

# THE INSTITUTE FOR ADVANCED STUDY

## M I N U T E S

Joint Meeting of the Finance and Budget Committees

April 26, 1985

Princeton, New Jersey

- Present:** Messrs. Taplin (Chairman), Byrom, Hansmann, Wolfensohn, Woolf. Also Mesdames Labalme, Laesker, and Mr. Rowe.
- Absent:** Messrs. Brown and Dilworth, and Mrs. Delmas.
- Faculty Salaries:** Mr. Taplin opened the meeting of the Budget Committee at 2:00 p.m. The Director's proposal for an increase in Faculty salaries had been considered by the Trustees on the Budget Committee. It was their decision that an increase should be made which would bring the salaries from \$77,000 to \$80,000. Staff salaries would be increased at an average of 6%. Although some Princeton University professors would be receiving \$87,000, that figure was not uniform as Faculty salaries are at the Institute.
- Mr. Hansmann asked about Faculty morale in view of the smaller raise currently proposed. Dr. Woolf said that this was of concern and that if austerity were to be signalled it should be meaningful and in effective budgetary areas.
- Draw on Endowment:** The Institute's high draw on the endowment, which will be 8.3% in Fiscal 1986, remained a serious concern. Princeton University's draw on an endowment of \$1.5 billion was 3.9%, and their rate of return was 16-17%. Harvard's draw was about 5% and Yale's 4½%.
- Budget for Fiscal 1987:** In an effort to allow for more deliberation in the budgetary process, discussions about the budget would begin earlier, in September 1985 for the budget of Fiscal 1987.
- Summary 1986:** Mr. Rowe explained that the overrun in the 1985 Actual Budget was due to the repurchase of the Adler House for \$425,000. The Institute's share of capital gains in this transaction was about \$50-60,000. Mr. Rowe drew the Committee's attention to the sheet entitled "Summary 1986" which stated the Budget in terms of function. He explained the percentage increases in each category and there was some discussion about where savings might be made.

Phillips and  
RCA Grants:

Mr. Byrom pointed out that the Budget did not reflect the \$100,000 just confirmed as coming from Phillips Petroleum on July 1 and the two fellowship grants from RCA for \$30,000 each. This would indicate an additional \$160,000 in income. There was the further possibility of Unilever contributing as many as three more fellowships, and although all these sums represented "soft money" in that they were for operating funds and not endowment, they would improve the picture for the next few years. Dr. Woolf concurred, reminding the committee that these funds were used to substitute for Institute funds and that this was part of the administration's effort to bring the draw on the endowment down below 8%.

Mr. Taplin urged that the Committee adopt the recommendation for the smaller Faculty salary increase because it would send out a signal that the financial picture of the Institute is not good. The particularities of Institute employment should also be noted: a shorter academic term and few distractions from research.

Faculty  
Appointments:

The Committee then discussed the memorandum which had been sent out about Faculty appointments. If the Faculty were to increase from 21 to 27 in number, the draw on the endowment would go up to 9½% and the additional expenses per annum would be close to \$1 million more. There is the matter of the optimum number of Faculty in any given School; the Faculty will, in each case, want to have the maximum. But this moment is opportune in that there are vacancies across the board, and while some appointments are in process, others could be postponed. The problems attendant upon this situation were thereupon discussed at some length.

There being no further business, the Budget for 1986 was approved for recommendation to the Board of Trustees and the meeting was adjourned at 3:10 p.m.

Finance Committee:

The Finance Committee convened immediately after the adjournment of the Budget Committee with Mr. Hansmann presiding as Chairman. Messrs. Gary Schreyer representing Rosenberg Capital Management and J. Murray Logan representing Rockefeller & Co., Inc. joined the meeting.

Mr. Hansmann reported that Rosenberg Management had been able to reconcile differences which appeared earlier with the Hamilton Johnston & Co. figures. Rockefeller & Company were still working out these differences. Some problems in reporting still persist with the Bank of New York.

Portfolio:

The value of the portfolio currently stands at \$128 million, including mortgages. The ordinary income on this is \$9.2 million (a 7½% yield). We are invested about 50% in equities.

Douglas Ranch  
Property:

Mr. Hansmann said that we had been called by U.S. Steel Pension Fund about the Douglas Ranch property outside of Phoenix, Arizona, in which we have a 4% interest; U.S. Steel Pension Fund has a 60% interest. U. S. Steel would like to go ahead now in developing this area. The first step is a detailed water survey, and the total cost of this would be about \$1,000,000. If there is water, as seems likely, the value of the property would be greatly enhanced. The next expense would be for land planning and access roads at a total cost of \$4,000,000 more or less. Mr. Hansmann's recommendation was that we should go along and the Committee approved.

J. Murray Logan called the Committee's attention to an option of a partnership for oil exploration and development which Rockefeller & Co. was sponsoring and which had been discussed with Mr. Dilworth and Mr. Hansmann. It was decided not to participate.

Rosenberg Report:

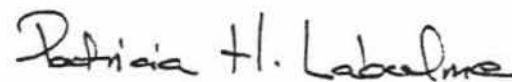
Gary Schreyer reported for Rosenberg Capital Management. The unusual situation of the bond market, the federal deficit and the trade deficit were among the subjects discussed. Even though his firm expects a bond-market rally in the summer they will maintain a defensive strategy with a large portion of the bond portfolio in short and medium term issues.

Rockefeller Report:

J. Murray Logan presented the Institute's portfolio under the management of Rockefeller & Co, discussing the investment performance including the ten largest holdings, the outlook, strategy, transactions, and holdings. While Rockefeller & Co. expect some pick-up in the second and third quarters of the year, they do not anticipate a bond rally this summer and remain fairly cautious on equities.

There being no further business, the meeting was adjourned at 4:00 p.m.

Respectfully submitted,



Patricia H. Labalme  
Secretary of the Corporation