

Minutes of Board of Trustees Meeting
March 14, 2018 | 8:30 AM

JUN 13 2018

*DANIELLE COOPER DAUGHTRY
SECRETARY TO THE BOARD OF TRUSTEES*

PARTICIPANTS

- Trustees: Rachel Warren (Chair), Eric Hirschhorn (co-Chair), Stephen Gerard (co-Chair), Kevin Burke, Anne Chao (phone), Joseph Dobronyi, Thomas Driscoll, Mary Dwyer, Peter Katz (phone), Malcolm King, Lynn Lander, Scott Lerman, Julian Mayfield, Paul Nikulin, Kevin Slavin, Brian Steinwurtzel, Robert Tan
- Officers: President Laura Sparks, Treasurer John Ruth, Secretary Danielle Cooper Daughtry
- Representatives: Toby Cumberbatch (phone), Atina Grossmann (Skype), Yuri Masnyj, Walid Raad (phone), Amy Westpfhal
- Financial Monitor: Richard Faughnan, Ron Salluzzo
- Staff: Lauren Desiderio
- Guests: John Oleske, Senior Enforcement Counsel at the Office of the Attorney General of the State of New York
- Absent: Wanda Felton, Jeremy Wertheimer

The Board meeting began with an executive session at approximately 9:01 AM, which included Ms. Sparks. Following the executive session, the remaining Officers, Representatives to the Board and newly elected Trustee Lynn Lander joined the meeting.

Ms. Warren reported that during the executive session the Board of Trustees elected Lynn Lander to the Board.

Ms. Warren welcomed John Oleske, who asked to address the Board. His remarks are summarized as follows:

- Mr. Oleske thanked the Board for its hard work on developing a responsible plan to return to full-tuition scholarships.
- Mr. Oleske's role, authorized by the New York State Office of the Attorney General (OAG) and the Charities Bureau, is to oversee the Board's efforts to comply with the Consent Decree. In this capacity, he has reviewed the FEC's recommended plan, watched the live streams of the Community Feedback Sessions, and discussed the matter extensively with the Financial Monitor.
- The Financial Monitor's role is to support the Board in making prudent decisions; to monitor the Board's process, deliberations, and decisions; and to report on the Board's activities to the OAG.
- Responsibility for decisions to approve a plan to return to full-tuition scholarships rests

- with the Board, not the Financial Monitor, but the OAG will have grave concerns if the Board disregards the Financial Monitor's counsel and feedback.
- A Trustee's duty is to the institution, not to any particular constituency.
- Any plan that the Board adopts to return to full-tuition scholarships must build a financial reserve large enough to sustain increased scholarships levels, including through an unexpected financial downturn or other potential risks. The FEC's Recommended Plan provides for the minimum reserves that the OAG, based upon the Financial Monitor's assessment, would deem adequate; anything less than what is proposed would be insufficient, and the OAG could not approve of the plan.
- Many financial risks are identified in the Plan, but there are a number of risks that need to be more fully addressed, including the possibility of black swan events.
- It is critical that all members of the Cooper community work collaboratively to advance a responsible and fiscally prudent return to full-tuition scholarships.

The Board then engaged in a robust discussion with Mr. Oleske about Cooper Union's current condition and the importance of educating Cooper Union alumni, faculty, staff, and students about the elements of the plan required for long-term financial health, the steps that have been taken to do that, and the concerns that some have about the impact to Cooper Union's reputation of a 10-year timeframe for returning to full-tuition scholarships for all students. Mr. Oleske reiterated that the plan represents the minimum financial reserves the OAG deems necessary and that a shorter time frame to return to full-tuition scholarships must not come at the expense of fiscal prudence, responsibility, and sustainability.

Ms. Warren reported that members of the faculty of the School of Art had previously submitted a request that the Board delay the vote on the Recommended Plan. There was no motion made to delay the vote.

Ms. Warren recounted the history of the Board's review and assessment of the recommended plan to return to full-tuition scholarships, including its extensive discussions at the December Board meeting, the Special Board meeting convened in February after the release of the FEC's Recommended Plan and the numerous committee meetings. She further noted the submissions made by members of the community which had been provided to the Board for consideration and the feedback received from six Community Feedback Sessions. At the Special Board meeting in February, the Board confirmed its full support for the FEC's Recommended Plan (including the recommended initiatives, reserve levels, and key priorities) and it requested that the Administration provide additional information and recommendations with respect to the concerns raised regarding the following four specific issues/initiatives:

- Reputation for academic quality
- Residence Hall fees
- Graduate program scholarships
- Stuyvesant-Fish House

In advance of the March meeting, the Administration provided its recommendations regarding the above issues. The Board discussed these recommendations and it sought input from the Representatives and Mr. Oleske.

The Representatives provided the following input: (a) higher rental rates could result in vacancies in the

residence hall; and (b) undergraduate and graduate programs in engineering are highly integrated and that reduced graduate program scholarships could lower enrollment, thereby negatively impacting the undergraduate program. Mr. Oleske emphasized Cooper Union's early history as an undergraduate school and indicated that, while it's within the Board's purview to make decisions about the graduate program, the OAG did not intend for the graduate program to be under the purview of the Consent Decree, nor part of the free education mission.

Informed by the discussion, the Board reached consensus on the following amendments to the FEC's Recommended Plan:

- Maintain the current approach to the Residence Hall pricing (continue to subsidize with below-market rental rates and continue with approximately 3% inflationary increases, consistent with past practice), and make up the lost projected revenue (approximately \$350K annually) in additional expense cuts.
- Defer the graduate scholarship reduction for one year to FY2020 and phase in the reduction to the new average 25% level over a five-year period.
- The Board will discuss whether to move forward in developing a pricing strategy, including a floor price, and bringing the Stuyvesant-Fish House to market.
- In the statement accompanying the Board's decision about a plan to return to full-tuition scholarships, include a clear statement about the importance of Cooper Union's reputation for academic quality, the Board's commitment to rigorous assessment of this reputation and the impact tuition has on it, and next steps to pursue this work and consider the findings in the context of the plan to return to full-tuition scholarships.

Pursuant to Section VI (F) of the Consent Decree, the Financial Monitor is required to state its recommendations as to all substantive proposals relating to the finances of Cooper Union to be voted on by the Board or any of the committees it is required to attend. In accordance with that provision, the Financial Monitor reiterated the opinions they conveyed in its February 15, 2018 Annual Report, expressed satisfaction that the Board's analysis and consideration of the FEC's Recommended Plan and potential amendments was thorough, and stated its recommendation that the Board approve the FEC's Recommended Plan (as amended per the prior discussions) and move forward with implementation.

Upon motion made and seconded, the Free Education Committee's Recommended Plan was approved with the four amendments articulated above. It was agreed that the Board and President would issue a joint public statement announcing the vote, a draft of which will be circulated for all Trustees to review prior to distribution to the community.

Before departing, Mr. Oleske thanked the Board for hosting him and stressed the importance of the Board's implementation of its collective decision as a unified body.

COMMITTEE REPORTS

Audit Committee

The FY2017 Audited Financial Statements and Insurance Review, as well as the Committee's annual goals and work plan, were provided prior to the meeting. The Audit Committee previously approved the statements and now presents them to the Board. Mr. King highlighted the following items from the

audit: (1) post-retirement healthcare liability was reduced by \$7MM due to changes in the actuarial tables and could go up again for similar reasons; (2) there was an increase from \$38MM to \$44MM in salaries and benefits due to normal salary increases and higher than expected healthcare costs; and (3) the note included in the prior year’s audit which expressed concerns about liquidity has been removed due to the auditor’s assessment that Cooper Union’s liquidity position is expected to improve significantly in the coming year. The Audited Financial Statements will be posted to the website.

Alumni Affairs and Development Committee

The Year to Date Fundraising Report, Outline of Strategies, Board Toolkit, and Committee goals and work plan were provided prior to the meeting. Mr. Steinwurtzel reported that fundraising for FY 18 has been strong and is ahead of this time last year. The Committee and staff will reach out to each individual Board member to help facilitate the Board’s \$25,000 “give or get” requirement.

Finance Committee

The Budget Variance Report and the Committee’s goals and work plan were provided prior to the meeting. Mr. Burke highlighted that there will be better tracking of infrastructure spending moving forward and the budget for FY 19 will be more comprehensive, including unrestricted and restricted revenues and expenses.

During their February 2018 meeting, the Finance Committee reviewed the year-to-date budget variance report ending December 31, 2017, summarized as follows:

	YTD Actual Dec 2016	FY 2017 Actual	FY 2018 Budget	% Earned or Spent
Total Expenditures	31,480,613	68,741,694	68,637,000	45.8%
Cash Surplus/(Deficit) Before Endowment Payout	(4,239,544)	(15,408,841)	(2,875,000)	
Endowment Payout	2,665,000	2,985,000	2,825,000	89.3%
Cash Surplus/(Deficit) Net of Endowment Payout	\$ (1,574,544)	\$ (12,423,841)	\$ (50,000)	

Investment Committee

The report from Cambridge was provided prior to the meeting, along with the Committee’s annual goals and work plan. The Committee noted that, per the Cambridge materials, Cooper Union’s returns have been comparable to other endowments but with less risk. As liquidity increases with greater net cash inflows, the Committee expects to begin reducing Cooper’s large cash position to generate more productive returns while maintaining a similar risk and liquidity profile.

The performance review provided by Cambridge noted the following:

- The portfolio balance at December 31, 2017 was \$152 million.
- The portfolio posted strong absolute returns in 2017, returning +11.9%.
- Performance summary was as follows through December 31, 2017:

	QTD	CY 2017	Annualized Trailing 3-Years	Annualized Trailing 5-Years	Annualized Trailing 10- Years
Total Assets	2.5	11.9	5.0	6.6	4.1
Total Assets ex Cash	2.7	14.7	6.2	7.7	5.2
Dynamic Benchmark	3.3	14.0	5.4	6.1	2.3
Total Assets Benchmark	2.5	13.2	5.1	6.2	2.9

Governance

The annual goals and work plan for 2018 were provided prior to the meeting. Ms. Warren discussed this year's recruitment for new Trustees as the Board continues its planned expansion and diversification. In addition to fundraising capacity, she noted the following areas of expertise that the Committee would like to see increased on the Board: Higher Education, Human Resources, Legal, and Investment. The Board should send any suggested candidates to Ms. Warren and Ms. Sparks.

Free Education Committee

The role of the Free Education Committee (FEC) was discussed. The Board agreed that the FEC should continue in existence for the length of the plan, monitor implementation of the plan, and vet new initiatives. A Charter will be created for the Committee.

Trustees suggested amendments to the minutes from the December 13, 2017 and February 20, 2018 meetings and agreed they would be revised and recirculated to the Board for approval at or before the next regularly scheduled meeting.

The Representatives of the Board provided the following input: (a) the importance for the Board to now focus on diversity, inclusion, and curriculum; (b) the Board/Administration should develop a better understanding of the graduate engineering program and address potential gaps in the undergraduate engineering program; and (3) the Board would benefit from greater diversity.

With no further regular business, Executive Session began at approximately 1:32 pm. Executive Session ended and the meeting adjourned at about 2:00 pm.

