

MINUTES - SPECIAL MEETING

THE BOARD OF TRUSTEES

Temple University
- Of The Commonwealth System of Higher Education

Thursday, June 29, 1995

3:20 P.M., Feinstone Lounge - Sullivan Hall
Park and Berks Malls

FIRST PUBLIC SESSION

Attendance:

Members - Richard J. Fox, Chairman; Francis J. Catania,
Paul A. Dandridge, Peter D. DePaul, Louis J. Esposito,
Jane Scaccetti Fumo, Howard Gittis, Peter J. Liacouras,
Joseph W. Marshall, III, Daniel H. Polett,
Edna S. Tuttleman, Clare L. Wofford

Administration and Staff - Paul H. Boehringer,
Richard A. Chant, Albert R. Checcio, Larry C. Connolly,
James W. England, Richard M. Englert,
Jay G. Falkenstein, Thomas R. Freitag, Marvin Gerstein,
C. Robert Harrington, R. C. Johnson, Robert H. Lux,
Leon S. Malmud, Rosalind R. Meyers, Jesse Milan,
Timothy C. O'Rourke, Arthur C. Papacostas,
A. Kent Rayburn, Robert J. Reinstein, William G. Sites,
James S. White, Valaida S. Walker, Beverly L. Breese

Ex Officio Participants - Roland Lipka (Faculty);
Kamal I. Latham (Student)

Invited Guests - Karen S. Koziara, Thomas A. Marino,
Peter Tasch, (Faculty); Edwin-George Beausoleil,
Charles A. Williams (Student)

General Counsel - Brian Keim, Matthew L. Strickler

University Counsel - George E. Moore

Members Absent - John J. Contoudis, William H. Cosby, Jr.,
Theodore Z. Davis, Robert C. Donatucci,
Lewis F. Gould, Jr., Clifford Scott Green,
Judith E. Harris, Lacy H. Hunt, Sidney Kimmel,
Maureen H. McCullough, Brian J. O'Neill,
William W. Rieger, Milton L. Rock, Edward H. Rosen,
Isadore A. Shrager, Anthony J. Scirica,
Francis R. Strawbridge, Anthony Hardy Williams,
James A. Williams, Paul Zelenkofske

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Ex Officio Participant Absent - Joseph A. Marlino, Sr.
(Alumni)

DAY CARE CENTER

Mr. Fox recognized Ms. Amanda Distefano who had requested permission to address the Board on behalf of the parents of the Day Care Center (Center).

Ms. Distefano thanked the members of the Board for the opportunity to speak on behalf of the parents of the Day Care Center and introduced her nine month old daughter, Frances, who is cared for at the Center. Ms. Distefano, a full-time senior in the Theater Department with a 3.8 grade point average, said she was only able to attend classes because of the Center and believes it imperative to have an on site day care facility.

Ms. Distefano described herself as an ardent Temple University supporter who is very angry about the closing of the Center. She mentioned several parents whose children are cared for at the Center while they pursue Temple degrees and said that the original mission of the University's founder, Russell H. Conwell, was to put education within the reach of working people. She described day care as an excellent recruiting tool for students, faculty and staff. She said the Center supports national studies as well as faculty research.

Ms. Distefano said the University decision on day care will effect over 100 children, with a waiting list of 15-20 others. She said the alternative arrangements of passing out lists of day care centers in the area is not adequate.

Ms. Distefano chose Temple University Day Care because she believes it is superior to other programs. The teacher/child ratio is higher. She believes that over 90% of the Center's costs are covered by fees. She sees any attempt to close the Center as discriminatory against student parents and community parents. If the Center is to close, she believes parents should receive six months notice.

Ms. Distefano asked the Board to reverse the decision to close the Center and asked that the administration be urged to work with the City Council committee, the parent committee and the National Coalition of Working Parents to find an alternative to closing the Center.

Mr. Kamal Latham, President of Temple Student Government, said that the students of Temple University would like to see the Center remain open. He asked how it is possible to be the finest urban University if we are not willing to support student parents needing care for their children. He compared the loss of the cost of the Center against the greater losses by the Intercollegiate Athletics programs.

Mr. Fox explained that this is not a meeting for action on any subjects other than those on the Agenda. He thanked everyone for coming and thanked Ms. Distefano for coming to inform the Board of the parents' feelings.

EXECUTIVE SESSION

At this point the Board went into Executive Session.

MINUTES - SPECIAL MEETING

THE BOARD OF TRUSTEES

Temple University
- Of The Commonwealth System of Higher Education

Thursday, June 29, 1995

4:15 P.M., Feinstone Lounge - Sullivan Hall
Park and Berks Malls

SECOND PUBLIC SESSION

Members - Richard J. Fox, Chairman; Francis J. Catania,
Paul A. Dandridge, Peter D. DePaul, Louis J. Esposito,
Jane Scaccetti Fumo, Howard Gittis, Peter J. Liacouras,
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Ex Officio Participants - Roland Lipka (Faculty);
Kamal I. Latham (Student)

General Counsel - Brian Keim, Matthew L. Strickler

University Counsel - George E. Moore

Honorary Life Members - Murray H. Shusterman, Marvin Wachman

Members Absent - John J. Contoudis, William H. Cosby, Jr.,
Theodore Z. Davis, Robert C. Donatucci,
Lewis F. Gould, Jr., Clifford Scott Green,
Judith E. Harris, Lacy H. Hunt, Sidney Kimmel,
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SECOND PUBLIC SESSION

INVOCATION

The invocation was given by Mr. Daniel H. Polett.

APPROVAL OF MINUTES

On motion duly made and seconded, the Board of Trustees voted to approve the Minutes of the Regular Meeting of May 9, 1995.

1. Authorization for Officers to Enter into an Exclusive Ten-Year Beverage Contract with Coca Cola or Pepsi on the University's Campuses (excluding Temple University Japan)

On motion duly made and seconded, the Board of Trustees voted to authorize the officers, upon completion of negotiations, to enter into an exclusive ten-year beverage contract with either Coca Cola or Pepsi on the University's campuses (excluding Temple University Japan) on the basis of the best responsible bid as determined by the officers and subject to the approval of the Board of Trustees or the Executive Committee, acting on behalf of the Board.

PRESIDENT'S REPORT

The text of the President's Report to the Board is given below.

Report of President Liacouras to the Board Introducing the Tentative Budget for 1995-96, June 29, 1995

The budget is arithmetically in balance, but the real budget gap for an adequate Temple operating budget is \$28.1 million, which I will explain shortly.

Like gardening, institutions need growth, not just cutting. Revenue-enhancement is usually preferable to expenditure reduction. In fact, both are necessary for Temple.

We have focused, during the past eighteen months and in the Tentative Budget, on reducing expenditures because of a static revenue stream. We can achieve our University's goals, however, only by combining cost-cutting and increases in productivity with an increase in revenues (as in the 1983-91 period).

1. Responsibility budgeting: units will be accountable for full costs with incentives and disincentives linked to increased productivity, enrollment and other revenue enhancements.

During this next year in preparation for Fiscal 1996-97, all University budget units will be placed on "responsibility budgeting." This system of full accountability will include incentives and disincentives for the unit, placing responsibility at the local level rather than always assuming "the University" will cover all overhead and other "indirect" costs of operations. "Responsibility budgeting" will reflect full costs and revenues for the unit, not just the "direct" costs like salaries of personnel working for the unit. Thus, costs traditionally charged to central administrative units and not budgeted to units (e.g., heat, light, security, housekeeping) will become the responsibility of each unit.

Each unit will receive, as part of its original "responsibility budget," a University subsidy. Thereafter, the unit will be rewarded for increases in its productivity, enrollment and other revenue-enhancements, and will lose University subsidy for the opposite results.

For a public university to shift to "responsibility budgeting" following generations of an incentiveless system will, of course, be traumatic for some but it is necessary for Temple to fulfill its mission. Growth, quality, productivity, student-oriented attitudes, development, change are everyone's concern and responsibility.

2. State appropriation and other public funding

The State's quiet change in the funding "formula" through simplistic headcounts in the Tuition Challenge Grants (TCG) rather than the historic "formula" of a percentage of base appropriations has resulted in a loss of \$7.4 million in Temple's base (continuing) appropriations when compared with Penn State's percentage of base increases. This inequity has been going on for four years. [See Report of October 11, 1994 (pages 3-4), and "A Plan to Renew Temple's Mission" (February 16, 1995) for background.]

Beyond the inequity of the TCG formula, if the State of Pennsylvania were at the median, rather than 45th, of the 50 states in its support of public higher education, and if Temple's base reflected that proportional increase, Temple's appropriation for 1995-96 would be

\$40 million more than the amount approved for next year (\$184 million v. \$144 million).

Meanwhile, the City of Philadelphia continues to appropriate zero dollars annually to Temple University.

3. Tuition, enrollment, and State appropriation

If all Temple tuitions increased by 10% in 1996-97, the net additional revenue would be \$14.3 million. Such an increase would be counter-productive to our mission.

If Temple's overall enrollment (excluding TUJ) increased 5%, the gross additional revenue would be \$8.8 million. That objective is feasible for 1997-98.

4. We need a stronger partnership with the State based on predictable funding, with incentives for increased productivity..

The need for the State as well as Temple to fulfill its end of the partnership is critical for a healthy Temple University fulfilling its mission into the next century.

Temple can implement "A Plan to Renew Temple's Mission" and put in place sufficient incentives and disincentives ("responsibility budgeting") to meet its end of the partnership. But unless we can count on the State to fulfill its end with adequate annual appropriations (including rewarding Temple for its prudent actions), we have no practical alternative to continuous rounds of cutting and closures. The backlog of urgent deferred maintenance needs could, by themselves, strangle Temple and other public universities unless the State carries its legitimate share of this burden from its capital project funds.

So, what do we need from the State? Not very much compared with Connecticut's decision last week to invest \$1 billion in new funds for the University of Connecticut.

What we need, first, is a State-Temple agreement on which we can both count and plan.

The agreement, like Michigan's, could cover a five-year period and link increases in base appropriations, tuition increases, and personnel compensation to the ROI, with incentives and disincentives to the University for changes in overall productivity.

What is reasonable and affordable? One model would be a 5-year plan with these broad financial components:

(1) increase base appropriations by ROI+1%, and add a line of \$2 million State "match" for Temple's incremental investment in advanced technology pursuant to "A Plan to Renew Temple's Mission";

(2) make available, through the State's capital budget, funding for at least two-thirds (\$55.3 million over a 5-year period) of Temple's urgent unmet deferred maintenance, presently totalling \$83.9 million, as well as for all of Temple's A.D.A. requirements of \$25.3 million; and

(3) maintenance by Temple of increases in tuitions and personnel compensation within the ROI.

5. Getting ahead of the curve: an opportunity for our new Governor

We know it's desirable, but is such a partnership feasible? The conventional wisdom is no because of the present environment demanding cut-cut-cut. It's tough to know you're in a cycle, and when it changes. I believe the partnership described is feasible.

That's because first, as we know, State dollars earlier available for public higher education have for 5 years been earmarked for Medical Assistance, often going to a different unit of the same institution (as at Temple with its Hospital), and to Corrections.

But higher education is the State's future, as families and students prove by attending colleges. Higher education is also a major industry of job-creation and tax-revenues. As the financial pressures on universities reach the breaking point, public pressure for increased funding will follow.

As society's needs change, political priorities will change. Add to the cyclical nature of political and public financing this major emerging demographic fact:

The grandchildren of the World War Two marriages have arrived! They began entering college last year and will crescendo in numbers during the next decade. When their parents ("the war babies") reached college age in the mid-1960's, it created tremendous political support at all levels of government for expanding colleges,

creating community colleges and other public universities, building new classrooms and dormitories, and the other parts of their infrastructure. Priorities changed. That political support led to massive increases in public financial support.

With the "grandchildren," the political climate for funding higher education will also change, again for the better, though not as dramatically. The unmet deferred maintenance throughout public higher education is, in large measure, of the same buildings and campuses built for the booming period of the 1960's and 70's. We're getting ready for a new cycle, one that will also reflect the demand for developing technologically advanced methods to learn, educate and communicate.

What we need in Pennsylvania and at Temple is to get ahead of that curve.

We look to our forward-looking new Governor to lead this renaissance in Pennsylvania.

Within this context, we present the Tentative Budget for 1995-96.

Executive Committee

2. Tentative Consolidated Budget for 1995-1996

On motion duly made and seconded, the Board of Trustees, voted to adopt a Tentative Consolidated Budget for 1995-1996, said Tentative Consolidated Budget being attached as SUPPLEMENT I to the official Minutes on file in the Office of the Secretary.

3. Tentative University Budget for 1995-1996

On motion duly made and seconded, the Board of Trustees, pursuant to the Board authorization of 5/9/95, voted to adopt a Tentative University Budget for 1995-96, said Budget being attached as SUPPLEMENT I to the official Minutes on file in the Office of the Secretary.

4. Tentative Temple University Health System Budget for 1995-1996

On motion duly made and seconded, the Board of Trustees, pursuant to the Board authorization of 5/9/95, and the recommendation of the Temple University Hospital Board of Governors (6/12/95) voted to adopt a Tentative Temple University Health System Budget for 1995-96, said budget being attached as SUPPLEMENT I to the official Minutes on file in the Office of the Secretary.

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Student Affairs Committee

Mrs. Edna Tuttleman presented the recommendations of the Committee on Student Affairs.

5. Tuition Schedule for Graduate and Professional Students 1995-96

On motion duly made and seconded, the Board of Trustees, pursuant to the Board authorization of 5/9/95, voted to approve the recommendation of the Student Affairs Committee (6/20/95), that approval be given to the Proposed Tuition Rates for Graduate and Professional Students for 1995-1996, said rates being attached as SUPPLEMENT II to the official Minutes on file in the office of the Secretary.

6. General Activities, Computer and Technology and Student Health Services Fees for 1995-96

Mr. Fox pointed out that there will be no increases in the captioned fees.

On motion duly made and seconded, the Board of Trustees, pursuant to the Board authorization of 5/9/95, voted to approve the recommendation of the Student Affairs Committee (6/20/95), that approval be given to the continuance of General Activities, Computer and Technology and Student Health Services Fees for 1995-96 at the 1994-95 level.

Committee on Educational Policies

7. Deferred Tenure Considerations for Faculty 1995-1996

On motion duly made and seconded, the Board of Trustees, pursuant to the procedures outlined in the Temple University Faculty Handbook, voted to approve the recommendation of the Educational Policies Committee (6/19/95) with respect to the granting of faculty tenure for 1995-1996. (The list of the faculty recommended for tenure is on file in the Office of the Provost.)

8. Clinician Educator Track (CET) in the College of Allied Health Professions and in the School of Pharmacy

On motion duly made and seconded, the Board of Trustees voted to approve the recommendation of the Educational Policies Committee (6/19/95) that a Clinician Educator Track be established in the Colleges of Allied Health Professions and Pharmacy.

Campus Planning and Plant Management Committee

9. Shusterman Hall Renovations - Design Services

On motion duly made and seconded, the Board of Trustees voted to approve the recommendation of the Campus Planning and Plant Management Committee (6/28/95) that the officers be authorized to retain George Yu Architects to provide architectural/engineering design services for the renovation of Shusterman Hall (formerly Park Hall) at a cost not-to-exceed \$160,563 (including design contingency), with the Funding Source being Law School Giving.

The Board applauded Mr. Murray H. Shusterman, Honorary Life Trustee, who was in attendance. Shusterman Hall will be named for Mr. Shusterman in recognition of his many contributions to Temple University.

10. School of Dentistry Research Renovations - Old Dental School

On motion duly made and seconded, the Board of Trustees voted to approve the recommendation of the Campus Planning and Plant Management Committee (6/28/95) that the officers be authorized to undertake all appropriate action to design and renovate Rooms 362/379 in the Old Dental School for laboratories for research in molecular biology at a cost not-to-exceed \$200,398, with the Funding Source being vendor rebate and any shortfall coming from the Dean's fund.

Joint Executive and Business and Finance Committee

11. ANNOUNCEMENT AND RATIFICATION OF PREVIOUS BUSINESS AND FINANCE COMMITTEE AND EXECUTIVE COMMITTEE ACTIONS

On motion duly made and seconded, the Board of Trustees voted to ratify the actions of the Business and Finance Committee and Executive Committee taken by Notational Vote after the Conference Call Briefing on June 12, 1995, which were set forth in AGENDA REFERENCE 11 this date.

Board of Governors

12. Election of Member to the Board of Governors of Temple University Hospital

On motion duly made and seconded, the Board of Trustees, in accordance with the Trustees By-Laws (Article IV, Section 13) and in accordance with the Governors By-Laws (Article III, Sections 1, 2A and 2B), voted to elect Howard Gittis to membership on the

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Board of Governors, Temple University Hospital, for the 1995-1998 term effective June 29, 1995.

13. The Formation of a "Wholly-Owned" University Subsidiary Non-Profit Holding Company for Health Care Activities ("Temple University Health System, Inc.") and the Reorganization of Temple University Hospital into a Non-Profit Subsidiary Corporation

The text of President Liacouras' statement on the captioned item is given below.

The next agenda item includes our historic process of change in University governance of Temple University Hospital to insure maintenance of our excellent Medical School in the presently volatile environment of health care delivery.

Fraught with long term risks to the Temple culture of "one university" achieved over generations by tremendous effort and self-restraint, this change in governance will insulate the University financially from major fluctuations in hospital operations. It should also lead to greater flexibility for Temple to compete effectively in the health care marketplace while preserving the Temple Hospital as the major teaching hospital to maintain excellence in the Medical School.

Our challenge is to reduce the risk of a pattern of separateness within Temple, preserve the basic Temple culture, accomplish the business objectives, take full advantage of the synergism among Temple's several parts, and to maintain all this within the umbrella of Temple University's of Temple University's State-relatedness.

During the past year and a half of consideration and planning, I set forth 6 conditions for this legal separation, which have been widely shared.

The proposed governance which does achieve those conditions.

President Liacouras thanked Daniel Polett, current Chair of the Board of Governors, the Board of Governors, Richard Fox, Chair of the Board of Trustees, Howard Gittis, Chair of the Executive Committee of the Board of Trustees, Joseph Marshall, III, Milton Rock, Frederick Kyle, Donald Van Roden and particularly Leon

S. Malmud. The President said that Dr. Malmud has had a great amount of pressure placed on him, and he has carried this off with aplomb.

Mr. Fox said he thinks we have done a number of very important things at Temple University over the years, and that the question of positioning our Hospital and its facilities to compete in a health delivery world has been a critical thing. It has only been seven years since Temple University Hospital was in dire financial straits. Through the able leadership of the Board of Governors, Dan Polett, Leon Malmud and his team have turned it around; and we now have a unique opportunity as Temple University Health System.

Mr. Fox led the applause for Dan Polett, who is leaving the chairmanship of the Board of Governors. Mr. Polett said that his hat is off to Leon Malmud, Robert Lux, Paul Boehringer and the Board of Governors. At its last meeting, the Board of Governors elected Howard Gittis as its chairman.

On motion duly made and seconded, the Board of Trustees voted to approve the recommendation of the Board of Governors contained in the TUH Strategic Plan (4/10/95) that the officers be authorized to take all necessary and appropriate actions for the University to establish a subsidiary non-profit holding company to manage the University's health care activities ("Temple University Health System, Inc.") and to re-organize the Temple University Hospital into a subsidiary non-profit corporation to be part of Temple University Health System, Inc.

Committee on Trustees

14. Election of Members of Board of Directors of Temple University Health System, Inc.

On motion duly made and seconded, the Board of Trustees voted to approve the recommendation of the Committee on Trustees to elect the initial Board of Directors of the to-be-formed Temple University Health System, Inc.: Richard J. Fox, Peter J. Liacouras, Leon S. Malmud, Howard Gittis, Isadore A. Shrager, Jane Scaccetti Fumo, Theodore Z. Davis, Clifford Scott Green, Daniel H. Polett, Joseph W. Marshall, III, Milton L. Rock, John C. Haas, Frederick W Kyle.

NEW BUSINESS

Although New Business is not conducted in a Special Meeting of the Board, Mr. Kamal Latham, President of the Temple Student Government and an Ex Officio Participant on the Board of Trustees, requested and received an opportunity to present some concerns.

He is concerned that there is no student trustee on the Board and suggested that a student be named to one of the Commonwealth Trustee positions or elected to one of the vacant University Trustee positions. He believes that one way to make changes is to give students a greater voice on the Board. He finds it disturbing that there are no student trustees and said that students would like to be part of deliberations having to do with student concerns. Mr. Latham said that Temple Student Government has contacted the Governor's Office regarding this issue, and they are taking it under consideration.

Mr. Latham asked for the support of the Board in his request to the Governor.

Finally, Mr. Latham said he finds it very disturbing that all Board members do not attend these meetings. He came in from New York for this session. He said that students would be active, but need the opportunity. He cannot attend Executive Sessions because he is not a voting member of the Board. Mr. Latham said that Temple Student Government wants to move toward a better relationship with the administration.

ADJOURNMENT

On motion duly made and seconded, the meeting of the Board of Trustees adjourned at 5:05 P.M.