

*A Review of the 2020-21
Proposed Budget of
Orange County Community College*

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July 10, 2020

The Orange County Legislature
County of Orange
County Government Center
255 Main Street
Goshen, New York 10924

Members of the Legislature:

We have reviewed the 2020-21 proposed Orange County Community College ("College") budget request in accordance with your request and authorization. This review has been undertaken to allow us to provide a report to assist the Legislature with its upcoming budget deliberations.

Background and Scope

Founded in 1950, the College is a two-year institution of higher education established by authority of the State University of New York, and sponsored by the County of Orange. It is fully accredited by the Middle States Association of Colleges and Schools. The Middletown campus consists of eleven buildings located on thirty-seven acres. The Newburgh campus consists of two buildings in the downtown area. The College also offers extension classes in Port Jervis. These locations allow the College to expand services and increase accessibility. These locations are part of the College's strategy to maintain the levels of full-time, part-time and non-credit students currently served.

The operations of the College are funded primarily by New York State, the County and tuition and fees paid by students. Revenues for the 2020-21 academic year are forecast as being derived 20.81% from the State, 31.14% from the County and 48.05% from student tuition, fees and other sources. This compares with the 2019-20 adopted budget that anticipated revenues being derived 21.43% from the State, 30.48% from the County and 48.09% from student tuition, fees and other sources.

The scope of our review includes an analysis of the actual revenues and expenses for the period from September 1, 2019 through June 15, 2020. Our review also includes a projection of revenues and expenses for the balance of the academic year ending August 31, 2020 for the purpose of forecasting the net position at the end of the current academic year. We also performed a detailed study of the projected 2020-21 academic year revenues and expenses which included a comparison of each significant line item to prior years' amounts and a review of source documents supporting the projections.

General Discussion

The pool of students entering into institutions of higher education is limited which has resulted in increased competition by institutions to attract and retain students. The College is reaching out to part-time and non-credit students through its extension centers, Continuing and Professional Education (CAPE) program, and strategic partnerships with other institutions. These efforts aid the College in carrying out its mission of protecting its service territory from encroachment while maintaining and trying to increase its enrollment levels, particularly in this current economic environment where affordability of higher education has become a critical issue for most students.

The 2019-20 adopted budget required a County contribution, "County share", of \$19,052,882. The budget for 2020-21, as proposed by the trustees of the College, increases the County share to \$19,433,940. The proposed 2020-21 budget contains base state aid at \$2,947 per full time equivalent student ("FTE"), the same as the 2019-20 academic year and the State's share of the operating cost of the college again decreased slightly, to 20.81%. As a point of comparison, the State provided only 18.70% of the

operating budget for the College in the 2011-12 academic year. See the discussion of state aid beginning on page 12 of this report.

The full-time tuition has been increased by \$96 per semester or \$192 per academic year to \$5,376 for the 2020-21 academic year. A schedule of full-time tuition charges dating back to the 2011-12 academic year appears on page 6 of our report. The charge per credit hour for part-time and non-credit courses has also increased for 2020-21 to \$224 per credit, \$8 per credit hour more than last year. As a result, tuition for the 2020-21 academic year has been budgeted at \$22,936,805. This amount is less than the 2019-20 adopted budget by \$681,636 but more than the College's latest 2019-20 tuition revenue projection by \$998,573. The College has based this increase in estimated tuition revenue on the \$192 increase in the annual tuition charged to full-time students with a similar enrollment as compared to the 2019-20 actual FTE's and an increase in part-time tuition of \$8 per credit hour.

The tuition charged by a community college is limited to one-third of net operating costs unless the sponsoring county's contribution is maintained at or above the previous year's funding level. Since the County's contribution has increased for 2020-21, this limitation is waived and would not apply for the 2020-21 academic year even though the tuition charges constitute more than one-third of revenues in the proposed budget. As noted above, the 2020-21 proposed tuition rate will be \$5,376 for full-time students. This amount is the highest as compared to the full-time tuition charges at the community colleges in the Counties of Sullivan (\$5,217), Rockland (\$5,110), Westchester (\$4,655), Ulster (\$4,880) and Dutchess (\$4,350). In addition, there are two four-year SUNY universities within commuting distance of Orange County, SUNY New Paltz and SUNY Purchase that charged \$7,070 for the 2019-20 academic year. With this increase in tuition, it may make it more difficult to compete with all the surrounding educational institutions.

The College has proposed no use of fund balance in its 2020-21 proposed budget. Last year in our report, we indicated that future budget relief from appropriating unrestricted net

position “fund balance” will be dependent on the College’s ability to regenerate surpluses from budgetary and academic operations.

The spending plan proposed by the College for 2020-21 totals \$62,417,280. This represents a decrease of \$102,022, or 0.2%, as compared to the current year’s adopted budget. A comparison of the 2019-20 adopted budget and the 2020-21 proposed budget is presented in Exhibit IV.

Salaries represent the largest component of the appropriations. The proposed budget for 2020-21 provides for personnel service costs in the amount of \$34,657,977 net of vacancy savings, an increase of \$233,372, or approximately 0.7% more than the adopted budget for 2019-20. Of the \$233,372 increase, the majority is attributable to funding included in the budget, for the settlement of the Staff and Chairman’s Association contract.

Contractual expenditures which includes supplies, utilities, consulting services and bad debt expense, is budgeted at \$8,730,883 for 2020-21, a decrease of \$152,813 as compared to the 2019-20 budget of \$8,883,696. This decrease is mainly due to a \$150,000 reduction in dues, subscriptions, conferences and travel accounts.

Employee benefits are budgeted to decrease by \$182,581, or 1.0%, to \$18,803,420 in 2020-21 as compared to the adopted budget of \$18,986,001 for 2019-20. The College has anticipated that this level of appropriation will provide sufficient resources to fund the College’s mandatory contributions to the New York State and Local Employees’ and Teachers’ Retirement Systems (ERS and TRS, respectively), and the anticipated increase in costs for health benefits.

Our detailed report, which follows this letter, includes the following exhibits:

- I. Summary of 2019-20 consultant projected actual revenues, expenses and net position compared to 2019-20 adopted budget. Page 41
- II. Summary of 2019-20 Orange County Community College projected actual revenues and expenses compared to 2019-20 consultant projections. Page 42
- III. Summary of 2019-20 consultant projected revenues and expenses compared to 2020-21 proposed budget. Page 43
- IV. Summary of 2019-20 adopted budget compared to 2020-21 proposed budget. Page 44
- V. Comparison of 2020-21 proposed budget to consultant projections for 2020-21. Page 45

We look forward to meeting with you to discuss our findings. We will be pleased to answer any questions at that time and assist you with any other matters relating to your budget deliberations.

Very truly yours,

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Revenues

Tuition

The components that are included in this revenue category are full-time tuition, part-time tuition, summer session tuition, out-of-state tuition and other tuition charges. Tuition revenues for 2020-21 have been budgeted at \$22,936,805. This represents a decrease of \$681,636 or 2.89%, as compared to the 2019-20 adopted budget of \$23,618,441 and an increase of \$379,850 or 1.68% more than our 2019-20 projected tuition revenues of \$22,556,955. The 2020-21 tuition for a full-time student has increased from \$5,184 in the prior year to \$5,376 per annum in the current year. The cost for part-time and non-credit courses also increased to \$224 per credit hour as compared to \$216 per credit hour in the prior year.

The following table illustrates the tuition charges for full-time resident students during the past ten academic years.

Orange County Community College Schedule of Full-Time Tuition

Year	Tuition	Change From Previous Year	Percent Change
2020-21	\$ 5,376	\$ 192	3.70 %
2019-20	5,184	208	4.18
2018-19	4,976	200	4.19
2017-18	4,776	140	3.02
2016-17	4,636	150	3.34
2015-16	4,486	86	1.95
2014-15	4,400	-	-
2013-14	4,400	300	7.32
2012-13	4,100	200	5.13
2011-12	3,900	200	5.41

The waiver of the one-third net operating cost limitation on tuition will be in effect again for 2020-21 since the College is requesting a County (Sponsor) contribution of \$19,433,940, an amount \$381,058 or 2.00% greater than the 2019-20 adopted budget of \$19,052,882 thus meeting the maintenance of effort requirement. As seen in Exhibit IV, the 2020-21 proposed budget for student tuition is 36.75% of operating costs compared with 37.78% in the prior year.

Traditionally, community college budgets are viewed as an equal sharing of costs with one-third of the funding provided by the State, one-third from the County's contribution and one-third from tuition revenues. The State's share of the proposed 2020-21 budget represents 20.81% of the funding which is a decrease from 21.43% during the prior budget year. Over the past 10 years, the State share has remained relatively constant, fluctuating between 18.70% and 21.73%. As a result, in recent years the College has needed to increase the tuition and fees for full-time and part-time students along with an increase in County support. As State aid continues to lag behind the costs of providing services, it has become necessary for the County to bear a greater portion of the costs.

The following table illustrates the change in the percentage of revenue from the State, County and tuition during the last ten academic years:

	<u>State Aid</u>	<u>%</u>	<u>County Contribution</u>	<u>%</u>	<u>Tuition & Other</u>	<u>%</u>	<u>Total</u>
2020-21	\$ 12,989,240	20.81	\$ 19,433,940	31.14	\$ 29,994,100	48.05	\$ 62,417,280
2019-20	13,394,887	21.43	19,052,882	30.48	30,071,533	48.10	62,519,302
2018-19	13,134,308	21.38	18,497,944	30.11	29,802,055	48.51	61,434,307
2017-18	12,947,078	21.18	17,959,169	29.38	30,227,891	49.45	61,134,138
2016-17	12,975,537	21.53	17,959,169	29.80	29,335,294	48.67	60,270,000
2015-16	13,258,955	21.73	17,959,169	29.44	29,791,628	48.83	61,009,752
2014-15	12,703,943	21.23	17,619,169	29.45	29,503,931	49.32	59,827,043
2013-14	12,318,017	20.81	17,619,169	29.76	29,262,814	49.43	59,200,000
2012-13	11,811,198	20.10	17,619,169	29.99	29,320,525	49.91	58,750,892
2011-12	11,090,862	18.70	17,368,277	29.28	30,848,997	52.01	59,308,136

Full-Time Tuition (Net of Tuition Waivers):

For 2019-20, the College is projecting a full-time enrollment of 2,368, approximately 247 full-time equivalents (FTE's) less than the amount included in the 2019-20 adopted budget of 2,615. Based upon these enrollment figures, we are projecting revenue to be \$12.31 million resulting in a shortfall of \$1.25 million, an amount \$30,000 greater than the College's latest projection. These revenues are shown net of "Waivers". Waivers include the "Bridges Program", discounted payments for high school students, and adults over the age of 60 that audit courses. In addition 117 students participated in the exclusion program during the 2019-20 academic year.

The 2020-21 proposed budget contains an estimated enrollment of 2,368, a decrease of 247 from the 2019-20 adopted budget of 2,615, and the same as the projected actual for the current academic year. We are projecting full time enrollment to be 2,260 next year, a decrease of 4.6%, which takes into account the College's most recent three year trend in actual FTE decreases. In order to validate this trend we noticed that the June 1st enrollment figures are already 16.92% less than the same period last year. We also needed to be aware that some of this change may be due to the Covid-19 restrictions and the uncertainty of where graduating students may want to attend college in 2020-21. Therefore, we estimated 2020-21 full time tuition, taking into account the increase in tuition rates and our projection of a decrease in enrollment, to be \$12.15 million which is approximately \$580,000 less than the amount included in the proposed budget of \$12.73 million.

The chart below indicates the estimated FTE's as compared to the actual FTE's for the past few years:

	<u>Proposed Budget</u>	<u>Adopted Budget</u>	<u>PKFOD Projection</u>	<u>Actual</u>
2020-21	\$ 2,368	n/a	\$ 2,260	n/a
2019-20	2,615	\$ 2,615	2,556	\$ 2,368
2018-19	2,730	2,730	2,582	2,609
2017-18	2,867	2,867	2,710	2,659
2016-17	2,891	2,891	2,731	2,765
2015-16	3,077	3,077	2,965	2,845
2014-15	3,082	3,082	2,972	3,026
2013-14	3,109	3,109	3,034	3,064
2012-13	3,350	3,522	3,200	3,322
2011-12	3,893	3,893	3,581	3,301

One way for the College to offset this decline in enrollment is through a strong marketing effort in the local community. Historically, the College has drawn approximately 87% of its students from the local school districts. The following table illustrates the change in Orange County, New York Public High School graduations during the last five academic years:

High School	2015-16	2016-17	% Change	2017-18	% Change	2018-19	% Change	(Estimated) 2019-20	% Change
Chester Academy	101	90	-10.89%	120	33.33%	71	-40.83%	93	30.99%
Cornwall Central High School	246	267	8.54%	265	-0.75%	264	-0.38%	273	3.41%
George F. Baker, Tuxedo Park	28	18	-35.71%	28	55.56%	20	-28.57%	16	-20.00%
Goshen Central High School	238	228	-4.20%	246	7.89%	252	2.44%	253	0.40%
James O'Neil, Fort Montgomery	95	111	16.84%	121	9.01%	114	-5.79%	120	5.26%
Middletown High School	445	427	-4.04%	444	3.98%	458	3.15%	541	18.12%
Minisink Valley, Slate Hill	332	322	-3.01%	326	1.24%	318	-2.45%	322	1.26%
Monroe Woodbury, Central Valley	552	603	9.24%	545	-9.62%	582	6.79%	542	-6.87%
Newburgh Free Academy (NFA)	654	602	-7.95%	652	8.31%	594	-8.90%	745	25.42%
Pine Bush High School	462	429	-7.14%	393	-8.39%	435	10.69%	450	3.45%
Port Jervis High School	195	179	-8.21%	198	10.61%	162	-18.18%	173	6.79%
SS Seward Institute, Florida	71	65	-8.45%	46	-29.23%	56	21.74%	71	26.79%
Valley Central High School, Montgomery	358	366	2.23%	357	-2.46%	315	-11.76%	338	7.30%
Warwick Valley High School	355	378	6.48%	326	-13.76%	345	5.83%	303	-12.17%
Washingtonville High School	373	338	-9.38%	328	-2.96%	360	9.76%	375	4.17%
Total	<u>4,505</u>	<u>4,423</u>	<u>-1.82%</u>	<u>4,395</u>	<u>-0.63%</u>	<u>4,346</u>	<u>-1.11%</u>	<u>4,615</u>	<u>6.19%</u>

Part-Time Tuition:

The 2019-20 adopted budget contained an estimate of 34,632 part-time student credit hours, anticipated to generate \$7.61 million in revenues based upon a tuition rate of \$216 per credit hour. Projected results for the current year, based upon current information posted in the accounting system, indicate that these revenues will aggregate \$7.69 million, an amount \$80,000 more than the 2019-20 adopted budget and \$50,000 more than the College's projection.

The 2020-21 proposed budget assumes that part-time student credit hours will increase by 545 to 35,177 credit hours as compared to the adopted budget. We are projecting that part-time student credit hours will remain consistent with the current year approximating 35,500. This level of part-time credit hours will result in total revenues of \$7.95 million utilizing the new tuition rate of \$224 per credit hour. This approximates the amount contained in the College's 2020-21 proposed budget.

Summer/Winter Sessions Tuition:

The summer/winter session tuition revenue for 2019-20 is projected to total approximately \$1.83 million. This amount is approximately \$183,000 greater than the 2018-19 summer/winter session and approximately \$347,000 greater than the College's 2019-20 projection. The Administration feels that this increase in revenue may be partially attributable to the current COVID-19 pandemic.

The 2020-21 proposed budget contains \$1.70 million for the summer/winter programs. This amount is \$130,000 less than the 2019-20 adopted budget which reflects the declining trend in revenues. Our projection utilizes a 3-year average to calculate the number of enrollees and is based on a decline of 1.78% and the increase in the per credit charge we are projecting \$1.88 million for 2020-21. This is \$180,000 more than the amount contained in the 2020-21 proposed budget.

Out-of-State Resident Tuition:

Out-of-state resident tuition for the 2019-20 fiscal year was budgeted at approximately, \$567,000. Current projections indicate that this revenue will amount to \$696,000 or \$130,000 more than the amount budgeted and \$175,000 more than the College's projection. The budget had anticipated that approximately 55 FTE's would be achieved but, 67 FTE's actually attended.

The 2020-21 proposed budget is projecting a decline in FTE's as compared to both the 2019-20 adopted budget and actual results. It is difficult to project the number of out-of-state enrollees and given we are not aware of the reason for the large increase seen during the current academic year, we feel it is prudent to budget at a historical level. Therefore, we project revenue to be approximately \$588,000 or \$82,000 more than the amount included in the 2020-21 proposed budget.

Non-Credit Tuition:

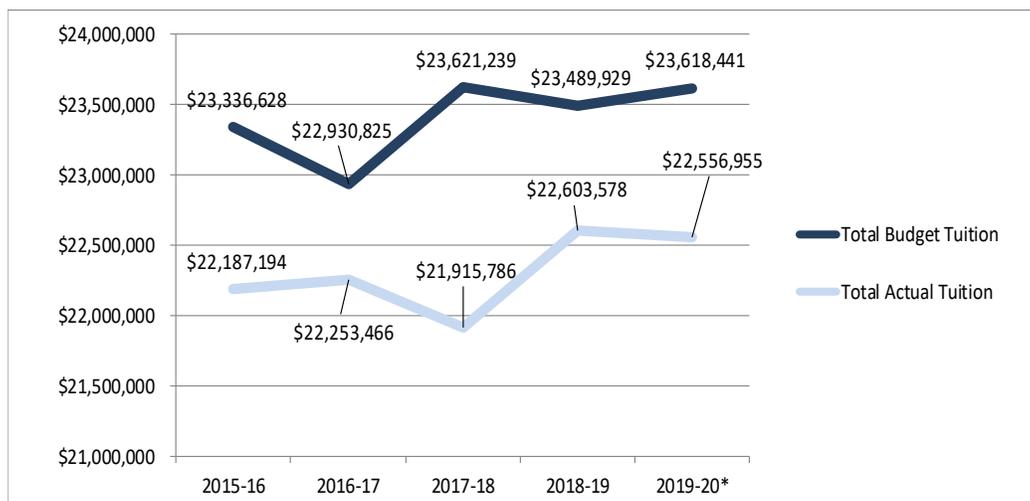
For the 2019-20 fiscal year, we are projecting revenues to approximate \$16,500, an amount that is in agreement with the College’s projection and approximately \$36,000 less than the 2019-20 adopted budget of \$52,500.

The 2020-21 proposed budget again contains \$52,500 for non-credit tuition. Based upon historical trends, we will project this revenue to amount to \$16,500, or \$36,000 less than the 2020-21 proposed budget.

In summary, our review indicates the following variances as compared to the 2020-21 proposed budget:

	<u>Favorable (Unfavorable)</u>
Full-time Tuition	\$ (580,000)
Part-time Tuition	-
Summer/Winter Sessions	180,000
Out-of-state Tuition	82,000
Non-credit Tuition	<u>(36,000)</u>
Total Variance	<u><u>\$ (354,000)</u></u>

The following graph indicates the budget to actual variance over the last 5 years.



*2019-20 are PKF O’Connor Davies, LLP projected amounts.

State Aid

State aid is comprised of several components including base aid, rental reimbursement, and grants. We project base State aid and rental reimbursement for the 2019-20 academic year to be \$13.45 million, an amount that is \$60,000 more than adopted budget of \$13.39 million and the same as the College's projection.

The 2020-21 proposed budget for State aid was prepared utilizing 4,270 FTE's. The FTE's are budgeted at the greater of a three-year weighted average FTE enrollment or the prior year actual FTE as prescribed in a formula determined by New York State. For 2020-21, the College has elected to use the three-year weighted average method which yields a higher FTE count. Based on the latest enrollment figures from the 2019-20 academic year, we project current year enrollment to be 4,153 FTE's. Utilizing the State aid amount of \$2,947 per FTE included in the adopted State budget, we project base State aid and miscellaneous aids to aggregate \$12.82 million, an amount that is approximately \$170,000 less than the amount contained in the 2020-21 proposed budget of \$12.99 million.

The following table illustrates the changes in base State aid during the last ten academic years.

Orange County Community College Base State Aid per FTE

Year	Aid	Unfavorable (Favorable) From Previous Year	Percent Change
2020-21	\$ 2,947	\$ -	- %
2019-20	2,947	100	3.51
2018-19	2,847	100	3.64
2017-18	2,747	50	1.85
2016-17	2,697	100	3.85
2015-16	2,597	100	4.00
2014-15	2,497	75	3.10
2013-14	2,422	150	6.60
2012-13	2,272	150	7.07
2011-12	2,122	(138)	(6.11)

Other Revenues

Other revenues, consisting primarily of operating chargebacks to other counties, service fees, and self-sustaining (“CAPE”) course fees, augment the monies received from tuition, State aid and the County’s contribution. We have analyzed these accounts as a whole and project that 2019-20 revenues will aggregate \$6.13 million which is approximately \$320,000 less than the budgetary estimate of \$6.45 million. The 2020-21 proposed budget for other revenues totals \$7.06 million, including \$2.41 million for operating chargebacks to other counties, \$487,000 for self-sustaining (“CAPE”) courses, \$3.45 million for service fees, \$111,000 for interest income and \$602,000 for miscellaneous. This represents approximately a \$610,000 increase as compared to the prior year’s adopted budget and \$930,000 greater than our projected revenues for the 2019-20 academic year. A detailed description of the major sources of other revenues is as follows:

Self-Sustaining (“CAPE”) Courses:

Self-sustaining (“CAPE”) courses are non-credit, continuing professional education courses offered by the College. For 2019-20, we project that revenues generated from these courses will aggregate \$390,000, a favorable variance \$22,000 as compared to the College’s 2019-20 projection and an unfavorable variance of \$179,000 as compared to the 2019-20 adopted budget of \$569,000.

For 2020-21, the College has projected approximately \$487,000 for self-sustaining (“CAPE”) courses, an \$82,000 decrease from the 2019-20 adopted budget. Based on the current trend of participation, we project the College will generate \$390,000 from self-sustaining (“CAPE”) courses in 2020-21, a \$97,000 unfavorable variance as compared to the 2020-21 proposed budget.

Service Fees:

Both the College and our projection indicate that revenues from service fees, including lab and technology fees and academic support fees charged to students, will be approximately \$2.85 million for the 2019-20 academic year, an unfavorable variance of \$40,000 as compared to the 2019-20 adopted budget of \$2.89 million.

Based upon our anticipated 4.6% decline in student enrollment and partially offset by an increase in a \$175 New Student Fee (while eliminating some of the miscellaneous fees) and other increases in reoccurring fees, we project that revenues will aggregate \$3.14 million for 2020-21, which is \$310,000 less than the 2020-21 proposed budget of \$3.45 million.

Interest Income:

The College has projected that revenues from interest income will aggregate approximately \$8,600 for the 2019-20 academic year and we concur with this projection. This amount is approximately \$7,200 more than that contained in the 2019-20 adopted budget of \$1,400.

The 2020-21 proposed budget includes \$111,500 for interest income, approximately, \$110,000 more than the 2019-20 adopted budget. We project 2020-21 interest income to be \$36,000. This projection is based on the assumption that the College will have an average daily cash balance of \$12 million with a .3% interest rate. Our projection is approximately \$75,500 less than the amount contained in the 2020-21 proposed budget.

Operating Chargebacks to Other Counties:

The College has projected that revenues from operating chargebacks to other counties will aggregate approximately \$2.34 million for the 2019-20 fiscal year and we concur with this projection. This amount is approximately \$50,000 less than that contained in the

adopted budget. We also reviewed the amount contained in the proposed budget for operating chargebacks to other counties. Utilizing our 2020-21 projections of expenses, offsetting revenues and student FTE's, we calculated operating chargebacks would generate approximately \$2.44 million in revenues, an amount that is approximately \$30,000 more than that contained in the proposed budget of \$2.41 million.

In conclusion, based on our analysis of each of these major components in the other revenues category for 2020-21, we project total revenues in this area to aggregate \$6.60 million, an amount that is approximately \$455,000 less than the proposed budget of \$7.06 million.

The College must be prepared to adjust its expenditures if enrollment does not reach the anticipated levels, or courses are no longer being offered.

Summary of Revenue Variances

A summary of our variances with the 2020-21 proposed budget for revenues is as follows:

	<u>Favorable (Unfavorable)</u>
Tuition	\$ (354,000)
State Aid	(170,000)
Other Revenues	
Operating chargebacks	30,000
Self-sustaining courses	(97,000)
Service fees	(310,000)
Interest income	<u>(75,500)</u>
Total Variance	<u><u>\$ (976,500)</u></u>

Personnel Services

The primary purpose of the College is to promote student growth and development by providing comprehensive and innovative academic and support services. As a result, personnel service expenditures comprise the largest single component of the College's budget. Personal service costs in the 2019-20 fiscal year are budgeted to be \$34.42

million to fund approximately 891 positions. The College forecasts expenditures to be \$34.21 million which is \$210,000 less than the 2019-20 adopted budget and approximately \$850,000 more than our projection of \$33.36 million. For the 2020-21 academic year, the College has proposed a budget of \$34.66 million for personnel. This reflects a decrease of \$240,000, or .76%, compared to the 2019-20 adopted budget and \$1.24 million or 4.4% more than our 2019-20 projected expenditures. This increase in expenditures is due in part to the settlement of the Civil Service Employees Association contract and increases in Management Confidential salaries.

Staffing:

The following table illustrates changes in headcount as of June 30th:

	2020-21 Estimated Positions	2019-20 Employees	2018-19 Employees
Management Confidential	19	20	20
Staff and Chair	103	106	113
Faculty	118	119	123
Adjunct Faculty	326	326	362
Civil Service (FT)	107	109	112
Civil Service (PT)	68	73	83
Miscellaneous	55	55	65
Auxiliary	11	11	16
Work Study	61	61	44
TOTAL	868	880	938

The fluctuation of positions over the past three years is in direct correlation with the College's enrollment count. The decrease positions for the 2020-21 academic year is primarily due to the College's on-going cost saving effort recognizing that enrollment has been declining.

Full-Time Staff/Faculty:

When reviewing 2019-20, we considered personal service costs related to salaries through June 5th, 2020 and then used the June 11, 2020 payroll to annualize costs for the remainder of the year in order to project total 2019-20 personal service costs. The College's 2019-20 adopted budget contained \$24.89 million for full-time staff/faculty. The College forecasts to end the year \$24.08 million or \$810,000 less than the 2019-20 adopted budget. Our analysis indicates that total full-time staff/faculty for 2019-20 will aggregate approximately \$24.05 million or \$840,000 less than the 2019-20 adopted budget, and \$30,000 less than the College's projection. This savings was achieved by replacing full-time staff who separated or retired with more part-time staff/faculty. The College anticipated this process and included a vacancy factor within its personnel services budget of \$545,749 thus exceeding their expectations. This saving was also achieved by furlough and voluntary separation. The college did not anticipate this process when developing the 2019-20 budget. The wages saved within personnel for furloughs was \$67,531 and \$78,232 for in addition management confidential staff were a 3% increase effective September 1, 2019.

The 2020-21 proposed budget for full-time staff/faculty is \$25.80 million, \$910,000 more than the 2019-20 adopted budget. The 2020-21 proposed budget contains funding for any settled contracts and eleven less positions. In addition, the College calculates savings due to vacancies (\$459,594) as part of the budget. Positions authorized but not intended to be filled for the 2020-21 fiscal year are included in the budgeted appropriations. The College offsets the expenditure with a calculated vacancy "window" which is comprised of the savings realized for the time a position is vacant before being filled, combined with salary savings realized through hiring an employee at a lower salary. As of the time this report was written the college had 41 positions vacant with a budgeted salary of \$2.19 million.

Part-Time Staff/Faculty:

The 2019-20 adopted budget included \$7.38 million for part-time staff/faculty. Based upon the current staffing, the College projects to end the academic year at \$7.47 million. While we project the part-time faculty to be \$7.38 million, \$90,000 less than the College's projection, and equal to the 2019-20 adopted budget. The College has historically under-budgeted for part-time faculty/staff as it intended to replace departing full-time employees with part-time employees as a cost-savings measure. In addition, the College has the most staffing flexibility with regard to adjunct faculty as any increase in demand for classes can be met without County approval provided there is adequate revenue to support additional headcount. The furlough of part-time staff/faculty aggregate approximately \$15,356 wages saved within personnel.

The 2020-21 proposed budget includes an appropriation of \$7.41 million for part-time faculty/staff. This budget consists of two categories, faculty (\$4.83 million) and staff and civil service (\$2.58 million). Our projection of \$5.13 million for part-time faculty compared to the College's proposal of \$4.83 million, yields an unfavorable variance of approximately \$300,000. Our projection for part-time staff and civil service is \$2.25 million as compared to the College's proposal of \$2.58 million, yielding a favorable variance of \$330,000. Therefore, when combined there is a net favorable variance of \$30,000 for all part-time staff.

Miscellaneous Stipends:

Stipends for faculty are payments for extra tasks in accordance with employment contracts. The 2019-20 adopted budget contains \$464,300 for this purpose. The College's projection for 2019-20 is approximately \$406,200, a favorable variance of \$58,100. We concur with this projection. The Staff and Chairman's Association contract has been settled for the period covering September 1 2017 to August 31 2023. For 2020-21, the College proposes a budget of approximately \$490,200 which is \$25,900 more than the 2019-20 adopted budget. Based upon the new agreement with the Staff and Chairman's Association we will concur with this amount.

Other Salary Items:

The College's 2019-20 adopted budget is comprised of \$73,000 for Sick Leave payouts and \$130,000 for Retirement Incentive payouts. Currently the college is projecting Sick Leave payouts and Retirement Incentives amounts to be fully expended by the end of the school year, we concur with the College.

The College requested for \$74,957 for Sick Leave payouts and \$130,000 for Retirement Incentive payouts in the 2020-21 academic year. In order to properly examine these accounts, we analyzed historical costs. We concur with the College's proposed 2020-21 budget of \$74,957 for sick leave payouts. The Retirement Incentive is difficult to project, since we do not know which employees will take advantage of the program. Based on this uncertainty we will concur with the amount contained in the 2020-21 proposed budget.

To summarize, we are projecting 2019-20 personnel service costs to total approximately \$33.52 million which is approximately \$898,000 less than the 2019-20 adopted budget. For 2020-21, we project a total budget for personnel services of \$34.69 million, a favorable variance of approximately \$30,000 when compared to the College's 2020-21 proposed budget.

	<u>Favorable (Unfavorable)</u>
Personnel Services	
Full-time faculty/staff	\$ -
Part-time faculty/staff	30,000
Other Salary Items	-
Total Variance	<u>\$ 30,000</u>

Employment Contracts:

The contract for the Faculty Association expired on August 31, 2017. As of the writing of this report, we have been informed that negotiations are ongoing. We noted that the Faculty Association has obtained new representation through the New York State United Teachers Union for negotiation of the new contract. The Staff and Chairman's Association contract has been settled for the period covering September 1, 2017 to August 31, 2023. The Civil Service Employees' Association contract has been settled for the period covering January 1, 2019 to December 31, 2023.

The following list contains the labor contracts for all College employees and the expiration dates:

<u>Union</u>	<u>Contract Expiration Date</u>
Faculty Association	August 31, 2017
Staff and Chairmen's Association	August 31, 2023
Civil Service Employees' Association	December 31, 2023

Capital Equipment

The 2019-20 adopted budget contained \$225,000 for capital equipment purchases. The College is projecting 2019-20 expenditures of \$28,500, \$196,500 less than the adopted budget. We concur with this projection.

The College has included \$225,000 in the 2020-21 proposed budget which is the same amount included in the 2019-20 adopted budget. We concur with this amount.

Contractual Expenses

The contractual services component of the budget includes funding for publications, materials & supplies, communications, utilities, other consulting services, physical plant projects, contracts/leases, and insurance. The 2020-21 proposed budget contains \$8.73

million for contractual expenses while the 2019-20 budget was \$8.88 million a \$150,000 reduction.

The sections below detail those components that had the largest effect on the 2020-21 proposed budget.

	2018-19 Actuals	2019-20 Adopted Budget	2020-21 Proposed Budget	Proposed Budget To Adopted Budget Increase/(Decrease)
Publications	\$ 231,722	\$ 312,334	\$ 313,334	\$ 1,000
Materials & Supplies	840,323	1,117,320	1,057,344	(59,976)
Communications	396,330	429,408	399,408	(30,000)
Utilities	1,735,676	1,833,265	1,783,265	(50,000)
Other Contractual Services	1,279,555	1,407,962	1,251,722	(156,240)
Bad Debt Expense	361,025	450,000	450,000	-
Foundation Support	263,000	290,000	290,000	-
Physical Plant Maintenance	229,904	272,010	280,510	8,500
Contracts / Leases	1,768,468	1,904,509	2,038,412	133,903
Insurance/ Miscellaneous	882,047	866,888	866,888	-
Total	\$ 7,988,050	\$ 8,883,696	\$ 8,730,883	\$ (152,813)

Office Equipment Non-Cap (7314):

This account is used to fund small IT purchases. The majority of the account is used cover various projects in other accounts that lacked the necessary funds. The 2019-20 adopted budget contained \$139,900. Based on year to date expenditures we project expenditures to be \$11,100, a favorable variance of \$128,800 compared to the adopted budget and similar to the College's projection.

The 2020-21 proposed budget contains an amount similar to the 2019-20 adopted budget. Due to the nature and usage of the account, we concur with this amount.

Maintenance Supplies (7352):

The 2019-20 adopted budget contained \$253,400 for the purchase of maintenance supplies, which includes items needed for facilities to meet work order demands. The College projects year-end costs to total approximately \$189,000 for 2019-20. With the campus being closed due to Covid-19 restrictions, meaning all students are studying remotely, we project expenditures to amount to \$158,000, a favorable variance of

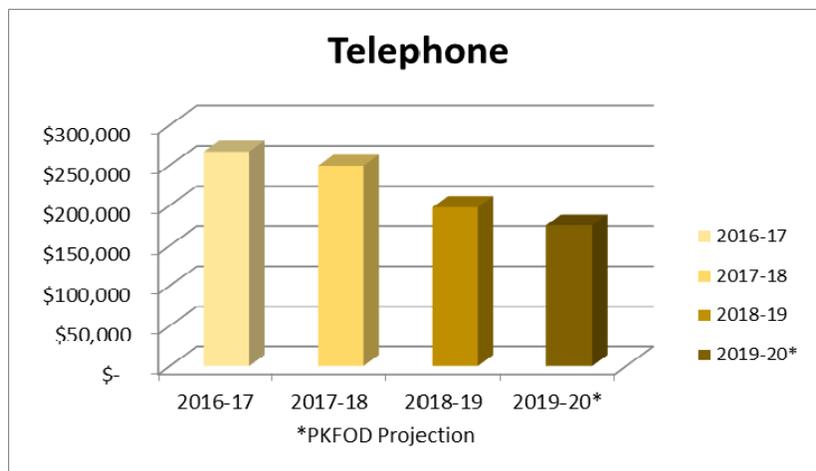
\$31,000 compared to the College's projection and \$95,400 compared to the 2019-20 adopted budget.

The College's 2020-21 proposed budget includes \$253,400, the same amount as the 2019-20 adopted budget. Due to the Covid-19 restrictions, the College closed buildings which prevented routine maintenance work from being done. Given the potential backlog of necessary work and the unknown cost of any Covid-19 protocols imposed by the State we will concur with the amount included on the 2020-21 proposed budget.

Telephone Services (7467):

The 2019-20 adopted budget contained approximately \$204,800 for telephone services and the College projects costs to be \$197,700. The College was able to produce savings through converting to VOIP telephone lines and consolidating statements to identify additional savings. Furthermore, the College moved expenses for internet access to a new account during the year. Based on this information we project expenses to be approximately \$175,000, a favorable variance of \$29,800 compared to the adopted budget, and \$22,700 to the College's projection.

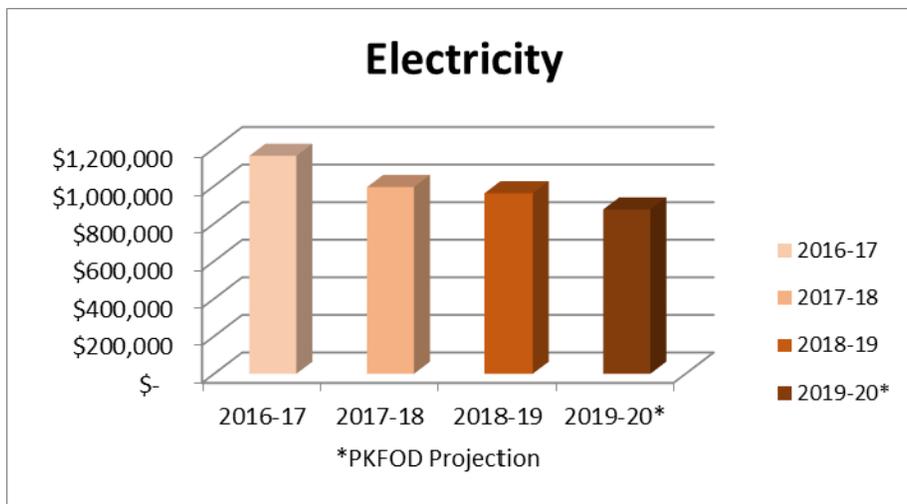
The 2020-21 proposed budget is approximately \$204,800 for telephone services. Based on the prior year averages and we project that expenditures will be \$175,100. This is a favorable variance of \$29,700 compared to the College's 2020-21 proposed budget.



Electricity (7501 & 7511):

The 2019-20 adopted budget contained approximately \$986,400 for electricity. We are projecting expenditures of \$874,600, which takes into account the reduction in usage due to Covid-19 restrictions. Therefore, this is a favorable variance of \$111,800 compared to the 2019-20 adopted budget and a favorable variance of \$62,400 as compared to the College's projection of \$937,000.

The 2020-21 proposed budget contains \$986,400 for electricity, the same amount as the 2019-20 adopted budget. Based on a 1% rate decrease estimated by the U.S Energy Information Administration and an expectation that classes will reopen after Covid-19 restrictions are lifted, we project expenditures to be \$915,400. A favorable variance of \$71,000 compared to the proposed budget.



Water/Sewer (7502):

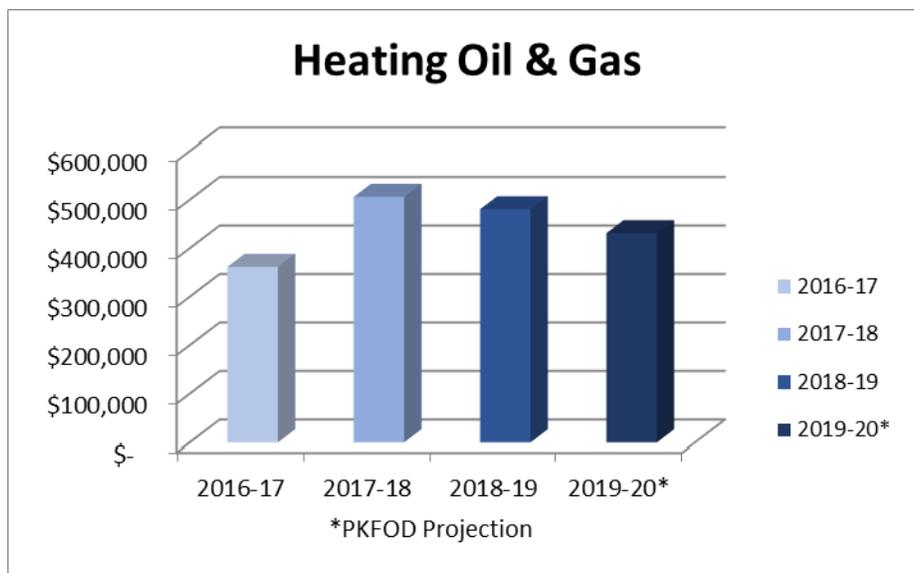
The 2019-2020 adopted budget contains \$256,600 for water. The College is projecting \$267,000 while we are projecting \$244,000 for a favorable variance of \$23,000 compared to the College's projection and \$12,600 favorable variance compared to the 2019-20 adopted budget.

The 2020-21 proposed budget includes \$256,600, the same amount as the previous year. Based on historical usage and an estimated 5% increase in the price of water for 2020-21 we concur with the 2020-21 proposed budget.

Fuel Heat Gas (7503 & 7513):

The 2019-20 adopted budget contains approximately \$553,700 for heating oil and gas. Based on actual year to date expenditures and historical data we project heating oil and gas to be approximately \$431,300. A favorable variance of \$122,400 as compared to the 2019-20 adopted budget, and a \$44,000 favorable variance compared to the College's projection.

The 2020-21 proposed budget contains \$503,700 for heating oil and gas an amount \$50,000 less than the 2019-20 adopted budget. The price decrease in heating oil and gas in the upcoming year is expected to be 1% according to the U.S. Energy Information Administration. Therefore, taking this rate decrease into account, and leaving historical usage at the current level we project \$476,000 for heating oil and gas expenditures, a favorable variance of \$27,600 as compared to the 2020-21 proposed budget.



Consultant Services (7632):

This account is used for monthly payments to the OCCC Foundation (“Foundation”) that does fundraising for the College and for various consulting projects throughout the year. The 2019-20 adopted budget contained \$302,900 for consultant services. Based on year to date expenditures both the College’s projection and our projection concur with the 2019-20 adopted budget.

The 2020-21 proposed budget contains \$302,900 for consultant services, an amount equal to the 2019-20 adopted budget. The majority of the budget is allocated for the Foundation and there have been no major changes in consultant services. It should be noted that as of the August 31, 2019 audit the Foundation had a Net Position of \$19.74 million of which \$4.69 million is unrestricted.

Tutorial Program (7653):

The 2019-20 adopted budget contained approximately \$243,000 for the tutorial program. The College is projecting the costs to amount to \$271,800, approximately \$28,800 greater than the 2019-20 adopted budget. Based on historical seasonal spending and year to date actuals through May we are projecting \$243,000 an amount equal to the 2019-20 adopted budget.

For 2020-21, the College has budgeted approximately \$244,300. Based on historical spending, we concur with the proposed budget.

Bad Debt Expense (7666):

Each year the College, as part of its year-end process, has to make an estimate of bad debt expense based upon the current accounts receivable balance. The 2019-20 adopted budget contained \$450,000 for bad debt expense. Recently, a collection agency recovered approximately \$151,600 of previously written-off accounts. Based on this collection and the College’s current accounts receivable balance, we project an

estimate of \$376,100 for 2019-20, an amount \$73,900 less than the 2019-20 adopted budget.

The 2020-21 proposed budget is \$450,000, the same amount as the 2019-20 adopted budget. However, based on historical collections and the increase in the tuition, and the uncertainty of the amount of recoveries we will concur with the amount contained in the 2020-21 proposed budget.

Janitorial Services (7689):

This account is used for cleaning services for Kaplan Hall and Tower Building. The contract began in 2018 and extends through 2021, with a 3% annual increase. The 2019-20 adopted budget contained approximately \$298,500. The College's projection is \$451,800, which is greater than the 2019-20 adopted budget by \$153,300. This expenditure is due to a one-time deep cleaning of the buildings in response to the Covid-19 pandemic. Based on this additional expenditure we concur with the College's projection.

The 2020-21 proposed budget is approximately \$307,700. Based on the current contract and annual increases, we concur with this amount. Additionally, the College has not included any funding for Covid-19 related expenditures since the state has not established any protocol for educational facilities as of yet.

Academic Software (7822):

The 2019-20 adopted budget is approximately \$30,100. Based on the purchase of new software, of which the largest purchases are from Augusoft Inc. for \$58,000 for non-credit program enrollment software and Dell Marketing for \$55,400 for MS Office. We project expenditures to be \$156,200 an amount that is similar to the College's projection, which is a \$126,100 unfavorable variance compared to the 2019-20 adopted budget.

The 2020-21 proposed budget contains \$207,600 for Academic Software. Based on the cost of the current annual subscriptions and an increase for Augusoft Inc. of \$28,000 and Admissions Fireworks of \$15,000, we concur with the College's projection for the 2020-21 proposed budget.

Miscellaneous Contracts (7828):

The 2019-20 adopted budget contained approximately \$110,000. The College has projected costs to be \$65,700, this is due to the budgeting \$51,000 for the Education Center in Port Jervis but only spending \$6,000 since only minimal students enrolled during the fall semester. Based on this information and current year to date spending, we concur with the College's projection for a favorable variance of \$44,300 compared to the 2019-20 adopted budget.

The College's 2020-21 proposed budget contains approximately \$112,000 for miscellaneous contracts. Administration feels that the second year of the Port Jervis Education Center will attract more students. Based on this discussion we concur with the amount included in the 2020-21 proposed budget.

Comprehensive Liability (7921):

The 2019-20 adopted budget contains approximately \$366,200 for the cost of purchasing insurance policies. Based on year to date expenditures we concur with the College's 2019-20 adopted budget.

The College's 2020-21 proposed budget is \$366,200, the same as the previous year. Based on current insurance coverage we concur with the College's 2020-21 proposed budget.

Summary:

The 2019-20 adopted budget for contractual expenses includes \$8.88 million, while the College is projecting savings of \$912,000 for a total of \$7.97 million. We are projecting that the College will spend \$8.54 million for a budgetary savings of approximately \$340,000.

The 2020-21 proposed budget includes approximately \$8,730,900 for all contractual items. Based upon our findings detailed above, we project budgetary needs for all of these accounts to be \$8,602,600 or \$128,300 less than the amount included in the proposed budget.

Employee Benefits

The 2019-20 adopted budget for employee benefits totaled \$18,986,001 and the College has proposed \$18,803,420 for the 2020-21 fiscal year. This comprises 30.13% of the total proposed budget. The chart below illustrates employee benefits by each category for the 2020-21 and 2019-20 budgets:

	2020-21 Proposed Budget	2019-20 Adopted Budget	Increase (Decrease)
Health Insurance	\$ 11,474,613	\$ 11,929,894	\$ (455,281)
FICA and Medicare	2,673,950	2,604,412	69,538
TIAA CREF	1,256,758	1,239,679	17,079
NYS ERS	1,682,450	1,611,668	70,782
NYS TRS	639,348	586,396	52,952
Workers' Compensation	400,000	400,717	(717)
Dental Insurance	360,787	224,757	136,030
MTA Tax	115,239	113,659	1,580
Other	200,275	274,819	(74,544)
	<u>\$ 18,803,420</u>	<u>\$ 18,986,001</u>	<u>\$ (182,581)</u>

For the 2019-20 academic year, the College has projected the actual cost of employee benefits to be approximately \$18,364,300. Our projections, based upon the latest available data, indicate that these costs will approximate \$17,910,300 an amount that is \$454,000 less than the College's projection and approximately \$1,075,700 less than the amount provided in the 2019-20 adopted budget. There are several reasons why we expect budgetary variances, the primary ones are described in the following discussion.

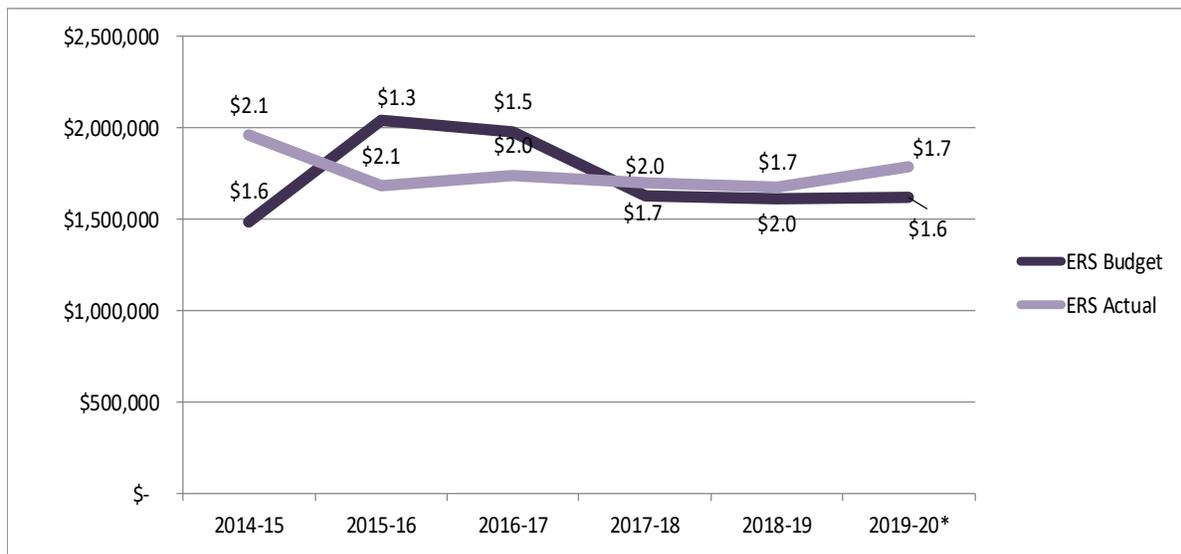
We have projected budgetary savings in the College's health insurance costs due to a lower rate than predicted for premiums and smaller actual contributions due to a decrease in employees. Furthermore, FICA and Workers' Compensation also came in under budget.

New York State & Local Employees' Retirement System ("ERS"):

The adopted budget for ERS is approximately \$1,611,700 for the 2019-20 year and the College's projected expenditures are \$1,705,500. Using the 2020 ERS invoice and factoring in contractual rate changes in salaries of 2.75% we project expenditures to be \$1,786,000. This is an unfavorable variance of \$174,300 compared to the 2019-20 adopted budget, and \$80,500 greater than the College's projection.

The 2020-21 proposed budget for ERS is \$1,682,500, which is \$70,800 more than the 2019-20 adopted budget. Based on the current contractual salary increase and projected rates our projection is approximately \$1,650,800. This amount is a favorable variance of \$31,700 compared to the 2020-21 proposed budget.

The following graph indicates the budget to actual variance over the last 5 fiscal years:



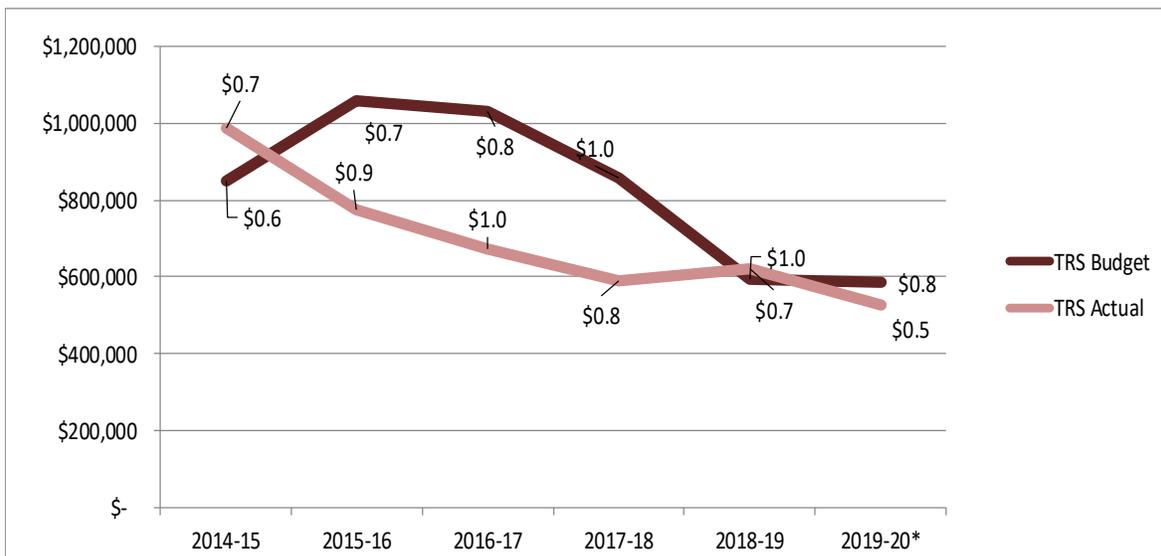
* 2018-19 are PKF O'Connor Davies projected amounts.

New York State Teachers' Retirement System ("TRS"):

The 2019-20 adopted budget for TRS is approximately \$586,400 and the College is projecting expenditures of \$631,500. Based on current year submissions to the Teacher's Retirement System and a contribution rate of 8.60% we project expenditures to be \$563,100. This is a favorable variance of \$23,300 compared to the 2019-20 adopted budget and \$68,400 compared to the College's projection.

The 2020-21 proposed budget for the College is projecting expenditures of \$639,300. We are projecting costs of approximately \$605,700 a favorable variance of \$33,600 compared to the College. Our projection for 2020-21 is based upon the estimated rate as published by the New York State Teachers' Retirement System as of January 2020. They are projecting an increase from the current rate of 8.86% to a new rate of 9.53%.

The following graph indicates the budget to actual variance over the last 5 fiscal years:



*2018-19 are PKF O'Connor Davies projected amounts.

Teachers Insurance and Annuity Association (“TIAA CREF”):

The 2019-20 adopted budget allowed for approximately \$1,239,700 in TIAA CREF expense and the College is projecting the amount to be \$1,275,000. Based on prior year actuals and current year to date salaries we project expenditures to be \$1,228,300 a favorable variance of \$46,700 compared to the Colleges projection.

The 2020-21 proposed budget for TIAA is \$1,256,800. Our projected expenditures is \$1,227,300 which is a favorable variance of \$29,500 compared to the 2020-21 proposed budget. The basis of our projected expense is a blended contribution rate of 9.31% based on the current employee tiers and the contribution rates in effect for 2020.

FICA and Medicare:

The College’s 2019-20 adopted budget has allocated \$2,604,400 to FICA and Medicare expenditures and has projected expenditures will be \$2,566,500. Based on our projection of salaries we estimate FICA and Medicare expenditures will be \$2,508,700.

A favorable variance of \$95,700 compared to the adopted budget and \$57,800 compared to the College's projection.

In the 2020-21 proposed budget the College has expenditures of \$2,674,000 for FICA and Medicare. Due to fewer positions and lower projected salaries we project expenditures to be \$2,641,500, a favorable variance of \$32,500.

Worker's Compensation:

The 2019-20 adopted budget contains \$400,717 for Worker's Compensation, and the College has projected expenditures to be \$350,000. The College participates in the County's sponsored Worker's Compensation Self Insurance Program and the College's contribution is set at a fixed amount based on the County's budget. Based on this information and year to date actuals we concur with the College's projection for a favorable variance of \$50,717 compared to the adopted budget.

The College's 2020-21 proposed budget allocates \$400,000 for Worker's Compensation. Due to the 2021 Worker's Compensation cost being the same as 2020 we project expenditures to be approximately \$350,000. A \$50,000 favorable variance compared to the College's projection.

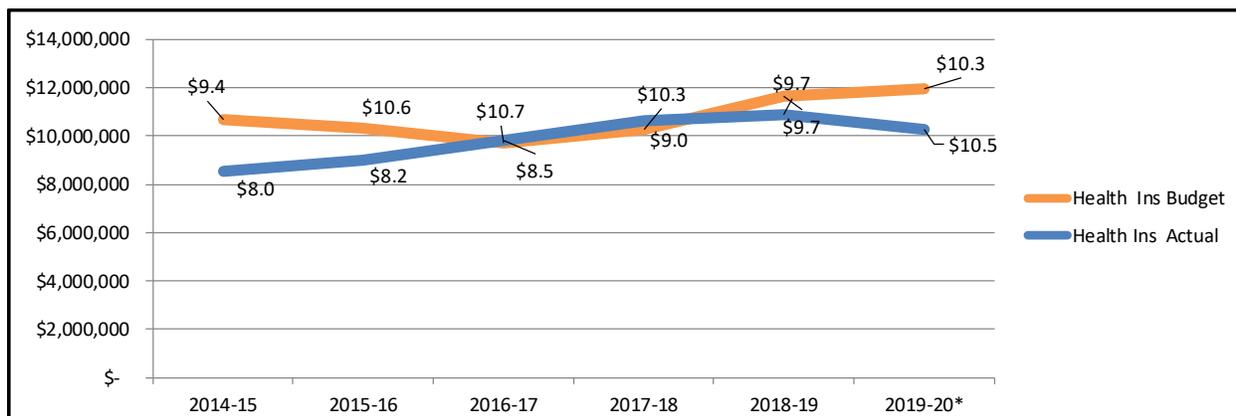
Health Insurance for Active and Retired Employees:

The College allocated \$11,929,900 in the 2019-20 adopted budget for employees and retirees and has projected expenditures to be \$10,987,300. Based on lower than projected premium rates and the monthly invoices from the County, we estimate these expenditures to approximate \$10,625,700. A favorable variance of \$1,304,200 compared to the 2019-20 adopted budget and a \$361,600 favorable variance compared to the College's projection.

The College has proposed \$11,474,600 (including the Medical Insurance buyback of \$131,000) for the 2020-21 budget. Our projection, which is based on the addition of new

retirees and a three year average of the premium rate changes, is approximately \$11,524,000. This is a \$49,400 unfavorable variance compared to the amount in the 2020-21 proposed budget.

The following graph indicates the budget to actual variance over the last 5 fiscal years:



* 2018-19 are PKF O'Connor Davies projected amounts.

Dental Insurance:

The 2019-20 adopted budget allowed for \$224,800 in dental insurance expense and the College has projected costs of \$214,600. We project the 2019-20 total expense to concur with the College's projection.

Regarding 2020-21, the proposed budget includes \$360,800, an increase of \$136,000 from the 2019-20 adopted budget. Based on the number of active participants and anticipated 2021 rates we project the expenditures of \$223,200, a favorable variance of \$137,600 compared to the College's projection.

Summary of Expense Variances

For the 2020-21 fiscal year, the College has proposed a total budget of approximately \$18,803,400 for Employee Benefits. Based on our analysis, we project expenditures to total approximately \$18,537,900, a decrease of \$265,500 compared to the College's proposed budget.

	<u>Favorable (Unfavorable)</u>
Personal Services	
Full-time faculty/staff	\$ -
Part-time faculty/staff	30,000
Other Salary Items	-
	<u>30,000</u>
Contractual Services	<u>128,300</u>
Employee Benefits	
ERS	31,700
TRS	33,600
TIAA	29,500
FICA	32,500
Workers Comp	50,000
Dental Plan	137,600
Health Insurance	<u>(49,400)</u>
	<u>265,500</u>
Total Variance	<u><u>\$ 423,800</u></u>

Net Position

Exhibit I - page 41 reflects our calculations of the College's 2019-20 projected results of operations based on actual data updated to June 15, 2020. This exhibit indicates the projected variances between the adopted budget and our projections for the current year and the impact to projected net position at August 31, 2020.

As discussed earlier in this report, the projected unfavorable revenue variance is the result of a projected deficit of \$1,061,500 in tuition, \$324,600 in Other Revenues and a projected surplus of \$55,100 in State Aid. During 2019-20 there was a decrease in full-time credit hours, a contributing factor in the budget shortfall.

Based upon our analysis, the projected favorable expenditure variance results from a projected surplus of \$1,065,400 in Personnel Services and \$1,075,700 in employee benefits. The majority of the surplus can be attributed to a reduction in employees and health insurance premiums that were lower than anticipated.

As a result of the projections, we believe that the results of operations for the 2019-20 fiscal year will produce a \$1,351,100 increase in Net Position (Fund Balance – Governmental Basis). Our results are \$1,373,319 more than the College’s estimate (**as of February 2020**) of a \$22,219 projected deficit (Exhibit II). We have been advised that the College has a more recent estimate that is more in line with ours, with the difference being the accounting treatment of an accrued liability.

It should be noted that the beginning of year Unrestricted Net Deficit of \$173,354,489 noted below includes an accrual for 1) compensated absences as required by GASB Statement No. 16 in the amount of \$1,095,298, 2) net pension liability as required by GASB Statement No. 68 in the amount of \$597,409 and 3) an accrual for other post-employment benefit obligations as required by GASB Statement No. 75 in the amount of \$175,785,310. Exclusive of these three “non-current” type items, the College had Unrestricted Net Position at August 31, 2019 of \$4,123,528. These amounts when combined with our findings for the 2019-20 fiscal year of \$1,351,100 provide a Net Position (Fund Balance – Governmental Basis) of \$5,474,628.

Reconciliation of Net Position to Fund Balance – Governmental Basis

Unrestricted Net Deficit - August 31, 2019	\$ (173,354,489)
Add back as of August 31, 2019:	
Sick Benefits Accrual - GASB Statement No. 16	1,095,298
Net Pension Liability (Asset) - GASB Statement No. 68	597,409
Other Post Employment Benefit Obligations Accrued - GASB Statement No. 75	<u>175,785,310</u>
Total Net Position (Fund Balance - Governmental Basis) at August 31, 2019	4,123,528
2019-20 Projected excess of Revenues Over Expenses	<u>1,351,100</u>
	5,474,628
Less: Appropriated for Use in 2020-21	<u>-</u>
Total Projected Unrestricted Net Position (Fund Balance - Government Basis) at August 31, 2020	<u>\$ 5,474,628</u>

Summary of Findings

Proposed 2020-21 Budget Variances (See Exhibit V)

	Variance Favorable/ <u>(Unfavorable)</u>
Revenues	
Tuition	\$ (354,000)
State Aid	(170,000)
Charges to Other Counties	30,000
Service fees	(310,000)
Interest Income	(75,500)
Self-sustaining Courses	<u>(97,000)</u>
Total Net Revenue	<u>(976,500)</u>
Expenses	
Personal Services	30,000
Contractual Services	128,300
Employee Benefits	<u>265,500</u>
Total Net Expenses	<u>423,800</u>
Projected Shortfall in Proposed Budget	<u><u>\$ (552,700)</u></u>

Conclusion

Our review continues to contain issues that we have highlighted in our previous reports: rising employee benefit costs, the State's failure to meet its one-third State aid sharing obligation and declining enrollment. The 2020-21 proposed budget anticipates no increase in enrollment, as compared to actual 2019-20 results but a decrease when compared to the adopted budget. The declining enrollment has a dual impact on the College's major sources of revenues; both State aid and tuition are based upon the number of students. The College has proposed to increase their current tuition rate for full-time students to \$5,376, which is now the highest rate as compared to the surrounding community colleges. Base State aid per FTE \$2,947 remained at the same as the 2019-20 rate.

The College has also had to reorganize the staff given the enrollment decline. In order to remain flexible and offer courses that the student's desire, the administration is relying more heavily on adjunct professors. As positions have become vacant, they are reviewed and filled on an as-needed basis. The same is true for support staff; according to the Administration there is a greater reliance on hourly and part-time staff for these support activities.

Based upon our 2019-20 projections the College will have an operating surplus of \$1,351,100. For 2020-21, the College has again not appropriated any of its fund balance; instead it is struggling to control costs to balance the budget. As noted on page 41, we have projected unrestricted net position (fund balance – governmental basis) to have increased to \$5,474,628 at August 31, 2020. If our revenue and expense assumptions prove correct for the 2020-21 academic year, we expect the proposed budget to be underfunded by \$552,700. Since the County does not provide its share of the funding of the College's budget until the latter part of the College's fiscal year and the State aid is not received at the start of the fiscal year, the College has relied on its net position balance to provide the necessary cash flow resources. This balance as it is diminished may not be sufficient in the future to meet the College's cash flow needs. It

is likely the College may need cash flow assistance from the County, since the College cannot borrow funds on its own.

The College like all municipal entities is facing a unique challenge, the post COVID-19 world. Will they be teaching remotely, what protocols will they be required to follow and the most important question, will the New York State adjustment to the amount of State Aid be permanent. The most recent State aid payment was reduced by 20% approximately \$650,000. In the past, the College has had to resort to increasing tuition or seeking more funding from the County in order to balance the budget and remain competitive with competing education institutions. Our previous reports have mentioned that it is essential that the administration formulate and implement a strategic multi-year forecast that would establish the College's plans for providing educational services to the community and share this plan with the County Legislature. The development and implementation of this forecast could also be utilized as a means of considering ways to handle the trends in enrollment.

The need for such a forecast is crucial and should be prepared in conjunction with this budget. We also believe that it is especially important for the College to continue to evaluate the ratio of faculty and support staff to enrollment. Personal services will continue to remain the largest area of expense in the budget. The growth in the cost of fringe benefits, especially health insurance and the possible impact of the "Settlement of Open Labor Contracts", continues to far outpace revenue growth. The College plan should reflect a level of staffing consistent with available resources and enrollment levels.

The College, in the past, has also had available a pool of funds derived over the years from capital cost chargebacks for non-resident students. Currently, there is approximately \$750,953 held by New York State available for use by the College. The permitted uses of these funds are as follows:

- 1) to meet the sponsor's share of the cost of acquisition of land and the acquisition, construction or rehabilitation of buildings;

- 2) to reduce indebtedness of the sponsor incurred capital costs of the Community College, which currently requires a debt service expenditure by the County of \$6,755,693;
- 3) to pay the sponsor's cost of financing such indebtedness;
- 4) for the sponsor share of such other purposes as are normally permitted within an approved capital construction budget;
- 5) to pay for up to one-half of the purchase price of equipment.

It was determined by the County that the most appropriate use of these funds would be to offset the debt service obligations issued by the County on behalf of the College. The contribution to the County by the College during the 2020-21 fiscal year will be \$100,000. Additionally, the College has included \$225,000 for equipment in its 2020-21 proposed budget. The college could budget \$112,500 from this aforementioned pool of funds as a revenue source. Our findings do not include this revenue.

In the past we have indicated that the options available to meet any anticipated budgetary shortfall was either 1) the County's contribution for the 2020-21 college budget would need to be \$19,986,640 which would be an increase of \$933,758 or 4.9%, over the current year, 2) service reductions, 3) increase student enrollment especially from local school districts, or 4) some combination of these approaches. Perhaps the time is such that the use of Fund Balance should also be a consideration.

As indicated in Exhibit V, our analysis results in a projected budgetary shortfall of \$552,700 in the 2020-21 budget. We project revenue shortfalls of \$976,500, primarily due to a continuing decline in full-time student enrollment. On the expense side of the budget, we project that expenses will come in under the proposed budget for a positive variance of \$423,800.

The projected variance in deficit resources \$552,700, is of a manageable amount not requiring further action on the part of the County to increase the requested sponsor contribution. In fact, as our chart on page 35 (Reconciliation of Net Position to Fund Balance – Governmental Basis) indicates the College has on a Governmental

Accounting basis, which is different than the reporting requirement for the New York State Higher Education Department, a Fund Balance of \$5.4 million. The College with this level of resources available can absorb the shortfall that we have identified as well as the difference between existing student fees and the proposed “New Student Fee” of \$175. In addition to the Fund Balance, the College also has the option to utilize some of its capital chargeback funds to cover current equipment expenditures. This would generate approximately \$112,500 of additional revenue and reduce the projected deficiency in resources to \$440,200.

As in past years, we are available to discuss any questions you may have regarding our findings or any issues that may arise while you deliberate the proposed budget.

EXHIBITS

**Orange County Community College
Summary of 2019-20 Consultant Projected Actual Revenues,
Expenses and Net Position Compared to 2019-20
Adopted Budget**

	<u>2019-20 Budget As Adopted</u>	<u>Consultant 2019-20 Projected Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Tuition	\$ 23,618,441	\$ 22,556,941	\$ (1,061,500)
State Aid	13,394,887	13,449,987	55,100
County Contribution	19,052,882	19,052,882	-
Other Revenue	<u>6,453,092</u>	<u>6,128,492</u>	<u>(324,600)</u>
Total Revenues	<u>\$ 62,519,302</u>	<u>\$ 61,188,302</u>	<u>\$ (1,331,000)</u>
Expenses			
Personnel Services	34,424,605	33,359,205	1,065,400
Capital Equipment	225,000	28,500	196,500
Contractual Services	8,883,696	8,539,196	344,500
Employee Benefits	<u>18,986,001</u>	<u>17,910,301</u>	<u>1,075,700</u>
Total Expenses	<u>62,519,302</u>	<u>59,837,202</u>	<u>2,682,100</u>
Excess of Expenses Over Revenues	-	1,351,100	1,351,100
Appropriated Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Projected Budgetary Surplus	<u>\$ -</u>	<u>\$ 1,351,100</u>	<u>\$ 1,351,100</u>
Unrestricted Net Position at (Fund Balance - Governmental Basis) August 31, 2019			\$ 4,123,528
Less: Appropriated Fund Balance			<u>-</u>
Consultant Projected Budgetary Deficit 2019-20			<u>4,123,528</u> <u>1,351,100</u>
Projected Unrestricted Net Position (Fund Balance - Governmental Basis) at August 31, 2020			<u>\$ 5,474,628</u>

Orange County Community College
Summary of 2019-20 OCCC Projected Actual Revenues and
Expenses Compared to 2019-20 Consultant Projections

	OCCC Projected Actuals 2019-20 (1)	Consultant Projected Actuals 2019-20	Variance Favorable (Unfavorable)
Revenues			
Tuition	\$ 21,938,232	\$ 22,556,941	\$ 618,709
State Aid	13,452,059	13,449,987	(2,072)
County Contribution	19,052,882	19,052,882	-
	<u>54,443,173</u>	<u>55,059,810</u>	<u>616,637</u>
Other:			
Charges to other counties	2,337,132	2,337,123	(9)
Service fees	2,850,399	2,847,152	(3,247)
Self-sustaining courses	367,823	390,049	22,226
Miscellaneous	554,219	554,168	(51)
	<u>6,109,573</u>	<u>6,128,492</u>	<u>18,919</u>
Total Revenues	<u>\$ 60,552,746</u>	<u>\$ 61,188,302</u>	<u>\$ 635,556</u>
Expenses			
Personnel Services	\$ 34,210,707	\$ 33,359,205	\$ 851,502
Capital Equipment	28,515	28,500	15
Contractual Services	7,971,470	8,539,196	(567,726)
Employee Benefits	18,364,273	17,910,301	453,972
Total Expenses	<u>\$ 60,574,965</u>	<u>\$ 59,837,202</u>	<u>\$ 737,763</u>
Revenues Over Expenses	\$ (22,219)	\$ 1,351,100	\$ 1,373,319
Appropriated Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Projected Budgetary Surplus (Deficit)	<u>\$ (22,219)</u>	<u>\$ 1,351,100</u>	<u>\$ 1,373,319</u>

(1) As of February 2020.

**Orange County Community College
Summary of 2019-20 Consultant Projected Revenues and
Expenses Compared to 2020-21 Proposed Budget**

	Proposed Budget 2020-21	Consultant Projected Actuals 2019-20	Variance Favorable (Unfavorable)
Revenues			
Tuition	\$ 22,936,805	\$ 22,556,941	\$ 379,864
State Aid	12,989,240	13,449,987	(460,747)
County Contribution	19,433,940	19,052,882	381,058
	<u>55,359,985</u>	<u>55,059,810</u>	<u>300,175</u>
Other:			
Charges to other counties	2,405,360	2,337,123	68,237
Service fees	3,451,276	2,847,152	604,124
Self-sustaining courses	487,133	390,049	97,084
Miscellaneous	713,526	554,168	159,358
	<u>7,057,295</u>	<u>6,128,492</u>	<u>928,803</u>
Appropriated Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>\$ 62,417,280</u>	<u>\$ 61,188,302</u>	<u>\$ 1,228,978</u>
Expenses			
Personnel Services	\$ 34,657,977	\$ 33,359,205	\$ 1,298,772
Capital Equipment	225,000	28,500	196,500
Contractual Services	8,730,883	8,539,196	191,687
Employee Benefits	18,803,420	17,910,301	893,119
Total Expenses	<u>\$ 62,417,280</u>	<u>\$ 59,837,202</u>	<u>\$ 2,580,078</u>
Budgetary Surplus	<u>\$ -</u>	<u>\$ 1,351,100</u>	

**Orange County Community College
Summary of 2019-20 Adopted Budget
Compared to 2020-21 Proposed Budget**

	Adopted Budget 2019-20	% of Total	Proposed Budget 2020-21	% of Total	Increase (Decrease)
Revenues					
Tuition	\$ 23,618,441	37.78 %	\$ 22,936,805	36.75 %	\$ (681,636)
State Aid	13,394,887	21.43	12,989,240	20.81	(405,647)
Other Revenue	6,453,092	10.32	7,057,295	11.31	604,203
Appropriated Fund Balance	-	0.00	-	0.00	-
	<u>43,466,420</u>	69.52	<u>42,983,340</u>	68.86	(483,080)
Balance, Representing County Contribution	<u>19,052,882</u>	30.48	<u>19,433,940</u>	31.14	381,058
	<u>\$ 62,519,302</u>	<u>100.00 %</u>	<u>\$ 62,417,280</u>	<u>100.00 %</u>	<u>\$ (102,022)</u>
Expenses					
Personnel Services	\$ 34,424,605	55.06 %	\$ 34,657,977	55.53 %	\$ 233,372
Capital Equipment	225,000	0.36	225,000	0.36	-
Contractual Services	8,883,696	14.21	8,730,883	13.99	(152,813)
Employee Benefits	18,986,001	30.36	18,803,420	30.13	(182,581)
	<u>\$ 62,519,302</u>	<u>100.00 %</u>	<u>\$ 62,417,280</u>	<u>100.00 %</u>	<u>\$ (102,022)</u>

**Orange County Community College
Comparison of 2020-21 Proposed Budget
To Consultant Projections For 2020-21**

	OCCC Proposed Budget 2020-21	Consultant Projected 2020-21	Favorable (Unfavorable)
Revenues			
Tuition	\$ 22,936,805	\$ 22,582,805	\$ (354,000)
State Aid	12,989,240	12,819,240	(170,000)
	<u>35,926,045</u>	<u>35,402,045</u>	<u>(524,000)</u>
Other:			
Charges to other counties	2,405,360	2,435,360	30,000
Service fees	3,451,276	3,141,276	(310,000)
Self-sustaining courses	487,133	390,133	(97,000)
Interest income	111,543	36,043	(75,500)
Miscellaneous	601,983	601,983	-
	<u>7,057,295</u>	<u>6,604,795</u>	<u>(452,500)</u>
Appropriated Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>\$ 42,983,340</u>	<u>\$ 42,006,840</u>	<u>\$ (976,500)</u>
Expenses			
Personnel Services	\$ 34,657,977	\$ 34,627,977	\$ 30,000
Capital Equipment	225,000	225,000	-
Contractual Services	8,730,883	8,602,583	128,300
Employee Benefits	18,803,420	18,537,920	265,500
Total Expenses	<u>\$ 62,417,280</u>	<u>\$ 61,993,480</u>	<u>\$ 423,800</u>
County Contribution	<u>\$ 19,433,940</u>	<u>\$ 19,433,940</u>	<u>\$ -</u>
Projected Shortfall	<u>\$ -</u>	<u>\$ (552,700)</u>	<u>\$ (552,700)</u>