Minutes of the Stated Meeting
of the
Executive Committee of the Trustees of the University of Pennsylvania
11 April 1986

A meeting of the Executive Committee was held on Friday, 11 April 1986. Trustees attending included: Walter G. Arader; Samuel H. Ballam, Jr.; Richard P. Brown, Jr.; Susan W. Catherwood; Henry M. Chance, II; Charles D. Dickey, Jr.; G. Morris Dorrance, Jr.; John W. Eckman; Sheldon Hackney; John P. Hellwege; Margaret R. Mainwaring; Paul F. Miller, Jr.; John B. Neff; Alvin V. Shoemaker; Robert L. Trescher; and D. Robert Yarnall. Among others present were: Ann Bailey; James Bishop; Stuart Carroll; Richard Clelland; Ann Duffield; Thomas Ehrlich; Karen Gaines; Jodi Kerper; George Koval; Robert G. Lorndale; Lynn Manko; Bruce Martin; Mary Ann Meyers, David Morse; Helen O'Bannon, Steve Poskanzer; Sohrab Rabii; Barbara Stevens; Fran Walker; Jim Whelan; and Marna Whittington.

I. Call to Order

The chairman called the meeting to order and the minutes of the 14 March 1986 meeting were approved as written by the secretary.

II. Report of the Chairman

Mr. Miller noted that there would be no report on development activities until the June meeting.

III. President's Report

Dr. Hackney observed that a faculty committee, under the leadership of Vice Provost Barry Cooperman and Professor Trevor Penning, had formulated a new policy on the ownership of software developed by University faculty and non-academic employees. "A draft version was printed in Almanac some time ago," the president said, "and it was thoroughly discussed on campus. I call your attention to it now because I am about to promulgate the policy. It is very interesting and innovative, and I think our fellow institutions of higher education could use it as a model."

"The solution to the problem of determining how to treat the ownership and the profits from ownership of software," he continued, "falls somewhere between our patent policy, under which the University clearly owns the patent and provides the inventor with a portion, pre-determined by formula, of the revenue from leasing or licensing the patent, and our policy on books written by faculty members, whereby the writer retains the copyright and all of the proceeds. The software policy says the creator of the software owns non-exclusive rights to the software and may develop the commercial value of the software, but the University also has a non-exclusive right to use that software. In practice, this will mean that if software is going to be developed for market, whoever the owner takes into partnership as developer
will probably want to negotiate some sort of deal with the University for exclusive rights. The outcome of the negotiation will undoubtedly enable Penn to share in the commercial value of the property."

In answer to a question by Mr. Miller, the president said that the new policy would not be retroactive. Mr. Arader inquired whether the University would be free to market faculty-developed software on its own if an agreement could not be reached with the creator of the software. Dr. Hackney said that the University would have that right, and he added that such a situation would give the faculty-creator "a clear interest in reaching an agreement with the University."

The president went on to note that the campus community also had reached the end of a process of developing a new conflict of interest policy for the faculty, which differs from the old policy in what he termed a "minor but important way. With the agreement of the relevant dean and the vice provost for research," he explained, "a faculty member, under the new policy, is explicitly encouraged to become involved in potentially revenue-generating outside entrepreneurial ventures, where the activity presents no real conflict of interest." Dr. Hackney further observed that he was very excited about a previously-distributed statement on the freshman residential experience (see Attachment I). "I think the action called for is a step in the right direction," he said. "It will create freshman communities in a slow, step-by-step process over several years." Dr. Hackney said he also would like to call to the Trustees' attention two reports that have been developed and issued this year by student groups. The one entitled "Student Life: 1990" (see Attachment II), he described as "an agenda for the next five to ten years for things that might be done to make student life more fulfilling and to develop a much stronger sense of community among students at Penn. I think it is a marvelous document," the president declared, "even though there are some omissions and perhaps some suggestions that are too expensive or for some other reason may not be able to be implemented. The document speaks to our shared sense that we need to be a tighter community and provide some means for bringing people together across various dividing lines. It also very strongly recommends that we do things that develop Penn class identity."

The other document to which Dr. Hackney referred is a report on the perceived need for a campus center (see Attachment III). He pointed out that the document contains "not only a description of the center but also a description of a number of functions that might be provided, if not in a single center, somewhere on campus. The students who developed it realize that we won't be able to erect a large, expensive new building in the next four or five years," the president continued, "but their report constitutes a set of ideas that we ought to have before us as we do that planning." He went on to note that Senior Vice President O'Bannon has started designing a planning process that will include the 36th and Walnut Street site and will take the concept of a campus center into account. "The University Council Committee on Facilities will monitor our planning process," the president reported, "and it will look at this campus center idea again next year."
Mr. Miller asked whether the Trustees' Student Life Committee would have the subject of a student center on its agenda for the June meeting. Mrs. Mainwaring replied that the committee had hoped to visit the Quad to see what has been done and hear about additional planned renovations. She suggested that a discussion of a student center might have to wait until October.

Dr. Hackney commented that fall would certainly not be too late for such a discussion, and then went on to report that at the request of the University Council, he had arranged another forum on South Africa for April 22. "The focus is to be on the role of U.S. corporations in South Africa," he said, "and the Hewlett-Packard Foundation and General Motors are sending representatives. We will also have a speaker from the pro-divestment side of the question, and we are trying to arrange for someone from the Investor Responsibility Research Center to give a presentation." He added that Trustee A. Leon Higginbotham, Jr. has agreed to moderate the panel.

A. Academic Report

Provost Ehrlich commented that in the evening, letters of acceptance or rejection would be mailed to high school seniors seeking admission to the next fall's freshman class. "With some 13,000 applicants, the admissions picture has never been stronger," he said, "and that is a tribute to the academic strength of the University on the one hand and to the extraordinary efforts of Dean Stetson and his staff on the other." He mentioned that the Philadelphia Inquirer Magazine would carry a cover story on Penn admissions in the 13 April edition, and he commended to the Trustees' attention the report of the Faculty Council on Undergraduate Education, which had appeared in Almanac. "Members of the council urge strongly that students considering a career in law, medicine, business, or other professional fields focus upon a liberal arts education as the core of their study," Mr. Ehrlich noted.

He then commented that two recommendations for the rank of University Professor, which were approved by the Trustees at the March meeting, "epitomized the best in an extraordinary faculty's strength. Mark Nerlove in economics is a giant in any realm," the provost said, "and like our Nobel laureate Lawrence Klein has been awarded the J.B. Clark Medal, which is given biennially by the American Economics Association to an outstanding economist. Professor Nerlove's imaginative research has brought him scores of honors throughout the world, including election to the National Academy of Sciences and to the presidency of the American Econometrics Association." The provost further observed that Alan Watson in law is also a remarkable scholar who has produced "a virtual library, most recently a four-volume translation of The Digest of Justinian. Over the past decade," Mr. Ehrlich said, "Professor Watson has inquired into almost every aspect of the nature of legal systems and the ways they evolve and change society and are themselves changed over time. He has just completed a study of slavery in ancient Roman law and its implications for slavery in our own society. He is a true Renaissance man and no less a true University Professor."
1. Action. A Resolution on Appointments, Leaves, and Promotions was approved as found on pages 1 through 38 of the meeting book.

2. Action. A Resolution on Authorizing the Conferral of the Degree of Master of Science in Oral Biology was approved as follows:

Intention:

The School of Dental Medicine has proposed that it be authorized to confer the professional degree of Master of Science in Oral Biology. To be eligible for this degree, a candidate will have a dental degree (D.M.D. or D.D.S. or equivalent) or, in rare instances, the M.D. or D.V.M. The candidate will then successfully complete a course of study and research under the supervision of the faculty in the School of Dental Medicine.

The program will train individuals from the United States and developing countries as clinical scholars in oral biology. Penn's Oral Biology Program will be one of a few in the United States; other institutions offering this degree include Harvard and the University of Southern California.

The proposal to grant the professional degree of Master of Science in Oral Biology at Penn has been approved by the School of Dental Medicine's Faculty Senate. The proposal for granting the degree also was reviewed by external consultants during the summer of 1985. The recommendations of the external consultants read, in part: "The faculty listed in the proposal are, as a whole, a distinguished group with fine reputations in clinical specialties and/or in related biomedical science." They went on to state: "We recommend that the School of Dental Medicine of the University of Pennsylvania proceed with the proposed program for a Master (of Science) degree in Oral Biology." 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 Oral Biology, as proposed by the School of Dental Medicine, be and hereby is approved.

B. Financial Report

Mrs. O'Bannon reported that at the end of nine months, the administration continues to project a general University surplus of $453,000 in FY'86, after allowing for the $97,000 mandated surplus required to fund the debt amortization for Graduate Hospital. She said the administration has been watching developments on the federal level as they may impact on the University. "The possibility of a modification in the way our indirect costs associated with research are reimbursed," she continued, "would have a dramatic budgetary effect, but we now have word that any change will be delayed until at least July." The senior vice president pointed out that as of 31 March, the balance available for expenditure in grants and contracts amounted to almost $1 million, which is 21 percent higher than at that time last year and represents a little better than eight months of expendable awards.

Mrs. O'Bannon noted that the most recent financial statements for the Hospital of the University of Pennsylvania are for the seven months ending 31 January. "For that period," she said, "the Hospital's excess of revenues over expenses was $8.2 million. We were advised this morning at the Budget and Finance Committee meeting that February was a difficult months for HUP," she continued, "and it appears that for the first month in some time, there was a loss, although we don't have the figures yet."
For the six months ending 31 December, Mrs. O'Bannon went on, the financial statements for the Clinical Practices of the University of Pennsylvania show an excess of revenues over expenses of $6.9 million in addition to their Education and Development Fund balances of approximately $1 million."

1. Action. A Resolution Confirming Election of Directors and Other Action of University City Associates, Inc. was approved as follows:

Intention:

All the issued and outstanding shares of University City Associates, Inc. ("UCA") are owned by the Trustees of the University of Pennsylvania.

It has come to the attention of the administration that the University in its capacity as the sole shareholder of UCA has from time to time taken action with respect to UCA without the technical formality of recording such action as the action of the sole shareholder of UCA. The administration deems it advisable that all omissions in the minute book of UCA and any technical defects in any meeting or action taken by the shareholder, directors or UCA be cured.

RESOLVED, all election of directors and all corporate actions taken by them, from the date of incorporation of UCA to the date of this resolution, whether or not reflected in the minute books of UCA are hereby ratified, confirmed and approved in their entirety.

FURTHER RESOLVED, that without in any way limiting the foregoing, the following are elected directors of UCA to serve in accordance with the Bylaws of UCA: Walter G. Arader, Richard P. Brown, McBee Butcher, Frank Claus, John W. Eckman, Helen O'Bannon, Isadore Scott, Christopher R. van de Velde, Maria Whittington.

IV. Trustee Committee Reports

A. Audit Committee

Mr. Dickey recommended a resolution on auditors.

1. Action. A Resolution on Appointment of Auditor for FY'86 was approved as follows:

RESOLVED, that Coopers & Lybrand be and hereby are appointed as accountant to audit the books of the University of Pennsylvania for Fiscal Year 1986.

B. Budget and Finance Committee

In Mr. Eckman's absence, Mr. Dickey reported that the Budget and Finance Committee had reviewed and recommended to the Trustees for favorable action a series of resolutions.

1. A Resolution Amending the Resolution of 21 June 1985 on the Renovation of the Exterior of Hayden Hall was approved as follows:

On 21 June 1985, the Trustees approved the administration's proposal to renovate the exterior of Hayden Hall at a cost not to exceed $1 million. The funds were to come initially from the University bond issue and were to be repaid from gifts. At the time, the administration proposed that any outstanding indebtedness would be repaid by the School of Engineering and Applied Sciences over a ten-year period. Subsequently, the administration determined that the exterior work on Hayden Hall should be a general obligation of the University as part of its deferred maintenance work rather than that of the School of Engineering and Applied Sciences. Therefore, the administration requests an amendment to the aforementioned resolution.
RESOLVED, that the renovation of the exterior of Hayden Hall, estimated to cost no more than $1 million, be and the same hereby is approved and that the Vice President for Finance or other appropriate University officers be and they hereby are authorized to proceed with 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.

2. A Resolution on the Replacement of the Johnson Pavilion Roof was approved as follows:

This roof covers 20,048 square feet. Last year, using sophisticated roof survey techniques, the roof showed a 65 percent saturation. The roof is approximately 20 years old and should be replaced at a cost not to exceed $275,000. Funds are budgeted from general University operations for deferred maintenance. The administration supports the proposed replacement.

RESOLVED, that the replacement of the Johnson Pavilion roof, estimated to cost $275,000, be and the same hereby is approved in accordance with the proposal 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 replacement and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of such replacement as presented to the Budget and Finance Committee - as may in their judgment be necessary and desirable to accomplish such replacement.

3. A Resolution on the Replacement of the Medical Laboratories Building Roof was approved as follows:

This roof covers 37,827 square feet. Its age varies because of the numerous renovations done over the years. Many of the leaks are the result of poor flashing details on the mechanical equipment supports and general deterioration of the flashing at parapet walls. Much of the mechanical equipment will need to be raised and respurred to properly replace the roof. Obsolete equipment will be removed prior to repairs. The estimated cost is $500,000 and the replacement is planned for the summer and fall of 1986. Funds are budgeted from general University operations for deferred maintenance. The administration supports the proposed replacement.

RESOLVED, that the replacement of the Medical Laboratories Building roof, estimated to cost $500,000, be and the same hereby is approved in accordance with the proposal 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 replacement and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of such replacement as presented to the Budget and Finance Committee - as may in their judgment be necessary and desirable to accomplish such replacement.

4. A Resolution on the Replacement of the Old David Rittenhouse Laboratory Roof was approved as follows:

This roof covers over 40,000 square feet. Last year, using sophisticated roof survey techniques, the roof showed about 60 percent saturation. The roof is approximately 32 years old and should be replaced at a cost not to exceed $350,000. Funds are budgeted from general University operations for deferred maintenance. The administration supports the proposed replacement.
RESOLVED, that the replacement of the Old David Rittenhouse Laboratory roof, estimated to cost $350,000, be and the same hereby is approved in accordance with the proposal 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 replacement and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of such replacement as presented to the Budget and Finance Committee - as may in their judgment be necessary and desirable to accomplish such replacement.

5. A Resolution on Renovations to Nichols House was approved as follows:

The administration proposes to begin a major renovation of the Graduate Towers residential complex. The Towers were built and furnished sixteen years ago. The equipment and furnishings have deteriorated to the point that the facilities are only marginally competitive with surrounding off-campus housing.

This summer the 120 rooms on floors one through eight in Nichols House would be refurnished. Kitchen units, refrigerators, lighting fixtures, bathroom vanities, and sofas would be replaced, new carpeting and floor tile would be installed. The project is estimated to cost $882,000 and is to be paid for from the Residential systems reserve fund.

RESOLVED, that the renovations to Nichols House, estimated to cost $882,000, be and the same hereby is approved in accordance with the proposal 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 renovations and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost as presented to the Budget and Finance Committee - as may in their judgment be necessary and desirable.

6. Action. An Amendment to the Resolution of 21 June 1985 on the Construction of the Wharton Executive Education Center was approved as follows:

Intention:

On 21 June 1985, the Trustees approved the expenditure of $1,250,000 for A/E fees for design work for a multi-use facility which the University proposes to construct on the site of a parking lot on the northeast corner of 38th and Spruce Streets. The facility will house an Executive Education Center to be used primarily by the Wharton School and estimated to cost $17,600,000, a Career Planning and Placement Office, estimated to cost $3,000,000, and a Computer Resource Center, estimated to cost $800,000. Landscaping and contingencies are estimated at $1,600,000 for a total estimated project cost of $23 million. The Center and attendant facilities will occupy approximately 110,000 gross square feet.

Funds have been identified for the entire project. The Wharton School anticipates raising $7,600,000 in gifts and repaying $10,000,000 borrowed in the recent bond issue over a 25-year period at 9.1 percent. The University expects to raise the $3,000,000 needed for the Placement Center from donors; and the $800,000 necessary for the Computer Resource Center will be supplied by a combination of gifts and general University funds. Landscaping and contingencies will be assessed proportionately to each user.

At this time, the administration requests approval to continue work on the Wharton Executive Education Center and the Computer Resource Center, estimated to cost $18,570,000, including contingencies.
RESOLVED, that the proposed Wharton Executive Education Center and
the Computer Resource Center, estimated to cost approximately
$18,570,000, 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.

Institute and Fischer Real Estate Center was approved as follows:

Intention:

The Joseph H. Lauder Institute of Management & International
Studies was established in October 1984. Since that time, the
administration has sought to find appropriate quarters to house
the program. After extensive review of existing buildings, the
administration concluded that a new facility was necessary.
Coincidentally with reaching that conclusion, the University
received a gift and a pledge for a facility to house the Arthur
Fischer Real Estate Center. The administration then engaged the
architectural firm of Iavas, Brody to develop schematics for a
facility that would incorporate both the Lauder Institute and the
Fischer Center. It would be located on the west side of 37th
Street, south of Locust Walk; and the cost, including design,
construction, furnishings and landscaping, is estimated at no more
than $3 million. Funds will come from gifts. The administration
supports the project.

RESOLVED, that the construction of a new facility to house the
Lauder Institute and the Fischer Real Estate Center, estimated to
cost no more than $3 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 construction and execute such contracts and incur such expenses and obligations - not, however, substantially
in excess of the estimated cost of construction as presented to
the Budget and Finance Committee - as may in their judgment be
necessary or desirable to accomplish such construction.

8. Action. An Amendment to the Resolution of 21 June 1985 on the
Clinical Sciences Research Building was approved as follows:

Intention:

On 21 June 1985, the Trustees approved expenditure of
$1,500,000 in fees for initial design work of a Clinical Sciences
Research Building. It is to house the Howard Hughes Medical
Institute, facilities for brain research, cancer research, and
other key medical areas, as well as animal care facilities. At
this time, the administration wishes to continue with the design
work, surveys, and preparation of bid documents at a cost
estimated to be $2,783,000, for a total commitment and
authorization of $4,283,000. Funds have been identified as
follows: the Clinical Practices will contribute $10 million; the
Howard Hughes Medical Institute will pay for its portion of the
facility, estimated to be approximately $11 million; the School of
Medicine will undertake a $10 million long-term University loan;
and a National Cancer Institute grant will provide $2.5 million.

RESOLVED, that the second phase of the proposed Clinical Sciences
Research Building, estimated to cost $2,783,000, 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 the second phase and execute such
contracts and incur such expenses and obligations - not, however,
substantially in excess of the estimated cost of the design work, surveys and preparation of bid documents as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such work.

9. Action. A Resolution on the Development of 34th and Walnut Streets, Phase II was approved as follows:

Intention:

On 4 April 1985, the Trustees approved the expenditure of $1,419,000 for Phase I of the development of 34th and Walnut Streets, known as 3401 Walnut Street. At that time, the University planned to construct a building of 138,000 gross square feet with a maximum height of four stories. The administration has sought to increase the size of the building to provide for optimal use of this strategic location. All municipal approvals, consistent with the terms of the 1982 Consent Decree between the University and the Sansom Committee, have been secured, enabling the University to increase the site coverage and the height of the building. Consequently, the administration proposes to construct a building of 178,000 gross square feet, which is 30 percent larger than the building originally planned, at an estimated cost of $20 million.

The administration proposes to raise $4 to 5 million from donor/investors in a pooled income fund, for which the University would act as Trustee and the fund would, in partnership with University City Associates, own the building. The donor/investors or their designated beneficiaries will receive income over their lifetimes. Upon the death of the life income beneficiaries, their shares will pass irrevocably to the University. The remaining funds necessary to finish the project are expected to be financed over an initial 10-year period by a commercial lender at a rate, which over the first 5 years, is not to exceed 120 basis points over the bank's cost of Eurodollar funds. That rate today would approximate 10.75 percent.

The administration requests approval of the enlargement of the building, the increase in total project cost to $20 million, amendments to current architectural, development and construction management contracts, and the plans of financing.

RESOLVED, that the building at 34th & Walnut Streets, known as 3401 Walnut Street, estimated to cost $20 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, amend and assign to the Partnership such contracts and incur such expenses and obligations - not, however, in excess of the estimated amount presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable.

FURTHER RESOLVED, that the establishment of a pooled income fund, which, in partnership with University City Associates, will own the building and borrow the remaining funds necessary to finance the project 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 and incur such expenses and obligations - not, however, in excess of the estimated amount presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable.

10. Action. A Resolution on Renovation and Repair to Stouffer Plaza, Phase II was approved as follows:
Intention:

Since the construction of Stouffer Triangle in 1972, the Upper Plaza has leaked, causing damage to building piping and furnishings and inconveniencing students. Previous attempts to correct the situation have been unsuccessful. A preliminary evaluation indicated that problems would continue until the planter areas were removed and the Upper Plaza properly waterproofed. The project was divided into phases. Phase I was completed in November 1985. Phase II is estimated to cost $440,000. Funds have been identified in the account for major maintenance work in residential buildings.

RESOLVED, that Phase II of the renovation of Stouffer Plaza, estimated to cost $440,000, 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 renovation as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such renovation.

11. Action. An Amendment to the Resolution of 21 June 1985 on the Renovation of the Quadrangle Dormitories, Phase VII was approved as follows:

Intention:

Renovations to the Quadrangle Dormitories began in 1977. In Phases I through IV, the University, with the approval of the Trustees, renovated 20 houses. On 18 January 1985, the Trustees approved the $13.8 million project cost of Phases V and VI, which involve renovating 10 houses and McClelland Lounge. The work will be completed in the fall of 1986.

On 21 June 1985, the Trustees approved an expenditure of up to $1,137,000 for design work on Phase VII. Phase VII will involve the rehabilitation of eight houses (Thomas Penn, McIlhenny, Warwick, Ward, Chestnut, Cleeman, Ashurst, and Magee) and will include the renovation of student living and activity areas, faculty apartments, and common facilities and the installation of an elevator. The total project is estimated to cost $16,677,500. The funds will come from gifts and the recent University bond issue. They will be repaid by residential system fees over 25 years. The project will take three summers: 1986, 1987, and 1988.

RESOLVED, that Phase VII of the Quadrangle Renovation Program, estimated to cost $16,677,500, 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 renovation as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such renovation.

12. Action. A resolution on Renovations to the Fourth Floor of Blockley Hall for the Department of Radiology was approved as follows:

Intention:

The School of Medicine proposes to expand its programs in medical electronic imaging. It has been allocated space on the fourth floor of Blockley Hall to which it proposes to make renovations. The renovations and furnishings are estimated to cost $400,000. Funds have been identified from a grant and from the educational and development funds of the Department of Radiology. The administration supports the project.
RESOLVED, that renovations to the fourth floor of Blockley Hall, estimated to cost $400,000, be and the same hereby are authorized and that the Vice President for Finance or other appropriate officers of the University be and they hereby are authorized to proceed with such renovations and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of renovations as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such renovations.

13. Action. A Resolution on Renovations to Animal Care Facilities in Various Buildings of the University was approved as follows:

Intention:

The administration has undertaken a thorough review of all of its animal care facilities in conjunction with the filing of its annual animal care assurance statement with the National Institutes of Health. A number of deficiencies have been identified and a plan of correction prepared. It is estimated that the total cost of modifications to facilities will be approximately $5,666,000. The initial estimate of the costs for each of the schools is: $1,769,000 for Medicine; $894,000 for Arts and Sciences; $156,000 for Dentistry; and $2,847,000 for Veterinary Medicine.

The funds for the required modifications will be loaned to each school from general University resources and will be repaid over two to seven years. Amortization schedules will be negotiated with each school, depending on the size of the loan and the financial circumstances of the school, the loans will be charged the current rate of interest. Each school is expected to contribute to the renovations this year from its operating and restricted funds.

RESOLVED, that the renovations to animal care facilities throughout the University, estimated to cost approximately $5,666,000, be and the same hereby are 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 renovations and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of renovations as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such renovations.

14. Action. A Resolution on Rescission of "The Policies and Procedures for Managing the Proceeds of the Program for the Eighties Fund Drive" was approved as follows:

Intention:

On 4 June 1976, the Trustees approved a plan entitled "The Policies and Procedures for Managing the Proceeds of the Program for the Eighties Fund Drive". The University has adhered to this plan since then.

The administration now requests that policy XIII of the plan, dealing with the gift tax and investment of gift receipts, be rescinded, effective 1 July 1986. The administration will no longer impose a 5-percent charge on gift receipts because the costs of the Program for the Eighties Fund Drive will have been fully amortized. The administration will invest new gifts in endowment quarterly instead of annually. The gifts will be invested in the Temporary Investment Fund (TIF) until the time of quarterly investment in the Associated Investment Funds. Gifts for construction or renovation will continue to be invested in the TIF until certified and spent on an approved project. Gifts received, the purpose of which have not been determined by the donors, will
be invested in the TIF until a purpose has been approved. The administration intends to build its unrestricted endowment and will designate unrestricted gifts to specific purposes only in rare circumstances. Those designations will be reported to the Trustees.

RESOLVED, that Policy XIII of The Policies and Procedures for Managing the Proceeds of the Program for the Eighties Fund Drive be and the same hereby is rescinded.

15. Action. A Resolution Granting Authority as Required by Law Concerning Certain Dispositions of Real Estate in the Normal Course of Business was approved as follows:

Intention:

The administration has been advised by the general counsel that certain provisions of the Pennsylvania Corporation Not-For-Profit Code may be interpreted as requiring authorization from the Trustees with respect to leasing away the University's real property and is accordingly seeking such authorization with respect to certain real estate transactions which may be undertaken in the future.

RESOLVED, that authorization to lease any portion of the University's real property to the extent required by Section 7547 of the Pennsylvania Corporation Not-For-Profit Code is hereby granted with respect to (i) leasing of University owned real property as may be hereafter specifically authorized or approved by the Trustees or the Executive Committee, and (ii) leasing of University owned real property as has been or may be hereafter undertaken by the administration in the normal course of the University's business and which accordingly does not require specific Trustee approval.

FURTHER RESOLVED, that the University's property at 3401 Walnut Street shall be leased to the partnership and that the Vice President for Finance or other appropriate officers of the University be and they hereby are authorized to subordinate the University's interest in the property to the commercial lender granting construction and long-term financing to the project.

B. HUP Board

Mr. Ballam commented that the Hospital was running close to 84 percent occupancy in March and had hit as high as 98 percent at one point earlier in April. He noted that an article in the March issue of the Ladies Home Journal listed the 25 best hospitals in the United States and in that ranking HUP placed eighth.

1. Action. A Resolution on Reappointments to the Trustee Board of the Hospital of the University of Pennsylvania was approved as follows:

RESOLVED, that Samuel H. Ballam be reappointed as chairman of the Trustee Board of the Hospital of the University of Pennsylvania and that the following trustees be reappointed as members for one-year terms, effective 17 January 1986: Charles D. Dickey, Jr., G. Morris Dorrance, Jr., Margaret R. Mainwaring, and Anthony S. Minisi.

C. Investment Board

Mr. Neff reported that some 19 percent of the equity portfolio is in cash. "This market has had a pretty good move," he said. "It's harder and harder to find investments that make sense as the bones of value
have been picked over well. But despite this somewhat cautious perspective, the Associated Investments Fund (AIF) has run ahead of the Standard and Poor 500 Stock Average and the bond indices in terms of performance."

Mr. Neff observed that while conventional wisdom for about the last year and a half has been that the economy is going to get better six months away, he didn't share that outlook. "It's going to stay in a moderate growth mode at best," he said, "because there isn't any particular dynamic in the economy, with the possible exception of the trade deficit going down in the last half of the year. That might give you a half of one percent shot or so on GNP growth," he continued, "and maybe there would be more to follow in '87." Mr. Neff said he also would take some exception to the optimism generated by the decline in interest rates. "Long-term interest rates declined over two percentage points in less than three months to about 7.3 percent," he pointed out, "and that doesn't seem like quite enough relative to the risks that 20-, 30-, and 40-year bondholders have to take on their obligation."

Noting that the price of oil has plummeted, he went on to say that if it stays at these prices for any period of time, "five years out inflation will be worse than it would be otherwise. I would, however, take exception to the conventional wisdom that says that oil prices are going to stay low for two or three years," Mr. Neff added. "I think there is a fair chance of a spike. We've dropped precipitously from $30 to $9.75 a barrel, and we're already up 40 percent from the bottom, which only demonstrates the volatility. It will be interesting to see what comes out of the OPEC meetings. The bottom line is that I'm somewhat cautious and have an anchor to windward. We hope to show some even better numbers than our satisfactory numbers to date as the market takes on a different complexion."

In response to a question from Mr. Shoemaker, Mr. Miller said that in addition to the AIF, with a market value of $451 million, other funds were valued at around $65 or $70 million, making the total endowment in the area of $520 million.

V. Overseers and Other Boards

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

RESOLVED, that Lee F. Driscoll, Jr. be appointed to the Board of Overseers of the School of Arts and Sciences for a three-term, effective 17 January 1986.

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

RESOLVED, that Louise W. Brown be appointed to the Board of Overseers of the School of Nursing for a three-year term, effective 17 January 1986.

C. Action. A Resolution on Appointments to the Board of Overseers of the School of Veterinary Medicine was approved as follows:
Resolved, that Henrietta K. Alexander, Ann N. Eldredge, Richard E. Grubb, C. Taylor Marshall, and Anne F. Thorington be appointed to the Board of Overseers of the School of Veterinary Medicine for three-year terms, effective 17 January 1986.

D. Action. A Resolution on Appointments to the Board of Managers of the Wistar Institute was approved as follows:

Resolved, that the following individuals be appointed for one-year terms to the Board of Managers of The Wistar Institute, effective 17 January 1986:

Dr. J. Thomas August; Mr. George B. Barnard; Dr. Thomas Peter Bennett; Mr. Frank G. Binswanger, Sr.; Mr. Herbert W. Blades; Mrs. T. Wistar Brown; Mr. John T. Dorrance, Jr.; Dr. Harry Eagle; Mr. Robert A. Fox; Mr. Harris N. Hollin; Dr. Michael Katz; Dr. George B. Koelle; Dr. Thomas W. Longfitt; Mr. W. Thacher Longstreth; Ms. Faye S. Olivieri; Dr. Ruth Patrick; Mr. Roy T. Peraino; Mr. Richard S. Ravenscroft; Dr. Donald Vail Rhoads; Mr. Gerald B. Rorer; Mr. Isadore M. Scott; Mr. E. Robert Thomas, Jr.; Mr. Owen Jones Toland, Jr.; Mr. William R. Tubbs (ex officio); Mr. Howard S. Turner; Dr. George F. Vande Woude; and Mr. David V. Wachs.

E. Action. A Resolution on Reappointments to the Board of Trustees of the University of Pennsylvania Press was approved as follows:

Resolved, that John W. Fawcett, III and Mary Ann Meyers be reappointed as members of the Board of Overseers of the University Press for three-year terms, effective 17 January 1986.

F. Action. A Resolution on Appointments to the Athletic Advisory Board was approved as follows:


G. Action. A Resolution on an Appointment to the Advisory Board of the Institute of Contemporary Art was approved as follows:

Resolved, that Peter L. Svanda be appointed to the Advisory Board of the Institute of Contemporary Art for a three-year term, effective 11 April 1986.

Adjourned.

Respectfully submitted,

Mary Ann Meyers
Secretary of the University

Please note: Attachments I, II, and III can be found in the permanent meeting file.