Minutes of the Stated Meeting
of the
Executive Committee of the Trustees of the University of Pennsylvania
8 March 1985

A Stated Meeting of the Trustees was held on Friday, 8 March 1985. Trustees attending included: Walter G. Arader; Samuel H. Ballam, Jr.; Susan W. Catherwood; Charles D. Dickey, Jr.; G. Morris Dorrance, Jr.; John W. Eckman; Sheldon Hackney; John P. Hellwege; Carl Kaysen; Paul F. Miller, Jr.; John B. Neff; and Charles S. Wolf. Others present included: Stuart Carroll; Richard Clelland; Karen Gaines; Shelley Green; Thomas Langfitt; Marshall Ledger; Mary Ann Meyers; Helen O’Hannon; William Owen; Glen Stine; David Stonehill; Ross Webber; and Marna Whittington.

I. Call to Order
Chairman Miller called the meeting to order. The minutes of the 14 December 1984 meeting were approved as written by the secretary.

II: Report of the Chairman
Mr. Miller reported that as of March 1 total gifts and subscriptions stood at $50.2 million, which he pointed out was just $3 million shy of the total funds raised by the University in fiscal year 1983. The current figure represents a 14-percent increase over this time last year, and in FY'84 gifts to Penn reached a historic high, the chairman added. He went on to note that alumni giving, which is 68 percent ahead of last year, has been heavily influenced by recent gifts from members of the board toward the Building Penn's Future nucleus fund.

"Overall institutional support is about even with last year," Mr. Miller said, "owing to a spectacular performance by the corporate sector. With four months remaining in the current fiscal year, gifts from business and industry are just $800,000 short of last year's record-breaking performance. Foundation giving still lags behind, but substantially less so than in January. The Development Department anticipates that foundation giving will eventually pull even with last year's achievement of $16 million," he continued.

The chairman then observed that Annual Giving, which has gone up every year in the past decade, is once again comfortably ahead in dollars at nearly $6 million. The number of donors is off slightly, while the average gift is 19 percent greater than last year. Gift receipts are slightly ahead of last year at $3/ million.

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In reviewing the purposes to which gift money has been directed, Mr. Miller noted that "faculty support has almost reached the $3-million mark, and already exceeds the total monies raised for this area last year. You will remember," he said, "that faculty development is a cardinal tenet of the Building Penn's Future program." He added that gifts for endowment are also very close to last year's $10 million total.

"In conclusion," Mr. Miller said, "I would like to mention one particular gift that was received by the Wharton School from William H. Wurster, a non-alumnus who is affiliated with Woodward and Dickerson, a commodities brokerage firm in Bryn Mawr. He has established a fully endowed professorship in multinational management. The chair will enable the school to develop a coordinated program of teaching and research relating directly to international business and multinational management, with a view toward private international enterprise."

III. Report of the President

A. Dr. Hackney commented that he believes the protest of the Black Student League, which had been reported in the media over the past several weeks, is not only about the classroom behavior of a particular lecturer but also about a wider range of grievances. "We have been attempting to respond with sympathy and understanding," he said, "and to do so in a way that will allow us all to come out of this with some positive accomplishments that will help alleviate the situation. We do have a problem with race relations on campus," he added, and "we need to attend to it. We've already undertaken some initiatives that will enhance our ability to attract black faculty and students. The Dean of the Wharton School has asked the School's Committee on Academic Freedom and Responsibility to look into the charges against Mr. Dolfman and give advice as to whether any violation of academic responsibility has occurred."

B. Academic Report

1. In the absence of the provost, Deputy Provost Richard C. Clelland offered the Resolution on Appointments, Promotions, and Leaves, noting that the single proposal for tenure was for Dr. Friedrich Kubler, a distinguished legal scholar in the corporation and securities field who comes to Penn from the University of Frankfurt.

2. Action: A Resolution on Appointments and Promotions was approved as found on pages 1-21 in the meeting book.

C. Financial Report

Mrs. O'Bannon reported that at the end of eight months of the fiscal year, the administration is projecting a surplus of $799,000 in unrestricted funds for the general University. Of that total, she pointed out, $346,000 is mandated to amortize the High Rise deficits and the Graduate Hospital debts. "There is a slight worsening of the positions of the schools," she said, "as they now show a collective deficit of $65,000, but we've met with deans of the schools in difficulty," she
added, "and we will work with them to try to reduce their deficits in the next several months." The senior vice president observed that factors contributing to the anticipated surplus are savings in salary and operating interest expense and gains in summer and special program tuition, gift and sales revenues, and Temporary Investment Fund income.

Turning to the Hospital, Mrs. O'Bannon noted that at the end of seven months, HUP had a $8.8 million surplus. She noted that the six-month statements of the Clinical Practices Groups showed a similarly strong performance, with an excess of revenues over expenses of $4.8 million.

IV. Reports of Trustee Committees
A. Budget and Finance

Mr. Eckman introduced six resolutions, noting that they had been reviewed and endorsed by the Budget and Finance Committee.

1. Action: A Resolution on Tuition and Fees for Academic Year 1985-86 was approved as follows:

   Intention:
   
   The administration proposes to establish the following tuition and fees for the academic year 1985-86:

   For undergraduates, the tuition will be $9,525 and the general fee will be $875, totaling $10,400; for graduate students, tuition will be $10,355 and the general fee will be $645, totaling $11,000; for professional students, the general fee will be $504.

   RESOLVED, that for the academic year 1985-86, the undergraduate tuition rate will be $9,525 and the undergraduate general fee will be $875; that the tuition for graduate students will be $10,355 and the graduate general fee will be $645; that the professional general fee will be $504; 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.

2. Action: A Resolution on the Purchase of an IBM 3081 GX Mainframe Computer for the School of Arts and Sciences was approved as follows:

   Intention:
   
   On 21 October 1983, the Trustees approved the purchase of an IBM 3081 mainframe computer for the School of Arts and Sciences. The administration now proposes relocating the 3081 to an off-campus facility operated by UNICOLL. This computer will be dedicated to University administrative purposes, and UNICOLL will operate it and configure the software exclusively for University users.

   The administration also proposes purchasing an IBM 3081 GX mainframe computer and disk system components to be installed in the School of Arts and Sciences, David Rittenhouse Laboratory. IBM will sell this machine and equipment at a 40 percent discount (rather than its normal 15 percent discount for administrative computer equipment) because it will be used for academic purposes.

   The proposed exchange of machines provides the University with an administrative mainframe at a distinct cost saving. The purchase of the IBM 3081 GX provides a 20 percent increase in computing capacity at no extra cost and may allow for some use by Engineering and Applied Science.
Had the University not explored acquiring its own computer for administrative uses, its annual lease and operating costs to UNICOLL would have increased to approximately $1,800,000. Through the proposed swap and purchase, the University obtains additional capacity at DRL, a "dedicated" machine at UNICOLL, and an annual savings from an anticipated budget of $100,000. The computers are expected to have a five-year life.

The administration proposes to purchase the IBM 3081 GX computer and disk system components at a maximum cost of $2,500,000. The funds for the purchase will come from the proceeds of the equipment financing or general University funds. The funds will be repaid over a five-year period by charges to the administrative computing operating account.

RESOLVED, that the relocation of the IBM 3081 D mainframe computer, previously authorized for use by the School of Arts and Sciences and located in the Rittenhouse Laboratory, be relocated to UNICOLL and dedicated for use by the University administration.

FURTHER RESOLVED, that the purchase of an IBM 3081 GX mainframe and disk system components at a cost not to exceed $2.5 million be 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 negotiate such agreements and incur such expenses and obligations--not, however, substantially in excess of the estimated cost of such equipment as presented to the Budget and Finance Committee--as may, in their judgment, be necessary or desirable to effect such purchase.

3. Action: A Resolution on the Acquisition of 3706 Locust Walk was approved as follows:

Intention:

This property is owned by the Alpha Epsilon Club of the Kappa Sigma fraternity and is currently occupied, under a short-term lease arrangement, by the Tau Epsilon fraternity.

The administration is involved in discussions with the present owners of Kappa Sigma over the purchase of the property. Its acquisition is consistent with the University's long-term objectives in maintaining the quality of the facilities located on Locust Walk, but purchase is contingent upon an agreement between the University and the Alpha Epsilon Club of the Kappa Sigma fraternity concerning the long term use of the property by the Kappa Sigma fraternity.

An agreement between the University and the Alpha Epsilon Club, signed March 26, 1969, gave the University an option to purchase the property at the "fair market" value of the premises. The University is requesting permission to exercise its option and negotiate a fair market price with the Alpha Epsilon Club.

The University will be funding this purchase from its General Funds.

RESOLVED, that the Trustees of the University of Pennsylvania hereby authorize the administration to proceed with negotiations for the acquisition of 3706 Locust Walk, in accordance with the proposal presented to the meeting, and the Vice President for Finance or other appropriate officers of the University be and they hereby are authorized to proceed with the acquisition of the property and execute such contracts and incur such expenses and obligations--not, however, in excess of the fair market value as determined by an independent appraiser, as presented to the Budget and Finance Committee--as may, in their judgment, be necessary or desirable to effect such purchase.

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4. **Action:** A Resolution on the Renovation of Room "D" in the Medical Laboratories Building was approved as follows:

**Intention:**

The School of Medicine has long planned to renovate Lecture Room "D" in the Medical Laboratories Building. Renovation was to occur in three phases.

Phase I, approved by the Trustees on May 4, 1984, was to create office space, which is now to be used by the David Mahoney Institute of Neurological Sciences. This phase was estimated to cost $290,000. Phase II was to create a second floor staff space, and Phase III was to finish the space.

Subsequent to Trustee approval of Phase I, the Provost assigned the administration of the biomedical graduate groups, which were affiliated with the School of Arts and Sciences, to the School of Medicine. Providing appropriate space for the new Biomedical Graduate Studies Program necessitated the infill of the second floor of Lecture Room "D", including raising the roof. The cost of Phase II and III is now estimated to be $244,920, and the total cost for the conversion of Lecture Room "D" is estimated to be $534,920.

The administration proposes proceeding with Phases II and III of the conversion. The School of Medicine will fund this work from its Medical Education and Development Fund.

**RESOLVED,** that Phases II and III of the conversion of Lecture Room "D", estimated to cost $244,920, be and the same hereby are approved in accordance with proposals presented to the meeting and that the Vice President for Finance or other appropriate officers of the University be and they hereby are authorized to proceed with such conversion and execute such contracts and incur such expenses and obligations—not, however, substantially in excess of the estimated cost of such conversion as presented to the Budget and Finance Committee—as may, in their judgment, be necessary or desirable to accomplish such conversion.

**FURTHER RESOLVED,** that all costs and expenses incurred in carrying out the conversion 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 designed for such purpose, be paid, or, if previously paid or discharged out of 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 the 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.

5. **Action:** A Resolution Amending the Resolution of 2 MARCH 1984 on the Sale of 3907 Pine Street was approved as follows:

**Intention:**

The property at 3907 Pine Street, which was purchased by the University on 27 January 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 the completion of construction.

On 2 March 1984, the Trustees approved the sale and conveyance of the property to University City Associates for its then book value of $33,740. Before this transfer could take place, an outside buyer was identified. The administration would now like to amend the 2 March 1984 resolution and requests approval to sell 3907 Pine Street,
Philadelphia, Pennsylvania, to Marianne Thomas for $61,000. This price is greater than the independent market appraisal performed in 1984.

RESOLVED, that the Trustees of the University of Pennsylvania amend the 2 March 1984 Resolution on the Sale of 3907 Pine Street and hereby approve the sale and conveyance of the said property to Marianne Thomas for $61,000, 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 Authorizing University Participation in an Entity to be Formed to Acquire the Former Site of the Philadelphia General Hospital and to Apply for an Urban Development Action Grant in Connection With its Development was approved as follows:

Intention:

The Vice President for Health Affairs has been negotiating on behalf of the University with representatives of The Children's Hospital of Philadelphia, the Barness Organization, and other interested parties looking to the formation of a development corporation or other entity for the purpose of acquiring from the City of Philadelphia or its successor in title a tract of land (the "PGH Site") consisting largely or entirely of all or a portion of the former site of the Philadelphia General Hospital and applying for an Urban Development Action Grant to help finance the redevelopment of that tract. The administration is requesting authority from the Trustees to join in such a corporation or entity for such purposes.

RESOLVED, that the joinder and participation by the University along with other interested entities or persons in the organization of a development corporation or other entity to be formed for the purpose of acquiring the PGH Site and applying for an Urban Development Action Grant in connection with the redevelopment of that tract of land on such terms and other conditions as may be negotiated and approved by the Vice President for Health Affairs of the University be, and the same hereby are, authorized and approved.

FURTHER RESOLVED, that the Vice President for Health Affairs or other appropriate University officers be, and the same hereby are, authorized to negotiate and approve the terms and conditions under which the University will join or participate in the undertaking authorized by the foregoing resolution including, without limiting the generality of the foregoing, the percentage of participation of the University and the identity and percentage of participation of the remaining participants, provided that no authorization is hereby granted to commit University funds to finance the cost of acquisition of the PGH Site or the cost of its redevelopment.

B. Investment Board

Responding to a comment by Mr. Miller that for the first time in recent years, the per-share performance of the common stock portion of the Associated Investment Funds (AIF) had lagged slightly behind the Standard and Poor 500 Stock Average (S&P), Mr. Neff noted that almost at the end of 1984, "the character of the market changed and stocks that hadn't done much of anything or worse rose out of the ashes," while AIF common stocks didn't progress notably. "The differential is a 7.6-percent gain, on a total return basis, since 31 December 1984 for the common

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stock portion of the portfolio compared with a 9.1-percent increase for the S&P," he added, "and that isn't bad, though it was almost inevitable. We're not opposed to changing the character of the portfolio," he continued, "if the fundamentals seem there, but we couldn't warm up to the IBM et al. in terms of total return relative to price paid, which is our eternal yardstick."

Mr. Neff went on to note that the stock market "seems a little extended," and he pointed out that the bond market also had declined a bit. "You don't have to go out too far to get an assured 12 percent yield," he said, "and yesterday we put $3 million of our liquidity that existed in the equity segment into intermediate-term government bonds. The earnings yield on the market is a little over 10 per cent, and we're looking for earnings growth over the next two to three years of six to seven percent a year. It's not exactly a wonderful new dynamic, and that earnings growth presupposes no recession, which is not beyond the pale, though I think the business recovery will be an extended one."

The chairman of the Investment Board went on to point out that since 29 June 1984, the common stock portion of the AIF had appreciated 31.5 percent (total return) versus a 21.9 percent gain for the S&P. The current yield on the equities is 6.3 percent, "which is 200 basis points better than the S&P," he said, "so we still have a two-percentage-point advantage there. The total market value of our common stocks is a little over $200 million." In conclusion, he observed that while the AIF had done well for a decade, "the wind to our back may be a little less billowy for the next year or two."

Mr. Miller added that he agreed with Mr. Neff's assessment of the rather "dour prospects" for short-term advance in the common stock portion of the portfolio.

V. Overseers and Other Boards

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

RESOLVED, that Richard C. Sheerr and Barbara S. Thomas be appointed to the Board of Overseers of the School of Arts and Sciences for three-year terms, effective 8 March 1985 and 1 September 1985, respectively.

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

RESOLVED, that Harold A. Sorgenti be appointed to the Board of Overseers of the School of Engineering and Applied Science for a three-year term, effective 8 March 1985.

C. Action: A Resolution on an Appointment to the Board of Overseers of the Graduate School of Fine Arts was approved as follows:

RESOLVED, that Arthur Ross be appointed to the Board of Overseers of the Graduate School of Fine Arts for a three-year term, effective 8 March 1985.

D. Action: A Resolution on an Appointment to the Board of Overseers of the School of Nursing was approved as follows:

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RESOLVED, that Phyllis W. Beck be appointed to the Board of Overseers of the School of Nursing for a three-year term, effective 8 March 1985.

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

RESOLVED, that Ray J. Groves and Philip E. Lippincott be appointed to the Board of Overseers of the Wharton School for three-year terms, effective 8 March 1985.

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

RESOLVED, that Claire M. Fagin and Herbert W. Leonard be appointed to the Advisory Board of the Institute of Contemporary Art for three-year terms, effective 8 March 1985.

Adjourned.

Respectfully submitted,

Mary Ann Meyers
Secretary of the University