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CIVIC FEDERATION WARNS FY2009 CITY COLLEGES BUDGET NOT SUSTAINABLE

Tax-to-the Max Budget Wrong for Current Economic Climate

The Civic Federation announced today that it has strong reservations about the long-term sustainability of the $388.6 million proposed FY2009 City Colleges of Chicago (CCC) operating budget. The budget over-relies on future tax increases to close a projected $7.9 million deficit related to increased spending of 5.4%. "In a time of economic hardship for Chicagoans, exacerbated by enormous recent property and sales tax increases, the Federation believes that governments should focus their efforts on reducing costs, not increasing taxes and student fees," said Laurence Msall, president of the Civic Federation.

City Colleges plans to increase its property tax levy to the maximum amount allowed under the property tax cap law, an increase of 4.1% or $9.7 million. The City of Chicago also levies millions of property tax dollars on behalf of City Colleges to pay for capital improvements—over $36 million in tax year 2008 alone. When the millions of dollars Chicago has levied on behalf of City Colleges for tax year 2008 are factored into the Colleges' property tax levy, the total levy increases to $162.8 million from $126.2 million. Including the monies raised by the City of Chicago, the total property tax burden imposed by City Colleges increased by 8.5% over the previous tax year. While the transaction between the two governments is legal, it obscures the relationship between which government raises revenue and which delivers services to residents.

The Civic Federation is pleased that City Colleges has begun to implement important long-term planning procedures and is moving to prioritize its operations. However, the CCC has provided little, if any, evidence of the financial impact of these measures. Given the fact that City Colleges expects to have an operating deficit of $15.5 million by FY2011, the Civic Federation would like to see the CCC take the next step of reducing or eliminating non-essential programs and targeting remaining resources at core programs. "Efficiency initiatives are not an end in themselves," said Msall. "City Colleges' planning and prioritization initiatives should inform, even dictate its budget, and their goal should be to constrain costs and increase efficiency."

In its analysis, the Federation does praise the CCC's leadership for holding the line on salary and benefit costs, which will increase by 0.9% in total over last year. City Colleges negotiated a prudent salary package with faculty and unions that will help ease the pressure on the District's long-term spending by limiting annual salary budget increases to less than the rate of inflation. Controlling employee costs, the largest portion of most governments' budgets, is crucial to the long-term financial health of City Colleges.

The Civic Federation will testify at City Colleges' public hearing on Wednesday, July 16th. The Federation's full analysis and recommendations will be available on our website, www.civicfed.org, at 9:00 a.m. that morning.

The Civic Federation is an independent, non-partisan government research organization founded in 1894. The Federation's membership includes business and professional leaders from a wide range of Chicago area corporations, professional service firms and institutions.

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THE CITY COLLEGES OF CHICAGO
FY2009 TENTATIVE BUDGET

Analysis and Recommendations

Prepared By
The Civic Federation
July 16, 2008

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EXECUTIVE SUMMARY

The City Colleges of Chicago (CCC) proposes an operating budget of $388.6 million in FY2009, a 5.4% increase from the FY2008 operating budget of $368.6 million.

The Civic Federation is very concerned about the sustainability of this budget because City Colleges relies almost exclusively on revenue enhancements to balance the budget, such as reflexively increasing property taxes to the maximum amount allowed by the tax cap law, rather than also focusing on ways to control or reduce costs. Factoring in the City of Chicago property tax levy on behalf of the City Colleges, the total property tax burden from the City Colleges for the upcoming tax year will be $162.8 million. This is an 8.5% or $12.8 million increase since tax year 2007, when the burden was $150.0 million.

This is a time of economic hardship for Chicagoans. The situation has been exacerbated by the ill-considered action of many governments in the Chicago region to dramatically increase individual and business tax burdens. The City Colleges' property tax increase comes on the heels of the largest City of Chicago property tax increase in recent history and Cook County's massive sales tax increase, resulting in the highest rate in the United States. Other governments facing a stagnant revenue base may also seek tax increases in the coming months. We believe this year is one in which governments should show restraint in raising taxes on Chicagoans and instead focus efforts on reducing costs.

Unfortunately, the District's proposed budget provides little, if any, evidence of cost cutting or efficiency measures. The administration has implemented important planning procedures, is moving to prioritize programs and has moderated the rate of growth of its personnel costs. However, given City Colleges' future financial challenges, we would expect to see more evidence that effective steps are currently being taken to control spending. This would include a rigorous review to distinguish between core and non-essential programming, resulting in reducing or eliminating non-essential programming and targeting resources at core programs.

The Civic Federation offers the following **key findings** on the CCC FY2009 Recommended Budget:

- The operating budget will total approximately $388.6 million, a 5.4%, $19.8 million increase over FY2008.
- Overall, state funding will increase by nearly $3.7 million or 3.9% from the previous year's state funding level. This funding is, however, contingent on the General Assembly passing a $15.0 million increase for City Colleges in their FY2009 budget.
- The City Colleges' initial total new gross property tax levy in tax year 2008 will be approximately $126.2 million, a $9.7 million or 4.1% increase from the previous tax year levy of $116.5 million. The City of Chicago will levy an additional $36.6 million on behalf of the City Colleges for debt service.
- The City Colleges FY2009 budget for all funds is projected to total approximately $465.1 million, a decrease of 1.8 % or $8.7 million from the FY2008 budget. Much of the reduction is due to the elimination of the debt service fund.

The Civic Federation has several **concerns** about the FY2009 City Colleges budget:

- The District is increasing one property tax burden on the citizens of Chicago by raising its property tax levy to the allowed maximum amount under the tax cap law.
- Factoring in the City of Chicago property tax levy on behalf of the City Colleges reveals that the total CCC property tax burden for the upcoming tax year will be $162.8 million. This is an 8.5% or $12.8 million increase since tax year 2007, when the burden was $150.0 million.
- The FY2009 budget fails to provide current information on personnel.
- The budget does not include current fiscal year enrollment projections.
- The District does project that the rate of growth in spending (4%) will outstrip the rate of growth in projected revenues (2% to 3%) over the next four years, leading to large deficits.

The Civic Federation **supports** several issues related to the FY2009 City Colleges budget:

- The District has developed and utilized strategic planning techniques and implemented business process reforms to assist in stabilizing its financial situation over time.
- City Colleges has held the line on personnel costs with a 3.4% increase from $221.5 million to $229.1 million.
- City Colleges is moving to develop performance measures for its programs as part of its ongoing Service Excellence Training initiative.

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

- Develop a performance measurement system for administrative and support functions.
- Implement a formal, long-term planning process that would be shared with and/or reviewed by key policymakers and stakeholders.
- Employ new budget format recommendations, including creation of a walk-up and down of revenue and expenditure gaps and a detailed, five-year trend for the gross property tax levy.
- Evaluate the possibility of creating an irrevocable trust fund to pre-pay retiree health insurance expenses.
- Advocate for the State of Illinois to restructure the community college equalization formula in order to create a fair and equitable funding source for City Colleges.

OVERVIEW OF ANALYSIS

The City Colleges of Chicago proposes an operating budget of $388.6 million in FY2009, a 5.4% increase from the FY2008 operating budget of $368.6 million.[1] The District faced a $7.9 million deficit this year, which will be closed through $3.7 million in spending reductions, $2.2 million in activity and course fee increases and the use of $5.6 million in fund balance.[2]

The Civic Federation **does not support** the proposed FY2009 budget because it is **unsustainable** and relies almost exclusively on revenue enhancements, such as reflexively increasing property taxes to the maximum amount allowed by the tax cap law, rather than focusing on ways to control or reduce costs. Factoring in the City of Chicago property tax levy

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[1] The total budget will decrease by 1.8%, falling from $473.8 million to $465.1 million. Most of the decrease is to the elimination of the debt service fund.

[2] Information provided by City Colleges of Chicago Financial Offices, June 27, 2008.

on behalf of the City Colleges, the total property tax burden from the City Colleges for the upcoming tax year will be $162.8 million. This is an 8.5% or $12.8 million increase over tax year 2007, when the burden was $150.0 million.

This is a time of growing economic hardship for Chicagoans. The situation has been exacerbated by the ill-considered action of many governments in the Chicago region to dramatically increase individual and business tax burdens. The City Colleges' tax increase comes after the largest City of Chicago property tax increase in recent history and Cook County's massive sales tax increase. Additionally, other governments are likely to propose additional increases in the coming months. We believe this year is one in which governments should show restraint in raising taxes and instead focus efforts on reducing costs.

Unfortunately, the District provides little, if any, evidence of the financial impact of their efforts at cost cutting or efficiency measures. We are pleased that the administration has begun to implement important planning procedures, such as moving to prioritize programs and has moderated the rate of growth of personnel costs. Given City Colleges' future financial challenges, we would expect to see more evidence that effective steps are currently being taken to control spending. These measures would include tying spending reductions to lesser priority program and a rigorous review to distinguish between core and non-essential programming, with the ultimate end of reducing or eliminating non-essential programming and targeting resources at core programs.

Issues that The Civic Federation Supports

There are several issues that the Civic Federation supports related to the FY2009 City Colleges budget.

<u>Developing and Implementing Long-Term Planning Strategies</u>

The City Colleges leadership seems to be aware of the daunting fiscal challenges facing the District in future years and indicates that it is working to address the situation. In order to guide this effort, the City Colleges has developed several key plans, including a five-year Comprehensive Capital Plan and the on-going Annual Program and Service Analysis (APSA) strategic planning process. A Business Process Design and Quality Control Unit was established in the Office of the Executive Vice Chancellor for Academic Affairs, Planning and Research last year in an effort to develop and implement business process reforms throughout the seven-campus system.[3] Further innovations will come as performance measures are developed as part of the Service Excellence Training initiative. Management is currently discussing plans to address future deficits well in advance of the next fiscal year.

The City Colleges leadership is utilizing insights and information derived from these processes to develop program priorities and target resources at those programs most likely to yield strategic benefits over time.[4] These tools must be used to prioritize spending decisions as the District faces serious challenges in continuing to provide a multitude of programs and services.

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[3] Information provided by City Colleges of Chicago Financial Office, June 22, 2008.
[4] Information provided by City Colleges of Chicago Financial Office, June 22, 2008.

The Civic Federation commends the District's leadership for its commitment to developing and utilizing strategic planning techniques and implementing business process reforms to identify and stabilize its financial situation over time.

Holding the Line on Salary and Benefit Costs

The Civic Federation commends the City Colleges for its efforts to contain personnel costs in the FY2009 budget. Total benefit costs will increase by 0.9%, rising from approximately $44.2 million to $44.5 million. Expenses for employee health insurance (HMO and PPO plans) will rise by 4.9%, from $23.1 million to $24.2 million. The rate of increase is close to the 4.7% rate of inflation for medical services from May 2007 to May 2008.[5] It is less than the 5.7% rate reported from January 2007 to January 2008.[6]

The City Colleges budget office projects a 4.0% per annum increase in operating budget salaries through 2013. These increases are due to contractual agreements with faculty and other labor unions. They are less than the rate of inflation, which was reported as 4.7% in January 2008 and 4.5% in May 2008, according to the U.S. Bureau of Labor Statistics.[7]

Salaries are the single biggest expenditure in the City Colleges operating budget. Approximately 59.0% of the entire budget in FY2009, or $163.3 million out of $276.6 million, will be earmarked for employee salaries. Therefore, the salary cap will help ease pressure on the District's spending plan for several years, keeping overall costs down.

When operating fund salary and benefit costs are combined, the District projects a 3.4% increase for FY2009 over FY2008. This represents an increase from $221.5 million to $229.1 million. This total rate of increase is well below the projected rate of inflation.

The Civic Federation **congratulates** the City Colleges leadership for negotiating a prudent salary package and containing benefit costs for its employees. This should moderate future spending increases.

Moving Toward Development of a Performance Measurement System

The City Colleges is moving to develop performance measures for its programs as part of its ongoing Service Excellence Training initiative.[8] This is a laudable effort and we look forward to seeing the results of this endeavor. We especially support efforts to develop performance

[5] See U.S. Department of Labor, Bureau of Labor Statistics at www.bls.gov. From May 2007 to May 2008, the medical services consumer price index – all urban consumers (Chicago-Gary-Kenosha) increased by 4.7% from 367.7 to 384.5.
[6] See U.S. Department of Labor, Bureau of Labor Statistics at www.bls.gov. From January 2007 to January 2008, the medical services consumer price index – all urban consumers (Chicago-Gary-Kenosha) increased by 5.7% from 359.7 to 380.1
[7] See U.S. Department of Labor, Bureau of Labor Statistics at www.bls.gov. From January 2007 to January 2008, the consumer price index – all urban consumers (Chicago-Gary-Kenosha) increased by 4.7% from 199.401 to 208.757.
[8] Information provided by City Colleges of Chicago Financial Office, June 22, 2008.

measures for administrative and support services. Performance measures that are developed should be made publicly available in the budget or related financial documents.

Issues of Concern to The Civic Federation

The Civic Federation has several **concerns** related to the FY2009 budget.

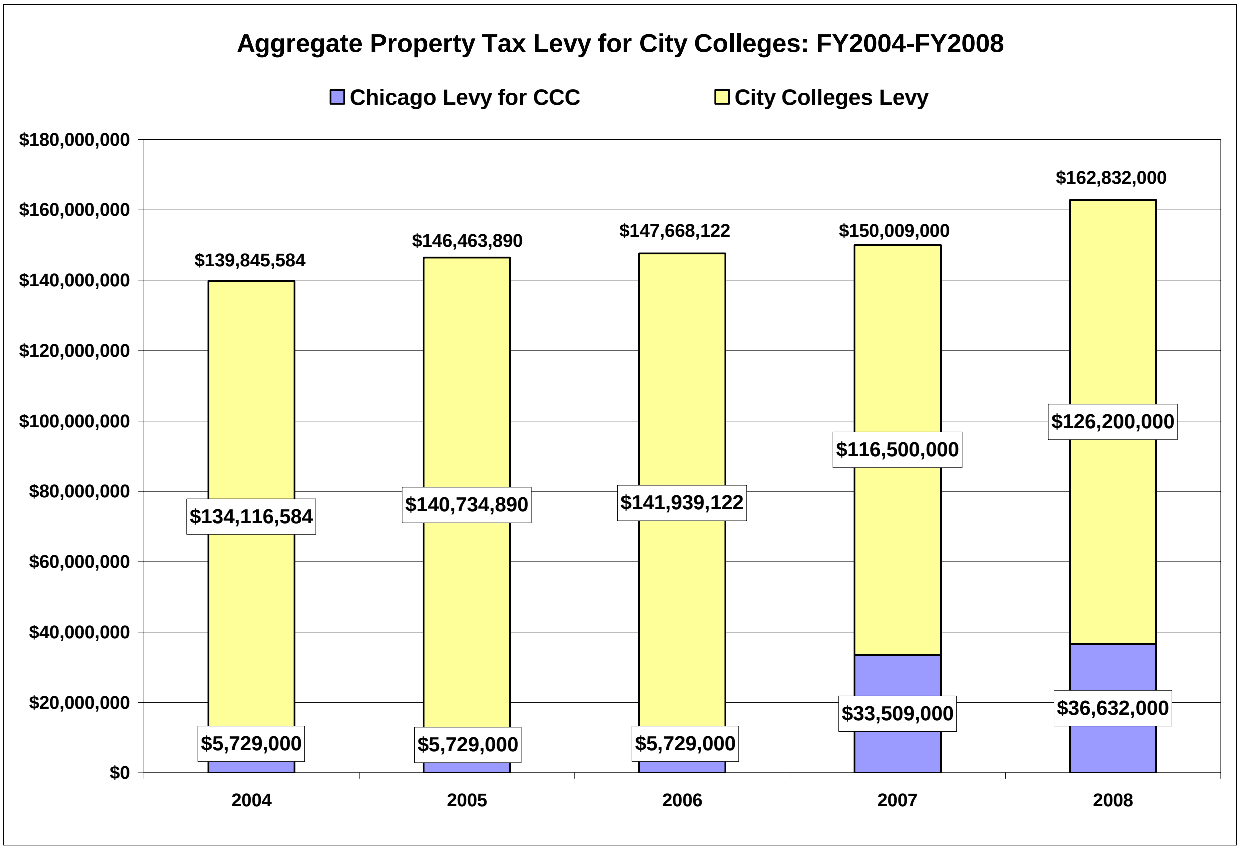
Increasing Property Tax Burden

The City Colleges proposes this year to increase its property tax levy for tax capped funds to the maximum amount allowed under the Illinois tax cap law. This represents an increase from $107.8 million to $114.4 million.

In past years, we have praised the City Colleges for reducing its aggregate tax burden even as it increased the capped portions of its levy to the maximum amount allowed. However, further analysis this year reveals that in order to cover the District's capital improvement expenditures, the City of Chicago levies millions of dollars annually on behalf of the City Colleges. The City has justified this extraordinary levy as a replacement for the City Colleges' recently expired Public Building Commission property tax levy.[9] The additional property tax levy provided by the City of Chicago to CCC is a primary means by which the District pays for capital improvement. Information about the City levy on behalf of the City Colleges is present in the City Colleges budget (though not the City of Chicago budget).[10]

A complete accounting of the property tax dollars flowing to the City Colleges shows that the City of Chicago will levy $36.6 million on behalf of the City Colleges for debt service in tax year 2008. Thus, factoring in the City levy on behalf of the City Colleges reveals that the total property tax burden for CCC in tax year 2008 is $162.8 million, not $126.2 million. It has increased by 8.5% or $12.8 million since tax year 2007, when the burden was $150.0 million. Since 2004, the total amount of property tax revenues available to the City Colleges has increased by 16.4% or $22.9 million.

[9] This levy funded 1988A Public Commission lease expenses. See City Colleges of Chicago FY2009 Budget, p. 6.
[10] City Colleges FY2009 Budget, p. 47.



The transaction by which the City of Chicago levies property taxes on behalf of the City Colleges is legal. Bonds are issued and paid for by the City of Chicago and therefore are not a legal obligation of the District. However, these legal distinctions obscure the fact that millions of City tax dollars are intended to fund City Colleges capital improvements. It is important for taxpayers to clearly understand what public services they are paying for and which governments receive and spend their monies. Governments must clearly present a complete picture of their revenues and expenses. We urge both the City of Chicago and the City Colleges to improve the public disclosure of this arrangement in future budget documents.

The Civic Federation is **concerned** by the 8.5%, $12.8 million increase in the total property tax burden imposed by City Colleges. This is a time of economic hardship for Chicagoans. The situation has been exacerbated by the ill-considered action of many governments in the Chicago region to dramatically increase individual and business tax burdens. The City Colleges' tax increase comes after the largest City of Chicago property tax increase in recent history and Cook County's massive sales tax increase. The Chicago Public Schools have a tradition of increasing property taxes to the maximum amount allowed and are likely to propose such an increase in their forthcoming budget. Other local governments will be facing similar pressures in the coming year. We believe that governments in these difficult economic times should show restraint in raising taxes and instead focus their budgetary efforts on reducing costs.

Little Evidence of Management Efficiencies

The City Colleges budget book does not provide quantified evidence that demonstrates how, or if, the implementation of system-wide management efficiencies or cost cutting efforts are benefiting the overall operating of the District. The District notes in presentations that $3.7 million in cuts were made to balance its FY2009 budget.[11] There are also discussions of the District's financial challenges as well as a presentation of their new "Vision 2011", a five-year strategic plan for CCC. Finally, management has continuously noted their efforts to introduce and implement a plan that prioritizes programs. While planning is the first crucial step in this process, no clear evidence has been provided to the public of District efforts to address the spending side of the financial ledger. This is unfortunate as all governments must develop plans and strategies to constrain costs and increase efficiency, not just turn to revenue increases to provide the services they deliver. Taxpayers demand no less.

Failure to Provide Current Information on Personnel

The City Colleges budget provides information about the number of full-time equivalent (FTE) positions by administrative unit from FY2005 through FY2008.[12] However, no information is provided for the proposed budget year of FY2009.

It is important for all governments to clearly disclose the number and type of personnel employed. The National Advisory Council on State and Local Budgeting (NACSLB) recommends that all jurisdictions provide multi-period comparative staffing information by unit.[13] All of the other nine government budgets the Civic Federation analyzes provide such information. The City Colleges should also provide full personnel information in its budget document.

Lack of Current Enrollment Projections

The City Colleges Budget Book fails to provide projections of enrollment by credit hour or by student full-time equivalent position for FY2009. That information has been made available to the Civic Federation by District financial staff. As the City Colleges' policies and revenues are determined in large part by enrollment trends, enrollment is important that this key piece of information be made publicly available in the budget book and on the District's Web site.

Unsustainable Growth in Future Appropriations

There are some bright pots in the City Colleges' fiscal outlook:

- The administration has moved to strategically prioritize programs, focusing efforts on key growth areas like workforce development;

[11] Information provided by City Colleges of Chicago Financial Office, June 22, 2008.
[12] City Colleges of Chicago FY2009 Budget, p. 322.
[13] National Advisory Council on State and Local Budgeting. See Recommended Practice 10.1d: Provide a Guide to Operations. (Chicago: Government Finance Officers Association, 2000).

- Income from the District's enterprises, such as restaurant services, has increased dramatically from $4.7 million to $9.0 million. This should reduce pressure on other revenue sources; and
- Enrollment by full-time equivalent students increased by 1.9% in FY2008 and is expected to increase again in FY2009. This is an encouraging sign after years of enrollment declines.

However, the District faces some enormous challenges in future years. The four-year forecast for operating funds published in the FY2009 budget book shows that the City Colleges will have an operating deficit of approximately $15.5 million by FY2011.[14] The District's financial team estimates that while revenues will grow between 2.0% to 3.0% during this four-year time period, expenditures will increase at an average rate of 4.0%.[15] Successfully addressing these ongoing deficits will require using a variety of gap closing measures.

To date, most of the solutions proposed by the City Colleges to eliminate future deficits center on revenues: increasing property taxes to the maximum amount allowable, increasing activity and course fees and increasing tuition. The Civic Federation supports reasonable revenue raising strategies, especially those that focus on user fees rather than taxes. However, we do not favor reflexive property tax increases. Nor do we believe that this government should rely exclusively, or even predominantly, on revenue increases to balance its budget. Rather, it must also consider constraining or reducing spending.

Controlling spending requires a comprehensive review of the mission and myriad programs offered by the District. It may well require a significant scaling back the scope of the City Colleges' program offerings and focusing efforts solely on core programs. It is certainly not prudent to create new programming unless non-essential and duplicative programs are eliminated. It is encouraging that the District is undertaking some prioritization of programs, but much more must be done with the ultimate aim of rightsizing the organization.

Civic Federation Recommendations

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

Continue Development of a Performance Measurement System

As noted previously in this report, the City Colleges is moving to develop performance measures for its programs as part of its ongoing Service Excellence Training initiative.[16] We encourage the District to complete this process. We especially urge City Colleges to develop performance measures for administrative and support services. All performance measures that are developed should be made publicly available in the budget or related financial documents.

[14] City Colleges of Chicago FY2009 Budget, p. 4.
[15] Information provided by City Colleges of Chicago Financial Office, June 22, 2008.
[16] Information provided by City Colleges of Chicago Financial Office, June 22, 2008.

Implement a Formal Long-Term Planning Process

The Civic Federation continues to urge the City Colleges to build upon the management improvements it is implementing by developing a formal, long-term financial plan. This would include the development and publication of a plan that is shared with and/or reviewed by key policymakers and stakeholders. By linking policy and program priorities to the financial resources that are either currently or will be available in the near future, the long-term financial planning process helps governments prepare for future contingencies before they become crises.

Budget Format Recommendations

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

- If there is a gap between revenues and expenditures, the budget should include an easily understood description of the reasons for this gap and the steps taken to eliminate it;

- The budget should include a discussion of the District's gross property tax levy for all funds and a presentation of five-year trends for the gross property tax levy;

- The budget should include summary tables that provide information about all operating funds (including grants) by object and by program in order to provide a complete picture of projected spending for the new fiscal year;

- The budget should contain comparable five-year personnel trends. There should also be some narrative that discusses the personnel changes and the reasons for those changes;

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

- Projected expenditures for the different types of benefits such as health insurance, pensions, or life insurance should be included in the budget's summary tables.

Consider Creating a Trust Fund to Pre-Pay Retiree Health Insurance Expenses

As required by GASB Statement 45, City Colleges has disclosed information about other post employment benefits (OPEB) in its audited financial statements since FY2006.[17] The annual cost of these types of benefits, which consist primarily of retiree health insurance costs, was nearly $12.8 million in FY2007.

To date, the District has opted to continue paying for OPEB expenses on a pay-as-you-go basis. Other local governments, such as the Metropolitan Water Reclamation District and the Chicago Transit Authority, have established irrevocable trust funds to pre-pay obligations. These efforts have been linked to reforms that reduce the governments' costs and liabilities for retiree health

[17] The District was an early implementer of the standard.

insurance and related benefits. They have determined that pre-funding OPEB can be an effective way to spread benefit costs among the generations enjoying the benefits as well as to reduce expenses over time.

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

The State of Illinois Must Change the Community College Equalization Formula

The City Colleges expects to receive $15.0 million in state funds in FY2009 to compensate the District for the loss of significant community college equalization funds. This amount is subject to the final approval of the State of Illinois FY2009 budget. The Civic Federation supports the City Colleges receiving these funds, but urges the State to rectify the situation that requires the District to seek such funds on an annual basis rather than receiving a reasonable annual allocation. We **support** the City Colleges' ongoing efforts to effect a recalculation of the State community college equalization formula. We urge the Governor and the Illinois Community College Board to recognize the contributions of Illinois's largest community college system by fundamentally restructuring the equalization formula to provide fair and equitable funding to the City Colleges.

ACKNOWLEDGMENTS

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

REVENUES

The City Colleges will receive a total of $465.2 million in resources for all funds in FY2009. The exhibit below shows the breakdown of those resources. Nearly $78.0 million from the City Colleges' fund balance will be appropriated in addition to the $384.6 million that City Colleges will receive from local, state, and federal sources. The single largest revenue source will be property tax revenues, which will provide CCC with $114.4 million or 24.6% of total revenues. The State of Illinois will provide 20.1% of all resources or approximately $93.3 million. State and Federal intergovernmental revenues combined will provide 36.5% of the FY2009 budget, or $169.9 million.

City Colleges Resources: FY2009 Budget		
Sources of Revenues	**FY2009**	**% of Total**
Estimated Fund Balance	$ 127,065,000	
Fund Balance to be Reserved	$ (49,076,582)	
Fund Balance to be Appropriated	**$ 77,988,418**	**16.8%**
Property Tax Revenues (Gross)	$ 121,350,000	26.1%
Less Est. Loss and Cost of Collection	$ (4,247,250)	-0.9%
Less Back Taxes	$ (2,730,375)	-0.6%
Subtotal Property Taxes (Net)	**$ 114,372,375**	**24.6%**
Tuition and Fees	$ 80,881,286	17.4%
Auxiliary/Enterprise	$ 11,360,734	2.4%
Investment Revenue	$ 4,000,000	0.9%
Local Government Grants	$ 4,109,665	0.9%
Total Local Government	**$ 214,724,060**	**46.2%**
Personal Property Replacement Tax	$ 14,500,000	3.1%
State Government	$ 93,321,784	20.1%
Federal Government	$ 62,089,162	13.3%
Subtotal State & Federal Sources	**$ 169,910,946**	**36.5%**
Other Sources	$ 2,529,695	0.5%
Total	**$ 465,153,119**	**100.0%**

Source: City Colleges of Chicago Annual Operating Budget FY2009, p. 67.

City Colleges' total FY2009 resources of $465.2 million will be nearly $11.0 million less than total FY2008 resources. Local government resources will increase by $4.5 million or 2.1% in FY2009. State resources will experience an increase of $3.7 million or 3.9%, while federal resources will decline in FY2009 to $62.1 million, an $8.8 million or 14.2% decrease. "Other Sources" will increase by 27.4%, from $1.8 million in FY2008 to $2.5 million.

City Colleges Resources: FY2008 & FY2009				
Sources of Revenues	**FY2008**	**FY2009**	**$ Change**	**% Change**
Estimated Fund Balance	$ 158,618,356	$ 127,065,000	$ (31,553,356)	-24.8%
Fund Balance to be Reserved	$ (67,903,122)	$ (49,076,582)	$ 18,826,540	-38.4%
Fund Balance to be Appropriated	**$ 90,715,234**	**$ 77,988,418**	**$ (12,726,816)**	**-16.3%**
Property Tax Revenues (Gross)	$ 129,219,561	$ 121,350,000	$ (7,869,561)	-6.5%
Less Est. Loss and Cost of Collection	$ (4,522,685)	$ (4,247,250)	$ 275,435	-6.5%
Less Back Taxes	$ (2,907,440)	$ (2,730,375)	$ 177,065	-6.5%
Subtotal Property Taxes (Net)	**$ 121,789,436**	**$ 114,372,375**	**$ (7,417,061)**	-6.5%
Local Government Grants	$ 2,393,000	$ 4,109,665	$ 1,716,665	41.8%
Tuition and Fees	$ 73,086,025	$ 80,881,286	$ 7,795,261	9.6%
Auxiliary/Enterprise	$ 8,682,589	$ 11,360,734	$ 2,678,145	23.6%
Investment Revenue	$ 4,300,000	$ 4,000,000	$ (300,000)	-7.5%
Total Local Government	**$ 210,251,050**	**$ 214,724,060**	**$ 4,473,010**	**2.1%**
Personal Property Replacement Tax	$ 12,800,000	$ 14,500,000	$ 1,700,000	11.7%
State Government	$ 89,637,482	$ 93,321,784	$ 3,684,302	3.9%
Federal Government	$ 70,900,546	$ 62,089,162	$ (8,811,384)	-14.2%
Subtotal State & Federal Sources	**$ 173,338,028**	**$ 169,910,946**	**$ (3,427,082)**	**-2.0%**
Other Sources	$ 1,835,700	$ 2,529,695	$ 693,995	27.4%
Total	**$ 476,140,012**	**$ 465,153,119**	**$ (10,986,893)**	**-2.4%**

Source: City Colleges of Chicago Annual Operating Budget FY2008 and FY2009, p. 67.

Operating Revenues

In FY2009 Operating Funds Revenues, which include all funds except the Capital Fund and the Debt Service Funds, are projected to increase by $17.5 million or 4.7% over FY2008 operating revenues of $371.1 million. Revenues from tuition and fees are projected to increase by $7.8 million or 10.7%, and local government revenues will increase by $8.3 million or 7.5%. State government revenues will increase from $97.9 million to $101.6 million, a $3.7 million or 3.8% increase. The fund balance appropriated as operating funds will increase over FY2008, from approximately $4.1 million in FY2008 to $7.7 million in FY2009. Other sources revenues will increase by 37.8%, from $4.1 million to $6.1 million. Federal government revenues will decrease significantly, from $70.9 million in FY2008 to $62.1 million in FY2009, a 12.4% decline. Investment revenue will also decrease by $0.3 million or 7.0%.

City Colleges Operating Funds Revenues FY2008 & FY2009				
Revenue Source	**FY2008**	**FY2009**	**$ Change**	**% Change**
Local Government	$ 110,230,793	$ 118,482,040	$ 8,251,247	7.5%
State Government	$ 97,937,482	$ 101,621,784	$ 3,684,302	3.8%
Federal Government	$ 70,900,546	$ 62,089,162	$ (8,811,384)	-12.4%
Tuition and Fees	$ 73,086,025	$ 80,881,286	$ 7,795,261	10.7%
Auxiliary/Enterprise	$ 8,682,589	$ 11,360,734	$ 2,678,145	30.8%
Investment Revenue	$ 4,300,000	$ 4,000,000	$ (300,000)	-7.0%
Other Sources	$ 1,835,700	$ 2,529,695	$ 693,995	37.8%
Fund Balance Appropriated	$ 4,111,229	$ 7,654,703	$ 3,543,474	86.2%
Total	**$ 371,084,364**	**$ 388,619,404**	**$ 17,535,040**	**4.7%**

Source: City Colleges of Chicago FY2008 Budget, p. 65, and FY2009 Budget, p. 67.

Unrestricted fund revenues (excluding restricted grant revenues) will increase by 6.2% or $16.1 million, from $259.2 million to $275.2 million. State revenues for unrestricted purposes will decrease from $55.3 million to $54.7 million, a $0.6 million decrease, while federal revenues will decrease by 58%, from approximately $0.2 million to $0.1 million. The City College's estimated unrestricted fund revenues from the Personal Property Replacement Tax (PPRT) remain constant at $8.3 million.

City Colleges Revenues Unrestricted Funds: FY2008 & FY2009				
Sources of Revenues	**FY2008**	**FY2009**	**$ Change**	**% Change**
Local Government	$ 107,837,793	$ 114,372,375	$ 6,534,582	6.1%
State Government	$ 55,294,100	$ 54,719,201	$ (574,899)	-1.0%
PPRT	$ 8,300,000	$ 8,300,000	$ -	0.0%
Federal Government	$ 250,000	$ 104,900	$ (145,100)	-58.0%
Tuition and Fees	$ 73,086,025	$ 80,881,286	$ 7,795,261	10.7%
Auxiliary/Enterprise	$ 8,682,589	$ 11,360,734	$ 2,678,145	30.8%
Investment Revenue	$ 4,300,000	$ 4,000,000	$ (300,000)	-7.0%
Other Sources	$ 1,435,700	$ 1,505,000	$ 69,300	4.8%
Total	**$ 259,186,207**	**$ 275,243,496**	**$ 16,057,289**	**6.2%**

Source: City Colleges of Chicago FY2008 Budget, and FY2009 Budget, p. 69.

Five-Year Revenue Trends: FY2005 and FY2009

Operating revenue funds are projected to increase by 8.6% since FY2005, from $357.9 million to $388.6 million. Federal funding, much of which is received by the City Colleges as restricted funds, is expected to decrease by 6.4%. Tuition and fees are projected to increase by 27.3%, largely because of tuition increases phased in over three years between FY2005 to FY2007. State and local government funding will also increase, by 32.0% and 18.3% respectively. Auxiliary/enterprise revenues will increase by 166.7%.

City Colleges Operating Funds Revenues FY2005 & FY2009				
Revenue Source	**FY2005**	**FY2009**	**$ Change**	**% Change**
Local Government	$ 100,155,666	$ 118,482,040	$ 18,326,374	18.3%
State Government	$ 76,981,025	$ 101,621,784	$ 24,640,759	32.0%
Federal Government	$ 66,359,882	$ 62,089,162	$ (4,270,720)	-6.4%
Tuition and Fees	$ 63,545,041	$ 80,881,286	$ 17,336,245	27.3%
Auxiliary/Enterprise	$ 6,584,777	$ 11,360,734	$ 4,775,957	72.5%
Investment Revenue	$ 1,500,000	$ 4,000,000	$ 2,500,000	166.7%
Other Sources	$ 3,108,518	$ 2,529,695	$ (578,823)	-18.6%
Fund Balance Appropriated	$ 39,730,485	$ 7,654,703	$ (32,075,782)	-80.7%
Total	**$ 357,965,394**	**$ 388,619,404**	**$ 30,654,010**	**8.6%**

Sources: City Colleges of Chicago FY2005 Budget, p. 38, and FY2009 Budget, p. 67.

The next exhibit examines five-year trends for unrestricted funds only, that is, operating funds excluding grants. Overall, unrestricted fund revenues will increase by 21.5%, from $226.5 million to $275.2 million. The largest single percentage increase over the five-year period is in investment revenue, which is expected to increase by $2.5 million or 166.7%. In terms of dollars, though, the largest increase will come from Local Government (property taxes) revenue, which will rise by 19.1% or $18.4 million, and from Tuition and Fees revenues, which will rise by 27.3% or $17.3 million. State and Federal Government revenues will both decrease by $1.3 million and $0.1 million, respectively.

City Colleges Revenues Unrestricted Funds: FY2005 & FY2009				
	FY2005	FY2009	$ Change	% Change
Local Government	$ 95,990,999	$ 114,372,375	$ 18,381,376	19.1%
State Government	$ 56,013,873	$ 63,019,201	$ 7,005,328	12.5%
Federal Government	$ 250,000	$ 104,900	$ (145,100)	-58.0%
Tuition and Fees	$ 63,545,041	$ 80,881,286	$ 17,336,245	27.3%
Auxiliary/Enterprise	$ 6,584,777	$ 11,360,734	$ 4,775,957	72.5%
Investment Revenue	$ 1,500,000	$ 4,000,000	$ 2,500,000	166.7%
Other Sources	$ 2,589,383	$ 1,505,000	$ (1,084,383)	-41.9%
Total	**$ 226,474,073**	**$ 275,243,496**	**$ 48,769,423**	**21.5%**

Source: City Colleges of Chicago FY2005 Budget, p. 18, and FY2009 Budget, p. 69.

City Colleges Tuition Rates

The Tuition Rates for the City Colleges will remain unchanged again in FY2009 after three-year staggered tuition increases between 2004 and 2006 brought the per credit hour cost of attending City Colleges to $72. In 2004 tuition increased from $52 to $62 per credit hour. It increased to $67 per credit hour in 2005, and it increased to $72 per credit hour beginning in the summer of 2006. Despite the three years of tuition increases, City Colleges still has a relatively inexpensive tuition per credit hour compared to the other regional community colleges. The exhibit below shows that comparison, based on Fall 2008 tuition charges.

Fall 2008 Basic Credit Hour Tuition for District Residents			
College	Tutition	Per Credit Hour Fees	Total
South Suburban College	$ 90.00	$ 13.75	$ 103.75
College of DuPage (Glen Ellyn)	$ 88.25	$ 19.75	$ 108.00
Harper College (Palatine)	$ 90.00	$ 14.00	$ 104.00
Elgin Community College (Elgin)	$ 91.00	$ -	$ 91.00
College of Lake County	$ 81.00	$ 14.00	$ 95.00
Prairie State College (Chicago Heights)	$ 78.00	$ 9.00	$ 87.00
Oakton Community College (DesPlaines)	$ 84.00	$ 2.60	$ 86.60
Morton College (Cicero)	$ 64.00	$ 16.00	$ 80.00
City Colleges of Chicago	**$ 72.00**	**$ -**	**$ 72.00**
Triton College (River Grove)	$ 64.00	$ 5.00	$ 69.00

Source: Web Sites of Colleges

State Equalization Formula

The State of Illinois provides community college districts with equalization grants intended to ensure that each district has approximately equivalent financial means, regardless of a District's taxable property wealth. Because the formula for distributing equalization grants does not account for the tax cap law, it assumes that a greater amount of property wealth is available to tax-capped Districts than can actually be taxed (without seeking approval of the voters through a referendum). Over time, this has meant that state funding for the City Colleges has been sharply reduced. The current formula on its own would have provided the City Colleges with almost no revenue. To correct this imbalance, the state awarded a $15.0 million grant to the City Colleges in FY2005. It renewed this grant in FY2006, FY2007 and FY2008, and the State's FY2009 budget does include this appropriation. However, the state budget has not yet been finalized. The Civic Federation recommends that City Colleges continues to seek a revision of the equalization formula as this supplemental grant is not permanent and must be re-appropriated in future years at the discretion of the General Assembly.

Property Tax Revenues in FY2009

Property tax years are the same as calendar years. However, the City Colleges fiscal year is July 1 to June 30, and there is also a one-year lag in Cook County between when property taxes are levied and when they are collected. Taxes levied in 2008 will actually be received in 2009. The effect of these two issues is that property tax funds available during the City Colleges upcoming fiscal year (FY2009) will be drawn from part of tax year 2007 and part of tax year 2008.

In FY2009 the City Colleges will receive a net total of $114.4 million in property tax revenues. The gross amount of tax levy revenues will be $121.4 million. Of the gross amount, $58.3 million will be derived from the estimated 2007 levy and $63.1 million will be derived from the estimated 2008 levy. Net property tax revenues are expected to decrease by 6.1% or over $7.4 million between FY2008 and FY2009.

Amount of Property Tax Revenues Received by City Colleges: FY2008 & FY2009

	FY2008	FY2009
1/2 Estimated Gross 2006 Levy	$ 70,969,561	
1/2 Estimated Gross 2007 Levy	$ 58,250,000	
1/2 Estimated Gross 2007 Levy		$ 58,250,000
1/2 Estimated Gross 2008 Levy		$ 63,100,000
Subtotal: Gross Levy Funds Available	**$ 129,219,561**	**$ 121,350,000**
Back Taxes Revenue	$ (2,907,440)	$ (2,730,375)
Estimated Loss and Cost of Collection	$ (4,522,685)	$ (4,247,250)
Total (Net Levy)	$ 121,789,436	$ 114,372,375
$ Change FY2008 to FY2009		**$ (7,417,061)**
% Change FY2008 to FY2009		**-6.1%**

Source: City Colleges fo Chicago FY2008 Budget, p. 61, and FY2009 Budget, p. 67.

Approximately $114.4 million of the total property tax revenues available in FY2009 (from tax years 2007 and 2008) are for operating funds that are subject to the State's tax cap law, which limits increases to 5% or inflation, whichever is less.[18] The City Colleges' operating funds included under the state tax cap are the education fund, the operations and management fund, the auxiliary enterprise fund, the audit fund, and the liability, protection, and settlement fund. The $114.4 million in capped funds available in FY2009 represents a $6.6 million increase over the $107.8 million in capped funds available in FY2008.

The District expects to increase the operating fund levy by 5.3% in tax year 2008 over the 2007 operating levy (4.1% for the levy increase and an additional 1.2% increase for new property

[18] The remaining funds are exempt from the tax cap. They are primarily for debt service payments to the Chicago Public Building Commission for capital leases.

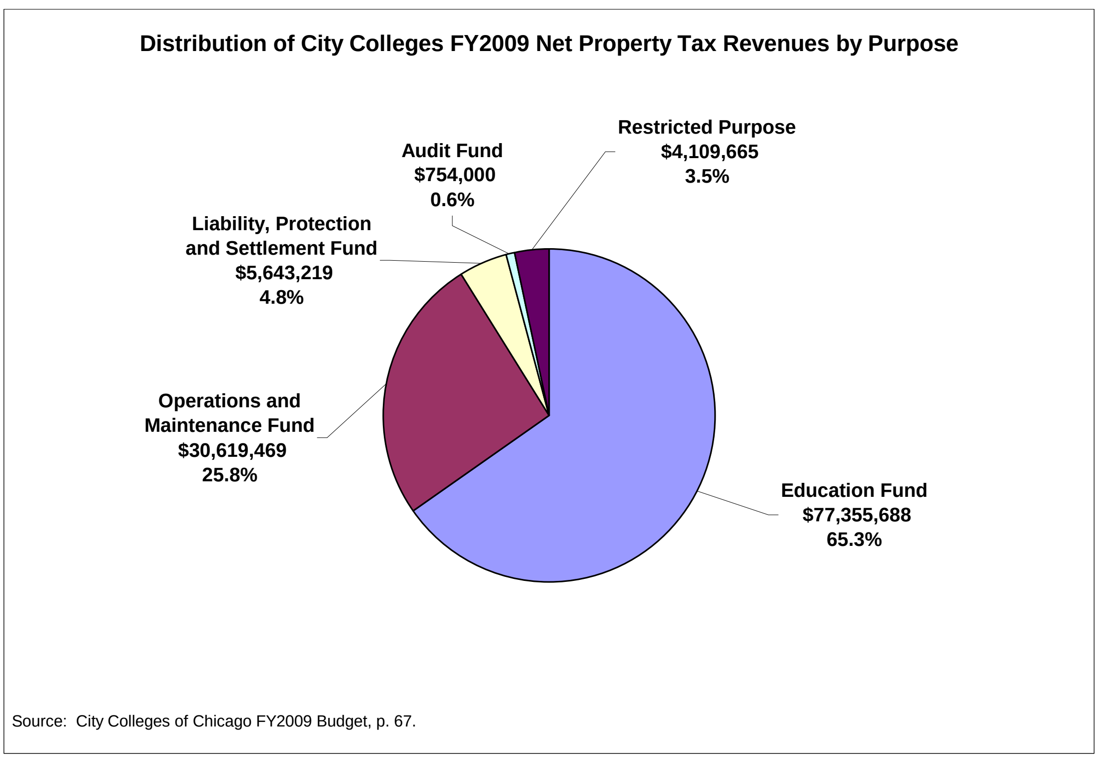
growth). From tax year 2007 to tax year 2008, the operating funds levy will rise from $116.5 million to $126.2 million. The City Colleges will thereby again raise property taxes to the maximum amount allowed by the tax cap law. It is important to note that the FY2008 property tax levy includes an additional $2.1 million in funding based on the assumption that the Central Loop TIF taxing district will expire this year.[19]

Property tax funds subject to the tax cap increase increased by $6.5 million, or 5.7%, from FY2008 to FY2009, net loss of cost of collection and back taxes. This figure does not include the expected $2.1 million from the expiration of the Central Loop TIF district.

Property Tax Levy for Operating Expenses: By City Colleges Fiscal Year				
	FY2008	FY2009	$ Change	% Change
Levy Amount	$ 114,416,756	$ 121,350,000	$ 6,933,244	5.7%
Back Taxes Revenue	$ (2,574,377)	$ (2,730,375)	$ (155,998)	5.7%
Estimated Loss and Cost	$ (4,004,587)	$ (4,247,250)	$ (242,663)	5.7%
Total Net Levy	**$ 107,837,792**	**$ 114,372,375**	**$ 6,534,583**	**5.7%**

Source: City Colleges of Chicago FY2008 budget, p. 61, and FY2009 budget, p. 67.

The distribution of total net City Colleges property tax revenues is shown below. Approximately 65.3% or $77.4 million is earmarked for the education fund, which is the City Colleges' general operating fund. Over $30.6 million or 25.8% of all net property tax revenues is earmarked for operations and maintenance and $5.6 million or 4.8% of the total is reserved for the liability, protection and settlement fund.



[19] City Colleges of Chicago FY2009 Budget, pp. 6, 48.

City of Chicago Property Tax Levy for CCC

City Colleges of Chicago, in addition to its own property tax levy described above, receives another property tax revenue stream from the City of Chicago that is used to fund capital improvements. This is part of a larger process that has the City of Chicago levying property taxes for not only its own operations, but also for other non-City government purposes, including the City Colleges of Chicago. The City does so because of the expiration of District authority to levy for debt issued by the Public Building Commission (PBC) on behalf of the City Colleges. Debt service limits for the City Colleges was fixed at the time the tax cap law was implemented in 1995; at that time the District's debt burden consisted of obligations issued through the PBC and paid for through an Operations and Maintenance (O & M) levy. When these were paid, the O & M levy was eliminated, which requires the District to seek other ways to issue debt. The City of Chicago, by means of an intergovernmental agreement, now levies property taxes that are used to pay for Public Building Commission obligations used to City Colleges projects.[20]

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

As shown in the exhibit below, the City's levy for the City Colleges debt was flat at $5.7 million for several years, and then jumped to $33.5 million in 2007 and $33.6 million in 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. This levy is *not* discussed in the property tax revenue estimates in either the City or the City Colleges budgets. Additionally, it should be noted that the 2008 City Colleges Gross Property Tax Levy line item includes approximately $2.1 million in additional funding due to the expiration of the Central Loop TIF district.

Total Property Tax Revenues for City Colleges (By Tax Year)

Property Tax Source	2005	2006	2007	2008
City Colleges Gross Property Tax Levy	$ 140,734,890	$ 141,939,122	$ 116,500,000	$ 126,200,000
PBC Levy	$ 30,799,179	$ 29,499,412	$ -	$ -
Subtotal Gross Property Tax Levy minus PBC Levy	**$ 109,935,711**	**$ 112,439,710**	**$ 116,500,000**	**$ 126,200,000**
City of Chicago Property Tax Levy for City Colleges	$ 5,729,000	$ 5,729,000	$ 33,509,000	$ 36,632,000
Total (Gross CC Levy + City Levy)	**$ 146,463,890**	**$ 147,668,122**	**$ 150,009,000**	**$ 162,832,000**

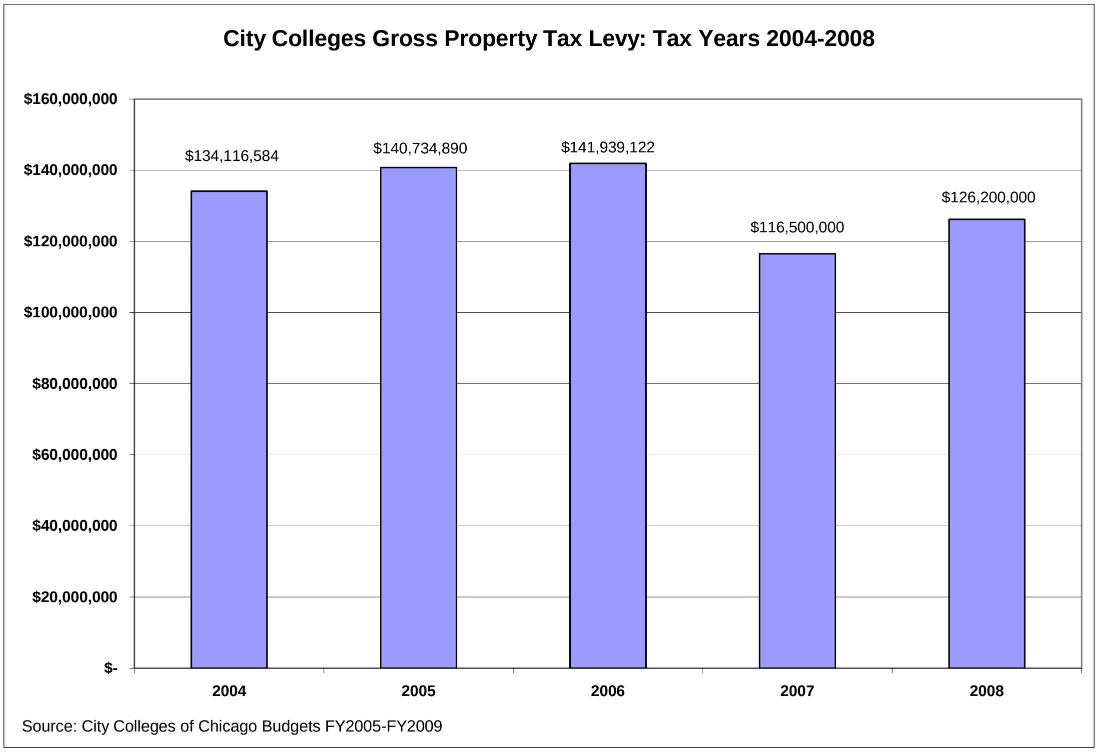
Source: City Colleges of Chicago Budgets, FY2006-FY2009

Gross Property Tax Levy

The exhibit below shows the amount of the gross property tax levy for all purposes for tax years 2004 through 2008. The gross property tax levy for tax year 2008 is estimated to rise by 4.1% from the previous year or from $116.5 million to $126.2 million. Since FY2004, the gross property tax levy will have decreased by 5.9% or $7.9 million. It is important to note that the actual amount of property tax dollars City Colleges will receive in tax year 2008 will not be known until the Cook County Clerk actually extends the levy and applies all relevant rate limits

[20] Information provided by City Colleges of Chicago Finance Office, June 26, 2008.

and the tax cap on eligible funds. The final extension amount is different than and usually less than the original levy amount.

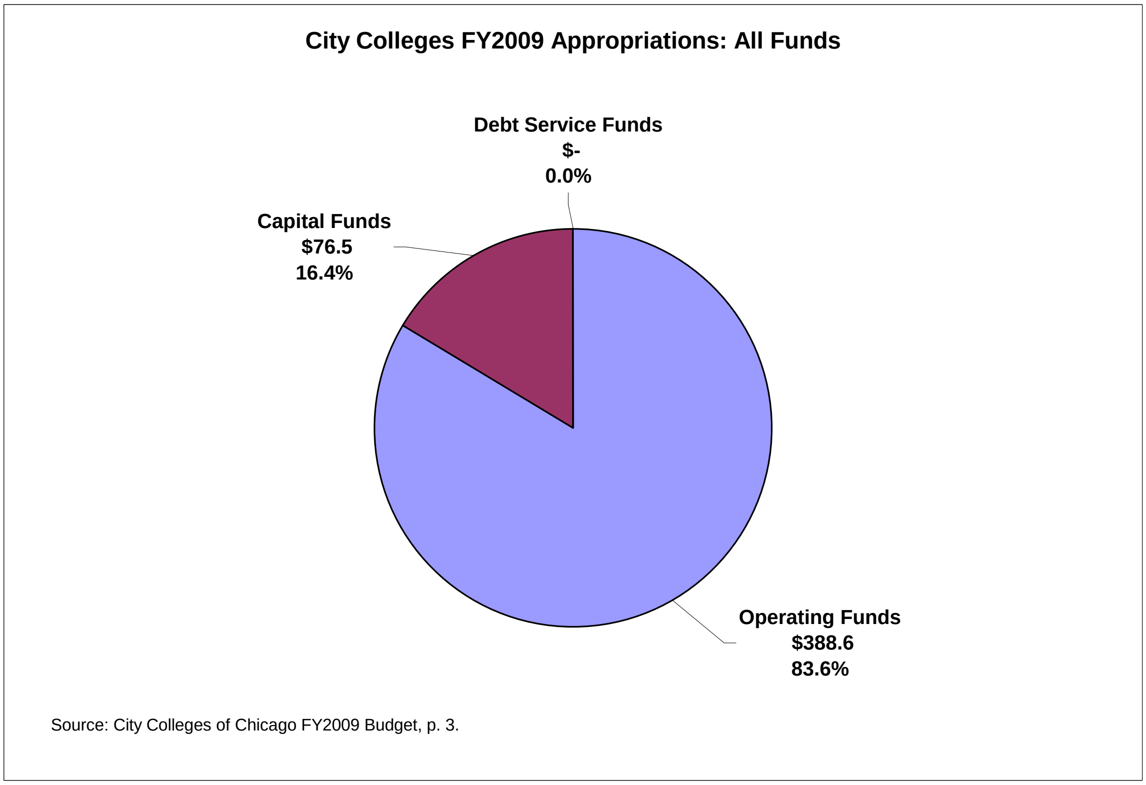


APPROPRIATION TRENDS

The following section presents information and trends regarding the City Colleges' appropriations and expenditures. The FY2009 City Colleges proposed budget will be approximately $465.1 million, $8.7 million or 1.8% less than in FY2008.

Total Appropriations for FY2009

Of the City Colleges' $465.1 million FY2009 budget, approximately 83.6% will go to operating funds, 16.4% to the capital fund, and 0.0% to debt service. Operating funds finance employees' salaries and benefits, pay for utility costs, and fund all other day-to-day expenditures incurred by the City Colleges. In the City Colleges' budget, operating funds includes all funds except capital and debt service. The capital fund provides money for all major building projects as well as the improvement of existing structures. The debt service funds pay for the City Colleges' outstanding bond obligations. Due to the retirement of outstanding obligations paid out of the fund, no monies will be appropriated for the debt service funds.



As the following table shows, from FY2008 to FY2009 the City Colleges' total budget is expected to decrease by 1.8%, or $8.7 million. Only unrestricted operating fund appropriations will increase, by 8.5% or $22.1 million. Restricted operating fund appropriations will decrease by $2.3 million or 2.1%.[21] Capital fund appropriations will remain constant while debt service appropriations will fall by 100.0% or $28.5 million.

City Colleges Appropriations All Funds: FY2008 & FY2009 (in $ millions)				
Fund Type	**FY2008**	**FY2009**	**$ Change**	**% Change**
Operating Funds				
Unrestricted	$ 260.8	$ 282.9	$ 22.1	8.5%
Restricted	$ 108.0	$ 105.7	$ (2.3)	-2.1%
Subtotal Operating	**$ 368.8**	**$ 388.6**	**$ 19.8**	**5.4%**
Capital Fund	$ 76.5	$ 76.5	$ -	0.0%
Debt Service Funds	$ 28.5	$ -	$ (28.5)	-100.0%
Total	**$ 473.8**	**$ 465.1**	**$ (8.7)**	**-1.8%**

Source: City Colleges of Chicago FY2009 Budget, p. 3.

Five-Year Appropriation Trends for All Funds

The FY2009 budget proposes a total appropriation of $465.1 million, a $140.9 million or 30.3% increase over FY2005 proposed all fund appropriations of $324.2 million. Appropriations for capital outlay will experience the largest dollar increase, rising by $70.4 million or 91.6% since

[21] Unrestricted funds can be used for any purpose approved by the Board of Trustees, but restricted funding from private or government organizations must be used for a specific activity.

FY2005. Fixed charges appropriations will also significantly increase over the five years period, rising by $2.7 million or 76.5%. Salary appropriations across all funds will increase by 17.0%, or $31.3 million, while employee benefit appropriations will increase by $4.6 million or 10.3%.

City Colleges Appropriation by Object All Funds: FY2005 & FY2009				
	FY2005	FY2009	$ Change	% Change
Salaries	$ 153,274,815	$ 184,572,107	$ 31,297,292	17.0%
Employeee Benefits	$ 39,965,818	$ 44,571,381	$ 4,605,563	10.3%
Contractual Services	$ 31,954,135	$ 40,307,925	$ 8,353,790	20.7%
Materials/Supplies	$ 16,154,457	$ 20,982,071	$ 4,827,614	23.0%
Travel/Conferences	$ 1,923,497	$ 2,313,934	$ 390,437	16.9%
Fixed Charges	$ 816,194	$ 3,467,772	$ 2,651,578	76.5%
Utilities	$ 10,778,981	$ 12,486,455	$ 1,707,474	13.7%
Capital Outlay	$ 6,423,717	$ 76,864,158	$ 70,440,441	91.6%
Other	$ 62,910,823	$ 79,583,314	$ 16,672,491	20.9%
Total	**$ 324,202,437**	**$ 465,149,117**	**$ 140,946,680**	**30.3%**

Source: City Colleges of Chicago FY2005 Budget and the City College's Office of Finance.

Turning to five year all fund appropriations by program, operations and maintenance appropriations will increase by 73.0%, or $88.5 million, between FY2005 and FY2009. Scholarships and fellowships appropriations will also increase, by $17.9 million or 27.1%. Instruction appropriations remain relatively constant, only increasing by 3.9%, while academic support appropriations will increase by 28.6%, or $11.1 million. Finally, public services appropriations will decrease by almost $1.0 million, or 6.3%, during the five year period.

City Colleges Appropriation by Program All Funds: FY2005 & FY2009				
	FY2005	FY2009	$ Change	% Change
Instruction	$ 112,982,226	$ 117,531,433	$ 4,549,207	3.9%
Academic Support	$ 27,782,405	$ 38,895,022	$ 11,112,617	28.6%
Student Services	$ 26,009,670	$ 31,620,577	$ 5,610,907	17.7%
Public Services	$ 16,905,824	$ 15,909,435	$ (996,389)	-6.3%
Organized Research	$ 315,176	$ 738,379	$ 423,203	57.3%
Auxiliary/Enterprise	$ 1,913,165	$ 3,442,017	$ 1,528,852	44.4%
Operation & Maintenance	$ 32,708,690	$ 121,251,846	$ 88,543,156	73.0%
Institutional Support	$ 57,409,023	$ 69,635,121	$ 12,226,098	17.6%
Scholarships/Fellowships	$ 48,176,259	$ 66,125,288	$ 17,949,029	27.1%
Total	**$ 324,202,438**	**$ 465,149,118**	**$ 140,946,680**	**30.3%**

Source: City Colleges of Chicago FY2005 Budget, p. 19 & 47 and FY2009 Budget, p. 67.

The Proposed Operating Budget: Unrestricted and Restricted Funds

The FY2009 budget proposes a total operating funds appropriation of $388.5 million, a $19.9 million or 5.4% increase over proposed FY2008 appropriations of $368.6 million. Appropriations for employee benefits will rise by 32.3% or $10.8 million in FY2009. Utilities and fixed charges appropriations will both increase by 12.1% and 19.2%, respectively. Capital outlay costs paid out of operating funds will continue to fall, decreasing by 44.4% or nearly $0.2 million over FY2008. Salaries will decrease by 1.4% or $2.6 million.

City Colleges Appropriations by Object of Expenditure All Operating Funds: FY2008 & FY2009				
Object	**FY2008**	**FY2009**	**$ Change**	**% Change**
Salaries	$ 187,203,444	$ 184,572,107	$ (2,631,337)	-1.4%
Employee Benefits	$ 33,702,092	$ 44,571,381	$ 10,869,289	32.3%
Contractual Services	$ 37,838,280	$ 40,307,925	$ 2,469,645	6.5%
Materials/Supplies	$ 20,073,528	$ 20,982,071	$ 908,543	4.5%
Travel/Conferences	$ 2,433,682	$ 2,313,934	$ (119,748)	-4.9%
Fixed Charges	$ 2,909,395	$ 3,467,772	$ 558,377	19.2%
Utilities	$ 11,135,250	$ 12,486,455	$ 1,351,205	12.1%
Capital Outlay	$ 412,660	$ 229,610	$ (183,050)	-44.4%
Other	$ 72,866,376	$ 79,583,312	$ 6,716,936	9.2%
Total	**$ 368,574,707**	**$ 388,514,567**	**$ 19,939,860**	**5.4%**

Source: City Colleges of Chicago FY2008 Budget p. 62, and FY2009 Budget, p. 68, 75.

Turning to operating funds by program, public service appropriations will increase by 22.3% or $2.9 million, and organized research appropriations will increase by 36.4%, or $0.2 million. $38.9 million will be appropriated for academic support in FY2009, which is only a 12.7% increase over FY2008 appropriations. Institutional support appropriations will rise by 2.3% or $1.6 million. Scholarships, grants, and waivers appropriations will increase by 2.4%, while auxiliary/enterprise appropriations will increase by 57.3%, or $1.3 million.

City Colleges Appropriations by Program All Operating Funds: FY2008 & FY2009				
Program	**FY2008**	**FY2009**	**$ Change**	**% Change**
Instruction	$ 114,548,050	$ 117,531,433	$ 2,983,383	2.6%
Academic Support	$ 34,518,178	$ 38,895,022	$ 4,376,844	12.7%
Student Services	$ 33,032,487	$ 31,620,577	$ (1,411,910)	-4.3%
Public Service	$ 13,009,171	$ 15,909,435	$ 2,900,264	22.3%
Organized Research	$ 541,397	$ 738,379	$ 196,982	36.4%
Auxiliary/Enterprise	$ 2,188,024	$ 3,442,017	$ 1,253,993	57.3%
Operations & Maintenance	$ 38,102,255	$ 44,718,131	$ 6,615,876	17.4%
Institutional Support	$ 68,074,042	$ 69,635,121	$ 1,561,079	2.3%
Scholarships, Grants	$ 64,561,101	$ 66,125,288	$ 1,564,187	2.4%
Total	**$ 368,574,705**	**$ 388,615,403**	**$ 20,040,698**	**5.4%**

Source: City Colleges of Chicago FY2008 Budget and FY2009 Budget, p. 67.

Some of the City Colleges' program categories cover a range of expenditures. The following list explains in greater detail the kinds of expenditures designated by the City Colleges' category names:

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

- **Public Service** refers to programs designed to serve the public, such as customizing training and continuing education.

Five-Year Operating Funds Trend: FY2005 and FY2009

While appropriations for instruction will increase modestly between the FY2005 and FY2009 proposed budgets, scholarships and grants expenditures will rise by 37.3% and academic support will increase by 40.0%. Organized research appropriations will rise by over $0.5 million, or 319.0%. This increase is attributable to City Colleges' receipt of a $2.7 million "Exploring New Models" grant from the National Science Foundation. The grant is dispersed over five years and City Colleges is the only institution to receive this grant nationwide.[22] Auxiliary/enterprise appropriations will increase, by 79.9% or $1.5 million.

City Colleges Appropriations by Program
All Operating Funds: FY2005 & FY2009

Program	FY2005	FY2009	$ Change	% Change
Instruction	$ 112,982,226	$ 117,531,433	$ 4,549,207	4.0%
Academic Support	$ 27,782,405	$ 38,895,022	$ 11,112,617	40.0%
Student Services	$ 26,148,605	$ 31,620,577	$ 5,471,972	20.9%
Public Service	$ 16,905,823	$ 15,909,435	$ (996,388)	-5.9%
Organized Research	$ 176,242	$ 738,379	$ 562,137	319.0%
Auxiliary/Enterprise	$ 1,913,165	$ 3,442,017	$ 1,528,852	79.9%
Operations & Maintenance	$ 32,708,690	$ 44,718,131	$ 12,009,441	36.7%
Institutional Support	$ 57,409,023	$ 69,635,121	$ 12,226,098	21.3%
Scholarships, Grants	$ 48,176,258	$ 66,125,288	$ 17,949,030	37.3%
Total	**$ 324,202,437**	**$ 388,615,403**	**$ 64,412,966**	**19.9%**

Source: City Colleges FY2005 Budget, p. 38 and FY2009 Budget, p 67.

The Proposed Operating Budget: Unrestricted Funds

In FY2009, unrestricted fund expenditures are projected to increase by 8.5%, from a proposed FY2008 appropriation of $260.8 million to $282.9 million.

Appropriations for salaries will see the most significant dollar increase, rising by $5.5 million or 3.5%. Utilities will increase by 12.7% and employee benefits will increase by 3.5%. Appropriations paid out of unrestricted operating funds for capital outlay will be the only category that experiences a decrease. However, it will decrease by 82.1% for FY2009.

[22] Email communication between the Civic Federation and City Colleges of Chicago, June 26, 2008.

City Colleges Appropriations by Object of Expenditure Unrestricted Operating Funds: FY2008 & FY2009				
Object	**FY2008**	**FY2009**	**$ Change**	**% Change**
Salaries	$ 158,896,833	$ 164,388,278	$ 5,491,445	3.5%
Employee Benefits	$ 28,602,779	$ 29,595,597	$ 992,818	3.5%
Contractual Services	$ 33,399,583	$ 36,434,335	$ 3,034,752	9.1%
Materials/Supplies	$ 14,376,100	$ 16,456,462	$ 2,080,362	14.5%
Travel/Conferences	$ 1,483,881	$ 1,642,271	$ 158,390	10.7%
Fixed Charges	$ 2,401,249	$ 3,198,727	$ 797,478	33.2%
Utilities	$ 11,070,853	$ 12,476,519	$ 1,405,666	12.7%
Capital Outlay	$ 223,050	$ 40,000	$ (183,050)	-82.1%
Other	$ 10,333,450	$ 18,662,011	$ 8,328,561	80.6%
Total	**$ 260,787,778**	**$ 282,894,200**	**$ 22,106,422**	**8.5%**

Source: City Colleges of Chicago FY2008 Budget, p. 62 and FY2009 Budget, p. 69.

Although unrestricted operating fund benefits appropriations will increase by 3.5% in FY2009, the CCC has succeeded in reducing these costs substantially in recent years. Employee benefits comprise employer Medicare and Social Security taxes, health and dental insurance costs, as well as life insurance. In addition, payments for unused retiree sick days are included in this budget category. As a result of increased employee contributions for medical claims and contract negotiations with the Cook County College Teachers Union, Local 1600, the City Colleges reduced their overall expenditures on health insurance, resulting in a significant decrease in appropriations for aggregate employee benefits.[23] The FY2006 renegotiation of employee benefits included the following provisions:

- The City Colleges Preferred Provider Organization plan has adopted higher annual deductibles (from $600 to $900 per family), higher annual out-of-pocket expenses (from $2,250 to $4,000 per family) and lower health care service fee coverage for physician and hospital services (from 90% to 85%).
- The Humana Health Maintenance Organization plan requires higher co-payments for office visits (from $5 to $10 per visit), a new $500 co-payment for hospital services, and a $15 co-payment for physical therapy, up from $5. There has also been an increase in co-payments for prescription drug benefits.

The table below shows unrestricted operating fund appropriations by program. Academic support appropriations will increase by 22.7% or nearly $5.0 million and instruction will increase by 3.2% or $3.3 million. Public service appropriations from unrestricted funds will increase in FY2009 by 95.8% or $4.9 million and organized research will increase by 83.4% or $34,000.

[23] City Colleges of Chicago FY2007 Budget, p. 67.

City Colleges Appropriations by Program Unrestricted Operating Funds: FY2008 & FY2009				
Program	**FY2008**	**FY2009**	**$ Change**	**% Change**
Instruction	$ 101,995,403	$ 105,287,439	$ 3,292,036	3.2%
Academic Support	$ 21,916,074	$ 26,885,692	$ 4,969,618	22.7%
Student Services	$ 22,759,628	$ 21,321,973	$ (1,437,655)	-6.3%
Public Service	$ 5,116,019	$ 10,018,782	$ 4,902,763	95.8%
Organized Research	$ 40,753	$ 74,753	$ 34,000	83.4%
Auxiliary/Enterprise	$ 2,153,193	$ 3,396,150	$ 1,242,957	57.7%
Operations & Maintenance	$ 37,942,272	$ 43,268,053	$ 5,325,781	14.0%
Institutional Support	$ 65,503,335	$ 66,819,356	$ 1,316,021	2.0%
Scholarships, Grants	$ 3,361,100	$ 5,822,000	$ 2,460,900	73.2%
Total	**$ 260,787,777**	**$ 282,894,198**	**$ 22,106,421**	**8.5%**

Source: City Colleges of Chicago FY2008 Budget p. 62 and FY2009 Budget, p. 69.

Five-Year Unrestricted Fund Appropriation Trends

From FY2005 to FY2009, unrestricted expenditures will increase by 21.7%, from $232.4 million to $282.9 million. Academic support will increase by 53.5%, student services by 20.8%, operations and maintenance by 38.4%, institutional support by 26.8%, and instruction by 3.3%. Unrestricted operating fund appropriations for scholarships and grants (which constitute a relatively small portion of the Colleges' total spending on scholarships and grants) will jump from $1.4 million to $5.8 million.

City Colleges Appropriations by Program Unrestricted Operating Funds: FY2005 & FY2009				
Program	**FY2005**	**FY2009**	**$ Change**	**% Change**
Instruction	$ 101,895,045	$ 105,287,439	$ 3,392,394	3.3%
Academic Support	$ 17,512,643	$ 26,885,692	$ 9,373,049	53.5%
Student Services	$ 17,651,578	$ 21,321,973	$ 3,670,395	20.8%
Public Service	$ 8,227,763	$ 10,018,782	$ 1,791,019	21.8%
Organized Research	$ -	$ 74,753	$ 74,753	-
Auxiliary/Enterprise	$ 1,786,849	$ 3,396,150	$ 1,609,301	90.1%
Operations & Maintenance	$ 31,270,772	$ 43,268,053	$ 11,997,281	38.4%
Institutional Support	$ 52,707,659	$ 66,819,356	$ 14,111,697	26.8%
Scholarships, Grants	$ 1,389,292	$ 5,822,000	$ 4,432,708	319.1%
Total	**$ 232,441,601**	**$ 282,894,198**	**$ 50,452,597**	**21.7%**

Source: City Colleges of Chicago FY2005 Budget p. 18 and FY2009 Budget, p. 69.

ENROLLMENT TRENDS

The City Colleges projects total enrollment by headcount will increase in FY2009, increasing by 5.3% or 5,649 students over FY2008 preliminary enrollment data.[24] However, we were not provided with Full-Time Equivalent enrollment projections data for FY2009.

As the following table indicates, full-time equivalent student enrollment at the City Colleges increased by 1.9% from FY2007 to FY2008, rising by 764 Full-Time Equivalent students (FTEs)

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[24] Personal communication between the Civic Federation and City Colleges of Chicago Office of Finance, July 8, 2008.

from 39,931 and 40,695.[25] Enrollment fell in four categories: the continuing education program (down 16.1%), general education degree program (down 4.8%), the English as a second language program (down 2.4%) and the vocational skills program (down 36.2%). These decreases are due in large part to increased enforcement of immigration policies, resulting in a lack of demand for courses in English as a second language.

However, enrollment rose in all remaining programs, including a 15.0% increase in the Adult Basic Education program and a 51.3% increase in the manufacturing technology program. Enrollment in the largest program, credit classes, rose in FY2008 by 2.9%, from 20,647 to 21,241. Adult education as a whole increased by 1.0%.

City Colleges Full-Time Equivalent (FTE) Enrollment: FY2007 & FY2008

Type	FY2007	FY2008	# Change 07-08	% Change 07-08
Credit	20,647	21,241	594	2.9%
Pre-Credit	987	1,009	22	2.2%
Continuing Education	573	481	(92)	-16.1%
Adult Education	15,659	15,814	155	1.0%
ABE	3,243	3,728	485	15.0%
GED	1,490	1,418	(72)	-4.8%
ESL	10,926	10,667	(259)	-2.4%
Vocational Skills	1,114	711	(403)	-36.2%
Mfg. Technology	951	1,439	488	51.3%
Total	**39,931**	**40,695**	**764**	**1.9%**

Source: City Colleges of Chicago FY2009 Budget, p. 338.

The five-year enrollment trends tell a similar story. Full-time equivalent student enrollment at the City Colleges decreased by 15.0% from FY2004 to FY2008 from 47,868 to 40,695, a reduction of 7,173 FTEs. Continuing education decreased by 60.3%, while enrollment in vocational skills programs decreased by 447 students or 38.6%.

The only programs which have experienced an enrollment increase over this five-year period are manufacturing technology, which had enrollment increase by 243.4%, and pre-credit courses, which saw an FTE enrollment increase of 24.1%.

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

City Colleges Full-Time Equivalent (FTE) Enrollment: FY2004 - FY2008							
Type	FY2004	FY2005	FY2006	FY2007	FY2008	# Change FY2004-FY2008	% Change FY2004-FY2008
Credit	22,007	22,135	20,950	20,647	21,241	(766)	-3.5%
Pre-Credit	813	794	800	987	1,009	196	24.1%
Continuing Education	1,213	665	546	573	481	(732)	-60.3%
Adult Education	22,258	19,857	17,286	15,659	15,814	(6444)	-29.0%
ABE	5,536	4,819	3,874	3,243	3,728	(1808)	-32.7%
GED	2,235	1,866	1,727	1,490	1,418	(817)	-36.6%
ESL	14,488	13,173	11,685	10,926	10,667	(3821)	-26.4%
Vocational Skills	1,158	1,107	1,174	1,114	711	(447)	-38.6%
Mfg. Technology	419	312	656	951	1,439	1020	243.4%
Total	**47,868**	**44,870**	**41,412**	**39,931**	**40,695**	**(7173)**	**-15.0%**

Source: City Colleges of Chicago FY2009 Budget, p. 338.

PERSONNEL

The following table shows that over the five-year period between FY2004 and FY2008, the number of City Colleges full-time employees increased by 11.6% or 221 employees, from 1,682 to 1,903. The number of FTE positions filled by temporary employees also increased over the same period by 35.7% or 1,232 employees, from 2,222 to 3,454. No estimates were available for the number of FTEs projected in FY2009.

City Colleges of Chicago: Full-Time Equivalent Positions by Type: FY2004-FY2008								
Position Type	Status	FY2004	FY2005	FY2006	FY2007	FY2008 Est.	Five Year # Difference	Five Year % Difference
Teaching Faculty	Full Time	524	548	588	489	593	-35	-6.7%
	Part Time	1,321	1,284	1,170	1,164	1,486	-157	-11.9%
Administrative Staff	Full Time	113	115	112	105	108	-8	-7.1%
	Part Time	0	0	0	0	0	0	0.0%
Professional Staff	Full Time	349	405	439	515	485	166	47.6%
	Part Time	173	208	340	406	826	233	134.7%
Civil Service	Full Time	696	704	715	706	717	10	1.4%
	Part Time	728	755	630	605	1,142	-123	-16.9%
Total	**Full Time**	**1,682**	**1,772**	**1,854**	**1,815**	**1,903**	**221**	**11.6%**
	Part Time	**2,222**	**2,247**	**2,140**	**2,175**	**3,454**	**1,232**	**35.7%**

Source: City Colleges Budget Office

Between FY2008 and FY2009, appropriations for employees' salaries and benefits from all operating funds will increase by $6.5 million or 3.5%, from $187.4 million to nearly $194.0 million. Faculty salary costs will continue to increase at an annual rate of 4% each year due to a recently negotiated contract between City Colleges and the teachers union which extends to 2013.[26]

City Colleges of Chicago: All Operating Funds Personnel Appropriations FY2008 & FY2009				
	FY2008	FY2009	$ Difference	% Difference
Salary	$ 158,846,833	$ 164,388,228	$ 5,541,395	3.5%
Benefits	$ 28,602,779	$ 29,595,597	$ 992,818	3.5%
Total	**$ 187,449,612**	**$ 193,983,825**	**$ 6,534,213**	**3.5%**

Source: City Colleges of Chicago Budget Office.

[26] Personal communication between the Civic Federation and City Colleges of Chicago, June 27, 2008.

Between FY2008 and FY2009, appropriations for employees' salaries and benefits from both operating and restricted funds will increase by $7.6 million or 3.4%, from $221.5 million to $229.1 million.[27]

City Colleges of Chicago: Operating and Restricted Funds Personnel Appropriations FY2008 & FY2009				
	Revised FY2008	FY2009	$ Difference	% Difference
Salary	$ 177,346,256	$ 184,572,057	$ 7,225,801	4.1%
Benefits	$ 44,190,845	$ 44,571,381	$ 380,536	0.9%
Total	**$ 221,537,101**	**$ 229,143,438**	**$ 7,606,337**	**3.4%**

Source: City Colleges of Chicago Budget Office.

Between FY2008 and FY2009 employee insurance costs are expected to increase by $1.8 million or 6.8%, from $25.4 million to $27.3 million. Dental and health insurance costs account for the majority of this increase.

City Colleges of Chicago: Employee Insurance Costs FY2008 & FY2009				
Benefit Type	FY2008 Est	FY2009	$ Difference	% Difference
BCBS PPO	$ 14,498,899	$ 15,206,649	$ 707,750	4.7%
Humana and BCBS HMOs	$ 8,634,728	$ 9,070,434	$ 435,706	4.8%
CoreSource Dental	$ 1,296,999	$ 1,819,275	$ 522,276	28.7%
Vision Service Plan	$ 242,150	$ 248,422	$ 6,272	2.5%
Standard Life Insurance	$ 723,158	$ 888,576	$ 165,418	18.6%
Unum Provident ST Disability	$ 27,443	$ 27,967	$ 524	1.9%
Other	$ 11,961	$ 15,608	$ 3,647	23.4%
Total	**$ 25,435,337**	**$ 27,276,931**	**$ 1,841,594**	**6.8%**

Source: City Colleges of Chicago Budget Office.

A three-year analysis of employee insurance costs reveals a 10.7% increase in costs, from approximately $24.4 million in FY2007 to $27.3 million in FY2009. While disability insurance costs have declined by 23.5% over the three-year period, all other costs have increased, including a $1.6 million increase in Blue Cross Blue Shield Preferred Provider Option insurance expenses.

City Colleges of Chicago: Employee Insurance Costs FY2008 & FY2009					
Benefit Type	FY2007 YE Est	FY2008 YE Est	FY2009	$ Difference (3 Year)	% Difference (3 Year)
BCBS PPO	$ 13,637,325	$ 14,498,899	$ 15,206,649	$ 1,569,324	10.3%
Humana and BCBS HMOs	$ 8,020,685	$ 8,634,728	$ 9,070,434	$ 1,049,749	11.6%
CoreSource Dental	$ 1,578,157	$ 1,296,999	$ 1,819,275	$ 241,118	13.3%
Vision Service Plan	$ 226,584	$ 242,150	$ 248,422	$ 21,838	8.8%
Standard Life Insurance	$ 860,616	$ 723,158	$ 888,576	$ 27,960	3.1%
Unum Provident ST Disability	$ 34,528	$ 27,443	$ 27,967	$ (6,561)	-23.5%
Other	$ 9,377	$ 11,961	$ 15,608	$ 6,231	39.9%
Total	**$ 24,367,272**	**$ 25,435,337**	**$ 27,276,931**	**$ 2,909,659**	**10.7%**

Source: City Colleges of Chicago Budget Office.

[27] The revised FY2008 budget figures are utilized in this chart due to the fact that monies are typically received for restricted fund benefits after close of the fiscal year. Once received, the monies are then applied to the fund by revising the budget figures.

UNRESERVED, UNDESIGNATED FUND BALANCE

The Government Finance Officers Association recommends that governments maintain an unreserved fund balance of no less than 5% to 15% of General Fund operating revenues or 1-2 months of operating expenditures.[28] The purpose of this indicator is to measure the ability of a government to quickly convert illiquid assets to cash to meet contingency needs.

Unrestricted Fund Balance Ratio

Between FY2003 and FY2007, the CCC General Operating Funds' unrestricted fund balance increased from 8.2% or $32.1 million to 23.8% of operating expenses or $77.3 million. However, it did decline between FY2005 and FY2006 by approximately $9.5 million. For all five years analyzed, unrestricted fund balance ratio has been above the 5% minimum GFOA recommendation.

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

City Colleges Unrestricted Fund Balance Ratio
FY2003 - FY2007

	Unreserved Fund Balance	Operating Expenses	Ratio
FY2003	$ 32,103,031	$ 300,212,420	8.2%
FY2004*	$ 29,274,365	$ 357,696,112	8.2%
FY2005*	$ 73,393,636	$ 302,304,267	24.3%
FY2006	$ 63,823,389	$ 316,273,616	20.2%
FY2007	$ 77,358,746	$ 325,434,665	23.8%

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

DEBT TRENDS

The Civic Federation has employed two measures of debt for purposes of this analysis: short-term debt trends and long-term debt per capita trends.

Short-Term Debt Trends

Short-term debt is a financial obligation that must be satisfied within one year. An increasing trend in short-term debt may be a warning sign of future financial difficulties. It is a measure of budgetary solvency, that is, a government's ability to generate enough revenue over the course of a normal budgetary period to meet its expenditures and prevent deficits

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

Short-term debt is a financial obligation that must be satisfied within one year. An increasing trend in short-term debt may be a warning sign of future financial difficulties. It is a measure of budgetary solvency, that is, a government's ability to generate enough revenue over the course of a normal budgetary period to meet its expenditures and prevent deficits.

Short-term debt includes all current liabilities reported for Governmental and Business-Type activities of the District. The exhibit below presents City Colleges short-term debt trends for Fiscal Years 2003 through 2007. During that five-year period, the amount of short-term debt fell by $722,143 or 0.5%. This represents a decrease from $131.3 million to $130.5 million.[29] Between FY2006 and FY2007, short-term debt fell by 5.9%, or by $8.1 million.

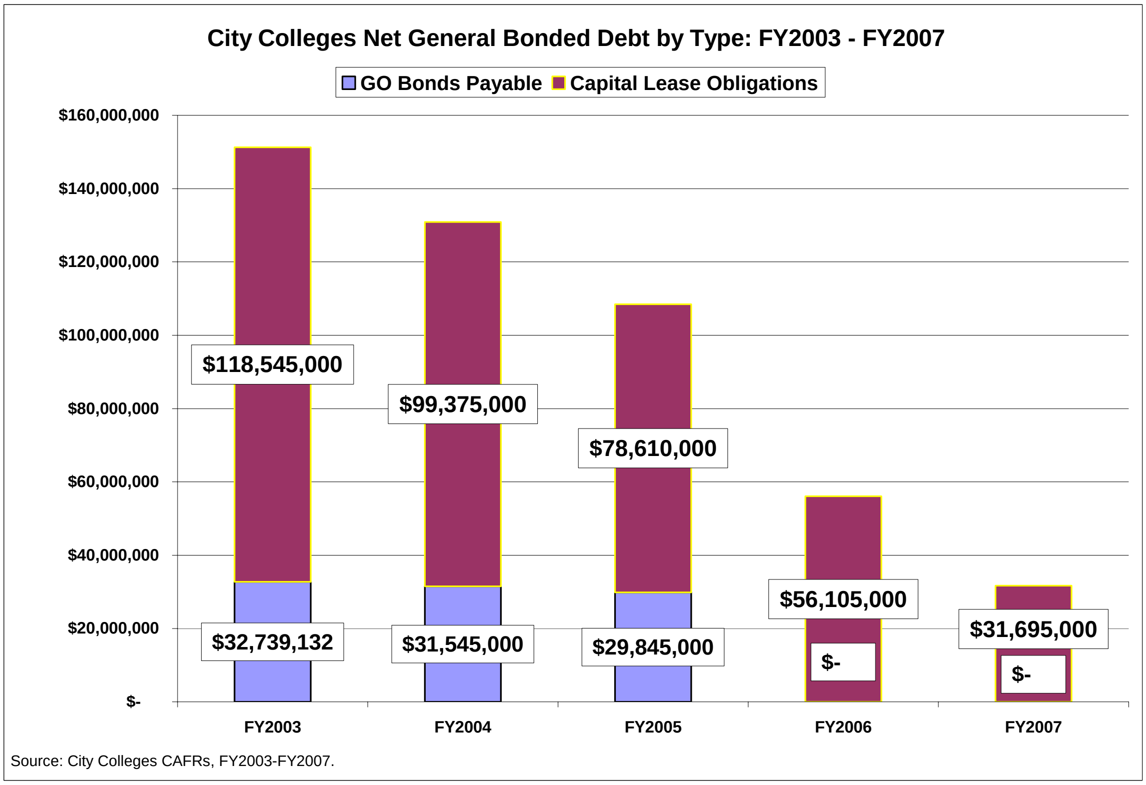
City Colleges Short-Term Debt FY2003 - FY2007		
	Short-Term Debt	% Change
FY2003	$ 131,301,725	-
FY2004	$ 130,742,987	-0.4%
FY2005	$ 136,163,783	4.1%
FY2006	$ 138,747,724	1.9%
FY2007	$ 130,579,582	-5.9%
5-Year Change	**$ (722,143)**	**-0.5%**

Source: City Colleges CAFRs, FY2003-FY2007.

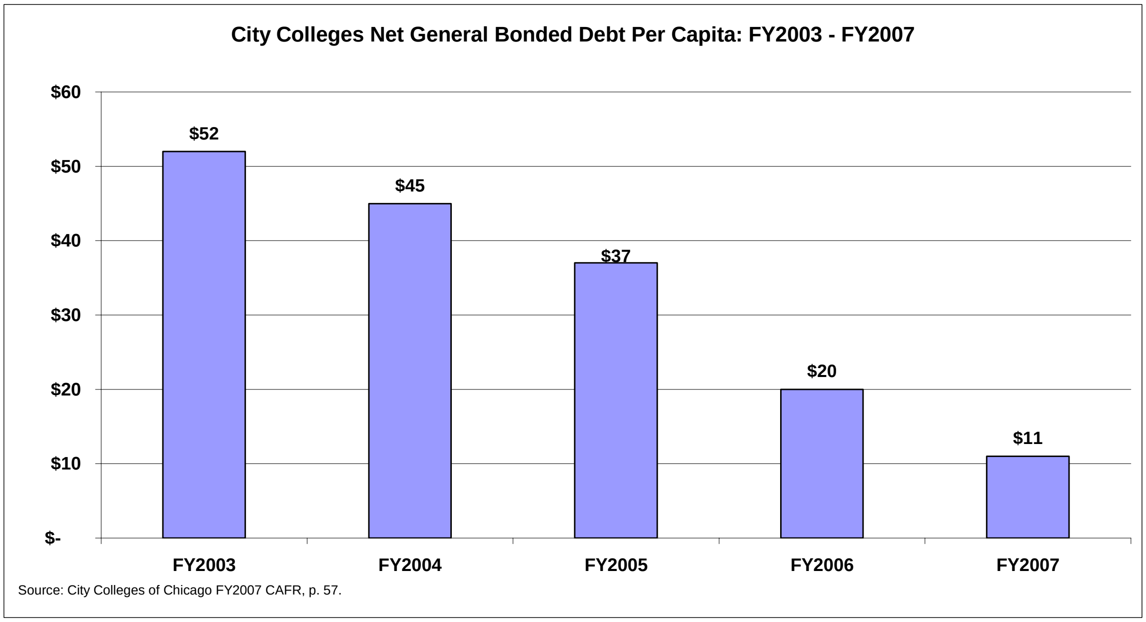
Net General Bonded Debt Trends

Net general bonded debt includes capital lease obligations with the Chicago Public Building Commission and general obligation bonds payable. The exhibit below shows the breakdown of capital lease obligations versus bonds payable for FY2003 through FY2007. During that 5-year period, the total debt burden declined from a total of $151.2 million to nearly $31.7 million. In FY2006 and FY2007, 100% of net general bonded debt consisted of capital lease obligations. The District has retired its outstanding revenue bonds.[30]

[29] Information obtained from City Colleges Comprehensive Annual Reports, various years.
[30] FY2007 City Colleges Comprehensive Annual Financial Report, p. 40.



The next exhibit presents historic City Colleges net general bonded debt per capita figures. This indicator is a measure of a government's ability to maintain its current financial policies. Increases bear watching as a potential sign of increasing financial risk. Overall, long-term City Colleges' debt per capita decreased by 78.8% between FY2003 and FY2007 from $52 to $11. This is a positive long-term trend.



OTHER POST EMPLOYMENT BENEFITS (OPEB)

The City Colleges began reporting information about other post employment benefits (OPEB) in the FY2006 CAFR as required by GASB Statement Number 45. For this government, OPEB includes health and life insurance for retirees and their spouses. The Districts pays for 90% of the medical and life insurance premiums for most retirees. Between FY2006 and Y2007, the number of retirees and beneficiaries currently receiving benefits rose from 658 to 673.[31] The City Colleges has not established an irrevocable trust fund to account for its OPEB plan; it is financed on a pay as you go basis. Financial activity is reported in a sub-fund of the Education Fund.

The next exhibit shows the funded status of the City Colleges' OPEB plan. Actuarial Accrued Liability fell from $114.6 million in FY2006 to $108.9 million. The actuarial assumptions used included a 5.0% discount rate and an annual healthcare cost trend rate of 10.0%, which is assumed to decline to a 5.0% rate by 2013. The actuarial value of assets is not shown as the District is not pre-funding its OPEB obligation.

Funded Status of the City Colleges Other Post Employee Benefit (OPEB) Plan		
	FY2006	**FY2007**
Actuarial Accrued Liability	$ 114,673,652	$ 108,953,481
Unfunded Actuarial Accrued Liability (UAAL)	$ 114,673,652	$ 108,953,481
Covered Payroll (active plan members)	$ 87,441,937	$ 92,958,918
UAAL as a % of Covered Payroll	131.0%	117.2%

Source: City Colleges FY2007 CAFR, p. 45.

The City Colleges total net OPEB obligation was $9.6 million in FY2007. The annual cost fell slightly from $12.85 million in FY2006 to $12.79 million in FY2007. The percentage of annual OPEB cost contributed dropped as well, from 65.5% to 59.1%.

City Collleges Other Post Employment Benefit Costs and Net Obligations				
Fiscal Year End	**Annual OPEB Cost**	**Employer Contributions**	**% of Annual OPEB Cost Contributed**	**Increase in Net OPEB Obligation**
June 30, 2006	$ 12,851,308	$ 8,421,684	65.5%	$ 4,429,624
June 30, 2007	$ 12,792,179	$ 7,562,710	59.1%	$ 5,229,469
Total Net OPEB Obligation				**$ 9,659,093**

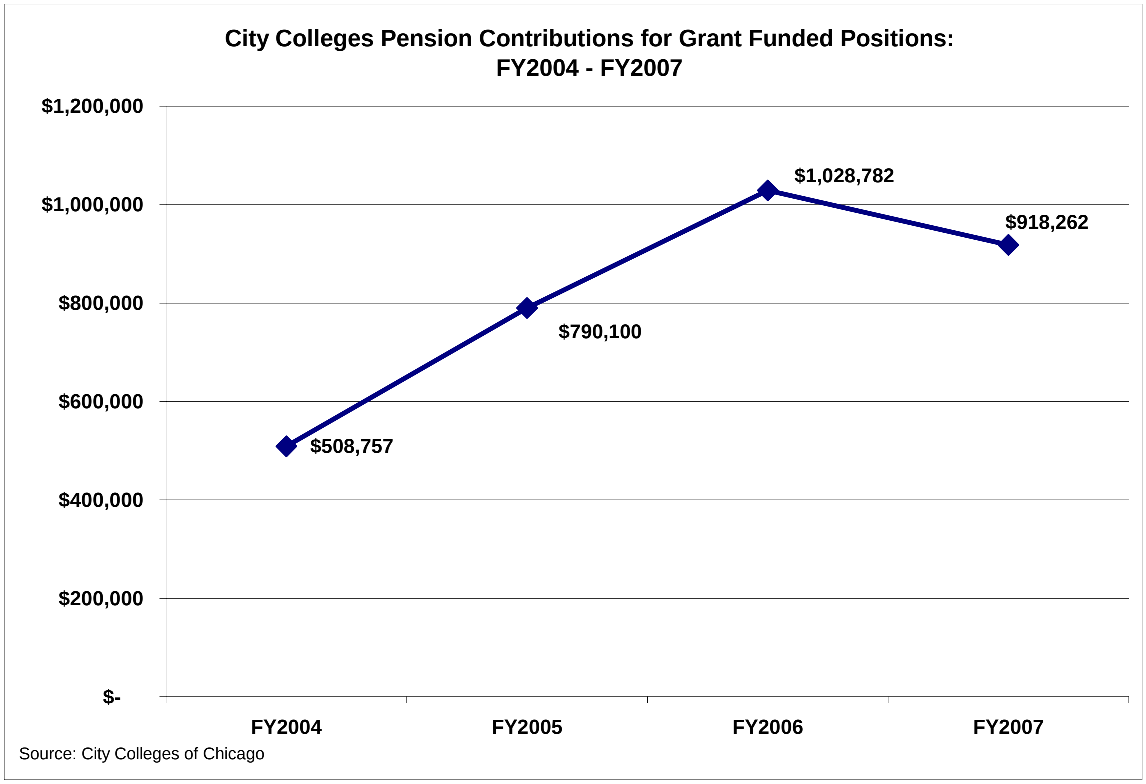
Source: City Colleges FY2007 CAFR, p. 44.

EMPLOYEE RETIREMENT PENSION FUND

City Colleges employees are enrolled in the State Universities Retirement System (SURS) of Illinois. Plan members contribute 8.0% of their annual covered salary. In FY2007, the State of Illinois made employer contributions on behalf of the City Colleges at the actuarially determined rate of 10.61% of covered payroll. State contributions to SURS on behalf of the City Colleges

[31] FY2007 City Colleges Comprehensive Annual Financial Report, p. 43.

for FY2007 were $10.7 million.[32] In addition, the City Colleges make employer contributions for certain positions that are funded through federal grants. Contributions for these positions totaled $918,262 in FY2007. This amount has risen from $508,757 in FY2004.[33]



[32] FY2007 City Colleges Comprehensive Annual Financial Report, p. 42.
[33] FY2007 City Colleges Comprehensive Annual Financial Report, p. 42.