go to become one of the best endowed institutions in the country - and that is a goal I'd like to see Penn accomplish in the next 20 years."

V. Action. A Resolution on An Appointment to the Board of Overseers of the School of Veterinary Medicine was approved as follows:

RESOLVED, that William C. Nichol be appointed to the Board of Overseers of the School of Veterinary Medicine for a three-year term, effective 26 October 1984.

VI. Action. A Resolution on Homecoming was approved as follows:

RESOLVED, that the Trustees of the University on the occasion of
Homecoming Weekend wish the athletic teams well in their contest with Yale University and simply say "Beat Yale."

Adjourned.

Respectfully submitted,

Mary Ann Meyers
Secretary of the University