THE COOPER UNION
ALUMNI PIONEER

Testing Out New Narratives

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Abstract
The irrepressible author gets a preview of a new narrative pertaining to risky investments from Interim President William Mea and explicates it before it goes public. Issues of transparency, confidentiality, and the relationship between development and the CUAA are dodged.

On October 4, 2011, the Council of the Cooper Union Alumni Association was told by a new president about a financial crisis facing the school. In the interval between October 4 and October 31, two Council members alerted me to the seriousness of a threat to the college I considered student rumor. On Halloween, the new president rolled out to the Engineering Student Council (and some curious and alerted alumni such as myself) and to *The New York Times* a set of narratives, supplemented by e-mails, press releases, and interviews in other media over the week that followed. Within a week I had written an analysis, "Counter-Narratives to the Administration Narrative," which listed a dozen doubtful narratives. In less than two months, it was apparent that all twelve of the Administration Narratives were either false or woefully incomplete <http://www.notnicemusic.com/counter-narratives.pdf>.

On September 16, 2015, a new interim president sat before a wiser, wearier, and newly independent CUAA Council, to face some pointed questions and test out some new narratives. Of course, the issue of trust – of William Mea himself, of the administrative staff under him, of the college as a whole to deserve alumni dollars – was front and center, and will not be resolved quickly. Mr. Mea has already gotten his mulligan when he announced a pay scheme for credit overloads that led quickly to community outrage. Mea's *mea culpa* was accepted. Since that time, he allowed Free Cooper Union to set up a pop-up residency, called NONSTOP COOPER, in the former St Marks Bookshop space (although neither the college nor the CUAA has publicized its existence and events, which, admittedly, are primarily for students and young alumni, the driving force behind Free Cooper Union). An Attorney General investigation culminated in a Consent Decree between the college and the Committee to Save Cooper Union, acknowledged in an e-mail blast from the Chairman of the Board of Trustees (who, under the Consent Decree, as a member of the 2006 Board that lied to the Court and the Attorney General, will be removed from the Board – but not until December 2016), but buried on the Cooper website and unmentioned in the "5 Things You Should Know" blast to Cooper alumni and other donors. Although none of the trustees attended the Court hearing or rally on September 14, 2015, Mea did let the Committee hold a party in the New Academic Building and, along with some other administrators, did show up (their offer to spend a large sum of money on the party was rejected, with horror, by the Committee; a modest meal of finger sandwiches and light refreshments was provided instead).

As the Council has had a primary purpose of fundraising for the college, it was natural that questions on the subject would arise, but Mea deferred those to the Interim Vice President of Alumni Affairs and Development, Chris Cloud.

Since, as the Attorney General has reported, the Working Group was denied access to the information they needed (but, using public sources and leaks from Free Cooper Union, proceeded anyway), the issue of transparency was raised. Although the Consent Decree does mandate the publication of meaningful Board Reports, the issue of what really is (and has to be) "confidential" and what isn't wasn't answered. Instead, under the threat of the Attorney General and a Financial Monitor, Mea vowed to provide everything needed to the Free Education Committee. The Consent Decree requires that two-thirds of the Free Education Committee consist of Alumni Trustees and Student Trustees, and that a Faculty Representative and Staff Representative be allowed to observe, but only the trustees on the Free Education Committee – not the observers – have rights to receive confidential information. Although, according to its Bylaws, except for the Executive Committee, all other Trustee Committees – the Investment Committee, the Committee on Trustees (under the Consent Decree to be renamed the Governance Committee), the Audit Committee, the Finance and Business Affairs Committee, the Committee on Academic and Student Affairs, the Development Committee, and the Strategic Planning Committee – explicitly can have non-trustees serving, as the Working Group and other ad hoc trustee committees not listed in the Bylaws have, the Board has already taken the steps to make the Free Education Committee the exception to the rule and Mea – by promising cooperation with the Free Education Committee and no one else – is supporting this step.

A curious new narrative – undoubtedly waiting to be told to donors – was trotted out by Mea at the Council meeting. This narrative purports to address concerns that unrestricted contributions to the annual fund or to the endowment won't end up in hedge funds or other risky investments. Mea was asked whether the college would make it to 2018, when there is a substantial bump-up in Chrysler Building rent (offset, unfortunately, by the commencement of paying down principal on the $175M MetLife loan). Since Mea is only the interim president but has been Vice President for Finance and Administration for a year, it wasn't a question he could expect to dodge.

Perhaps in response to the Attorney General's Cross-Petition (or those who had read it or read about it), Mea told the Council that he had analyzed the revenues and expenses using conservative figures, leaving out important elements, such as any hopes for new for-pay programs that were part of the Tuition Plan (ignominiously renamed the Financial Sustainability Plan in a document, "The State of The Cooper Union," that Mea undoubtedly had a hand in creating), as well as other sources of revenue that might be expected but could not be guaranteed. This analysis had been presented to the Board and, according to Mea, indicated that the college might make it. The problem was, and always has been, cash flow. Then came the twist.

Mea told the Council that all unrestricted gifts, existing endowment funds, and other contributions to the unrestricted endowment, had been placed in "cash" holdings that earned less income but would not be subject to the risk of loss of principal. The unstated but obvious message was: if you give an unrestricted donation to the college, either to the endowment or to the Annual Fund, it will not be placed in hedge funds or even in the stock market. He accompanied this narrative with a tale of an alumna who had written a provision in her will: she would leave one amount to The Cooper Union if it returned to full-tuition scholarships, a lesser amount if it did not.

As a narrative, the statements leave an immediate impression of responsibility and caution. But it doesn't take much consideration for the narrative, when coupled with the lack of transparency into the college's finances, to come up short of true reassurance.

Mea knows that most, if not all, restricted endowment funds go towards educational needs, such as endowed chairs, or scholarships directly to students. The CV Starr Research Foundation is similarly supported by restricted endowment funds, and the Saturday Program will remain free for 10 years due to restricted gifts. Restricted endowment funds require that their principal not be depleted (the Saturday Program gift doesn't follow this rule, as it is meant to be expended fully in 10 years). If the funds are invested in financial instruments that lose value, the item they are meant to endow must be funded from unrestricted funds. If the financial instruments underperform, the balance must come from unrestricted funds (for example, if a chair or visiting scholar is funded by a restricted fund, the full salary must be paid no matter what).

Mea knows that donors don't provide restricted funds for non-academic items that are part of his budget. No one wants the MetLife loan debt service named after himself, herself, or a deceased loved one. Similarly, in a piece I wrote called "Endow A President" <http://www.notnicemusic.com/philanthropy.pdf>, I pointed out that, tongue in cheek, presidents, vice presidents, directors, and assistant directors aren't funded by restricted endowment funds. Council members have suggested a "Keep the Lights On" campaign that would actually be one of the few restricted funds to go towards a non-academic purpose, paying for maintenance and utilities. The real estate income – rent from the Chrysler Building and PILOT from the Chrysler Building, 26 Astor Place and 51 Astor Place – are the largest sources of unrestricted revenue outside of the investment portfolio.

But, without transparency, there is a fatal flaw to the "unrestricted funds won't lose principal" narrative. It says nothing about where the rest of the investment portfolio will be invested. One of the tragedies of 2008 was the imbalance of the investment portfolio – with an influx of some $35M from the MetLife loan and another $99M (less significant fees) from a loan to Minskoff in lieu of rent for 51 Astor Place (don't ask why it was structured as a loan), the investment committee went "all in" and unbalanced the investment portfolio with huge investments in hedge funds. Since hedge funds don't let the investor withdraw for 90 days, as October 2008 turned to December 2008, the trustees watched in horror as they lost millions (undoubtedly why so many members of the 2008 Board jumped ship that December).

The investment committee has never revealed performance (or allocation) of its portfolio to the Cooper Union community. Even the lies to *The Wall Street Journal* in 2009 have yet to be corrected (although they are described as lies by the Attorney General). The new narrative isn't false but, like many narratives before it, it is a half-truth.

A friend recently told me that most people buy and sell in the stock market based on emotion. Undoubtedly, most people give money to charitable causes based on emotion, as well. If this new narrative makes you feel good and gets you to give, it has done its job. Certainly, The Cooper Union is in spectacularly bad financial shape and needs all the money it can get to survive (especially since $8M worth of austerity measures proposed by the Working Group were rejected in February 2014).

Unfortunately, it has never been my role to make readers feel good. It has been my role to fill in the other side of those half-truths and provide a fuller, more honest narrative. Sorry.

The current version of this document can be found at <http://www.notnicemusic.com/testing.pdf>. Corrections to this document are appreciated and, if based on substantiated facts from legitimate sources, will be implemented by the author. The original version was completed on September 17, 2015.

The Alumni Pioneer, <http://www.notnicemusic.com/Cassandra/cooper.html>, was a virtual newspaper with breaking news stories and links to analyses, sources and the media. It was written and formatted in an inverted-pyramid newspaper style to facilitate quick access to what is deemed the most important information. It is now a news archive supplemented by the personal unedited musings and ramblings of the Publisher.