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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 *HC Ben MC*  
Office of Legislative Budget Review

Date: February 4, 2021

Re: Nassau Community College 2019-2020 Year-End, 2020-2021 First Quarter

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The Office of Legislative Budget Review (OLBR) has received the Nassau Community College's unaudited FY 2019-2020 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 2019-2020 with an unaudited operating surplus of approximately \$0.7 million. When the modified budget is compared to unaudited year-end projections, a surplus of \$7.2 million in budgeted expenses is partially offset by a \$6.5 million deficit in revenues. The year-end results do not include the budgeted use of \$6.5 million from the budgeted fund balance appropriation. The impact on fund balance is reflected in the attached fund balance reconciliation chart.

#### **FY 2019-2020 Year-End**

##### **Expenses**

Compared to the modified FY 2019-2020 budget, year-end expenses came in under budget by approximately \$7.2 million. The main drivers of this positive variance are the salary, fringe benefit, equipment and general expense lines, along with smaller surpluses in contractual services, utility costs, and interfund charges. The College reports that the \$0.8 million surplus in salaries is due to many factors. There were full-time savings from unfilled vacancies as well as reduced part-time staffing as a result of the pandemic and lower enrollment. The salary surplus would have been greater but is partially offset by a significant \$2.9 million increase over budget for termination pay as a result of the NCCFT retirement incentive and corresponding leave payout accruals, as well as leave payout for other non-incentive retired and separated employees. The \$1.8 million

surplus in fringe benefits resulted mostly from lower social security and pension contributions as well as a lower than budgeted health benefit cost, since the 2020 health insurance growth rate declined from the prior year.

Contributing to the surplus, is a favorable \$1.7 million in general expenses and \$1.1 million in equipment which results from lower spending due to less activity on campus from the pandemic, reduced enrollment and intentional efforts to reduce spending. Additionally, equipment spending for remote instruction due to the pandemic was covered under the Coronavirus Aid, Relief, and Economic Security (CARES) Act grant and is not reflected as part of operating funds. Both contractual services and utility costs had surpluses of roughly \$0.8 million each, also a result of reduced spending due to the negative impact of the pandemic. Lastly, approximately a \$0.4 million deficit in debt service was an additional expense as the College's amortization of principal differs from the financial statement amortization. According to the College, this will be adjusted to match financial statement amortization in future iterations.

### **Revenue**

According to the unaudited FY 2019-2020 year-end operating results, the College anticipates a \$6.5 million revenue shortfall when compared to the modified budget. The final operating results do not include the usage of the \$6.5 million fund balance appropriation. The next largest shortfalls occurred in revenue offset to expenses and revenue in lieu of sponsor share. Revenue offset to expenses declined by \$1.9 million mainly due to reductions in revenue from the bookstore, the food concession and facilities usage since most students weren't on campus due to COVID-19 the last few months of the school year. Revenue in lieu of sponsor share is down \$0.7 million due to lower out of state, out of County and international student enrollment. Service fees dropped \$0.2 million when compared to the modified budget. Due to less student activity on campus, vehicle registration fees declined. Smaller drops are reflected in rents & recoveries and property taxes, with property taxes \$13,069 lower than budgeted from an accounting adjustment.

Meanwhile, the largest revenue surplus is found in student revenues of \$2.8 million is attributed to higher than **projected** enrollment. The Full-Time Equivalent (FTE) students in FY 2019-2020 rose above budgeted levels. The FY 2019-2020 budgeted count was approximately 12,228 while the actual count was 12,515. This rise in enrollment from **budget** was approximately 287 FTEs when compared to the count the College Administration used to formulate the FY 2019-2020 budget. This helped mitigate the shortages in other revenue streams caused by the pandemic. Finally, revenue from investment income and state aid came in close to budget.

### **FY 2020-2021 First Quarter**

The College provided its forecast for the First Quarter of FY 2020-2021 compared to the Adopted Budget. More details will be included in OLBR's mid-year report as more precise data on expense and revenue projections become available.

### **Expenses**

Expenses in FY 2020-2021 are expected to come over the Adopted Budget by approximately \$2.9 million. The projected deficit is mostly related to an anticipated overspending in salaries and fringe benefits. Salary savings targets are not projected to be met for the retirement incentive/terminations and reductions in part-time spending. Fringe benefits are expected to be

over budget by \$2.3 million due to fringe savings/incentive targets that may not be reached. The overall fringe benefit shortfall would be greater but is being partially offset by savings in other fringe lines for the Teachers Retirement System (TRS), TIAA Cref Optional Retirement System and health insurance. Savings from TRS and TIAA Cref result from headcount reductions. Savings from health insurance are being produced due to the health insurance growth rate, which according to the College was finalized at a 2.7%, lower than the 5.0% included in the FY 2020-2021 Adopted Budget.

## **Revenue**

According to the latest projection, the college anticipates a \$4.4 million revenue shortfall, when compared to the Adopted Budget. The largest projected decline of \$5.1 million is expected in student revenues as a result of lower than budgeted FTE's. FTE enrollment was budgeted for 11,109 in FY 2020-2021 and is now projected to be 10,373. The FY 2020-2021 budget was based on a previous projected enrollment drop of 8.0%, however current projections reflect an enrollment decline of 17.1% compared to last year's actual. Due to COVID-19, New York state aid was reduced by \$0.9 million in the FY 2020-2021 projection, which reflects a state aid cut of roughly 5.0%. Originally the state included a cut of 15.0%, which would impact the current year, but the College has since been informed that a portion of this cut would be restored and reduced to 5.0%. However, if this portion of the cut is not restored, this could create more fiscal stress to the College. In addition, the College expects a decline in the following enrollment sensitive lines: service fees (\$0.9 million) and revenue in lieu of sponsor share (\$91,012).

The projected \$2.9 million expense deficit when combined with the \$4.4 million revenue shortfall results in a projected operating deficit of approximately \$7.3 million. The College plans to use the fund balance to cover the projected FY 2020-2021 deficit. The Nassau Community College Board of Trustees have a policy requiring the unrestricted/unreserved operating fund balance be maintained at a minimum of 4.0% of the prior year's expenses. Current projections reflect a FY 2020-2021 unappropriated fund balance at of \$9.9 million, or 5.0%. The College has advised it will be receiving Federal grants through the CARES Act and the Coronavirus Response & Relief Supplemental Appropriations Act (CRRSAA) that will reimburse the loss of revenue due to the pandemic, in turn reducing the negative operating results on the fund balance. According to the College, this is a short-term fix to a larger issue that has to be addressed in FY 2021-2022 and future years.

The FY 2019-2020 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 2019-2020	<u>\$16,508,810</u>
FY 2019-2020 Operating Results	<u>696,128</u>
Projected FY 2019-2020 Unappropriated Fund Balance	<u>17,204,938</u>
Projected FY 2020-2021 Operating Results	<u>(7,284,183)</u>
Projected FY 2020-2021 Unappropriated Fund Balance	<u>\$9,920,755</u>

### Conclusion

The College continues to adapt to the devastating economic fallout caused by the pandemic and the impact of several years of decreased student enrollment on tuition revenue. Declining FTEs have previously strained finances and to cope with the current economic conditions, the College continues to rely heavily on the Fund Balance and plans to use a significant chunk this year. Depending on the final outcome of FY 2020-2021, the College may need to strategize on rebuilding the fund balance. In addition, the possibility of further state aid cuts presents another obstacle to overcome. The fiscal health of the College will be determined by the leadership's ability to control expense increases and offset them by expanding revenue options, while simultaneously offering a quality educational experience during this pandemic.

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 2019- 2020 Expense**  
**Unaudited Year End Results**

	<b>Adopted Budget</b>	<b>Modified Budget</b>	<b>19-20 YE Actual</b>	<b>Variance Modified To Actual</b>	<b>% Variance</b>
Wages, Salaries & Fees	\$119,117,667	\$119,126,017	\$118,300,945	\$825,072	0.7%
Employee Fringe Benefits	58,155,274	58,155,274	56,316,748	1,838,526	3.2%
<b>Subtotal Personal Services</b>	<b>177,272,941</b>	<b>177,281,291</b>	<b>174,617,693</b>	<b>2,663,598</b>	<b>1.5%</b>
Equipment	1,917,470	1,943,754	860,805	1,082,949	55.7%
General Expenses	8,469,226	8,459,417	6,733,850	1,725,567	20.4%
Contractual	8,692,077	8,598,986	7,837,171	761,815	8.9%
Utility Costs	4,072,300	4,140,566	3,364,999	775,567	18.7%
Interfund Charges	2,548,000	2,548,000	1,962,912	585,088	23.0%
Debt Service	1,088,799	1,088,799	1,442,416	(353,617)	-32.5%
Other	55,000	55,000	58,384	(3,384)	-6.2%
<b>Subtotal OTPS</b>	<b>26,842,872</b>	<b>26,834,522</b>	<b>22,260,537</b>	<b>4,573,985</b>	<b>17.0%</b>
<b>Grand Total</b>	<b>* <u>\$204,115,813</u></b>	<b><u>\$204,115,813</u></b>	<b><u>\$196,878,230</u></b>	<b><u>\$7,237,583</u></b>	<b>3.5%</b>

\*The original budget in total is the same, however the College is reflecting some changes in different object codes.

**Nassau Community College  
FY 2019- 2020 Revenue  
Unaudited Year End Results**

	<b>Adopted Budget</b>	<b>Modified Budget</b>	<b>19-20 YE Actual</b>	<b>Variance Modified To Actual</b>	<b>% Variance</b>
Fund Balance	\$6,500,000	\$6,500,000	\$0	(\$6,500,000)	0.0%
Investment Income	300,000	300,000	335,528	\$35,528	11.8%
Rents and Recoveries	1,524,678	1,524,678	1,438,660	(\$86,018)	-5.6%
Revenue Offset	4,623,559	4,623,559	2,710,357	(\$1,913,202)	-41.4%
Service Fees	7,274,586	7,274,586	7,094,871	(\$179,715)	-2.5%
Student Revenues	74,285,312	74,285,312	77,099,678	\$2,814,366	3.8%
Revenue Lieu Sponsor	14,472,733	14,472,733	13,751,939	(\$720,794)	-5.0%
State Aid	42,928,062	42,928,062	42,949,512	\$21,450	0.0%
Property Taxes	52,206,883	52,206,883	52,193,814	(\$13,069)	0.0%
<b>Total Revenues</b>	<b><u>\$204,115,813</u></b>	<b><u>\$204,115,813</u></b>	<b><u>\$197,574,359</u></b>	<b><u>(\$6,541,454)</u></b>	<b>-3.2%</b>