

THE COOPER UNION FOR THE ADVANCEMENT OF SCIENCE AND ART

Minutes of Board of Trustees Meeting

December 7, 2016

8:30 AM

PARTICIPANTS

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

Officers: Acting President William Mea, Secretary Lawrence Cacciatore

Representatives: Professor Toby Cumberbatch, Acting Dean Mike Essl, Professor Atina Grossmann (phone), Adjunct Professor Yuri Masnyi, Amy Westpfahl

Financial Monitor: Joseph Spinelli, Ronald Salluzzo (phone)

Staff: Interim Vice President Chris Cloud

Guests: President-Elect Laura Sparks

ABSENCES:

Trustees: Robert Bernhard, Elizabeth Diller

The Board meeting began with an executive session at 8:30 AM.

Following the executive session, the officers, President-elect Sparks and the Representatives to the Board joined the meeting.

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

- The Board elected Rachel Warren as Chair, Board of Trustees.
- The Board elected Kevin Burke and Brian Steinwurtzel as Trustees (Class of 2020).
- The Board elected Kevin Slavin (Alumni Trustee) and Eric Hirschhorn as Vice Chairs, Board of Trustees.

- The following resolutions were passed:

BE IT RESOLVED, the following Officers of The Cooper Union for the Advancement of Science and Art are hereby approved to serve through January 3, 2017:

Rachel Warren	Chair, Board of Trustees
William E. Mea	Acting President
William E. Mea	Treasurer
Lawrence Cacciatore	Secretary

BE IT FURTHER RESOLVED, the following Officers of The Cooper Union for the Advancement of Science and Art are hereby approved to serve from January 4, 2017 until the next annual meeting of the Board of Trustees on December 13, 2017:

Rachel Warren	Chair, Board of Trustees
Laura Sparks	President
William E. Mea	Treasurer
Lawrence Cacciatore	Secretary

Upon motion made and seconded, the minutes of the August 11, 2016 Special Meeting of the Board of Trustees were approved.

Upon motion made and seconded, the minutes of the August 31, 2016 Special Meeting of the Board of Trustees were approved subject to a suggested modification.

Upon motion made and seconded the minutes of the September 15, 2016 Board of Trustees meeting were approved subject to a suggested modification.

Ms. Marshall presented the following resolution on behalf of the Board to Mr. Lincer:

WHEREAS MAXWELL LINCER, GRADUATE OF THE COOPER UNION CLASS OF 1942, INSPIRED HIS SON, RICHARD S. LINCER, TO VOLUNTEER HIS SERVICE ON THE BOARD OF TRUSTEES; AND

WHEREAS RICHARD S. LINCER HAS SERVED THE COOPER UNION WITH REMARKABLE LEADERSHIP, STEADFAST DEVOTION AND PRINCIPLED COMMITMENT AS A MEMBER OF THE BOARD OF TRUSTEES FOR THE PAST TWELVE YEARS, INCLUDING AS CHAIRMAN OF THE BOARD FROM 2013-2016; AND

WHEREAS HE HAS BEEN A STEADFAST CONTRIBUTOR TO THE INSTITUTION, SUPPORTING STUDENT SCHOLARSHIPS AND THE SATURDAY PROGRAM; AND

WHEREAS UNDER HIS CHAIRMANSHIP THE COLLEGE CONFRONTED AND OVERCAME UNPRECEDENTED CHALLENGES THAT TESTED ALUMNI, FACULTY, STUDENTS, STAFF AND TRUSTEES; AND

WHEREAS THE COOPER UNION RE-EMERGED STRONGER, UNIFIED AND RECOMMITTED TO ENSURING PETER COOPER'S LEGACY;

THEREFORE BE IT RESOLVED THAT THE TRUSTEES HEREBY EXPRESS THEIR SINCERE GRATITUDE TO RICHARD S. LINCER FOR HIS UNPARALLELED LEADERSHIP, GENEROSITY AND PROFOUND DEDICATION TO THE COOPER UNION FOR THE ADVANCEMENT OF SCIENCE AND ART AT THE END OF HIS TERM AS CHAIRMAN OF THE BOARD OF TRUSTEES ON THIS 7TH DAY OF DECEMBER, 2016.

Chair's Report

Ms. Warren discussed her goals as chair for 2017. These include working with President-elect Sparks to better coordinate the work of the various committees and to provide greater transparency and communication across the Board's functions.

In addition, she reported that President-elect Sparks will lead the Board in a strategic planning process which integrates the work of the Free Education Committee, the Middle States Accreditation Steering Committee; and input from the Cooper community all within a broader institutional planning effort.

Acting President's Report

Mr. Mea provided an update on the Middle States accreditation process. A steering committee had been formed, working groups have convened and the Self-Study Design, a prerequisite to the Self-Study Report that must be presented in advance of the accreditation visit, has been approved by the Middle States Commission on Higher Education. It is expected that a draft of the self-study report will be presented at the September 2017 Board of Trustees meeting.

Mr. Mea reported that the Mission Committee, chaired by Professor Peter Buckley, will be issuing a draft mission statement to the Board in early 2017.

Mr. Mea reported that the search for a new dean of engineering is underway and the goal is to have a new dean in place for the new academic year.

President-elect's Report

Ms. Sparks thanked the Board for their warm welcome throughout the transition.

Ms. Sparks reported that, during the transition period, she visited Cooper Union 10 times, participated in approximately 65 meetings, met with more than 75 individuals and participated in recent Board committee meetings. Ms. Sparks noted the following initial observations:

- Her reception has been very welcoming, and people generally seem ready to move forward;

- Returning to a full tuition scholarship model has been at the forefront of most conversations;
- It is important to begin to map out a strategic planning process for Cooper;
- The current political climate, specifically with respect to encroachments on civil rights, creates a powerful opportunity for Cooper Union to lead, to use our platform to model civil and civic discourse and, in doing so, to reinforce our mission and broaden our reach to others, including new funders;
- The road ahead will be challenging but we have many strengths on which to build Cooper's future.

FEC/Finance & Business Affairs Committee

Ms. Warren articulated the importance of establishing clear roles and responsibilities for the Free Education Committee (FEC) and how it should interface with the Board and other committees in order to identify, research and analyze proposed initiatives. Ms. Warren noted that the work of the FEC needs to be integrated into the Board's more comprehensive strategic planning effort.

Mr. Driscoll, chair of the Finance & Business Affairs Committee, explained the importance of establishing a metric to assess (a) the financial sustainability of Cooper Union; and (b) the initiatives that the FEC identifies for further research and examination. Mr. Driscoll reminded the Board that at the September Board meeting, the Financial Monitor recommended that the FEC and the Finance & Business Affairs Committee examine Cooper Union's ability to return to a full tuition scholarship model within a larger framework for evaluating the school's overall financial health and sustainability. In short, while the FEC's primary goal is to develop a plan to restore full tuition scholarships, the Board needs to ensure that the plan ultimately approved will also lead to long term financial health and sustainability. The framework for this type of analysis can be found in *Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks*, a book co-authored by Ron Salluzzo of the consulting firm Attain, one of the members of the Financial Monitor's team.

The following observations were reported about Cooper Union's financial position:

- The institution's reserves have been depleted
- Our balance sheet is loaded with debt and out of balance.
- We are not providing annually for funding of our deferred maintenance (i.e., not budgeting enough annually for capital expenditures by at least \$1 million).
- We have a significant unfunded liability for post-employment medical benefits.
- We are not fully amortizing the bridge loan that was taken out in 2014. This loan has a \$38 million balloon payment in 2034, which will need to be either amortized (with cash put aside each year) or refinanced. The MetLife loan will be paid off in 2036 and it would be ideal to have both loans repaid by then.

The various financial ratios and metrics identified in *Strategic Financial Analysis* ultimately coalesce into a Composite Financial Index (CFI), which provides a single metric for comparison to other institutions and to a scale for assessing overall financial health and sustainability.

Ms. Salluzzo was asked to explain the CFI and how it can be used as part of the structure and process of assessing the feasibility of returning the institution to its full tuition scholarship model.

The CFI is calculated by blending four different ratios (taken from the balance sheet and the income statement) into a single metric that offers a concise measure for understanding the overall financial health of the institution. The CFI scale ranges from a -4.0 to +10. The Financial Monitor has suggested that a score of positive 4.0 or better for Cooper Union is an indication of sustainable financial health.

Based on the FY 16 draft audited financial statements, Cooper Union's CFI is -2.03. A lengthy discussion ensued on whether to include the value of the Chrysler Building lease in the calculation of the balance sheet ratios that are used in the CFI calculation. A majority of the Board ultimately concluded, and the Financial Monitor concurred, that the value of the Chrysler Building lease should not be included in the CFI calculation order to (1) most accurately reflect Cooper Union's financial position and (2) speak to the financial strains under which Cooper Union is operating. This is based on (1) the Chrysler Building not being a liquid asset; (2) the inability to easily monetize Cooper Union's interest in the Chrysler Building; and (3) the potential economic harm from selling Cooper Union's interest in the Chrysler Building due to the loss of the tax equivalency payments. (A typical purchaser would not pay for the TEPs since they would not receive that benefit).

Thereafter, the Board engaged in a lengthy discussion on the relative merits of the CFI as a tool for assessing near-term and long-term health and impact of initiatives.

Upon motion made and seconded, the Board approved the adoption of the CFI as the appropriate metric to assess the long-term impact of initiatives proposed by the FEC and Cooper Union's long-term financial health and sustainability; and the administration was directed to research and propose other metrics which can be used to assess the merits and impact of near-term initiatives.

Ms. Warren restated the roles and responsibilities of the Finance & Business Affairs Committee and the FEC noting that the Finance & Business Affairs Committee establishes the financial metrics by which financial health is measured and initiatives are evaluated; the FEC identifies potential initiatives which the administration, Board and relevant Board committees will assess; the Board provides continual feedback on which initiatives are consistent with its overall strategic plan; and the FEC submits its plan to restore full tuition scholarships to the Board for its review and consideration.

Mr. Tan, Chair of the FEC, reviewed some of the initiatives currently under consideration by the FEC and noted that the FEC is on target to deliver its Progress Report on January 15, 2017. The Board is required to provide a response to the Progress Report within 30 days after it is presented to the Board.

Audit Committee Report

Mr. King, Chair of the Audit Committee, reported that the draft Audited Financial Statements were presented at the recent Audit Committee meeting by Grant Thornton, Cooper Union's auditor. Mr. King noted that there were two open items on the audit which, once addressed, would permit the committee to then make a recommendation to the Board of Trustees.

Finance & Business Affairs Committee Report

Mr. Mea provided an update on implementation of the \$6.2 million of budget reductions, noting that approximately \$1.6 million immediately impacts the FY 17 budget. He reported that he is in the process of implementing the reductions in consultation with the President-elect.

Mr. Mea reviewed the budget variance report and reminded the Board that fringe benefits and payroll taxes were now allocated across all departments along with salaries, giving each area a better representation of their personnel costs.

Mr. Mea reported that part of the budget reductions presented at the September Board meeting included a proposal to offer a Faculty Retirement Incentive Program to the full-time (CUFCT) faculty members. Mr. Mea reviewed the details of the program and advised that the Finance & Business Affairs Committee has recommended that the Board approve the Faculty Retirement Incentive Program.

Upon motion made and seconded, the Board authorized the administration to proceed with the Faculty Retirement Incentive Program as outlined in the Memorandum of Agreement.

Mr. Mea reported that the retail space available for rent at 29 Third Avenue is close to being rented. In mid-October, the Executive Committee was presented with the outline of terms and had authorized the administration to proceed on those terms. Legal counsel is working with the prospective tenant on the lease agreement.

Investment Committee Report

Mr. Hersch reported on the performance of Cooper Union's total investment pool of approximately \$130 million as of September 30, 2016. This amount includes cash and equivalents for operating expenses. The total return of the investments for calendar year-to-date (9/30/16) was 3.4%. Mr. Hersch reviewed the investments' current asset allocation and noted that the investment policy statement establishes the parameters for the range of investments in each asset class. It was noted that Cooper Union continues to maintain a low risk profile which enhances its ability to preserve capital.

In mid-2016, the Investment Committee initiated an RFP process to select an investment advisor but will delay making a final selection until President-elect Sparks has had an opportunity to evaluate the prospective firms. In the meantime, the Investment Committee was successful in reducing overall annual fees by more than \$50,000 by renegotiating with current providers.

Academic and Student Affairs Committee Report

Mr. Slavin, Chair of the Academic and Student Affairs Committee, reiterated the importance of this committee as it allows the Board to engage in informed discussions regarding matters that are of concern to the academic vitality of the Cooper Union. The committee will report on its goals for 2017 at the next regularly scheduled Board meeting.

Communications Committee Report

Mr. Hirschhorn reported that Vice President Justin Harmon will be stepping down from his position at the beginning of January.

Alumni Affairs & Development Committee Report

Mr. Cloud joined the meeting.

Mr. Cloud reported that the Cooper Union historically raises approximately \$10-\$13 million annually. It was noted that total fundraising for the fiscal year currently stands at approximately \$1 million. The development office is expecting to raise a total of \$13 million for the fiscal year, including \$3 million in unrestricted giving (Annual Fund).

Mr. Cloud also reported on an anticipated bequest for which they are currently developing an agreement. As the Cooper Union works with the executors to appropriately acknowledge this bequest the Development Committee will be reviewing the current naming opportunities that are available, which will also help to inform planning a future capital campaign.

This year's EOY Annual Fund appeal is being made with a letter written by Acting Dean Mike Essl. It was noted that the average Phonathon pledge was 30% ahead of last year's efforts. The Phonathon consists of two nights of volunteer calling hosted after work hours by the Office of Alumni Affairs and Development. This year 26 volunteers gave their time and raised \$12,065 in pledged gifts.

Mr. Katz concluded his report by thanking Mr. Mokuvos for his outstanding service as co-chair of the Alumni Affairs and Development Committee.

Cooper Union Alumni Association (CUAA) Report

Mr. Anderson added his own voice of thanks to Mr. Lincer and Mr. Mokuvos. One of the CUAA's goals in 2017 is to reach agreement with the Cooper Union on the terms of a new Memorandum of Agreement.

Mr. Stephen Gerard was elected by the CUAA to serve as the next Alumni Trustee. Mr. Gerard will be elected to the Board of Trustees at such time as determined by the terms of the Consent Decree.

It was noted that the cohesion around strategic planning at the institution is very positive and the CUAA looks forward to more frequent communication between the school, the administration, the Board and the alumni.

Input by the Representatives to the Board

Representatives expressed their desire and willingness to be helpful to the Academic and Student Affairs Committee as Mr. Slavin charts the course for the committee this year. They expressed their thanks to Messrs. Lincer and Mokuvos for their service on the Board.

Ms. Warren announced that the Board intends to hold its quarterly meetings on campus so long as the space is functional (i.e., audio/video technology, acoustics). Mr. Wertheimer offered to fund the purchase of videoconferencing equipment to ensure active participation by those Trustees who are unable to attend a meeting in person which, though permitted, is discouraged as a general practice.

Ms. Sparks presented Ms. Warren with a framed memento that included excerpts from Peter Cooper's Letter to the Trustees in 1859.

There being no further business the meeting was adjourned at 1:25 PM

APPROVED

MARCH 22, 2017



MINDY LANG

SECRETARY TO THE BOARD OF TRUSTEES