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NASSAU COUNTY LEGISLATURE
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Inter-Departmental Memo

To: Hon. Richard J. Nicoletto, Presiding Officer
Hon. Kevan Abrahams, Minority Leader
All Members of the Nassau County Legislature

From: Maurice Chalmers, Director
Office of Legislative Budget Review

A handwritten signature in blue ink, appearing to be "M. Chalmers", written over a circular stamp or mark.

Date: February 14, 2020

Re: Nassau Community College – Year-End 2018-2019, First Quarter 2019-2020

The Office of Legislative Budget Review (OLBR) has received the Nassau Community College's unaudited FY 2018-2019 year-end operating results and prepared this memo on the anticipated results for the Legislature. The College is projecting that it will end the FY 2018-2019 with an unaudited operating surplus of approximately \$4.9 million. When the modified budget is compared to unaudited year-end projections, a surplus of \$7.3 million in budgeted expenses is partially offset by a \$2.4 million deficit in revenues. The year-end results include the budgeted use of \$5.5 million in fund balance without which the results would be a net deficit of \$610,113. The results, which show a continued reliance on fund balance, are reflected in the attached change in fund balance chart.

FY 2018-2019 Year-End

Expenses

Compared to the modified FY 2018-2019 budget, year-end expenses came in under budget by approximately \$7.3 million. The main drivers of this positive variance are the salary, fringe benefit and general expense lines. The College explains that the \$4.3 million surplus in salaries is mostly due to savings as a result of the 2018 retirement incentive. In June of 2018 the College offered an early retirement incentive to the Nassau Community College Faculty Union (NCCFT) with limited replacements. Managing headcount has been a key strategy for the College; they report that 20 faculty members elected to retire in September and 24 elected to retire in January. The salary surplus would have been greater but is offset by a \$980,000 shortfall in termination cost related to

the incentive payout.

The \$2.6 million surplus in fringe benefits resulted mostly from lower than budgeted health insurance rates. Health insurance growth rates for 2019 was budgeted at 7.1% but had an actual rate of 2.75% (for active employees). In addition, favorable results were realized from the MTA mobility tax, NYS Unemployment expenses, workers compensation and associated fringe costs from salary savings. Contributing to the surplus is a favorable \$0.9 million in general expenses which results from controlling costs through operational efficiencies and managerial decisions.

Revenue

According to the FY 2018-2019 unaudited year-end operating results, the College anticipates a \$2.4 million revenue shortfall when compared to the modified budget. The largest shortfalls occurred in student revenues and revenue in lieu of sponsor share. Student revenues declined \$2.6 million due to larger than projected declines in enrollment. Similarly, revenue in lieu of sponsor share is down \$1.3 million due to lower Out of State, Out of County and international student enrollment. Smaller declines are reflected in service fees and rents & recoveries. Meanwhile, the largest revenue surplus can be found in revenue offset to expenses of \$1.2 million and state aid of \$0.3 million. Favorable new contracts with the bookstore and food vendors, as well as additional state aid not budgeted for contributed to the rise in revenue.

The Full-Time Equivalent (FTE) students in FY 2018-2019 has declined. The FY 2018-2019 budgeted count was approximately 13,553 while the actual count was 13,278. This decline in enrollment was approximately 275 FTEs when compared to the count the College Administration used to formulate the FY 2018-2019 budget. The decline in enrollment led to an underperformance of student revenues, revenue in lieu of sponsor share, and service fees when compared to the modified budget.

FY 2019-2020 First Quarter

The College provided its forecast for the First Quarter of FY 2019-2020 compared to the Adopted Budget. More details will be provided in OLBR's mid-year report as more precise data on expense and revenue projections become available.

Expenses

Expenses in FY 2019-2020 are expected to come under the Adopted Budget by approximately \$4.1 million. The projected surplus is mostly related to an anticipated surplus in salaries, with a smaller savings in fringe benefits mainly due to having unfilled or not yet filled positions. As employees separate, every position is evaluated and consideration is given to the institution's needs before automatically filling the vacancy, especially now, during a period of declining enrollment. The surplus in fringe benefits is due to health insurance rates for 2020 being lower than the budgeted estimate and vacancies.

Revenue

According to the latest projection, the college anticipates a \$1.5 million rise in revenue, when compared to the Adopted Budget. The largest projected increase of \$1.3 million is expected in student revenues as a result of higher than budgeted FTE's. FTE enrollment was budgeted for 12,228 in FY 2019-2020 and is now projected to be 12,399. The FY 2019-2020 budget was based

on a projected enrollment drop of 7.5%, however the FY 2018-2019 final enrollment reflected a 5.7% drop. Although it is a drop in enrollment, it is better than expected, resulting in projected revenue being higher than budgeted. In addition, the College expects a rise in the following enrollment sensitive lines: revenue in lieu of sponsor share (\$0.1 million) and service fees (\$63,984).

The projected \$4.0 million expense surplus when combined with the \$1.5 million revenue surplus results in a positive projected operating result of approximately \$5.6 million. Since the College has budgeted \$6.5 million in fund balance appropriation, the College would only need to use \$0.9 million of fund balance in FY 2019-2020 if its projections come to fruition. The FY 2018-2019 audit is still in process, therefore, adjustments to the operating results are possible and can change the projected results. The table below provides the projected reconciliation of the fund balance.

Fund Balance Reconciliation	
Beginning Fund Balance FY 2018-2019	\$18,105,112
FY 2018-2019 Net Fund Balance Usage After Appropriation	(610,113)
Projected FY 2018-2019 Unappropriated Fund Balance	17,494,999
Adopted FY 2019-2020 Fund Balance Appropriation	(6,500,000)
Subtotal Prior to Operating Results	10,994,999
Projected FY 2019-2020 Operating Results	5,579,692
Projected FY 2019-2020 Unappropriated Fund Balance	\$16,574,691

Conclusion

The College continues to adapt as it competes with other four-year institutions in the region for affordability. Declining FTEs have strained finances and to cope with the current economic conditions, the College has had to use Fund Balance in the past and plans to use a significant chunk this year. Depending on the final outcome of FY 2019-2020, the College will be able to diminish how much of the Fund Balance is used. The fiscal health of the College will be determined by the leadership’s ability to control expense increases and offset them by expanding the revenue options. Short of this, cost cutting measures may be necessary.

- cc: Julio Izquierdo, Vice President of Finance, NCC
 Dr. Jermaine F. Williams, President, NCC
 Raymond Orlando, Deputy County Executive, Finance
 Andrew Persich, Budget Director, OMB
 Chris Ostuni, Majority Counsel
 Meredith Hughes, Deputy Majority Counsel, Policy Director
 Michael Pulitzer, Clerk of the Legislature
 Michele Darcy, Minority Finance
 Peter Clines, Minority Counsel
 William Biamonte, Minority Chief of Staff

Nassau Community College
FY 2018- 2019 Expense
Unaudited Year End Results

	Adopted Budget	Modified Budget	18-19 YE Actual	Variance Modified To Actual	% Variance
Wages, Salaries & Fees	\$122,875,166	\$122,871,719	\$118,611,788	\$4,259,931	3.5%
Employee Fringe Benefits	60,241,000	60,241,000	57,572,256	2,668,744	4.4%
Subtotal Personal Services	183,116,166	183,112,719	176,184,044	6,928,675	3.8%
Equipment	1,912,774	2,044,292	1,615,150	429,142	21.0%
General Expenses	7,885,650	8,151,847	7,244,266	907,581	11.1%
Contractual	8,828,609	8,478,669	8,452,649	26,020	0.3%
Utility Costs	4,287,000	5,030,672	5,205,902	(175,230)	-3.5%
Interfund Charges	2,648,000	1,860,000	2,608,796	(748,796)	-40.3%
Debt Service	1,088,799	1,088,799	1,153,638	(64,839)	-6.0%
Other	55,000	55,000	25,800	29,200	53.1%
Subtotal OTPS	26,705,832	26,709,279	26,306,201	403,078	1.5%
Grand Total	<u>\$209,821,998</u>	<u>\$209,821,998</u>	<u>\$202,490,246</u>	<u>\$7,331,753</u>	3.5%

Nassau Community College
FY 2018- 2019 Revenue
Unaudited Year End Results

	Adopted Budget	Modified Budget	18-19 YE Actual	Variance Modified To Actual	% Variance
Fund Balance	\$5,500,000	\$5,500,000	\$5,500,000	\$0	0.0%
Investment Income	205,000	205,000	434,769	\$229,769	112.1%
Rents and Recoveries	990,000	990,000	811,609	(\$178,391)	-18.0%
Revenue Offset	4,421,004	4,421,004	5,612,727	\$1,191,723	27.0%
Service Fees	8,102,311	8,102,311	8,031,336	(\$70,975)	-0.9%
Student Revenues	79,945,884	79,945,884	77,350,468	(\$2,595,416)	-3.2%
Revenue Lieu Sponsor	14,700,000	14,700,000	13,396,339	(\$1,303,661)	-8.9%
State Aid	43,750,916	43,750,916	44,036,001	\$285,085	0.7%
Property Taxes	52,206,883	52,206,883	52,206,883	\$0	0.0%
Total Revenues	<u>\$209,821,998</u>	<u>\$209,821,998</u>	<u>\$207,380,132</u>	<u>(\$2,441,866)</u>	-1.2%