

THE COOPER UNION FOR THE ADVANCEMENT OF SCIENCE AND ART

**Board of Trustees Meeting**

October 6, 2022 | 12:30 PM

PARTICIPANTS

|                    |  |
|--------------------|--|
| Trustees:          | Anne Chao, Maurice Cox (Virtual), Brickson Diamond (Virtual), Elias Dills, Wanda Felton, Pam Flaherty, Elizabeth Graziolo, Judy Freyer, Dana Hughes, Anthony Ianno, Malcolm King (Chair), Jamie Levitt, Cristina Ross, Brian Steinwurtzel, Robert Tan, Carol Wolf, Ben Vinson (Virtual), Shirley Yan |
| Officers:          | President Laura Sparks, Treasurer John Ruth, Secretary Charlotte Wessell   |
| Financial Monitor: | Richard Faughnan and Ron Salluzzo  |
| Representatives:   | Steven Hillyer, Beverly Joel   |
| Guests:            | Ruben Savizky, Abigail Raz, Ali Abdullah   |
| Absent:            | Joseph Dobronyi, Aftab Hussain, Lou Manzione   |

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The meeting was called to order at 12:40 p.m. and began with an Executive Session. The Regular Session was called to order at 1:05 p.m.

The June 3, 2022 Board meeting minutes were provided for advance review. Upon motion duly made and seconded, the minutes were approved with a clarifying edit.

*Chair's Report*

Mr. King thanked Trustees for their active participation in the Committee meetings of the previous quarter and attendance at events this semester, notably the Lifetime Giving Society Dinner which recognized Cooper Union's most generous supporters.

He provided an overview for the day's meeting, the work of which builds off discussions from the Board's Annual Retreat relating to Cooper Union's path forward financially. The Board will review year-end budget results, external economic conditions, and targeted fundraising efforts, discussing the importance of these topics relating to the Plan to Return to Full-Tuition Scholarships (Plan). This meeting will also prepare the Board for key decision making to be done at the Annual Meeting in December.

*Faculty Presentation*

At each quarterly meeting, Trustees review a presentation to highlight an academic initiative that is advancing the institution's goals and strategic priorities. Stated in the institutional goals, Cooper Union engages students in an academic program that is rigorous, supportive, and dynamic. This quarter's presentation focused on the School of Engineering's recent efforts to bring the student support aspect front and center to a student's experience through out-of-classroom supports for success in the classroom. Ruben Savizky, Cooper Union alumnus, Professor of Chemistry and Associate Dean of the School of Engineering; Abigail Raz, Assistant Professor of Mathematics; and Abduhla Ali, a second-year electrical

engineering student and tutor, joined the meeting. They shared two new initiatives –*Cooper’s Help for Engineering Student Success* (CHESS) summer program and the opening of a new Student Success Center in 41 Cooper Square – as well as information about the foundation built over the past few years through the First-Year Seminar Series and Academic Resource Center that paved the way for these additions.

Following the presentation, Trustees engaged in a discussion with the presenters about measures of success in the program, including various grading policies, attendance expectations, and using iterative learning techniques. The discussion covered concerns about student preparedness entering college, which stretches beyond Cooper Union, as current high school students experienced learning disruptions from the pandemic. The new efforts described in the presentation were in part a response to these concerns, as well as a proactive measure to help support students arriving from under-resourced high schools. Trustees commended the school’s recognition that rigor, preparedness, and support can work together to improve the student learning experience. Trustees voiced support for the teachers and students exerting extra efforts by participating in the CHESS program and tutoring services. The discussion touched on the importance of resources distinct to the School of Engineering as well as the need to centralize resources and offer academic supports than can be unified across the broader school. The guest presenters exited the meeting.

### *President’s Report*

President Sparks delivered her quarterly report. She shared information about recent events happening back on campus, including a well-attended architecture exhibition opening, that are representative of the level of activity and energy in the buildings this academic year. President Sparks reviewed key themes that represent the opportunities and challenges for the 2022-2023 year. Management will focus on firming up a number of transitional pieces, including budgeted hires in the academic programs, to lay the groundwork for robust planning; amplifying communications and fundraising; and engaging in comprehensive assessment of several initiatives begun in the last five years. This will occur as the institution is facing substantial headwinds relating to external factors, including a turbulent economy and investment market, as a result of global unrest, political turmoil, a tight labor market, high inflation, and rising interest rates. Trustees then engaged in a discussion about key dynamics likely to impact this work through the year, using their background and industry expertise. The discussion centered on the importance of providing resources to support student wellness, recognizing the impact of a potential recession on students’ financial circumstances and ability to thrive in school, and ensuring Cooper Union is responding effectively to increased safety concerns in New York City.

Trustees inquired about the hiring of a Vice President of Academic Affairs, as recommended by the Humanities and Social Sciences Visiting Committee, which, as President Sparks shared, is one of the key searches this year. President Sparks reviewed the timeline to have this position filled for the next academic year and shared that the interview process will include faculty and students. Trustees discussed the importance of this position in bridging the four academic programs. The Financial Monitor commented that this position is critical for a university in making effective academic decisions. Trustees also discussed the potential for non-matriculating programs to serve as a greater revenue stream for the college and recommended this be considered as part of the next planning process.

### *Committee Reports*

Six Committees of the Board met for their quarterly meetings in September. Based on the Board’s annual Work Plan, the Finance and Business Affairs, Investment, Alumni Affairs and Development, and Governance Committees delivered in-depth reports at the meeting. The remaining two Committees provided written updates prior to the meeting, included below.

#### Finance and Business Affairs Committee

Vice President of Finance and Administration John Ruth shared an overview of preliminary yearend (June 30, 2022) financial results. The report synopsis is as follows: (in 000's):

|   | FY21<br>Actual | Preliminary<br>FY22 | FY22<br>Budget | % Earned or<br>Spent |
|---|----------------|---------------------|----------------|----------------------|
| Total Revenue Before Endowment Payout       | \$81,667       | \$91,229            | \$83,216       | 110%                 |
| Less: Total Expenditures                    | (\$70,733)     | (\$80,670)          | (\$82,084)     | 98%                  |
| Surplus Before Endowment Payout             | \$10,934       | \$10,559            | \$1,132        |                      |
| Plus: Endowment Payout                      | \$4,680        | \$5,365             | \$5,365        | 100%                 |
| Total Surplus Available for Plan Priorities | \$15,614       | \$15,924            | \$6,497        |                      |

Preliminary results show FY22 ended ahead of budget and ahead of targets for the Plan to Return to Full Tuition Scholarships (Plan). Mr. Ruth shared this was accomplished amid continued revenue challenges as a result of the pandemic. General operating expenses and strong fundraising results contributed to the overall results, and while this is positive, many of the savings and revenue streams that were critical to beating Plan last year are not renewable. The \$7.8MM of one-time governmental grant support relating to the pandemic (inclusive of the government's forgiveness of the \$6.6MM Payroll Protection Program (PPP) loan taken in April 2020 to cover payroll expenses) accounted for the majority of the positive variance to Net Surplus for both budget (\$9.4MM positive variance) and Plan (\$3.8MM positive variance) for FY22. As a result, Cooper Union remained on Plan, finishing the year with a CFI of 1.81 vs. the Plan target for FY22 of -0.43, the cumulative result of positive variances to Plan Net Surplus targets in each of the last five years.

Following high investment returns in FY21, Cooper's investment portfolio ended down 6%, which outperformed the benchmark, but resulted in \$18MM loss for FY22. Positive returns on the investment portfolio help build the reserves necessary to achieve the financial priorities outlined in the Plan. Fortunately, this is the first negative return since FY16, and the returns from the past several years have helped build reserves ahead of Plan. The Plan anticipated down years, projecting an average annual return of 4.25%. Given the economic instability and market volatility, additional down years are anticipated, which reinforces the importance of maintaining focus on operating expenses and revenues to continue delivering annual Net Surpluses as outlined in the Plan.

Mr. Ruth reviewed financial performance vs. Plan Guardrails. The preliminary results are favorable to the primary metric (Net Surplus) and yielded a positive result vs. the Net Surplus Guardrail of \$4.4MM. These positive results bring the cumulative positive variance vs. Net Surplus Guardrail to +\$20.6MM.

Trustees applauded Management for expense management and building of reserves over the past two years. Trustees discussed the endowment and current spend rate, commenting on the importance of the institution's long-term investment pool in achieving financial goals. The Board will continue to discuss long-term financial planning during the Annual Meeting, as scheduled on the Work Plan.

The Committee then presented the proposed Tuition and Fees for FY24. Per the Plan, there is no increase on undergraduate tuition. There is a 3% increase in graduate tuition and fees to live in the residence hall, also consistent with Plan. The Board discussed the significance of the ability for Cooper Union to remain on Plan with 0% tuition increases in the context of nationwide inflation and recommends the college share this decision broadly. Upon motion made and duly seconded, the Board approved the proposed Tuition and Fees for FY24.

## Investment

The Committee Chair reported a summary of Cooper Union’s investment portfolio performance and market outlook. At the end of the fiscal year (June 30, 2022), The Cooper Union investment portfolio balance was \$274.9MM (down from \$299.2MM in the previous quarter). The investment market continues to decline as the result of uncertain economic conditions, including inflation, supply chain disruptions, pandemic-related lockdowns in China, and the ongoing war between Russia and Ukraine.

For the quarter, the portfolio’s fixed income managers, TIPS and Treasuries assets, and the majority of hedge fund managers outperformed their respective benchmark. The public equity manager performance varied by geographic market; emerging markets outperformed the benchmark while U.S. and multiregional equity underperformed their respective benchmarks. Asset classes are all within allowable ranges and near policy targets.

| Portfolio/ Benchmark                  | Month to Date | Quarter to Date | Fiscal Year to Date | Trailing 3- Year | Trailing 5- Year | Since Inception |
|---------------------------------------|---------------|-----------------|---------------------|------------------|------------------|-----------------|
| <b>Total Assets</b>                   | -4.7          | -8.1            | -5.5                | 8.6              | 8.0              | 5.5             |
| <b>Total Assets Benchmark</b>         | -3.5          | -6.2            | -6.7                | 6.0              | 5.7              | 4.8             |
| <b>Cooper Union Dynamic Benchmark</b> | -4.8          | -9.3            | -9.0                | 5.0              | 5.1              | 3.9             |

The Committee Chair reviewed the proposed new benchmarks, as recommended by the Committee. As background, the benchmarks were last updated in 2001. The new benchmark proposal will align with the recently changed asset allocations and allowable ranges and more properly reflect the composition of Cooper Union’s investment portfolio. The proposal focuses on simple and investible policy benchmarks, comprised of public, passive traditional asset class indices, rather than manager medians or other non-investible reference points.

| Asset Class            | Policy Benchmark Weight | Benchmark   | Value-Added Objectives |
|------------------------|-------------------------|---|------------------------|
| Global Public Equities | 45%*                    | MSCI ACWI   | 50 to 150 bps          |
| Private Investments    | 25%*                    | MSCI ACWI **  | 300 to 500 bps         |
| Hedge Funds            | 20%                     | 0.3 x MSCI ACWI +<br>0.7 x T-Bills                        | 150 to 350 bps         |
| U.S. Treasuries        | 4.75%                   | Bloomberg Barclays 3-<br>10 Year Treasury Bond<br>Index   | 0 bps                  |
| U.S. TIPS              | 4.75%                   | Bloomberg Barclays<br>U.S. TIPS                           | 0 bps                  |
| Cash                   | 0.5%                    | Bank of America<br>Merrill Lynch 91-Day<br>Treasury Bills | 0 bps                  |

\*The Policy Benchmark’s weight to Global Public Equities and Private Investments would be dynamically adjusted such that the PI allocation’s weight in the benchmark would be adjusted to equal the PI allocation’s actual weight in the portfolio, while the Global Public Equity allocation’s weight would be adjusted to offset the portfolio’s over/underweight to Private Investments.

\*\*A 0% return on this portion of the Policy Benchmark is assumed for the period following the PI allocation’s last available marks.

The Board reviewed the proposal and commended the Committee's actions that have been informed by the Enterprise Review. Following motion made and duly seconded, the Board approved the proposed policy benchmarks. The Committee Chair reminded the Board that these will be incorporated into Cooper Union's Investment Policy Statement, a revision of which, per the Board's Work Plan, will be presented for the Board's approval at the Annual Meeting.

### Governance

The Committee Chair shared that following the Committee's annual review of the Bylaws for compliance, the Board is in full compliance. The Chair presented a proposed amendment to the Bylaws recommended by the Committee. Currently, the term limit for a Board Chair term is two years, with a maximum service of three terms (six years). The proposed amendment would change the term length to three years, with a maximum service of two terms.

#### *Current language:*

The Chair of the Board shall be elected for a two (2) year term and may serve no more than three (3) consecutive Chair terms. If a Trustee is elected to serve as Chair in the final year of their eligible service as Trustee, such term will be extended by one (1) year to allow such Trustee to serve a full two (2) year term as Chair.

#### *Proposed language:*

The Chair of the Board shall be elected for a three (3) year term and may serve no more than two (2) consecutive Chair terms. If a Trustee is elected to serve as Chair and upon such election there shall not be three years remaining in his or her term as Trustee, then upon such election, such term will be extended to allow such Trustee to serve the full three-year term and may be extended an additional three-year term upon election by the Board.

The Chair confirmed this amendment was found appropriate by outside counsel and will not affect compliance with the Consent Decree. The Financial Monitor commented that the change will strengthen the relationship between the President and Board Chair, which is critical for institutional progress. The Board agreed that a longer Chair term will provide greater continuity and improve governance.

The Committee Chair shared that upon approval from the Board, Malcolm King, current Chair, would then be on the officer ballot as Chair at the annual meeting in December. His current two-year term would change to a three-year term upon election (ending December 2023). Upon motion made and duly seconded, the amendment to the Bylaws was approved.

The Board then reviewed the proposed meeting schedule for the 2023 calendar year. Similar to this year, two Board meetings will be held in person, with the other two and all Committee meetings planned to be held virtually. Following motion made and duly seconded, the Board approved the meeting calendar.

### Alumni Affairs and Development

The Committee Chair reviewed fiscal yearend fundraising performance. The Cooper Union ended the FY22 fiscal year 15% ahead of the previous fiscal year in cash and pledges (\$11.8MM vs. \$10.2MM) and 16% ahead of goal (\$11.8MM vs. \$10.2MM). The Chair remarked that alongside this achievement, the team is mindful of the impact of the economy on fundraising in the upcoming year and will be focusing on building the donor base, increasing alumni giving, and moving donors through the pipeline to ramp up efforts. Trustees discussed the importance of unifying communications and messaging between the Office of Alumni Affairs and Development and the Cooper Union Alumni Association to ensure both groups are fundraising effectively for the college.

Trustees continued the discussion from previous meetings about the targeted fundraising campaign. The Board reviewed their philanthropic expectations and participation in the campaign.

*The following Committees reports were shared with the Board as part of background materials prior to the meeting:*

### Audit

The FY22 Financial Statement Audit is underway and scheduled to be completed before the end of the calendar year. Additionally, the 2021 Defined Contribution Retirement Plan Audit was shared with the Committee at the previous quarterly meeting. No significant issues were identified, and the Audit will be filed prior to the October 15, 2022 deadline.

As part of the Committee's ongoing Enterprise Risk Management (ERM) work, members reviewed and discussed the monitoring plan and mitigating factors related to lab and studio safety. The primary mitigating factors in place for risks relating to potential safety hazards in Cooper Union's labs and studios include access restrictions and required training for use of the facilities; professional staff with appropriate certifications and credentials overseeing the spaces; the appointment of a Campuswide Safety Officer; and a Health and Safety Committee composed of faculty and staff who are responsible for annual review of safety measures and the publication and dissemination of an annual Health and Safety manual.

The Committee also reviewed additional actions taken in the last year to further mitigate risks relating to campus safety, Title IX issues, student conduct, and student mental health challenges. Key new developments include the installation of additional security cameras, as budgeted; expansion of expertise of contracted clinical providers to include support of issues of sexual violence; launch of an online student complaint system for centralized tracking and reporting; and implementation of recommendations from the conclusion of the JED Campus Program engagement. As a reminder, this work is part of a comprehensive approach to identifying, monitoring, and managing potential institutional risks that was put in place by the Audit Committee and management consistent with operational best practices. During the Annual Meeting, the Audit Committee will report on overall progress in ERM.

### Free Education Committee

The Committee shared key elements of the semi-annual Progress Report on the Plan, as reviewed by the Committee at the previous quarterly meeting. With the positive financial results for FY22, the Committee saw no areas of concern, yet noted the importance of remaining prudent with resources given the economic and sociopolitical uncertainty that could impact financial markets and enrollment over the next few years. The Committee reported on discussions to release a mid-Plan report, communicating the progress thus far.

There was no New Business to discuss. Representatives provided input throughout the meeting and had no additional comments. The Board then moved to an extended Executive Session at approximately 4:40 p.m. The meeting adjourned at approximately 5:10 p.m.