

Minutes of Board of Trustees Meeting

September 26, 2018 | 8:30 AM

DEC 19 2018

DANIELLE COOPER DAUGHTRY
SECRETARY TO THE BOARD OF TRUSTEES

PARTICIPANTS

- Trustees: Rachel Warren (Chair), Eric Hirschhorn (Co-Chair), Taesha Aurora, Kevin Burke, Joseph Dobronyi (phone), Mary Dwyer, Wanda Felton (phone), Peter Katz, Malcolm King (phone), Lynn Lander, Scott Lerman, Paul Nikulin, Kevin Slavin, Brian Steinwurtzel, Robert Tan
- Officers: President Laura Sparks, Treasurer John Ruth, Secretary Danielle Cooper Daughtry
- Representatives: Diana Agrest, Melody Baglione, Atina Grossmann, Walid Raad (phone), Amy Westpfhal
- Staff: Antoinette Torres, Charlotte Wessell
- Financial Monitor: Richard Faughnan (phone)
- Guest: Monica Abdullah, Peter Buckley, Matthew Grattan, Nicole Lindner, Kit Nicholls, Anita Raja
- Absent: Stephen Gerrard, Anne Chao, Thomas Driscoll, Jeremy Wertheimer

The meeting was called to order at approximately 8:41 a.m.

Ms. Warren began the meeting by welcoming the new Representatives to the Board, Professor Melody Baglione, School of Engineering and Professor Diana Agrest, School of Architecture. Ms. Warren also welcomed the guests and thanked them for taking time from their busy schedules to meet with the Board, noting that the presentations are an opportunity for the Board to hear firsthand about student and faculty projects.

The first presentation was given by Ms. Abdullah (a former Student Trustee and current master of engineering candidate) and Anita Raja, Associate Dean of the School of Engineering. Ms. Abdullah presented her alternative fuel source project, which is exploring a new pathway for carbon negative electricity production. She will present her research at the American Institute of Chemical Engineering this fall. Ms. Abdullah is working on the project with Professor Amanda Simson.

Peter Buckley introduced Kit Nicholls, Director of the Center for Writing. Mr. Nicolls provided an overview of a new student journal project designed to work with all three schools and HSS. The journal, *Union: A Journal of Student Writing*, presents students' work and gives them the opportunity to work on production. Mr. Nicholls introduced Ms. Lindner and Mr. Grattan, two of the four student editors, to

describe the initiative, which they indicated has become a platform for building community and allowing students to stretch and explore without the confines of a thematic approach.

The June 13, 2018 meeting minutes were provided to the Board in advance and presented for approval. Upon motion made and seconded, the minutes were approved as presented.

Chair Report:

Ms. Warren noted that there was an excellent turnout at the quarterly Trustee reception with alumni, faculty, staff, and students the previous evening (the first such event of its kind during her tenure as a Trustee). At the event, Ms. Warren had the opportunity to publicly thank, on behalf of the entire Board, the faculty and staff for their efforts to move The Cooper Union forward during this period of rebuilding. In addition, Ms. Warren recognized Toby Cumberbatch for his service to Cooper Union, expressed the high regard in which she held him and his service as a faculty Representative to the Board and she wished him well in his retirement.

Ms. Warren noted that she and Ms. Sparks met with Ms. Agrest and Ms. Baglione the day before to provide them with a brief overview of their duties and responsibilities, including the Board's confidentiality requirements, which encourage and enable Trustees and Representatives to speak and share ideas freely.

Ms. Warren expressed appreciation to all of the members of the administration, communications and events staff for their impressive efforts in coordinating the Primary Debate for the State Attorney General race, held in the Great Hall on September 6, 2018. Ms. Warren noted that the success of the debate – an exemplar of civil discourse and civic engagement – was emblematic of our productive year at Cooper Union.

President's Report:

Ms. Sparks referenced the memorandum that was included in the materials sent to Trustees in advance of the meeting and noted it provided a detailed account of activities over the past quarter. She offered some highlights and updates:

- Cooper Union raised \$1.8 million in the last 30 days of the fiscal year
- We have begun preparing the fourth floor of the Foundation Building for implementation of the multi-disciplinary AACE lab
- A partnership with Mt. Sinai's medical school was finalized, affording students at our respective institutions the opportunity to cross-register for courses and collaborate on research
- We are exploring additional partnerships with city agencies and Governors Island
- The NY Attorney General debate was another example of partnerships at work, as we co-hosted the event with WNYC and other nonprofits focused on voter protection and citizen engagement
- In our continued effort to ensure the relevance of the academic program, we are developing a computer science program. We will also soon launch the Council on Shared Learning to explore the shared literacies, inquiries, and proficiencies in a holistic education that serve to make students' time at The Cooper Union relevant, compelling and distinctive, regardless of their professional field of study.

Strategic Planning:

Ms. Sparks recapped the Board's June 12, 2018 strategic planning retreat, at which Trustees considered observations and ideas that had been provided by alumni, faculty, staff, and students through formal and informal channels over the prior 18 months and, informed by this input, revised a set of proposed goals and institutional priorities. Ms. Sparks indicated that she reviewed the revised goals and priorities with the Cabinet over the summer, that Cabinet concurred with the Board's revisions, and that Cabinet recommended adding a sixth goal: "Advancing the fields of architecture, art, and engineering." Following discussion, the Board agreed with the addition noting there will need to be specific initiatives and outcomes associated with it. The Board also expressed its desire for the plan to articulate a stronger focus on fostering work and collaboration at the intersection of disciplines and how this could assist in building a more unified culture. Ms. Sparks will work with the various stakeholders to craft language that captures those sentiments.

Ms. Sparks and the Board discussed the importance of closing the loop with alumni, faculty, staff, and students by sharing the draft goals and priorities with them and confirming that we have responded to the issues and opportunities previously raised by these stakeholders. Ms. Sparks will work with Paul Nikulin (CUAA President/Alumni Trustee), Mary Dwyer and Taesha Aurora (Student Trustees), the Ad Chairs and Student Affairs to solicit feedback from the community. The Board is scheduled to vote on a final set of goals and priorities in December 2018 and both the Board and management are committed to soliciting input from the various constituents over the coming months.

Ms. Sparks then turned to a discussion about assessment, continuing the Board's discussion of how to measure effectiveness that began at the June retreat. Ms. Sparks noted that she is reactivating the faculty/staff Planning and Assessment Council to take a multi-layered, quantitative and qualitative approach to measuring progress and assessing whether we are achieving our goals. The materials distributed prior to the meeting include an early draft of various assessment measures that are under consideration. The Board discussed the appropriate level of detail, resources to be utilized, and goals to be included in assessment, noting that certain things should be measured annually and others over time.

Ms. Warren then welcomed Ms. Aurora as she arrived to her first Board meeting (at the end of the strategic planning session due to a scheduling conflict).

COMMITTEE REPORTS:

Academic and Student Affairs Committee:

The Committee's September 21, 2018 meeting was recapped for the Board. At that meeting, the Committee spent considerable time discussing rising trends in mental health and sexual harassment nationally and the current state of these issues at Cooper Union. The Board expressed its deep concern over the health and welfare of our students and sought to understand whether the resources currently in place to address these issues are adequate. Management was asked to identify an expert who could speak with the Committee and/or the full Board at a future meeting.

The Committee also discussed various curriculum initiatives, such as the development of a computer science program, a new partnership with Mt. Sinai that enables cross-registration and joint research

projects, and the development of a visiting committee program to engage outside experts in ongoing review of our academic programs. Ms. Torres provided an update on the project to understand what impact tuition has had on Cooper Union’s reputation and to understand the other factors that drive family and student choices about higher education.

Alumni Affairs and Development:

The Co-Chairs of the Alumni Affairs and Development Committee noted that Development had a great year and thanked the Committee, the development staff, Ms. Sparks, and the entire Board for their efforts. As noted by Ms. Sparks, the school raised \$1.8 million in June and ended the year over \$12 million in total funds. This is an increase over the prior year without a major bequest like the \$4 million bequest in FY17. Each Trustee should have received their fundraising toolkit by now, and Development will be in touch with each Trustee to provide further guidance. Ms. Sparks noted that Development is working with the Finance department to create reports that track fundraising relative to the Plan to Return to Full-Tuition Scholarships (Plan).

Finance Committee:

A Co-Chair of the Finance and Business Affairs Committee presented the proposed tuition and fees for FY 20, and a robust discussion followed. The Board was reminded that the proposal – no increases in undergraduate tuition and fees from FY19, increases in graduate tuition and fees – was consistent with the Plan. Following discussion, a motion was duly made and seconded, and the tuition and fees for FY 20 were approved as presented. The Representatives noted that the increase in graduate student fees may discourage some individuals from registering.

Resolution #2018-15 was presented, authorizing the President and Treasurer to jointly approve the routine semi-annual payments to the City of New York in amount equal to fifty percent (50%) of the tax equivalency payments it receives from the tenants of 26 and 51 Astor Place. The Board discussed the routine nature of these payments, Cooper Union’s obligation to make them, and the importance of streamlining administrative processes while maintaining adequate financial controls. Upon motion made and seconded, Resolution #2018-15 was approved as presented.

Mr. Burke then turned to the Budget Variance Report (BVR) and noted that there were some minor variances but none were overall material or significant.

Highlights from the BVR are as follows:

Budget Variance Forecast As of May 31, 2018 (\$ in thousands)

Leases and tax equivalency payments	(\$802)
Net undergraduate tuition	925
Other revenue	139
Operating expense savings	200
Capital expenditures	500
Endowment spending	1,710
Total	\$2,672

Investment:

The Vice President of Finance and Administration gave the Committee report. He noted that after a period of positive investment returns, the last few months were flat. The unaudited return on Cooper Union’s portfolio for FY 18 was between 7% and 8%. Investment performance results are tracking favorable to Plan, as prior year results were in the 11% to 12% range. Ms. Sparks remarked that the market has been favorable, but that most experts warn that we should be prepared for a market correction.

Ms. Sparks also explained that the Audit Committee has been reviewing the mechanisms in place to ensure that the asset allocations within the portfolio are aligned with Cooper Union’s risk tolerances. In response to an inquiry from the Audit Committee, The Investment Committee explained that risk is managed by reference to the Investment Policy Statement (IPS) and its and the Investment Advisor’s due diligence process in selecting investments. The Board agreed that the IPS could include a more specific articulation of Cooper Union’s risk tolerance to ensure that the IPS, investment strategy and asset allocation are aligned with the Board’s risk parameters.

During a discussion on evaluation of risk, the Board reviewed the pros and cons of hedge funds, specifically their fees, their past performance in the portfolio, and the downside protection that the current hedge fund strategy offers. Now that we are generating operating cash surpluses, this relieves the liquidity constraints of the past several years and the Investment Committee is exploring ways to deploy the cash to prudent investments that can generate higher returns while minimizing risk.

A report from Cambridge was provided prior to the meeting. The performance review provided by Cambridge noted the following:

- The portfolio balance as of June 2018 was approximately \$156 million.
- Performance summary was as follows through June 30, 2018:

	CYTD	Trailing 1-Year	Annualized Trailing 3-Years	Annualized Trailing 5-Years	Annualized Trailing 10-Years
TOTAL ASSETS	-0.2	6.3	4.5	5.4	4.4
TOTAL ASSETS EXCASH	-0.2	7.2	5.6	6.3	5.6
DYNAMIC BENCHMARK	-0.2	7.3	4.3	5.2	2.5
TOTAL ASSETS BENCHMARK	-0.2	7.3	4.6	5.7	3.5

Audit:

The Chair of the Audit Committee provided an overview of the draft 403(b) report. A summary of the results of the audit include:

- No on-going concerns
- No fraud or noncompliance
- No significant deficiencies or material weaknesses (other than one item related to a 2009 regulatory change that is required to repeat every year and is not reflective of the current situation)
- No disagreements with management

The auditors did note some delinquencies regarding untimely employee contributions. For contextual purposes, Mr. King noted that the delays were a matter of days, within the auditors' experience of typical occurrences, and that no further delays have occurred since improved processes were implemented by the new management team.

The New York Department of Financial Services conducted its regular review of our Segregated Gift Annuity Fund, which is done every five years. In their report, the agency noted one violation – that prior Trustees did not formally acknowledge receipt and review of the prior report. In order to correct the violation, each Trustee received in their advance packet a copy of the exam and an acknowledgment form. The Chair asked each Trustee to return the completed form to the Secretary to the Board.

The Committee chair also reported that the process of IT remediation from the prior year's audit is proceeding and is generally on track.

Governance:

Ms. Warren noted that the Committee is focusing on Trustee succession planning as part of its regular/core responsibilities. In addition, since Ms. Warren's last term as Chair (if reelected) ends in December 2020, the Governance Committee has developed criteria for the position which will be circulated to the Board for the purpose of soliciting input and recommendations over the coming year. The Governance Committee will work closely with Ms. Sparks to ensure a smooth transition following the expiration of Ms. Warren's term.

Included in the advance materials was a proposed Board and Committee schedule for 2019. Trustees were asked to let the Secretary know if there are any significant conflicts or omissions and, if not, to hold the dates. If no conflicts are reported, these dates will be formally approved at the December meeting.

Ms. Warren reported that she and Mr. Nikulin were in discussions to clarify the process and timing of seating CUAA-elected Alumni Trustees. It is proposed that Alumni Trustees will be seated 2 times per year -- June and December. In addition, the calculation of the 1/3 ratio will include the Alumni Trustee(s) scheduled to be seated at that meeting. The Governance Committee will be meeting with an Alumni Trustee candidate at its next meeting. Information regarding the candidate was provided in the advance materials, and Trustees were asked to let Ms. Warren know if there were any objections to the prospective candidate.

Free Education:

The Chair of the Free Education Committee reported that the Committee adopted a quarterly report, which it uses to track progress on the Plan and initiate planning if goals are not met. Mr. Tan reported that we are ahead of Plan for 2018, leading to a good start for 2019.

The Committee continues to evaluate a potential sale of the Stuyvesant-Fish House and has asked management to gather updated market analyses. Once complete, the Committee will report back to the Board with a recommendation on whether to pursue a sale. Mr. Tan also reminded the Board that the Plan requires that we cut an additional \$1.5 million in expenses, and management is working to identify

and implement these cuts.

Input from Representatives:

Ms. Warren noted that the Representatives have provided input throughout the meeting and asked whether they would like to offer any final comments. A Representative again noted a concern regarding the increase in dorm fees.

New Business:

There was no new business. The Board moved to Executive Session at approximately 11:56 am. For the beginning of the session, both Ms. Warren and Ms. Sparks were not present, and Mr. Hirschhorn chaired the meeting to facilitate annual nominations for Chair of the Board. Ms. Warren and Ms. Sparks rejoined at approximately 12:13pm. The meeting adjourned at approximately 1:00pm

