The meeting was called to order at 5:03 p.m.

There were present:

**Committee Members:**
- Hon. Joseph J. Lhota, Chair
- Hon. Marc V. Shaw, Vice Chair
- Hon. Valerie L. Beal
- Hon. Kathleen M. Pesile
- Prof. Terrence Martell, faculty member
- Mr. Cory Provost, student member
- President Eduardo J. Marti, COP liaison

**Ex-officio:**
- Hon. Benno Schmidt
- Hon. Philip A. Berry

**University Staff:**
- Chancellor Matthew Goldstein
- Executive Vice Chancellor and Chief Operating Officer Alan Dobrin
- Vice Chancellor Ernesto Malave
- Chief Investment Officer Janet Krone
- University Controller Barry Kaufman

**Trustee Staff:**
- Senior Vice Chancellor and Secretary of the Board Jay Hershenson
- General Counsel and Senior Vice Chancellor Frederick Schaffer
- 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 SEPTEMBER 9, 2009.** The minutes were approved as submitted.

B. **POLICY CALENDAR**

1. A resolution to authorize the General Counsel to execute one or more contracts on behalf of the Office of the University Controller to enter into one or more contracts with one or more vendors who will provide collection and litigation services. Contract(s) shall be awarded to the lowest responsive and responsible bidder(s) after public advertisement and sealed bidding by the Office of the University Controller pursuant to law and University Regulations. The contract term for each contract shall be five years with an option for the University to terminate on each anniversary date of each contract. The University will use these collection and litigation services to fulfill federal, state and local laws and regulations that mandate the University to pursue delinquent student loans and other debts.

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

2. A resolution to authorize Hunter College to implement an increase in dormitory fees beginning Spring 2010. Dormitory fees will increase a total of 15% in Spring 2010 and an
additional 18% to be effective Fall 2010. The current dormitory fees range from $348 to $624 per month for the nine month school year and will be increased to $462 to $833 per month by Spring 2011 for the nine month school year, depending on the type of resident room. The increase will also proportionately affect the dormitory fees for the summer months beginning Summer 2010. The fee increase is needed to maintain the condition of the dormitory complex, as well as to provide for a regular replacement cycle for dormitory furniture and equipment.

In response to a question, Vice Chancellor Ernesto Malave confirmed that these are room rent fees.

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

The public meeting of the Committee on Fiscal Affairs was adjourned at 5:15 p.m. to go into Executive Session.
The Executive Session of the Committee on Fiscal Affairs was called to order at 5:15 p.m.

There were present:

**Committee Members:**
- Hon. Joseph J. Lhota, Chair
- Hon. Marc V. Shaw, Vice Chair
- Hon. Valerie L. Beal
- Hon. Kathleen M. Pesile
- 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 Alan Dobrin
- Vice Chancellor Ernesto Malave
- Chief Investment Officer Janet Krone
- University Controller Barry Kaufman

**Ex-officio:**
- Hon. Benno Schmidt
- Hon. Philip A. Berry

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

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The agenda items were considered in the following order:

**II. INFORMATION ITEMS:**

**A. Report on Investment Portfolio**

**(THOMAS SMITT-JEPPESEN AND MARK FOWLER OF CAMBRIDGE ASSOCIATES GAVE A PRESENTATION, A MARKET UPDATE ON THE INVESTMENT POOL, AND A RECOMMENDATION FOR AN INTERNATIONAL EQUITY MANAGER)**

Following discussion, the Executive Session of the Committee on Fiscal Affairs' Subcommittee on Investment was adjourned at 5:30 p.m.
The Public Session of the Committee on Fiscal Affairs was reconvened at 5:30 p.m.

There were present:

**Committee Members:**
- Hon. Joseph J. Lhota, Chair
- Hon. Marc V. Shaw, Vice Chair
- Hon. Valerie L. Beal
- Hon. Kathleen M. Pesile
- 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 Alan Dobrin
- Vice Chancellor Ernesto Malave
- Chief Investment Officer Janet Krone
- University Controller Barry Kaufman

**Ex-officio:**
- Hon. Benno Schmidt
- Hon. Philip A. Berry

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

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

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### Cal. No. DISPOSITION

The agenda items were considered in the following order:

I. **ACTION ITEMS (continued):**

B. **POLICY CALENDAR (continued)**

4. **TABLE ITEM: Appointment of State Street Bank and Trust Company as a Custodian.**

   University Controller Barry Kaufman stated that this is a resolution to appoint State Street Bank and Trust Company as the custodian for the University’s investments. The University has had a long standing relationship with JP Morgan for custodial services, but in recent years there have been some challenges in working with Chase. Because the University Controller’s Office has not been satisfied with the services provided by Chase, it was decided to issue an RFP for custodial services and contact three of the major firms in this sector: JP Morgan Chase, State Street, and Bank of New York. Bank of New York did not respond to the request for information. JP Morgan Chase and State Street did and, after listening to the presentations and evaluating the information, the administration decided to recommend State Street. The administration would like this change to take effect as of January 1, 2010.
In response to several questions, Chief Investment Officer Krone stated that one of the pluses of going with State Street is that they are conversant in PeopleSoft, further facilitating the use of CUNY First.

University Controller Kaufman noted that while State Street has a record in dealing with and interfacing with PeopleSoft JP Morgan does not, and that the University is committed to PeopleSoft as its software for the ERP CUNYFirst Project.

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

3. Consideration of the FY2010-2011 Operating University Budget Request.

Vice Chancellor Malave stated that an estimated $3.2 billion budget shortfall for the State of New York was announced on Friday in the New York State Budget Division's midyear report. Last quarter the state was projecting a current year budget deficit of $2.1 billion. The state has also revised its estimate of the budget deficit for next year from $4.6 billion to $6.8 billion. The budget of the State of New York will continue to deteriorate in the future, particularly in fiscal 2012, which is when the influx of federal stimulus funds is scheduled to end.

The key component of what the Governor is proposing to deal with the $3.2 billion deficit is $1.8 billion in across the board reductions to state agencies and spending in local assistance, most of which affects education and healthcare. The Governor announced about a month ago the initial installment of $500 million against that $1.8 billion in cuts, including a recommended $53 million reduction in support to CUNY senior colleges. He recently announced another $1.3 billion in cuts including cuts of up to 4.5 percent to the education sector. The University's community colleges are included in the local assistance budget as aid to local governments and as a consequence face $9.9 million in recommended reductions. The total challenge for the University at this point is a $63 million reduction in public support that is now before the legislature for their consideration. In addition, the executive is recommending a $120 decrease in the award schedule for students receiving TAP.

Vice Chancellor Malave stated that the University is working with the governor and the legislature to deal with the budget challenges. The University recognizes that it needs to share in the sacrifices that have to be made in the State of New York. The administration wants to ensure that CUNY is treated fairly and to make sure that the core academic mission and academic support services are protected. Working with the campuses the central administration has set aside appropriate reserves, so there is some capacity to deal with these challenges. They are clearly going to stress the University's budget, however. The University will have more information if and when the State Legislature acts. It is conceivable that they will not act and the $3.2 billion challenge that the State faces fiscally will roll into 2011. The University is planning for various options and various actions or a lack of action by the Legislature.

Vice Chancellor Malave noted that The City of New York was a bit more conservative in its revenue estimates. New York City no doubt finds itself challenged and will wait to see what the State of New York is going to do before figuring out what to pass on to the University. The fiscal situation is not deteriorating as quickly as it is at the state level, however.
Vice Chancellor Malave stated that against this backdrop the budget message in the CUNY Compact is more appropriate than ever. This is a message of shared responsibilities, of partnership. It is more than one entity's responsibility to finance the needs of the University. The University would like the State and the City to fund 100 percent of the mandatory cost increases but just a share of the investment program. The commitment of the University is that it will find a way of financing the remaining shares of the investment program. Those shares are divided among three groups. The first group is the friends of the University, through a continued emphasis on the capacity do more in philanthropy notwithstanding market conditions. The University itself is another key player and has a responsibility to always reshape its budget, always look at opportunities for efficiencies and productivity. That work continues. The final group is the students, and the idea is for that revenue to go toward investment and not for the mandatory costs.

He noted that the University administration is recommending a 2 percent increase in tuition, which is $45 per semester at the senior colleges and $30 per semester at the community colleges. This is in line with the Compact and with the higher education index across the country for public universities, which is pegged at 2 percent. There are three important points to remember here. The first is that TAP covers up to $5,000 for the neediest students. CUNY tuition is currently $4,600 for the senior colleges and $3,150 for the community colleges, so even after the increase the neediest students will not pay anything. The second is that the Chancellor has made a commitment that students who are nevertheless fiscally challenged by this tuition increase should get the assistance they need and they should not lose their matriculation. The third is that the federal government, as a part of the stimulus proposal that the president and the legislature are enacting, is increasing the Pell grant available to students by $200.

In response to several questions, Vice Chancellor Malave stated that in addition to international students, there is a category of independent students who are not being protected by Pell or TAP funds. The State of New York has a schedule, whereby if you are a certain age you could be an independent student not living at home, have an income of $7,000 and, based on income, get no more than $3,000 as a TAP award. The State of New York has never adjusted that schedule to go up to the current tuition level. Roughly 10 percent of students at the senior colleges and the community colleges are not protected by Pell or TAP funds, and they are the focus of the Chancellor's commitment.

Chancellor Matthew Goldstein noted that the majority of students in that 10 percent group are international students who had to certify their financial wherewithal in order to obtain the appropriate visas. For many of those international students the lack of coverage under state or federal financial aid programs is not an issue. The at risk population is much smaller.

In response to a question, Vice Chancellor Malave stated that part time students are eligible for federal Pell grants.

In response to a question, Vice Chancellor Malave stated that only the University can approve a tuition increase, but the state must increase CUNY's revenue appropriation in order for the University to capture that revenue.

In response to a question, Chancellor Goldstein stated that looking at the regulatory environment under which the University operates for areas where changes would allow greater productivity is part of the mandate given to one of the three budget working
Vice Chancellor Malave stated that in the current 2010 adopted budget the University received roughly $1.3 billion in state support, a little under $300 million in city support, and $1 billion dollars from tuition revenues for a total budget of $2.6 billion. That is the current base. Mandatory needs going forward in 2011 are scheduled currently at $91.7 million and that is largely driven by fringe benefits and contractual obligations. On the energy side there is a deflationary environment so there is not a large increase in costs associated with energy. Mandatory needs funding dominates the amount that the University is seeking in state support.

Looking at the programmatic requests for the investment program, the University is requesting an additional $28.8 million in state and $0.7 million in city support, a 2.2 percent increase. CUNY is also asking for an increase in revenue appropriations corresponding to the proposed 2 percent tuition increase, for a grand total of $155 million in requested appropriations for the investment program. The components of the investment program will look familiar as they are part of the Master Plan: the Flagship and Research Environment, student services, enhancements in educational technology, and facility improvements dominated by requests for four facilities that are coming online.

In response to a question regarding the education technology enhancements, Vice Chancellor Malave stated that they include the development of both personnel and the non-capital infrastructure. He noted that, depending on the nature of the item in question, some infrastructure items are capital and other are non-capital. The capital budget is used as much as possible.

In response to a question regarding the inclusion of facilities improvements in the non-capital budget, General Counsel and Senior Vice Chancellor Frederick Schaffer noted that if the roof of a building is replaced it is capitalized, but that if a building is painted it is not capitalized.

In response to a question, Vice Chancellor Malave stated that while enrollment at some colleges may be flat, or even in decline, the budget projections are based on growth in enrollment at the University level and do not assume growth across all campuses. While CUNY is clearly challenged by its physical space limitations, there are other opportunities that the campuses can take advantage of. Borough of Manhattan Community College has demonstrated that weekends and evenings can be deployed much more efficiently, and the administration is calling on the rest of the colleges to begin to move in that direction as well.

In response to a question, Chancellor Goldstein stated that the University has had discussions regarding enrollment strategies. Some of the community colleges have cut off enrollment a month or two before they traditionally have done so because the system was so stressed that it could not morally take in more students and expect to provide the same level of service.

He noted that the University started an enrollment management process two to three years ago and it is an important activity. The enrollment challenge is going to require close monitoring, strong management in the way the University utilizes its facilities, and different modalities of instruction. The next few years will continue to see great interest in
attending the University and the problem is being compounded by spiking retention rates. That is a result of the aggressive faculty hiring that has been done--increasing the full time faculty from 5,400 in 1999, to a projected 7,100 this spring--and the increased quality of the incoming students. Students are succeeding in record numbers. There are real challenges here with a physical plant that is not infinite, but I think we are up to the challenge.

Vice Chancellor Malave noted that those campuses that closed enrollment early this year worked closely together to make sure that students understood that there were opportunities available at other CUNY colleges, and to advise and assist students in pursuing those opportunities.

In response to a question regarding the restructuring and philanthropy components of the proposed budget, Vice Chancellor Malave stated that those funding sources make up a slightly smaller percentage of overall funding in this proposed budget than in past budgets. These decreases are due to the challenges facing philanthropic funds--many of which are under water--and the $68.3 million budgetary hit the University took last year. The University expects to reverse these trends as it moves forward.

Chancellor Goldstein added that the big moves on restructuring and efficiencies are yet to come as discussions are held with the state government on how the University can increase revenue by changing the way it does business. SUNY and CUNY are working in tandem to get some of those ideas across.

Trustee Manfred Philipp noted that cutting off enrollment early was necessary in order to maintain the quality required at CUNY, but that the University must also maintain high school students' access to the community colleges.

In response to a question Vice Chancellor Malave stated that the plan to hire 250 new full time faculty members represents a net increase in the number of full time faculty.

In response to a question regarding the budget process from this point forward, Vice Chancellor Malave stated that the Board of Trustees will hold a hearing on the proposed budget request before voting on it at the next full Board meeting. The budget request as approved by the Board will then be delivered to state and city officials. The Governor is expected to issue the Executive Budget recommendations in January. The Mayor's Executive Budget will be issued in April or early May.

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

The meeting was adjourned at 6:15 p.m.