



# The Civic Federation

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## **CITY COLLEGES OF CHICAGO FY2011 BUDGET:** *Analysis and Recommendations*

**August 5, 2010**

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*The Civic Federation is an independent, non-partisan government research organization working to maximize the quality and cost-effectiveness of government services in the Chicago region and State of Illinois.*

## TABLE OF CONTENTS

|   |           |
|---|-----------|
| <b>EXECUTIVE SUMMARY .....</b>  | <b>2</b>  |
| <b>CIVIC FEDERATION POSITION .....</b>  | <b>3</b>  |
| <b>ISSUES THE CIVIC FEDERATION SUPPORTS .....</b>   | <b>3</b>  |
| REDUCING THE PROPERTY TAX LEVY .....  | 3         |
| HEALTHY UNRESERVED FUND BALANCE .....   | 4         |
| REPORTING COST-SAVING MEASURES AND RESULTING BENEFITS .....                                   | 4         |
| REASONABLE TUITION INCREASE .....   | 4         |
| SHIFTING PERSONAL PROPERTY REPLACEMENT TAX REVENUE TO THE CAPITAL FUND .....                  | 5         |
| INCREASED TRANSPARENCY AND INFORMATION IN THE BUDGET PROCESS .....                            | 5         |
| <b>ISSUES OF CONCERN TO THE CIVIC FEDERATION .....</b>  | <b>5</b>  |
| PREDICTED FUNDING GAP THROUGH FY2013 .....  | 5         |
| INADEQUATE TIME FOR PUBLIC REVIEW OF PROPOSED BUDGET .....                                    | 6         |
| ADDITIONAL BUDGET DOCUMENT INFORMATION IS NECESSARY .....                                     | 6         |
| <b>CIVIC FEDERATION RECOMMENDATIONS .....</b>   | <b>6</b>  |
| PROVIDE ADEQUATE TIME FOR PUBLIC REVIEW OF PROPOSED BUDGET DOCUMENT .....                     | 6         |
| CONTINUE TO SEEK OTHER NON-TAX REVENUE SOURCES .....  | 7         |
| IMPLEMENT A FORMAL, LONG-TERM FINANCIAL PLANNING PROCESS .....                                | 7         |
| IMPLEMENT A PERFORMANCE MEASUREMENT SYSTEM .....  | 8         |
| STUDY THE OPTION OF CREATING A TRUST FUND TO PRE-FUND RETIREE HEALTH INSURANCE EXPENSES ..... | 9         |
| THE STATE OF ILLINOIS SHOULD CHANGE THE COMMUNITY COLLEGE EQUALIZATION FORMULA .....          | 9         |
| BUDGET FORMAT RECOMMENDATIONS .....   | 9         |
| <b>ACKNOWLEDGEMENTS .....</b>   | <b>10</b> |
| <b>APPROPRIATION TRENDS .....</b>   | <b>10</b> |
| TOTAL APPROPRIATIONS FOR FY2011 .....   | 11        |
| APPROPRIATIONS FOR ALL FUNDS – TWO- AND FIVE-YEAR TRENDS .....                                | 12        |
| APPROPRIATIONS FOR OPERATING FUNDS – TWO- AND FIVE-YEAR TRENDS .....                          | 14        |
| APPROPRIATIONS FOR UNRESTRICTED OPERATING FUNDS – TWO- AND FIVE-YEAR TRENDS .....             | 15        |
| <b>RESOURCES.....</b>   | <b>17</b> |
| TOTAL RESOURCES FOR FY2011 .....  | 18        |
| RESOURCES FOR ALL FUNDS – TWO- AND FIVE-YEAR TRENDS .....                                     | 19        |
| RESOURCES FOR OPERATING FUNDS – TWO- AND FIVE-YEAR TRENDS .....                               | 20        |
| RESOURCES FOR UNRESTRICTED OPERATING FUNDS – TWO- AND FIVE-YEAR TRENDS .....                  | 22        |
| CITY COLLEGES TUITION RATES .....   | 22        |
| STATE EQUALIZATION FORMULA .....  | 23        |
| PROPERTY TAX REVENUES .....   | 24        |
| CITY OF CHICAGO PROPERTY TAX LEVY FOR CITY COLLEGES .....                                     | 25        |
| <b>ENROLLMENT TRENDS .....</b>  | <b>28</b> |
| <b>PERSONNEL AND PERSONNEL SERVICES .....</b>   | <b>30</b> |
| <b>UNRESERVED, UNDESIGNATED FUND BALANCE .....</b>  | <b>32</b> |
| UNRESTRICTED FUND BALANCE RATIO.....  | 32        |
| <b>SHORT-TERM LIABILITIES .....</b>   | <b>32</b> |
| <b>PENSION .....</b>  | <b>36</b> |
| <b>OTHER POST EMPLOYMENT BENEFITS (OPEB).....</b>   | <b>37</b> |
| <b>CAPITAL BUDGET AND DEBT .....</b>  | <b>38</b> |

## **EXECUTIVE SUMMARY**

The Civic Federation **supports** the City Colleges FY2011 budget totaling \$581.9 million, an increase of \$89.8 million or 18.2% over the FY2010 total budget. During the upcoming fiscal year City Colleges is undertaking a reorganization plan that will centralize administrative functions and increase programmatic specialization. The Civic Federation is encouraged that this new direction may increase the quality of programs and improve operational efficiency. We also believe City Colleges is well-positioned to undertake this reorganization, having raised tuition levels and built up a strong unrestricted fund balance.

The Civic Federation offers the following **key findings** on the City Colleges FY2011 budget:

- Appropriations for operating funds for FY2011 will total \$454.4 million. This is an increase of \$37.3 or 8.9% over FY2010 operating appropriations;
- Between FY2010 and FY2011, appropriations for employees' salaries across all funds will increase by \$8.1 million or 4.3%, from \$190.4 million to \$198.6 million;
- Full-time equivalent (FTE) student enrollment at City Colleges increased by 11.2% from FY2009 to FY2010, rising by 4,877 FTE students from 43,371 FTEs to 48,248 FTEs;
- Hourly tuition in FY2011 will be increasing from \$79 to \$87 per credit hour, a 10.1% increase; and
- Tuition and fee revenue is correspondingly projected to increase by \$18.9 million in FY2011.

The Civic Federation **supports** several issues related to the FY2011 City Colleges budget:

- Reducing the District's 2010 property tax levy for the upcoming fiscal year by \$3.0 million;
- Exercising discipline by maintaining a strong fund balance which was 18.0% of operating expenses in FY2009, a dramatic turnaround from the 1.1% fund balance ratio reported in FY2000;
- Implementing and reporting cost-cutting efficiencies and resulting benefits;
- Linking management reforms and cost-containment strategies to a reasonable tuition increase;
- Dedicating all personal property replacement tax revenue to the capital fund; and
- Continuing work to create a more public budget process, including holding public budget hearings and making improvements to annual budget documents.

The Civic Federation has several **concerns** related to the FY2011 budget:

- City Colleges is predicting a funding gap through FY2013 but staff has not articulated a clear, detailed long-term plan for how it hopes to address the likely future funding shortfalls;
- The District compromised the transparency of its public review process by not allowing for sufficient time for the public to review its proposed budget; and
- Additional budget document information is needed, including future enrollment projections broken down by student and program.

The Civic Federation offers the following **recommendations** to improve financial management:

- Provide a minimum of 15 full business days for the public to review the proposed budget;
- Continue to seek other non-tax revenue sources;
- Develop a formal long-term financial planning process;
- Implement a performance measurement system to ensure that new initiatives effectively support system-wide goals;
- Study the creation of creating a trust fund to pre-fund its Other Post Employment Benefits;
- Release a final budget for public review instead of a tentative plan that is subject to frequent change during the review process;
- Include additional information in the annual budget document; and
- The State of Illinois should look to change the community college equalization formula.

## **CIVIC FEDERATION POSITION**

The Civic Federation **supports** the City Colleges FY2011 proposed budget totaling \$581.9 million, of which \$454.4 million is the operating budget and \$127.5 million is for capital improvements. The City Colleges is proposing to reduce its property tax levy while pursuing a reorganization that will centralize more administrative functions and increase programmatic specialization at its seven college campuses. The Civic Federation is encouraged that this new direction will increase the quality of programs offered by City Colleges and improve operational efficiency.

City Colleges is well-positioned to undertake this reorganization. It has progressively raised tuition levels in line with the rates of other community colleges in northeastern Illinois. User fees, like tuition increases, are preferable to taxes as a means of raising revenue since they target payments from those who are directly benefiting from the service. Scholarships and grants are used as a means of reducing the impact of rising tuition fees on low-income students. City Colleges has also announced that it will focus on improving the financial performance of its enterprise activities such as its television station and child care centers.

City Colleges has built up a strong unrestricted fund balance equal to 18.0% of operating expenses, exceeding the minimum two months of operating expenses recommended by the Government Finance Officers Association. The establishment of a healthy fund balance ratio for City Colleges is a dramatic turnaround from the 1.1% fund balance ratio reported in FY2000.

The Civic Federation cautions, however, that the \$10 million increase in the State of Illinois base operating grant may not be reliable in the future because it is based on the City Colleges' relative share of enrollment among community colleges statewide. City Colleges should budget conservatively for future State revenues especially in light of the State's fiscal crisis and delayed payment cycle. The City Colleges' reorganization and future operating plans should continue to focus on maximizing financial self-sufficiency through tuition and enterprise activities.

## **ISSUES THE CIVIC FEDERATION SUPPORTS**

There are several issues that the Civic Federation specifically supports related to the FY2011 City Colleges budget.

### **Reducing the Property Tax Levy**

At the direction of the Board of Trustees, City Colleges is proposing reduce its property tax levy after having kept it flat the prior year. The 2009 gross property tax levy was maintained at the 2008 level of \$126.2 million. The 2010 gross property tax levy will be reduced to \$123.2 million.

The Civic Federation commends City Colleges for reducing its levy. Too often local governments reflexively increase their annual property tax levy to the amount allowed under Illinois' property tax cap legislation. However, the budget forecast does assume that next year's levy will reach the maximum amount allowable under the property tax cap law.

### **Healthy Unreserved Fund Balance**

City Colleges has maintained a strong unreserved fund balance for the last five years. The balance has exceeded the minimum two months of operating expenses recommended by the Government Finance Officers Association. The FY2009 audited unrestricted fund balance was equal to 18.0% of operating expenses, a dramatic turnaround from the 1.1% fund balance ratio reported in FY2000. A healthy fund balance for contingencies such as unexpected revenue shortfalls is particularly important at a time when the State of Illinois' finances are precarious and its scheduled payments to the District are delayed. The Civic Federation commends the District for its discipline in building and maintaining a strong fund balance.

### **Reporting Cost-Saving Measures and Resulting Benefits**

The budget lists numerous cost containment strategies, including a brief description of its Annual Program and Services Analysis (APSA), which conducts biannual reviews of educational programs to determine if they are cost-efficient and should continue to be part of the District's curriculum. The budget also explains strategies used to adjust class size and teaching loads to reduce expenditures, along with the dollar savings resulting from these actions. Purchase agreements with other units of local government and district-wide contracts are also discussed as ways in which the District has lowered its annual operating expenses.<sup>1</sup>

The Civic Federation supports City Colleges' incorporation of this information into its annual budget proposals and encourages the District to expand this section of the budget document. It is important for any unit of government to report to its Board and public the cost-saving measures it is taking, along with the associated cost savings, to demonstrate that tax dollars are being spent efficiently.

### **Reasonable Tuition Increase**

In FY2010 City Colleges enacted the first installment of a multi-year tuition increase, raising tuition rates from \$72 per credit hour to \$79, a 9.7% increase. Credit hour tuition will rise to \$87 in FY2011, and City Colleges will still be a very competitively priced community college among its peers in Cook County.

This is the first tuition increase since three-year staggered tuition increases between 2004 and 2006. In 2004 tuition increased from \$52 to \$62 per credit hour. It increased to \$67 per credit hour in 2005, and then rose to \$72 per credit hour beginning in the summer of 2006.

Tuition increases, like any revenue increase, are reasonable if linked to management reforms, cost containment strategies, quality improvements, and the reduction of long-term liabilities. Increasing user fees to offset rising costs is preferable to general tax revenue increases. For these reasons, the Civic Federation supports the District's scheduled tuition increase.

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<sup>1</sup> City Colleges of Chicago FY2011 Tentative Annual Operating Budget, pp. 9-12.

### **Shifting Personal Property Replacement Tax Revenue to the Capital Fund**

In FY2011 City Colleges is proposing to dedicate all its Personal Property Replacement Tax (PPRT) revenues to its capital funds. PPRT is a state business income tax that replaces revenue local governments formerly received from a now defunct tax on corporate personal property. PPRT revenue is volatile compared to the District's other major revenue sources, so it is prudent to shift these funds from the operating budget to the capital budget. Operating budgets should be supported by predictable revenue sources in order to maintain stability. Pay-as-you-go capital programs can withstand greater volatility because projects can be postponed if revenues come in under budget.

### **Increased Transparency and Information in the Budget Process**

City Colleges has improved some of the information contained in its annual budget, including an explanation of the property tax revenues levied by the City of Chicago on behalf of the District, a detailed description of the gap between revenues and expenditures and how the gap was closed, and summary tables of appropriations by object for operating funds.

In addition to providing the public with more information in the budget book itself, for the past four years City Colleges has held public budget hearings at its locations across Chicago, presenting the upcoming year's budget and affording members of the public time to ask questions and engage the District's leaders. City Colleges also posts its current and past budgets online.

The Federation applauds City Colleges and its staff for responding to the Civic Federation's calls for scheduling public hearings for interested constituents to comment on the annual proposed budget before the Board takes a vote. We encourage members of the public to review the materials put forth by the District and attend these sessions; transparency and accountability enhance the success of any unit of local government.

### **ISSUES OF CONCERN TO THE CIVIC FEDERATION**

The Civic Federation has several concerns related to the FY2011 budget.

#### **Predicted Funding Gap Through FY2013**

It is prudent for the District to include forecasts of its future financial needs in its annual budget document. Unfortunately, the forecast through FY2013 predicts that revenues will increase by 2.0% in FY2012 and remain flat in FY2013, while expenditures will increase 3.0% annually. Most of the expenditure increase is from salaries and benefits, which are expected to rise 4.0% annually. The District notes that this future gap will have to be closed with expenditure reductions or revenue enhancements "if necessary".<sup>2</sup>

The Civic Federation believes this response is not sufficient to plan for the budget gap predicted by the District. The District should more effectively utilize its own strategic plan and performance measurement system to evaluate what services are crucial to the students they serve,

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<sup>2</sup> City Colleges of Chicago FY2011 Tentative Annual Operating Budget, p. 7.

and plan to cut programs and expenditures that do not fulfill these needs in the future. The District should make specific cost-cutting and prioritization plans available to the public to solicit feedback from students and taxpayers alike. We expect that as Chancellor Hyman's reorganization initiatives are implemented, the District will be more specific in planning for its financial future.

### **Inadequate Time for Public Review of Proposed Budget**

The FY2011 Budget proposal was released to the public on Friday, July 23, 2010. Public hearings were scheduled for August 2<sup>nd</sup> and 3<sup>rd</sup>, with a final hearing and Board vote on Thursday, August 5<sup>th</sup>. That left only five full business days between release and the first public hearing, and eight full business days before the public's final opportunity to comment before the Board vote. This is an inadequate time for public review and does not demonstrate an interest in thoughtful feedback from City Colleges' constituents.

The shortened comment period compromises the effectiveness of the transparency improvements the District has made over the years, especially the introduction of public budget hearings. Without giving the public adequate time to review the budget, a public hearing loses much of its intended benefit.

### **Additional Budget Document Information is Necessary**

City Colleges' budget document lacks certain key pieces of information, including:

- Enrollment projections broken down by student and program for the upcoming fiscal year;
- Clearer description and enumeration of employee and retiree benefit costs, including payment for retiree health insurance costs. For example, District staff have told the Civic Federation that 100% (over \$17 million) of retiree health insurance obligations have been set aside, yet there is no documentation of this amount in the audited financial statements or in the budget book;
- Discussion of District-wide appropriations by program, not only by object;
- List of public hearing dates, times, and locations in the budget document or on the homepage of the District's website as soon as the budget has been released; and
- Thorough narrative explanation of all capital funding sources, including how the expiration of the Central Loop Tax Increment Financing district results in additional funds for the District.

### **CIVIC FEDERATION RECOMMENDATIONS**

The Civic Federation offers several recommendations regarding ways to improve City Colleges' financial management.

### **Provide Adequate Time for Public Review of Proposed Budget Document**

City Colleges provided only eight full business days between the public release of its FY2011 proposed budget and the Board vote. This is inadequate for public review. A minimum of 15 business days should be scheduled between the budget release and final budget hearing in order

to provide the public with adequate time to review the budget. In order to provide the Board with an opportunity to reflect on and react to public feedback before voting on the budget, there should be several days between the final public hearing and the Board vote.

The short timeframe for public review of the budget is effectively shortened further because the budget proposal is corrected and revised right up until the Board of Trustees vote. This practice hinders the public's ability to review the plan and makes it difficult to provide accurate and relevant commentary to the Board.

Although the dates of the public hearings were published in a newspaper, they did not appear on the homepage of the District web site until after the initial release of the budget document or even in the budget document itself. The Civic Federation recommends that the District make greater efforts to communicate the budget release and hearings with its faculty, students, and constituents. For example, the District could use electronic communications such as mass e-mails to faculty and students and should prominently announce the budget release on its web site homepage and electronic message boards.

The budget release, public hearing, and Board vote schedule should be revised to allow for meaningful public comment that can inform the Board's deliberations. Furthermore, greater efforts should be made to publish an accurate and stable budget proposal for public review, and the hearing dates should be published prominently in the budget book and on the District web site.

### **Continue to Seek Other Non-Tax Revenue Sources**

In FY2010 City Colleges added a full-time Director of Grants in order to pursue more grant funding from a variety of governmental and non-governmental sources. One of Chancellor Cheryl Hyman's goals is to improve the financial performance of the District's enterprise activities such as its television station and child care centers.

The Civic Federation strongly supports these efforts as ways to diversify the District's revenue streams and to reduce its reliance on property taxes as a funding source. While grant revenues are non-recurring sources of income, it is an important source of funds for the District to pursue. We encourage the District to properly plan for how to use grant revenues, knowing they may not recur from year-to-year, while focusing on creating reliable revenue sources from its enterprise operations.

### **Implement a Formal, Long-Term Financial Planning Process**

The Civic Federation continues to urge the City Colleges to build upon its already-implemented long-term planning mechanisms by developing a formal long-term financial plan (LTFP). We recognize that City Colleges has begun to develop pieces of a long-term financial plan, including the creation of a long-range financial planning committee. However, we believe more work is necessary to complete this process. The reorganization begun under Chancellor Hyman is an excellent opportunity for long-term financial planning.



Long-term or long-range financial planning is a strategic process that provides governments with the insights and information they need to establish multi-year financial strategies and financial policies and pursue actions that maintain good fiscal health. A long-term financial plan is a formal document that summarizes the information and insights developed during the long-term financial planning process. Opportunities for public and stakeholder input are provided for during the development of the plan, and the formal plan receives final approval from a governing board before it is implemented.

A typical LTFFP consists of a three- to five-year forecast of revenues, expenditures and debt capacity; an assessment of historic economic and financial trends; and an evaluation of problems or opportunities and specific actions required to address them, such as gap-closing or surplus management actions.

The benefits of long term financial planning include helping to determine if:

- Revenues are adequate to maintain services at current levels,
- Financial resources are sufficient to address future operating and capital expenditures,
- It is possible to expand existing programs or initiate new ones, or
- It is prudent to issue new debt to fund new capital projects.

By effectively linking policy and program priorities to the financial resources available currently and in the near future, the long-term financial planning process helps governments prepare for future contingencies before they become crises.

We encourage City Colleges to take the general long-term financial planning data they have already accumulated and develop a formal plan with specific goals and solutions for future funding shortfalls. This includes the development and publication of a formal plan that is shared with and/or reviewed by key policymakers and stakeholders.

### **Implement a Performance Measurement System**

In FY2010 the District stated that it would begin tracking key performance measures using new technology. The FY2011 budget states that the District is beginning to development financial performance measures at the Colleges and District offices. The Civic Federation strongly encourages the District to prioritize this effort in order to inform its reorganization and ensure that new initiatives effectively support system-wide goals.

Effective performance measurement relies on high-quality data selection and collection. Data must be related to a formal strategic plan with layers of goals and measurable objectives. Benchmarking to peer agencies may also be a critical part of the complete performance measurement picture. The strategic plan, goals, objectives, and data sources should be publicly reported and actively used by management to achieve the District's mission.

## **Study the Option of Creating a Trust Fund to Pre-Fund Retiree Health Insurance Expenses**

As required by GASB Statement 45, City Colleges has disclosed information about other post employment benefits (OPEB) in its audited financial statements since FY2006.<sup>3</sup> The actuarially-calculated annual cost of these types of benefits, which consist primarily of retiree health insurance costs, was approximately \$10.4 million in FY2009.

To date, the District has opted to continue paying for OPEB expenses on a pay-as-you-go basis, setting aside money in an internal fund rather than an irrevocable trust. Other local governments, such as the Metropolitan Water Reclamation District and the Chicago Transit Authority, have established irrevocable trust funds to pre-fund obligations. These efforts have been linked to reforms that reduce the governments' costs and liabilities for retiree health insurance and related benefits. They have determined that pre-funding OPEB can be an effective way to spread benefit costs among the generations enjoying the benefits as well as to reduce expenses over time.

The Civic Federation urges the City Colleges to conduct an evaluation of the costs and benefits of establishing an irrevocable trust fund to pre-fund its retiree health insurance obligations.

## **The State of Illinois Should Change the Community College Equalization Formula**

The City Colleges hopes to receive \$15.0 million in state funds in FY2011 to compensate the District for the loss of significant community college equalization funds. The Civic Federation supports the City Colleges receiving these funds, but urges the State to rectify the situation that requires the District to seek such funds on an annual basis rather than receiving a reasonable annual allocation.

We support the City Colleges' ongoing efforts to effect a recalculation of the State community college equalization formula. We urge the Governor and the Illinois Community College Board to recognize the contributions of Illinois's largest community college system by fundamentally restructuring the equalization formula to provide fair and equitable funding to City Colleges.

## **Budget Format Recommendations**

The budget document is a critical tool for communicating the District's goals and accomplishments to the public. Every effort should be made to include comparable trend data and narrative explanations of District activities in the annual budget. In some areas, clearer explanations of budgetary trends appeared in the Comprehensive Annual Financial Report than in the budget document.

The Civic Federation offers the recommendations to further improve the format of the City Colleges budget document. The following items should be included in the budget:

- Detailed enumeration and description of all employee and retiree benefits, including retiree health insurance and where these appropriations appear in the budget;

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<sup>3</sup> The District was an early implementer of the standard.

- Projections for student enrollment by full-time equivalent and credit hour for the new fiscal year;
- Discussion of District-wide appropriations by program, not only by object;
- List of public hearing dates, times, and locations should be included in the budget document and immediately publicized on the homepage of the District’s website as soon as the budget has been released; and
- Detailed enumeration and description of all capital fund resources including TIF and intergovernmental sources.

## ACKNOWLEDGEMENTS

We would like to express our sincere thanks and appreciation to Chancellor Cheryl Hyman, Vice Chancellor of Finance/Chief Financial Officer Kenneth Gotsch, Associate Vice Chancellor for Finance/Treasurer Dolores Javier, Comptroller J.R. Dempsey, and the budget and finance staff for their hard work in preparing this budget and answering our many budget questions. We would also like to thank Vice Chancellor of Academic Affairs Angela Henderson and Vice Chancellor of Strategy and Institutional Intelligence Alvin Bisayara for providing us with a briefing.

## APPROPRIATION TRENDS

The following section presents information and trends regarding City Colleges’ appropriations. This section presents City Colleges’ total appropriation data by grouping appropriation data across all funds, including unrestricted and restricted operating funds, as well as capital and debt service funds. The section that follows details appropriations by unrestricted operating funds. Within each of the two sections of the appropriations analysis, data is compared to last year’s adjusted budget appropriations. There are also comparisons across five years of appropriation data.

Additionally, information is broken down by appropriation by object and appropriation by program. The following list summarizes the kinds of appropriations designated by City Colleges’ category names:

- **Instruction** refers to classroom activities including faculty salaries and classroom materials;
- **Institutional Support** refers to activities related to general institutional management;
- **Operations and Maintenance** refers to physical plant and facility-related activities;
- **Academic Support** refers to activities directly supporting instruction including tutoring and academic management;
- **Student Services** refers to activities including registering, admitting and testing students; and
- **Public Service** refers to programs designed to serve the public, such as customized training and continuing education.

City Colleges has eleven funds; seven operating funds, debt service, capital and working cash funds. Operating funds are comprised of unrestricted and unrestricted funds, including:

- **Education Fund** accounts for revenues and expenditures of the academic and service programs;
- **Operations and Maintenance Fund** accounts for expenditures for the construction, acquisition, repair and improvement of community college buildings, along with procurement and maintenance of lands, fixtures and equipment;
- **Auxiliary/Enterprise Fund** accounts for college services where a fee is charged and the activity is intending to be self-supporting;
- **Audit Fund** levies and collects property taxes for the payment of the annual audit of the District's financial statements;
- **Liability, Protection and Settlement Fund** primarily handles expenditures for tort liability, property insurance, Medicare taxes, Social Security taxes and unemployment insurance;
- **PBC Operations and Maintenance Fund** accounts for expenditures for the maintenance, repair and operation of buildings and property owned by the Public Building Commission; and
- **Restricted Purpose Fund** accounts for monies that have external restrictions regarding their use, including grants.

### **Total Appropriations for FY2011**

The FY2011 City Colleges total proposed appropriations will be \$581.9 million, an 18.2% or \$89.8 million increase over FY2010 budgeted appropriations of \$492.1 million. Capital appropriations are 28.1% of total appropriations, totaling \$127.5 million for FY2010.

Operating funds finance employees' salaries and benefits, pay for utility costs and fund all other day-to-day expenditures. In the City Colleges' budget, operating funds include all funds except capital and debt service. The capital fund provides pay-as-you-go funding for all major building projects as well as the improvement of existing structures. The debt service funds pay for the City Colleges' outstanding bond and lease obligations. Due to the retirement of outstanding obligations paid out of the fund, no monies will be appropriated for the debt service funds in FY2011.

As the following table shows, unrestricted appropriations will increase by \$18.4 million or 6.2% over FY2010 budgeted appropriations. Restricted operating fund appropriations will also increase, rising by \$18.9 million or 15.4%. Capital fund appropriations will increase by 70.0% or \$52.5 million. Debt service appropriations will remain constant at 0.0%; City Colleges' leases with the Public Building Commission have expired and therefore no longer require payment from this fund.<sup>4</sup> Debt is now issued by the City of Chicago for some district-wide capital needs. Most recently, in FY2007 the city issued \$40 million in 30-year bonds for capital projects at City Colleges.<sup>5</sup>

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<sup>4</sup> City Colleges of Chicago FY2010 Tentative Annual Operating Budget, p. 3.

<sup>5</sup> City Colleges of Chicago FY2011 Annual Operating Budget, p. 51.

| <b>City Colleges Appropriations for All Funds:<br/>FY2010 &amp; FY2011 (in \$ millions)</b> |                 |                 |                  |                 |
|---|-----------------|-----------------|------------------|-----------------|
| <b>Fund Type</b>  | <b>FY2010</b>   | <b>FY2011</b>   | <b>\$ Change</b> | <b>% Change</b> |
| Operating Funds   |                 |                 |                  |                 |
| Unrestricted  | \$ 294.5        | \$ 312.9        | \$ 18.4          | 6.2%            |
| Restricted  | \$ 122.6        | \$ 141.5        | \$ 18.9          | 15.4%           |
| <b>Subtotal Operating</b>   | <b>\$ 417.1</b> | <b>\$ 454.4</b> | <b>\$ 37.3</b>   | <b>8.9%</b>     |
| Capital Fund  | \$ 75.0         | \$ 127.5        | \$ 52.5          | 70.0%           |
| Debt Service Funds  | \$ -            | \$ -            | \$ -             |                 |
| <b>Total</b>  | <b>\$ 492.1</b> | <b>\$ 581.9</b> | <b>\$ 89.8</b>   | <b>18.2%</b>    |

Source: City Colleges of Chicago FY2011 Annual Operating Budget, p. 3.

### Appropriations for All Funds – Two- and Five-Year Trends

The FY2011 budget proposes a total appropriation of \$581.9 million across all funds, an \$89.8 million or 18.3% increase over FY2010 budgeted all fund appropriations of \$492.1 million. When broken down by object, appropriations for capital outlay expenses will experience the largest dollar increase, rising by \$52.6 million or 69.8%. Appropriations for materials and supplies will decline by 10.8%, primarily due to repurposing of funds and a reduction of spending via competitive bidding and the use of intergovernmental purchasing agreements.<sup>6</sup> Benefits are projected to increase by \$12.1 million or 23.6% over FY2009 budgeted appropriations. A portion of this increase is due an estimate rise in unemployment benefit expenses and a slight increase in employee insurance costs.<sup>7</sup>

| <b>City Colleges Appropriations by Object for All Funds:<br/>FY2010 &amp; FY2011</b> |                       |                       |                      |                 |
|--|-----------------------|-----------------------|----------------------|-----------------|
|  | <b>FY2010</b>         | <b>FY2011</b>         | <b>\$ Change</b>     | <b>% Change</b> |
| Salaries   | \$ 190,421,280        | \$ 198,564,102        | \$ 8,142,822         | 4.3%            |
| Employee Benefits  | \$ 51,080,350         | \$ 63,149,730         | \$ 12,069,380        | 23.6%           |
| Contractual Services   | \$ 39,097,995         | \$ 48,651,103         | \$ 9,553,108         | 24.4%           |
| Materials/Supplies   | \$ 20,733,870         | \$ 18,496,548         | \$ (2,237,322)       | -10.8%          |
| Travel/Conferences   | \$ 2,198,963          | \$ 1,612,880          | \$ (586,083)         | -26.7%          |
| Fixed Charges  | \$ 3,721,256          | \$ 5,587,575          | \$ 1,866,319         | 50.2%           |
| Utilities  | \$ 12,376,259         | \$ 12,775,148         | \$ 398,889           | 3.2%            |
| Capital Outlay   | \$ 75,321,201         | \$ 127,916,398        | \$ 52,595,197        | 69.8%           |
| Other  | \$ 97,142,940         | \$ 105,149,477        | \$ 8,006,537         | 8.2%            |
| <b>Total</b>   | <b>\$ 492,094,114</b> | <b>\$ 581,902,961</b> | <b>\$ 89,808,847</b> | <b>18.3%</b>    |

Source: City Colleges of Chicago FY2010 Tentative Annual Operating Budget, p. 83, and FY2011 Annual Operating Budget, p. 79.

Operating and maintenance program appropriations will rise by \$62.2 million or 50.3% over FY2010 appropriations. Organized research appropriations are declining by 49.6%, falling to

<sup>6</sup> City Colleges of Chicago FY2011 Annual Operating Budget, p. 75.

<sup>7</sup> City Colleges of Chicago FY2011 Annual Operating Budget, p. 74.

\$0.4 million. Auxiliary and enterprise appropriations are increasing by 162.0% over the prior year proposed appropriations.

| <b>City Colleges Appropriation by Program for All Funds:<br/>FY2010 &amp; FY2011</b> |                       |                       |                      |                 |
|--|-----------------------|-----------------------|----------------------|-----------------|
|  | <b>FY2010</b>         | <b>FY2011</b>         | <b>\$ Change</b>     | <b>% Change</b> |
| Instruction  | \$ 128,390,212        | \$ 144,181,397        | \$ 15,791,185        | 12.3%           |
| Academic Support   | \$ 35,663,729         | \$ 41,490,847         | \$ 5,827,118         | 16.3%           |
| Student Services   | \$ 31,084,053         | \$ 32,147,076         | \$ 1,063,023         | 3.4%            |
| Public Services  | \$ 14,869,019         | \$ 15,579,774         | \$ 710,755           | 4.8%            |
| Organized Research   | \$ 813,977            | \$ 410,219            | \$ (403,758)         | -49.6%          |
| Auxiliary/Enterprise   | \$ 2,451,952          | \$ 6,425,247          | \$ 3,973,295         | 162.0%          |
| Operation & Maintenance  | \$ 123,652,232        | \$ 185,895,051        | \$ 62,242,819        | 50.3%           |
| Institutional Support  | \$ 72,513,535         | \$ 73,354,326         | \$ 840,791           | 1.2%            |
| Scholarships/Fellowships   | \$ 82,655,405         | \$ 82,419,023         | \$ (236,382)         | -0.3%           |
| <b>Total</b>   | <b>\$ 492,094,114</b> | <b>\$ 581,902,960</b> | <b>\$ 89,808,846</b> | <b>18.3%</b>    |

Source: City Colleges of Chicago FY2010 Tentative Annual Operating Budget Revised 07/13/09, p. 83, and FY2011 Annual Operating Budget, p. 79.

Expenditures are rising from \$476.5 million to \$581.9 million during the five-year period between FY2007 and FY2011, which is an increase of 22.1% or \$105.4 million. Institutional support, which funds central, executive-level activities, will decrease by \$30.8 million or 29.6%. Operations and maintenance appropriations will increase by \$71.1 million or 62.0%. Auxiliary /enterprise program appropriations will increase by 236.4% or \$4.5 million.

| <b>City Colleges Appropriation by Program<br/>All Funds: FY2007 &amp; FY2011</b> |                            |                            |                       |                 |
|--|----------------------------|----------------------------|-----------------------|-----------------|
|  | <b>FY2007<br/>Budgeted</b> | <b>FY2011<br/>Budgeted</b> | <b>\$ Change</b>      | <b>% Change</b> |
| Instruction  | \$ 111,379,645             | \$ 144,181,397             | \$ 32,801,752         | 29.5%           |
| Academic Support   | \$ 31,129,857              | \$ 41,490,847              | \$ 10,360,990         | 33.3%           |
| Student Services   | \$ 32,533,796              | \$ 32,147,076              | \$ (386,720)          | -1.2%           |
| Public Services  | \$ 17,614,550              | \$ 15,579,774              | \$ (2,034,776)        | -11.6%          |
| Organized Research   | \$ -                       | \$ 410,219                 | \$ 410,219            | 100.0%          |
| Auxiliary/Enterprise   | \$ 1,909,967               | \$ 6,425,247               | \$ 4,515,280          | 236.4%          |
| Operation & Maintenance  | \$ 114,767,814             | \$ 185,895,051             | \$ 71,127,237         | 62.0%           |
| Institutional Support  | \$ 104,145,517             | \$ 73,354,326              | \$ (30,791,191)       | -29.6%          |
| Scholarships/Fellowships   | \$ 63,050,312              | \$ 82,419,023              | \$ 19,368,711         | 30.7%           |
| <b>Total</b>   | <b>\$ 476,531,458</b>      | <b>\$ 581,902,960</b>      | <b>\$ 105,371,502</b> | <b>22.1%</b>    |

Source: City Colleges of Chicago FY2007 Annual Operating Budget, p.75, and FY2011 Annual Operating Budget, p. 79.

### Appropriations for Operating Funds – Two- and Five-Year Trends

The FY2011 budget proposes a total operating funds appropriation of \$454.4 million, a \$37.3 million or 8.9% increase over proposed FY2010 appropriations of \$417.1 million.

Appropriations for employee benefits will rise by 23.6% or \$12.1 million in FY2010. Salaries will increase by \$8.1 million or 4.3%.

Appropriations in two categories will decline over the two-year period, including a 26.7% decrease in travel and conference expenditures and a 10.8% decline in materials and supplies appropriations.

| <b>City Colleges Appropriations by Object of Expenditure</b> |                       |                       |                      |                 |
|--|-----------------------|-----------------------|----------------------|-----------------|
| <b>Operating Funds: FY2010 &amp; FY2011</b>                  |                       |                       |                      |                 |
| <b>Object</b>  | <b>FY2010</b>         | <b>FY2011</b>         | <b>\$ Change</b>     | <b>% Change</b> |
| Salaries   | \$ 190,421,280        | \$ 198,564,102        | \$ 8,142,822         | 4.3%            |
| Employee Benefits  | \$ 51,080,350         | \$ 63,149,730         | \$ 12,069,380        | 23.6%           |
| Contractual Services   | \$ 39,097,995         | \$ 48,651,103         | \$ 9,553,108         | 24.4%           |
| Materials/Supplies   | \$ 20,733,870         | \$ 18,496,548         | \$ (2,237,322)       | -10.8%          |
| Travel/Conferences   | \$ 2,198,963          | \$ 1,612,880          | \$ (586,083)         | -26.7%          |
| Fixed Charges  | \$ 3,721,256          | \$ 5,587,575          | \$ 1,866,319         | 50.2%           |
| Utilities  | \$ 12,376,259         | \$ 12,775,148         | \$ 398,889           | 3.2%            |
| Capital Outlay   | \$ 321,201            | \$ 379,016            | \$ 57,815            | 18.0%           |
| Other  | \$ 97,142,941         | \$ 105,149,477        | \$ 8,006,536         | 8.2%            |
| <b>Total</b>   | <b>\$ 417,094,115</b> | <b>\$ 454,365,579</b> | <b>\$ 37,271,464</b> | <b>8.9%</b>     |

Source: City Colleges of Chicago FY2010 Annual Tentative Operating Budget Revised 07/13/09, pp.85, 91.

Auxiliary/Enterprise appropriations, which account for college services where a fee is charged and the activity is intended to be self-supporting, will increase by 162.0% or \$4.0 million. Instruction appropriations will increase by 12.3% or \$15.8 million. Approximately \$0.4 million will be appropriated for organized research in FY2011, which is a 49.6% decrease over FY2010 appropriations.

| <b>City Colleges Appropriations by Program</b>  |                       |                       |                      |                 |
|---|-----------------------|-----------------------|----------------------|-----------------|
| <b>All Operating Funds: FY2010 &amp; FY2011</b> |                       |                       |                      |                 |
| <b>Program</b>                                  | <b>FY2010</b>         | <b>FY2011</b>         | <b>\$ Change</b>     | <b>% Change</b> |
| Instruction                                     | \$ 128,390,212        | \$ 144,181,397        | \$ 15,791,185        | 12.3%           |
| Academic Support                                | \$ 35,663,729         | \$ 41,490,847         | \$ 5,827,118         | 16.3%           |
| Student Services                                | \$ 31,084,053         | \$ 32,147,076         | \$ 1,063,023         | 3.4%            |
| Public Service                                  | \$ 14,869,019         | \$ 15,579,774         | \$ 710,755           | 4.8%            |
| Organized Research                              | \$ 813,977            | \$ 410,219            | \$ (403,758)         | -49.6%          |
| Auxiliary/Enterprise                            | \$ 2,451,952          | \$ 6,425,247          | \$ 3,973,295         | 162.0%          |
| Operations & Maintenance                        | \$ 48,652,232         | \$ 58,357,669         | \$ 9,705,437         | 19.9%           |
| Institutional Support                           | \$ 72,513,535         | \$ 73,354,326         | \$ 840,791           | 1.2%            |
| Scholarships, Grants                            | \$ 82,655,405         | \$ 82,419,023         | \$ (236,382)         | -0.3%           |
| <b>Total</b>                                    | <b>\$ 417,094,114</b> | <b>\$ 454,365,578</b> | <b>\$ 37,271,464</b> | <b>8.9%</b>     |

Source: City Colleges of Chicago FY2010 Tentative Annual Operating Budget Revised 07/13/09, p. 83, and FY2011 Annual Operating Budget, p. 79.

While appropriations for instruction will increase modestly between the FY2007 and FY2011 proposed budgets, scholarships and grants expenditures will rise by 30.7% and auxiliary/enterprise appropriations will increase by 236.4%. Operations and maintenance and institutional support will decrease by 49.2% and 29.6%.

| <b>City Colleges Appropriations by Program</b> |                        |                        |                        |                 |
|--|------------------------|------------------------|------------------------|-----------------|
| <b>Operating Funds: FY2007 &amp; FY2011</b>    |                        |                        |                        |                 |
| <b>Program</b>                                 | <b>FY2007 Budgeted</b> | <b>FY2011 Budgeted</b> | <b>\$ Change</b>       | <b>% Change</b> |
| Instruction                                    | \$ 111,379,645         | \$ 144,181,397         | \$ 32,801,752          | 29.5%           |
| Academic Support                               | \$ 31,129,857          | \$ 41,490,847          | \$ 10,360,990          | 33.3%           |
| Student Services                               | \$ 32,533,796          | \$ 32,147,076          | \$ (386,720)           | -1.2%           |
| Public Service                                 | \$ 17,614,550          | \$ 15,579,774          | \$ (2,034,776)         | -11.6%          |
| Organized Research                             | \$ -                   | \$ 410,219             | \$ 410,219             | 100.0%          |
| Auxiliary/Enterprise                           | \$ 1,909,967           | \$ 6,425,247           | \$ 4,515,280           | 236.4%          |
| Operations & Maintenance                       | \$ 114,767,814         | \$ 58,357,669          | \$ (56,410,145)        | -49.2%          |
| Institutional Support                          | \$ 104,145,517         | \$ 73,354,326          | \$ (30,791,191)        | -29.6%          |
| Scholarships, Grants                           | \$ 63,050,312          | \$ 82,419,023          | \$ 19,368,711          | 30.7%           |
| <b>Total</b>                                   | <b>\$ 476,531,458</b>  | <b>\$ 454,365,578</b>  | <b>\$ (22,165,880)</b> | <b>-4.7%</b>    |

Source: City Colleges of Chicago FY2007 Annual Operating Budget, p. 75, and FY2011 Annual Operating Budget, p. 79.

### **Appropriations for Unrestricted Operating Funds – Two- and Five-Year Trends**

In FY2011 unrestricted fund appropriations are projected to increase by 6.4%, from a proposed FY2010 appropriation of nearly \$294.5 million to \$313.5 million.



Appropriations for contractual services will see the most significant dollar increase, rising by \$8.1 million or 22.7%. This increase is because of a focus on deferred maintenance in FY2011.<sup>8</sup> Employee benefit costs will increase by 8.8% or \$2.8 million.

Fixed charges will decrease by 8.2% or \$0.3 million. Fixed charges include appropriations for rentals of facilities and equipment, debt payments and insurance charges. Materials and supplies appropriations will decline by 15.0% or \$2.5 million in FY2011. This decline in appropriations is attributable to a repurposing of funds and an effort to reduce material and supply expenditures through competitive bidding and intergovernmental purchasing agreements.<sup>9</sup>

| <b>City Colleges Appropriations by Object of Expenditure</b> |                       |                       |                      |                 |
|--|-----------------------|-----------------------|----------------------|-----------------|
| <b>Unrestricted Operating Funds: FY2010 &amp; FY2011</b>     |                       |                       |                      |                 |
| <b>Object</b>  | <b>FY2010</b>         | <b>FY2011</b>         | <b>\$ Change</b>     | <b>% Change</b> |
| Salaries   | \$ 171,553,078        | \$ 174,955,910        | \$ 3,402,832         | 2.0%            |
| Employee Benefits  | \$ 31,828,161         | \$ 34,631,287         | \$ 2,803,126         | 8.8%            |
| Contractual Services   | \$ 35,797,809         | \$ 43,907,767         | \$ 8,109,958         | 22.7%           |
| Materials/Supplies   | \$ 16,541,787         | \$ 14,055,825         | \$ (2,485,962)       | -15.0%          |
| Travel/Conferences   | \$ 1,691,595          | \$ 1,072,821          | \$ (618,774)         | -36.6%          |
| Fixed Charges  | \$ 3,476,217          | \$ 3,192,827          | \$ (283,390)         | -8.2%           |
| Utilities  | \$ 12,368,780         | \$ 12,771,390         | \$ 402,610           | 3.3%            |
| Capital Outlay   | \$ -                  | \$ -                  | \$ -                 | 0.0%            |
| Other  | \$ 21,206,831         | \$ 28,868,479         | \$ 7,661,648         | 36.1%           |
| <b>Total</b>   | <b>\$ 294,464,258</b> | <b>\$ 313,456,306</b> | <b>\$ 18,992,048</b> | <b>6.4%</b>     |

Source: City Colleges of Chicago FY2010 Tentative Annual Operating Budget Revised 07/13/09, p. 85, and FY2011 Budget, p. 81.

The exhibit below shows unrestricted operating funds appropriations by program. Between FY2010 and FY2011 instruction appropriations will increase by 6.5% or nearly \$7.4 million.

The largest dollar amount decline will occur in public service appropriations, which will decrease by 39.8% or nearly \$3.8 million. Organized research appropriations from unrestricted funds will decrease by 97.7%, while scholarships and grants will decrease by 4.1%.

<sup>8</sup> City Colleges of Chicago FY2011 Annual Operating Budget, p. 75.

<sup>9</sup> City Colleges of Chicago FY2011 Annual Operating Budget, p. 75.

| <b>City Colleges Appropriations by Program</b>           |                       |                       |                      |                 |
|--|-----------------------|-----------------------|----------------------|-----------------|
| <b>Unrestricted Operating Funds: FY2010 &amp; FY2011</b> |                       |                       |                      |                 |
| <b>Program</b>   | <b>FY2010</b>         | <b>FY2011</b>         | <b>\$ Change</b>     | <b>% Change</b> |
| Instruction  | \$ 114,420,202        | \$ 121,825,232        | \$ 7,405,030         | 6.5%            |
| Academic Support   | \$ 23,274,203         | \$ 25,037,375         | \$ 1,763,172         | 7.6%            |
| Student Services   | \$ 22,149,914         | \$ 24,282,290         | \$ 2,132,376         | 9.6%            |
| Public Service   | \$ 9,535,202          | \$ 5,738,741          | \$ (3,796,461)       | -39.8%          |
| Organized Research                                       | \$ 43,746             | \$ 1,000              | \$ (42,746)          | -97.7%          |
| Auxiliary/Enterprise                                     | \$ 2,165,311          | \$ 5,958,671          | \$ 3,793,360         | 175.2%          |
| Operations & Maintenance                                 | \$ 46,408,355         | \$ 55,468,468         | \$ 9,060,113         | 19.5%           |
| Institutional Support                                    | \$ 69,409,051         | \$ 68,374,271         | \$ (1,034,780)       | -1.5%           |
| Scholarships, Grants                                     | \$ 7,058,275          | \$ 6,770,257          | \$ (288,018)         | -4.1%           |
| <b>Total</b>   | <b>\$ 294,464,259</b> | <b>\$ 313,456,305</b> | <b>\$ 18,992,046</b> | <b>6.4%</b>     |

Source: City Colleges of Chicago FY2010 Tentative Annual Operating Budget Revised 07/13/09, p. 85, FY2011 Annual Operating Budget, p. 81.

From FY2007 to FY2011, unrestricted appropriations will increase by 19.6%, from \$262.1 million to nearly \$313.5 million. Scholarships and grants will increase by 276.8%, or \$5.0 million, over the same period. Unrestricted funds for public service will decrease by \$2.4 million or 30.1% over FY2007 appropriations.

| <b>City Colleges Appropriations by Program</b>           |                        |                        |                      |                 |
|--|------------------------|------------------------|----------------------|-----------------|
| <b>Unrestricted Operating Funds: FY2007 &amp; FY2011</b> |                        |                        |                      |                 |
| <b>Program</b>   | <b>FY2007 Budgeted</b> | <b>FY2011 Budgeted</b> | <b>\$ Change</b>     | <b>% Change</b> |
| Instruction  | \$ 99,175,822          | \$ 121,825,232         | \$ 22,649,410        | 22.8%           |
| Academic Support   | \$ 20,002,657          | \$ 25,037,375          | \$ 5,034,718         | 25.2%           |
| Student Services   | \$ 23,327,339          | \$ 24,282,290          | \$ 954,951           | 4.1%            |
| Public Service   | \$ 8,211,944           | \$ 5,738,741           | \$ (2,473,203)       | -30.1%          |
| Organized Research                                       | \$ -                   | \$ 1,000               | \$ 1,000             | -               |
| Auxiliary/Enterprise                                     | \$ 1,773,104           | \$ 5,958,671           | \$ 4,185,567         | 236.1%          |
| Operations & Maintenance                                 | \$ 38,291,842          | \$ 55,468,468          | \$ 17,176,626        | 44.9%           |
| Institutional Support                                    | \$ 69,476,439          | \$ 68,374,271          | \$ (1,102,168)       | -1.6%           |
| Scholarships, Grants                                     | \$ 1,797,000           | \$ 6,770,257           | \$ 4,973,257         | 276.8%          |
| <b>Total</b>   | <b>\$ 262,056,147</b>  | <b>\$ 313,456,305</b>  | <b>\$ 51,400,158</b> | <b>19.6%</b>    |

Source: City Colleges of Chicago FY2007 Annual Operating Budget p. 77; and FY2011 Annual Operating Budget, p. 81.

## RESOURCES

The following section presents information and trends regarding City Colleges' resources.

## Total Resources for FY2011

City Colleges expects to receive a total of \$581.9 million in net resources for all funds in FY2011. The exhibit below shows the breakdown of those resources. The single largest revenue source will be net property tax revenues, which will provide the district with \$117.2 million or 20.1% of total revenues. Tuition and fees are budgeted at \$113.3 million or 19.5% of total resources. The State of Illinois will provide 15.1% of all resources or approximately \$87.9 million. State and federal intergovernmental revenues combined will provide 34.0% of the FY2011 budget, or \$198.0 million.

The \$105.8 million in fund balance to be appropriated for FY2011 consists primarily of \$101.6 million of capital fund balance. The \$10.0 million in fund balance to be reserved includes \$5.3 million in the Education Fund, \$2.5 million in the Operations and Maintenance Fund and \$2.2 million in the Auxiliary Enterprise Fund.

It is important to note that the State of Illinois also makes contributions to the State Universities Retirement System behalf of City Colleges for most of the District's employees, and this operating support is not reflected in the budget.<sup>10</sup> In FY2009, these State pension contributions were \$19.4 million.<sup>11</sup>

| <b>City Colleges Net Resources for All Funds:<br/>FY2011</b> |                       |                   |
|--|-----------------------|-------------------|
| <b>Sources of Revenues</b>                                   | <b>FY2011</b>         | <b>% of Total</b> |
| Estimated July 1 2010 Fund Balance                           | \$ 115,830,382        |                   |
| Fund Balance to be Reserved                                  | \$ (10,025,600)       |                   |
| <b>Fund Balance to be Appropriated</b>                       | <b>\$ 105,804,782</b> | <b>18.2%</b>      |
| Net Property Tax Revenues                                    | \$ 117,237,991        | 20.1%             |
| Personal Property Replacement Tax                            | \$ 14,500,000         | 2.5%              |
| Tuition and Fees   | \$ 113,339,718        | 19.5%             |
| Auxiliary/Enterprise   | \$ 11,156,570         | 1.9%              |
| Investment Revenue   | \$ 2,000,000          | 0.3%              |
| Local Government Grants                                      | \$ 16,883,652         | 2.9%              |
| <b>Total Local Sources</b>                                   | <b>\$ 275,117,931</b> | <b>47.3%</b>      |
| State Government   | \$ 87,949,516         | 15.1%             |
| Federal Government   | \$ 110,053,602        | 18.9%             |
| <b>Subtotal State &amp; Federal Sources</b>                  | <b>\$ 198,003,118</b> | <b>34.0%</b>      |
| Other Sources  | \$ 2,977,130          | 0.5%              |
| <b>Total</b>   | <b>\$ 581,902,961</b> | <b>100.0%</b>     |

Source: City Colleges of Chicago FY2011 Budget, p. 79 revised August 4, 2010.

<sup>10</sup> The State provides pension contributions for City Colleges employees except those paid for with federal grants; the District pays the employer share of those pension costs.

<sup>11</sup> City Colleges FY2009 Comprehensive Annual Financial Report, p. 39.

## Resources for All Funds – Two- and Five-Year Trends

City Colleges' total FY2011 net resources of \$581.9 million will be \$89.6 million or 18.2% more than FY2010 adjusted resources of \$492.3 million. Local sources will increase by \$32.0 million or 13.2%; this increase is fueled in large part by the district's FY2011 tuition and fee increase, which is expected to yield an additional \$18.0 million in FY2011. Local government grants also increased significantly, due primarily to \$10 million in tax increment financing district funds that will be used for capital construction at Truman College.<sup>12</sup> Net property tax revenues will fall by just under \$1.0 million (see page 24 for details).

State resources will increase by \$2.7 million, or 3.2%. Federal government resources will increase by \$21.8 million or 24.7%. Auxiliary/Enterprise resources will rise 20.2% from \$9.3 million in FY2010 to \$11.2 million in FY2011.

| <b>City Colleges Net Resources for All Funds:<br/>FY2010 &amp; FY2011</b> |                       |                       |                      |                 |
|---|-----------------------|-----------------------|----------------------|-----------------|
| <b>Sources of Revenues</b>  | <b>FY2010</b>         | <b>FY2011</b>         | <b>\$ Change</b>     | <b>% Change</b> |
| Estimated July 1 2010 Fund Balance  | \$ 105,200,000        | \$ 115,830,382        | \$ 10,630,382        | 10.1%           |
| Fund Balance to be Reserved   | \$ (31,761,280)       | \$ (10,025,600)       | \$ 21,735,680        | -68.4%          |
| <b>Fund Balance to be Appropriated</b>                                    | <b>\$ 73,438,720</b>  | <b>\$ 105,804,782</b> | <b>\$ 32,366,062</b> | <b>44.1%</b>    |
| Net Property Tax Revenues   | \$ 118,220,374        | \$ 117,237,991        | \$ (982,383)         | -0.8%           |
| Personal Property Replacement Tax   | \$ 14,500,000         | \$ 14,500,000         | \$ -                 | 0.0%            |
| Local Government Grants   | \$ 3,794,136          | \$ 16,883,652         | \$ 13,089,516        | 345.0%          |
| Tuition and Fees  | \$ 95,327,371         | \$ 113,339,718        | \$ 18,012,347        | 18.9%           |
| Auxiliary/Enterprise  | \$ 9,280,926          | \$ 11,156,570         | \$ 1,875,644         | 20.2%           |
| Investment Revenue  | \$ 2,000,000          | \$ 2,000,000          | \$ -                 | 0.0%            |
| <b>Total Local Sources</b>  | <b>\$ 243,122,807</b> | <b>\$ 275,117,931</b> | <b>\$ 31,995,124</b> | <b>13.2%</b>    |
| State Government  | \$ 85,181,573         | \$ 87,949,516         | \$ 2,767,943         | 3.2%            |
| Federal Government  | \$ 88,227,787         | \$ 110,053,602        | \$ 21,825,815        | 24.7%           |
| <b>Subtotal State &amp; Federal Sources</b>                               | <b>\$ 173,409,360</b> | <b>\$ 198,003,118</b> | <b>\$ 24,593,758</b> | <b>14.2%</b>    |
| Other Sources   | \$ 2,282,228          | \$ 2,977,130          | \$ 694,902           | 30.4%           |
| <b>Total</b>  | <b>\$ 492,253,115</b> | <b>\$ 581,902,961</b> | <b>\$ 89,649,846</b> | <b>18.2%</b>    |

Source: City Colleges of Chicago Final FY2010 Budget, p. 83 and FY2011 Tentative Budget, p. 79 revised August 4, 2010.

<sup>12</sup> Information provided by City Colleges finance staff, August 2, 2010.

## Resources for Operating Funds – Two- and Five-Year Trends

City Colleges' operating funds consist of all funds except the capital fund. Operating revenues will increase by 8.9% or \$37.1 million in FY2011. The bulk of this increase is caused by the \$18.0 million increase in tuition and fee revenue, and a \$21.8 million increase in federal revenue. All federal revenue takes the form of restricted grants including student financial aid. Personal property replacement tax revenues will be shifted entirely to the capital fund beginning in FY2011; in FY2010 \$8.3 million of PPRT revenue was dedicated to operating funds and \$6.2 million to the capital fund. The \$6.9 million in local government operating grants consists of grants for specific programs from entities such as the Chicago Housing Authority and City of Chicago.

| <b>City Colleges Net Resources for Operating Funds:<br/>FY2010 &amp; FY2011</b> |                       |                       |                      |                 |
|---|-----------------------|-----------------------|----------------------|-----------------|
| <b>Sources of Revenues</b>  | <b>FY2010</b>         | <b>FY2011</b>         | <b>\$ Change</b>     | <b>% Change</b> |
| Estimated Fund Balance  | \$ 30,100,000         | \$ 14,265,000         | \$ (15,835,000)      | -52.6%          |
| Fund Balance to be Reserved   | \$ (25,461,280)       | \$ (10,025,600)       | \$ 15,435,680        | -60.6%          |
| <b>Fund Balance to be Appropriated</b>  | <b>\$ 4,638,720</b>   | <b>\$ 4,239,400</b>   | <b>\$ (399,320)</b>  | <b>-8.6%</b>    |
| Net Property Tax Revenues   | \$ 118,220,374        | \$ 117,237,991        | \$ (982,383)         | -0.8%           |
| Personal Property Replacement Tax   | \$ 8,300,000          | \$ -                  | \$ (8,300,000)       | -100.0%         |
| Local Government Grants   | \$ 3,794,136          | \$ 6,883,652          | \$ 3,089,516         | 81.4%           |
| Tuition and Fees  | \$ 95,327,371         | \$ 113,339,718        | \$ 18,012,347        | 18.9%           |
| Auxiliary/Enterprise  | \$ 9,280,926          | \$ 11,156,570         | \$ 1,875,644         | 20.2%           |
| Investment Revenue  | \$ 2,000,000          | \$ 2,000,000          | \$ -                 | 0.0%            |
| <b>Total Local Sources</b>  | <b>\$ 236,922,807</b> | <b>\$ 250,617,931</b> | <b>\$ 13,695,124</b> | <b>5.8%</b>     |
| State Government  | \$ 85,181,573         | \$ 86,477,516         | \$ 1,295,943         | 1.5%            |
| Federal Government  | \$ 88,227,787         | \$ 110,053,602        | \$ 21,825,815        | 24.7%           |
| <b>Subtotal State &amp; Federal Sources</b>                                     | <b>\$ 173,409,360</b> | <b>\$ 196,531,118</b> | <b>\$ 23,121,758</b> | <b>13.3%</b>    |
| Other Sources   | \$ 2,282,228          | \$ 2,977,130          | \$ 694,902           | 30.4%           |
| <b>Total</b>  | <b>\$ 417,253,115</b> | <b>\$ 454,365,579</b> | <b>\$ 37,112,464</b> | <b>8.9%</b>     |

Source: City Colleges of Chicago Final FY2010 Budget, p. 83 and FY2011 Tentative Budget, p. 79 revised August 4, 2010.

Net operating fund resources will increase by 22.6% between the FY2007 budgeted amount and the FY2011 budget. The largest increase is in federal government revenues, which will increase \$48.8 million, or 79.5%, due in part to growing enrollment and federal student financial aid. Tuition and fees will increase \$42.6 million, from \$70.7 million to \$113.3 million. Property tax revenues will increase more slowly, growing by 13.2% over the five-year period. Total state operating revenues will decline by \$12.6 million, or 12.7% due primarily to reductions in restricted grants and student financial aid.

| <b>City Colleges Net Resources for Operating Funds:<br/>FY2007 &amp; FY2011</b> |                       |                       |                       |                 |
|---|-----------------------|-----------------------|-----------------------|-----------------|
| <b>Sources of Revenues</b>  | <b>FY2007 Budget</b>  | <b>FY2011 Budget</b>  | <b>\$ Change</b>      | <b>% Change</b> |
| Estimated Fund Balance  | \$ 15,677,000         | \$ 14,265,000         | \$ (1,412,000)        | -9.0%           |
| Fund Balance to be Reserved   | \$ (6,749,013)        | \$ (10,025,600)       | \$ (3,276,587)        | 48.5%           |
| <b>Fund Balance to be Appropriated</b>  | <b>\$ 8,927,987</b>   | <b>\$ 4,239,400</b>   | <b>\$ (4,688,587)</b> | <b>-52.5%</b>   |
| Net Property Tax Revenues   | \$ 103,546,315        | \$ 117,237,991        | \$ 13,691,676         | 13.2%           |
| Personal Property Replacement Tax   | \$ 8,300,000          | \$ -                  | \$ (8,300,000)        | -100.0%         |
| Local Government Grants   | \$ 4,318,807          | \$ 6,883,652          | \$ 2,564,845          | 59.4%           |
| Tuition and Fees  | \$ 70,728,065         | \$ 113,339,718        | \$ 42,611,653         | 60.2%           |
| Auxiliary/Enterprise  | \$ 7,242,825          | \$ 11,156,570         | \$ 3,913,745          | 54.0%           |
| Investment Revenue  | \$ 4,300,000          | \$ 2,000,000          | \$ (2,300,000)        | -53.5%          |
| <b>Total Local Sources</b>  | <b>\$ 198,436,012</b> | <b>\$ 250,617,931</b> | <b>\$ 52,181,919</b>  | <b>26.3%</b>    |
| State Government  | \$ 99,110,418         | \$ 86,477,516         | \$ (12,632,902)       | -12.7%          |
| Federal Government  | \$ 61,302,422         | \$ 110,053,602        | \$ 48,751,180         | 79.5%           |
| <b>Subtotal State &amp; Federal Sources</b>                                     | <b>\$ 160,412,840</b> | <b>\$ 196,531,118</b> | <b>\$ 36,118,278</b>  | <b>22.5%</b>    |
| Other Sources   | \$ 2,709,854          | \$ 2,977,130          | \$ 267,276            | 9.9%            |
| <b>Total</b>  | <b>\$ 370,486,693</b> | <b>\$ 454,365,579</b> | <b>\$ 83,878,886</b>  | <b>22.6%</b>    |

Source: City Colleges of Chicago Final FY2007 Budget, p. 75 and FY2011 Tentative Budget, p. 79 revised August 4, 2010.

## Resources for Unrestricted Operating Funds – Two- and Five-Year Trends

Unrestricted operating funds consist of the Education Fund, Operations and Maintenance Fund, and the Auxiliary/Enterprise Fund.<sup>13</sup> Unrestricted operating revenues will increase by 6.6% or \$19.2 million, rising from \$289.9 million to \$309.2 million. State revenues for unrestricted operating purposes are projected to increase by \$8.9 million or 16.4%. Local government funds are expected to decrease by 0.3% or nearly \$0.4 million.

| City Colleges Resources for Unrestricted Operating Funds:<br>FY2010 & FY2011 |                       |                       |                      |             |
|--|-----------------------|-----------------------|----------------------|-------------|
| Sources of Resources   | FY2010                | FY2011                | \$ Change            | % Change    |
| Local Government   | \$ 118,220,374        | \$ 117,844,056        | \$ (376,318)         | -0.3%       |
| State Government   | \$ 54,719,201         | \$ 63,683,543         | \$ 8,964,342         | 16.4%       |
| Federal Government   | \$ 300,000            | \$ -                  | \$ (300,000)         | -100.0%     |
| Personal Property Replacement Tax  | \$ 8,300,000          | \$ -                  | \$ (8,300,000)       | -100.0%     |
| Tuition and Fees   | \$ 95,327,371         | \$ 113,339,718        | \$ 18,012,347        | 18.9%       |
| Auxiliary/Enterprise   | \$ 9,089,386          | \$ 11,156,570         | \$ 2,067,184         | 22.7%       |
| Investment Revenue   | \$ 2,000,000          | \$ 2,000,000          | \$ -                 | 0.0%        |
| Other Sources  | \$ 2,028,206          | \$ 1,193,020          | \$ (835,186)         | -41.2%      |
| <b>Total</b>   | <b>\$ 289,984,538</b> | <b>\$ 309,216,907</b> | <b>\$ 19,232,369</b> | <b>6.6%</b> |

Source: City Colleges of Chicago FY2011 Tentative Budget, p. 81.

The next exhibit examines five-year trends for unrestricted operating funds. Overall, unrestricted operating fund revenues will increase by 22.1%, from nearly \$253.3 million to \$309.2 million. Unrestricted operating revenue from the federal government will be eliminated in FY2011 and PPRT revenue will be shifted entirely to the capital fund.

| City Colleges Resources for Unrestricted Operating Funds:<br>FY2007 & FY2011 |                       |                       |                      |              |
|--|-----------------------|-----------------------|----------------------|--------------|
| Sources of Resources   | FY2007 Budget         | FY2011 Budget         | \$ Change            | % Change     |
| Local Government   | \$ 103,546,315        | \$ 117,844,056        | \$ 14,297,741        | 13.8%        |
| State Government   | \$ 56,085,647         | \$ 63,683,543         | \$ 7,597,896         | 13.5%        |
| Federal Government   | \$ 346,000            | \$ -                  | \$ (346,000)         | -100.0%      |
| Personal Property Replacement Tax  | \$ 8,300,000          | \$ -                  | \$ (8,300,000)       | -100.0%      |
| Tuition and Fees   | \$ 70,728,065         | \$ 113,339,718        | \$ 42,611,653        | 60.2%        |
| Auxiliary/Enterprise   | \$ 7,242,825          | \$ 11,156,570         | \$ 3,913,745         | 54.0%        |
| Investment Revenue   | \$ 4,300,000          | \$ 2,000,000          | \$ (2,300,000)       | -53.5%       |
| Other Sources  | \$ 2,709,854          | \$ 1,193,020          | \$ (1,516,834)       | -56.0%       |
| <b>Total</b>   | <b>\$ 253,258,706</b> | <b>\$ 309,216,907</b> | <b>\$ 55,958,201</b> | <b>22.1%</b> |

Source: City Colleges of Chicago FY2007 Annual Operating Budget, p. 77, and FY2011 Annual Operating Budget, p. 81.

## City Colleges Tuition Rates

The tuition rates for City Colleges will increase in FY2011 from \$79 per credit hour to \$87, a 10.1% increase. Fees for registration, activities and Center for Distance Learning courses will increase in FY2011.

<sup>13</sup> Restricted funds include the Audit Fund, Liability, Protection, and Settlement Fund, PBC Operations and Maintenance Fund, and Restricted Purposes Fund (grants).

Prior to last year's \$7.00 per credit hour increase, the District had not increased tuition since FY2005 when it rose from \$67 per credit hour to \$72 per credit hour.<sup>14</sup> Even with the increases, City Colleges' tuition and fee costs are competitive with other northeastern Illinois regional community colleges, as the exhibit below demonstrates.

| <b>Basic Fall 2010 Credit Hour Tuition for Selected Community College Districts</b> |  |  |  |
|---|--|--|--|
| <b>College</b>  | <b>In District Tuition Per Credit Hour</b> | <b>Fees for Full-Time Students Per Credit Hour</b> | <b>Total for Full-Time, In District Students Per Credit Hour</b> |
| Harper College (Palatine)   | \$ 98.50                                   | \$ 42.00   | \$ 140.50  |
| College of DuPage (Glen Ellyn)  | \$ 99.15                                   | \$ 29.85   | \$ 129.00  |
| South Suburban College (South Holland)  | \$ 100.00                                  | \$ 15.75   | \$ 115.75  |
| College of Lake County**  | \$ 90.00                                   | \$ 16.00   | \$ 106.00  |
| <b>City Colleges of Chicago*</b>  | <b>\$ 87.00</b>                            | <b>\$ 14.17</b>                                    | <b>\$ 101.17</b>   |
| Morton College (Cicero)   | \$ 79.00                                   | \$ 20.00   | \$ 99.00   |
| Prairie State College (Chicago Heights)**   | \$ 86.00                                   | \$ 11.00   | \$ 97.00   |
| Triton College (River Grove)**  | \$ 88.00                                   | \$ 6.00  | \$ 94.00   |
| Oakton Community College (Des Plaines)  | \$ 91.00                                   | \$ 2.60  | \$ 93.60   |
| Elgin Community College (Elgin)   | \$ 91.00                                   | \$ -   | \$ 91.00   |

\*City Colleges of Chicago full-time activity fee for 12 or more credit hours is \$170, prorated here to \$14.17 for the sake of comparison.

\*\*Tuition fee as of fall semester for 2010.

Source: City Colleges of Chicago FY2011 Annual Operating Budget, p. 55; Websites of selected community college districts.

### **State Equalization Formula**

The State of Illinois provides community college districts with equalization grants intended to ensure that each district has approximately equivalent financial means, regardless of a District's taxable property wealth. Because the formula for distributing equalization grants does not account for the tax cap law, it assumes that a greater amount of property wealth is available to tax-capped Districts than can actually be taxed without seeking approval of the voters through a referendum. Over time, this has meant that state funding for the City Colleges has been eroded.

The current formula on its own would have provided the City Colleges with almost no revenue. To correct this imbalance, the state awarded a \$15.0 million grant to the City Colleges in FY2005. It renewed this grant in FY2006, FY2007, FY2008, FY2009 and FY2010. The District assumes it will continue to receive the \$15.0 million grant in FY2011.<sup>15</sup>

<sup>14</sup> City Colleges of Chicago FY2011 Annual Operating Budget, p. 55.

<sup>15</sup> City Colleges of Chicago FY2011 Tentative Budget, p. 8.



## Property Tax Revenues

Property tax years are the same as calendar years. However, the City Colleges fiscal year is July 1 to June 30, and there is also a one-year lag in Cook County between when property taxes are levied and when they are collected. Taxes levied in 2010 will actually be received in 2011. The effect of these two issues is that property tax funds available during the City Colleges upcoming fiscal year (FY2011) will be drawn from part of tax year 2009 and part of tax year 2010.

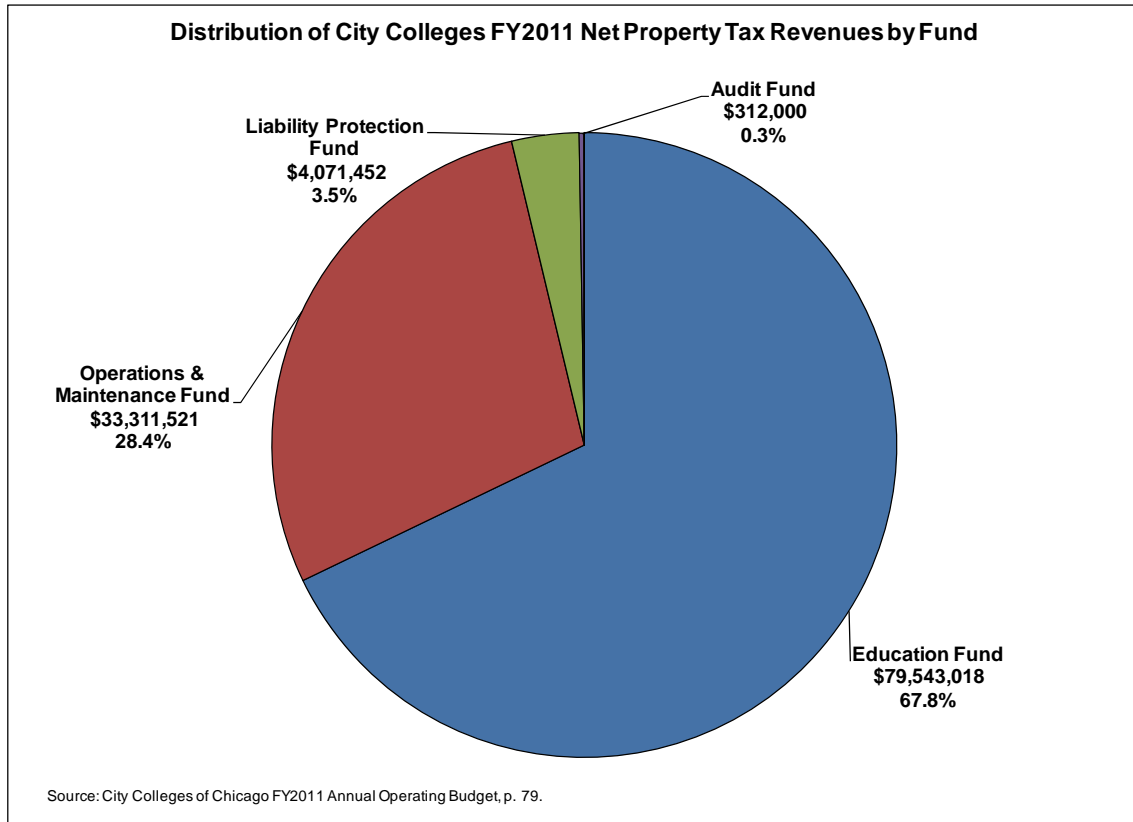
In FY2011 the City Colleges will receive a net total of approximately \$117.2 million in property tax revenues. The gross amount of tax levy revenues will be \$124.8 million. Of the gross amount, \$63.1 million will be from the estimated 2009 levy and \$61.6 million will be from the estimated 2010 levy. Net property tax revenues are expected to decrease by 0.8% or nearly \$1.0 million between FY2010 and FY2011.

| <b>Property Tax Revenues Received by City Colleges:<br/>FY2010 &amp; FY2011</b> |                       |                       |
|---|-----------------------|-----------------------|
|   | <b>FY2010</b>         | <b>FY2011</b>         |
| 1/2 Estimated Gross 2008 Levy   | \$ 63,100,000         |                       |
| 1/2 Estimated Gross 2009 Levy   | \$ 63,857,200         |                       |
| 1/2 Estimated Gross 2009 Levy   |                       | \$ 63,126,591         |
| 1/2 Estimated Gross 2010 Levy   |                       | \$ 61,626,591         |
| <b>Subtotal Gross Levy Funds Available</b>                                      | <b>\$ 126,957,200</b> | <b>\$ 124,753,182</b> |
| Back Taxes Revenue  | \$ (3,335,466)        | \$ (2,510,064)        |
| Estimated Loss and Cost of Collection   | \$ (5,401,360)        | \$ (5,005,127)        |
| Total (Net Levy)  | \$ 118,220,374        | \$ 117,237,991        |
| <b>\$ Change FY2010 to FY2011</b>   |                       | <b>\$ (982,383)</b>   |
| <b>% Change FY2010 to FY2011</b>  |                       | <b>-0.8%</b>          |

Source: City Colleges of Chicago FY2010 Final Budget p. 83 and FY2011 Tentative Budget, p. 79.

All of the \$117.2 million in property tax revenues available in FY2011 are for operating funds that are subject to the State's property tax cap law. The law limits annual property tax increases to 5.0% or inflation, whichever is less, with an exception for new property. City Colleges operating funds included under the state tax cap are the education fund, operations and maintenance fund, auxiliary enterprise fund, audit fund, and the liability, protection, and settlement fund. No property tax dollars, or any other revenues, will be used for the PBC Operation and Maintenance fund, a debt service fund, which has been abolished and was not subject to the tax cap limitations.

The distribution of total net City Colleges property tax revenues is shown below. Approximately 67.8%, or \$79.5 million, is earmarked for the education fund, which is the City Colleges' general operating fund. Over \$33.3 million or 28.4% of all net property tax revenues is earmarked for operations and maintenance and \$4.1 million or 3.5% of the total is reserved for the liability, protection and settlement fund.



### City of Chicago Property Tax Levy for City Colleges

City Colleges of Chicago, in addition to its own property tax levy described above, receives another property tax revenue stream from the City of Chicago that is used to fund capital improvements. This is part of a larger process that has the City of Chicago levying property taxes for not only its own operations, but also for other non-City government purposes, including the City Colleges of Chicago. The City does so because of the expiration of District authority to levy for debt issued by the Public Building Commission (PBC) on behalf of the City Colleges. Debt service limits for the City Colleges were fixed at the time the tax cap law was implemented in 1995; at that time the District's debt burden consisted of obligations issued through the PBC and paid for through an Operations and Maintenance (O & M) levy. When these were paid, the O & M levy was eliminated, which requires the District to seek other ways to issue debt. The City of Chicago, by means of an intergovernmental agreement, now levies property taxes that are used to pay for Public Building Commission obligations and City Colleges projects.<sup>16</sup>

<sup>16</sup> Information provided by City Colleges of Chicago Finance Office, June 26, 2008.

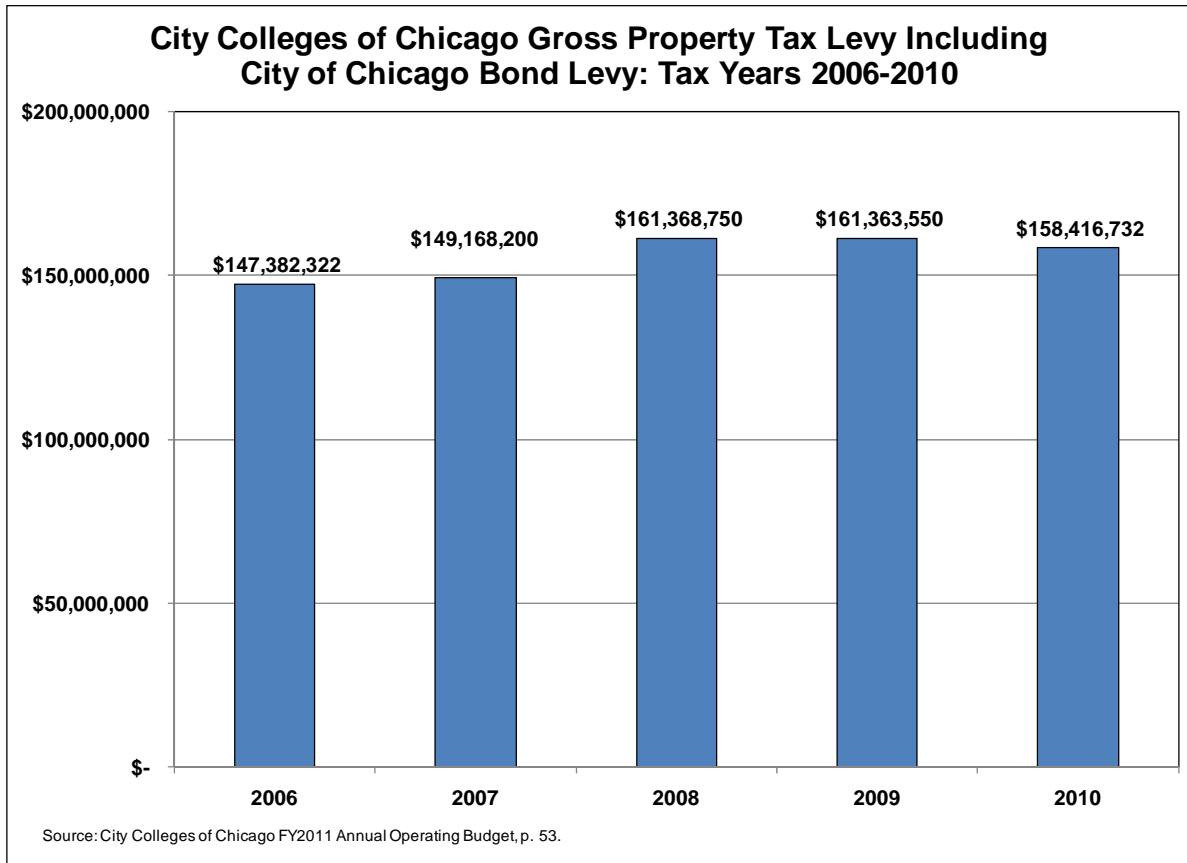
The City levy on behalf of the City Colleges does not represent an increase in taxing authority for the District, but rather is set at levels previously authorized for the O & M levy. Without these funds, the City Colleges would be hard pressed to raise adequate funds for maintenance, rehabilitation and construction of capital improvements.

As shown in the exhibit below, the City's levy for the City Colleges debt jumped to \$32.6 million in 2007 and \$35.2 million in 2008 and 2009 from \$5.4 million in FY2006. This levy is part of the City of Chicago tax rate and does *not* appear as a separate line item on property tax bills. This levy is shown in the City Colleges FY2011 budget. However, to date, it has not been discussed in the City of Chicago's budget. The primary reason for the reduction of City College's gross property tax levy since FY2006 is the City of Chicago's assumption of the District's debt service levy.

| <b>Total Property Tax Levies for City Colleges (By Tax Year):</b> |                       |                       |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>2006-2010</b>  |                       |                       |                       |                       |                       |
| <b>Property Tax Source</b>  | <b>2006</b>           | <b>2007</b>           | <b>2008</b>           | <b>2009</b>           | <b>2010</b>           |
| City Colleges Gross Property Tax Levy                             | \$ 141,939,122        | \$ 116,500,000        | \$ 126,200,000        | \$ 126,200,000        | \$ 123,253,182        |
| PBC Levy  | \$ 29,499,412         | \$ -                  | \$ -                  | \$ -                  | \$ -                  |
| <b>Subtotal Gross Property Tax Levy minus PBC Levy</b>            | <b>\$ 112,439,710</b> | <b>\$ 116,500,000</b> | <b>\$ 126,200,000</b> | <b>\$ 126,200,000</b> | <b>\$ 123,253,182</b> |
| City of Chicago Property Tax Levy for City Colleges               | \$ 5,443,200          | \$ 32,668,200         | \$ 35,168,750         | \$ 35,163,550         | \$ 35,163,550         |
| <b>Total (Gross CC Levy + City Levy)</b>                          | <b>\$ 147,882,910</b> | <b>\$ 149,168,200</b> | <b>\$ 161,368,750</b> | <b>\$ 161,363,550</b> | <b>\$ 158,416,732</b> |

Source: City Colleges Budget Office, and City Colleges of Chicago FY2011 Annual Operating Budget, p. 53.

The exhibit below shows the amount of the gross property tax levy, including the City of Chicago bond levies, for all purposes for tax years 2006 through 2010. Since tax year 2006 the gross property tax levy will have increased by 7.5% or \$11.0 million. It is important to note that the actual amount of property tax dollars City Colleges will receive in tax year 2010 will not be known until the Cook County Clerk actually extends the levy and applies all relevant rate limits and the tax cap on eligible funds. The final extension amount is different than and usually less than the original levy amount.



## ENROLLMENT TRENDS

City Colleges experienced an increase in enrollment between FY2009 and FY2010 and is predicting a 2% enrollment increase in FY2011.<sup>17</sup> Full-time equivalent student enrollment at City Colleges increased by 11.23% from FY2009 to FY2010, rising by 4,877 full-time equivalent students from 43,371 FTEs to 48,248 FTEs. Enrollment fell in two general categories: the vocational skills program, down 10.9%, and career technology program, down 9.4%. English as a second language enrollment also declined over the two-year period, falling by 0.7%.

However, enrollment rose in all remaining programs, including a 24.5% increase in the continuing education program. Enrollment in the largest program, credit courses, rose in FY2010 by 17.8%, from 23,218 FTEs to 27,346 FTEs. Adult education, which includes three program subsets, increased by 2.5%, from 17,001 FTEs to 17,433 FTEs.

| <b>City Colleges Full-Time Equivalent (FTE) Enrollment:<br/>FY2009 &amp; FY2010</b> |                |                 |                 |                 |
|---|----------------|-----------------|-----------------|-----------------|
| <b>Type</b>   | <b>FY2009*</b> | <b>FY2010**</b> | <b># Change</b> | <b>% Change</b> |
| Credit  | 23,218         | 27,346          | 4,128           | 17.8%           |
| Pre-Credit  | 1,110          | 1,133           | 23              | 2.1%            |
| Continuing Education  | 432            | 538             | 106             | 24.5%           |
| Adult Education   | 16,615         | 17,433          | 818             | 4.9%            |
| <i>ABE</i>  | 4,010          | 4,631           | 621             | 15.5%           |
| <i>GED</i>  | 1,561          | 1,671           | 110             | 7.0%            |
| <i>ESL</i>  | 11,044         | 11,123          | 79              | 0.7%            |
| Vocational Skills   | 718            | 640             | (78)            | -10.9%          |
| Career Tech   | 1,278          | 1,158           | (120)           | -9.4%           |
| <b>Total</b>  | <b>43,371</b>  | <b>48,248</b>   | <b>4,877</b>    | <b>11.2%</b>    |

\*FY2009 total enrollment figures differ from budget book due to rounding.

\*\*FY2010 enrollment data is a preliminary estimate as of May 26, 2010.

Source: City Colleges of Chicago FY2011 Annual Operating Budget, p. 246.

<sup>17</sup> City Colleges of Chicago FY2011 Annual Operating Budget, p. 6.

Five-year enrollment trends show a significant increase in enrollment across the entire system. Full-time equivalent student enrollment at City Colleges between FY2006 and FY2010 increased by 16.5%, from 41,412 FTEs to 48,248 FTEs, an increase of 6,836 FTEs.<sup>18</sup>

Four programs experienced enrollment increases between FY2006 and FY2010. The career technology program's enrollment increased by largest percentage, 76.5% or 502 FTEs. Pre-credit courses experienced the second largest percentage increase in enrollment, with an increase of 41.6%, or 333 FTEs. Enrollment in credit classes had the largest numerical increase, rising by 6,396 FTEs over the five-year period.

Vocational skills programs decreased by 45.5%, or 534 FTEs and continuing education decreased by 1.5%, or 8 FTEs. The following table depicts enrollment trends over five years; it does not include enrollment from the discontinued military programs.

| <b>City Colleges Full-Time Equivalent (FTE) Enrollment:<br/>FY2006 - FY2010</b> |               |               |               |                |                 |                                  |                                  |
|---|---------------|---------------|---------------|----------------|-----------------|----------------------------------|----------------------------------|
| <b>Type</b>   | <b>FY2006</b> | <b>FY2007</b> | <b>FY2008</b> | <b>FY2009*</b> | <b>FY2010**</b> | <b>#<br/>Change<br/>(5-Year)</b> | <b>%<br/>Change<br/>(5-Year)</b> |
| Credit  | 20,950        | 20,647        | 21,165        | 23,218         | 27,346          | 6,396                            | 30.5%                            |
| Pre-Credit  | 800           | 987           | 1,009         | 1,110          | 1,133           | 333                              | 41.6%                            |
| Continuing Education  | 546           | 573           | 470           | 432            | 538             | (8)                              | -1.5%                            |
| Adult Education   | 17,286        | 15,659        | 15,068        | 16,615         | 17,433          | 147                              | 0.9%                             |
| <i>ABE</i>  | 3,874         | 3,243         | 3,466         | 4,010          | 4,631           | 757                              | 19.5%                            |
| <i>GED</i>  | 1,727         | 1,490         | 1,355         | 1,561          | 1,671           | (56)                             | -3.2%                            |
| <i>ESL</i>  | 11,685        | 10,926        | 10,247        | 11,044         | 11,123          | (562)                            | -4.8%                            |
| Vocational Skills   | 1,174         | 1,114         | 698           | 718            | 640             | (534)                            | -45.5%                           |
| Career Tech   | 656           | 951           | 1,378         | 1,278          | 1,158           | 502                              | 76.5%                            |
| <b>Total</b>  | <b>41,412</b> | <b>39,931</b> | <b>39,788</b> | <b>43,371</b>  | <b>48,248</b>   | <b>6,836</b>                     | <b>16.5%</b>                     |

\*FY2009 enrollment figures differ from budget book due to rounding.

\*\*FY2010 enrollment data is a preliminary estimate as of May 26, 2010.

Source: City Colleges of Chicago FY2011 Annual Operating Budget, p. 246

<sup>18</sup> Total enrollment excludes military enrollment, which has dropped sharply since FY2003 because the contracts between the armed forces and the City Colleges are being phased out. In FY2007 there were only 138 military FTEs.

## PERSONNEL AND PERSONNEL SERVICES

Between FY2010 and FY2011 the number of full-time equivalent employees will fall by 29 positions or 1.5%. It is important to note, however, that the estimate for FY2011 contains both filled and vacant positions, while FY2010 only contains filled positions. Part-time positions during this same period will fall by 51 employees or 1.3%.

| City Colleges of Chicago:<br>Full-Time Equivalent Positions by Type FY2010-FY2011 |                  |                  |                    |            |              |
|---|------------------|------------------|--------------------|------------|--------------|
| Position Type   | Status           | FY2010<br>Actual | FY2011<br>Budgeted | # Change   | % Change     |
| Teaching Faculty  | Full Time        | 604              | 602                | -2         | -0.3%        |
|   | Part Time        | 2,407            | 2,355              | -52        | -2.2%        |
| Administrative Staff  | Full Time        | 302              | 285                | -17        | -5.6%        |
|   | Part Time        | 0                | 0                  | 0          | 0.0%         |
| Professional Staff  | Full Time        | 368              | 377                | 9          | 2.4%         |
|   | Part Time        | 525              | 541                | 16         | 3.0%         |
| Civil Service   | Full Time        | 696              | 677                | -19        | -2.7%        |
|   | Part Time        | 1,090            | 1,075              | -15        | -1.4%        |
| <b>Total</b>  | <b>Full Time</b> | <b>1,970</b>     | <b>1,941</b>       | <b>-29</b> | <b>-1.5%</b> |
|   | <b>Part Time</b> | <b>4,022</b>     | <b>3,971</b>       | <b>-51</b> | <b>-1.3%</b> |

Note: FY2010 figures represent filled positions, while FY2011 figures include vacancies.

Source: City Colleges of Chicago FY2011 Annual Operating Budget, p. 244.

The following table shows that over the five-year period between FY2007 and FY2011, the number of City Colleges' full-time equivalent employees will increase by 2.3% or 44 employees, from 1,897 to 1,941. Part-time positions will increase by 8.7% over the five year period, from 3,653 to 3,971.

| City Colleges of Chicago:<br>Full-Time Equivalent Positions by Type: FY2007-FY2011 |                  |                  |                  |                  |                  |                    |                      |                      |
|--|------------------|------------------|------------------|------------------|------------------|--------------------|----------------------|----------------------|
| Position Type  | Status           | FY2007<br>Actual | FY2008<br>Actual | FY2009<br>Actual | FY2010<br>Actual | FY2011<br>Budgeted | # Change<br>(5-Year) | % Change<br>(5-Year) |
| Teaching Faculty   | Full Time        | 617              | 616              | 600              | 604              | 602                | -15                  | -2.4%                |
|  | Part Time        | 2,102            | 2,287            | 2,235            | 2,407            | 2,355              | 253                  | 12.0%                |
| Administrative Staff   | Full Time        | 271              | 292              | 307              | 302              | 285                | 14                   | 5.2%                 |
|  | Part Time        | 0                | 0                | 0                | 0                | 0                  | 0                    | 0.0%                 |
| Professional Staff   | Full Time        | 317              | 323              | 357              | 368              | 377                | 60                   | 18.9%                |
|  | Part Time        | 428              | 527              | 501              | 525              | 541                | 113                  | 26.4%                |
| Civil Service  | Full Time        | 692              | 693              | 696              | 696              | 677                | -15                  | -2.2%                |
|  | Part Time        | 1,123            | 1,131            | 1,150            | 1,090            | 1,075              | -48                  | -4.3%                |
| <b>Total</b>   | <b>Full Time</b> | <b>1,897</b>     | <b>1,924</b>     | <b>1,960</b>     | <b>1,970</b>     | <b>1,941</b>       | <b>44</b>            | <b>2.3%</b>          |
|  | <b>Part Time</b> | <b>3,653</b>     | <b>3,945</b>     | <b>3,886</b>     | <b>4,022</b>     | <b>3,971</b>       | <b>318</b>           | <b>8.7%</b>          |

Note: FY2006-FY2009 figures represent filled positions, while FY2010 figures include vacancies.

Source: City Colleges of Chicago FY2011 Annual Operating Budget, p. 244.

Between FY2010 and FY2011, appropriations for employees' salaries from unrestricted funds will increase by \$3.4 million or 2.0%, from \$171.6 million to nearly \$175.0 million.

| <b>City Colleges of Chicago:<br/>Unrestricted Funds Personnel Appropriations FY2010 &amp; FY2011</b> |                       |                       |                     |                 |
|--|-----------------------|-----------------------|---------------------|-----------------|
|  | <b>FY2010</b>         | <b>FY2011</b>         | <b>\$ Change</b>    | <b>% Change</b> |
| Salaries   | \$ 171,553,078        | \$ 174,955,910        | \$ 3,402,832        | 2.0%            |
| Benefits   | \$ 31,828,161         | \$ 34,631,287         | \$ 2,803,126        | 8.8%            |
| <b>Total</b>   | <b>\$ 203,381,239</b> | <b>\$ 209,587,197</b> | <b>\$ 6,205,958</b> | <b>3.1%</b>     |

Source: City Colleges of Chicago FY2010 Tentative Annual Operating Budget Revised 7/13/09, p. 85, and FY2011 Annual Operating Budget, p. 81.

In the five-year period between FY2007 and FY2011, benefit appropriations increased by \$8.4 million or 32.0%. Salaries rose by \$25.5 million or 17.1% during the same period.

| <b>City Colleges of Chicago:<br/>Unrestricted Funds Personnel Appropriations FY2007 &amp; FY2011</b> |                       |                       |                      |                 |
|--|-----------------------|-----------------------|----------------------|-----------------|
|  | <b>FY2007</b>         | <b>FY2011</b>         | <b>\$ Change</b>     | <b>% Change</b> |
| Salaries   | \$ 149,458,092        | \$ 174,955,910        | \$ 25,497,818        | 17.1%           |
| Benefits   | \$ 26,244,348         | \$ 34,631,287         | \$ 8,386,939         | 32.0%           |
| <b>Total</b>   | <b>\$ 175,702,440</b> | <b>\$ 209,587,197</b> | <b>\$ 33,884,757</b> | <b>19.3%</b>    |

Source: City Colleges of Chicago FY2007 Tentative Annual Operating Budget, p. 77, and FY2011 Annual Operating Budget, p. 81.

Between FY2010 and FY2011 employee insurance costs are expected to increase by \$3.3 million or 9.6%, from \$30.8 million to \$34.1 million. Health insurance and Unemployment insurance costs account for the majority of this increase. Unemployment insurance appropriations will increase by 73.9% in FY2011.

| <b>City Colleges of Chicago:<br/>Employee Insurance Costs FY2010 &amp; FY2011</b> |                      |                      |                     |                 |
|---|----------------------|----------------------|---------------------|-----------------|
| <b>Benefit Type</b>   | <b>FY2010</b>        | <b>FY2011</b>        | <b>\$ Change</b>    | <b>% Change</b> |
| Medical Insurance   | \$ 26,498,377        | \$ 27,862,427        | \$ 1,364,050        | 5.1%            |
| Dental Insurance  | \$ 1,879,526         | \$ 1,937,790         | \$ 58,264           | 3.1%            |
| Vision Service Plan   | \$ 351,969           | \$ 359,008           | \$ 7,039            | 2.0%            |
| Standard Life Insurance   | \$ 648,134           | \$ 680,540           | \$ 32,406           | 5.0%            |
| Unemployment Insurance  | \$ 600,000           | \$ 2,300,000         | \$ 1,700,000        | 283.3%          |
| Worker's Compensation   | \$ 851,800           | \$ 981,400           | \$ 129,600          | 15.2%           |
| <b>Total</b>  | <b>\$ 30,829,806</b> | <b>\$ 34,121,165</b> | <b>\$ 3,291,359</b> | <b>10.7%</b>    |

Source: City Colleges of Chicago FY2010 Tentative Annual Operating Budget Revised 7/13/09, p. 78, and FY2011 Annual Operating Budget, p. 74.



## UNRESERVED, UNDESIGNATED FUND BALANCE

The Government Finance Officers Association (GFOA) recommends that governments maintain an unreserved general fund balance of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.<sup>19</sup> The purpose of this indicator is to measure the ability of a government to quickly convert illiquid assets to cash to meet contingency needs.

### Unrestricted Fund Balance Ratio

Between FY2005 and FY2009 City Colleges general operating funds' unrestricted fund balance decreased from 24.3% of operating expenses or \$73.4 million to 18.0% or \$67.1 million. For all five years analyzed, unrestricted fund balance ratio has been above the minimum two months of operating expenses GFOA recommendation. The establishment of a healthy fund balance ratio for City Colleges is a dramatic turnaround from the 1.1% fund balance ratio reported in FY2000.

| <b>City Colleges Unrestricted Fund Balance Ratio:</b> |                                  |                           |              |
|---|----------------------------------|---------------------------|--------------|
| <b>FY2005 - FY2009</b>                                |                                  |                           |              |
|   | <b>Unrestricted Fund Balance</b> | <b>Operating Expenses</b> | <b>Ratio</b> |
| <b>FY2005*</b>  | \$ 73,393,636                    | \$ 302,304,267            | 24.3%        |
| <b>FY2006</b>   | \$ 63,823,389                    | \$ 316,273,616            | 20.2%        |
| <b>FY2007</b>   | \$ 77,358,746                    | \$ 325,434,665            | 23.8%        |
| <b>FY2008</b>   | \$ 71,794,664                    | \$ 389,995,809            | 18.4%        |
| <b>FY2009</b>   | \$ 67,104,370                    | \$ 372,202,855            | 18.0%        |

\* The City Colleges Board of Trustees also designated \$10.3 million in Unrestricted Net Assets to be reserved for capital expenditures. See Note 1 in CAFR for explanation.

Source: City Colleges of Chicago Comprehensive Annual Financial Reports, FY2005 - FY2009.

## SHORT-TERM LIABILITIES

Short-term liabilities are financial obligations that must be satisfied within one year. They can include short-term debt, accounts payable, accrued payroll and other current liabilities. The City Colleges of Chicago currently reports no short-term debt but does include the following short-term liabilities in the report of net assets in its annual Comprehensive Annual Financial Report<sup>20</sup>:

- Accounts payable: monies owed to vendors or employees for goods and services;
- Accrued salaries: employee pay carried over from previous years;
- Deposits held in custody: funds owed to student organizations and other outside entities included in the institution's endowment investment fund;
- Accrued property tax refunds: held in lieu of the property tax appeals process;

<sup>19</sup> Government Finance Officers Association. Recommended Practice on Appropriate Level of Unreserved Fund Balance in the General Fund (2009). The City Colleges is a special purpose, not a general purpose government, but its size and the relative stability of its revenue stream make it prudent for the CCC to maintain adequate reserves.

<sup>20</sup> City Colleges of Chicago CAFR FY2009, p16.

- Other liabilities: include self insurance funds, unclaimed property and other unspecified liabilities; and
- Other accruals: unpaid invoices at year-end for goods and services received in prior fiscal year.

In FY2009, the most recent year that data is available, total short-liabilities decreased by \$6.8 million from the previous year, or 13.3%. Over the past five years current liabilities had risen but with the significant drop in FY2009 the overall trend is down by 12.4% or \$6.3 million. The following chart shows short-term liabilities by category and the percent change over the past five years.

| City Colleges Short-Term Liabilities:<br>FY2005 - FY2009 (in \$ thousands) |                    |                    |                    |                    |                    |                          |                         |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------------|-------------------------|
| Current Liability  | FY2005             | FY2006             | FY2007             | FY2008             | FY2009             | \$ Change<br>(Five-Year) | % Change<br>(Five-Year) |
| Accounts Payable   | \$ 15,006.6        | \$ 7,471.8         | \$ 10,291.9        | \$ 16,253.6        | \$ 11,748.8        | \$ (3,257.8)             | -21.7%                  |
| Accrued Payroll  | \$ 3,869.7         | \$ 4,961.7         | \$ 5,572.1         | \$ 6,260.8         | \$ 6,646.1         | \$ 2,776.4               | 71.7%                   |
| Deposits Held In Custody   | \$ 1,860.4         | \$ 2,165.6         | \$ 2,126.8         | \$ 1,947.0         | \$ 2,117.5         | \$ 257.1                 | 13.8%                   |
| Accrued PropTax Refunds  | \$ 17,868.3        | \$ 18,994.3        | \$ 18,498.2        | \$ 14,964.3        | \$ 12,275.3        | \$ (5,593.1)             | -31.3%                  |
| Other Liabilities  | \$ 7,102.1         | \$ 7,454.2         | \$ 8,094.0         | \$ 10,971.6        | \$ 10,456.2        | \$ 3,354.1               | 47.2%                   |
| Other Accruals   | \$ 5,091.9         | \$ 2,333.8         | \$ 2,838.2         | \$ 951.3           | \$ 1,259.8         | \$ (3,832.1)             | -75.3%                  |
| <b>Total Current Liabilities</b>   | <b>\$ 50,799.0</b> | <b>\$ 43,381.4</b> | <b>\$ 47,421.2</b> | <b>\$ 51,348.6</b> | <b>\$ 44,503.7</b> | <b>\$ (6,295.4)</b>      | <b>-12.4%</b>           |

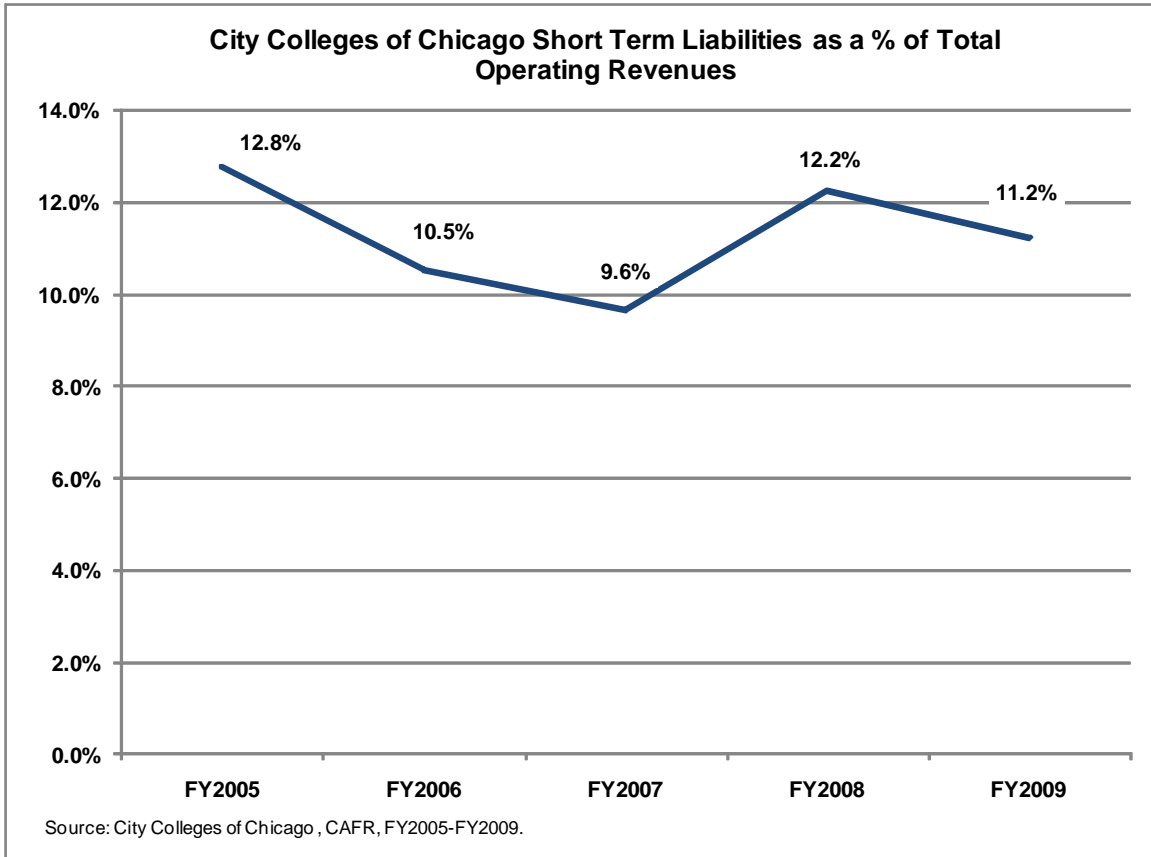
Source: City Colleges CAFRs, FY2005-FY2009.

Although accrued payroll and other liabilities have increased significantly over the last five years, these gains have been offset by reductions in accounts payable, accrued property tax refunds and other accruals.

Increasing current liabilities at the end of the year as a percentage of the net operating revenues may be a warning sign of a government's future financial difficulties.<sup>21</sup> This indicator, developed by the International City/County Management Association (ICMA), is a measure of budgetary solvency or a government's ability to generate enough revenue over the course of a fiscal year to meet its expenditures and avoid deficit spending.

City Colleges of Chicago showed a positive trend by reduced its short-term liabilities compared to total operating revenue between FY2005 to FY2007 from 12.5% to 9.6%. However the ratio then grew significantly, increasing to 12.2%, in FY2008. This increase was cause for moderate concern about the governments management of its resources. Although this may have indicated moderate financial stress, the reduction in short-term liabilities compared to operating revenues in FY2009 to 11.2% is an indicator of positive financial management.

<sup>21</sup> Nollenberger, Groves and Valente. Evaluating Financial Condition: A Handbook for Local Government, pp. 77.

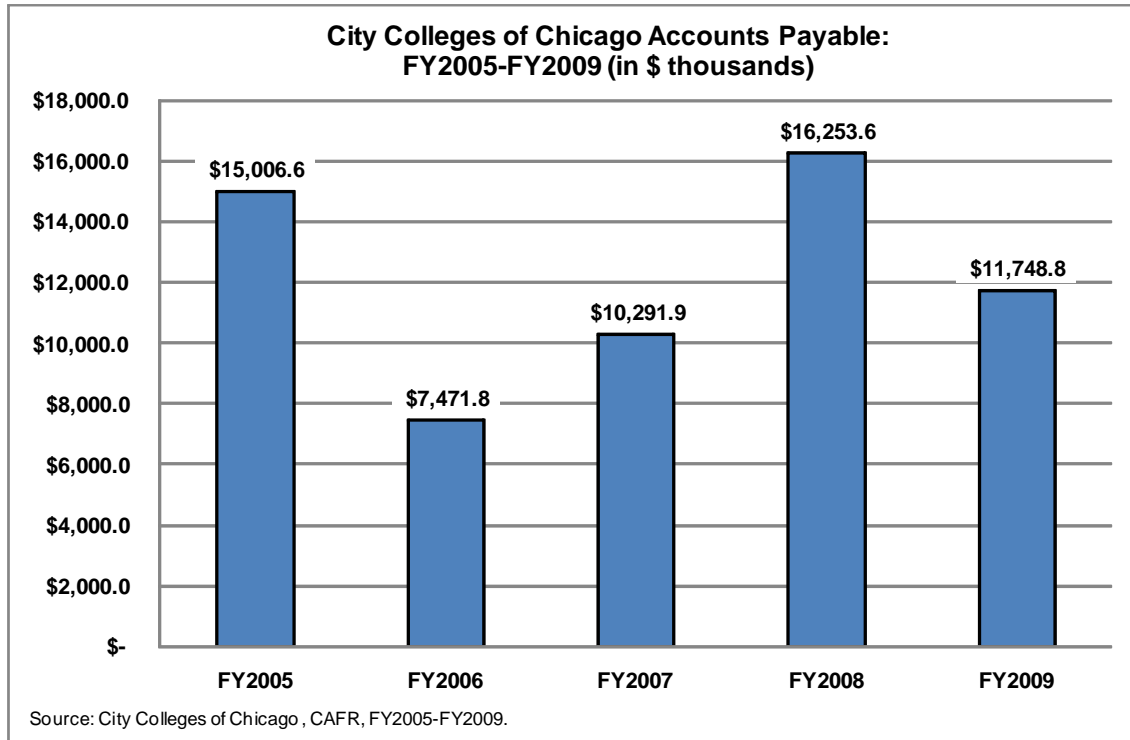


### Accounts Payable

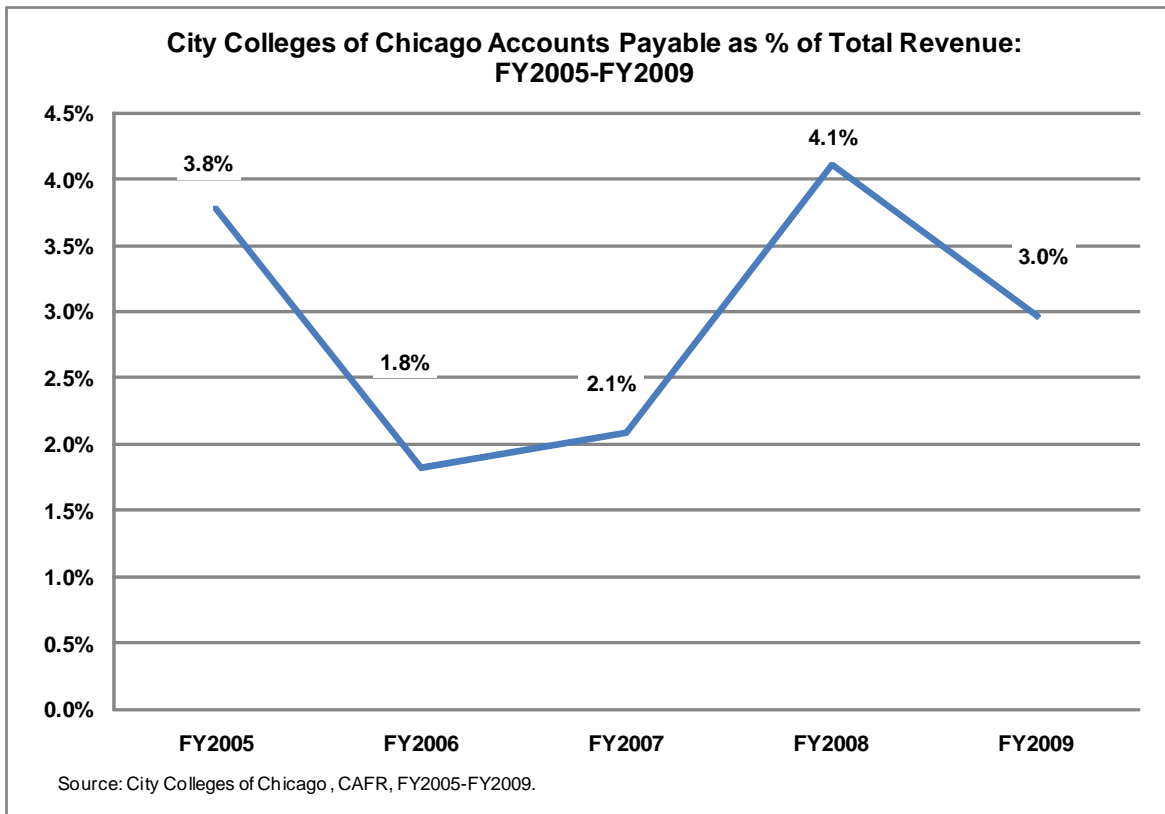
Similar to the trend in reducing total short-term liabilities in relation to operational revenues City Colleges decreased the amount of accounts payable reported between FY2005 and FY2007 followed by a steady increase in these liabilities over the next two years. However, a significant drop of accounts payable in FY2009, totaling \$4.5 million or 27.7%, indicates a positive trend as the amount of bills passed from one year to the next has declined. City Colleges attributes its \$2.5 million of the reduction to the completion of certain capital projects in FY2008 and credits improved use of purchasing consortia and stricter control of purchasing practices for the \$2.0 million in additional reductions.<sup>22</sup>

<sup>22</sup> Communication between Civic Federation staff and the City Colleges of Chicago staff, August 2, 2010.

The following chart shows total accounts payable reported between FY2005 and FY2009.



In FY2008 City Colleges carried over \$16.3 million in total accounts payable from the previous year, an increase of \$6.0 million from FY2007, or 57.9 %. At the time, this increase was noteworthy but the total accounts payable as a percentage of operating revenues showed signs of low-to-moderate financial stress rising, from 2.1% to 4.1%. Due to the further decrease in accounts payable in FY2009, the District has demonstrated the ability to control expenses and avoid excessive deficit spending. The following graph shows that the ratio of accounts payable to operating revenues has dropped from 3.8% to 3.0% from FY2005 to FY2009.



## PENSION

The majority of City Colleges employees are enrolled in the State Universities Retirement System (SURS) of Illinois. Approximately 5,404 employees participate in SURS. Employees who are non temporary, intermittent, or irregular and who work continuously for at least one academic term or four months, whichever is less, are typically eligible for SURS. SURS members do not participate in Social Security. Approximately 1,485 part-time employees do not participate in SURS, but do participate in Social Security.<sup>23</sup>

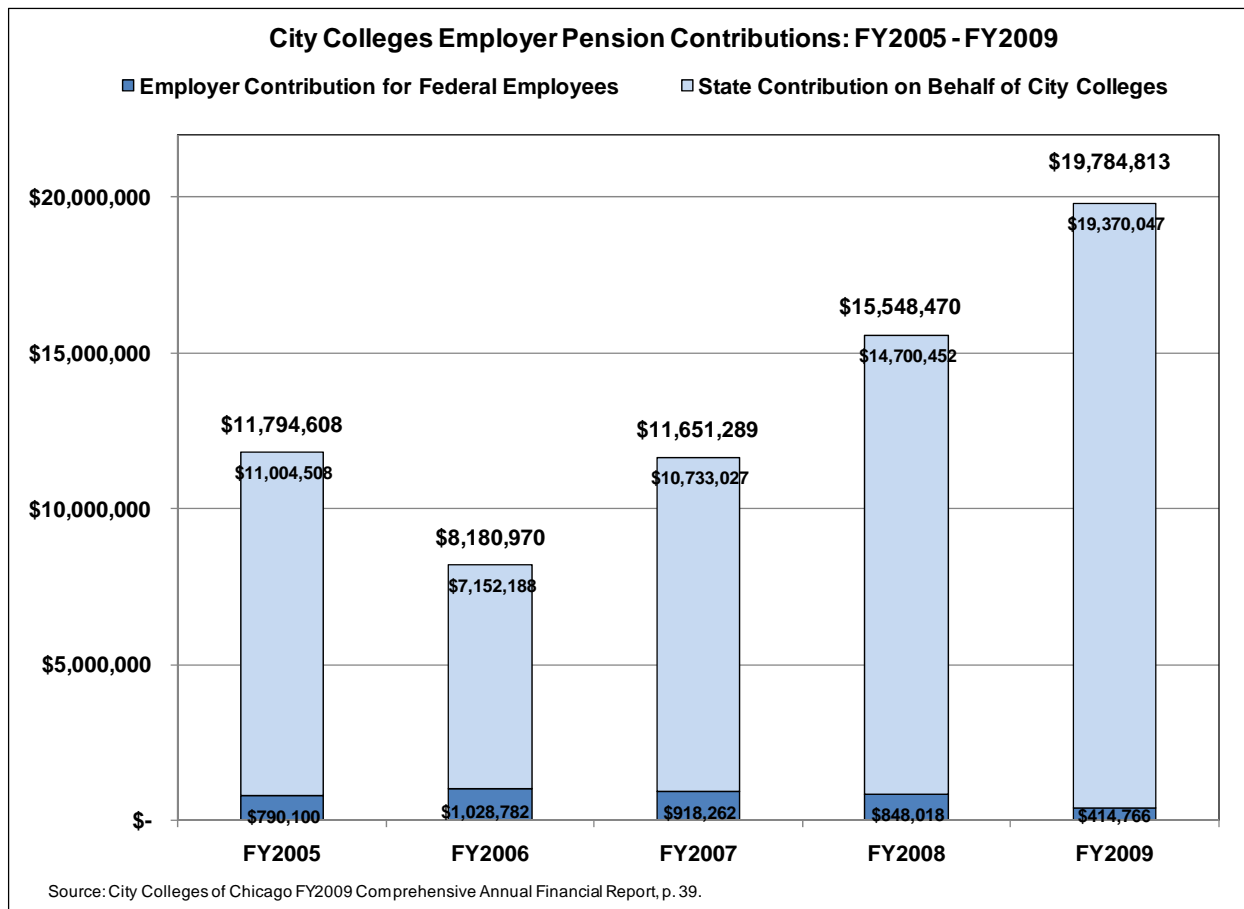
SURS members contribute 8.0% of their annual covered salary. In FY2009, the State of Illinois made nearly all of the employer contributions on behalf of City Colleges at the actuarially determined rate of 12.9% of covered payroll. The chart below depicts pension contributions for City Colleges retirees, including the payments made by the State of Illinois on behalf of City Colleges and City Colleges' employer contribution for the retirement funds of its federally-funded grant positions.

State contributions to SURS on behalf of City Colleges for FY2009 were \$19.4 million.<sup>24</sup> Contributions for positions funded through federal grants totaled \$414,766 in FY2009. This amount has fallen by \$375,334 from \$790,100 in FY2005.<sup>25</sup>

<sup>23</sup> Information provided by City Colleges finance office, August 3, 2010.

<sup>24</sup> City Colleges FY2009 Comprehensive Annual Financial Report, p. 39.

<sup>25</sup> City Colleges FY2009 Comprehensive Annual Financial Report, p. 39.



### OTHER POST EMPLOYMENT BENEFITS (OPEB)

City Colleges began reporting information about other post employment benefits (OPEB) in the FY2006 CAFR as required by GASB Statement Number 45. OPEB includes health and life insurance for retirees and their spouses. The District currently pays for approximately 90% of the medical and life insurance premiums for most retirees. The contribution percentages are negotiated between the district and retirees and can be amended by City Colleges through its personnel manual and union contracts.<sup>26</sup>

Between FY2008 and FY2009, the number of retirees and beneficiaries receiving benefits fell from 735 to 703.<sup>27</sup> City Colleges has not established an irrevocable trust fund to account for its OPEB plan; it is financed on a pay-as-you-go basis. The FY2009 pay-as-you-go employer contribution of \$6.2 million is budgeted as part of the District's employee health insurance costs.<sup>28</sup>

The next exhibit shows the funded status of the City Colleges' OPEB plan. Actuarial Accrued Liability rose to \$121.7 million in FY2009 from nearly \$113.0 million in FY2008. The actuarial assumptions used included a 4.5% discount rate and an annual healthcare cost trend rate of 9.0%,

<sup>26</sup> City Colleges FY2011 Annual Operating Budget, p. 75.

<sup>27</sup> City Colleges FY2009 Comprehensive Annual Financial Report, p. 40.

<sup>28</sup> Information provided by City Colleges finance office, August 3, 2010.

which is assumed to decline to a 5.0% rate by 2017. The actuarial value of assets is not shown as the District does not set aside assets to pre-fund its OPEB obligation.

| <b>Funded Status of the City Colleges OPEB Plan:<br/>FY2008 &amp; FY2009</b> |                |                |
|--|----------------|----------------|
|  | <b>FY2008</b>  | <b>FY2009</b>  |
| <b>Actuarial Accrued Liability</b>   | \$ 113,011,808 | \$ 121,654,154 |
| <b>Unfunded Actuarial Accrued Liability (UAAL)</b>                           | \$ 113,011,808 | \$ 121,654,154 |
| <b>Covered Payroll (active plan members)</b>                                 | \$ 95,665,186  | \$ 101,030,184 |
| <b>UAAL as a % of Covered Payroll</b>  | 118.1%         | 120.4%         |

Source: City Colleges FY2009 Comprehensive Annual Financial Report, p. 42.

The City Colleges total net OPEB obligation was \$7.6 million in FY2009. The annual cost rose slightly from \$9.96 million in FY2008 to \$10.36 million in FY2009. At the same time the percentage of annual OPEB cost contributed decreased, falling from 65.3% to 59.6%.

| <b>City Colleges Other Post Employment Benefits:<br/>Costs and Net Obligations FY2008 &amp; FY2009</b> |                     |                     |
|--|---------------------|---------------------|
|  | <b>FY2008</b>       | <b>FY2009</b>       |
| Annual OPEB Cost   | \$ 9,958,539        | \$ 10,361,000       |
| Employer Contributions   | \$ 6,498,620        | \$ 6,175,497        |
| <b>Increase in Net OPEB Obligation</b>   | <b>\$ 3,459,919</b> | <b>\$ 4,185,503</b> |
|  |                     |                     |
| % of Annual OPEB Cost Contributed  | 65.3%               | 59.6%               |
|  |                     |                     |
| <b>Total Net OPEB Obligation for FY2008 &amp; FY2009</b>   |                     | <b>\$ 7,645,422</b> |

Source: City Colleges of Chicago FY2009 Comprehensive Annual Financial Report, p. 41.

The District reports that it has reserved in an internal investment fund the full amount of the FY2009 Net OPEB Obligation, \$17.3 million. The FY2009 Comprehensive Annual Financial Report notes that the District had \$10.0 million in investments designated for the obligation in 2009.<sup>29</sup>

## **CAPITAL BUDGET AND DEBT**

The following section details the City Colleges' capital budget.

### **Capital**

The Board of Trustees is presented with a capital budget together with the FY2011 operating budget but the capital budget includes project funding and funding sources for two years (FY2011 and FY2012) in order to account for the large scope and timeframe of capital projects.

<sup>29</sup> Information provided by City Colleges finance office, August 3, 2010, and City Colleges of Chicago FY2009 Comprehensive Annual Financial Report, p. 42.

The FY2011 budget includes \$225.2 million in new combined capital spending for FY2011 and FY2012. These projects are based on a capital improvement plan (CIP) that City Colleges updates annually and currently estimates a total five-year cost of \$907.7 million for FY2011 to FY2015.

The District originally developed its CIP in 2006, which included a comprehensive survey of all existing capital assets conducted by a team of architects and engineers. The survey included a condition assessment of all existing capital assets as well as a cost estimate related to the ongoing replacement and maintenance of those assets. Projects were then prioritized and planned using needs based criteria to begin between FY2007 and FY2011. The total five-year funding needs for the original plan that ran from FY2007 to FY2011 totaled \$1.2 billion.<sup>30</sup> During each budget year of the original CIP the project rankings and assessment were revised and updated using a dedicated capital planning software system as part of the annual budget process.<sup>31</sup>

The following chart shows the proposed City Colleges of Chicago capital appropriations by college in the FY2011 tentative budget.

| <b>Capital Budget FY2011 &amp; FY2012</b> |                   |                  |                   |
|---|-------------------|------------------|-------------------|
| (\$ in thousands)                         |                   |                  |                   |
| <b>College</b>                            | <b>FY2011</b>     | <b>FY2012</b>    | <b>Total</b>      |
| Daley College                             | \$ 24,000         | \$ 46,300        | \$ 70,300         |
| Olive-Harvey College                      | \$ 39,035         | \$ 22,887        | \$ 61,922         |
| Truman College                            | \$ 34,625         | \$ 5,100         | \$ 39,725         |
| Malcolm X College                         | \$ 4,165          | \$ 600           | \$ 4,765          |
| Kennedy-King Dawson Tech.                 | \$ 2,628          | \$ 2,500         | \$ 5,128          |
| Kennedy-King College                      | \$ 1,500          | \$ 600           | \$ 2,100          |
| Harold Washington College                 | \$ 1,350          | \$ 2,700         | \$ 4,050          |
| Wright College                            | \$ 9,810          | \$ 3,550         | \$ 13,360         |
| District Offices                          | \$ 21,900         | \$ 1,950         | \$ 23,850         |
| <b>Total</b>                              | <b>\$ 139,013</b> | <b>\$ 86,187</b> | <b>\$ 225,200</b> |

Source: City Colleges of Chicago Tentative Annual Budget FY2011, p. 91-92.

The following chart compares the estimated two-year funding sources proposed to for the capital program.

<sup>30</sup> City Colleges of Chicago Capital Improvement Plan FY2007-FY2011, p. 5.  
[http://www.ccc.edu/files/Capital\\_Plan\\_FY2007\\_11.pdf](http://www.ccc.edu/files/Capital_Plan_FY2007_11.pdf) (last accessed August 3, 2010).

<sup>31</sup> Ibid. pp. 11-16



| <b>Capital Funding Sources</b>    |                   |                  |                   |
|-----------------------------------|-------------------|------------------|-------------------|
| (\$ in thousands)                 |                   |                  |                   |
| <b>Source</b>                     | <b>FY2011</b>     | <b>FY2012</b>    | <b>Total</b>      |
| <b>Local Sources</b>              |                   |                  |                   |
| Series 1999 & 2007 City GO Bond   | \$ 29,634         | \$ -             | \$ 29,634         |
| Unrestricted Funding*             | \$ 30,162         | \$ -             | \$ 30,162         |
| Additional Funding*               | \$ 49,258         | \$ 21,189        | \$ 70,447         |
| Expired Central Loop TIF District | \$ 4,000          | \$ 4,000         | \$ 8,000          |
| Personal Property Replacement Tax | \$ 14,500         | \$ 14,500        | \$ 29,000         |
| Tax Increment Financing           | \$ 10,000         | \$ 5,500         | \$ 15,500         |
| <b>State Sources</b>              |                   |                  |                   |
| Capital Renewal Appropriation     | \$ 1,472          | \$ -             | \$ 1,472          |
| Potential State Bond Sales        | \$ -              | \$ 40,771        | \$ 40,771         |
| <b>Total</b>                      | <b>\$ 139,026</b> | <b>\$ 85,960</b> | <b>\$ 224,986</b> |

\*Operating revenues in excess of the expenditures from prior fiscal years transferred for capital funding.

Source: City Colleges of Chicago Final Budget FY2011, p. 97.

The Board of Trustees may approve the transfer of operating revenues in excess of expenditures into the capital program from prior fiscal years.<sup>32</sup> The operating funds transferred to the capital program from FY2010 and other earlier years are labeled in the chart above as unrestricted funding and additional funding. Excess operating funds from prior fiscal years are the largest source of funding identified in the FY2011 capital budget, totaling \$100.6 million or 44.7%. The \$40.8 million in pending state source capital funds were approved as part of the FY2010 *Illinois Jobs Now!* capital program enacted by the State of Illinois and renewed as part of the State's FY2011 budget. The State capital budget is primarily debt funded and has yet to allocate the funds from bonds sold to the appropriations approved for the City Colleges.

The District's identifies \$907.7 million in capital requirements for that five-year period in the FY2011 tentative budget, resulting in a funding gap of \$682.7 million, meaning that revenue is only available for 24.8% of the total capital needs at this time.<sup>33</sup> The estimated FY2010-FY2014 capital costs presented in the FY2010 capital budget showed total needs of \$952.2 million, of which \$774.4 million were unfunded and revenue was identified for only 18.7%.<sup>34</sup> The following table compares the funding requirements in the FY2010-FY2014 budget to the five-year capital requirements reported in the tentative budget book for FY2011. The total five-year funding requirements for capital projects have decreased by \$44.5 million, or 4.7%, and the five-year funding gap has decreased by \$91.7 million or 11.8%.

<sup>32</sup> Communication between Civic Federation and City Colleges staff, August 3, 2010.

<sup>33</sup> City Colleges of Chicago Tentative Budget FY2011, p. 97.

<sup>34</sup> City Colleges of Chicago Tentative Budget FY2010, p. 83.

| <b>City Colleges Total 5-Year Capital Fund Requirements by Area:<br/>(in \$ millions)</b> |                            |                            |                  |                 |
|---|----------------------------|----------------------------|------------------|-----------------|
|   | <b>FY2010 -<br/>FY2014</b> | <b>FY2011 -<br/>FY2015</b> | <b>\$ Change</b> | <b>% Change</b> |
| Architectural & Structural  | \$ 114.2                   | \$ 105.4                   | \$ (8.7)         | -7.7%           |
| Mechanical & Electrical   | \$ 87.7                    | \$ 76.0                    | \$ (11.7)        | -13.4%          |
| Academic Enhancements   | \$ 38.2                    | \$ 40.1                    | \$ 1.9           | 4.9%            |
| Technology  | \$ 108.2                   | \$ 80.1                    | \$ (28.1)        | -26.0%          |
| New Facilities  | \$ 589.0                   | \$ 605.2                   | \$ 16.2          | 2.8%            |
| Demolition  | \$ 15.0                    | \$ 1.0                     | \$ (14.0)        | -93.3%          |
| <b>Total</b>  | <b>\$ 952.3</b>            | <b>\$ 907.7</b>            | <b>\$ (44.5)</b> | <b>-4.7%</b>    |
| <b>Calculated Funding Gap</b>   | <b>\$ 774.4</b>            | <b>\$ 682.7</b>            | <b>\$ (91.7)</b> | <b>-11.8%</b>   |

Sources: City Colleges of Chicago Tentative Budget FY2010, p 98; and City Colleges of Chicago Tentative Budget FY2011, p. 94.

## Debt

Beginning in FY2007, through an intergovernmental agreement, City Colleges transferred its outstanding capital debt from general obligation bonds issued in FY1999 and FY2007 to the City of Chicago. At the time, 100% of the outstanding debt was in the form of capital leases which required a \$31.7 million annual payment in FY2007. The FY1999 issuance totaled \$389.0 million and the FY2007 series totaled \$39.1 million. In accordance with the transfer, City of Chicago now levies the property taxes to pay the annual debt service on behalf of the City Colleges of Chicago. The following chart shows the total levied for debt service since 2006.

| <b>Property Taxes Levied By The City of Chicago To Pay City Colleges of Chicago Capital Purpose Debt Service</b> |                   |                    |                    |                    |                    |
|--|-------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Bond Series</b>   | <b>FY2006</b>     | <b>FY2007</b>      | <b>FY2008</b>      | <b>FY2009</b>      | <b>FY2010</b>      |
| Series 1999 Debt Service   | \$ 5,443.2        | \$ 32,668.2        | \$ 32,669.7        | \$ 32,668.1        | \$ 32,668.1        |
| Series 2007 Debt Service   | \$ -              | \$ -               | \$ 2,499.1         | \$ 2,495.5         | \$ 2,495.5         |
| <b>Total Debt Service</b>  | <b>\$ 5,443.2</b> | <b>\$ 32,668.2</b> | <b>\$ 35,168.8</b> | <b>\$ 35,163.6</b> | <b>\$ 35,163.6</b> |

Source: City Colleges of Chicago Tentative Budget FY2011, p. 53.

The City Colleges of Chicago has a legal debt limit of 2.875% of its total equalized assessed valuation. The equalized assessed valuation was last reported as of FY2008 totaled \$80.9 billion making the legal debt limit \$2.3 billion.<sup>35</sup> City Colleges currently holds no debt in its name.

The City Colleges of Chicago currently carries no short-term debt and maintains a working cash fund totaling \$68 million.<sup>36</sup> It is the District's policy to repay any short-term withdrawals from the fund by the end of the fiscal year that are used as working cash to bridge the gap between any delay in collections of anticipated tax receipts and other revenues.<sup>37</sup> The working cash fund was not used in FY2010 and grew from \$66 million to \$68 million due to investment income earned on the balance.

<sup>35</sup> City Colleges of Chicago Tentative Budget FY2011, p. 101.

<sup>36</sup>Ibid. p. 272.

<sup>37</sup> City Colleges of Chicago CAFR 2008, p. 16.