Trustees of the University of Pennsylvania

Minutes of the Stated Meeting

16 January 1987

A Stated Meeting of the Trustees was held on Friday, 16 January 1987, in the Arthur Ross Gallery of the Furness Building. Trustees attending the meeting included: Arlin M. Adams; Gustave G. Amsterdam; Walter G. Arader; David C. Auten; Samuel H. Ballam, Jr.; Julian S. Bers; Gordon S. Bodek; Alan C. Bowser; Richard P. Brown, Jr.; Susan W. Catherwood; Henry M. Chance; Gloria Twine Chisum; Charles D. Dickey, Jr.; F. Eugene Dixon, Jr.; Robert G. Dunlop; John W. Eckman; Melvyn J. Estrin; C.F. Fretz; Sheldon Hackney; Stephen J. Heyman; A. Leon Higginbotham, Jr.; Reginald H. Jones; Robert P. Levy; Edward J. Lewis; Thomas Lockard; Margaret R. Mainwaring; Paul F. Miller, Jr.; Paul S. Miller; Anthony S. Minis; John P. Mulrow; John R. Nafl; James A. Pappas; Ralph S. Saul; Alvin V. Showmaker; Robert L. Trescher; Jacqueline G. Waxler; and D. Robert Yarnall, Jr. Others present included: James J. Bishop; Valerie Swain Cade; Stuart Carroll; Richard C. Clelland; Thomas Ehrlich; Karen Gaines; Shelley Z. Green; Stanley Johnson; Robert G. Lordale; Mary Ann Meyers; Helen B. O'Bannon; Barbara Stevens; Joseph Watkins; and Marna Whittington.

I. Call to Order

Chairman Shoemaker called the meeting to order and an invocation was offered by Chaplain Johnson. The minutes of the 24 October 1986 meeting were approved as written by the secretary.

II. Report of the Chairman

A. Action. A Resolution of Appreciation to Paul S. Miller was approved as follows:

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 Paul S. Miller their appreciation for his service.
B. Mr. Shoemaker announced that the Trustees had awarded William G. Owen the E. Craig Sweeten Award for Distinguished Service at a dinner held in his honor on the 14th of January. A Resolution of Appreciation to Mr. Owen was approved as follows:

A 1942 graduate of the Wharton School and holder of a master’s degree from the Graduate School of Education, William G. Owen has been associated with the University for 48 years as a student, alumnus, and administrator. Following military service in World War II and in the Korean War and five years with the Provident Mutual Life Insurance Company, he returned to his alma mater in 1953 Assistant to the Secretary of the Corporation. Named Assistant Secretary in 1956, he moved to the Office of the President as Assistant Vice President in 1960, where he continued to demonstrate consummate skills as an administrator. From 1961 to 1968 he had responsibility for Penn’s increasingly successful undergraduate admissions program as Dean of Admissions.

The Trustees came to know him well and to appreciate his many and varied abilities while he was Secretary of the Corporation for the next seven years. As the University prepared for the critically important Program for the Eighties in 1975, he was chosen Vice President for Development and Public Relations under Senior Vice President E. Craig Sweeten. At the conclusion of that campaign his superb organizational talents and his vast institutional knowledge were tapped by the President who named him as Special Assistant in 1982 and then Executive Assistant in 1984.

RESOLVED, that the Trustees of the University of Pennsylvania, on behalf of themselves, the students, the faculty, the alumni, and the administration of the University, express to William G. Owen upon his retirement their appreciation and thanks for his service to the University. We note with pleasure that he will remain as a consultant to assist in the planning of the University’s 250th anniversary celebration.

III. Report of the President

A. Dr. Hackney commented upon the University’s participation in the nation’s celebration of the 200th anniversary of the Constitution, noting that all of the eight delegates from the state of Pennsylvania to the Constitutional Convention were linked to Penn either as alumni or as trustees. He mentioned an exhibit focusing on the University links, which will include portraits of the signers and other pictures and memorabilia on life at Penn in the 18th century and on the general state of higher education then. The president said the University intended to hold a Saturday symposium for area high school students. He noted that the Law School is planning a series of lectures about James Wilson, Penn’s first law professor who was one of the six people to have signed both the Declaration of Independence and the Constitution, a Supreme Court Justice, and the first law lecturer in the United States. Dr. Hackney further observed that the University will host an international women’s conference focusing on women and the Constitution and a conference examining the influence of the U.S. Constitution on Puerto Rico’s constitution, which is sponsored by the National Conference of Puerto Rican Women. He said that the School of Arts and Sciences is producing a local television series featuring distinguished speakers.
on the Constitution, and he mentioned that President Emeritus Martin Meyerson, who is heading Penn's program of participation in the Constitution celebration, is one of three people who will appear on a PBS program on the Constitution that will be aired in mid-September. Among other activities, the president cited the University Relations Office's efforts to develop a set of radio spots featuring Penn faculty speaking on some significant aspects of the Constitution and a campus meeting of the U.S. Committee on the Constitutional System. He then went on to call attention to city events related to the 200th anniversary celebration, including a May weekend of activities called "All Roads Lead to Philadelphia," which will commemorate historic dates associated with the convening of the Constitutional Convention. Among the festivities will be a gathering of the governors of the 13 original states, re-creation of aspects of everyday life in 1787, and a concert called "Born in America." Dr. Hackney noted that Constitution Day itself, September 17th, is being proposed as a one-time national holiday in 1987 when a grand federal procession will converge on Philadelphia and the signing of the Constitution will be re-enacted. The President of the United States is expected to attend. On the Fourth of July weekend, a series of celebrations will take place along the Parkway, Dr. Hackney observed, and a joint session of Congress will be convened in Philadelphia on July 16th. In September, he continued, the Supreme Court also is scheduled to meet in Old City Hall, where it met from 1791-1800. He also mentioned a year-long exhibit called "A Promise of Permanency," which uses state of the art computer and video technology to show visitors the Independence National Historical Park at its best advantage. On September 22nd, a panel of leading historians and social scientists will look at the significance of the Constitution for black Americans. "It really is a spectacular set of events," Dr. Hackney declared, "and I think it will focus national attention on Philadelphia."

Turning to other University matters, the president expressed his belief that Penn was entering the new calendar year "in very good shape and full of optimism." He said he was delighted to have Mr. Nahm on board full time. "But as Rick pointed out yesterday to the Development Committee," the president continued, "he is not yet responsible for the splendid results that we have seen in our year-to-date figures. For those we have to thank our loyal friends, the Tax Reform Act of 1986, which perhaps hastened a few contributions, and finally and especially the marvelously talented staff in the Development Office under the leadership of Dick Carter." Dr. Hackney said he wished to join in the Trustees' earlier expression of appreciation to Bill Owen "for his great contributions to the University over many years and especially for his contributions to my activities during the past five years while he served in the Office of the President." He mentioned that Penn will be celebrating Martin Luther King, Jr. Day by tolling the bell in
Irvine Auditorium in conjunction with bells from churches and institutions across the country. Other events in connection with Dr. King's birthday observance, which the president mentioned, included a speech by the journalist Tony Brown and a continuing series of activities, under the auspices of the President's Forum, which have been planned and led by Professor Robert Engs. In conclusion, Dr. Hackney called the Trustees' attention to the President's Report for 1985-86. "The happy numbers that you will find in the back," he said, "have been produced by hundreds of people working very hard. In the front is an essay on the importance of the faculty to this great University. Whatever else we may do to strengthen Penn, we must always realize that the faculty really determines its quality."

B. Academic Report

1. Mr. Ehrlich observed that the University's "planning efforts are moving forward aggressively but carefully. During the fall," he said, "a series of draft five-year school plans were published for comment, and the Trustees can expect to see at least three more plans in the spring. We're pressing particularly hard now to ensure that our academic priorities do indeed shape budget decisions," the provost continued. "We're still some way from closing the FY'88 budget," he said, "but we are working very closely with all 12 schools and the resource centers to reduce non-academic costs and provide as much support as possible for faculty salaries and other key priorities, including graduate fellowships and research, while keeping tuition increases at as low a rate of growth as is feasible." Mr. Ehrlich went on to note that the University was continuing to focus on two key priorities, undergraduate education and research excellence, in the allocation of funds. "But to give you some sense of the need," he said, "we received 132 faculty proposals this fall seeking support by the Research Foundation, and we were able to fund only 46 of them."

He mentioned that the searches for deans of the schools of Education and Veterinary Medicine are moving toward their final stages. He reported that Valerie Swain Cade had been promoted to assistant provost. Turning to faculty appointments, he called attention to four persons proposed for tenure positions: Douglas Gale, recommended for promotion to professor of economics, who came to Penn from the London School of Economics and is a leading monetary theorist; Harry Rozmiarek, recommended for appointment as professor of laboratory animal medicine and clinical studies, who recently joined the University administration as the new director of laboratory animal resources; Richard Stone, recommended for promotion to associate professor of ophthalmology, who has gained an international reputation as a clinical ophthalmologist with particular expertise in the field of neuro-ophthalmology since joining the medical faculty in 1978;
and Bernard Dumas, proposed for appointment as a professor of finance, who comes to the Wharton School from Paris and is recognized for his work in the field of international corporate finance.

2. Action. A Resolution on Appointments, Leaves, and Promotions was approved as found on pages 1 through 11 of the meeting book.

C. Financial Report

Mrs. O'Bannon reported that a record 6,000 students had signed meal contracts. She went on to note that the University had this year for the first time offered students the opportunity to purchase long-distance telephone services from the University, saving them an estimated $1 million while at the same time Penn will be recovering its start-up costs and beginning to see some revenues coming back in the form of lower University telephone bills. The senior vice president further observed that Computer Connection, another auxiliary enterprise, has had sales in excess of $3 million in the first six months of the fiscal year, which almost equals all of last year's sales. She reported that the administration has begun a search for a vice president for human resources, further noting that George Budd would focus exclusively on labor and staff relations; and she asked the Trustees to call potential candidates to her attention. Mrs. O'Bannon went on to say that members of her staff had spent "six months learning how to run a hotel," and she expressed confidence that they were making progress.

Turning to financial matters, she mentioned the considerable effort expended during the fall on planning for major refinancing of the University debt to capture lower interest rates, which will benefit Penn not only this year but years to come. "I commend Marna Whittington and Scott Lederman and their staffs for their work in this area," the senior vice president said. She then mentioned that significant amounts of time had been spent with auditors over the fall, and she noted that the IRS was reviewing Penn's tax exempt status. Mrs. O'Bannon went on to call attention to the financial report for the six-month period ending 31 December 1986. "We are projecting a general University surplus of $63,000," she said, "in addition to the $97,000 planned surplus required to fund the debt amortization cost for Graduate Hospital. The positive factors contributing to the surplus are salary savings, increased tuition revenue, and significant savings in utility expenses due to the reduction of oil prices and a lower-than-anticipated steam bill." The senior vice president noted that on the restricted performance side, endowment funds and gift fund expenditures have increased 26 percent and 14 percent, respectively. She said the University currently has available in grants and contracts 8.3 percent more resources than at the same time last year. She then noted that the Hospital budget was an area of some concern. "It was projected on the basis of significant changes in employee benefits that did not materialize when they were met with significant resistance," she
said, "so we are monitoring the situation very closely, though we are confident that HUP will continue to manage within its resources."

IV. Reports of Trustee Committees

A. Academic Policy

In the absence of Professor Kaysen, Judge Adams reported that the Academic Policy Committee heard reports from Dean George Gerbner of the Annenberg School of Communications and Dean Robert Marshak of the School of Veterinary Medicine. "Both schools are in excellent shape academically and financially," Judge Adams observed, "and their five-year plans seem to be realistic as well as optimistic. My personal view is that neither school has any peers in the nation."

B. Audit

1. Mr. Dickey noted that the primary responsibility of the Audit Committee was to make sure that mechanisms are in place to give the Trustees confidence that the University's financial reports are completely accurate. He said that in the course of three meetings, the committee had assured itself that "all facets of this very complex university come under the scrutiny of the audit function and that the systems are in place so the audit function can be adequately performed."

2. Action. A Resolution on the Appointment of Auditors was approved as follows:

RESOLVED, that Coopers and Lybrand be and hereby are appointed as accountants to audit the financial statements of the University of Pennsylvania for fiscal year 1987.

C. Budget and Finance

In the absence of Mr. Fox, Mr. Arader reported that the Budget and Finance Committee had received a report on the University's accounting system and budget procedures, including current plans to modernize them. The committee, he said, "encouraged the administration to proceed with these developments." Mr. Arader then mentioned that members had heard a report on the purpose and projected income and expenses of the Clinical Sciences Building (CSB), along with a thorough discussion of the risks and benefits of the project. "The committee questioned the staff closely," he said, "and at length expressed its approval of a resolution amending the original CSB resolution as well as endorsing six other resolutions, which were brought forward by the administration."

1. Action. A Resolution on the Purchase of Additional Telephone Equipment was approved as follows:

In October 1984, the administration proposed to spend $1.6 million to purchase electronic key telephone systems to replace outdated multibutton instruments which the University has been renting from A.T.&T. The Trustees authorized the expenditure.

That program is now complete. Annually, the cost to departments that are paying for the new equipment over four years is $620,000 as compared with $1,010,000 they would have paid in rental charges to A.T.&T. Once amortized, the full
savings annually of $1 million will be realized.

The administration has had new requests from throughout the University to replace leased equipment with University-owned equipment. The administration requests authorization to spend $450,000 to implement this program. Funds would be advanced from general University funds and repaid at prime rate of interest over a period not to exceed four years by the department acquiring the equipment.

RESOLVED, that the purchase and installation of University-owned telephone equipment, at an estimated cost of $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 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 presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such purchase and installation.

2. Action. A Resolution on a Chilled Water Facility for the Penn Tower Building was approved as follows:

In the process of converting certain floors in the Penn Tower Hotel property from hotel to medical center use, the administration has been advised that new heating, ventilation and air conditioning will have to be installed for those floors. After reviewing alternatives, the administration supports the installation of a chilled water facility to provide cooling to the converted floors. This cooling will replace the current "through-the-wall" room units.

The design and installation of the facility, with a 500-ton capacity, is estimated to cost $1,100,000. Most of that cost will be recovered from charges to convert the floors. The remaining cost will be advanced by the University from its general funds and recouped through utility charges and conversion costs.

RESOLVED, that the design and installation of a chilled water facility for the Penn Tower Building, estimated to cost $1,100,000, 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 design and installation and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of such design and installation presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such design and installation.

3. Action. A Resolution on Authorization to Purchase Property at 4012 Walnut Street, Philadelphia, Pennsylvania was approved as follows:

The University has been approached by the owners of property at 4012 Walnut Street, Philadelphia, Pennsylvania to purchase the
property for the University. The property has been recently appraised. It has been reviewed for programmatic usefulness and physical soundness. The administration supports entering negotiations with the owners to acquire the property at a price not in excess of $800,000, which is approximately one-half of its appraised value.

The property, with some modification, could provide first-class space for lectures, musical and theatrical performances, and meeting and office spaces for University activities.

The property is a 35,275 square foot parcel with 225 feet of frontage on Walnut Street, containing a single structure. The building was designed by Hastings and Blake and built in 1910. The structure consists of 17,525 square feet. Should negotiations be successful, the administration requests authorization to consummate the acquisition. Funds for the purchase of the property would come from general University funds. Operating costs would be allocated to the users. Costs of any programmatic improvements would be borne by the users.

RESOLVED, that the purchase of the property at 4012 Walnut Street, Philadelphia, Pennsylvania, estimated to cost no more than $800,000, 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 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 complete such purchase.

4. Action. A Resolution on Refinancing the Equitable Loan was approved as follows:

In May 1986, the Trustees of the University of Pennsylvania borrowed $20,000,000 from the Equitable Life Assurance Company (the "Equitable Loan") to finance the acquisition and renovation of the University City Hilton Hotel, now the Penn Tower Hotel. The loan is a seven-year, interest-only loan at a rate of 9.625%.

The Administration has been reviewing this outstanding indebtedness in light of recent changes in interest rates and market conditions and has determined that it may be financially advantageous to refinance all or a portion of this debt. The Administration has also determined that it may be possible to refinance this debt through a state or local financing authority in the same manner contemplated and in conjunction with the refinancing of other University Debt as approved by the Trustees at their October 24, 1986 meeting.

The Administration requests authorization from the Trustees to make application to such authority as the Administration may select, to issue and sell, for the benefit of the University, tax-exempt bonds, the proceeds of which it is intended will be used to refinance the debt described above.

In view of the possible need on short notice of approval at the Trustee level of the substantive terms of this financing and of the documents relating to the issuance and sale of the refunding bonds, the Administration recommends that the same Ad Hoc Committee appointed in October 1986 to act on matters regarding the refinancing of other University debt be authorized to act on the refinancing of the Equitable Loan.

RESOLVED, that the Trustees of the University of Pennsylvania approve the refinancing, through current or advance refunding, of the Equitable Loan.
FURTHER RESOLVED, that the Vice President for Finance be, and hereby is, authorized to select and apply on behalf of the University to an authority for the issuance of the Bonds and to pay such fees and expenses as may be required in connection with such application.

FURTHER RESOLVED, that the Vice President for Finance and other appropriate officers of the University be, and hereby are, authorized to negotiate and agree with: (a) the Equitable Life Assurance Company regarding the prepayment terms for the Equitable Loan to obtain the best terms for the University and (b) with such authority and with investment bankers, which they may choose or agree upon in connection with the underwriting and sale of such Bonds, concerning: (i) the terms and provisions of such Bonds and their underwriting and sale and (ii) the form and substance of such indenture, mortgages, leases, payment agreements, security agreements, underwriting agreements, official statements, and other documents or instruments as may be necessary or advisable to effectuate the issuance and sale of the Bonds, as above described; subject, however, to the further approval, confirmation, or other action of the Ad Hoc Committee hereinafter appointed.

FURTHER RESOLVED, that, pursuant to the Section 4.01 of the Statutes of the University, the Bond Ad Hoc Committee of the Trustees appointed at the October 1986 meeting composed of Samuel H. Ballam, Jr., Robert A. Fox, Paul F. Miller, Jr., and John B. Neff is hereby delegated, to the extent necessary, with the full power of the Trustees to act on behalf of the University with respect to matters referred to in the foregoing resolution.

5. Action. An Amendment to the Resolution of 21 June 1985 on the Construction of a Biohazard Containment Laboratory at New Bolton Center was approved as follows:

On 21 June 1985, the Trustees approved the administration's proposal to construct a Biohazard Containment Laboratory at New Bolton Center that will enable the School of Veterinary Medicine to continue its poultry research. The unit was estimated to cost $289,000 and the funding is in hand, from funds appropriated by the Commonwealth of Pennsylvania.

The School of Veterinary Medicine rejected the standard design of the Pennsylvania Department of Agriculture and engaged an architect to design a facility to the School's needs and specifications.

This redesigned facility is expected to cost $347,000. Funds for the larger facility will come from a Commonwealth of Pennsylvania appropriation to the School of Veterinary Medicine for poultry research. The administration supports the modification.

RESOLVED, that the resolution dated 21 June 1985 be and hereby is amended to authorize the construction a Biohazard Containment Laboratory at New Bolton Center at an estimated cost of $347,000 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 presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such construction.

6. Action. An Amendment to the Resolution of 25 October 1985 on the Purchase of Redevelopment Unit 5, Parcel 14, University City Urban Renewal Area was approved as follows:

On 25 October 1985, the Trustees approved the administration's purchase of a parcel of land, consisting of 49,955 square feet, located at the northeast corner of 34th
Street and Chestnut Street, estimated to cost $750,000. This parcel has been earmarked for a parking garage and, in time, an office building.

The Redevelopment Authority, after encouraging the University to develop the site to include an office building, determined that the additional site coverage being granted necessitated a reappraisal of the parcel. The price of the site acquisition is approximately $975,000, and the administration requests approval to proceed with this acquisition and to begin the redevelopment of this parcel. The University expects to take title to the land in March 1987 and to begin construction of a 750-800 car garage in May 1987. This project was included in the 1987 Capital Budget.

RESOLVED, that the resolution dated 25 October 1985 be and hereby is amended to authorize the purchase of the land at the northeast corner of 34th Street and Chestnut Street, at an estimated cost of $975,000, and that the Vice President for Finance or other appropriate officers of the University be and they hereby are authorized to proceed with such contracts and incur such expenses - 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 acquisition.

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

The University is planning to build a Clinical Sciences Research Building on the Philadelphia General Hospital site. On 21 June 1985, the Trustees approved an initial expenditure of $1.5 million for design fees. At that time, a smaller, less costly facility was contemplated. Now, having completed the programming, preliminary design and a portion of the construction documents, the administration proposes to construct a seven-floor facility with approximately 207,000 gross square feet at a total cost of $53,880,000.

Funds for the project have been identified as follows: Hospital of the University of Pennsylvania - $1 million; Clinical Practices, University of Pennsylvania - $15.335 million; Howard Hughes Medical Institute - $13.2 million; National Cancer Institute Grant - $2.5 million; a local foundation - $10 million; and University long-term loan - $10 million. Remaining funds will come from School of Medicine.

RESOLVED, that the resolution dated 21 June 1985 be and hereby is amended to authorize the construction of a Clinical Sciences Research Building, at an estimated cost of $53,880,000, and 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 presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such construction.

D. Development Committee

Mr. Miller reported that as of 31 December 1986, gifts and subscriptions for the current fiscal year stood at $50.5 million. "It was only three years ago in 1983," he reminded the Trustees, "that the University raised $50 million for the entire year." The chairman went on to explain that a major reason for the results to date was the new tax legislation. "During the last 10 weeks of the calendar year," he said, "more than $24 million in new gifts were
received, so it will be a little tougher during the second half of the year." He pointed out that Penn's goal for FY'87 is $90 million. "Raising another $40 million is going to take a lot of effort," he said. "so at its meeting yesterday, the Development Committee made sure that every trustee present had a firm assignment."

Turning to an analysis of performance, Mr. Miller observed that the University's fund-raising success cuts across all constituencies. "Giving by alumni, friends, corporations, foundations, and associations is up by an average of 27 percent," he said, "and this broad base of support adds to our confidence that we are doing things well." He then noted several outstanding accomplishments: gifts made through Planned Giving instruments total over $7 million, which is more than the amount secured during all of 1985, and Annual Giving shows sharp gains, with totals up to 21 percent over last year. "Of special note," the chairman said, "is the Class of 1962, which already has established a 25th reunion gift record of $2 million and now has set its sights on $3 million. It wasn't very long ago," he went on, "when we were raising $100,000 or $150,000 for 25th reunion gifts, so again we must be doing something right." He added that those classes with a majority of its members living on campus hadn't reached their 25th reunion yet, so he was confident that reunion giving records would continue to be exceeded.

Mr. Miller then pointed to several notable gifts, including: a chair in the Law School established by Mrs. Leon Meltzer in memory of her husband, a member of the Class of 1926, with a gift of $1.25 million; a grant of $1,050,000 from the Andrew M. Mellon Foundation to establish SAS term professorships; and a $3 million grant for the restoration of the Furness Building from the Pew Memorial Trust of which $1 million is in the form of a challenge. The chairman added that the Trustees were very grateful for Pew's continued interest in Penn and its exceptional generosity.

"Looking ahead," he said, "the Development Committee intends to redouble its efforts." He noted that, in fact, the committee had devoted most of its meeting to discussing future action. "Sheldon and Rick provided an update on the progress in institutional planning in anticipation of a major campaign," Mr. Miller concluded, "and they received the committee's endorsement."

E. Nominating Committee

In the absence of Mr. Dorrance, Mr. Miller went on to report that the Nominating Committee was bringing six membership resolutions, which had the support of the Executive Committee, to the Stated Meeting for action. "You will remember that in October we expressed our thanks to David Mahoney for his many contributions to the University," Mr. Miller said. "His second five-year term had expired
and he was not eligible, according to our Statutes, for reelection. But the Nominating Committee was reluctant to let him get very far away, and we recommend to you today his election as a trustee emeritus even though he is a few years short of 70."

1. Action. A Resolution on the Election of David J. Mahoney as a Trustee Emeritus was approved as follows:

RESOLVED, that David J. Mahoney be elected a trustee emeritus.

Mr. Miller further reported that the Nominating Committee recommended the election of Leonard Lauder as a life trustee.

2. Action. A Resolution on the Election of Leonard A. Lauder as a Life Trustee was approved as follows:

RESOLVED, that Leonard A. Lauder be elected a life trustee.

3. Action. Acting in accord with Article 12, Section 2 of the Statutes, Mr. Miller requested and received unanimous consent for suspension of Article 2, Section 4 of the Statutes to permit the election of Bruce J. Graham and D. Robert Yarnall as term trustees without 10 days notice of their proposed election.

He explained that early last spring the Nominating Committee decided that it wished to propose the reelection of the two term trustees, who were completing their first five-year terms on the board in the fall, and had intended to accomplish this in October.

4. Action. A Resolution on the Reelection of Bruce J. Graham as a Term Trustee was approved as follows:

RESOLVED, that Bruce J. Graham be reelected a term trustee for a five-year term, extending through October 1991.

5. Action. A Resolution on the Reelection of D. Robert Yarnall, Jr. as a Term Trustee was approved as follows:

RESOLVED, that D. Robert Yarnall, Jr. be reelected a term trustee for a five-year term, extending through October 1991.

Mr. Miller reported that the Nominating Committee further proposed the reelection of Mr. Levy, who served on the board from 1971 to 1981, went off the board for a year, and was completing the first five-year term in his second period of service as a trustee.

6. Action. A Resolution on the Reelection of Robert P. Levy as a Term Trustee was approved as follows:

RESOLVED, that Robert P. Levy be reelected as a term trustee for a five-year term, extending through January 1992.

Finally, Mr. Miller said, the Nominating Committee was proposing the election of one of Philadelphia's most distinguished attorneys, John Harkins, as a new term trustee.

7. Action. A Resolution on the Election of John G. Harkins, Jr. as a Term Trustee was approved as follows:

RESOLVED, that John G. Harkins, Jr. be elected a term trustee for a five-year term, extending through January 1992.

F. Student Life Committee

Dr. Chisum reported that at a joint meeting of the Student Life
and University Responsibility committees, members heard reports on residential security and racial and sexual harassment on the campus. "The Trustees are actively concerned about both topics," she said, "and will revisit them again in the future." Dr. Chisum further noted that the Student Life Committee will hold a meeting on the 31st of March and perhaps also late in the spring to discuss recreation and athletics and the Student Activities Center. She urged as many trustees as possible to be present.

B. Medical Center Board

1. Mr. Ballam reported that the Medical Center Board of the Trustees had held two meetings since October at which members reviewed proposed changes in the planned Clinical Sciences Building and a report of the Department of Surgery. He said the latter constituted a periodic review and noted that the board would conduct periodic reviews of three other departments in 1987. The chairman further observed that the board had discussed with the Executive Vice President for the Medical Center a draft of new board bylaws which the Executive Committee of the Trustees would review later in the spring. He went on to note that as Mrs. O'Bannon had reported, the Hospital of the University of Pennsylvania (HUP) was $2.7 million below budget for the first five months of FY'87 due to "a failure to achieve anticipated savings in the benefit package, higher volume, and an inability to reduce expenses as much as contemplated. Admissions," he said, "were only slightly below budget, but length of stay averaged 7.7 days versus the 7.3 days in the budget, which accounted for higher volume costs." Mr. Ballam observed that HUP will be under the budget of $13.8 million for the full year. He said it was using $8.9 million as the figure for its FY'87 income, before subtracting an anticipated $4.9 million charge in connection with the refinancing of the 1984 bond issue.

Mr. Ballam then noted that he was happy to report the selection of C. Edward Schwartz as executive director of HUP and assistant vice president of the Medical Center. He paid tribute to Dr. Robert Goodman who has been serving as acting executive director of the Hospital since December of 1985.

The chairman reported that various medical activities had moved into the Penn Tower Hotel. He observed that HUP was setting up a satellite facility for orthopaedic surgery in King of Prussia in its first effort to move into a market outside the West Philadelphia area. He said Phase IV of the building program was progressing with the anticipation that patients would be in the new facility by summer. "The dedication," Mr. Ballam noted, "is scheduled for June, and we are now working on a follow-up program, Phase IVB. The total cost, according to the chairman, will be about $29 million of which approximately $23 million has been identified by HUP administrators."
Turning to the refinancing of the 1984 bond issue, he congratulated Dr. Whittington, Mr. Piper, and their staffs. He said the new bonds were expected to go to market during the next week and that it was anticipated that the average rate "would be slightly under 7 percent versus an average cost of 9.7 percent for the present bond issue. The present value savings would be $13.7 million and HUP's annual debt service would be reduced $1.1 million," Mr. Ballam noted. He said that, in addition, the refinancing would secure the release of a debt service reserve fund equity of $11.9 million and recapture $56,000 held in an arbitrage pool by the Pennsylvania Higher Education Financing Administration.

2. Action. A Resolution on the Extension of the Terms of the Chairman and Members of the Trustee Board of the Medical Center of the University of Pennsylvania was approved as follows:

RESOLVED, that the term of Samuel H. Ballam as chairman of the Trustee Board of the Medical Center of the University of Pennsylvania and the terms of the following trustees as members of the board be extended until 30 June 1987: Charles D. Dickey, Jr., G. Morris Dorrance, Jr., Margaret R. Mainwaring, and Anthony S. Minisi.

H. Investment Board

Mr. Neff commented that the stock market "seems to have a life almost of its own, irrespective of what one might perceive to be the basic fundamental backdrop. Interest rates bottomed out almost nine months ago," he said. "There is not much of an earning dynamic in terms of an advance in economic activity and, accordingly, no pop in corporate earnings. The administration seems in some disarray," he went on, "and the Boesky scandal could well involve some additional participants. Furthermore, the dollar is doing rather poorly. If one basically dealt with factual material," he said, "it is a little hard to explain a 10 percent advance in two weeks."

Mr. Neff then observed that the Associated Investments Fund (AIF) was being "handled with some realism. We've taken the liquidity portion of the equity part of the Fund from 15 percent to 17 percent in the last couple of weeks," he said. "We've done a fair job of capitalizing on our outside energy position, which was as high as 27 percent of the portfolio in the summer and is now down to about 16 percent." In summary, the chairman noted that the AIF had continued moderate participation in the market.

He pointed out that, on a total return basis, the value of Fund shares was up 8.8 percent since 30 June, as of the 16th of January, and AIF common stocks had appreciated 9.3 in that period versus an increase in the Standard and Poor 500 Stock Average of 5 percent. "If you combined the S&P and the Shearson Lehman and Salomon Brothers bond indices," he said, "you would have a basic overall index that is up about 6 percent versus an AIF 8.8-percent appreciation." Doing 2.8 points better than the market might not be spectacular, Mr. Neff
told the Trustees, especially in light of insurance purchases during the past six-month period. "But we've been carrying a little bit of anchor to the windward for the last two years," he said, "because this is precious money."

He noted that the total market value of the AIF had risen to more than $511 million. "Since year-end 1979," Mr. Neff observed, "the value of an AIF share, on a total return basis, has increased 263 percent. If you combine the S&P and government bond indices, you'd probably come up with something around 200 percent or, put another way, if we'd only done as well as the averages during the past seven years, we'd have about $402 million or $110 million less than we do," he said.

V. Overseers and Other Board
A. Museum Overseers

Mrs. Catherwood reported that the Board of Overseers of the University Museum enthusiastically endorsed the resolution she brought to the Trustees.

Action. A Resolution on the Charter for the University Museum's Second Century was approved as follows:

On the occasion of the celebration of one hundred years of research, scholarship, and education by The University Museum, the Trustees of the University of Pennsylvania express their great pleasure with the distinguished contributions of The University Museum of Archaeology and Anthropology by adopting the following:

RESOLVED, that the Trustees of the University of Pennsylvania are most proud to reaffirm the happy decision made one hundred years ago to found and support a Museum dedicated to the study of archaeology and anthropology.

FURTHER RESOLVED, that the Trustees of the University of Pennsylvania endorse the continuing mission of the University Museum of Archaeology and Anthropology:

To apply the skills and resources of the arts, sciences, social sciences, and humanities to enhance our knowledge of the diversity of mankind throughout the world, and to seek evidence of our historical and cultural legacy from the translation of ancient texts and the recovery of remains buried beneath land and sea;

To preserve these remains and to illustrate this knowledge through the medium of a great museum's collections, exhibitions, public programs and publications;

To employ this knowledge and these activities for the educational benefit of the students and faculty of the University of Pennsylvania, and the students and citizens of Philadelphia and the Commonwealth of Pennsylvania; and

To communicate and share this knowledge with people everywhere, now and in the years to come.

FURTHER RESOLVED, that the Trustees of the University of Pennsylvania join with the staff of The University Museum and with the guides, volunteers, board members, Women's Committee, and community at large to achieve these cherished goals, looking forward to the Museum's next century with a sense of excitement and anticipation.
B. WXPN Directors

Mr. Minisi gave the following report:

In 1978 the Trustees lost the WXPN broadcasting license due to what the FCC cited as failure "to exercise adequate control and supervision over station operations in a manner consistent with a licensee's responsibilities." In 1979 we regained the license, based on three commitments: (1) a change in orientation from a student activity to a community radio service; (2) the hiring of professional management; and (3) a governance structure in which we as the licensee vested operating authority in the president, who in turn charged a five-member governing board with responsibility for operating guidelines and programming policy. At that time, the Student Life Office continued to be responsible for the station's budgetary and administrative affairs.

In 1982, at University Council's recommendation, the governing board was expanded to eight members—one trustee, two faculty, two students, one administrator, and two representatives from the listening community. Council also focused on two goals for the station: (1) programming which would share the University's intellectual and cultural resources with Delaware Valley listeners, and (2) opportunities for student participation in operations. The station has always aired programming which "shares the University's intellectual and cultural wealth," but historically the quantity of its University-based productions has been constrained by a chronic lack of production resources. Outstanding progress, however, has been made in the area of opportunities for students. Students now make up about 50 percent of WXPN's 80-100 member volunteer staff, up from less than 20 percent in 1982. About half of the remaining volunteers are former student staffers who continued their participation after graduation.

WXPN's audience is estimated to be between 40,000 and 60,000 listeners, of all ages, from throughout the Delaware Valley. In the April 1986 WXPN fund-raising marathon, listener pledges exceeded $113,000. The contribution yield from WXPN's listeners is about the same as WHYY-FM's and several times that of Temple University's WRTI-FM, the other public station in the market. The station's programming is diversified and of good quality, having received local and regional awards in the past several years. There have been no problems of the sort that led to the license crisis in the 1970's, and programming controls have worked effectively. In 1984, the WXPN license was renewed routinely, with no opposition.

Staff cutbacks and other administrative and financial problems in the early 1980's, however, created chronic operating deficits for WXPN. The governing board, which took office in July 1984, immediately launched an analysis of station operations and funding. It further retained a consultant, who confirmed the board's findings. In 1985 the board restructured the station's financing and
operations, including qualifications for annual federal funding from
the Corporation for Public Broadcasting (CPB).
With strong support from the president and the vice provost for
University life, steps were taken early in 1986 to bring the physical
facilities up to minimal CPB standards, and one staff position was
restored, increasing paid personnel to CPB’s five-person minimum. As
a result, the station became CPB-qualified last June, and is now
receiving guaranteed annual federal funding. This fiscal year it
received $74,000. In future years the amount will increase in
proportion to the station’s non-federal income from University
listeners and other sources. In addition, because less than 25
percent of the nation’s public radio stations are CPB-qualified, WXPN
is among a recognized elite, which enhances its fund-raising
visibility with other sources. Also in 1986, the governing board was
renamed the WXPN policy board and was expanded to 10 members with the
inclusion of the executive assistant to the president and a public
radio professional. In November, a new station manager was hired
following a four-month national search, and the administrative
channel for station operations was moved to the associate vice
provost for university life.
Having achieved so much in 1986, we are now focusing on the real
opportunities ahead to develop this important resource for the
benefit of the University and the Delaware Valley. Plans are
underway to improve the reach of the WXPN signal and to expand
production capabilities and upgrade facilities. Looking forward to
these improvements, the policy board is forming programming advisory
groups from both the campus and the broader Delaware Valley
community. WXPN sports coverage of Penn football and basketball has
been targeted for qualitative improvement in 1987-88. Longer-term
goals include national distribution of programming produced at WXPN.
New financing strategies are being developed, the station’s budget is
in balance for the first time in a decade, and future prospects are
excellent.

C. Resolutions of Appointment

1. Action. A Resolution on Appointments to the Board of Overseers
of the Graduate School of Fine Arts was approved as follows:

RESOLVED, that James Biddle be appointed to the Board of
Overseers of the Graduate School of Fine Arts for a three-year

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

RESOLVED, that Eleanor Davis be appointed to the Board of
Overseers of the School of Nursing for a three-year term,

3. Action. A Resolution on Appointments to the Board of Advisors
of the Annenberg Center was approved as follows:

RESOLVED, that Joseph F. Barone, Arthur F. Hirsch, David L.
Pennington, J. Randolph Updyke, and Nancy B. Weiss be appointed
to the Board of Advisors of the Annenberg Center for three-year
terms, effective 16 January 1987.
4. 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 16 January 1987.

Dr. J. Thomas August; Mr. George B. Barnard; Dr. Thomas Peter Bennett; Mr. Herbert W. Blades; Mrs. Margaret Leonard Brown; Mr. John T. Dorrance, Jr.; Dr. Harry Eagle; Mr. Robert A. Fox; Mr. William B. Gold (ex officio); Mr. Harris N. Hull; Dr. Michael Katz; Dr. George B. Koelle; Dr. Thomas W. Langfitt; Mr. W. Thacher Longstreth; Ms. Faye S. Olivieri; Dr. Ruth Patrick; Mr. Roy T. Peraino; Dr. Donald Vail Rhoads; Mr. Gerald B. Rorer; Dr. John P. Schmidt; Mr. Isadore M. Scott; Mr. E. Robert Thomas, Jr.; Mr. Owen Jones Toland, Jr.; Mr. Howard S. Turner; Dr. George F. Vande Woude; and Mr. David V. Wachs.

Adjourned.

Respectfully submitted,

Mary Ann Meyers
Secretary of the University