

MINUTES - JOINT MEETING

Executive Committee and Business and Finance Committee

Board of Trustees

Temple University - Of The Commonwealth System of Higher Education

Thursday, October 24, 1991

3:00 P.M., Room 200 Sullivan Hall, Park and Berks Malls

Attendance:

Executive Committee Members - Anthony J. Scirica, Chairman;  
Harry P. Begier, Jr., Patricia J. Clifford, Louis J. Esposito,  
Richard J. Fox\*, Peter J. Liacouras\*, R. Anderson Pew,  
Milton L. Rock, Edward H. Rosen, Isadore A. Shrager,  
(\* - member of both Committees),

being a quorum of the Committee;

Business and Finance Committee Members - Richard J. Fox\*,  
D. Donald Jamieson, Peter J. Liacouras\*,  
Francis R. Strawbridge, James A. Williams  
(\* - member of both Committees)

Ex-Officio Participants - William H. Duncan (General Alumni  
Association), Carolyn T. Adams (Faculty Senate)  
Darren S. Raiguel (Temple Student Government)

Executive Committee NVA Member - William H. Duncan (Alumni)  
Kenneth Cundy (Faculty) Darren S. Raiguel (Students)

Business and Finance Committee NVA Member - Frank D. Cox (Alumni)  
Carson Schneck (Faculty)

Administration and Staff - Jack E. Freeman, Steven R. Derby,  
Leon S. Malmud, Laurent J. Remillard, Robert J. Reinstein,  
James S. White, Julia A. Ericksen, Arthur C. Papacostas,  
Valaida S. Walker, Paul H. Boehringer, Robert Lux,  
Jay Falkenstein, Kurt Bresser, Timothy O'Rourke,  
Richard Englert, A. Kent Rayburn, Jesse Milan,  
James C. Bausman, Jr., Beverly L. Breese, William C. Seyler

General Counsel - Peter Mattoon, Brian T. Hirai

University Counsel - George E. Moore

Executive Committee Members Absent - Paul A. Dandridge,  
Clifford Scott Green, Lacy H. Hunt, Irving K. Kessler

Business and Finance Committee Members Absent- Lacy H. Hunt,  
John J. Contoudis, Theodore Z. Davis, Peter D. DePaul,  
Lewis F. Gould, Jr., William W. Rieger, Clare L. Wofford

Business and Finance Committee Non-Voting Advisory Member Absent -  
James F. Cawley (Student)

(The Joint Committees went into Executive Session from 3:00 P.M. to 3:35 P.M. to be briefed by the Executive Compensation Subcommittee. The Minutes of the Executive Session are found at the end of these Minutes.)

EXECUTIVE COMMITTEE ACTIONS

1. Election of Executive Committee Chairman and Vice Chairman

With Mr. Fox presiding, in keeping with the By-Laws (Article IV, Section 1-A), on motion duly made and seconded, the Executive Committee voted to elect Anthony J. Scirica as Chairman and Patricia J. Clifford as Vice Chairman of the Executive Committee. Judge Scirica then resumed the Chair.

2. Receipt and Approval of Report from the Subcommittee on Executive Compensation Regarding Officers' Compensation for 1991-92

Judge Scirica noted that the Sunshine Law was amended and counsel has said that officers' salaries must be set at a public meeting. The Executive Compensation Subcommittee was reconstituted so as to include the former ex officio members (Board Chairman Fox, Executive Committee Chairman Scirica, and Business and Finance Chairman Hunt), plus two additional members (Judge Green and Dr. Rock).

Copies of the Subcommittee's recommendations for officers' compensation for 1991-92 were distributed, and Judge Scirica noted that it is recommended that officers receive a 3% increase over their base salary for last year. Most of the benefits stay as they were last year, and they are detailed on pages 2 and 3 of the report.

Judge Scirica said that the Subcommittee feels that its recommendations for officers' salaries and total compensation are appropriate for the officers who have done a superb job. He said that the matter is now open for discussion.

On motion duly made and seconded, the Executive Committee, acting under its By-Laws authority (Article IV, Section 1-D) to fix salaries, voted to approve the recommendation of its Subcommittee on Executive Compensation (attached as SUPPLEMENT I to these Minutes).

3. Appointment by Executive Committee of Two "Appointive" Directors of the Temple University Law Foundation

On motion duly made and seconded, the Executive Committee, in keeping with the Law Foundation By-Laws, approved by the Executive Committee on 9/28/89 (Article VI), voted to appoint the following two persons as Appointive Directors of the Temple University Law Foundation, for the 1991-94 term:

The Honorable Francis J. Catania  
The Honorable Paul A. Dandridge

## JOINT COMMITTEE ACTIONS

### 4. Approval of Minutes of Joint Meeting of September 26, 1991

Without objection, the captioned Minutes were approved as distributed.

### 5. Next Joint Meeting Date

If a Joint Meeting is necessary next month, it will be held on Thursday, November 21. Advance notice will, of course, be sent to Members.

### 6. Borrowing Authority - 1/1/92 - 3/31/92

On motion duly made and seconded, the Business and Finance Committee and the Executive Committee voted to recommend that the Board of Trustees authorize the officers to borrow for operating purposes of the University \$30 million on terms which the officers believe best for the University, such authorization to cover the period from January 1, 1992 through March 31, 1992. (Resolution is attached as SUPPLEMENT II.)

### 7. Approval of Resolution Authorizing the Officers to Enter into a Financing Arrangement with the Pennsylvania Higher Educational Facilities Authority (PHEFA) Involving the Issuance of Bonds

Chief Financial Officer Remillard noted that there has been considerable discussion about the issuance of bonds in the very near future. After we received a ruling on zoning covering the Student Housing project at the former Armory Site, we put together a project list to justify a very substantial bond issue. One of the key projects is the one calling for the construction of a Standby Generator, which Mr. Falkenstein will describe.

Following the Standby Generator presentation, Mr. Remillard will give a short review of the Temple University financial situation so that the Trustees can evaluate the bond issue. Then he will move into a consideration of the projects and the risks of those projects. There will then be presented a sensitivity analysis. Hopefully, at the end of these presentations, the officers will have persuaded the Committees to act favorably on the recommendation before them.

Mr. Falkenstein said the Standby Generator project is a Standby Electrical Generator that has a sized capacity to carry the entire load of the University's electrical needs in the event power is interrupted. The interruption would be caused by the electrical company on the hottest days when the operating demand is very high. The electric company provides us with a designated rate year round. We would buy all of our electricity for about one-half of what we pay today. This project grew out of a couple of studies begun in 1985 with an energy conservation study that identified about 65 opportunities for savings--some small and others fairly large.

In 1987 we commissioned a feasibility study to determine the appropriate way of replacing obsolescent chilled water facilities. We looked at cogeneration and other options. In 1988-89, PGW and PECO conducted studies of the Main Campus and the Health Sciences Center Campus concerning the matter of our getting a central chilling plant--and, not surprisingly, each concluded that its own source of power would be the best. In 1989, we brought in GKECO, which is probably the top expert in the field, having been involved in more than 200 projects of this nature. We confirmed that central chilling was the route to go; and later we invested some \$8 million to establish a central chilled water plant. We also concluded that Temple was a candidate for alternate energy generation.

The electric company brought to our attention our eligibility for their special tariff on supplementary energy. This special tariff has been in effect since the 1930s, but this particular arrangement only since 1984. This plan allows major customers to take advantage of a rate that is based on their cost, plus one penny--which is about one-half of the rate we are paying today. Among the major customers who are on this plan are Sun Oil, Rohm and Haas, and the Navy Yard. We are planning on 200 hours a year, which is based on a "worst case" scenario.

Mr. Falkenstein said that the electric generating plant would be located just north of our Physical Plant and our Central Steam Plant; it would be staffed with existing personnel--and he described how the system would work. The plan requires, upon 30 minutes notice, that we have the capacity to shed our entire load, synchronizing it with PECO's system. It is the least offensive, environmentally, of any option. It requires a 24-hour operation. We would come under the same requirements as utilities would.

Mr. Falkenstein said that there are some risks on this special tariff approach: (1) if you fail to operate per your contract, you can be penalized by losing your savings for that particular year; (2) if you fail twice, you have to get off the plan for three years--we have insured against that. (3) Another risk is that the rate dries up or disappears. PECO can only guarantee the rate until 1994. The PUC has ultimate control on setting rates. There is no doubt that the general demand for power in the Middle Atlantic Region will continue--and this argues for the continuation of this special tariff.

Mr. Falkenstein said that it will cost \$13.6 million to build the standby generator plant, and we would make this up in six years.

Mr. Remillard then referred to Agenda Reference 7-A, which covered essential "Financial Highlights" that need to be taken into account in determining the advisability of floating some \$85 million worth of bonds. It was pointed out that there has been significant growth in fund balances; there have been consistent operating results; there has been a significant improvement in the Hospital's cash position; and there has been a consistent growth in State Appropriations. All of these trends were supported in considerable detail by a slide presentation.

Mr. Remillard said that the total financing required is \$78.9 million, including interest costs. Ten million dollars of the debt will

be financed internally; so we are prepared to issue effective debt of \$70 million. The \$10 million will be used in part to finance fraternity housing on Broad Street.

Student Housing will require financing of \$20.3 million for the Armory site (536 beds); \$6.7 million of financing for Johnson/Hardwick Renovations; \$825,000 for Graduate Housing at 1942-44 Broad Street; and the financing for the Johnny Ring Court Fraternal Housing will require \$3.7 million. So, the total financing for Student Housing comes to some \$31.7 million.

Temple University Hospital Projects will be billed to the Hospital at break-even.

The Main Campus Standby Generator Project is a "cash cow" which may generate some \$42 million in savings over 30 years.

Returning to the Student Housing projects, Mr. Remillard said that the Base Case is built on an assumption of 95% occupancy. Mr. Pew asked how one could have an occupancy higher than 100% and Mr. Remillard noted that we have a number of students living at off-campus sites.

Mr. Esposito referred to the Standby Generator project and Mr. Falkenstein said that the University's electric bill annually is about \$6 million for this particular service on Main Campus. Mr. Remillard said that if we only run the Standby Generator until 12/94, it is still a worthwhile opportunity for the University.

Reference was made to the University's Unrestricted Plant Fund into which we put 4% of tuition each year--and the current balance in this Fund is \$6.7 million. We will make calculations which are based on the Standby Generator Project--and without this project--and we will transfer the difference into the Plant Fund. We also charge this account for routine maintenance. Over the next 30 years, the Standby Generator Project will transfer some \$123 million into the Plant Fund.

President Liacouras referred to this Standby Generator Project, noting the possibility of political opposition to our building this plant, and he posed the question as to how certain we are that we will be able to execute this project. Mr. White said he thinks it can be moved through the Rules Committee of City Council, particularly because of the agreement we have reached with local community groups, including the Norris Homes Tenants Council. We think we will be successful. We must make a revision to the Institutional Development District (IDD), and that requires action by the City Planning Commission. The District Councilman pulled it off the agenda. The President asked if Mr. White thinks the necessary approval will come before 11/18/91 and the response was affirmative. The President said that we are talking about a little street that has had no houses on it for 20 years. Mr. Moore confirmed that the Charette agreement does deal with the IDD.

Mr. Pew asked that if we do float these bonds, what would we have as a debt reserve. Mr. Remillard said we would continue to do our administrative equipment of \$30 million annually, and this is short term debt. We would be effectively using our long term debt. We will

have to build up our reserves. Mr. Pew referred to another major capital project (the former Wilkie Buick site), and he said that if we borrow this \$80 to \$85 million, we will be saying that we will have to do the Wilkie Site Project out of non-borrowed funds. The President said that this is, in fact, the case. Mr. Fox noted that in addition to the Recreation/Convocation Center at the Wilkie Site, we also have a new Classroom Building and the Kardon Building as major projects.

The President said that we are moving as fast as we can with the State with regard to the \$33 million that has been authorized for the Recreation/Convocation Center and the \$14 million for the Classroom Building. If we raise matching funds on the basis of \$2 from Temple and \$3 from the State, we will probably get the Recreation/Convocation Center; and if we raise about \$3 million for the \$14 million the State is providing for the Classroom Building, we should get that facility.

The President raised a question as to what happens in 1995 if the Special Rate based on our Standby Generator is no longer in existence. We are in 1991 and we are still in the down trend in the number of 18-year olds available for our enrollment pool; in 1995, those numbers will go up. If you go back to 1965, our buildings were being built with State funds. Temple University became State-related in 1965. Enrollment has not had an increase of a substantial kind. The State has had its problems, too. About 2005, money will start coming back for the buildings. Why don't we simply do the Standby Generator Project and hold off on anything else. What happens if we do approve this Standby Generator Project and in 1995 the Special Rate ends? The argument could be made that we are using University money not to support academic plans but to support physical projects, into which too much money has already been put. It might be argued that the State will provide the capital funds; so, why commit on the non-revenue side until we are sure that the Special Rate will be on a long term commitment basis.

Mr. Pew said that he has walked around the Main Campus, and it is clear to him that in the Library and in the classrooms, we have to spend some money to bring our facilities up to standards.

Mr. Fox noted that the Non-Revenue Projects are really for maintenance, for such things as Roof Repairs, Elevator Repairs, etc--and he pointed out that this is not the final list. The President said he is making the argument that we might wait until the State comes and does these things. Mr. Pew noted that if a roof is not repaired on a timely basis, it will eventually cost 2, 3 or 4 times as much to do.

Mr. Begier suggested that the Campus Planning and Plant Management Committee should see the total list of projects that were considered so that it would know what didn't make the list; and what the process was for a project to get on this list; what was on the starting list--and how did that list become modified. Mr. Remillard pointed out that some \$3.3 million of these projects have already been approved by the Board.

The President said that at the full Board meeting in December (December 10) we would come to get approval of these projects. Mr. Rayburn said that if we received construction approval at the March 1992

meeting, we would still be all right. The President said that the Campus Planning and Plant Management Committee should act on these projects at their November meeting.

Mr. Falkenstein said that our electrical load continues to grow, with the addition of new academic equipment, 4600 new Personal computers, copiers, etc.

Dr. Adams said that Mr. Remillard had given the Faculty Senate a presentation on the projects to be financed by this Bond Issue, and the faculty did express a few concerns. One concern has to do with what kind of message we are sending if we are increasing residential capacity and bringing Fraternities on to campus. Faculty would like to have some in-put on this matter. There was a certain amount of concern about the risk we are taking with the Standby Generator, if the rate becomes less favorable after 1994, we will be subsidizing this department with student tuition because we will be charging a larger percent against the bond issue. There was also some concern that certain projects did not make it to the final list, such as the Library Extension, which faculty had been concerned about for many years--and the feeling was that these projects did not make it because they were not revenue generators. There was also some concern expressed by architects who thought that the design of the Standby Generator project could have been more friendly from the community's viewpoint. These architects would like to be involved or have some input into this design. Mr. Falkenstein said that Temple's preference would be to take the building as close to the line as we can; we have to be sensitive to our neighbors. The President suggested that Dr. Freeman could create a committee on this matter and Mr. Falkenstein could work with such a group. Judge Scirica noted that these projects will have to come before the appropriate Board Committees, and there will be opportunities for the faculty to express their views.

Mr. Rosen asked if we could get a commitment from the electric company that they would guarantee the Special Rate beyond 12/94--and Mr. Moore pointed out that the final decision on rates is up to the PUC. Mr. Falkenstein said that PECO has assured us that they will not take any action to have the Special Rate removed; but they cannot make any commitments because the matter is within the jurisdiction of the PUC.

Mr. Pew said this is the fifth project on which he has been asked to give approval regarding this Special Rate. He said the chances that PECO would recommend abandonment of this Special Rate in 1994, or even 2000, are virtually zero. PECO'S demands for electricity will continue to rise. The savings for them not having to build additional plants are real.

After further discussion, on motion duly made and seconded, the Business and Finance Committee and the Executive Committee, the latter acting on behalf of the Board, voted to approve the recommendation of the Campus Planning and Plant Management Committee and the University and Community Relations Committee (10/15/91) that approval be given to the Resolution, as reviewed and approved by

Counsel, authorizing the officers to enter into a financing arrangement with the Pennsylvania Higher Educational Facilities Authority (PHEFA), involving the issuance of Bonds, such Resolution being attached as SUPPLEMENT III. (Mrs. Clifford abstained on this motion.)

8. Removal of References to "Night Rider" in the Documentation of the case for the Issuance of Bonds

During the discussion of Item 7 of these Minutes, Mrs. Clifford noted that the term, "nightrider" was applied to persons who were vigilantes who were engaged in the killing of slaves--and she feels it is a very inappropriate term to be used in our documentation. It was noted that this term was initiated by PECO and not by Temple; however, there was agreement that all references to "Night Rider" should be removed from Temple documentation of its case for the issuance of Bonds--and Mr. Remillard said that such removal would be taken care of.

9. Difference Between In-State and Out-of-State Tuition

During the discusssion of Item 7 of these Minutes, Mrs. Clifford noted her feeling that the difference between in-state and out-of-state tuition was too great. The President said that there has to be a difference under our State-relatedness. We have discussed whether regionally we should create a lower differential than a resident of Wisconsin or some other distant State would have to pay to come to Temple.

10. Health Sciences Center Fiscal Year 1991-92 Capital Budget Request

Mr. Esposito, Chairman of the Campus Planning and Plant Management Committee said that this item and the eight sub-items had been discussed at great length by the Campus Planning and Plant Management Committee, and he recommended their approval.

On motion duly made and seconded, the Business and Finance Committee and the Executive Committee, the latter acting on behalf of the Board, voted to approve the recommendation of the Campus Planning and Plant Management Committee (10/4/91) that the officers be authorized to proceed with a second phase of Health Sciences Center capital expenditures for fiscal year 1991-92 as noted separately in these Minutes (Items 11 through 18), at a total cost not to exceed \$3,200,000. (See SUPPLEMENT IV)

11. Health Sciences Center- Replacement of Vascular Angiography Suite

On motion duly made and seconded, the Business and Finance Committee and the Executive Committee, the latter acting on behalf of the Board, voted to approve the recommendation of the Campus Planning and Plant Management Committee (10/4/91) that the officers be authorized to proceed with the purchase of equipment necessary to replace the existing angiographic suite in the Department of Diagnostic Imaging at the Hospital, at a cost not to exceed \$1,370,000, with the funding



source being Patient Service Revenue, and with the financing source being \$1 million in the form of a gift from SmithKline Beecham, \$120,000 from the FHA Depreciation Account, and \$250,000 from the Hospital Fund Cash Balance.

12. Health Sciences Center - Addition of a 16-Bed Geriatric Skilled Nursing Floor

On motion duly made and seconded, the Business and Finance Committee and the Executive Committee, the latter acting on behalf of the Board, voted to approve the recommendation of the Campus Planning and Plant Management Committee (10/4/91) that the officers be authorized to proceed with the renovation of existing hospital space to facilitate a 16-bed geriatric skilled nursing floor at a cost not to exceed \$300,000, with the funding source being Patient Service Revenue and with the financing source being Hospital Cash Funds.

13. Health Sciences Center - Planning Cost for Ambulatory Surgery Center

On motion duly made and seconded, the Business and Finance Committee and the Executive Committee, the latter acting on behalf of the Board, voted to approve the recommendation of the Campus Planning and Plant Management Committee (10/4/91) that the officers be authorized to proceed with the planning of the Ambulatory Surgery Center at a cost not to exceed \$150,000, with the funding source being Patient Service Revenue and with the financing source being the Hospital Cash Funds.

14. Health Sciences Center - Acquisition of PACU Monitors

On motion duly made and seconded, the Business and Finance Committee and the Executive Committee, the latter acting on behalf of the Board, voted to approve the recommendation of the Campus Planning and Plant Management Committee (10/4/91) that the officers be authorized to proceed with the purchase of replacement monitors for the Post Anesthesia Care Unit (PACU) at a cost not to exceed \$140,000, with the funding source being Patient Service Revenue and with the financing source being FHA Funded Depreciation Account.

15. Health Sciences Center - Flow Cytometer

On motion duly made and seconded, the Business and Finance Committee and the Executive Committee, the latter acting on behalf of the Board, voted to approve the recommendation of the Campus Planning and Plant Management Committee (10/4/91) that the officers be authorized to proceed with the purchase of a flow cytometer at a cost not to exceed \$100,000, with the funding source being Patient Services Revenue and with the financing source being FHA Funded Depreciation Account.

16. Health Sciences Center - Maternal/Infant Ultrasound Equipment

On motion duly made and seconded, the Business and Finance Committee and the Executive Committee, the latter acting on behalf of the Board, voted to approve the recommendation of the Campus Planning and Plant Management Committee (10/4/91) that the officers be authorized

to proceed with the upgrade purchase of Maternal/Infant Ultrasound Equipment, at a cost not to exceed \$95,000, with the funding source being Patient Service Revenue and with the financing source being FHA Funded Depreciation Account.

17. Health Sciences Center - Operating Room Monitors

On motion duly made and seconded, the Business and Finance Committee and the Executive Committee, the latter acting on behalf of the Board, voted to approve the recommendation of the Campus Planning and Plant Management Committee (10/4/91) that the officers be authorized to proceed with the purchase of monitors for the expanded operating rooms at a cost of approximately \$71,000, with the funding source to be Patient Service Revenue and with the financing source to be FHA Funded Depreciation Account.

18. Health Sciences Center - Normal Capital Replacements

On motion duly made and seconded, the Business and Finance Committee and the Executive Committee, the latter acting on behalf of the Board, voted to approve the recommendation of the Campus Planning and Plant Management Committee (10/4/91) that the officers be authorized to proceed with the purchase of normal capital equipment replacements as described in SUPPLEMENT V, at a cost not to exceed \$854,000, with the funding source being Patient Service Revenue and with the financing source being FHA Funded Depreciation Account.

19. Health Sciences Center - School of Medicine  
Multiple Sclerosis Research Center Equipment

On motion duly made and seconded, the Business and Finance Committee and the Executive Committee, the latter acting on behalf of the Board, voted to approve the recommendation of the Campus Planning and Plant Management Committee (10/4/91) that the officers be authorized to proceed with the purchase of an ultra-centrifuges for the Multiple Sclerosis Research Center at a cost not to exceed \$71,441, with the funding source being the Medical School Funds, Dean's Fund (Practice Plan).

20. Main Campus - Barton Hall Roof Replacement

On motion duly made and seconded, the Business and Finance Committee and the Executive Committee, the latter acting on behalf of the Board, voted to approve the recommendation of the Campus Planning and Plant Management Committee (10/4/91) that the officers be authorized to proceed to purchase replacement sections of the roof of Barton Hall, at a cost not to exceed \$142,000, with the funding source being the Plant Development Fund.

21. Main Campus - Paley Library Cabinet/Shelving Purchase

On motion duly made and seconded, the Business and Finance Committee and the Executive Committee, the latter acting on behalf of the Board, voted to approve the recommendation of the Campus Planning and Plant Management Committee (10/4/91) that the officers be authorized

to proceed with the purchase of Cabinet/Shelving for the Main Library, the Sciences Library, and the Traylor Building, at a cost not to exceed \$50,000, with the funding source being the Fund for the Enhancement of Undergraduate Equipment.

22. Main Campus - Paley Library Energy Management System

On motion duly made and seconded, the Business and Finance Committee and the Executive Committee, the latter acting on behalf of the Board, voted to approve the recommendation of the Campus Planning and Plant Management Committee (10/4/91) that the officers be authorized to install a computerized energy management system (EMS) in Paley Library at a cost not to exceed \$183,500, with the funding source being an Institutional Conservation Program grant awarded to Temple by the Pennsylvania Energy Office and \$83,500 in matching funds from the Plant Development Fund.

The Joint Meeting of the Business and Finance Committee and the Executive Committee was adjourned at 5:20 P.M.

(As indicated at the beginning of these Minutes, the Joint Committees went into Executive Session from 3:00 P.M. to 3:35 P.M., and those Minutes are at the end of these Minutes.)