

THE COOPER UNION FOR THE ADVANCEMENT OF SCIENCE AND ART

**Minutes of the Board of Trustees Meeting
December 10, 2014**

**Offices of Cleary Gottlieb Steen and Hamilton
One Liberty Plaza
39th Floor, Rooms 3901-03**

8:30 a.m. – 1:30 p.m.

Trustees Present: Richard Lincer (Chair) , Francois de Menil (Vice Chair), Jamshed Bharucha (President), Robert Bernhard, Joseph Dobronyi, Thomas Driscoll, Ray Falci, Jeffrey Gural, Jeffrey Hersch, Catharine Hill, Eric Hirschhorn, John Leeper, Malcolm King, Edgar Mokuvos, Johnny Taylor Jr. (by phone), Monica Vachher, Rachel Warren, Jeremy Wertheimer

Student Rep: Devora Najjar

Officers Present: Chief Academic Officer Teresa Dahlberg, Vice Presidents Stephen Baker, Justin Harmon, William Mea, Mitchell Lipton, Secretary Lawrence Cacciatore

Staff Present: Dean Saskia Bos, Caitlin Tramel, Jeanne Lunin

Other: Kerry Sulkowicz (The Boswell Group)

Absences: Charles Cohen, Elizabeth Diller, Mark Epstein, Daniel Libeskind, Kevin Slavin

Chairman Lincer called the meeting to order at 8:30AM. He welcomed the members of the Board and requested that the trustees complete the election ballot.

Elections

The Chairman noted that Mr. Robert Tan (AR'81) and Ms. Elizabeth Diller (AR'79) had been both duly nominated at the previous meeting of the board in September 2014.

Following the tally of the ballots the Chairman announced that Ms. Diller and Mr. Tan's election were both unanimous. He welcomed Mr. Tan in to the board room and stated that Ms. Diller had informed the board leadership at the time of her nomination that she would be unable to attend the meeting today.

Consent Agenda

The Consent agenda items were presented for approval. The following objections were noted and accepted:

- June 10, 2014 Board of Trustees meeting minutes omitted the dissents of Messrs. Gural and Wertheimer on the vote for approval of the bridge loan presented at that meeting.
- Ms. Warren noted that, at Mr. Dobronyi's request, the Proposed Standing Committees membership for 2015 slate has been modified so as not to include Mr. Dobronyi as a member of the Committee on Trustees.
- The Resolution for approval of degrees included, in error, the name of Zhou Jianjia, Master of Architecture II, who had been previously approved for the degree.

The following consent agenda items were then approved with the understanding that the objections noted above were accepted.

Minutes

Minutes of the Board Meeting June 3, 2014 **(Att 1)**
 Minutes of the Board Meeting June 10, 2014**(Att 2)**
 Minutes of the Board Meeting September 17, 2014 **(Att 3)**
 Minutes of the Committee on Trustees Meeting November 20, 2013 **(Att 4)**
 Minutes of the Executive Committee Meeting January 29, 2014 **(Att 5)**
 Minutes of the Audit Committee Meeting March 5, 2014 **(Att 6)**
 Minutes of the Committee on Trustees Meeting March 7, 2014 **(Att 7)**
 Minutes of the Investment Committee Meeting March 11, 2014 **(Att 8)**
 Minutes of the Academic and Student Affairs Meeting April 1, 2014 **(Att 9)**
 Minutes of the Investment Committee Meeting April 28, 2014 **(Att 10)**
 Minutes of the Committee on Trustees Meeting May 13, 2014 **(Att 11)**
 Minutes of the Audit Committee Meeting May 15, 2014 **(Att 12)**
 Minutes of the Investment Committee Meeting May 16, 2014 **(Att 13)**
 Minutes of the Development Committee Meeting May 20, 2014 **(Att 14)**
 Minutes of the Executive Committee Meeting July 15, 2014 **(Att 15)**
 Minutes of the Executive Committee Meeting August 1, 2014 **(Att 16)**
 Minutes of the Investment Committee Meeting August 25, 2014 **(Att 17)**
 Minutes of the Development Committee Meeting September 8, 2014 **(Att 18)**
 Minutes of the Academic and Student Committee Meeting September 11, 2014 **(Att 19)**
 Minutes of the Audit Committee Meeting October 3, 2014 **(Att 20)**

Resolutions

Officers and Trustees Emeriti **(Att 21)**
 Authorized Number of Trustees **(Att 22)**
 Approval of Degrees **(Att 23)**

Other

Approval of 2015/2016 Board Meeting dates **(Att 24)**
 Approval of 2015 Board of Trustees Committee membership **(Att 25)**
 Approval of 2014 Conflict of Interest Statement and Questionnaire **(Att 26)**

In presenting the consent agenda items, the Chairman noted that the proposed revisions to the conflict of interest policy referenced above conform to certain changes implemented by the New

York Non-Profit Revitalization Act which became effective July 1, and that the “interested party” provisions in the policy are in fact stricter than what is required by the New York Non-Profit Revitalization Act.

Chairman’s Report

Chairman Richard Lincer thanked student representative Devora Najjar for having suggested an informal gathering of students and trustees, which had been held the evening before. He noted the strong participation by both students and trustees and the substantive discussions that characterized the event.

The chairman reported that he and then-chair of the Academic and Student Affairs Committee Lee Skolnick had met the previous week, at their request, with the executive committee of the Faculty-Student Senate. They hoped to resume a practice of more regular meetings.

The chairman also reported on discussions with the leadership of the Cooper Union Alumni Association (CUAA) about the evolving nature of their relationship to the institution. Conversations to date had covered planning for events and communications in the context of an independent association, separately incorporated from the institution. He noted that, while it was generally agreed that it is important to continue having alumni trustees on the board, an important ongoing topic of conversation will be the process for selection of alumni trustees. The board’s Committee on Trustees will research this question in consultation with the CUAA leadership – looking at how the election of alumni trustees is handled at other institutions - and will endeavor to make a proposal to the board in time for its June meeting.

A special board meeting is being planned for late January to consider a forthcoming proposal to establish an institute to facilitate synergies between disciplines The Cooper Union, with the institute initially to comprise a new program in computer science.¹

The Chairman noted that the Committee on Trustees has recommended Kerry Sulkowicz, principal of The Boswell Group, to work with the Board and the Administration on communication issues. Mr. Sulkowicz has met members of the Committee on Trustees, including the president and the Committee has recommended that Mr. Sulkowicz be retained in this regard. Mr. Lincer further noted that Mr. Sulkowicz will be observing the board meeting. Ms. Warren stated that arrangements will be made to introduce Sulkowicz to current trustees, certain members of the senior administration and, perhaps, other stakeholders as well at a later date.

President’s Report

President Bharucha noted that Ms. Lunin, Director of Development, will be leaving The Cooper Union at the end of the year to pursue other career opportunities. He thanked her for her service. He further noted that the search for a Vice President for Institutional Advancement is underway. In the meantime, an interim Vice President will be appointed in the coming week.

¹ The January meeting was subsequently not scheduled and the topic of the institute will be considered at the regular March meeting of the board.

President Bharucha then referred the trustees to the previously distributed President's Report ([Att 27](#)). He presented a summary of the financial trajectory of The Cooper Union, looking back at the circumstances that necessitated “a disruptive intervention”, and also looking forward. A commitment to excellence, access and Cooper Union's distinctive strengths provide a firm foundation for a vibrant future – one that includes new academic programs as called for in the Financial Sustainability Plan.

President Bharucha noted that information about the history of the deficit was provided previously in various forms (audited financial statements, a Financial FAQ, and a video). The president reviewed some of that information in this presentation, because questions continue to be asked about how Cooper got into its financial position.

While budget deficits have existed for much of Cooper Union's history, the underlying financial un-sustainability was evident to President Humphreys as early as 1963, when he cited financial exigency to justify his controversial decision to close the Cooper-Hewitt Museum. President Humphreys and his successor, President White, identified the financial problem as the inability of the Chrysler revenues to keep up with inflation. In the early 1970s, President White made a series of controversial downsizing decisions in an effort to overcome deficits. Strong financial markets from 1975 to 1988 lifted Cooper's revenues and enabled budgets that were more or less in balance (Slide 3).

In the early 1990s, a massive deficit opened up (Slide 3), triggered by a leveling off of the Chrysler rents. This deficit has persisted ever since. The accumulated deficit from FY1990 until FY2012 (the red area in Slide 3) was greater than \$300 million in current dollars. The president noted that these deficits were funded by drawing down Cooper's assets. As seen in Slide 4, net assets (equity: endowment, operating, plant, and other net assets excluding Chrysler) fell from around \$150 million in FY2000 to roughly \$20 million in FY2012, with a trajectory headed toward zero.

The deficit was fairly constant in real terms (see Slide 5, expressed in current dollars) from the mid-1990s until FY2008, after which it went into a free-fall. The current administration took office in July 2011, at the beginning of FY2012. The deficit was subsequently reduced in FY2012, and further in FY2013.

Without any intervention, the financial model was not sustainable, with escalating deficits projected into the future (Slide 6). The budget was projected to come into balance in FY2019 because of the step-up in the Chrysler rent. However, while that would be the first genuinely balanced budget, it would also be the last, because the Chrysler revenues do not keep up with inflation. The Chrysler revenues (rent plus tax equivalency payments) rise 1.6 percent per year in the decade following the step-up, or 2.1 percent per year over two decades, significantly lower than the Consumer Price Index.

The Financial Sustainability Plan (cost-savings, 50 percent tuition scholarships, need-based scholarships for tuition and living expenses, and new academic programs) places Cooper Union on a sustainable path (Slide 7).

Cooper also faced an acute liquidity problem (Slide 8). The depletion of Cooper's cash and investments (excluding Chrysler) put Cooper at risk of invading the endowment corpus (the restricted pool, which Cooper is required to preserve in perpetuity). This was replenished by selling land and land leases, and by borrowing. In August 2011, Cambridge Associates projected that Cooper Union's liquid assets would reach zero within 2 to 3 years (Slide 9). The president noted the importance of having confronted the sustainability problem and the liquidity problem head-on. The bridge loan provides the runway necessary to avert the fiscal cliff while ramping up the Financial Sustainability Plan, which in turn reverses the decline and rebuilds the liquidity necessary to buffer the corpus (Slide 10).

Even before the Financial Sustainability Plan was implemented, the current administration cut the budget by \$4 million (see blue area in Slide 11). And even after the plan was launched, we have achieved \$17 million in savings, over and above projections based on the plan (Slide 12), mostly on the cost side. These savings have enabled Cooper Union to reduce the deficit and minimize the erosion of assets, even before the plan ramped up.

The president stated his objective going forward is building on excellence (Slides 14, 15), access (Slide 16), and our distinctive characteristics (Slide 17). These characteristics will drive the new programs (Slide 18).

With enrollments continuing strong, the remaining component of the sustainability plan is the establishment and growth of new programs that can add new revenues. The board will review plans for one such program, in computer science, at a special meeting in January. President Bharucha noted the need for the administration to achieve results swiftly and creatively given the obstacles that exist.

Vice President Lipton, upon request, provided a brief preliminary overview of the recruitment cycle for AY14-15. He noted that the change in the scholarship policy has made Cooper Union's education more accessible to Pell eligible students than in the past.

An executive session with Mr. Sulkowicz (excluding President, Officers and Student Representative) ensued.

An executive session with President and Mr. Sulkowicz (excluding Officers and Student Representative) ensued.

Finance and Administration Update

Vice President for Finance and Administration William Mea provided a briefing on year-to-date results in The Cooper Union operating budget previously distributed (**Att 28**). He noted both positive and negative variances from the budget approved by the board last spring. The variances referenced were:

- The yield from undergraduate tuition, net of financial aid, had been higher than projected because incoming students as a whole required less need-based aid than projected above the half-tuition merit scholarship provided to all. This result, a positive variance of \$775,000, occurred despite the increased proportion of students eligible for Pell Grants, whose families earn \$50,000 per year or less. (It was noted that admissions decisions continued to be made on a totally “needs blind” basis, with supplemental financial aid determinations made separately only after admissions decisions had been completed.)
- Higher-than-anticipated enrollments in engineering masters programs yielded an additional \$195,000, which was offset by a dip in M.Arch II enrollment which resulted in negative variance of \$39,600 for the M.Arch II program.
- The continued vacancy in the former bookstore space could produce a \$250,000 unfavorable variance.

Vice President Mea noted that his projections of net revenue from undergraduate tuition for the spring factored student retention for the incoming class at five percentage points below Cooper’s prior experience. Though Cooper as yet has no direct basis for projecting retention, national data suggest that college students facing higher net costs of attendance are more likely to pause in their studies.

Development Report

Director of Development Jeanne Lunin reported a year-to-date total of new cash and pledges of \$6.9 million, surpassing the \$6.1 million achieved at the same time last year. Total cash receipts, including payments on pledges from prior years and bequests, have surpassed \$7 million to date. However, the Annual Fund total is 21 percent lower than the same time last year, though it is early in the campaign and the last 10 days of the calendar year typically yield strong results. By mid-January, after all end-of-calendar-year receipts have been tallied, we will be able to make a more accurate projection regarding campaign results for this fiscal year.

Committee on Trustees Report

Ms. Warren led a brief discussion on Board of Trustees disclosure and confidentiality. The discussion was in reference to Article 12 of The Cooper Union Charter which provides that trustees may freely publish matters relating to the school including discussions of the board. Ms. Warren discussed the importance of balancing transparency while maintaining open, frank discussion at meetings of the Board of Trustees. Mr. Lincer urged trustees to speak with him or Ms. Warren when trustees are determining what matters of the board are considered public and/or confidential.

There being no further business, the meeting was adjourned at 1:15PM

APPROVED March 11, 2015

