The Civic Federation

Research * Information * Action * Est. 1894

CITY COLLEGES OF CHICAGO
FY2013 TENTATIVE BUDGET:
Analysis and Recommendations

July 12, 2012

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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.

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EXECUTIVE SUMMARY

The Civic Federation **supports** the City Colleges FY2013 tentative budget totaling $659.5 million, an increase of $2.7 million, or 0.4%, over the adopted FY2012 budget. Unrestricted operating funds, the portion of the budget over which the District exercises maximum control, will decrease by 0.8%, or $2.4 million below the previous year. The property tax levy will be frozen at the same level as the previous tax year.

City Colleges has implemented a multi-year reorganization effort called *Reinvention* with the goal of improving student outcomes. *Reinvention* includes improving the financial and operational health of the colleges system, measuring progress on *Reinvention* outcomes and using zero-based budgeting to better align resources with goals. Now in its third phase of *Reinvention*, the District has seen promising results including operational savings of $41.0 million that have been redirected toward instruction and other quality improvements.[1] The Civic Federation strongly supports the City Colleges' reorganization and its progress to date. It is a model that we encourage other governments to emulate.

The Civic Federation offers the following **key findings** on the City Colleges FY2013 budget:

- Appropriations for unrestricted operating funds for FY2013 will total $321.1 million. This is a decrease of 0.8%, or $2.4 million, below FY2012 adopted operating appropriations of $323.5 million;
- Between FY2012 and FY2013, appropriations for employees' salaries across all funds will increase by $10.1 million, or 4.7%, from $215.9 million to $226.0 million;
- Appropriations for employees' benefits will decrease by 17.7% or $12.7 million in FY2013, from $71.9 million to $59.2 million;
- The number of full-time equivalent (FTE) employees will increase by 79 positions, or 3.3%, in FY2013 from the previous year. The number of part-time positions will fall by 407 positions or 9.1%;
- FTE student enrollment decreased between FY2011 and FY2012 by 755 FTE students, or 1.6%, falling from 47,248 to 46,493 FTEs. However, enrollment is expected to stay flat in FY2013; and
- For the fall 2012 semester, tuition will remain flat at $89 per credit hour.

The Civic Federation **supports** several issues related to the FY2013 City Colleges budget:

- Keeping the property tax levy flat at $123.3 million;
- Exercising fiscal restraint by reducing the District's unrestricted operating fund budget in FY2013 by 0.8%;
- Maintaining a strong fund balance of 15.2% of operating expenses in FY2011 (audited), a dramatic turnaround from the 1.1% fund balance ratio reported in FY2000;
- Reporting cost-containment strategies and savings;
- Keeping in-district tuition rates flat;
- Dedicating all personal property replacement tax revenue to the capital fund, rather than using it for operating purposes; and

[1] City Colleges of Chicago, FY2013 Tentative Annual Operating Budget, p. 2.

- Implementing a monthly accounting cycle that contributes to interim financial reporting and a three-year revenue and expenditure forecast in the budget book.

The Civic Federation has the following **concern** related to the FY2013 City Colleges budget:

- Providing an insufficient five working days from the budget release to the first public hearing, limiting time for public review of the budget.

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

- Publish a formal long-term financial plan;
- In addition to the Board's established fund balance policy in the Education Fund, City Colleges should develop a formal fund balance policy in the unrestricted funds and publish the policy in its budget;
- Plan for the potential shift of pension normal costs from the State of Illinois;
- Improve the budget book format by including additional actual data;
- Increase the time for public review of the budget document to at least ten working days so that interested staff, students and taxpayers can better understand and comment on the proposed spending plan;
- Fully disclose information on future projects associated with the Chicago Infrastructure Trust and develop procedures and safeguards; and
- Continue to advocate for the State of Illinois to change the community college equalization formula to more fairly fund City Colleges and other community colleges located in counties subject to the Property Tax Extension Limitation Law.

CIVIC FEDERATION POSITION

The Civic Federation **supports** the City Colleges FY2013 proposed budget totaling $659.5 million, of which $515.3 million is the operating budget and $144.2 million is for capital improvements. The unrestricted operating budget, over which City Colleges has the most discretion and control, will decrease by 0.8% from $323.5 million budgeted in FY2012 to $321.1 million proposed for FY2013. The FY2013 budget freezes the District's property tax levy at the same level as the previous year, or $123.3 million.

City Colleges is in the middle stages of a multi-year reorganization effort called *Reinvention* with the goal of improving student outcomes. *Reinvention* includes improving the financial and operational health of the colleges system, measuring progress on *Reinvention* outcomes and using zero-based budgeting to better align resources with goals. Now in the third phase of *Reinvention*, the District has seen promising results including operational savings of $41.0 million that have been redirected toward instruction and other quality improvements.[2] The Civic Federation strongly supports the City Colleges' reorganization and its progress to date. It is a model that we encourage other governments to emulate.

In addition to its comprehensive strategic planning process, City Colleges of Chicago has introduced and maintained a number of good financial management practices, highlighted below. The District still needs to formalize a long-term financial plan to be published prior to the release of its annual operating budget. By creating a formal, long-term financial plan, the District will be able to address potential future costs including the normal costs of pension benefits that may be shifted from the State to the District and a potential increase in personnel costs associated with a larger number of full-time employees.

Issues the Civic Federation Supports

The following section details key issues that the Civic Federation supports in the City Colleges FY2013 Tentative Annual Operating Budget.

No Property Tax Levy Increase

City Colleges proposes to maintain its property tax levy at the same level as the previous year, $123.3 million, after having reduced it by 2.3% in FY2010. The Civic Federation commends the District for its continued restraint at a time of ongoing financial hardship for many Chicago property taxpayers.

Commitment to Fiscal Discipline in Unrestricted Operating Budget

While the City Colleges' overall FY2013 budget of $659.5 million is projected to increase by $2.7 million or 0.4% over the previous budget, the budget for the District's unrestricted operating funds, the portion of the budget over which the District exercises maximum control, will decrease by 0.8%, or $2.4 million, from FY2012. The Civic Federation commends City

[2] City Colleges of Chicago, FY2013 Tentative Annual Operating Budget, p. 2.

Colleges for exercising fiscal restraint and prudently containing expenditures in its operating funds.

Strong Unrestricted Fund Balance

For the last five years, City Colleges has maintained a strong fund balance, with an FY2011 audited unrestricted fund balance equal to approximately 15.2% of operating expenses. The FY2011 balance is just below the minimum two months of operating expenses recommended by the Government Finance Officers Association. However, the FY2011 fund balance was still a dramatic turnaround from the 1.1% fund balance ratio reported in FY2000. The District's FY2011 audited Education Fund fund balance was equal to 4.9% of unrestricted operating expenses, which was considerably higher than its previous year's audited fund balance of 2.2% and higher than the Board's stated policy of a 3% minimum.

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 Containment Strategies and Savings

The budget lists numerous cost containment strategies, including savings in administrative and health costs from participation in the City Sister-Agency Health Coalition, cooperative purchasing agreements with other governments, energy savings performance contracts and lower negotiated utility rates.[3] The Civic Federation supports City Colleges' incorporation of this information into its annual budget proposals. 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 how tax dollars are being spent efficiently.

Holding In-District Tuition Rates Flat

Over the last ten years City Colleges has instituted phased tuition increases. In the fall 2011 semester, tuition increased from $87 to $89 per credit hour where it will remain through FY2013. City Colleges' combined tuition and fee rate is very competitive with other northeastern Illinois community colleges. Past tuition increases have been reasonable considering the District's management and personnel reforms, cost containment strategies and quality improvements. However, the Civic Federation also supports the District's efforts to limit rising costs for its students this year after multi-year tuition increases and during particularly tough economic times.

Using Personal Property Replacement Tax Revenues for Capital, not Operating Purposes

Beginning in FY2011 City Colleges started to dedicate all of its Personal Property Replacement Tax (PPRT) revenues to capital improvement projects rather than to operating funds. PPRT is a state business income tax that replaces revenue local governments formerly received from a tax on corporate personal property that is now defunct. PPRT revenue is volatile compared to the District's other major revenue sources, so it is prudent to shift these funds from the operating

[3] City Colleges of Chicago, FY2013 Tentative Annual Operating Budget, pp. 12-14.

budget to the capital budget, and the Civic Federation encourages other local governments to adopt this practice. 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.

Three-Year Revenue and Expenditure Forecast and Monthly Accounting Cycle

The District presents a three-year forecast of revenues and expenditures in its budget document with an explanation of the assumptions used. This is a prudent practice that allows the Board of Trustees and public to see the financial direction of the District and to make wise choices that do not jeopardize the District's long-term fiscal health. Although the forecast shows a growing gap between expenditures and revenues, the budget document notes that the District uses a forecast model to help plan and identify potential funding issues. The District has implemented a monthly accounting cycle that is used to create interim financial statements and update end-of-year projections.[4]

Civic Federation Concern

The following section details the Civic Federation's concern with the City Colleges FY2013 Tentative Annual Operating Budget.

Insufficient Time for Public Review of Budget

This year City Colleges held a public budget hearing at Kennedy King College one week after the budget book was available on the District's website, affording members of the public limited time to review the document. In previous years, the District held multiple hearings in various campuses to receive feedback on the annual budget. However, since many meetings were sparsely attended, City Colleges decided to limit public hearings to one while increasing outreach. City Colleges incorporated various social media applications to allow members of the public to ask questions and engage the District's leaders online during and after the hearing.

The Federation applauds City Colleges and its staff for encouraging interested constituents to comment on the annual proposed budget before the Board takes a vote through new and innovative forms of social media. However, more than one week's time should be allowed for the public to review and understand the City Colleges' $659.5 million budget.

Civic Federation Recommendations

The Civic Federation offers the following recommendations to improve the health and stability of the District's finances.

Publish a Formal Long-Term Financial Plan in FY2014

City Colleges employs many of the techniques of a long-term financial planning process internally, including the projection of multi-year revenue trends and the modeling of various revenue and expenditure options. However, the District does not develop a formal plan that is

[4] City Colleges of Chicago, FY2013 Tentative Annual Operating Budget, p. 379.

shared with and/or reviewed by key policymakers and stakeholders. The Civic Federation recommends that the District develop and implement a formal long-term financial planning process that is not just reviewed internally, but that solicits input from the District's Board of Trustees and other key policy stakeholders, including the public. The Civic Federation urges the District to complete work on a formal, public long-term financial plan in the 2013 fiscal year and to publish the plan prior to the release of the FY2014 budget.

The Government Finance Officers Association (GFOA) and the National Advisory Council on State and Local Budgeting (NASCLB) both consider long-term financial planning to be a pillar of proper financial management. The NASCLB defines the financial planning process as an assessment of the long-term financial implications of current and proposed policies, programs and assumptions with development of appropriate strategies to achieve the plan's goals.[5] The GFOA and the NASCLB have developed best practices in long-term financial planning. Recommended elements of a long-term financial plan include:[6]

1. An analysis of historic financial trends.
2. An assessment of problems and opportunities facing the jurisdiction including an analysis of the financial environment.
3. A description of financial policies, service level preferences and financial goals.
4. A long-term (five-year) forecast of revenues and expenditures that uses alternative economic, planning and policy assumptions.
5. Narrative that discusses strategies, actions and scenarios needed to address financial imbalances and other long-term issues.
6. The identification of key assumptions used to develop the plan.
7. An analysis of liabilities and fund balance.

An essential element of the long-term financial planning process is that it be an open and public process. All stakeholders should be engaged in the planning process. The GFOA describes the long-term financial planning process as "not just a staff-driven process. It is consensus-driven and inclusive, involving elected officials, staff and the public."[7]

Adopt a Formal Fund Balance Policy

In its FY2013 Tentative Annual Operating Budget, City Colleges refers to its stated policy of maintaining a fund balance of the Education Fund at a minimum level of 3% of unrestricted expenditures.[8] In addition to that policy, the City Colleges Board of Trustees adopted Resolution Number 29253 on February 5, 2009 which recommends that unrestricted fund balance over 3% of the unrestricted funds actual expenses may be transferred to the Operations and Maintenance

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[5] National Advisory Council on State and Local Budgeting, *Recommended Budget Practices, (*Chicago: GFOA, 1998).

[6] See Shayne Kavanagh, *Financing the Future: Long-Term Financial Planning for Local Government* (Chicago: GFOA, 2007) and National Advisory Council on State and Local Budgeting, *Recommended Budget Practices,* (Chicago: GFOA, 1998).

[7] Government Finance Officers Association, "An Introduction to Financial Planning," (http://www.gfoa.org/downloads/LTFPbrochure.pdf (last visited on January 10, 2011).

[8] City Colleges of Chicago, FY2013 Tentative Annual Operating Budget, p. 9.

Fund subject to the Board's approval, effectively maintaining a 3% minimum unrestricted funds fund balance.[9] This policy is not noted in the budget book.

The Civic Federation urges City Colleges to establish a formal fund balance policy for its unrestricted funds that meets the standard proposed by the Government Finance Officers Association (GFOA). The GFOA recommends "at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures." The GFOA statement adds that each unit of government should adopt a formal policy that considers the unit's own specific circumstances and that a smaller fund balance ratio may be appropriate for the largest governments.[10] At a minimum, the Civic Federation urges City Colleges to establish a fund balance policy of 5%, which is recommended by the major rating agencies.[11]

Plan for Potential Shift of Pension Costs from the State of Illinois

During the 2012 spring legislative session, pension reform legislation was introduced in the Illinois General Assembly that among other provisions would gradually transfer the responsibility for funding the normal cost of community college and university employee pensions from the State of Illinois to employers.[12] The legislation did not pass before the General Assembly adjourned on May 31, 2012. If Senate Bill 1673, Amendments 5 and 6 had been signed into law, City Colleges would eventually be responsible for annual pension normal costs of approximately $22.2 million.[13] The Civic Federation strongly urges the District to prepare for an increase in costs by incorporating a phased-in shift of the normal cost of the District's pension benefits into its expenditure forecasts.

Improve the Budget Book Format

City Colleges continues to provide a high level of detail in its annual budget documents, including financial summaries and tables, a three-year forecast of revenues and expenditures and lengthy narratives to help explain budgetary changes. The Civic Federation applauds this important effort at budget transparency. To further improve the features of the District's budget documents, the Civic Federation recommends that the District add an All Funds table with three years of actual data, the current year's adopted budget data and the proposed budget data.

Increase Time Allowed for Public Review

More time should be allowed for the public to review and understand City Colleges' $659.5 million budget. At a minimum, **ten working days** should be allowed for the public review period

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[9] See the resolution on the City Colleges of Chicago's website at http://apps.ccc.edu/brpublic/2009/feb/29253.pdf.
[10] Government Finance Officers Association, "Appropriate Level of Unrestricted Fund Balance in the General Fund" (Adopted October 2009).
[11] Standard & Poor's, "U.S. Local Governments: Methodology and Assumptions," March 6, 2012.
[12] Senate Bill 1673, Amendments 5 and 6.
http://ilga.gov/legislation/BillStatus.asp?DocNum=1673&GAID=11&DocTypeID=SB&LegID=57665&SessionID=84&SpecSess=&Session=&GA=97
[13] Information provided by City Colleges Finance Office, June 29, 2012.

before public testimony is heard. Only in this way can citizens give fully informed commentary on the budget.

Fully Disclose Information on Future Chicago Infrastructure Trust Projects and Develop Procedures and Safeguards

In an effort to provide the utmost transparency to the District's constituents, the District should provide full disclosure of information about investors and contracts when engaging in projects related to the Chicago Infrastructure Trust. Additional disclosure language that should be incorporated to the District's capital budget should include the allocation of all proceeds, including appropriations, investments, interest income and distribution within the budget year. Other disclosures should include all fees associated with transactions and public funds provided, including funds by other component units of government. The District should also develop procedures and safeguards including annual project status updates published in the capital budget and legal protections for taxpayers if a vendor defaults on any contractual obligations.

Continue to Advocate for the State of Illinois to Change the Community College 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 Property Tax Extension Limitation Law, also known as PTELL or "tax caps" that is in place in Cook County and 38 other Illinois counties, 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 declined.

The current formula on its own would have provided the City Colleges with almost no revenue. However, City Colleges will likely receive $14.1 million in state funds in FY2013 to compensate the District for the loss of significant community college equalization funds. The Civic Federation supports City Colleges receiving these funds, but urges the District to advocate for 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. The Civic Federation supports a recalculation of the State community college equalization formula and we also urge the Governor and the Illinois Community College Board to recognize the contributions of Illinois' largest community college system by fundamentally restructuring the equalization formula to provide fair and equitable funding to City Colleges.

ACKNOWLEDGEMENTS

We would like to express our sincere thanks and appreciation to Interim Vice Chancellor of Finance J.R. Dempsey, Vice Chancellor of Strategy and Institutional Intelligence Alvin Bisayara, Chief Operating Officer Jim Frankenbach and others for providing us with a briefing on the budget and answering our questions.

APPROPRIATION TRENDS

The following section of the analysis presents information and trends regarding City Colleges appropriations.

City Colleges has eleven funds: seven operating funds, a debt service fund, capital fund and working cash fund. The operating funds are comprised of the following restricted and unrestricted funds:

- **Education Fund**, which accounts for revenues and expenditures of the academic and service programs for each college;
- **Operations and Maintenance Fund**, which 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**, which accounts for college services where a fee is charged and the activity is intended to be self-supporting;
- **Audit Fund**, which levies and collects property taxes for the payment of the annual audit of the District's financial statements;
- **Liability, Protection and Settlement Fund**, which primarily handles expenditures for tort liability, property insurance, Medicare taxes, Social Security taxes and unemployment insurance;
- **PBC Operations and Maintenance Fund**, which accounts for expenditures for the maintenance, repair and operation of buildings and property owned by the Public Building Commission (PBC); and the
- **Restricted Purpose Fund**, which accounts for monies that have external restrictions regarding their use, including grants.[14]

Total Appropriations for FY2013

The FY2012 City Colleges total proposed appropriations will be $659.5 million, a 0.4%, or $2.7 million, increase over FY2012 adopted appropriations of $656.8 million. Capital appropriations will be 21.9% of total appropriations, totaling $144.1 million.

Operating funds pay for employees' salaries and benefits, utility costs and all other day-to-day expenditures. In the City Colleges budget, operating funds include all funds except Capital and Debt Service, and working cash funds. The Capital Fund provides pay-as-you-go funding for all major building projects, as well as the improvement of existing structures.

As the following exhibit shows, unrestricted operating appropriations will decrease by $2.4 million, or 0.7%, below FY2012 adopted appropriations. City Colleges exercises maximum discretion over these resources, unlike restricted funds which must be used for specific purposes as established by statute or terms of a grant or loan. Restricted operating fund appropriations will increase slightly by $3.4 million, or 1.8%. This increase is attributed to a combination of a

[14] Descriptions of the program categories may be found in City Colleges of Chicago FY2013 Tentative Annual Operating Budget Glossary, beginning on p. 365.

$15.8 million reduction in grants awarded to the City Colleges and an increase of $19.2 million in student financial aid.[15]

Capital fund appropriations will increase by 1.2%, or $1.7 million, over FY2012 appropriations. FY2013 capital fund expenses are tied to a larger $625 million five-year capital plan that includes plans for a new Malcolm X College campus and a series of replacement and maintenance projects across the seven college campus.[16]

City Colleges Appropriations for All Funds: FY2012-FY2013 (in $ millions)				
Fund Type	**FY2012 Adopted Budget**	**FY2013 Tentative Budget**	**$ Change**	**% Change**
Operating Funds				
Unrestricted	$ 323.5	$ 321.1	$ (2.4)	-0.8%
Restricted	$ 190.8	$ 194.3	$ 3.4	1.8%
Subtotal Operating	**$ 514.3**	**$ 515.3**	**$ 1.0**	**0.2%**
Capital Fund	$ 142.5	$ 144.1	$ 1.6	1.2%
Total	**$ 656.8**	**$ 659.5**	**$ 2.6**	**0.4%**

Source: City Colleges of Chicago FY2012 Annual Operating Budget, p. 67 and FY2013 Tentative Annual Operating Budget, p. 60.

All Funds by Object – Two-Year Trend[17]

The next exhibit shows changes in City Colleges' appropriations by object (line item) for the operating and capital funds between the FY2012 and FY2013 budgets.

Salaries, which average 34.3% of total appropriations in FY2013 and made up 32.9% of total appropriations in FY2012, will rise from approximately $215.9 million to nearly $226.0 million. This is an increase of 4.7%, or approximately $10.1 million. A portion of the increase is due to reorganization of staffing for the City Colleges' Reinvention initiative.[18] Other major factors contributing to the increase in salary costs include negotiated increases agreed upon through collective bargaining and the addition of a recruitment initiative to inform Chicago residents about the education opportunities available at the City Colleges.[19]

Benefits will decrease substantially by 17.7%, or $12.7 million, over the two-year period from approximately $71.9 million to approximately $59.2 million. One reason for the reduction in benefits costs is due to a new agreement between the City Colleges and labor unions representing union employees, including adult educators and clerical employees.[20] The new agreement

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[15] City Colleges of Chicago FY2013 Tentative Annual Operating Budget, p. 8.
[16] See the Capital section on page 34 of this report for more details on the City Colleges of Chicago capital plan.
[17] Consistent data was not available to perform a five-year trend analysis of appropriations for all funds by object.
[18] Information provided by City Colleges of Chicago Finance Department, June 19, 2012.
[19] Information provided by City Colleges of Chicago Finance Department, June 21, 2012.
[20] Adult educators are represented by the American Federation of State, County and Municipal Employees (AFSCME) and clerical employees are represented by Local Union 1708.

eliminates steps and sick-day payouts for new employees and freezes sick-day payouts for current employees, effective July 1, 2014.

In addition, non-union employee contributions for insurance costs will also rise in FY2013, relieving some of the cost burden on the City Colleges.[21] Benefits for non-union employees will also experience reductions as benefits changes are implemented and are expected to result in $1 million in savings per year. These changes eliminate sick-day payouts for new employees, freeze sick-day payouts for current employees and end premium-free lifetime retiree healthcare for senior leaders of the City Colleges.[22]

Other appropriation changes include:

- A 12.9%, or $423,001, decrease in travel and conferences to support training and education of staff;
- A 12.7%, or $16.7 million, increase in waivers and scholarships;
- An 8.1% decrease in contractual services from $37.4 million in FY2012 to $34.3 million in FY2013. The decrease is a result of the transfer of appropriations for renewal and renovation projects from the Operation and Maintenance Fund to the Capital Fund;[23]
- Capital outlay expenses will remain relatively flat at approximately $142.9 million;
- A decrease in bad debt expense of 18.1%. Bad debt expense is defined as the current amount of receivables, such as student tuition, that are not likely to be collected in the next fiscal year. This decrease is due to a lower assumption of City Colleges bad debt. The assumption has been lowered from 2.8% to 2.4% in FY2013.[24]

[21] City Colleges of Chicago FY2013 Tentative Annual Operating Budget, pp. ii and information provided by City Colleges of Chicago Finance Department, June 19, 2012.
[22] City Colleges of Chicago FY2013 Tentative Annual Operating Budget, p. i.
[23] City Colleges of Chicago FY2013 Tentative Annual Operating Budget, p. 54.
[24] City Colleges of Chicago FY2013 Tentative Annual Operating Budget, p. 57.

- "Other expenditures" will decrease by 42.1%, or $4.2 million. This significant shift is attributed in part to reclassification of funds during the FY2013 budget process. For instance, $1.0 million of funds for the French Pastry School and General Counsel's Office were previously budgeted under "other expenditures," but have since been shifted to other, more appropriate funds in order to reflect actual services and spending.[25]

City Colleges Appropriations by Object of Expenditure for All Funds: FY2012 & FY2013				
	FY2012 Adopted Budget	FY2013 Tentative Budget	$ Change	% Change
Salaries	$ 215,887,628	$ 225,971,566	$ 10,083,938	4.7%
Employee Benefits	$ 71,850,360	$ 59,150,731	$ (12,699,629)	-17.7%
Contractual Services	$ 37,387,037	$ 34,340,247	$ (3,046,790)	-8.1%
Materials/Supplies	$ 24,931,879	$ 23,083,250	$ (1,848,629)	-7.4%
Travel/Conferences	$ 3,290,494	$ 2,867,493	$ (423,001)	-12.9%
Capital Outlay	$ 142,987,069	$ 142,882,585	$ (104,484)	-0.1%
Fixed Charges	$ 3,647,010	$ 3,368,610	$ (278,400)	-7.6%
Utilities	$ 12,475,021	$ 11,591,821	$ (883,200)	-7.1%
Bad Debt	$ 3,388,685	$ 2,776,013	$ (612,672)	-18.1%
Waivers and Scholarships	$ 130,997,530	$ 147,661,808	$ 16,664,278	12.7%
Other Expenditures	$ 9,994,391	$ 5,782,216	$ (4,212,175)	-42.1%
Total	**$ 656,837,104**	**$ 659,476,340**	**$ 2,639,236**	**0.4%**

Source: City Colleges of Chicago FY2012 Annual Operating Budget, p. 67 and FY2013 Tentative Annual Operating Budget, p. 60.

All Funds by Program – Two- and Five-Year Trends

The following exhibit shows changes in the City Colleges budget by program between FY2012 and FY2013. The program categories are listed below.[26]

- **Instruction** refers to classroom activities including faculty salaries and classroom materials;
- **Academic Support** refers to activities directly supporting instruction including tutoring and academic management;
- **Student Services** refers to activities including registering, admitting and testing students;
- **Public Services** refers to programs with a broad public purpose, such as customized training and continuing education;
- **Organized Research** includes separately budgeted research projects;
- **Auxiliary/Enterprise** accounts for college services where a fee is charged to students and/or staff. These activities are intended to be self-supporting.
- **Operations and Maintenance** refers to physical plant and facility-related activities;
- **Institutional Support** refers to activities related to general institutional management such as fiscal operations, legal services, general administration and data processing; and

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[25] Information provided by the City Colleges of Chicago Finance Department, June 29, 2012.

[26] Descriptions of the program categories may be found in City Colleges of Chicago FY2013 Tentative Annual Operating Budget Glossary, beginning on p. 365.

- **Scholarships and Fellowships** accounts for funding for student financial assistance programs.

In the five-year period between FY2009 and FY2013, appropriations will increase by 41.8%, or $194.3 million, from $465.1 million to approximately $659.5 million. In FY2013 the largest program category will be operations and maintenance at $192.5 million, followed by scholarships and fellowships at $151.6 million. Together these programs represented 50.3% of all spending in FY2012 and will total 52.2% in FY2013. Operations and maintenance appropriations will decline by 2.9%, or approximately $5.7 million between FY2012 and FY2013. However, between FY2009 and FY2013, operations and maintenance will rise by approximately $71.3 million, or 58.8%. Appropriations for scholarships and fellowships appropriations will rise substantially, by 129.3%, or $85.5 million over the five-year period. This increase represents the largest dollar change among the programs described in this section.

Auxiliary/enterprise appropriations will rise by the greatest percentage amount according to two- and five-year trend analyses. Between FY2009 and FY2013, they will rise by 280.3%, increasing from $3.4 million to approximately $13.1 million. Between FY2012 and FY2013, auxiliary/enterprise appropriations will increase by 196.9%, or approximately $8.7 million, from $4.4 million to $13.1 million. Appropriations for organized research will also rise significantly between FY2012 and FY2013 as they increase by 81.3% from $810,944 to nearly $1.5 million. Expenses for public services will decrease significantly by 53.8%, or $7.7 million, between FY2012 and FY2013.

Organized research expenses will double, increasing from $738,379 to nearly $1.5 million over the five-year period. Of the nine program areas described below, only two will experience declines in appropriations in a five-year trend analysis: academic support and public services, falling by 31.2% and 58.6%, respectively. Appropriations for academic support will fall by the greatest dollar amount as shown in both the two-year and five-year trend analyses. Between FY2012 and FY2013, academic support appropriations will decline by 36.6%, or $15.4 million, and by 31.2%, or $12.1 million, over the five-year period. These changes are partially the result of reclassification and reductions of appropriations between FY2012 and FY2013, which include:

- Reallocation of $15.4 million in academic support funds to instruction ($4.9 million), to auxiliary/enterprise programs ($4.5 million) and an expenditure reduction of the remaining $6.0 million; and

- Reclassification of approximately $7.7 million in public services funds to instruction ($300,000), to auxiliary/enterprise programs ($3.4 million) and an expenditure reduction of the remaining $4.0 million.[27]

City Colleges Appropriation by Program for All Funds: FY2009-FY2013 (in $ thousands)									
	FY2009 Adopted Budget	FY2010 Adopted Budget	FY2011 Adopted Budget	FY2012 Adopted Budget	FY2013 Tentative Budget	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Instruction	$ 117,531	$ 128,390	$ 144,181	$ 143,684	$ 144,523	$ 839	0.6%	$ 26,991	23.0%
Academic Support	$ 38,895	$ 35,664	$ 41,491	$ 42,191	$ 26,769	$ (15,422)	-36.6%	$ (12,126)	-31.2%
Student Services	$ 31,621	$ 31,084	$ 32,147	$ 42,351	$ 38,032	$ (4,319)	-10.2%	$ 6,412	20.3%
Public Services	$ 15,909	$ 14,869	$ 15,580	$ 14,242	$ 6,579	$ (7,664)	-53.8%	$ (9,331)	-58.6%
Organized Research	$ 738	$ 814	$ 410	$ 811	$ 1,470	$ 659	81.3%	$ 731	99.1%
Auxiliary/Enterprise	$ 3,442	$ 2,452	$ 6,425	$ 4,409	$ 13,090	$ 8,682	196.9%	$ 9,648	280.3%
Operations & Maintenance	$ 121,252	$ 123,652	$ 185,895	$ 198,230	$ 192,536	$ (5,694)	-2.9%	$ 71,284	58.8%
Institutional Support	$ 69,635	$ 72,514	$ 73,354	$ 78,432	$ 84,831	$ 6,399	8.2%	$ 15,196	21.8%
Scholarships/Fellowships	$ 66,125	$ 82,655	$ 82,419	$ 132,488	$ 151,647	$ 19,160	14.5%	$ 85,522	129.3%
Total	**$ 465,149**	**$ 492,094**	**$ 581,903**	**$ 656,837**	**$ 659,476**	**$ 2,639**	**0.4%**	**$ 194,327**	**41.8%**

Source: City Colleges of Chicago FY2009 Annual Operating Budget, p. 67, FY2010 Annual Operating Budget, p. 83, FY2011 Annual Operating Budget, p. 77, FY2012 Annual Operating Budget, p. 67 and FY2013 Tentative Annual Operating Budget, p. 60.
Note: Actual expenditures for FY2009-FY2012 not available.

Unrestricted Operating Funds by Object – Two- and Five-Year Trends

Unrestricted operating funds include the Education Fund, the Operations and Maintenance Fund and the Auxiliary/Enterprise Fund. In FY2013 unrestricted fund appropriations are projected to decrease slightly by 0.8%, or $2.4 million, to approximately $321.1 million from an adopted FY2012 appropriation of $323.5 million. With the exception of salaries, appropriations for all unrestricted funds will decline. Appropriations for salaries will rise by 6.9%, or approximately $13.6 million, over the two-year period due to negotiated wage increases. Between FY2009 and FY2013, appropriations for salaries will increase by 30.0%, or $48.4 million. A review of unrestricted fund appropriations by object shows that:

- Employee benefit costs associated with the unrestricted funds will decrease by 11.7%, or $4.1 million due to savings from benefit changes with unionized and non-union employees between FY2012 and FY2013;
- Waivers and scholarships will fall by 34.1%, or $2.2 million. This is due to a reduction of participation in the International Brotherhood of Electrical Workers (IBEW) program. While the decline in participation results in less tuition revenue for the City Colleges, it also means that the City Colleges do not need to apply for as many waivers, thereby having a neutral effect on the budget;[28]
- Appropriations for capital outlay will decline by 82.9% from $292,900 in FY2012 to $50,000 in FY2013; and

[27] Information provided by City Colleges of Chicago Finance Department, July 11, 2012.
[28] Information provided by the City Colleges of Chicago Finance Department, June 19, 2012.

- "Other expenditures" appropriations will decrease by 42.9%, or $4.1 million between FY2012 and FY2013. At the same time, between FY2009 and FY2013, "other expenditures" will increase by 405.2%, or $4.4 million.

City Colleges Appropriations by Object of Expenditure
Unrestricted Operating Funds: FY2009-FY2013
(in $ thousands)

Object	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Adopted Budget	FY2013 Tentative Budget	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Salaries	$ 161,465	$ 165,001	$ 161,474	$ 196,315	$ 209,886	$ 13,571	6.9%	$ 48,421	30.0%
Employee Benefits	$ 28,871	$ 29,424	$ 31,874	$ 34,941	$ 30,837	$ (4,104)	-11.7%	$ 1,966	6.8%
Contractual Services	$ 29,656	$ 30,500	$ 28,624	$ 33,321	$ 30,971	$ (2,350)	-7.1%	$ 1,316	4.4%
Materials/Supplies	$ 13,909	$ 14,664	$ 12,090	$ 20,480	$ 19,531	$ (950)	-4.6%	$ 5,622	40.4%
Travel/Conferences	$ 1,620	$ 1,328	$ 973	$ 2,779	$ 2,475	$ (304)	-10.9%	$ 856	52.8%
Capital Outlay	$ 3,619	$ 1,889	$ -	$ 293	$ 50	$ (243)	-82.9%	$ (3,569)	-98.6%
Fixed Charges	$ 3,054	$ 2,796	$ 3,003	$ 3,400	$ 3,179	$ (221)	-6.5%	$ 125	4.1%
Utilities	$ 11,403	$ 10,295	$ 9,833	$ 12,472	$ 11,589	$ (882)	-7.1%	$ 187	1.6%
Bad Debt	$ 797	$ 987	$ 2,660	$ 3,389	$ 2,776	$ (613)	-18.1%	$ 1,979	248.1%
Waivers and Scholarships	$ 7,183	$ 6,051	$ 4,121	$ 6,509	$ 4,286	$ (2,223)	-34.1%	$ (2,897)	-40.3%
Other Expenditures	$ 1,088	$ 2,947	$ 9,985	$ 9,622	$ 5,497	$ (4,125)	-42.9%	$ 4,409	405.2%
Total	**$ 262,664**	**$ 265,880**	**$ 264,638**	**$ 323,521**	**$ 321,077**	**$ (2,444)**	**-0.8%**	**$ 58,413**	**22.2%**

Source: City Colleges of Chicago FY2012 Annual Operating Budget, p. 67 and FY2013 Tentative Annual Operating Budget, p. 61.

Unrestricted Operating Funds by Program – Two- and Five-Year Trends

The next exhibit shows unrestricted operating funds appropriations by program in FY2012 and FY2013. Appropriations for academic support will decline by 43.4%, or approximately $12.1 million. Student services appropriations will also fall, by 10.6%, or $3.6 million. The largest increase in terms of dollar amount and percentage will be for auxiliary/enterprise appropriations, with an $8.7 million, or 204.3%, increase from the previous fiscal year. No unrestricted operating funds will be designated for public service appropriations in FY2013.

From FY2009 to FY2013, unrestricted appropriations will increase by 22.2%, or $58.4 million, from approximately $262.7 million to nearly $321.1 million. Expenditures in all categories will rise, with the exception of academic support and public service. Academic support appropriations will decline by 33.3%, while public service will receive no funding through the unrestricted operating fund. Other highlights include:

- Appropriations for student services will experience a 46.2%, or $9.7 million, increase;
- Instruction appropriations will increase by 19.5%, or nearly $19.9 million;
- Auxiliary/enterprise spending will increase by 856.6%, rising from $1.4 million to nearly $13.0 million;
- Organized research appropriations will increase substantially by 1,908.4% from $42,211 to $847,780 over the five-year period; and

- Institutional support spending will increase by approximately $18.3 million, or 30.0%, over FY2009 appropriations.

City Colleges Appropriations by Program Unrestricted Operating Funds: FY2009-FY2013 (in $ thousands)									
Program	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Adopted Budget	FY2013 Tentative Budget	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Instruction	$ 101,984	$ 103,914	$ 106,833	$ 120,914	$ 121,862	$ 948	0.8%	$ 19,879	19.5%
Academic Support	$ 23,627	$ 20,673	$ 17,157	$ 27,828	$ 15,750	$ (12,077)	-43.4%	$ (7,876)	-33.3%
Student Services	$ 20,898	$ 21,645	$ 23,796	$ 34,166	$ 30,556	$ (3,610)	-10.6%	$ 9,658	46.2%
Public Service	$ 4,030	$ 3,880	$ 3,858	$ 5,666	$ -	$ (5,666)	-100.0%	$ (4,030)	-100.0%
Organized Research	$ 42	$ 53	$ 1	$ -	$ 848	$ 848	-	$ 806	1,908.43%
Auxiliary/Enterprise	$ 1,357	$ 1,567	$ 1,622	$ 4,267	$ 12,981	$ 8,715	204.3%	$ 11,624	856.6%
Operations & Maintenance	$ 42,682	$ 41,655	$ 40,954	$ 51,239	$ 51,679	$ 440	0.9%	$ 8,997	21.1%
Institutional Support	$ 60,861	$ 66,441	$ 66,294	$ 71,442	$ 79,129	$ 7,687	10.8%	$ 18,267	30.0%
Scholarships, Grants, Waivers	$ 7,183	$ 6,051	$ 4,122	$ 7,999	$ 8,272	$ 273	3.4%	$ 1,089	15.2%
Total	**$ 262,664**	**$ 265,880**	**$ 264,638**	**$ 323,521**	**$ 321,077**	**$ (2,444)**	**-0.8%**	**$ 58,413**	**22.2%**

Source: City Colleges of Chicago FY2012 Annual Operating Budget, p. 67 and FY2013 Tentative Annual Operating Budget, p. 61.

RESOURCES

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

Total Resources for FY2013

City Colleges expects to have a total of $659.5 million in net resources available for all funds in FY2013. All funds include operating funds, capital funds and federal and state student aid funds that are passed on to students.

The single largest revenue source will be federal government grants, which make up 24.7% of all resources, or $162.6 million. Of that amount, $107.4 million will be federal grants for student aid. Appropriated fund balance provides the next largest source, at $125.7 million or 19.1% of all funds, of which $120.6 million is in re-appropriated capital funds from the previous year.[29] The $9.7 million of fund balance to be reserved (not appropriated) is unrestricted in the Education Fund, per the District's policy of maintaining an Education Fund reserve equal to 3% of unrestricted expenditures.[30] Net property tax revenue slightly exceeds anticipated tuition and fee revenue for FY2013, at $120.8 million and $113.9 million, respectively. Revenue received from the State of Illinois will total $91.8 million, or 13.9% of total resources. It is important to note that the State also makes contributions to the State Universities Retirement System (SURS) on behalf of City Colleges for most of the District's employees, and this operating support is not reflected in the budget.[31] In FY2011 these State pension contributions were $33.0 million.[32]

City Colleges Net Resources for FY2013 All Funds		
Sources of Revenues	**FY2013 Tentative Budget**	**% of Total**
Estimated July 1, 2012 Fund Balance	$ 135,378,556	-
Fund Balance to be Reserved	$ (9,700,000)	-
Fund Balance to be Appropriated	**$ 125,678,556**	**19.1%**
Net Property Tax Revenues	$ 120,808,035	18.3%
Personal Property Replacement Tax	$ 14,500,000	2.2%
Tuition and Fees	$ 113,939,089	17.3%
Auxiliary/Enterprise	$ 14,284,629	2.2%
Investment Revenue	$ 1,000,000	0.2%
Local Government Grants	$ 7,352,128	1.1%
Total Local Sources	**$ 271,883,881**	**41.2%**
State Government	$ 91,809,342	13.9%
Federal Government	$ 162,627,878	24.7%
Subtotal State & Federal Sources	**$ 254,437,220**	**38.6%**
Other Sources	$ 7,476,684	1.1%
Total	**$ 659,476,341**	**100.0%**

Source: City Colleges of Chicago FY2013 Tentative Budget, p. 60.

All Funds by Source – Two- and Five-Year Trends

City Colleges' total FY2013 resources of $659.5 million will be $2.6 million or 0.4% more than FY2012 adopted budget resources of $656.8 million. Local sources will decrease by $3.8 million or 1.4% primarily due to an anticipated drop in tuition and fee revenue based on flat tuition rates

[29] City Colleges of Chicago, FY2013 Tentative Annual Operating Budget, p. 60.
[30] City Colleges Board of Trustees Resolution Number 29253 of February 5, 2009 recommends that an annual fund balance in the unrestricted funds be set as a minimum of 3% of unrestricted fund actual expenses. Information provided by City Colleges Finance Office, July 7, 2011. See also City Colleges of Chicago, FY2012 Tentative Annual Operating Budget, p. 9.
[31] The State of Illinois makes the employer pension contributions for City Colleges employees except those paid for with federal grants; the District pays the employer share of those pension costs.
[32] City Colleges of Chicago, FY2011 Comprehensive Annual Financial Report, p. 39.

and lower enrollment figures.[33] Local government grants will decrease by $2.2 million, or 23.4% and net property tax revenues will increase by $2.5 million, or 2.1%, despite holding the property tax levy flat due to an anticipated higher collection rate (see page 23 for details).

State resources will decrease $0.6 million, or 0.6%. Federal government resources will increase by $5.7 million, or 3.6%, as part of $52.7 million increase in federal program funding over the last two years.[34] Other Sources of revenue, which is primarily income from facility rentals from the individual colleges, will increase by $3.7 million, or 97.8%. These revenue sources have not always been included in budget projections in prior years, but in preparing the FY2013 budget, City Colleges made an effort to identify as many of these revenues as possible.[35]

Resource totals for all funds will increase by $194.3 million, or 41.8%, between the FY2009 budgeted amount and the FY2013 tentative budget. The largest dollar increase is in federal government resources, which will increase by $100.5 million, or 161.9%, over the five-year period. The federal funds represent primarily financial aid that is passed through to students, not revenues available for day-to-day operations. The fund balance to be reserved is much smaller in FY2013 than in FY2009 because the FY2009 budget reserved $44.0 million in Capital Fund fund balance in addition to the $4.8 million in Education Fund fund balance, while the FY2013 budget appropriates the entire Capital Fund fund balance.[36]

City Colleges Net Resources for All Funds: FY2009-FY2013 (in $ thousands)

Sources of Revenues	FY2009 Adopted Budget	FY2010 Adopted Budget	FY2011 Adopted Budget	FY2012 Adopted Budget	FY2013 Tentative Budget	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Estimated Start of FY Fund Balance	$ 127,065	$ 105,200	$ 115,830	$ 137,961	$ 135,379	$ (2,583)	-1.9%	$ 8,314	6.5%
Fund Balance to be Reserved	$ (49,077)	$ (31,761)	$ (10,026)	$ (9,961)	$ (9,700)	$ 261	-2.6%	$ 39,377	-80.2%
Fund Balance to be Appropriated	**$ 77,988**	**$ 73,439**	**$ 105,805**	**$ 128,000**	**$ 125,679**	**$ (2,321)**	**-1.8%**	**$ 47,690**	**61.2%**
Net Property Tax Revenues	$ 114,372	$ 118,220	$ 117,238	$ 118,323	$ 120,808	$ 2,485	2.1%	$ 6,436	5.6%
Personal Property Replacement Tax	$ 14,500	$ 14,500	$ 14,500	$ 14,500	$ 14,500	$ -	0.0%	$ -	0.0%
Tuition and Fees	$ 80,881	$ 95,327	$ 113,340	$ 119,668	$ 113,939	$ (5,729)	-4.8%	$ 33,058	40.9%
Auxiliary/Enterprise	$ 11,361	$ 9,281	$ 11,157	$ 12,648	$ 14,285	$ 1,637	12.9%	$ 2,924	25.7%
Investment Revenue	$ 4,000	$ 2,000	$ 2,000	$ 1,000	$ 1,000	$ -	0.0%	$ (3,000)	-75.0%
Local Government Grants	$ 4,110	$ 3,794	$ 16,884	$ 9,592	$ 7,352	$ (2,240)	-23.4%	$ 3,242	78.9%
Total Local Sources	**$ 229,224**	**$ 243,123**	**$ 275,118**	**$ 275,732**	**$ 271,884**	**$ (3,848)**	**-1.4%**	**$ 42,660**	**18.6%**
State Government	$ 93,322	$ 85,182	$ 87,950	$ 92,363	$ 91,809	$ (553)	-0.6%	$ (1,512)	-1.6%
Federal Government	$ 62,089	$ 88,228	$ 110,054	$ 156,964	$ 162,628	$ 5,664	3.6%	$ 100,539	161.9%
Subtotal State & Federal Sources	**$ 155,411**	**$ 173,409**	**$ 198,003**	**$ 249,326**	**$ 254,437**	**$ 5,111**	**2.0%**	**$ 99,026**	**63.7%**
Other Sources	$ 2,530	$ 2,282	$ 2,977	$ 3,780	$ 7,477	$ 3,697	97.8%	$ 4,947	195.6%
Total	**$ 465,153**	**$ 492,253**	**$ 581,903**	**$ 656,837**	**$ 659,476**	**$ 2,639**	**0.4%**	**$ 194,323**	**41.8%**

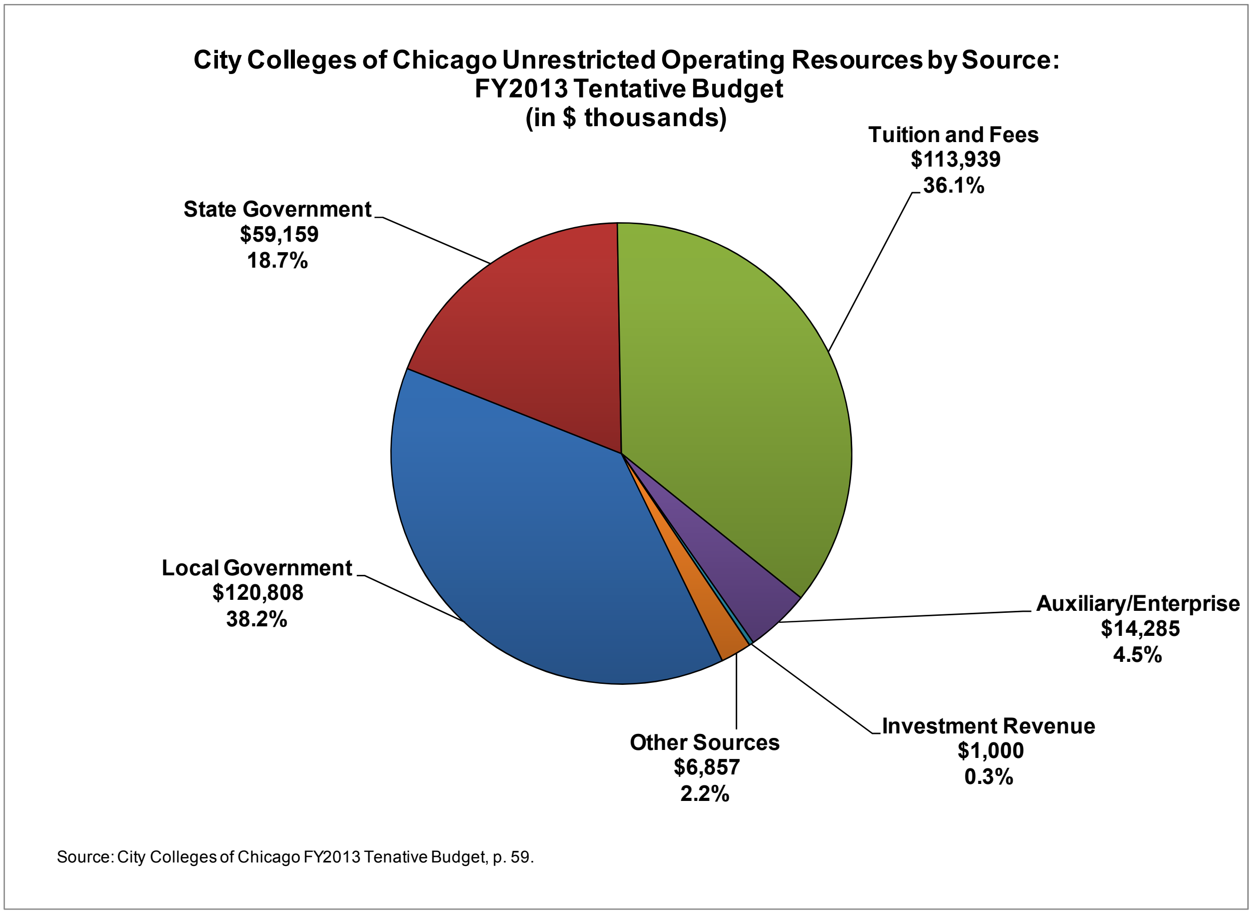
Source: City Colleges of Chicago Final FY2009 Budget, p. 67; FY2010, p. 83; FY2011, p. 77; FY2012, p. 66; and FY2013 Tentative Budget, p. 58.

Unrestricted Operating Funds for FY2013

City Colleges' operating funds consist of all funds except the Capital Fund and are used for daily operations including pass-through grants of student aid to students from the federal and state governments. Unrestricted operating funds are those funds over which City Colleges has the most discretion and control. They include resources for the Education Fund, Operations and Maintenance Fund and Auxiliary/Enterprise Fund and exclude restricted grants, such as student

[33] Information provided by City Colleges of Chicago, June 19, 2012.
[34] City Colleges of Chicago, FY2013 Tentative Annual Operating Budget, p. 8.
[35] Communication between the Civic Federation and City Colleges of Chicago, June 22, 2012.
[36] City Colleges of Chicago FY2009 Annual Operating Budget, p. 67.

financial aid.[37] The FY2013 Tentative Budget projects that 56.9% of all unrestricted operating resources will come from state and local government sources, and approximately 36.1% will be provided by tuition and fees.



Unrestricted Operating Funds by Source – Two- and Five-Year Trends

Total unrestricted operating revenues will decrease by 0.9% or nearly $3.0 million, dropping from $319.0 million in FY2012 to $316.0 million in FY2013. The two sources of this decline are a $5.7 million or 8.8% drop in State revenues and a $5.7 million or 4.8% drop in tuition and fees. The drop in State revenues is a direct result of decreased funding from the Illinois Community College Board.[38] Tuition and fee revenue is projected to drop due to a declining enrollment base.[39] Local government unrestricted funds (i.e., property tax revenues) are expected to increase by 2.1%, or $2.5 million due to a higher collection rate (see page 23 for details). No federal government resources or personal property replacement tax revenues are used for unrestricted operating purposes in either FY2012 or FY2013.

[37] Restricted funds include the Audit Fund, Liability, Protection, and Settlement Fund, PBC Operations and Maintenance Fund, and Restricted Purposes Fund (grants). City Colleges of Chicago FY2013 Tentative Annual Operating Budget, pp. 372-373.
[38] City Colleges of Chicago FY2013 Tentative Budget, p. 42.
[39] City Colleges of Chicago FY2013 Tentative Budget, p. 8.

Since FY2009 resources for unrestricted operating funds will grow by $47.0 million, or 17.5%. Tuition and fee revenue will grow the most over the five-year period following a multi-year tuition increase, though tuition rates in FY2013 remain flat from FY2012 rates. Tuition and fee revenue will increase by nearly $28.1 million, or 32.7%, since FY2009. Property tax revenues (local government unrestricted resources) will decrease by 0.3%, or $327,000. State government revenues will increase by $5.2 million, or 9.7%. Unrestricted operating revenue from the federal government ended in FY2011.

City Colleges Resources for Unrestricted Operating Funds: FY2009-FY2013 (in $ thousands)									
Sources of Resources	FY2009 Audit	FY2010 Audit	FY2011 Audit	FY2012 Adopted Budget	FY2013 Tentative Budget	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Local Government	$ 121,135	$ 126,671	$ 123,195	$ 118,323	$ 120,808	$ 2,485	2.1%	$ (327)	-0.3%
State Government	$ 53,926	$ 55,078	$ 65,150	$ 64,865	$ 59,159	$ (5,706)	-8.8%	$ 5,233	9.7%
Federal Government	$ 1,224	$ 130	$ 16	$ -	$ -	$ -	0.0%	$ (1,224)	-100.0%
Tuition and Fees	$ 85,837	$ 104,762	$ 114,587	$ 119,668	$ 113,939	$ (5,729)	-4.8%	$ 28,102	32.7%
Auxiliary/Enterprise	$ 5,248	$ 4,314	$ 3,491	$ 12,648	$ 14,285	$ 1,637	12.9%	$ 9,037	172.2%
Investment Revenue	$ -	$ 901	$ 720	$ 1,000	$ 1,000	$ -	0.0%	$ 1,000	-
Other Sources	$ 1,668	$ 3,310	$ 4,889	$ 2,517	$ 6,857	$ 4,340	172.5%	$ 5,189	311.0%
Total	**$ 269,038**	**$ 295,167**	**$ 312,048**	**$ 319,021**	**$ 316,047**	**$ (2,974)**	**-0.9%**	**$ 47,009**	**17.5%**

Source: City Colleges of Chicago FY2012 Annual Operating Budget, p. 69 and FY2013 Tentative Budget, p. 63.

City Colleges Tuition Rates

The in-district tuition rates for City Colleges will remain flat in FY2013 at $89 per credit hour. This rate has increased gradually from $72 in FY2009. City Colleges' tuition and mandatory fees are very competitive with other northeastern Illinois regional community colleges, as the exhibit below demonstrates. From the selected community college districts in the area, only Morton College has significantly lower per credit tuition and fees.

Fall 2012 Credit Hour Tuition for Selected Community College Districts			
College	In-District Tuition Per Credit Hour	Required Fees for Full-Time Students, pro-rated per credit hour*	Total
College of DuPage (Glen Ellyn)	$ 103.15	$ 32.85	$ 136.00
Harper College (Palatine)	$ 106.50	$ 20.75	$ 127.25
South Suburban College (South Holland)	$ 110.00	$ 15.75	$ 125.75
Prairie State College (Chicago Heights)	$ 101.00	$ 15.00	$ 116.00
Triton College (River Grove)	$ 98.00	$ 15.00	$ 113.00
College of Lake County	$ 93.00	$ 19.00	$ 112.00
Oakton Community College (Des Plaines)	$ 93.75	$ 15.85	$ 109.60
City Colleges of Chicago	**$ 89.00**	**$ 16.67**	**$ 105.67**
Elgin Community College (Elgin)	$ 105.00	$ 0.42	$ 105.42
Morton College (Cicero)	$ 79.00	$ 20.83	$ 99.83

*Proration for 12 credit hours (full-time minimum). Required fees are those that are mandatory for all full-time credit courses and include semester registration fees but do not include new student application fees.

Sources: Websites of selected community college districts.

Over the past ten years, in-district tuition and fees have increased by $37.00 per semester hour. Out-of-district and out-of-state tuition and fees have fluctuated significantly since FY2004.

During the ten-year period however, tuition and fees have increased by $10.88 per semester for out of district students and have decreased by $17.70 per semester for out of state students.

Tuition & Fees per Semester Hour			
Year	In District Tuition & Fees per Semester Hour	Out-of-District Tuition & Fees per Semester Hour	Out-of-State Tuition & Fees per Semester Hour
2004	$ 52.00	$ 174.50	$ 254.29
2005	$ 62.00	$ 229.21	$ 314.95
2006	$ 67.00	$ 162.65	$ 266.20
2007	$ 72.00	$ 180.83	$ 291.61
2008	$ 72.00	$ 189.95	$ 309.76
2009	$ 72.00	$ 258.99	$ 306.89
2010	$ 79.00	$ 259.15	$ 301.55
2011	$ 87.00	$ 171.56	$ 228.35
2012 Budget	$ 89.00	$ 173.56	$ 230.35
2013 Tentative	$ 89.00	$ 185.38	$ 236.59
10-Year Change	**$ 37.00**	**$ 10.88**	**$ (17.70)**

Source: FY2011 Comprehensive Annual Financial Report, p. 52 and FY2013 Tentative Budget, p. 38.

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 declined.

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. The State has renewed the grant each year since FY2006, and the District assumes that it will receive $14.1 million in FY2013.[40]

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 2012 will actually be received in 2013. The effect is that property tax funds available during the City Colleges upcoming fiscal year (FY2013) will be drawn from part of tax year 2011 and part of tax year 2012.

In FY2013 City Colleges expects to receive a net total of approximately $120.8 million in property tax revenues. The gross amount of tax levy revenues will be $123.3 million. Because the tax year 2012 levy will be held flat at the same amount as the prior year, the estimated gross

[40] City Colleges of Chicago, FY2013 Tentative Annual Operating Budget, p. 12.

amount attributable to each half tax year is $61.6 million. With gross levy revenues flat between FY2012 and FY2013, net property tax revenues are expected to increase by 2.1% or $2.5 million due to a reduced withholding for loss and cost of collection in order to better reflect actual collection rates.[41] The reduction in this amount is the result of a policy change. Historically, the District estimated that it required a reserve for back tax refunds totaling 3.0% of the annual levy. In 2010 the finance staff completed a ten-year review of actual refunds and determined that the reserve should be reduced to 1.0%. A similar review of actual loss and cost of collection amounts concluded that this reserve should be reduced from 5.0% to 3.0% of the levy. Applying these reductions to the 2011 and 2012 levies resulted in a $2.5 million increase in property tax revenue projections for FY2013.[42] For FY2013 the gross revenue is reduced by 2.0% to account for an allowance for refunds of back taxes and for loss and cost of collections, yielding net property tax revenue of $120.8 million.

Property Tax Revenues Received by City Colleges: FY2012 & FY2013

	FY2012	FY2013
1/2 Estimated Gross 2010 Levy	$ 61,626,691	-
1/2 Estimated Gross 2011 Levy	$ 61,626,691	-
1/2 Estimated Gross 2011 Levy	-	$ 61,626,691
1/2 Estimated Gross 2012 Levy	-	$ 61,626,691
Subtotal Gross Levy Funds Available	**$ 123,253,382**	**$ 123,253,382**
Back Taxes Revenue	$ (1,232,534)	$ (658,173)
Estimated Loss and Cost of Collection	$ (3,697,601)	$ (1,787,174)
Total (Net Levy)	**$ 118,323,247**	**$ 120,808,035**
$ Change		**$ 2,484,788**
% Change		**2.1%**

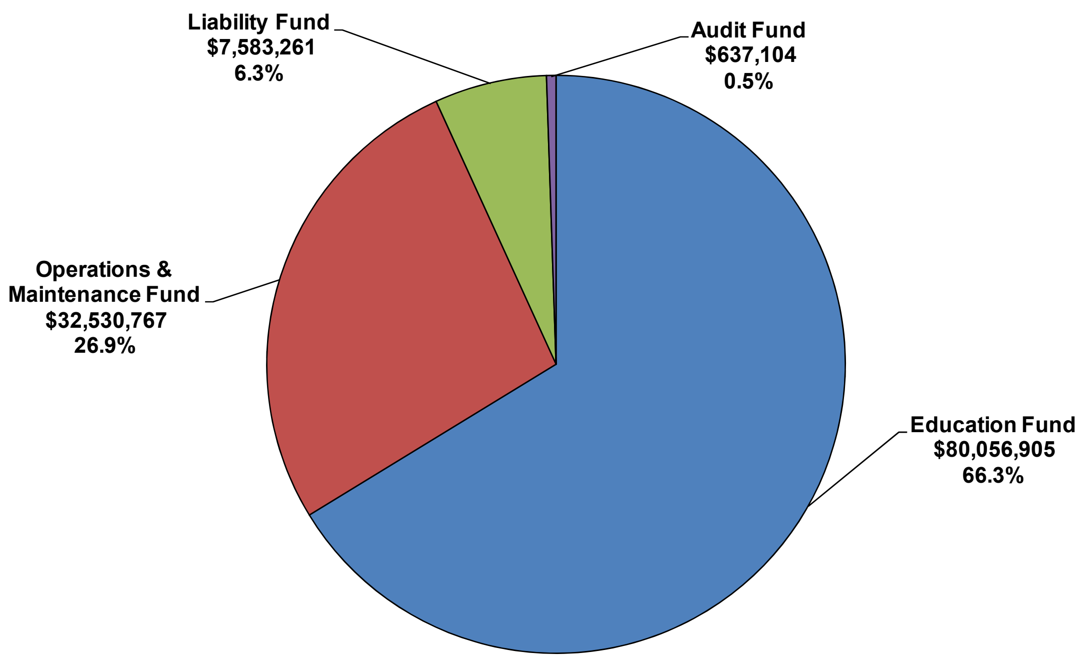
Source: City Colleges of Chicago FY2012 Final Budget p. 66 and FY2013 Tentative Budget, p. 60.

[41] City Colleges of Chicago, FY2013 Tentative Annual Operating Budget, p. 39. For more on loss in collection, see Civic Federation, *The Cook County Property Tax Extension Process*, p. 14. http://www.civicfed.org/civic-federation/publications/cook-county-property-tax-extension-process-primer-levies-tax-caps-and-

[42] Information provided by City Colleges Finance Office, July 7, 2011.

All of the $120.8 million in property tax revenues available in FY2013 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 currently levies for four operating funds, all of which are included under the state tax cap: the Education Fund, Operations and Maintenance Fund, Audit Fund and the Liability Fund. The distribution of net City Colleges' property tax revenues for FY2013 is shown below. Approximately 66.3%, or $80.1 million, is earmarked for the Education Fund, which is the City Colleges' general operating fund. Approximately $32.5 million, or 26.9%, of net property tax revenues is earmarked for operations and maintenance and $7.6 million or 6.3% of the total is reserved for liability, protection and settlements.

Distribution of City Colleges FY2013 Net Property Tax Revenues by Fund



Source: City Colleges of Chicago FY2013 Annual Operating Budget, p. 60.

Five-Year Property Tax Levy Trend including City of Chicago Property Tax Levy for City Colleges

In addition to its own property tax levy described above, City Colleges benefits from a property tax levied by the City of Chicago in order to pay debt service on capital improvement bonds issued for City Colleges' projects.[43] 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 City Colleges. Debt service limits for City Colleges were fixed at the time the tax cap law was

[43] The City of Chicago similarly levies property taxes on behalf of the Chicago Public Schools.

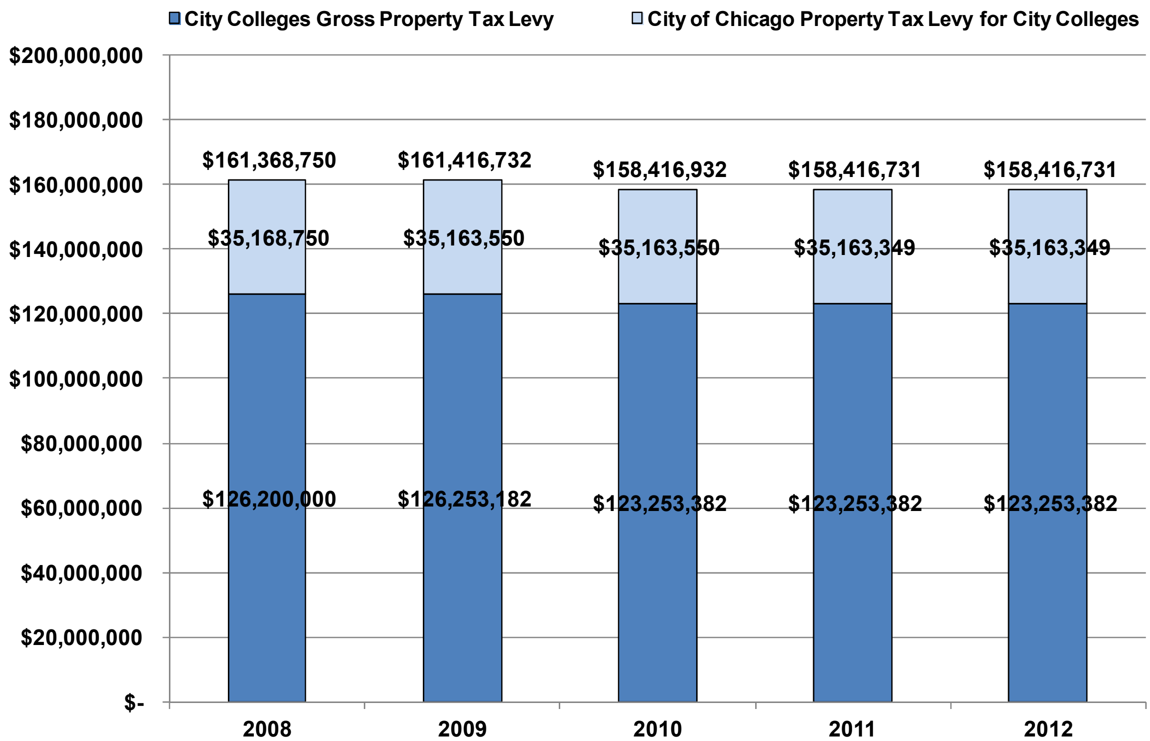
implemented in 1995. At that time, the District's debt burden consisted of obligations issued through the PBC and paid for through a PBC Operations and Maintenance (O&M) levy. When these were paid, the O&M levy was eliminated, which requires the District to seek other ways to issue debt. The City of Chicago, by means of an intergovernmental agreement, now levies property taxes that are used to pay for PBC Commission obligations and City Colleges' projects.[44]

The City levy on behalf of 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, City Colleges would be hard pressed to raise adequate funds for maintenance, rehabilitation and construction of capital improvements. The City's levy for the City Colleges debt was $32.6 million in tax year 2007 and rose to $35.2 million in tax year 2008, where it has remained. 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' budget but has not been discussed in the City of Chicago's budget.

[44] Information provided by City Colleges of Chicago, June 26, 2008.

As illustrated below, the City Colleges gross tax levy has decreased by 2.3% from tax year 2008 from $126.2 million to $123.3 million. The levy was reduced in tax year 2010 by 2.3% to $123.3 million. Total property tax levies for City Colleges, including the City of Chicago levy for City Colleges' capital improvement bonds, declined from $161.4 million in 2008 to $158.4 million in 2010 where it has remained.

City Colleges Total Property Tax Levies, Including Levy by City of Chicago on Behalf of City Colleges: Tax Years 2008-2012



Source: City Colleges of Chicago FY2013 Tentative Annual Operating Budget, p. 38.

ENROLLMENT TRENDS

City Colleges expects enrollment to stay constant in FY2013.[45] However, as of May 2012 the District estimates a decrease in student enrollment between FY2011 and FY2012 of 755 full-time equivalent (FTE) students, or 1.6%. This represents a decline from 47,248 to 46,493 FTEs.

Student enrollment in FY2012 rose in City Colleges' largest instructional area, the college credit program, by 409 FTEs, or 1.4%. It also rose in the Adult Basic Education program (by 14.6%, or 529 FTEs), the continuing education area (by 3.9%, or 25 FTEs) and the vocational skills area (by 10.6%, or 47 FTEs). However, enrollment fell in three instructional areas: pre-credit programs were down 13.1%, career technology was down 9.5% and adult education as a whole fell 6.7%, due largely to a 1,425 FTE drop in the English Second Language programs. City Colleges is responding to the significant drop in adult education enrollment by reorganizing the

[45] City Colleges of Chicago FY2013 Tentative Annual Operating Budget, p. 13.

locations of adult education sites to better suit the communities that need those educational services.[46]

Between FY2008 and FY2012, City Colleges FTE enrollment rose by 16.9%, up from 39,788 to 46,493. The largest increase came in the college credit instructional area, which grew by 8,438 FTEs or by 39.9%. City Colleges notes that the five-year increase in enrollment has led to larger class sizes, increased need for support services and a larger number of students taking remedial education courses.[47] Significant five-year FTE decreases were experienced in the following areas:

- Adult education enrollment dropped by 6.9%, or 1,041 FTEs, due largely to a decrease in English Second Language programming, which fell by 20.4%, or 2,087 FTEs.
- Career technology FTEs decreased by 43.8%, falling from 1,378 to 775 FTEs.
- Vocational skills FTEs have dropped by 207 FTEs, or 29.7%.

City Colleges Full-Time Equivalent (FTE) Enrollment: FY2008-FY2012

Type	FY2008	FY2009	FY2010	FY2011	FY2012*	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Credit	21,165	23,218	27,347	29,194	29,603	409	1.4%	8,438	39.9%
Pre-Credit	1,009	1,110	1,133	1,077	936	(141)	-13.1%	(73)	-7.2%
Continuing Education	470	432	537	636	661	25	3.9%	191	40.6%
Adult Education	15,068	16,615	16,916	15,041	14,027	(1,014)	-6.7%	(1,041)	-6.9%
ABE	*3,466*	*4,010*	*4,444*	*3,635*	*4,164*	529	14.6%	*698*	*20.1%*
GED	*1,355*	*1,561*	*1,623*	*1,821*	*1,687*	(134)	-7.4%	*332*	*24.5%*
ESL	*10,247*	*11,044*	*10,849*	*9,585*	*8,160*	(1,425)	-14.9%	*(2,087)*	*-20.4%*
Vocational Skills	698	718	681	444	491	47	10.6%	(207)	-29.7%
Career Tech	1,378	1,278	1,159	856	775	(81)	-9.5%	(603)	-43.8%
Total	**39,788**	**43,371**	**47,773**	**47,248**	**46,493**	**(755)**	**-1.6%**	**6,705**	**16.9%**

Note: Differences may occur due to rounding.
*FY2012 enrollment data is a preliminary estimate as of May 7, 2012.
Source: City Colleges of Chicago FY2013 Tentative Annual Operating Budget, p. 357.

PERSONNEL AND PERSONNEL SERVICES

Between FY2012 and FY2013, the number of full-time employees at City Colleges will rise by 79 full-time equivalent (FTE) positions, or 3.3%. The number of part-time positions will fall by 407 positions, or 9.1%.[48] Many staffing changes are attributed to City Colleges continued evaluation of the organization and structure of positions in order to maximize efficiency and productivity across the colleges and administration.[49]

In addition to a comparison between FY2012 and FY2013 FTE positions, the exhibit below shows that over the five-year period between FY2009 and FY2013, the number of full-time employees will increase significantly by 25.4%, or 498 employees, from 1,960 to 2,458. Part-time positions will increase by 4.9%, or 192 employees, from 3,886 in FY2009 to 4,078 in FY2013.[48]

[46] City Colleges of Chicago FY2013 Tentative Annual Operating Budget, p. iii.
[47] City Colleges of Chicago FY2013 Tentative Annual Operating Budget, p. 29.
[48] The position figures represent filled positions, not vacancies.
[49] City Colleges of Chicago FY2013 Tentative Annual Operating Budget, p. 15.

In FY2013 full-time administrative positions will rise by 11.3%, or 41 FTE positions, from FY2012. Part-time administrative staff will increase by only two positions to 51 positions in FY2013. The initial 49 part-time administrative staff positions were created in FY2012. Between FY2009 and FY2013, full-time administrative staff positions have grown by 31.6%, or 97 positions. These employees fulfill student support service needs in areas such as admissions, community relations and recruitment.[50]

In two-year and five-year trend comparisons, part-time civil service, or support staff, FTE positions will decrease by the greatest number of positions and percentage. Between FY2012 and FY2013, part-time civil service FTE positions will drop by 327 positions, or 26.9%, resulting in an overall reduction of 22.7%, or 261 positions, between FY2009 and FY2013. The number of part-time civil service positions fell consecutively in FY2010 and FY2011 and then grew by 141 positions in FY2012.[51] Conversely, full-time FTE civil service positions have increased in each of the five years between FY2009 and FY2013 with a culminating increase of 156 positions, or 22.4%, over the five-year period.

Meanwhile, full-time professional staff positions will decrease by 144 positions, or 22.7%, between FY2012 and FY2013. Part-time professional staff positions will also decrease from FY2012, by 134 positions, or 15.2%. However, part-time professional staff positions will grow by the greatest number of positions and percentage of the part-time positions included in this five-year trend analysis. Part-time professional staff positions will increase by 249 positions, or 49.7% from FY2009 to FY2013.

Part-time teaching faculty positions will experience minimal growth between FY2012 and FY2013 as they increase by only five positions, or 0.2%. The addition of 33 new full-time teaching faculty positions is intended to meet classroom instruction needs as determined through a process of matching instructor credit hours to enrollment, which began in FY2012.[49] Between FY2009 and FY2013, full-time and part-time teaching faculty positions will increase by 18.5% and 6.8%, respectively.

City Colleges Full-Time Equivalent Positions by Type: FY2009-FY2013

Position Type	Status	FY2009 Actual	FY2010 Actual	FY2011 Estimated Budget	FY2012 Estimated Budget	FY2013 Tentative Budget	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Administrative Staff	Full Time	307	302	285	363	404	41	11.3%	97	31.6%
	Part Time	0	0	0	2	51	49	2450.0%	51	-
Civil Service	Full Time	696	696	677	703	852	149	21.2%	156	22.4%
	Part Time	1,150	1,090	1,075	1,216	889	-327	-26.9%	-261	-22.7%
Professional Staff	Full Time	357	368	377	635	491	-144	-22.7%	134	37.5%
	Part Time	501	525	541	884	750	-134	-15.2%	249	49.7%
Teaching Faculty	Full Time	600	604	602	678	711	33	4.9%	111	18.5%
	Part Time	2,235	2,407	2,355	2,383	2,388	5	0.2%	153	6.8%
Total	**Full Time**	**1,960**	**1,970**	**1,941**	**2,379**	**2,458**	**79**	**3.3%**	**498**	**25.4%**
	Part Time	**3,886**	**4,022**	**3,971**	**4,485**	**4,078**	**-407**	**-9.1%**	**192**	**4.9%**

Source: City Colleges of Chicago FY2013 Tentative Annual Operating Budget, p. 352.

[50] Information provided by City Colleges of Chicago Finance Department, June 19, 2012.
[51] Civil service positions are support staff. Information provided by City Colleges of Chicago, July 10, 2012.

Personnel Appropriations: All Funds and Unrestricted Funds

Between FY2012 and FY2013, City Colleges personnel appropriations for all funds are expected to decrease slightly by 0.9%, or $2.6 million. Salaries will rise by 4.7%, or approximately $10.1 million, while benefits will decrease significantly by 17.7%, or approximately $12.7 million, falling from nearly $71.9 million to approximately $59.2 million. Major factors contributing to rises in salaries costs include negotiated increases agreed upon through collective bargaining, staffing reorganization under City Colleges' Reinvention program and the addition of a recruitment initiative to inform citizens about education opportunities available at City Colleges.[52]

The notable reduction in benefits costs is due in part to new agreements established between City Colleges and the labor union representing City Colleges' clerical employees.[53] The labor agreement includes a 17% pay increase over the next six years, elimination of steps and sick-day payouts for new employees and freezing of sick-day payouts for current employees beginning on July 1, 2014.[54] Benefits costs for non-union employees will also experience reductions as benefits changes are implemented and are expected to result in $1 million in savings per year. These changes eliminate sick-day payouts for new employees, freeze sick-day payouts for current employees, increase health insurance co-payments and deductibles and end premium-free lifetime retiree healthcare for senior leaders of City Colleges.[55]

City Colleges All Funds Personnel Appropriations: FY2012 & FY2013

	FY2012 Adopted	FY2013 Tentative	$ Change	% Change
Salaries	$ 215,887,628	$ 225,971,566	$ 10,083,938	4.7%
Benefits	$ 71,850,360	$ 59,150,731	$ (12,699,629)	-17.7%
Total	**$ 287,737,988**	**$ 285,122,297**	**$ (2,615,691)**	**-0.9%**

Source: City Colleges of Chicago FY2012 Annual Operating Budget, p. 67 and FY2013 Tentative Annual Operating Budget, p. 60.

Note: Actual expenditures for a five-year trend analysis are not available.

Appropriations for personnel costs from unrestricted funds will increase by nearly $9.5 million, or 3.9%, from approximately $231.3 million to $240.7 million between FY2012 and FY2013. Salaries will increase by 6.9%, or nearly $13.6 million, while benefits will decrease by 13.3%, or $4.1 million.

[52] Information provided by City Colleges of Chicago Finance Department, June 19 and 21, 2012.
[53] Clerical employees are represented by Local Union 1708.
[54] City Colleges of Chicago FY2013 Tentative Annual Operating Budget, p. ii.
[55] City Colleges of Chicago FY2013 Tentative Annual Operating Budget, p. i.

In the five-year period between FY2009 and FY2013, appropriations for salaries are expected to rise by 30.0%, or $48.4 million. Benefits costs will increase by nearly $2.0 million, or 6.8%, during the same period.

City Colleges Unrestricted Operating Funds Personnel Appropriations: FY2009-FY2013 (in $ thousands)									
	FY2009 Actual	FY2010 Actual	FY2011 Actual	FY2012 Adopted Budget	FY2013 Tentative Budget	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year $ Change
Salaries	$ 161,465	$ 165,001	$ 161,474	$ 196,315	$ 209,886	$ 13,571	6.9%	$ 48,421	30.0%
Benefits	$ 28,871	$ 29,424	$ 31,874	$ 34,941	$ 30,837	$ (4,104)	-13.3%	$ 1,966	6.8%
Total	**$ 190,336**	**$ 194,425**	**$ 193,348**	**$ 231,256**	**$ 240,723**	**$ 9,466.6**	**3.9%**	**$ 50,386.8**	**26.5%**

Source: City Colleges of Chicago FY2009 Annual Operating Budget, p. 81, FY2012, p. 67 and FY2013 Tentative, p. 61.

Employee Insurance Costs: Operating Funds

Between the adopted FY2012 budget and the proposed FY2013 budget, employee insurance costs in the City Colleges operating funds are expected to decrease by $448,039, or 1.4%, from nearly $33.0 million to $32.5 million.[56] Employee contributions for insurance costs will increase by 26.0%, or $2.0 million, rising from $7.7 million in FY2012 to $9.7 million in FY2013.[57] Costs for the largest benefit component, medical insurance, will increase by 2.3%. Unemployment insurance will fall by 50.0%, or $1.0 million, in the two-year period due to a reduction in unemployment insurance payments based on submitted claims.[58] Dental insurance and worker's compensation costs will also fall, by 2.5% and 6.0%, respectively. Costs for vision insurance will remain flat at $359,010.

[56] The City Colleges operating funds include all funds except the capital, debt service or working cash funds. These funds account for the District's general operations.
[57] City Colleges of Chicago FY2013 Tentative Annual Operating Budget, p. 55.
[58] Unemployment insurance costs were higher in previous years in response to the recession and in case of additional termination of employees. Information provided by the City Colleges of Chicago Finance Department, June 19, 2012.

Between FY2009 and FY2013, City Colleges' insurance costs will rise by 30.5%, or $7.6 million, from $24.9 million to $32.5 million. Similarly, vision costs will rise by 32.2% from $271,529 in FY2009 to $359,010 in FY2013. Medical insurance costs will increase by $6.8 million, or 32.4%, from $21.0 million to $27.8 million. The largest percentage increase will be for worker's compensation, which will experience an 87.1% rise. Life insurance costs will drop from $636,716 to $545,000, a 14.4% decrease.

City Colleges of Chicago Employee Insurance Costs: FY2009-FY2013 (in $ thousands)

Benefit Type	FY2009 Actual	FY2010 Actual	FY2011 Year-End Estimate	FY2012 Adopted Budget	FY2013 Tentative Budget	Two-Year $ Change	Two-Year % Change	Five-Year $ Change	Five-Year % Change
Medical Insurance	$ 21,033	$ 20,853	$ 21,600	$ 27,210	$ 27,848	$ 639	2.3%	$ 6,816	32.4%
Dental Insurance	$ 1,576	$ 1,576	$ 1,575	$ 1,938	$ 1,889	$ (49)	-2.5%	$ 312	19.8%
Vision	$ 272	$ 295	$ 275	$ 359	$ 359	$ -	0.0%	$ 87	32.2%
Life Insurance	$ 637	$ 630	$ 539	$ 525	$ 545	$ 20	3.8%	$ (92)	-14.4%
Unemployment Insurance	$ 929	$ 1,004	$ 1,800	$ 2,000	$ 1,000	$ (1,000)	-50.0%	$ 71	7.6%
Worker's Compensation	$ 481	$ 1,421	$ 1,421	$ 957	$ 900	$ (57)	-6.0%	$ 419	87.1%
Total	**$ 24,928**	**$ 25,778**	**$ 27,210**	**$ 32,989**	**$ 32,541**	**$ (448)**	**-1.4%**	**$ 7,613**	**30.5%**

Source: City Colleges of Chicago FY2012 Annual Operating Budget, p. 61 and FY2013 Tentative Annual Operating Budget, p. 55.
Note: Actual expenditures were not available for FY2011.

UNRESTRICTED FUND BALANCE RATIO

Fund balance is a term commonly used to describe the net assets of a governmental fund and serves as a measure of financial resources.[59] The Government Finance Officers Association (GFOA) recommends that governments maintain an unrestricted general fund balance of no less than two months, or 16.7%, of regular general fund operating revenues or regular general fund operating expenditures.[60] The GFOA statement adds that each unit of government should adopt a formal policy that considers the unit's own specific circumstances and that a smaller fund balance ratio may be appropriate for the largest governments.[61] The purpose of this indicator is to measure the ability of a government to quickly convert illiquid assets to cash to meet contingency needs. Data used to calculate the ratio is found in the Statement of Net Assets in the City Colleges audited financial report.

[59] GFOA, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).
[60] 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 instability of its revenue stream make it prudent for the CCC to maintain adequate reserves.
[61] GFOA, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).

Between FY2007 and FY2011, City Colleges' general operating funds' unrestricted fund balance decreased from 23.8% of operating expenses, or $77.4 million, to 15.2%, or $66.4 million. During this time period, FY2011 is the only year City Colleges has dipped below the minimum two months of operating expenses recommended by the GFOA. However, the relatively healthy fund balance ratio for City Colleges is a dramatic turnaround from the 1.1% fund balance ratio reported in FY2000.

City Colleges Unrestricted Fund Balance Ratio: FY2007-FY2011

	Unrestricted Net Assets	Operating Expenses	Ratio
FY2007	$ 77,358,746	$ 325,434,665	23.8%
FY2008	$ 71,794,664	$ 389,995,809	18.4%
FY2009	$ 67,104,370	$ 372,202,855	18.0%
FY2010	$ 86,874,142	$ 404,365,535	21.5%
FY2011	$ 66,367,440	$ 435,306,374	15.2%

Source: City Colleges of Chicago Comprehensive Annual Financial Reports, FY2007-FY2011.

The City Colleges' Board established a fund balance policy to maintain the fund balance of the Education Fund at a level equal to 3% of unrestricted expenditures.[62] The exhibit below shows the ratio of ending Education Fund fund balance to total unrestricted operating expenses, which includes expenses of the Education Fund, unrestricted Maintenance and Operations Fund and Auxiliary and Enterprise Fund. Only in FY2010 did the District drop below its stated policy.

City Colleges Education Fund Fund Balance Ratio: FY2007-FY2011

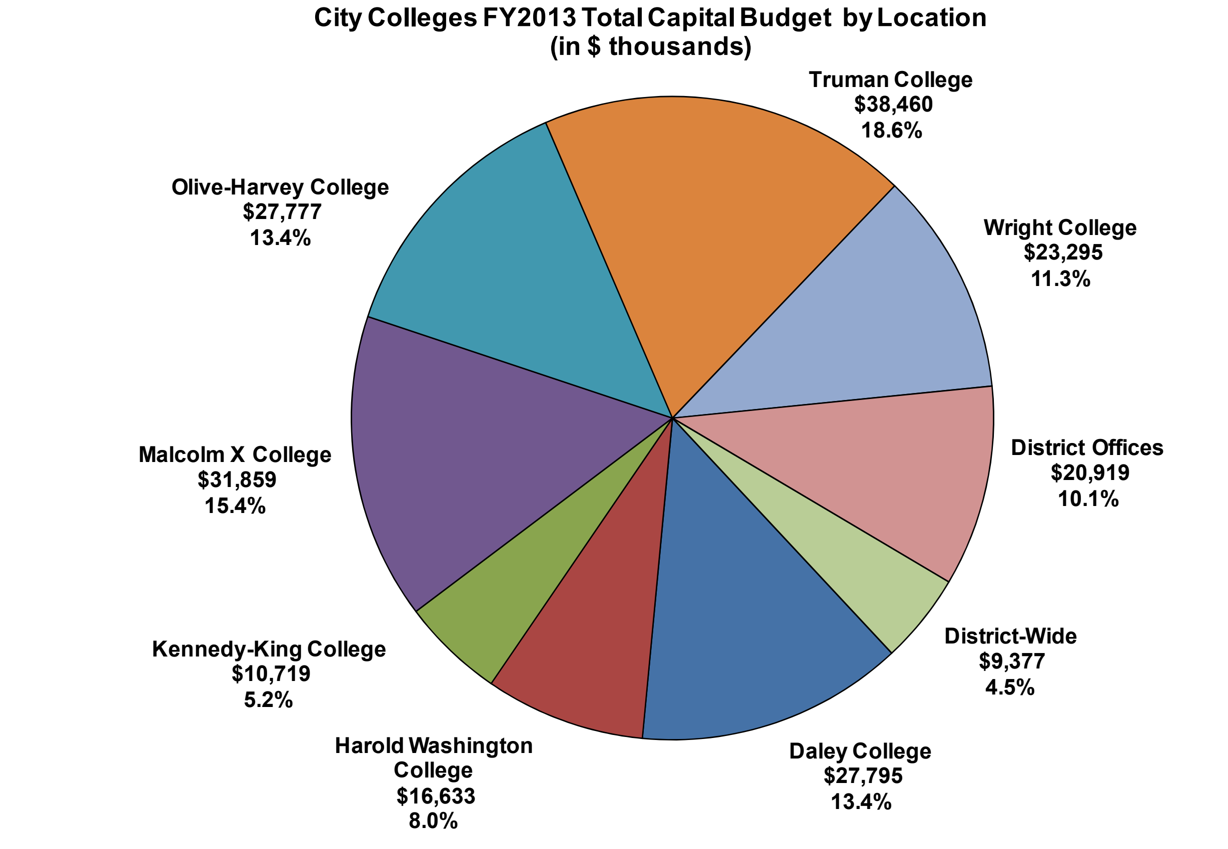
	Ending Fund Balance	Total Unrestricted Operating Expenses	Ratio
FY2007	$ 24,344,737	$ 232,872,969	10.5%
FY2008	$ 18,781,176	$ 254,027,871	7.4%
FY2009	$ 23,118,450	$ 254,534,063	9.1%
FY2010	$ 5,626,183	$ 257,190,787	2.2%
FY2011	$ 12,854,730	$ 261,140,766	4.9%

Source: City Colleges of Chicago Comprehensive Annual Financial Reports, State Required Report Section, All Funds Summaries, FY2007-FY2011.

[62] City Colleges of Chicago, FY2013 Tentative Annual Operating Budget, p. 9.

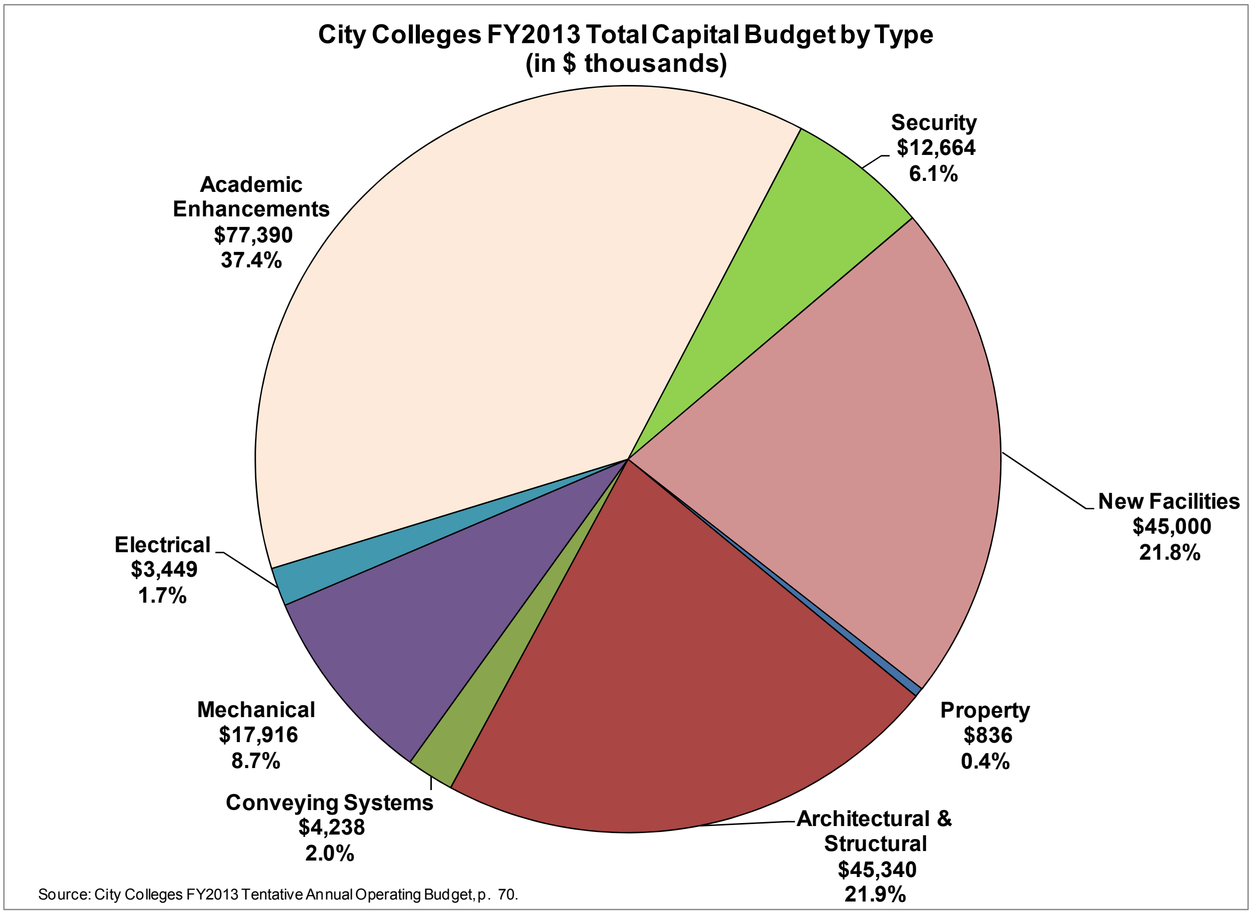
CAPITAL BUDGET

City Colleges prepares a capital budget at the same time as the operating budget. In FY2013, the total capital budget is proposed to be $206.8 million. The distribution of those funds by location is shown below. The largest amount of capital spending at $38.4 million, or 18.6%, will be for Truman College. The second largest amount totaling $31.8 million, or 15.4%, of all funding will be earmarked for Malcolm X College.



Source: City Colleges FY2013 Tentative Annual Operating Budget, pp. 70-72.

The next exhibit shows the FY2013 total capital budget by type of expenditure. Approximately $77.4 million or 37.4% of the budget will be earmarked for academic enhancements while 21.9%, or $45.3 million, is projected for architectural and structural purposes.



Capital Improvement Plan

The District originally developed a Capital Improvement Plan (CIP) in 2006. The CIP included a comprehensive survey of all existing capital assets conducted by a team of architects and engineers, a condition assessment of all existing capital assets and a cost estimate related to the ongoing replacement and maintenance of those assets. Projects were then prioritized and planned using needs-based criteria beginning with the FY2007-2011 CIP.

The dollar amount of approved capital projects by location for the FY2013-2017 CIP is shown in the next exhibit. Over this five year period, City Colleges has identified $523.8 million in capital needs. Malcolm X College will require 49.0% of this amount or $256.9 million.

Approved Capital Projects by Location: FY2013-FY2017 (in $ thousands)						
College or Office	FY2013	FY2014	FY2015	FY2016	FY2017	Total
Daley College	$ 27,795	$ 4,216	$ 5,355	$ 2,361	$ 3,332	$ 43,059
Harold Washington College	$ 16,633	$ 475	$ 25	$ 1,082	$ 3,690	$ 21,905
Kennedy-King College	$ 10,719	$ 2,521	$ 1,521	$ 1,531	$ 3,979	$ 20,271
Malcolm X College	$ 31,859	$ 71,568	$100,831	$ 52,069	$ 550	$ 256,877
Olive-Harvey College	$ 27,777	$ 25,373	$ 10,059	$ 555	$ 909	$ 64,673
Truman College	$ 38,460	$ 1,715	$ 4,006	$ 1,537	$ 1,616	$ 47,334
Wright College	$ 23,295	$ 1,213	$ 1,699	$ 2,591	$ 1,993	$ 30,791
District Offices	$ 20,919	$ 1,430	$ 1,445	$ 1,363	$ 1,854	$ 27,011
District-wide	$ 9,377	$ 789	$ 1,414	$ 150	$ 150	$ 11,880
Total	**$206,834**	**$109,300**	**$126,355**	**$ 63,239**	**$18,073**	**$ 523,801**

Source: City Colleges of Chicago Tentative Annual Budget FY2013, pp. 78-81.

A presentation of the approximately $524.0 million in capital needs by type for the City Colleges follows. This amount includes projects that have funding and those that do not yet have funding secured. Approximately 56.5% of the total CIP amount, or $296.0 million, is projected for new facilities.

Approved Capital Projects by Type: FY2013-FY2017 (in $ thousands)						
Type	FY2013	FY2014	FY2015	FY2016	FY2017	Total
Property	$ 836	$ 1,579	$ 1,646	$ 258	$ 4,246	$ 8,565
Architectural & Structural	$ 45,340	$ 8,053	$ 7,353	$ 6,069	$ 4,984	$ 71,799
Conveying Systems	$ 4,238	$ 312	$ 102	$ 338	$ 93	$ 5,083
Mechanical	$ 17,916	$ 2,516	$ 4,853	$ 3,132	$ 4,871	$ 33,288
Electrical	$ 3,449	$ 3,556	$ 4,342	$ 2,442	$ 3,816	$ 17,605
Environmental & Compliance	$ -	$ 34	$ 59	$ -	$ 63	$ 156
Academic Enhancements	$ 77,390	$ -	$ -	$ -	$ -	$ 77,390
Security	$ 12,664	$ 1,450	$ -	$ -	$ -	$ 14,114
New Facilities	$ 45,000	$ 92,000	$ 108,000	$ 51,000	$ -	$ 296,000
Total	**$ 206,833**	**$ 109,500**	**$ 126,355**	**$ 63,239**	**$ 18,073**	**$ 524,000**

Source: City Colleges of Chicago Tentative Annual Budget FY2013, p. 78.

In FY2013 approximately $144.1 million of the $524.0 in identified capital needs will be funded. Of that $144.1 million amount, 94% will come from local sources such as cash available for capital purposes, cash generated by operations and tax increment financing. State source funds from the Illinois Capital Development Board totaling $8.0 million will provide monies for the remaining amount.

City Colleges Funding Sources for Capital Improvement Plan: FY2013-FY2017			
	FY2013	FY2014-FY2017	Total FY2013-FY2017
Sources			
Cash available for capital purposes	$ 134	$ -	$ 134
Illinois Capital Development Board Contribution	$ 8	$ 23	$ 31
Cash generated by operations	$ -	$ 69	$ 69
City of Chicago TIF (Wilson Yard TIF)	$ 2	$ 10	$ 12
Bond Proceeds	$ -	$ 278	$ 278
Total	**$ 144**	**$ 380**	**$ 524**

Source: City Colleges of Chicago Tentative Annual Budget FY2013, p. 86.

LIABILITIES

This section of the analysis provides an overview of short- and long-term liabilities of the City Colleges of Chicago.

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[63]:

- 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;
- Other liabilities: include self insurance funds, unclaimed property and other unspecified liabilities; and

[63] City Colleges of Chicago FY2010 Comprehensive Annual Financial Report, p 16.

- Other accruals: unpaid invoices at year-end for goods and services received in prior fiscal year.

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.[64] 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.

In FY2011, the most recent year that data is available, total short-term liabilities increased by $12.3 million from the previous year, or 26.5%. Between FY2007 and FY2011 current liabilities rose by 24.0%, or $11.3 million. The following chart shows short-term liabilities by category and the percent change over the past five years.

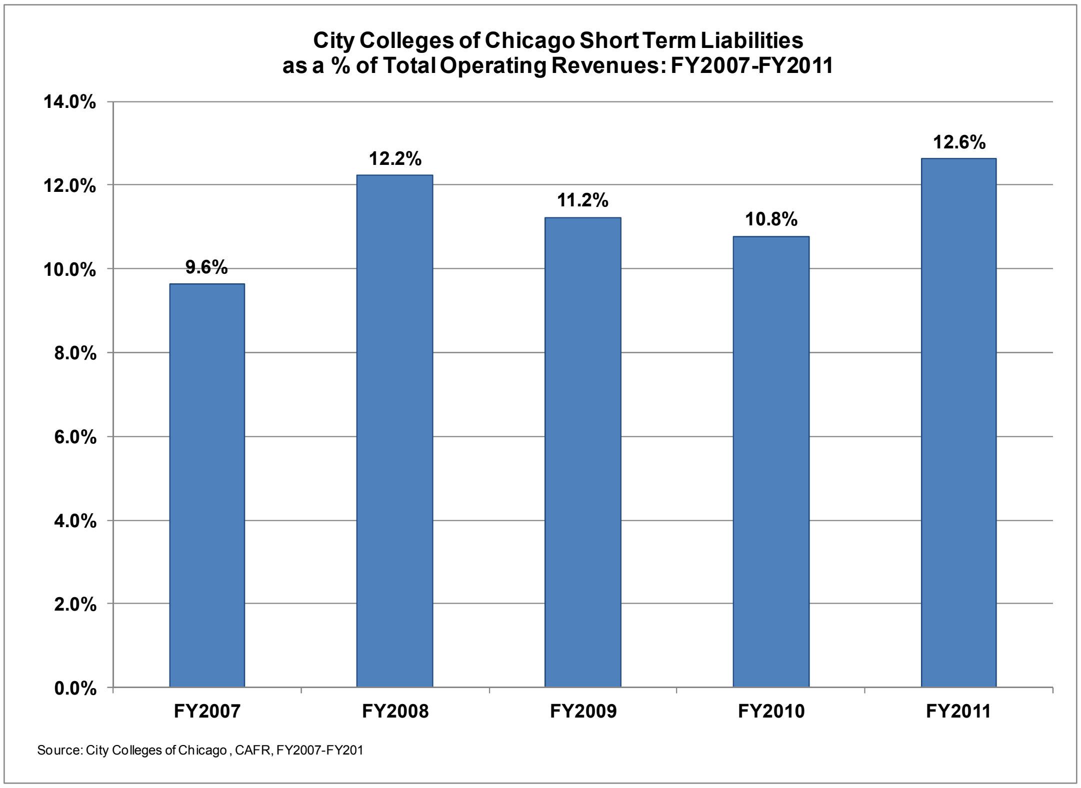
City Colleges Short-Term Liabilities: FY2007-FY2011 (in $ thousands)

Current Liability	FY2007	FY2008	FY2009	FY2010	FY2011	$ Change (Two-Year)	% Change (Two-Year)	$ Change (Five-Year)	% Change (Five-Year)
Accounts Payable	$ 10,291.9	$ 16,253.6	$ 11,748.8	$ 14,952.2	$ 21,185.0	$ 6,232.8	41.7%	$ 10,893.1	105.8%
Accrued Payroll	$ 5,572.1	$ 6,260.8	$ 6,646.1	$ 7,240.1	$ 7,542.7	$ 302.6	4.2%	$ 1,970.6	35.4%
Deposits Held In Custody	$ 2,126.8	$ 1,947.0	$ 2,117.5	$ 1,991.3	$ 1,610.3	$ (381.0)	-19.1%	$ (516.5)	-24.3%
Accrued PropTax Refunds	$ 18,498.2	$ 14,964.3	$ 12,275.3	$ 8,305.6	$ 6,292.2	$ (2,013.4)	-24.2%	$ (12,206.0)	-66.0%
Other Liabilities	$ 8,094.0	$ 10,971.6	$ 10,456.2	$ 13,546.1	$ 21,196.5	$ 7,650.4	56.5%	$ 13,102.5	161.9%
Other Accruals	$ 2,838.2	$ 951.3	$ 1,259.8	$ 449.9	$ 973.9	$ 524.0	116.5%	$ (1,864.3)	-65.7%
Total Current Liabilities	**$ 47,421.2**	**$ 51,348.6**	**$ 44,503.7**	**$ 46,485.2**	**$ 58,800.6**	**$ 12,315.4**	**26.5%**	**$ 11,379.4**	**24.0%**

Source: City Colleges CAFRs, FY2007-FY2011.

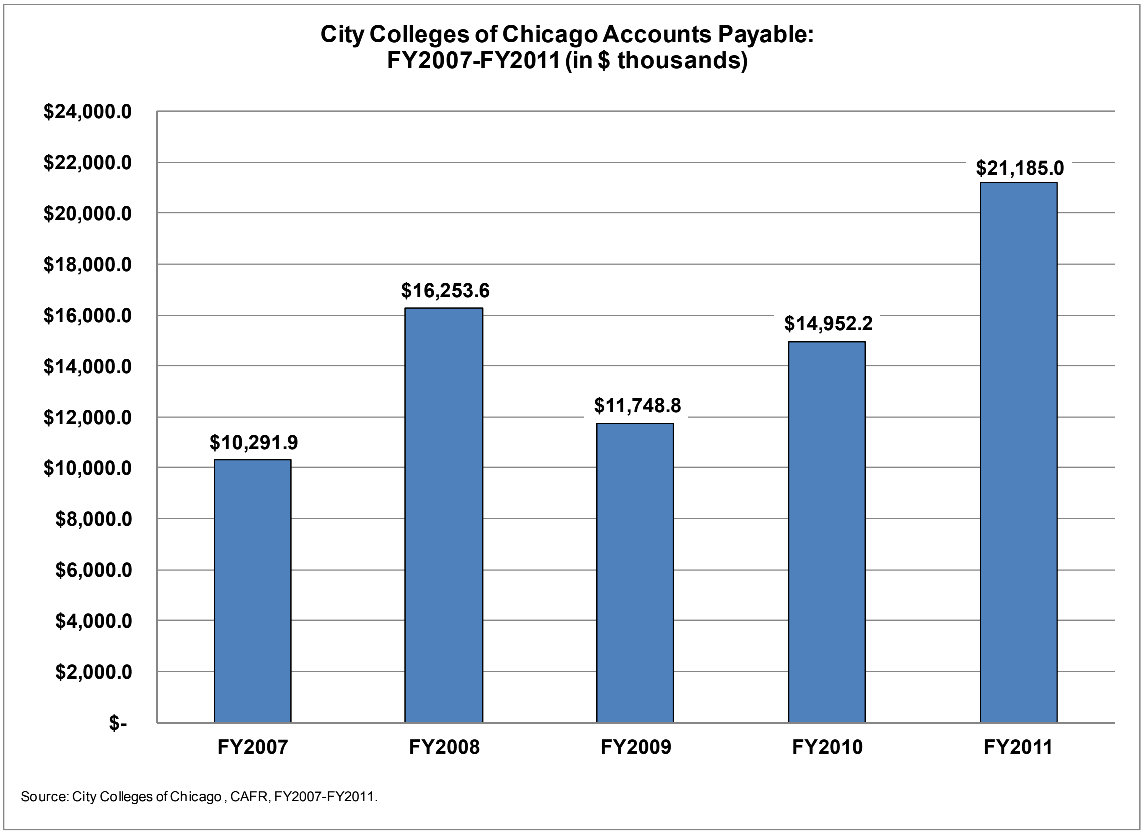
[64]Karl Nollenberger, et al., *Evaluating Financial Condition: A Handbook for Local Government* (Washington, D.C.: ICMA, 2003), pp. 77.

Short-term liabilities compared to total operating revenue rose from 9.6% to 12.6% between FY2007 and FY2011. From FY2008 to FY2010, the ratio dropped from 12.2% to 10.8% before rising again in FY2011 to 12.6%. Much of the two-year increase was due to a $6.2 million, 41.7% increase in accounts payable.



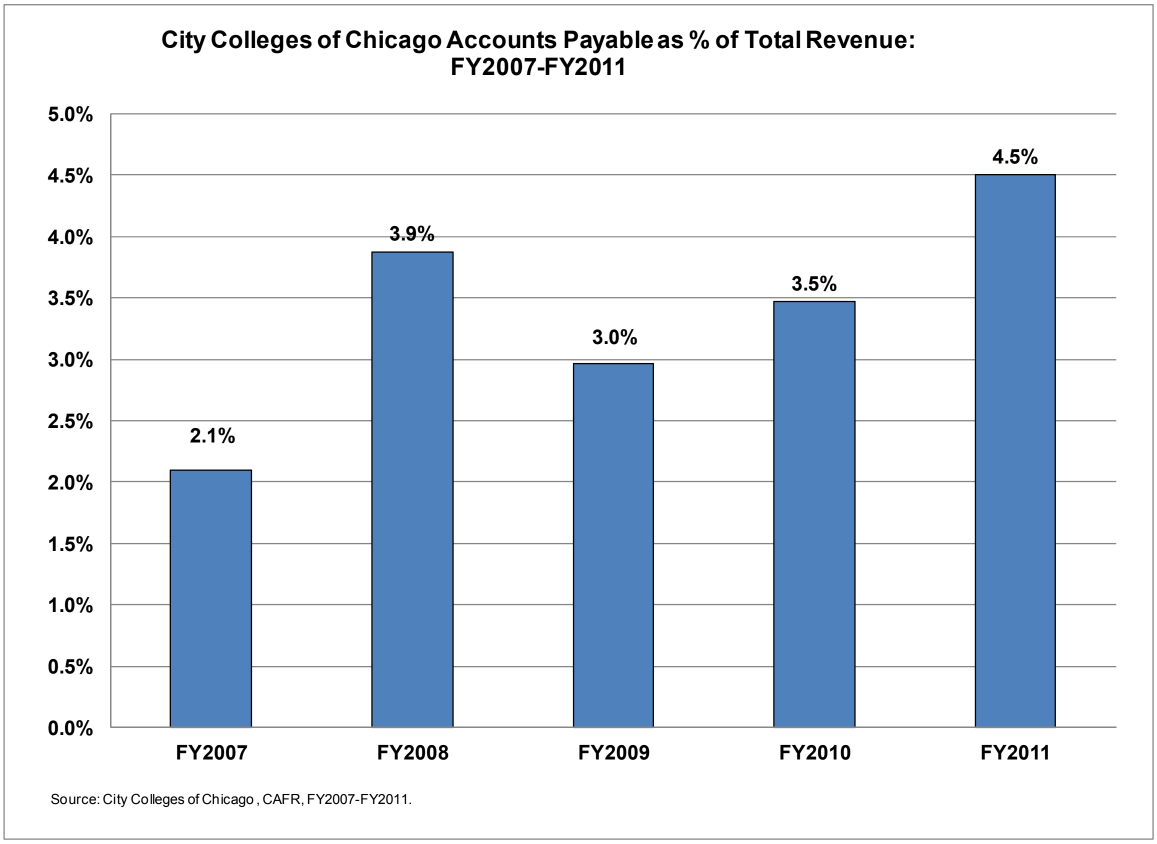
Accounts Payable

Between FY2007 and FY2011, City Colleges increased the amount of accounts payable reported from nearly $10.3 million to $21.2 million. This is a 105.8%, or nearly $10.9 million, increase. Between FY2010 and FY2011, accounts payable rose by $6.2 million, or 41.7%, increasing from $14.9 million to $21.2 million. The large increase in accounts payable between FY 2010 and FY2011 is primarily due to increases in unemployment insurance liabilities ($1M), purchases of equipment less than $25,000 ($1M), the District's U-Pass contract with the CTA ($900K), health insurance benefit increases ($800K), and other expenses ($500K). These total $4.2 million. The remaining $2 million is made up of many smaller net increases.[65]



[65] Information provided by City Colleges, July 2, 2012.

The next exhibit shows the ratio of accounts payable to operating revenues. Steady increases in this ratio can be a warning sign of fiscal distress. The ratio has increased from 2.1% to 4.5% in the five year period from FY2007 to FY2011. The overall percentage of accounts payable per operating revenues in each year reviewed is relatively small. However, the ratio has been steadily increasing since FY2009 as accounts payable liabilities continue to grow. The situation should be monitored.



Current Ratio

The current ratio is a measure of liquidity. It assesses whether the government has enough cash and other liquid resources to meet its short-term obligations as they come due. A ratio of 1.0 means that current assets are equal to current liabilities and are sufficient to cover obligations in the near term. Generally, a government's current ratio should be close to 2.0 or higher.[66] In addition to the short-term liabilities listed above, the current ratio formula uses the current assets of the District:

- *Cash and investments* are 1) assets that are cash or can be converted into cash immediately, including petty cash, demand deposits and certificates of deposit as well as 2) any investments that the District has made that will expire within one year, including stocks and bonds that can be liquidated quickly;

[66] Steven A. Finkler. *Financial Management for Public, Health and Not-for-Profit Organization,* Upper Saddle River, NJ, 2001, p. 476.

- *Receivables* are monetary obligations owed to the government including property taxes, replacement taxes, and state or federal aid; and
- *Prepaid items and other assets* represent amounts paid as of June 30 whose recognition is postponed to a future period. Prepaid expenses consist primarily of prepayments to vendors for maintenance contracts.[67]

The City Colleges current ratio was 5.2 in FY2011, the most recent year for which data is available. In the past five years, the District's current ratio averaged 5.9, which is far greater than the benchmark of 2.0 and thus demonstrates a healthy level of liquidity. Between FY2007 and FY2011, the current ratio fell from 7.0 to 5.2, primarily because of a decline in the amount of short-term investments held by the District.

City Colleges Current Ratio: FY2007 - FY2011 (in $ thousands)							
	FY2007	FY2008	FY2009	FY2010	FY2011	Five-Year $ Change	Five-Year % Change
Current Asset							
Cash and cash equivalents	$ 4,224.2	$ 5,293.3	$ 1,341.1	$ 43,354.4	$119,912.9	$ 115,688.7	2738.7%
Short-term investments	$232,318.4	$186,758.2	$161,735.9	$152,669.3	$ 91,408.2	$(140,910.2)	-60.7%
Property taxes receivable, net	$ 75,073.0	$ 49,213.8	$ 67,584.7	$ 59,574.9	$ 56,673.6	$ (18,399.4)	-24.5%
PPRT taxes receivable	$ 2,563.2	$ 2,342.4	$ 2,119.5	$ 2,074.1	$ 1,858.4	$ (704.8)	-27.5%
Other accounts receivable, net	$ 17,100.7	$ 10,042.0	$ 54,546.9	$ 26,946.7	$ 34,759.4	$ 17,658.7	103.3%
Prepaid items and other assets	$ 104.3	$ 4.1	$ 155.7	$ 44.0	$ 46.8	$ (57.5)	-55.1%
Total Current Assets	**$331,383.8**	**$253,653.8**	**$287,483.8**	**$284,663.4**	**$ 304,659**	**$ (26,724.5)**	**-8.1%**
Current Liability							
Accounts Payable	$ 10,291.9	$ 16,253.6	$ 11,748.8	$ 14,952.2	$ 21,185.0	$ 10,893.1	105.8%
Accrued Payroll	$ 5,572.1	$ 6,260.8	$ 6,646.1	$ 7,240.1	$ 7,542.7	$ 1,970.6	35.4%
Deposits Held In Custody	$ 2,126.8	$ 1,947.0	$ 2,117.5	$ 1,991.3	$ 1,610.3	$ (516.5)	-24.3%
Accrued PropTax Refunds	$ 18,498.2	$ 14,964.3	$ 12,275.3	$ 8,305.6	$ 6,292.2	$ (12,206.0)	-66.0%
Other Liabilities	$ 8,094.0	$ 10,971.6	$ 10,456.2	$ 13,546.1	$ 21,196.5	$ 13,102.5	161.9%
Other Accruals	$ 2,838.2	$ 951.3	$ 1,259.8	$ 449.9	$ 973.9	$ (1,864.3)	-65.7%
Total Current Liabilities	**$ 47,421.2**	**$ 51,348.6**	**$ 44,503.7**	**$ 46,485.2**	**$ 58,800.6**	**$ 11,379.4**	
Current Ratio	**7.0**	**4.9**	**6.5**	**6.1**	**5.2**		

Source: CPS Comprehensive Annual Financial Reports, FY2007 - FY2011, Statement of Net Assets.

Long-Term Liabilities

This section of the analysis examines trends in City Colleges' long-term liabilities. This includes a review of trends in the District's total long-term liabilities and a discussion of its tax supported long-term debt.

Long-term liabilities are all of the obligations owed by a government over time. Increases in long-term liabilities over time could be a sign of fiscal stress. They can include long-term debt as well as:

- *Accrued Compensated Absences*: liabilities owed for employees' time off with pay for vacations, holidays, and sick days;
- *Sick Leave Benefits*: Upon the retirement, permanent disability or death of a full-time permanent employee, City Colleges pays over a three- to five-year period an amount equal to a percentage of the employee's unused sick days as a termination benefit.

[67] City Colleges of Chicago FY2011 Comprehensive Annual Financial Report, p 24.

Eligible employees include administrative employees and certain union-represented employees who have served for 10 years and who are eligible for a pension under the State Universities Retirement System at age 55;[68] and

- *Net Other Post-Employment Benefit (OPEB) liabilities*: The cumulative difference, since the effective date of GASB Statement 45, between the annual OPEB (employee health insurance) cost and the employer's contributions to its OPEB Plan.

Long-term liabilities for City Colleges increased by 8.9%, or $3.9 million, between FY2010 and FY2011. The largest increase was for other post-employment benefits, which consist of health care and life insurance benefits.[69] OPEB liabilities rose by 19.7%, from $22.3 million to $26.7 million in the two years analyzed. The liability for sick leave benefits fell by 1.3%, while accrued absences liabilities dropped by 5.8%.

Over the five-year period between FY2007 and FY2011, total long-term liabilities decreased by 20.6%, falling from $61.3 million to $48.7 million. Much of the decrease was due to the transfer of City Colleges' long-term lease obligations to the City of Chicago.

City Colleges Long Term Liabilities: FY2007-FY2011
(in $ thousands)

Liability	FY2007	FY2008	FY2009	FY2010	FY2011	2 YR $ CHG	2 YR % CHG	5 YR $ CHG	5 YR % CHG
Accrued Compensation Absences	$ 2,427	$ 2,547	$ 2,682	$ 2,904	$ 2,736	$ (168)	-5.8%	$ 309	12.7%
Sick Leave Benefits	$ 17,539	$ 17,955	$ 20,108	$ 19,534	$ 19,270	$ (264)	-1.3%	$ 1,731	9.9%
Other Post-Employment Benefits	$ 9,659	$ 13,119	$ 17,304	$ 22,308	$ 26,712	$ 4,404	19.7%	$ 17,053	176.6%
Lease Obligations	$ 31,695	$ -	$ -	$ -	$ -	$ -	.....	$ (31,695)	-100.0%
Total	**$ 61,320**	**$ 33,621**	**$ 40,094**	**$ 44,746**	**$ 48,718**	**$ 3,972**	**8.9%**	**$ (12,602)**	**-20.6%**

Source: City Colleges of Chicago Comprehensive Annual Financial Reports.

Long-Term 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 $32.7 million payment in FY2007. The FY1999 issuance totaled $389.0 million and the FY2007 series totaled $39.1 million. In accordance with the transfer, the City of Chicago now levies the property taxes needed 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 2007.

Property Taxes Levied by the City of Chicago to Pay City Colleges of Chicago Capital Purpose Debt Service FY2007-FY2012 (in $ thousands)

Bond Series	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
Series 1999 Debt Service	$ 32,668.2	$ 32,669.7	$ 32,668.1	$ 32,668.1	$ 32,667.7	$ 32,667.7
Series 2007 Debt Service	----	$ 2,499.1	$ 2,495.5	$ 2,495.5	$ 2,495.6	$ 2,495.6
Total Debt Service	**$ 32,668.2**	**$ 35,168.8**	**$ 35,163.6**	**$ 35,163.6**	**$ 35,163.3**	**$ 35,163.3**

Source: City Colleges of Chicago FY2013 Tentative Annual Operating Budget, p. 34.

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68 City Colleges of Chicago FY2011 Comprehensive Annual Financial Report, p. 37.
69 City Colleges of Chicago FY2011 Comprehensive Annual Financial Report, p. 38.

City Colleges of Chicago has a legal debt limit of 2.875% of its total equalized assessed valuation. The equalized assessed valuation last reported as of FY2010 totaled $82.0 billion making the legal debt limit $2.4 billion.[70] City Colleges currently holds no debt in its name.

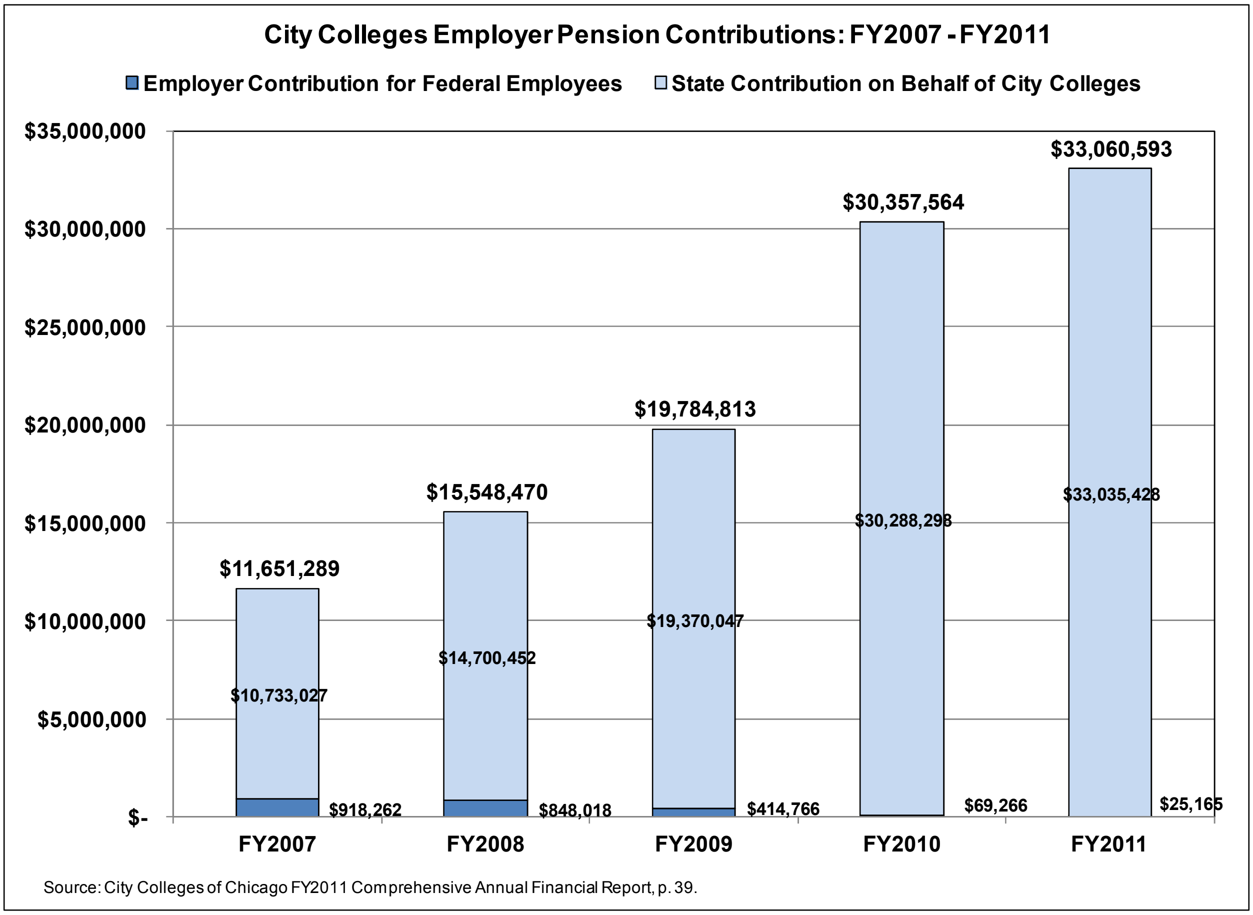
PENSION

The majority of City Colleges employees are enrolled in the State Universities Retirement System (SURS) of Illinois, a multi-employer defined benefit plan to which the State of Illinois makes the vast majority of employer contributions. Currently, there are 4,110 active employees who are enrolled in the SURS retirement plan. All full-time faculty and staff contribute to SURS, except temporary workers who contribute to Social Security. There are also 449 active employees contributing to social security. These employees are temporary or irregular status workers, staff who work less than four months consecutively, students or re-hired retirees.[71]

SURS members contribute 8.0% of their annual covered salary to the pension fund. In FY2011 the State of Illinois made nearly all of the employer contributions on behalf of City Colleges at the actuarially determined rate of 21.27% of covered payroll.[72] City Colleges makes the employer contribution for federally-funded grant positions out of those grant funds.

[70] City Colleges FY2013 Tentative Annual Operating Budget, p. 86.
[71] Information provided by City Colleges Finance Office, June 29, 2012.
[72] As a member of SURS, a cost-sharing, multiple-employer defined pension plan with a special funding situation, City Colleges is not required to include actuarial information about pensions in its financial statements. However, pursuant to GASB Statement 68, which was approved June 25, 2012, starting in fiscal year 2015, City Colleges will be required to report a net pension liability, pension expense, and pension-related deferred inflows and outflows of resources based on its proportionate share of the collective amounts for all the governments that participate in SURS.

The chart below illustrates employer pension contributions including the payments made by the State of Illinois on behalf of City Colleges and City Colleges' employer contribution for its federally-funded grant positions. State contributions to SURS on behalf of City Colleges for FY2011 were $33.0 million, a 9.1% increase over FY2010. Contributions for positions funded through federal grants totaled only $25,165, down from $69,266 in FY2010.[73] The total employer contribution grew by 183.8% over the five-year period, from $11.7 million to $33.1 million.



During the 2012 spring legislative session, pension reform legislation was introduced in the Illinois General Assembly that among other provisions would gradually transfer the responsibility for funding the normal cost of community college and university employee pensions from the State of Illinois to their employers.[74] The legislation did not pass before the General Assembly adjourned on May 31, 2012. If Senate Bill 1673, Amendments 5 and 6 had been signed into law, City Colleges would eventually be responsible for annual pension normal costs of approximately $22.2 million.[75]

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[73] City Colleges FY2011 Comprehensive Annual Financial Report, p. 39.
[74] Senate Bill 1673, Amendments 5 and 6.
http://ilga.gov/legislation/BillStatus.asp?DocNum=1673&GAID=11&DocTypeID=SB&LegID=57665&SessionID=84&SpecSess=&Session=&GA=97
[75] Information provided by City Colleges Finance Office, June 29, 2012.

OTHER POST EMPLOYMENT BENEFITS (OPEB)

City Colleges began reporting information about other post employment benefits (OPEB) in its FY2006 CAFR as required by GASB Statement 45. OPEB includes health and life insurance for retirees and their spouses. The District 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 thought its personnel manual and union contracts.[76]

Between FY2007 and FY2011 the number of retirees and beneficiaries receiving benefits rose from 673 to 735 before falling again to 614 in FY2010 and rising to 654 in FY2011. Active vested members increased from 1,637 to 1,686 and then fell to 1,594.

City Colleges Other Post Employment Benefit Plan: Active Employees and Current Beneficiaries: FY2007-FY2011

Members	FY2007	FY2008	FY2009	FY2010	FY2011
Active Employees (vested)	1,637	1,669	1,686	1,668	1,594
Current Beneficiaries	673	735	703	614	654
Total	**2,310**	**2,404**	**2,389**	**2,282**	**2,248**

Source: City Colleges of Chicago FY2008 Comprehensive Annual Financial Report, p. 42; FY2011 Comprehensive Annual Financial Report, p. 40.

City Colleges does not have an irrevocable trust fund for its OPEB plan; it is funded on a pay-as-you-go basis. However, it has been City Colleges' practice to annually invest an amount equal to the increase in the net OPEB obligation in an account designated for its OPEB obligation.[77] City Colleges had $18.3 million in investments designated for its OPEB obligation in FY2011 and $18.1 million in FY2010.[78] If City Colleges is not permitted to join the State of Illinois' College Insurance Program for downstate community college retirees, it may use the designated funds to establish an irrevocable OPEB trust.[79]

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76 City Colleges FY2011 Comprehensive Annual Financial Report, p. 40.
77 Information provided by City Colleges finance office, June 30, 2011.
78 City Colleges of Chicago, Comprehensive Annual Financial Report for the Year Ended June 30, 2011, p. 42.
79 Information provided by City Colleges finance office, June 29, 2012.

The FY2011 pay-as-you-go employer contribution of $6.6 million is budgeted as part of the District's employee health insurance costs.[80] The table below shows the difference between the actuarially-calculated annual OPEB cost of the employer and the actual payments made by City Colleges from FY2007 to FY2011.[81] The actuarial assumptions used in the calculation included a 4.5% discount rate and an annual healthcare cost trend rate of 9.0%, which is assumed to decline to a 5.0% rate by 2018.[82] City Colleges' Net OPEB Obligation has grown over the five-year period because its annual payments have equaled only 55% to 65% of the annual OPEB cost.

City Colleges Other Post Employment Benefits: Annual OPEB Cost and Net Obligation FY2007-FY2011

	FY2007	FY2008	FY2009	FY2010	FY2011
Annual OPEB Cost	$ 12,792,179	$ 9,958,539	$ 10,361,000	$ 11,294,194	$ 11,029,375
Employer Contributions	$ 7,562,710	$ 6,498,620	$ 6,175,497	$ 6,290,403	$ 6,625,444
Increase in Net OPEB Obligation	**$ 5,229,469**	**$ 3,459,919**	**$ 4,185,503**	**$ 5,003,791**	**$ 4,403,931**
% of Annual OPEB Cost Contributed	59.1%	65.3%	59.6%	55.7%	60.1%
Net OPEB Obligation (End of Year)	**$ 9,659,093**	**$ 13,119,012**	**$ 17,304,515**	**$ 22,308,306**	**$ 26,712,237**

Source: City Colleges of Chicago FY2008 Comprehensive Annual Financial Report, p. 43; FY2011 Comprehensive Annual Financial Report, p. 41.

The next exhibit shows the Unfunded Actuarial Accrued Liability (UAAL) of the City Colleges' OPEB plan. The actuarial value of assets is not shown as the District does not pre-fund its OPEB obligation through an irrevocable trust. The UAAL was $124.5 million in FY2011, up from $117.1 million the prior year. Since FY2007, the UAAL as a percent of covered payroll has increased from 117.2% to 125.0%, which is a negative trend.

Unfunded Actuarial Accrued Liability of the City Colleges OPEB Plan: FY2007-FY2011

	FY2007	FY2008	FY2009	FY2010	FY2011
Unfunded Actuarial Accrued Liability (UAAL)	$ 108,953,481	$ 113,011,808	$ 121,654,154	$ 117,079,887	$ 124,498,937
Covered Payroll (active plan members)	$ 92,958,918	$ 95,665,186	$ 101,030,184	$ 102,896,841	$ 99,595,638
UAAL as a % of Covered Payroll	117.2%	118.1%	120.4%	113.8%	125.0%

Note: The actuarial value of assets and liabilities are not shown here because there are no designated assets, thus the actuarial accrued liability is the same as the unfunded actuarial accrued liability and the funded ratio is 0%.
Source: City Colleges of Chicago FY2008 Comprehensive Annual Financial Report, p. 44; FY2011 Comprehensive Annual Financial Report, p. 42.

[80] Information provided by City Colleges finance office, August 3, 2010.
[81] The Annual OPEB Cost is a specific accounting term that is calculated and disclosed according to Governmental Accounting Standards Board Statement 45. It is not a funding requirement.
[82] City Colleges of Chicago, Comprehensive Annual Financial Report for the Year Ended June 30, 2011, p. 42.