

Minutes of Special Board of Trustees Meeting

February 20, 2018 | 2:00 PM

JUN 13 2018

DANIELLE COOPER DAUGHTRY
SECRETARY TO THE BOARD OF TRUSTEES

PARTICIPANTS

Trustees: Rachel Warren (Chair), Kevin Burke (Phone), Anne Chao (Phone), Joseph Dobronyi, Thomas Driscoll, Mary Dwyer, Wanda Felton, Stephen Gerard, Eric Hirschhorn, Peter Katz, Malcolm King (Phone), Scott Lerman, Julian Mayfield, Paul Nikulin, Brian Steinwurtzel (Phone), Robert Tan

Officers: President Laura Sparks, Treasurer John Ruth, Secretary Danielle Cooper Daughtry

Representatives: Toby Cumberbatch, Atina Grossmann, Walid Raad, Amy Westpfahl

Financial Monitor: Richard Faughnan, Ron Salluzzo

Staff: Lauren Desiderio

Guests: Lynn Lander

Absent: Kevin Slavin, Jeremy Wertheimer

Executive Session:

Ms. Warren called the meeting to order at 2:05pm for an Executive Session.

Regular Session:

The Board then convened in Regular Session, and the Representatives, Officers, staff and guests joined the meeting. Ms. Warren reported that during Executive Session John Ruth was elected as Treasurer. She further reported that Johnny Taylor, Jr. submitted his resignation from the Board as of February 6, 2018. Ms. Warren expressed her appreciation to Mr. Taylor for his dedicated service, including his leadership, along with Eric Hirschhorn, in co-chairing the Presidential Search Committee (PSC). She noted that Mr. Taylor's leadership allowed the search to advance in a productive and efficient manner at a very difficult time. Ms. Warren also recognized the significant expertise Mr. Taylor brought to the Board as an attorney, through his professional experience in matters of governance and human resources, and as a leader in higher education.

Ms. Warren announced that the purpose of the special meeting was to discuss the Free Education Committee's (FEC) Recommended Plan. Ms. Warren summarized the process to date:

- The FEC was created in 2015 and began meeting in 2016. As required by the Consent Decree, the Committee issued interim progress reports in 2016 and 2017 and then issued a final Recommended Plan to Return to Full-Tuition Scholarships (the Recommended Plan) on January 15, 2018. The FEC's [Plan](#) is posted on Cooper Union's website.

- Following its release, the Administration scheduled 5 community gatherings to solicit feedback from alumni, students, faculty and staff to be shared with the Board of Trustees. A number of the events were livestreamed.
- On February 15, 2018, the Financial Monitor released its Annual Report on the financial stability of Cooper Union, including an assessment of the FEC's Recommended Plan. The [Financial Monitor's Report](#) is posted on Cooper Union's website.

Ms. Warren thanked the members of the FEC, members of the other Board committees and the faculty and staff Representatives for their diligence and dedication over the past two years in working on the plan. She noted that the collaboration across committees allowed the Board greater visibility into the work of the FEC. She further noted there had been robust discussions throughout the process at both the Board and committee levels on the role of the FEC, the intended scope of the plan, the process for establishing priorities and identifying initiatives, and how to satisfy the terms of the Consent Decree. Ms. Warren expressed appreciation to the Financial Monitor and the Office of the Attorney General for providing guidance to the FEC and the Board on these various matters.

Ms. Warren then welcomed the chair of the Free Education Committee, Robert Tan, to make his remarks.

Mr. Tan thanked the members of the FEC, the faculty and staff Observers, the Administration, and the Financial Monitor for their diligent work over the past two years.

Financial Monitor's Annual Report

The Financial Monitor, represented by Richard Faughnan and Ron Saluzzo, provided a brief summary of the key findings in its Annual Report.

- Cooper Union should take a structured, disciplined approach in order to create a strong fiscal environment to return to free tuition.
- Although it was their view that Cooper Union should first aim to be financially sustainable, then develop an environment for a fiscally thriving organization, and only then move to free tuition, they will support incremental increases in scholarships even before the school is a fiscally thriving institution.
- The FEC (a) employed an appropriate methodology for assessing the school's health; and (b) properly calculated Cooper Union's financial needs.
- The FEC's Plan is aggressive but responsible.
- Financial guardrails are necessary to ensure issues are examined and addressed when financial results are not as planned. The Financial Monitor would not have approved the FEC's Plan without guardrails in place.
- The impact of moving too quickly and then having to reverse scholarship increases for future students would be more detrimental than taking a longer time to implement a responsible plan.
- Once a plan is approved, the Board must be unified in its support of that plan and work together to support Cooper's financial health.
- As Cooper Union demonstrates positive results, the Plan can always be re-evaluated to see whether it can be accelerated.

The Board engaged in a lengthy Q&A with the Financial Monitor regarding the guardrails, the target for growth in the quasi-endowment and reserves (how established, whether too high), and whether and to what extent Cooper Union's reputation for academic quality may suffer in the time it takes to meet the financial goals proposed in the Plan. (It was noted that community feedback on this issue was mixed – many members feel the timeline is too long, some see it as reasonable, and others believe it is aggressive given the institution's decades of structural deficits.)

The Financial Monitor confirmed that the scope of its work is focused on financial oversight and confirming that the Board is in compliance with the Consent Decree. The Financial Monitor reviewed the issue of reputation of academic quality to the extent it impacts compliance with the Consent Decree. The Financial Monitor confirmed that Cooper Union and the FEC's Plan are in compliance with Consent Decree requirements regarding academic reputation and that Cooper Union could experience significant reputational damage if the institution returns to full-tuition scholarships too quickly and needs to later revert to lower scholarship levels if the financial condition of the school cannot sustain scholarship increases.

Key Issues Raised by Cooper Union Community

The Board materials contained various written submissions received by the Board both prior to and during the meeting. President Sparks reported on the key issues and concerns raised at the various community gatherings and the Board discussed the following:

Assessing Cooper Union's Reputation for Academic Quality

The Board engaged in a discussion on how best to balance the potential negative impact of a 10-yr time frame on the reputation of academic quality against the goal of increasing endowment/reserves to a sufficient level. The Board agreed it was important to establish quantitative methods for assessing Cooper Union's reputation for academic quality and the impact on reputation of the various initiatives recommended in the Plan. The Board discussed the marginal risks and benefits associated with reputation vs. those of financial health/weakness.

The Representatives offered the following input: a) there is strong student passion and engagement on the topic of reputation of academic quality; b) having a 10-year plan and being honest about what it will take could work in our favor; c) alumni perspectives from the past are not consistent with today's student experiences; d) we should focus on attracting and maintaining students who are excited to come to Cooper Union and are engaged; e) the education and programs are what drive students to choose Cooper Union; f) improve communication to ensure the community is aware that Cooper Union is committed to returning to free tuition; g) there is disagreement on the degree to which resources matter to faculty's capacity to teach and learn; and h) the Consent Decree requires both financial sustainability in returning to full-tuition scholarships and the ability to maintain our strong reputation for academic quality.

One of the Representatives presented an unsigned letter that indicated that it was a communication on behalf of the entire full-time faculty of the School of Art. The letter expressed concerns about the impact of tuition on reputation and the impact of the proposed increase in the dorm rate. The letter requested that the Board delay its vote on the Plan until these matters could be more fully researched.

Upon request of the Board, President Sparks recommended that, as part of its adoption of a plan to return to full-tuition scholarships, the Board issue a statement confirming the importance of maintaining Cooper's strong reputation for academic quality and the Administration will undertake a more holistic analysis to allow the Board to establish metrics to measure and monitor both reputation and academic quality.

Endowment/Reserve Growth Targets

The Financial Monitor noted that the Chrysler building is appropriately left out of reserve calculations and should be thought of as funds held by others in trust. The Financial Monitor noted that including the Chrysler asset in the calculations related to financial reserves and resilience would mask Cooper Union's significant financial challenges.

Residence Hall and Graduate Program Initiatives

The Board discussed the potential negative impacts of increasing residence hall rates to match market rates and reducing graduate program scholarship levels. President Sparks confirmed that the Plan recommends continuing to provide financial support for non-tuition expenses, such as housing, at historic levels which means that students who could not afford the increased rates would most likely be provided assistance.

The Board discussed the following: a) many of our students have extreme financial challenges; b) students receiving financial aid still do not have the entire cost of attendance covered; c) DACA students often can't receive the same level of aid; d) the importance of delaying student cost increases until tuition is reduced; and e) the importance of providing clear communication and guidance to incoming students about their housing options and costs.

A concern was expressed that the proposal to increase the cost of the graduate program represents a misunderstanding of the engineering school's existing culture and curriculum. Specifically, students in the School of Engineering are concerned that the proposed initiative is antithetical to the school's ideological commitment to free and will jeopardize the program's course offerings, enrollment, reputation and strength.

President Sparks relayed community concerns that a reduction in graduate program scholarships could negatively impact enrollment and reduce the availability of graduate-level classes to undergraduates.

Upon request of the Board, President Sparks and Mr. Ruth will examine alternatives for implementing the residence hall and graduate program initiatives.

Other Initiatives

President Sparks relayed community concerns about potential changes to the healthcare plan and the 2016 decision made regarding matching credit hours to contact hours in the School of Engineering. She noted that additional work on the former, including a benchmarking analysis by experts in this field, would be forthcoming, and the Board noted that the latter is a matter for management (and not the Board) to review and decide.

There was discussion regarding the "bullpen" items and whether to accelerate consideration of them.

The Representatives of the Board provided their feedback, which included: a) consider grandfathering in current faculty and staff if there are changes to the healthcare plan; and b) concerns about the 10-yr timeline.

Next Steps:

President Sparks stated that, based on the Board's discussion and review of community feedback, the Administration will provide further analysis and recommended "amendments" to the FEC's Plan for the Board to consider at the Board's March meeting.

With no further business, the meeting was adjourned for Executive Session at 5:04 pm.

