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NASSAU COUNTY LEGISLATURE
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Inter-Departmental Memo

To: Hon. Norma Gonsalves, 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 "MC", next to the name Maurice Chalmers.

Date: January 16, 2015

Re: Nassau Community College – Year End 2013-2014, First Quarter 2014-2015

The following report summarizes Nassau Community College's unaudited financial results for FY 2013-2014 and includes projections for the first quarter of FY 2014-2015.

The College ended FY 2013-2014 with an operating deficit of approximately \$247,774. When the adopted budget is compared to unaudited year-end results, a surplus of \$904,898 in budgeted expenses was offset by a \$1.2 million revenue shortfall.

Expenses

FY 2013-2014 Year End

Compared to the adopted FY 2014 budget, expenses came in under budget by \$904,898. The positive budget variance is concentrated in the personal services line, specifically, fringe benefits. The \$2.0 million surplus in fringe benefits is primarily related to lower than budgeted health insurance rates. When the budget was formulated, health insurance premiums were budgeted for a 10% increase over the prior year's rates. The actual bill increased rates by only 1.6%, generating a surplus of \$1.4 million. Other gains in social security, pension costs and workers' comp make up the remainder of the fringe benefit surplus. The unbudgeted NCCFT (Nassau Community College Federation of Teachers) contract was the key driver in the \$1.0 million shortfall in the salary line.

The surplus in personal services is offset somewhat by a \$225,158 deficit in other than personal services (OTPS). Historically, the College has adjusted spending for OTPS on an as-needed basis. Sometimes OTPS spending shifts at year's end due to surpluses in other areas of the budget to fund needed expenses. Although the overall bottom line traditionally remained the same, a supplemental appropriation in FY 2014 of \$37,000 for

student transportation has increased the budgeted appropriations. Item 44-14 passed the Legislature in January 2014. The deficit in OTPS is related to higher than budgeted utility expenses which exceeded budget by \$784,222 and \$394,658 more in SAFER (Staffing for Adequate Fire and Emergency Response) grant cost. The College assumed this obligation when it was learned that federal grant funding would not be made available to the County. This had an impact on the College's FY 2013 – 2014 operating results. The SAFER grant is designed to encourage individuals to become participants in Nassau County's volunteer fire departments and as fire department emergency medical service (EMS) providers while they attend NCC. In exchange for tuition reimbursement, student/volunteers must maintain volunteer activity and training levels and certain academic objectives during their course of study and must commit to post-education service obligation of one year for each scholarship they receive.

FY 2014-2015 First Quarter

Expenses for FY 2014-2015 are projected to come in about \$2.6 million below budget. The projected savings are related to the September 2014 Civil Service Employee (CSEA) retirement incentive. However, the outcome of the contract settlement of the Adjunct Faculty Association (AFA) union, currently in negotiation, could create a shortfall in the salary and fringe benefits lines. The College could offset any increases with the projected salary savings and a supplemental appropriation from the fund balance. This would be subject to a vote of the Board of Trustees, the County Legislature and offered as a budget modification to the SUNY Board of Trustees. Should the available fund balance be insufficient, the Board of Trustees may need to modify the existing fund balance policy or identify alternative methods of raising sufficient operating revenues. A detailed analysis of the FY 2014-15 budget will be included in OLBR's mid-year report as more precise data on expense projections become available.

Revenue

FY 2013-2014 Year-End

The College ended FY 2013-2014 about \$1.2 million off its revenue target, including an appropriation of \$4.9 million from the fund balance. A worse than expected enrollment decline played a determining role in the FY 14 operating result, as several of the College's important revenue streams are sensitive to changes in enrollment. Full time equivalent (FTEs) student enrollment fell 2.0% last fiscal year. The College had anticipated a 1.0% enrollment decline.

As a result of the enrollment decline, student revenue (tuition) missed budget by 1.4%, or \$1.2 million, and services fee revenue was off budget by 2.3%, or \$169,718. The College about met its state aid budget of \$46.9 million. The College missed its revenue offset to expense budget by 8.0%, or \$343,261. This revenue stream may have registered an even worse performance had the College not withheld about \$200,000 in fines associated with the Fall 2013 AFA strike. In addition, the Brazilian government reimbursed the College for student transportation in the amount of \$37,000. The revenue shortfall was offset in part by a strong performance in revenue in lieu of sponsor share payments. The State determines a rate at which the College can seek reimbursement from other counties for the cost of educating their residents at NCC. This revenue stream registered a 3.5%, or \$497,444, positive variance in FY 14.

Currently, the College expects to register a \$1.9 million revenue shortfall in FY 15. The College projects overall enrollment to be 3.7% lower than FY 13-14. The FY 15 budget was formulated based on an assumption that enrollment would decline 1.0% this academic year. Enrollment has been in decline since FY 2011-2012, more than 2.0% each year. The College may fail to meet both the tuition and service fee budgets if enrollment does not recover in the Winter, Spring, and Summer semesters.

The College’s overall financial position would deteriorate if it follows through on planned fund balance usage. The College depended on an appropriation of \$4.9 million from the fund balance in FY 14. The College has provided a reconciliation of the fund balance (see chart below) that includes the FY 14 beginning balance, operating results, net position, and planned appropriation for FY 15. Historically, the College strives to maintain a fund balance that is 4.0% of the prior year’s expense budget. Recent operating results have yielded fund balance levels in the 5.0% to 7.0% range. The appropriation planned for FY 15 would diminish the fund balance to about \$6.8 million, or 3.2% of FY 14’s operating expense budget. As mentioned in the expense section of this report, any settlement with the AFA would be underwritten by the fund balance, further straining College finances.

Fund Balance Reconciliation	
Beginning Fund Balance FY 13-14	14,864,857
**Adjustment to previously reported figure	<u>(484,742)</u>
FY 13-14 Appropriation of Fund Balance	(4,873,800)
FY 13-14 Operating Results	<u>(247,774)</u>
Net End of Year 2014 Fund Balance	<u>9,258,541</u>
FY 14-15 Appropriation of Fund Balance	<u>(2,473,000)</u>
FY 14-15 Unappropriated Fund Balance	<u>6,785,541</u>

*** In its proposed budget, the College reported a fund balance figure that included reserved encumbrances.*

These funds were not available and should not have been represented as such.

- cc: Eric Naughton, Deputy County Executive
 Roseann D’Alleva, Budget Director, OMB
 Evan Cohen, Executive Director, NIFA
 William Biamonte, Minority Chief of Staff
 Dan McCloy, Director of Law, Finance & Operations
 Gregory May, Director of Legislative Affairs
 William Muller, Clerk of the Legislature
 Chris Ostuni, Majority Counsel
 Peter Clines, Minority Counsel
 Michele Darcy, Minority Finance

Nassau Community College
FY 2013 - 14 Expenses
Unaudited Year End Results

Object Class		Adopted Budget	Modified Budget	Aug 31-14 Actual	Variance Adopted To Actual	% Obligated
AA	Wages, Salaries & Fees	\$130,029,542	\$129,944,542	\$131,023,907	(\$994,365)	100.8%
AB	Employee Fringe Benefits	56,900,020	56,900,020	54,881,248	2,018,772	96.5%
AC	Workers' Comp	949,980	949,980	844,331	105,649	88.9%
	Subtotal PS	187,879,542	187,794,542	186,749,486	1,130,056	99.4%
BB	Equipment	2,458,263	2,507,260	2,242,527	215,736	91.2%
DD	General Expenses	8,031,501	7,915,851	7,553,835	477,666	94.1%
DE	Contractual Services	7,183,201	7,391,453	7,117,295	65,906	99.1%
DF	Utility Costs	4,272,035	4,271,336	5,056,256	(784,221)	118.4%
HH	Interfund Charges	3,300,000	3,281,100	3,105,587	194,413	94.1%
08	County Scholarships	755,000	755,000	1,149,658	(394,658)	152.3%
	Subtotal OTPS	26,000,000	26,122,000	26,225,158	(225,158)	100.9%
	Grand Total	<u>\$213,879,542</u>	<u>\$213,916,542</u>	<u>\$212,974,644</u>	<u>\$904,898</u>	99.6%

Nassau Community College
FY 2013 - 14 Revenue
Unaudited Year End Results

Codes	Revenue Source	Adopted Budget	Modified Budget	Aug 31 -14 Actual	Variance Adopted To Actual	% Recognized
AA	Fund Balance - BOY	\$4,873,800	\$4,873,800	\$4,873,800	0	100.0%
BE	Investment Income	65,000	65,000	44,408	(20,592)	68.3%
BF	Rents and Recovery	500,000	500,000	565,907	65,907	113.2%
BG	Revenue Offset	4,271,998	4,308,998	3,928,737	(343,261)	92.0%
BK	Service Fees	7,294,001	7,294,001	7,124,283	(169,718)	97.7%
BL	Student Revenue	83,528,720	83,528,720	82,376,001	(1,152,719)	98.6%
BM	Revenue Lieu Sponsor	14,200,001	14,200,001	14,697,445	497,444	103.5%
SA	State Aid	46,939,139	46,939,139	46,909,405	(29,734)	99.9%
TL	Property Taxes	52,206,883	52,206,883	52,206,883	0	100.0%
	Supplemental Appropriation	0	0	0	0	
	Total Revenues	<u>\$213,879,542</u>	<u>\$213,916,542</u>	<u>\$212,726,870</u>	<u>(\$1,152,672)</u>	99.5%