

THE COOPER UNION FOR THE ADVANCEMENT OF SCIENCE AND ART

Minutes of Board of Trustees Meeting

March 22, 2017

8:30 AM

PARTICIPANTS

Trustees: Rachel Warren (Chair), Nils Folke Anderson, Kevin Slavin, Kevin Burke, Thomas Driscoll, Joseph Dobronyi (phone), Jeffrey Hersch (phone), Eric Hirschhorn (phone), Adrian Jovanovic, Peter Katz, Malcolm King, Scott Lerman, Jessica Marshall, Julian Mayfield, Brian Steinwurtzel, Robert Tan, Johnny Taylor (phone), Jeremy Wertheimer (phone)

Officers: President Laura Sparks, Executive Vice President William Mea, Secretary Mindy Lang

Representatives: Professor Toby Cumberbatch, Professor Atina Grossmann, Adjunct Professor Yuri Masnyj, Professor Walid Raad

Financial Monitor: Joseph Spinelli, Richard Faughnan, Ronald Salluzzo

Staff: Nader Tehrani, Elizabeth O'Donnell, and Steven Hillyer (for the Architecture presentation only)

ABSENCES: Trustee Elizabeth Diller

The Board meeting began with an executive session at 8:30 AM. Following the executive session, the officers, Representatives to the Board, and newly elected interim Secretary Mindy Lang joined the meeting.

Welcome and Report on Executive Session

Ms. Warren welcomed the officers and the Representatives to the Board and reported that the following had occurred during the executive session:

- The minutes of the December 7, 2016 Board of Trustees Meeting were approved.
- The minutes of the January 31, 2017 Special Meeting of the Board of Trustees were approved.
- The Board of Trustees elected Ms. Lang to serve as interim Secretary to the Board of Trustees. The related resolution 2017-1 is attached hereto.

Chair's Report

Ms. Warren discussed the responsibilities of the Board's committees and noted that each quarterly meeting will include a report from each committee in an effort to keep the full Board abreast of progress on its work plan and ongoing activities.

Ms. Warren then reported that since the January board meeting:

- The Board issued its response to the FEC Interim Report which is posted to the CU website.
- The Financial Monitor issued the Annual Report of the Financial Monitor which is posted to the CU website.
- Ms. Warren issued a letter to the community on February 24th which is posted to the CU website.

Ms. Warren commented on President Sparks' commitment to improve transparency, internally and externally. She thanked the trustees for attending the prior night's Alumni & Trustee Reception and noted that it resulted in instructive input and ideas for new opportunities for Board engagement. Ms. Warren encouraged the trustees to attend upcoming on-campus events (i.e., John Jay Iselin Memorial Lecture featuring Preet Bharara) and noted the importance of increasing opportunities to engage with various Cooper constituents. Several trustees commented that elevating the use and purpose of The Great Hall would be a positive and unifying force for the Cooper community.

Ms. Warren provided additional updates and concluded her report by commenting on the positive momentum and increased goodwill she and other trustees have experienced on campus and with the community at large.

Committee Reports

Academic & Student Affairs

Kevin Slavin outlined the importance of assessing academic and student affairs by gathering and reviewing internal information and by exploring how broader trends and shifts in higher education may impact Cooper. Mr. Slavin indicated that the Committee will develop and recommend a committee charter, synthesize its recommendations related to academic and student affairs for the Board's consideration, and contribute meaningfully to the strategic planning and mission statement discussion. The Board engaged in a discussion on the Committee's plan and declared its support for the Committee's goals.

Ms. Warren invited comments from the Representatives. They emphasized the importance of this particular committee and suggested that it focus on:

- student preparedness
- inclusion, diversity
- gender disparity
- faculty renewal, recruitment, and development

Alumni Affairs and Development

Peter Katz reviewed the Committee's plan for 2017 and emphasized that alumni engagement should be meaningful and forward-facing. He asked the Board to recommend potential new affinity groups, using the established Wall Street group as an example. Other possibilities could be entrepreneurs and educators. Mr. Katz noted the importance of re-energizing the Great Hall to enlarge Cooper's constituent base beyond alumni, recognizing it as a vehicle to broaden our fundraising efforts in a way that is consistent with our civic mission.

Mr. Cloud then provided a report on fundraising and development. He reported that:

- The Annual Fund is tracking almost identically to last year as giving patterns appear to be entrenched.
- Corporate/Foundation support is slightly ahead of last year and projected to exceed goal by a small margin.
- Planned giving will not meet goal.

Ms. Warren reminded trustees that the Board must play a leadership role in fundraising, and the Board engaged in a discussion on the various ways to re-engage prior donors.

President Sparks noted that Chris Cloud's last day will be March 31. She thanked him for his leadership during challenging times and credited him with boosting morale on the Development team.

Audit Committee

Malcolm King reported that the Committee recently reviewed insurance coverage, IT findings from the audit, management's plan to address the IT findings, and plans for implementing an enterprise risk management framework. The Board engaged in a discussion regarding the IT findings.

Communications

In Mr. Hirschhorn's absence, Ms. Sparks gave the Communications Committee report. She reported that the Committee is focused on the importance of shifting the narrative about Cooper from one of distress to one of competency, stability, and vibrancy and that management will develop an institutional communications plan. The Committee also discussed the benefits of quantitative and qualitative market research which can provide insight into perceptions of Cooper from potential students, parents, and alumni. The committee discussed the importance of both overall institutional messaging, as well as messaging that is specific to each of the schools.

Finance and Business Affairs

Mr. Driscoll reported that the committee had set very aggressive goals in its work plan for Q1 and Q2 and that some of these efforts may need to be deferred. He also reviewed the FY 17 Budget Variance Report for the six months ended December 31, 2016. Mr. Mea reported the following variances:

- Actual property tax payments differed from budgeted amounts (estimates), which were budgeted conservatively.
- There is a provision in the 51 Astor Place lease providing for a \$500 per square foot payment to Cooper Union for cellar, ground, and second floor space that is committed to retail space versus educational space (St. John's University). There were targeted educational square footages as part of the original lease payments and the actual square footage came in at 2,769 fewer square feet (meaning more went to retail) and, at \$500 psf, that required a \$1,384,500 payment to Cooper Union, which was received in February 2017. This was not included in the FY 17 budget because this issue was still under investigation at the time the budget was approved.
- Undergraduate enrollment is on target in total (851 actual versus 852 budget), which puts the total gross tuition revenue on budget. The mix of grandfathered (100% scholarship) and tuition-paying (50% scholarship) is slightly off compared to budget, with 14 more grandfathered than budget and 15 fewer tuition-paying than budget. However, the net

revenue from tuition-paying students is significantly better than budget. The budgeted net tuition was \$8,988 per tuition-paying student and the actual is \$10,446; an improvement of \$1,458 per student. This continues a trend seen last year when the net undergraduate tuition per tuition-paying student was \$9,806. We have maintained conservative net-tuition budgeting during this time of implementing tuition to new classes.

- The graduate Architecture program runs for three semesters, including summer, and the FY 17 budget only included revenue for two semesters. Also, the graduate Architecture program had enrollment that exceeded budget. The combination of these led to a positive variance in the graduate Architecture net revenue. The graduate Engineering program had a 19% increase in student FTE over last year and, since the FY 17 budget was based on FY 16 enrollment, this enrollment increase led to a positive variance in net tuition revenue
- An increase in International Student Fees primarily accounts for a \$100,000 positive variance in Matriculated Student Fees.
- Development's projection for unrestricted giving is a \$95,000 shortfall compared to the \$3,000,000 budget.
- Because of the recent layoffs, severance payments and related benefits that extend beyond FY 17 will need to be accrued into FY 17, which creates a negative budget variance of \$785,000.
- Subsequent to the initial approval of the FY17 budget, a multi-year expense savings plan was adopted by the Board of Trustees amounting to \$6.2 million in total, of which \$1,577,669 impacted FY17. The expense budget of \$69,252,000 remained intact, but all affected departmental budgets were reduced and the offsetting FY17 budgetary savings was recognized on a separate "Reserve for additional Expense Reductions" line.

Mr. Driscoll recounted the Committee's lengthy discussions on refinancing Cooper's debt and the Board engaged in an extended discussion on that issue, reviewing the pros and cons of the potential refinancing scenarios that the Committee discussed. Mr. Driscoll and Mr. Mea then took questions from the Board, and the Board discussed the variance report and the opportunities and challenges that come with a refinancing.

Free Education Committee

Mr. Tan reported that the Committee has met twice since the last Board meeting and is making progress on its work plan. He expressed the Committee's desire to get more input from the Cooper community and informed the Board of plans to meet with faculty, staff, and students in order to solicit their input. The Committee is also reviewing refinance proposals and 10-year financial, operational and enrollment trends. He stated that the Committee is evaluating various initiatives that could help accelerate a return to the full-tuition scholarship model without sacrificing the long-term health of the institution. Trustees discussed the size of the student body and the financial impact of enrollment levels, as well as the need to maintain a close watch on expenses and expense trends and the importance of remaining small and lean.

Governance Committee

Mr. Taylor reported that the Committee has four major goals: 1) recruit new and diverse trustees with complementary expertise and giving capacity, 2) conduct best practice training for the Trustees on

board roles and responsibilities, 3) ensure all committees have well-drafted charters, and 4) review the matrix of Board background and expertise to ensure diversity of gender, race, and experience. Mr. Taylor explained that Board participation is closely studied by foundations when deciding what initiatives and organizations to fund. President Sparks agreed that levels of participation are often a highly influential factor in making funding decisions based on her experience leading a foundation.

Investment Committee

Mr. Hersch reported on the performance of Cooper Union's investment portion of the endowment which, as of December 31, 2016, consisted of approximately \$131.8 million. This amount includes cash and equivalents for operating expenses. The total return of the investments for the calendar year ending December 31, 2016 was 5.2% and 6.7% (excluding cash). Mr. Hersch noted that cash holdings in the portfolio are temporarily higher than usual and that funds will be reinvested in the following quarter in a prudent and responsible manner. The Board engaged in a discussion on the portfolio's past, current and expected returns given current market conditions, Cooper's conservative risk profile, and its liquidity requirements. Cooper Union continues to maintain a low risk profile which enhances its ability to preserve capital.

President's Report

President Sparks reported on the current climate in higher education and public sector funding, including reviewing the implications of proposed budgets as they relate to the U.S. Department of Education, National Endowment for the Arts, National Science Foundation, Pell grants, the New York Excelsior Scholarship plan, and proposed changes to New York's Tuition Assistance Program (TAP). Trustees then offered their perspectives on likely implications of the federal budget, including the areas likely to receive budget support that Cooper could try to tap.

President Sparks then reported on internal matters. She articulated the importance of and her commitment to gender equality, especially for students in the Albert Nerken School of Engineering, where there is currently a significant enrollment gap between male and female students. She reported that a sub-committee of the Faculty/Student Senate observed a lack of racial, ethnic and gender equality at the institution. In response, President Sparks would be announcing the formation of a task force to focus on recruitment, retention, and improving the overall Cooper experience for underrepresented populations at the school. The Board declared its support of President Sparks' efforts in this regard.

Ms. Sparks went on to report that the Middle States self-evaluation process was on track and that the co-chairs would be preparing their first draft over the summer in preparation for a site visit next spring. She encouraged the group to examine potential areas of vulnerability in order to make adjustments during the self-evaluation process. On the subject of effectiveness and assessment, one suggestion was to "hit reset on the manner in which the institution collects and uses survey data. We must have a process to review collected data and act on it."

Architecture Case Study

The meeting broke for lunch and a presentation from The Irwin S. Chanin School of Architecture. Dean Tehrani described the school's curricular approach, and invited a student to share her learning experiences from a recent architectural trip to study in Mexico.

Strategic Planning Update and Discussion

President Sparks continued with an update on the strategic planning process, noting that Phase I was a few weeks behind due to challenges with the availability and quality of internal data. She also

reported that the Mission Statement Committee appointed last year circulated their first draft of a proposed new mission statement, which was distributed to the Community on March 7 and provided to the Board in advance of the meeting. Ms. Sparks advised that the Mission Statement Committee intended for the draft to provoke thinking and start a dialogue about Cooper's mission. She asked the Board for initial thoughts and apprised the group that a deeper discussion and debate about Cooper's mission is planned for an upcoming Board retreat. The Board discussed the draft and offered their suggestions for improvement, including making it shorter, more concise, and more forward-looking.

President Sparks turned the discussion to the Great Hall and announced upcoming events, including Preet Bharara on April 7 and John Lewis on May 11. She reminded the Board that these events have been an opportunity to build on Cooper's rich history while repositioning and reinstating Cooper's role as a civic leader. Trustees reiterated their enthusiasm for the Great Hall strategy.

New Business, Input from Representatives, Executive Session

There was no new business. Since the Representatives offered their input at earlier points in the meeting, the Board then met in executive session.

With no further business, the meeting was adjourned at 1:40 pm.

APPROVED
JUNE 21, 2017

A handwritten signature in blue ink that reads "Mindy Lang". The signature is fluid and cursive, with a long, sweeping tail on the letter "g".

MINDY LANG
SECRETARY TO THE BOARD OF TRUSTEES