

Minutes of Board of Trustees Meeting
September 25, 2019 | 8:30 AM

DEC 11 2019

DANIELLE COOPER DAUGHTRY
SECRETARY TO THE BOARD OF TRUSTEES

PARTICIPANTS

- Trustees:** Rachel Warren (Chair), Stephen Gerard (Co-Chair), Eric Hirschhorn (Co-Chair), Taesha Aurora, Kevin Burke, Anne Chao, Joseph Dobronyi, Thomas Driscoll, Wanda Felton, Pam Flaherty, Aftab Hussain, Peter Katz, Mahmoud Khair-Eldin, Malcolm King, Lynn Lander, Scott Lerman (WebEx), Dwight McBride, Cristina Ross, Brian Steinwurtzel, Jeremy Wertheimer (WebEx)
- Officers:** President Laura Sparks, Treasurer John Ruth, Secretary Danielle Cooper Daughtry
- Representatives:** Diana Agrest, Melody Baglione and Amy Westpfahl
- Financial Monitor:** Richard Faughnan and Ron Salluzzo
- Guests:** Benjamin Aranda, Mark Campbell, Terri Coppersmith, Ariana Freitag, Sam Keene, Barry Shoop
- Absent:** Margaret Matz and Kevin Slavin

The meeting was called to order in Executive Session at approximately 8:38 a.m. The regular session began at approximately 10:45 a.m.

Chair Report:

Ms. Warren provided a brief update on Board related matters and then noted the success of recent Great Hall events. Ms. Warren reported on Sidney Blumenthal's lecture on Lincoln presented the previous evening in the Great Hall as part of the quarterly Alumni/Trustee gathering. She also encouraged Trustees to attend the Lifetime Giving Society Awards Dinner later that evening, as it is an important opportunity to celebrate and thank The Cooper Union's significant donors.

President's Report:

Ms. Sparks provided some highlights and updates of the 2018-19 academic and fiscal years:

- As of June 30, 2019, we were forecast to end the fiscal year approximately \$5 million ahead of budget, tracking ahead of the Plan to Return to Full-Tuition Scholarships (the "Plan"). This figure will be adjusted in the audited financial statements to include the recently passed endowment tax, estimated to be an approximately \$800,000 expense..
- In August, Cooper Union welcomed the newest members of our community – first year students and a group of new faculty members. The School of Engineering welcomed the most gender-diverse class in its history. The academic profile of enrolled students as measured by grades and standardized test remained strong, at or slightly improved over last year's levels and/or five-year

levels.

- We continue to make strong progress on our institutional goals and strategic priorities -- We are developing a potential computer science program; the Council on Shared Learning is exploring the shared literacies, inquiries, and proficiencies that can serve to make students' time at The Cooper Union relevant, compelling and distinctive, regardless of their professional field of study, preparing them for engaged participation in society; the schools are collaborating to forge new opportunities for students and faculty to do work at the intersections of disciplines; the Student Affairs department is working closely with the JED Foundation to address mental health issues; and our newest faculty members have already made positive contributions to our renewed mission.
- Programming in the Great Hall remains vibrant. This has been an important way to bring our existing community together on important issues and civic discourse and to reach new audiences and potential supporters of The Cooper Union.
- Our students faculty, and alumni continue to impress and advance important social issues -- Students and faculty curated an important set of lectures, exhibitions, protests, and gatherings for Climate Week; and several School of Art alumni are currently exhibiting in various venues across the City. Ms. Sparks encouraged Trustees to attend these exhibitions to support students and alumni and to experience their extraordinary work.

Ms. Sparks introduced two of the newest members of the administration -- Mark Campbell, the new Vice President of Enrollment, and Terri Coppersmith, the new Vice President of Alumni Affairs and Development. Mr. Campbell remarked that he is looking forward to the work ahead and is prioritizing a number of vacancies to be filled, as well as the outreach strategy necessary to ensure successful recruitment efforts. Ms. Coppersmith remarked that there is great momentum in the Development office, and she is looking to build upon the work done in the last year. Development is working closely with the Cooper Union Alumni Association and working to find new ways to engage alumni, donors, and other friends of The Cooper Union.

Next followed a presentation by Dean Barry Shoop on the Engineering School's newly approved strategic plan and an overview of the process, which engaged both faculty and students, for developing the plan. Dean Shoop noted that the plan was unanimously approved by the faculty.

Professor Sam Keene (School of Engineering), Professor Benjamin Aranda (School of Architecture), and electrical engineering student Ariana Freitag then presented to the Board on their submission to the Shenzhen Biennial "Hiding from the Eyes of the City." Their submission explores the art of camouflage from facial recognition systems and the inequality of the current recognition systems. The Board commended Ms. Freitag and Professors Aranda and Keen for their work and are eager to follow the work as it progresses.

COMMITTEE REPORTS:

Alumni Affairs and Development:

The Committee Co-Chairs reported that they have started working closely with Ms. Coppersmith and reported on department goals, as well as school-specific strategies, outlined in the materials provided.

Resolutions 2019-3 and 2019-4, pursuant to which Cooper Union commits to complying with state annuity regulations in New Jersey and California, were presented for approval. Upon motion duly made

and seconded, both Resolutions were approved.

The Committee further reported that FY19 numbers exceeded expectations in that Cooper Union raised \$13.4 million in current use funds (up from \$8.3 million in FY18). This number includes a \$5 million multi-year matching contribution. Ms. Sparks noted that bequests were higher this year than most and can't be relied on in future years. Even excluding bequests, solicited gifts still exceeded expectations and were over three times higher in FY19 than in FY16.

Finance and Business Affairs Committee:

The Proposed FY 21 Tuition & Fee Schedule was presented to the Board. Per the Plan, the Committee is recommending a 0% increase to undergraduate tuition, a 3% increase to graduate tuition, and a 3% increase to the fee to live in the residence hall. The Committee is also recommending an increase to the student fee of \$60 per semester (6.7% increase) to contribute to the cost of providing students with 24/7 access to healthcare providers and mental healthcare services through a mobile online telehealth platform. Upon motion duly made and seconded the proposed Schedule was approved.

The Committee reviewed highlights of the FY19 Full Year Preliminary Results. Revenue surpassed budget by \$3.6 million. Operating expenses were favorable to budget by \$1.6 million. As a result, Cooper Union is well within the four guardrails outlined in the Plan.

Highlights from the Budget Variance Report are as follows:

Budget Variance Forecast As of June 30, 2019 (\$ in thousands)

Leases and tax equivalency payments	670
Net undergraduate tuition	401
Other revenue	(279)
Operating expense savings	1,649
Capital expenditures	11
Endowment spending	0
Total	\$5,249

The Finance and Business Affairs Committee noted that 3rd party publications and Cooper's marketing materials reflect Cooper Union's tuition costs at their full price (i.e., \$42,000) even though every undergraduate student is guaranteed a 50% scholarship. The Committee has asked the Academic & Student Affairs Committee to explore the issue of how Cooper Union can more accurately reflect tuition costs in collateral materials and published rankings. The Board discussed the perceptions connected with reported tuition costs (i.e., some people equate higher cost with higher value and yet others may not consider Cooper Union a viable option if the full sticker price is reflected).

The Committee also reported that after further review of information related to expenses, appreciation, and market dynamics, the Committee does not recommend the sale of the Stuyvesant Fish House. The Board engaged in discussion on this point and no further action was taken.

The 41 Cooper Square flood renovations are nearly complete, with the last phase of repairs scheduled for the winter break. To date, Cooper Union has paid out \$3.5 million for flood-related repairs, and insurance has provided reimbursements of \$3.2 million. Management expects additional flood expenses and corresponding insurance reimbursement as the remaining repairs are being completed. As a

remainder, Cooper Union's insurance deductible is \$10,000.

In closing, the Committee reported that our outside advisors are advising that Cooper Union will likely be required to pay the recently enacted endowment tax, which is estimated to be approximately \$800,000 and our financial projections will be adjusted accordingly.

Investment Committee:

The Investment Committee reviewed portfolio performance (see below) and noted that our hedge fund and cash positions provided a buffer against some of the market volatility. While the Committee remains cautious about the market, Cooper Union's large cash position and relatively conservative strategy affords us some resilience in the event of a market downturn. It also limits the upside potential of the portfolio in stronger markets.

Total assets as of July 31, 2019, are approximately \$189.7 and the performance summary is as follows:

	CYTD	Trailing 1-Year	Annualized Trailing 3-Years	Annualized Trailing 5-Years	Annualized Trailing 10- Years
Total Assets	8.1	5.4	7.6	4.5	6.3
Total Assets ex Cash	9.2	6.1	9.3	5.5	7.5
Dynamic Benchmark	10.3	1.4	6.0	3.6	4.7
Total Assets Benchmark	9.9	1.0	6.0	3.6	5.7

With respect to asset allocation, we are within all policy target ranges with an underweight (41% vs. 45%) to the target in public equities, an underweight (14% vs. 20%) in private investments, an overweight (24% vs. 20%) in hedge funds and an overweight (18% vs. 10%) in fixed income/cash. The Committee recently approved investments that move Cooper Union closer to its targets with respect to cash and our overall equity weighting. Cooper Union remains underweight in private equity, and the Committee is working to implement a strategy to reach the policy target over time in a prudent manner.

Audit Committee:

The Chair of the Audit Committee provided an overview of the Defined Contribution Audit. As previously reported to the Board, the Audit noted a material weakness in internal controls that was first reported in 2009. The Committee Chair reminded the Board that this is not a new material weakness and is related to the amended regulations issued by the Department of Labor in November 2007. The amended regulations eliminated an exemption granted to 403(b) plans from the annual Form 5500 reporting, disclosure, and audit requirements under the Employee Retirement Income Security Act of 1974, as amended. The elimination of this exemption meant that records kept under the previous requirements were no longer sufficient. The audit opinion, as it has in the past, addresses this issue, and the issue will be communicated to the Audit Committee every year until it is no longer applicable (i.e., until employees whose records were collected under the old requirements are no longer in the plan). Grant Thornton does not have any current concerns related to this issue but is required to note that deficiency in their report every year. The Committee also reported that there was a small correction for plan participants who unexpectedly worked over 1000 hours for the year, thereby qualifying them for plan participation. Management has instituted a plan to monitor this issue more closely going forward.

The Committee Chair noted that the audit of Cooper Union's FY 19 financial statements is underway and should be completed on time.

Lastly, the Committee reported on its work on Enterprise Risk Management and noted that Management will be working on finalizing a Risk Appetite Statement, risk inventory, and risk ratings for the Committee's review.

Governance Committee:

The Committee Chair opened by presenting the Board with the draft Board Committee Membership for the remainder of 2019. Upon motion duly made and seconded, the Committee Membership was approved.

As part of the Board's ongoing succession planning, Trustees were encouraged to nominate strong candidates for the Board whose skill sets and qualifications align with the Board's current and future needs. In light of the Trustees who are terming off in 2020 and 2021, the following areas of expertise are a priority: accounting/finance, fundraising/philanthropic capacity, higher education, human resources/management, investments, and legal.

It was also noted that the other schools, like the Engineering School, are working on their strategic plans and the Board will work with the administration to ensure consistency in governance and planning across all three schools and HSS.

During Executive Session, the Board will discuss the election of the Board Chair for 2020 and the draft Code of Conduct for Representatives. Representatives to the Board indicated that they had had an opportunity to review and discuss the Code of Conduct with Ms. Warren and Ms. Sparks, as well as to provide feedback at the Governance Committee meeting and that their input is reflected in the document submitted for Board approval.

Lastly, the Committee Chair reminded the Board that the draft 2020 meeting schedule was included in their advance materials. Although the schedule will not be officially voted on until the December 2019 Annual Meeting, the Committee asked Trustees to mark their calendars with the near-final dates that have been provided.

Free Education Committee:

The Committee Chair reviewed the Quarterly Progress Report with the Board. Cooper Union is ahead of Plan with respect to all key financial metrics. Rental revenue was behind Plan goals, but that was offset by higher than expected donor contributions. Two risks to the Plan that were discussed were:

- Tax Equivalency Payments (TEP) – The Chrysler TEP revenue was lower than expected due to lower tax rates and lower assessment value (the result of higher vacancy rates). An increase in Astor Place TEP revenue more than offset that shortfall. However, it was emphasized that since Cooper Union has no control over the amount of these payments, they will continue to be considered a risk to the Plan.
- Endowment Tax – Cooper Union will owe approximately \$800,000 in connection with the recently enacted endowment tax. This is a tax on earnings from investments, broadly defined, and Cooper Union has no control over the tax rate or amount. For so long as it remains in effect, the endowment tax will be a risk to the Plan since it wasn't originally included in Plan projections. The regulations for the tax, and how it should be calculated, are still being finalized

by the IRS.

The Committee also reported on the work to understand Cooper's reputation, what drives the choices of applicants and their families, and the impact of tuition. The work is ongoing, though data privacy protections have introduced delays with the prospective student survey, as well as possible impediments to the timeframe and design of the overall project.

The June 12, 2019 Board of Trustees meeting minutes provided to the Board at the beginning of the meeting were presented for approval. Upon motion duly made and seconded, the minutes were approved as presented.

Input from Representatives:

Representatives provided input throughout the meeting. There was no additional input from Representatives.

New Business:

Two Trustees raised the importance of the Board taking a clear position on the climate crisis and called for the Board to engage in a serious discussion about divestment from fossil fuels. The Investment Committee reported on the work it has been doing, internally and in conjunction with Cooper Union's investment advisor, to learn about and explore investing that is sensitive to environmental, societal and governance implications. As a result of this work, the Investment Committee made a recent investment in Aperio, a values-aligned index-tracking strategy fund. The Board also discussed the importance of reviewing the environmental sustainability of Cooper's internal operations. The Board asked Ms. Sparks to recommend next steps for further exploration and action in these areas.

The Board moved to Executive Session at approximately 1:12 pm. The meeting adjourned at approximately 1:35.