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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 

Date: January 10, 2019

Re: Nassau Community College – Year-End 2017-2018, First Quarter 2018-2019

The Office of Legislative Budget Review (OLBR) has received the Nassau Community College's unaudited FY 2017-2018 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 2017-2018 with an unaudited operating surplus of approximately \$1.9 million. When the modified budget is compared to unaudited year-end projections, a surplus of \$4.6 million in budgeted expenses is partially offset by a \$2.7 million deficit in revenues.

FY 2017-2018 Year-End

Expenses

Compared to the modified FY 2017-2018 budget, year-end expenses came in under budget by approximately \$4.6 million. The main drivers of this positive budget expense variance are the fringe benefit and debt service lines. The \$2.7 million surplus in fringe benefits is mostly due to savings from active health insurance and State Retirement pension costs. The surplus in retirement costs results from deferring approximately \$0.9 million of the pension expense, which was not included in the budget. In addition, the savings also result from vacancies and separations at the College. Debt service costs related to prior year incentives came under budget by approximately \$1.7 million. When the budget was prepared, it was based on paying the 2015-2016 NCCFT incentive over four years, however a Memorandum of Understanding (MOU) between the College and County renegotiated the term to be paid back over ten years.

The above surplus is enhanced by an extra \$0.3 million in utilities and \$0.2 million in equipment. This is due to lower than budgeted costs in light, power, water, and cellular phone expenses. The surplus in equipment reflects savings in computer equipment. There were also smaller cost savings in miscellaneous equipment.

Revenue

According to the FY 2017-2018 unaudited year-end operating results, the College anticipates a \$2.7 million revenue shortfall when compared to the modified budget. The largest shortfalls occurred in revenue to offset expenses (\$2.1 million), student revenues (\$1.2 million), and rents and recoveries (\$0.4 million). Meanwhile, the largest revenue surplus can be found in revenue in lieu of sponsor share and state aid with a \$0.8 million combined surplus. Although revenues had an overall deficit, the College was able to offset the revenue shortfalls with expense savings.

The Full-Time Equivalent (FTE) students in FY 2017-2018 has declined. The FY 2017-2018 budgeted amount was approximately 14,564 while the actual amount was 14,517. This decline in enrollment was approximately 47 FTEs when compared to the amount the College Administration used to formulate the FY 2017-2018 budget. The decline in enrollment led to an underperformance of student revenues, revenue to offset expense, and service fees when compared to the modified budget.

FY 2018-2019 First Quarter

For the First Quarter FY 2018-2019, the projected results are compared to the College's 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 2018-2019 are expected to come under the Adopted Budget by approximately \$5.0 million. The projected surplus is mostly related to an anticipated surplus in salaries, with a smaller savings in fringe benefits. This is mainly due to the recent NCCFT retirement incentive for members who retired on 8/31/2018 and 12/31/2018. The incentive was negotiated after the 2019 Budget was drafted. In addition, lower student enrollment and fewer class sections are expected to lead to salary savings in the Adjunct faculty. Also, there is anticipated savings as a result of CSEA attrition. The surplus in fringe benefits is due to savings from FICA and MTA taxes from the lowered salaries.

Revenue

According to the latest projection, the college anticipates a \$4.4 million revenue shortfall in FY 2018-2019. The largest projected revenue shortfall of \$3.7 million is found in student revenues due to the continued decline of FTEs. In addition, the College expects deficits in the following enrollment sensitive lines: revenue in lieu of sponsor share (\$0.5 million) and service fees (\$0.3 million). State aid is projected to have a \$0.1 million surplus. Although the state has increased its FTE reimbursement rate, it is still negatively impacted by declining enrollment. FTE enrollment was budgeted for 13,553 in FY 2018-2019, however the projected number is 13,137.

The projected \$5.0 million expense surplus when combined with the \$4.4 million revenue shortfall

results in a positive projected operating result of about \$0.7 million. However, since the College has budgeted \$5.5 million in fund balance appropriation, the College would only need to use \$4.8 million of fund balance in FY 2018-2019. If FY 2018-2019 unfolds as predicted the fund balance would be roughly \$13.3 million. The table below provides the reconciliation of the fund balance.

Fund Balance Reconciliation	
Beginning Fund Balance FY 2017-2018	\$16,615,142
FY 2017-2018 Net Fund Balance Usage After Appropriation	(129,681)
FY 2017-2018 Adjustments	1,619,651
Projected FY 2017-2018 Unappropriated Fund Balance	18,105,112
Adopted FY 2018-2019 Fund Balance Appropriation	(5,500,000)
Projected FY 2018-2019 Operating Results	668,428
Projected FY 2018-2019 Unappropriated Fund Balance	\$13,273,540

Conclusion

The College continues to adapt as it competes with other four-year institutions in the region for affordability. Decreases in FTE have negatively impacted revenues, even with increases in the reimbursement rate provided by New York State. The College’s property tax allocation has remained unchanged in the last ten years. Some operating expenses, such as fringe benefits and debt service costs in relation to previous incentive plans, have contributed to year-end savings. The fund balance is projected to decrease in the future but remain above the Board of Trustees threshold of 4% of the prior year’s operating budget. The fiscal health of the College will be determined by the leadership’s ability to anticipate expense increases and offset them by expanding the revenue options or cutting costs, while addressing declining enrollment.

- cc: Inna Reznik, Vice President of Finance, NCC
 Kathleen P. Murray, Assistant to the President of Governmental Affairs & Media Relations
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 Michael Pulitzer, Clerk of the Legislature
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Nassau Community College
FY 2017- 2018 Expense
Unaudited Year End Results

	Adopted Budget	Modified Budget	17-18 YE Actual	Variance Modified To Actual	% Variance
Wages, Salaries & Fees	\$122,797,454	\$122,727,374	\$122,667,488	\$59,886	0.0%
Employee Fringe Benefits	59,708,000	59,708,000	57,030,244	2,677,756	4.5%
Subtotal PS	182,505,454	182,435,374	179,697,732	2,737,642	1.5%
Equipment	2,075,054	1,992,847	1,809,575	183,272	9.2%
General Expenses	6,995,371	7,208,961	7,147,927	61,034	0.8%
Contractual	7,766,553	7,837,706	7,971,600	(133,894)	-1.7%
Utility Costs	4,393,827	4,261,371	4,007,039	254,332	6.0%
Interfund Charges	2,717,350	2,640,000	2,840,080	(200,080)	-7.6%
Debt Service	2,640,000	2,717,350	1,024,139	1,693,211	62.3%
Other	55,000	55,000	27,400	27,600	50.2%
Subtotal OTPS	26,643,155	26,713,235	24,827,759	1,885,476	7.1%
Grand Total	<u>\$209,148,609</u>	<u>\$209,148,609</u>	<u>\$204,525,492</u>	<u>\$4,623,117</u>	2.2%

Nassau Community College
FY 2017- 2018 Revenue
Unaudited Year End Results

	Adopted Budget	Modified Budget	17-18 YE Actual	Variance Modified To Actual	% Variance
Fund Balance	\$2,006,320	\$2,006,320	\$2,006,320	\$0	0.0%
Investment Income	65,000	65,000	226,432	\$161,432	248.4%
Rents and Recoveries	990,000	990,000	584,597	(\$405,403)	-40.9%
Revenue Offset	6,162,364	5,991,117	3,922,904	(\$2,068,213)	-34.5%
Service Fees	8,531,487	8,702,736	8,658,437	(\$44,300)	-0.5%
Student Revenues	81,162,678	81,162,677	80,006,973	(\$1,155,704)	-1.4%
Revenue Lieu Sponsor	12,700,287	12,700,286	13,256,896	\$556,610	4.4%
State Aid	45,323,590	45,323,590	45,532,689	\$209,099	0.5%
Property Taxes	52,206,883	52,206,883	52,206,883	\$0	0.0%
Total Revenues	<u>\$209,148,609</u>	<u>\$209,148,609</u>	<u>\$206,402,131</u>	<u>(\$2,746,478)</u>	-1.3%