



# The Civic Federation

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## **CITY COLLEGES OF CHICAGO FY2016 TENTATIVE BUDGET: *Analysis and Recommendations***

**July 8, 2015**

The Civic Federation • 10 N. Dearborn Street • Chicago, IL 60602 • [civicfed.org](http://civicfed.org)

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

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## EXECUTIVE SUMMARY

The Civic Federation **supports** the City Colleges of Chicago FY2016 Tentative Annual Operating Budget totaling \$695.6 million because it continues to minimize the financial burden placed on taxpayers at a time when other local governments in Chicago are facing a financial crisis and may increase their property tax levy.

Instead of raising general taxes to balance its budget, City Colleges will compensate for falling State revenues and increased expenditure pressures through a proposed tuition increase for certain students, which is also intended to incentivize full-time status and on-time completion of degree programs. The new structure lowers the cost of larger loads of classes for full-time students, which the District believes will help more students remain on track to complete their degrees in two years. The higher tuition for part-time students is also intended to encourage more students to become full-time. The Civic Federation believes user fees, like tuition, are preferable to general tax increases, particularly at a time when other governments may raise their levies significantly.

However, the Federation does have concerns that the District's proposed flat rate tuition proposal amounts to a large increase in tuition for certain students, which has the potential to precipitate a larger than projected decline in enrollment. Therefore, there is some risk that the District may not achieve its projected tuition and fee revenues. In addition, the District could have communicated the proposed change sooner to students enrolling in the fall 2015 semester. The District plans to inform students about the tuition changes by providing information on the District's website, through email communication and by other means,<sup>1</sup> but this was not done before students began registering for the fall 2015 semester. As of the publication of this analysis, the tuition rates listed for fall 2015 classes were the same as those from the previous year.

Of the total budget, \$508.5 million is operating expenditures and \$187.1 million is for capital improvements and debt service payments. The unrestricted operating funds budget will decrease slightly by 0.4% from \$309.4 million budgeted in FY2015 to \$308.0 million proposed for FY2016.<sup>2</sup> The FY2016 tentative budget keeps the District's property tax levy relatively flat, minimizing the financial burden on taxpayers, and instead focuses on tuition increases and budget efficiencies.

City Colleges has made great strides with a multi-year reorganization effort called *Reinvention* with the goal of improving student outcomes. Over the past five years, the District has worked to improve the financial and operational health of the colleges system, redirecting \$66.0 million in administrative costs toward instruction.<sup>3</sup> The current phase of *Reinvention* applies the strategic goals and policies that have been implemented at the District level to the college level. The Civic Federation supports City Colleges' reorganization efforts and its progress to date, but is

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<sup>1</sup> Information provided by City Colleges of Chicago Finance Department, July 6, 2015.

<sup>2</sup> Unrestricted operating fund budget includes the Education Fund, Operations & Maintenance Fund and Liability, Protection and Settlement Fund.

<sup>3</sup> City Colleges of Chicago FY2016 Tentative Annual Operating Budget, p. 14.

concerned that the proposed new flat rate tuition structure that goes into effect fall 2015 may pose a risk of possible enrollment declines and corresponding revenue decreases.

The Civic Federation offers the following **key findings** on the City Colleges FY2016 tentative budget:

- Appropriations for the unrestricted operating funds budget will total \$308.1 million. This is a decrease of 0.4%, or \$1.3 million, below the FY2015 adopted operating fund budget of \$309.4 million;<sup>4</sup>
- FY2016 gross property tax revenue will remain relatively flat at \$124.9 million;
- City Colleges is proposing to balance its budget with a tuition increase for students taking one class, part-time students and some full-time students that is also intended to incentivize on-time completion of degrees. Tuition under the new structure would still be covered by Federal Pell grants for qualified part-time and full-time students;
- Tuition and fee revenue is projected to grow by \$12.0 million or 10.4% above the FY2015 adopted budget;
- On a regional in-district tuition comparison basis, City Colleges will move from being one of the lowest cost community colleges in the Chicago metropolitan area to one of the highest for some part-time and occasional students. For full-time students enrolled in 14 or more credit hours, it will remain one of the lowest cost community colleges in the region;
- Between FY2015 and FY2016, appropriations for employees' salaries in the operating funds will increase by \$1,529.0, or 0.7%, from \$213.8 million to \$215.3 million;
- Employee headcount will increase by 185 employees; and
- FTE student enrollment decreased between FY2014 and FY2015 by 4,612 students, or 10.2%, shrinking from 45,260 to 40,648 FTEs and is projected to decline by 1.1% in FY2016.

The Civic Federation **supports** several elements of the FY2016 City Colleges tentative budget:

- Commitment to fiscal discipline by decreasing the District's unrestricted operating funds budget in FY2016 by 0.4% to \$308.0 million and continuing to exercise fiscal restraint;<sup>5</sup>
- Keeping gross property tax revenue relatively flat at \$124.9 million;
- Maintaining a healthy unrestricted fund balance of 48.2% of operating expenses in FY2014;
- Improving the long-term financial planning process;
- Formally approving a debt policy while selling bonds in its first debt issuance in 14 years;
- Planning for capital projects with transparency and public input;

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<sup>4</sup> Unrestricted operating fund budget includes the Education Fund, Operations & Maintenance Fund, Liability, Protection and Settlement Fund and Audit Fund.

<sup>5</sup> Unrestricted operating fund budget includes the Education Fund, Operations & Maintenance Fund, Liability, Protection and Settlement Fund and Audit Fund.

- Reporting cost-containment strategies and savings; and
- Prudently planning for a shift of pension costs from the State of Illinois.

The Civic Federation has the following **concern** related to the FY2016 City Colleges tentative budget:

- Transitioning to a flat-rate tuition structure without communicating the new rate structure to students before fall 2015 enrollment was opened has the potential to result in a larger than anticipated decline in enrollment and a corresponding decline in tuition and fee revenue.

The Civic Federation offers the following recommendations for City Colleges:

- Develop a tuition and fee policy, and consider indexing tuition and fees;
- Phase out retiree health care subsidies or explore establishing a separate health care trust for retirees;
- Further improve the long-term financial planning process;
- Develop a formal fund balance policy in the unrestricted funds that is approved by the City Colleges' Board of Trustees and published in the City Colleges budget;
- Improve the budget book format by providing full-time equivalent personnel data and clear definitions of unrestricted funds; and
- Continue to advocate for the State of Illinois to change the community college equalization formula to more fairly fund City Colleges and other community colleges located in counties subject to the Property Tax Extension Limitation Law.

## CIVIC FEDERATION POSITION

The Civic Federation supports the City Colleges of Chicago FY2016 Tentative Annual Operating Budget totaling \$695.6 million because it continues to minimize the financial burden placed on taxpayers at a time when other local governments in Chicago are facing a financial crisis and may increase their property tax levy.

Instead of raising general taxes to balance its budget, City Colleges will compensate for falling State revenues and increased expenditure pressures through a proposed tuition increase for certain students, which is also intended to incentivize full-time status and on-time completion of degree programs. The new structure lowers the cost of larger loads of classes for full-time students, which the District believes will help more students remain on track to complete their degrees in two years. The higher tuition for part-time students is also intended to encourage more students to become full-time. The Civic Federation believes user fees, like tuition, are preferable to general tax increases, particularly at a time when other governments may raise their levies significantly.

However, the Federation does have concerns that the District's proposed flat rate tuition proposal amounts to a large increase in tuition for certain students, which has the potential to precipitate a larger than projected decline in enrollment. Therefore, there is some risk that the District may not achieve its projected tuition and fee revenues. In addition, the District could have communicated the proposed change sooner to students enrolling in the fall 2015 semester. The District plans to inform students about the tuition changes by providing information on the District's website, through email communication and by other means,<sup>6</sup> but this was not done before students began registering for the fall 2015 semester. As of the publication of this analysis, the tuition rates listed for fall 2015 classes were the same as those from the previous year.

Of the total budget, \$508.5 million is operating expenditures and \$187.1 million is for capital improvements and debt service payments. The unrestricted operating funds budget will decrease slightly by 0.4% from \$309.4 million budgeted in FY2015 to \$308.0 million proposed for FY2016.<sup>7</sup> The FY2016 tentative budget keeps the District's property tax levy relatively flat, minimizing the financial burden on taxpayers, and instead focuses on tuition increases and budget efficiencies.

City Colleges has made great strides with a multi-year reorganization effort called *Reinvention* with the goal of improving student outcomes. Over the past five years, the District has worked to improve the financial and operational health of the colleges system, redirecting \$66.0 million in administrative costs toward instruction.<sup>8</sup> The current phase of *Reinvention* applies the strategic goals and policies that have been implemented at the District level to the college level. The Civic Federation supports City Colleges' reorganization efforts and its progress to date, but is concerned that the proposed new flat rate tuition structure that goes into effect fall 2015 may pose a risk of possible enrollment declines and corresponding revenue decreases.

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<sup>6</sup> Information provided by City Colleges of Chicago Finance Department, July 6, 2015.

<sup>7</sup> Unrestricted operating fund budget includes the Education Fund, Operations & Maintenance Fund and Liability, Protection and Settlement Fund.

<sup>8</sup> City Colleges of Chicago FY2016 Tentative Annual Operating Budget, p. 14.

During the previous five years, the District has not increased tuition rates for in-district students, even though it has faced decreases in state funding and increased costs. It has also held the line on property taxes, meaning that when examining the entire impact of the proposed tuition increase compared to other community college districts in Cook County, City Colleges has generally tried to minimize its financial impact on students and taxpayers. The District has managed to offset the decreased funding by putting in place a number of financial and operational efficiencies, like implementing zero-based budgeting, developing the budget based on performance based measurements, long-term financial planning and other innovative budgetary tools like the Resource Allocation Fund (RAF). While the Civic Federation has praised the District's financial management in prior years, we also raised a concern that large tuition increases might become necessary in the future. We also noted that smaller, well communicated annual escalations in tuition would be less intrusive than flat tuition punctuated by large, unanticipated jumps.

Highlighted below are a number of prudent financial management practices introduced and maintained by City Colleges of Chicago. The Civic Federation commends the District for publicly releasing its previously internal long-term financial plan that is connected to its five-year strategic plan, but encourages the District to make stronger efforts to include stakeholder involvement, particularly from its students, in the long-term financial planning process that will ultimately help better guide decision-making by senior management and the Board of Trustees.

### **Issues the Civic Federation Supports**

The following section details key issues that the Civic Federation supports in the City Colleges FY2016 Tentative Annual Operating Budget.

#### ***Commitment to Budgetary Restraint***

The FY2015 budget for the District's unrestricted operating fund expenditures will decrease by 0.4% to \$308.0 million, from \$309.4 million in its adopted budget in FY2015. The Civic Federation commends City Colleges for exercising fiscal restraint and prudently containing expenditures in its operating funds. Additionally, the District continues to exercise sound financial practices, including developing the budget based on performance measures, financial forecasting and modeling with monthly accounting reviews and other best-practice budgetary tools.

#### ***Keeping Property Tax Levy Relatively Flat***

City Colleges proposes to keep its gross property tax revenues relatively flat from the previous year at \$124.4 million, after having reduced its levy in FY2010. The projected increase in local tax revenues is due to an increase in the City Colleges property tax levy to capture revenue from expiring TIF districts within the City of Chicago.<sup>9</sup> The levy increase is not an increase in the amount of money taxpayers will owe in property taxes. This is because taxpayers were previously paying the \$510,000 for Chicago TIF district expenses. Now, they will pay the \$510,000 instead as part of the City Colleges levy.<sup>10</sup> This allows City Colleges to capture

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<sup>9</sup> City Colleges of Chicago FY2016 Tentative Annual Operating Budget, pp. 42-43.

<sup>10</sup> Information provided by City Colleges of Chicago Finance Department, July 6, 2015.



additional resources without increasing the tax burden on residents. The Civic Federation commends the District for its continued fiscal discipline at a time of ongoing financial hardship for many Chicago property taxpayers.

### ***Maintaining Healthy Unrestricted Fund Balance***

For the last five years, City Colleges has maintained a strong fund balance, with a FY2014 (audited) unrestricted fund balance equal to approximately 48.2% of operating expenses. The FY2014 fund balance is well above the minimum two months of operating expenses recommended by the Government Finance Officers Association. The dramatic increase of the unrestricted fund balance beginning in FY2013 is due to the implementation of GASB Statements No. 54 and No. 63, which caused the District to reclassify its formerly restricted net position relating to capital projects and other to unrestricted net position. Had the reclassification not taken place, the District's audited unrestricted FY2013 fund balance would still have been above the two month minimum at 19.8%.

A healthy fund balance for contingencies, such as unexpected revenue shortfalls that may occur, is particularly important at a time when the State of Illinois' finances are precarious and its scheduled payments to the District have been delayed and reduced. Additionally, the District faces some revenue risk from its proposed tuition increase to incentivize students to transition to full-time status and graduate on time. The Civic Federation commends the District for its discipline in maintaining a strong fund balance.

### ***Improved Long-Term Financial Planning Process***

On July 10, 2014, as part of the FY2015 Budget approval process the District, for the first time, publicly released a long-term financial plan. City Colleges previously maintained an internal long-term financial plan linked to its strategic plan that was only made available to key decision makers at the District. City Colleges provided further detail in the FY2016 tentative budget. The five-year plan is linked to the five-year (2016-2020) financial forecast included in the tentative budget. The forecast is updated on a monthly basis and programs tied to *Reinvention* goals are adjusted to reflect changes in financial reserves.<sup>11</sup>

The Federation is encouraged that the District took the first step of formally adopting a long-term financial plan as part of its FY2015 budget and provided greater detail in the FY2016 tentative budget. This will help to fully align the District's academic and operational goals as enumerated in the five-year strategic plan with the fiscal strategies it must implement to achieve those goals given the financial challenges it faces over the next five years.

### ***Formalizing Debt Policy***

The Civic Federation supports the debt management policy formally adopted by the Board of Trustees on October 2, 2013. The policy continues to provide a positive framework for managing City Colleges' debt costs while prohibiting negative short-term measures such as borrowing for operations or non-economic debt refunding.<sup>12</sup> The guidelines in the policy include:

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<sup>11</sup> City Colleges of Chicago FY2016 Tentative Annual Operating Budget, p. 15.

<sup>12</sup> City Colleges of Chicago, FY2016 Tentative Annual Operating Budget, pp. 28-29.

- Issuing debt with level principal repayment to reduce total interest cost;
- Limiting the term of debt issued to the useful life of the assets funded through bond issuances;
- Requiring short-term borrowing for cash-flow purposes to be repaid within 12 months or the same fiscal year;
- Restricting refunding bonds to only economically beneficial terms that will provide a minimum of 3.0% present value savings over the existing terms except in extraordinary circumstances and with full disclosure to the Board of Trustees; and
- Updating the policy every three years to ensure the policy reflects the best practices for municipal government debt management.

The policy also sets standards for maintaining the strongest credit rating possible, monitoring overall debt burden ratios and ensuring the affordability of long-term debt payments compared to available resources. By formally adopting the policy, the Board of Trustees ensures that the conservative debt management policies set forth will be followed unless additional approval and disclosure is brought before the governing body.

### ***Planning for Capital Projects with Transparency and Public Input***

At the direction of Chancellor Hyman and Board of Trustees Chair Paula Wolff, an Ad Hoc Construction Committee was created with the purpose of overseeing the progress of the capital and construction projects for the new Malcolm X College campus and the new Olive-Harvey Transportation, Distribution and Logistics (TDL) Center. Since its formation in July 2012, the Committee has met every other month. At the meetings, updates on the progress of the capital projects are presented, and the Committee asks questions and provides input. Similar to the City Colleges' Board of Trustees meetings, the Ad Hoc Construction Committee meetings are open to the public and notice of upcoming meetings is provided on the District's website. The Civic Federation commends City Colleges for continuing to maintain transparency in its decision-making practices as it undertakes significant capital advancements throughout the District.

### ***Reporting Cost Containment Strategies and Savings***

During the past few years, the District has included a list of numerous cost containment strategies and corresponding savings estimates in its budget document. The District's cost containment strategies include conducting an employee benefits review, cooperative purchasing agreements with other state and national agencies, negotiating multi-year utility rates, purchasing fuel for its vehicle fleet through City of Chicago fuel depots and implementing technological improvements to streamline operations.<sup>13</sup> The Civic Federation supports City Colleges' incorporation of this information into its annual budget proposals. It is important for any unit of government to report to its Board and public the cost-saving measures it is taking, along with the associated cost savings, to demonstrate that tax dollars are being spent efficiently.

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<sup>13</sup> City Colleges of Chicago, FY2016 Tentative Annual Operating Budget, pp. 8-9.

### ***Prudent Planning for Shift of Pension Costs from the State of Illinois***

In May 2013, the Illinois House amended and approved a bill to gradually transfer the responsibility of funding the normal cost of community college and university employee pensions from the State of Illinois to their employers. Community colleges and universities would take over the annual normal pension cost at a rate of 0.5% of payroll per year starting in the State's FY2015 until costs were fully shifted.<sup>14</sup> The Senate did not agree to the House's amendments before the spring legislative session ended in May 2013 but some university and community college officials expressed support for the proposal.<sup>15</sup> If the bill had gone into effect, the District estimated that its employer pension contribution in FY2015 would have been approximately \$1.0 million.<sup>16</sup> The Civic Federation commends the District for prudently continuing to forecast for an increase in costs by incorporating a phased-in shift of the normal cost of the District's pension benefits into the expenditure forecasts in its long-term financial plan.

### **Civic Federation Concern**

The following section details the Civic Federation's concern with the City Colleges FY2015 tentative annual operating budget.

### ***Proposed Tuition and Fee Structure Carries Some Risk and Was Not Communicated to Students Before the Fall 2015 Semester Enrollment Period***

As part of the FY2016 tentative budget, City Colleges proposes changing the District's current tuition and fee structure from a per credit hour based tuition and fee structure to a flat-rate tuition and fee structure that combines the tuition and fees into one flat rate for students depending on their enrollment status, effective for the fall 2015 semester. In the FY2016 tentative budget, the District argues the transition to a flat-rate attendance structure will encourage timelier completion of degree programs, compensate for declining tuition and fee revenue and provide students with certainty of future costs of enrollment. Under the proposed flat-rate structure, full-time students taking 12 credit hours or more will pay \$1,753.0 per semester, part-time students taking two classes or more, up to a total of 11 credit hours, will pay a flat rate of \$1,069.0 per semester and students taking only one class will pay a flat rate of \$599.0 per semester. The part-time and full-time costs will remain covered by Federal Pell grants received by qualified students. Based on an in-district to in-district comparison, the proposed transition will move City Colleges from its current position as one of the lowest cost community colleges in the Chicago metropolitan area to one of the highest for certain students, depending upon the program and number of credit hours taken.<sup>17</sup> However, City Colleges will remain a low-cost or the lowest cost community college in the region for full-time students enrolled in 14 or more credit hours. There

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<sup>14</sup> Senate Bill 1687, House Amendment 2:

<http://ilga.gov/legislation/fulltext.asp?DocName=09800SB1687lv&SessionID=85&GA=98&DocTypeID=SB&DocNum=1687&print=true>.

<sup>15</sup> Hannah Douglas, "College officials support shifting pension costs to universities," *Pantagraph*, May 16, 2013.

<sup>16</sup> City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. 6.

<sup>17</sup> City Colleges of Chicago bases its analysis on the cost from a Chicago student perspective and thus compares in-district to out-of-district tuition and fee rates in the FY2016 tentative budget. The Civic Federation instead compares in-district to in-district to get an idea of community colleges on a regional basis.

is some risk associated with this transition for the District, as it could precipitate a decline in enrollment and a corresponding decline in tuition and fee revenue below projections.

For the last four years City Colleges has not raised tuition rates despite rising costs and reduced funding from other revenue sources and has also minimized its impact on taxpayers by holding property taxes relatively flat. City Colleges currently has the lowest combined tuition and fees per credit hour among ten selected area community colleges, falling from the fifth highest in FY2012. The District's focus on cutting costs and maximizing efficiency has been a boon for students and taxpayers over the last several years, but with this budget, City Colleges will rely almost entirely on increased tuition and fee revenue to balance its budget. The proposed flat rate tuition and fee structure is projected to bring in an additional \$12.0 million in tuition and fee revenue above the FY2015 adopted budget. The Federation believes user fees are preferable to general tax increases, but has previously raised concerns that if tuition rates continued to stay flat, students may see a steep increase in tuition rates in the coming years as spending pressures mount, particularly from staffing expenses.

The Civic Federation is also concerned that the District did not communicate the proposed tuition increase to students before opening registration for the fall 2015 semester. Although the District plans to inform students by providing information on the District's website, through email communication and by other means, the Federation believes the proposed change in tuition structure should have been sooner communicated to students given that the enrollment period for the fall 2015 semester closes on August 17, 2015 and classes start August 24, 2015.

### **Civic Federation Recommendations**

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

#### ***Develop a Tuition and Fee Policy, and Explore Indexing Tuition and Fees***

The Civic Federation recommends that City Colleges adopt the Government Finance Officers Association (GFOA) best practice of developing a charges and fees policy, possibly including tying them to an annual escalator to help guide the board when making difficult budget decisions. One of the many benefits provided by a well-designed charges and fees policy is that it will "smooth charges and fees over several years rather than having uneven impacts" on the students.<sup>18</sup>

#### ***Phase Out Retiree Health Care Subsidy or Establish OPEB Trust***

The Civic Federation recommends that City Colleges follow the City of Chicago's lead to phase out the District's retiree health care subsidy. The Affordable Care Act has changed the health care landscape for retirees by improving health care access for low-income households, those with pre-existing conditions and retirees not yet eligible for Medicare. As such, the District should create a plan to phase out its subsidy and take advantage of the federal law while freeing itself of growing health care costs. The District has already phased out reimbursement of

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<sup>18</sup> Government Finance Officers Association, "Establishing Government Charges and Fees," <http://www.gfoa.org/establishing-government-charges-and-fees> (last visited July 2, 2014).

Medicare-premiums for retirees. As an alternative option, the Federation recommends that the District explore establishing a separate retiree health care trust, similar to the Chicago Transit Authority and Metropolitan Water Reclamation District of Greater Chicago. This will allow the District to remove itself from the business of providing these services in future years.

### ***Improve Long-Term Financial Planning Process<sup>19</sup>***

The Civic Federation commends the District for publicly releasing and adopting its previously internal long-term financial plan with the FY2015 budget approval process. The plan released incorporates most of the elements of a best practice plan, according to the Government Finance Officers Association (GFOA). In the FY2016 tentative budget, the District included strategies that senior management uses, such as the prioritization of investments, revenue enhancements, assessing salary vacancy rates and other strategies to balance future budgets. The FY2016 tentative budget also incorporates external factors that have an impact on the District. The main improvements the Civic Federation would recommend for future plans would be to include an enhanced description of strategies, actions and scenarios needed to address financial imbalances and other long-term issues and more involvement of the public and other stakeholders in the development of the plan.

An essential element of the long-term financial planning process is that it be an open and public process. All stakeholders should be engaged in the planning process. The GFOA describes the long-term financial planning process as “not just a staff-driven process. It is consensus-driven and inclusive, involving elected officials, staff and the public.”<sup>20</sup>

It is important for a taxing body to explain to the public the coming financial challenges it sees and how it will overcome them. The Civic Federation commends the District for moving beyond internal financial planning by developing and implementing a formal long-term financial planning process that is not just reviewed internally, but that also solicits input from the District’s Board of Trustees and eventually other key policy stakeholders, including the public.

### ***Adopt a Formal Fund Balance Policy***

The City Colleges’ Board of Trustees adopted Resolution Number 29253 on February 5, 2009 which recommends that unrestricted fund balance over 3% of the unrestricted funds actual expenses may be transferred to the Operations and Maintenance Fund subject to the Board’s approval, effectively maintaining a 3% minimum unrestricted funds fund balance.<sup>21</sup> The Civic Federation supports this policy and commends the District for including additional guidelines in its FY2016 proposed budget that the District uses to manage its fund balances, including not using operating fund fund balance to finance current operations and recognizing bond ratings, credit implications and the District’s limited revenue sources as important factors to be considered before using fund balance.<sup>22</sup> However, the Civic Federation urges City Colleges to

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<sup>19</sup> See Maricopa Community College in Arizona and the City of San Clemente, California as examples of well-developed long-term financial plans.

<sup>20</sup> Government Finance Officers Association, “Long-Term Financial Planning for Governments,” <http://www.gfoa.org/downloads/LTFPbrochure.pdf> (last visited on July 3, 2013).

<sup>21</sup> See the resolution on the City Colleges of Chicago’s website at <http://apps.ccc.edu/brpublic/2009/feb/29253.pdf>.

<sup>22</sup> City Colleges of Chicago, FY2016 Tentative Annual Operating Budget, p. 34.

establish a formal fund balance policy for its unrestricted funds that meets the standard proposed by the Government Finance Officers Association (GFOA) and that is approved by the City Colleges' Board of Trustees.

The GFOA recommends “at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.” City Colleges is a special purpose, not a general purpose government, but its size and the relative instability of its revenue stream make it prudent for the District to maintain adequate reserves. The GFOA statement adds that each unit of government should adopt a formal policy that considers the unit’s own specific circumstances and that a smaller fund balance ratio may be appropriate for the largest governments.<sup>23</sup> At a minimum, the Civic Federation urges City Colleges to establish a fund balance policy of maintaining a minimum ratio of unrestricted net assets to expenditures or revenues of 5%, which is recommended by the major rating agencies.<sup>24</sup>

### ***Improve the Budget Book Format***

City Colleges has made great strides in providing a significant amount of detail in its annual budget documents, including financial summaries and tables, and a five-year forecast of revenues and expenditures and lengthy narratives to help explain budgetary changes. However, the Federation recommends that the District include additional information in future budgets.

The FY2016 tentative budget could have provided more information communicating the proposed change in the District’s tuition and fee revenue structure which will transition students from a per credit hour based tuition and fee structure to a flat-rate tuition and fee structure that will combine tuition and fees into one flat rate, depending upon enrollment status. A breakdown of the cost per credit hour, for example, would provide the public with more information about the cost of enrolling at City Colleges, particularly for part-time students and students enrolled in one class.

In addition, full-time equivalent (FTE) personnel data was not included in the FY2016 tentative budget. Although head count data by type of position and full- and part-time status was provided in the budget book, FTE data was excluded. City Colleges of Chicago is a personnel-intense enterprise, so omitting such information may prevent stakeholders from having a clear and comprehensive understanding of the budget proposal. In the past, the District has included four years of historical staff trends and proposed staffing changes, including a comprehensive list of full-time equivalent (FTE) positions by position type. The breakdown of full- and part-time positions by administrative, professional and teaching staff is an important element of the tentative budget and should be provided to all stakeholders. A breakdown of personnel trends is also an important factor in understanding the operational strategies that have been implemented as part of *Reinvention*. In the interest of full transparency, the Federation recommends that the District include the full details of staffing adjustments necessary to implement the tentative budget.

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<sup>23</sup> Government Finance Officers Association, “Appropriate Level of Unrestricted Fund Balance in the General Fund” (Adopted October 2009).

<sup>24</sup> Standard & Poor’s, “U.S. Local Governments: Methodology and Assumptions,” March 6, 2012.

Furthermore, City Colleges should provide a clear definition of unrestricted funds and unrestricted operating funds that is adhered to in all tables and summaries. Some tables and sections include certain funds as unrestricted funds or unrestricted operating funds and others exclude them, leading to confusion on comparability, given the description of what is included in the unrestricted funds on page 18 of the FY2016 tentative budget. In the interest of transparency for all stakeholders and particularly taxpayers, it is important that the budget document provides a clear and consistent way of communicating how it is spending taxpayer dollars.

***Advocate for the State of Illinois to Change the Community College Equalization Formula***

The State of Illinois provides community college districts with equalization grants intended to ensure that each district has approximately equivalent financial means, regardless of a district's taxable property wealth. Because the formula for distributing equalization grants does not account for the Property Tax Extension Limitation Law, also known as PTELL or "tax caps," that is in place in Cook County and 38 other Illinois counties, it assumes that a greater amount of property wealth is available to tax-capped districts than can actually be taxed without seeking approval of the voters through a referendum. Over time, this has meant that state funding for City Colleges has declined.

The current formula on its own would have provided City Colleges with almost no revenue, though City Colleges received \$14.3 million in supplemental State funds in FY2015 and will decrease again in FY2016 to \$14.1 million. The Civic Federation supports City Colleges receiving these funds, but urges the District to advocate for the State to rectify the situation that requires the District to seek such funds on an annual basis rather than receiving a reasonable annual allocation. The Civic Federation supports a recalculation of the State community college equalization formula. We also urge the Governor and the Illinois Community College Board to recognize the contributions of Illinois' largest community college system by fundamentally restructuring the equalization formula to provide fair and equitable funding to City Colleges.

## **ACKNOWLEDGEMENTS**

We would like to express our sincere thanks and appreciation to Chancellor Cheryl L. Hyman, Executive Vice Chancellor Laurent Pernot, Chief Operating Officer James T. Frankenbach, Vice Chancellor, Finance & Business Enterprises/Chief Finance Officer Joyce Carson, District Director of Financial Planning & Budgeting Constance Kravitz and Vice Chancellor, Strategy & Institutional Intelligence Rasmus Lynnerup for providing us with a briefing on the budget and answering our questions.



## APPROPRIATIONS

The following section of this analysis presents information and trends regarding City Colleges' appropriations for all funds and for operating funds by object and by program. Except where noted, Fiscal Year 2016 appropriations are compared to actual expenditures for FY2012-FY2014 and FY2015 adopted appropriations.

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

### Unrestricted

- **Education Fund**, which accounts for revenues and expenditures of the academic and service programs for each college;
- **Operations and Maintenance Fund**, which accounts for expenditures for the construction, acquisition, repair and improvement of community college buildings, along with procurement and maintenance of lands, fixtures and equipment;
- **Auxiliary/Enterprise Fund**, which accounts for college services where a fee is charged and the activity is intended to be self-supporting;<sup>25</sup>

### Restricted

- **Audit Fund**, which levies and collects property taxes for the payment of the annual audit of the District's financial statements;
- **Liability, Protection and Settlement Fund**, which primarily handles expenditures for tort liability, property insurance, Medicare taxes, Social Security taxes and unemployment insurance; and
- **Restricted Purpose Fund**, which accounts for monies that have external restrictions regarding their use, including grants.<sup>26</sup>

## Appropriations for All Funds

The FY2016 City Colleges total proposed appropriations will be \$695.6 million, which is a 3.8%, or \$27.5 million, decrease from FY2015 adopted appropriations of \$723.1 million. Since FY2012 the District's total budget has increased by \$181.4 million, or 35.3%. This five-year increase is driven by a \$151.7 million, or 719.0%, increase in the capital budget. Restricted spending decreased by \$4.5 million over the five-year period and unrestricted spending increased by \$12.8 million. Additionally, the District has budgeted debt service payments for the third time since FY2008. City Colleges completed a \$250 million debt issuance in FY2014 to support its capital plan and has budgeted \$14.3 million to pay for principal and interest in FY2016.<sup>27</sup>

The District's FY2016 tentative operating budget will decrease by 3.0%, or \$15.6 million, below FY2015 adopted appropriations to \$508.5 million. Operating funds pay for employees' salaries and benefits, utility costs and all other day-to-day expenditures. In the City Colleges' budget,

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<sup>25</sup> In FY2014, FY2015 and FY2016 the Auxiliary/Enterprise Fund budget has been presented separately from the Unrestricted Funds in some sections of the budget.

<sup>26</sup> Descriptions of the program categories may be found in City Colleges of Chicago FY2016 Tentative Annual Operating Budget on pages 18-19.

<sup>27</sup> City Colleges of Chicago FY2016 Tentative Annual Operating Budget, p. 4.

operating funds include all funds except the capital, debt service and working cash funds. The Capital Fund provides pay-as-you-go funding for a substantial portion of its major building projects, as well as the improvement of existing structures.

As the following exhibit shows, unrestricted operating appropriations will increase by \$4.4 million, or 1.4%, above FY2015 adopted appropriations. City Colleges exercises maximum discretion over these resources, unlike restricted funds that must be used for specific purposes as established by statute or terms of a grant or loan. The District has increased its unrestricted operating budget slightly due to increased tuition and fee revenue generated from the District's proposed new tuition pricing structure.<sup>28</sup> Restricted operating fund appropriations will decrease by \$16.7 million, or 8.3%. This decrease in spending is due to reduced student aid as a result of a projected decline in enrollment and fewer federal, state and local grants applied for and received.<sup>29</sup>

Enterprise Funds appropriations are projected to decrease by \$3.3 million, or 22.8%, below FY2015 adopted appropriations. The decline in Enterprise appropriations can be primarily attributed to more conservative revenue estimates, the restructuring of programs and the result of some programs being in the early start-up phase.<sup>30</sup>

Capital appropriations will be 24.8% of total appropriations, totaling \$172.8 million. Capital fund appropriations will decrease by 7.1%, or \$13.3 million, below FY2015 adopted appropriations. FY2015 capital fund expenses are tied to a \$540.6 million five-year capital plan that includes a new Malcolm X College campus, a new Olive Harvey Transportation, Distribution, and Logistics Training Center and a series of enhancements and improvements to existing infrastructure and information technology.<sup>31</sup>

City Colleges Appropriations for All Funds: FY2012-FY2016 (in \$ millions)									
Fund Type	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Adopted Budget	FY2016 Tentative Budget	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Operating Funds									
Unrestricted	\$ 301.0	\$ 281.5	\$ 275.3	\$ 309.4	\$ 313.8	\$ 4.4	1.4%	\$ 12.8	4.3%
Enterprise	\$ 4.1	\$ 8.6	\$ 8.9	\$ 14.5	\$ 11.2	\$ (3.3)	-22.8%	\$ 7.1	173.2%
Restricted	\$ 188.0	\$ 153.1	\$ 142.2	\$ 200.2	\$ 183.5	\$ (16.7)	-8.3%	\$ (4.5)	-2.4%
<b>Subtotal Operating</b>	<b>\$ 493.1</b>	<b>\$ 443.2</b>	<b>\$ 426.4</b>	<b>\$ 524.1</b>	<b>\$ 508.5</b>	<b>\$ (15.6)</b>	<b>-3.0%</b>	<b>\$ 15.4</b>	<b>3.1%</b>
Capital Fund	\$ 21.1	\$ 17.4	\$ 70.0	\$ 186.1	\$ 172.8	\$ (13.3)	-7.1%	\$ 151.7	719.0%
Debt Service	\$ -	\$ -	\$ 7.9	\$ 12.9	\$ 14.3	\$ 1.4	10.9%	\$ 14.3	-
<b>Total</b>	<b>\$ 514.2</b>	<b>\$ 460.6</b>	<b>\$ 504.3</b>	<b>\$ 723.1</b>	<b>\$ 695.6</b>	<b>\$ (27.5)</b>	<b>-3.8%</b>	<b>\$ 181.4</b>	<b>35.3%</b>

Note: Differences from budget book may occur due to rounding.

Source: City Colleges of Chicago FY2014 Annual Operating Budget, p. 1; FY2015 Annual Operating Budget, p. 5; and FY2016 Tentative Annual Operating Budget, p. 4.

<sup>28</sup> City Colleges of Chicago FY2016 Tentative Annual Operating Budget, p. 4.

<sup>29</sup> City Colleges of Chicago FY2016 Tentative Annual Operating Budget, p. 7.

<sup>30</sup> Information provided by City Colleges of Chicago Finance Department, July 6, 2015.

<sup>31</sup> See the Capital section on page 35 of this report for more details on the City Colleges of Chicago capital plan.

## Unrestricted Operating Funds by Object<sup>32</sup>

The next exhibit shows changes in City Colleges' appropriations by object (line item) for the operating funds, including the Education Fund, Operations & Maintenance Fund and Liability, Protection and Settlement Fund. In this section, fiscal year 2016 proposed appropriations are compared to adopted appropriations for FY2015 and actual expenditures for FY2012-FY2014. Over the five-year period, appropriations for these operating funds will increase by \$57.0 million, or 22.7%, from the actual FY2012 appropriations of \$251.0 million to \$308.0 million proposed in FY2016.

Salaries make up 69.9% of total proposed operating appropriations in FY2016 and made up 67.0% of total actual operating appropriations in FY2012. Appropriations for salaries will total \$215.3 million in FY2016, up 28.0%, or \$47.2 million, from \$168.1 million in FY2012. The increase over the five-year period, particularly within the FY2013 budget, can be attributed to reorganization of staffing for the City Colleges *Reinvention* initiative.<sup>33</sup> Other major factors contributing to the five-year increase in salary costs include negotiated increases agreed upon through collective bargaining, the hiring of specialized faculty members, increased security patrols at Malcolm X and Truman Colleges, and a planned increase in compensation for administrators at City Colleges.<sup>34</sup>

At \$32.1 million, appropriations for benefits will decline by 3.2%, or \$1.1 million, over the two-year period and increase by 9.2%, or \$2.7 million, over the five-year period<sup>35</sup> The increase in benefits over the five-year period occurred despite efforts to reduce personnel-related expenses, including an agreement in FY2013 between City Colleges and labor unions to eliminate step increases and sick-day payouts for new employees and freezes of sick-day payouts for current employees.<sup>36</sup> In addition, benefits for non-union employees were changed to eliminate sick-day payouts for new employees, to freeze sick-day payouts for current employees, to increase health insurance co-payments and deductibles and to end premium-free lifetime retiree health care for senior leaders of City Colleges.<sup>37</sup> In FY2015 the District anticipated a net increase in benefit costs due in part to new health care coverage of part-time employees per the federal Affordable Care Act (ACA) and the implementation of new benefit programs.<sup>38</sup>

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<sup>32</sup> The Operating Funds by Object in this section includes the Education Fund, Operations & Maintenance Fund, Liability, Protection and Settlement Fund and Audit Funds, not the Auxiliary/Enterprise Fund.

<sup>33</sup> Information provided by City Colleges of Chicago Finance Department, June 19, 2012.

<sup>34</sup> Information provided by City Colleges of Chicago Finance Department, June 9, 2014 and FY2016 Tentative Annual Operating Budget, p. 8.

<sup>35</sup> It is important to note that City Colleges has implemented a new methodology for allocating benefits to departments, which is reflected in FY2013, FY2014 and FY2015 data only. There is no impact of the methodology change in the aggregate budget; however, budgetary differences exist at the college level.

<sup>36</sup> Adult educators are represented by the American Federation of State, County and Municipal Employees (AFSCME) and clerical employees are represented by the Federation of College Clerical and Technical Personnel Local 1708.

<sup>37</sup> City Colleges of Chicago FY2016 Tentative Annual Operating Budget, p. iii.

<sup>38</sup> New benefit programs include: Voluntary Short-Term Disability, Voluntary Critical Illness, Employee Assistance, and Maternity Leave. City Colleges of Chicago FY2015 Tentative Annual Operating Budget, p. 9.

City Colleges Appropriations by Object of Expenditure									
Operating Funds: FY2012-FY2016									
(in \$ thousands)									
Object	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Adopted Budget	FY2016 Tentative Budget	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Salaries	\$ 168,139	\$ 181,192	\$ 190,560	\$ 213,769	\$ 215,298	\$ 1,529	0.7%	\$ 47,159	28.0%
Employee Benefits	\$ 29,384	\$ 47,697	\$ 28,943	\$ 33,170	\$ 32,098	\$ (1,072)	-3.2%	\$ 2,714	9.2%
Contractual Services	\$ 22,705	\$ 20,029	\$ 18,464	\$ 25,313	\$ 23,313	\$ (2,000)	-7.9%	\$ 607	2.7%
Materials/Supplies	\$ 13,212	\$ 12,057	\$ 11,041	\$ 16,311	\$ 15,605	\$ (706)	-4.3%	\$ 2,393	18.1%
Travel/Conferences	\$ 1,019	\$ 936	\$ 974	\$ 1,257	\$ 1,351	\$ 94	7.5%	\$ 332	32.6%
Fixed Charges	\$ 2,147	\$ 2,855	\$ 3,220	\$ 3,338	\$ 3,413	\$ 75	2.2%	\$ 1,266	59.0%
Utilities	\$ 9,808	\$ 9,042	\$ 8,423	\$ 7,921	\$ 8,249	\$ 328	4.1%	\$ (1,559)	-15.9%
Bad Debt	\$ 2,106	\$ 3,140	\$ 3,208	\$ 1,662	\$ 1,662	\$ -	0.0%	\$ (444)	-21.1%
Waivers and Scholarships	\$ 2,504	\$ 5,117	\$ 5,102	\$ 5,226	\$ 5,999	\$ 774	14.8%	\$ 3,495	139.6%
Other Expenditures*	\$ (11)	\$ (540)	\$ (1,022)	\$ 1,457	\$ 1,053	\$ (403)	-27.7%	\$ 1,064	-9872.2%
<b>Total</b>	<b>\$ 251,014</b>	<b>\$ 281,524</b>	<b>\$ 268,912</b>	<b>\$ 309,423</b>	<b>\$ 308,042</b>	<b>\$ (1,381)</b>	<b>-0.4%</b>	<b>\$ 57,028</b>	<b>22.7%</b>

Note: Operating Funds in this chart includes the Education Fund, Operations & Maintenance Fund and the Liability and Audit Fund only. Not Auxiliary/Enterprise Fund.  
\* In FY2012, FY2013 and FY2014 an adjustment was made to defer earnings for instructors working 20 pay periods who chose to receive their payroll over 26 pay periods instead of 20 pay periods and an adjustment was made to reduce Title IV liability to the Department of Education resulting in a negative number.  
Source: City Colleges of Chicago FY2014 Budget, p. 16; FY2015 Budget, p. 18; and FY2016 Tentative Annual Operating Budget, pp. 65-71.; and Information provided by City Colleges of Chicago Finance Department, June 22, 2015

### Total Unrestricted Funds by Program<sup>39</sup>

The following exhibit shows changes in the City Colleges' total unrestricted funds by program between FY2012 and FY2016. The FY2016 Tentative Operating Budget is compared to the FY2012-FY2013 adopted budgets, FY2014 amended budget and FY2015 adopted budget. The program categories are listed below.<sup>40</sup>

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

<sup>39</sup> The Unrestricted Operating Funds by Program includes the Education Fund, Operations & Maintenance Fund, Liability, Protection and Settlement Fund and Auxiliary/Enterprise Fund.

<sup>40</sup> Descriptions of the program categories may be found in City Colleges of Chicago FY2016 Tentative Annual Operating Budget on p. 20.

In the five-year period between FY2012 and FY2016, appropriations will decrease by 0.3%, or \$1.1 million, from \$323.5 million to approximately \$322.4 million. Over the five years, appropriations for instruction have fluctuated between a high of 39.8% (FY2015) and a low of 34.2% (FY2016) of the total unrestricted operating budget. In FY2016, the next largest program category will be institutional support at \$71.8 million, followed by operations and maintenance at \$47.9 million.

Other appropriation changes include:

- A 284.5%, or \$12.1 million, increase in auxiliary/enterprise fund appropriations over the five-year period, rising from \$4.3 million in FY2012 to \$17.4 million in FY2015 before declining slightly in FY2016 to \$16.4 million. This is largely due to increased efforts toward student recruitment, student services, client services and student engagement and increased funding for the arts and sciences. There was also a significant expansion of the Workforce Academy and Customized Training program and enhanced services at the public broadcasting channel WYCC.<sup>41</sup>
- A 14.4%, or \$18.5 million, decrease in instruction over the two-year period. The decline in instruction appropriations is largely due to declining enrollment and a review of the proper categorization of program codes provided by the Illinois Community College Board's definitions.<sup>42</sup>

City Colleges Appropriations by Program Total Unrestricted Funds: FY2012-FY2016 (in \$ thousands)									
Program	FY2012 Adopted Budget	FY2013 Adopted Budget	FY2014 Amended Budget	FY2015 Adopted Budget	FY2016 Tentative Budget	Two-Year \$ Change	Two- Year % Change	Five-Year \$ Change	Five-Year % Change
Instruction	\$ 120,914	\$ 122,360	\$ 123,632	\$ 128,820	\$ 110,323	\$ (18,497)	-14.4%	\$ (10,591)	-8.8%
Academic Support	\$ 27,828	\$ 15,857	\$ 17,252	\$ 17,898	\$ 26,826	\$ 8,928	49.9%	\$ (1,002)	-3.6%
Student Services	\$ 34,166	\$ 30,527	\$ 36,773	\$ 37,979	\$ 41,307	\$ 3,328	8.8%	\$ 7,141	20.9%
Public Service	\$ 5,666	\$ -	\$ 324	\$ -	\$ 2,671	\$ 2,671	-	\$ (2,995)	-52.9%
Organized Research	\$ -	\$ 848	\$ 294	\$ -	\$ -	\$ -	-	\$ -	-
Auxiliary/Enterprise	\$ 4,267	\$ 12,979	\$ 13,644	\$ 17,397	\$ 16,406	\$ (992)	-5.7%	\$ 12,139	284.5%
Operations & Maintenance	\$ 51,239	\$ 50,843	\$ 50,847	\$ 46,838	\$ 47,900	\$ 1,062	2.3%	\$ (3,339)	-6.5%
Institutional Support	\$ 71,442	\$ 78,855	\$ 69,464	\$ 69,043	\$ 71,793	\$ 2,750	4.0%	\$ 351	0.5%
Scholarships, Grants, Waivers	\$ 7,999	\$ 8,272	\$ 4,833	\$ 5,884	\$ 5,199	\$ (684)	-11.6%	\$ (2,799)	-35.0%
<b>Total</b>	<b>\$ 323,521</b>	<b>\$ 320,541</b>	<b>\$ 317,062</b>	<b>\$ 323,859</b>	<b>\$ 322,425</b>	<b>\$ (1,433)</b>	<b>-0.4%</b>	<b>\$ (1,096)</b>	<b>-0.3%</b>

Note: The Total Unrestricted Funds in this chart include the Education Fund, Operations & Maintenance Fund, Liability, Protection and Settlement Fund and the Auxiliary Enterprise Fund.

Source: City Colleges of Chicago FY2012 Annual Operating Budget, p. 67; FY2013, p. 65; FY2014 Supplemental Appropriation, Exhibit 1, Adopted August 1, 2013; FY2015 Annual Operating Budget, p. 68; FY2016 Tentative Annual Operating Budget, p. 65.

## RESOURCES

The following section presents information and trends regarding City Colleges' resources, comparing FY2016 tentative budgeted resources for all funds by fund and by source. FY2016 resources are compared to adopted resources for FY2012-FY2015. The FY2014 adopted budget was amended on August 1, 2013 to account for \$12.4 million in additional resources from the State of Illinois and \$1.6 million in additional auxiliary/enterprise revenues.

<sup>41</sup> Information provided by City Colleges of Chicago Finance Department, June 30, 2014.

<sup>42</sup> Information provided by City Colleges of Chicago Finance Department, July 6, 2015

## Total Resources for FY2016

City Colleges expects to have a total of \$695.5 million in net resources available for all funds in FY2016. All funds include operating funds, capital funds and federal and state student aid funds that are passed on to students by means of grants and Work Study.

The single largest revenue source will be appropriated capital reserves, which make up 22.3% of all resources or \$155.2 million. Federal aid will provide the next greatest source of revenue at \$171.3 million or 24.6% of all funds. City Colleges expects to disperse \$97.6 million of federal aid through Pell Grants, Supplemental Educational Opportunity Grants and Work Study.<sup>43</sup> Tuition and fees revenue will exceed anticipated net property tax revenue for FY2016, at \$127.0 million and \$120.0 million, respectively. Revenue from the State of Illinois will total \$63.5 million, accounting for 9.1% of total resources. It is important to note that the State also makes contributions to the State Universities Retirement System (SURS) on behalf of City Colleges for most of the District's employees and this operating support is not reflected in the budget.<sup>44</sup> In FY2014, the most recent year for which audited data is available, State pension contributions were \$68.1 million.<sup>45</sup>

<b>City Colleges Net Resources for All Funds: FY2016</b>		
<b>Source of Revenue</b>	<b>FY2016 Tentative Budget</b>	<b>% of Total</b>
Enterprise Fund Reserves	\$ -	0.0%
Operating Fund Reserves	\$ 2,000,000	0.3%
Capital Reserves	\$ 155,249,141	22.3%
<b>Subtotal Enterprise and Operating Funds &amp; Reserves</b>	<b>\$ 157,249,141</b>	<b>22.6%</b>
Net Property Tax	\$ 119,993,164	17.3%
Personal Property Replacement Tax	\$ 14,328,323	2.1%
Tuition and Fees	\$ 126,985,000	18.3%
Auxiliary/Enterprise	\$ 12,132,866	1.7%
Investment Revenue	\$ 1,000,000	0.1%
Local Government Grants	\$ 22,025,265	3.2%
<b>Subtotal Local Sources</b>	<b>\$ 296,464,618</b>	<b>42.6%</b>
State Government	\$ 63,489,151	9.1%
Federal Government	\$ 171,299,018	24.6%
<b>Subtotal State &amp; Federal Sources</b>	<b>\$ 234,788,169</b>	<b>33.8%</b>
Other Sources	\$ 6,998,598	1.0%
<b>Total</b>	<b>\$ 695,500,526</b>	<b>100.0%</b>

Source: City Colleges of Chicago FY2016 Tentative Annual Operating Budget, p. 65.

<sup>43</sup> City Colleges of Chicago FY2016 Tentative Annual Operating Budget, p. 46.

<sup>44</sup> The State of Illinois makes the employer pension contributions for City Colleges employees except those paid for with federal grants; the District pays the employer share of those pension costs.

<sup>45</sup> City Colleges of Chicago FY2014 Comprehensive Annual Financial Report, p. 29.

## All Funds by Source

City Colleges' total FY2016 resources of \$695.5 million represent a decrease of \$27.6 million, or 3.8%, from the FY2015 budget of \$723.1 million. Local sources will increase by \$11.4 million, or 4.0%, due to projected increases in tuition and fees and local government grants. Tuition and fees are projected to grow by nearly \$12.0 million or 10.4% due to the District's new flat tuition and fee structure that is intended to incentivize full-time students to take larger class loads so that more students will graduate on time. The new structure increases costs for part-time and occasional students and lowers costs for some full-time students leading to a projected overall increase in tuition revenue, despite a slight projected decline in enrollment. Local government grants, or funds received from other local governments such as the City of Chicago and Chicago Housing Authority,<sup>46</sup> are projected to increase by \$5.2 million, or 30.9%. All other sources of revenue are projected to decrease from FY2015, particularly the use of appropriated reserves, which will decrease by \$21.0 million due to large capital projects nearing completion.<sup>47</sup>

State resources will decrease by \$12.4 million, or 16.4%, falling from \$75.9 million in FY2015 to \$63.5 million in FY2016, due to the Illinois Community College Board's funding formula and anticipated reductions in Adult Education grants.<sup>48</sup> Federal resources will also decrease, falling by 1.1% or \$1.8 million. The federal funds represent primarily financial aid that is passed through to students, not revenues available for day-to-day operations. Other Sources of revenue "represents revenues which do not fit into specific revenue source categories such as subpoena fees and ATM commissions," and will also decrease by \$3.8 million, or 35.1%.<sup>49</sup>

Total resources for all funds will increase by \$38.7 million, or 5.9%, between the FY2012 adopted budget and the FY2016 tentative budget. The greatest dollar increase will occur in appropriated reserves, which will rise by \$29.2 million, or 22.9%, over the five-year period. Resources from the State of Illinois will decrease by \$28.9 million, or 31.3%, in the five-year period. Federal resources, however, are slated to increase \$14.3 million, or 9.1%, from FY2012 to FY2016.

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<sup>46</sup> City Colleges of Chicago FY2016 Tentative Annual Operating Budget, p. 21.

<sup>47</sup> City Colleges of Chicago FY2016 Tentative Annual Operating Budget, p. iv.

<sup>48</sup> City Colleges of Chicago FY2016 Tentative Annual Operating Budget, p. 4.

<sup>49</sup> City Colleges of Chicago FY2016 Tentative Annual Operating Budget, p. 22.

City Colleges of Chicago Net Resources for All Funds: FY2012 - FY2016									
(in \$ thousands)									
Sources of Revenues	FY2012 Adopted Budget	FY2013 Adopted Budget	FY2014 Amended Budget*	FY2015 Adopted Budget	FY2016 Tentative Budget	Two- Year \$ Change	Two- Year % Change	Five- Year \$ Change	Five- Year % Change
Appropriated Reserves	\$ 128,000	\$ 125,979	\$ 141,433	\$ 178,278	\$ 157,249	\$ (21,029)	-11.8%	\$ 29,249	22.9%
Net Property Tax Revenues	\$ 118,323	\$ 120,808	\$ 120,906	\$ 124,353	\$ 119,993	\$ (4,360)	-3.5%	\$ 1,670	1.4%
Personal Property Replacement Tax	\$ 14,500	\$ 14,500	\$ 12,300	\$ 14,347	\$ 14,328	\$ (19)	-0.1%	\$ (172)	-1.2%
Tuition and Fees	\$ 119,668	\$ 113,939	\$ 114,158	\$ 115,000	\$ 126,985	\$ 11,985	10.4%	\$ 7,317	6.1%
Auxiliary/Enterprise	\$ 12,648	\$ 14,285	\$ 14,717	\$ 14,858	\$ 12,133	\$ (2,726)	-18.3%	\$ (515)	-4.1%
Investment Revenue	\$ 1,000	\$ 1,000	\$ 1,100	\$ 1,500	\$ 1,000	\$ (500)	-33.3%	\$ -	0.0%
Local Government Grants	\$ 9,592	\$ 7,352	\$ 8,422	\$ 16,828	\$ 22,025	\$ 5,198	30.9%	\$ 12,433	129.6%
<b>Total Local Sources</b>	<b>\$ 275,732</b>	<b>\$ 271,884</b>	<b>\$ 271,603</b>	<b>\$ 286,887</b>	<b>\$ 296,465</b>	<b>\$ 9,578</b>	<b>3.3%</b>	<b>\$ 20,733</b>	<b>7.5%</b>
State Government	\$ 92,363	\$ 109,641	\$ 80,330	\$ 75,912	\$ 63,489	\$ (12,423)	-16.4%	\$ (28,873)	-31.3%
Federal Government	\$ 156,964	\$ 143,961	\$ 173,265	\$ 173,118	\$ 171,299	\$ (1,819)	-1.1%	\$ 14,335	9.1%
<b>Subtotal State &amp; Federal Sources</b>	<b>\$ 249,326</b>	<b>\$ 253,601</b>	<b>\$ 253,595</b>	<b>\$ 249,030</b>	<b>\$ 234,788</b>	<b>\$ (14,242)</b>	<b>-5.7%</b>	<b>\$ (14,538)</b>	<b>-5.8%</b>
Other Sources	\$ 3,780	\$ 7,477	\$ 4,428	\$ 10,786	\$ 6,999	\$ (3,787)	-35.1%	\$ 3,219	85.2%
<b>Total</b>	<b>\$ 656,837</b>	<b>\$ 658,940</b>	<b>\$ 671,059</b>	<b>\$ 724,980</b>	<b>\$ 695,501</b>	<b>\$ (29,480)</b>	<b>-4.1%</b>	<b>\$ 38,663</b>	<b>5.9%</b>

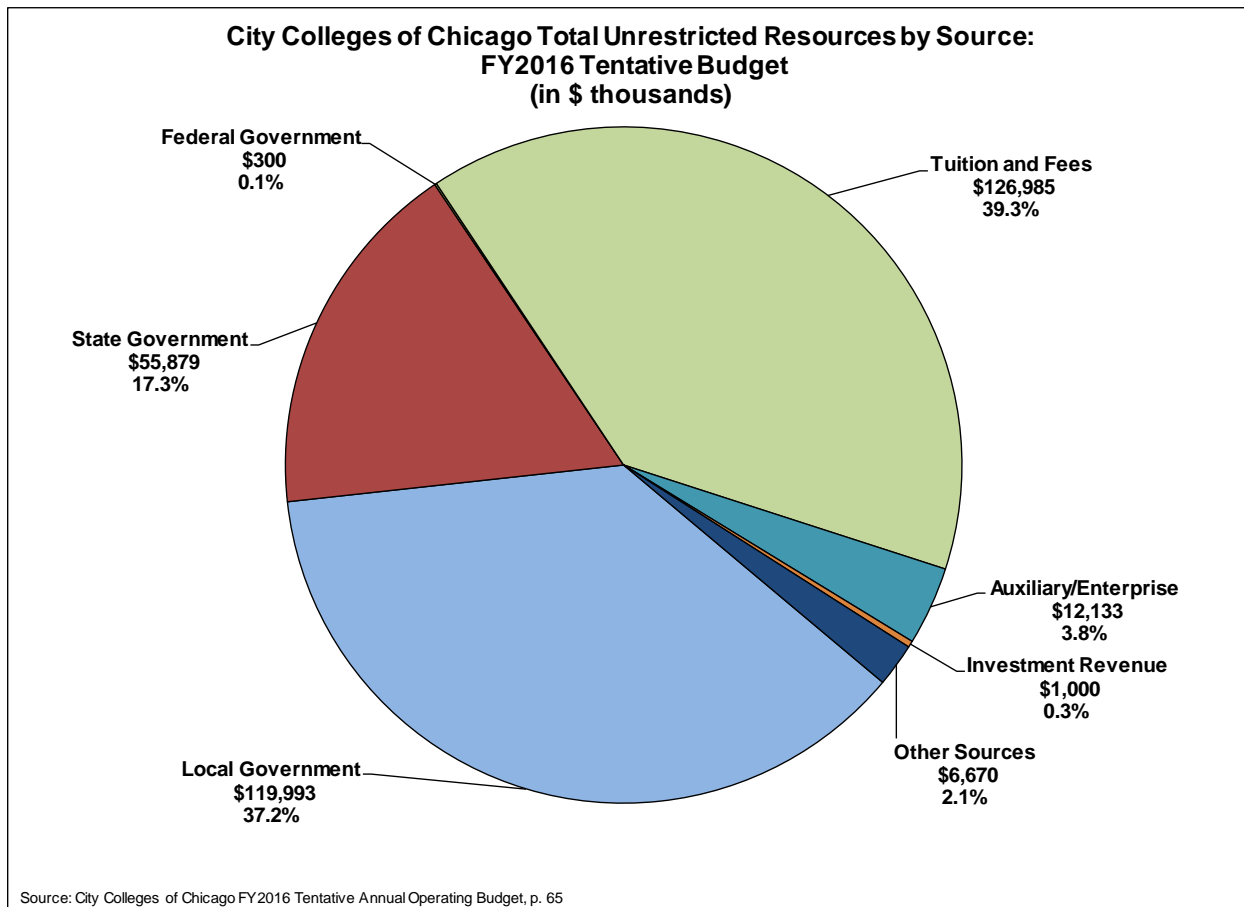
\*FY2014 Amended Budget includes \$12.4 million in State supplemental appropriations and \$1.64 million in Auxiliary/Enterprise appropriations that were approved at the August 1, 2013 Board of Trustees meeting.

Source: City Colleges of Chicago Adopted Budgets, FY2012, p. 67; and FY2013, p. 64; City Colleges of Chicago Tentative Annual Operating Budgets, FY2014 p. 66; FY2015, p. 68; Supplemental appropriations for FY2014 for Fiscal Year ending June 30, 2014, Exhibit 1, p. 3; and FY2016 Tentative Annual Operating Budget, p. 65.

## Total Unrestricted Funds for FY2016

City Colleges' total unrestricted funds consist of all funds except the Capital and Debt Service Funds and are used for daily operations, including pass-through grants of student aid to students from the federal and state governments. Total unrestricted funds are those funds over which City Colleges has the most discretionary control. They include resources for the Education, Operations and Maintenance, Liability, Audit and Auxiliary/Enterprise Funds and exclude restricted grants, such as student financial aid. The FY2016 Tentative Annual Operating Budget projects that 54.5% of all unrestricted operating resources will come from state and local government sources while approximately 39.3% will be provided by tuition and fees.





### Total Unrestricted Funds by Source

Total unrestricted resources will increase by 0.34%, or \$1.1 million above \$323.9 million in FY2015. Local government unrestricted funds (i.e., property tax revenues) are expected to decrease by approximately \$2.5 million, or 2.0%. While the property tax extension will increase slightly to levy for expiring TIF districts, a decrease in local tax revenues is projected based on revised estimates for loss and cost of collections and back tax revenue, bringing the net property tax revenue to nearly \$120.0 million.<sup>50</sup> While prior to FY2014 no federal government resources or personal property replacement tax revenues were used for unrestricted operating purposes, in FY2014 \$267,000 in unrestricted operating funds were budgeted to come from the federal government, growing to \$400,000 in FY2015. City Colleges projects \$300,000 to come from the federal government in FY2016. As discussed above, tuition and fees revenue is projected to increase significantly by nearly \$12.0 million or 10.4% in FY2016 over FY2015 levels due to a new flat rate tuition structure.

In the five-year period between FY2012 and FY2016, as shown in the chart below, total resources for total unrestricted funds will rise by \$1.4 million or 0.4%. Tuition and fees revenue will grow significantly by \$7.3 million, again due to the change to tuition rates in FY2016, while revenue from the State will fall by \$9.0 million or 13.9% due to the ICCB funding formula.

<sup>50</sup> City Colleges of Chicago, FY2016 Tentative Annual Operating Budget, pp. 42-43.

Property tax revenues (local government unrestricted resources) will increase by 1.4%, or \$1.7 million over the five-year period. Auxiliary/Enterprise revenue since FY2012 will decrease by \$515,000 or 4.1%. Use of operating reserves is projected to increase in FY2016 to \$2.0 million from \$1.3 million in FY2015 or 35.0%. City Colleges says it is continuing a policy of spending down excess reserves in the Liability, Protection, and Settlement Fund by appropriating the \$2.0 million in FY2016. The five-year trend in use of operating reserves is a decrease from \$4.5 million in FY2012 or -125.0%. However, it should be noted that there were no operating reserves appropriated in FY2014.

City Colleges Resources for Total Unrestricted Funds: FY2012-FY2016 (in \$ thousands)									
Sources of Resources	FY2012 Adopted Budget	FY2013 Adopted Budget	FY2014 Amended Budget	FY2015 Adopted Budget	FY2016 Tentative Budget	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Local Government	\$ 118,323	\$ 120,808	\$ 120,906	\$ 122,488	\$ 119,993	\$ (2,495)	-2.0%	\$ 1,670	1.4%
State Government	\$ 64,865	\$ 58,323	\$ 52,171	\$ 57,402	\$ 55,879	\$ (1,524)	-2.7%	\$ (8,987)	-13.9%
Federal Government	\$ -	\$ -	\$ 267	\$ 400	\$ 300	\$ (100)	-25.0%	\$ 300	-
Tuition and Fees	\$ 119,668	\$ 113,939	\$ 114,158	\$ 115,000	\$ 126,985	\$ 11,985	10.4%	\$ 7,317	6.1%
Auxiliary/Enterprise	\$ 12,648	\$ 14,285	\$ 14,717	\$ 14,858	\$ 12,133	\$ (2,725)	-18.3%	\$ (515)	-4.1%
Investment Revenue	\$ 1,000	\$ 1,000	\$ 1,100	\$ 1,500	\$ 1,000	\$ (500)	-33.3%	\$ -	0.0%
Other Sources	\$ 2,517	\$ 6,857	\$ 2,082	\$ 9,500	\$ 6,670	\$ (2,830)	-29.8%	\$ 4,153	165.0%
Personal Property Replacement Tax	\$ -	\$ -	\$ 6,000	\$ 1,410	\$ -	\$ (1,410)	-	\$ -	-
Operating Reserves	\$ 4,500	\$ 5,300	\$ -	\$ 1,300	\$ 2,000	\$ 700	35.0%	\$ (2,500)	-125.0%
<b>Total</b>	<b>\$ 323,521</b>	<b>\$ 320,512</b>	<b>\$ 311,400</b>	<b>\$ 323,858</b>	<b>\$ 324,959</b>	<b>\$ 1,101</b>	<b>0.34%</b>	<b>\$ 1,438</b>	<b>0.4%</b>

Source: City Colleges of Chicago FY2013 Annual Operating Budget, p. 61; FY2014 Amended Budget, Exhibit 1; FY2015 Adopted Budget p. 68; and FY2016 Tentative Annual Operating Budget, p. 65.

### City Colleges Tuition Rates

The in-district tuition rate for City Colleges remained flat for the past four years at \$89 per credit hour. This rate has increased gradually from \$67 in FY2006. City Colleges' tuition and mandatory fees were well below both the mean tuition rate of \$124.85 and the median tuition rate of \$124.58 of the northeastern Illinois regional community colleges.<sup>51</sup> City Colleges' per credit hour tuition was the second lowest of the selected community college districts in the area, and the District's mandatory fees for hour were lower than the average fee amount of \$19.09 for the ten colleges selected for comparison.

Over the past ten years, in-district tuition has increased by \$22.00 per credit hour. Out-of-district and out-of-state tuition have fluctuated significantly since FY2006. While tuition was higher than the present rate for out-of-district and out-of-state students in FY2009 and FY2010, in a ten-year comparison, tuition has actually increased from the FY2006 tuition for out-of-district students by \$39.36 but has decreased by \$16.49 for out-of-state students. See the next section for discussion of the proposed FY2016 changes to tuition.

<sup>51</sup> For more information see Appendix

<b>City Colleges of Chicago Tuition per Credit Hour</b>			
<b>Year</b>	<b>In-District Tuition per Credit Hour</b>	<b>Out-of-District Tuition per Credit Hour</b>	<b>Out-of-State Tuition per Credit Hour</b>
<b>2006</b>	\$ 67.00	\$ 162.65	\$ 266.20
<b>2007</b>	\$ 72.00	\$ 180.83	\$ 291.61
<b>2008</b>	\$ 72.00	\$ 189.95	\$ 309.76
<b>2009</b>	\$ 72.00	\$ 258.99	\$ 306.89
<b>2010</b>	\$ 79.00	\$ 259.15	\$ 301.55
<b>2011</b>	\$ 87.00	\$ 171.56	\$ 228.35
<b>2012</b>	\$ 89.00	\$ 173.56	\$ 230.35
<b>2013</b>	\$ 89.00	\$ 185.38	\$ 236.59
<b>2014</b>	\$ 89.00	\$ 185.52	\$ 233.84
<b>2015</b>	\$ 89.00	\$ 202.01	\$ 249.71
<b>10-Year Change</b>	<b>\$ 22.00</b>	<b>\$ 39.36</b>	<b>\$ (16.49)</b>

Source: City Colleges of Chicago FY2012 Comprehensive Annual Financial Report, p. 51, FY2014 Tentative Annual Operating Budget, p. 41. FY2015 Tentative Annual Operating Budget, p. 44.

### **Proposed Tuition Changes**

In FY2016 City Colleges of Chicago is proposing to transition from a per-credit hour tuition and fee based revenue structure to flat rate cost of attendance tuition and fee based revenue structure. The chart below shows the effects of the increased tuition rate on per credit hour spending. The chart only includes the mandatory activity and registration fees paid by part-time and full-time in-district students. Under the proposed flat rate structure, full-time students taking 12 credit hours or more will pay \$1,753 per semester, part-time students taking two classes or more, up to a total of 11 credit hours, will pay a flat rate of \$1,069 per semester and students taking only one class will pay a flat rate of \$599 per semester. The proposed flat-rate cost structure for part-time and full-time students remains covered by the Federal Pell grants made available for some students. The following chart compares the most basic cost of attending City Colleges of Chicago during the fall 2015 semester under the FY2015 adopted tuition and fee structure and the tuition and fee structure proposed in the FY2016 tentative budget. Again, the FY2015 tuition and fee rates only include mandatory fees and costs for some classes and therefore may have been higher depending on the classes and/or program a student is enrolled in during the fall 2015 semester.<sup>52</sup> The greatest financial impact is on students enrolled in fewer credit hours within each class load classification. Students enrolled in 18 credit hours or more with only mandatory fees will see a decline in the cost of attending.

<sup>52</sup> City Colleges of Chicago uses an average tuition and fee analysis in the FY2016 tentative budget and therefore their cost numbers may be different from the Civic Federation analysis presented here.

**City Colleges of Chicago In-District Tuition and Mandatory Fees: Budgeted and Tentative FY2015 and FY2016**

<b>Class Load*</b>	<b>Credit Hours</b>	<b>City Colleges Fall 2015 Semester Adopted FY2015 Budget**</b>	<b>City Colleges Fall 2015 Semester Tentative FY2016 Budget</b>	<b>\$ Change</b>	<b>% Change</b>
<b>One Class</b>	1	\$ 169.0	\$ 599.0	\$ 430.0	254.4%
	2	\$ 258.0	\$ 599.0	\$ 341.0	132.2%
	3	\$ 347.0	\$ 599.0	\$ 252.0	72.6%
	4	\$ 436.0	\$ 599.0	\$ 163.0	37.4%
<b>Two to Four Classes (Part-Time)</b>	5	\$ 525.0	\$ 1,069.0	\$ 544.0	103.6%
	6	\$ 614.0	\$ 1,069.0	\$ 455.0	74.1%
	7	\$ 703.0	\$ 1,069.0	\$ 366.0	52.1%
	8	\$ 792.0	\$ 1,069.0	\$ 277.0	35.0%
	9	\$ 881.0	\$ 1,069.0	\$ 188.0	21.3%
	10	\$ 970.0	\$ 1,069.0	\$ 99.0	10.2%
	11	\$ 1,059.0	\$ 1,069.0	\$ 10.0	0.9%
<b>Three to Six+ Classes (Full-Time)</b>	12	\$ 1,268.0	\$ 1,753.0	\$ 485.0	38.2%
	13	\$ 1,357.0	\$ 1,753.0	\$ 396.0	29.2%
	14	\$ 1,446.0	\$ 1,753.0	\$ 307.0	21.2%
	15	\$ 1,535.0	\$ 1,753.0	\$ 218.0	14.2%
	16	\$ 1,624.0	\$ 1,753.0	\$ 129.0	7.9%
	17	\$ 1,713.0	\$ 1,753.0	\$ 40.0	2.3%
	18	\$ 1,802.0	\$ 1,753.0	\$ (49.0)	-2.7%
	19	\$ 1,891.0	\$ 1,753.0	\$ (138.0)	-7.3%
20	\$ 1,980.0	\$ 1,753.0	\$ (227.0)	-11.5%	

\*Class load is approximate because classes can range from 1-6 credit hours per class. Generally one class is 3 or 4 credit hours.

\*\*Fees associated with certain classes and programs may be higher.

Note: FY2015 tuition and fee rates are calculated multiplying the rate per credit hour (\$89.00) by the number of credit hours enrolled plus mandatory fees for part-time (\$50 and \$30) and full-time students(\$170 and \$30).

Source: <http://www.ccc.edu/departments/Pages/Tuition-and-Fees.aspx>, last accessed July 6, 2015 and FY2016 Tentative Budget Book, p. 3.

The following table shows the tuition rate and mandatory fees only per credit hour for the fall 2015 semester as proposed in City Colleges FY2016 tentative budget compared to the FY2015 rates for ten other colleges in the region. A student enrolled in one class totaling three credit hours at City Colleges, with no extra fees other than mandatory fees, will now pay \$599.0, which is a tuition increase of \$252.0, or 72.6% over the FY2015 budgeted tuition and only mandatory fees. The proposed tuition increase would also make City Colleges the most expensive community college in the region for a three credit hour class. A part-time student taking two classes that total six credit hours and do not have extra fees associated with certain courses will

pay \$1,069.0, which is an increase over FY2015 of \$455.0, or 74.1%, again making City Colleges the most expensive in the region. But for a part-time student enrolled in a higher number of credit hours City Colleges of Chicago will remain one of the least expensive community colleges in the region. A full-time in-district City Colleges student enrolled in classes totaling 12 credit hours with only mandatory fees will pay \$485.0, or 38.2% more than in FY2015. This level of cost would make City Colleges the second highest community college in the region. However, City Colleges will remain the lowest cost or among the lowest cost community colleges for full-time students who enroll in 14 credit hours or more.<sup>53</sup>

Fall 2015 In-District Tuition and Only Mandatory Fees** Per Credit Hour of Eleven Selected Community Colleges FY2015 and Tentative FY2016												
Class Load*	Credit Hours	Prairie State	College of Dupage	South Suburban College	Harper College	Moraine Valley College	Triton College	College of Lake County	Oakton College	Elgin College	Morton College	City Colleges FY2016 Proposed
One Class	1	\$143.0	\$140.0	\$152.8	\$150.8	\$136.0	\$129.0	\$129.0	\$163.3	\$125.0	\$134.0	\$599.00
	2	\$286.0	\$280.0	\$305.5	\$280.5	\$269.0	\$258.0	\$258.0	\$276.5	\$244.0	\$248.0	\$599.00
	3	\$429.0	\$420.0	\$458.3	\$410.3	\$402.0	\$387.0	\$387.0	\$389.8	\$363.0	\$362.0	\$599.00
	4	\$572.0	\$560.0	\$611.0	\$540.0	\$535.0	\$516.0	\$516.0	\$503.0	\$482.0	\$476.0	\$599.00
Two to Four Classes (Part-time)	5	\$715.0	\$700.0	\$763.8	\$669.8	\$668.0	\$645.0	\$645.0	\$616.3	\$601.0	\$590.0	\$1,069.00
	6	\$858.0	\$840.0	\$916.5	\$799.5	\$801.0	\$774.0	\$774.0	\$729.5	\$720.0	\$704.0	\$1,069.00
	7	\$1,001.0	\$980.0	\$1,069.3	\$929.3	\$934.0	\$903.0	\$903.0	\$842.8	\$839.0	\$818.0	\$1,069.00
	8	\$1,144.0	\$1,120.0	\$1,222.0	\$1,059.0	\$1,067.0	\$1,032.0	\$1,032.0	\$956.0	\$958.0	\$932.0	\$1,069.00
	9	\$1,287.0	\$1,260.0	\$1,374.8	\$1,188.8	\$1,200.0	\$1,161.0	\$1,161.0	\$1,069.3	\$1,077.0	\$1,046.0	\$1,069.00
	10	\$1,430.0	\$1,400.0	\$1,527.5	\$1,318.5	\$1,333.0	\$1,290.0	\$1,290.0	\$1,182.5	\$1,196.0	\$1,160.0	\$1,069.00
	11	\$1,573.0	\$1,540.0	\$1,680.3	\$1,448.3	\$1,466.0	\$1,419.0	\$1,419.0	\$1,295.8	\$1,315.0	\$1,274.0	\$1,069.00
Three to Six+ Classes (Full-Time)	12	\$1,716.0	\$1,680.0	\$1,833.0	\$1,599.0	\$1,599.0	\$1,548.0	\$1,548.0	\$1,409.0	\$1,434.0	\$1,388.0	\$1,753.00
	13	\$1,859.0	\$1,820.0	\$1,985.8	\$1,728.8	\$1,732.0	\$1,677.0	\$1,677.0	\$1,522.3	\$1,553.0	\$1,502.0	\$1,753.00
	14	\$2,002.0	\$1,960.0	\$2,138.5	\$1,858.5	\$1,865.0	\$1,806.0	\$1,806.0	\$1,635.5	\$1,672.0	\$1,616.0	\$1,753.00
	15	\$2,145.0	\$2,100.0	\$2,291.3	\$1,988.3	\$1,998.0	\$1,935.0	\$1,935.0	\$1,748.8	\$1,791.0	\$1,730.0	\$1,753.00
	16	\$2,288.0	\$2,240.0	\$2,444.0	\$2,118.0	\$2,131.0	\$2,064.0	\$2,064.0	\$1,862.0	\$1,910.0	\$1,844.0	\$1,753.00
	17	\$2,431.0	\$2,380.0	\$2,596.8	\$2,247.8	\$2,264.0	\$2,193.0	\$2,193.0	\$1,975.3	\$2,029.0	\$1,958.0	\$1,753.00
	18	\$2,574.0	\$2,520.0	\$2,749.5	\$2,377.5	\$2,397.0	\$2,322.0	\$2,322.0	\$2,088.5	\$2,148.0	\$2,072.0	\$1,753.00
	19	\$2,717.0	\$2,660.0	\$2,902.3	\$2,507.3	\$2,530.0	\$2,451.0	\$2,451.0	\$2,201.8	\$2,267.0	\$2,186.0	\$1,753.00
	20	\$2,860.0	\$2,800.0	\$3,055.0	\$2,637.0	\$2,663.0	\$2,580.0	\$2,580.0	\$2,315.0	\$2,386.0	\$2,300.0	\$1,753.00

\*Class load is approximate because classes can range from 1-6 credit hours per class. Generally one class is 3 or 4 credit hours.

\*\*Fees associated with certain classes and programs may be higher.

Note: See Appendix for fees included in tuition and fee cost per credit hour.

Source: Websites of selected community college districts and City Colleges FY2016 Tentative Budget, p. 3.

The following table shows the various effects the flat rate tuition proposal has on how much students pay for classes. Some students currently only pay \$571.15 for five to 11 credit hours, but those students would see a significant increase of \$497.85, or 47%. However, those students who pay the maximum tuition for the same range of hours would save \$187.53, or 18%. The cost savings for full-time students can be considerable as evidenced by students who pay the maximum tuition for 12+ credit hours. These students can save up to \$1,216.97, or 69%.

<sup>53</sup> City Colleges of Chicago bases its analysis on the cost from a Chicago student perspective and thus compares in-district to out-of-district tuition and fee rates in the FY2016 tentative budget. The Civic Federation instead compares in-district to in-district to get an idea of community colleges on a regional basis.

<b>Fall 2015 In-District Tuition and Fee Changes in Minimum, Median, and Maximum Student Tuition Rates</b>			
	Minimum	Median	Maximum
Current Part-Time Student Tuition (5-11 credit hours)	\$ 571.15	\$ 913.84	\$ 1,256.53
Proposed Part-Time Student Tuition (5-11 credit hours)	\$ 1,069.00	\$ 1,069.00	\$ 1,069.00
\$ Change	\$ 497.85	\$ 155.16	\$ (187.53)
% Change	46.57%	14.51%	-17.54%
<hr/>			
Current Full-time Student Tuition (12 + credit hours)	\$ 1,370.76	\$ 2,170.37	\$ 2,969.97
Proposed Full-Time Student Tuition (12 + credit hours)	\$ 1,753.00	\$ 1,753.00	\$ 1,753.00
\$ Change	\$ 382.24	\$ (417.37)	\$ (1,216.97)
% Change	21.80%	-23.81%	-69.42%

Source: Information provided by City Colleges of Chicago, July 6, 2015

### Property Tax Revenues

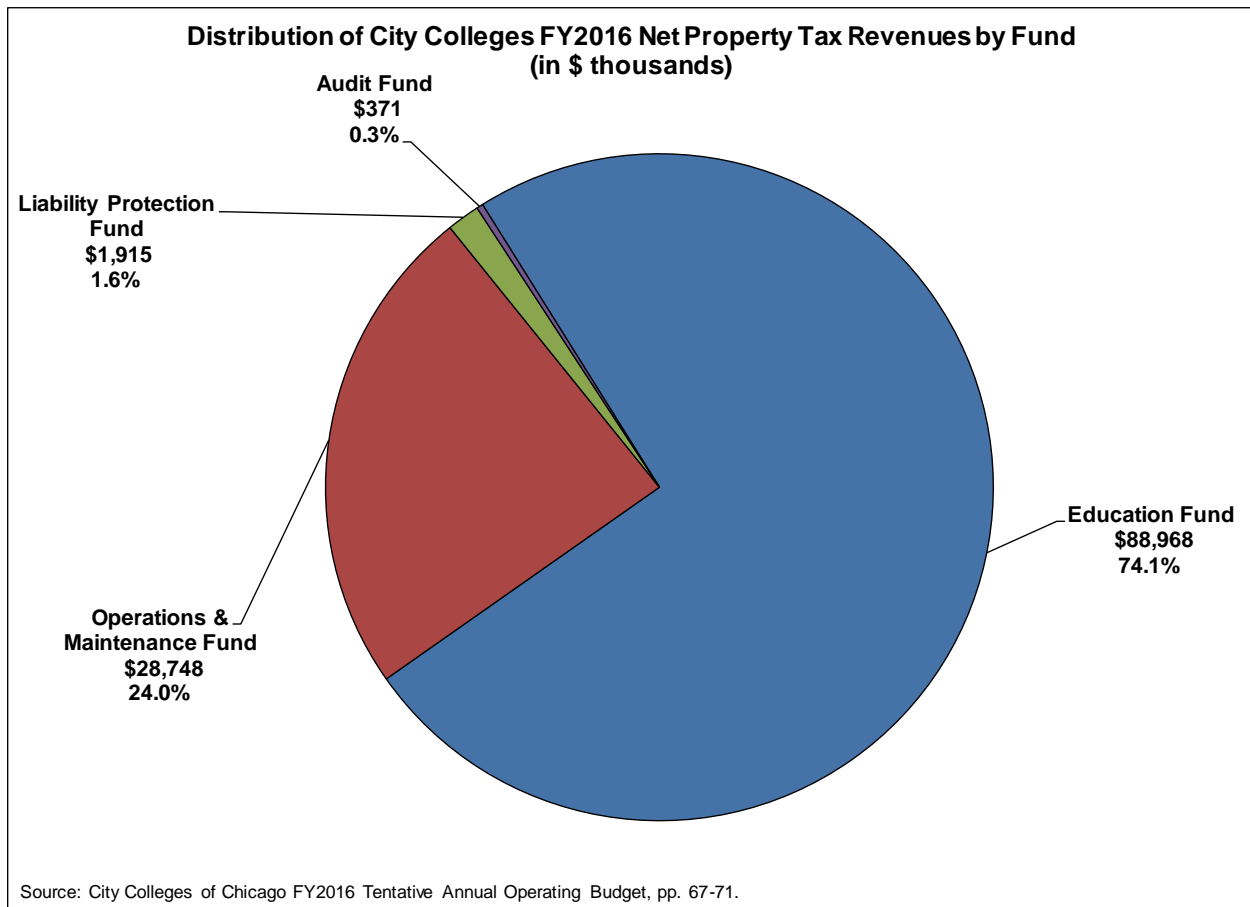
Property tax years are the same as calendar years. However, the City Colleges' fiscal year runs July 1 to June 30. There is also a one-year lag in Cook County between when property taxes are levied and when they are collected. Taxes levied in 2015 will actually be received in 2016. The effect is that property tax funds available during the City Colleges' upcoming FY2016 will be drawn from part of tax year 2014 and part of tax year 2015.

In FY2016 City Colleges expects to receive a gross total of approximately \$124.9 million in property tax revenues, an increase of \$510,000 over the FY2015 amount. The increase in local tax revenues is due to an increase in the City Colleges property tax levy to capture revenue from expiring TIF districts within the City of Chicago.<sup>54</sup> The levy increase is not an increase in the amount of money taxpayers will owe in property taxes. This is because taxpayers were previously paying for Chicago TIF district expenses. Now they will pay the \$510,000 instead as part of the City Colleges' levy.

However, the gross total of \$124.9 million in estimated property tax collections is offset by 3.9% because of the costs and losses of collecting back tax revenue being a larger amount than in the previous year. The result in FY2016 is a net property tax of \$120.0 million, which is a decrease of \$2.5 million, or 2.0%, from the FY2015 total of \$122.5 million.

All of the \$124.9 million in gross property tax revenues available in FY2016 are for operating funds that are subject to the State's property tax cap law. The law limits annual property tax increases to 5.0% or inflation, whichever is less, with exceptions for certain bond funds, new property and expiring TIF increment. City Colleges currently levies for four operating funds, all of which are included under the state tax cap: the Education Fund; Operations and Maintenance Fund; Liability, Protection and Settlement Fund; and the Audit Fund. The distribution of net City Colleges' property tax revenues for FY2016 is shown below. Approximately \$89.0 million, or 74.1%, is earmarked for the Education Fund, which is the City Colleges' general operating fund. Approximately \$28.7 million, or 24.0%, of net property tax revenues is designated for operations and maintenance and \$1.9 million, or 1.6%, is reserved for liability, protection and settlement. The remaining amount, \$371,000, or 0.3%, is earmarked for the Audit Fund.

<sup>54</sup> City Colleges of Chicago FY2016 Tentative Annual Operating Budget, p. 42.



### ***Five-Year Property Tax Levy Trend***

In tax year 2015 (taxes payable in calendar year 2016) the gross City Colleges property tax levy will total \$124.9 million. In addition to its own property tax levy described above, City Colleges benefits from a property tax levied by the City of Chicago in order to pay debt service on capital improvement bonds issued for City Colleges' projects.<sup>55</sup> The City does so because of the expiration of District authority to levy for debt issued by the Public Building Commission (PBC) on behalf of City Colleges. Debt service limits for City Colleges were fixed at the time the tax cap law was implemented in 1995. At that time, the District's debt burden consisted of obligations issued through the PBC and paid for through a PBC Operations and Maintenance (O&M) levy. When these were paid, the O&M levy was eliminated, requiring the District to seek other ways to issue debt. The City of Chicago, by means of an intergovernmental agreement, now levies property taxes that are used to pay for PBC Commission obligations and City Colleges' projects.<sup>56</sup>

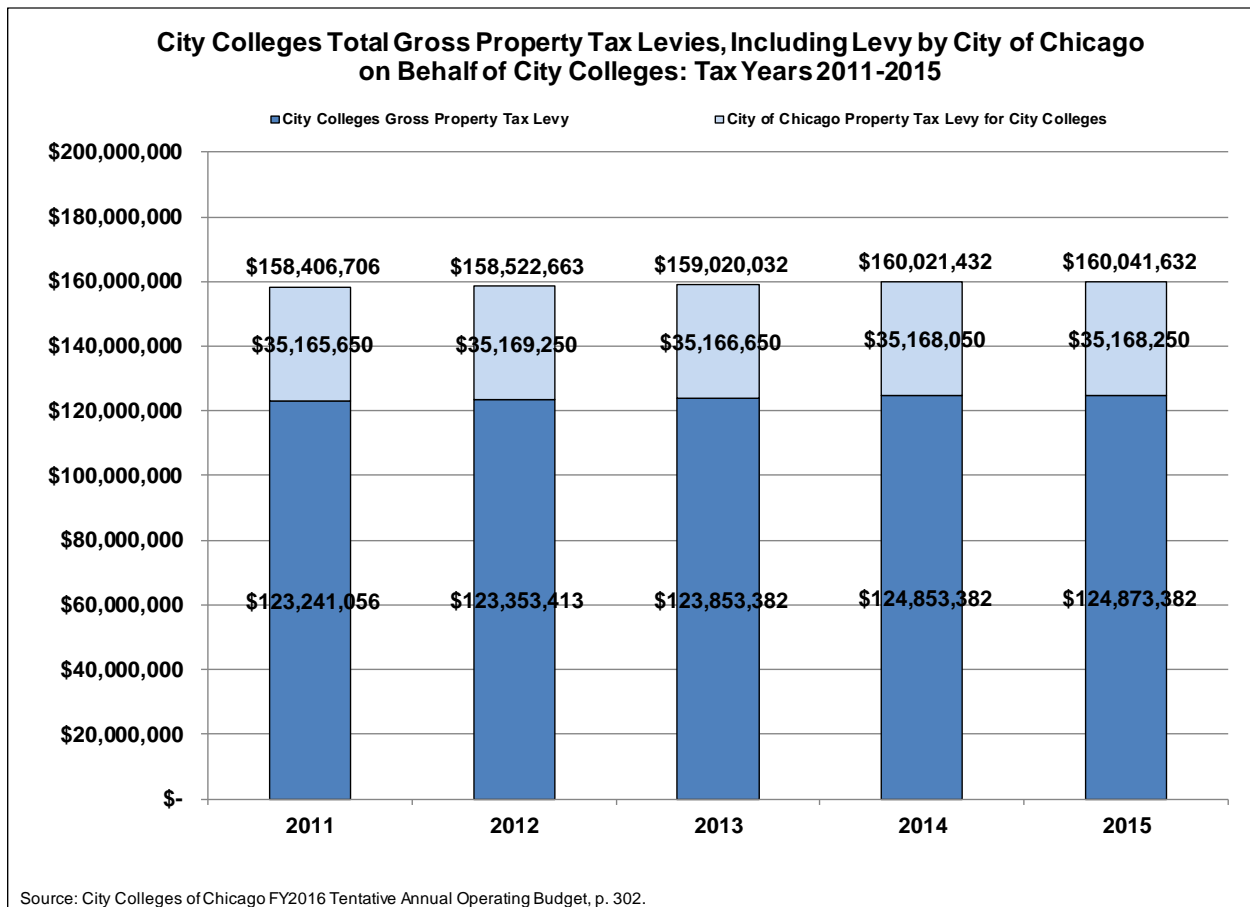
The City levy on behalf of City Colleges does not represent an increase in taxing authority for the District, but rather is set at levels previously authorized for the O&M levy. Without these funds, it would be difficult for City Colleges to raise adequate funds for maintenance,

<sup>55</sup> The City of Chicago similarly levies property taxes on behalf of the Chicago Public Schools.

<sup>56</sup> Information provided by City Colleges of Chicago, June 26, 2008.

rehabilitation and construction of capital improvements. The City’s levy for the City Colleges’ debt has remained relatively stable at approximately \$35.2 million since tax year 2008. This levy is part of the City of Chicago tax rate and does *not* appear as a separate line item on property tax bills. Total property tax levies for City Colleges, including the City of Chicago levy for City Colleges’ capital improvement bonds, increased from \$158.4 million in tax year 2011 to \$160.0 million in tax year 2015.

As illustrated below, the City Colleges’ gross tax levy has increased by 1.23% from tax year 2011 from \$123.2 million to \$124.9 million in tax year 2015. The levy has remained relatively flat from tax year 2011 to tax year 2015 but did increase slightly in tax years 2013, 2014 and 2015 to capture revenue from expiring City of Chicago TIF districts. The year after a TIF district expires or is dissolved, a government overlapping the district —City Colleges in this case— is allowed to apply its tax rate (which was calculated without including the increment EAV in the tax base EAV, making the tax rate higher) to the increment EAV in order to generate additional revenue for City Colleges that would have previously gone to the TIF district. This expands the amount of property tax revenue City Colleges can access through its aggregate extension without increasing the taxes paid by taxpayers since the taxpayer previously paid the tax to the TIF District and will now pay it to City Colleges instead.





## Five-Year Comparative In-District Tuition and Only Mandatory Fee Revenues and Property Tax Extension Trends 2010-2014

The table below shows both the changes in tuition and fee and property tax revenues for community colleges that are predominately located in Cook County over the most recent five-year period for which data are available, 2010-2014. Harper, Moraine Valley, Oakton, Prairie State and Triton Colleges saw decreases in total equalized assessed property values that range from 35% to 46%. City Colleges and South Suburban College fared somewhat better with decreases in assessed value of 28% and 25% respectively.

City Colleges and Harper were the only taxing districts that showed decreases in total tuition and fees revenue over the five-year period. They also had the smallest increases in per credit hour tuition rates. However, Harper had a much larger total increase in property tax extension over the five-year period of 11%, while City Colleges has kept its levy relatively flat, with a 1% increase. The other colleges showed increases in both tuition per hour and property tax extensions over the five-year period. It is important to note that this chart does not show the changes to tuition and fees that City Colleges is proposing for fall 2015, but does show that the District showed restraint in both tuition and general property tax increases compared to other selected community colleges in Cook County between 2010 and 2014.

Five Year Change in Tuition and Fee Revenues, Property Tax Extension, and Equalized Assessed Value (2010-2014)				
	% Change in Tuition per Hour	% Change in Tuition and Fees Revenue	% Change in Property Tax Extension	% Change in EAV
City Colleges	11%	-10%	1%	-28%
Harper	16%	-12%	11%	-35%
Moraine Valley	26%	13%	9%	-44%
Oakton	26%	13%	9%	-44%
Prairie State	35%	46%	2%	-46%
South Suburban	18%	36%	6%	-25%
Triton*	39%	27%	6%	-40%

Sources: FY2014 Comprehensive Annual Financial Reports and Cook County Clerk's Office Agency Tax Reports 2010-2014

\*FY 2014 data is not available, so the five year trend is calculated from FY2009-FY2013

### 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 Property Tax Extension Limitation Law (PTELL, also known as "tax caps"), 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 City Colleges has declined. The City Colleges equalization grant dropped from more than \$16 million in FY2002 to \$50,000 in FY2005 and down to \$0 thereafter.<sup>57</sup>

<sup>57</sup> City Colleges of Chicago FY2016 Tentative Annual Operating Budget, p. 45

As the current formula would have provided City Colleges with almost no revenue, the State awarded a \$15.0 million grant to City Colleges in FY2005. Each year between FY2006 and FY2012, the State renewed the grant for \$15.0 million. However, in FY2013, the State awarded City Colleges \$14.1 million, a 6% decline in funding. The grant increased in FY2014 to \$14.6 million, but decreased again in FY2015 to \$14.3 million and will decrease in FY2016 to \$14.1 million.<sup>58</sup>

## ENROLLMENT TRENDS

Overall City Colleges projects that FY2015 enrollment will decrease by 10.2% from enrollment in FY2014.<sup>59</sup> The decline in enrollment is attributed primarily to the decline in unemployment rates.<sup>60</sup> The District reported a 17.2%, or 2,313 FTEs, decline in enrollment for adult education in the spring of 2015, as compared to FY2014 numbers.<sup>61</sup> Over the two year period from FY2014 to FY2015, student enrollment is projected to fall in City Colleges' largest instructional area, the career credit program, by 1,897 FTEs, or 6.2%. Enrollment is also expected to decline in the continuing education area by 180 FTEs, or 31.7%, as well as the vocational skills area, which is expected to decline by 41.0% or 222 FTEs.

Between FY2011 and FY2015, City Colleges FTE enrollment declined by 14.0%, or 6,605 FTEs, down from 47,253 to 40,648. While the greatest percentage decrease in the five-year period in FTE enrollment came in the continuing education area, which declined by 39.2%, or 249 FTEs, the greatest number decrease came in the adult education area, which saw enrollment decline 3,900 FTEs. Enrollment in the career credit area and vocational skills area also dropped by 7.5% or 2,332 FTEs and 27.9% or 124 FTEs respectively over the five-year period.

City Colleges Full-Time Equivalent (FTE) Enrollment: FY2011-FY2015									
Type	FY2011	FY2012	FY2013	FY2014	FY2015*	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Career Credit	31,125	31,302	31,044	30,690	28,793	(1,897)	-6.2%	(2,332)	-7.5%
Adult Education	15,048	13,689	14,476	13,461	11,148	(2,313)	-17.2%	(3,900)	-25.9%
Vocational Skills	444	492	499	542	320	(222)	-41.0%	(124)	-27.9%
Continuing Education	636	659	569	567	387	(180)	-31.7%	(249)	-39.2%
<b>Total</b>	<b>47,253</b>	<b>46,142</b>	<b>46,588</b>	<b>45,260</b>	<b>40,648</b>	<b>(4,612)</b>	<b>-10.2%</b>	<b>(6,605)</b>	<b>-14.0%</b>

Note: Differences from budget book may occur due to rounding.

\*FY2015 enrollment data is a preliminary estimate as of February 9, 2015.

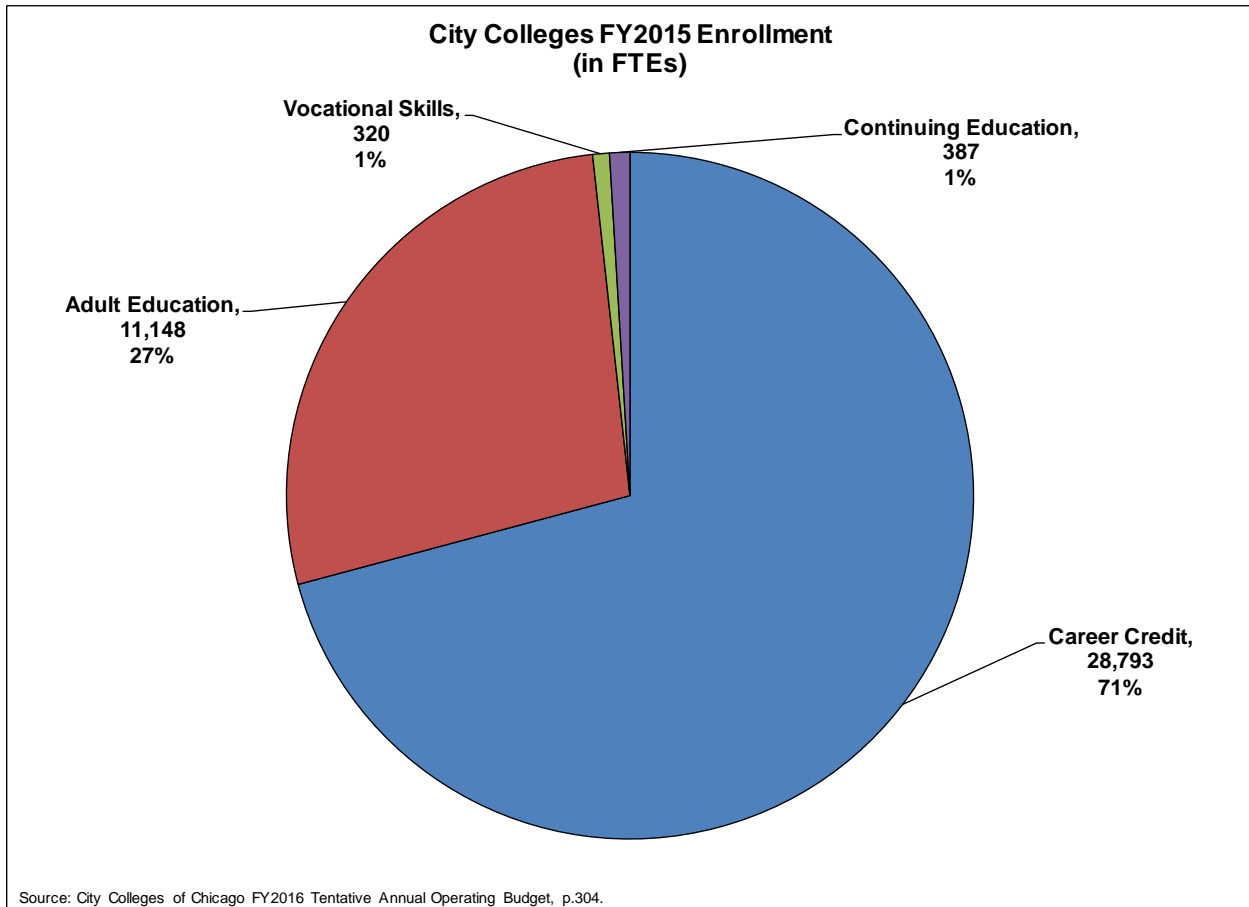
Source: City Colleges of Chicago FY2016 Tentative Annual Operating Budget, p. 304.

<sup>58</sup> City Colleges of Chicago FY2016 Tentative Annual Operating Budget, p. 42

<sup>59</sup> City Colleges of Chicago FY2016 Tentative Annual Operating Budget, p. 304.

<sup>60</sup> City Colleges of Chicago FY2016 Tentative Annual Operating Budget, pp. ii and 1.

<sup>61</sup> City Colleges of Chicago FY2016 Tentative Annual Operating Budget, p. 304.



## PERSONNEL AND PERSONNEL SERVICES

In its FY2016 tentative operating budget, City Colleges provides an employee headcount by position type and status for FY2014-FY2016. Full-time equivalent (FTE) figures were not provided in the FY2016 budget. It is a best practice to provide such information because employee headcount is simply the number of employees working for the District regardless of hours worked. FTE data reflects the total hours worked by all employees as a factor of full-time employment. Generally, it is more useful and accurate to examine FTE data, as opposed to headcount data which represents the total number of individual employees including full-, part-time and student workers, because it helps to make varying workloads within the organization more comparable.

Since FY2014, there will be an increase in headcount at City Colleges from 5,908 positions to 6,218 positions, a 5.2% increase. Full-time headcount will have risen by 12.3% or 265 positions, while part-time head count will increase by 1.2% or 45 positions. Between FY2015 and FY2016 there will be a 3.1%, or 185 employee, increase in total employee headcount. Full-time staff will increase by 35 employees, or 1.5%. This increase will include 30 additional professional and technical staff, five administrators, ten new front-line direct support staff, four more clerical workers and three additional academic support staff. The number of full-time faculty positions will fall by 17.

Part-time staff will increase by 150 employees, or 4.1% between FY2015 and FY2016. There will be 52 additional part-time faculty, 33 new part-time academic support workers and 12 additional part-time front-line direct support employees.

City Colleges Employee Headcount by Position Type: FY2014-FY2016								
Position Type	Status	FY2014	FY2015	FY2016 Tentative Budget	Two- Year # Change	Two- Year % Change	Three- Year # Change	Three- Year % Change
Faculty	Full Time	577	644	627	-17	-2.6%	50	8.7%
	Part Time	2,179	2,030	2,082	52	2.6%	-97	-4.5%
Professional/Technical Staff	Full Time	489	563	593	30	5.3%	104	21.3%
	Part Time	81	80	64	-16	-20.0%	-17	-21.0%
Administrators	Full Time	356	418	423	5	1.2%	67	18.8%
	Part Time	0	0	0	0	---	0	---
Clerical	Full Time	341	350	354	4	1.1%	13	3.8%
	Part Time	105	66	50	-16	-24.2%	-55	-52.4%
Front-Line Direct Support	Full Time	262	259	269	10	3.9%	7	2.7%
	Part Time	554	565	577	12	2.1%	23	4.2%
Academic Support	Full Time	138	158	161	3	1.9%	23	16.7%
	Part Time	586	669	702	33	4.9%	116	19.8%
Student Workers	Full Time	0	1	1	0	0.0%	1	---
	Part Time	240	230	315	85	37.0%	75	31.3%
<b>Sub-Totals</b>	<b>Full Time</b>	<b>2,163</b>	<b>2,393</b>	<b>2,428</b>	<b>35</b>	<b>1.5%</b>	<b>265</b>	<b>12.3%</b>
	<b>Part Time</b>	<b>3,745</b>	<b>3,640</b>	<b>3,790</b>	<b>150</b>	<b>4.1%</b>	<b>45</b>	<b>1.2%</b>
<b>Total Employee Headcount</b>		<b>5,908</b>	<b>6,033</b>	<b>6,218</b>	<b>185</b>	<b>3.1%</b>	<b>310</b>	<b>5.2%</b>

Note: Different totals may appear due to rounding. The administrators line includes administrators for academic programs and College to Careers staffing.  
Source: FY2016 City Colleges Tentative Operating Budget, p. 303.

The following chart shows operating funds appropriations for salaries and benefits over the past five years. The FY2016 tentative budget of \$247.4 million is a \$23.0 million, or 10.3%, increase from the FY2015 estimated budget. Over the five-year period, salaries have increased by \$47.2 million, or 28.0%, while benefits have increased by \$2.7 million, or 9.2%.

City Colleges Unrestricted Operating Funds Personnel Appropriations: FY2011-FY2015 (in \$ thousands)									
	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Estimated Budget	FY2016 Tentative Budget	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Salaries	\$ 168,139	\$ 181,192	\$ 190,560	\$ 194,074	\$ 215,298	\$ 21,224	10.9%	\$ 47,159	28.0%
Benefits	\$ 29,384	\$ 47,697	\$ 28,943	\$ 30,269	\$ 32,098	\$ 1,829	6.0%	\$ 2,714	9.2%
<b>Total</b>	<b>\$ 197,523</b>	<b>\$ 228,889</b>	<b>\$ 219,503</b>	<b>\$ 224,343</b>	<b>\$ 247,396</b>	<b>\$ 23,053</b>	<b>10.3%</b>	<b>\$ 49,872.9</b>	<b>25.2%</b>

Source: City Colleges of Chicago FY2013 Annual Operating Budget, p. 61; FY2015 Tentative Annual Operating Budget, pp.17 and 63 and Communication with City Colleges of Chicago budget staff, July 8, 2014; FY2016 Tentative Annual Operating Budget, pp. 17 and 65

## FUND BALANCE

Fund balance is a term commonly used to describe the net assets of governmental funds and is a measure of financial resources.<sup>62</sup> The Government Finance Officers Association (GFOA) recommends that general purpose governments maintain an unrestricted general fund fund balance of no less than two months, or 16.7%, of regular general fund operating revenues or regular general fund operating expenditures. City Colleges is a special purpose, not a general

<sup>62</sup> Government Finance Officer's Association (GFOA), Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).

purpose government, but its size and the relative instability of its revenue stream make it prudent for the District to maintain adequate reserves. The GFOA statement adds that each unit of government should adopt a formal policy that considers the unit's own specific circumstances and that a smaller fund balance ratio may be appropriate for the largest governments. Since the fund balance ratio reflects the savings that a government has accumulated relative to its expenditures for the fiscal year, it is an indicator of the government's financial ability to maintain current service levels.

Beginning in FY2011, many governments changed the way they reported fund balance per the implementation of the Governmental Accounting Standards Board (GASB) Statement 54, which reclassifies fund balance components within governmental funds. City Colleges of Chicago, however, is not required to implement the GASB changes because, as a public college system with primarily business-type activities, it is not required to report governmental funds.<sup>63</sup> Instead, City Colleges reports net assets for all of its funds.

The City Colleges of Chicago recently provided information to the Civic Federation that makes adjustments to past years' Statements of Net Position to comply with both GASB Statements 54 and 63. It will be included in the FY2015 Comprehensive Annual Financial Report (CAFR). In this report, the Civic Federation is using the information provided by the District to report unrestricted net assets instead of data directly from CAFRs.

The fund balance ratio for City Colleges has averaged 49.9% between FY2005 and FY2014, well above the 16.7% ratio recommended by GFOA. It has fluctuated from a high of 56.7% in FY2012 to a low of 42.7% in FY2008.

<b>Unaudited City Colleges Unrestricted Fund Balance Ratio FY2005-FY2014</b>			
	<b>Unrestricted Net Assets</b>	<b>Operating Expenses</b>	<b>Ratio</b>
<b>FY2005</b>	\$ 136,979,103	\$ 316,273,616	43.3%
<b>FY2006</b>	\$ 168,560,501	\$ 325,434,665	51.8%
<b>FY2007</b>	\$ 194,343,222	\$ 389,995,809	49.8%
<b>FY2008</b>	\$ 166,715,957	\$ 389,995,809	42.7%
<b>FY2009</b>	\$ 191,280,203	\$ 372,202,855	51.4%
<b>FY2010</b>	\$ 199,852,756	\$ 404,365,535	49.4%
<b>FY2011</b>	\$ 227,551,818	\$ 435,306,374	52.3%
<b>FY2012</b>	\$ 254,977,399	\$ 449,612,320	56.7%
<b>FY2013</b>	\$ 254,548,655	\$ 477,356,341	53.3%
<b>FY2014</b>	\$ 221,854,399	\$ 460,397,991	48.2%

Source: Information provided by City Colleges of Chicago budget staff, March 13, 2015 and FY2005-FY2014 CAFRs.

<sup>63</sup> After issuing [Statement No. 34](#), which created accounting and reporting guidelines for local governments in 1999, GASB issued an amendment to specifically establish standards for public colleges and universities which primarily operate with proprietary funds. For more information, see [GASB Statement No. 35](#).

In the City Colleges of Chicago's FY2015 Annual Operating Budget, City Colleges refers to Resolution Number 29253 adopted on February 5, 2009 which recommends that unrestricted fund balance over 3% of the unrestricted funds actual expenses may be transferred to the Operations and Maintenance Fund subject to the Board's approval. This effectively maintains a 3% minimum unrestricted funds fund balance.<sup>64</sup> The District included additional guidelines in its FY2015 budget that the District uses to manage its fund balances, including not using operating fund fund balance to finance current operations and recognizing bond ratings, credit implications and the District's limited revenue sources as important factors to be considered before using fund balance.<sup>65</sup>

## **CAPITAL BUDGET**

City Colleges prepares a capital budget at the same time as the operating budget. In FY2016 the total capital budget is proposed to be approximately \$172.8 million. This amount includes \$92.4 million in new facilities construction and \$80.4 million in improvements to existing infrastructure and information technology systems.<sup>66</sup>

The distribution of the FY2016 capital budget by location is shown below. The largest amount of capital spending at \$100.2 million, or 58.0%, will be for the new Malcolm X College. The second largest amount, 11.3% or \$19.5 million, is earmarked for Olive-Harvey College. Approximately 6.9%, or \$11.9 million, will be utilized for district-wide improvements.

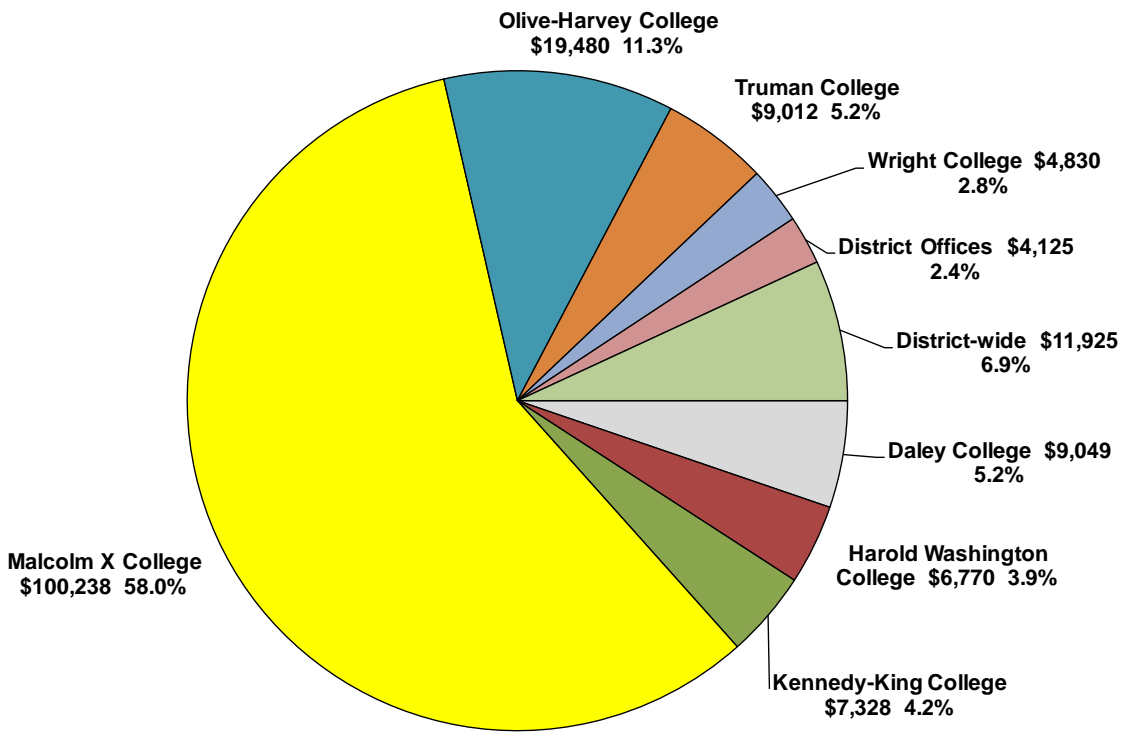
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<sup>64</sup> See the resolution on the City Colleges of Chicago's website at <http://apps.ccc.edu/brpublic/2009/feb/29253.pdf>.

<sup>65</sup> City Colleges of Chicago, FY2015 Tentative Annual Operating Budget, p. 36.

<sup>66</sup> City Colleges of Chicago FY2016 Tentative Annual Operating Budget, p. 51.

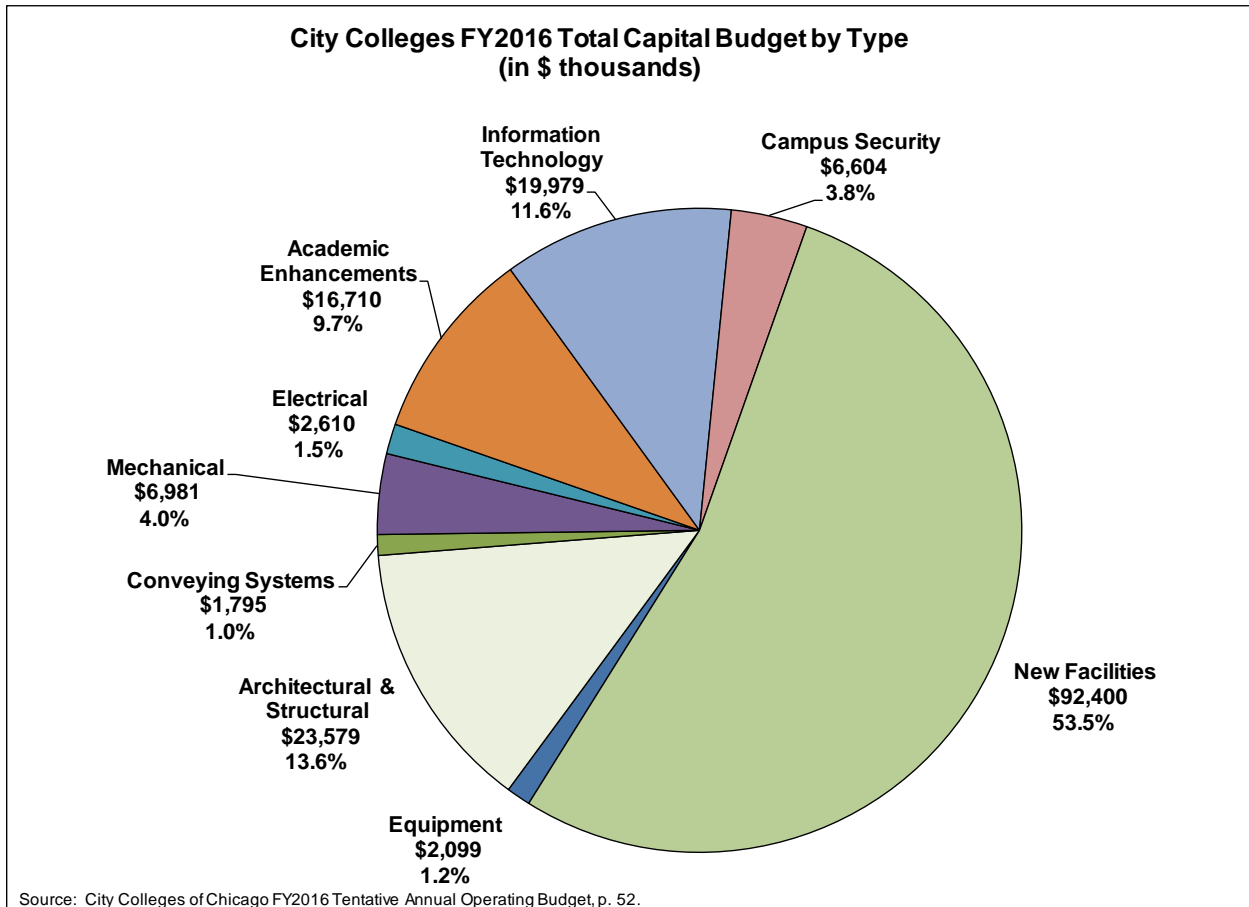
**City Colleges FY2016 Total Capital Budget for Existing Facilities by Location  
(in \$ thousands)**



Source: City Colleges of Chicago FY2016 Tentative Annual Operating Budget, pp. 52-55.

The next exhibit shows the FY2016 total capital budget by type of expenditure. Approximately \$92.4 million or 53.5% of the budget will be earmarked for new facilities while 13.6% or \$23.6 million is reserved for architectural and structural purposes. The remaining capital budget is reserved for other improvements throughout the district.<sup>67</sup>

<sup>67</sup> City Colleges of Chicago, FY2016 Tentative Annual Operating Budget, p. 52.



### Capital Improvement Plan

City Colleges Capital Improvement Plan (CIP) includes a comprehensive survey of all existing capital assets conducted by a team of architects and engineers, a condition assessment of all existing capital assets and a cost estimate related to the ongoing replacement and maintenance of those assets. Projects are then prioritized and planned using needs-based criteria.

A presentation of the \$540.6 million CIP for FY2014-FY2018 in capital needs by type for City Colleges follows. This amount includes both projects that have funding and those that do not yet have funding secured. Approximately 54.9% of the total CIP amount, or \$296.9 million, is projected for new facilities.



Proposed Capital Projects by Type: FY2014-FY2018 (in \$ thousands)						
Type	FY2014	FY2015	FY2016	FY2017	FY2018	Total
Equipment	\$ 5,222	\$ 1,806	\$ 1,791	\$ 2,278	\$ 2,259	\$ 13,356
Architectural & Structural	\$ 30,800	\$ 13,892	\$ 7,643	\$ 5,939	\$ 8,685	\$ 66,959
Mechanical, Electrical & Plumbing	\$ 24,297	\$ 10,779	\$ 6,779	\$ 7,621	\$ 7,621	\$ 57,097
Environmental & Compliance	\$ 362	\$ -	\$ 180	\$ 63	\$ 63	\$ 668
Academic Enhancements	\$ 21,493	\$ 6,946	\$ 2,500	\$ 3,500	\$ 6,338	\$ 40,777
Information Technology	\$ 19,836	\$ 25,871	\$ 8,150	\$ 4,500	\$ 4,500	\$ 62,857
Security	\$ 10,434	\$ 4,467	\$ -	\$ -	\$ 2,135	\$ 17,036
New Facilities	\$ 35,240	\$ 126,152	\$ 125,300	\$ 10,200	\$ -	\$ 296,892
<b>Original Capital Plan Total</b>	<b>\$ 147,684</b>	<b>\$ 189,913</b>	<b>\$ 152,343</b>	<b>\$ 34,101</b>	<b>\$ 31,601</b>	<b>\$ 555,642</b>
Actual Savings	\$ (5,000)	\$ -	\$ -	\$ -	\$ -	\$ (5,000)
Budget Reductions	\$ -	\$ (4,000)	\$ -	\$ -	\$ -	\$ (4,000)
Anticipated Savings	\$ -	\$ (5,000)	\$ (333)	\$ (333)	\$ (334)	\$ (6,000)
Actual Roll-Over	\$ (53,906)	\$ -	\$ -	\$ -	\$ -	
Anticipated Roll-Over	\$ -	\$ (26,899)	\$ 20,746	\$ 55,138	\$ 4,888	
<b>Total</b>	<b>\$ 88,778</b>	<b>\$ 154,014</b>	<b>\$ 172,756</b>	<b>\$ 88,906</b>	<b>\$ 36,155</b>	<b>\$ 540,609</b>

Notes: Actual savings were realized in FY2014 as a result of created efficiencies. Budget reductions in FY2015 are in Technology spending.

Anticipated saving in FY2016-FY2018 will come from design and construction efficiencies as well as economies of scale.

Source: City Colleges of Chicago FY2016 Tentative Annual Operating Budget, p. 57.

Roughly \$509.0 million or 94.2% of total CIP funding will come from local sources such as cash available for capital purposes, tax increment financing and cash generated from operations. State source funds from the Illinois Capital Development Board totaling \$31.6 million will provide monies for the remaining amount.

City Colleges Funding Sources for Capital Improvement Plan: FY2014-FY2018 (in \$ millions)	
	FY2015- FY2018
<b>Sources</b>	
Cash available for capital purposes	\$ 188.0
Illinois Capital Development Board Contribution	\$ 31.6
Cash generated by operations	\$ 59.0
City of Chicago TIF (Wilson Yard TIF)	\$ 12.0
Bond Proceeds	\$ 250.0
<b>Total</b>	<b>\$ 540.6</b>

Source: City Colleges of Chicago FY2016 Tentative Annual Operating Budget, p. 56.

## LIABILITIES

This section of the analysis provides an overview of City Colleges' short- and long-term liabilities from FY2010 through FY2014, the most recent years for which audited data are available.

### 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. City Colleges of Chicago currently reports no short-term debt, but does include the following short-term liabilities in the statement of net position in its Annual Financial Report:

- Accounts payable: monies owed to vendors or employees for goods and services;
- Accrued payroll: employee pay carried over from previous years;
- Deposits held in custody: funds owed to student organizations and other outside entities included in the institution's endowment investment fund;
- Accrued property tax refunds: held in lieu of the property tax appeals process;<sup>68</sup>
- Other liabilities: include self-insurance funds, unclaimed property and other unspecified liabilities; and
- Other accruals: unpaid invoices at year-end for goods and services received in prior fiscal year.

The following chart shows short-term liabilities by category and the percent change over the previous year and past five years. In FY2014, the most recent year that data is available, total short-term liabilities increased by \$12.4 million from the previous year, or by 22.6%. Most of this increase was due to a \$7.7 million or 24.6% increase in accounts payable and a \$4.7 million or 137.9% increase in accrued payroll.

Between FY2012 and FY2013, accounts payable increased by \$9.8 million, or 45.3%. The large increase from \$21.7 million to \$31.4 million can be attributed to the accrual of \$9.6 million for a prior-year liability.<sup>69</sup>

Between FY2013 and FY2014, accounts payable again rose sharply, increasing by 24.6% or from \$31.4 million to \$39.1 million. The increase in this case was due to higher capital spending in FY2014 resulting in a higher year end account payable balance. The net increase was mainly due to expenses for the New Malcolm X campus building.<sup>70</sup>

Accrued payroll rose by 137.9% between FY2013 and FY2014, rising from \$3.4 million to \$8.2 million. City Colleges notes that this does not mean that employees were paid in arrears as of June 30, 2014. Rather, by June 30th, 2014, most CCC employees had been converted to payroll

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<sup>68</sup> The implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, is effective for financial statements for periods beginning after December 15, 2012. In fiscal year 2013, City Colleges implemented this standard early, which resulted in a reclassification of deferred property tax revenues to deferred inflows of resources.

<sup>69</sup> Communication with City Colleges of Chicago budget staff, June 30, 2014.

<sup>70</sup> Information provided by City Colleges of Chicago Finance Department, June 15, 2015.

in arrears, with the process starting on August 23rd, 2013. The July 11th, 2014 payroll (which covered the period of June 15 through June 28, 2014) was accrued at 100%, and since June 30th, 2014 was a Monday, the July 25th, 2014 payroll (which covered the period of June 29 thru July 12, 2014) was accrued at 10%.<sup>71</sup>

Overall, between FY2010 and FY2014, current liabilities rose by 44.6%, or \$20.7 million.

City Colleges Short-Term Liabilities: FY2010-FY2014 (in \$ thousands)									
Current Liability	FY2010	FY2011	FY2012	FY2013	FY2014	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Accounts Payable	\$ 14,952.2	\$ 21,185.0	\$ 21,635.8	\$ 31,427.7	\$ 39,147	\$ 7,719.3	24.6%	\$ 24,194.8	161.8%
Accrued Payroll	\$ 7,240.1	\$ 7,542.7	\$ 2,500.6	\$ 3,438.7	\$ 8,180	\$ 4,741.3	137.9%	\$ 939.9	13.0%
Deposits Held In Custody	\$ 1,991.3	\$ 1,610.3	\$ 1,402.6	\$ 1,414.0	\$ 1,489	\$ 75.0	5.3%	\$ (502.3)	-25.2%
Accrued Property Tax Refunds	\$ 8,305.6	\$ 6,292.2	\$ 9,671.6	\$ -	\$ -	\$ -	-	\$ (8,305.6)	-
Other Liabilities	\$ 13,546.1	\$ 21,196.5	\$ 22,206.1	\$ 17,639.8	\$ 12,453	\$ (5,186.8)	-29.4%	\$ (1,093.1)	-8.1%
Other Accruals	\$ 449.9	\$ 973.9	\$ 1,245.0	\$ 896.2	\$ 5,932	\$ 5,035.8	561.9%	\$ 5,482.1	1218.5%
<b>Total Current Liabilities</b>	<b>\$ 46,485</b>	<b>\$ 58,801</b>	<b>\$ 58,662</b>	<b>\$ 54,816</b>	<b>\$ 67,201</b>	<b>\$12,384.6</b>	<b>22.6%</b>	<b>\$ 20,715.8</b>	<b>44.6%</b>

Note: Accrued property tax refunds were reclassified in 2013 and are now included in non-current liabilities as a result of implementation of GASB Statement No. 65.  
Source: City Colleges CAFRs, FY2010-FY2014.

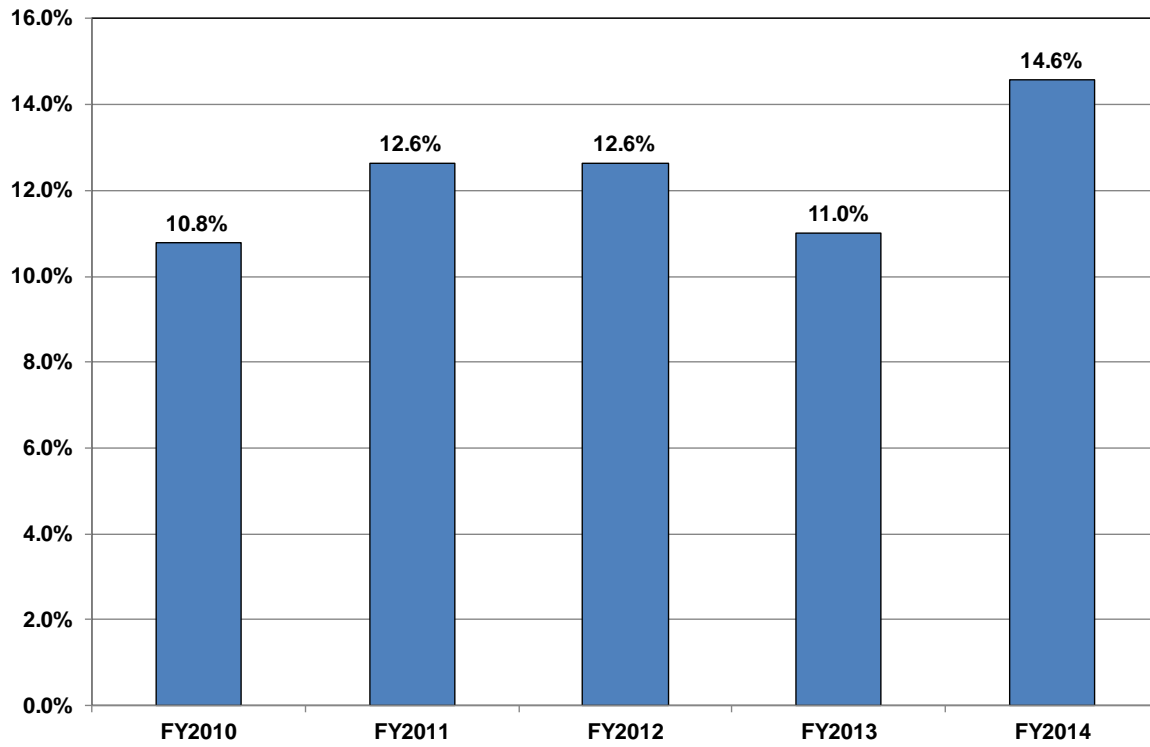
Increasing current liabilities, as a percentage of net operating revenues, may be a warning sign of a government's future financial difficulties.<sup>72</sup> This indicator, developed by the International City/County Management Association (ICMA), is a measure of budgetary solvency or a government's ability to generate enough revenue over the course of a fiscal year to meet its expenditures and avoid deficit spending.

The ratio of short-term liabilities to operating revenue has fluctuated over the past five years from a low of 10.8% in FY2010 to a high of 14.6% in FY2014, with an average of approximately 12.3%. Between FY2012 and FY2013, the ratio fell from 12.6% to 11.0%. The decrease in the ratio in FY2013 was largely due to the reclassification of accrued property tax refunds from a current liability to a long-term liability. The increase in the ratio in FY2014 to 14.6% was due to a \$7.7 million or 24.6% increase in accounts payable and a \$4.7 million or 137.9% increase in accrued payroll.

<sup>71</sup> City Colleges finance staff notes that only a small percentage of employees, mostly part-time, were actually paid in arrears. Information provided by City Colleges of Chicago Finance Department, June 15, 2015.

<sup>72</sup>Karl Nollenberger, et al., *Evaluating Financial Condition: A Handbook for Local Government* (Washington, D.C.: ICMA, 2003), pp. 77.

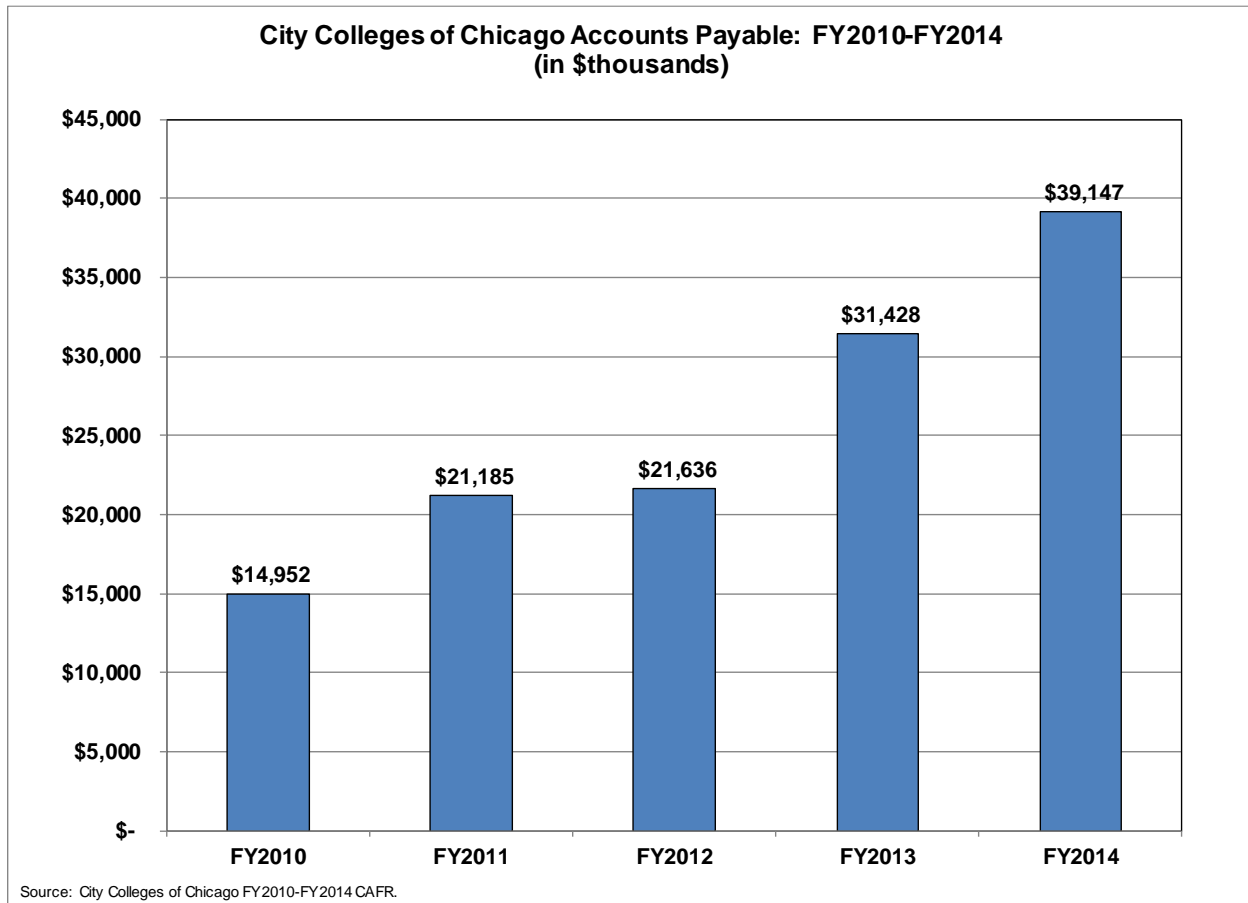
**City Colleges of Chicago Short Term Liabilities  
as a % of Total Operating Revenues: FY2010-FY2014**



Note: Accrued Property Tax Refunds were reclassified in 2013 and are now included in non-current liabilities as a result of the implementation of GASB Statement No. 65.  
Source: City Colleges of Chicago, CAFR, FY2010-FY2014.

## Accounts Payable

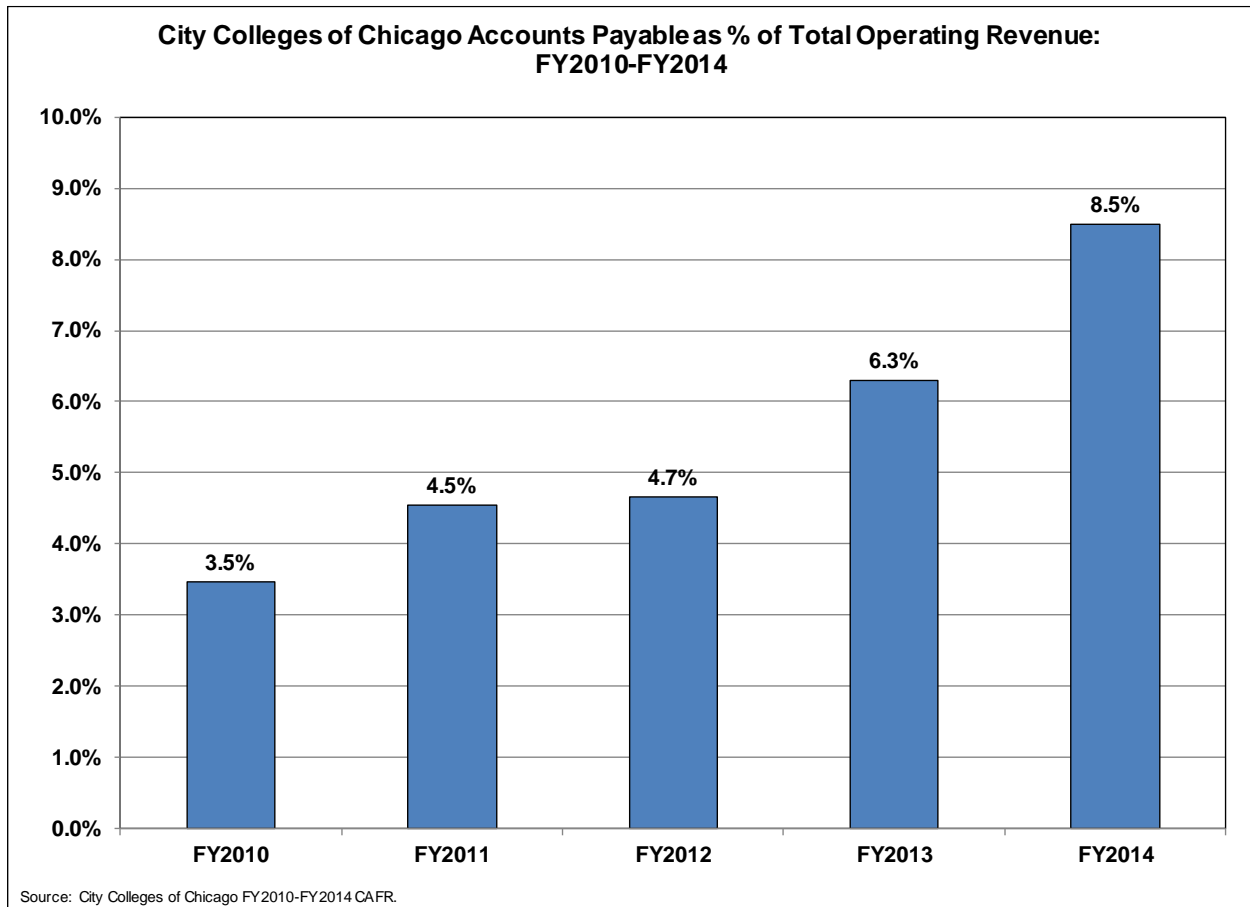
Between FY2010 and FY2014, the amount of accounts payable reported by City Colleges grew from nearly \$15 million to \$39.1 million. The trend over the last five years is a 161.8%, or nearly \$24.2 million, growth in accounts payable. Between FY2012 and FY2013, accounts payable increased by \$9.8 million, or 45.3%. This increase can be attributed to the accrual of \$9.6 million for a prior-year liability.<sup>73</sup> The increase from FY2013 to FY2014 of \$7.7 million is due to higher capital spending in FY2014 primarily because of the new Malcolm X campus building.<sup>74</sup>



<sup>73</sup> Communication with City Colleges of Chicago budget staff, June 30, 2014.

<sup>74</sup> Information provided by City Colleges of Chicago Finance Department, June 15, 2015.

The next exhibit shows the ratio of accounts payable to operating revenues. The chart below reflects the increase in accounts payable liabilities over the past five years, as also indicated in the chart above. The ratio rose from 3.5% in FY2010 to 8.5% in FY2014. Although the ratios are not very large, increases in this ratio can be a warning sign of fiscal distress. This trend bears watching in future years.



### Current Ratio

The current ratio is a measure of liquidity. It assesses whether the government has enough cash and other liquid resources to meet its short-term obligations as they come due. A ratio of 1.0 means that current assets are equal to current liabilities and are sufficient to cover obligations in the near term. Generally, a government's current ratio should be close to 2.0 or higher.<sup>75</sup> In addition to the short-term liabilities listed above, the current ratio formula uses the current assets of the District:

- *Cash and investments* are 1) assets that are cash or can be converted into cash immediately, including petty cash, demand deposits and certificates of deposit as well as 2) any

<sup>75</sup> Steven A. Finkler. *Financial Management for Public, Health and Not-for-Profit Organizations*, Upper Saddle River, NJ, 2001, p. 476.

investments that the District has made that will expire within one year, including stocks and bonds that can be liquidated quickly;

- *Receivables* are monetary obligations owed to the government including property taxes, replacement taxes, and state or federal aid; and
- *Prepaid items and other assets* represent amounts paid as of June 30 whose recognition is postponed to a future period. Prepaid expenses consist primarily of prepayments to vendors for maintenance contracts.<sup>76</sup>

The City Colleges' current ratio was 4.3 in FY2014, the most recent year for which data is available. In the past five years, the District's current ratio averaged 5.6, which is far greater than the benchmark of 2.0 and thus demonstrates a healthy level of liquidity. Between FY2010 and FY2014, the current ratio fell from 6.1 to 4.3 primarily because of a 9.2% decrease in cash and cash equivalents and a 44.6%, \$20.7 million increase in current liabilities.

City Colleges Current Ratio: FY2010 - FY2014 (in \$ thousands)							
	FY2010	FY2011	FY2012	FY2013	FY2014	Five-Year \$ Change	Five-Year % Change
<b>Current Assets</b>							
Cash and cash equivalents	\$ 43,354	\$ 119,913	\$ 102,798	\$ 88,030	\$ 39,362	\$ (3,992)	-9.2%
Short-term investments	\$ 152,669	\$ 91,408	\$ 137,167	\$ 178,812	\$ 154,774	\$ 2,105	1.4%
Property taxes receivable, net	\$ 59,575	\$ 56,674	\$ 57,547	\$ 58,522	\$ 58,142	\$ (1,433)	-2.4%
PPRT taxes receivable	\$ 2,074	\$ 1,858	\$ 1,707	\$ 2,584	\$ 2,300	\$ 226	10.9%
Other accounts receivable, net	\$ 26,947	\$ 34,759	\$ 38,605	\$ 37,204	\$ 34,342	\$ 7,395	27.4%
Prepaid items and other assets	\$ 44	\$ 47	\$ 189	\$ 91	\$ 160	\$ 116	263.6%
<b>Total Current Assets</b>	<b>\$ 284,663</b>	<b>\$ 304,659</b>	<b>\$ 338,013</b>	<b>\$ 365,243</b>	<b>\$ 289,080</b>	<b>\$ 4,417</b>	<b>1.6%</b>
<b>Current Liability</b>							
Accounts Payable	\$ 14,952	\$ 21,185	\$ 21,636	\$ 31,428	\$ 39,147	\$ 24,195	161.8%
Accrued Payroll	\$ 7,240	\$ 7,543	\$ 2,501	\$ 3,439	\$ 8,180	\$ 940	13.0%
Deposits Held In Custody	\$ 1,991	\$ 1,610	\$ 1,403	\$ 1,414	\$ 1,489	\$ (502)	-25.2%
Accrued Property Tax Refunds	\$ 8,306	\$ 6,292	\$ 9,672	\$ -	\$ -	\$ (8,306)	-100.0%
Other Liabilities	\$ 13,546	\$ 21,197	\$ 22,206	\$ 17,640	\$ 12,453	\$ (1,093)	-8.1%
Other Accruals	\$ 450	\$ 974	\$ 1,245	\$ 896	\$ 5,932	\$ 5,482	1218.5%
<b>Total Current Liabilities</b>	<b>\$ 46,485</b>	<b>\$ 58,801</b>	<b>\$ 58,662</b>	<b>\$ 54,816</b>	<b>\$ 67,201</b>	<b>\$ 20,716</b>	<b>44.6%</b>
<b>Current Ratio</b>	<b>6.1</b>	<b>5.2</b>	<b>5.8</b>	<b>6.7</b>	<b>4.3</b>		

Note: Accrued Property Tax Refunds were reclassified in 2013 and are now included in non-current liabilities. Accrued Property Tax Refunds for FY2009-FY2012 were kept in the current liabilities for comparability purposes.

Source: City Colleges of Chicago FY2010-FY2014 Comprehensive Annual Financial Reports, Statement of Net Assets and Statement of Net Position.

## Long-Term Liabilities

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

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

<sup>76</sup> City Colleges of Chicago FY2014 Comprehensive Annual Financial Report, p. 17.

- *Bonds payable* are amounts reported for tax supported long-term debt;
- *Bond premiums and discounts* are deferred and amortized over the life of the bonds using the effective interest method;<sup>77</sup>
- *Accrued Compensated Absences* are liabilities owed for current employees' time off with pay for vacations, holidays and sick days;
- *Accrued Property Tax Refunds* are property taxes that may be refunded to taxpayers in the future;
- *Sick Leave Benefits* are payments to retirees for accumulated unused sick days;<sup>78</sup> and
- *Net Other Post-Employment Benefit (OPEB) liabilities* is the cumulative difference, since the effective date of GASB Statement 45, between the annual OPEB cost and the employer's contributions to its OPEB Plan.<sup>79</sup>

The District's total long-term liabilities increased by \$256.3 million or 381.4% between FY2013 and FY2014. Over the five-year period between FY2010 and FY2014, these liabilities increased by 622.9% or \$278.7 million. Most of the two and five-year increase was due to the issuance of \$250.0 million in bonds in FY2013.

Beginning in FY2007, through an intergovernmental agreement, City Colleges transferred its outstanding capital debt from general obligation bonds issued in FY1999 and FY2007 to the City of Chicago. At the time, 100% of the outstanding debt was in the form of capital leases, which required a \$32.7 million payment in FY2007. The FY1999 issuance totaled \$389.0 million and the FY2007 series totaled \$39.1 million. In accordance with the transfer, the City of Chicago now levies the property taxes needed to pay the annual debt service on behalf of City Colleges of Chicago.

The District completed its first bond issuance since the transfer of its general obligations to the City of Chicago of \$250.0 million in October 2013 to fund its new \$545 million capital plan. The largest projects in the capital plan are a new Malcolm X College campus and a transportation, distribution and logistics center at Olive-Harvey College. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

The largest increase between FY2010 and FY2014 for non-debt expenses was for other post-employment benefits, which rose by 78.0%, from \$22.3 million to \$39.7 million. The liability for sick leave benefits decreased by 41.3% or \$8.1 million while accrued compensation absences liabilities increased by 4.0% or \$115,000.

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<sup>77</sup> City Colleges of Chicago FY2014 Comprehensive Annual Financial Report, p. 19.

<sup>78</sup> During FY2012, the Board amended the unused and accrued sick time policy so that effective July 1, 2012, non-union employees hired before January 1, 2012 may receive payment for the lesser of accumulated sick days through July 1, 2012 or accumulated sick days through the time of retirement. Non-union employees hired after January 1, 2012 are not eligible for sick leave payout. Sick leave payout for union employees hired before June 7, 2012 is capped at the amount accrued as of July 1, 2014 and has been eliminated for those hired after June 7, 2012. City Colleges of Chicago FY2014 Comprehensive Annual Financial Report, p. 27-28.

<sup>79</sup> City Colleges' OPEB Plan includes health and life insurance for retired employees. City Colleges pays 90% of medical and life insurance premiums for retirees and dependents qualified for retirement under the State Universities Retirement System (SURS). City Colleges of Chicago FY2014 Comprehensive Annual Financial Report, p. 30.



City Colleges Long Term Liabilities: FY2010-FY2014 (in \$ thousands)									
Liability	FY2010	FY2011	FY2012	FY2013	FY2014	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Accrued Compensation Absences	\$ 2,904	\$ 2,736	\$ 2,656	\$ 3,166	\$ 3,019	\$ (147)	-4.6%	\$ 115	4.0%
Accrued Property Tax Refunds	\$ -	\$ -	\$ -	\$ 10,737	\$ 11,873	\$ 1,136	10.6%	\$ 11,873	---
Sick Leave Benefits	\$ 19,534	\$ 19,270	\$ 17,505	\$ 17,834	\$ 11,457	\$ (6,377)	-35.8%	\$ (8,077)	-41.3%
Other Post-Employment Benefits	\$ 22,308	\$ 26,712	\$ 30,820	\$ 35,460	\$ 39,704	\$ 4,244	12.0%	\$ 17,396	78.0%
Bonds Payable	\$ -	\$ -	\$ -	\$ -	\$ 250,000	\$ 250,000	---	\$ 250,000	---
Bonds Premiums and Discounts	\$ -	\$ -	\$ -	\$ -	\$ 7,407	\$ 7,407	---	\$ 7,407	---
<b>Total</b>	<b>\$ 44,746</b>	<b>\$ 48,718</b>	<b>\$ 50,981</b>	<b>\$ 67,197</b>	<b>\$ 323,460</b>	<b>\$ 256,263</b>	<b>381.4%</b>	<b>\$ 278,714</b>	<b>622.9%</b>

Note: Accrued property tax refunds were reclassified in 2013 and are now included in non-current liabilities.

Source: City Colleges of Chicago FY2010-FY2014 Comprehensive Annual Financial Reports, Note 9: Changes in Non-Current Liabilities, p. 28.

## Debt Service Appropriations as a Percentage of Total Appropriations

The ratio of debt service expenditures as a percentage of total expenditures is frequently used by rating agencies to assess debt burden. The rating agencies consider a debt burden high if this ratio is between 15% and 20%.<sup>80</sup>

City Colleges debt service appropriations in the proposed budget for FY2016 are projected to be approximately \$16.8 million, or 2.4% of the District's proposed \$695.6 million in total appropriations. This ratio is well below the 15% threshold deemed by the rating agencies to be high.

## City Colleges Bond Ratings

City Colleges had the following credit ratings as of June 2015:

City Colleges Bond Ratings	
Standard & Poor's	AA-
Moody's	AA-

Source: City Colleges FY2016 Tentative Annual Operating Budget, p. 60.

## PENSION

The majority of City Colleges' employees are enrolled in the State Universities Retirement System (SURS) of Illinois, a multi-employer defined benefit plan to which the State of Illinois makes the vast majority of employer contributions. Currently there are 5,830 active employees who are enrolled in the SURS retirement plan. All full-time faculty and staff contribute to SURS, except temporary workers who contribute to Social Security. There are also 120 active employees contributing to Social Security. These employees are temporary or irregular status workers, staff who work less than four months consecutively, students or re-hired retirees.<sup>81</sup>

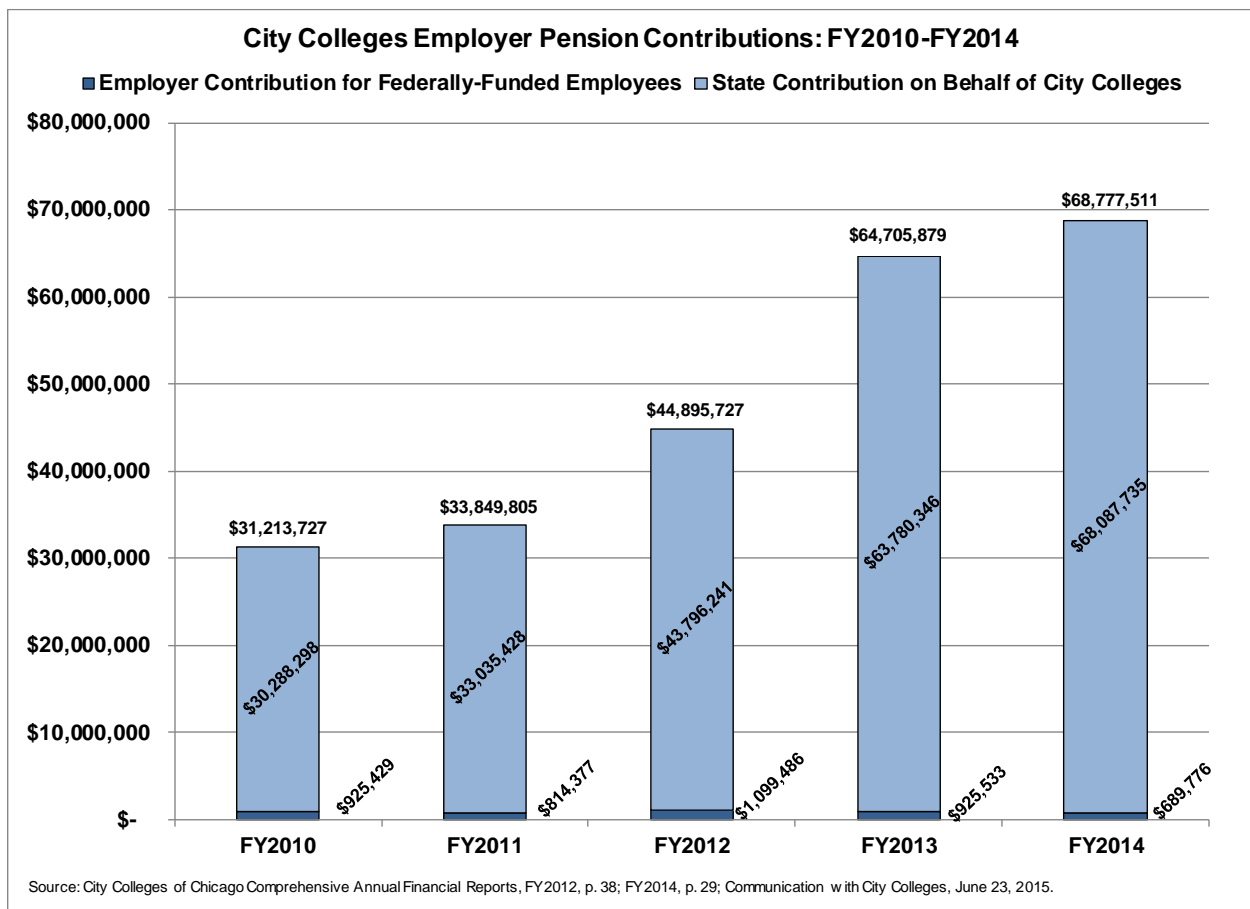
SURS members contribute 8.0% of their annual covered salary to the pension fund. In FY2015 the State of Illinois made nearly all of the employer contributions on behalf of City Colleges at

<sup>80</sup> Standard & Poor's, *Public Finance Criteria 2007*, p. 64. See also Moody's, *General Obligation Bonds Issued by U.S. Local Governments*, October 2009, p. 18.

<sup>81</sup> Information provided by City Colleges Finance Office, June 23, 2015

the actuarially determined rate of 35.8% of covered payroll.<sup>82</sup> City Colleges makes the employer contribution for federally-funded grant positions out of those same grant funds.

The chart below illustrates employer pension contributions including the payments made by the State of Illinois on behalf of City Colleges and City Colleges' employer contribution for its federally-funded grant positions. State contributions to SURS on behalf of City Colleges for FY2014 were nearly \$68.1 million, an increase of 6.8% from FY2013. Contributions for positions funded through federal grants totaled \$689,776, down from \$925,533 in FY2013 and \$1,099,486 in FY2012. The total employer contribution grew by 120.3% over the five-year period, from \$31.2 million to \$68.8 million.



In May 2013 the Illinois House amended and approved a bill to gradually transfer the responsibility of funding the normal cost of community colleges and university employee pensions from the State of Illinois to their employers. Community colleges and universities would take over the annual normal pension cost at a rate of 0.5% of payroll per year starting in

<sup>82</sup> As a member of SURS, a cost-sharing, multiple-employer defined pension plan with a special funding situation, City Colleges is not required to include actuarial information about pensions in its financial statements. However, pursuant to GASB Statement 68, which was approved June 25, 2012, starting in fiscal year 2015, City Colleges will be required to report a net pension liability, pension expense, and pension-related deferred inflows and outflows of resources based on its proportionate share of the collective amounts for all the governments that participate in SURS. City Colleges of Chicago FY2014 Comprehensive Annual Financial Report, p. 29.

the State's FY2015 until costs are fully shifted.<sup>83</sup> The Senate did not agree to the House's amendments before the spring legislative session ended in May 2013, but some university and community college officials have expressed support for the proposal.<sup>84</sup> If a similar proposal were to go into effect, the District has estimated that its annual employer pension contribution will be approximately \$1.0 million.<sup>85</sup> The District has also included a possible pension contribution increase in its long-range financial plan included in the FY2016 budget book.<sup>86</sup>

## OTHER POST EMPLOYMENT BENEFITS (OPEB)

City Colleges began reporting information about other post-employment benefits (OPEB) in its FY2006 CAFR as required by GASB Statement 45. OPEB includes health and life insurance for retirees and their spouses. The District pays for approximately 90% of the medical and life insurance premiums for most retirees. The contribution percentages are negotiated between the District and retirees and can be amended by City Colleges through its personnel manual and union contracts.<sup>87</sup>

Between FY2010 and FY2012 the number of retirees and beneficiaries receiving benefits increased from 614 to 668 before falling to 660 in FY2013. The number of beneficiaries then rose again in FY2014 to 682. The number of active vested members decreased between FY2010 and FY2011 from 1,668 to 1,594 before rising to 1,726 in FY2012. The number of active vested members decreased slightly to 1,700 in FY2013 and then rose to 1,976 in FY2014.

City Colleges Other Post Employment Benefit Plan: Active Employees and Current Beneficiaries: FY2010-FY2014							
Members	FY2010	FY2011	FY2012	FY2013	FY2014	Five- Year \$ Change	Five- Year % Change
Active Employees (vested)	1,668	1,594	1,726	1,700	1,976	308	18.5%
Current Beneficiaries	614	654	668	660	682	68	11.1%
<b>Total</b>	<b>2,282</b>	<b>2,248</b>	<b>2,394</b>	<b>2,360</b>	<b>2,658</b>	<b>376</b>	<b>16.5%</b>

Source: City Colleges of Chicago Comprehensive Annual Financial Reports, FY2011, p. 40 and FY2014, p. 30.

City Colleges does not have an irrevocable trust fund for its OPEB plan; it is funded on a pay-as-you-go basis. However, it has been City Colleges' practice to annually invest an amount equal to the increase in the net OPEB obligation in an account designated for its OPEB obligation.<sup>88</sup> City Colleges had \$32 million in investments designated for its OPEB obligation in FY2013, which grew to \$35 million in FY2014.<sup>89</sup> Historically, City Colleges has considered using the designated funds to establish an irrevocable OPEB trust. The District plans to reexamine this issue once the following variables have resolved: the implementation of the Affordable Care Act, potential pension reform for the State of Illinois and the solvency of the College Insurance Program.<sup>90</sup>

<sup>83</sup> Senate Bill 1687 and House Amendment 2:

<http://ilga.gov/legislation/fulltext.asp?DocName=09800SB1687lv&SessionID=85&GA=98&DocTypeID=SB&DocNum=1687&print=true>

<sup>84</sup> Hannah Douglas, "College officials support shifting pension costs to universities," *Pantagraph*, May 16, 2013.

<sup>85</sup> City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. 6.

<sup>86</sup> City Colleges of Chicago FY2016 Tentative Annual Operating Budget, pp. 351, 353.

<sup>87</sup> City Colleges of Chicago FY2014 Comprehensive Annual Financial Report, p. 30.

<sup>88</sup> Information provided by City Colleges finance office, June 30, 2011.

<sup>89</sup> City Colleges of Chicago FY2014 Comprehensive Annual Financial Report, p. 31.

<sup>90</sup> Information provided by City Colleges of Chicago Finance Department, July 6, 2015.

The FY2014 pay-as-you-go employer contribution of \$6.8 million is budgeted as part of the District's employee health insurance costs.<sup>91</sup> The table below shows the difference between the actuarially-calculated annual OPEB cost of the employer and the actual payments made by City Colleges from FY2010 to FY2014.<sup>92</sup> The actuarial assumptions used in the calculation included a 4.5% discount rate and an annual health care cost trend rate of 7.5%, which is assumed to decline to a 4.0% rate by 2022.<sup>93</sup> City Colleges' net OPEB obligation has grown over the five-year period because its annual payments have equaled 55% to 65% of the annual actuarially calculated OPEB cost.

<b>City Colleges Other Post Employment Benefits: Annual OPEB Cost and Net Obligation FY2010-FY2014</b>					
	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>
Annual Actuarial OPEB Cost	\$ 11,294,194	\$ 11,029,375	\$ 11,593,396	\$ 11,413,965	\$ 11,072,215
Employer Contributions	\$ 6,290,403	\$ 6,625,444	\$ 7,485,562	\$ 6,774,237	\$ 6,828,202
Increase in Net OPEB Obligation	\$ 5,003,791	\$ 4,403,931	\$ 4,107,834	\$ 4,639,728	\$ 4,244,013
% of Annual Actuarial OPEB Cost Contributed	55.7%	60.1%	64.6%	59.4%	61.7%
<b>Net OPEB Obligation (End of Year)</b>	<b>\$ 22,308,306</b>	<b>\$ 26,712,237</b>	<b>\$ 30,820,071</b>	<b>\$ 35,459,799</b>	<b>\$ 39,703,812</b>

Source: City Colleges of Chicago FY2011 Comprehensive Annual Financial Report, p. 41; FY2013, p. 31; FY2014, p. 31.

The next exhibit shows the Unfunded Actuarial Accrued Liability (UAAL) of the City Colleges' OPEB plan. The actuarial value of assets is not shown because, as mentioned previously, the District does not pre-fund its OPEB obligation through an irrevocable trust. The UAAL was \$115.2 million in FY2014, up from \$112.5 million in FY2013. In the past five years, the UAAL as a percent of covered payroll has fluctuated, initially growing from 113.8% in FY2010 to a high of 125.0% in FY2011 before falling again over the next several years to a five-year low of 89.9% in FY2014.

<b>Unfunded Actuarial Accrued Liability of the City Colleges OPEB Plan: FY2010-FY2014</b>					
	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>
Unfunded Actuarial Accrued Liability (UAAL)	\$ 117,079,887	\$ 124,498,937	\$ 119,275,116	\$ 112,458,352	\$ 115,158,411
Covered Payroll (active plan members)	\$ 102,896,841	\$ 99,595,638	\$ 110,092,137	\$ 107,485,980	\$ 128,106,608
UAAL as a % of Covered Payroll	113.8%	125.0%	108.3%	104.6%	89.9%

Note: The actuarial value of assets and liabilities are not shown here because there are no designated assets; thus the actuarial accrued liability is the same as the unfunded actuarial accrued liability and the funded ratio is 0%.

Source: City Colleges of Chicago Comprehensive Annual Financial Reports, FY2011, p. 42 and FY2014, p. 32.

<sup>91</sup> Information provided by City Colleges finance office, August 3, 2010.

<sup>92</sup> The Annual OPEB Cost is a specific accounting term that is calculated and disclosed according to Governmental Accounting Standards Board Statement 45. It is not a funding requirement.

<sup>93</sup> City Colleges of Chicago FY2014 Comprehensive Annual Financial Report, p. 30.

## APPENDIX

<b>Fall 2015* Credit Hour Fees Breakdown for Selected Community College Districts</b>	
<b>College</b>	<b>Fees included</b>
College of DuPage (Glen Ellyn)	\$35.85 comprehensive fee
South Suburban College (South Holland)	\$7.75 student development fee/hr and \$10.00 instructional technology fee/hr
Harper College (Palatine)	Activity fee \$42 (full-time) and \$21 (part-time)/semester, registration \$15/semester, technology fee \$7/hr, construction and renovation \$9/hr
Prairie State College (Chicago Heights)	General credit hour fee \$22.00 (includes athletic fee \$4, educational fund fee \$2/hr, extracurricular fee \$0.25, student activity fee \$0.25, technology fee \$6.50/hr, infrastructure fee \$9/hr)
Moraine Valley Community College (Palos Hills)	Activities fee \$2/hr, technology fee \$7/hr, construction fee \$8/hr, student ID fee \$3/semester
Triton College (River Grove)	Student service fee \$7/hr, auxiliary fee \$1/hr, technology fee \$6/hr, registration \$2/hr
College of Lake County (Grayslake)	Comprehensive fee- \$22/hr, supports student activities, student services, and infrastructure improvements, including child care, technology, program board activities, the student newspaper, and tutoring as well as helping defray the costs of parking lot improvements and campus safety expenditures.
Oakton Community College (Des Plaines)	Audit \$10/hr, constuction \$2/hr, student activities \$3/hr, registration \$15/semester
Elgin Community College (Elgin)	Enrollment fee \$6/semester
City Colleges of Chicago	Activity fee \$170 (full-time) or \$50 (part-time)/semester plus registration fee \$30/semester
Morton College (Cicero)	Registration \$10/semester, application fee (first-time enrolles only) \$10/semester, comphehensive \$9/hr, technology \$9/hr, repair/renovation \$8/hr

\*Credit hour tuition and required fees for College of DuPage reflect Spring 2015 rates. Oakton Community College and Harper College tuition and fees are effective Summer 2015.