

**Minutes of Board of Trustees Meeting**

March 6, 2019 | 8:30 AM

11:11 AM 12 2019

PARTICIPANTS

DANIELLE COOPER DAUGHTRY  
SECRETARY TO THE BOARD OF TRUSTEES

- Trustees: Rachel Warren (Chair), Stephen Gerard (Co-Chair), Eric Hirschhorn (Co-Chair), Taesha Aurora, Kevin Burke, Anne Chao, Thomas Driscoll, Mary Dwyer, Wanda Felton (WebEx), Peter Katz (WebEx), Malcolm King (WebEx), Lynn Lander, Scott Lerman, Paul Nikulin, Cristina Ross (WebEx), Brian Steinwurtzel
- Officers: President Laura Sparks, Treasurer John Ruth, Secretary Danielle Cooper Daughtry
- Representatives: Diana Agrest (WebEx), Melody Baglione, Atina Grossmann, Amy Westpfhal, Yuri Masnyj
- Staff: Charlotte Wessell
- Financial Monitor: Ron Salluzzo
- Guest: Mark Zandi
- Absent: Joseph Dobronyi, Dwight McBride, Kevin Slavin

The meeting was called to order at approximately 8:38 a.m. and began with an Executive Session. The regular session began at approximately 9:05 a.m.

Upon motion duly made and seconded, the Minutes of the December 19, 2018 Board of Trustees meeting were approved as presented.

Ms. Warren reported that, per the by-laws, Pam Flaherty was nominated to the Board of Trustees and will be voted on at the June 12, 2019 meeting.

*Chair Report:*

Ms. Warren thanked those who attended the Alumni/Trustee reception held the evening before at the Brooklyn Navy Yard. She reminded Trustees that a reception is held the evening before each Board meeting and these receptions afford a unique opportunity for the Board to interact with the larger Cooper community. She encouraged everyone to mark their calendars and attend.

Ms. Warren remarked that the Annual Report by the Financial Monitor had been recently released and that, overall, it was a positive report. She acknowledged that the Financial Monitor noted areas of caution, but also observed that great progress had been made. Ms. Warren expressed her appreciation to the Financial Monitor for the detail, diligence and clarity of the report. The Financial Monitor

reminded the Board that it is important to stay the course, being careful not to take short-term gains at the expense of long-term sustainability in the interest of accelerating a 10-year Plan to Return to Full-Tuition Scholarship (Plan). He affirmed the progress that had been made and the belief that the Attorney General's office is also pleased. The Board engaged in a discussion on balancing the plan to start increasing scholarships vs. the need to spend money on capital improvements and improvements to the academic program and reiterated that the long-term Plan accounts for all three. The Financial Monitor also commended the finance and accounting team led by John Ruth for implementing accrual-based and all-funds budgeting and reporting, as this is a more accurate representation than the cash-based focus on the unrestricted budget that was previously employed. In doing so, the Financial Monitor noted that the way an institution reports financial information is cultural in nature, and the culture of our reporting is shifting appropriately to provide a more complete view.

Ms. Warren reported on her fundraising and alumni engagement trip to Florida, reflecting on how gratifying it was to meet with so many energized and engaged alumni and to be able to answer their questions regarding Cooper's current state of affairs. Overall, it was a successful and productive trip and more will be scheduled over the next two years.

Ms. Warren explained that, going forward, Board meetings will be focused less on committee reports (which are contained in the printed materials) and more on key topics related to the institutional goals and strategic priorities that the Board approved at its December 2018 meeting. In order to facilitate these discussions, guest speakers who are expert in relevant fields will be invited to deepen the Board's understanding of the issues critical to these goals and priorities. She noted that mental health and diversity were two significant priorities identified by the Board and that experts in those fields will be invited to address future meetings; and she solicited suggestions for other topics and/or speakers. Suggestions included fundraising, measuring the effectiveness of what we're doing, large trends/changes in education globally and nationally, and understanding/articulating Cooper's target audiences (i.e., which students are we trying to reach).

#### *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 since the Board last met. She offered some highlights and updates:

- We are now moving into the implementation stage of advancing our institutional goals and priorities.
- Two areas of critical effort continue to be mental health, diversity, the Humanities and Social Sciences, and other multi-disciplinary learning opportunities.
- The inaugural grant program funded from the President's Venture Fund, to which donors contribute in order to support strategic initiatives identified by the president, was a great success. She is directing these funds to support internal grants to faculty, staff, and students who have submitted proposals for projects that can advance our institutional goals and strategic priorities. Ms. Sparks thanked those Trustees who contributed to the Fund and said it was exciting to see so many promising ideas from our faculty, staff, and students and to be able to support them.
- We are actively recruiting for several key positions, including a VP, Alumni Affairs and Development; VP, Enrollment Services; and Director, Communications. The positions have been challenging to fill thus far, in part due to the particular combinations of skills required for

this stage of our organizational development, the importance of a specific cultural fit with Cooper, and a constrained budget.

- The extent of the damage from the flood at 41 Cooper Square was significant and many worked tirelessly to get the building back to safe operational use. Management has been working closely with Cooper's insurance provider and has heard nothing that would indicate that the cost of the damage would not be fully covered by insurance, currently estimated to be \$5.0 - \$8.0 million.

*Guest Speaker – Mark Zandi:*

Mark Zandi, Chief Economist for Moody's Analytics, joined the meeting. Ms. Sparks introduced Mr. Zandi and articulated the importance of Management and the Board understanding current and expected economic dynamics, the impact they could have on higher education broadly, and the specific impact they could have on The Cooper Union and our institutional goals and strategic priorities, including the Plan to Return to Full-Tuition Scholarships.

Mr. Zandi began by noting the strong fundamentals that underpin the healthy economy in which we currently find ourselves, including a very strong job market. He discussed the increased operating costs of higher education, the resulting rise in tuition, and the challenges students face with college debt as a result. He also discussed the potential negative impact on higher education as costs rise and the unemployment gap between those with a college degree and those without is closing. He closed with words of caution about the economy, as all key indicators suggest the likelihood of a recession in the coming years. The Board discussed the potential implications of a downturn on the Plan to Return to Full-Tuition Scholarships and how best to mitigate that risk.

The Board thanked Mr. Zandi for sharing his time and expertise, and Mr. Zandi then exited the meeting.

## **COMMITTEE REPORTS:**

*Audit:*

The Committee presented the audited financials – which were prepared by our auditor Grant Thornton and previously approved by the Committee – to the Board for acceptance. The Committee Chair explained that the financials included in the advance materials for this meeting had no substantive changes from the draft that was shared with the Board at its December 2018 meeting. The Board accepted the approved audited financial statements.

*Alumni Affairs and Development:*

The Co-Chairs of the Alumni Affairs and Development Committee noted that they have continued to engage with the development team on a regular basis. The FY19 goal for current use fundraising is \$6.3 million. As of January 1, 2019, \$5.2 million of that goal had been raised, leaving a balance to raise of \$1.7 million for the remainder of the year. The goal for total fundraising is to exceed last year's \$11.2 million. Total fundraising year-to-date is \$5.9 million. The Cooper Together events have been successful in growing our alumni base that participates in the celebration, and the Committee encourages Trustees to attend future events. Special thanks were given to several trustees who personally hosted alumni events in February and March. Included in the advance materials is a calendar of upcoming events for Cooper Union's 160 year anniversary. Ms. Sparks highlighted the Letters to the

President event scheduled for April 8, 2019.

The Committee continues to reach out to regular donors by class to thank them for their consistent donations to the Cooper. Any Trustees who are interested in volunteering on this front are asked to let the Co-Chair or the development team know.

The Trustees engaged in a conversation related to the open position in Development and the timing of increased efforts in fund raising.

Ms. Warren then shared a success story about re-engaging one of Cooper's largest donors who had become disillusioned with Cooper and, through Cooper's proactive outreach at the Board and staff levels (and, specifically President Sparks' efforts to right the errors of the past with a creative proposal to honor the donor), the donor has re-engaged with Cooper and committed additional resources through planned giving. Ms. Warren remarked that this is a great example of people coming full circle, moving beyond the past and looking towards Cooper's future.

*Finance Committee:*

The Co-Chair of the Finance and Business Affairs Committee confirmed that the financial statements show Cooper Union's operating cash revenues exceeded expenses for FY18 and that none of the four financial guardrails of the Plan have been triggered. While this is positive news, he reminded everyone that these are not truly surpluses, as they are committed to financial priorities previously identified in the long-term financial Plan and cautioned that we must continue to exercise strong financial discipline, mindful of the long-term needs of the school, which include covering a considerable debt load and funding necessary capital expenditures to address deferred maintenance.

At its last meeting, the Committee approved a Cash Management Policy, which will provide guidance for how Cooper will manage and maintain its cash position. The Board engaged in a discussion about the timing of increasing scholarships. Ms. Sparks explained that the goal is to raise scholarships next year in accordance with the Plan, provided the financial forecast is on target, but the increase will not be confirmed until the FY20 budget is approved and FY19 yearend financials are completed. This will help to ensure that we are acting in a prudent and responsible manner.

The latest Budget Variance Report (BVR) (reflecting the variance between the FY19 budget to the revised forecast) was included in the materials and highlights are as follows:

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

Leases and tax equivalency payments	748
Net undergraduate tuition	418
Contributions	-375
Operating expense savings	875
Capital expenditures	0
Endowment spending	0
<b>Total</b>	<b>\$1,666</b>

*Free Education:*

The Committee Chair confirmed that, as of February 2019, we are in full compliance with the Plan and have met all quarterly targets. The Committee Chair noted that the purpose of the Committee is to monitor progress and he directed Trustees to the quarterly progress report provided in the advance materials. It was noted that Mr. Zandi had just warned the Board of changing market conditions and a recession in the near future. Such a change could have a significant impact on Cooper's ability to implement an increase in scholarships. Ms. Warren recommended that the Board have a fuller discussion on scholarships and the economy at a future date.

The Committee then updated the Board on the status of the Stuyvesant-Fish House initiative. The Free Education Committee reviewed the market analysis done by several brokers and voted to propose a sale to the Finance Committee for its review. The Finance Committee will review the market analysis, identify additional information it needs to complete its review, and make a recommendation to the full Board about whether or not to sell at a future meeting.

*Governance:*

Ms. Warren reminded the Board of its obligation to proactively engage in succession planning. In addition to her term ending at the December 2020 Board meeting, many of the current Trustees have terms ending in the next two years as well. It is imperative that the Board focus on finding successor Trustees in a planned manner with specific attention paid to the particular areas of expertise that will be needed in the next phase of the Board's work. Although the Governance Committee takes the lead on this issue, it is the responsibility of the entire Board. Ms. Warren encouraged Trustees to submit names of prospective candidates to the Governance Committee for consideration.

She also noted that the Governance Committee is planning to conduct a Board assessment in the near future to help inform the Board's practices going forward.

Lastly, Ms. Warren reported that a Code of Conduct for the Representatives has been drafted, similar to the Code that was developed for the Board. She noted that the Trustees and Representatives are working well together and having clear guidelines regarding roles and responsibilities will foster productive engagement and help continue the productive work with the Board and with each other.

*Investment:*

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

- The portfolio balance as of January 31, 2019 was approximately \$157 million.
- Performance summary was as follows through January 31, 2019:

	CYTD	Trailing 1-Year	Annualized Trailing 3-Years	Annualized Trailing 5-Years	Annualized Trailing 10- Years
<b>Total Assets</b>	3.5	-2.6	6.9	4.2	6.6
<b>Total Assets ex Cash</b>	4.2	-2.8	8.7	5.0	8.0
<i>Dynamic Benchmark</i>	3.9	-4.7	6.7	3.8	5.2
<i>Total Assets Benchmark</i>	3.6	-4.3	7.5	4.0	7.1

The Committee Chair reported that, consistent with the Board's asset allocation policy and the Committee's long-term investment plan, the Committee recently made a \$5 million investment and has increased its allocation in private equity, moving closer to the target allocation of 20%.

The Committee Chair and Ms. Sparks provided an outline of the year long process to review whether ESG (environmental, social, and governance) investment screens should be utilized, noting the important considerations of investment returns and institutional values. The Investment Committee will consider setting up an ad-hoc committee to explore the issue further.

*Input from Representatives:*

Ms. Warren noted that the Representatives have provided input throughout the meeting and asked whether they would like to offer any additional comments. A Representative noted that they are starting a process of bringing in experts to help with curriculum. A professor from South Africa who has worked on the decolonization of curriculum is just one person they will be working with. She noted that this work is very important and wanted to make sure the Board was aware. The Representatives also agreed that the presentation by Mr. Zandi was engaging and informative and hopes it will lead to a conversation about helping students manage debt.

*New Business:*

There was no new business. The Board moved to Executive Session at approximately 12:25pm. The meeting adjourned at approximately 1:00pm.