Minutes of the Stated Meeting
of the
Executive Committee of the Trustees of the University of Pennsylvania

14 September 1984

A stated meeting of the Executive Committee was held on Friday, 14 September 1984. Trustees attending included: Walter G. Arader; Samuel H. Ballam, Jr.; Richard P. Brown, Jr.; Susan W. Catherwood; Charles D. Dickey, Jr.; G. Morris Dorrance, Jr.; John W. Eckman (vice chairman); Sheldon Hackney (ex officio); John P. Hellewege; Carl Kaysen; Paul F. Miller, Jr. (chairman); and John B. Neff. Among others present were: Jacob Abel; Ann Bailey; James Bishop; Stuart Carroll; Richard Clelland; Ann Duffield; Karen Gaines; Paul Gazzerro, Jr.; Shelley Green; Marshal Ledger; Paul Levy; Robert Lorndale; Lynn Manko; Ed McFall; Helen O'Bannon; William Owen; Gary Posner; and Paul Zingg.

I. Call to Order

The Chairman called the meeting to order and the minutes of the 4 May 1984 meeting were approved as written by the secretary.

II. Report of the Chairman

Mr. Miller reported that the 1985 Fiscal Year is "off to a roaring start with new gifts and subscriptions running 47 percent ahead of last year at this time. Of the $14.2 million received to date," he said, "$7.4 million came from business corporations. By far the largest of these, and the largest corporate gift in Pennsylvania's history, is a $6 million gift of computer hardware from IBM. We are going to receive 800 IBM microcomputers," the chairman explained. "They will help the University establish a cooperative program, called Threshold, involving innovative applications of computers in academic endeavors."

Mr. Miller went on to note that a $1 million gift from an alumnus has provided an "early boost" to the University's major individual gift efforts. Philip Devon (W-49) has committed that sum toward the construction of the Radiology Department's magnetic resonance imaging building, which will be named in memory of the donor's brother, a 1963 graduate of the School of Medicine. "The new structure," the chairman said, "will house one of the most exciting programs of its kind in the world."

Reporting on the fiscal year ended on the 30th of June, he observed that Penn's subscription total of $66.3 million exceeded the previous record of
$59.3 million set in 1975-76 during the first year of the Program for the Eighties. The receipt total of $60 million exceeded by more than $9 million the record established last year. "The Trustees, the administration, and the Development Office staff are all to be congratulated," Mr. Miller said, adding that he thought there was a "reasonable chance" of improving on the FY'84 development record during the current fiscal year.

III. Report of the President

A. Dr. Hackney observed that not only were last year's fund-raising results very good, but also 1983-84 sponsored research funding, which, he said, "was running ahead of budget and up from the previous year." He added that the University's Commonwealth appropriation for FY'85 was a record high. "Nineteen eight-four also was a very good year intellectually," he said, "so it is on an upbeat note that we are starting the new academic year."

The president further commented that he had heard "nothing but praise" for the recently completed "New Student Week" activities, and he expressed his gratitude to Vice Provost Bishop and his staff as well as to the upper-class students who contributed to the successful freshmen orientation and registration program. Dr. Hackney noted, in particular, the happy C(enter for) U(niversity of) P(ennsylvania) ID arrangement, which allowed students to complete in one place in Hutchinson Gymnasium the transactions that once took them all over campus. "It was done without computers," he said, "and is a kind of bows and arrows prototype of what we'd like to do in a larger way when our computer network is in place."

Dr. Hackney then noted that the Lauder Institute's first class had arrived on campus during the summer and the second meeting of its board of governors had been held earlier in the week. "The Institute is off to a very fast start under the leadership of Jerry Wind and Jere Behrman," he said, "and I was particularly impressed with the spectacular quality of the students in this dual-degree program."

The president further observed that the new Penn Plan had attracted nearly half of the entering class or almost 1,000 families, and that there are now about $13 million in loans outstanding to the participants. He also reported that negotiations had been completed with the major vendors and that the Computer Shack was operating at a "fairly furious pace." I detect something more than the usual level of enthusiasm in the freshman class," he concluded. "It should be an interesting and very good year."

B. Action. A Resolution on a Change of Title For Gary J. Posner was approved as follows:

Intention:

In September of 1982, the Trustees elected Gary J. Posner as vice president for human resources. Senior Vice President Helen O'Bannon
subsequently gave him responsibility for dining services, public safety, and various business services. To reflect Mr. Posner's widened area of concern, a change in title seems appropriate.

RESOLVED, that Gary J. Posner's current title of vice president for human resources be changed to vice president for administration.

C. Action. A Resolution on a Change of Title for Paul Gazzerro, Jr. was approved as follows:

Intention:

In September of 1982, the Trustees elected Paul Gazzerro, Jr. as vice president for finance. Senior Vice President Helen O'Rennon subsequently asked him to focus his attention on financial planning while continuing to oversee University City Associates, internal audit, and management studies. To reflect these changes in responsibility, a change in title seems appropriate.

RESOLVED, that Paul Gazzerro's current title of vice president for finance be changed to vice president for financial and planning analysis.

D. Action. A Resolution on the Election of a Vice President for Finance was approved as follows:

RESOLVED, that Marna C. Whittington be elected Vice President for Finance, effective 14 September 1984.

E. Action. A Resolution on the Election of Frank E. Claus as Treasurer was approved as follows:

RESOLVED, that Frank E. Claus be elected Treasurer, effective 14 September 1984.

F. Academic Report

1. A Resolution on Maintenance of an Endowed Discretionary Fund for Area and International Studies Under Terms of a Hewlett Foundation Challenge Grant was approved as follows:

Intention:

The William and Flora Hewlett Foundation has invited the University of Pennsylvania to submit a proposal for a challenge grant to create an endowed discretionary fund for area and international studies at the University. A grant of $150,000 from the Foundation is to be matched two-to-one by funds the University will seek to raise during the next three years.

In its guidelines (Appendix I), the Foundation explains that "discretionary" means that the institution shall have complete control over the application of the available money each year, but participation in the Hewlett challenge program requires commitment to certain principles. First, the discretionary fund shall not substitute for any items that regularly belong in the budget, such as regular salaries, student tuition, or physical plant. Appropriate use would be initiation of projects or experimental programs whose long-term continuation will be supported from other sources, visiting faculty appointments, symposia, filling in gaps on externally funded research projects, release time for course development, student or faculty travel, and special acquisitions for the library. Second, all international and area studies programs on campus should be able to compete for this money. Third, the Foundation asks that emphasis be placed on programs of the highest quality. Furthermore, the Foundation requests that the proposal include satisfactory evidence (for example, a Trustee resolution) that the endowment will be maintained for the purposes intended.

The University's proposal will be considered by the Hewlett Foundation board at its next meeting - in October of 1984.
RESOLVED, that the University of Pennsylvania will create with a challenge grant of $150,000 from the William and Flora Hewlett Foundation an endowed discretionary fund for area and international studies at the University. The endowment will be maintained for the purposes intended, as set forth in the Foundation's guidelines of April 5, 1982. The grant and matching funds raised by the University will be invested in the Associated Investments Fund.

2. Dr. Clelland then called the attention of the trustees to seven prospective tenured appointments, to be found in the personnel actions before the Executive Committee. They included: Dr. Maureen Quilligan, an outstanding Renaissance scholar proposed as an associate professor of English; Dr. Paul B. Weiss, a senior biochemist and biochemical engineer from Mobil Corporation proposed as a professor of chemical engineering; Dr. Kenneth R. Laker, a gifted scholar, lecturer, and administrator from Bell Laboratories proposed as a professor of electrical engineering; Dr. Derek A. Bruce, a pediatric surgeon using microsurgical techniques proposed as an associate professor of surgery; Dr. Michael P. Cancro, a leading immunobiologist proposed as an associated professor of pathology and laboratory medicine; Dr. Theodore Krupin, an internationally recognized glaucoma researcher from Washington University in St. Louis proposed as a professor of ophthalmology; and Dr. James L. Mullen, an internationally known figure in nutrition support service, who continues a tradition begun by Dr. Jonathan Rhoads, proposed as an associate professor of surgery. The deputy provost also pointed out that the writer and former professor of English at Penn, Ezekiel Mphahlele, has returned from South Africa to spend a year on campus as a visiting professor in his old department.

Dr. Clelland went on to mention that the tenured faculty has been stable at this University in recent years. "During the past four years," he said, "there has been a net increase of 28 tenured faculty, with 15 coming in 1980-81. The very slight upward trend is justified by the very largest number of retirements that will take place in the decade from 1990 to 2000."

Action. A Resolution on Appointments, Promotions, and Leaves was approved as found on pages 1-31 of the meeting book.

G. Financial Report

Mrs. O'Bannon reported that as the University closed the books on FY'84, it found performance very close to what had been predicted by the administration. She noted that, with the approval of Trustees at their June meeting, $700,000 had been transferred into funds functioning as endowment to seed new initiatives in undergraduate education. She said that there had been some improvement in overall school positions, and pointed out that their deficits had been reduced by $588,000 to $137,000. "All the schools but three ended the year with either a surplus or break-even performance," the senior vice president said. She noted that the Hospital of the University of Pennsylvania had ended its
fiscal year with a surplus just over $8 million, which was about $2.4 million better than budget." The Clinical Practices at the University of Pennsylvania came through FY'84 with an excess of revenues over expenses of $6.3 million," Mrs. O'Bannon continued, "and its Education and Development Fund balances increased from $15 million to $21.5 million." She further noted that the University had returned $8 million in earned income from the AIF to the endowment principle in accord with the spending rule.

"It is too early to make a full and formal report on the current fiscal year," she said, "but we've done a preliminary assessment of soft spots and opportunities. Our expectation is for a break-even budget as approved by the Trustees in June."

The senior vice president concluded by introducing Paul Levy, formerly the acting director of the city's Parking Authority, who will serve as a consultant to the University working on problems associated with the development of the properties at 34th and Walnut Streets and the former PGH site.

Mr. Miller congratulated the administration on Penn's fiscal performance last year and its budgeting process.

IV. Trustee Committee Reports

A. Budget and Finance Committee

Mr. Eckman presented two resolutions, which had been reviewed and endorsed by the Budget and Finance Committee.

1. Action. A Resolution on Personnel Guaranteed Mortgages was approved as follows:

   Intention:

   Over the years, the University of Pennsylvania has had agreements with several financial institutions to furnish 100 per cent mortgages, guaranteed by the University, to University personnel on residential properties in University City and western Center City. The financial institution that is currently active in the program is the Philadelphia Savings Fund Society.

   Applications for mortgages by faculty and staff have increased substantially in recent months, and outstanding loans are close to the maximum of $7,700,000 authorized by the Trustees. Given the importance of the program to encouraging faculty and staff to locate near the University and the fact that the University has never lost any money on defaulted guaranteed mortgages, the Administration requests that the authorization be increased to $10,000,000.

   RESOLVED, that the authorized amount of outstanding mortgages for the Personnel Guaranteed Mortgage Program be increased from $7,700,000 to $10,000,000.

2. Action. A Resolution on the Rehabilitation of Animal Holding Facilities in the Richards Building and the Medical Laboratories Building was approved as follows:
Intention:

The School of Medicine has three areas where it quarters and cares for the majority of its animals used in research.

To comply with Federal regulations, the Administration recommends approval of the renovations on the second and third floors of the Richards Building and on the third floor of the Medical Laboratories Building to provide facilities for research animals.

It is estimated that the renovations will cost $300,000. The funds will come from the School of Medicine Education and Development Fund.

RESOLVED, that the renovation of the animal holding facilities on the second and third floors of the Richards Building and on the third floor of the Medical Laboratories Building, estimated to cost $300,000, be and the same hereby is approved and that the Vice President for Finance or other appropriate officers of the University be and they hereby are authorized to proceed with such renovation and execute such contracts and incur such expenses and obligations - not, however, substantially in excess of the estimated cost of such rehabilitation as presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such rehabilitation.

FURTHER RESOLVED, that all costs and expenses incurred in carrying out the rehabilitation authorized by the foregoing resolution which are not funded from the sources specifically cited to the Budget and Finance Committee or by gifts expressly designated for such purpose be paid, or if previously paid or discharged out of such operating funds be reimbursed out of the proceeds of the sale of a contemplated issuance of tax-exempt notes which it is proposed will be effected through a government agency to finance capital projects. To the extent the project is thus financed through issuance of tax-exempt notes, the retirement of the debt principal and associated interest expense shall be the responsibility of the School of Medicine, to be discharged within the established amortization period for the financing.

B. Investment Board

Mr. Neff reported that the value of the Associated Investments Fund was on the brink of $300 million. He said that on the fixed side, the Fund showed a significant cash position, reflecting "some apprehension about current levels of the bond market. Approximately 65 percent of the total investments are in equities," he noted, "including about 4 percent in intermediate term governments and 2 percent in cash or cash equivalents."

In terms of performance, he said that the AIF "continues to chug along decently" with common stocks up 7.3 percent since 30 December 1983 compared with a 3-percent increase in the Standard and Poor 500 Index. The fixed income securities in the Fund appreciated 5.7 percent since year end as did the Salomon Brothers High Grade Bond Index. "In the five-year comparisons of both common stocks and fixed-income investments," the chairman continued, "the numbers are equally good, which explains in some measure the increases in the total market value of the AIF from $133.9 million on 31 December 1979 to $294.6 million on the 10th of September, though there has," he added, "been some cash flow, particularly in recent months."
We continue to find reasonable values," Mr. Neff said, "and the equity component of the Fund is essentially unchanged since we met in June. We backed new opportunities in consumer durables then, and they still look like a valid investment."

Mr. Miller noted that approximately $23 million of the University's endowment is the result of reinvestment under the spending rule instituted in 1981. He added that "the return of 7.3 percent on the AIF, compared with any kind of medium results on endowments, puts the Fund on the top of the pile."

V. Overseers and Other Boards

A. Action. With Mr. Eckman abstaining because of close business ties with the candidate, a Resolution on Appointment to the Board of Overseers of the School of Arts and Sciences was approved as follows:

RESOLVED, that Martin E. Lipton be appointed to the Board of Overseers of the School of Arts and Sciences for a three-year term, beginning 14 September 1984.

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

RESOLVED, that A. Eugene Kohn and Jay Y.J. Yang be appointed to the Board of Overseers of the Graduate School of Fine Arts for three-year terms, beginning 14 September 1984.

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

RESOLVED, that George P. Van be appointed to the Board of Overseers of the School of Nursing for a three-year term, beginning 14 September 1984.

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

RESOLVED, that Sylvan M. Cohen be appointed to the Board of Overseers of the School of Law for a three-year term, beginning 14 September 1984.

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

RESOLVED, that Alvin V. Shoemaker be appointed to the Board of Overseers of the Wharton School for a three-year term, beginning 14 September 1984.

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

RESOLVED, that Lionel R. Bauman be appointed to the Advisory Board of the Institute of Contemporary Art for a three-year term, effective 22 June 1984.

Adjourned.

Respectfully submitted,

Mary Ann Meyers
Secretary of the University

Appendix I is filed with the permanent file for this meeting.