

Minutes of Board of Trustees Meeting
December 13, 2017 | 8:30 AM

JUN 13 2018

DANIELLE COOPER DAUGHTRY
SECRETARY TO THE BOARD OF TRUSTEES

PARTICIPANTS

Trustees:	Rachel Warren (Chair), Kevin Burke, Anne Chao, Thomas Driscoll, Mary Dwyer, Wanda Felton, Stephen Gerard, Jeffrey Hersch (beginning only), Eric Hirschhorn (video), Peter Katz, Malcolm King, Scott Lerman, Julian Mayfield, Paul Nikulin, Kevin Slavin, Brian Steinwurtzel, Johnny Taylor, Jeremy Wertheimer (video)
Officers:	President Laura Sparks, Treasurer Keith Stokeld, Secretary Danielle Cooper Daughtry
Representatives:	Atina Grossmann, Amy Westpfahl, Yuri Masnyj, Walid Raad, Toby Cumberbatch (video)
Financial Monitor:	Joseph Spinelli, Richard Faughnan, Ron Salluzzo
Staff:	Lauren Desiderio, John Ruth
Guests:	John Oleske, <i>Senior Enforcement Counsel at the Office of NYS Attorney General</i> ; Peggy Farber, <i>Assistant NYS Attorney General</i> ; Michael Kaiser, <i>Consultant</i>
Absent:	Joseph Dobronyi

President Sparks called the meeting to order at 8:40am for an Executive Session.

Regular Session

The Board then convened in Regular Session, and the newly elected Trustees, Representatives, Officers, staff and guests joined the meeting. Ms. Warren reported that during Executive Session:

- The Board elected Rachel Warren as Chair, Board of Trustees.
- The Board elected Eric Hirschhorn and Stephen Gerard as Vice Chairs, Board of Trustees.
- The Board elected Anne Chao and Wanda Felton as Trustees.
- The Board re-elected Eric Hirschhorn and Malcolm King, and Kevin Slavin for second terms. (Kevin Slavin's term as a CUAA-elected Alumni Trustee expired. He was re-elected to the Board for a second term through the Board's standard nominating and election process.)
- The Board approved the 2018 Committee Memberships attached hereto.
- Resolution 2017-6, provided in advance of the meeting and attached hereto, was passed, appointing Officers for 2018 as follows:

BE IT RESOLVED, the following Officers of The Cooper Union for the Advancement of Science and Art are hereby approved to serve until the next annual meeting of the Board of Trustees on December 19, 2018:

Rachel L. Warren	Chair, Board of Trustees
Laura Sparks	President
Keith Stokeld	Treasurer
Danielle Cooper Daughtry	Secretary

Minutes

Upon motion duly made and seconded, the Minutes of the July 24, 2017 Board of Trustees Special meeting and September 27, 2017 Board of Trustees meeting were approved.

Chair's Report

Ms. Warren reviewed the Board's accomplishments for 2017, which included finalizing Vision and Mission Statements, integrating various planning efforts into an integrated strategic planning effort, adding new Trustees who bring expertise in key areas and diverse backgrounds, and developing a productive working relationship with the newly elected President.

Ms. Warren thanked Jeff Hersch and Elizabeth Diller, who were cycling off, for their service on the Board and commitment to the school.

Code of Conduct and Related Policies

Johnny Taylor, Jr., chair of the Governance Committee, presented the revised drafts of the Code of Conduct, Conflict of Interest Policy, University Information Policy, and Whistleblower Policies, all of which had been previously circulated to the Trustees for their input and feedback.

The Financial Monitor, who first recommended that the Board of Trustees establish formal written policies and procedures, noted that the Code of Conduct, as drafted, addressed all of his prior concerns.

Mr. Oleske remarked that the Code was well-drafted, that nothing in the document conflicted with the Consent Decree or Cooper Union's founding documents, and that, while he is not directing it, he supports its approval and implementation.

After some discussion regarding the scope of the confidentiality provision, a motion was made to table approval of the Code of Conduct. The motion did not pass.

Upon motion duly made and seconded, the Code of Conduct and related policies were approved as presented.

Board members were invited to submit additional feedback, in writing, to the Governance Committee one month before its next scheduled meeting.

Governance Presentation

Ms. Warren introduced John Oleske, *Senior Enforcement Counsel at the Office of the Attorney General of the State of New York*.

Mr. Oleske congratulated the Board on unanimously selecting a new President; managing Alumni Trustee elections; and electing new Trustees to Cooper Union. He noted that he is honored to work with Cooper Union and pleased to have been invited to address the Board.

Mr. Oleske addressed the following governance issues:

- The Board is taking important and positive steps to advance good governance, including developing the Code of Conduct and related policies approved earlier in the meeting.
- It is important for the Board to debate issues and then to act as a unified body in supporting the collective decisions of the Board, especially given the importance of unification to the school's future success.
- Every Trustee, regardless of how nominated, is held to the same responsibilities to be loyal, to contribute, actively participate, fully debate and support consensus once reached. The Consent Decree, by design, makes no distinction between different types of Trustees.
- The role of the Representatives as observers and to provide input upon request was carefully designed in the Consent Decree to avoid labor/management issues and to ensure that they are exposed to the issues and can contribute their insights, but the Board is the body responsible for oversight of the school and makes final decisions in accordance with the duties to which Trustees are held accountable.
- The Board must rely on the Administration to run the school, and they are fortunate to have found someone who they could unanimously approve. Moving forward in a spirit of trust is key to the success of the school.

With respect to the FEC's forthcoming plan to return Cooper Union to full-tuition scholarships, Mr. Oleske confirmed that the mandate of the plan was to present credible and financially responsible recommendations. He noted that: a) any plan to return to full-tuition scholarships for all students will be a challenging endeavor given the school's significant financial challenges developed over decades; and (b) in reviewing the FEC's recommended plan, the Office of the Attorney General will closely examine how it addresses significant financial risks and potential "black swan" events (i.e., by establishing a sufficient financial cushion).

Mr. Oleske emphasized the importance of looking to the future and developing plans that account for current issues in higher education and the world at large. The mission of Peter Cooper was addressed in the Consent Decree after a careful and thoughtful review of the founding documents so that the Board could move forward as a modern university (and one in which international students would be welcomed). Mr. Oleske reminded the Board that Peter Cooper was flexible and ensured that the school regularly evolved to address changing circumstances. For example, the three renowned schools were not part of his early vision. The model of Peter Cooper is that the Board adapt to changing circumstances and aspire to provide a free education to as many as it can.

Mr. Oleske closed by noting that, although he hopes it is never needed again, the Attorney General's office is available as a resource for Cooper Union and that, in its oversight capacity, his office supports the school as it moves forward.

Mr. Oleske then opened it up to the Board for any questions. Trustees thanked Mr. Oleske for his presentation and support and acknowledged the Board's progress in developing a more collaborative way of working together.

The Representatives of the Board offered the following: (a) appreciation for how passionate Mr. Oleske is about The Cooper Union; (b) agreement that Cooper cannot cut its way to free, and we need to invest in the academic program; and (c) appreciation for Mr. Oleske's comments about the founder.

President's Report

Ms. Sparks provided an update on strategic planning, expense cuts and staff restructuring, governance, fundraising, and admissions. She referred the Trustees to her written report, provided in advance of the meeting, which detailed these items and the significant progress made to date.

Approval of Degrees

The Board then reviewed Resolution 2017-7, provided in advance of the meeting and attached hereto, authorizing approval of degrees for students who have completed degree requirements and are scheduled to graduate in December. Upon motion made and seconded, the degrees were approved.

Strategic Planning Updates and Discussion – Vision and Mission Statements

Ms. Sparks reviewed the proposed Vision and Mission Statements that were provided prior to the meeting. She reminded the Board of the steps taken to date to develop new Vision and Mission Statements:

- A Mission Statement Committee composed of faculty, staff and students developed a first draft, circulated it to the Cooper community, and received feedback, including feedback from the Board at its March 2017 meeting.
- The Committee then developed a second draft, circulated it to the Community, and sent it to the Board along with community feedback for consideration at the Board's June 2017 meeting.
- The Board considered further revisions at its September 2017 meeting and then asked that a smaller group representative of key constituencies be delegated to finalize the Vision and Mission Statements, consistent with Board and community feedback, for Board approval.
- A group consisting of two Trustees, including one CUAA-elected Alumni Trustee, the chair of the faculty/staff Mission Statement Committee, and a faculty Representative to the Board, finalized a draft for Board review, discussion, and vote.

After discussing comments that Trustees and Representatives submitted in advance of the meeting and upon a motion duly made and seconded, the Vision and Mission Statements were approved as presented:

Vision

The Cooper Union for the Advancement of Science and Art is dedicated to Peter Cooper's radical commitment to diversity and his founding vision that fair access to an inspiring free education and forums for courageous public discourse foster a just and thriving world.

Mission

Our mission is to sustain The Cooper Union as a free center of learning and civic discourse that inspires inventive, creative, and influential voices in architecture, art, and engineering to address the critical challenges and opportunities of our time.

After the Board vote, Mr. Oleske noted that he always saw Cooper Union as a center for free learning, education, and civic engagement. He reiterated the belief of the Office of the Attorney General that Cooper Union is “a national treasure.”

Strategic Planning Updates and Discussion – FEC Plan

Robert Tan, chair of the Free Education Committee, thanked the members of the FEC and Representatives to the Board for their hard work and invaluable input on the plan. He also thanked the Financial Monitor for helping the Committee understand the key components of financial health for institutions of higher education. He thanked staff and Board leadership for their hard work, including special thanks to Ms. Sparks and Ms. Warren for their leadership.

Ms. Sparks directed Trustees to the memo that was provided prior to the meeting and summarized the FEC’s findings to date and the key elements the Board can anticipate seeing in the FEC’s Recommended Plan:

- The FEC believes that Cooper Union can begin reducing net tuition in two years and fully achieve 100% scholarships for all undergraduate students within a 10 year timeframe, if there is discipline in expense management, successful fundraising, no major changes in expected revenue streams, and the ability to withstand major risks that are outside of Cooper’s control.
- The plan seeks to increase scholarships (reduce net tuition) beginning in FY2020, gradually ramping up to 100% scholarships for all students by FY2029, while also investing in the academic program and accomplishing the following four goals to restore Cooper Union’s long-term financial health (a) build an Operating Reserve; (b) create a Debt Reserve; (c) address Deferred Maintenance; and (d) fund the Post-Retirement Healthcare Liability.

A number of initiatives were identified and discussed by the FEC in its development of a viable, fiscally responsible plan to accelerate Cooper Union’s return to free undergraduate tuition and sustainable long-term financial health in ten (10) years. The initiatives will be included in the plan that the Committee will issue in January 2018.

Ms. Sparks noted items and questions that were particularly important for the Board to consider:

- Is the Board comfortable with an incremental approach that starts increasing scholarships in two years, continuing to increase scholarship levels gradually over the next eight years and ultimately returning to full-tuition scholarships (vs. keeping scholarships at current levels and waiting to increase them to 100% until all of the necessary funds are aggregated)?
- Does the Board agree with the financial priorities the FEC identified and sized?
- Are there any additional guardrails that should be included?
- Does the Board agree with the FEC’s recommendation to continue Cooper Union’s current policy of providing additional financial aid to support non-tuition costs of attendance based on a student’s financial need?

The Board engaged in a robust discussion on these topics. The Board generally concurred that the

incremental approach that starts the path back to full-tuition scholarships sooner is preferable, even if it delays reaching the ultimate goal of 100% tuition scholarships by one to two additional years. The Board also agreed with the categories of financial priorities, though some questioned the size of reserves, quasi-endowment, and other liquid net assets proposed and expressed concern that building to the level of reserves currently outlined in the plan would extend the timeline to return to free tuition, potentially jeopardizing the school's strong reputation for academic quality. The Board generally concurred with the recommended guardrails. After discussion, the Board agreed with the recommendation to continue Cooper Union's historical level of support for non-tuition expenses, as outlined in the meeting materials. Ms. Sparks reiterated that the school needed to generate \$250 million to return to full-tuition scholarships in a financially healthy and sustainable way.

Ms. Warren asked the Board to provide any additional comments on the FEC report, including the bullpen items, by December 22, so that the FEC can finalize its recommendation to the Board.

The Representatives of the Board provided the following feedback: (a) The Board should consider whether there are any red lines or items (e.g., scholarships) that cannot be compromised in the event Cooper Union needs to address catastrophic risks; and (b) They disagreed with the increase in dorm rates since it could be cost-prohibitive for students and encouraged the Board to consider the impact of this initiative on admissions and student life.

Mr. Oleske noted that his office does not expect the FEC to come up with a plan that re-engineers the constraints and revenue model the school operates under (e.g., the bridge loan, tax equivalency payments, Chrysler payments.) He further noted that a key part of his office's evaluation when they review the Board's plan will be how Cooper Union prepares for uncontrollable risks that could have a material impact. He noted that the Board is taking care of the important issues and he is eagerly looking forward to coming back and sharing a vote of confidence. At this point, Mr. Oleske and Ms. Farber exited the meeting.

COMMITTEE REPORTS

Governance Committee

The 2018 Board Meeting Schedule was presented for approval. Upon motion made and seconded, the 2018 Board Meeting Schedule was approved.

The Committee Charters were then presented for approval. After discussion and upon motion duly made and seconded, the following Committee Charters were approved, subject to the deletion of 7(1) in the Alumni and Development Committee Charter: Academic & Student Affairs, Alumni Affairs & Development, Audit, Compensation, Finance & Business Affairs, Governance, and Investment.

Investment Committee

The updated Investment Policy Statement was presented for approval. Upon motion duly made and seconded, the Investment Policy Statement was approved.

Trustees were directed to the Investment Committee Report (packet page 150) for a report on the performance of Cooper Union's non-real estate investment portion of the endowment which, as of September 30, 2017, consisted of approximately \$149 million. This amount includes cash and equivalents for operating expenses. As reported in the materials, as of September 30, 2017, the total portfolio (including cash) was up 10% for the cumulative trailing 1-year period and, excluding cash

(\$133M), was up 13.2% for that same period. As of September 30, 2017, the total portfolio (including cash) was up 8.1% calendar year to date and, excluding cash, was up 10.3% for that same period.

In light of the limited remaining time, the Board was referred to the meeting materials for details on each Committee's reports. Ms. Warren also asked Trustees to review the questions noted in the packet regarding the strategic plan and send comments, if any, to her and President Sparks within the next two weeks. With that feedback, President Sparks will continue developing the strategic plan for the Board's consideration.

There was no new business. The Representatives had an opportunity to provide input at earlier points in the meeting and no additional time was requested.

With no further business, the meeting was adjourned for Executive Session at 1:30 pm.

