

FINANCE COMMITTEE
BOARD OF TRUSTEES
MINUTES

Meeting of October 9, 2018

Finance & Capital Committee members 2018-2019:

John DeGrace, Chair

John Durso

Linda Green

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 DeGrace on the eleventh floor of the Administrative Tower at approximately 5:00 p.m.

Committee members present: John DeGrace, Chair
 John Durso
 Linda Green
 George Siberon
 Donna Tuman (appointed ad hoc)
 Kathy Weiss (appointed ad hoc)
 Chair Gardyn (Ex-officio)
 Alex Vigueroa, Student Trustee (appointed ad hoc)

Committee members absent: Wanda Jackson
 Edward Powers

Also in attendance: President Keen, VPs-Collins, Conzatti, Murray, Muscarella, and
 Reznik, Procurement Director Cappello, AVPs Friedman and
 Wright, Treasurer Hahn, RSM Staff

AGENDA ITEMS

1. Discussion—Fiscal Year 2018 Audit Plan Presentation by Independent Auditors (RSM). VP Reznik introduced RSM Partners Jen Katz and Dan Bonnette. A handout was distributed summarizing fiscal year 2018 audit. Jen Katz cited that the Engagement Team members have previously worked on the audit at NCC and are therefore familiar with NCC operations. RSM is also performing a single audit for the year ended August 31, 2018 that involves the programs that are funded by federal funds. Jen Katz also identified the significant areas to be covered during the audit process.

The highlight of the scope of the audit will be performed according to generally accepted auditing standards. This is a two-way communication process—from RSM to the Board of Trustees and the Board of Trustees to RSM.

The significant audit areas include: other postemployment benefits (OPEB) liability and the adoption of GASB 75 (new GASB standard – related to OPEB recording), compensated absences, net pension asset and liability, revenue recognition and deferral, student accounts receivable and related allowance for uncollectible accounts, net position – net investment in capital assets, restricted, unrestricted, salaries and related employee benefit costs and student financial aid and compliance with federal awards requirements.

Dan Bonnette spoke of student financial aid. He attended the conference hosted by Department of Education (DOE) last December which mentioned existing guidance within the regulations dating back to the mid 1990's. As part of that, the DOE built into their regulations issues regarding the protection of student data in Title IV programs. He discussed an example of what is considered a breach. Each breach could result in a fine of \$53,000. The DOE wanted to include this into regulations in this cycle; however, the higher education community is against this procedure. RSM will take a look at what controls protect NCC against these occurrences as part of this year's audit even though it is not part of the audit program in this year's cycle.

Audit timeline:

- mid-October 2018 through January 2019—Audit planning and initial fieldwork
- April and May 2019 dependent upon timing of receipt of OPEB information from Nassau County—Fieldwork and wrap up
- Draft financial statements for RSM review within two weeks of receipt of OPEB information
- Draft audited financial statements for Management review: within one week of receipt of draft financial statements from NCC
- Issuance no later than May 31, 2019
- Final presentation and issue of audit reports: May 2019

2. Minutes—of the Finance section of the Finance & Capital Committee meeting of September 4, 2018 were presented for approval. Trustee Durso made a motion, seconded by Trustee Weiss. The minutes were approved.

3. Pending College Procurement Agreements for Board Approval—There were no Pending College Procurement Agreements to be presented at the October 9, 2018 Finance & Capital Committee meeting.

4. Comptroller's Report—July and August, 2018. VP Reznik advised that there were no significant findings in either one of the reports. There was \$1.6 million of disbursements in July and approximately \$2 million in August. The Accounts Receivable report indicates that collections for the Spring 2018 semester are at 95.6% and Summer 2018 collections are at 95%. The collections for this semester (Fall 2018) are at \$28 million; however, this percentage will increase significantly with the inclusion of payment plan collections from October 4 which were not included in these figures. Financial Aid disbursement dates are October 15 and November 26. The third payment plan date is scheduled for November 6.

5. Discussion—2019 Financial Projections. VP Reznik updated the Board of Trustees on the impact on the financials with the additional decrease in enrollment. Fall 2018 enrollment is down 9.5% or an additional 3 ½ % more than the 6% that was budgeted. Chair Gardyn advised that since 2011 to present NCC enrollment is down by 1/3. Short discussion followed.

VP Reznik advised that in the last three years, there has been more significant decreases in enrollment. Based on the way the state configures its funding formula is a smoothing effect built into their formula (50%/30%/20%) – if enrollment goes down in any particular year, funding is selected based on the formula that calculates the weighted average – 50% of previous year, 30% of two years prior, 20% three years prior. In 2020, the state will be using enrollment numbers from 2019, 2018 and 2017. It is estimated that NCC will lose approximately another \$3 million in State aid in 2020.

NCC budgeted student tuition at \$79.9 million based on 6% decrease in enrollment. NCC will have an additional revenue decrease of approximately \$2.5 million based on the actual enrollment decrease of 9.5% in Fall enrollment. In addition, service fees (tech, lab, and other fees charged to students) will decrease by approximately \$253,000 as they are volume based. This adds up to \$2.7 million decrease in revenues as compared to budget.

There was a retirement incentive offered to full time faculty. If NCCFT faculty retired as of 9/1/2018, retired employees received 40% of their annual salary. If NCCFT faculty retires by 1/1/2019, he/she will receive 30% of their annual salary. To date, 41 members have retired, of which 8 were grandfathered in as they had planned to retire prior to the incentive being in place. There is a maximum of 50 retirements eligible for the incentive; we are 17 short of the maximum under specifications of the agreement.

Based on the retirements to date, there is approximately \$4.3 million in savings before replacement faculty are hired. Total savings after these replacements will be approximately \$3.9 million. The budget had estimated savings of approximately \$3 million. The benefits of the January retirements will be fully realized in fiscal 2020 (when retired for the full year) which will be approximately \$5.8 million.

In order to make up the shortfall in revenue, Fund Balance is used unless expenses can be cut to match the shortfall in revenue. Projected Fund Balance is \$11.3 million as of August 31, 2019, after projected use of \$5.5 million budgeted Fund Balance. The result of Fiscal Year 2018 operations is projected to be positive balance of \$2,225,827. The County is still posting part-time payrolls (people who worked in fiscal 2018)—the audit is beginning now—this is not the final results of operations. The final total number for unrestricted Fund Balance as of 8/31/2018 should be available at the next Board of Trustees meeting.

Short discussion followed regarding retirements.

VP Reznik advised that if no additional faculty retire, NCC will be approximately \$2 million short. Trustee Durso asked what percentage was budgeted for Fund Balance use. VP Reznik advised that \$5.5 million was budgeted. Trustee Durso further asked what percentage of the overall budget is Fund Balance once the \$5.5 million is deducted. VP Reznik advised Fund Balance is 5.42%.

Short discussion followed regarding Fund Balance.

NCC Fund Balance required per Board of Trustee resolution is 4%. Chair Gardyn advised that the recommended amount of Fund Balance by SUNY is 7%. 89% of NCC budget is fixed costs. VP Reznik advised that if Fund Balance goes below 4% there will be cash flow problems.

VP Reznik is constantly looking at this material in discussions with Dr. Keen. Approximately 29 SUNY schools have experienced enrollment drop in 2018. Those schools that have not experienced the decrease levels previously, are beginning to now. SCCC has experienced a 6% decrease in enrollment in Fall 2018. Prior to this, their enrollment has been consistently flat or about 2% decrease. This is a system wide issue.

Dr. Keen advised that for decades there has been direct correlation with the economy and the employment/unemployment rate. When the unemployment level is down and the demand for employees is high, NCC students leave full-time status to secure full-time jobs and continue at NCC on a part-time basis. It is not known what the national number is for this year – it is not available at this time. The national decrease number is approximately 2% as was NCC until the last three fall semesters. Those years were unusual as compared to the national trend.

VP Reznik also advised that in Nassau County the number of high school graduates is projected to decrease and will continue to decrease for the next 10 years.

The meeting adjourned at 5:35 p.m.

Respectfully submitted,

Inna Reznik
Vice President Finance