The meeting was called to order at 5:07 p.m.

There were present:

**Committee Members:**
- Hon. Joseph J. Lhota, Chair
- Hon. Marc V. Shaw, Vice Chair
- Hon. Valerie Lancaster Beal
- Hon. Carol A. Robles-Roman
- Prof. Terrence Martell, faculty member
- Mr. Cory provost, student member
- President Eduardo J. Marti, COP liaison

**University Staff:**
- Chancellor Matthew Goldstein
- Executive Vice Chancellor and Chief Operating Officer Allan H. Dobrin
- Executive Vice Chancellor and University Provost Alexandra Logue
- Vice Chancellor Ernesto Malave
- Vice Chancellor Pamela Silverblatt
- University Controller Barry Kaufman
- Chief Investment Officer Janet Krone

**Trustee Observer:**
- Hon. Manfred Philipp

**Trustee Staff:**
- General Counsel and Senior Vice Chancellor Frederick Schaffer
- Senior Vice Chancellor and Secretary of the Board Jay Hershenson
- Mr. Steven Quinn

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The agenda items were considered in the following order:

**I. ACTION ITEMS:**

A. **APPROVAL OF THE MINUTES OF THE MEETING OF JUNE 1, 2009.** The minutes were approved as submitted.

B. **POLICY CALENDAR**

1. A resolution to authorize the General Counsel to execute a contract on behalf of LaGuardia Community College to purchase maintenance services. The contract shall be awarded to the lowest responsible bidder after public advertisement and sealed bidding by the College pursuant to law and University regulations. Such purchase shall not exceed a total estimated cost of $3,150,000 for the initial one year term. The contract shall include up to four one year options for the University to renew in its best interest.

   The college will use these services to provide maintenance for buildings and grounds and related systems.

   Following discussion, the item was approved for submission to the Board.

2. A resolution to authorize the General Counsel to execute a contract on behalf of LaGuardia Community College to purchase janitorial services. The contract shall be awarded to New York State Industries of the Disabled without competitive bidding and
pursuant to law and University regulations. Such purchase shall not exceed a total estimated cost of $2,330,000 during the fiscal year ending June 30, 2010. The contract shall include up to four one year options for the University to renew in its best interest. The College is making this procurement through New York State Finance Law Section 162. New York State Industries of the Disabled is a listed preferred source.

Following discussion, the item was approved for submission to the Board.

3. A resolution to authorize the General Counsel to execute a memorandum of understanding (MOU) on behalf of The City University of New York and the State University of New York (SUNY), NYLINK. The MOU shall be awarded as an intergovernmental agreement pursuant to University regulations and applicable law for a term of one year. The total amount of the services shall not exceed $1,850,000 for the term. This MOU formalizes and extends CUNY’s on-going relationship with NYLINK to receive critical services for 20 CUNY college libraries and the CUNY Central Office.

Following discussion, the item was approved for submission to the Board.

4. A resolution to authorize the Board of Trustees to approve the CUNY Identity Theft Prevention Program. This new Program provides for policies and procedures to help reduce the risk of the theft of identities of students and other members of the University community. The program is based on the federal Trade Commission's regulation known as the Red Flag Rule. The Rule requires certain creditors to develop and implement an identity theft prevention program for accounts that are designed to permit multiple payments or transactions. Among the University accounts covered by the Rule are Perkins loan accounts, tuition payment plan accounts, and accounts established for the repayment of loans to students. The Program was developed by a task force representing departments within the University that are responsible for opening and or maintaining these covered accounts.

Following discussion, the item was approved for submission to the Board.

II. INFORMATION ITEMS:

A. Update on the 2010 State and City Budgets

Vice Chancellor Ernesto Malave stated that in April the governor and the legislature agreed to an adopted budget that provided the University with an investment opportunity. The governor changed tuition policy in the State of New York and allowed the University, in raising tuition to deal with the budget challenges, to retain some of that tuition in order to engage in an investment program. There were some challenges in the Executive budget that were addressed by the legislature. The University started the fiscal year with an adopted budget that had an investment component. Consequently, the University has been able to allocate resources to the campuses to hire additional full time faculty, not at the desired rate but nonetheless a modest investment program. The University also set aside $10 million to finance a student financial aid program to help students meet the challenges of the tuition increase, to have a textbook initiative, and to have some employment opportunities. The University begins the fiscal year in pretty good shape.

Vice Chancellor Malave noted, however, that the Governor had already indicated last month that there is some budget pressure in the current year and a $2.1 billion shortfall is forecasted for the State of New York in the current fiscal year. The Governor has indicated that he will be inviting
the legislature at the end of the month to craft a plan to deal with this current year shortfall, and with a projected $4.6 billion budget shortfall in fiscal year 2011. As was done last year, the campuses were advised to set aside appropriate reserves to deal with any potential budget challenge. Whatever may come in the form of midyear budget pressure, the CUNY system is already geared up and prepared to manage it and maintain the core principles of the University, the instructional component and the direct student services.

Vice Chancellor Malave stated that the University did not sustain any budget reductions last year from the City of New York, but the City is facing some considerable budget gaps. It may even be facing greater budget pressures than the State of New York, given that the stimulus package was largely a state stimulus package. Additionally, the City of New York used a lot of its reserves and surpluses to fund the budget for 2010. Going forward the University may be faced with budget pressure from the City side, but at this point the budget is fairly stable.

He added that the University's enrollment is projected to rise by about 8 percent overall in full time equivalent. At the community colleges there is an average of a nearly 12 percent increase in enrollment. The University faces the challenge of having to meet the needs of these additional students, and hire the additional faculty and support staff, but in the current year at least, it will help to offset any potential budget reductions.

Vice Chancellor Malave stated that the current picture is one of fair stability, but that the University needs to be mindful, as it thinks beyond 2010, and start thinking about 2011 and 2012 when the stimulus package that is holding the State budget together is gone. The Chancellor has established budget working groups that are engaged in identifying revenues going forward, and planning carefully for what could be difficult times in fiscal year 2012.

He noted that the Board will be asked to consider a budget request at its November meeting. One of the things the administration is doing in preparation is engaging in system-wide consultations with presidents, students and faculty on exactly what that request should look like. The Compact will again be the vehicle used to finance the system, bringing together all the stakeholders involved in shaping the University's budget. There may be modifications in terms of our tuition policy, and in terms of our efforts with philanthropy. Many of the funds that have been contributed to CUNY from private sources are under water.

Vice Chancellor Malave added that full time faculty continues to be the top investment priority. There are also important areas of technology that have to be addressed, and key areas of student support services that need to be supported—including the biggest support service for the instruction side of the house, libraries and research.

In response to a question from Trustee Philipp, Committee Chair Lhota confirmed that the hiring of more instructors and lecturers is a temporary move and that the University will go back to hiring full time professorial rank faculty.

In response to questions from Committee Member Martell, Vice Chancellor Malave stated that the enrollment FTE increases are 6 percent at the senior colleges, 11.8 percent at the community colleges, and 8.1 percent overall. The overall gain in enrollment head count was 6 percent.

In response to a question from Committee Member Martell, Chancellor Goldstein stated that there is an institutionalized process in place to review existing programs. The PMP, performance management process, was established in 2002-2003 and is a major component in setting goals
on the campuses. In general, however, this does not produce cost savings. The only time money is saved is when staff associated with programs that are going to be closed are reduced.

Chancellor Matthew Goldstein stated that the increases in enrollment are not sustainable. The University has experienced a large increase in the last couple of years. Across the country every public university system is experiencing large enrollment increases, largely correlated with the economy. In the short run the moral imperative is to keep this University open to as many people possible, because there are serious issues that society is collectively facing. However, this University cannot continue marching in the direction of increased enrollments of this magnitude because its physical plant cannot withstand the stresses of those big enrollment increases. It would have a negative impact with respect to keeping levels of full time faculty in the classroom—the University cannot keep up with hiring full time faculty—and that is not a good idea for the University. From an academic perspective and from the perspective of educational engagement with students, reducing full time faculty as a percentage of teaching power is the wrong way to go. When a campus is stretched to the degree that some of the University's campuses are stretched to now, students are going to have difficulty getting advising, and students are going to have difficulty finding appropriate classes to take.

Chancellor Goldstein stated that in the short run it is wonderful to have these enrollment increases, as the additional revenue can be deployed for further investment and that is a good thing. From a public policy standpoint, however, all universities, not just this one, have to think carefully about whether they can continue in this way. It is unlikely that these huge increases will continue around the country because at some point there will be an economic recovery. Increasing enrollment will, however, continue to be a serious issue that the University must face.

Chancellor Goldstein noted that budget pressures are not unique to the University or New York State. States across the country have severe budget problems which will manifest even more profoundly in the next couple of years as stimulus monies disappear. The University must not only manage its resources well, it must be mindful that things are going to change and may change rather precipitously within the next eighteen months.

Vice Chancellor Malave noted that work has begun on the creation of a new community college which has been endorsed by the Mayor. This shows the recognition by the City's Executive of the tremendous demand for education one gets at a community college, the limited capacity currently available, and the need to create new environments to meet this demand. The Mayor's commitment to endorse and support initiatives that have already begun with this administration with respect to leveraging the University's resources, to improving retention and graduation rates, are also encouraging.

B. Report on the Investment Portfolio

Chief Investment Officer Janet Krone stated that the University has been working hard over the past year on improving the investment pool and the asset allocation. The implementation is not complete yet, but important progress has already been made. The pool is still over weighted in U.S. equity, but the U.S. equity position has been decreased from 47 percent to 38 percent and the non U.S. equity increased from 15.7 percent to 19.2 percent, close to the target of 20 percent. Two new asset classes have also been added, emerging markets and real assets, and fixed income investments have been lowered.

She added that the moves that have been made to date have been fortuitous. The timing has been excellent and has added value. For the first seven months of 2009, the total pool is up 12.1
percent. All asset classes have positive returns, and, if you compare this to an index portfolio of 65 percent equities in the Russell 3000 Index and 35 percent fixed income in the Barclays Aggregate Bond Index, we are about 300 basis points above that.

Chief Investment Officer Krone stated that August 2009 estimates suggest that the pool is up another 3.5 percent, bringing the year to date returns to 15.6 percent. For the fiscal year, it was a tough year in the market and the pool was down 17.2 percent. However, that ended up being in the top quartile of the Cambridge endowment universe and looks to be, according to some recent press on U.S. colleges, about 200 basis points above the average return.

She noted that the investment staff will be working to come up with a schedule of meetings to address the next steps in the University's asset allocation implementation.

In response to a question, Chief Investment Officer Krone stated that, excluding contributions and based strictly on performance, the investment pool had regained the $138 million position it was at a year ago.

In response to several questions from Committee member Martell, Chief Investment Officer Krone stated that the Wellington Inflation Hedge is in commodity futures including metals, energy securities, agricultural securities, and a small component in REITS and real estate development firms.

Chancellor Goldstein noted that the inflows of contribution dollars are not in this pool, they are in the Foundation, which is where all of the philanthropy money is directed.

The meeting was adjourned at 5:47 p.m.