



**THE CITY COLLEGES OF CHICAGO
FY2010 TENTATIVE BUDGET**

Analysis and Recommendations

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EXECUTIVE SUMMARY

The Civic Federation **supports** the City Colleges FY2010 budget totaling \$492.1 million, an increase of \$4.6 million or 0.9% over the FY2009 adjusted budget. During this time of economic uncertainty, City Colleges is proposing a prudent spending plan by holding its property tax levy flat over the next two years and continuing to evaluate its personnel expenditures. It is also taking into account uncertainties in state funding for FY2010 by proposing funding alternatives for two core programs.

The Civic Federation offers the following **key findings** on the City Colleges FY2010 budget:

- **Total appropriations across all funds** – unrestricted, restricted, capital and debt service - for FY2010 is **\$492.1 million**. This is an **increase of \$4.6 or 0.9%** over FY2009 total appropriations;
- **Total resources for FY2010 will total \$492.3 million;**
- Between FY2009 and FY2010, appropriations for employees' **salaries** from operating funds will **increase by \$5.8 million or 3.2%**, from \$184.6 million to \$190.4 million;
- Full-time equivalent (FTE) student enrollment at City Colleges **increased by 10.0%** from FY2008 to FY2009, rising by 3,966 FTE students from 39,788 FTEs to 43,754 FTEs; and
- Hourly tuition in FY2010 will be **increasing from \$72 to \$79 per credit hour**, a 9.7% increase; tuition and fee revenue is correspondingly projected to increase by **\$8.7 million** in FY2010. \$2.0 million of that increase is attributable to increased enrollment.

The Civic Federation **supports** several issues related to the FY2010 City Colleges budget:

- City Colleges has proposed a **prudent budget** for FY2010, especially in light of uncertain state funding levels and includes an alternate plan to address a possible loss of state revenues;
- The Board of Trustees' commitment to **holding the District's gross property tax levy flat** at \$126.2 million during the next two years is commendable;
- The District's commitment to **reporting cost-cutting efficiencies** implemented throughout their operations and noting associated savings;
- The **reasonable tuition increase** that is being proposed by the District, raising the cost per credit hour from \$72 to \$79;
- The **new performance measurement data collection methods** being implemented in FY2010, providing guidance in future years to identify methods for introducing new efficiencies; and
- The District's continuing commitment to a **more public budget process**, including holding public budget hearings and making improvements to its annual budget documents.

Although the Civic Federation supports the overall FY2010 budget, we have a few **concerns** that need to be addressed:

- City Colleges is predicting **revenue shortfalls through FY2013** but staff has not articulated a clear, detailed long-term plan for how it hopes to address the likely future funding shortfalls;
- **Additional budget document information** is needed, including future enrollment projections; and
- The annual budget document is lacking a **detailed narrative explanation of the City of Chicago's property tax levy** on behalf of City Colleges for the District's capital debt needs.

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

- The District should implement a formal **long-term financial planning** process;
- City Colleges should plan to **release a final budget for public review** instead of a tentative plan that is subject to frequent change during the review process;
- The **annual budget document should include additional information**; including more detailed information regarding the District's gross property tax levy and summary information across all funds grouped by object of expenditure;
- City Colleges should **study the creation of creating a trust fund to pre-fund its Other Post Employment Benefits** or identify some other strategy to fulfill this significant long-term liability; and
- The State of Illinois should look to **change the community college equalization formula**.

CIVIC FEDERATION POSITION

The Civic Federation **supports** the City Colleges FY2010 budget totaling \$492.1 million, which is an increase of \$4.6 million or 0.9% over the adjusted FY2009 budget proposal. During this time of economic uncertainty, City Colleges is proposing a prudent spending plan by holding its property tax levy flat over the next two years and continuing to evaluate its personnel expenditures. It is also taking into account uncertainties in state funding for FY2010 by proposing funding alternatives for two core programs if traditional revenue sources are not available this year. We believe that City Colleges is taking appropriate and responsible action to create a reasonable budget for uncertain times.

City Colleges is also proposing a reasonable 9.7% tuition increase for FY2010, which will offset a portion of the projected state source revenue shortfalls. User fees, like tuition increases, are preferable to taxes as a means of raising revenue since they target payments from those who are benefiting from the service. Despite this increase, the tuition at City Colleges will maintain one of the lowest tuition rates for community colleges in the Chicago area. The budget also proposes a more detailed reporting of cost-saving efficiencies employed by the District.

The Civic Federation, however, is concerned about City Colleges' future financial stability. The District is predicting that by FY2013 it will experience a deficit of nearly \$12.7 million. The District must continue to closely examine its spending priorities. As it currently stands, the District cannot afford its future operating plan and may have to make significant changes in the ensuing years to bring expenditures in line with projected revenues.

ISSUES THE CIVIC FEDERATION SUPPORTS

There are several issues that the Civic Federation specifically supports related to the FY2010 City Colleges budget.

Creating a Prudent Budget In Light of Uncertain State Funding

At the time of publication, the details of the State of Illinois' FY2010 budget have not yet fully emerged. Governor Quinn faces enormous challenges in balancing the State's budget deficit that has accumulated over time via poor financial management decisions and been exacerbated by a

declining economy. In order to prepare for a possible decline in state funding, City Colleges has proposed an alternate funding plan if it fails to secure state funds for its career technical and adult education programs, both of which have been identified by the District as core programs that it must continue to operate.

The alternate plan addresses the loss of \$15.0 million in state funding for these two programs by eliminating nearly 140 full- and part-time positions for a savings of \$9.0 million, reducing expenses by \$3.1 million, taking \$1.5 million from the District's emergency contingency fund and reducing the grants for adult education and Career Technical Education services by \$2.0 million.¹

City Colleges is also reducing its personnel levels. In its FY2010 budget the District notes that it reduced its total number of employees by 350 positions between June of 2008 and June of 2009.² In light of recent enrollment increases, the District originally planned to add back nearly 300 positions, mainly credit lecturers and faculty to teach the additional students. However, uncertainties in state funding led the District to wait to fill these positions.

The Civic Federation applauds City Colleges for creating a contingency plan to provide core services in light of uncertain state funding. We also support the District's approach to personnel and staffing issues, cutting unnecessary positions and wisely waiting to fill additional teaching positions until state funding decisions have been formalized. Proper planning, along with making difficult decisions, will help City Colleges navigate these difficult financial times while still providing students with needed services.

Freezing the Property Tax Levy for Two Years

At the direction of the Board of Trustees, City Colleges is proposing to hold its property tax levy flat over the next two years.³ The tax levy will remain at 2008 tax year levels, for a total levy of \$126.2 million in both FY2010 and FY2011.

The Civic Federation commends City Colleges for holding its levy flat, not adding to the burden on Chicago's already tax-weary citizens. Too often local governments reflexively increase their annual property tax levy to the amount allowed under Illinois' property tax cap legislation. City Colleges should be commended for holding the line on its own expenditures instead of going to taxpayers to ask for additional funds.

Reporting Cost-Saving Measures and Resulting Benefits

The budget lists numerous cost containment strategies, including a detailed explanation of its Annual Program and Services Analysis (APSA) which conducts biannual reviews of educational programs to determine if they are cost-efficient and should continue to be part of the District's curriculum. The budget also explains strategies used to adjust class size and teaching loads to reduce expenditures, along with the dollar savings resulting from these actions. Purchase

¹ PowerPoint Presentation by City Colleges, July 15, 2009.

² City Colleges of Chicago FY2010 Tentative Annual Operating Budget Revised 07/13/09, p. 13.

³ Personal communication between the Civic Federation and City Colleges, July 17, 2009.

agreements with other units of local government and district-wide contracts are also discussed as ways in which the District has lowered its annual operating expenses.⁴

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

Reasonable Tuition Increase

In FY2010 City Colleges is proposing the first installment of a multi-year tuition increase, raising tuition rates from \$72 per credit hour to \$79, a 9.7% increase. Fees will remain unchanged in FY2010 except those for Center for Distance Learning courses, which will rise from \$30 to \$40 per course. This is the first tuition increase since three-year staggered tuition increases between 2004 and 2006. In 2004 tuition increased from \$52 to \$62 per credit hour. It increased to \$67 per credit hour in 2005, and then rose to \$72 per credit hour beginning in the summer of 2006. Even with the currently proposed increases, City Colleges tuition and fee costs will continue to rank nine out of ten for the lowest tuition rate of the northeastern Illinois regional community colleges.

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

Increased Use of Data-Driven Decision Making

The District has begun to use software that allows leadership to track key performance measures, including enrollment head count and student retention data. This is a key step towards implementing a full performance measurement system, something the Civic Federation has advocated in previous budget analyses. We applaud City Colleges for moving to implement this important management tool.

While the implementation of these data-collection procedures is important, the District must publically demonstrate how its information technology expenditures are benefiting the District and helping leadership achieve its stated goals. A complete performance measurement system identifies relevant data, collects that data and then links this information to a formalized strategic plan, while publically disclosing each step of this process. The next step for City Colleges is to report how its performance metrics are linked to its strategic plan. The District's work on benchmarking to compare costs at other similarly-situated schools will also provide much-needed information, but the end goal is use, not just collection, of this data.

We urge the District to continue to develop its performance measurement system by linking its goals and objectives to the metrics it is collecting and making that information available to the public, followed by performing the necessary analysis on the data collected.

⁴ City Colleges of Chicago FY2010 Tentative Annual Operating Budget Revised 07/13/09, pp. 9-10.

Increased Transparency and Information in the Budget Process

This year City Colleges has continued to enhance the information contained in its annual budget, including a detailed description of the gap between revenues and expenditures and how the gap was closed, summary tables of appropriations by object for operating funds and summary charts of projected expenditures for employment benefits. The budget book also highlighted the District's adoption of another Civic Federation recommendation – development of a data collection process for their growing performance measurement system.

In addition to providing the public with more information in the budget book itself, for the past three years City Colleges has held public budget hearings at its locations across Chicago, presenting the upcoming year's budget and affording members of the public time to ask questions and engage the District's leaders. City Colleges also provides copies of its original and updated budgets online and holds an additional public comment session at its annual board meeting when the budget is approved.

The Federation applauds City Colleges and its staff for responding to the Civic Federation's calls for making more information available to the public in its annual budget documents and for taking the time to conduct public hearings. We encourage members of the public to review the materials put forth by the District and attend these sessions; we believe transparency and accountability breed success for any unit of local government.

ISSUES OF CONCERN TO THE CIVIC FEDERATION

The Civic Federation has several concerns related to the FY2010 budget.

Predicted Funding Gap Through FY2013

The Federation is pleased that the District has begun to implement key components of long-term planning, including forecasting its future financial needs through FY2013. The District is predicting that it will be unable to meet its expenditure needs with its projected revenues, with a projected deficit of \$12.7 million in FY2013.⁵ The District's projections assume a shortfall due to its expectation that revenues will only grow 2.0% annually, while expenditures across-the-board are predicted to grow at 3.0% and personnel expenses alone are predicted to grow by 4%.⁶ Across unrestricted operating funds, salaries will increase by 4.4% over last year's adjusted appropriations. However, benefit expenses will increase by 7.5% as part of a broader district-wide policy to shift to full-time educators and away from adjunct faculty.⁷

To address this funding shortfall, the District says it will continue to prepare a multi-year forecast and meet with staff and students to discuss revenue enhancements and expenditure reductions, "if necessary".⁸

⁵ PowerPoint presentation to the Civic Federation by City Colleges, July 17, 2009.

⁶ City Colleges of Chicago FY2010 Tentative Annual Operating Budget Revised 07/13/09, p. 6.

⁷ Personal communication between the Civic Federation and Phoebe Wood, budget director for City Colleges, July 15, 2009.

⁸ City Colleges of Chicago FY2010 Tentative Annual Operating Budget Revised 07/13/09, p. 6.

The Civic Federation believes this response is not adequate to address the serious funding shortfalls that City Colleges is predicting. The District is proposing a multi-year tuition increase plan. However, we do not believe that the District should rely only on tuition increases to eliminate its funding gap. City Colleges must also control and reduce expenses before turning to taxpayers to enhance its revenue stream.

The District must more effectively utilize its own strategic plan and performance measurement system to evaluate what services are crucial to the students they serve, and cut programs and expenditures that do not fulfill these needs. The District must also continue to revisit its current strategy of shifting from adjunct teachers to full-time employees as personnel costs are a large portion of their annual budget.

Additional Budget Document Information is Necessary

City Colleges' budget document lacks certain key pieces of information in FY2010, including:

- Personnel and enrollment projections for the upcoming fiscal year;
- Thorough narrative explanation of how the expiration of the Central Loop Tax Increment Financing district results in additional funds for the District; and
- A breakdown of the Federal Stimulus funds it is receiving, along with an explanation of how those funds will be allocated in the coming year.

Insufficient Transparency in Reporting Total Property Tax Revenue Sources

The Federation is concerned by the lack of complete transparency with respect to City Colleges total property tax levy. In addition to levying its own property taxes, City Colleges also receives property tax revenue that is levied by the City of Chicago. While this information is detailed in chart form in the budget book, the accompanying narrative explanation does not specifically explain the two sources of the District's property tax revenue, and why the City conducts the additional levy on behalf of City Colleges.⁹

While we understand that a need may arise for two units of government to create an intergovernmental relationship such as this, the Civic Federation believes the taxpayer has the right to have a clear and detailed explanation of where their monies are being spent. We encourage City Colleges to explain this issue further in future budget documents.

CIVIC FEDERATION RECOMMENDATIONS

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

Implement a Formal, Long-Term Financial Planning Process

The Civic Federation continues to urge the City Colleges to build upon its already-implemented long-term planning mechanisms by developing a formal long-term financial plan (LTFP).

⁹ City Colleges of Chicago FY2010 Tentative Annual Operating Budget Revised 07/13/09, p. 60.

We recognize that City Colleges has already begun to develop pieces of a long-term financial plan, including the creation of a long-range financial planning committee. However, we believe more work is necessary to complete this process.¹⁰

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

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

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

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

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

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

Revise Public Release Schedule for Annual Budget

We recommend that City Colleges release an executive budget proposal to the public that has previously been vetted by the Board of Trustees. While recognizing that City Colleges has made significant improvements to the public budget presentation process, including holding public budget hearings and allowing sufficient time to review the document, we believe revising this portion of the release schedule will afford the public a better opportunity to provide a comprehensive review by offering a static budget proposal.

Currently, City Colleges releases a tentative annual executive budget proposal that is reviewed by both the Board of Trustees and the public before being voted on during a formal board meeting. The tentative nature of the annual budget document results in frequent changes that are

¹⁰ PowerPoint presentation to the Civic Federation by City Colleges, July 17, 2009.

made to the District's revenue estimates and appropriation projections. This practice inhibits the public's ability to review the overall plan and makes it difficult to provide accurate and relevant commentary on a document that may change on a daily basis.

We recommend that City Colleges' executive staff propose a tentative budget to the Board of Trustees, and then after the Board has given its input the budget proposal is revised and released to the public. This is the model used by the Metropolitan Water Reclamation District (MWRD) and results in a public budget approval process that doesn't require frequent updates and corrections to the budget document.

For example, during its FY2009 budget approval process, the MWRD submitted the General Superintendent's budget recommendations to the Board of Commissioners and the public on October 21, 2008. In early November MWRD held public hearings on the budget proposal during which the Board of Commissioners made recommendations regarding the General Superintendent's proposal. On November 26, 2008 a tentative budget was released to the public that included the recommendations and corrections made during the board hearings. At this point the public was able to review a tentative plan that had been vetted by both staff and the board, resulting in a more complete picture of the budget proposal.¹¹

We understand the scheduling constraints inherent in City Colleges' budget review process due to the timing of the release of the State budget. However, the current practice of issuing a tentative budget that is subject to frequent changes, followed by a final budget that presents more reliable estimates for all funds, is confusing and a significant departure from the budget practices of virtually every other government. We understand the importance of completing a budget document by a target date, but the rush to meet such an objective should never compromise completeness and accuracy.

Budget Format Recommendations

The Civic Federation offers the following recommendations to further improve the format of the City Colleges budget document:

- The budget should include a detailed narrative discussion of the property tax levy that is levied by the City of Chicago on behalf of City Colleges that explains the financial data that outlines the relationship between the two entities, focusing especially how the year when the levy appeared to decrease it was shifted to the City;
- The budget should include summary tables that provide information by object for all funds (including grants) in order to provide a complete picture of proposed spending for the new fiscal year;
- The budget should contain comparable five-year personnel trends. There should also be some narrative that discusses the personnel changes and the reasons for those changes; and

¹¹ MWRD FY2009 Budget, pp. 38-39.

- The budget should include projections for student enrollment by full-time equivalent and credit hour for the new fiscal year.

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

As required by GASB Statement 45, City Colleges has disclosed information about other post employment benefits (OPEB) in its audited financial statements since FY2006.¹² The annual cost of these types of benefits, which consist primarily of retiree health insurance costs, was nearly \$12.8 million in FY2007.

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

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

The State of Illinois Should Change the Community College Equalization Formula

The City Colleges hopes to receive \$15.0 million in state funds in FY2010 to compensate the District for the loss of significant community college equalization funds. This amount is subject to the final approval of the State of Illinois FY2010 budget. The Civic Federation supports the City Colleges receiving these funds, but urges the State to rectify the situation that requires the District to seek such funds on an annual basis rather than receiving a reasonable annual allocation.

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

ACKNOWLEDGEMENTS

We would like to express our sincere thanks and appreciation to Chancellor Wayne Watson, Vice Chancellor of Finance/Chief Financial Officer Kenneth Gotsch, Budget Director Phoebe Wood, Associate Vice Chancellor for Finance/Treasurer Dolores Javier and Interim Vice Chancellor of Academic Affairs Angela Henderson and the budget and finance staff for their hard work in preparing this budget. We would also like to thank them for their willingness to provide the Civic Federation with information, a briefing on the budget and many answers to our budget questions.

¹² The District was an early implementer of the standard.

RESOURCES

City Colleges will receive a total of \$492.3 million in net resources for all funds in FY2010. The exhibit below shows the breakdown of those resources. Approximately \$73.4 million from City Colleges' fund balance will be appropriated in addition to the \$418.8 million that City Colleges will receive from local, state, and federal sources. The single largest revenue source will be net property tax revenues, which will provide the district with \$118.2 million or 24.0% of total revenues. The State of Illinois will provide 17.3% of all resources or approximately \$85.2 million. State and Federal intergovernmental revenues combined will provide 35.2% of the FY2010 budget, or \$173.4 million.

The District is only anticipating receipts of \$1.0 million in federal stimulus dollars for FY2010, which will be earmarked for the *Youthworks Chicago* project. However, the District also intends to apply for a Department of Labor grant to provide windmill operating training, and they will apply for other "shovel-ready" projects as appropriate.¹³

It is important to note that the State of Illinois also makes contributions to the State Universities Retirement System behalf of City Colleges for most of the District's employees.¹⁴ Pension contributions are funded by other local governments from their own revenues such as property taxes. Thus, state assistance is a significant benefit to the City Colleges. In FY2008, these State pension contributions were \$14.7 million.¹⁵

City Colleges Net Resources for All Funds: FY2010		
Sources of Revenues	FY2010	% of Total
Estimated Fund Balance	\$ 105,200,000	
Fund Balance to be Reserved	\$ (31,761,280)	
Fund Balance to be Appropriated	\$ 73,438,720	19.6%
Net Property Tax Revenues	\$ 118,220,000	24.0%
Personal Property Replacement Tax	\$ 14,500,000	2.9%
Tuition and Fees	\$ 95,327,371	19.4%
Auxiliary/Enterprise	\$ 9,280,926	1.9%
Investment Revenue	\$ 2,000,000	0.4%
Local Government Grants	\$ 3,794,136	0.8%
Total Local Government	\$ 243,122,433	49.4%
State Government	\$ 85,181,573	17.3%
Federal Government	\$ 88,227,787	17.9%
Subtotal State & Federal Sources	\$ 173,409,360	35.2%
Other Sources	\$ 2,282,228	0.5%
Total	\$ 492,252,741	100.0%

Source: City Colleges of Chicago Budget Office, July 22, 2009.

¹³ Communication between the Civic Federation and City Colleges, July 15, 2009.

¹⁴ The State provides pension contributions for City Colleges employees except those paid for with federal grants; the District pays the employer share of those pension costs.

¹⁵ City Colleges FY2008 Comprehensive Annual Financial Report, p. 41.

City Colleges' total FY2010 net resources of \$492.3 million will be \$4.7 million more than FY2009 adjusted resources of \$487.5 million. Local government resources will increase by \$13.9 million or 6.1%; this increase is fueled in large part by the district's FY2010 tuition and fee increase. Federal resources will increase by 11.2%, rising from \$79.3 million to \$88.2 million.

State resources will fall to \$85.1 million, a \$13.3 million or 13.5% decrease.

Auxiliary/Enterprise resources will fall from \$11.4 million in FY2009 to \$9.3 million in FY2010; this decrease is attributable to the consolidation of the Workforce Initiative programs and transferring operations from Truman College to Harold Washington College, as well as unrealized revenues from Kennedy-King's new restaurant.¹⁶ Finally, "Other Sources" will decrease by 9.8%, falling from \$2.5 million in FY2009 to nearly \$2.3 million.

City Colleges Resources for All Funds: FY2009 & FY2010				
Sources of Revenues	FY2009	FY2010	\$ Change	% Change
Estimated Fund Balance	\$ 127,065,000	\$ 105,200,000	\$ (21,865,000)	-17.2%
Fund Balance to be Reserved	\$ (49,076,582)	\$ (31,761,280)	\$ 17,315,302	-35.3%
Fund Balance to be Appropriated	\$ 77,988,418	\$ 73,438,720	\$ (4,549,698)	-5.8%
Net Property Tax Revenues	\$ 114,372,375	\$ 118,220,000	\$ 3,847,625	3.4%
Personal Property Replacement Tax	\$ 14,500,000	\$ 14,500,000	\$ -	0.0%
Local Government Grants	\$ 4,109,665	\$ 3,794,136	\$ (315,529)	-7.7%
Tuition and Fees	\$ 80,881,286	\$ 95,327,371	\$ 14,446,085	17.9%
Auxiliary/Enterprise	\$ 11,360,734	\$ 9,280,926	\$ (2,079,808)	-18.3%
Investment Revenue	\$ 4,000,000	\$ 2,000,000	\$ (2,000,000)	-50.0%
Total Local Government	\$ 229,224,060	\$ 243,122,433	\$ 13,898,373	6.1%
State Government	\$ 98,480,636	\$ 85,181,573	\$ (13,299,063)	-13.5%
Federal Government	\$ 79,326,860	\$ 88,227,787	\$ 8,900,927	11.2%
Subtotal State & Federal Sources	\$ 177,807,496	\$ 173,409,360	\$ (4,398,136)	-2.5%
Other Sources	\$ 2,529,695	\$ 2,282,228	\$ (247,467)	-9.8%
Total	\$ 487,549,669	\$ 492,252,741	\$ 4,703,072	1.0%

Source: City Colleges of Chicago Budget Office, July 22, 2009 and July 23, 2009.

Operating Revenues

In FY2010, all operating fund revenues, which include all funds except the capital fund, are projected to increase by \$30.1 million or 7.8% over FY2009 operating revenues of \$387.0 million.

- Revenues from tuition and fees are projected to increase by \$14.4 million or 17.9%.
- Local government revenues, which include property tax revenues, personal property replacement taxes (PPRT) and local government grants, will increase by \$3.5 million or 2.8%.

¹⁶ Communication between the Civic Federation and City Colleges, July 15, 2009.

- State government revenues will decrease from \$93.3 million to \$85.1 million, an \$8.1 million or an 8.7% decline, due in part to the State's decision to not provide funds for the Monetary Assistance Program in FY2010;
- Federal government revenues will increase significantly, rising by 42.1% from \$62.1 million to \$88.2 million. This increase is primarily attributable to additional Pell Grants received by students.
- The fund balance appropriated for operating funds will decrease from the previous year, falling from approximately \$6.1 million to \$4.6 million.
- Other sources revenues will decrease, falling from \$2.5 million to \$2.3 million.
- Auxiliary/enterprise revenues will decrease by 18.3%.
- Investment revenue will decline significantly, dropping by 50.0%.

City Colleges Resources for All Operating Funds: FY2009 & FY2010				
Revenue Source	FY2009	FY2010	\$ Change	% Change
Local Government*	\$ 126,782,040	\$ 130,314,136	\$ 3,532,096	2.8%
State Government	\$ 93,321,784	\$ 85,181,573	\$ (8,140,211)	-8.7%
Federal Government	\$ 62,089,162	\$ 88,227,787	\$ 26,138,625	42.1%
Tuition and Fees	\$ 80,881,286	\$ 95,327,371	\$ 14,446,085	17.9%
Auxiliary/Enterprise	\$ 11,360,734	\$ 9,280,926	\$ (2,079,808)	-18.3%
Investment Revenue	\$ 4,000,000	\$ 2,000,000	\$ (2,000,000)	-50.0%
Other Sources	\$ 2,529,695	\$ 2,282,228	\$ (247,467)	-9.8%
Fund Balance Appropriated	\$ 6,059,010	\$ 4,567,007	\$ (1,492,003)	-24.6%
Total	\$ 387,023,711	\$ 417,181,028	\$ 30,157,317	7.8%

*PPRT revenues are reported here as local government resources.

Source: City Colleges of Chicago Budget Office, July 22, 2009.

Unrestricted operating fund revenues in FY2010, which excludes restricted grant revenues, will increase by 5.4% or \$14.7 million, rising from \$275.2 million to \$289.9 million. State revenues for unrestricted operating purposes are projected to be flat at \$54.7 million. Local government funds, which include \$8.3 million in PPRT revenues in both years, are expected to increase by 3.1% or nearly \$3.8 million.

City Colleges Resources for Unrestricted Operating Funds: FY2009 & FY2010				
Sources of Revenues	FY2009	FY2010	\$ Change	% Change
Local Government	\$ 122,672,375	\$ 126,520,000	\$ 3,847,625	3.1%
State Government	\$ 54,719,201	\$ 54,719,201	\$ -	0.0%
Federal Government	\$ 104,900	\$ 300,000	\$ 195,100	186.0%
Tuition and Fees	\$ 80,881,286	\$ 95,327,371	\$ 14,446,085	17.9%
Auxiliary/Enterprise	\$ 11,360,734	\$ 9,089,386	\$ (2,271,348)	-20.0%
Investment Revenue	\$ 4,000,000	\$ 2,000,000	\$ (2,000,000)	-50.0%
Other Sources	\$ 1,505,000	\$ 2,028,206	\$ 523,206	34.8%
Total	\$ 275,243,496	\$ 289,984,164	\$ 14,740,668	5.4%

Source: City Colleges of Chicago Budget Office, July 22, 2009.

Five-Year Revenue Trends: FY2006 and FY2010

Operating revenues, which include revenues for all funds except capital funds, are projected to increase by 5.1% from FY2006 to FY2010, rising from \$396.8 million to \$417.1 million.

Federal funding is expected to increase by 23.9 %. Tuition and fees are projected to increase by 38.8%, largely because of recent tuition increases. Auxiliary/enterprise revenues are projected to increase by 49.8%.

State funding will decrease by 5.8%, due in part to the State's decision to not provide funds for the Monetary Assistance Program in FY2010. Local government funding will also decrease, falling by 10.0% or \$14.4 million. The reason for the decrease is due in large part to the elimination of the City Colleges Operation and Maintenance property tax levy that was used to pay for debt issued by the Public Building Commission (PBC) on behalf of the district. As a result of this action, the District no longer has debt service revenue or expenses; the City of Chicago now levies property taxes that are used to pay for Public Building Commission obligations for City Colleges projects.¹⁷

City Colleges Resources for Operating Funds: FY2006 & FY2010				
Revenue Source	FY2006	FY2010	\$ Change	% Change
Local Government	\$ 144,761,564	\$ 130,314,136	\$ (14,447,428)	-10.0%
State Government	\$ 90,463,147	\$ 85,181,573	\$ (5,281,574)	-5.8%
Federal Government	\$ 71,197,000	\$ 88,227,787	\$ 17,030,787	23.9%
Tuition and Fees	\$ 68,686,427	\$ 95,327,371	\$ 26,640,944	38.8%
Auxiliary/Enterprise	\$ 6,195,111	\$ 9,280,926	\$ 3,085,815	49.8%
Investment Revenue	\$ 2,536,000	\$ 2,000,000	\$ (536,000)	-21.1%
Other Sources	\$ 5,200,530	\$ 2,282,228	\$ (2,918,302)	-56.1%
Fund Balance Appropriated	\$ 7,745,282	\$ 4,567,007	\$ (3,178,275)	-41.0%
Total	\$ 396,785,061	\$ 417,181,028	\$ 20,395,967	5.1%

Source: City Colleges of Chicago Budget Office, July 22, 2009.

The next exhibit examines five-year trends for unrestricted operating funds, which are comprised of operating funds but exclude grant revenue. Overall, unrestricted operating fund revenues will increase by 19.8%, from nearly \$242.0 million to \$289.9 million. The largest single percentage increase over the five-year period is for auxiliary/enterprise revenue, which is expected to increase by \$3.4 million or 58.7%. In terms of dollars, the largest increase will come from tuition and fees, which will rise by \$26.6 million. State revenues will decrease by nearly \$6.7 million.

City Colleges Resources for Unrestricted Operating Funds: FY2006 & FY2010				
	FY2006	FY2010	\$ Change	% Change
Local Government	\$ 99,580,666	\$ 126,520,000	\$ 26,939,334	27.1%
State Government	\$ 61,416,077	\$ 54,719,201	\$ (6,696,876)	-10.9%
Federal Government	\$ 370,000	\$ 300,000	\$ (70,000)	-18.9%
Tuition and Fees	\$ 68,686,427	\$ 95,327,371	\$ 26,640,944	38.8%
Auxiliary/Enterprise	\$ 5,727,111	\$ 9,089,386	\$ 3,362,275	58.7%
Investment Revenue	\$ 1,800,000	\$ 2,000,000	\$ 200,000	11.1%
Other Sources	\$ 4,416,530	\$ 2,028,206	\$ (2,388,324)	-54.1%
Total	\$ 241,996,811	\$ 289,984,164	\$ 47,987,353	19.8%

Source: City Colleges of Chicago Budget Office, July 22, 2009.

¹⁷ Information provided by City Colleges of Chicago Finance Office, June 26, 2008.

City Colleges Tuition Rates

The tuition rates for City Colleges will increase in FY2010 from \$72 per credit hour to \$79, a 9.7% increase. Fees will remain unchanged except those for Center for Distance Learning courses, which will rise from \$30 to \$40 per course. This is the first tuition increase since three-year staggered tuition increases between 2004 and 2006. In 2004 tuition increased from \$52 to \$62 per credit hour. It increased to \$67 per credit hour in 2005, and then rose to \$72 per credit hour beginning in the summer of 2006. Even with the increases, City Colleges tuition and fee costs will continue to rank among the lowest of the northeastern Illinois regional community colleges, as the exhibit below demonstrates.

Basic Credit Hour Tuition for Selected Community College Districts: FY2010			
College	In District Tuition	Per Credit Hour Fees for Full-Time Students	Total for Full-Time, In District Students
South Suburban College (South Holland)	\$ 90.00	\$ 13.75	\$ 103.75
College of DuPage (Glen Ellyn)	\$ 92.51	\$ 23.85	\$ 116.36
Harper College (Palatine)	\$ 90.00	\$ 14.00	\$ 104.00
Elgin Community College (Elgin)	\$ 91.00	\$ -	\$ 91.00
College of Lake County	\$ 81.00	\$ 14.00	\$ 95.00
Prairie State College (Chicago Heights)	\$ 78.00	\$ 9.00	\$ 87.00
Oakton Community College (Des Plaines)	\$ 86.00	\$ 12.60	\$ 98.60
Morton College (Cicero)	\$ 64.00	\$ 16.00	\$ 80.00
City Colleges of Chicago	\$ 79.00	N/A*	\$ 79.00
Triton College (River Grove)	\$ 72.00	\$ 5.00	\$ 77.00

*City Colleges of Chicago includes Per Credit Hour Fees in its Per Credit Hour Tuition Rate

Source: City Colleges of Chicago FY2010 Tentative Budget, p. 51; Websites of selected community college districts.

State Equalization Formula

The State of Illinois provides community college districts with equalization grants intended to ensure that each district has approximately equivalent financial means, regardless of a District's taxable property wealth. Because the formula for distributing equalization grants does not account for the tax cap law, it assumes that a greater amount of property wealth is available to tax-capped Districts than can actually be taxed, without seeking approval of the voters through a referendum. Over time, this has meant that state funding for the City Colleges has been eroded. The current formula on its own would have provided the City Colleges with almost no revenue. To correct this imbalance, the state awarded a \$15.0 million grant to the City Colleges in FY2005. It renewed this grant in FY2006, FY2007, FY2008 and FY2009. The District assumes it will continue to receive the \$15.0 million grant in FY2010.¹⁸ The final decision regarding the grant is dependent upon a final resolution for the State's FY2010 operating budget, which has not occurred at the time of publication.

Property Tax Revenues in FY2010

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

¹⁸ City Colleges of Chicago FY2010 Tentative Annual Operating Budget, p. 54.

levied and when they are collected. Taxes levied in 2009 will actually be received in 2010. The effect of these two issues is that property tax funds available during the City Colleges upcoming fiscal year (FY2010) will be drawn from part of tax year 2008 and part of tax year 2009. The City Colleges Board of Trustees has decided to hold the District's levy flat in tax years 2009 and 2010; therefore property taxes will not increase in those years.¹⁹

In FY2010, the City Colleges will receive a net total of approximately \$118.2 million in property tax revenues. The gross amount of tax levy revenues will be \$126.9 million. Of the gross amount, \$63.1 million will be derived from the estimated 2008 levy and \$63.8 million will be derived from the estimated 2009 levy. The \$0.7 million increase between the 2008 and 2009 levy is attributable to an increased rate for new property and any property added as the result of an expiring TIF district.²⁰ Net property tax revenues are expected to increase by 3.4% or nearly \$3.8 million between FY2009 and FY2010.

Property Tax Revenues Received by City Colleges: FY2009 & FY2010		
	FY2009	FY2010
1/2 Estimated Gross 2007 Levy	\$ 58,250,000	
1/2 Estimated Gross 2008 Levy	\$ 63,100,000	
1/2 Estimated Gross 2008 Levy		\$ 63,100,000
1/2 Estimated Gross 2009 Levy		\$ 63,857,200
Subtotal Gross Levy Funds Available	\$ 121,350,000	\$ 126,957,200
Back Taxes Revenue	\$ (2,730,375)	\$ (3,335,466)
Estimated Loss and Cost of Collection	\$ (4,247,250)	\$ (5,401,360)
Total (Net Levy)	\$ 114,372,375	\$ 118,220,374
\$ Change FY2009 to FY2010		\$ 3,847,999
% Change FY2009 to FY2010		3.4%

All of the \$118.2 million of the total property tax revenues available in FY2010 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. City Colleges operating funds included under the state tax cap are the education fund, operations and maintenance fund, auxiliary enterprise fund, audit fund, and the liability, protection, and settlement fund. No property tax dollars, or any other revenues, will be used for the PBC Operation and Maintenance fund, a debt service fund, which has been abolished and was not subject to the tax cap limitations.

The City Colleges estimates that it will receive an additional \$3.5 million in property tax revenues in FY2010 from the expiration of the Central Loop Tax Increment Financing (TIF) District.²¹

Property tax funds subject to the tax cap are expected to increase by nearly \$3.8 million, or 3.3%, from FY2009 to FY2010, net loss of cost of collection and back taxes.

¹⁹ This attribution of property tax revenue to different tax years is a result of budgetary accrual methods. In terms of actual collections, the 2008 property tax levy was certified to the Cook County Clerk in December 2008 and will be collected from taxpayers in the fall of 2009 and spring of 2010 tax bills (i.e., in City Colleges' FY2010).

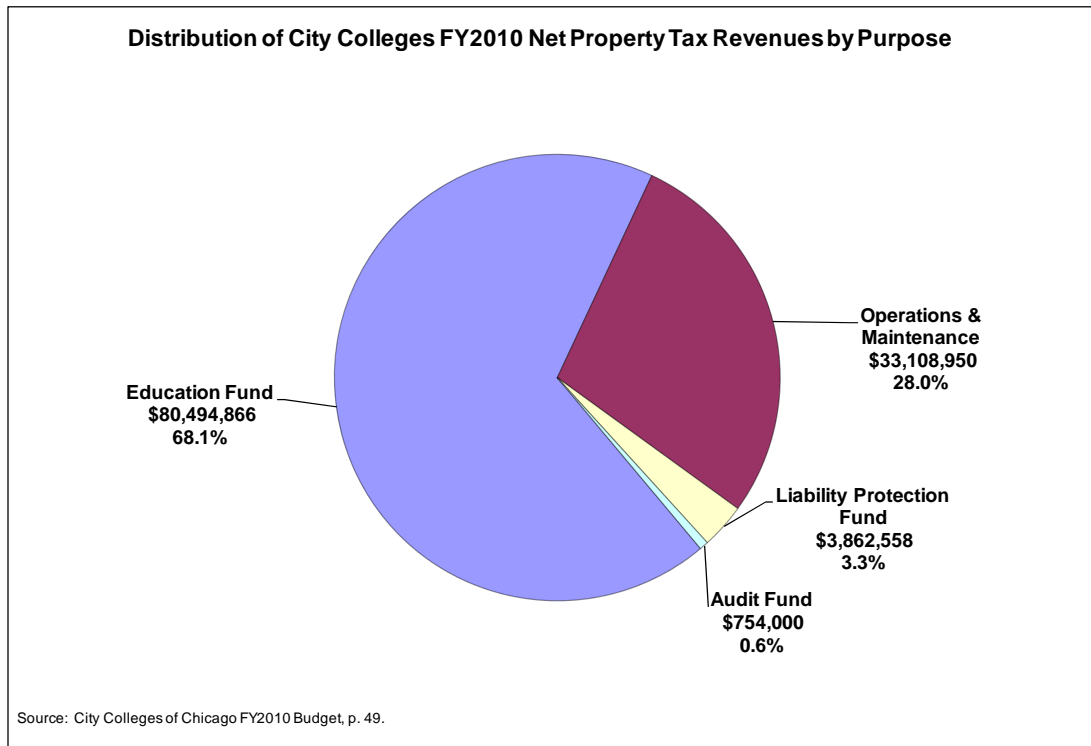
²⁰ Email communication between the Civic Federation and Phoebe Wood, budget director for City Colleges, July 23, 2009.

²¹ City Colleges of Chicago FY2010 Tentative Annual Operating Budget, p. 4.

Property Tax Levy for Operating Expenses by City Colleges Fiscal Year: FY2009 & FY2010				
	FY2009	FY2010	\$ Change	% Change
Levy Amount	\$ 121,350,000	\$ 126,957,200	\$ 5,607,200	4.6%
Back Taxes Revenue	\$ (2,730,375)	\$ (3,335,466)	\$ (605,091)	22.2%
Estimated Loss and Cost	\$ (4,247,250)	\$ (5,401,360)	\$ (1,154,110)	27.2%
Total Net Levy	\$ 114,372,375	\$ 118,220,374	\$ 3,847,999	3.4%

Source: City Colleges of Chicago Budget Office, July 22, 2009.

The distribution of total net City Colleges property tax revenues is shown below. Approximately 68.1%, or \$80.4 million, is earmarked for the education fund, which is the City Colleges' general operating fund. Over \$33.1 million or 28.0% of all net property tax revenues is earmarked for operations and maintenance and \$3.8 million or 3.3% of the total is reserved for the liability, protection and settlement fund.



City of Chicago Property Tax Levy for City Colleges

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

O & M levy was eliminated, which requires the District to seek other ways to issue debt. The City of Chicago, by means of an intergovernmental agreement, now levies property taxes that are used to pay for Public Building Commission obligations used to City Colleges projects.²²

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

As shown in the exhibit below, the City's levy for the City Colleges debt was flat at \$5.7 million for several years, and then jumped to \$32.6 million in 2007 and \$35.1 million in 2008 and 2009. 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 FY2010 budget. However, to date, it has not been discussed in the City of Chicago's budget. The assumption by the City of Chicago of the City Colleges debt service levy is the primary reason for the reduction since FY2006 of the City Colleges gross levy.

Additionally, it should be noted that the 2008 City Colleges Gross Property Tax Levy line item includes approximately \$2.1 million in additional funding due to the expiration of the Central Loop TIF district.

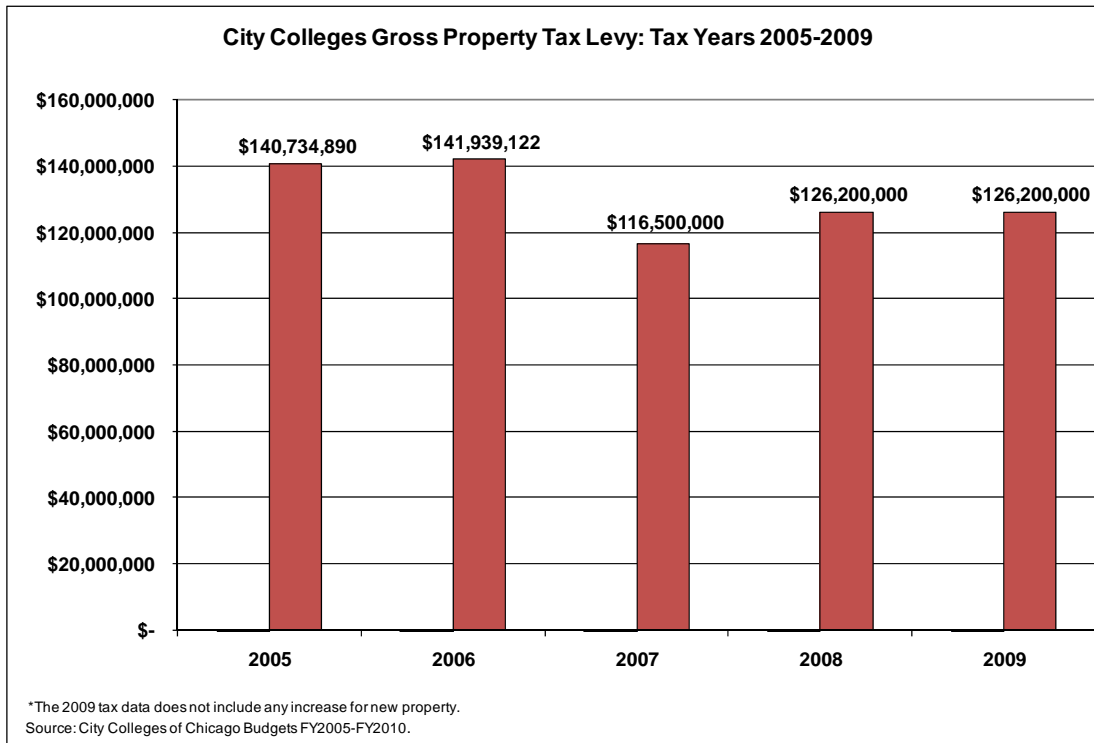
Total Property Tax Levies for City Colleges (By Tax Year):				
2006-2009				
Property Tax Source	2006	2007	2008	2009
City Colleges Gross Property Tax Levy	\$ 141,939,122	\$ 116,500,000	\$ 126,200,000	\$ 126,200,000
PBC Levy	\$ 29,499,412	\$ -	\$ -	\$ -
Subtotal Gross Property Tax Levy minus PBC Levy	\$ 112,439,710	\$ 116,500,000	\$ 126,200,000	\$ 126,200,000
City of Chicago Property Tax Levy for City Colleges	\$ 5,443,200	\$ 32,668,200	\$ 35,168,750	\$ 35,163,550
Total (Gross CC Levy + City Levy)	\$ 147,382,322	\$ 149,168,200	\$ 161,368,750	\$ 161,363,550

Source: City Colleges Budget Office.

Gross Property Tax Levy

The exhibit below shows the amount of the gross property tax levy for all purposes for tax years 2005 through 2009. The gross property tax levy for tax year 2009 will be held flat from the previous year at \$126.2 million, not including new property. Since tax year 2005 the gross property tax levy will have decreased by 10.3% or \$14.5 million. This decrease is attributable in large part to the abolition of the City Colleges PBS Operations and Maintenance debt service levy and the shifting of those costs to the City of Chicago's property tax levy. It is important to note that the actual amount of property tax dollars City Colleges will receive in tax year 2009 will not be known until the Cook County Clerk actually extends the levy and applies all relevant rate limits and the tax cap on eligible funds. The final extension amount is different than and usually less than the original levy amount.

²² Information provided by City Colleges of Chicago Finance Office, June 26, 2008.



APPROPRIATION TRENDS

The following section presents information and trends regarding City Colleges' appropriations and expenditures. This section lays out City Colleges' appropriation data by grouping expenditure data across all funds, including unrestricted and restricted operating funds, as well as capital and debt service funds. The next section details expenditures only by operating funds, which include appropriations for unrestricted funds and restricted funds.²³ The final section looks at appropriations for unrestricted funds.

Within each of the three sections of the appropriations analysis, data is compared to last year's adjusted budget appropriations. There are also comparisons across five years of appropriation data.

Additionally, information is broken down by expenditure by object and expenditure by program. Some of City Colleges' program categories cover a range of expenditures. The following list explains in greater detail the kinds of expenditures designated by City Colleges' category names:

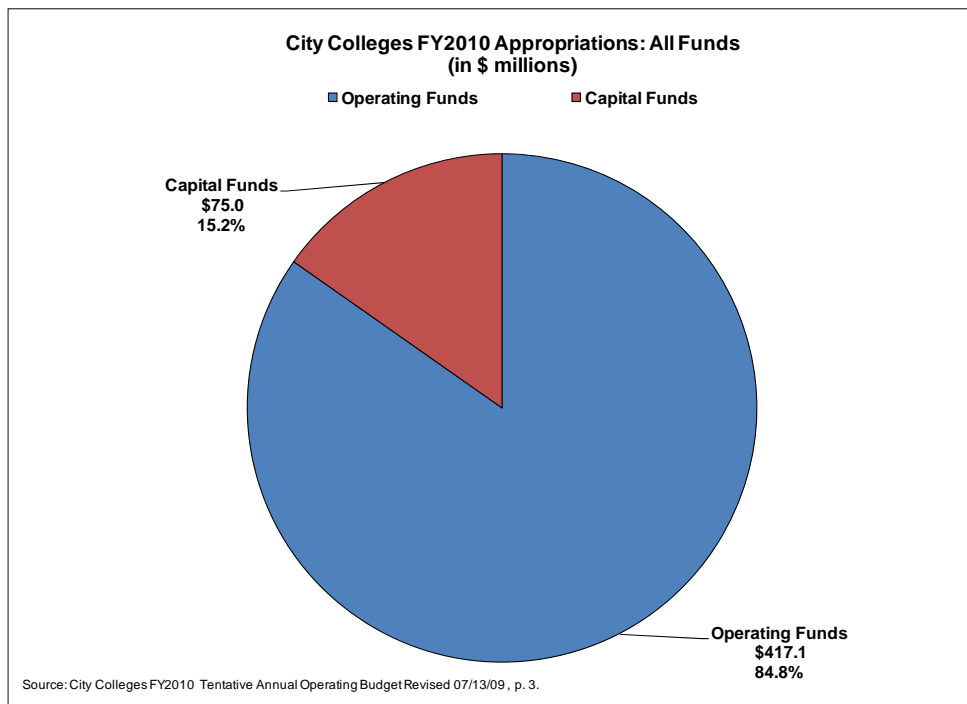
- **Instruction** refers to classroom activities including faculty salaries and classroom materials.
- **Institutional Support** refers to activities related to general institutional management.
- **Operations and Maintenance** refers to physical plant and facility-related activities.
- **Academic Support** refers to activities directly supporting instruction including tutoring and academic management.

²³ City Colleges of Chicago FY2010 Tentative Annual Operating Budget, p. 44.

- **Student Services** refers to activities including registering, admitting and testing students.
- **Public Service** refers to programs designed to serve the public, such as customizing training and continuing education.

Total Appropriations for FY2010

The FY2010 City Colleges proposed budgeted appropriations will total \$492.1 million, a \$4.6 million or 0.9% increase over FY2009 adjusted appropriations. Of City Colleges' \$492.1 million FY2010 budget, approximately 84.8% will go to operating funds and 15.2% to the capital fund. Operating funds finance employees' salaries and benefits, pay for utility costs and fund all other day-to-day expenditures. In the City Colleges' budget, operating funds include all funds except capital and debt service. The capital fund provides money for all major building projects as well as the improvement of existing structures. The debt service funds pay for the City Colleges' outstanding bond obligations. Due to the retirement of outstanding obligations paid out of the fund, no monies will be appropriated for the debt service funds.



Two-Year and Five-Year Appropriation Trends for All Funds

As the following table shows, City Colleges' FY2010 total budget is expected to increase by 0.9%, or \$4.6 million over FY2009 adjusted appropriations. Unrestricted appropriations will increase by \$11.6 million or 4.1% over FY2009 revised appropriations. Capital fund appropriations will decrease by 2.0% or \$1.5 million. Restricted operating fund appropriations will also decrease, falling by \$5.5 million or 4.3%. Debt service appropriations will remain

constant at 0.0%; City Colleges' leases with the Public Building Commission expired and therefore no longer require payment from this fund.²⁴

City Colleges Appropriations for All Funds: FY2009 & FY2010 (in \$ millions)				
Fund Type	FY2009	FY2010	\$ Change	% Change
Operating Funds				
Unrestricted	\$ 282.9	\$ 294.5	\$ 11.6	4.1%
Restricted	\$ 128.1	\$ 122.6	\$ (5.5)	-4.3%
Subtotal Operating	\$ 411.0	\$ 417.1	\$ 6.1	1.5%
Capital Fund	\$ 76.5	\$ 75.0	\$ (1.5)	-2.0%
Debt Service Funds	\$ -	\$ -	\$ -	
Total	\$ 487.5	\$ 492.1	\$ 4.6	0.9%

Source: City Colleges of Chicago FY2010 Tentative Annual Operating Budget Revised 07/13/09, p. 3.

The FY2010 budget proposes a total appropriation of \$492.1 million across all funds, a \$4.5 million or 0.9% increase over FY2009 revised all fund appropriations of \$487.5 million. When broken down by expenditures by object, appropriations for employee benefits will experience the largest dollar increase, rising by \$6.5 million or 12.7% since FY2009. Contractual services will decline by \$1.2 million over FY2009 revised appropriations.

City Colleges Appropriation by Object for All Funds: FY2009 & FY2010				
	FY2009	FY2010	\$ Change	% Change
Salaries	\$ 184,572,107	\$ 190,421,280	\$ 5,849,173	3.1%
Employee Benefits	\$ 44,571,381	\$ 51,080,350	\$ 6,508,969	12.7%
Contractual Services	\$ 40,307,925	\$ 39,097,995	\$ (1,209,930)	-3.1%
Materials/Supplies	\$ 20,982,071	\$ 20,733,870	\$ (248,201)	-1.2%
Travel/Conferences	\$ 2,313,934	\$ 2,198,963	\$ (114,971)	-5.2%
Fixed Charges	\$ 3,467,772	\$ 3,721,256	\$ 253,484	6.8%
Utilities	\$ 12,486,455	\$ 12,376,259	\$ (110,196)	-0.9%
Capital Outlay	\$ 76,864,158	\$ 75,321,201	\$ (1,542,957)	-2.0%
Other	\$ 101,979,864	\$ 97,142,940	\$ (4,836,924)	-5.0%
Total	\$ 487,545,667	\$ 492,094,114	\$ 4,548,447	0.9%

Source: City Colleges of Chicago Office of Finance.

Turning to five-year all fund appropriations by program, expenditures are rising from \$474.2 million to \$492.1 million during this period, which is an increase of 3.6% or \$17.9 million. Institutional support, which funds central, executive-level activities, will decrease by \$28.5 million or 39.4%. This decrease is due to the fact that a debt service payment totaling \$39.4 million was made in FY2006, and the District no longer has a debt service payment.²⁵

Scholarships and fellowships appropriations will increase by \$23.4 million or 28.3%. This increase is attributable to the new International Brotherhood of Electrical Workers (IBEW) program at City Colleges that provides full tuition and fee waivers for all students and increased

²⁴ City Colleges FY2010 Tentative Annual Operating Budget, p. 3.

²⁵ Communication between the Civic Federation and City Colleges, July 15, 2009.

waivers for the french pastry program. Students have also experienced an increase in financial aid receipts from state and federal sources totaling \$23.8 million.²⁶ Instruction, academic support and student service appropriations will each increase by 5.0%, 8.0% and 9.7%, respectively. Finally, organized research appropriations will increase by almost \$0.6 million, or 70.3%, during the five-year period.

City Colleges Appropriation by Program for All Funds: FY2006 & FY2010				
	FY2006	FY2010	\$ Change	% Change
Instruction	\$ 121,992,495	\$ 128,390,212	\$ 6,397,717	5.0%
Academic Support	\$ 32,819,321	\$ 35,663,729	\$ 2,844,408	8.0%
Student Services	\$ 28,082,229	\$ 31,084,053	\$ 3,001,824	9.7%
Public Services	\$ 15,752,330	\$ 14,869,019	\$ (883,311)	-5.9%
Organized Research	\$ 242,000	\$ 813,977	\$ 571,977	70.3%
Auxiliary/Enterprise	\$ 1,617,459	\$ 2,451,952	\$ 834,493	34.0%
Operation & Maintenance	\$ 113,348,530	\$ 123,652,232	\$ 10,303,702	8.3%
Institutional Support	\$ 101,061,596	\$ 72,513,535	\$ (28,548,061)	-39.4%
Scholarships/Fellowships	\$ 59,269,100	\$ 82,655,405	\$ 23,386,305	28.3%
Total	\$ 474,185,060	\$ 492,094,114	\$ 17,909,054	3.6%

Source: City Colleges of Chicago FY2006 Tentative Budget, p. 48; and FY2010 Tentative Annual Operating Budget Revised 07/13/09, p. 83.

Two-Year and Five-Year Appropriation Trends for Operating Funds

The FY2010 budget proposes a total operating funds appropriation of \$417.1 million, a \$28.5 million or 7.3% increase over proposed FY2009 appropriations of \$388.6 million.

Appropriations for employee benefits will rise by 14.6% or \$6.5 million in FY2010. Salaries will increase by \$5.8 million or 3.2%. Other appropriations will increase significantly, rising by \$17.6 million or 22.1%. This increase is due in part to an increase in scholarship and waiver expenditures, in addition to bad debt expenses.²⁷

Appropriations in five categories will decline over the two-year period, including a 5.0% decrease in travel and conference expenditures and a 2.8% decline in capital outlay appropriations.

²⁶ Communication between the Civic Federation and City Colleges, July 15, 2009.

²⁷ City Colleges of Chicago FY2010 Tentative Annual Operating Budget Revised 07/13/09, pp. 85, 91.

City Colleges Appropriations by Object of Expenditure				
All Operating Funds: FY2009 & FY2010				
Object	FY2009	FY2010	\$ Change	% Change
Salaries	\$ 184,572,107	\$ 190,421,280	\$ 5,849,173	3.2%
Employee Benefits	\$ 44,571,381	\$ 51,080,350	\$ 6,508,969	14.6%
Contractual Services	\$ 40,307,925	\$ 39,097,995	\$ (1,209,930)	-3.0%
Materials/Supplies	\$ 20,982,071	\$ 20,733,870	\$ (248,201)	-1.2%
Travel/Conferences	\$ 2,313,934	\$ 2,198,963	\$ (114,971)	-5.0%
Fixed Charges	\$ 3,467,772	\$ 3,721,256	\$ 253,484	7.3%
Utilities	\$ 12,486,455	\$ 12,376,259	\$ (110,196)	-0.9%
Capital Outlay	\$ 330,443	\$ 321,201	\$ (9,242)	-2.8%
Other	\$ 79,583,312	\$ 97,142,941	\$ 17,559,629	22.1%
Total	\$ 388,615,400	\$ 417,094,115	\$ 28,478,715	7.3%

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

Turning to operating funds by program, scholarships and grants appropriations will increase by 25.0% or \$16.5 million, and instruction appropriations will increase by 9.2% or \$10.9 million. Auxiliary/Enterprise appropriations, which accounts for college services where a fee is charged and the activity is intended to be self-supporting, will decrease by almost \$1.0 million or 28.8%. This is due to the shifting of the Workforce Institute and unrealized revenues from the restaurant located at Kennedy-King College.²⁸ Nearly \$35.7 million will be appropriated for academic support in FY2010, which is a 8.3% decrease over FY2009 appropriations.

City Colleges Appropriations by Program				
All Operating Funds: FY2009 & FY2010				
Program	FY2009	FY2010	\$ Change	% Change
Instruction	\$ 117,531,433	\$ 128,390,212	\$ 10,858,779	9.2%
Academic Support	\$ 38,895,022	\$ 35,663,729	\$ (3,231,293)	-8.3%
Student Services	\$ 31,620,577	\$ 31,084,053	\$ (536,524)	-1.7%
Public Service	\$ 15,909,435	\$ 14,869,019	\$ (1,040,416)	-6.5%
Organized Research	\$ 738,379	\$ 813,977	\$ 75,598	10.2%
Auxiliary/Enterprise	\$ 3,442,017	\$ 2,451,952	\$ (990,065)	-28.8%
Operations & Maintenance	\$ 44,718,131	\$ 48,652,232	\$ 3,934,101	8.8%
Institutional Support	\$ 69,635,121	\$ 72,513,535	\$ 2,878,414	4.1%
Scholarships, Grants	\$ 66,125,288	\$ 82,655,405	\$ 16,530,117	25.0%
Total	\$ 388,615,403	\$ 417,094,114	\$ 28,478,711	7.3%

Source: City Colleges of Chicago FY2009 Annual Operating Budget, p. 67; and FY2010 Tentative Annual Operating Budget Revised 07/13/09, p. 83.

While appropriations for instruction will increase modestly between the FY2006 and FY2010 proposed budgets, scholarships and grants expenditures will rise by 39.5% and auxiliary/enterprise appropriations will increase by 51.6%. Organized research appropriations will rise by nearly \$0.6 million, or 236.4%.

²⁸ Communication between the Civic Federation and City Colleges, July 15, 2009.

City Colleges Appropriations by Program				
All Operating Funds: FY2006 & FY2010				
Program	FY2006	FY2010	\$ Change	% Change
Instruction	\$ 121,992,495	\$ 128,390,212	\$ 6,397,717	5.2%
Academic Support	\$ 32,819,321	\$ 35,663,729	\$ 2,844,408	8.7%
Student Services	\$ 28,082,229	\$ 31,084,053	\$ 3,001,824	10.7%
Public Service	\$ 15,752,330	\$ 14,869,019	\$ (883,311)	-5.6%
Organized Research	\$ 242,000	\$ 813,977	\$ 571,977	236.4%
Auxiliary/Enterprise	\$ 1,617,459	\$ 2,451,952	\$ 834,493	51.6%
Operations & Maintenance	\$ 35,948,530	\$ 48,652,232	\$ 12,703,702	35.3%
Institutional Support	\$ 61,637,670	\$ 72,513,535	\$ 10,875,865	17.6%
Scholarships, Grants	\$ 59,269,100	\$ 82,655,405	\$ 23,386,305	39.5%
Total	\$ 357,361,134	\$ 417,094,114	\$ 59,732,980	16.7%

Source: City Colleges FY2006 Tentative Budget, p. 48; and FY2010 Tentative Annual Operating Budget Revised 07/13/09, p 83.

Two-Year and Five-Year Appropriation Trends for Unrestricted Funds

In FY2010, unrestricted fund expenditures are projected to increase by 4.1%, from a proposed FY2009 appropriation of nearly \$282.9 million to \$294.5 million.

Appropriations for salaries will see the most significant dollar increase, rising by almost \$7.2 million or 4.4%. Employee benefit costs will increase by 7.5% or \$2.2 million, while fixed charges will increase by 8.7% or \$0.3 million. Fixed charges include appropriations for rentals of facilities and equipment, debt payments and insurance charges.

Utilities will decrease by 0.9%, and contractual services will decrease by 1.7%. Appropriations paid out of unrestricted operating funds for capital outlay will not receive any funds for FY2010.

City Colleges Appropriations by Object of Expenditure				
Unrestricted Operating Funds: FY2009 & FY2010				
Object	FY2009	FY2010	\$ Change	% Change
Salaries	\$ 164,388,278	\$ 171,553,078	\$ 7,164,800	4.4%
Employee Benefits	\$ 29,595,597	\$ 31,828,161	\$ 2,232,564	7.5%
Contractual Services	\$ 36,434,335	\$ 35,797,809	\$ (636,526)	-1.7%
Materials/Supplies	\$ 16,456,462	\$ 16,541,787	\$ 85,325	0.5%
Travel/Conferences	\$ 1,642,271	\$ 1,691,595	\$ 49,324	3.0%
Fixed Charges	\$ 3,198,727	\$ 3,476,217	\$ 277,490	8.7%
Utilities	\$ 12,476,519	\$ 12,368,780	\$ (107,739)	-0.9%
Capital Outlay	\$ 40,000	\$ -	\$ (40,000)	-100.0%
Other	\$ 18,662,011	\$ 21,206,831	\$ 2,544,820	13.6%
Total	\$ 282,894,200	\$ 294,464,258	\$ 11,570,058	4.1%

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

The table below shows unrestricted operating funds appropriations by program. Between FY2009 and FY2010 instruction appropriations will increase by 8.7% or \$9.1 million. Scholarships and grants will increase by 21.2% or \$1.2 million.

The largest dollar amount decline will occur in academic support appropriations, which will decrease by 13.4% or nearly \$3.6 million. Organized research appropriations from unrestricted funds will decrease by 41.5%, while auxiliary/enterprise funds will decrease by 36.2%.

City Colleges Appropriations by Program				
Unrestricted Operating Funds: FY2009 & FY2010				
Program	FY2009	FY2010	\$ Change	% Change
Instruction	\$ 105,287,439	\$ 114,420,202	\$ 9,132,763	8.7%
Academic Support	\$ 26,885,692	\$ 23,274,203	\$ (3,611,489)	-13.4%
Student Services	\$ 21,321,973	\$ 22,149,914	\$ 827,941	3.9%
Public Service	\$ 10,018,782	\$ 9,535,202	\$ (483,580)	-4.8%
Organized Research	\$ 74,753	\$ 43,746	\$ (31,007)	-41.5%
Auxiliary/Enterprise	\$ 3,396,150	\$ 2,165,311	\$ (1,230,839)	-36.2%
Operations & Maintenance	\$ 43,268,053	\$ 46,408,355	\$ 3,140,302	7.3%
Institutional Support	\$ 66,819,356	\$ 69,409,051	\$ 2,589,695	3.9%
Scholarships, Grants	\$ 5,822,000	\$ 7,058,275	\$ 1,236,275	21.2%
Total	\$ 282,894,198	\$ 294,464,259	\$ 11,570,061	4.1%

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

From FY2006 to FY2010, unrestricted expenditures will increase by 19.9%, from \$245.7 million to nearly \$294.5 million. Unrestricted funds for institutional support will increase by \$14.7 million or 26.9% over FY2006 appropriations. Scholarships and grants will increase by 318.4%, or \$5.4 million, over the same period.

City Colleges Appropriations by Program				
Unrestricted Operating Funds: FY2006 & FY2010				
Program	FY2006	FY2010	\$ Change	% Change
Instruction	\$ 108,274,495	\$ 114,420,202	\$ 6,145,707	5.7%
Academic Support	\$ 19,820,321	\$ 23,274,203	\$ 3,453,882	17.4%
Student Services	\$ 18,392,229	\$ 22,149,914	\$ 3,757,685	20.4%
Public Service	\$ 7,882,330	\$ 9,535,202	\$ 1,652,872	21.0%
Organized Research	\$ -	\$ 43,746	\$ 43,746	-
Auxiliary/Enterprise	\$ 1,451,459	\$ 2,165,311	\$ 713,852	49.2%
Operations & Maintenance	\$ 33,476,530	\$ 46,408,355	\$ 12,931,825	38.6%
Institutional Support	\$ 54,676,670	\$ 69,409,051	\$ 14,732,381	26.9%
Scholarships, Grants	\$ 1,687,100	\$ 7,058,275	\$ 5,371,175	318.4%
Total	\$ 245,661,134	\$ 294,464,259	\$ 48,803,125	19.9%

Source: City Colleges of Chicago FY2006 Tentative Budget p. 50; and FY2010 Tentative Annual Operating Budget, p. 71.

ENROLLMENT TRENDS

City Colleges experienced an increase in enrollment between FY2008 and FY2009 and projects an increase in enrollment in FY2010. Full-time equivalent student enrollment at City Colleges increased by 10.0% from FY2008 to FY2009, rising by 3,966 full-time equivalent students from 39,788 FTEs to 43,754 FTEs. Enrollment fell in two categories: the continuing education program, down 8.1%, and career technology program, down 7.3%.

However, enrollment rose in all remaining programs, including a 19.1% increase in the GED program and an 18.6% increase in the adult basic education (ABE) program. Enrollment in the largest program, credit courses, rose in FY2009 by 9.7%, from 21,165 FTEs to 23,218 FTEs. As a whole, adult education increased by 12.8%, from 15,068 FTEs to 17,001 FTEs.

City Colleges Full-Time Equivalent (FTE) Enrollment: FY2008 & FY2009				
Type	FY2008	FY2009	# Change	% Change
Credit	21,165	23,218	2,053	9.7%
Pre-Credit	1,009	1,109	100	9.9%
Continuing Education	470	432	(38)	-8.1%
Adult Education	15,068	17,001	1,933	12.8%
ABE	3,466	4,110	644	18.6%
GED	1,355	1,614	259	19.1%
ESL	10,247	11,274	1,027	10.0%
Vocational Skills	698	717	19	2.7%
Career Tech	1,378	1,277	(101)	-7.3%
Total	39,788	43,754	3,966	10.0%

Source: City Colleges of Chicago FY2010 Budget, p. 333.

Five-year enrollment trends show a small decrease in enrollment in the entire system. Full-time equivalent student enrollment at City Colleges between FY2005 and FY2009 decreased by 2.5%, from 44,870 FTEs to 43,754 FTEs, a reduction of 1,116 FTEs.²⁹ Vocational skills programs decreased by 35.2%, or 390 FTEs and continuing education decreased by 35.0%, or 233 FTEs. As a whole, adult education decreased by 14.4% or 2,856 FTEs.

Three programs experienced enrollment increases between FY2005 and FY2009. The career technology program's enrollment increased by largest percentage, 309.3% or 965 FTEs. Pre-credit courses experienced the second largest percentage increase in enrollment, with an increase of 39.7%, or 315 FTEs. Enrollment in credit classes had the largest numerical increase, rising by 1,083 FTEs over the five-year period. The following table depicts enrollment trends over five years; it does not include enrollment from the discontinued military programs.

²⁹ Total enrollment excludes military enrollment, which has dropped sharply since FY2003 because the contracts between the armed forces and the City Colleges are being phased out. In FY2007 there were only 138 military FTEs.

City Colleges Full-Time Equivalent (FTE) Enrollment: FY2005 - FY2009							
Type	FY2005	FY2006	FY2007	FY2008	FY2009	# Change (5 Year)	% Change (5 Year)
Credit	22,135	20,950	20,647	21,165	23,218	1083	4.9%
Pre-Credit	794	800	987	1,009	1,109	315	39.7%
Continuing Education	665	546	573	470	432	(233)	-35.0%
Adult Education	19,857	17,286	15,659	15,068	17,001	(2856)	-14.4%
ABE	4,819	3,874	3,243	3,466	4,110	(709)	-14.7%
GED	1,866	1,727	1,490	1,355	1,614	(252)	-13.5%
ESL	13,173	11,685	10,926	10,247	11,274	(1899)	-14.4%
Vocational Skills	1,107	1,174	1,114	698	717	(390)	-35.2%
Career Tech	312	656	951	1,378	1,277	965	309.3%
Total	44,870	41,412	39,931	39,788	43,754	(1116)	-2.5%

Source: City Colleges of Chicago FY2010 Budget, p. 333.

PERSONNEL

The following table shows that over the five-year period between FY2006 and FY2010, the number of City Colleges' full-time employees will increase by 12.6% or 221 employees, from 1,748 to 1,969. Part-time positions will increase by 9.5% over the five year period, from 3,719 to 4,072.

City Colleges of Chicago: Full-Time Equivalent Positions by Type: FY2006-FY2010								
Position Type	Status	FY2006 Actual	FY2007 Actual	FY2008 Actual	FY2009 Actual	FY2010 Budgeted	# Change (5-Year)	% Change (5-Year)
Teaching Faculty	Full Time	575	617	616	600	601	26	4.5%
	Part Time	2,228	2,102	2,287	2,235	2,388	160	7.2%
Administrative Staff	Full Time	215	271	292	307	313	98	45.6%
	Part Time	0	0	0	0	0	0	0.0%
Professional Staff	Full Time	289	317	323	357	359	70	24.2%
	Part Time	362	428	527	501	549	187	51.7%
Civil Service	Full Time	669	692	693	696	696	27	4.0%
	Part Time	1,129	1,123	1,131	1,150	1,135	6	0.5%
Total	Full Time	1,748	1,897	1,924	1,960	1,969	221	12.6%
	Part Time	3,719	3,653	3,945	3,886	4,072	353	9.5%

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

Source: Communication between the Civic Federation and City Colleges, July 17, 2009.

Between FY2009 and FY2010 the number of full-time employees will rise by nine positions or 0.5%. It is important to note, however, that the estimate for FY2010 contains both filled and vacant positions, while FY2009 only contains filled positions. Part-time positions during this same period will rise by 186 employees or 4.8%.

City Colleges of Chicago: Full-Time Equivalent Positions by Type FY2009-FY2010					
Position Type	Status	FY2009 Actual	FY2010 Budgeted	# Change	% Change
Teaching Faculty	Full Time	600	601	1	0.2%
	Part Time	2,235	2,388	153	6.8%
Administrative Staff	Full Time	307	313	6	2.0%
	Part Time	0	0	0	0.0%
Professional Staff	Full Time	357	359	2	0.6%
	Part Time	501	549	48	9.6%
Civil Service	Full Time	696	696	0	0.0%
	Part Time	1,150	1,135	-15	-1.3%
Total	Full Time	1,960	1,969	9	0.5%
	Part Time	3,886	4,072	186	4.8%

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

Source: Communication between the Civic Federation and City Colleges, July 17, 2009.

Between FY2009 and FY2010, appropriations for employees' salaries and benefits from unrestricted funds will increase by \$9.4 million or 4.8%, from \$194.0 million to nearly \$203.4 million. Faculty salary costs will continue to increase at an annual rate of 4% each year due to a negotiated contract between City Colleges and the teachers union which extends to 2013.³⁰

City Colleges of Chicago: Unrestricted Funds Personnel Appropriations FY2009 & FY2010				
	FY2009	FY2010	\$ Change	% Change
Salaries	\$ 164,388,228	\$ 171,553,078	\$ 7,164,850	4.4%
Benefits	\$ 29,595,597	\$ 31,828,161	\$ 2,232,564	7.5%
Total	\$ 193,983,825	\$ 203,381,239	\$ 9,397,414	4.8%

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

Between FY2009 and FY2010, appropriations for employees' salaries and benefits from operating funds, which includes unrestricted funds and restricted funds, will increase by \$12.4 million or 5.4%, from \$229.1 million to \$241.5 million. Benefit expenditures across unrestricted and restricted funds will increase by 14.6%. However, it should be noted that the benefit projections for restricted funds are based on previously audited numbers from actual grant history expenditures and may not present an accurate depiction of actual future costs.³¹

City Colleges of Chicago: Operating Funds Personnel Appropriations FY2009 & FY2010				
	FY2009	FY2010	\$ Change	% Change
Salaries	\$ 184,572,057	\$ 190,421,280	\$ 5,849,223	3.2%
Benefits	\$ 44,571,381	\$ 51,080,350	\$ 6,508,969	14.6%
Total	\$ 229,143,438	\$ 241,501,630	\$ 12,358,192	5.4%

Source: City Colleges of Chicago FY2010 Tentative Annual Operating Budget Revised 7/13/09, p. 85 and 91.

³⁰ Personal communication between the Civic Federation and City Colleges of Chicago, June 27, 2008; City Colleges of Chicago FY2010 Budget, p. 65.

³¹ Personal communication between the Civic Federation and City Colleges of Chicago, July 17, 2009.

Between FY2009 and FY2010 employee insurance costs are expected to increase by \$2.5 million or 8.0%, from \$28.3 million to \$30.8 million. Health insurance, the Vision Service Plan, and Unemployment insurance costs account for the majority of this increase. Unemployment insurance appropriations will increase by 16.7% in FY2010 because of a workforce reduction already implemented, President Barack Obama's mandatory increase in the number of weeks of unemployment benefits, and possible staff reductions due to the State of Illinois' possible reduction or elimination of \$15.5 million in restricted adult education and career and technical funds.³²

City Colleges of Chicago: Employee Insurance Costs FY2009 & FY2010				
Benefit Type	FY2009	FY2010	\$ Change	% Change
Medical Insurance	\$ 24,277,083	\$ 26,498,377	\$ 2,221,294	8.4%
Dental Insurance	\$ 1,819,275	\$ 1,879,526	\$ 60,251	3.2%
Vision Service Plan	\$ 248,422	\$ 351,969	\$ 103,547	29.4%
Standard Life Insurance	\$ 888,576	\$ 648,134	\$ (240,442)	-37.1%
Unemployment Insurance	\$ 500,000	\$ 600,000	\$ 100,000	16.7%
Worker's Compensation	\$ 614,671	\$ 851,800	\$ 237,129	27.8%
Total	\$ 28,348,027	\$ 30,829,806	\$ 2,481,779	8.0%

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

A five-year analysis of employee insurance costs reveals a 24.1% increase in costs, from approximately \$23.4 million in FY2006 to \$30.8 million in FY2010. Appropriations for Worker's Compensation will increase by \$208,226, or 24.4% due to an expected increase in injury claims. The increase is expected as a result of the district's recent expansion of student athletics programs.³³

City Colleges of Chicago: Employee Insurance Costs FY2006 & FY2010				
Benefit Type	FY2006 Actual	FY2010 Budget	\$ Change	% Change
Medical Insurance	\$ 20,120,783	\$ 26,498,377	\$ 6,377,594	24.1%
Dental Insurance	\$ 1,616,423	\$ 1,879,526	\$ 263,103	14.0%
Vision Service Plan	\$ 185,442	\$ 351,969	\$ 166,527	47.3%
Standard Life Insurance	\$ 844,254	\$ 648,134	\$ (196,120)	-30.3%
Unemployment Insurance	\$ 704,086	\$ 600,000	\$ (104,086)	-17.3%
Worker's Compensation	\$ 643,574	\$ 851,800	\$ 208,226	24.4%
Total	\$ 24,114,562	\$ 30,829,806	\$ 6,715,244	21.8%

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

OTHER POST EMPLOYMENT BENEFITS (OPEB)

City Colleges began reporting information about other post employment benefits (OPEB) in the FY2006 CAFR as required by GASB Statement Number 45. OPEB includes health and life insurance for retirees and their spouses. The District pays for 90% of the medical and life

³² Email communication between the Civic Federation and Phoebe Wood, director of budget and planning for the City Colleges of Chicago, July 15, 2009.

³³ Email communication between the Civic Federation and Phoebe Wood, director of budget and planning for the City Colleges of Chicago, July 15, 2009.

insurance premiums for most retirees. Between FY2007 and FY2008, the number of retirees and beneficiaries receiving benefits rose from 673 to 735.³⁴ City Colleges has not established an irrevocable trust fund to account for its OPEB plan; it is financed on a pay-as-you-go basis. Financial activity is reported in a sub-fund of the Education Fund.

The next exhibit shows the funded status of the City Colleges' OPEB plan. Actuarial Accrued Liability rose to \$113.0 million in FY2008 from nearly \$109.0 million in FY2007. The actuarial assumptions used 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 2017. The actuarial value of assets is not shown as the District does not set aside assets to pre-fund its OPEB obligation.

Funded Status of the City Colleges OPEB Plan: FY2007 & FY2008		
	FY2007	FY2008
Actuarial Accrued Liability	\$ 108,953,481	\$ 113,011,808
Unfunded Actuarial Accrued Liability (UAAL)	\$ 108,953,481	\$ 113,011,808
Covered Payroll (active plan members)	\$ 92,958,918	\$ 95,665,186
UAAL as a % of Covered Payroll	117.2%	118.1%

Source: City Colleges FY2008 Comprehensive Annual Financial Report, p. 44.

The City Colleges total net OPEB obligation was nearly \$8.7 million in FY2008. The annual cost fell from \$12.8 million in FY2007 to nearly \$10.0 million in FY2008. At the same time the percentage of annual OPEB cost contributed increased, from 59.1% to 65.3%.

City Colleges Other Post Employment Benefits: Costs and Net Obligations FY2007 & FY2008		
	FY2007	FY2008
Annual OPEB Cost	\$ 12,792,179	\$ 9,958,539
Employer Contributions	\$ 7,562,710	\$ 6,498,620
Increase in Net OPEB Obligation	\$ 5,229,469	\$ 3,459,919
% of Annual OPEB Cost Contributed	59.1%	65.3%
Total Net OPEB Obligation for FY2007 & FY2008	\$	8,689,388

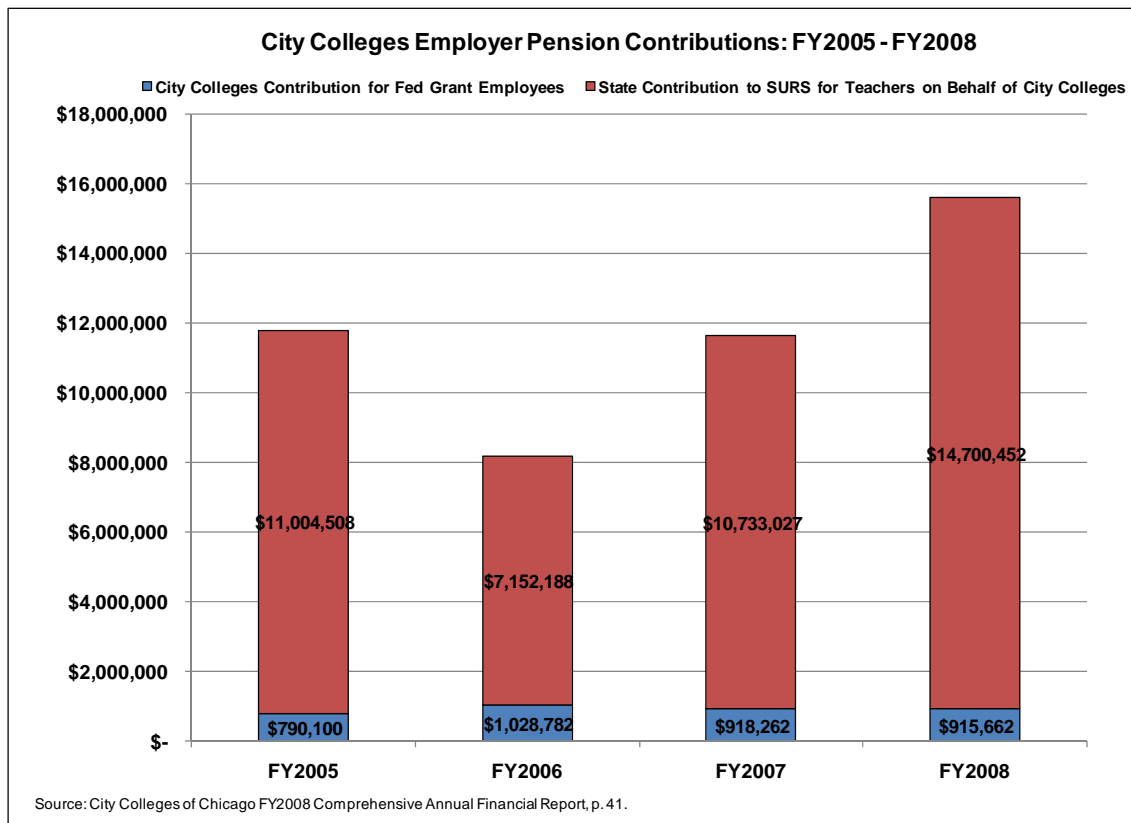
Source: City Colleges of Chicago FY2008 Comprehensive Annual Financial Report, p. 43.

EMPLOYEE RETIREMENT FUND

City Colleges employees are enrolled in the State Universities Retirement System (SURS) of Illinois. Plan members contribute 8.0% of their annual covered salary. In FY2008, the State of Illinois made nearly all of the employer contributions on behalf of City Colleges at the actuarially determined rate of 12.88% of covered payroll. The chart below depicts pension contributions for City Colleges retirees, including the payments made by the State of Illinois on behalf of City Colleges and City Colleges' employer contribution for the retirement funds of its federally-funded grant positions.

³⁴ City Colleges FY2008 Comprehensive Annual Financial Report, p. 42.

State contributions to SURS on behalf of City Colleges for FY2008 were \$14.7 million.³⁵ Contributions for positions funded through federal grants totaled \$915,662 in FY2008. This amount has risen from \$790,100 in FY2005.³⁶



UNRESERVED, UNDESIGNATED FUND BALANCE

The Government Finance Officers Association (GFOA) recommends that governments maintain an unreserved fund balance of no less than 5% to 15% of General Fund operating revenues or one to two months of operating expenditures.³⁷ The purpose of this indicator is to measure the ability of a government to quickly convert illiquid assets to cash to meet contingency needs.

Unrestricted Fund Balance Ratio

Between FY2004 and FY2008, City Colleges general operating funds' unrestricted fund balance increased from 8.2% of operating expenses or \$29.2 million to 18.4% or \$71.7 million. However, it did decline by approximately \$5.5 million between FY2007 and FY2008. For all five years analyzed, unrestricted fund balance ratio has been above the 5% minimum GFOA recommendation.

³⁵ City Colleges FY2008 Comprehensive Annual Financial Report, p. 41.

³⁶ City Colleges FY2008 Comprehensive Annual Financial Report, p. 41.

³⁷ Government Finance Officers Association. Recommended Practice on Appropriate Level of Unreserved Fund Balance in the General Fund (2002). The City Colleges is a special purpose, not a general purpose government, but its size and the relative stability of its revenue stream make it prudent for the CCC to maintain adequate reserves.

The establishment of a healthy fund balance ratio for City Colleges is a dramatic turnaround from the 1.1% fund balance ratio reported in FY2000. The overall trend is a positive reflection on the financial management of the City Colleges.

City Colleges Unrestricted Fund Balance Ratio: FY2004 - FY2008			
	Unreserved Fund Balance	Operating Expenses	Ratio
FY2004*	\$ 29,274,365	\$ 357,696,112	8.2%
FY2005*	\$ 73,393,636	\$ 302,304,267	24.3%
FY2006	\$ 63,823,389	\$ 316,273,616	20.2%
FY2007	\$ 77,358,746	\$ 325,434,665	23.8%
FY2008	\$ 71,794,664	\$ 389,995,809	18.4%

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

Source: City Colleges of Chicago Comprehensive Annual Financial Reports, FY2004 - FY2008.

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:³⁸

- 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 that belong to outside entities allowed to participate in the institution's endowment investment fund;
- Accrued property tax refunds: held in anticipation of property tax appeals;
- Other liabilities: include self insurance funds, unclaimed property and other unspecified liabilities; and
- Other accruals: includes accrued interest payable, accrued service bills, accrued goods bills, and other accrued property taxes.

In FY2008 these liabilities increased by \$3.9 million from the previous year or 8.3%. Since 2004 short-term liabilities have increased by \$11.1 million or 27.7%. The following chart shows short-term liabilities by category and the percent change over the past five years.

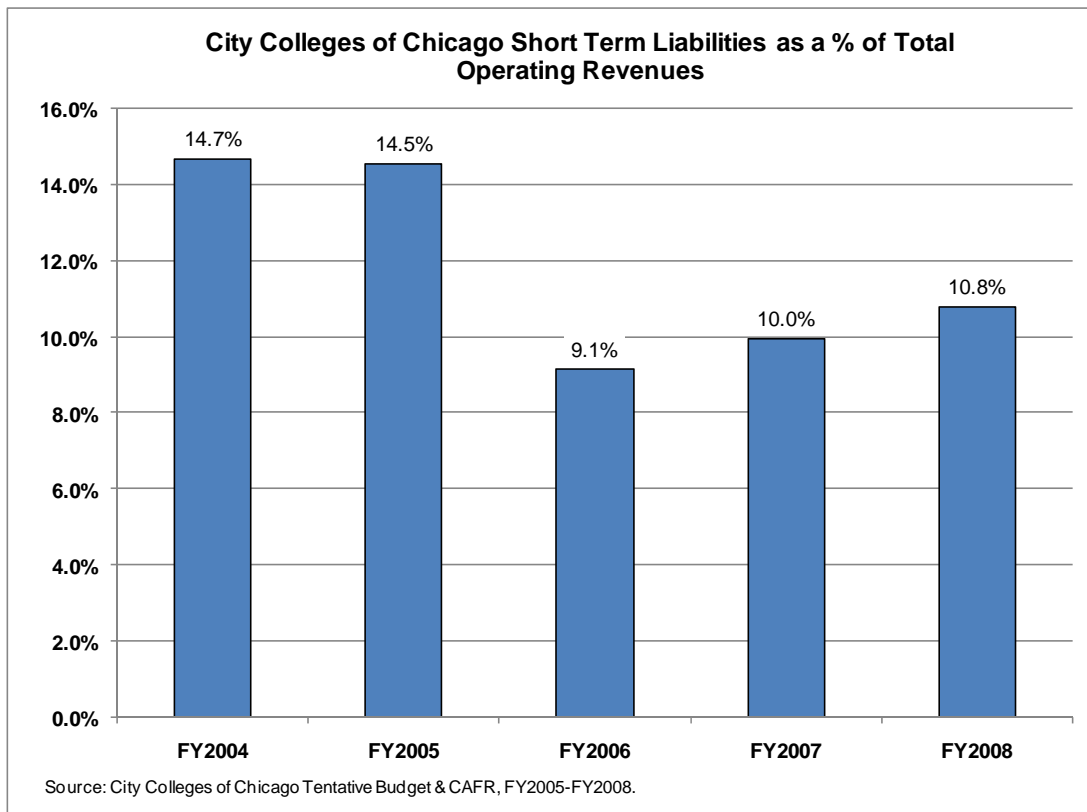
³⁸ City Colleges of Chicago CAFR FY2008, p.16.

City Colleges Short-Term Liabilities: FY2004 - FY2008 (in \$ thousands)							
Current Liability	FY2004	FY2005	FY2006	FY2007	FY2008	\$ Change	% Change
Accounts Payable	\$ 8,519.5	\$ 15,006.6	\$ 7,471.8	\$ 10,291.9	\$ 16,253.6	\$ 7,734.1	90.8%
Accrued Payroll	\$ 2,410.3	\$ 3,869.7	\$ 4,961.7	\$ 5,572.1	\$ 6,260.8	\$ 3,850.5	159.8%
Deposits Held In Custody	\$ 1,764.5	\$ 1,860.4	\$ 2,165.6	\$ 2,126.8	\$ 1,947.0	\$ 182.5	10.3%
Accrued PropTax Refunds	\$ 16,769.3	\$ 17,868.3	\$ 18,994.3	\$ 18,498.2	\$ 14,964.3	\$ (1,804.9)	-10.8%
Other Liabilities	\$ 6,241.8	\$ 7,102.1	\$ 7,454.2	\$ 8,094.0	\$ 10,971.6	\$ 4,729.8	75.8%
Other Accruals	\$ 4,514.5	\$ 5,091.9	\$ 2,333.8	\$ 2,838.2	\$ 951.3	\$ (3,563.1)	-78.9%
Total Current Liabilities	\$ 40,219.8	\$ 50,799.0	\$ 43,381.4	\$ 47,421.2	\$ 51,348.6	\$ 11,128.9	27.7%

Source: City Colleges CAFRs, FY2004-FY2008.

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.³⁹ This indicator, developed by the International City/County Management Association (ICMA), is a measure of budgetary solvency or a government's ability to generate enough revenue over the course of a fiscal year to meet its expenditures and avoid deficit spending.

City Colleges of Chicago showed a positive trend by reducing its short-term liabilities compared to total operating revenue between FY2005 to FY2006 from 14.5% to 9.1%. Since FY2006, the ratio has grown slowly to 10.8% in FY2008.

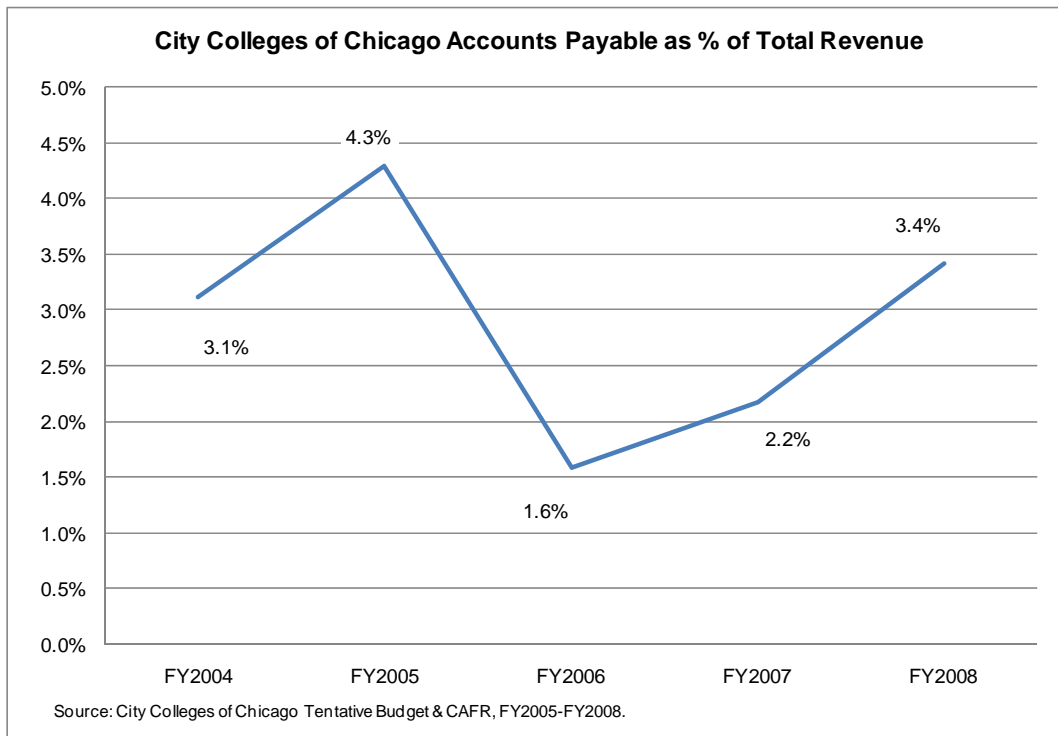


³⁹ Karl Nollenberger, Sanford Groves and Maureen G. Valente. *Evaluating Financial Condition: A Handbook for Local Government* (International City/County Management Association, 2003), p. 77.

Accounts Payable

Over time, rising amounts of accounts payable may indicate a government's difficulty in controlling expenses or keeping up with spending pressures.

Similar to the trend of reducing total short-term liabilities in relation to operational revenues, the City Colleges improved its ratio of accounts payable to revenues between FY2005 and FY2006 and then saw a steady increase in these liabilities over subsequent years. The following graph illustrates the trend. In FY2008 the City Colleges carried over \$16.3 million in total accounts payable from the previous year, an increase of \$6.0 million from FY2007, or 57.9%.



CAPITAL BUDGET AND DEBT

The following section details the City Colleges' capital budget.

Capital

The Board of Trustees is presented with a capital budget together with the FY2010 operating budget but the capital budget includes project funding and funding sources for two years (FY2010 and FY2011) in order to account for the large scope and timeframe of capital projects.

The FY2010 budget includes \$177.9 million in new combined capital spending for FY2010 and FY2011. These projects are in part based on a \$1.1 billion capital improvement plan (CIP) presented to the Board of Trustees June 8, 2006, and estimated capital spending requirements for FY2007-FY2011.

Development of the CIP included a comprehensive survey of all existing capital assets conducted by a team of architects and engineers. The survey included a condition assessment of all existing capital assets as well as a cost estimate related to the ongoing replacement and maintenance of those assets. Projects were then prioritized and planned using needs based criteria to begin between FY2007 and FY2011. Although the original CIP has not yet been comprehensively updated since its inception, project rankings and assessment are revised annually using a dedicated capital planning software system.⁴⁰ The capital budget does include ongoing capital funding requirements by project area and by campus through FY2014.

The following chart shows the proposed City Colleges of Chicago capital appropriation by college proposed in the FY2010 tentative budget.

City Colleges Proposed Capital Appropriations for FY2010: (in \$ thousands)			
College	FY2010	FY2011	Total
Daley College	\$ 2,500	\$ 7,300	\$ 9,800
Olive-Harvey Colege	\$ 5,400	\$ 36,000	\$ 41,400
Truman College	\$ 34,600	\$ 19,600	\$ 54,200
Malcom X College	\$ 1,000	\$ 25,000	\$ 26,000
Kennedy-King Dawson Tech.	\$ 1,900	\$ 1,500	\$ 3,400
Kennedy-King College	\$ 15,250	\$ -	\$ 15,250
Harold Washington College	\$ 600	\$ 1,500	\$ 2,100
Wright College	\$ 1,750	\$ 4,400	\$ 6,150
District Offices	\$ 12,000	\$ 7,600	\$ 19,600
Total	\$ 75,000	\$ 102,900	\$ 177,900

Source: City Colleges of Chicago Tenative Annual Budget FY2010, p. 79.

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

⁴⁰ City Colleges of Chicago, Capital Plan FY2007-2011, p. 11-16,
http://www.ccc.edu/files/Capital_Plan_FY2007_11.pdf

City Colleges Capital Funding Sources: FY2009 & FY2010 (in \$ thousands)		
Funding Source	FY2009	FY2010
City of Chicago		
Series 1999 City GO Bond	\$21,369	\$21,863
Series 2007 City Go Bond	\$3,600	\$3,600
Tax Increment Financing	\$10,000	\$10,000
City Colleges of Chicago		
Fund Balance	\$114,379	\$75,100
PPRT (2 years)	\$12,400	\$12,600
State of Illinois		
Legislative Appropriations	\$14,790	\$14,790
Pending State Appropriations	\$0	\$40,000
Local Subtotal	\$161,748	\$123,163
State Subtotal	\$14,790	\$54,790
Total	\$176,538	\$177,953

Sources: City Colleges of Chicago Final Budget FY2009, p. 84; and City Colleges of Chicago Tentative Budget FY2010 p. 84.

The \$40 million in pending state source capital funds for FY2010 were approved as part of the enacted State of Illinois Capital Budget signed into law by Governor Pat Quinn.

The original 2007-2011 CIP identified \$1.2 billion in capital requirements for that five-year period and anticipated a funding gap of \$677.9 million, meaning that revenue was identified for only 42.5% of capital needs.⁴¹ The 2010-2014 capital requirements presented in the FY2010 capital budget show total needs of \$989.2 million, of which \$800.0 million are unfunded and revenue is identified for only 19.1%.⁴² The following table compares the funding requirements in the original FY2007-FY2011 plan to the capital requirements reported in the tentative budget book for FY2010-FY2014. Although the total 5-year funding requirements for capital projects have decreased by \$190.5 million, or 16.1%, since the 2007-2011 CIP was approved the 5-year funding gap has increased by \$122.1 million or 18.0%.

⁴¹ City Colleges of Chicago Capital Improvement Plan FY2007-FY2011, p. 5.

⁴² City Colleges of Chicago Tentative Budget FY2010, p. 82.

City Colleges Total 5-Year Capital Fund Requirements by Area: (in \$ millions)				
	CIP 2007-2011	Capital Budget 2010 (2010-2014)	\$ Change	% Change
Property	\$ 20.3	\$ 15.0	\$ (5.3)	-26.0%
Architectural & Structural	\$ 111.8	\$ 111.0	\$ (0.8)	-0.7%
Mechanical & Electrical	\$ 119.0	\$ 117.1	\$ (1.9)	-1.6%
Academic Enhancements	\$ 90.9	\$ 85.7	\$ (5.2)	-5.7%
Technology	\$ 138.5	\$ 126.4	\$ (12.1)	-8.7%
New Facilities	\$ 667.0	\$ 519.0	\$ (148.0)	-22.2%
Demolition	\$ -	\$ 15.0	\$ 15.0	--
Enviro & Compliance	\$ 29.4	\$ -	\$ (29.4)	-100.0%
Conveying Systems	\$ 2.8	\$ -	\$ (2.8)	-100.0%
Total	\$ 1,179.7	\$ 989.2	\$ (190.5)	-16.1%
Estimated Funding Gap	\$ 677.9	\$ 800.0	\$ 122.1	18.0%

Sources: City Colleges of Chicago Tentative Budget FY2010, p 82; and City Colleges of Chicago Capital Improvement Plan FY2007-FY2010, p. 5.

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 lease which required \$31.7 million annual payment in FY2007. The FY1999 issuance totaled \$389.0 million and the FY2007 series totaled \$39.1 million. In accordance with the transfer, City of Chicago now levies the property taxes to pay the annual debt service on behalf of the City Colleges of Chicago. The following chart shows the total levied for debt service since the onset of this arrangement.

Property Taxes Levied By The City of Chicago To Pay City Colleges Capital Debt Service: FY2007 - FY2009 (in \$ thousands)			
Bond Series	FY2007	FY2008	FY2009
Series 1999 Debt Service	\$ 32,668.1	\$ 32,669.7	\$ 32,668.2
Series 2007 Debt Service	\$ 2,496.1	\$ 2,495.5	\$ 2,499.1
Total Debt Service	\$ 35,164.2	\$ 35,165.2	\$ 35,167.3

Source: City Colleges of Chicago Tentative Budget FY2010, p. 49.

The City Colleges of Chicago has a legal debt limit of 2.875% of its total equalized assessed valuation. The equalized assessed valuation was last reported in FY2008 and totaled \$73.6 billion making the legal debt limit \$2.1 billion.

The City Colleges of Chicago currently carries no short term debt and maintains a working cash balance of \$66 million to bridge the gap between any delay in collections of anticipated tax receipts and other revenues throughout the fiscal year.⁴³

⁴³ City Colleges of Chicago CAFR 2008, p 16.

CONCLUSION

The Civic Federation supports City Colleges FY2010 budget with appropriations totaling \$492.1 million as it is a prudent spending plan during this uncertain economic climate. While the Federation is concerned that future projections depict an inability of City Colleges to cover its operating expenses, we are encouraged by prudent management decisions and reasonable revenue increases that will help sustain this unit of government over time.