

FINANCE COMMITTEE
BOARD OF TRUSTEES
AMENDED MINUTES

Meeting of May 9, 2017

Finance & Capital Committee members 2016-2017:

Linda Green, Chair
John DeGrace
Wanda Jackson
Edward Powers

The meeting of the Finance Section of the Finance and Capital Committee of the Board of Trustees was called to order by Trustee Green on the eleventh floor of the Administrative Tower at approximately 5:10 p.m.

Trustees Present: Dr. Jorge Gardyn, Chair
Kathy Weiss, Vice Chair, appointed ad hoc to the Finance & Capital Committee
Linda Green, Chair, Finance & Capital Committee
John DeGrace
Edward Powers
Michael Hilt, Student Trustee

Also in attendance: President Keen
VPs Collins, Conzatti, Muscarella, Reznik
AVP Friedman
Assistant to the President for Governmental & Media Relations Murray
Comptroller Izquierdo
Procurement Director Cappello
Treasurer Hahn
CIO Lawless
Accounting Executive Gutman
RSM Audit Staff

* Chair Gardyn appointed Vice Chair Weiss ad hoc to the Finance & Capital Committee for the May 9, 2017 meeting.

VP Reznik advised Trustee Green that the independent auditors (RSM) were present and would like to make their presentation at the beginning of the May 9, 2017 meeting.

AGENDA ITEMS

6. Discussion: Draft Audited Financial Statements for the Year Ended August 31, 2016—Independent Auditors' presentation and required audit communication.

Ms. Jennifer Katz, Audit Partner, RSM, began the presentation. She acknowledged the cooperation of NCC management to come up with a great timeline for this year; auditors are here in May, 2017 rather than June. The Report to the Board of Trustees (the required communication provided by RSM) was distributed to Board members. Ms. Katz advised that in the fall RSM presented the anticipated scope of the audit; however there was a change as the Alumni Association was included in the scope, audited and presented as a component unit. The Faculty Student Association (FSA) and the NCC Foundation are also presented as component units. The Faculty Student Association audit is performed by different auditors; RSM receives a copy of their audit and uses it to rely on balances stated in the financial statements. There were no new GASB statements adopted or changed during the audit period.

Two items were evaluated for going concern criteria: (1) net deficit of \$223 million for the year ending August 31, 2016 caused primarily by \$370 million in liabilities that involves post-retirement benefits and net pension liability, and (2) NCC on probation with Middle States. However, at this time RSM does not feel this to be a going concern issue.

There were no audit adjustments made and no disagreements with NCC management. All required deadlines were met. Accounting estimates in the financial statements were consistent with past estimates and are reasonable.

The draft of the Management Representation Letter, which RSM asks NCC management to sign is the final phase of the audit. Because the packages were distributed in draft form at the May 9, 2017 meeting, and Board members need to review, RSM is available should there be any questions. If a return trip is required, please contact VP Reznik's office, and RSM will meet with the Finance Committee members.

Mr. Daniel Bonnette, Client Service Partner, advised that this year's audit of federal programs (financial aid) audit—Title Four standards financial audit was also completed. The audit was reviewed with no findings; RSM will issue this report separately.

Vice Chair Weiss asked about the four noted issues from last year. Ms. Katz advised that there were no new findings this year, and last year's findings were addressed and resolved.

1. Minutes of the Finance Section of the Finance & Capital Committee meeting of April 18, 2017 were presented for approval. Vice Chair Weiss made a motion, seconded by Chair Gardyn. The minutes were approved.
2. Pending College Procurement Agreement—There were no Pending College Procurement Agreements presented at the May 9, 2017 meeting.
3. Comptroller's Report—March, 2017. Comptroller Izquierdo advised that Other Than Personal Services (OTPS) for March by control center were reviewed with nothing to report from the audit. There was also an audit of Personal Service Contracts (PSC). 14 items totaling \$51,000 were reviewed with no findings to report. The Accounts Receivable Report indicates that NCC is still collecting monies from prior years and is trying to reach 95% for spring. NCC has collected 95% from fall 2016. Older receivables are still being collected as well.
4. Resolution: FY 2018 Budget – 9/1/2017 to 8/31/2018. & 5. Tuition and Fee Schedule 2017-2018. Vice Chair Weiss made a motion, seconded by Chair Gardyn to consider the resolution and continue with discussion. Trustee Powers made a motion, seconded by Trustee DeGrace to consider the Tuition and Fee schedule and continue with discussion.

President Keen gave an introduction to the Budget presentation. Budget discussions began in February, 2017. For NCC to present the budget to the Board of Trustees the following items were considered:

- reduction in enrollment
- negotiation of the Debt service payments with representatives from Nassau County. To date, nothing has been finalized. NCC needs to meet with Nassau Interim Finance Committee (NIFA) to get an endorsement regarding the repayment of the loan.
- Fund Balance portion that NCC will use as compared with the proposed Tuition increase. The budget will continue to meet the requirement as evidenced by the earlier report from RSM.
- Traditionally, it is at the May Finance meeting where Board members vote on next year's budget.

VP Reznik gave a detailed, page by page summary of the 2018 budget. She indicated that the line item budget with all details, and supporting summary numbers for the budget is now uploaded on the NCC website.

Expenses

Budgetary gap in the beginning of the process was approximately \$12 million. This is the third year in a row that expenses are budgeted to decrease; Personnel contractual expenses grow each year, cost of living increases, step raises and promotions are included. The 2018 Budget includes a decrease in overtime and part-time spending. Additionally, there will be a hold on certain lines being vacated by retirements and attrition.

Regarding the debt service—NCC renegotiated the original debt service last year; NCC had no principal payments in 2017; the first payment is scheduled for 2018. NCC met with Nassau County to discuss the possibility of extending the debt payment schedule from four years to 10 years. If approved, this will reduce NCC 2018 expenses by approximately \$1.6 million. Vice Chair Weiss asked if the payment was interest only. VP Reznik advised that it is both and if the payment schedule was extended to 10 years, the amount of the principal payment would be smaller. NCC is also repaying a VSIP (Voluntary Separation Incentive Program) debt – a CSEA loan involving approximately 30 members who retired in 2014. \$2 million was borrowed for 10 years. NCC is trying to extend the 2016 debt service repayment for 10 years as well.

NCC will be subleasing the North Annex building to the Westbury School District and will be closing North Hall; this will provide additional budgetary savings.

Revenue Assumptions

Projected student enrollment is estimated at a decrease of 6% in the fall semester; demographics, good economy are the main reasons. Middle States accreditation status has also impacted enrollment. Nassau County chargebacks from other counties are also affected by the decrease in enrollment. The tuition rate is proposed at \$274.00 tuition increase annually or \$137.00 per semester which brings the annual tuition to \$5,142.00 annually or \$2,071.00 each semester.

There will be an increase in the technology fee for next year to \$125/year; Suffolk County Community College charges \$125/year as well. Other institutions information is available on their websites.

New York State endorsed the Senate proposal of \$50 per full-time equivalent (FTE) student, which is less than the \$100 amount proposed by the State Assembly.

There will be no increase from the Sponsor contributions (Nassau County), which makes 10 years with no increase from the County. In order to balance this budget, Fund Balance will need to be used; this is the first time in three years.

Vice Chair Weiss stated that Suffolk County Community College received \$1 million this year from its County. Chair Gardyn noted that Nassau County legislators did not accept any similar proposal. Short discussion followed regarding Fund Balance use. VP Reznik advised that the proposed \$274.00 tuition increase would balance the budget with using \$1.3 million of Fund Balance. Trustees asked about Fund Balance threshold; VP Reznik advised that it is recommended by SUNY Guidance to community colleges to maintain Unrestricted Fund Balance between 5 and 15%. At the end of 2017, Fund Balance will be at approximately 6.8% of the 2017 operating budget.

Short discussion followed regarding technology fees and the fall 2017 enrollment.

The lease of North Annex Building discussion followed. The Westbury Superintendent approached President Keen as Westbury schools had large increase of students. VP Muscarella added that the space will be leased for a minimum of two years. NCC will still use the facility for evening, weekend and summer classes thereby retaining usage of the building.

North Hall will be closed until there is an increase in enrollment. Without the use of North Hall, classroom availability will be tight. If enrollment continues to decline, NCC will look into closing other facilities on campus.

VP Reznik presented the budget summary and estimated costs for 2018.

Short discussion followed regarding comparisons of total tuition and fees at area colleges both private and public (2-year and 4-year schools). A comparison chart was provided which included Westchester Community College. With the increase of \$274/annually, Nassau Community College will be higher than Suffolk County Community College. However, NCC is not in the same position as Suffolk Community College. Suffolk has \$25 million in reserves, and received \$1 million from their local sponsor in 2018 (Suffolk County).

Dr. Keen spoke about the Faculty Student Association (FSA) and its role at NCC. All campuses have an FSA that oversees revenues from student activity fees. Some FSAs also oversee affiliated business enterprises. The fee increase is in the resolution. There has not been an increase in the student activity fee for the last 10 years. FSA funds the athletic programs (approx. ½ the budget) and all club activities – SGA funds these activities through this fund. Dr. Keen introduced Phylis Sherman, the Director of FSA. Ms. Sherman advised that FSA maintains insurance for all FSA activities in addition to providing student accident insurance. An increase to \$20/per semester is requested– short discussion followed. Dr. Keen informed Board members of the governance structure of FSA. FSA has its own board, comprised of 5 faculty members (one is permanent member – Student Activities Coordinator), 4 other faculty members who are elected college-wide, 3 Administrators who are appointed by the Office of the President and 5 members of the Student Government Association (SGA) who are elected by SGA.

Trustee Weiss spoke of her concern about the tuition increase. She would prefer to use \$2 million in Fund Balance therefore making the tuition rate at \$234/year. Short discussion followed.

Chair Gardyn asked the percentage of students who receive financial aid at the college. VP Reznik advised it is approximately 40%. Short discussion regarding Excelsior Scholarship.

Trustee Green made a motion to approve the FY 2018 Budget. A vote was taken; three Trustees were in favor, one was against. The 2018 Budget will be presented to the full Board of Trustees for approval.

Trustee Green asked for a motion to approve the Tuition and Fee Schedule for 2017–2018. A vote was taken; two Trustees were in favor, one was against. The Tuition and Fee Schedule will be presented to the full Board of Trustees for approval.

At the conclusion of the Finance Committee meeting, Dr. Keen commended Phylis Sherman for all her efforts with FSA.

The meeting adjourned at 6:40 p.m.

Respectfully submitted,

Inna Reznik
Vice President Finance