

# **Natural Heritage Trust**

## **Proposed Annual Budget and Multi-Year Financial Plan**

**Fiscal Year 2024-25**

## **Background and Mission of the Natural Heritage Trust**

Established by Chapter 653 of the Laws of 1968 as a public benefit corporation of the State of New York, the Natural Heritage Trust receives and manages gifts, grants and contributions to further public programs in support of parks, conservation, recreation, historic preservation and waterfront revitalization. The NHT accomplishes its mission by facilitating private investment for these purposes.

The NHT ensures the safekeeping, prudent investment and appropriate expenditure of funds held in trust for cooperative programs and projects with its agency partners: New York State Office of Parks, Recreation and Historic Preservation (OPRHP), Department of Environmental Conservation (DEC) and the Department of State (DOS). The NHT also partners with other public and private entities, not-for-profits and friends groups that share mission-compatible goals and purposes.

The NHT is governed by a Board of Directors comprised of the Commissioner of Parks, Recreation and Historic Preservation, the Commissioner of Environmental Conservation, the Secretary of State and the Chair of the State Council of Parks. The NHT is tax exempt pursuant to Section 170 (b) of the Internal Revenue Code and has been designated a 501(c)(3) corporation.

## **Summary of 2024-25 Proposed Administrative Operating Budget**

The Proposed Administrative Operating Budget (Budget) supports the core administrative functions to carry out the mission of the NHT, including bookkeeping, accounting, finance, human resources, contract management, compliance, fundraising and donor relations. Fiduciary program and project spending is not included in the Budget and is reported on separately in the NHT's audited financial statements.

The NHT proposes a Budget of \$1.21M for FY 24-25, supported by \$1.46M in revenues. This represents the second consecutive year of projected surpluses, after two previous years of operating deficits.

The Budget contemplates the same staffing structure as FY 2023-24:

- Budget supports the following six existing Full-Time Equivalents (7 FTE's): Executive Director, Deputy Director/Chief Financial Officer, Resource Manager, Bookkeeper, Development Associate, Program Associate and Compliance Administrator.
- The Budget includes 3% general salary increases for all staff and the fringe benefit rate is budgeted at 49.70% of salary.
- Accounting, Auditing and Investment Advisory/Custody Services continue as contractually-based services.

The multi-year budget plan uses conservative revenue estimates, maintaining gradual increases to investment income (interest and dividends), and flat administrative fee income into each of the

out-years. Salary levels in the out-years are budgeted with up to 5% increases: other spending categories remaining mostly flat. The multi-year budgets all project surpluses.

## **Budget Process**

The Annual Budget and Multi-Year Financial Plan are developed by Executive staff of the NHT incorporating the input of the Board of Directors. The Budget is submitted to the Board no later than 90 days prior to the commencement of its next fiscal year for review and revisions as directed by the Board. Upon approval by the Board the Budget and Financial Plan are submitted to the Governor, Legislative Fiscal Committees and Office of State Comptroller. The Budget is also posted for review by the public and to the NHT's website for at least 30 days prior to approval by the Board. The public may submit comments here: [Contact Us — Natural Heritage Trust](#)

## **Assessment of Budgetary Risks**

The Operating Budget is supported by two primary revenue sources:

1. Investment income (interest and dividends) earned on non-endowment funds held in trust
2. Administrative fees on the services NHT provides to its agency partners and other partners

Accordingly, the funds available for NHT operations are dependent upon interest rates and the broader capital and financial markets, as well as renewed funding for certain programs.

The investment guidelines of the NHT allow funds to be managed in three different ways depending on the purpose and goals of the gift agreement, consistent with State Law and Regulations. Most of the NHT's funds are in fixed income, high credit quality investments, largely guarding against loss of principal. The actions of the Federal Reserve to raise the Federal Funds Rate over the last 18 months continues to generate higher interest on new fixed income investments and reinvestment of maturities.

The NHT consistently monitors investment duration and cash management needs. In the current rate environment, however, unanticipated and/or simultaneous requests for unusually large amounts of funds held in trust at the same time could result in not only less interest earnings, but also realized losses on investments.

The NHT endowment portfolios have around sixty percent equity exposure; those accounts are subject to the largest market risk and fluctuations. Since NHT's administrative fees on endowments are calculated on the total market value of the portfolio at year-end, down market years will have some negative impact on the NHT's administrative income.

The consumer price index (CPI) has inflation trending downward for the last several months but is still not within the Federal Reserve's targeted range. Current Federal Reserve policy seems to be signaling a pause or possible near-end to the current rate cycle, maintaining the Federal Funds Rate around current (5%) levels. Typically, employee's annual general salary adjustments are somewhat correlated to CPI. Employee salary and fringe benefit costs are the largest spending

components of the Operating Budget. Prolonged or sustained higher inflation levels could eventually put a strain the Budget.

**Certification**

After reasonable inquiry, the Annual Budget and Multi-Year Financial Plan presented herein is, to the best of my knowledge and belief, based on reasonable assumptions and methods of estimation with the applicable regulation being satisfied.

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Sally Drake  
Executive Director

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Sarah Purcell  
Deputy Director & Chief Financial Officer

**FY 2024-25 PROPOSED OPERATING BUDGET ( CASH-BASIS)**

	(Last Year) <b>2022-23</b>	(Current Year) <b>2023-24</b>	(Next Year) <b>2024-25</b>		<b>PERCENT</b>
<b>REVENUE</b>	<b>ACTUAL</b>	<b>PROJECTED</b>	<b>PROPOSED</b>	<b>CHANGE</b>	<b>CHANGE</b>
Investment Income	\$ 641,726	\$ 725,000	\$ 830,000	\$ 105,000	14.5%
Administrative Income	268,003	635,000	635,000	-	0.0%
<b>TOTAL REVENUES</b>	<b>909,729</b>	<b>1,360,000</b>	<b>1,465,000</b>	<b>105,000</b>	<b>7.7%</b>
<b>EXPENDITURES</b>					
Salaries	545,967	650,000	679,426	29,426	4.5%
Fringe benefits	236,215	300,000	336,432	36,432	12.1%
Bank & Investment Fees	53,177	70,000	75,000	5,000	7.1%
Professional Fees	61,542	70,000	70,000	-	0.0%
Office supplies	40,385	45,000	45,000	-	0.0%
Travel	3,455	5,000	5,000	-	0.0%
Huttleston Program	-	5,000	5,000	-	0.0%
Miscellaneous	7,237	2,000	2,000	-	0.0%
<b>TOTAL EXPENDITURES</b>	<b>947,978</b>	<b>1,147,000</b>	<b>1,217,858</b>	<b>70,858</b>	<b>6.2%</b>
<b>SURPLUS (DEFICIT) OF REVENUE OVER EXPENDITURES</b>	<b>(38,249)</b>	<b>213,000</b>	<b>247,142</b>	<b>34,142</b>	<b>16.0%</b>

**NOTES:**

- Investment Income (interest and dividends) is derived from the Main Management (project/program) operating accounts. Investments (at cost) totaling approximately **\$28.8M (current year)** and projected at about **\$25M+ (next year)**. See Revenue Projection Detail
- Administrative income is derived from fees charged for the services it provides to its agency partners. FY 23-24 is the first full year of implementation of the new administrative fee structure. **Administrative Income Budgeted flat**. See revenue Projection Detail
- Salary allocation supports these **existing positions (7 Full Time Equivalents)**: Executive Director, Deputy Director/CFO, Resource Manager, Bookkeeper/AP, Development Associate, Program Associate, Compliance Administrator with **salaries based on FY 2023-24 levels plus general salary increases factored at 3%** plus an additional merit adjustment for Development Associate
- Fringe rate used is **49.70%, an increase of 2%**. Rate will be finalized in December after Health Insurance rates for next year are available (largest component of fringe expense) See Expenditure Detail.
- **Bank fees are higher** because NHT covers all credit card processing fees for online donations and programs
- Other categories, **budgeted flat** from current year

## NHT OPERATING BUDGET MULTI-YEAR PROJECTIONS

	(Current Year) FY 2024 PROJECTED	(Next Year) FY 2025 PROPOSED	FY 2026 PROJECTED	FY 2027 PROJECTED	FY 2028 PROJECTED
<b>REVENUE</b>					
Investment Income	\$ 725,000	\$ 830,000	\$ 835,000	\$ 840,000	\$845,000
Administrative Income	635,000	635,000	635,000	635,000	635,000
<b>TOTAL REVENUE</b>	<b>1,360,000</b>	<b>1,465,000</b>	<b>1,470,000</b>	<b>\$ 1,475,000</b>	<b>\$1,480,000</b>
<b>EXPENDITURES</b>					
Salaries	650,000	679,426	713,397	749,067	786,521
Fringe benefits	300,000	336,432	353,254	370,916	389,462
Professional Fees	70,000	70,000	70,000	70,000	70,000
Bank & Investment Fees	70,000	75,000	75,000	75,000	75,000
Office supplies	45,000	45,000	45,000	45,000	45,000
Travel	5,000	5,000	5,000	5,000	5,000
Huttleston Program	5,000	5,000	5,000	5,000	5,000
Miscellaneous	2,000	2,000	2,000	2,000	2,000
<b>TOTAL EXPENDITURES</b>	<b>1,147,000</b>	<b>1,217,858</b>	<b>1,268,651</b>	<b>1,321,983</b>	<b>1,377,983</b>
<b>SURPLUS (DEFICIT) OF REVENUE OVER EXPENDITURES</b>	<b>\$ 213,000</b>	<b>\$ 247,142</b>	<b>\$ 201,349</b>	<b>\$ 153,017</b>	<b>\$102,017</b>

**NOTES:**

- **Investment Income into the out-years is projected to steadily increase** due to the Federal Reserve Bank's actions to bring the Federal Funds Rate to 5%+ range. As a result, as existing bonds mature and proceeds are reinvested, **NHT will be earning much higher interest than recent years** . The interest is budgeted on the semi-conservative side, because not all maturing positions will be reinvested; NHT will need some of the cash to pay and close-out some large existing projects.
- **Administrative Income is projected flat** as the NHT continues to assess the impact of new fee policy enacted in FY24. The Administrative income is based on a conservative estimate of \$10M in fiduciary fund revenue (5 year fiduciary fund revenue averaged about \$13M)  
Projection Calculation: 5% fee on \$10M Revenue will equate to \$500k in Administrative Income PLUS 50 Basis Points Admin Fee on Most Endowments = \$135k for **Approx. \$635k total**
- All expenditure categories into each of the out-years contemplate the same staffing and services structure constant, **increasing at 5% per year**.
- If the Administrative Income comes close to the forecasted projections, the **surplus could be used to further augment NHT admin & development staff** and to update existing accounting and fundraising software and other systems, **or a Board-led initiative**.

REVENUE PROJECTION DETAIL			
Investment Income (Interest & Dividends on NON-ENDOWMENT Funds ) All Current (9/30/23) Holdings at Cost	Approximate Amount Invested	Projected Income (rounded)	Notes
US Treasuries	\$9,867,000	\$280,000	Current holdings (13 Treasury notes) 6 mos -6 year maturities with coupon (interest) rates ranging from 0.5% - 4.375%
Government Sponsored Entities	\$500,000	\$2,000	Current holding (1 GSA) maturing in 8 months with coupon (interest) rate of 0.39%
US Corporate Bonds	\$7,915,000	\$210,000	Current holdings (36 corp bonds) 6 mos -5 year maturities with coupon (interest) rates ranging from 0.45 - 3.875%
International Fixed Income	\$2,348,000	\$60,000	Current holdings (8 international developed bonds) 6 mos - 4 year maturities with coupon (interest rates ranging 0.5 - 5.20%
Fixed Income Bond Fund Exchange Traded Funds	\$5,378,000	\$120,000	
Equity Exchange Traded Funds	\$1,854,000	\$30,000	
Cash	\$1,000,000	\$50,000	Cash in the Investment Money Market has yielded an average of approx. 5% all year
<b>Current Holdings Total:</b>	<b>\$28,862,000</b>	<b>\$752,000</b>	
<b>Reinvestment of Maturities</b>	<b>\$2,000,000</b>	<b>\$80,000</b>	*There will be approximately \$6M in maturities from 10/1/23 - 3/31/25: Anticipated ~\$4M will be needed for projects nearing completion (funds that will not available for reinvestment); Estimated \$2M will be available for reinvestment (new holdings with coupon (interest) at 4.0%+
<b>INVESTMENT INCOME TOTAL:</b>		<b>\$830,000</b>	
Administrative Fee Income	Approximate Revenue Sources by Function	Projected Income	Notes
Program Contracts (5% fee )	\$5,250,000	\$262,500	Based on 15 existing program staff contracts
Grant Administration (5% fee)	\$1,500,000	\$75,000	New Grants administration NOT including the previously awarded Wilson Foundation Grants
Donation Processing (5% fee)	\$1,500,000	\$75,000	
Program/Activity Services(5% fee)	\$1,750,000	\$87,500	Based on current regular programming levels
<b>Revenue-Based Fee Total:</b>	<b>\$10,000,000</b>	<b>\$500,000</b>	
Endowment Management (0.50% fee on FYE Market Value)	\$28,000,000	\$135,000	Fee for 14 endowments 50 bps on market value at year end; fee for 1 endowment based off of interest & dividends;
<b>Asset-Based Fee Total:</b>	<b>\$28,000,000</b>	<b>\$135,000</b>	2 endowments don't have admin fee authorized in gift agreement
<b>ADMINISTRATIVE FEES TOTAL:</b>		<b>\$635,000</b>	

EXPENDITURE PROJECTION DETAIL		
<b>Salaries</b>	<b>FY 2024-25</b>	
	<b>Salary</b>	<b>Notes</b>
Executive Staff Salaries	\$278,619	Based on 2023-24 Salary levels plus 3% general salary increase
Professional Staff Salaries	\$392,449	Based on 2023-24 Salary levels plus 3% general salary increase
<b>Salaries Total:</b>	<b>\$671,068</b>	
<b>Fringe Benefits</b>	<b>Benefit Component</b>	
(Pooled Fringe Benefit Program; Budgeted as Percentage of Salary)		
Health Insurance		Rates for each benefit component will be finalized at next meeting after rates come out for next year. Current (FY23-24) rate = 47.70%; Budgeting a 2% anticipated increase: 49.70%
NYS Pension/Voluntary Defined Contribution Program		
Social Security/Medicare		
Employee Performance Program		
Workers Compensation		
Dental & Vision Insurance		
Unemployment Insurance		
Disability & Paid Family Leave		
Paid Parental Leave		
Indirect		
<b>Fringe Benefits Total (49.70%):</b>	<b>\$337,675</b>	
<b>Professional Fees</b>		
Monthly CPA Services	\$50,000	
Wojeski & Company Audit & Tax Filing Services	\$20,000	
<b>Professional Fees Total:</b>	<b>\$70,000</b>	
<b>Bank &amp; Investment Fees</b>		
Wilmington Trust Investment Management & Custody Services	\$50,000	
Key Bank Treasury Management Services	\$7,000	Bank fees higher because NHT pays the credit card
M&T Bank Merchant Services/Processing	\$18,000	processing fees
<b>Bank &amp; Investment Fees Total</b>	<b>\$75,000</b>	
<b>Office Supplies/Systems</b>		
Blackbaud Accounting Software	\$30,000	
Subscription Services (Donor Perfect, DocuSign, Adobe, Guidestar, etc)	\$15,000	
Printing, Toner, Other Supplies, etc	\$5,000	
Insurance	\$2,000	
<b>Office Total:</b>	<b>\$52,000</b>	