Minutes of the Stated Meeting
of the
Executive Committee of the Trustees of the University of Pennsylvania
12 December 1986

A meeting of the Executive Committee was held on Friday, 12 December
1986. Trustees attending included: Walter G. Arader; Susan W.
Catherwood; Gloria Twine Chisum; F. Eugene Dixon, Jr.; G. Morris Dorrance,
Jr.; Robert A. Fox; C.F. Fretz; Sheldon Hackney; Margaret R. Mainwaring;
John B. Neff; Alvin V. Shoemaker; and D. Robert Yarnall, Jr. Others
present included: John Anderson; James J. Bishop; Stuart Carroll; Richard
C. Clelland; Thomas Ehrlich; Karen Gaines; Shelley Z. Green; Mary Ann
Meyers; Helen B. O'Bannon; and Marna Whittington.

I. Call to Order
The chairman called the meeting to order and the minutes of the 12
September 1986 meeting were approved as written by the secretary.

II. Report of the Chairman
Mr. Shoemaker reported that the University's fund-raising performance
is significantly ahead of last year's record pace and is on target for
achieving Penn's year-end goal of $90 million. He observed that as of 4
December, subscriptions totaled $34.8 million, which is 16 percent ahead
of the total at the same time last year. Receipts amounted to $23.3
million, a 36-percent gain over December 1985. "It should be noted," the
chairman said, "that while Penn is seeing a step-up in gifts because of
tax reform, the impact of the tax changes is only modestly reflected in
the figures reported to date. We expect a year-end surge," he added.

Mr. Shoemaker went on to say that performance by constituency
naturally shows variation due to the timing of major gift commitments. He
reported that alumni giving is up 41 percent while commitments from
friends are down 5 percent, corporate support shows an increase of 45
percent, the result largely of contributions by AT&T, Hewlett-Packard, and
IBM. Foundation support is down 12 percent, but a very recent $3-million
gift is not included in the figures. Contributions from associations show
a 7-percent gain in subscriptions.

The chairman further observed that Annual Giving is running 32 percent
ahead of last year and Planned Giving, through life income agreements, has
already exceeded the totals achieved for all of FY'86. "All trends are
positive," he concluded, "and under Rick Nahm's leadership we look forward
to intensifying our efforts to secure support that will reinforce
excellence throughout the institution."

III. Report of the President
A. Comments
In reference to a rape which occurred on campus over the Thanksgiving holiday, Dr. Hackney said the University was working both to improve security and respond to the immediate situation. He observed that security officers and the Department of Residential Living had responded to "this traumatic event in a heroic way by providing support to the victims and by providing support and opportunities to students throughout the residential system but particularly those living in the Quad." The president also mentioned a sit-in that took place in his office, which had been carried out by a group of students calling themselves the Penn Human Rights Coalition and focused mainly on security issues. "The sit-in is now being dealt with in the normal way," he said, "and we have tried to respond to the 13 demands or requests for action that were brought forward by the students."

Dr. Hackney then called the Trustees' attention to a memorandum, which was prepared for Vice Provost for University Life James Bishop by the Department of Residential Living and consisted of lists of actions that were taken between Thanksgiving 1985 and 1986 and actions currently being carried out or under study. "A good bit of the security on campus depends on the behavior of the students," the president said. "The way in which they live determines how secure they will be, and we are trying to find that balance between an absolute level of security, which we can provide through physical means, lighting, and security guards, and that which the style of living appropriate to a University community will permit."

B. Action. A Resolution on Commencement and Authorization for Conferring Honorary Degrees was approved as follows:

RESOLVED, that a mandamus be issued by the Corporation to the president, provost, and professors for the conferring of degrees on 18 May 1987 and at any special convocations called during the year 1987.

RESOLVED, that the Executive Committee be authorized to select candidates for receipt of honorary degrees at the May Public Commencement and other convocations that may be scheduled during the year 1987.

C. Academic Report

1. Comments

Mr. Ehrlich observed that academic planning continues on the University-wide level through discussions of the Council of Deans, the Academic Planning and Budget Committee, the Consultative Committee of the Faculty Senate, and other groups. He mentioned that the Dental School's draft five-year plan was the most recent of those published in Almanac. "Over the course of the spring," he said, "we expect most of the school plans that haven't been published to appear in Almanac for comment." He went on to say that late fall is the most intense stage of the University's budget process. "For a variety of reasons," he continued, "it seems that we face a good many more difficult problems..."
than we have faced before. We will resolve those issues," the provost declared, "but not without a good deal of pushing, pulling, and mainly saying no."

Mr. Ehrlich noted with sorrow that the director of University libraries, Richard DeGennaro, would be leaving Penn to head, in the operational sense, the New York Public Library with its 80 branches and several thousand employees. "We already have underway a search for a new director of libraries, which is headed by Malcolm Campbell," the provost said. "We are fortunate," he continued, "that Joan Gotwals, Mr. DeGennaro's deputy partner in running the libraries, will be acting director while the search is in progress; there is a high degree of certainty that the libraries are in good hands." Mr. Ehrlich further noted that the University was searching for a new director of University Life, as well as for two school deans. In conclusion, the provost mentioned that a review was underway by a committee of faculty and students on the Guidelines of Open Expression.

E. Turning to appointments and promotions to tenure, Mr. Ehrlich mentioned in particular the promotion of Susan C. Watkins to associate professor of sociology. After receiving her Ph.D. from Princeton, he noted that she had taught at Yale before joining the Penn faculty in 1982. "Her work links research on the family, on population, and on social history generally," he said, "and her interests span history, demography, and sociology. Her new book, From Provinces Into Nations, documents the independent development of similar family related demographic behavior throughout Europe and analyzes the factors responsible for change. She is a gifted teacher and an exceptional University citizen."

Action. A Resolution on Appointments, Leaves, and Promotions was approved as found on pages 1 through 13 of the meeting book.

D. Financial Report

Mrs. O'Bannon reported that her staff had been occupied with the refinancing of the University's outstanding debt. She said the administration continued to work with various schools whose expenses seem to be exceeding their budgets in an effort to finish the year in the black. "We are currently anticipating a very modest surplus of $38,000 in our unrestricted accounts at the end of FY'87," she noted, adding that general tuition revenue and savings in salary and utility expenses contributed to her projection. The senior vice president said that the units of the University that "appear at the moment to be in trouble are the School of Nursing, the School of Fine Arts, and the Annenberg Center. On the restricted performance side," she observed, "Penn's grant and contract expenditures increased 5.2 percent over November a year ago. The amount of grant and contract expenditures available is just .2 percent higher that it was a year ago," she said. Turning to the Hospital of the University, Mrs. O'Bannon noted that its "expenditures against budget will be in all likelihood out of balance because of some assumptions that went into the budget that were
unable to be implemented, particularly with regard to salary savings and changes in fringe benefits." For the first four months ending in October, she said, HUP showed an excess of revenues over expenses of $4,465,000, which was $1.3 million below budget. She added that Hospital cash decreased by $8.9 million, which was $3.7 million below budget. The Clinical Practices, according to Mrs. O'Bannon, showed an excess of revenues over expenses of $3.4 million for the first three months of the current fiscal year, and an increase in the Education and Development Fund balances, on net, of $460,000.

IV. Trustee Committee Reports
A. Budget and Finance
Fox reported that the Budget and Finance Committee had reviewed five resolutions and recommended them to the Trustees for favorable action.

1. Action. Amendment to the Resolution on 20 June 1986 on the Construction of a Magnetic Resonance Spectroscopy (MRS) Instrument Facility and Related Laboratory in the Johnson Pavilion for the School of Medicine was approved as follows:

On 20 June 1986, the Trustees approved the administration's proposal to construct research facilities for Dr. Robert Johnson, a Howard Hughes Medical Institute investigator, on the third floor of Johnson Pavilion. These include a Magnetic Resonance Spectroscopy (MRS) instrument facility and supporting facilities in the Johnson Pavilion's roof. The cost of this facility is estimated at $1.3 million. The School of Medicine proposes to finance the project from Howard Hughes Medical Institute funds.

Upon further investigation, the School of Medicine has determined that it would be efficacious to place two other imaging devices in the same area. It is expected that the total cost of placing the three Magnetic Resonance Imaging devices in the Johnson Pavilion will be $2.6 million. The administration requests authorization to proceed with fees of up to $200,000 at this time for the project. Should the project move forward, full funding will come from the Howard Hughes Medical Institute and the Department of Radiology. The administration supports this amendment to the original resolution to expand the scope of the project.

RESOLVED, that the resolution dated 20 June 1986 be and hereby is amended so that an additional $200,000 in fees be and hereby are authorized in conjunction with the construction of Magnetic Resonance Spectroscopy laboratories on the third floor and roof of the Johnson Pavilion and that the Vice President for Finance or other appropriate officers of the University be and they hereby are authorized to proceed with such further design as may be warranted and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost presented to the Budget and Finance Committee - as may, in their judgment, be necessary or desirable to accomplish such expansion of the scope of the project.

2. Action. A Resolution on a Program to Remove Polychlorinated Biphenyl Transformers from Electric Utility Substations on Campus was approved as follows:
Polychlorinated Biphenyls (PCB's) have been used in power transformers since the 1930s. They were developed to reduce the fire hazard presented by the insulating oils used at that time. The University has 27 transformers in service in electrical substations on campus. In 1972, the Environmental Protection Agency issued its first regulations and standards resulting, in 1977, in the cessation of the manufacture of all products containing PCB's. Subsequent standards have become even more stringent. Although PCB's are not flammable, the presence of fire and heat causes the material to release dioxins which are toxic and are spread throughout a property via ventilation systems. New regulations, to be effective October 1, 1990, require the University to take certain additional steps to protect against possible PCB contamination.

The administration proposes to remove all PCB-containing transformers from the electrical substations on campus and replace them with new ones. This will eliminate the potential for a health hazard and bring the University into compliance with federal regulations. It is proposed that this retrofitting take place over Fiscal Years 1987, 1988, 1989, 1990, at an estimated cost of $2.4 million. Funding for the four-year project will be from utility surpluses, a utility surcharge and the Government Compliance Fund.

The administration proposes to begin Phase I, removal of PCB's in substation #1 and Grad Tower A & B, in Fiscal Year 1987, at an estimated cost of $500,000. This project was not included in the 1987 Capital Budget.

RESOLVED, that Phase I of the program to remove Polychlorinated Biphenyl Transformers from campus, estimated to cost $500,000 for the removal of PCB's from substation #1 and Grad Tower A & B, 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 removal and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of such removal as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such removal.

3. Action. A Resolution on the Renovation of Space for the School of Medicine in the Anatomy/Chemistry Building was approved as follows:

The School of Medicine proposes to renovate approximately 1170 gross square feet of research laboratory space on the first floor of the Anatomy/Chemistry Building. It is estimated that the project will cost $303,000. When it is completed, the space will be assigned to Dr. Peter Sterling and Dr. Neil Rubenstein, both of the Anatomy Department. This project will be funded by the School of Medicine from its Education and Development funds and will renovate and upgrade research space. The administration supports this project. This project was included in the 1987 Capital Budget.

RESOLVED, that the renovation of research laboratory space on the first floor of the Anatomy/Chemistry Building, estimated to cost $303,000, 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 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.

4. Action. A Resolution on the Allocation of $50,000 of an Unrestricted Bequest to the Endowment of University of
Pennsylvania Press was approved as follows:

The University of Pennsylvania Press had to raise $50,000 in private support to match the requirements of a National Endowment for the Humanities Grant awarded in 1983. If matching support were not forthcoming, the federal funds would have to be returned.

The administration requests that $50,000 from the unrestricted bequest of Frank J. Nauman be designated as quasi-endowment funds for the University of Pennsylvania Press and that the National Endowment for the Humanities be notified that the University has successfully matched its challenge grant of $50,000 made in 1983.

RESOLVED, that $50,000 be designated as quasi-endowment funds to the University of Pennsylvania Press and that the Treasurer of the University be and hereby is authorized to take the necessary steps to effect this action.

5. Action. A Resolution Granting Authority, as Required by Law, Concerning Certain Acquisitions of Real Estate was approved as follows:

The administration has been advised that certain provisions of the Pennsylvania Corporation Not-for-Profit Code may be interpreted as requiring authorization from the Trustees with respect to all acquisitions of real property, regardless of the cost thereof. The administration seeks advance authorization for real estate acquisitions at a cost of less than $250,000 which may be undertaken in the normal course of the University’s business.

RESOLVED, that the Treasurer or other appropriate officers of the University be and the same hereby are authorized to execute contracts, purchase agreements and other documents in connection with the acquisition of real property costing less than $250,000 which may be undertaken in the normal course of the University’s business and that such officers also be authorized to take all necessary steps to effect such acquisitions.

B. Investment Board

Mr. Neff reported that the “market seems to continue on a life of its own irrespective of a ‘laboring’ economy. Interest rates,” he said, “have gone about as far down as they should reasonably be expected to and might even go the other way at some point, inasmuch as inflation is heating up a bit, at least relative to the honeymoon that we had in 1986, when oil prices went south.” Mr. Neff further observed that basic services have continued to go up, without any pressure from foreign competition, at almost a five-percent annual rate over the past three years, a phenomenon he described as “a good yardstick of what endemic inflation is. Basic commodities in this country,” he observed, “have been pretty well slimmed down to where, particularly in some areas such as steel, they are not making any money, and obviously at some point they’ve got to make money; so prices have to go up. Oil already has turned around, and I think prices will go up further over the near term,” the chairman said. He went on to note that by the mid-’90s only OPEC would be able to supply world demand since there is little development going on these days in Texas and Oklahoma. “Top off the prospect of continually rising petroleum costs with an Administration that is in some disarray,” Mr. Neff said, “add the Boesky inside trading revelations, and you wonder why the market is as high as it is.”

The Investment Board chairman then observed that in managing the Associated Investments Fund (AIF), he had maintained “a relatively conservative stance. We bought some insurance,” he said, “while retaining a modicum of liquidity, which hasn’t exactly served us well in the sweepstakes because liquidity didn’t go up when common stocks do. Despite that,” he continued, “our performance, while not spectacular, is at least solid under the circumstances.” Mr. Neff pointed out that since mid-year, the common stock portion of the portfolio has appreciated 4.9 percent a share (total return) versus a
1.6-percent increase for the Standard and Poor 500 Stock Average. "The fixed side also is up a couple points better than the standard indices," he continued, "so the average of the two performances puts the AIF about 2.9 percent ahead. For the year to date," he went on, "our common stock performance is about four percentage points better than the S&P, and we're doing maybe a point better than other indices on the fixed-income side. Because of the liquidity, the AIF per share increase of 20.7 will be only .4 of a point better than a composite of the indices, which is 20.3, but nevertheless it's on the positive side." Mr. Neff added that he was ready to put some of the fund's liquidity back into the market given "some kind of opportunity. We've been notably quiescent the last three weeks," he said, there haven't been any transactions, and that is a little unusual. We kind of wonder why the market's quite as happy as it is," he concluded; "we'll see what happens."

V. Overseers and Other Boards
A. 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 Paul E. Wright be appointed to the Board of Overseers of the School of Engineering and Applied Science for three years, effective 12 December 1986.

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

RESOLVED, that Robert Goodman be appointed to the Advisory Board of the Institute of Contemporary Art for a three-year term, effective 12 December 1986.

Adjourned.

Respectfully submitted,

Mary Ann Meyers
Secretary of the University