

BOARD OF TRUSTEES
THE CITY UNIVERSITY OF NEW YORK

COMMITTEE ON
FISCAL AFFAIRS

MINUTES OF THE MEETING
OCTOBER 24, 2016

The meeting was called to order at 12:00 p.m.

There were present:

Committee Members:

Hon. Barry F. Schwartz, Chair
Hon. Fernando Ferrer, Vice Chair
Hon. Lorraine A. Cortés-Vázquez
Hon. Robert F. Mujica
Hon. Una S. T-Clarke
Prof. Kay Conway, faculty member
Ms. Cecilia Salvi, student member
President Felix Matos Rodriguez

University Staff:

Chancellor James B. Milliken (via telephone)
Senior Vice Chancellor and Chief Financial Officer
Matthew Sapienza
Senior Advisor Marc V. Shaw
University Executive Budget Director Catherine
Abata

Trustee Observer:

Hon. Chika Onyejiukwa

Trustee Staff:

Senior Vice Chancellor and Secretary of the
Board Jay Hershenson
General Counsel and Senior Vice Chancellor
Frederick P. Schaffer
Deputy to the Secretary Hourig Messerlian
Ms. Towanda Lewis

Cal. No.	DISPOSITION
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The agenda items were considered and acted upon in the following order:

I. ACTION ITEMS:

A. APPROVAL OF THE MINUTES OF THE MEETING OF OCTOBER 5, 2016. The minutes were approved as submitted.

B. POLICY CALENDAR

1. The City University of New York – Consideration of the FY 2017-2018 Operating Budget Request.

PRESENTATION BY SENIOR VICE CHANCELLOR AND CHIEF FINANCIAL OFFICER MATTHEW SAPIENZA ON THE FY2017-2018 OPERATING BUDGET REQUEST

In response to a question from Committee Chair Barry Schwartz, Senior Vice Chancellor and Chief Financial Officer (SVC&CFO) Matthew Sapienza stated that even though CUNY's fiscal year ends on June 30th, the state and city both give the University three months to do post-year adjustments, so there is still a lot of activity going on in the months of July, August and September. The Office of Budget and Finance (OBF) begins working on CUNY's year-end quarterly report in October.

In response to a question from University Faculty Senate (UFS) Chair and Trustee Kay Conway, SVC&CFO Matthew Sapienza stated that in terms of getting more information about other than personal services (OTPS) money—whether it is contractual, supplies and materials, or travel of any of the OTPS categories—that is something that the college

BOARD OF TRUSTEES
THE CITY UNIVERSITY OF NEW YORK

COMMITTEE ON
FISCAL AFFAIRS

MINUTES OF THE MEETING
OCTOBER 24, 2016

should provide to the elected faculty and student in regards to governance at the detailed college level.

In response to another question from UFS Chair and Trustee Conway, SVC&CFO Sapienza stated that OBF has done an analysis over the years in terms of comparing CUNY faculty to external peers. At the end of every fiscal year, in addition to doing the year-end quarterly report, OBF prepares a detailed year-end expenditure report that shows what the spending per FTE was at each campus. OBF does not target what each campus should be spending because each campus is different; however, there are scale issues, some of the smaller campuses will have higher per FTEs because everyone needs a registrar and a bursar, so there is not a standard that is set. He added that OBF will provide the Committee with the year-end expenditure report at the next meeting.

In response to a question from University Student Senate (USS) Chair and Trustee Chika Onyejiukwa, SVC&CFO Sapienza noted that any data in red font on this report reflects a negative change compared to the prior year.

In response to a related question from UFS Chair and Trustee Conway, SVC&CFO Sapienza stated that pending allocation are funds that have not yet been given out. These are resources that OBF provides to the colleges based on certain expenditures. The funds are allocated to the colleges at the end of the year when OBF knows what their actual costs are. He added that this could potentially reduce the negative campus-based allocation numbers.

In response to a question from Trustee Una Clarke, SVC&CFO Sapienza stated that the University has expenditure policies and procedures manuals that OBF issues throughout the year. They are closely tied to what the state and city controllers' procurement regulations are. OBF can provide the Committee, as well as the full Board, with copies of the manuals if requested.

In response to a comment from Committee Chair Schwartz, SVC&CFO Sapienza noted that information was recently sent out regarding non-tax levy procedures from General Counsel and Senior Vice Chancellor Frederick Schaffer and himself.

In response to a question from Ms. Cecilia Salvi, SVC&CFO Sapienza stated that in regard to immigration services, the CUNY Citizenship Now project that is run by Dr. Allan Wernick provides immigration services not only to CUNY students but for the entire city and state of New York. There are also immigration centers throughout the five boroughs, and so even though the project is budgeted as part of shared services costs at the University, it is done on behalf of the campuses.

In response to a related question from Trustee Lorraine Cortés-Vázquez, SVC&CFO Sapienza stated that all shared services are administered by a director or leader of the central administration. For instance, OBF has a unit that administers and processes financial aid checks to all CUNY students throughout the University. OBF has assigned eight people in its office with the task of cutting the checks. In terms of function, they are part of OBF but the costs for them are included in shared services, creating great efficiencies because if every college had to cut financial aid checks, the campuses would have to have about 40-50 people in total to do it.

In response to another question from Trustee Cortés-Vázquez, SVC&CFO Sapienza stated that as OBF gets closer to issuing its year-end quarterly report, there will be more clarity as to what are central or shared services.

BOARD OF TRUSTEES
THE CITY UNIVERSITY OF NEW YORK

COMMITTEE ON
FISCAL AFFAIRS

MINUTES OF THE MEETING
OCTOBER 24, 2016

In response to a follow-up question from Committee Chair Schwartz, SVC&CFO Sapienza stated that shared services cost represents spending the University has done on behalf of the colleges, and the central administration cost represents all other spending.

In response to another question from Committee Chair Schwartz, SVC&CFO Sapienza stated that the overall six percent reduction that the University achieved in Fiscal Year 2016 will be reflected when OBF compares 2015 to 2016.

In response to a third question from Committee Chair Schwartz, SVC&CFO Sapienza stated that the expenditures for Board of Trustees under central administration are costs allocated for staff salaries, and purchases that are done on behalf of the Trustees.

In response to a question from Trustee Robert Mujica, SVC&CFO Sapienza stated that building rental costs are for facilities that CUNY leases for both the colleges and the central administration.

In response to a question from Trustee Una Clarke, SVC&CFO Sapienza stated that the capital planning and construction cost reflects spending at the Office of Facilities Planning, Construction and Management.

UFS Chair and Trustee Conway noted that the year-end quarterly report should provide a like category under central administration similar to the categories that are listed under shared services.

In response to a question from UFS Chair and Trustee Conway, SVC&CFO Sapienza stated that he would provide the Committee with the percentage of students not eligible for financial aid at a future meeting.

In response to a question from Trustee Una Clarke, SVC&CFO Sapienza stated that this is only a budget request. Once the budgets are known at the state and city level, the University will have to make a determination on how much of the request CUNY can actually fund.

In response to a question from Trustee Cortés-Vázquez, SVC&CFO Sapienza stated that the University is requesting \$93 million from the city and \$65.5 million from the state, to support CUNY's TAP gap, for recognition of inflationary costs, and general support of the senior college operating costs. Also, the University is asking the state to fund CUNY's mandatory needs, provide some support for the senior college priorities in the Master Plan, and to provide a \$250 base-rate increase for the community colleges.

In response to a question from Trustee Mujica, SVC&CFO Sapienza stated that the TAP gap would increase with every tuition increase at the senior colleges but it is not reflected in this request. CUNY is requesting a \$10 million increase from the city to fund the current TAP gap. He added that since it is not included, the University is reflecting it on the additional tuition of \$34.2 million that CUNY is counting on, that is, the net of what the University would have to cover from the additional TAP gap, so a \$250 increase in tuition generates more than \$34 million but CUNY is only counting on \$34 million towards the request.

UFS Chair and Trustee Conway noted that it is fabulous that this budget request supports a reduction in workload for faculty. SVC&CFO Sapienza stated that the reduction in

BOARD OF TRUSTEES
THE CITY UNIVERSITY OF NEW YORK

COMMITTEE ON
FISCAL AFFAIRS

MINUTES OF THE MEETING
OCTOBER 24, 2016

workload for faculty would be permanent but it is contingent on CUNY reaching an agreement with the union.

In response to a follow-up question from Committee Vice Chair Fernando Ferrer, SVC&CFO Sapienza stated that workload reduction for faculty is unilateral. It is not currently consistent across the board. There are some members of the faculty that get release time to do administrative functions and some who get time for research but those are issues that would have to be worked out as part of the discussion with the union.

In response to a question from UFS Chair and Trustee Conway, SVC&CFO Sapienza stated that the \$35 million would be in support of the workload reduction for faculty both at the senior and community colleges. OBF does not know what the distribution would be yet because the University does not have the formal agreement with the union. For simplification, OBF has put it all under the senior colleges, but it is hopeful that a significant portion will go to the community colleges for faculty workload reduction.

In response to a question from Trustee Clarke, Senior Advisor to the Chancellor Marc Shaw stated that it is premature to talk about an alternative budget at this time. Currently, OBF is asking this Committee to approve the budget proposal for submission to the full Board for approval so that OBF can then work with the state and city governments as they prepare their budgets. The decisions they make during their budget processes in June will impact what CUNY receives. At that time, OBF will then propose a revised budget if necessary.

In response to a question from Trustee Cortés-Vázquez, SVC&CFO Sapienza stated that in terms of state support for the community colleges, CUNY has always asked the state for additional support with every budget request, and will continue to do so. This is the first year that the University is asking for additional support from the city for the senior colleges. The city provides \$32.3 million in support for the senior colleges, and that number has been static since 1995.

In response to another question from Trustee Cortés-Vázquez, SVC&CFO Sapienza stated that in terms of the process and timeframe of CUNY's budget request, in January, the Governor will introduce his Executive budget. Later in the month, the Mayor will issue his preliminary budget for Fiscal Year 2018. At that point, OBF will issue an analysis to the Board to show how their budgets impact CUNY. The same will happen once the budget is adopted in April at the state level, as well as when the city budget is adopted in June. OBF will keep the Committee apprised of what each step in the budget process could possibly mean for the University for clarity and transparency purposes.

In response to a question from Committee Chair Schwartz, SVC&CFO Sapienza stated that the adopted budget would be what the state and city provide for the University. At that point, determination would need to be made as to how CUNY would allocate the state and city budgets, and what priorities to fund that were in the budget request.

In response to another question from Committee Chair Schwartz, SVC&CFO Sapienza stated that historically the senior staff has not provided the Board with the adopted budget as a formal resolution but it has certainly been reported to the Board.

In response to questions from Trustee Cortés-Vázquez and USS Chair and Trustee Onyejiukwa, SVC&CFO Sapienza stated that the purpose of OBF bringing this item to the Committee, and then to the full Board at this point in the year is to make sure that these requests are out there so that when the budgets are being put together at the state and

BOARD OF TRUSTEES
THE CITY UNIVERSITY OF NEW YORK

COMMITTEE ON
FISCAL AFFAIRS

MINUTES OF THE MEETING
OCTOBER 24, 2016

city levels, they will see the support of the Board, and are aware of the investments that the Board would like to make in the University. He added that this multi-year financing plan over the next four years assumes that all of the constituents are contributing. While the students are being asked to pay more, the University is reducing the amount of the Predictable Tuition Policy—reducing the term from five years to four years. CUNY is also asking the state and city to contribute, and the University—through administrative efficiencies—to contribute a lot more than what is being contributed through tuition in terms of percentage increases.

Chancellor James Milliken stated that the budget request is a statement about the University's strategies, priorities, and goals. It is based on a four-year Master Plan that has already been adopted. He added that it is important that the University and the Board of Trustees make a statement to CUNY's funding partners about the goals of the University, and on the resources that are needed at CUNY from the variety of sources that are proposed for funding. It is an essential part of the budget process.

In response to a question from President Felix Matos Rodriguez, SVC&CFO Sapienza stated that based on CUNY's contractual agreement with the unions, it was agreed that a commitment would be made by both the University and the unions to work towards a shared goal.

In response to a question from Trustee Clarke, SVC&CFO Sapienza stated that two-thirds of CUNY's students will not be affected by the tuition increase because they attend tuition free. Furthermore, as part of the budget request, if the University receives the requested funding from the state and city, CUNY would hold community college tuition flat for the next year. In addition, the University has a significant financial aid and completion initiative that is part of the budget request. It is one of the biggest strategic investments at CUNY—the Bridge to Completion Program—for which the University is requesting \$17.5 million to help those students who max out on their financial aid to complete their degree.

In response to another question from Trustee Clarke, SVC&CFO Sapienza stated that the chancellery heard the concerns of the students at the October 16th Budget and Public hearing. Furthermore, as mentioned at the last Board meeting on October 25th, the administration takes tuition increases seriously. In fact, it was reflected in the reduced amount of the annual increases from the Predictable Tuition Policy. Even those students who are within that one-third face a lot of challenges. On the other hand, even with these increases, the University, compared to other public institutions throughout the country and private colleges throughout the city, is incredibly affordable and will continue to be.

In response to questions from Trustee Mujica and UFS Chair and Trustee Conway, SVC&CFO Sapienza stated that OBF will provide the Committee with the average household income of CUNY students and how much they are paying towards their tuition, as well as, their eligibility for financial aid.

In response to a question from Committee Vice Chair Ferrer, SVC&CFO Sapienza stated that the \$6,330 resident annual rate for the senior colleges is incredibly low compared to other public higher institutions. For the community colleges, it is \$4,800 per student. CUNY needs to be mindful of the community colleges compared to the maximum TAP award, which is \$165, but the University does not come close to piercing that.

In response to a follow-up question from Committee Vice Chair Ferrer, SVC&CFO Sapienza stated that the new initiative would go toward identifying those students in the

BOARD OF TRUSTEES
THE CITY UNIVERSITY OF NEW YORK

COMMITTEE ON
FISCAL AFFAIRS

MINUTES OF THE MEETING
OCTOBER 24, 2016

community colleges who are maxing out on their grants and are faced with the choice of either finding the money to cover tuition or to drop out.

Committee Chair Schwartz noted that part of the reason for the Master Plan is to help community and senior college students in need, and the other part is to enhance revenue at CUNY.

In response to a question from Ms. Salvi, SVC&CFO Sapienza stated that as mentioned earlier, CUNY will have to see what the agreement is at the state and city levels in terms of the overall budget before making a decision about tuition increases. Tuition is the University's second largest funding source and it is critical that it be included in this formal budget request and not have it as a separate item.

In response to a question from Trustee Clarke, SVC&CFO Sapienza stated that there are policies, deadlines and timeframes for students who owe an outstanding tuition balance.

In response to a question from President Felix Matos Rodriguez, SVC&CFO Sapienza stated that from his viewpoint, Queens College has the largest number of students who would have to pay the tuition increase because it has the smallest number of students who receive both TAP and Pell grants, so it is easier for the college to ask for donor support to make up for ways to support the students that might be affected by the tuition increase, then to make up the potential holes in the budget if the funding does not become available.

Following discussion, the item was approved for submission to the Board. Committee Chair Barry Schwartz, Committee Vice Chair Fernando Ferrer, Trustees Robert Mujica and Lorraine Cortés-Vázquez, and University Faculty Senate Chair and Trustee Kay Conway voted YES. Trustee Una Clarke ABSTAINED. Ms. Cecilia Salvi voted NO.

The meeting was adjourned at 1:15 p.m. to go into Executive Session.

BOARD OF TRUSTEES
THE CITY UNIVERSITY OF NEW YORK

COMMITTEE ON
FISCAL AFFAIRS

MINUTES OF THE MEETING
OCTOBER 24, 2016

The Executive Session was called to order at 1:16 p.m.

There were present:

Committee Members:

Hon. Barry F. Schwartz, Chair
Hon. Fernando Ferrer, Vice Chair
Hon. Lorraine A. Cortés-Vázquez
Hon. Robert F. Mujica
Hon. Una S. T-Clarke
Prof. Kay Conway, faculty member

University Staff:

Chancellor James B. Milliken (via telephone)
Senior Vice Chancellor and Chief Financial Officer
Matthew Sapienza
Senior Advisor Marc V. Shaw
University Executive Budget Director Catherine
Abata
Chief Investment Officer Janet Krone
Deputy Chief Financial Officer Christina Chiappa

Trustee Observer:

Hon. Chika Onyejiukwa

Trustee Staff:

Senior Vice Chancellor and Secretary of the
Board Jay Hershenson
General Counsel and Senior Vice Chancellor
Frederick P. Schaffer
Deputy to the Secretary Hourig Messerlian
Ms. Towanda Lewis

Cal. No.

DISPOSITION

II. INFORMATION ITEM:

A. Information Update on CUNY Investment Pool

***PRESENTATION BY SENIOR VICE CHANCELLOR AND CHIEF FINANCIAL OFFICER
MATTHEW SAPIENZA***

The Executive Session was adjourned at 1:21 p.m. The meeting reconvened in Public Session at 1:22 p.m., which was adjourned at 1:23 p.m.