

THE COOPER UNION FOR THE ADVANCEMENT OF SCIENCE AND ART

Board of Trustees Meeting

March 9, 2023 10:00AM

PARTICIPANTS

Trustees:	Anne Chao, Maurice Cox, Brickson Diamond, Elias Dills, Wanda Felton, Judy Freyer, Elizabeth Graziolo, Dana Hughes, Aftab Hussain, Anthony Ianno, Tim Ingrassia, Malcom King (Chair), Jamie Levitt, Lou Manzione, Brian Steinwurtzel, Robert Tan, Carol Wolf, Shirley Yan
Officers:	President Laura Sparks, Treasurer John Ruth, Secretary Charlotte Wessell
Financial Monitor:	Richard Faughnan, Ron Salluzzo
Representatives:	Diana Agrest, Raffaele Bedarida, Beverly Joel, Steven Hillyer, Amanda Simson
Guests:	Adriana Amelia, Celia Dallas, Dov Diamond, Alexander Heil, Earl Kwofie, Carmen Maldonado, Ninad Pandit, Frederick Rapp
Absent:	Joseph Dobronyi, Pam Flaherty, Ben Vinson

The meeting, conducted via video conference, was called to order at 10:02 a.m.

The minutes from the December 9, 2022 meeting were shared in advance for the Board's review. Upon motion made and seconded, the minutes were approved as presented.

Mr. King began the meeting with his Chair's Report, thanking Trustees for their participation in the first set of quarterly Committee meetings this year and attendance at various events and programs on campus since the beginning of the semester. Mr. King invited the Financial Monitors to present key findings from their annual report, submitted on February 15. The Financial Monitors reviewed the following:

- Cooper Union's financial performance in FY22 demonstrated impressive progress despite the challenges presented by the continuing global pandemic, a substantial decline in the market value of the long-term investment portfolio, and a dramatic increase in inflation.
- Even though Cooper Union saw a decline in operating revenues of 6.7% over 2021, primarily related to pandemic safety measures, capital project deferrals, reduction in investment returns, and higher costs of goods and services, it was still able to manage costs so that an operating margin of over 10% was realized. This allowed continued allocation of funds for key priorities.
- The operating results for 2022 show a \$9.9MM surplus as compared to a \$22MM surplus in 2021. (For a historical perspective, between 2009 and 2018, Cooper Union had a cumulative operating deficit of \$181.1MM.)
- Net tuition and fees for this period totaled about \$52.7MM. While there was a cumulative surplus excluding net tuition and fees for the period, that surplus is clearly insufficient to restore fiscal viability to Cooper Union without some continuing level of support from student revenues.
- Continuing operating surpluses will be critical to Cooper Union's achieving a full-tuition scholarship environment, and the Board's Plan projects that surpluses will continue in the coming years.

- Cooper Union’s increase in scholarship levels is consistent with the Board’s Plan, and the scholarship levels are planned to grow each year until a full scholarship environment is achieved. Cooper Union stayed well within the Guardrails established in the Board’s Plan in fiscal year 2022.
- The budget for fiscal year 2023 anticipates a cash surplus of \$4.3MM. The forecast as of September 2022 indicates Cooper Union expects to meet this goal in 2023.

The Financial Monitors believe that this strong financial performance reaffirms the wisdom of the Board’s Plan to Return to Full Tuition Scholarships (Plan) in a structured way, while strengthening the long-term financial condition of Cooper Union so it can weather unforeseen financial downturns like those present. The Financial Monitors also included their perennial notes of concern – continued progress is dependent on:

- Continued payment of Chrysler Rents
- Continued management of expenses while addressing the need for increasing investment in capital plant, curriculum, and services
- Continued expansion of philanthropy, particularly current-use philanthropy

President’s Report:

Ms. Sparks began by thanking Trustees for their participation in recent meetings and events and reminding the Board of upcoming events this semester during which Trustee participation is encouraged, including the Great Women of the Great Hall public program, exhibition openings, and Commencement.

Ms. Sparks then reviewed key points of the quarterly memo which was shared with Trustees in advance of the meeting. The report reviewed the aggregate impact of recent progress on institutional goals and strategic priorities. Ms. Sparks discussed the importance of people, tactics, and strategies that will take this work to the next level.

Student, Faculty, and Staff Presentation:

At each quarterly meeting, the Board learns more about progress on Cooper’s institutional goals and strategic priorities through student, faculty, and/or staff work in these areas as part of a guest presentation. This quarter highlighted the work of this year’s participants in the Benjamin Menschel Fellowship for Creative Inquiry. For more than 25 years, the fellowship has provided students with funding to pursue creative inquiries related to art, architecture, engineering, and design, that aim to improve the world around them. The competitive fellowship promotes the use of funds for travel and exploration of communities beyond New York City and prioritizes groups of multi-disciplinary students when possible. Following their travels and semester-long inquiries, students install a public exhibition as the culmination of their work. The work that results has laid the foundation for many future thesis projects, exhibitions, bodies of artwork, conceptual designs, and scientific protocols that have a life beyond Cooper Union once a student graduates. Since the Board’s approval of Cooper Union’s institutional goals and strategic priorities, the Menschel Fellowship selection team has further encouraged students to propose projects that explicitly address relevant goals, including *considering the ethical, cultural, and environmental contexts and consequences of our technical and creative disciplines, and engaging with important civic issues.*

Ms. Sparks introduced Professor Ninad Pandit, who has served as the faculty advisor for the Menschel Fellowship since 2020. Professor Pandit reviewed the details of the fellowship and recent efforts to

leverage the program as an opportunity to further Cooper Union's institutional goals. Professor Pandit introduced the student participants present, who presented their projects:

Select students presented their projects and shared highlights of the fellowship experience:

- Adriana Amelia A'23 and Carmen Maldonado AR'23 documented the abandoned village of Bodie, California via photography in *Ghostland: An Exploration of a Non-Place*
- Dov Diamond AR'23 and Frederick Rapp AR'23 traveled to the Mississippi Delta to investigate the humanistic relationship with the disastrous climate catastrophe in the area through their project, *The Land is Not the Territory*
- Earl Kwofie AR'23 created The Golden Seeds, a strategy/puzzle video game based on a traditional Ghanaian board game that incorporates understandings of a player's ancestral history

Trustees engaged in a discussion with the students about objectives of their projects, unexpected lessons learned during the experience, and how they plan to build upon the projects in future academic or professional pursuits. Trustees commended the students on their complex projects and the deep questions they explored in an effort to understand and better the world around them.

Trustees thanked the faculty and student presenters, who then departed the meeting.

Guest Presentation and Discussion

The Cooper Union is nearly five years into the current strategic plan and the Board is preparing to begin the next phase of planning. To aid in these efforts, as outlined in the Board's Work Plan, a series of context-setting discussions are incorporated into this year's quarterly meetings and retreat. For this quarter, a guest presentation was organized around the macroeconomic context at the global, regional, and industry levels. Macroeconomic conditions and the impact they may have on the institution's short- and long-term financial performance and on the world into which Cooper Union students will graduate are an important component of the planning context.

Ms. Sparks introduced two guest speakers:

- Celia Dallas is the Chief Investment Strategist for Cambridge Associates, our investment management consultants. With more than 25 years of investment experience, she is responsible for formulating Cambridge's global investment strategy and portfolio construction philosophy. Celia joined Cambridge Associates in 1996 and has contributed to a wide range of research initiatives covering strategic and tactical asset allocation, portfolio risk management, endowment spending policy, and liquidity management. She is the author of Cambridge's quarterly publication, VantagePoint, in which she shares the firm's house view and investment philosophies.
- Alexander Heil is a Senior Economist for the Conference Board. An applied economist, he has more than 20 years of experience in the energy, environment and infrastructure space. Before joining the Conference Board, Alex was VP for Research at the Citizens Budget Commission, a think tank focused on the finances and operations of New York City and State governments. Prior to CBC, Alex was the Chief Economist of the Port Authority of New York and New Jersey.

Ms. Dallas presented current view of the global economy, inflationary pressures in the United States and the potential recessionary impacts, along with other economic impacts as they relate to potential market dynamics. Mr. Heil then presented key issues for cities to consider in the post-pandemic world, including

employment trends, affordability, safety, infrastructure and transportation, and real estate, and the economic impact of these considerations on urban areas.

Trustees engaged in a discussion with the speakers on the economic implications for institutional endowments; the continued economic impact of the war on Ukraine; the sustainability of work-from-home policies and resulting outmigration from urban centers; the opportunities the present conditions create for an institution preparing students to enter the fields of architecture, art, and engineering. Following the robust discussion, the guest speakers exited the meeting.

COMMITTEE REPORTS AND UPDATES:

The seven Committees of the Board met for their quarterly meetings in February. Based on the Board’s annual Work Plan, the Finance and Business Affairs Committee, Investment Committee, and Alumni Affairs and Development Committee delivered in-depth reports at the meeting. The remaining Committees provided updates prior to the meeting, included below.

FINANCE AND BUSINESS AFFAIRS COMMITTEE REPORT

The Committee Chair reviewed the budget variance report for the second quarter of the fiscal year, ending December 31, 2022.

	FY22 Actual	YTD Dec 2022	FY23 Budget	% Earned or Spent
Total Revenue Before Endowment Payout	91,229	45,673	83,858	54%
Less: Total Expenditures	(80,670)	(42,202)	(85,904)	49%
Surplus Before Endowment Payout	10,559	3,471	(2,046)	
Plus: Endowment Payout	5,365	3,165	6,330	50%
Total Surplus Available for Plan Priorities	15,924	6,636	4,284	

At the mid-point in the fiscal year, financial performance remains within the FY23 budget. Summary of key year-to-date impacts are as follows:

- Tuition and Fees – Scholarships are expected to be awarded at Plan levels of 79%.
- Capital Expenditures – The \$6.3MM provision for FY22 was revised from the original \$4.5MM provision and approved by the Board at the December meeting. This includes an additional \$1.8 million in capital expenditures, accounting for capital budget underspend from FY22 as a result of project delays and increases in materials and services as a result of inflation.
- Operating savings – As searches continue to fill open positions, headcount savings are reflected as a positive variance. Additional savings have been realized following the change in campus COVID-testing requirements, however, these savings have been slightly offset by higher utility costs.
- Real Estate – New York City tax rates decreased by 1.0%, impacting the tax equivalency revenue.
- Other revenue – Cooper Union received \$520K in reimbursements from the Federal Management Agency (FEMA) related to expenditures incurred for COVID prevention.
- As planned, operating expenses will be behind the operating expense guardrail due to COVID-related costs and expenses for real estate activities and the targeted campaign.

As the FY24 budget process is underway, Mr. Ruth highlighted the key considerations and challenges for the financial Plan in the coming fiscal year. At the Q2 Finance & Business Affairs Committee meeting, Management will present a proposed budget for FY24 for the Committee's recommendation to the Board. Per previous discussions, budgeting will continue to focus on net results, with an eye toward ongoing expense management. In addition, Management will remain cognizant during the budget process of continued revenue challenges from real estate and facility rentals and expense budgeting ramifications in response to increased construction costs and the impact of deferred maintenance and filling vacant positions.

INVESTMENT COMMITTEE REPORT

The Committee Chair shared the value of Cooper Union's investment portfolio as of December 31, 2022: \$272.9MM, +6.7% for the quarter, +0.3% fiscal year to date (FYTD) and -12.1% for the calendar year (CYTD). The Chair reviewed challenges in the investment market and the outlook for varying geographic markets and asset classes. During the Committee's quarterly meeting, upon recommendation from investment consultant Cambridge, the Committee approved a \$20.5MM rebalancing by deploying cash into existing public equity managers to move closer to policy targets.

During the quarterly meeting, upon recommendation from Cambridge, the Committee approved rebalancing actions to include two new managers for active multiregional equity mandates and accommodate \$5MM in expected portfolio in-flows. Additionally, the Committee voted to approve the strategy for private market investments, as recommended by Cambridge. Priority will be given to the use of direct partnerships due to the additional fees associated with Fund of Funds. Fund of Funds may be used when it is the only vehicle available to access an investment opportunity. The Committee also affirmed the active management strategy in the public market portfolio, with the recognition that a passive index funds may be required in some instances to provide portfolio liquidity, diversity, or when an active manager is unavailable.

ALUMNI AFFAIRS AND DEVELOPMENT REPORT

The Committee Chair reviewed current-use fundraising progress and key points of the Committee's discussion to enhance outreach to ensure that the institution achieves its full-year target as it is a key component of the Plan. Current-use fundraising is at approximately 46% of the year's goal with \$5.2MM raised as of December 31, 2022 versus \$8.3MM in FY22 and \$5.8MM in FY21. The total fundraising result (including pledges) is \$9.1MM, 62% of the year's goal. Total fundraising is slightly lower than the midway point of FY22 (\$9.8MM).

The Committee Chair presented the Committee's proposed amendment to the Board-approved Gift Acceptance Policy that provides guidelines for receiving bequests. The changes were drafted and recommended by outside counsel following the discussion at a prior Committee meeting, when the Committee determined bequests of \$1MM or more should be considered within the current policy parameters. Following the discussion, upon motion made and seconded, the amendment to the Gift Acceptance Policy was approved.

COMMITTEE UPDATES

The following Committees met during the first quarter of the year and shared relevant updates for the Board in the meeting materials. Key points include:

Academic and Student Affairs

The Committee discussed select issues facing the higher education sector: affirmative action in college admissions and rising technology concerns specifically related to generative tools. The Committee discussed the role diversity should play in a student's learning experience at Cooper Union and implications for the potential outcome of the expected Supreme Court's ruling on race-conscious college admissions practices. Relating to technology, the Committee engaged in a discussion with the Deans on the types of artificial intelligence tools available for use and how classrooms and teaching may benefit from or be negatively impacted by these emerging technologies.

Following up on previous discussions, the Committee reviewed progress made furthering the Board-approved strategic priority to increase and enhance interdisciplinary studies at Cooper Union, specifically reviewing positive changes in disciplinary course composition as a result of the new institution-wide approach to scheduling. The Committee also reviewed the four faculty governances to gain a deeper understanding of the structures in place for each school and how they play into discipline-specific and interdisciplinary education. The Board is responsible for formally approving faculty governances, so this provided a primer in advance of any proposed changes to better support institutional goals and strategic priorities.

Audit Committee

The Uniform Guidance Audit for FY22 will be filed by the March 31, 2023 deadline. In the auditor's opinion, Cooper Union complied in all material respects within the scope of the audit and there were no matters of concern reported.

Representatives from Altus Partners, Cooper's insurance broker shared the annual review of Cooper's insurance program. The property and casualty insurance marketplace has continued to see significant rate increases for most lines of coverage, and the education sector has been strongly impacted due to large claim payouts for sexual abuse, discrimination, and now, the pandemic. Cooper's property and casualty coverages renewed on February 14 with a 4% overall increase, lower than the 12% projection, the 7% increase of the previous year, and the increases seen at many other institutions of higher education.

As part of the Committee's Enterprise Risk Management (ERM) work, members reviewed and discussed the mitigating strategies in place for risks to particular revenue streams. Management has a number of monitoring mechanisms in place, as well as mitigating factors to ensure adequate levels of cash flow and liquidity. The Committee also revisited actions in place and plans to prevent a lack of trust, engagement, and culture of collaboration among students and faculty, as first discussed during the previous year.

Following the annual review of Conflicts of Interest completed by Trustees and key employees of the institution, there were no issues to share. Additionally, no Whistleblower Reports were received for the year.

Free Education Committee

The Committee reviewed the semi-annual progress report. The school is on track for the majority of targets, aside from the goal in facility rental revenue, which has been further affected by the pandemic. The Committee will continue to monitor the Plan semi-annually and prepare for an upcoming mid-Plan report to be issued publicly, as the mid-Plan point approaches at the end of FY23.

Governance Committee

The Committee is continuing ongoing succession planning to ensure the Board is actively prepared to fill openings. After a few years with several new Trustees elected to the Board, the Committee is shifting focus to long-term cultivation. The Committee will prepare for seating two new Alumni Trustees, as elected by the Cooper Union Alumni Association (CUAA), the new CUAA President who serves ex-officio on the Board, and one Student Trustee in June.

There was no New Business. Representatives participated in the discussion throughout the meeting and had no additional comments at this time. The Board moved to Executive Session at approximately 1:50 p.m. The meeting adjourned at approximately 2:00 p.m.