JOINT
EDUCATION AND ECONOMIC DEVELOPMENT COMMITTEE
AND WAYS AND MEANS COMMITTEE
MINUTES

MONDAY, JULY 17, 2023
4:00 P.M.

PRESENT: Joseph J. Minuta, Chairman (Education and Economic Development)
Thomas J. Faggione, Kevindaryán Luján, James D. O'Donnell,
Paul Ruszkiewicz, Genesis Ramos, Robert C. Sassi, Kathy A. Stegenga

Leigh J. Benton, Chairman (Ways and Means)
L. Stephen Brescia, Barry J. Cheney, Kevin W. Hines,
James D. O'Donnell, Thomas J. Faggione, Michael D. Paduch,

ALSO
PRESENT: Katherine E. Bonelli, Chairwoman
Alicia D'Amico, Director of Operations
Richard B. Golden, County Attorney
Stephanie Midler, Assistant County Attorney
Michael Schreiber, Deputy Commissioner of Finance
Dorey Houle, Ombudsman, Human Resources
Steven M. Gross, Director, Economic Development
Dr. Kristine Young, President, Orange County Community College
Paul Martland, Vice President of Admin., Orange County Community College
Agnes Wagner, Comptroller, Orange County Community College
Ralph Martucci Jr., Orange County Community College, Board of Trustees Chair
Thomas Weddell, Orange County Community College, Board of Trustees Vice Chair
Nicholas DeSantis, Partner, O'Connor Davies LLP
Chris Kopf, Partner, Partner, O'Connor Davies LLP
Gretchen Riordan, Deputy Budget Director

Chairman Minuta opened the Education and Economic Development committee meeting at 4:02 p.m. by asking everyone to stand for the Pledge of Allegiance. All committee members were present.

Chairman Minuta changed the order of the agenda requesting Mr. Gross to address the committee first with an update on Economic Development.

Mr. Gross updated the committee on the Consolidated Funding application which is coming up in eleven days and the deadline is 4:00 p.m. on July 28th. He mentioned the Not-for Profit Capital Grant Programs that was being offered to help Not-for-Profits upgrade their facilities, offering $25,000 to $100,000 for the program. The Foreign Trade Zone has had a lot of activity. They are planning the second Economic Summit on September 15th. Sports Tourism is growing in Orange County. They are working on a promotional video with Focus Media. They met with Orange Packaging, a company in the City of Newburgh. Medline in the Town of Montgomery is interested in putting solar panels on the roof of their building, making it one of the largest solar facilities in the county.

On the motion of Mr. Faggione, seconded by Ms. Stegenga, the Education and Economic Development Committee meeting adjourned at 4:09 p.m.

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Chairmen Benton and Minuta opened the JOINT Education and Economic Development and Ways and Means Committee meeting at 4:13 p.m. by asking everyone to stand for the Pledge of Allegiance. All committee members were present with the exception of Legislators Anagnostakis and Sierra (Ways and Means) who were absent.

(Education and Economic Development)
Mr. Luján moved to review the proposed Orange County Community College Budget for 2023-2024, seconded by Mr. Faggione.

(Ways and Means)
Mr. Cheney moved to review the proposed Orange County Community College Budget for 2023-2024, seconded by Mr. Paduch.

Mr. DeSantis and partner, Chris Kopf, presented their firm's review of the Orange County Community College proposed budget. The purpose of their review is to look at the mathematical accuracy based on the policy of assumptions made by the college and the trustees. He referred everyone to page 43 of the PKF O'Connor Davies "A Review of the 2023-24 Proposed Budget of Orange County Community College" (On file in Clerk, Legislative Office).

Mr. Kopf pointed out that enrollment was up as a result of the college's impressive marketing campaign.

Ms. Stegenga commented on the lack of support from the state and they do not keep their commitment to the college.

Mr. Benton noted that the accountants had a question about why the college was contributing $180,000 to the Foundation when they have a $19 million budget.

Dr. Young explained that the $19 million current budget for the Foundation is mostly their endowment. They are funds that are given to the Foundation over time by doners. It is the endowment that almost always uses the funds to form a scholarship. The money is untouchable and there are many people who have made donations over time. She added that about 80% of the $19 million, by law, cannot touch the funds because it generates scholarships. At the last graduating ceremony, they gave out $450,000 worth of scholarships, generated by $17 million of principal, the rest of the money pays for staff.

Mr. Martucci stated that nobody can touch the principal, you can only create scholarships on what is earned.

Mr. Benton pointed out that the college has $11 million, and the interest income was $630,000. The college made $630,000 on $11 million; he asked how much is their interest income on the restricted amount. It should be more than $630,000 so they should not need the $180,000.

Mr. Martucci stated that they do not have the Foundation's financials, they do not compute those or approve them. He has not looked at their balance sheets in a long time.

Mr. Faggione referred to the 2023-2024 Budget Request Booklet from the college and pointed out that page 23 listed Foundation Support, $180,000. He clarified that the Foundation, that has an excess of $19 million, will receive in the proposed budget for 2023-2024, $180,000 of taxpayer money to help support the Foundation.

Mr. Martucci explained that the $180,000 was historical operating expenses at the college. Those responsibilities were moved to the Foundation, and they are subsidizing those costs. They always had the $180,000 at the college.

Mr. Faggione asked for a list of the responsibilities.

Dr. Young pointed out that the Foundation has the alumni function, a Foundation Director and an Alumni Director who have large responsibilities.

Mr. Minuta asked how much interest is being earned.

Mr. Weddell explained that there is $19 million that was given to the Foundation which is restricted. They only want to pass through the earnings to the students. The earnings of $19 million will go to students who pay tuition. On their financial statements, that money that goes to these students goes on their tuition line. It does not matter whether it is a scholarship, or actual money. If a student has a $2,600 tuition reduction, a scholarship from the Foundation, the tuition for that student instead of being $5,200 is only $2,600, the Foundation pays the other $2,600. On their financial statements, the earnings from the Foundation only fund the students′ part of their tuition, which they already included the full tuition in their financials. Their tuition line on their financial statements is the same number, with or without the Foundation funding the students. It allows students to get more scholarships to pay the tuition that they already included in their financials.

Mr. Minuta stated that if there is $11 million in one pot earning interest, and $19 million in another pot earning interest, it would make sense that the $19 million would be earning more interest.

Mr. Weddell confirmed that was correct.

Mr. Minuta continued to state that money is being used for scholarships. He asked what else it is used for.

Mr. Weddell added that on occasion if they need some kind of equipment for nursing program or engineering program, they will get some kind of equipment which will be funded.

Mr. Minuta clarified that they can fund both the student′s tuition and hard supplies for the college. He was informed yes, they can.

Mr. Minuta further asked what the mission of the Foundation is.

Dr. Young explained that they exist to support and do fundraising for the college. They establish scholarships, for example if someone passes away and the individual wants to establish something in honor of their loved one. At their last ceremony, there was $450,000 awarded to students, that turned around and put the tuition right back into the college. A smaller amount would work with the foundation and do specific fundraising to get for example, a mannequin for the nursing program, and they would ask the Foundation to work with them to do specific fundraising to help match, that is when they go before the Legislature to request approval for the college to use $50,000 that the Foundation raised so they can match it with SUNY and get a mannequin. That is part of their mission, to specifically go out to find a donor or do collective fundraising to do that, but it is mostly scholarships.

Mr. Minuta explained that the question being posed is that $180,000 of taxpayer money is going into the Foundation to support those items and why are they funding taxpayer dollars to a Foundation for scholarships.

Mr. Benton noted that Leadership is inclined to offer 3.5%, not the 6% requested. They are trying to think of a way to save $490,000. The auditors came up with $239,000 with their findings, now they need to come up with a little more.

Mr. O'Donnell pointed out that he planned to support 6%. He felt it was explained properly. The college used to do all of the administrative work but now the college has transferred the administrative work to the Foundation with the agreement they will continue to fund the employees that do the work for the administration. His guess is that the Foundation is going to transfer that work back to the college. The administrative work needs to be done. The college has been funding it through a handshake agreement when they transferred those administrative duties over to the Foundation. If you take the $180,000 from the Foundation, they will have a logical argument with the college that they should take back the administrative duties. The $19 million is restricted donations.

Mr. Benton commented that the Foundation has roughly $1 million in interest income, and they had roughly $400,000 in scholarships and the difference is $500,000.

Mr. O'Donnell pointed out that it was restricted money.

Mr. Benton stressed that it was not restricted on the interest.

Mr. Martucci stated that the balance itself can never be touched. The $19 million can never be touched. Whatever is earned from that goes to fund scholarships each and every year for that particular scholarship, every student gets it. The same thing for the $180,000, if they do not pay that to the Foundation, there will be students with less than $180,000 for scholarships.

Mr. Benton asked if any of that interest money could go to administration.

Mr. Martucci was not sure. He pointed out that they are not the Foundation. The Foundation is a separate legal entity that is run by their own Board of Directors. They collaborate but the Trustees do not manage their finances, the Board of Directors do.

Mr. Ruszkiewicz stated that the $180,000 is nothing new, that is in their budget all year. There is the estimated amount of $200,000 which is the favorable variance which can go either way.

Mr. Luján agreed with Legislators O'Donnell and Ruszkiewicz. The college has done everything it can to help reduce the budget. He fully supports the 6%.

Ms. Ramos supports 6%. She thanked the college for all their hard work. Last year there was a concern about enrollment. She pointed out that enrollment is up by 5%. She did not understand the conversation they were having about the Foundation. They are two different institutions, two different pockets of money. She asked if there was a cap in the percentage that they can tap into because she did not think that they should blanket umbrella everything and treat it like a cookie cutter situation.

Dr. Young pointed out that it was not her organization, but she does know that the Foundation has a policy. They have an investment committee and there is a policy with the full board to address how much they spend on the scholarships.

Mr. Weddell explained that the Foundation must distribute 5% every year and if it doesn't then they pay an income tax. Most Foundations distribute based on that because they do not want to pay the taxes.

Ms. Ramos mentioned that the college needs to stay up to date with technology and they need to be proactive. They need to invest in technology and prevent cyberattacks. The state provides a lot of funding through grants. She was in full support of the 6%.

Dr. Young stressed the struggle to get financial aid staff. Many people prefer remote work nowadays. Campus Works served them well, especially during the pandemic.

Mr. Luján stated that they do not want to raise tuition. There are people that rely on scholarships. It is about the future of our students, our community, and making sure that the college continues to do great work.

Ms. Stegenga mentioned that if they did not use the interest that was generated by the $19 million, it would be put back into the principal. If they are reallocating the interest from the base and not using it for the scholarships because $19 million generated a lot more than $450,000 for scholarships. The rest of that is being generated and put back in. She asked if there was a stipulation stating that only the base donation cannot be touched and has to stay there.

Dr. Young responded that there were a lot of questions that she cannot answer. She noted that the organization is audited. She planned to follow up on these questions.

Chairwoman Bonelli asked if there is a duplicity of work or is Campus Works totally in charge of this.

Mr. Martland explained that the financial aid area is the most difficult hire in higher education. It is a national problem, not just them. When Campus Works originally came on board, it was to evaluate their financial aid activities and make recommendations for improved operating procedures. They extended their contract to work more closely with their Financial Aid Department, their Information Technology Department and getting input from SUNY to help upgrade their technology system so that they can utilize these practices. To answer the question, it is a little bit of both. The consultants work with people that are doing the same thing. There is back-room processing that takes place such as verifications. They are in the midst of a contract to help them find an interim Director of Financial Aid. The Campus Works contract expires at the end of August. The plan is to not extend it.

Mr. Sassi congratulated the college on their healthy fund balance. The college is routinely asked to squeeze every penny, and they do. The elected officials in Albany have dropped the ball and continue to, over and over. He hopes that information is relayed to the staff at the college so when it is time to vote, they vote for people who support the college. He is a proud graduate of SUNY Orange. He felt that the 6% was a good investment because there are a lot of young people in Orange County that depend on that.

Mr. Cheney referred his colleagues to the 2023-2024 Budget Request booklet provided by the college (On file in Clerk, Legislative Office). He referred everyone to page 16 where there is a summary of the last four years of funding by the county. The first two of those years were 0% each year. He believed that was because of the money received by the college connected to Covid. Those funds are now gone. At this point, he felt it was time to pay up for what they did not have to provide in the past. He commended the college for their willingness to pitch in their money from their fund balance. A failure to provide the 6% can have a great impact on the fund balance. They need to build up as much of a foundation as they can to allow the college to move forward successfully.

Mr. Hines stated that the government's responsibility is public safety, second responsibility is educating a proper workforce. He was in support of 6%. They deserve the money, they increased enrollment like they were asked to, they have done the job well.

Mr. Faggione noted that they were all tasked with the financial responsibility of our county taxpayers. They hired an accounting group to analyze the books that the community college presented. The debate today was a good debate with good discussion. There were concerns about taxpayer money and funding a private foundation. Any questions asked of the college are in the best interest of the college, not at the detriment of the college. He referred his colleagues to page 28 of the 2023-2024 Budget Request booklet provided by the college (On file in Clerk, Legislative Office). He pointed out that the ask for the 2023-2024 budget is 6%, however, the forecast all the way out to fiscal year 2027-2028 is 2%. If these two committees vote for 6% this year, we will hold it to 2% going forward. He thanked the accountants for their hard work and the community college for their hard work and he thanked his colleagues.

Mr. Brescia stated that he has always asked the college and staff to stay within their spending limits. They used the early retirement incentive which they did successfully. He planned to support 6%.

(Ways and Means)
Mr. Hines moved to approve funding of $20,801,937 for the Orange County Community College Budget for 2023-2024, seconded by Mr. Cheney.

(Education and Economic Development)
Ms. Ramos moved to approve funding of $20,801,937 for the Orange County Community College Budget for 2023-2024, seconded by Mr. Luján.

Motion carried. All in favor. (Education and Economic Development)

Motion carried. All in favor with the exception of Legislators Benton and Paduch who voted no. (Ways and Means)

Mr. DeSantis addressed the committees by pointing out that everyone has before them the Financial Statements from the County of Orange, Year Ended, December 31, 2022. He noted that the booklet will require some minor modifications in presenting some of the numbers because the State Comptroller just came out with a directive that he received last week as to how to account for the almost $8 million of Opioid monies. It will not change what will be presented today nor the bottom-line fund balance, it will change some of the presentation of the funds on the balance sheet. With that said, everyone has two booklets in front of them, one is the spiral bound book not to be confused with the budget report on the college and there is a pamphlet type booklet which is a power point. He pointed out that in that booklet, there are two pages substituted for pages 13 and 14 and asked that everyone turn to page xiii in the spiral book and refer to the Certificate of Achievement for Excellence in Financial Reporting (on file in Clerk, Legislative Office). This award comes with great significance as there are only thirty municipalities in the State of New York that are eligible to receive this award and present their financial statements in a way that enables them to get the award and helps those financial institutions that read the financial statement. He then asked that everyone turn two pages to the Independent Auditors Report and review it with the committee.

Mr. Kopf presented the committee with the **Orange County, New York, Report to the Board of Legislators** which highlights the CAFR (on file in Clerk, Legislative Office). He reviewed the following Financial Statement Highlights with the committee which included: *General Fund Revenue and Expenditure Summary, General Fund Revenues vs. Budget, Major General Fund Revenues vs. Budget, Major General Fund Revenues 5 Year History, Major General Fund Revenues 5 Year History, General Fund Expenditures vs. Budget, DSS Local Share 5 Year History, General Fund Balance Sheet, General Fund Retrospective, and Enterprise Fund Year Ended December 31, 2022.*

Mr. DeSantis referred to page 3 and pointed out that it shows $116,698,732.00 which is a budget surplus in the general fund. On page 13 (General Fund Balance Sheet), the particular importance to this body is how much fund balance there is. As everyone recalls from past conversations, he has indicated that the fund balance is broken up into five categories also known as five distinct pots. The definition for those categories can be found in the spiral booklet on pages 33 and 34. He then reviewed the categories with the committees which included, non-spendable, restricted, committed, assigned and unassigned including $2 million for disaster recovery, $3 million for capital projects, and $500,000.00 for tuition assistance. Furthermore, the assigned pot has $19.9 million and the unassigned has $198.9 million. In closing, Mr. DeSantis stated that the county's financial condition is excellent.

On the motion of (Education and Economic Development) Mr. Luján, seconded by Ms. Stegenga, and (Ways and Means) Mr. Brescia, seconded by Mr. Benton, the meeting adjourned at 6:03 p.m.