



The Civic Federation

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CITY COLLEGES OF CHICAGO FY2014 TENTATIVE BUDGET: *Analysis and Recommendations*

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

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EXECUTIVE SUMMARY

The Civic Federation **supports** the City Colleges of Chicago FY2014 Tentative Annual Operating Budget totaling \$657.0 million, a decrease of \$1.9 million, or 0.3%, over the adopted FY2013 budget. Unrestricted operating funds, the portion of the budget over which the District exercises maximum control, will decrease by 6.9%, or \$21.1 million, to \$286.8 million in FY2014. The property tax levy will be frozen at the same level as the previous tax year at \$123.3 million.

City Colleges is in the middle stages of a multi-year reorganization effort called *Reinvention* with the goal of improving student outcomes. Over the past three years, the District has worked to improve the financial and operational health of the colleges system, redirecting \$51 million in administrative costs toward instruction.¹ By implementing financial and operational efficiencies, such as zero-base budgeting and working with labor unions to curb increasing personnel-related costs, the District has become a model for other governments to emulate. The District should enhance its sound fiscal health by formalizing a comprehensive long-term financial plan connected to its recently released five-year plan, which should be published prior to the release of its next annual operating budget.

The Civic Federation offers the following **key findings** on the City Colleges FY2014 budget:

- Appropriations for unrestricted operating funds for FY2014 will total \$286.8 million. This is a decrease of 6.9%, or \$21.1 million, below FY2013 adopted operating appropriations of \$307.9 million;
- Between FY2013 and FY2014, appropriations for employees' salaries in the operating funds will decrease by \$3.4 million, or 1.7%, from \$205.5 million to \$202.1 million;
- Operating funds appropriations for employees benefits will increase by 2.6% or \$806,000 in FY2014, from \$30.8 million to \$31.6 million;
- The District plans to eliminate 131 vacant positions in FY2014;
- FTE student enrollment increased between FY2012 and FY2013 by 454 FTE students, or 1.0%, growing from 46,142 to 46,596 FTEs.
- For the fall 2013 semester, tuition will remain flat at \$89 per credit hour.

The Civic Federation **supports** several issues related to the FY2014 City Colleges budget:

- Keeping the property tax levy flat at \$123.3 million;
- Committing to fiscal discipline by reducing the District's unrestricted operating fund budget in FY2014 by 6.9% and continuing to exercise sound financial practices;
- Maintaining a healthy fund balance of 20.6% of operating expenses in FY2012 (audited), a dramatic turnaround from the 1.1% fund balance ratio reported in FY2000;
- Prudently planning for a shift of pension costs from the State of Illinois;
- Planning for capital projects with transparency and public input; and
- Reporting cost-containment strategies and savings.

¹ City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. iii.

The Civic Federation offers the following **recommendations** for City Colleges:

- Publish a formal long-term financial plan;
- In addition to the Board's established fund balance policy in the Education Fund, City Colleges should develop a formal fund balance policy in the unrestricted funds that is approved by the City Colleges Board of Trustees and publish the policy in its budget;
- Improve the budget book format by including personnel data and additional audited financial data; 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 FY2014 Tentative Annual Operating Budget totaling \$657.0 million, of which \$503.3 million is the operating budget and \$153.7 million is for capital improvements. The unrestricted operating budget, over which City Colleges has the most discretion and control, will decrease by 6.9% from \$307.9 million budgeted in FY2013 to \$286.8 million proposed for FY2014. The FY2014 budget freezes the District's property tax levy at the same level as the previous year at \$123.3 million.

City Colleges is in the middle stages of a multi-year reorganization effort called *Reinvention* with the goal of improving student outcomes. Over the past three years, the District has worked to improve the financial and operational health of the colleges system, redirecting \$51 million in administrative costs toward instruction.² The current phase, called *Reinvention*⁷, applies the strategic goals and policies that have been implemented at the District level to the college level. The Civic Federation strongly supports the City Colleges' reorganization efforts and its progress to date. By implementing financial and operational efficiencies, like zero-base budgeting, the District has become a model for other governments to emulate.

Highlighted below are a number of good financial management practices introduced and maintained by City Colleges of Chicago, including successful negotiations with labor unions to curb increasing personnel-related costs, which make up 69.0% of the District's operating budget. The District should formalize a comprehensive long-term financial plan connected to its recently released five-year strategic plan, which should be published prior to the release of its annual operating budget, as is recommended by the Government Finance Officers Association (GFOA) and the National Advisory Council on State and Local Budgeting (NACSLB).

Issues the Civic Federation Supports

The following section details key issues that the Civic Federation supports in the City Colleges FY2014 Tentative Annual Operating Budget.

Keeping Property Tax Levy Flat

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

Commitment to Fiscal Discipline

The FY2014 budget for the District's unrestricted operating funds, the portion of the budget over which the District exercises maximum control, will decrease by 6.9% to \$286.8 million, from \$307.9 million budgeted in FY2013. 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 zero-base

² City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. iii.

budgeting and financial forecasting and modeling with monthly accounting reviews. Because of funding uncertainty from the State of Illinois this year, the District prudently budgeted for FY2014 based on the lowest estimate of available resources. The Federation commends the District for assuming the lower level of funding from the State and for prioritizing additional spending should more resources become available.

Maintaining Healthy Unrestricted Fund Balance

For the last five years, City Colleges has maintained a strong fund balance, with an FY2012 unrestricted fund balance equal to approximately 20.6% of operating expenses. The FY2012 balance is above the minimum two months of operating expenses recommended by the Government Finance Officers Association. The District's FY2012 audited Education Fund fund balance was equal to 5.3% of unrestricted operating expenses, which continues an upward trend since FY2010 and is higher than the Board's stated policy of a 3% minimum.

A healthy fund balance for contingencies, such as unexpected revenue shortfalls, is particularly important at a time when the State of Illinois' finances are precarious and its scheduled payments to the District are delayed. The Civic Federation commends the District for its discipline in building and maintaining a strong fund balance.

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 State FY2015 until costs are fully shifted.³ 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.⁴ If the bill were to go into effect, the District estimates that its employer pension contribution in FY2015 would be approximately \$1.0 million.⁵ The Civic Federation commends the District for prudently preparing for an increase in costs by incorporating a phased-in shift of the normal cost of the District's pension benefits into its expenditure forecasts.

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

³ Senate Bill 1687, House Amendment 2:

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

⁴ Hannah Douglas, "College officials support shifting pension costs to universities," *Pantagraph*, May 16, 2013.

⁵ City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. 6.

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 maintaining transparency in its decision-making practices as it undertakes significant capital advancements throughout the District.

Reporting Cost Containment Strategies and Savings

In the past few years, the District has included a list of numerous cost containment strategies and corresponding savings estimates in its budget document. 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.

Civic Federation Recommendations

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

Publish a Formal Long-Term Financial Plan in FY2015

In June 2014, City Colleges released *Five-Year Plan: Strategic Initiatives and Objectives 2013-2018*. The five-year plan outlines *Reinvention* goals and strategies and highlights achievements over the past three years, including upward trends in enrollment, graduation rates and degrees awarded. In addition to academic successes, the District discusses operational efficiencies that have redirected resources toward instruction and financial policies that have strengthened the District's fiscal health. The five-year plan is linked to the four-year (2012-2016) financial forecast included in the proposed budget. The forecast is updated on a monthly basis and programs tied to *Reinvention* goals are adjusted to reflect changes in financial reserves.⁶ The Civic Federation commends the District for producing its five-year plan, as it serves as an important tool for long-term operational and strategic planning. The Federation recommends that the District additionally adopt a comprehensive long-term financial plan in order to fully align the District's academic and operational goals as enumerated in the five-year plan with the fiscal strategies it must implement to achieve those goals given the financial challenges it faces over the next five years.

City Colleges already employs many of the techniques of a long-term financial planning process internally, including the projection of multi-year revenue trends and the modeling of various revenue and expenditure options. As discussed above, the City Colleges' proposed budget notes that the five-year plan is linked to the financial forecast, which is an excellent practice, but is not a publicly available long-term financial plan. A long-term financial plan takes a step beyond financial forecasting and identifies future financial challenges and opportunities through analysis of that forecast and then, based on that information, develops strategies to achieve the financial stability necessary to achieve City Colleges' goals.⁷ The long-term financial plan is then implemented and revisited through the annual budget and revised as necessary.

⁶ City Colleges of Chicago, FY2014 Tentative Annual Operating Budget, p. 14-15.

⁷ Government Finance Officers Association, "Long-Term Financial Planning for Governments," (<http://www.gfoa.org/downloads/LTFPbrochure.pdf>) (last visited on July 3, 2013).

The Civic Federation recommends that the District develop and implement a formal long-term financial planning process that is not just reviewed internally, but that also solicits input from the District's Board of Trustees and other key policy stakeholders, including the public. The Civic Federation urges the District to complete work on a formal, public long-term financial plan in the 2014 fiscal year and to publish the plan prior to the release of the FY2015 budget.

The Government Finance Officers Association (GFOA) and the National Advisory Council on State and Local Budgeting (NACSLB) both consider long-term financial planning to be a pillar of proper financial management. The NACSLB defines the financial planning process as an assessment of the long-term financial implications of current and proposed policies, programs and assumptions with development of appropriate strategies to achieve the plan's goals.⁸ The GFOA and the NACSLB have developed best practices in long-term financial planning. Recommended elements of a long-term financial plan include:⁹

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

An essential element of the long-term financial planning process is that it be an open and public process. All stakeholders should be engaged in the planning process. The GFOA describes the long-term financial planning process as "not just a staff-driven process. It is consensus-driven and inclusive, involving elected officials, staff and the public."¹⁰

Adopt a Formal Fund Balance Policy

Beginning in FY2011, many governments changed the way they reported fund balance per the implementation of the Governmental Accounting Standards Board's (GASB) Statement 54, which reclassifies fund balance components within the governmental funds. City Colleges, however, is not required to implement those changes because, as a public college system with primarily business-type activities, it is not required to report governmental funds.¹¹ Instead, City

⁸ National Advisory Council on State and Local Budgeting, *Recommended Budget Practices*, (Chicago: GFOA, 1998).

⁹ See Shayne Kavanagh, *Financing the Future: Long-Term Financial Planning for Local Government* (Chicago: GFOA, 2007) and National Advisory Council on State and Local Budgeting, *Recommended Budget Practices*, (Chicago: GFOA, 1998).

¹⁰ Government Finance Officers Association, "Long-Term Financial Planning for Governments," (<http://www.gfoa.org/downloads/LTFPbrochure.pdf> (last visited on July 3, 2013)).

¹¹ 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](#).

Colleges reports net assets for all of its funds. Since the fund balance (or net assets) ratio reflects the savings that a government has accumulated relative to its expenditures for the fiscal year, it is an important indicator of the government's financial ability to maintain current service levels.

In its FY2014 Tentative Annual Operating Budget, City Colleges refers to its stated policy of maintaining a fund balance of the Education Fund at a minimum level of 3% of unrestricted expenditures.¹² In addition to that policy, the City Colleges Board of Trustees adopted Resolution Number 29253 on February 5, 2009 which recommends that unrestricted fund balance over 3% of the unrestricted funds actual expenses may be transferred to the Operations and Maintenance Fund subject to the Board's approval, effectively maintaining a 3% minimum unrestricted funds fund balance.¹³ The Civic Federation supports these policies and commends the District for including additional guidelines in its FY2014 proposed budget that the District uses to manage its fund balances, including not using operating funds 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.¹⁴ However, the Civic Federation urges City Colleges to establish a formal fund balance policy for its unrestricted funds that meets the standard proposed by the Government Finance Officers Association (GFOA) 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.¹⁵ At a minimum, the Civic Federation urges City Colleges to establish a fund balance policy of 5%, which is recommended by the major rating agencies.¹⁶

Improve the Budget Book Format

Although City Colleges continues to provide a high level of detail in its annual budget documents, including financial summaries and tables, a three-year forecast of revenues and expenditures and lengthy narratives to help explain budgetary changes, the District's FY2014 proposed budget did not include some data that it has provided in prior years.

In its FY2014 proposed budget, City Colleges plans to eliminate 131 vacant positions. Some of the vacant positions could be reinstated should the District receive full funding by the State of Illinois.¹⁷ Further data about staffing trends were not available in the budget document because the District did not have a clear enough outlook of State funding at the time the budget was

¹² City Colleges of Chicago, FY2014 Tentative Annual Operating Budget, p. 3.

¹³ See the resolution on the City Colleges of Chicago's website at <http://apps.ccc.edu/brpublic/2009/feb/29253.pdf>.

¹⁴ City Colleges of Chicago, FY2014 Tentative Annual Operating Budget, p. 32.

¹⁵ Government Finance Officers Association, "Appropriate Level of Unrestricted Fund Balance in the General Fund" (Adopted October 2009).

¹⁶ Standard & Poor's, "U.S. Local Governments: Methodology and Assumptions," March 6, 2012.

¹⁷ City Colleges of Chicago, FY2014 Tentative Annual Operating Budget, p. 6.

released to the public.¹⁸ The District may incorporate a supplemental budget later in the summer to reinstate eliminated vacant positions.¹⁹

The Civic Federation supports the District's prudent approach to budgeting based on the lowest estimate of available resources and prioritizing additional spending should more revenue become available. The Federation additionally understands the District's reticence toward proposing staffing cuts that may not materialize. However, for a personnel-intense enterprise such as City Colleges, 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 proposed 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 proposed budget.

Additionally, the current proposed budget did not include the annual property tax levy trend chart, which includes the amount levied by the City of Chicago on behalf of the District. The chart includes historical data of property taxes that pay for the annual debt service on behalf of City Colleges of Chicago. In the interest of transparency for all stakeholders and particularly taxpayers, it is important to disclose the full amount of property taxes that are being levied on behalf of City Colleges by another government.

To further improve other features of the District's budget documents, the Civic Federation recommends that the District add an All Funds table with three years of audited data, the current year's adopted budget data and the proposed budget data.

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

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

The current formula on its own would have provided City Colleges with almost no revenue, though City Colleges would have received \$14.1 million in State funds in FY2014. However, Governor Quinn proposed to reduce the amount by 40.5%, from \$14.1 million to \$8.4 million in

¹⁸ Communication with City Colleges of Chicago budget staff, June 28, 2013.

¹⁹ Communication with City Colleges of Chicago budget staff, July 8, 2013.

his proposed FY2014 budget. 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 Vice Chancellor of Finance and Chief Financial Officer Melanie Shaker, Vice Chancellor of Institutional Advancement Laurent Pernot, Vice Chancellor of Strategy and Research Rasmus Lynnerup and others 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.

City Colleges has ten funds: seven 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;

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;
- **PBC Operations and Maintenance Fund**, which accounts for expenditures for the maintenance, repair and operation of buildings and property owned by the Public Building Commission (PBC); and the
- **Restricted Purpose Fund**, which accounts for monies that have external restrictions regarding their use, including grants.²⁰

²⁰ Descriptions of the program categories may be found in City Colleges of Chicago FY2014 Tentative Annual Operating Budget on pages 17-18.

Appropriations for All Funds

The FY2014 City Colleges total proposed appropriations will be \$657.0 million, which is a 0.3%, or \$1.9 million, decrease from FY2013 adopted appropriations of \$658.9 million. Since FY2010, the District's total budget has increased by \$204.2 million, or 45.1%. This five-year increase is driven by a \$102.9 million, or 229.7%, increase in the Capital budget as well as a \$63.8 million increase in restricted spending and a \$20.9 million increase in unrestricted spending. Additionally, the District has budgeted debt service payments for the first time since FY2008. City Colleges plans to issue alternate revenue general obligation bonds in FY2014 to support its capital plan and has budgeted \$6.0 million to pay for half a year's interest and principal.²¹

The District's operating budget will decrease by 2.2%, or \$11.4 million, to \$503.3 million. Operating funds pay for employees' salaries and benefits, utility costs and all other day-to-day expenditures. In the City Colleges' budget, operating funds include all funds except the capital, debt service and working cash funds. The Capital Fund provides pay-as-you-go funding for all major building projects, as well as the improvement of existing structures.

As the following exhibit shows, unrestricted operating appropriations will decrease by \$21.1 million, or 6.9%, below FY2013 adopted appropriations. City Colleges exercises maximum discretion over these resources, unlike restricted funds which must be used for specific purposes as established by statute or terms of a grant or loan. The District has reduced its unrestricted operating budget with expense controls in anticipation of decreases in state funding as proposed by Governor Pat Quinn in his FY2014 budget.²² Restricted operating fund appropriations will increase by \$11.7 million, or 6.0%. This increase in spending can be attributed to a net increase in resources available for student financial aid.²³

²¹ City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. 33.

²² City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. 1.

²³ City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. 4.

Capital appropriations will be 22.5% of total appropriations, totaling \$147.7 million. Capital fund appropriations will increase by 2.4%, or \$3.5 million, over FY2013 appropriations. FY2014 capital fund expenses are tied to a larger \$554.7 million five-year capital plan that includes plans for a new Malcolm X College campus and a series of replacement and maintenance projects across the seven college campuses.²⁴ In FY2014, the District plans to spend \$6.0 million in principal and interest for a half year's payment of debt, which will be issued later in the year as part of its capital plan.²⁵

City Colleges Appropriations for All Funds: FY2010-FY2014 (in \$ millions)									
Fund Type	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Adopted Budget	FY2014 Tentative Budget	Two- Year \$ Change	Two- Year % Change	Five- Year \$ Change	Five- Year % Change
Operating Funds									
Unrestricted	\$ 265.9	\$ 265.4	\$ 301.0	\$ 307.9	\$ 286.8	\$ (21.1)	-6.9%	\$ 20.9	7.9%
Enterprise	-	\$ 12.0	\$ 4.1	\$ 12.6	\$ 10.6	\$ (2.0)	-15.9%	-	-
Restricted	\$ 142.1	\$ 171.7	\$ 188.0	\$ 194.2	\$ 205.9	\$ 11.7	6.0%	\$ 63.8	44.9%
Subtotal Operating	\$ 408.0	\$ 449.1	\$ 493.1	\$ 514.7	\$ 503.3	\$ (11.4)	-2.2%	\$ 95.3	23.4%
Capital Fund	\$ 44.8	\$ 22.0	\$ 21.1	\$ 144.2	\$ 147.7	\$ 3.5	2.4%	\$ 102.9	229.7%
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 6.0	\$ 6.0	-	\$ 6.0	-
Total	\$ 452.8	\$ 471.1	\$ 514.2	\$ 658.9	\$ 657.0	\$ (1.9)	-0.3%	\$ 204.2	45.1%

Source: City Colleges of Chicago FY2012 Annual Operating Budget, p. 8; FY2013, p. 2; FY2014 Tentative Annual Operating Budget, p. 1.

Operating Funds by Object

The next exhibit shows changes in City Colleges' appropriations by object (line item) for the operating funds, including the Education Fund, Operations and Management Fund, Liability Fund and Audit Fund. Overall, appropriations for these operating funds will decrease by \$15.1 million, or 4.9%, from the prior year to \$292.8 million.

Salaries make up 69.0% of total proposed operating appropriations in FY2014 and made up 62.2% of total actual operating appropriations in FY2010. Appropriations for salaries will total \$202.1 million in FY2014, up 24.7%, or \$40.1 million, from \$162.0 million in FY2010. The increase over the five-year period, particularly with the FY2013 budget, can be attributed to reorganization of staffing for the City Colleges *Reinvention* initiative.²⁶ Other major factors contributing to the five-year increase in salary costs include negotiated increases agreed upon through collective bargaining and the addition of a recruitment initiative to inform Chicago residents about the education opportunities available at City Colleges.²⁷ Despite the five-year increase, appropriations for salaries are decreasing by 1.7%, or \$3.4 million, from the FY2013 approved budget. The two-year decline is due in part to the elimination of vacant positions, saving \$2.6 million of unrestricted operating funds.²⁸

²⁴ See the Capital section on page 31 of this report for more details on the City Colleges of Chicago capital plan.

²⁵ City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. 33.

²⁶ Information provided by City Colleges of Chicago Finance Department, June 19, 2012.

²⁷ Information provided by City Colleges of Chicago Finance Department, June 21, 2012.

²⁸ City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. 1.

At \$31.6 million, appropriations for benefits will rise by 2.6%, or \$0.8 million, over the two-year period and by 8.7%, or \$2.5 million, over the five-year period.²⁹ The increases occur despite efforts to reduce personnel-related expenses, including an agreement in FY2013 between City Colleges and labor unions to eliminate steps and sick-day payouts for new employees and freezes sick-day payouts for current employees.³⁰ 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 and end premium-free lifetime retiree healthcare for senior leaders of City Colleges.³¹ The District anticipates a net increase in benefit costs in FY2014 due in part to new healthcare coverage of part-time employees per federal legislation.³²

Other appropriation changes include:

- A 31.1%, or \$9.2 million, decrease in contractual services over the five-year period;
- A 57.0%, or \$1.6 million, decrease in travel and conference appropriations from the prior year. The District is cutting back on travel and conference expenses after a larger budget last year;³³
- A 32.4% decrease in utility appropriations from \$11.6 million in FY2013 to \$7.8 million in FY2014. The decrease is the result of negotiating favorable rates on a long-term contract and energy efficiency efforts,³⁴ and
- The first debt service payment since FY2008. The District will appropriate \$6.0 million for a half-year's payment on principal and interest for alternative revenue bonds that are slated to be issued later this year.

City Colleges Appropriations by Object of Expenditure									
Operating Funds: FY2010-FY2014									
(in \$ thousands)									
Object	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Adopted Budget	FY2014 Tentative Budget	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Salaries	\$ 162,003	\$ 159,046	\$ 168,139	\$ 205,518	\$ 202,085	\$ (3,433)	-1.7%	\$ 40,082	24.7%
Employee Benefits	\$ 29,055	\$ 29,753	\$ 29,384	\$ 30,784	\$ 31,591	\$ 806	2.6%	\$ 2,535	8.7%
Contractual Services	\$ 29,686	\$ 28,096	\$ 22,705	\$ 26,045	\$ 20,459	\$ (5,586)	-21.4%	\$ (9,227)	-31.1%
Materials/Supplies	\$ 13,571	\$ 11,011	\$ 13,212	\$ 18,012	\$ 11,560	\$ (6,452)	-35.8%	\$ (2,011)	-14.8%
Travel/Conferences	\$ 1,266	\$ 871	\$ 1,019	\$ 2,731	\$ 1,175	\$ (1,556)	-57.0%	\$ (91)	-7.2%
Capital Outlay	\$ 1,889	\$ -	\$ -	\$ 50	\$ -	\$ (50)	-100.0%	\$ (1,889)	-100.0%
Fixed Charges	\$ 2,615	\$ 2,751	\$ 2,147	\$ 3,167	\$ 3,218	\$ 52	1.6%	\$ 604	23.1%
Utilities	\$ 10,292	\$ 9,832	\$ 9,808	\$ 11,589	\$ 7,836	\$ (3,753)	-32.4%	\$ (2,456)	-23.9%
Bad Debt	\$ 978	\$ 2,658	\$ 2,106	\$ 2,776	\$ 2,604	\$ (172)	-6.2%	\$ 1,626	166.3%
Waivers and Scholarships	\$ 5,750	\$ 3,756	\$ 2,504	\$ 4,286	\$ 4,782	\$ 496	11.6%	\$ (967)	-16.8%
Other Expenditures	\$ 3,193	\$ 10,317	\$ (11)	\$ 2,976	\$ 1,523	\$ (1,453)	-48.8%	\$ (1,669)	-52.3%
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 6,000	\$ 6,000	-	\$ 6,000	-
Total	\$ 260,297	\$ 258,092	\$ 251,014	\$ 307,933	\$ 292,832	\$ (15,101)	-4.9%	\$ 32,535	12.5%

Source: City Colleges of Chicago FY2012 Annual Operating Budget, p. 10; FY2013, p. 4; FY2014 Tentative Annual Operating Budget, p. 16.

²⁹ It is important to note that City Colleges has implemented a new methodology for allocating benefits to departments, which is reflected in FY2013 and FY2014 data only. There is no impact of the methodology change in the aggregate budget; however, budgetary differences exist at the college level.

³⁰ 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.

³¹ City Colleges of Chicago FY2013 Tentative Annual Operating Budget, p. i.

³² City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. 5.

³³ Information provided by City Colleges of Chicago Finance Department, May 30, 2013.

³⁴ City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. 13.

Unrestricted Operating Funds by Program

The following exhibit shows changes in the City Colleges' unrestricted operating budget by program between FY2010 and FY2014. The program categories are listed below.³⁵

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

In the five-year period between FY2010 and FY2014, appropriations will increase by 3.0%, or \$8.9 million, from \$294.5 million to approximately \$303.4 million. Over the five years, appropriations for instruction have been between 37.4% (FY2012) and 39.6% (FY2014) of the total unrestricted operating budget. In FY2014 the next largest program category will be institutional support at \$65.9 million, followed by operations and maintenance at \$49.8 million.

The largest dollar decline from the previous year occurs in institutional support, which will fall \$12.9 million, or 16.4%. However, this program area has been identified for additional funding in the event that the State of Illinois provides level support. In that case, up to an additional \$5.0 million could be added for institutional support.³⁶

³⁵ Descriptions of the program categories may be found in City Colleges of Chicago FY2014 Tentative Annual Operating Budget on p. 19.

³⁶ City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. 9.

Student services expenses will increase by the largest dollar amount over the two-year (by \$5.0 million) and five-year (\$13.4 million) periods to \$35.6 million in FY2014. This is largely due to increased efforts toward completion and retention initiatives designed to help students identify their academic path early on, maintain that path and graduate on time.³⁷ Auxiliary and Enterprise appropriations will increase by the largest percentage over the five-year period, rising from \$2.2 million in FY2010 to \$11.0 million in FY2014. The significant increase is due in part to enhancing enterprise activities at the WYCC PBS television station, WKKC FM radio station, child care centers and restaurants.³⁸

City Colleges Appropriations by Program Unrestricted Operating Funds: FY2010-FY2014 (in \$ thousands)									
Program	FY2010 Adopted Budget	FY2011 Adopted Budget	FY2012 Adopted Budget	FY2013 Adopted Budget	FY2014 Tentative Budget	Two- Year \$ Change	Two- Year % Change	Five- Year \$ Change	Five- Year % Change
Instruction	\$ 114,420	\$ 121,958	\$ 120,914	\$ 122,360	\$ 120,223	\$ (2,138)	-1.7%	\$ 5,802	5.1%
Academic Support	\$ 23,274	\$ 25,143	\$ 27,828	\$ 15,857	\$ 15,650	\$ (207)	-1.3%	\$ (7,624)	-32.8%
Student Services	\$ 22,150	\$ 24,282	\$ 34,166	\$ 30,527	\$ 35,558	\$ 5,031	16.5%	\$ 13,408	60.5%
Public Service	\$ 9,535	\$ 5,739	\$ 5,666	\$ -	\$ 321	\$ 321	-	\$ (9,215)	-96.6%
Organized Research	\$ 44	\$ 1	\$ -	\$ 848	\$ 294	\$ (554)	-65.3%	\$ 250	572.4%
Auxiliary/Enterprise	\$ 2,165	\$ 5,959	\$ 4,267	\$ 12,979	\$ 10,989	\$ (1,991)	-15.3%	\$ 8,823	407.5%
Operations & Maintenance	\$ 46,408	\$ 54,582	\$ 51,239	\$ 50,843	\$ 49,793	\$ (1,050)	-2.1%	\$ 3,385	7.3%
Institutional Support	\$ 69,409	\$ 68,417	\$ 71,442	\$ 78,855	\$ 65,914	\$ (12,941)	-16.4%	\$ (3,495)	-5.0%
Scholarships, Grants, Waivers	\$ 7,058	\$ 6,770	\$ 7,999	\$ 8,272	\$ 4,631	\$ (3,640)	-44.0%	\$ (2,427)	-34.4%
Total	\$ 294,464	\$ 312,850	\$ 323,521	\$ 320,541	\$ 303,373	\$ (17,168)	-5.4%	\$ 8,908	3.0%

Source: City Colleges of Chicago FY2010 Annual Operating Budget, p. 85; FY2011, p. 78; FY2012, p. 67; FY2013, p. 65; and FY2014 Tentative Annual Operating Budget, p. 65.

RESOURCES

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

Total Resources for FY2014

City Colleges expects to have a total of \$657.0 million in net resources available for all funds in FY2014. All funds include operating funds, capital funds and federal and state student aid funds that are passed on to students.

The single largest revenue source will be federal government grants, which make up 26.4% of all resources, or \$173.3 million. Of that amount, \$107.4 million will be federal grants for student aid. Appropriated capital reserves will provide the next greatest source of revenue, at \$141.4 million, or 21.5% of all funds. Enterprise funds will account for less than 1.0% of the District's FY2014 revenue.³⁹ Net property tax revenue will slightly exceed anticipated tuition and fee revenue for FY2014, at \$120.9 million and \$114.2 million, respectively. Revenue from the State of Illinois will total \$67.9 million, accounting for 10.3% 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

³⁷ City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. iv.

³⁸ City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. 5.

³⁹ Enterprise funds account for college services where a fee is charged and the activity is intended to be self-supporting. At City Colleges of Chicago, these services include the District's radio and television stations, child care services and the incubator kitchen and restaurants that serve as an in-house laboratory for the District's culinary students. City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. 3.

reflected in the budget.⁴⁰ In FY2012, the most recent year for which audited data is available, State pension contributions were \$43.8 million.⁴¹

City Colleges Net Resources for All Funds: FY2014		
Source of Revenue	FY2014 Tentative Budget	% of Total
Enterprise Funds	\$ 48,650	0.0%
Capital Reserves	\$ 141,384,000	21.5%
Subtotal Enterprise Funds & Reserves	\$ 141,432,650	21.5%
Net Property Tax	\$ 120,906,051	18.4%
Personal Property Replacement Tax	\$ 12,300,000	1.9%
Tuition and Fees	\$ 114,157,692	17.4%
Auxiliary/Enterprise	\$ 13,079,588	2.0%
Investment Revenue	\$ 1,100,000	0.2%
Local Government Grants	\$ 8,422,428	1.3%
Subtotal Local Sources	\$ 269,965,759	41.1%
State Government	\$ 67,890,939	10.3%
Federal Government	\$ 173,264,916	26.4%
Subtotal State & Federal Sources	\$ 241,155,855	36.7%
Other Sources	\$ 4,428,459	0.7%
Total	\$ 656,982,723	100.0%

Source: City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. 65.

All Funds by Source

City Colleges' total FY2014 resources of \$657.0 million will be approximately \$2.0 million, or 0.3%, less than FY2013 adopted budget resources. Local sources will fall by \$1.9 million, or 0.7%, due primarily to declines in Personal Property Replacement Tax (PPRT) revenue and revenue from the District's Auxiliary and Enterprise resources.⁴² Local government grants will increase by \$1.1 million, or 14.6%, and net property tax revenues will increase slightly by 0.1%, or approximately \$98,000, despite holding the property tax levy flat due to an anticipated higher collection rate (see page 22 for details).

State resources will decrease by \$41.8 million, or 38.1%, falling from \$109.6 million to \$67.9 million while federal resources will rise by \$29.3 million, or 20.4%. Other Sources of revenue, which is primarily income from facility rentals from the individual colleges, will decrease substantially by \$3.0 million, or 40.8%.

Total resources for all funds will increase by \$164.7 million, or 33.5%, between the FY2010

⁴⁰ 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.

⁴¹ City Colleges of Chicago, FY2012 Comprehensive Annual Financial Report, p. 39.

⁴² The District reports that it conservatively budgets for declines in PPRT revenue from year to year because PPRT is tied to business cycles and can be a volatile revenue source. City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. 41.

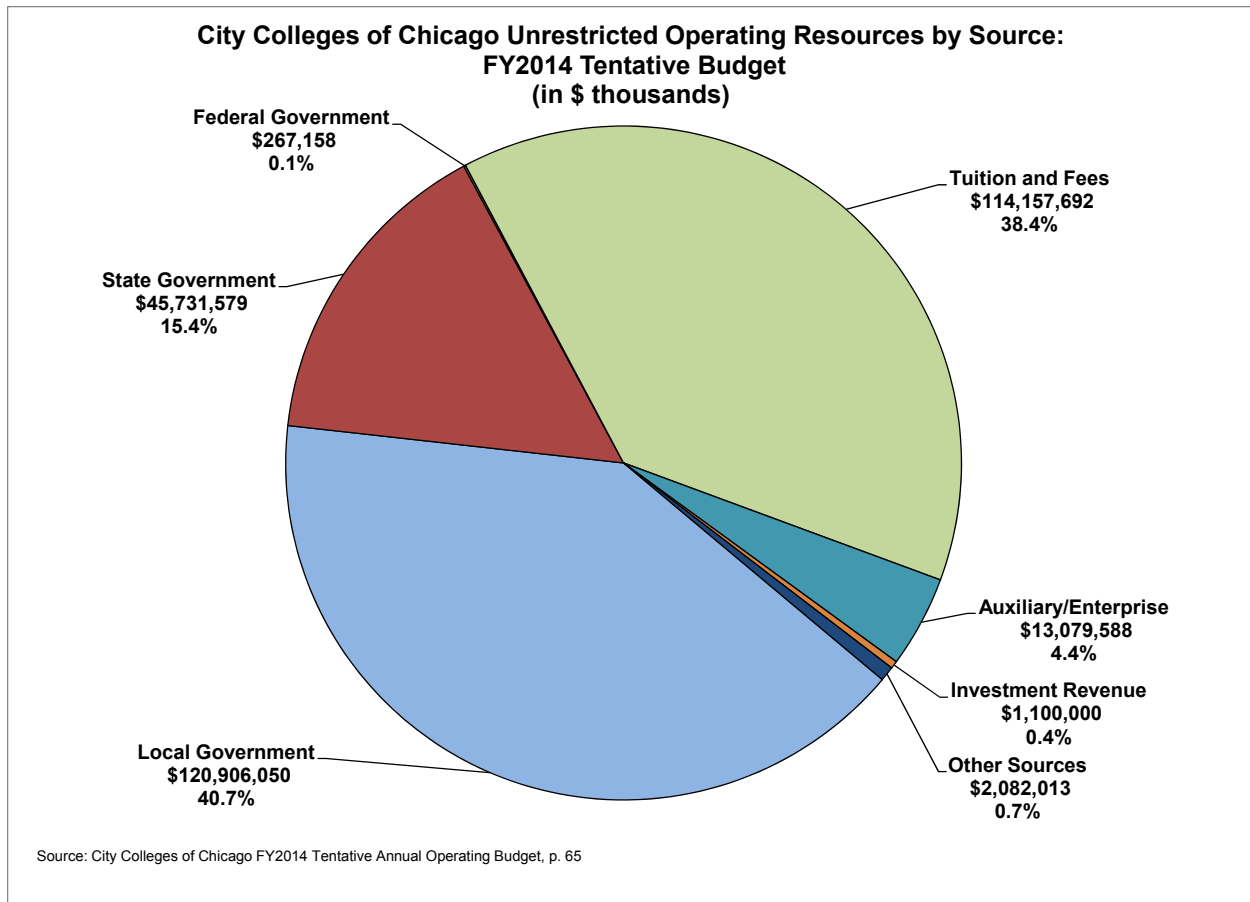
adopted budget and the FY2014 tentative budget. The greatest dollar increase will occur in federal government resources, which will rise by \$85.0 million, or 96.4%, over the five-year period. The federal funds represent primarily financial aid that is passed through to students, not revenues available for day-to-day operations. In the five-year period since FY2010, resources from the State of Illinois will decrease by \$17.3 million, or 20.3%. The amount of reserves budgeted to be appropriated in FY2014 is approximately \$68.0 million, or 92.6%, greater than the amount appropriated in FY2010.

City Colleges of Chicago Net Resources for All Funds: FY2010-FY2014									
(in \$ thousands)									
Sources of Revenues	FY2010 Adopted Budget	FY2011 Adopted Budget	FY2012 Adopted Budget	FY2013 Tentative Budget	FY2014 Tentative Budget	Two- Year \$ Change	Two- Year % Change	Five- Year \$ Change	Five- Year % Change
Appropriated Reserves	\$ 73,439	\$ 105,805	\$ 128,000	\$ 125,979	\$ 141,433	\$ 15,454	12.3%	\$ 67,994	92.6%
Net Property Tax Revenues	\$ 118,220	\$ 117,238	\$ 118,323	\$ 120,808	\$ 120,906	\$ 98	0.1%	\$ 2,686	2.3%
Personal Property Replacement Tax	\$ 14,500	\$ 14,500	\$ 14,500	\$ 14,500	\$ 12,300	\$ (2,200)	-15.2%	\$ (2,200)	-15.2%
Tuition and Fees	\$ 95,327	\$ 113,340	\$ 119,668	\$ 113,939	\$ 114,158	\$ 219	0.2%	\$ 18,830	19.8%
Auxiliary/Enterprise	\$ 9,281	\$ 11,157	\$ 12,648	\$ 14,285	\$ 13,080	\$ (1,205)	-8.4%	\$ 3,799	40.9%
Investment Revenue	\$ 2,000	\$ 2,000	\$ 1,000	\$ 1,000	\$ 1,100	\$ 100	10.0%	\$ (900)	-45.0%
Local Government Grants	\$ 3,794	\$ 16,884	\$ 9,592	\$ 7,352	\$ 8,422	\$ 1,070	14.6%	\$ 4,628	122.0%
Total Local Sources	\$ 243,123	\$ 275,118	\$ 275,732	\$ 271,884	\$ 269,966	\$ (1,918)	-0.7%	\$ 26,843	11.0%
State Government	\$ 85,182	\$ 87,950	\$ 92,363	\$ 109,641	\$ 67,891	\$ (41,750)	-38.1%	\$ (17,291)	-20.3%
Federal Government	\$ 88,228	\$ 110,054	\$ 156,964	\$ 143,961	\$ 173,265	\$ 29,304	20.4%	\$ 85,037	96.4%
Subtotal State & Federal Sources	\$ 173,409	\$ 198,003	\$ 249,326	\$ 253,601	\$ 241,156	\$ (12,445)	-4.9%	\$ 67,746	39.1%
Other Sources	\$ 2,282	\$ 2,977	\$ 3,780	\$ 7,477	\$ 4,428	\$ (3,048)	-40.8%	\$ 2,146	94.0%
Total	\$ 492,253	\$ 581,903	\$ 656,837	\$ 658,940	\$ 656,983	\$ (1,958)	-0.3%	\$ 164,730	33.5%

Source: City Colleges of Chicago Adopted Budgets, FY2010, p. 83; FY2011, p. 77; FY2012, p. 67; and FY2013, p. 64.

Unrestricted Operating Funds for FY2014

City Colleges' operating funds consist of all funds except the Capital Fund and are used for daily operations including pass-through grants of student aid to students from the federal and state governments. Unrestricted operating funds are those funds over which City Colleges has the most discretion and control. They include resources for the Education Fund, Operations and Maintenance Fund and Auxiliary/Enterprise Fund and exclude restricted grants, such as student financial aid.⁴³ The FY2014 Tentative Annual Operating Budget projects that 56.1% of all unrestricted operating resources will come from state and local government sources and approximately 38.4% will be provided by tuition and fees.



Unrestricted Operating Funds by Source

Total unrestricted operating revenues will decrease by 5.7%, or \$17.9 million, falling from \$315.2 million in FY2013 to \$297.3 million in FY2014. The District conservatively based its budget on the lowest estimate of available resources and prioritized additional spending should more resources become available. The District's wish list of additional spending is outlined on page 9 of the Tentative Annual Operating Budget. The two contributors to the lower revenue

⁴³ Restricted funds include the Audit Fund, Liability, Protection, and Settlement Fund, PBC Operations and Maintenance Fund, and Restricted Purposes Fund (grants). City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. 17.

estimates are a \$12.6 million, or 21.6%, drop in State revenue and a \$4.8 million, or 69.6%, decline in revenue from Other Sources. The anticipated decline in State revenue is due in part to the uncertainty of reduced funding from the State. However, since the District released its tentative budget, Senate Bill 2556, which makes university and college appropriations from the State's General Revenue Fund, granted City Colleges level funding for FY2014 and was approved by the Governor on June 27, 2013.⁴⁴ The Illinois Community Colleges Board has not finalized its funding allocations yet. The District plans to release a supplemental budget later this year to accommodate additional spending should it become available.⁴⁵

Local government unrestricted funds (i.e., property tax revenues) are expected to increase slightly by approximately \$98,000, or 0.1%, due to a higher collection rate (see page 22 for details). In previous years, no federal government resources or personal property replacement tax revenues are used for unrestricted operating purposes; however, in FY2014, \$267,000 in unrestricted operating funds will come from the federal government. This amount represents an indirect cost recovery the District's Office of Institution Advancement receives to support its grant-writing function. In prior years this amount has been included under Other Sources.⁴⁶

In the five-year period between FY2010 and FY2014, total resources for unrestricted operating funds will rise by \$2.2 million, or 0.7%. Tuition and fees revenue will grow by \$9.4 million while revenue from the State will fall by \$9.3 million. Tuition and fee revenue will grow the most over the five-year period following a multi-year tuition increase, though tuition rates have remained flat since FY2012. Property tax revenues (local government unrestricted resources) will decrease by 4.6%, or \$5.8 million. Auxiliary and Enterprise revenue will increase by 203.2%, or \$8.8 million, over the five-year period. Increases in Auxiliary/Enterprise resources are due to growth in revenue from the District's enterprises, such as the Truman College parking garage and the Malcolm X College and United Center shared parking as well as budgeting for grant funds applied for but not yet received. Change in revenue from year-to-year may also be attributable to changes in internal budgeting practices and categorization of funds. In FY2014 these revenues are projected to decrease slightly because although revenues are increasing, actual revenues have been below budget.⁴⁷

City Colleges Resources for Unrestricted Operating Funds: FY2010-FY2014 (in \$ thousands)									
Sources of Resources	FY2010 Audit	FY2011 Audit	FY2012 Adopted Budget	FY2013 Adopted Budget	FY2014 Tentative Budget	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Local Government	\$ 126,671	\$ 123,195	\$ 118,323	\$ 120,808	\$ 120,906	\$ 98	0.1%	\$ (5,765)	-4.6%
State Government	\$ 55,078	\$ 65,150	\$ 64,865	\$ 58,323	\$ 45,732	\$ (12,591)	-21.6%	\$ (9,347)	-17.0%
Federal Government	\$ 130	\$ 16	\$ -	\$ -	\$ 267	\$ 267	100.0%	\$ 137	105.1%
Tuition and Fees	\$ 104,762	\$ 114,587	\$ 119,668	\$ 113,939	\$ 114,158	\$ 219	0.2%	\$ 9,396	9.0%
Auxiliary/Enterprise	\$ 4,314	\$ 3,491	\$ 12,648	\$ 14,285	\$ 13,080	\$ (1,205)	-8.4%	\$ 8,766	203.2%
Investment Revenue	\$ 901	\$ 720	\$ 1,000	\$ 1,000	\$ 1,100	\$ 100	10.0%	\$ 199	22.1%
Other Sources	\$ 3,310	\$ 4,889	\$ 2,517	\$ 6,857	\$ 2,082	\$ (4,775)	-69.6%	\$ (1,228)	-37.1%
Total	\$ 295,167	\$ 312,048	\$ 319,021	\$ 315,212	\$ 297,324	\$ (17,887)	-5.7%	\$ 2,157	0.7%

Source: City Colleges of Chicago FY2013 Annual Operating Budget, p. 63 and FY2014 Tentative Budget, p. 65.

⁴⁴ Public Act 98-0035

⁴⁵ Communication with City Colleges of Chicago budget staff, July 8, 2013.

⁴⁶ Communication with City Colleges of Chicago budget staff, June 28, 2013.

⁴⁷ Communication with City Colleges of Chicago budget staff, July 8, 2013.

City Colleges Tuition Rates

The in-district tuition rates for City Colleges will remain flat in FY2014 at \$89 per credit hour. This rate has increased gradually from \$72 in FY2009. City Colleges' tuition and mandatory fees are very competitive with other northeastern Illinois regional community colleges, as the exhibit below demonstrates. From the selected community college districts in the area, only Morton College in Cicero has lower per credit tuition and fees.

Fall 2013 Credit Hour Tuition for Selected Community College Districts			
College	In-District Tuition Per Credit Hour	Required Fees for Full-Time Students, pro-rated per credit hour*	Total
College of DuPage (Glen Ellyn)	\$ 103.15	\$ 32.85	\$ 136.00
South Suburban College (South Holland)	\$ 110.00	\$ 17.75	\$ 127.75
Harper College (Palatine)	\$ 108.50	\$ 20.75	\$ 129.25
Prairie State College (Chicago Heights)	\$ 108.00	\$ 16.00	\$ 124.00
Triton College (River Grove)	\$ 98.00	\$ 15.00	\$ 113.00
College of Lake County	\$ 93.00	\$ 19.00	\$ 112.00
Oakton Community College (Des Plaines)	\$ 95.34	\$ 16.25	\$ 111.59
Elgin Community College (Elgin)	\$ 109.00	\$ 0.42	\$ 109.42
City Colleges of Chicago	\$ 89.00	\$ 16.67	\$ 105.67
Morton College (Cicero)	\$ 79.00	\$ 20.83	\$ 99.83

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

Sources: Websites of selected community college districts.

Over the past ten years, in-district tuition and fees have increased by \$27.00 per semester hour. Out-of-district and out-of-state tuition and fees have fluctuated significantly since FY2005. In a ten-year comparison, tuition and fees have fallen dramatically for out-of-district and out-of-state students. Tuition and fees have decreased by \$43.69 per semester for out-of-district students and have decreased by \$81.11 per semester for out-of-state students.

City Colleges of Chicago Tuition & Fees per Semester Hour			
Year	In-District Tuition & Fees per Semester Hour	Out-of-District Tuition & Fees per Semester Hour	Out-of-State Tuition & Fees per Semester Hour
2005	\$ 62.00	\$ 229.21	\$ 314.95
2006	\$ 67.00	\$ 162.65	\$ 266.20
2007	\$ 72.00	\$ 180.83	\$ 291.61
2008	\$ 72.00	\$ 189.95	\$ 309.76
2009	\$ 72.00	\$ 258.99	\$ 306.89
2010	\$ 79.00	\$ 259.15	\$ 301.55
2011	\$ 87.00	\$ 171.56	\$ 228.35
2012	\$ 89.00	\$ 173.56	\$ 230.35
2013 Estimated	\$ 89.00	\$ 185.38	\$ 236.59
2014 Budgeted	\$ 89.00	\$ 185.52	\$ 233.84
10-Year Change	\$ 27.00	\$ (43.69)	\$ (81.11)

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

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 "taxcaps"), 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 would have provided City Colleges with almost no revenue. To correct this imbalance, the State awarded a \$15.0 million grant to City Colleges in FY2005. The State has renewed the grant each year since FY2006. In its FY2014 proposed budget, the District assumes that it will receive \$8.4 million in FY2014, or 44.0% less than the original grant award of \$15.0 million. The estimated FY2014 grant amount is \$5.7 million less than the amount received in FY2013 (\$14.1 million).⁴⁸ Senate Bill 2556, which makes university and college appropriations from the State's General Revenue Fund, granted City Colleges \$14.1 million for FY2014 and was approved by the Governor on June 27, 2013.⁴⁹ The Illinois Community Colleges Board has

⁴⁸ City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. 42.

⁴⁹ Public Act 98-0035

not finalized its funding allocations yet. The District plans to release a supplemental budget later this year to accommodate additional spending should it become available.⁵⁰

Property Tax Revenues

Property tax years are the same as calendar years. However, the City Colleges' fiscal year is July 1 to June 30, and there is also a one-year lag in Cook County between when property taxes are levied and when they are collected. Taxes levied in 2013 will actually be received in 2014. The effect is that property tax funds available during the City Colleges' upcoming fiscal year (FY2014) will be drawn from part of tax year 2012 and part of tax year 2013.

In FY2014 City Colleges expects to receive a net total of approximately \$120.9 million in property tax revenues. The gross amount of tax levy revenues will be \$123.4 million. Because the tax year 2013 levy will be held flat at the same amount as the prior year, the estimated gross amount attributable to each half tax year is \$61.7 million. With gross levy revenues nearly flat between FY2013 and FY2014, net property tax revenues are expected to increase by 0.1%, or \$98,016, due to a reduced withholding for loss and cost of collection in order to better reflect actual collection rates.⁵¹ The reduction in this amount is the result of a policy change.

Historically, the District estimated that it required a reserve for back tax refunds totaling 3.0% of the annual levy. In 2010 the finance staff completed a ten-year review of actual refunds and determined that the reserve should be reduced to 1.0%. A similar review of actual loss and cost of collection amounts concluded that this reserve should be reduced from 5.0% to 3.0% of the levy. Applying these reductions to the 2012 and 2013 levies resulted in a \$98,016 increase in property tax revenue projections for FY2014 without an increase to the levy itself.⁵² For FY2014 the gross revenue is reduced by 1.9% to account for an allowance for back taxes revenue and for loss and cost of collections, which results in net property tax revenue of \$120.9 million.⁵³

Property Tax Revenues Received by City Colleges: FY2013 & FY2014		
	FY2013	FY2014
1/2 Estimated Gross 2011 Levy	\$ 61,626,691	-
1/2 Estimated Gross 2012 Levy	\$ 61,626,691	-
1/2 Estimated Gross 2012 Levy	-	\$ 61,676,691
1/2 Estimated Gross 2013 Levy	-	\$ 61,676,691
Subtotal Gross Levy Funds Available	\$ 123,253,382	\$ 123,353,382
Back Taxes Revenue	\$ (658,173)	\$ (658,707)
Estimated Loss and Cost of Collection	\$ (1,787,174)	\$ (1,788,624)
Total (Net Levy)	\$ 120,808,035	\$ 120,906,051
\$ Change		\$ 98,016
% Change		0.1%

Source: City Colleges of Chicago FY2013 Final Budget p. 66 and FY2014 Tentative Annual Operating Budget, p. 65.

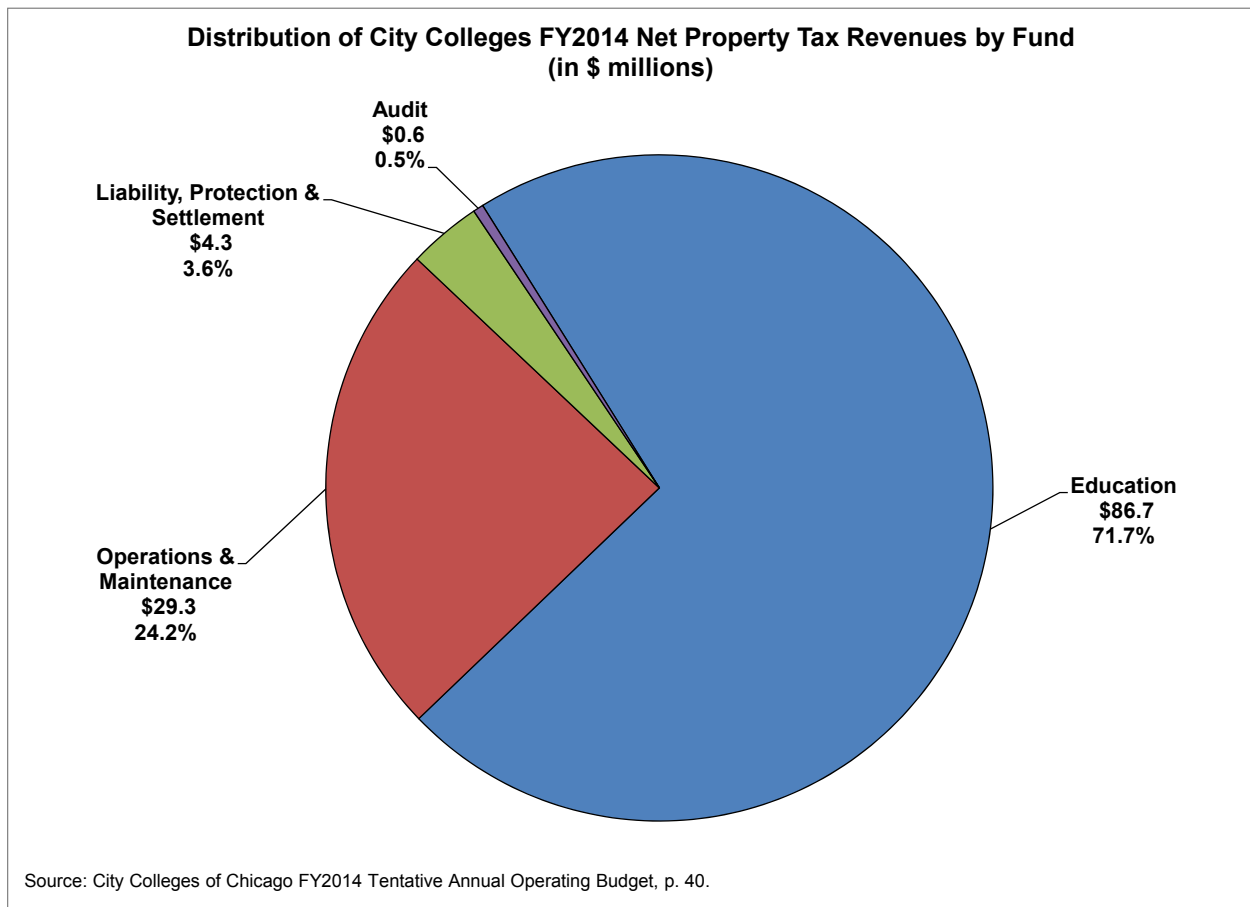
⁵⁰ Communication with City Colleges of Chicago budget staff, July 8, 2013.

⁵¹ City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. 39. For more on loss in collection, see Civic Federation, *The Cook County Property Tax Extension Process*, p. 14. <http://www.civicfed.org/civic-federation/publications/cook-county-property-tax-extension-process-primer-levies-tax-caps-and->

⁵² Information provided by City Colleges Finance Office, July 7, 2011.

⁵³ City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. 40.

All of the \$120.9 million in property tax revenues available in FY2013 are for operating funds that are subject to the State’s property tax cap law. The law limits annual property tax increases to 5.0% or inflation, whichever is less, with an exception for new property. City Colleges currently levies for four operating funds, all of which are included under the state tax cap: the Education Fund; Operations and Maintenance Fund; Liability, Protection and Settlement Fund; and the Audit Fund. The distribution of net City Colleges’ property tax revenues for FY2014 is shown below. Approximately \$86.7 million, or 71.7%, is earmarked for the Education Fund, which is the City Colleges’ general operating fund. Approximately \$29.3 million, or 24.2%, of net property tax revenues is designated for operations and maintenance and \$4.3 million, or 3.6% of the total, is reserved for liability, protection and settlement. The remaining amount, \$600,000, or 0.5%, is earmarked for the Audit Fund.



Five-Year Property Tax Levy Trend

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.⁵⁴ 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

⁵⁴ The City of Chicago similarly levies property taxes on behalf of the Chicago Public Schools.

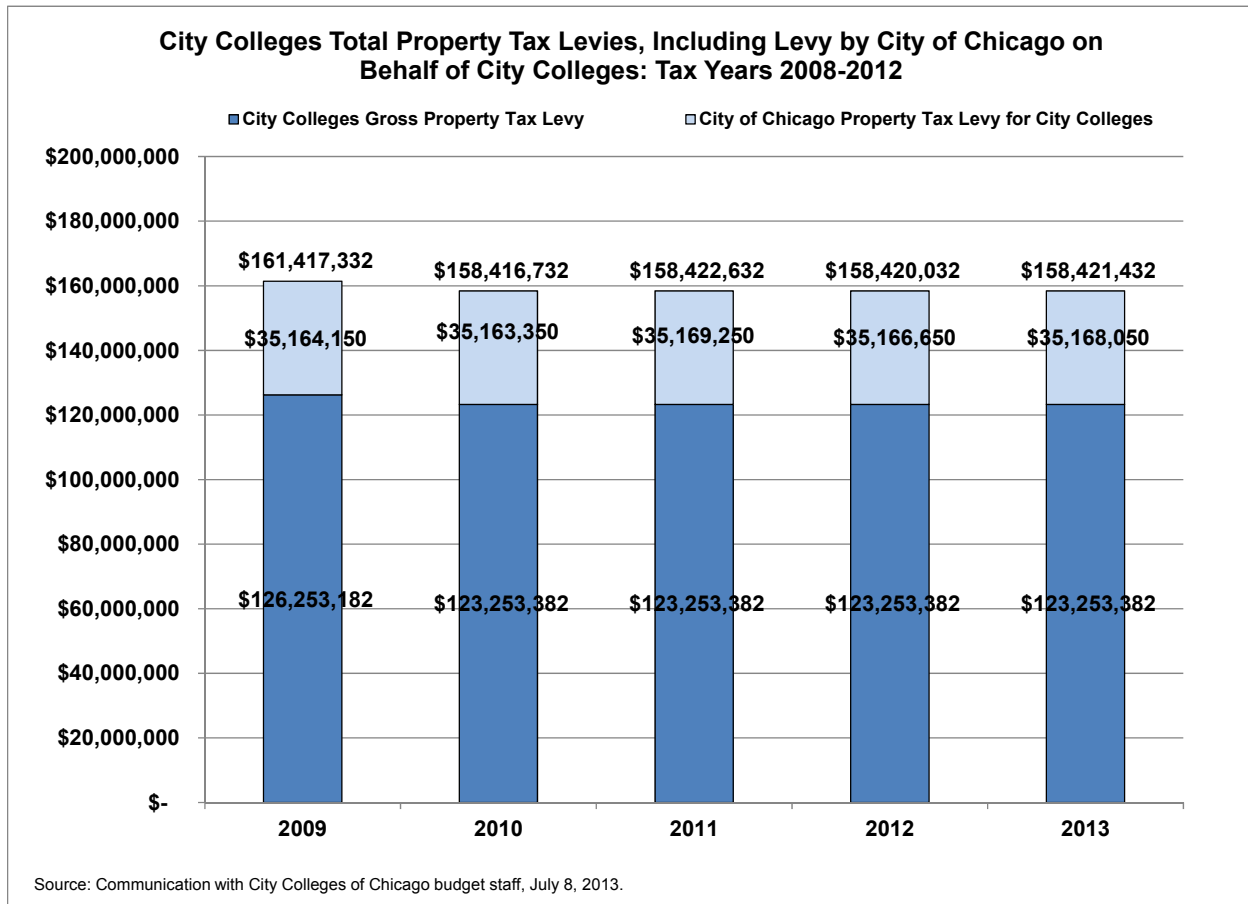
implemented in 1995. At that time, the District's debt burden consisted of obligations issued through the PBC and paid for through a PBC Operations and Maintenance (O&M) levy. When these were paid, the O&M levy was eliminated, requiring the District to seek other ways to issue debt. The City of Chicago, by means of an intergovernmental agreement, now levies property taxes that are used to pay for PBC Commission obligations and City Colleges' projects.⁵⁵

The City levy on behalf of City Colleges does not represent an increase in taxing authority for the District, but rather is set at levels previously authorized for the O&M levy. Without these funds, City Colleges would be hard pressed to raise adequate funds for maintenance, rehabilitation and construction of capital improvements. The City's levy for the City Colleges' debt 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.⁵⁶

⁵⁵ Information provided by City Colleges of Chicago, June 26, 2008.

⁵⁶ Communication with City Colleges of Chicago budget staff, July 8, 2013. The District's FY2014 Tentative Annual Operating Budget did not include the City of Chicago's levy on behalf of City Colleges.

As illustrated below, the City Colleges' gross tax levy has decreased by 1.9% from tax year 2008 from \$126.2 million to \$123.3 million. The levy was reduced in tax year 2010 by 2.3% to \$123.3 million. Total property tax levies for City Colleges, including the City of Chicago levy for City Colleges' capital improvement bonds, declined from \$161.4 million in 2008 to \$158.4 million in 2010 where it has remained relatively stable.



ENROLLMENT TRENDS

Overall City Colleges projects enrollment to remain constant from FY2013.⁵⁷ The District reported approximately 6% growth in enrollment for adult education in the Spring of 2013⁵⁸ and expects credit enrollment to rise. As of May 2012 the District estimated slight growth in student enrollment between FY2012 and FY2013 of 454 full-time equivalent (FTE) students, or 1.0%. This represents an increase from 46,142 to 46,596 FTEs.

Student enrollment in FY2013 fell in City Colleges' largest instructional area, the career credit program, by 257 FTEs, or 0.8%. Enrollment also fell in the continuing education area by 90 FTEs, or 13.7%. It rose in the adult education program (by 5.8%, or 796 FTEs) and in the vocational skills area (by 5 FTEs, or 1.0%).

⁵⁷ City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. 2.

⁵⁸ City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. ii.

Between FY2009 and FY2013, City Colleges FTE enrollment rose by 7.4%, or 3,228 FTEs, up from 43,368 to 46,596. The greatest increase in FTE enrollment came in the career credit area, which grew by 21.3%, or 5,442 FTEs. Enrollment in the adult education area fell by 12.8%, or 2,130 FTEs, over the five-year period.

City Colleges Full-Time Equivalent (FTE) Enrollment: FY2009-FY2013									
Type	FY2009	FY2010	FY2011	FY2012	FY2013*	Two-Year # Change	Two-Year % Change	Five-Year # Change	Five-Year % Change
Career Credit	25,603	29,636	31,125	31,302	31,045	(257)	-0.8%	5,442	21.3%
Adult Education	16,615	16,919	15,048	13,689	14,485	796	5.8%	(2,130)	-12.8%
Skills	718	681	444	492	497	5	1.0%	(221)	-30.8%
Continuing Education	432	537	636	659	569	(90)	-13.7%	137	31.7%
Total	43,368	47,773	47,253	46,142	46,596	454	1.0%	3,228	7.4%

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

*FY2013 enrollment data is a preliminary estimate as of May 9, 2013.

Source: City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. 294.

PERSONNEL AND PERSONNEL SERVICES

In its FY2014 proposed budget, City Colleges plans to eliminate 131 vacant positions. Some of the vacant positions could be reinstated should the District receive full funding by the State of Illinois.⁵⁹ Further data about staffing trends were not available in the budget document because the District did not have a clear enough outlook of State funding at the time the budget was released to the public.⁶⁰ The District plans to release a supplemental budget later in the summer to reinstate eliminated vacant positions, should State funding be level to the prior fiscal year.⁶¹

Although full-time equivalent (FTE) personnel data was not included in the proposed budget, the following section offers a limited analysis of personnel trends based on FTE data that was provided to the Civic Federation. Full-time equivalent figures reflect the total hours worked by all employees as a factor of full-time employment. Generally, it is useful 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.

⁵⁹ City Colleges of Chicago, FY2014 Tentative Annual Operating Budget, p. 6.

⁶⁰ Communication with City Colleges of Chicago budget staff, June 28, 2013.

⁶¹ Communication with City Colleges of Chicago budget staff, July 8, 2013.

The following chart shows the District's total FTE positions for FY2012 through FY2014. The FY2014 proposed budget indicates an overall reduction of 49 FTEs. This reduction reflects the elimination of 131 vacant positions as reported in the proposed budget. Full-time staff will decline by 165 FTEs, or 7.0%, while part-time staff will increase by 116 FTEs, or 5.7%. All position types will experience a decrease in full-time positions, with the largest declines in Professional and Technical Staff and Faculty. The increase in part-time staff is largely driven by growth in Academic Support and Student Workers. Since FY2012 there has been an increase of 156 part-time FTE positions and an overall increase of 138 FTE positions.

City Colleges Full-Time Equivalent Positions by Type: FY2012-FY2014								
Position Type	Status	FY2012	FY2013	FY2014 Tentative Budget	Two- Year # Change	Two- Year % Change	Three- Year # Change	Three- Year % Change
Faculty	Full Time	604	591	546	-46	-7.8%	-59	-9.7%
	Part Time	1,027	1,005	1,008	3	0.3%	-19	-1.8%
Custodial and Maintenance	Full Time	235	250	228	-22	-8.8%	-7	-3.0%
	Part Time	258	266	276	10	3.8%	18	6.8%
Professional and Technical Staff	Full Time	343	467	421	-47	-10.0%	78	22.8%
	Part Time	152	154	151	-3	-1.8%	0	-0.1%
Academic Support	Full Time	192	198	187	-11	-5.5%	-5	-2.7%
	Part Time	196	229	297	68	29.6%	101	51.5%
Clerical	Full Time	448	438	408	-30	-6.9%	-41	-9.0%
	Part Time	152	136	139	3	2.1%	-13	-8.5%
Administrators	Full Time	342	368	361	-6	-1.7%	19	5.6%
	Part Time	0	0	0	0	-	0	-
Student Workers	Full Time	0	2	1	-1	-50.0%	1	-
	Part Time	163	192	240	49	25.3%	77	47.2%
Supervisors	Full Time	27	24	22	-2	-8.3%	-5	-18.5%
	Part Time	51	57	44	-14	-23.7%	-8	-15.1%
Sub-Total	Full Time	2,191	2,338	2,173	-165	-7.0%	-18	-0.8%
	Part Time	1,999	2,038	2,155	116	5.7%	156	7.8%
Total FTE Positions		4,189	4,376	4,328	-49	-1.1%	138	3.3%

Note: Different totals may appear due to rounding.

Source: Communication with City Colleges of Chicago budget staff, July 8, 2013.

The following chart shows unrestricted operating appropriations for salaries and benefits over the past five years. The proposed FY2014 appropriation of \$218.8 million is a \$17.5 million, or 8.0%, decline from the FY2013 adopted budget. The decline is due to the budgeted elimination of 131 vacant positions because of an anticipated reduction in resources provided by the State of Illinois.⁶² Since resources from the State will likely be level from the previous year, the District believes that some of these eliminated vacancies will be reinstated with a supplemental budget released later this year.⁶³ Over the five-year period, salaries have increased by \$23.3 million, or 14.1%, while benefits have increased by \$1.1 million, or 3.8%.

City Colleges Unrestricted Operating Funds Personnel Appropriations: FY2010-FY2013 (in \$ thousands)									
	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Adopted Budget	FY2014 Tentative Budget	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year \$ Change
Salaries	\$ 165,001	\$ 161,474	\$ 168,139	\$ 205,518	\$ 188,319	\$ (17,198)	-8.4%	\$ 23,319	14.1%
Benefits	\$ 29,424	\$ 31,874	\$ 29,384	\$ 30,784	\$ 30,530	\$ (254)	-0.8%	\$ 1,106	3.8%
Total	\$ 194,425	\$ 193,348	\$ 197,523	\$ 236,302	\$ 218,849	\$ (17,453)	-8.0%	\$ 24,424.6	12.6%

Source: City Colleges of Chicago FY2012 Annual Operating Budget, p. 67; FY2013, p. 61; and FY2014 Tentative, p. 16.

FUND BALANCE

Fund balance is a term commonly used to describe the net assets of a governmental fund and serves as a measure of financial resources.⁶⁴ Beginning in FY2011, many governments changed the way they reported fund balance per the implementation of the Governmental Accounting Standards Board's (GASB) Statement 54, which reclassifies fund balance components within the governmental funds. City Colleges of Chicago, however, is not required to implement those changes because, as a public college system with primarily business-type activities, it is not required to report governmental funds.⁶⁵ Instead, City Colleges reports net assets for all of its funds. Since the fund balance (or net assets) 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. Data used to calculate the ratio is found in the Statement of Net Assets from the City Colleges' audited financial report.

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 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.

⁶² City Colleges of Chicago, FY2014 Tentative Annual Operating Budget, p. 5 and 6.

⁶³ Communication with City Colleges of Chicago budget staff, July 8, 2013.

⁶⁴ GFOA, Appropriate Level of Unrestricted Fund Balance in the General Fund (Adopted October 2009).

⁶⁵ 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](#).

City Colleges of Chicago's Fund Balance Policy

In its FY2014 Tentative Annual Operating Budget, City Colleges refers to its stated policy of maintaining a fund balance of the Education Fund at a minimum level of 3% of unrestricted expenditures.⁶⁶ In addition to that policy, the City Colleges Board of Trustees adopted Resolution Number 29253 on February 5, 2009 which recommends that unrestricted fund balance over 3% of the unrestricted funds actual expenses may be transferred to the Operations and Maintenance Fund subject to the Board's approval, effectively maintaining a 3% minimum unrestricted funds fund balance.⁶⁷ The District included additional guidelines in its FY2014 proposed budget that the District uses to manage its fund balances, including not using operating funds 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.⁶⁸

Between FY2008 and FY2012, City Colleges' general operating funds' unrestricted net assets increased from 18.4% of operating expenses, or \$71.8 million, to 20.6%, or \$92.8 million. During this time period, FY2011 is the only year City Colleges dipped below the minimum two months of operating expenses recommended by the GFOA. The healthy level of net assets for City Colleges is a dramatic turnaround from the 1.1% fund balance ratio reported in FY2000.⁶⁹

City Colleges Unrestricted Fund Balance Ratio: FY2008-FY2012			
	Unrestricted Net Assets	Operating Expenses	Ratio
FY2008	\$ 71,794,664	\$ 389,995,809	18.4%
FY2009	\$ 67,104,370	\$ 372,202,855	18.0%
FY2010	\$ 86,874,142	\$ 404,365,535	21.5%
FY2011	\$ 66,367,440	\$ 435,306,374	15.2%
FY2012	\$ 92,820,212	\$ 449,612,320	20.6%

Source: City Colleges of Chicago Comprehensive Annual Financial Reports, FY2008-FY2012.

⁶⁶ City Colleges of Chicago, FY2014 Tentative Annual Operating Budget, p. 3.

⁶⁷ See the resolution on the City Colleges of Chicago's website at <http://apps.ccc.edu/brpublic/2009/feb/29253.pdf>.

⁶⁸ City Colleges of Chicago, FY2014 Tentative Annual Operating Budget, p. 32.

⁶⁹ In FY2000, the District recorded an unrestricted fund balance of \$3.0 million and operating expenditures of \$265.1 million, resulting in a fund balance ratio of 1.1%. See the City Colleges of Chicago FY2000 Financial Statements, p. 3.

While GASB does not require City Colleges to make financial reports based on governmental funds, City Colleges does include some of this information in the Special Reports section of its CAFR, as required by the State of Illinois. The City Colleges' Board established a fund balance policy to maintain the fund balance of the Education Fund at a level equal to 3% of unrestricted expenditures.⁷⁰ The exhibit below shows the ratio of ending Education Fund fund balance to total unrestricted operating expenses, which includes expenses of the Education Fund, unrestricted Maintenance and Operations Fund and Auxiliary and Enterprise Fund. Only in FY2010 did the District drop below its stated policy.

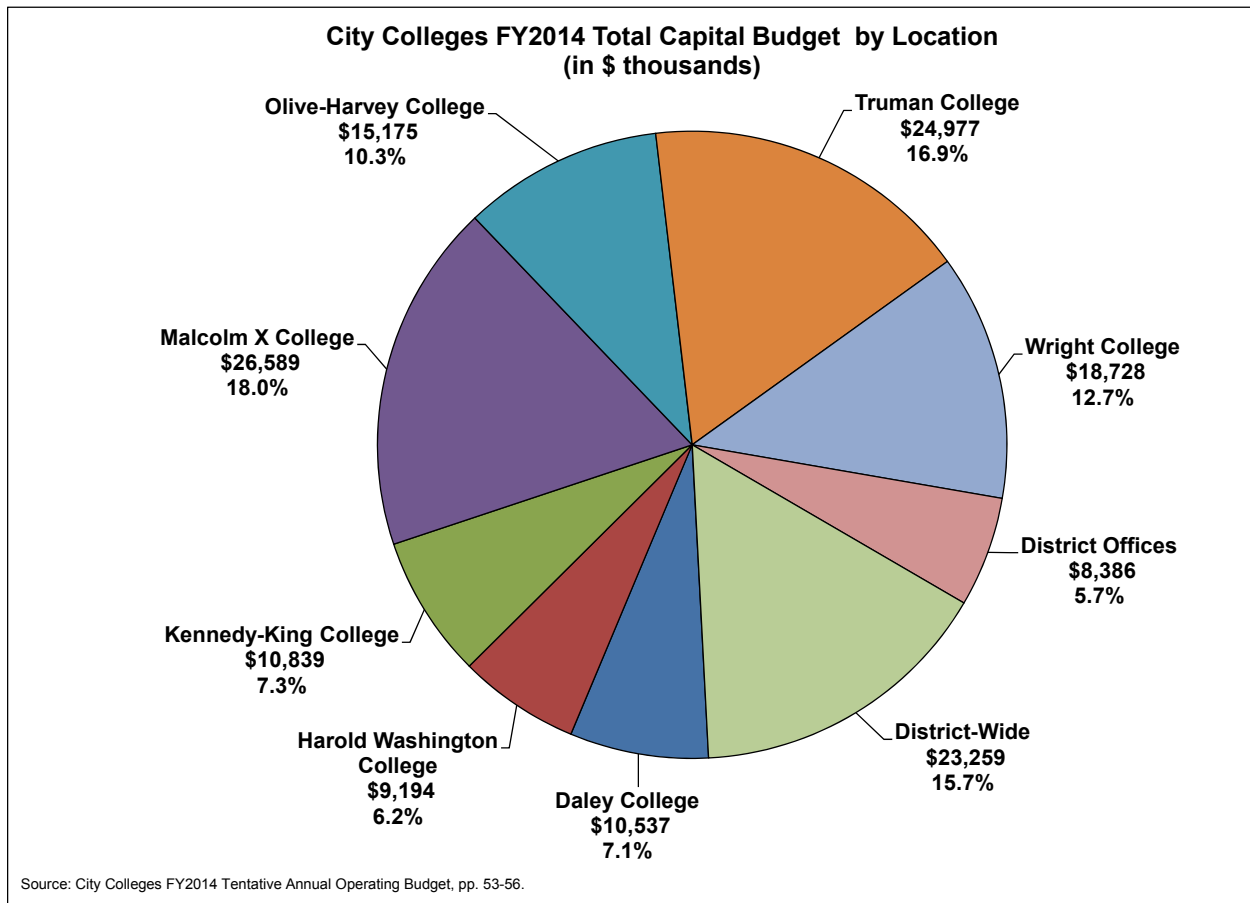
City Colleges Education Fund Fund Balance Ratio: FY2008-FY2012			
	Ending Fund Balance	Total Unrestricted Operating Expenses	Ratio
FY2008	\$ 18,781,176	\$ 254,027,871	7.4%
FY2009	\$ 23,118,450	\$ 254,534,063	9.1%
FY2010	\$ 5,626,183	\$ 257,190,787	2.2%
FY2011	\$ 12,854,730	\$ 261,140,766	4.9%
FY2012	\$ 13,316,522	\$ 251,192,088	5.3%

Source: City Colleges of Chicago Comprehensive Annual Financial Reports, State Required Report Section, All Funds Summaries, FY2008-FY2012.

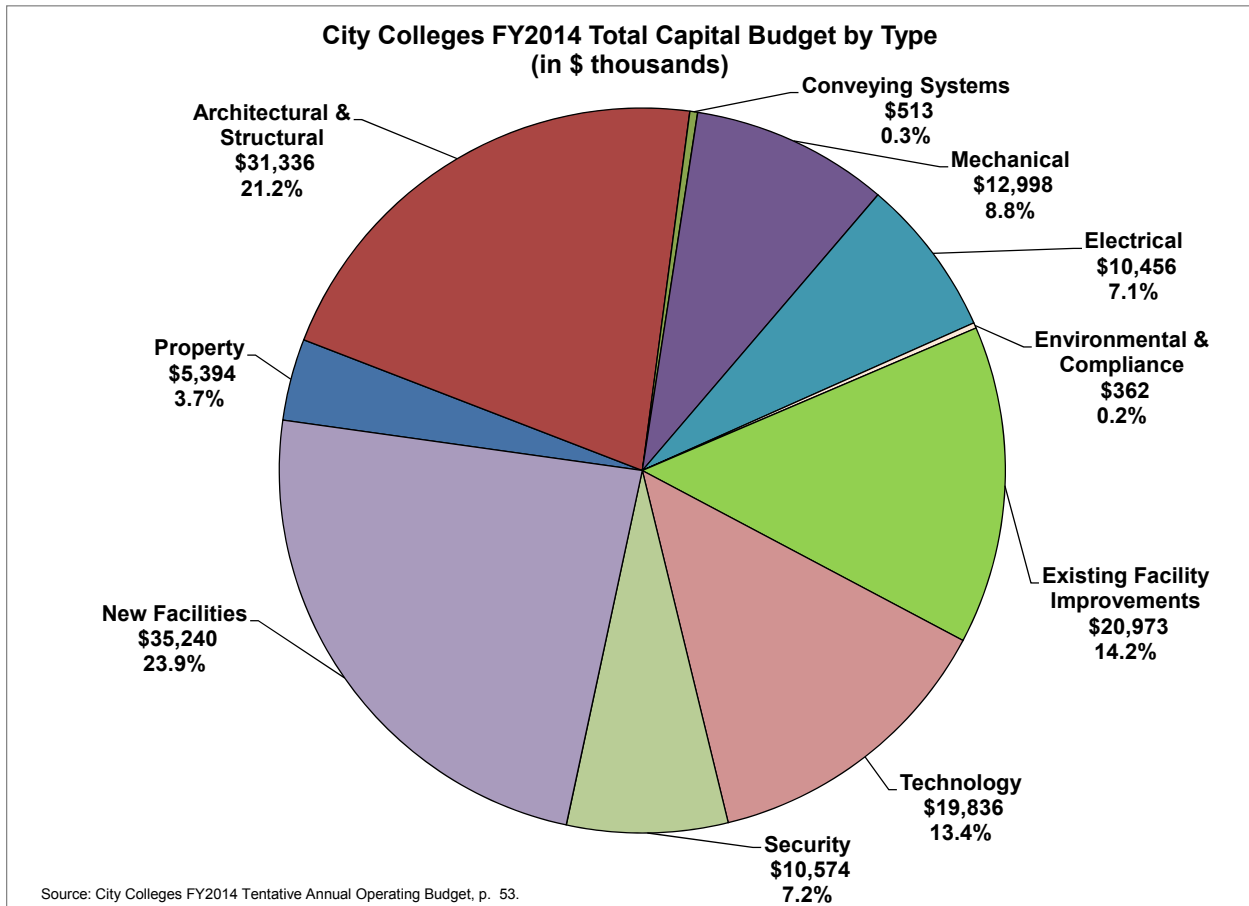
⁷⁰ City Colleges of Chicago, FY2013 Tentative Annual Operating Budget, p. 9.

CAPITAL BUDGET

City Colleges prepares a capital budget at the same time as the operating budget. In FY2014, the total capital budget is proposed to be approximately \$147.7 million. The distribution of those funds by location is shown below. The largest amount of capital spending at \$26.6 million, or 18.0%, will be for Malcolm X College. The second largest amount totaling \$25.0 million, or 16.9%, of all funding will be earmarked for Truman College.



The next exhibit shows the FY2014 total capital budget by type of expenditure. Approximately \$35.2 million or 23.9% of the budget will be earmarked for new facilities while 21.2% or \$31.3 million is reserved for architectural and structural purposes.



Capital Improvement Plan

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

The dollar amount of approved capital projects by location for the FY2014-2018 CIP is shown in the next exhibit. Over this five year period, City Colleges has identified \$554.7 million in capital needs. Construction of the new Malcolm X College will require 45.3% of this amount or \$251.2 million.

Approved Capital Projects by Location: FY2014-FY2018						
(in \$ thousands)						
College or Office	FY2014	FY2015	FY2016	FY2017	FY2018	Total
Daley College	\$ 10,537	\$ 7,914	\$ 6,334	\$ 5,391	\$ 7,391	\$ 37,567
Harold Washington College	\$ 9,194	\$ 3,338	\$ 2,582	\$ 4,690	\$ 5,663	\$ 25,467
Kennedy-King College	\$ 10,839	\$ 2,949	\$ 2,961	\$ 5,908	\$ 5,408	\$ 28,065
Malcolm X College	\$ 26,589	\$100,075	\$124,500	\$ -	\$ -	\$ 251,164
Olive-Harvey College	\$ 15,175	\$ 39,282	\$ 13,741	\$ 2,594	\$ 3,094	\$ 73,886
Truman College	\$ 24,977	\$ 5,006	\$ 3,537	\$ 2,916	\$ 4,116	\$ 40,552
Wright College	\$ 18,728	\$ 9,533	\$ 4,210	\$ 3,412	\$ 5,358	\$ 41,241
District Offices	\$ 8,386	\$ 1,619	\$ 1,536	\$ 2,033	\$ 2,133	\$ 15,707
District-wide	\$ 23,259	\$ 6,214	\$ 3,300	\$ 2,150	\$ 6,150	\$ 41,073
Total	\$147,684	\$175,930	\$162,701	\$ 29,094	\$39,313	\$ 554,722

A presentation of the \$554.7 million 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 54.5% of the total CIP amount, or \$302.3 million, is projected for new facilities.

Approved Capital Projects by Type: FY2014-FY2018						
(in \$ thousands)						
Type	FY2014	FY2015	FY2016	FY2017	FY2018	Total
Property	\$ 5,394	\$ 1,678	\$ 791	\$ 4,278	\$ 4,278	\$ 16,419
Architectural & Structural	\$ 31,336	\$ 13,962	\$ 7,643	\$ 5,939	\$10,685	\$ 69,565
Conveying Systems	\$ 513	\$ 102	\$ 338	\$ 693	\$ 193	\$ 1,839
Mechanical	\$ 12,998	\$ 5,286	\$ 3,866	\$ 5,434	\$ 5,434	\$ 33,018
Electrical	\$ 10,456	\$ 6,695	\$ 2,913	\$ 4,187	\$ 4,187	\$ 28,438
Environmental & Compliance	\$ 362	\$ 59	\$ -	\$ 63	\$ 63	\$ 547
Existing Facility Improvements	\$ 20,973	\$ 5,838	\$ 2,500	\$ 3,500	\$ 7,338	\$ 40,149
Technology	\$ 19,836	\$ 10,800	\$ 9,150	\$ 5,000	\$ 5,000	\$ 49,786
Security	\$ 10,574	\$ -	\$ -	\$ -	\$ 2,135	\$ 12,709
New Facilities	\$ 35,240	\$131,510	\$135,500	\$ -	\$ -	\$ 302,250
Total	\$147,682	\$175,930	\$162,701	\$ 29,094	\$39,313	\$ 554,720

Source: City Colleges of Chicago Tentative Annual Operating Budget FY2014, p. 53

In FY2014 approximately \$148 million of the roughly \$555 million in identified capital needs will be funded. Of that amount, about \$144.1 million or 95% of the total in FY2014 will come from local sources such as cash available for capital purposes and tax increment financing. State source funds from the Illinois Capital Development Board totaling \$8.0 million will provide monies for the remaining amount.

City Colleges Funding Sources for Capital Improvement Plan: FY2014-FY2018			
	FY2014	FY2015- FY2018	Total FY2014- FY2018
Sources			
Cash available for capital purposes	\$ 138	\$ 27	\$ 165
Illinois Capital Development Board Contribution	\$ 8	\$ 23	\$ 31
Cash generated by operations	\$ -	\$ 69	\$ 69
City of Chicago TIF (Wilson Yard TIF)	\$ 2	\$ 10	\$ 12
Bond Proceeds	\$ -	\$ 278	\$ 278
Total	\$ 148	\$ 407	\$ 555

Source: City Colleges of Chicago Tentative Annual Operating Budget FY2014, p. 59.

LIABILITIES

This section of the analysis provides an overview of City Colleges' short- and long-term liabilities from FY2008 through FY2012, the most recent years for which audited data is 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 report of net assets in its annual Comprehensive Annual Financial Report:⁷¹

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

In FY2012, the most recent year that data is available, total short-term liabilities decreased by \$138,900 from the previous year, or by 0.2%. Between FY2008 and FY2012, current liabilities

⁷¹ City Colleges of Chicago FY2012 Comprehensive Annual Financial Report, p 16.

rose by 14.2%, or \$7.3 million. The following chart shows short-term liabilities by category and the percent change over the past five years.

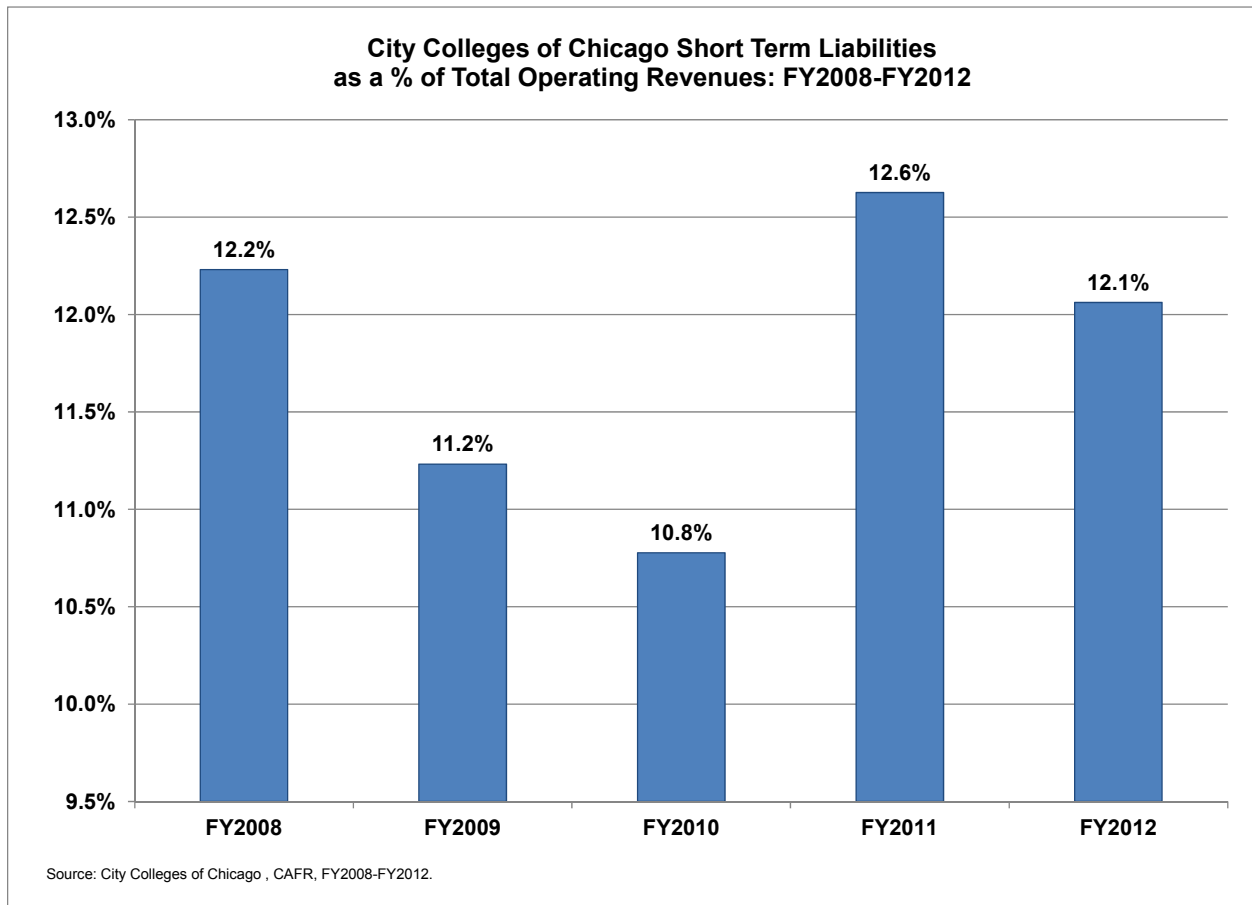
City Colleges Short-Term Liabilities: FY2008-FY2012 (in \$ thousands)									
Current Liability	FY2008	FY2009	FY2010	FY2011	FY2012	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Accounts Payable	\$ 16,253.6	\$ 11,748.8	\$ 14,952.2	\$ 21,185.0	\$ 21,635.8	\$ 450.8	2.1%	\$ 5,382.2	33.1%
Accrued Payroll	\$ 6,260.8	\$ 6,646.1	\$ 7,240.1	\$ 7,542.7	\$ 2,500.6	\$ (5,042.1)	-66.8%	\$ (3,760.2)	-60.1%
Deposits Held In Custody	\$ 1,947.0	\$ 2,117.5	\$ 1,991.3	\$ 1,610.3	\$ 1,402.6	\$ (207.7)	-12.9%	\$ (544.4)	-28.0%
Accrued Property Tax Refunds	\$ 14,964.3	\$ 12,275.3	\$ 8,305.6	\$ 6,292.2	\$ 9,671.6	\$ 3,379.4	53.7%	\$ (5,292.8)	-35.4%
Other Liabilities	\$ 10,971.6	\$ 10,456.2	\$ 13,546.1	\$ 21,196.5	\$ 22,206.1	\$ 1,009.6	4.8%	\$ 11,234.5	102.4%
Other Accruals	\$ 951.3	\$ 1,259.8	\$ 449.9	\$ 973.9	\$ 1,245.0	\$ 271.1	27.8%	\$ 293.7	30.9%
Total Current Liabilities	\$ 51,348.6	\$ 44,503.7	\$ 46,485.2	\$ 58,800.6	\$ 58,661.7	\$ (138.9)	-0.2%	\$ 7,313.0	14.2%

Source: City Colleges CAFRs, FY2008-FY2012.

Increasing current liabilities, as a percentage of net operating revenues, may be a warning sign of a government's future financial difficulties.⁷² 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.

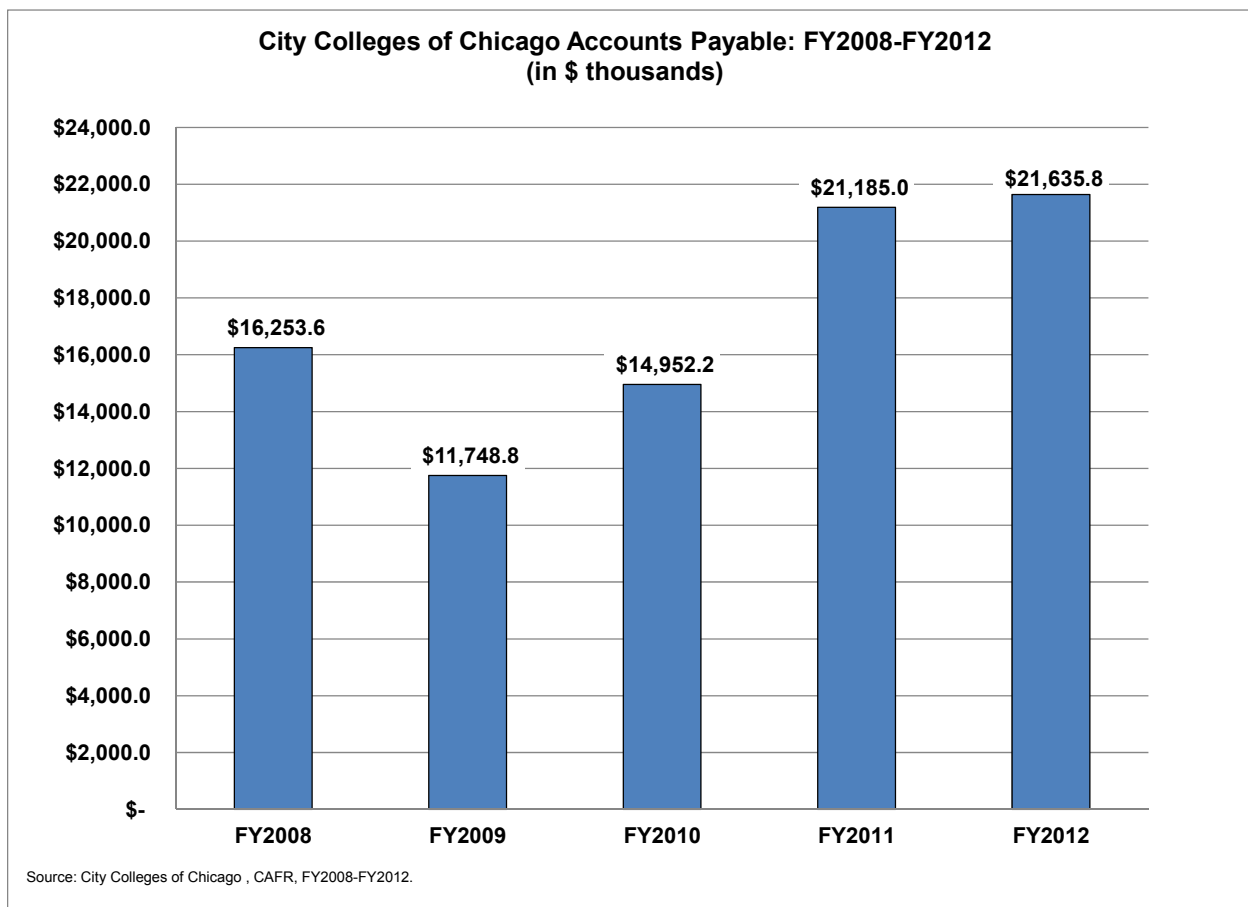
⁷²Karl Nollenberger, et al., *Evaluating Financial Condition: A Handbook for Local Government* (Washington, D.C.: ICMA, 2003), pp. 77.

The ratio of short-term liabilities to operating revenue has fluctuated over the past five years between a low of 10.8% in FY2010 and a high of 12.6% in FY2011 and averaged approximately 11.8%. From FY2008 to FY2010, the ratio fell from 12.2% to 10.8%. The ratio was driven down because operating revenues increased by \$11.5 million and short-term liabilities declined by \$4.9 million over the two years. The decline in short-term liabilities included an 8.0% reduction in accounts payable and 44.5% reduction in accrued property tax refunds. The increase in the ratio in FY2011 was largely due to a \$6.2 million, 41.7% increase in accounts payable.



Accounts Payable

Between FY2008 and FY2012, the amount of accounts payable reported by City Colleges fluctuated from a low of \$11.7 million in FY2009 to a high of \$21.6 million in FY2012. The increasing trend over the last four years is an 84.2%, or nearly \$9.9 million, growth in accounts payable. Between FY2008 and FY2009, accounts payable fell by \$4.5 million, or 27.7%. City Colleges attributed \$2.5 million of the reduction to the completion of certain capital projects in FY2008 and credited improved use of purchasing consortia and stricter control of purchasing practices for the \$2.0 million in additional reductions.⁷³ The large increase in accounts payable between FY2010 and FY2011 is primarily due to increases in unemployment insurance liabilities (\$1M), purchases of equipment less than \$25,000 (\$1M), the District's U-Pass contract with the CTA (\$900K), health insurance benefit increases (\$800K), and other expenses (\$500K). These total \$4.2 million. The remaining \$2 million is made up of many smaller net increases.⁷⁴

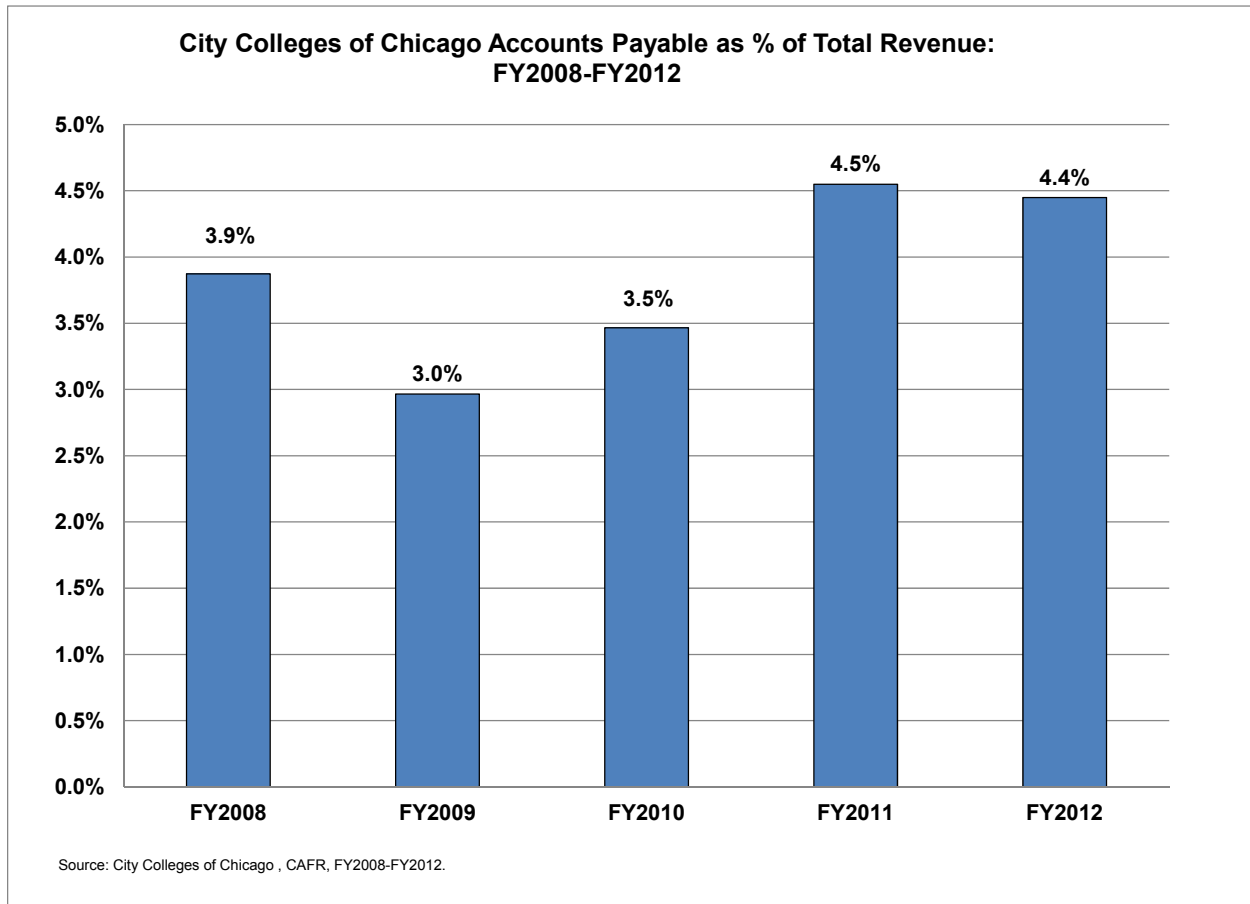


The next exhibit shows the ratio of accounts payable to operating revenues. The chart below reflects the drop and steady increase in accounts payable liabilities over the past five years, as indicated in the chart above. Although the ratios are not very high, steady increases in this ratio can be a warning sign of fiscal distress. The slight decline from 4.5% in FY2011 to 4.4% in

⁷³ Communication with the City Colleges' staff, August 2, 2010.

⁷⁴ Communication with the City Colleges' staff, July 2, 2012.

FY2012 can be attributed to a slightly larger increase in operating revenues as compared to the increase in accounts payable.



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.⁷⁵ In addition to the short-term liabilities listed above, the current ratio formula uses the current assets of the District:

- *Cash and investments* are 1) assets that are cash or can be converted into cash immediately, including petty cash, demand deposits and certificates of deposit as well as 2) any investments that the District has made that will expire within one year, including stocks and bonds that can be liquidated quickly;
- *Receivables* are monetary obligations owed to the government including property taxes, replacement taxes, and state or federal aid; and

⁷⁵ Steven A. Finkler. *Financial Management for Public, Health and Not-for-Profit Organization*, Upper Saddle River, NJ, 2001, p. 476.

- *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.⁷⁶

The City Colleges' current ratio was 5.8 in FY2012, the most recent year for which data is available. In the past five years, the District's current ratio averaged 5.7, which is far greater than the benchmark of 2.0 and thus demonstrates a healthy level of liquidity. Between FY2008 and FY2012, the current ratio grew from 4.9 to 5.8, primarily because of a growth in cash and cash equivalents.

City Colleges Current Ratio: FY2008 - FY2012 (in \$ thousands)							
	FY2008	FY2009	FY2010	FY2011	FY2012	Five-Year \$ Change	Five-Year % Change
Current Asset							
Cash and cash equivalents	\$ 5,293.3	\$ 1,341.1	\$ 43,354.4	\$119,912.9	\$102,797.8	\$ 97,504.5	1842.0%
Short-term investments	\$186,758.2	\$161,735.9	\$152,669.3	\$ 91,408.2	\$137,167.3	\$(49,590.9)	-26.6%
Property taxes receivable, net	\$ 49,213.8	\$ 67,584.7	\$ 59,574.9	\$ 56,673.6	\$ 57,546.7	\$ 8,332.9	16.9%
PPRT taxes receivable	\$ 2,342.4	\$ 2,119.5	\$ 2,074.1	\$ 1,858.4	\$ 1,707.3	\$ (635.1)	-27.1%
Other accounts receivable, net	\$ 10,042.0	\$ 54,546.9	\$ 26,946.7	\$ 34,759.4	\$ 38,605.1	\$ 28,563.1	284.4%
Prepaid items and other assets	\$ 4.1	\$ 155.7	\$ 44.0	\$ 46.8	\$ 189.2	\$ 185.1	4513.7%
Total Current Assets	\$253,653.8	\$287,483.8	\$284,663.4	\$ 304,659	\$ 338,013	\$ 84,359.5	33.3%
Current Liability							
Accounts Payable	\$ 16,253.6	\$ 11,748.8	\$ 14,952.2	\$ 21,185.0	\$ 21,635.8	\$ 5,382.2	33.1%
Accrued Payroll	\$ 6,260.8	\$ 6,646.1	\$ 7,240.1	\$ 7,542.7	\$ 2,500.6	\$ (3,760.2)	-60.1%
Deposits Held In Custody	\$ 1,947.0	\$ 2,117.5	\$ 1,991.3	\$ 1,610.3	\$ 1,402.6	\$ (544.4)	-28.0%
Accrued PropTax Refunds	\$ 14,964.3	\$ 12,275.3	\$ 8,305.6	\$ 6,292.2	\$ 9,671.6	\$ (5,292.8)	-35.4%
Other Liabilities	\$ 10,971.6	\$ 10,456.2	\$ 13,546.1	\$ 21,196.5	\$ 22,206.1	\$ 11,234.5	102.4%
Other Accruals	\$ 951.3	\$ 1,259.8	\$ 449.9	\$ 973.9	\$ 1,245.0	\$ 293.7	30.9%
Total Current Liabilities	\$ 51,348.6	\$ 44,503.7	\$ 46,485.2	\$ 58,800.6	\$ 58,661.7	\$ 7,313.0	14.2%
Current Ratio	4.9	6.5	6.1	5.2	5.8		

Source: CPS Comprehensive Annual Financial Reports, FY2008-FY2012, Statement of Net Assets.

Long-Term Liabilities

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

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

- *Accrued Compensated Absences*: Liabilities owed for current employees' time off with pay for vacations, holidays and sick days;
- *Sick Leave Benefits*: Payments to retirees for accumulated unused sick days. 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,

⁷⁶ City Colleges of Chicago FY2011 Comprehensive Annual Financial Report, p. 24.

2012 is capped at the amount accrued as of July 1, 2014 and has been eliminated for those hired after June 7, 2012;⁷⁷ and

- *Net Other Post-Employment Benefit (OPEB) liabilities:* 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 which 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).⁷⁸

At nearly \$51.0 million in FY2012, the District's long-term liabilities increased by 4.6% from FY2011 and by 51.6% from FY2008. The largest increase was for other post-employment benefits, which consist of health care and life insurance benefits.⁷⁹ OPEB liabilities rose by 15.4%, from \$26.7 million in FY2011 to \$30.8 million in FY2012. The liability for sick leave benefits fell by 9.2%, while accrued absences liabilities dropped by 2.9%. Between FY2008 and FY2012, OPEB liabilities increased by \$17.7 million, or 134.9%. The steady increase in retiree healthcare costs over the five-year period is a serious cause for concern.

City Colleges Long Term Liabilities: FY2008-FY2012 (in \$ thousands)									
Liability	FY2008	FY2009	FY2010	FY2011	FY2012	Two-Year \$ Change	Two-Year % Change	Five-Year \$ Change	Five-Year % Change
Accrued Compensation Absences	\$ 2,547	\$ 2,682	\$ 2,904	\$ 2,736	\$ 2,656	\$ (80)	-2.9%	\$ 109	4.3%
Sick Leave Benefits	\$17,955	\$20,108	\$19,534	\$19,270	\$17,505	\$ (1,766)	-9.2%	\$ (450)	-2.5%
Other Post-Employment Benefits	\$13,119	\$17,304	\$22,308	\$26,712	\$30,820	\$ 4,108	15.4%	\$ 17,701	134.9%
Total	\$33,621	\$40,094	\$44,746	\$48,718	\$50,981	\$ 2,263	4.6%	\$ 17,360	51.6%

Source: City Colleges of Chicago Comprehensive Annual Financial Reports, FY2008-FY2012.

Long-Term Debt

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

The District has had no general obligation debt, but will issue \$200 to \$300 million of bonds in FY2014 to fund its capital plan. The largest projects in the capital plan are a new Malcolm X College campus and a transportation center at Olive-Harvey College.

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 5,510 active employees

⁷⁷ City Colleges of Chicago FY2012 Comprehensive Annual Financial Report, p. 36.

⁷⁸ City Colleges of Chicago FY2012 Comprehensive Annual Financial Report, p. 39.

⁷⁹ City Colleges of Chicago FY2012 Comprehensive Annual Financial Report, p. 39.

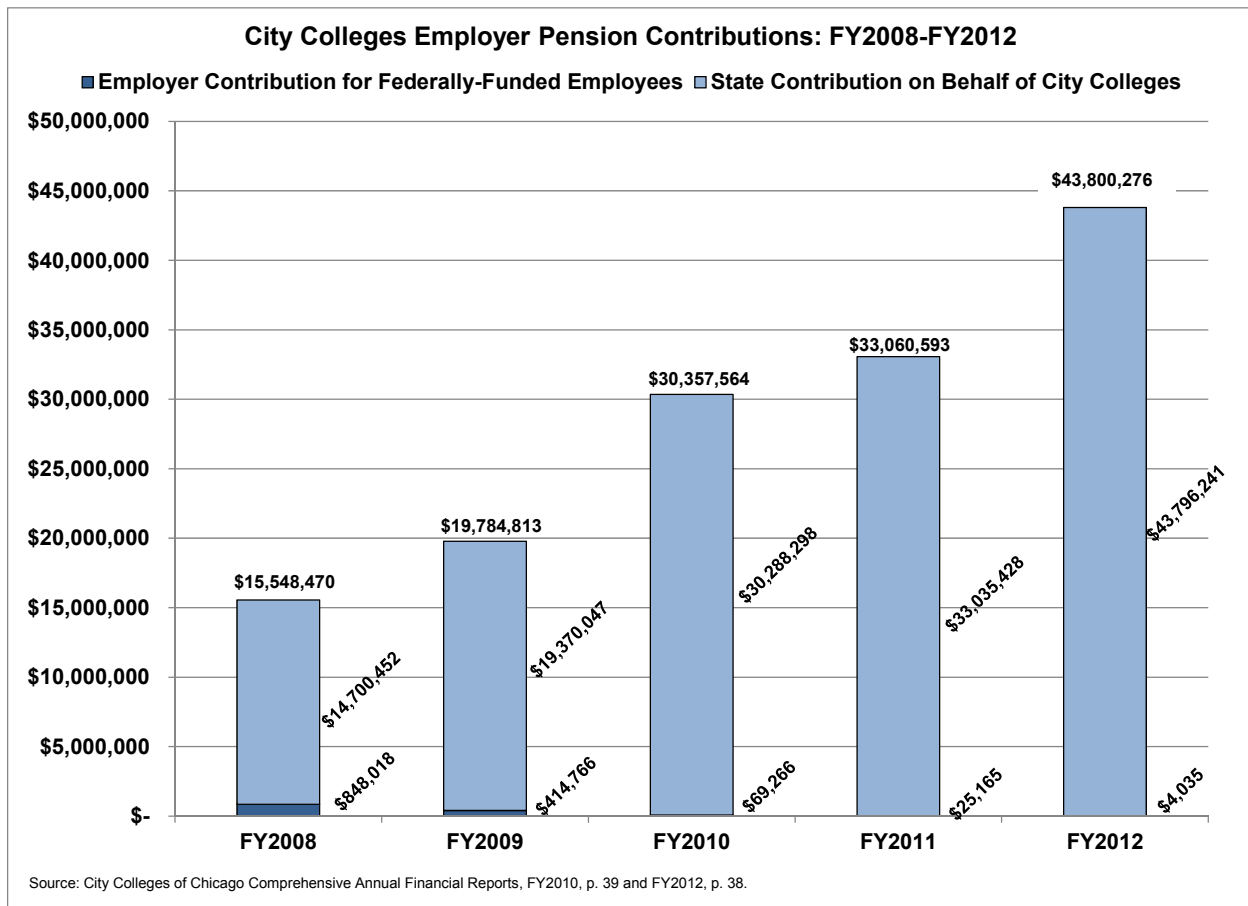
who are enrolled in the SURS retirement plan. All full-time faculty and staff contribute to SURS, except temporary workers who contribute to Social Security. There are also 453 active employees contributing to social security. These employees are temporary or irregular status workers, staff who work less than four months consecutively, students or re-hired retirees.⁸⁰

SURS members contribute 8.0% of their annual covered salary to the pension fund. In FY2012 the State of Illinois made nearly all of the employer contributions on behalf of City Colleges at the actuarially determined rate of 24.21% of covered payroll.⁸¹ City Colleges makes the employer contribution for federally-funded grant positions out of those grant funds.

⁸⁰ Information provided by City Colleges Finance Office, June 28, 2013

⁸¹ 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 FY2012 Comprehensive Annual Financial Report, p. 38.

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 FY2012 were nearly \$43.8 million, a 32.6% increase from FY2011. Contributions for positions funded through federal grants totaled only \$4,035, down from \$25,165 in FY2011 and \$69,266 in FY2010. This is likely due to less federally-funded employees in the District.⁸² The total employer contribution grew by 181.7% over the five-year period, from \$15.5 million to \$43.8 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 State FY2015 until costs are fully shifted.⁸³ 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.⁸⁴ If the bill were to go into effect, the

⁸² Communication with City Colleges of Chicago budget staff, July 8, 2013.

⁸³ 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>

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

District estimates that its annual employer pension contribution will be approximately \$1.0 million.⁸⁵

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.⁸⁶

Between FY2008 and FY2010 the number of retirees and beneficiaries receiving benefits fell from 735 to 614 before rising again to 654 in FY2011 and to 668 in FY2012. The number of active vested members increased slightly between FY2008 and FY2009 from 1,669 to 1,686 before falling to 1,668 in FY2010 and to 1,594 in FY2011. The number of active vested members increased again to 1,726 in FY2012.

City Colleges Other Post Employment Benefit Plan: Active Employees and Current Beneficiaries: FY2008-FY2012					
Members	FY2008	FY2009	FY2010	FY2011	FY2012
Active Employees (vested)	1,669	1,686	1,668	1,594	1,726
Current Beneficiaries	735	703	614	654	668
Total	2,404	2,389	2,282	2,248	2,394

Source: City Colleges of Chicago Comprehensive Annual Financial Reports, FY2009, p. 40 and FY2012, p. 39.

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.⁸⁷ City Colleges had \$18.3 million in investments designated for its OPEB obligation in FY2011 and \$27.9 million in FY2012.⁸⁸ Historically, City Colleges has considered using the designated funds to establish an irrevocable OPEB trust. The District will 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.⁸⁹

The FY2012 pay-as-you-go employer contribution of \$7.5 million is budgeted as part of the District’s employee health insurance costs.⁹⁰ 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 FY2008 to FY2012.⁹¹ The actuarial assumptions used in the calculation included a 4.5% discount rate and an annual healthcare cost trend rate of 9.0%, which is assumed to decline

⁸⁵ City Colleges of Chicago FY2014 Tentative Annual Operating Budget, p. 6.

⁸⁶ City Colleges of Chicago FY2012 Comprehensive Annual Financial Report, p. 39.

⁸⁷ Information provided by City Colleges finance office, June 30, 2011.

⁸⁸ City Colleges of Chicago FY2012 Comprehensive Annual Financial Report, p. 41.

⁸⁹ Information provided by City Colleges finance office, June 28, 2013.

to a 5.0% rate by 2020.⁹² City Colleges' Net OPEB Obligation has grown over the five-year period because its annual payments have equaled only 55% to 65% of the annual OPEB cost.

City Colleges Other Post Employment Benefits: Annual OPEB Cost and Net Obligation FY2008-FY2012					
	FY2008	FY2009	FY2010	FY2011	FY2012
Annual OPEB Cost	\$ 9,958,539	\$ 10,361,000	\$ 11,294,194	\$ 11,029,375	\$ 11,593,396
Employer Contributions	\$ 6,498,620	\$ 6,175,497	\$ 6,290,403	\$ 6,625,444	\$ 7,485,562
Increase in Net OPEB Obligation	\$ 3,459,919	\$ 4,185,503	\$ 5,003,791	\$ 4,403,931	\$ 4,107,834
% of Annual OPEB Cost Contributed	65.3%	59.6%	55.7%	60.1%	64.6%
Net OPEB Obligation (End of Year)	\$ 13,119,012	\$ 17,304,515	\$ 22,308,306	\$ 26,712,237	\$ 30,820,071

Source: City Colleges of Chicago FY2012 Comprehensive Annual Financial Report, p. 40.

The next exhibit shows the Unfunded Actuarial Accrued Liability (UAAL) of the City Colleges' OPEB plan. The actuarial value of assets is not shown as the District does not pre-fund its OPEB obligation through an irrevocable trust. The UAAL was \$119.3 million in FY2012, down from \$124.5 million in FY2011. In the past five years, the UAAL as a percent of covered payroll has fluctuated, initially rising from 118.1% in FY2008 to 120.4% in FY2009. The UAAL then fell to 113.8% in FY2010 before climbing to a high of 125.0% in FY2011. The UAAL as a percent of covered payroll dropped again in FY2012 to a five-year low of 108.3%.

Unfunded Actuarial Accrued Liability of the City Colleges OPEB Plan: FY2008-FY2012					
	FY2008	FY2009	FY2010	FY2011	FY2012
Unfunded Actuarial Accrued Liability (UAAL)	\$ 113,011,808	\$ 121,654,154	\$ 117,079,887	\$ 124,498,937	\$ 119,275,116
Covered Payroll (active plan members)	\$ 95,665,186	\$ 101,030,184	\$ 102,896,841	\$ 99,595,638	\$ 110,092,137
UAAL as a % of Covered Payroll	118.1%	120.4%	113.8%	125.0%	108.3%

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, FY2009, p. 42 and FY2012, p. 41.

⁹⁰ Information provided by City Colleges finance office, August 3, 2010.

⁹¹ 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.

⁹² City Colleges of Chicago FY2012 Comprehensive Annual Financial Report, p. 41.